

A hand in a white glove holds a red line graph that trends upwards. Below the graph are several stacks of silver coins of varying heights, with the tallest stack on the right. The background is dark and out of focus.

## Book Building Process in Nepalese Capital Market- Synopsis

# Issuing IPO through Book Building

## What is Book Building ?

Book building is a system for issuing an IPO at a pre-determined price. The process of determination of the price is also known as price discovery, which is usually done by generating investor's demand and valuation of the company.

## Book Building in Nepal

Securities Exchange Board of Nepal has implemented Book Building Bylaws 2077 that would facilitate the process of floating ordinary shares for both institutional and general investors.

## Minimum Criteria for a company to issue IPO through Book Building system:

- Approval from company's AGM to issue IPO through the book building system
- Company should have operated at a profit for the last 3 years
- Net worth per share should be maintained at 150% of per share paid up capital.
- Average or above average rating from rating agency.

# Process of Issuing IPO through Book Building

**Obtain approval from company's AGM for issuance of IPO through book building system.**

**Determination of a price range:**  
The concerned company shall initially determine the average value of the IPO based on the company's valuation and the demand of the IPO being issued. Also, the company shall prepare an initial prospectus and conduct a roadshow involving the interested institutional investors. Once the average value is determined, the concerned company shall call out to institutional investors to apply for the shares within the specific price band.

*The bidding by the institutional investor is done within the price range i.e. 20% below (i.e. Floor price) or above (i.e. cap price) of the average price determined as above.*

**Determination of Cut-off price:**  
The concerned company shall ask at least 10 interested institutional investor to submit their bids. While collecting the bids from institutional investors bids for 100% of the allocated units eligible for institutional investors shall be collected. Based on the bids received, the cut off price shall be determined. Cut off price shall be the price at which the maximum number of applicants have submitted the bids within the price range.

*In case the concerned company is not able to collect bids for 100% of the allocated units or from at least 10 institutional institution, then the company shall revise the price range and proceed for collecting the bids as earlier.*

**Issue to General Public:**  
The general public will be able to apply for minimum 50 units at a discount of 10% of the cut-off price.

*The concerned company can issue maximum 40% of shares to the institutional investors and 60% to the general public*

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