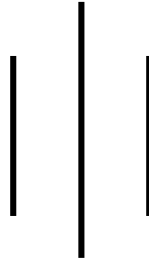


**A Thesis on  
Working Capital Management of  
Hulas Steel Industries Ltd**



**Submitted by:  
Shiv Kumar Das  
Thakur Ram Multiple Campus, Birgunj  
T.U. Regd. No: - 7-2-481-45-2003  
Campus Roll No: - 117/063**



**Submitted to:**

**Office of the Dean  
Faculty of Management  
Tribhuvan University**

**In partial fulfillment of the requirement for Degree of  
Masters of Business Studies (M.B.S.)**

**Birgunj, Nepal  
September ,2013**

# Recommendation

This is certify that the thesis

Submitted by  
Shiv Kumar Das  
Campus Roll No: -117/063  
T.U. Regd. No: -7-2-481-45-2003

Entitled  
“**WORKING CAPITAL MANAGEMENT OF HULAS STEEL INDUSTRIES LTD.**”, has  
been prepared and approved by this Department in the prescribed format of Faculty of  
Management. T.U, this thesis is forwarded for examination.

.....  
LalanDwibedi  
(Thesis Supervisor)

.....  
Dr. Deepak Shakya  
(HOD, Research Department)

Date .....

# Viva Voce Sheet

We have conducted the viva voce examination of the thesis presented

By

Shiv Kumar Das

Entitled

**“WORKING CAPITAL MANAGEMENT OF HULAS STEEL INDUSTRIES LTD.”**and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment for Master Degree in Business Studies (M.B.S.)

VIVA VOCE COMMITTEE:

Head of Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

Date: - .....

## **Declaration**

I hereby declare that the work reported in this thesis entitled “WORKING CAPITAL MANAGEMENT OF HULAS STEEL INDUSTRIES LTD.”, Submitted to Thakur Ram MultipleCampus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Studies under the supervision of lalan Dwibedi

.....  
Shiv Kumar Das  
Researcher  
Campus Roll no:-117/063  
T.U. Regd. No: -7-2-481-45-2003

## **Acknowledgement**

This research study entitled, “WORKING CAPITAL MANAGEMTN OF HULAS STEEL INDUSTRIES LTD.”,has been carried out on behalf of the fulfillment of the partial requirement of the Master’s in Business Study (M.B.S.). On the Course of completion of this thesis study I was able to gain and share a lot of memorable moments and experiences. However, I got acquainted with the various books terminologies, thesis, Journal and articles.

So, I would like to begin my acknowledgement by casting vote of thanks to my authentic guides Mr. Lalan Dwibedi (Lecture, Thakur Ram Multiple Campus, Birgunj) for his valuable suggestion and guidance. Also I would like to extend my regard to all the staff of the Thakur Ram Multiple Campus for their support in the administrative related work.

Likewise, I’m indebted to my friends and my relatives Mr. Niranjana Kumar Mahato,Mr.Manoj Mishra in every steps of thesis making they help me, special thanks for my nearest friendJeewan Chaudhary, for all those computer setting and cost effectiveness. They bestowed me their moral as well as ideological support for advancing my thesis report.

Last but not least, I would like to appreciate and remember all my co – workers for their ideological support and serious of my family for granting me precious time to complete this thesis.

Shiv Kumar Das  
(Researcher)  
Thakur Ram Multiple Campus  
Birgunj, Nepal

# Table of Content

	<b>Page No</b>
<b>Recommendation</b>	<b>i</b>
<b>Viva Voce Sheet</b>	<b>ii</b>
<b>Declaration</b>	<b>iii</b>
<b>Acknowledgement</b>	<b>iv</b>
<b>Table of Content</b>	<b>v</b>
<b>List of Abbreviation</b>	<b>vi</b>
<b>Chapter-01: Introduction</b>	<b>1 - 14</b>
1.1 Background of the study	1
1.1.1 Needs of working capital	2
1.1.2 Calculation working capital	2
1.1.3 Quality Control	6
1.2 Focus of the study	7
1.2.1 Working Capital Practices	8
1.3 Statement of Problem	9
1.4 Objectives of the study	10
1.5 Need / Significance of the study	11
1.6 Limitation of the study	12

1.7 Research Methodology	12
1.8 Organization of the Study	14

## **Chapter-02 : Review of Literature** **15 - 36**

2. Review of Literature	15
2.1 Review of Text Books	15
2.1.1 Meaning and Concept of Working Capital	15
2.2 Requirement of working capital	19
2.3 Cost Trade-off	20
2.4 Liquidity versus Profitability (Risk and Return)	20
2.5 Need for working capital	21
2.6 Working capital policies	22
2.7 Current Assets Investment Policy	23
2.8 Current Assets financing policy	23
2.9 Determining Financing Mix	24
2.10 Financing working capital	25
2.11 Adequacy and in-adequacy or working capital	27
2.12 Determinants of working capital	28
2.13 Sources and applications of working capital	30
2.14 Classification of Working Capital	31
2.15 Review of Journal/ Articles	31
2.16 Review of Dissertations	34

## **Chapter-03 : Research Methodology** **37 - 50**

3. Research Methodology	37
3.1 Research Design	37
3.2 Nature and source of data	38
3.3 Population and sample	38
3.4 Procedure of analysis	39

3.5 Tools for Analysis Data	39
3.5.1 Financial analysis	39
3.5.1.1 Ratio Analysis	39
3.5.1.2 Composition of working capital	41
3.5.1.3 Turnover Analysis	43
3.5.1.4 Profitability Position Analysis	45
3.5.1.5 Liquidity Position	47
3.5.2 Statistical Analysis	48
3.5.2.1 standard deviation (SD)	48
3.5.2.2 Co-efficient of Variation (CV)	49
3.5.2.3 Correlation Coefficient (r)	49
3.5.2.4 Probable Error (PE)	50

## **Chapter-04: Presentation and Analysis of Data**

**51 - 78**

4. Presentation and Analysis of Data	51
4.1 Introduction	51
4.2 Position of current assets and current liabilities	51
4.3 Composition of working capital	53
4.3.1 Percentage of current assets to total assets	53
4.3.2 Percentage of Current Assets to Fixed Assets	55
4.3.3 Percentage of Cash and Bank Balance to Current Assets	56
4.3.4 Proportion of Cash and Bank Balance to Total Assets	57
4.3.5 Proportion of Inventory to Current Assets	58
4.3.6 Proportion of Inventory to Total Assets	59
4.3.7 Proportion of Receivables to Current Assets	60
4.3.8 Proportion of Receivables to Total Assets	61

4.4 Turnover Position	62
4.4.1 Total Current Assets Turnover or Gross Working Capital Turnover	62
4.4.2 Net Working Capital Turnover	63
4.4.3 Cash Turnover Ratio	64
4.4.4 Receivable Turnover Ratio	65
4.4.5 Inventory Turnover Ratio	66
4.5 Liquidity Position	67
4.5.1 Current Ratio	67
4.5.2 Acid Test/Quick Ratio	69
4.6 Profitability Position	70
4.6.1 Gross Profit Margin	70
4.6.2 Net Profit Margin	71
4.6.3 Operating Expenses Turnover Ratio	72
4.6.4 Return on Total Assets	73
4.6.5 Return on Net Worth	75
4.6.6 Return on Gross Working Capital	76
4.6.7 Return on Net Current Assets	77
4.7 Correlation Coefficient Analysis (r)	78

## **Chapter-05 Summary, Conclusions and Recommendations** **79 - 85**

5. Summary of Findings Conclusions and Recommendations	79
5.1 Summary	79
5.2 Conclusions	80

## **Bibliography**

## **Appendix**

## List of Abbreviation

CATA	:	Current Assets to Total Assets
CBCA	:	Cash and Bank to Current Assets
ITA	:	Inventories to Total Assets
RTA	;	Receivable to Total Assets
CAT	:	Current Assets Turnover
CT	;	Cash Turnover
RT	;	A/C Receivable Turnover
IT	;	Inventories Turnover
NPM	;	Net profit Margin
OR	;	Operating Expenses Ratio
ROA	;	Return on Assets
ROWN	;	Return on Net Worth
ROCA	;	Return on Current Assets
CR	;	Current Ratio
QR	;	Quick Ratio
ALR	;	Absolute Liquid Ratio
SD	;	Standard Deviation
r	:	Correlation Coefficient
P.E.	:	Probable Error