

## CHAPTER I

### INTRODUCTION

#### **1.1 Background of study**

Working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short-term obligations on one hand and avoid excessive investment in these assets on the other hand. The development of any country largely depends upon its economic health and conditions. The mobilization of the domestic resources is one of the key factors in the economic development of the country. Nepal is an agricultural country. Agriculture provides employment to over 80% of labor force and contributes about 40% of gross domestic product. Agricultural production technologies are primitive and the production system is subsistence based. Today, foreign employment and other industrial development are the major sources of income besides agriculture. In the economic development of a country, manufacturing companies can be considered as the catalyst. Industrialization plays a crucial role in the progress of economic development and its importance is as a means of achieving economic growth and prosperity within the country. To run the organization smoothly they need working capital, which helps to operate their day-to-day financial activities. Working capital is regard as the lifeblood and nerve of a business concern and is essential to accommodate the smooth operations of any organization. Working capital plays significant role in the success or failure of the business. (Elijelly, 2004).

Working Capital Management has become very important in financial management because of its effects on the firm's profitability, risk and consequently its value. There are several important reasons why the management of working capital is important to both small and large organizations. As the financial markets have turned into turbulence during the last few years, an increasing number of companies turn to their working capital in search of liquidity. A liquid company has more cash in hand to pay its debtors in time and reduce its net financial costs. Furthermore, a more liquid company has the ability to quickly invest in profitable opportunities. Working capital is usually defines in terms of net working capital. Net working capital is the difference between current assets and current liabilities. This means shortening the time of collecting receivables, deferring payments and keeping a minimal inventory, a

company can reduce its net working capital. Working capital also encompasses cash management, for example, how to invest idle cash funds without losing out on liquidity. (Smith, 1980).

Working capital, also known as net working capital (NWC), is the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable. Net operating working capital is a measure of a company's liquidity and refers to the difference between operating current assets and operating current liabilities. In many cases these calculations are the same and are derived from company cash plus accounts receivable plus inventories, less accounts payable and less accrued expenses. Working capital is a measure of a company's liquidity, operational efficiency and its short-term financial health. If a company has substantial positive working capital, then it should have the potential to invest and grow. If a company's current assets do not exceed its current liabilities, then it may have trouble growing or paying back creditors, or even go bankrupt. (Investopedia.com)

Working capital management is important because of its effects on the firm's profitability and risk, and consequently its value (Smith, 1980). On the one hand, maintaining high inventory levels reduces the cost of possible interruptions in the production process or of loss of business due to the scarcity of products, reduces supply costs, and protects against price fluctuations, among other advantages. Working capital can be regarded as the lifeblood of the enterprises. It refers to the administration of all aspects of the current assets and current liabilities. It includes that type of capital, which circulates from one to another form in the ordinary conduct of business. It plays vital role in every business organization whether they are trading or manufacturing concerns. As the management of current assets and current liabilities of the business organization is necessary for day-to-day operations, it plays the key role in the success or failure of an organization. (Blinder and Manccini, 1991).

Working capital is a financial metric, which represents the operating liquidity available to a business. Along with fixed assets such as plants and equipment's, working capital is considered as a part of company's operating capital, referring to current assets. To measure the efficiency of a company's working capital, people often use net working capital, which is defined as difference between current assets and

current liabilities. If current assets are higher than current liabilities, this company has working capital efficiency, explaining the company's ability to continue its operations and to have sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses (Huynh, 2011).

Nepalese economy is mainly based on agriculture; more than 80% of the population, but the farming is in subsistence level. The GDP contribution is 38.10% only at current price in FY 058/059 (Statistical Pocket Book, 2002). The varied climate condition is a gift of nature, which could produce variety of fruits and flowers, but cultivation is not yet in commercial scale recently, the agriculture is being slowly replenished by other sectors also. (Shrestha, 1998).

Today one may come across with such situation where shortage of funds for working capital as well as the uncontrolled over expansion of working capital has caused much business to fail and in less serve caused, has situated their growth. This aspect of financial management is equally applicable to the small as well as large-scale enterprises. The only difference is that in small firm, working capital management may be the factor that decides success or failure where as in longer firms, efficient working capital management can significantly affect the firm's risk return and share price. (Gitman, Joehnk and Pinches, 1985).

Working capital management is concerned with short-term investment and financing decision of an entity and is a major business requirement and a significant part of corporate finance. WCM covers the planning and controlling activities of companies regarding their current assets and current liabilities in a manner that guarantees their ability to meet their current obligations satisfactorily as well as a maximum return on their precious investment in these floating assets. The ultimate goal of working capital management is to ensure that firms are able to continue their operations with sufficient cash flow that will service their long-term debts and satisfy both maturing short-term obligations and upcoming operational expenses. Working Capital management is used as an optimization tool to make the most profitable use of liquid funds while maintaining a minimum level of liquidity to cover possible unexpected short-term expenditures (Kunze and Peri, 2015).

A well designed and implemented working capital management policy is expected to contribute positively to the creation of a firm's value. Current assets of many

companies, accounts for over half the total assets and are even higher in the companies in the distribution sector. However, a company is required to maintain a balance between liquidity and profitability while conducting its day to day operation. This requires that a business must be run both efficiently and profitably. In the process, Assets-liability miss-match may occur, which may increase the firm's profitability in the short - run but at a risk of its insolvency. On the other hand, too much focus on liquidity will be at the expense of profitability of the firm. (Horne and Wachowicz, 2009).

There are specially two concepts of working capital: Gross concept and net concept. The gross working capital simply called as working capital refers to the firm's investment in current assets. Current assets are those assets which can be converted into cash within an accounting year and include cash, short terms securities, debtors, bills receivables, stock (inventory) and prepaid expenses. The term net working capital refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders which can be expected to mature for payment within an accounting year and includes creditors, bills payable, bank overdraft and outstanding expenses or accrued income. Net working capital can be negative or positive. A positive net working capital will arise when current assets exceed current liabilities. A negative net working capital occurs when current liabilities are in excess of current assets. (Pandey, 1992).

Working capital management is usually described as involving the administration of these assets namely cashes marketable securities, receivables, inventories and the administration of current liabilities. It means the working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the inter-relationship that exist between them. It has been seen in practice that due to volatility in nature and heavy investments in current assets, it has accounted a substantial amount of financial manager's time in managing such assets. So maintaining optimum level of working capital is the crux of the problem as it is strongly related to other trade-off between risk and return. In such circumstances an utmost care should be taken in the management of such assets. (Van Horne, 1991)

The aspect of determining appropriate proportion of current assets in the structure of total assets comes under the preview of working capital policy. The unnecessary blocking of working capital, administrative negligence in day to day operation and

serious liquidity problem are the main causes for the failure of manufacturing companies in Nepal. Most of the Nepalese manufacturing companies are operating in loss though they are following aggressive approach of working capital management. In order to compete the rivals in the market, working capital management is the most vital part of any firm. Since it affects all functional areas of any firm, the firm should have the sound working capital management in order to survive in the market. For every business organization irrespective to their nature. Working capital management is the crucial aspect of the financial management. It is the life-blood and controlling nerve center for any types of business organization because without the proper control upon it no business can run smoothly. The management of current assets and current liabilities is necessary for daily operations of any organizations. Thus, it plays the vital role in the success and failure of the organizations as it deal with the part of assets, which transformed from one form to another form during the course of manufacturing cycle. Therefore, the role of working capital management is more significant.

## **1.2 Statement of the Problem and research questions**

Working capital management has regarded as one of the important factor in the decision-making process. The management of working capital is synonymous to the management of short-term liquidity. Working capital is regard as the lifeblood and nerve of a business concern and is essential to accommodate the smooth operations of any organization. Both excessive and inadequate levels of working of working capital are harmful to an enterprise to achieve its primary objectives. (Padachi, 2010). The excessive level of current assets of a firm means to use more long-term fund, which is costlier than current liabilities. On the other hand, the inadequate level of current assets may lead the firm into technical bankruptcy. Hence, the goal of working capital management is to manage the firm's current assets and current liabilities in such a way that an optimal level of working capital is maintained. However, it is difficult to point out as to how much working capital is needed by a particular business organization. The requirement of working capital may vary from firm to firm due to the unpredictable nature of cash inflows. In this context, working capital management is being a challenging task. (Van Horne 1970).

Regarding the management of working capital sources, most of public enterprises have never thought seriously. They are usually found to depend on working capital

management even for overcoming the shortages of working capital in spite of trying to manage working capital needs from their own sources. Some of public enterprises have used depreciation fund and utilized surplus to overcome the poverty of working capital (Acharya, 2042). Working capital management has been the most intricate and challenging area of modern corporate finance is as much as the management always faces trade-off between the liquidity and profitability of the firm. (Acharya, 2045).

The management of working capital is essential for the company to remain liquid enough to meet its short-term creditors. But can proper working capital management make a company more profitable than a competitor who does not manage its working capital? What are the different metrics and processes that need to be improved to increase profitability through working capital management? This study is restricted to the different processes around working capital management and concentrate on a few different metrics to find out how companies can perform better by managing working capital. So, following are the major problems that have been identified for the purpose of this study.

- i. What is the liquidity position of selected companies?
- ii. What is the status of working capital utilization of selected companies?
- iii. What is the relationship between the working capital and selected companies profitability?

### **1.3 Purpose of the study**

Every research study conducted with a view of achieving some objectives and this study is of no exception. The main objective of this study is to analyze the working capital management of Unilever Nepal Ltd, Dabur Nepal Ltd, and Himalayan Distillery Ltd. The specific objectives are as follows:

- i. To identify the liquidity position of selected companies.
- ii. To examine the status of working capital utilization of selected companies.
- iii. To examine the relationship between working capital and selected companies profitability.

#### **1.4 Significance of the Study**

The study conducted on the title of Working capital management is expected to be used and/or applied by both the academicians and manufacturing companies' managements. Accordingly the following are the significances that are attained by the study.

- i. The knowledge generated through this study can be useful to the managers and corporate leaders to determine and manage working capital management in the organization.
- ii. This study might be helpful for the management of the concerned companies (Unilever Nepal Ltd, Dabur Nepal and Himalayan Distillery Limited) in relation to the working capital management.
- iii. It might be valuable for the researcher, scholars, student who wants to study into the working capital management of manufacturing companies of Nepal.

#### **1.5 Limitations of the Study**

- i. Out of various manufacturing companies, this study is concerned with the only three manufacturing companies of Nepal, i.e. Unilever Nepal Ltd, Dabur Nepal Ltd, and Himalayan Distillery Ltd.
- ii. It has only considered secondary data are for the study purpose. Data collection conducting primary survey is not taken into consideration.
- iii. This study has analyzed last 5 years data beginning from 2013/14 to 2017/18
- iv. Lack of pertinent literature on working capital management of manufacturing company in the Nepalese context.

#### **1.6 Chapter plan**

A chapter plan is an outline that helps us to organize material in a way that is easy to comprehend. It can be a very useful tool in helping to find the main points of the chapter. This report has been divided into five chapters.

#### **Chapter I: Introduction**

Chapter one gives detail about the study area and the concept note about the research problem under study. It includes background of the study problem statement, objectives, significance of the study, limitations and the conceptual framework.

**Chapter II: Literature Review**

Review of literature gives the investigator a throughout and profound knowledge of the research topic. It provides guidelines to use statistical methods for analysis of collected data.

**Chapter III: Research Methodology**

This chapter discusses in detail the research methodology applied in the context of this study. It includes research design, data sources, variables, population sample and sampling techniques, research tools and techniques and plan for data analysis.

**Chapter IV: Results**

Data analysis includes tabulation, coding and classification of data gathered in accordance with the research design, to perform quantitative and qualitative analysis. The details about the analysis and interpretation of the findings are described here.

**Chapter V: Conclusion**

This chapter presents the brief background of the study, objectives, literature review and methodologies. Chapter focuses on the major findings and compares them with theory and other empirical evidence to extend possible.

## **CHAPTER II**

### **LITERATURE REVIEW**

This section deals with the brief review of existing and prior empirical studies, related to the subject of this study. The study of working capital management of Nepalese manufacturing companies has been a matter of interest for researchers for long time. Many studies have been carried out in developed as well as developing economies relating to this topic. Generally, the portion of literature review has divided into following parts:-

2.1 Conceptual review

2.2 Review of journal articles

2.3 Review of previous theses

2.4 Research gap

#### **2.1 Conceptual review**

##### **2.1.1 Working capital and working capital management**

The term "working capital" is the money required for maintaining daily operation activities in a business, such as for purchasing raw material, for paying salaries, wages, rent or any day to operation. New working capital, which measures the working capital's efficiency, represents the excess of current assets over current liabilities. This indicator explains the firm's ability to meet its short term financial obligations. Working capital is seen as the life blood for feeding up daily operations of a company. The company uses it for four main business purposes (Seidman, 2004).

Working capital is seen as the life blood for feeding up daily operations of a company. The first and also the most critical usage of working capital is to provide an ongoing investment in current assets for serving daily expenditure such as payroll, vendor invoices, and inventory purchases. Secondly, working capital helps address seasonal or cyclical financing needs. Since most businesses do not receive prepayment for selling their goods or services, they need to finance their purchase of raw materials, production and sales of goods prior to receiving payment from their customers. Thirdly, working capital is needed to sustain firm's growth. The firm is expanded not only by investing in new plants or machinery, working capital is also required to facilitate sales growth. Finally, working capital is used to undertake activities to

improve business operations and to remain competitive, such as activities for product development or exploring new markets. (Brealey and Myers 2002).

Working capital management (WCM) is one of those aspects related to financial management, which is concerned with all management areas regarding finance – not only sources and uses of finance in the company, but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the company (Mathuva, 2010).

Working capital management is concerned with the problem that arises in the management of the current assets & current liabilities. It affects the overall functional areas of the firm. Thus, the success or failure of any manufacturing firms virtually depends upon the efficiency of working capital management. So, it is the lifeblood of any firm. Fixed assets and capital are supportive investment for working capital to obtain corporate mission, for which optimum mix are needed. “The term working capital and total current assets are same or synonymous. It is also known as circulating capital” (Kuchhal, 1990).

Working capital management is important because of its effects on the firm’s profitability and risk, and consequently its value .On the one hand, maintaining high inventory levels reduces the cost of possible interruptions in the production process or of loss of business due to the scarcity of products, reduces supply costs, and protects against price fluctuations, among other advantages (Blinder and Manccini, 1991).

Working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short-term obligations on one had and avoid excessive investment in these assets on the other hand (Elijelly, 2004).

Working capital management is the crucial aspect of the financial management. It is the life-blood and controlling nerve center for any types of business organization because without the proper control upon it no business can run smoothly. The management of current assets and current liabilities is necessary for daily operations of any organizations. Thus, it plays the vital role in the success and failure of the organizations as it deal with the part of assets, which transformed from one form to another form during the course of manufacturing cycle. Therefore, the role of working

capital management is more significant for every business organization irrespective to their nature. (Smith, 1980).

### **2.1.2 Needs of Working Capital**

Most of firms aim at maximizing the wealth of shareholders. The firms should earn sufficient return from its operation. The extent to which profit can be earned naturally depends upon the magnitude of sales among the other things. Specially, working capital required to spend on raw materials, salary, wages, rent, electricity, advertisement and other sales related expenses. The need for working capital can be categorized into the following ways.

#### **1. Transaction Motive**

A business firms holds cash for smooth running of business. The conduct its ordinary business and making purchases and sales, working capital is needed. In the business, where billings are predictable cash inflows, can be scheduled and synchronized with the need for the cash outflow. In a seasonal business more cash may be needed and if firms want to operate transaction smoothly, they have to keep inventory of raw materials and finished goods. Generally, a business firm invests on marketable securities that can be converted into cash in a short time. It is temporary investment. So, to run business smoothly in an uninterrupted basis, a business firm has to manage working capital for transaction motive.

#### **2. Compensation Balance Motive**

The commercial bank performs many functions for business firms. Sometimes, firm pays service charge by direct fee and sometimes by maintaining compensation balance. Compensation balance is the advance deduction bank on loan. It represents that the firm agrees to maintain in its checking account with the bank. With this assurance, the bank can provide such funds as long term loan.

#### **3. The Precautionary Motive**

Precautionary motive refers to holding cash as a safety margin to act as a financial reserve. A firm should also hold some cash for the payment of unpredictable or unanticipated events. It is the need to hold cash and inventories to guard against the risk of unpredictable change in demand and supply forces and other factors such as strike, failure of important customers, unexpected slowdown in collection of account

receivable, cancellation of some order for goods and some other unexpected emergency. Thus, the firm needs the working capital to meet any contingencies in future. The precautionary needs for holding cash usually is satisfied by holding near cash items such as, investment in marketable securities.

#### **4. The Speculative Motive**

The working capital is needed to meet the speculative motive which refers to the desires of a firm to take advantage of the following opportunities. Opportunities of profit making investment. An opportunity to purchase raw material at a reduced price on payment of immediate cash To speculate on interest rate and To purchase at favorable price, etc.

To grab these opportunities, the business enterprises have to manage cash and marketable securities. It also represents war chest or pool of funds which a firm may draw quickly to meet a short term opportunity, including acquisition.

#### **2.1.3 Working Capital Policy**

Working capital policy refers to the firm's basic policies regarding level of each category of current assets and how current assets will be financed. (Weston, Besley and Brigham, 1996) To have a clear insight on the working capital policy, we have to know about two basic policies: current assets investment policy and current assets financing policy.

##### **1. Current Assets Investment Policy**

Current assets investment policy refers to the policy regarding the total amount of current assets to be carried to support the given level of sales. There are three alternative current assets investment policies which are as follows:

##### **a. Relaxed Current Assets Investment Policy**

This is the policy "where relative large amount of cash, marketable securities, and inventories are carried and where sales are stimulated by the use of credit policy that provides liberal financing to customers and a corresponding high level of receivables." (Weston, Besley and Brigham: 1996) This policy creates longer inventory and cash conversion cycles and longer receivable collection period due to the liberal credit policy. Thus, this policy provides the lowest expected return on investment with lower risk.

### b. Restricted Current Assets Investment Policy

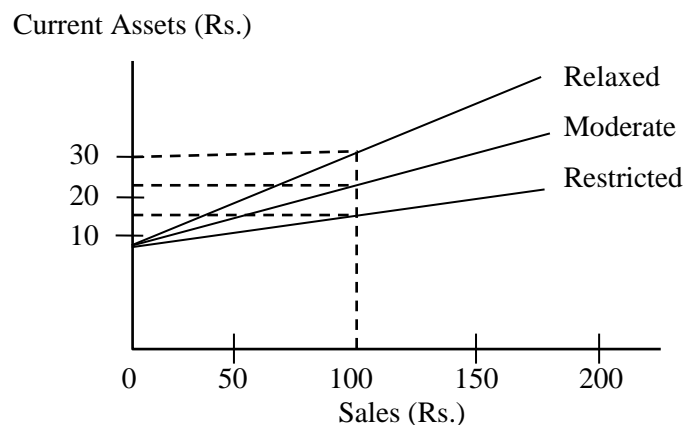
The policy under which a firm holds minimum amount of cash, marketable securities, inventory and receivable to support a given level of sales is known as restricted current assets investment policy or lean and mean policy. In this policy, the firm follows a tight credit policy and bears the risk of losing sales.

### c. Moderate Policy

This is the policy that lies between relaxed and restricted policies. In this policy, a firm holds the amount of current assets in between the relaxed and restricted policies. Both risk and return are moderate in this policy.

**Figure No. 2.1**

#### Alternative Current Assets Investment Policies



(Source: Weston, Besley and Brigham, 1996)

### 2 Current Assets Financing Policy

There are different sources by which current assets are financed. However, each and every source entails certain level of cost and risk. Therefore, a careful study is required before making decision as to the financial sources of current assets. The manner in which the permanent and temporary current assets are financed is called the firm's current assets financing policy.

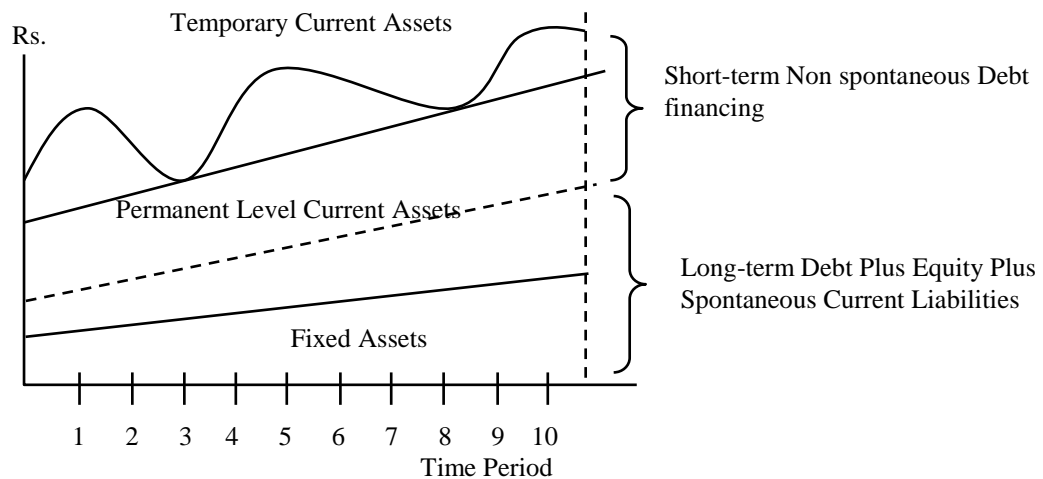
A firm can adopt one of the following policies regarding raising funds for current assets. (Weston, Besley and Brigham, 1996).

### a. Aggressive Policy

Degree of aggressiveness in financing the current assets depends upon how the current assets have been financed. A firm is generally regarded aggressive if it finances all of its fixed assets and part of the permanent current assets with long term debt plus equity plus spontaneous current liabilities and all of the temporary current assets with short-term, non-spontaneous liabilities. If part of the fixed assets is also financed with current debt or short term credit, then the firm will be regarded more aggressive.

**Figure No. 2.2**

### Aggressive Financing Policy

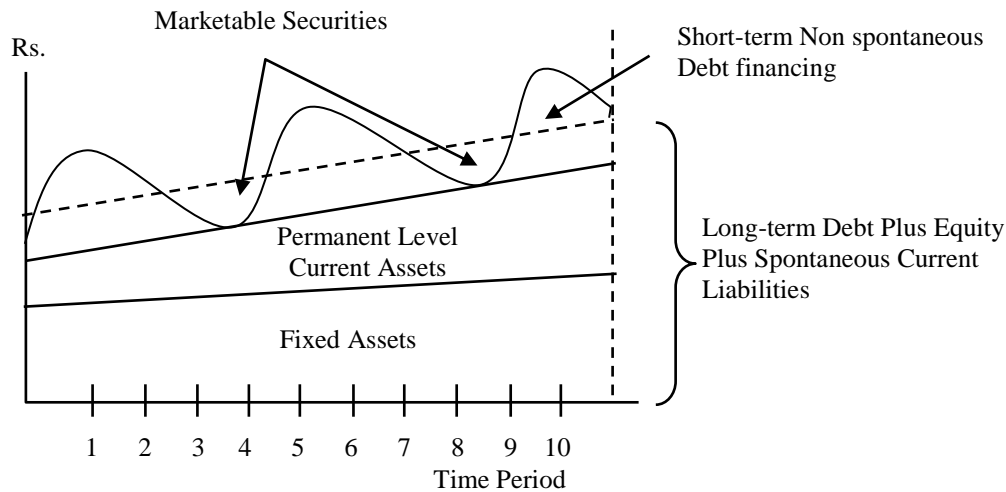


(Source: Weston, Besley and Brigham, 1996)

### b. Conservative Policy

This is the policy in which all of the fixed assets, all of the permanent current assets, and some of the temporary current assets of a firm are financed with long-term capital. (Weston, Besley and Brigham, 1996) This is a very safe financing policy and, therefore, not very appropriate from the standpoint of profit

**Figure No. 2.3**  
**Conservative Financing Policy**



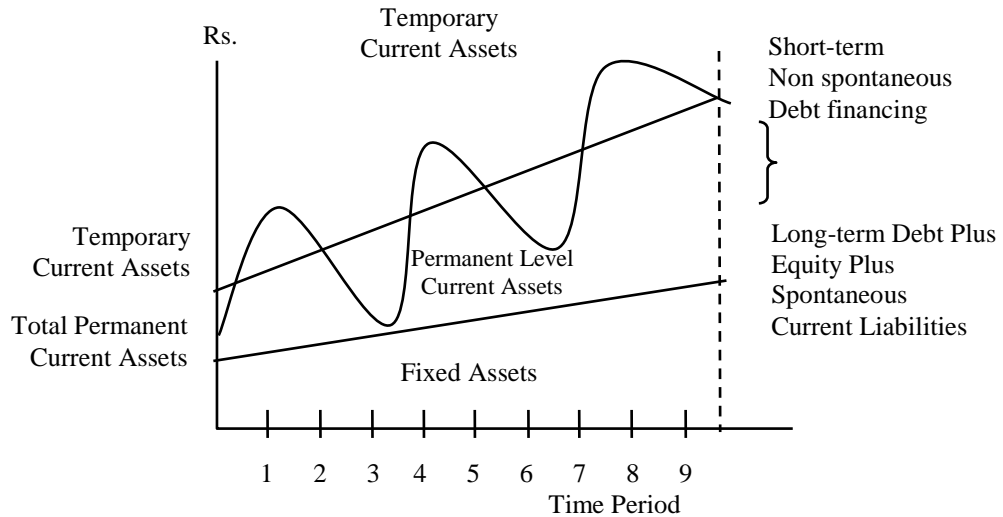
(Source: Weston, Besley and Brigham, 1996)

### c. Maturity Matching Policy

Maturity matching policy, also known as self-liquidating policy calls for matching assets and liability maturities. This strategy minimizes the risk that the firm will be unable to pay off its maturing obligations if the liquidations of the assets can be controlled to occur on or before the maturities of the obligations.

At the limit, a firm could attempt to match exactly the maturity structures of its assets and liabilities. Inventory expected to be sold in 30 days could be financed with a 30-day bank loan; a machine expected to last for five years could be financed by a 5-year loan; a 20-year building could be financed by a 20-year mortgage bond; and so forth. In this policy, generally, the firm finances permanent current assets with long term financing and temporary with short-term financing. It means the firm matches the maturity of financing sources with an asset's useful life. It lies between the aggressive and conservative policies.

**Figure No. 2.4**  
**Maturity Matching Policy**



(Source: Weston, Besley and Brigham, 1996)

#### 2.4 Cash Conversion Cycle

Cash conversion cycle begins when the company pays cash to suppliers for the materials purchased and ends when cash is collected from customers for credit sales (Hillieretal, 2010). In general, cash conversion cycle is computed as operating cycle minus accounts payable period. Alternatively, cash conversion cycle is the sum of inventory period and accounts receivable period less accounts payable period.

$$\begin{aligned} \text{Cash Conversion Cycle} &= \text{Operating Cycle} - \text{Accounts payable period} \\ &= (\text{Inventory period} + \text{Accounts receivable period}) - \\ &\quad \text{Accounts payable period.} \end{aligned}$$

Cash Conversion cycle tells us how cash is moving through a company in terms of duration. The cycle starts with a cash outflow by which the company pays back to suppliers for obtaining raw materials then ends with a cash inflow when receiving money back from its customers for selling its goods or services. In other words, the cycle indicates the number of days it takes the company to convert its operating activities requiring cash into cash returns.

### **a. Inventory Period**

Inventory period or number of day's inventory is the length of time required to order raw materials, produce and sell a product (Hillier et al). Accordingly, the number of day's inventory depends upon the production as well as the sales process. Production time shall be subject to the nature of the product, the automation level as well as the technology used in the manufacturing process. The inventory period is computed by dividing inventories by the company's average daily cost of goods sold. The rationale for this formula is that when raw materials and labors are bought, they are correspondently booked into the account of costs for inventories.

$$\text{Inventory Period} = \frac{\text{Inventory}}{\text{Cost of goods sold}/360}$$

### **b. Accounts Receivable Period**

Accounts Receivable Period also refers to days sales outstanding (DSO) or average collection period (ACP), is the average length of time required to collect accounts receivable after products have been sold in credit. The accounts receivable period is calculated by dividing the receivables by the net sales per day. The rationale for this measure is that the company's revenue account will be booked at sales price including cost plus a profit when a sale occurs.

$$\text{Accounts Receivable Period} = \frac{\text{Re ceivable's}}{\text{Sales} / 360}$$

### **c. Accounts Payable Period**

Accounts Payable Period or Number of Days Accounts Payable is the length of time for which the firm is able to delay payment on the purchase of raw materials to its suppliers. It is defined as the average length of time between purchase of materials and labour and the payment of cash for them. The accounts payable period is formulated by dividing the sum of trade payables by the company's cost of goods sold per day.

$$\text{Accounts Payable Period} = \frac{\text{Payable}}{\text{Cost of goods sold}/360}$$

## **2.5 Factors Affecting Working Capital**

The working capital need of a firm depends upon various factors. These factors may vary from one type of business to another and also keep on changing from time to time. The working capital needed at one point of time may not be good enough for some other situations. Internal policies and environmental changes also affect the working capital. A firm should plan its operations in such a way that it should have neither too much nor too little working capital. In general, the following factors are involved in proper assessment of the quantum of working capital required:

### **a. Nature and Size of Business**

The amount of working capital depends mainly upon the nature of business. It is the nature and conduct of the business that differentiates one firm from another as far as working capital requirement is concerned. If we compare public utility, for example, with manufacturing concern, the later will be found to be requiring much more working capital. Trading and financial enterprises may be required to invest even more on working capital for the reason that it has to maintain sufficient amount of cash, inventories and book debts whereas public utility concern have a very limited need for working capital because they have cash sales in most of the cases (Kuchhal, 1988).

### **b. Manufacturing Process and Length of Production Cycle**

Another factor, which has bearing on the quantum of working capital, is the manufacturing process and production cycle. By 'production cycle', we mean the time involved from the procurement of raw material till it is finally transferred into finished product. In this process, huge fund are tied up on materials, labor and overhead. The longer the time span i.e. manufacturing cycle, the larger will be the tied up funds and therefore the larger is the working capital needed. Opposite is also true (Kuchhal, 1988).

### **c. Growth and Expansion of Business**

In general, expanding enterprises require more working capital than those, which are static, other things being equal. Fixed capital is needed more for the developing enterprises, as the theories state, funds required for operation and maintenance of the fixed capital also increases proportionately whatsoever (Kuchhal, 1988).

**d. Rapidity of Turnover**

Turnover represents the speed with which the working capital is recovered by the sale of goods. If the turnover rate is high, lower amount of working capital will be sufficient and vice-versa (Kuchhal, 1988).

**e. Terms and Conditions of Purchase and Sales**

Credit terms and conditions of sales and purchases have a bearing on the magnitude of working capital required. If the suppliers or trade creditors avail liberal credit terms, the firm will require less working capital and vice-versa. Similarly, the firm selling its product on cash basis will need less working capital than those, which sell their products mostly on credit. The credit sales result in higher book debts (receivables). Higher book debts mean more working capital (Kuchhal, 1988).

**f. Seasonal Nature**

If raw materials are expected to fall short of demand throughout the year for some reasons, the enterprise has to buy the materials in bulk involving huge fund i.e. working capital to make it sure that the production process will not be interrupted during the entire year (Ramamoorthy, 1976).

**g. Dividend Policy**

The firm having satisfactory level of earning capacity may generate cash profit from operation. The need for working capital can met with the retained earnings. A firm which declares dividend and distributes large proportion of cash irrespective of its profit need larger amount of working capital than that which retains larger part of its profits and distributes lower amount of cash dividend (Ramamoorthy, 1976).

**h. Operating Efficiency of the Firm**

The operating efficiency of the concern also plays the key role in determining the level of working capital to be brought from external source. Operating efficiency of the firm results in optimum utilization of resources at minimum cost. Proper utilization of resources improves the profitability of the firm which will in turn release greater funds for working capital purposes (Ramamoorthy, 1976).

### **i. Cash Conversion Cycle**

Cash conversion cycle is the length of time period lag between the time cash outflow occurs in the form of purchase, investment in inventories and receivables and the time cash inflow occur in the form of cash sales or collection of credit sales. Longer the cash conversion cycle larger will be the working capital requirement for the firm.

### **j. Production Policy**

The quantum of working capital is also determined by production policy. In the case of certain lines of business, the demand for product is seasonal, that is, they are purchased during certain months of the year. During the slack season, the firms have to maintain their working force and physical facilities without adequate production and sale. When the peak period arrives, the firms have to operate at full capacity to meet the demand. In this situation, it can either confine its production only that period when goods are sold or follow a steady production policy. The former policy does not need more working capital than the latter does. A production policy in tune with the changing demands may be preferable (Ramamoorthy, 1976).

### **k. Access to Money Market**

The firm which has good relation with banks and financial institutions is apt to get loans easily as a result of which the need for working capital can be minimized (Ramamoorthy, 1976).

### **l. Transport and Communication Facilities**

If transport and communication facilities are effective, they help to publicize and distribute finished goods quickly, speed up the collection of necessary materials and sale of finished goods leading to the requirement of less amount of working capital. On the contrary, if these facilities are not adequately available or not effective, reorder period will be longer. Similarly, longer will be the time to sell the finished products meaning thereby, a larger sum of funds will be blocked on procurement of raw materials and sale of finished products (Ramamoorthy, 1976).

## **M .Concept of Working Capital: Gross and Net Working Capital**

### **1. Gross Working Capital:**

The concept of gross working capital refers to the total value of current assets. In other words, gross working capital is the total amount available for financing of

current assets. However, it does not reveal the true financial position of an enterprise. How? A borrowing will increase current assets and, thus, will increase gross working capital but, at the same time, it will increase current liabilities also. As a result, the net working capital will remain the same. This concept is usually supported by the business community as it raises their assets (current) and is in their advantage to borrow the funds from external sources such as banks and the financial institutions.

Gross Working Capital = Total Current Assets

## **2. Net Working Capital:**

The net working capital is an accounting concept which represents the excess of current assets over current liabilities. Current assets consist of items such as cash, bank balance, stock, debtors, bills receivables, etc. and current liabilities include items such as bills payables, creditors, etc. Excess of current assets over current liabilities, thus, indicates the liquid position of an enterprise. The ratio of 2:1 between current assets and current liabilities is considered as optimum or sound. What this ratio implies is that the firm/ enterprise have sufficient liquidity to meet operating expenses and current liabilities. It is important to mention that net working capital will not increase with every increase in gross working capital. Importantly, net working capital will increase only when there is increase in current assets without corresponding increase in current liabilities. (investopedia.com)

Net Working Capital = Current Assets - Current Liabilities

### **2.2 Review of journal articles**

The study has based on sample of ten public enterprises i.e. Birgunj sugar Factory, Janakpur Cigarette Factory, Raghupati Jute Mills, Dairy Development Corporation, National Trading Ltd., Royal Drugs Ltd. National Construction Company of Nepal, Harisiddhi Brick and Tile Factory, Nepal Dairy Ghee Industry Ltd and Chandesowri Textile Factory Ltd. The study has pointed at certain policy flows such as deficient financial planning, negligence of working capital management, deviation between liquidity and turnover etc. He has suggested some measure for their effective operation and efficient result. The problem can be sorted out through identification of needed funds, development of management information system, determination of sound combination of short term and long-term source to finance working capital requirement. (Shrestha, 1982)

A study on "A comparison of financial performance of market price earning share and private manufacturing enterprises. Selected altogether six textile industries, three from public and private sector each, for the study. In the study it was concluded that the net working capital position of both sectors, although fluctuating, has positive working capital. There was very high liquidity position of public sector industries. Whereas majority of private sector industries have adverse situation. Among current assets, there was encouraging use of cash and bank. Though inventory turnover in public sector industries were relatively lower than that of private sectors while debtors turnover was more or less similar in both sectors. He also found that trade credit and other internal provision though fluctuating in nature were the main sources of financing working capital in both sector. And majority of private sector industries had relatively better use of fixed assets than other industries moreover, the earning power of public sector textile industries was very low and even negative for many years while that of private sector was quite encouraging. He also pointed out that both sectors seemed to have neither any sort of dividend policy nor they did pay any sort of dividend. Thus there was negligible direct contribution of textile industries in the revenue generation of government during the period under study. (Sharma, 1985).

Shin and Soenen (1998) has studied on "The efficiency of working capital management and corporate profitability" which states efficient working capital management is an integral part of the overall corporate strategy to create shareholder value. The basic objective of this study was to investigate the relationship between the firm's efficiency of working capital management and profitability. This relationship is examined using correlation and regression analysis by industry and working capital intensity. The samples of 58,985 firms were collected from the company's annual industrial and full coverage files for the period of 1975-1994.

This article contrast about the weighted Cash Conversion Cycle (CCC) and the Net Trade Cycle (NTC). The researcher also considered regression of profitability on net trade cycle to examine the change in firm's profitability is affected by changes in other variables. The researcher summarized that working capital management is only a part, but for many firms they were very important components of financial management. It also point out that a corporation's working capital is the result of the time lag between the expenditure for the purchase of raw materials and the collection from the sale of finished goods. In all cases, they found a strong negative relation between the length

of the firm's net-trade cycle and its profitability. In addition, shorter net-trade cycles are associated with higher risk-adjusted stock returns (Hall, 1996).

Moss and Stine (1993) research the effect of cash conversion cycle and the firm's size in the retail branch. Along with their findings that larger firms have shorter cash conversion cycles, they find that there is a significant positive correlation between the cash conversion cycle and the current and quick ratios. This means that the conventional liquidity ratios current and quick ratio do not essentially capture the company's cash situation, as funds are being tied up in working capital. In essence, companies, especially smaller ones, should try to focus on their cash conversion cycle to maximize short-term operational liquidity. Focusing too much on static, end-of-period figures might actually worsen the company's financial situation.

Teruel and Solano (2002) have conducted the important research on field of "Effects of Working Capital Management on SME Profitability". The objective of the research is to provide empirical evidence about the effects of working capital management on the profitability of a sample of small and medium-sized Spanish firms. To meet the basic objective, they collected a panel of 8,872 SMEs covering the period 1996-2002. The results, which are robust to the presence of endogeneity, demonstrate that managers can create value by reducing their firm's number of day's accounts receivable and inventories. Equally, shortening the cash conversion cycle also improves the firm's profitability.

According to previous studies focus on large firms (Deloof, 2003), the analyses carried out confirm the important role of working capital management in value generation in small and medium-sized firms. They find a significant negative relation between an SME's profitability and the number of day's accounts receivable and days of inventory. However, they cannot confirm that the number of day's accounts payable affects an SME's return on assets, as this relation loses significance when they control for possible endogeneity problems.

In the study by Lazaridis and Tryfonidis (2006) the relationship between WCM and profitability of listed companies in the Athens stock exchange is studied. They use the cash conversion cycle as a model for efficient working capital management and gross operating profit as a determinant of profitability. Gross operating profitability is defined as:  $(\text{Sales} - \text{COGS}) / (\text{Total Assets} - \text{Financial Assets})$ . Other variables the

authors have chosen to study are sales growth, fixed financial assets ratio and financial debt ratio.

Shrestha (2004) has studied on working capital management of selected listed manufacturing companies in Nepal. With the help of descriptive and financial analysis she came to conclusion that Nepalese manufacturing companies are suffering from huge losses due to their administrative negligence in day-to-day operation. The researcher also find the management is not seriously examined the working management. Moreover, she finds the profitability position of the manufacturing enterprises is positive but not satisfactory. The correlation coefficient of the variable of the selected manufacturing companies for the statistical analysis are found highly positive to each other which means both variables are moving towards same direction.

Yadav (2006) has conducted the research on "Working Capital Management of Listed in Nepal Stock Exchange". The study has used financial as well as statistical tools to analysis the financial data of 2000 to 2005. The study has also used primary and secondary sources of data. The main objective of this study is to apprise the working capital management of listed hotels and to find out the relationship between the different variables of working capital. The major findings of this study. Yak and Yeti, Oriental and Soaltee Crowne Plaza are suffering from excess of current assets over the current liabilities. Yak and Yeti has followed conservative financing policy whereas Soaltee and Oriented have followed aggressive financing policy and. the relationship between current assets and current liabilities, current assets and net sales, and net working capital, are found negative and receivables and net sales are positive of all selected hotels.

Sharma (2007) has conducted one of the important studies in the field of "Working Capital Management Practices in Nepalese Enterprises". The main aims of the study to examining the practice of working capital management in Nepalese public enterprises in the manufacturing sector. The study is based on twenty selected manufacturing enterprises listed in NEPSE of Nepal for ten years from 1996 to 2005. The researcher used descriptive and analytical research design to conduct the study. However, four kinds of empirical analysis are made to reach the conclusion form secondary data (correlation analysis, regression analysis ratio analysis and discriminant analysis).

The authors conclude in their study that their results coincide with the results from Shin and Soenen (1998) and Deloof (2003). They observe a negative relation between the cash conversion cycle and profitability. However, priori hypothesis positive relation is found between gross operating income and number of bills payable and number of day's inventory but there is negative relation with number of day's accounts receivable. Likewise, he also found positive relation between liquidity and profitability. However, the researcher summarizes it as Nepalese firms are not able to manage liquidity in effective way and the liquidity is not maintaining according to industry standard. Based on overall analysis of primary questionnaire the researcher draw a conclusion is that most of the firms have their informal working policy and they are adopting situational strategy.

Credit analysis by a lender is used to determine the risk associated with making a loan. Regardless of the type of financing needed, a bank or lending institution will be interested in both your business and personal financials. Credit analysis is governed by the "5 Cs:" character, capacity, condition, capital and collateral. Lenders need to know the borrower and guarantors are honest and have integrity. Additionally, the lender needs to be confident the applicant has the background, education, industry knowledge and experience required to successfully operate the business. Lending institutions may require a certain amount of management and/or ownership experience. They will also ask about your licensing and whether or not you have a criminal record. As history is the best predictor of the future, a lender will examine the personal credit of all borrowers and guarantors involved in the loan. Sound business and personal credits are a must. Check both reports before calling your lender; if there are any delinquencies, be prepared to explain. The lender may be able to make exceptions for low credit scores. The lender wants to know that your business is able to repay the loan. The business should have sufficient cash flow to support its business expenses and debts comfortably while also providing principals' salaries sufficient to support personal expenses and debts. Examining the payment history of current loans and expenses is an indicator of the borrower's reliability to make loan payments. The lender will need to understand the condition of the business, the industry, and the economy, which is why it is important to work with a lender who understands the WCB industry. The lender will want to know if the current conditions of the business will continue, improve or deteriorate. Furthermore, the lender will

want to know how the loan proceeds will be used- working capital, renovations, additional equipment, etc. Your lender will ask what personal investment you plan to make in the business. Not only does injecting capital decrease the chance of default, but contributing personal assets also indicates that you are willing to take a personal risk for the sake of your business; it shows that you have ‘skin in the game. ‘A lender will consider the value of the business’ assets and the personal assets of the guarantors as a secondary source of repayment. Collateral is an important consideration, but its significance varies depending on the type of loan. A lender will be able to explain the types of collateral needed for your loan. (5c) ([www.liveoakbank.com](http://www.liveoakbank.com)).

### **2.3 Review of previous theses**

Deloof (2003) has conducted one of the important studies in the field of working capital management. The researcher has investigated the relation between working capital management and corporate profitability for a sample of 1,009 large Belgian non-financial firms for the year 1992-1996 periods. He excluded companies from energy and water, banking and finance and other services. He used descriptive research methodology to conduct the research. However, correlation and regression analysis model has been used to test the relation between the measures of profitability. Trade credit policy and inventory policy are measured by number of day’s accounts receivable, accounts payable and inventories, and the cash conversion cycle is used as a comprehensive measure of working capital management. Accordingly, with priori hypothesis using correlation and regression tests he found a significant negative relation between gross operating income and the number of days accounts receivables inventories and accounts payables of Belgian firms. The results suggest that managers can increase corporate profitability by reducing the number of day’s accounts receivable and inventories. Less profitable firms wait longer to pay their bills.

Sharma (2003) in his study of “Working Capital Management of Manufacturing Companies in Nepal” (Listed on Nepal Stock Exchange Ltd.) has tried to analyze the management of working capital of manufacturing industries of selected 16 companies. The researcher found out that the most of the Nepalese manufacturing companies are suffering from huge losses due to their administrative negligence in day-to-day operation, unnecessary blockage of inventory or lack of specific working capital policy. Similarly, liquidity, profitability and turnover position also found unfavorable. High inventory conversion period, receivable conversion period and extremely high

payable period leads to negative cash conversion cycle that is not favorable at all for the long run. The predicting power of success/failure analysis shows that most of the companies are financially unsound. The DU point analysis shows that turnover ratio is very low and profit margin on sales is also negative and ultimately ROA is also negative. So, overall profitability of the Nepalese manufacturing companies is negative. Nepalese manufacturing companies in the present context are facing certain policy issues like deficient financial planning, neglect of working capital management, deviations between liquidity and turnover etc. These policy issues must be overcome by manufacturing companies. For this he has suggested that MPEs must determine the appropriate financing mix. He concludes that listed manufacturing companies cannot neglect the management of working capital, otherwise it will seriously erode their financial viability. Thus, managers should understand the factor determining working capital needs, so that such understanding enables to have proper management of working capital.

Nunn (1981) approached the working capital requirements splitting into seasonal and permanent needs the researcher explored the permanent portion of working capital that does not fluctuate with short-run changes in the business activity of the firm. In addition, Nunn is interested in permanent working capital investment rather than temporary as he uses data averaged over four years. The study used a U.S. database taking product-line businesses in many different industries, from 1971 to 1978 with the help of multiple regression models. Using factor analysis, the study found evidences of 19 possible determinants of working capital management related to the production process, sales, accounting method, competitive position and industry factors. Using data on 1181 U.S. firm, they conclude that there is a substantial industry effect on firm working capital management practices that is stable over time. From these studies, we conclude that sales growth and industry practices are important factors influencing a firm's investment in working capital.

The authors conclude in their study that their results coincide with the results from (Gitman, 1985). They observe a negative relation between the cash conversion cycle and profitability. As with the authors also find that less profitable companies have longer accounts payable periods, which could be seen as a delay of paying invoices if the company is short of cash. Also, the negative relation between accounts receivable and profitability would suggest that less profitable companies try to improve their

efficiency and liquidity by reducing the cash gap in the CCC. A negative relation between profitability and days of inventory outstanding suggests a mismanagement of inventory levels and a drop in demand, which in turn ties up unnecessary capital in inventories which could be used elsewhere more profitably. They conclude, as does Gitman that managers can create shareholder value if they optimize levels of inventory, accounts payable and accounts receivable and thus reducing the cash conversion cycle to an optimal level.

Huynh (2011), "The Influence of Working Capital Management on Profitability of Listed Companies in the Netherlands", the researchers aims at finding out whether working capital management can impact Dutch companies' profitability and if so, whether it positively or negative affected. Accordingly, his thesis attempts to provide empirical evidences about the influence of working capital management on the profitability for Dutch non-financial listed companies during the period 2006-2010. To measure the need of working capital he has selected 62 listed companies. He uses descriptive statistics methodology to conduct the research. The study also uses Pearson Correlation Analysis then Regression Analysis using Fixed effects Model and Pooled Ordinary least Squares model. The result from fixed effect regressions indicate that company profitability in both manufacturing and service sectors is all negatively influenced by number of days accounts receivable. This result conform that trade credit management plays vital role in contributing for a superior profitability of Dutch companies operating in manufacturing and service areas. In the meantime, ordinary least square regressions result in positive impacts of firm size and sales growth on profitability.

Saghir, Mehmood, Nehal (2011) in their article "Working Capital Management and Profitability: Evidence from Pakistan Firms", working capital management is important part in firm financial management decision. Improper management of Working capital, that is, too much or too low working capital may suffer firms, so an optimum level of working capital is the key to a smooth inflow of profit. In this paper, they investigate the relationship between profitability and working capital management. They used a sample of 60 textile companies listed at Karachi Stock Exchange (KSE) for the period of 2001- 2006 and the firms observations are 360. The purpose of this study is to establish a relationship that is of statistical significant between profitability, the cash conversion cycle and its components (Number of days

Accounts receivables, Number of days Accounts payables and Number of days Inventory). The results of their research showed that there is statistically negative significance between profitability, measured through Return on Asset, and the cash conversion cycle. Moreover, managers can create profits for their companies by handling correctly the cash conversion cycle and keeping Number of days Accounts receivables, Number of days Accounts payables and Number of days Inventory to an optimum level.

Pradhan (1986) has published another article relating to working capital management. He studied on “The Demand for Working Capital by Nepalese Corporation”. He analyzed the selected nine manufacturing public corporation with the 12 years data from 1973-1984. Regression equation has been adopted for the analysis. He has summarized that the earlier studies concerning about the demand for cash and inventories by business firm did not report unanimous findings. Many controversies exist in respect to the presence of economics of scale, roles of capital cost; capacity utilization rates and the speed with which actual cash and inventories are adjusted to describe cash and inventories respectively. The pooled regression results show the presence of economics of scale with respect to the demand for working capital and its various components. The regression results suggest strongly that the demand for working capital and its components is function of both sales and their cost. The estimated result show that the inclusion of capacity utilization variable in model seems to have contributed to the demand function cash and net working capital only. The effect of capacity utilization on the demand for inventories receivables and gross working capital is doubtful.

Yogi (2000) conducted a study as “A study on Working Capital Management of Unilever Nepal Limited (UNL) Nepal”. The thesis is conducted through secondary data. Introduction about the company of the subject. The data had been collected from annual reports and audited financial statements of the company submitted to Nepal stock exchange ltd. The data has been directly extracted from the balance sheet and income statement of which the company provided. The primary information has been collected through interview with the officials of UNL Ltd. various coefficients of correlation ( $r$ ) is used to examine the relationship between liquidity positions. The major findings are: a. The Company holds the largest position of current assets. Current assets of constant for every year it is in the fluctuation nature, b. theoretically,

the higher liquidity means the lower risk as well as lower profit but commercial banks higher liquidity means the lower risk as well as lower profit but commercial banks higher liquidity is not always the cause of lower profitability.

Kunwar (2000) conducted the next recent case study on “Working capital management of pharmaceutical Industry of Nepal with special reference to RDL” has taken the six year data (2049-2055) to examine the overall working capital management of RDL. He found that the pharmaceutical industry is suffering from huge losses due to poor working capital management and lack of special working capital policy which reduces risk but hamper in profitability. The proportion of cash with respect to total asset shows that cash absorbs higher percentage of total assets, which adversely affects the RDL’s wealth maximization goal in the long run. Inventory and receivables also constitute an important part of cash, but these are not properly managed by the co. RDL is following liberal credit policy, so its receivable collection period is too long of 57 days. Due to inefficient management of inventory, receivables and cash conversion cycle, RDL takes more than one year to turn its working capital into sales. The researcher has recommended that RDC can overcome these problems and improve its financial performance if it undertake the measures like: identification of need funds, regular checks, development of MIS, positive attitude towards risk and profit, right combinations of short term and long term sources of funds to finance working capital needs. He further suggest that appropriate combination of investment in CA, minimizing production and operating cost, prepare effective sales plan improving liquidity, speedy cash conversion and proper inventory control techniques will be the milestone for managing working capital management.

#### **2.4 Research gap**

The review of relevant literatures has contributed to enhance the fundamental understanding and knowledge, which is required to make the study meaningful and purposeful. There are various research conducted on working capital management in different countries as research gap is concerned, there are many changes taken place in the working capital environment and production process as compared to the last few years. So, fresh study related to working capital management of three different manufacturing companies namely UNL, DNL and HDL has been selected. The most of the studies has been considered many more objectives, which made their study

more complicated, but in this research report only three objectives are taken into study.

This study used only secondary data but all of the financial tools (Composition of Working Capital, Liquidity Position and Profitability Position) have been used in this research. Both financial as well as statistical tools like ratio analysis, turnover, cash conversion cycle, mean, standard deviation, coefficient of variance, and correlation are used in this research. Almost all the ratios have been applied to cover the analytical part and fulfill the objective of this study. It involves recent data of UNL, DNL and HDL for five years (2014-2018).

## **CHAPTER III**

### **METHODOLOGY**

This chapter therefore explains the methodology that is employed in this study which includes various sections describing research plan and design, description of the sample, instrumentation, data collection procedure and time frame, validity and reliability of the study and analysis plan.

#### **3.1 Research Design**

The study is based on descriptive designs. The descriptive research design has been adopted for fact-finding and searching for adequate information about the fundamental issues associated with working capital management of Nepalese manufacturing companies. It describes the real and actual condition, situation and facts. Hence, the research design adopted in this study is of descriptive type. The study also used causal comparative research design to establish the relationship between net profit margin, current ratio, inventories collection period, receivables, cash conversion cycle, payable conversion period, return on assets, sales growth and assets growth during the time period of 2013/14 to 2017/18.

#### **3.2 Population and Sample**

Convenience sampling technique was used to select the samples among population. There are 29 manufacturing companies listed in NEPSE during the research period. For the study purpose, manufacturing companies involving in services at least for five years have been considered for sample. since all of them did not provided scope for the study, 3 different Nepalese manufacturing companies were taken as a sample out of 29 Nepalese manufacturing companies for the period of 2013/14 to 2017/18.

The sample manufacturing companies selected are as follows:

- i. Unilever Nepal Ltd,
- ii. Dabur Nepal Ltd,
- iii. Himalayan Distillery Ltd.

Unilever Nepal Lever Ltd, is the Nepali subsidiary companies its products include foods, cleaning agents and personal care products. It was established in 1994 as a joint venture companies between Hindustan Lever Limited, India and Nepali Promoters

under the Companies. It is the subsidiary companies of foreign investment and technology transformation. The main objectives of the company is to manufacture soaps, detergent, cosmetics, toiletries, oleaginous, and other chemical products. Dabur Nepal is India's largest Ayurvedic medicine manufacturer. As joint venture companies agreement in Nepal with Dabur India Ltd. for the production of ayurvedic-based personal care, health care and food products and started manufacturing, Dabur Nepal, a subsidiary of Dabur India, has set up fully automated greenhouses in Nepal. This scientific landmark helps to produce saplings of rare medicinal plants that are under threat of extinction due to ecological degradation. There are various product manufactured by this companies in Nepal. Himalayan Distillery limited the factory of distillery is located in serene surroundings at the foothills of Himalayas in the southern part of Nepal. The distillation unit stands as a landmark. The Himalayan Distillery Ltd. is promoted by Nepal's liquor market and for decades has been synonymous with quality products. Southeast Asia is the main markets of the companies where as Nepalese and Indian people are the main customers.

### **3.3 Sources of data**

This section elaborates on how data had been collected to carry out this study. The study had been based on secondary data. The necessary secondary data and information had been collected from the annual reports of selected manufacturing companies, annual reports of SEBON, NEPSE, newspaper, published articles, book reviews, economic reports and journals related to the concerned company.

### **3.4 Data Collection and processing Procedure**

All the required data had been collected from annual report (Balance Sheet and Profit and Loss Account) of the selected manufacturing companies. All the secondary data and information are properly arrange and synthesized tabulated and calculated accordance with the requirement of the study.

### **3.5 Data analysis tools and techniques**

In order to achieve the objectives of the study various financial and statistical tools are used to analyze the effectiveness of working capital management of manufacturing enterprises.

### 3.5.1 Financial Analysis

A widely used tool for the financial analysis is ratio analysis. An arithmetical relationship between two figures is known as ratio. Ratio analysis is a technique of analysis and interpretation of financial statement. Ratio analysis is widely used tools for financial analysis, which establishes the numerical or quantitative relationship between two items. Under the ratio analysis, the following ratios can be analyzed to determine financial position of an organization.

#### 3.5.1.1 Liquidity Ratio

Liquidity ratios measure the ability of the firm to meet its current obligations. A firm should ensure that it does not suffer from lack of liquidity, and also that it is not too much highly liquid. The most common ratio, which indicates the extent of liquidity, is:

##### a) Current Ratio (CR)

The current ratio is calculated by dividing current assets by current liabilities. This shows the solvency and financial strength of the firm. It is basic yardstick of measuring the solvency and liquidity position of the firm. It is determined by the following way.

$$\text{Current Ratio (CR)} = \frac{\text{Current Assets (CA)}}{\text{Current Liabilities (CL)}}$$

The higher ratio indicates the position of the company is in liquid and able to pay its bills. Generally, the current ratio of 2:1 is considered to be satisfactory. Higher ratio indicates the greater amount of working capital and less ratio vice-versa.

##### b) Quick Ratio

Quick ratio establishes a relationship between quick or liquid assets and current liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without a loss of value. Cash is the most liquid asset. Other assets which are considered to be relatively liquid and included in quick assets are book debts and marketable securities.

$$\text{Quick Ratio (QR)} = \frac{\text{Quick Assets (QA)}}{\text{Current Liabilities (CL)}}$$

### 3.5.1.2 Activity/Turnover Ratio

The relationship between sales and assets are indicated by turnover ratios. Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. There are following turnover ratios calculated.

#### a) Current Asset Turnover Ratio (CATR)

CATR indicates the number of times the CA is turned over during the year. The ratio shows the requirement of working capital for one rupee of sales. It analyses how firm efficiency can utilize its CA.

$$\text{Current assets turnover ratio} = \frac{\text{Sales}}{\text{Current Assets}}$$

As the CATR increase, it is utilization of CA. If the ratio is low, a greater volume of working capital is there. Low ratio indicates greater working capital and high ratio indicates lower working capital.

#### b) Inventory Turnover Ratio (ITR)

The inventory turnover ratio measures how quickly inventory can be converted into sales. It is calculated as:

$$\text{Inventory Turnover Ratio} = \frac{\text{Sales}}{\text{Inventory}}$$

Higher turnover indicates the good inventory management of the company.

#### c) Receivable/Debtor Turnover Ratio (RTR)

It indicates the number of times the debtors rotate in a year and is calculated as:

$$\text{Debtors turnover} = \frac{\text{Cr. Sales}}{\text{Average Debtors}}$$

Unless it is excessively high, higher ratio is preferable than lower ratio as it reflects better management of debtors or receivables.

#### d) Cash and Bank Turnover Ratio (CBBTR)

CBBTR measures how rapidly cash can convert into sales of the company. It shows the effectiveness of management in case of application of each in ordinary course of business.

$$\text{CBBTR} = \frac{\text{Sales}}{\text{Cash and Bank Balance}}$$

The higher ratio indicates cash is rapidly converted into sales and efficient cash management. Low ratio indicates slow, weak and inefficient cash management.

#### e) **Net Working Capital Turnover (NWCT)**

NWCT refers to the ratio between sales and NWC. NWC is the difference between TCA and TCL.

$$\text{NWCT} = \frac{\text{Sales}}{\text{Net working capital}}$$

More ratios show the more utilization of net working capital and less ratio vice-versa.

### **3.5.1.3 Profitability Ratio**

The main objective of each and every business concern is to earn maximum profit. The position of the profitability of the company is analyzed with the help of this ratio. The profitability ratio is used to measure the operating performance of the company.

#### a) **Net Profit Margin (NPM)**

Net profit margin is estimated after deducting all operating expenses and income tax from gross profit. It shows the percentage of net profit out of total sales. This ratio shows as overall measurement of the company's ability to earn net profit. It is computed by dividing net profit by sales and given by:

$$\text{NPM} = \frac{\text{Net Profit After Tax}}{\text{Sales}} \times 100\%$$

#### b) **Return on Total Assets (ROA)**

ROA can be expressed as the relationship between net profit after taxes plus interest and total assets. ROA measures the profitability of total fund or investment of the firm. But ROA is not sufficient for the analysis of profitability of different sources of funds for financing the total assets.

$$\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total assets}} \times 100\%$$

### 3.5.1.4 Cash Conversion Cycle (CCC)

Cash conversion cycle refers to the length of time require to convert raw materials into finished goods and then to receive cash by selling these goods. It is the length of time from the payment for the purchase of raw materials to the collection of accounts receivable generated by the sale of the final product.

$$CCC = ICP + RCP - PCP$$

Cash conversion cycle shows how much of time does cash generally collected by the firm. The CCC consists of the following period.

**(i) Inventory Conversion Period (ICP):** It is length of time required to convert raw materials into finished goods and then to sell these goods.

$$ICP = \frac{\text{Inventory}}{\text{Cost of goods sold}/360}$$

**(ii) Receivable Conversion Period (RCP):** It is the length of time required to convert the firm's receivable into cash, that is, to collect cash following a sales.

$$RCP = \frac{\text{Re ceivable 's}}{\text{Sales} / 360}$$

**(iii) Payable Conversion Period (PCP):** It is the length of time between the purchase of raw materials and labor and the payment of cash from them.

$$PCP = \frac{\text{Payable}}{\text{Cost of goods sold}/360}$$

The firm's goal should be to shorten its CCC as much as possible without hurting operations. By reducing ICP and RCP and lengthening the PCP, CCC can be shortening. This would improve profit, because the shorten the CCC the smaller the need for external financing and thus the lower the cost of such financing.

### 3.5.2 Statistical Analysis

Descriptive statistics are used to describe and discuss characteristics of a data set more generally and orderly than using raw data alone. Under the primary and secondary data analysis the percentage, mean, median, standard deviation maximum and minimum results i.e. each variables have been described in clear way for the detail analysis about its significance. The help of statistical tools is essential to

measure the relationship of two or more variable. In this study, the following statistical tools are used.

### **I. Standard Deviation (SD)**

The standard deviation is the square root of the average of the square distances of the observation from the mean. The standard deviation enables us to determine, with a great deal of accuracy, where the values of a frequency distribution are located in relation to the mean. Different formulae are used to calculate standard deviation; among them following formulae has been use here:

$$S.D (\sigma) = \sqrt{\frac{\sum (x - \bar{x})^2}{N}}$$

### **II) Co-efficient of Variation (CV)**

The relative measure of dispersion based on the standard deviation is known as the coefficient of standard deviation. The percentage of measure of co-efficient of standard deviation is called co-efficient of variation.

$$C.V = \frac{S.D.}{Mean} \times 100$$

It is used for comparing the homogeneity and the uniformity of two or more distributions.

### **III) Correlation Analysis**

The study uses Pearson correlation analysis to define the association between various variables and working capital management to examine the influence of working capital management on company's profitability. There is a majority of previous researches have chosen to employ correlation analysis to first see the correlation between variables before conducting regression analysis. However, one of the shortcomings of correlation analysis is that it cannot identify a cause-and-effect relationship. Correlation co-efficient is defined as the association between the dependent variable and independent variable. It is a method of determining the relationship between these two variables. To calculate the Pearson correlation analysis SPSS version 25.0 atabase is used for tabulation and data analysis. Simple statistical tools like mean, standard deviation were analyzed.

## CHAPTER IV

### RESULTS

#### 4.1 Data Presentation and Analysis

Presentation and analysis of data is the crucial chapter of the study as it utilizes the processed data tools and techniques to achieve the objectives of the study. The collected data are recorded systematically and organized them to analyze using different tools and techniques. So, this chapter is the main body of the study which concerned with presentation, analysis and interpretation of collected data.

In order to analyze the working capital management of Nepalese manufacturing companies, the necessary information and data are collected through audited financial statement, annual reports and direct contact process. The major variables of this study are current assets, current liabilities, net profit, sales, total assets, cost, etc. which are very sensitive and pertinent for the study. Only collecting and presenting the data are not sufficient for the study purpose. Therefore, various financial and statistical tools have applied to examine the working capital management of Nepalese manufacturing companies. This chapter includes utilization of working capital, liquidity position working capital, cash conversion cycle, profitability position of working capital components.

#### 4.2 Liquidity Position

Liquidity position of the firm depends on its working capital policy. If the firm follows aggressive policy, it has low liquidity position, while conservative policy has to high liquidity position. So, to analysis of working capital policy of UNL, DNL and HDL with measure the liquidity position indicates the ability to pay of its short-term obligation. Liquidity position indicates the how many times the current assets is available to meet the onetime of current liabilities.

##### 4.2.1 Level of Current Assets and Current Liabilities

Every firm has to maintain the appropriate level of current assets to run the business smoothly because the success and failure of any firm depends upon the proper management of current assets. A company or firm finances its current assets and current liabilities conservatively or aggressively. An aggressive management policy leads to lower level of current assets and higher level of current liabilities and the

conservative policy has just the opposite effects. Current liabilities are the integral part of the working capital policy; which is defined as all the payment that has to be paid by the company within in accounting period generally within one fiscal year.

**Table No. 4.1**

**Level of Total Current Assets**

**(Rs.in million)**

Industry	Year					Total	Average
	2014/15	2015/16	2016/17	2017/18	2018/19		
UNL	1406	1503	2557	2740	2545	10751	2150.2
DNL	2707.6	2820.2	3300.8	3398.4	6454.64	18681.6	3736.33
HDL	321.73	496.05	356.51	360.6	545.23	2080.12	416.024

Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

**Table No. 4.2**

**Level of Total Current Liabilities**

**(Rs.in million)**

Industry	Year					Total	Average
	2014/15	2015/16	2016/17	2017/18	2018/19		
UNL	851	1068	986.6	1235	1289	5429.6	1085.92
DNL	2271.1	2643	2922.3	2472.4	4599.77	14908.6	2981.71
HDL	447.53	646.93	197.67	177.44	169.88	1639.45	327.89

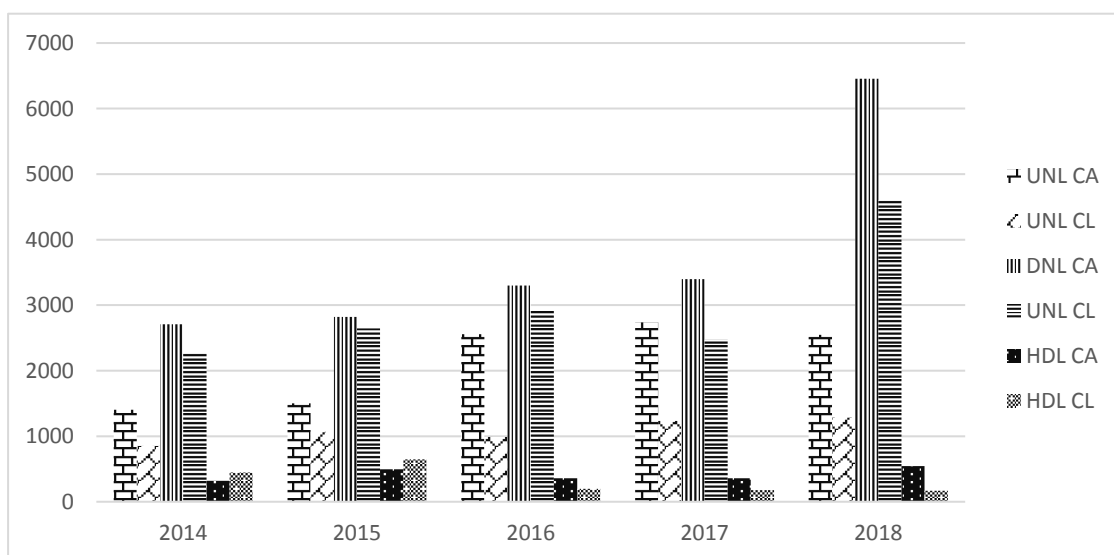
Source: Annual Reports of UNL, DNL and HDL from 2014-2018

The table 4.1 and 4.2 shows the level of current assets and current liabilities of UNL, DNL and HDL in the F/Y 2014, 2015, 2016, 2017, and 2018. The highest level of

current assets and current liabilities of DNL Rs.2740 million and Rs.1289million and lowest of Rs.1406 and Rs.851 million respectively. On an average, the company makes Rs.2150.2million of CA, Rs.1085.92 million of CL. Whereas, the highest level of current assets and current liabilities of DNL Rs.6454.64 million and Rs.4599.77 million and lowest of Rs.2707.6 and Rs.2271.1 million respectively. On an average, the company makes Rs.3736.33 of CA, Rs.2981.71 million of CL. Likewise HDL have lower level of current assets and current liabilities in comparison to UNL and DNL where the company could able to make an average of Rs.416.024 million CA and Rs.327.89 million CL. However, the data shows that all enterprises investment in current assets and liabilities are gradually increasing every year.

**Figure No. 4.1**

**Graphic Presentation of Level of Current Assets and Current Liabilities**



The figure 4.1 shows the yearly graphic presentation of level of current assets and current liabilities of selected manufacturing industries. The figure shows that DNL has higher level of current assets and HDL has lower level of current assets. UNL has average level of current assets and liabilities in comparison. The figure also shows that DNL has higher level of current liabilities than current assets, which makes working capital negative effect.

#### 4.2.2 Current Ratio (CR)

Current Ratio serves a similar purpose and it is frequently used. It is also called working capital ratio. It is considered as an index of solvency of company. It indicates the ability of the company to meet its current obligations. Change in current ratio can

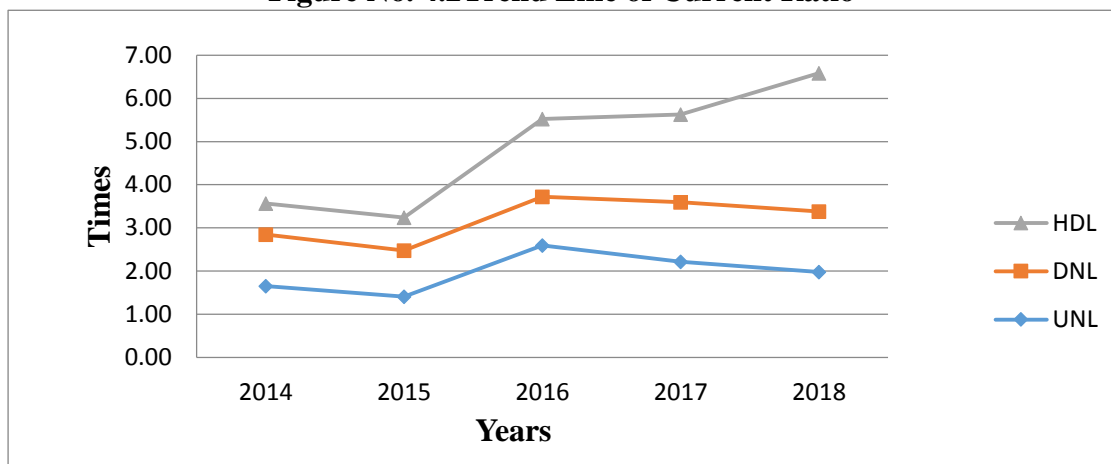
however be misleading. If a company raises money through commercial paper & invests the amount in marketable securities, net working capital is unattached but the current ratio changes. A current ratio of 2:1 is generally considered satisfactory for manufacturing company. It constitutes a rule of thumb for measuring liquidity. The ratios of selected enterprises for the period of study are calculated below

**Table No. 4.3**  
**Current Ratio (CR)**

Year	UNL		DNL		HDL	
	Ratio	Change	Ratio	Change	Ratio	Change
2014/15	1.65	-	1.19	-	0.72	-
2015/16	1.41	-0.24	1.07	-0.13	0.77	0.05
2016/17	2.59	1.18	1.13	0.06	1.80	1.04
2017/18	2.22	-0.37	1.37	0.25	2.03	0.23
2018/19	1.97	-0.24	1.40	0.03	3.21	1.18
Average	1.97		1.23		1.71	
CV	21.14		10.81		53.93	

Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

The table 4.3 shows the current ratio of UNL, DNL and HDL in the F/Y 2014, 2015, 2016, 2017, and 2018. The highest current ratio of UNL is 2.59 times and lowest 1.41 times. In an average, the company could make 1.97 times of CR. The ratio shows that CR of UNL at first one years it decreases then start to increase and then start decrease. Likewise, the current ratio of DNL is decreasing trend and the current ratio of HDL has increasing trend. The current ratio of 2:1 is generally considered as satisfactory for a manufacturing company. During the study period, the average current ratio of UNL, DNL and HDL are 1.97:1, 1.23:1 and 1.71:1 respectively, which are below the current ratio standard. So the company's current ratio, has found to be not satisfactory. The C.V of current ratios are 21.14%, 10.81% and 53.93% respectively, which indicates less fluctuation on current ratio. The trend line of current ratio of selected enterprises can be explain by the following graphical figure.

**Figure No. 4.2 Trend Line of Current Ratio**

### 4.2.3 Quick Ratio (QR)

Quick ratio measures the liquidity position in net term. Current ratio measures the short-term solvency in gross term, which cannot measure the actual liquidity position due to inclusion of less liquid assets. Quick ratio indicates the availability of highly liquid assets, which can be converted into cash within short period as compared to current assets. The quick ratio is considered as perfect when the ratio comes 1:1. Quick ratio does not consider inventories because they cannot sell at anything above fire-sale price. The liquidity arises because finished goods cannot sell for more than production cost.

**Table No. 4.4**

### Quick Ratio (QR)

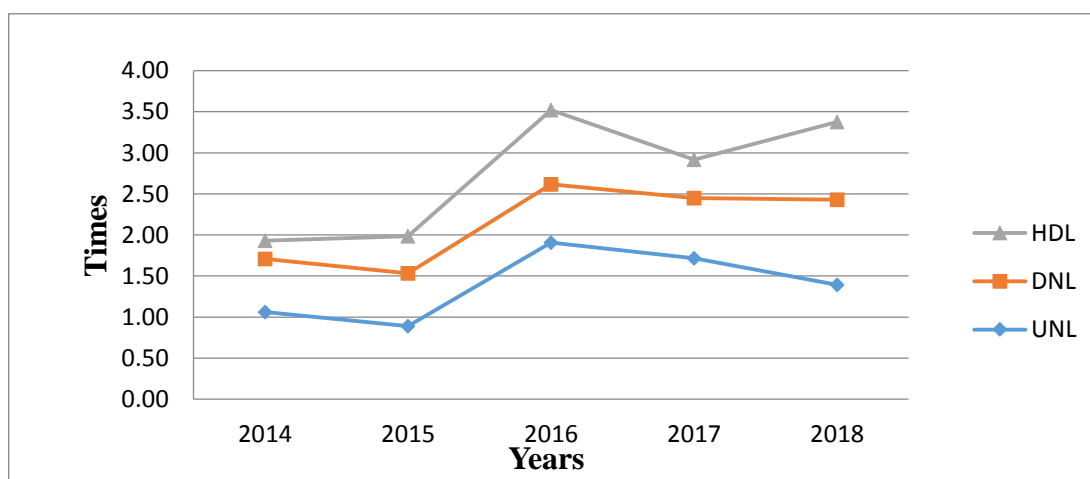
Year	UNL		DNL		HDL	
	Ratio	Change	Ratio	Change	Ratio	Change
2014/15	1.06	-	0.65	-	0.22	-
2015/16	0.89	-0.17	0.64	-0.01	0.45	0.23
2016/17	1.91	1.02	0.71	0.07	0.90	0.45
2017/18	1.72	-0.19	0.73	0.02	0.47	-0.44
2018/19	1.39	-0.33	1.04	0.30	0.95	0.48
<b>Average</b>	<b>1.39</b>		<b>0.75</b>		<b>0.60</b>	
<b>CV</b>	<b>27.50</b>		<b>19.23</b>		<b>47.24</b>	

Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

The table 4.4 shows the quick ratio of UNL, DNL and HDL over five fiscal years F/Y 2014 to 2018 where quick assets consist of cash & bank balance, sundry debtors, prepaid loan, advance and deposits. Quick ratio of UNL is fluctuating. The first two years the ratios are increased then it tends to decrease until 2015. The quick ratio of DNL is fluctuating every year with the increasing state. During the study period, the table shows the quick ratio of HDL is in increasing trend. Further, the study shows that the highest quick ratio of UNL, DNL and HDL is 1.91:1, 1.04:1 and 0.95:1 respectively. The above table relevant that quick ratio of UNL, DNL and HDL has not meet standard of 1:1 except in F/Y 2013 and 2014 by UNL. The average quick ratios of the UNL, DNL and HDL are 1.39, 0.75 and 0.60 times respectively, which is below the standard. Therefore, the quick ratio of these companies shows poor short-term solvency position of the firm. However only UNL could maintain close enough to standard unit among the three companies. The C.V of the quick ratio is 27.50%, 19.23% and 47.24% during the study period. This indicates less fluctuation on quick ratio.

**Figure No. 4.3**

**Trend Line of Quick Ratio**



### 4.3 Utilization of Working Capital

Only investing in working capital is not sufficient to get good results and return it should be efficiently utilized. The behavior of WC utilization and improvement can be analyzed with the help of activity or turnover ratios. This reflects the speed and rapidity with which assets are converted into sales thereby resulting in the efficiency of the enterprises. However, there is no standard or ideal measurement, generally a great

turnover of regarded as efficient utilization of the assets. For this purpose, the advantage turnover of the factory itself may provide a standard measurement for comparison with the means of measurement, and this section examines the turnover position of the UNL, DNL and HDL.

#### 4.3.1 Current Assets Turnover Ratio (CATR)

Current assets turnover ratio shows the relationship between net sales and current assets, which indicate that how efficiently a firm is using its current assets to generate revenue. The current assets turnover ratio is fairly basic; the most common formula divides sales by average current assets. The result from this formula is a metric that indicates how well a company generates sales revenue from the current assets it owns. A higher number is generally preferable as the companies uses its assets in the most efficient manner possible.

**Table No. 4.5**

#### **Current Assets Turnover Ratio (CATR)**

Year	UNL		DNL		HDL	
	Ratio	Change	Ratio	Change	Ratio	Change
2014/15	3.10	-	2.00	-	4.76	-
2015/16	3.25	0.15	2.08	0.09	3.07	-1.69
2016/17	1.54	-1.71	1.52	-0.56	4.36	1.29
2017/18	1.62	0.08	1.90	0.37	3.74	-0.62
2018/19	1.91	0.29	1.51	-0.38	4.45	0.71
<b>Average</b>	<b>2.29</b>		<b>1.80</b>		<b>4.08</b>	
<b>CV</b>	<b>32.34</b>		<b>13.30</b>		<b>14.75</b>	

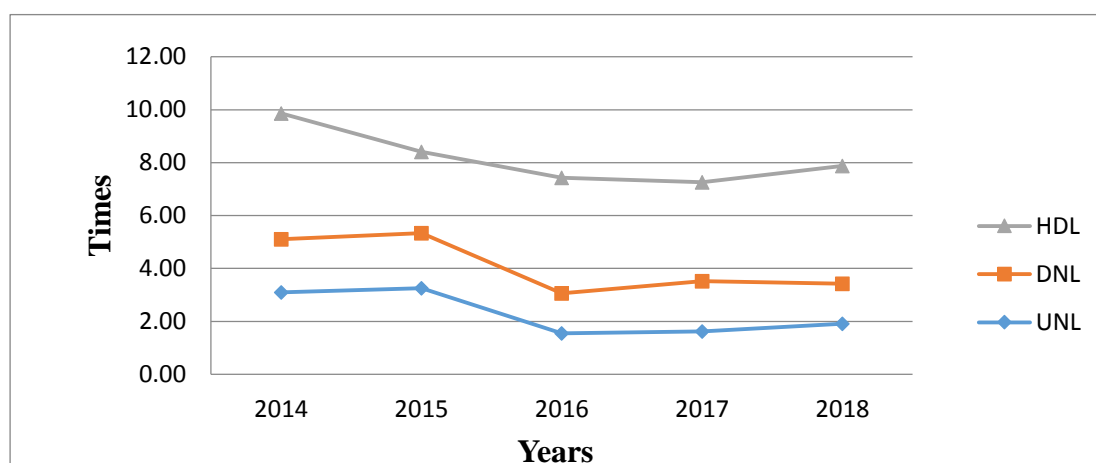
Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

The table 4.5 shows the current assets turnover ratio of UNL, DNL and HDL with in a last five years. The data indicates the current assets turnover ratio of UNL at first decreases and maintain almost same position. Its highest turnover ratio is 3.25times and lowest of 1.54 times. On average, the firm could generate 2.94 times of ratio. Likewise, current assets turnover ratio of DNL is slightly fluctuating trend. However,

in F/Y 2015 it increases and again starts to decrease and generate 1.80 times on average. The turnover ratio of HDL is decreasing trend which indicates that the firm is not using efficiently its current assets to generate revenue. The C.V for sales on current assets of UNL, DNL and HDL are 32.34%, 13.30% and 14.75% respectively, which depicts less variation due to fluctuation trend in sales to CA ratio.

**Figure No. 4.4**

**Current Assets Turnover Ratio**



**4.3.2 Inventory Turnover Ratio (ITR)**

Inventory Turnover Ratio measures companies efficiency in turning its inventory into sales. Its purpose is to measure the liquidity of the inventory. Inventory Turnover Ratio is figured as "turnover times". Average inventory should be used for inventory level to minimize the effect of seasonality. This ratio should be compared against industry averages.

**Table No. 4.6**

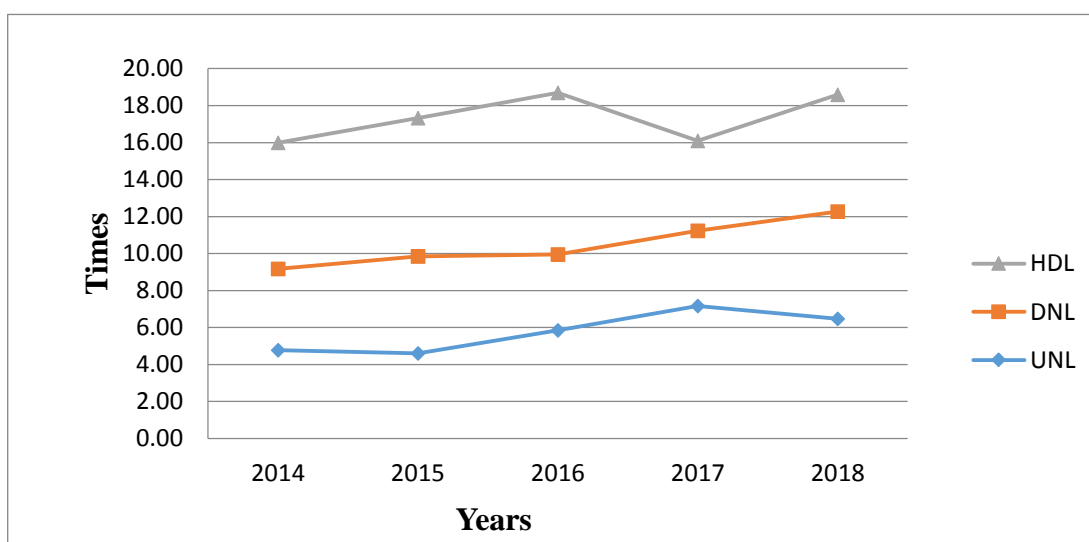
**Inventory Turnover Ratio (ITR)**

Year	UNL		DNL		HDL	
	Ratio	Change	Ratio	Change	Ratio	Change
2014/15	4.77	-	4.39	-	6.84	-
2015/16	4.60	-0.17	5.25	0.86	7.47	0.64
2016/17	5.85	1.25	4.10	-1.15	8.74	1.27
2017/18	7.17	1.32	4.07	-0.03	4.85	-3.89
2018/19	6.48	-0.69	5.80	1.73	6.31	1.46
Average	<b>5.77</b>		<b>4.72</b>		<b>6.84</b>	
CV	<b>17.01</b>		<b>14.59</b>		<b>18.76</b>	

Source: Annual Reports of UNL, DNL and HDL from 2014-2018

The table 4.6 shows the ratio in times inventory replaced during the year period. The ratio of average inventory turnover during the study period of UNL, DNL and HDL are 5.77, 4.72 and 6.84 times respectively. From the above table the rate UNL is slowly increasing trend. Likewise, The data of DNL also in increasing with fluctuating. However, the data shows HDL is in decreasing trend. Among these three companies HDL has the highest ITR and DNL has lowest turnover ratio. The company's sales are in increasing pattern in respect to inventory holding are also increasing trend for all fiscal years. The C.V of inventory turnover ratio of the selected companies are 17.01, 14.59 and 18.76 respectively, which indicates less variation in figures of inventory turnover ratio in the given period.

**Figure No. 4.5: Inventory Turnover Ratio**



#### 4.3.3 Receivable Turnover Ratio (RTR)

Receivable is one of the components of working capital in order to increase the business an activity, the company has to increase the sales volume. The sales volume can be increased by given products in credit to customers the level of receivable goes up, because generally receivable in credited by credit sales. The credit sales policy is applied to increase the sales level. Hence, the increase in receivables should increase the sales volume. The proportion of receivable to sales presented here under. It is assume that all sales are in credit.

**Table No. 4.7**  
**Receivables Turnover Ratio (RTR)**

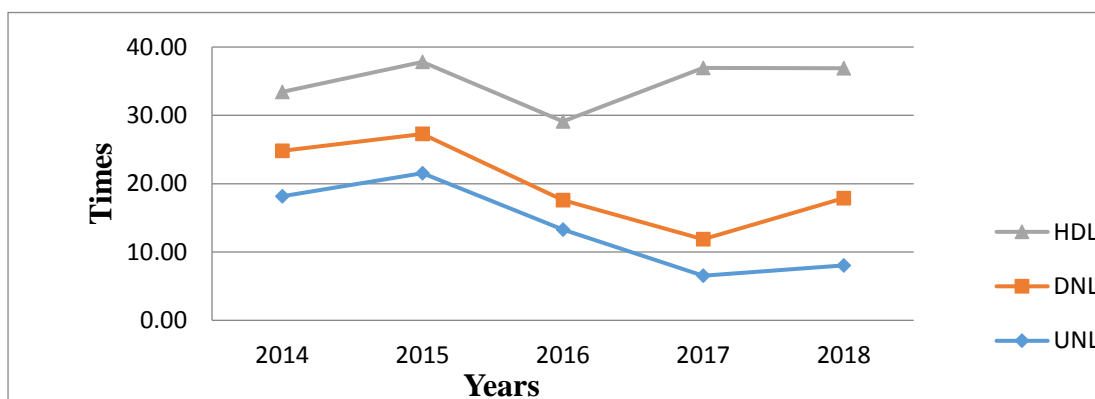
Year	UNL		DNL		HDL	
	Ratio	Change	Ratio	Change	Ratio	Change
2014/15	18.18	0	6.65	0	8.62	0
2015/16	21.54	3.36	5.73	-0.92	10.55	1.93
2016/17	13.28	-8.26	4.30	-1.43	11.53	0.98
2017/18	6.53	-6.75	5.34	1.03	25.06	13.53
2018/19	8.04	1.51	9.83	4.49	19.02	-6.04
Average	<b>13.51</b>		<b>6.37</b>		<b>14.95</b>	
CV	<b>42.50</b>		<b>29.61</b>		<b>41.21</b>	

Source: Annual Reports of UNL, DNL and HDL from 2014-2018

The table 4.7 shows the receivable turnover times in last five years study period. The average receivable turnover of UNL, DNL and HDL are 13.51, 6.37 and 14.95 times respectively. In the beginning two years turnover rates UNL has decrease and starts to increase rapidly. The turnover rate of DNL has been decreasing trends. However, the rate of HDL has highly fluctuating. It shows the average of 14.95 times which is maximum of all three companies. Which indicates that the company could make efficient policy of quick collection of accounts receivable. The CV of turnover ratios are 42.50, 29.61 and 41.21 respectively which shows the highly variation among sales and receivables of the company.

Figure No. 4.6

## Receivables Turnover Ratio (RTR)



## 4.3.4 Cash and Bank Turnover Ratio (CBTR)

Cash turnover indicates a firm's efficiency in its use of cash for generation of sales revenue. It is the inverse of cash-to-sales ratio. It is one of the main parts of current assets, which have greatest value to meet the current obligations occurred in business. The following table shows the cash and bank turnover ratio of the selected Nepalese enterprises during the study period.

Table No. 4.8

## Cash and Bank Turnover Ratio (CBTR)

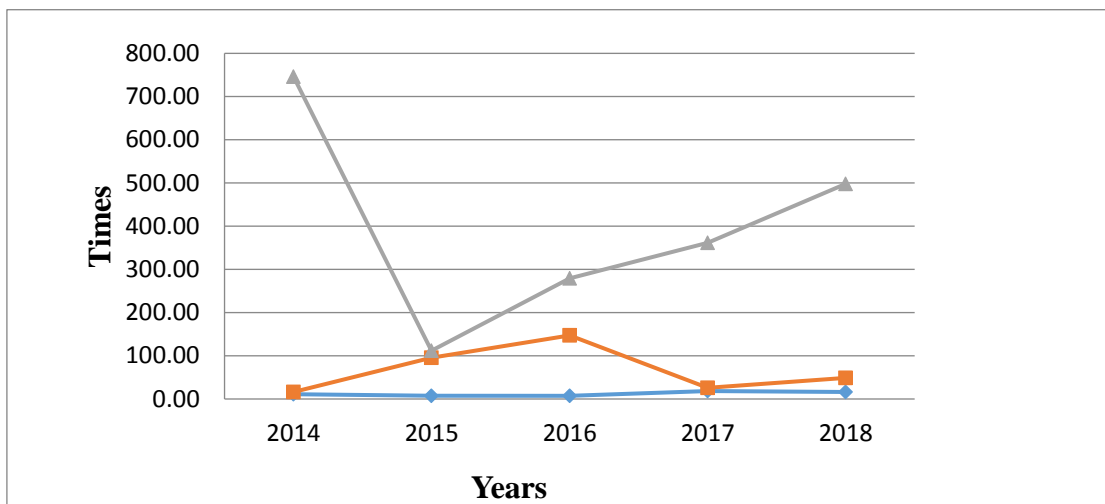
Year	UNL		DNL		HDL	
	Ratio	Change	Ratio	Change	Ratio	Change
2014/15	11.13	-	5.09	-	729.86	-
2015/16	7.57	-3.56	87.70	82.61	16.52	-713.34
2016/17	7.62	0.05	139.55	51.86	132.00	115.49
2017/18	18.40	10.78	7.12	-132.43	335.88	203.87
2018/19	16.03	-2.37	32.73	25.61	449.00	113.12
Average	<b>12.15</b>		<b>54.44</b>		<b>332.65</b>	
CV	<b>36.18</b>		<b>95.44</b>		<b>75.04</b>	

Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

The table 4.8 shows the cash and bank turnover ratio in times of UNL, DNL and HDL. The ratio indicates that a rupee invested in cash and bank balance generate in times. The Turnover ratio of UNL shows decreasing. However, average turnover is 12.15 times. Meanwhile the turnover ratio of DNL is highly fluctuating. The average turnover is 54.44 times. The table shows turnover ratio of HDL is very high with an average of 332.65. However, the ratios are decreasing with highly fluctuating year by year. The ratio shows UNL has less turnover ratio and HDL has high turnover ratio. It indicates that UNL is efficient in generating cash from sales revenue. In contrast both DNL and HDL is poor in generating cash from sales revenue. The average mean and CV indicates more variation on cash and bank turnover ratio.

**Figure No. 4.7**

**Cash and Bank Turnover Ratio (CBTR)**



**4.3.5 Net Working Capital Turnover Ratio (NWCTR)**

The net working capital turnover ratio measures how many times net working capital is used in relation to sales and the efficiency of the company. The net working capital turnover ratio is presented in the following table.

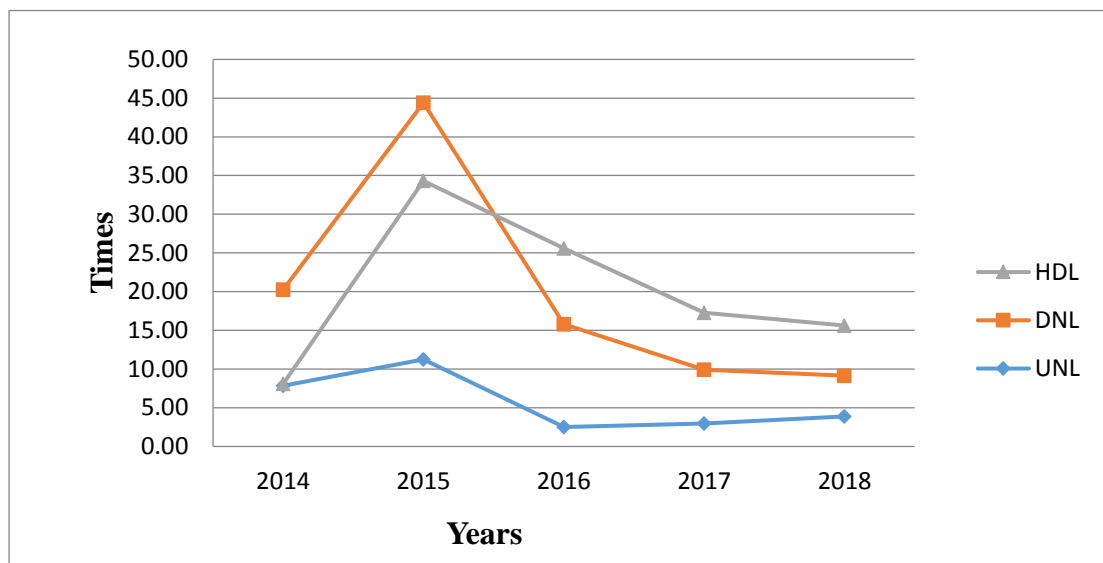
Table No. 4.9

## Net Working Capital Turnover Ratio (NWCTR)

Year	UNL		DNL		HDL	
	Ratio	Change	Ratio	Change	Ratio	Change
2014/15	7.86	0	12.40	0	-12.17	0
2015/16	11.24	3.38	33.16	20.76	-10.10	2.07
2016/17	2.51	-8.73	13.27	-19.88	9.79	19.89
2017/18	2.95	0.44	6.96	-6.31	7.36	-2.43
2018/19	3.88	0.92	5.27	-1.69	6.46	-0.90
Average	<b>5.69</b>		<b>14.21</b>		<b>0.27</b>	
CV	<b>59.04</b>		<b>70.06</b>		<b>3496.53</b>	

Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

The table 4.9 relevant that the net working capital turnover ratio in times of UNL, DNL and HDL. Net working capital turnover ratio of UNL is in decreasing trends and in 2016 it starts to increase. Its average turnover ratio is 11.24 times. The table shows UNL has recover their financial position. Net working capital turnover ratio of DNL trends to increasing stage. However, in 2018 it decreases and maintain in 2015 with increasing the ratio. A high or increasing Working Capital Turnover is usually a positive sign, showing the company is better able to generate sales from its working capital. At the mean time net working capital turnover ratio of HDL is negative, which indicates that the financial position of the company poor for these years. The average ratio is higher DNL 14.21 and lower than is HDL 0.27 it shows the current liabilities of HDL is higher than the current assets. The CVs of UNL, DNL and HDL are 59.04%, 70.06.25% and 3496.53% respectively, which indicates more variation due to fluctuation trend in the ratio

**Figure No. 4.8****Net Working Capital Turnover Ratio (NWCTR)****4.4 Profitability Position**

An ability to earn maximum from the maximum use of available resources by the business organization is known as profitability. It is the measurers of efficiency. Working capital component has affected profitability position of the enterprises. The strong profitability position fulfills the aims of wealth maximization as well as profit maximization, which motivate investor to invest.

**4.4.1 Net Profit Margin (NPM)**

Net profit margin shows the relationship between net profits and sales it indicates available ratio of profit margin for ownership capital. Moreover, it is the ratio between net income and sales of a firm. It shows firm's ability to generate net income per rupee of sales. Higher net profit margin indicates firm's ability to generate net income out of per rupee of sales. Following table shows the net profit margin of UNL, DNL and HDL.

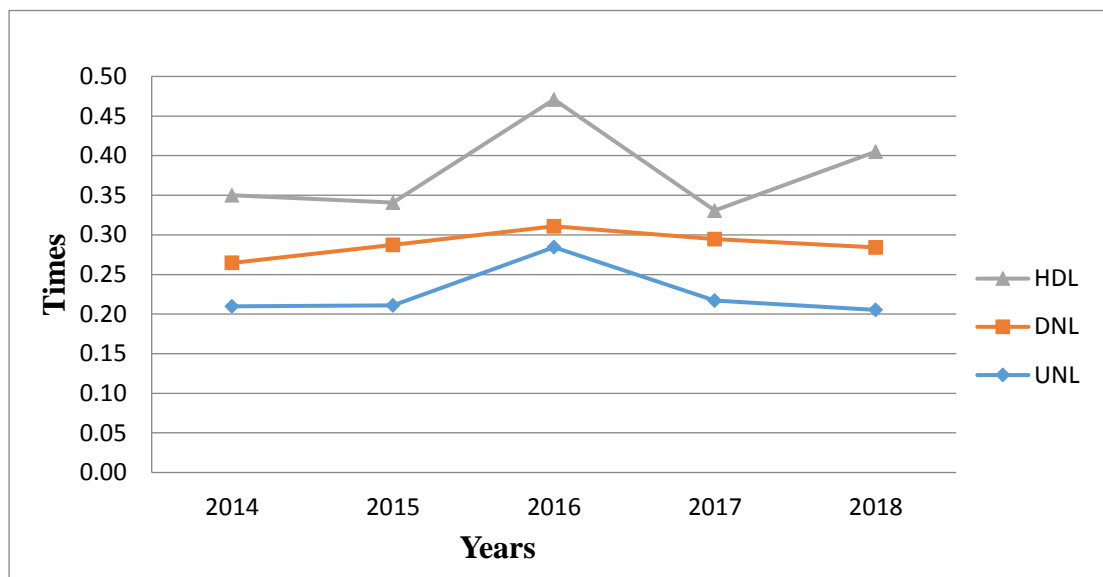
**Table No. 4.10**  
**Net Profit Margin (NPM)**

Year	UNL			DNL			HDL		
	NPAT	Sales	Ratio	NPAT	Sales	Ratio	NPAT	Sales	Ratio
2014/15	910	4362	0.21	295.5	5410.7	0.05	130.6 8	1530. 51	0.09
2015/16	1031	4889	0.21	448.7	5875.6	0.08	81.25	1523. 65	0.05
2016/17	1122	3945	0.28	133	5023.9	0.03	248.9 6	1554. 98	0.16
2017/18	965.3	4443	0.22	498.2	6444.5	0.08	48.87	1347. 87	0.04
2018/19	999.4	4868	0.21	769.76	9776.36	0.08	293.4 9	2424. 6	0.12
<b>Average</b>			<b>0.23</b>			<b>0.06</b>			<b>0.09</b>
<b>CV</b>			<b>13.23</b>			<b>32.18</b>			<b>49.33</b>

Source: Annual Reports of UNL, DNL and HDL from 2014-2018

The table 4.10 shows that net profit margin of UNL, DNL and HDL respectively. The net profit of the UNL is increasing with the increase in sales. So, the profit margin is slightly increasing with an average of 23%. The profit margin 23% of UNL implies that every rupee of sales contributes Rs.23 to the net income. Similarly, the net profit of DNL at first decreases and start to increase. The sales are increasing but with proportionate with sales net profit is not increasing. Therefore, the net profit margin is very low with an average of 6%. Similarly, the net profit of DNL is very low. The above table shows that the profit margin is fluctuating every year. Despite of this the HDL Companies is able to make an average of 9% of profit margin. In comparison among these three companies, UNL make an efficient profit margin with an average of 23%. However, C.V. of UNL shows 13.23%, which shows less variation net profit after tax to sales ratio and CV of DNL and HDL are 32.18% and 49.33% respectively, which indicates high variation of net profit after tax to sales ratio.

**Figure No. 4.9**  
**Trend Line of Net Profit Margin**



#### 4.4.2 Return on Assets (ROA)

Return on total assets is the relationship of net profit after tax and total assets. It measures the percentage of return on the overall total assets employed for every activity of the enterprises. ROA is often called the firm's return on total assets, measure the overall effectiveness of management in generating profit with its available assets. The higher the firm's return on assets the better it is doing in operation and vice versa. The return on total assets employed of UNL, DLN and HDL are presented below in table.

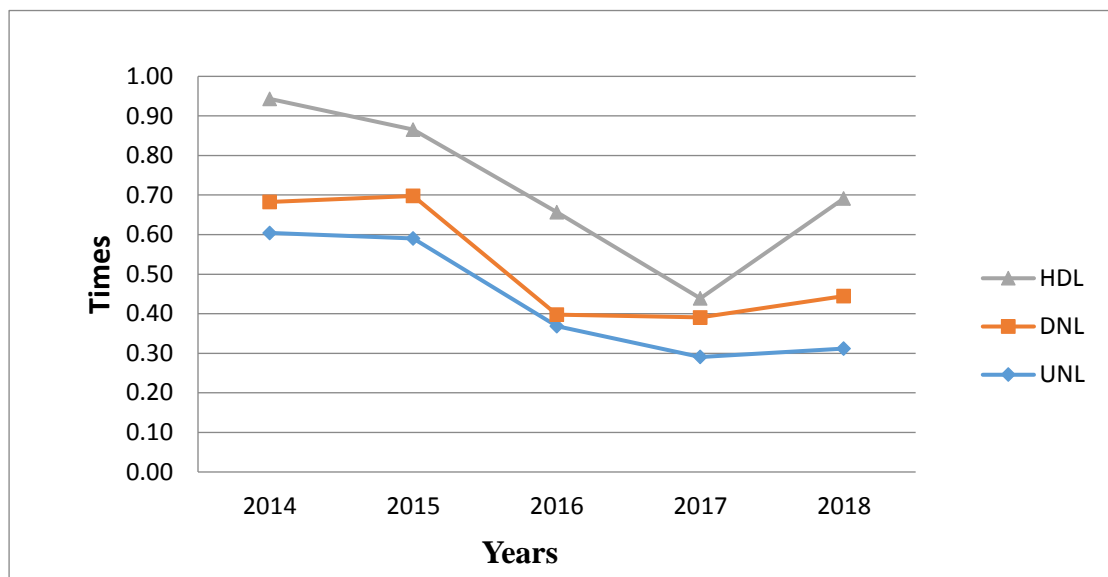
**Table No. 4.11**  
**Return on Total Assets (ROA)**

Year	UNL			DNL			HDL		
	NPAT	Assets	Ratio	NPAT	Assets	Ratio	NPAT	Assets	Ratio
2014/15	910	1506	0.60	295.5	3758.3	0.08	130.68	502.15	0.26
2015/16	1031	1746	0.59	448.7	4185.5	0.11	81.25	484.07	0.17
2016/17	1122	3046.44	0.37	133	4559.2	0.03	248.96	959.25	0.26
2017/18	965.3	3321.83	0.29	498.2	4970.7	0.10	48.87	1017.92	0.05
2018/19	999.4	3203.04	0.31	769.76	5803.8	0.13	293.49	1190.74	0.25
<b>Average</b>			<b>0.43</b>			<b>0.09</b>			<b>0.20</b>
<b>CV</b>			<b>31.53</b>			<b>38.82</b>			<b>41.61</b>

Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

The table 4.11 shows the return on assets of selected three Nepalese manufacturing companies. The return on assets of UNL is decreasing trend in F/Y 2014 to F/Y 2018. Regarding the values of return on assets, in some year UNL earn an ideal ratio of more than 60% as maximum and 29% on minimum with an average mean of 43%, implies that the firm's investment in total assets offers 43% return after recovering all operating expenses, interests and taxes, which indicates that the company's return on assets is excellent. In contrast, the values of return on assets of DNL earn maximum 13% of return whereas minimum of 3% return. On average, firms within the scope of study can gain 9% return on their assets. In compare to UNL the return is very low. Likewise, the return on assets of HDL shows maximum 26% and minimum 5% of return. On an average, firms could gain 20% return on their assets. However, the increasing trends and ends with decreasing to 25% From above all data shows UNL's investment in total assets offers highest return after recovering all operating expenses, interests and taxes with 43% in average. In contrast, DNL gives lowest return with an average of 9%. The C.V of return on total assets of UNL is 31.53%, which indicate less variation on return on assets and DNL and HDL is 38.82% and 41.61%, which indicates high variation on return on assets.

**Figure No. 4.10**  
**Trend Line of Return on Total Assets (ROA)**



#### 4.5 Working Capital Cash Conversion Cycle

Working capital cash conversion cycle measures the total numbers of days from raw materials purchase to when cash is received from debtors. This shows the cash inflow and outflow period of company, inflow and outflow are repetitive process. Cash inflow and outflow period determines as available credit period. The cash conversion is net time interval in days between actual cash expenditure of the firm on productive resources and ultimate recovery of cash. Following table represents the cash conversion cycle of UNL, DNL and HDL.

**Table No. 4.12**  
**Cash Conversion Cycle (CCC)**

<b>Industry</b>	<b>Year</b>	<b>2014/1 5</b>	<b>2015/1 6</b>	<b>2016/1 7</b>	<b>2017/1 8</b>	<b>2018/1 9</b>	<b>Avgas</b>	<b>CV</b>
UNL	ICP	75	78	123	93	106	95	
	RCP	42	17	27	55	45	37.2	
	PCP	80	78	112	140	137	109	
	<b>CCC</b>	<b>37</b>	<b>17</b>	<b>38</b>	<b>8</b>	<b>14</b>	<b>22.8</b>	<b>0.54</b>
DNL	ICP	117	99	126	123	150	123	
	RCP	54	63	86	67	37	61.4	
	PCP	56	60	88	77	94	75	
	<b>CCC</b>	<b>115</b>	<b>102</b>	<b>124</b>	<b>113</b>	<b>93</b>	<b>109.4</b>	<b>0.10</b>
HDL	ICP	81	71	72	117	97	87.6	
	RCP	0	34	29	14	19	19.2	
	PCP	20	40	49	59	13	36.2	
	<b>CCC</b>	<b>61</b>	<b>65</b>	<b>52</b>	<b>72</b>	<b>102</b>	<b>70.4</b>	<b>0.24</b>

Source: Annual Reports of UNL, DNL and HDL from 2014-2018.

The table 4.12 provides the statistics about all variables of manufacturing companies being studied. It shows the cash conversion cycle (CCC) UNL, DLN and HDL of last five years. To calculate the CCC, ICP, RCP and PCP of all the selected companies has been calculated. There are quite huge differences between the minimum and maximum values in RCP, PCP as well as CCC among studied companies. The rationale may be due to the diffusion in the product nature, the automation level and the technology used in the manufacturing process as well as the capacity of having products ready to provide to customers among those companies.

The maximum number of ICP of UNL is 123 days and minimum number of days is 75 with an average of 95 days. That means the firm requires an average of 95 days to convert its investment in raw materials into finished goods and then sell them.

Likewise, maximum number of receivable days is 55 days and minimum of 17 days. The table shows the data's are fluctuating. However, the company could make an average RCP of 37.2 days which represents that the firm requires an average of 37.2 days to convert receivables into cash. Similarly, the maximum payable number of days is 140 days whereas minimum of 78 days and with an average payable deferral period of 109 days. That means the company has an average of 109 days of length of time between purchase of materials and labour and the payment of cash for them. Meanwhile, the data shows the maximum number of CCC is 38 days and minimum of 8 day, which makes an average of CCC is 22.8 day. The CCC is has explored to be a value in year 2015,2016 and 2017 which seems to be a satisfactory in short period but in long period it will deteriorate the credit worthiness of the company. Firm could not get credit due to the company delay in obligation. The average of 22.8 days of CCC tells that the financial manager has to arrange external funds requiring for 22.8 days. Longer positive CCC indicates greater need for external financing thereby increases the cost of financing too resulting in lower profitability.

On the other hand, data of DNL shows the highest number of ICP is 150 days and minimum of 99 days. On an average, the firm makes 123 days of ICP. Which means the firm requires an average of 123 days to convert its investment in raw materials into finished goods and then sell them. Likewise, average collection period of DNL is 123 days with a highest of 86 days and lowest of 37 days. It represents that the firm requires an average of 61.4 days to convert receivables into cash. Meanwhile, the highest PCP of DNL is 94 days and minimum is 56 days which makes an average payable period of 75 days. That means the company has an average of 75 days length of time between purchase of materials and labour and the payment of cash for them. However, the cash conversion cycle shows the average length of time that the firm must hold investment in working capital. The data shows an average CCC of DNL is 109.4 days, which means the firm must hold 109.4 days of manufacturing cost in working capital. DNL has the highest level of average CCC. Any extension of the cycle can result in higher costs and lower profits. Besides, the longer cash conversion cycle increases the risk, which may experience liquidity problems.

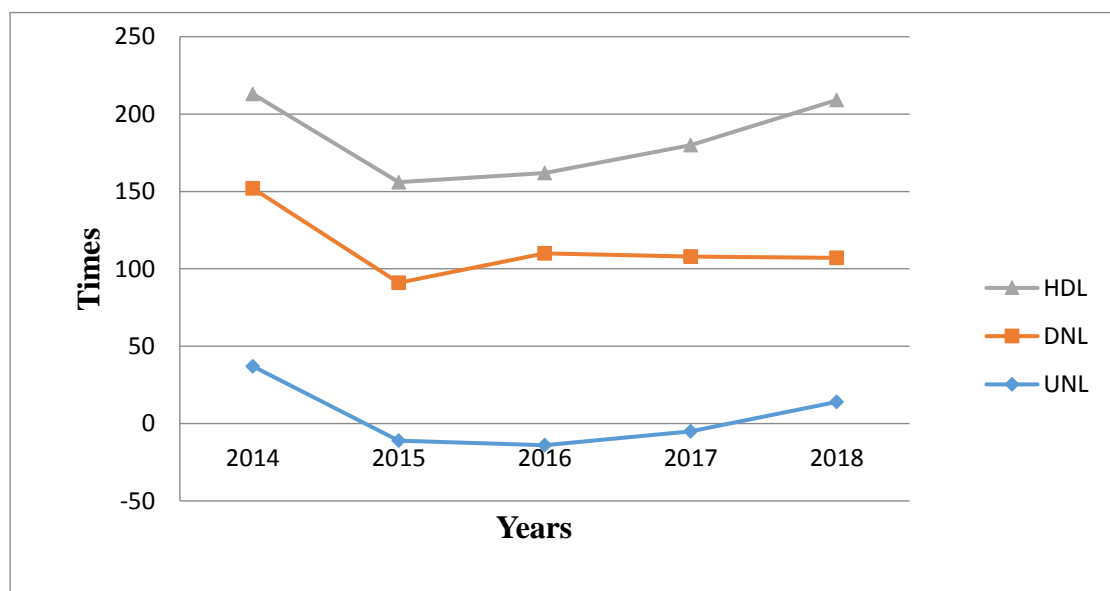
Similarly, with comparison to other two firm HDL has comparatively lower ICP and RCP with an average of 87.6 days and 19.2 days respectively. However, the payable deferral period is lower than 100 days in all years. On an average, the firm makes 36.2

days of PCP. By which CCC has been significantly negative in all study period and makes an average of 70.4 days. The CCC 70.4 days means the HDL has extra fund quall to the 70.4 days daily working capital need. A negative cash conversion cycle produces the positive cash flow. A negative cash conversion cycle might be a good signal, saying that your company has more free cash to invest elsewhere. However, meaning a negative CCC does not always account for an upward trend in a company's profitability. The C.V. of UNL has 4.54, UNL 0.10 and HDL0.24 which indicates slightly variation with CCC and CV which indicates Positive variation with CCC.

Above discussion on CCC has explored that the level of working capital depends on the length of CCC. If the firm is able to shorten its CCC, the working capital requirement also could be reduced. If the average cash conversion cycle of company is positive which seems to be very satisfactory for short period but in long period it will deteriorate the credit worthiness of the company. Firm could not get credit due to the company delay in obligation.

**Figure No. 4.11**

**Trend Line of Cash Conversion Cycle**



**4.6 Analysis of Working Capital Relationship**

In order to study the significance of various working capital variables Karl Pearson's Correlation is applied. This measures the degree and importance of relationship between the variables. Following table presents the relationship between working capital and other variables of UNL, DNL and HDL

**Table No. 4.13****Pearson Coefficients Correlation of UNL**

	<b>NPM</b>	<b>CR</b>	<b>ICP</b>	<b>RCP</b>	<b>PCP</b>	<b>CCC</b>	<b>ROA</b>	<b>SG</b>	<b>AG</b>
<b>NPM</b>	1								
<b>CR</b>	0.81	1							
<b>ICP</b>	0.80	0.88*	1						
<b>RCP</b>	-0.29	0.28	0.01	1					
<b>PCP</b>	0.66	0.86	0.86	0.17	1				
<b>CCC</b>	-0.53	-0.39	-0.46	0.44	-0.69	1			
<b>ROA</b>	-0.33	-0.75	-0.74	-0.48	-0.91*	0.44	1		
<b>SG</b>	-0.89*	-0.62	-0.60	0.30	-0.29	0.12	-0.02	1	
<b>AG</b>	-0.65	-0.96**	-0.89*	-0.41	0.93*	0.38	0.89*	0.41	1

Source: spss output

To measure the firm profitability, ROA has been chose as a dependent variable. It equals to net profit after tax divided by total assets. To measure the WCM's efficiency of a company, the research chooses cash conversion cycle (CCC), Inventory Conversion Period (ICP), Receivable Conversion Period (RCP), Payable Conversion Period (PCP), as independent variables. Those variables are seen as the most suitable proxies measuring the WCM's efficiency. Whereas, others variables like current ratio (CR), Sales growth (SG), ratio of current liabilities to assets growth (AG) are chosen as control variables for this research because they are inherent firm's characteristics which can also affect company profitability.

Table 4.13 depicts result obtained from Pearson correlation analysis dedicated to manufacturing company UNL. The table presents correlation analysis of all the variables. The result shows the negative relations between ROA with NP margin, CR, RCP and PCP, respectively with the correlation coefficients of -0.33, -0.75, -0.48 and -0.91, all reaching the significant level at  $\alpha = 5\%$ . This explain that allowing customer to pay longer/ or delaying payment to supplier longer may associate with the

reduction on company profitability. The correlation of ROA with CR is negative. This reveals that there is a negative relation between CR and ROA; it means that an increase in CR will lead to decrease in the company's profit. The correlation analysis also shows the strong positive relationship between ROA with cash conversion cycle with the coefficients of 0.44. Based on the study we can say that Cash Conversion Cycle has a positive significant impact on return on assets of UNL.

The result additionally indicates a positive correlation between ROA and AG. Given the result, the more aggressive the company's financing policy, the lower the company's profitability and vice versa. Moreover, significantly correlations at level  $\alpha=5\%$  for the relationship between ROA with SG with -0.02, this indicates the bigger the firm size / the annual growth of sales, higher the firm profitability and vice versa.

**Table No. 4.14**

**Pearson Coefficients Correlation of DNL**

	<b>NPM</b>	<b>CR</b>	<b>ICP</b>	<b>RCP</b>	<b>PCP</b>	<b>CCC</b>	<b>ROA</b>	<b>SG</b>	<b>AG</b>
<b>NPM</b>	1								
<b>CR</b>	0.47	1							
<b>ICP</b>	0.02	0.78	1						
<b>RCP</b>	-0.61	-0.55	-0.44	1					
<b>PCP</b>	-0.05	0.55	0.83	-0.01	1				
<b>CCC</b>	-0.81	-0.40	-0.29	0.84	-0.14	1			
<b>ROA</b>	0.94*	0.51	0.17	-0.84	-0.04	-0.93*	1		
<b>SG</b>	0.83	0.40	-0.08	-0.77	-0.42	-0.68	0.88*	1	
<b>AG</b>	0.06	0.15	0.59	-0.56	0.50	-0.62	0.30	-0.04	1

Source: spss output

The table 4.14 presents the result obtained from Pearson correlation analysis dedicated to manufacturing company DNL. From the above result, it could explain that there is a strong positive relationship between net profit margin with ROA and Positive correlation between ROA with current ratio and PCP is negative i.e. 0.94, 0.51 and -0.04 respectively. This indicates that delay paying to suppliers longer may

associate with a reduction on company's profitability. The strong positive correlation between ROA with ICP and RCP indicates the quick conversion of raw materials into finished goods and sell it and timely collection of cash will increase the company's profitability.

The correlation analysis also results in negative association between firm ROA with CCC with the coefficients of -0.93 and p-value accounts for a significant level at  $\alpha = 5\%$ . Any cash conversion cycle lengthening can involve in an increase in company profitability and vice versa. The longer the time lag, the larger is the investment in working capital. A longer cash conversion cycle may increase profitability because it leads to higher sales. The result also shows that DNL has significant positives correlation between ROA with SG and AG 0.88 and 0.30 respectively. It shows that the company use an aggressive financing policy, which leads negative return on ROA and despite the increase in the growth of annual sales gives negative return on profit of the company.

**Table No. 4.15**

**Pearson Coefficients Correlation of HDL**

	<b>NPM</b>	<b>CR</b>	<b>ICP</b>	<b>RCP</b>	<b>PDP</b>	<b>CCC</b>	<b>ROA</b>	<b>SG</b>	<b>AG</b>
<b>NPM</b>	1								
<b>CR</b>	0.36	1							
<b>ICP</b>	-0.42	0.55	1						
<b>RCP</b>	0.13	0.07	-0.41	1					
<b>PDP</b>	-0.28	-0.18	0.20	0.37	1				
<b>CCC</b>	-0.05	0.77	0.53	-0.09	-0.54	1			
<b>ROA</b>	0.80	0.01	-0.67	-0.05	-0.70	-0.02	1		
<b>SG</b>	0.46	0.42	-0.12	-0.27	0-96*	0.64	0.72	1	
<b>AG</b>	-0.45	-0.83	-0.60	0.14	-0.14	-0.36	0.07	-0.11	1

Source: spss output

The Table 4.15 show the result obtained from Pearson correlation analysis dedicated to manufacturing company HDL. Base on the result we can say that there is a negative correlation between ROA with RCP and PCP -0.05 and -0.70 respectively both reaching the significant level at  $\alpha=5\%$ . The result shows allowing customers to pay back longer and delaying payment to suppliers longer may negative effects on

company's profitability. The coefficient column for variable CR stands at 0.01, this reveals that there is a positive relation between CR and ROA; it means that an increase in CR will also lead to an increase in the ROA of HDL. At the significance level of 0.05, it is statistically significant. The result also shows positive correlation between ROA with cash conversion cycle. It indicates that increase in CCC will increase in company's profitability and vice versa.

The result additionally indicates a positive relation between AG and firm ROA. The correlation coefficient of that relationship is 0.07. Given the result, the more aggressive company's financing policy, higher the company's profitability and vice versa. The above result shows the positive correlation with sales growth and profitability. That means higher the company's annual sale will increase the profit of the company.

#### **4.7 Major Findings**

- i. **Liquidity position:** The liquidity position of all three selected manufacturing companies UNL, DNL and HDL are analyzed with the current ratio and quick ratio. The average current ratio of UNL, DNL and HDL is 1.97, 1.23 and 1.71 times respectively, which is below the standard 2:1. It indicates poor liquidity position of all three companies. Similarly, the average quick ratio of UNL, DNL and HDL is to be 1.39, 0.75 and 0.60 respectively, which is less than standard 1:1. It shows that no selected company has been able to convert current assets quickly in cash in order to meet current liabilities. Current ratio and quick ratio both revealed and unsatisfactory liquidity position of all three selected companies and thereafter to increase the financial position for working capital. From the study, it shows UNL has good liquidity position in comparison with above selected three manufacturing companies.
- ii. **Utilization of working capital:** Current assets turnover ratio has found decreasing trend with an average of 2.29, 1.80 and 4.08 of UNL, DNL and HDL respectively. The ratio of an average inventory turnover during the study period of UNL, DNL and HDL has found 5.77, 4.72 and 6.84 times respectively. It shows how fast the company is turning over its inventory to sales. HDL has efficient use of inventory management with the higher average level of turnover ratio whereas DNL with lowest level.

- iii. The ratio of an average receivable turnover during the study period of UNL, DNL and HDL has found 13.51, 6.37 and 14.95 times respectively. From the above data, it shows HDL has the highest level of receivable turnover ratio, it means it has better liquidity of debtor and quick collection of receivables than UNL and DNL.
- iv. The ratio of average cash and bank turnover during the study period of UNL, DNL and HDL has found 12.15, 54.44 and 332.65 times respectively. From the above data, it shows HDL has the highest level of cash and bank turnover ratio, it means it has better liquidity of debtor and quick collection of cash and bank than UNL and DNL.
- v. The ratio of an average net working capital turnover ratio of UNL, DNL and HDL shows 5.69, 14.21 and 0.27 times respectively. From the study we found HDL has lowest NWCTR with highly fluctuating every year. Lowest ratio indicates that the financial position of HDL is very poor. Lowest working capital creates the liquidity problem in the company.
- vi. Profitability Position: To measure the profitability position net profit margin and return of assets has been chosen for the study. Net profit margin of UNL is increasing trend making an average of 23% on its sales whereas, both DNL and HDL has fluctuating profit margin with an average of 6% and 9% respectively. The ratio of average ROA of UNL, DNL and HDL is 43%, 9% and 20% respectively. The past five years result shows ROA of UNL is found in decreasing trend despite of that the company could make 63% of ROA. Similarly, the result shows both DNL and HDL has fluctuating trend. From the results, we can say that UNL is making proper utilization of assets in comparison with DNL and HDL.
- vii. Cash Conversion Cycle: An average inventory conversion period of UNL, DNL and HDL are 95, 123 and 87.6 days respectively and receivable collection period is 37.2, 61.4 and 19.2 days respectively. The result shows, HDL has comparatively lower ICP and RCP, which means HDL's conversion period of inventory to sales is very satisfactory and receivable collection period is faster than DNL and HDL. The ratio of average payable deferral period of UNL, DNL and HDL is 128, 75 and 36.2 days respectively. UNL has highest PCP which means it holds its payments to the creditors as long as the firm's credit reputation is not a shake. The result shows has On the other hand UNL, DNL and HDL has

an average CCC of 4.2, 109.4 days and 70.4 days respectively. The analysis of HDL has shown that long PDP and short ICP and short PCP, which is favorable for the company but it will cause higher impact from its trade creditors and firm could get credit due to the company delay in obligations.

- viii. The correlation of UNL shows there is a negative relations between ROA with NP margin, CR, ICP,RCP, PCP and CR, respectively with the correlation coefficients of -0.33, -0.75, -0.74,-0.48and -0.91. This explain that allowing customer to pay longer/ or delaying payment to supplier longer may associate with the reduction on company profitability. The correlation analysis also shows the strong positive relationship between ROA and cash conversion cycle with the coefficients of 0.44. Based on the study we can say that Cash Conversion Cycle has a positive significant impact on return on assets of UNL. The result additionally indicates a positive and negative correlation between ROA with AG and sales growth i.e.- 0.02 and 0.89 respectively.
- ix. The Pearson correlation analysis of DNL shows a strong positive relationship between net profit margin with ROA and negative correlation between ROA with current ratio RCP, CCC and PCP i.e. -0.84, -0.04 and -0.93 respectively. Similarly, the correlation analysis also results in negative association between ROA with CCC with the coefficients of 0.93. Any cash conversion cycle lengthening can involve in an increase in company profitability and vice versa. The result also shows that DNL has significant positive correlation between ROA with SG and AG 0.88 and 0.30 respectively.
- x. The Pearson correlation analysis HDL shows there is a negative correlation between ROA with RCP and PCP and positive relation with CR -0.67, -0.05,-0.70 and 0.01 respectively. It means allowing customers to pay back longer and delaying payment to suppliers longer may negative effects on company's profitability. The result also shows positive correlation between ROA with cash conversion cycle. It indicates that increase in CCC will increase in company's profitability and vice versa. The result additionally indicates a positive relation between AG and firm ROA. The correlation coefficient of that relationship is 0.72and 0.07.

## CHAPTER V

### CONCLUSIONS

This chapter targets to summarize the main content of the thesis and to draw conclusion based on empirical findings. This study is carried out to assess the effect of working capital management of its profitability of Nepalese manufacturing company. Here in this chapter, I have summarized, draw the conclusion and recommendation based on the whole study and analysis of data.

#### 5.1 Discussion

Working capital is a financial metric, which represents the operating liquidity available to a business. Along with fixed assets such as plants and equipment's, working capital is considered as a part of companies operating capital, referring to current assets. It is the crucial aspect of the financial management as life-blood and controlling nerve center for any types of business organization because without the proper control upon it no business can run smoothly. The main motive of this study is to determine the working capital management and influence of working capital management on companies' profitability. To support the study I have taken three sample of Nepalese manufacturing companies (i.e. UNL, DNL and HDL). To serve the purpose the following specific objectives have been formulated; to examine the influence of working capital management on companies' profitability, to analyze the liquidity position and composition of working capital of selected companies, to analyze the utilization of working capital of selected companies.

This study used descriptive and correlation analysis to examine the effect of working capital management on company's profitability. Elements of working capital are determined and various ratios have been calculated in this study to obtain result of this study. Appropriate research methodology has been used which includes the various financial analyses as a financial tool with the help of financial data available from the secondary data published by the company. The major ratio analysis consists of current ratio, quick ratio. Besides, every element of the current is also analyzed in reference to the total assets, fixed assets and current assets. The compositions of liquidity position, utilization turnover position, and profitability position have been used to analyze. Apart from this, receivable collection period, inventory conversion period, payable deferral period, cash conversion cycle, profit margin analysis have added a

brick on making the study more reliable and significantly justifiable. To find out the necessary data various statistical tools, financial tools, bar graph, trend line and correlations are also used. The necessary data were derived from the balance sheet and profit and loss account of UNL, DNL and HDL, for the periods of five years from F/Y 2014 to 2018.

The performance of the selected manufacturing companies has been observed by liquidity. Has below the companies' average stander with number of manufacturing companies this finding is consistence with findings of Shrestha (1982). However, Profitability of the selected manufacturing companies NPM have positive relationship with the working capital. This finding is consistence with findings of shin and soenen (1998). Similarly, ROA has positive relationship with NPM. This companies (UNL, DNL and HDL). The performance of the selected manufacturing companies by UNL is relationship on ROA is negative NPM, CR, ICP, RCP, and PCP and positive relationship ROA and CCC the manufacturing companies is consistence with findings. DNL is relationship on ROA is positive NPM, CR, ICP, RCP, and PCP and negative relationship on ROA and CCC the manufacturing companies is in consistence with findings. Similarly HDL is relationship on ROA is negative ICP, RCO, PCP and CCC and ROA, NPM, and CR is positive relationship on manufacturing companies is inconsistence with findings of L azaridis and Tryfonidis (2006).

## **5.2 Conclusions**

This study is based on the data of three Nepalese manufacturing companies namely UNL, DNL and HDL. The study focuses on working capital management of selected companies. Working capital management necessitates short-term decision on working capital and financing of all aspects of both firm's short term assets and liabilities. The aim of efficient and effective working capital management is to ensure growth in firms, increase in size, and enhance the liquidity profile of firms as well as optimal leverage. This study empirically analyzed the impact of working capital management on company's profitability of Nepalese manufacturing company. Profitability was measured by Return on Assets. The results showed the liquidity position of all sample companies is not satisfactory. The turnover ratio shows HDL has highest turnover ratio than other sample companies. The profitability shows UNL has highest level of ROA and NPM which indicates that UNL is doing better operation in comparison to

other sample companies. The correlation result showed cash conversion cycle had a significant positive impact on return on assets, implying that increase in CCC leads to increase in profitability of Nepalese manufacturing companies. Furthermore, it shows the positive relationship with sales growth, negative relation between AG, which indicates increase sales, leads to increase in profit, and aggressive financing policy leads to negative return.

### **5.3 Implications**

#### **5.3.1 General implication**

At the end of the research, the study without practicable, suggestion would be incomplete phenomenon. Therefore, the following recommendations have been made on the basis of foregoing analysis for further improvement of existing working capital management.

- i. The liquidity position of all the selected companies is not satisfactory. CR is below the standard level which makes the working capital negative effect.
- ii. The working capital should be arranged in such a way that it should generate the maximum turnover. The working capital has not been fully utilized. The companies should try to utilize its working capital to maintain sound turnover position.
- iii. ULN Ltd being a manufacturing companies need an efficient liquidity position to operate its business but it has lower value than standard. Therefore, it should maintain the standard value of both current ratio and quick ratio to get the optimum solvency position.
- iv. Negative net working capital represents the poor financial management of the HDL. The study found the amount of current liabilities is larger than the current assets. Keeping optimum size of investment in current assets and current liabilities and regular check of working capital could do it.
- v. Liquidity handling of the company is not satisfactory because it's in the highly fluctuating trend. There is absence of limit at which the cash and bank balance should be maintained. Therefore, the company should adopt a proper managerial policy because holding of cash more than requirement gives no return to the companies.

- vi. This study recommends that firms should shorten the period between purchases of goods to pay for their purchases as to enhance profitability. They can also reduce the period between converting of raw materials into finished goods as to sell them.
- vii. The management of working capital highly depends upon the effective inventory management. The company should make the effective sales plan, which is for immediate marketability and it certainly decreasing the problem of overstocking. The management must give attention towards capacity utilization, carrying cost, ordering cost and lead-time for effective inventory management. At this same time, to manage inventory and minimize the wastage there should be good storekeeping system, better materials handling system and timely inspection system.
- viii. The conversation cycle of HDL indicates that there is negative cash conversion cycle due to poor collection and payable policy. Longer cash conversion cycle and negative cash conversion period both are not good for the companies. So, the companies should manage inventory conversion period, receivable collection period and payable deferral period by applying suitable credit policy.

### **5.3.2 Implications for future studies**

- i. This result is basically from the UNL, DNL and HDL manufacturing company of Nepal. Thus, the future study may include other financial sector such as Birat Shoes Limited (BSL), Bottlers Nepal limited (BNL), Flear Himalayan limited (FHL) and other industries.
- ii. The sample size and time period taken for the study is limited so future study can be conducted by taking large sample size for longer time period.
- iii. This study is based only on secondary data and does not include the preference of different investors. Therefore, future studies can be conducted using primary data.

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## APPENDIX

**Appendix 1: Level of Current Assets Nepalese Manufacturing Companies for the period of 2014 to 2018** **(Rs in million)**

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	1406	1503	2557	2740	2545
DNL	2707.6	2820.2	3300.8	3398.4	6454.64
HDL	321.73	496.05	356.51	360.6	545.23

**Appendix 2: Level of Current Liabilities Nepalese Manufacturing Companies for the period of 2014 to 2018** **(Rs in million)**

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	851	1068	986.6	1235	1289
DNL	2271.1	2643	2922.3	2472.4	4599.77
HDL	447.53	646.93	197.67	177.44	169.88

**Appendix 3: Sales on Nepalese Manufacturing Companies for the period of 2014 to 2018** **(Rs in million)**

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	4362	4889	3945	4443	4868
DNL	5410.7	5875.6	5029.9	6444.5	9776.4
HDL	1530.5	1523.7	1554.10	1347.87	2424.6

**Appendix 4: Inventory on Nepalese Manufacturing Companies for the period of 2014 to 2018**  
(Rs in million)

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	914.47	1062.83	674.69	620.74	751.74
DNL	1231.6	1118.8	1226.2	1584	1684.86
HDL	223.87	203.85	177.85	277.69	383.99

**Appendix 5: Receivables on Nepalese Manufacturing Companies for the period of 2014 to 2018**  
(Rs in million)

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	239.93	226.97	297.07	680.29	605.26
DNL	813.8	1025	1167	1207.2	994.48
HDL	177.54	144.44	134.92	53.79	127.46

**Appendix 6: Cash and Bank Balance on Nepalese Manufacturing Companies for the period of 2014 to 2018**  
(Rs in million)

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	391.91	645.84	517.57	241.47	303.71
DNL	1063	67	36	905	298.73
HDL	2.097	92.25	11.78	4.013	5.4

**Appendix 7: Net Profit after Tax on Nepalese Manufacturing Companies for the period of 2014 to 2018**  
(Rs in million)

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	910	1031	1122	965.3	999.4
DNL	295.5	448.7	133	498.2	769.76
HDL	130.68	81.25	248.96	48.87	293.49

**Appendix 8: Total Assets on Nepalese Manufacturing Companies for the period of 2014 to 2018**  
(Rs in million)

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	1506	1746	3046.44	3321.83	323.04
DNL	3758.3	4185.5	4559.2	4970.7	5803.8
HDL	502.15	484.07	959.25	1017.92	1190.74

**Appendix 9: Cost Of Goods Sold on Nepalese Manufacturing Companies for the period of 2014 to 2018**  
(Rs in million)

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	458.65	536.87	549.84	664.32	710.82
DNL	377.86	407.23	351.61	464.90	404.39
HDL	277.25	286.03	246.32	238.15	396.22

**Appendix 10: Payable on Nepalese Manufacturing Companies for the period of  
2014 to 2018** **(Rs in million)**

Industry	Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
UNL	892.05	758.64	902.20	1019.44	976.10
DNL	586.5	681.4	863.6	991.6	1060.1
HDL	554.09	1144.04	1213.62	1394.56	533.5

## Appendix 1: Balance Statement on 2013/2014

२०७० साल आषाढ ३१ (जुलाई १५, २०१३) को वासलात			
विवरण	अनुसूची	२०६८/७० (रु.)	२०६८/६९ (रु.)
पूजी तथा दायित्व			
शेयर पूजी	१	३८,५६,४५,५००	३८,५६,४५,५००
सुरक्षित ऋण	२	९९७,२८५	२१,२६,०३४
डेफर्ड कर दायित्व		४,८०,८५,७१७	४,९७,९७,०००
<b>जम्मा</b>		<b>४३,८७,२८,५०२</b>	<b>४३,७५,६८,५३४</b>
<b>सम्पति</b>			
स्थिर सम्पति		८०,६३,७९,०८२	७६,१८,४०,७९१
न्यून: हास		(३०,६४,१६,८७२)	(२७,१८,१८,८१९)
खुद स्थिर सम्पति	३	४९,९९,६२,२१०	४९,००,२१,९७२
पूजीगत कार्य प्रगती		३,४७,२०,१३३	१२,९१,२६८
<b>चालु सम्पति</b>			
नगद तथा बैंक मौज्दात	४	६८,५२,९३९	३७,३९,३८९
जिन्सी मौज्दात	५	१३,४२,१६,०९३	१२,८३,१६,०५५
आसामी तथा अन्य प्राप्त हुन बाँकी		७९,३७,५३२	६८,०५,७७३
अग्रिम भुक्तानी, पेशकी तथा धरोटी	६	१०,५७,६०,२२९	४,९१,४८,४६१
<b>जम्मा चालु सम्पति</b>		<b>२५,८७,६६,७९३</b>	<b>१८,८०,०९,६७७</b>
न्यून : चालु दायित्व एवं व्यवस्था			
छोटो अवधिको ऋण	७	१४,२२,३८,१४८	१५,४४,८६,१६८
विविध साहुरू		८,१६,०९,१०३	९,८१,५७,६५७
ग्राहकहरूबाट अग्रिम भुक्तानी तथा भुक्तानी दिन बाँकी	८	१५,५२,२९,६३२	९,७६,७३,९१७
व्यवस्था	९	७,०१,२०,७६१	४,६५,७५,७८६
<b>जम्मा चालु दायित्व</b>		<b>४७,९१,८७,६७४</b>	<b>४९,६८,७३,५२८</b>
<b>खुद चालु सम्पति</b>		<b>(१९,४४,३०,८८१)</b>	<b>(३०,८८,६३,८५१)</b>
विविध खर्च	१०	७१,५७,९७३	१,३८,८५,५४०
नाफा तथा नोक्सानी खाता		८,७३,१९,०३८	१४,१२,५३,६०४
<b>जम्मा</b>		<b>४३,८७,२८,५०२</b>	<b>४३,७५,६८,५३४</b>
सम्भाव्य दायित्व	११	१,२८,२०,८५६	१,२८,२०,८५६
महत्वपूर्ण लेखा नीति र टिप्पणीहरू	१७		

## Appendix 2: Profit or Loss Statement on 2013/2014

<b>हिमालयन डिष्टिलरी लिमिटेड. पर्सो</b>			
<b>२०६८ आरण १ देखि २०७० आषाढ ३१ (जुलाई १६, २०१२ देखि जुलाई १५, २०१३) सम्मको नाफा नोक्सान खाता</b>			
विवरण	अनुसूची	२०६८/७० (रु.)	२०६८/६८ (रु.)
<b>आम्दानी</b>			
संचालन आय	१२	१,१९,०९,२८,३६३	१,३४,९६,७३,६३४
न्यून : संचालन लागत	१३	(८२,४७,६९,७७८)	(९३,७३,१९,०६७)
<b>कूल संचालन नाफा</b>		<b>३६,६१,६६,५८५</b>	<b>४१,२३,५४,५६८</b>
अन्य आम्दानी		१,२२,१९,९२०	१८,८९,८६०
सम्पत्ति विक्रीबाट भएको नाफा/(घाटा)		१,५०,६६,३०१	(२९,५९,९६०)
विक्री तथा वितरण खर्चहरू	१४	(१६,७५,७३,३२५)	(१३,८१,४१,४९५)
प्रशासनिक खर्चहरू	१५	(८,१६,८५,०१६)	(७,५२,१०,९७२)
<b>ब्याज तथा हास कट्टी/अपलेखन पूर्वको नाफा</b>		<b>१४,४९,८३,५६४</b>	<b>२०,७५,६६,००२</b>
हास कट्टी तथा अपलेखन		(३,५१,६५,७९८)	(३,४३,३३,१२९)
अपलेखन (सारिएको खर्च)	३	(६७,२७,५६७)	(१,१०,४०,१६२)
आसामी तथा सापटी अपलेखन		-	(६२,०२,६०८)
बिक्री नहुने सामान अपलेखन		-	(१,०३,६५,१६५)
<b>ब्याज पूर्वको नाफा</b>		<b>१०,२३,०९,०९९</b>	<b>१६,६१,६६,००२</b>
वित्तीय लागत	१६	(१,६५,४५,६४०)	(२,७१,७८,०२९)
<b>आयकर तथा व्यवस्था पूर्वको नाफा</b>		<b>८,५७,६३,४५९</b>	<b>१३,८९,८७,९७३</b>
बोनसको व्यवस्था		(७७,९५,९५१)	(१,०१,३४,२६४)
आयकरको व्यवस्था		(२,५७,३६,२२५)	-
चालु वर्षको कर		१७,११,२८३	(२,७१,१८,३५३)
डेफर्ड कर		-	१७,१७,४५९
<b>आयकर पछिको नाफा</b>		<b>५,३९,३४,५६७</b>	<b>९,३०,७६,८१५</b>
<b>गतवर्ष सम्मको संकलित नोक्सानी</b>		<b>(१४,९२,५३,६०८)</b>	<b>(२९,७९,६५,३५५)</b>
<b>बाँकी वासलातमा सारिएको</b>		<b>(८,७३,९८,०३८)</b>	<b>(१४,९२,५३,६०८)</b>

**Appendix 3: Balance Statement and Profit and Loss 2014/2015**

२०७५ मास आधाह ३२ (जुलाई १६, २०१४) को बामसात				२०७० आध्याय १ बेध २०७५ आधाह ३२ (जुलाई १६, २०१४) सम्मको नाफा नोक्सान खाता			
विवरण	अनुसूची	२०७५(अ) (रु.)	२०७६(अ) (रु.)	विवरण	अनुसूची	२०७५(अ) (रु.)	२०७६(अ) (रु.)
मुली तथा दायित्व				आम्सली			
विगत मुली	१	३८,३६,५४,४००	३८,३६,५४,४००	समाधान भण्ड	१२	६,३३,०४,८८,५८८	६,१९,०९,२८,३६३
सिपिन नाफा		२९,५४,९०९	(८,५६,९९,०२६)	मूल - संश्लेषण सातत	१३	(१५,०९,२६,६१२)	(८२,५९,६३,०९५)
मुद्रीकृत धन	२	६,५६,०४,९३२	९,९७,२०६	<b>कुल संचालन नाफा</b>		<b>४३,२३,८३,०७६</b>	<b>३६,३९,६६,५८४</b>
डेपोजिट बर हारिबल		५,५४,३६,८२६	५,८०,०४,७७७	अप आम्सली		६६,७८,८०६	६,२२,९६,९००
<b>जम्मा</b>		<b>५०,२९,५९,८२७</b>	<b>३४,७४,०९,४६६</b>	सम्पत्ति विपरीत कर भण्डको नाफा / (नाफा)		(९,६८,२०९)	६,४०,९६,३०९
<b>सम्पत्ति</b>				विपरीत तथा विगत बर्षको		(९,२८,६२,५५४)	(९,६८,५६,९६३)
विगत सम्पत्ति				प्रशासनिक बर्षको	१४	(५,२८,६२,५५४)	(८,९६,८४,०९४)
विगत सम्पत्तिको परत मुल्य	३	८२,५७,४६,२०६	८०,६३,७९,०८२	संश्लेषणको व्यवस्था	१५	(२,२६,९९,९९९)	(२,०९,५४,५६३)
मूल सिपिन हान तथा हान मुली		(३५,९६,२२,०२५)	(३०,९४,९६,८५५)	आम्सली तथा सम्पत्तिको बर्षको		(९,९६,८८६)	-
मुद्र विपर सम्पत्ति		४८,२९,२७,२४७	४९,९९,६२,२९९	प्राथमिक सम्पत्तिको अपभेदन		(९,९६,८८६)	-
मुद्रीकृत बर प्रमाणी		९४,९६,८९,९३२	३,४७,२०,९३३	प्राथमिक सम्पत्तिको अपभेदन		(९,९६,८८६)	-
प्राप्त सम्पत्ति				प्याज तथा हात कडी / अपतन्त्रन पूर्वको नाफा		२८,००,००,०६६	९,३३,३३,९८४
वगत तथा बेच नोखात	४	२०,९६,८२९	६८,४२,९६९	प्याज कडी तथा अपभेदन	३	(३,६६,९९,९९९)	(३,६६,९९,९९९)
विपरीत नोखात	५	२३,५२,९६,०९९	९३,५२,९६,०९९	अपभेदन (हातीको बर्ष)		(३,६६,९९,९९९)	३,६६,९९,९९९
आम्सली तथा वगत बर हुन बाँकी		९९,९६,३६५	९९,२३,४३२	<b>प्याज पूर्वको नाफा</b>		<b>२४,३३,३३,०६७</b>	<b>९,४९,०४,९८९</b>
जीवन मुद्रीकृत, वैसी तथा मुद्रीकृत	६	६,३६,८२,०९६	७,९६,०४,५९६	सिपिन सातत	१६	९,९६,९६,०९६	(९,९६,९६,०९६)
<b>जम्मा चालु सम्पत्ति</b>		<b>३२,९७,२७,०९८</b>	<b>२२,८९,९७,०९८</b>	<b>आयकर तथा व्यवस्था पूर्वको नाफा</b>		<b>२२,६६,९६,०९६</b>	<b>७,९६,९६,९६०</b>
मुल - प्राप्त दायित्व एवं व्यवस्था				आयकरको व्यवस्था			
छोटा अर्थिकको धन	७	९६,६२,०८,०९८	९६,६२,०८,०९८	प्राप्त बाँकी बर		(९,९६,००,०९२)	(२,४९,९६,९६०)
विपिन सङ्कलन		९६,६२,०८,०९८	८,९६,९६,०९६	डेपोजिट बर		९६,६६,०९६	९९,९६,०९६
समाधानबाट सिपिन भुगतानी तथा भुगतानी विन बाँकी	८	६,६४,०९,९६९	९६,६६,९६,०९६	विगत वर्षको बाँकी बर		(२,८८,९६,०९६)	-
व्यवस्था	९	२२,९६,९६,०९६	२,४९,९६,०९६	<b>आयकर पछिको नाफा</b>		<b>९३,०६,९६,०९६</b>	<b>५,४९,०४,९८८</b>
<b>जम्मा चालु बायित्व एवं व्यवस्था</b>		<b>४४,६४,२८,९६२</b>	<b>४२,२४,४२,८६७</b>	सर्वको बरको संश्लेषण नोखात		(८,९६,९६,०९६)	(९,९६,९६,०९६)
<b>सुद चालु सम्पत्ति</b>		<b>(१२,४८,०९,९३४)</b>	<b>(१९,४४,२०,८५९)</b>	आम्सलीको लयी नोखात		(९,९६,९६,०९६)	(८,९६,९६,०९६)
विपिन बर्ष	१०	३६,५५,६३२	९६,६६,९६०	समाधान विगतको लयी विगत		-	-
<b>जम्मा</b>		<b>५०,२९,५९,८२७</b>	<b>३४,७४,०९,४६६</b>	<b>बाँकी बामसातमा साँगिको</b>		<b>२७,६४,९६,०९६</b>	<b>(८,९६,९६,०९६)</b>
समाधान हारिबल	११	९,२८,२०,०९६	९,२८,२०,०९६				

Activate Windows  
Go to Settings to activate Windows.

### Appendix 4: Profit or Loss Statement on 2014/2015

हिमालयन डिष्टिलरी लिमिटेड, पर्स			
२०७१ श्रावण १ देखि २०७२ आषाढ ३१ (जुलाई १७, २०१४ देखि जुलाई १६, २०१५) सम्मको नाफा नोक्सान खाता			
विवरण	अनुसूची	२०७१/७२ (रु.)	२०७०/७१ (रु.)
संचालन आय	१२	१,५२,३६,४६,०००	१,५३,०५,०८,७१८
न्यून : संचालन लागत	१३	(१,०२,९६,८७,७९७)	(९९,८१,२५,६४२)
<b>संचालन नाफा</b>		<b>४९,३९,५८,२०३</b>	<b>५३,२३,८३,०७६</b>
अन्य आमदानी		७१,०८,४४६	६६,१७,८७६
सम्पत्ति विक्रीबाट भएको नाफा/(घाटा)		१,९३,५५७	(९,९८,२०९)
विक्री तथा वितरण खर्चहरू		(२०,२७,८८,८२८)	(१२,४९,३५,७०५)
प्रशासनिक खर्चहरू	१४	(१०,४६,०२,१९५)	(९,२८,९२,४७३)
बोनसको व्यवस्था	१५	(१,१९,२४,०११)	(२,२४,६७,१५१)
आसामी तथा सापटीहरूको अपलेखन		—	(४१,९७,८९३)
प्याकिङ सामग्रीहरूको अपलेखन		(२७,६९,७३१)	(१,३५,०९,४५५)
<b>ब्याज तथा हास कट्टी /अपलेखन पूर्वको नाफा</b>		<b>१७,९१,७५,४४१</b>	<b>२८,००,००,०६६</b>
हास कट्टी तथा अपलेखन		(३,८९,९६,२४९)	(३,६६,९२,१८३)
अपलेखन (सारिएको खर्च)	३	(३१,४४,६३२)	(४०,१३,३४१)
ब्याज पूर्वको नाफा		१३,७०,३४,५६०	२३,९२,९४,५४२
वित्तीय लागत	१६	(१,७७,९४,४५३)	(१,४६,२३,०३६)
आयकर तथा व्यवस्था पूर्वको नाफा		११,९२,४०,१०७	२२,४६,७१,५०६
आयकर खर्चहरू			
चालु वर्षको कर		(३,५९,३६,८६२)	(७,३८,००,७४२)
डेफर्ड कर		४६,८७०	१६,४९,८९१
विगत वर्षहरूको अतिरिक्त कर		(२०,९५,८३९)	(२,१८,४१,३६७)
आयकर पछिको खुद नाफा		८,१२,५४,२७६	१३,०६,७९,२८८
गतवर्ष सम्मको बाँकी नाफा / (नोक्सानी)		२७,६५,९८९	(८,७३,१९,०३६)
बाडफाइको लागी मौज्जात		८,४०,२०,२६५	४,३३,६०,२५२
लाभार्थ वितरणको लागी सिफारिस		(८,११,८८,५२६)	(४,०५,९४,२६३)
बाँकी बासलातमा सारिएको		२८,३१,७३९	२७,६५,९८९

### Appendix 5: Balance Statement on 2015/2016

२०७२ साल अँषाठ ३१ (जुलाई १६, २०१५) को वासलात

विवरण	अनुसूची	२०७१।७२ (रु.)	२०७०।७१ (रु.)
<b>पूजी तथा दायित्व</b>			
शेयर पूजी	१	३८,५६,४५,५००	३८,५६,४५,५००
संचित नाफा		२८,३१,७३९	२७,६५,९८९
सुरक्षित ऋण	२	४,९२,०७,९३१	६,७३,०४,५१२
डेफर्ड कर दायित्व		४,६३,८८,९५६	४,६४,३५,८२६
<b>जम्मा</b>		<b>४८,४०,७४,१२६</b>	<b>५०,२१,५१,८२७</b>
<b>स्थिर सम्पति</b>			
स्थिर सम्पतिको परल मूल्य	३	९०,८५,४६,८८८	८२,४७,४९,२७६
न्यून: संचित ब्यास तथा ब्यास कट्टी		(३७,६९,०१,४८९)	(३४,१६,२२,०२९)
खुद स्थिर सम्पति		<b>५३,१६,४५,३९९</b>	<b>४८,३१,२७,२४७</b>
पूजीगत कार्य प्रगती		१०,३३,१०,४२५	१४,१६,८१,१२२
<b>चालु सम्पति</b>			
नगद तथा बैक मौज्दात	४	९,२२,५९,३३२	२०,९६,८२९
जिन्सी मौज्दात	५	२०,३८,५२,९२३	२२,३८,७२,७२९
आसामी तथा अन्य प्राप्त हुन बाँकी		१४,४४,४३,६६९	१७,७५,३६४
अग्रिम भुक्तानी, पेशकी तथा धरौटी	६	५,५४,९५,२३७	९,३९,८२,०९६
<b>जम्मा चालु सम्पति</b>		<b>४९,६०,५१,१६१</b>	<b>३२,१७,२७,०१८</b>
<b>न्यून : चालु दायित्व एवं व्यवस्था</b>			
छोटो अवधिको ऋण	७	१७,२६,०८,४२५	१९,६२,७८,०९८
विविध साहुहरू		२३,०५,१७,०५७	७,१६,९८,३१३
ग्राहकहरूबाट अग्रिम भुक्तानी तथा भुक्तानी दिन व्यवस्थाहरू	८	११,४४,४४,९०१	५,५४,०९,४५६
	९	१२,९३,६२,४७६	१२,४१,४२,३२५
<b>जम्मा चालु दायित्व</b>		<b>६४,६९,३२,८५९</b>	<b>४४,७५,२८,१९२</b>
<b>खुद चालु सम्पति</b>		<b>(१५,०८,८१,६९८)</b>	<b>(१२,५८,०१,१७४)</b>
विविध खर्च	१०	-	३१,४४,६३२
<b>जम्मा</b>		<b>४८,४०,७४,१२६</b>	<b>५०,२१,५१,८२७</b>
<b>सम्भाव्य दायित्व</b>	११	१,२८,२०,८५६	१,२८,२०,८५६

### Appendix 6: Profit or Loss Statement on 2014/2015

हिमालयन डिष्टिलरी लिमिटेड, पर्सा  
२०७१ श्रावण १ देखि २०७२ आषाढ ३१ (जुलाई १७, २०१४ देखि जुलाई १६, २०१५) सम्मको नाफा नोक्सान खाता

विवरण	अनुसूची	२०७१/७२ (रु.)	२०७०/७१ (रु.)
संचालन आय	१२	१,५२,३६,४६,०००	१,५३,०५,०८,७१८
न्यून : संचालन लागत	१३	(१,०२,९६,८७,७९७)	(९९,८१,२५,६४२)
<b>संचालन नाफा</b>		<b>४९,३९,५८,२०३</b>	<b>५३,२३,८३,०७६</b>
अन्य आमदानी		७१,०८,४४६	६६,१७,८७६
सम्पत्ति विक्रीबाट भएको नाफा/(घाटा)		१,९३,५५७	(९,९८,२०९)
विक्री तथा वितरण खर्चहरू		(२०,२७,८८,८२८)	(१२,४९,३५,७०५)
प्रशासनिक खर्चहरू		(१०,४६,०२,१९५)	(९,२८,९२,४७३)
बोनसको व्यवस्था	१४	(१,१९,२४,०११)	(२,२४,६७,१५१)
आसामी तथा सापटीहरूको अपलेखन	१५	—	(४१,९७,८९३)
प्याकिङ सामग्रीहरूको अपलेखन		(२७,६९,७३१)	(१,३५,०९,४५५)
<b>व्याज तथा ह्रास कटौती /अपलेखन पूर्वको नाफा</b>		<b>१७,९१,७५,४४१</b>	<b>२८,००,००,०६६</b>
ह्रास कटौती तथा अपलेखन		(३,८९,९६,२४९)	(३,६६,९२,१८३)
अपलेखन (सारिएको खर्च)	३	(३१,४४,६३२)	(४०,१३,३४१)
व्याज पूर्वको नाफा		१३,७०,३४,५६०	२३,९२,९४,५४२
वित्तीय लागत	१६	(१,७७,९४,४५३)	(१,४६,२३,०३६)
आयकर तथा व्यवस्था पूर्वको नाफा		११,९२,४०,१०७	२२,४६,७१,५०६
आयकर खर्चहरू			
चातु वर्षको कर		(३,५९,३६,८६२)	(७,३८,००,७४२)
डेफर्ड कर		४६,८७०	१६,४९,८९१
विगत वर्षहरूको अतिरिक्त कर		(२०,९५,८३९)	(२,१८,४१,३६७)
आयकर पछिको खुद्र नाफा		८,१२,५४,२७६	१३,०६,७९,२८८
गतवर्ष सम्मको बाँकी नाफा /(नोक्सानी)		२७,६५,९८९	(८,७३,१९,०३६)
बाँडफाँडको लागी मौज्जात		८,४०,२०,२६५	४,३३,६०,२५२
लाभांश वितरणको लागी सिफारिस		(८,११,८८,५२६)	(४,०५,९४,२६३)
बाँकी बासलातमा सारिएको		२८,३१,७३९	२७,६५,९८९

### Appendix 7: Balance Statement on 2016/2017

हिमालयन डिष्टिलरी लिमिटेड, पर्सा  
२०७३ साल अर्षाढ ३१ (जुलाई १५, २०१६) को बासलात

विवरण	अनुसूची	२०७२/७३ (रु.)	२०७१/७२ (रु.)
<b>प्रजी तथा दायित्व</b>			
शेयर पूँजी	१	३८,५६,४५,५००	३८,५६,४५,५००
साँचत नाफा		१६,३९,०१,३७३	२८,३१,७३९
सुरक्षित ऋण		३,०७,९९,९९९	४,९२,०७,९३१
डेफर्ड कर दायित्व	२	४,५२,१०,८३८	४,६३,८८,९५६
<b>जम्मा</b>		<b>६२,५५,५७,७११</b>	<b>४८,४०,७४,१२६</b>
<b>सम्पति</b>			
स्थिर सम्पतिको परत मुत्य	३	९७५,३३८,३२६	९०,८५,४६,८८८
न्यून साँचत हास तथा हास कट्टी		४१,६२,५३,५५०	(३७,६९,०१,४८९)
<b>खुद स्थिर सम्पति</b>		<b>५५,९०,८४,७७६</b>	<b>५३,१६,४५,३९९</b>
<b>पूँजीगत कार्य प्रगती</b>		<b>५,४०,५८,५४३</b>	<b>१०,३३,१०,४२५</b>
<b>चालु सम्पति</b>			
जिन्सी मौज्जात	४	१७,७८,८५,१७३	२०,३८,५२,९२३
आसामी तथा अन्य प्राप्त हुन बाँकी	५	११,२१,६४,५८६	१४,४४,४३,६६९
अग्रिम भुक्तानी, पेशकी तथा धरौटी	६	६,४६,५९,८१५	२,३३,९१,२३७
नगद तथा बैक मौज्जात	७	१,१८,८५,६९४	९२,२५९,३३२
<b>जम्मा चालु सम्पति</b>		<b>३६,६५,९५,२६८</b>	<b>४६,३९,४७,१६१</b>
<b>न्यून : चालु दायित्व एवं व्यवस्था</b>			
छोटो अबाधिको ऋण	८	७,७८,६३,०९८	१७,२६,०८,४२५
विभिन्न साहुहरु	९	८,९४,७८,९५३	२३,०५,१७,०५७
ग्राहकहरुबाट अग्रिम भुक्तानी तथा भुक्तानी दिन बाँकी	१०	७,३२,१२,७९६	११,४४,४४,९०१
व्यवस्था	११	११,३६,२६,११०	९,७२,५८,४७६
<b>जम्मा चालु दायित्व</b>		<b>३५,४१,८०,८७६</b>	<b>६१,४८,२८,८५९</b>
<b>खुद चालु सम्पति</b>		<b>१,२४,१४,३९२</b>	<b>(१५,०८,८१,६९७)</b>
विभिन्न खर्च		—	—
<b>जम्मा</b>		<b>६२,५५,५७,७११</b>	<b>४८,४०,७४,१२६</b>
<b>सम्भाव्य दायित्व</b>	१२	<b>१,२८,२०,८५६</b>	<b>१,२८,२०,८५६</b>
<b>महत्वपूर्ण लेखा नीति र टिप्पणीहरु</b>	१८		

### Appendix 8: Profit or Loss Statement on 2015/2016

#### हिमालयन डिष्टिलरी लिमिटेड, पर्सा

२०७२ श्रावण १ देखि २०७३ आषाढ ३१ (जुलाई १७, २०१५ देखि जुलाई १५, २०१६) सम्मको नाफा नोक्सान खाता

विवरण	अनुसूची	२०७२/७३ (रु.)	२०७१/७२ (रु.)
<b>आम्दानी</b>			
संचालन आय	१३	१,६५,४९,७७,२४३	१,५२,३६,४६,०००
न्यून : संचालन लागत	१४	(८८,६७,३५,१३१)	(१,०२,९६,८७,७९७)
<b>कूल संचालन नाफा</b>		<b>७६,८२,४२,११२</b>	<b>४९,३९,५८,२०३</b>
अन्य आम्दानी		२,०५,७४,१३१	७१,०८,४४६
सम्पत्ति विक्रीबाट भएको नाफा/(घाटा)		६,११३	१,९३,५५७
विक्री तथा वितरण खर्चहरू		(२१८,७८१,७६७)	(२०,२७,८८,८२८)
प्रशासनिक खर्चहरू		(११,००,८०,६८९)	(१०,४६,०२,१९५)
बोनसको व्यवस्था	१५	(३,६१,०१,६८४)	(१,१९,२४,०११)
आसामी तथा सापटीहरूको अपलेखन	१६	—	—
प्याकिङ सामग्रीहरूको अपलेखन		(८७,६९,२८६)	(२७,६९,७३१)
<b>ब्याज तथा हास कट्टी /अपलेखन पूर्वको नाफा</b>		<b>४१,५०,८८,९३०</b>	<b>१७,९९,७५,४४१</b>
ह्रास कट्टी तथा अपलेखन		(४,१५,१९,१३२)	(३,८९,९६,२४९)
अपलेखन (सारिएको खर्च)		—	(३१,४४,६३२)
<b>ब्याज पूर्वको नाफा</b>		<b>३७,३५,६९,७९८</b>	<b>१३,७०,३५,५६०</b>
बितीय लागत	१७	(१,२५,५२,९५३)	(१,७७,९४,४५३)
<b>आयकर तथा व्यवस्था पूर्वको नाफा</b>		<b>३६,१०,१६,८४५</b>	<b>११,९२,४०,१०७</b>
<b>आयकरको व्यवस्था</b>			
चालु वर्षको कर		(११,७१,४४,०२४)	(३,५९,३६,८६२)
डेफर्ड कर		११,७८,११८	४६,८७०
विगत वर्षहरूको अतिरिक्त कर		(२७,९२,७७८)	(२०,९५,८३९)
<b>आयकर पछिको नाफा</b>		<b>२४,२२,५८,१६०</b>	<b>८,१२,५४,२७६</b>
गतवर्ष सम्मको बाँकी नाफा / (नोक्सानी)		२८,३१,७३९	२७,६५,९८९
<b>बाँडफाँडको लागि मौज्जात</b>		<b>२४,५०,८९,८९९</b>	<b>८,४०,२०,२६५</b>
लाभाश वितरणको लागि सिफारिस		८,११,८८,५२६	(८,११,८८,५२६)
<b>बाँकी बासलातमा सारिएको</b>		<b>१६,३९,०९,३७३</b>	<b>२८,३१,७३९</b>

## Appendix 9: Balance Statement on 2016/2017

## हिमालयन डिष्टिलरी लिमिटेडको

वित्तीय स्थितीको विवरण

२०७४ साल आषाढ ३१ (जुलाई १५, २०१७)

विवरण	अनुसूची	यस वर्ष(रु.)	गत वर्ष(रु.)
गैर चालु सम्पत्ति			
जायजेशा, प्लान्ट र उपकरण	१	६०८,७३७,६१४	५३९,३७६,७९२
पुँजीगत कार्यप्रगती		३६,७१५,९०१	५३,६७७,१७३
अदृश्य सम्पत्ती	१	२,१८२,१७०	९३,३३३
एमोर्टाईज मुल्यका वित्तिय सम्पत्ती			
दीर्घ कालिन धरौटी	२	९,६२७,६०८	९,४९३,१२८
गैर चालु बैंक मौज्दात	३	१०५,०३६	१०५,०३६
जम्मा गैर चालु सम्पत्ती (ए)		६५७,३६८,३३०	६०२,७४५,४६२
चालु सम्पत्ति			
जिन्सी मौज्दात	४	२७७,६९२,५५६	१७७,८८५,१७४
एमोर्टाईज मुल्यका वित्तिय सम्पत्ती धरौटी			
ट्रेड र अन्य आसामीहरु	२	३४६,२०१	५७९,८९९
अग्रिम भुक्तानी र पेशकी	५	५३,७८६,४०९	१३४,९१८,८०१
नागद तथा नागद सरह	६	२४,७१७,५१३	३१,३४३,३१६
	३	४,०१२,६५९	११,७८०,६५९
जम्मा चालु सम्पत्ती (बि)		३६०,५५५,३३८	३५६,५०७,८४९
जम्मा सम्पत्ती (ए+बि)		१,०१७,९२३,६६७	९५९,२५३,३१२
ईक्विटि			
शेयर पुँजी		३८५,६४५,५००	३८५,६४५,५००
संचित मुनाफा		२७५,५६०,१३५	३०८,३५९,४९५
ईक्विटिका अन्य भागहरु			
कम: घोषित लाभांश		(८९,१८८,५२६)	(८९,१८८,५२६)
जम्मा संचित		१९१,३३७,१०९	२२७,९२६,९६९
जम्मा ईक्विटि (सि)		५८०,०१७,१०९	६१२,८००,४६९
गैर चालु दायित्व			
सुरक्षित ऋण		१९,६७७,१६२	३०,६८४,९८४
चालु पुँजी वित्तिय व्यवस्थापन	७	१७८,०९७,९४४	६०,२६३,०९८
अवकाश पछिको सुविधा दायित्व	८	२३,६२३,७५८	२०,२९५,८९९
डिफरड कर दायित्व	९	३९,०९४,२५१	३७,५२७,८६६
जम्मा गैर चालु दायित्व (डि)		२६०,४९३,११६	१४८,७७१,७६८
चालु दायित्व			
छोटो अवधिको ऋण			
ट्रेड र अन्य भुक्तानी दिन बाँकी	१०	१८,९०८,५०२	१७,२२५,३८४
आसामीबाट अग्रिम भुक्तानी	११	१३९,४५६,३८९	१२९,३६२,४११
कर्मचारी सुविधाहरुको दायित्व		९,६०२,७१४	५,०५२,३६६
आयकर बाँकी	९	७,०३३,१८६	३६,२७६,८९९
		२,४१२,६५२	१७,७५६,०२४
जम्मा चालु दायित्व (ई)		१७७,४१३,४४३	१९७,६७३,०७५
जम्मा ईक्विटी र दायित्व (सि+डि+ई)		१,०१७,९२३,६६७	९५९,२५३,३१२

वित्तीय विवरणहरु संग सम्बन्धित लेखाका नीति तथा टिप्पणीहरु

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## Appendix 10: Profit or Loss Statement on 2016/2017

### हिमालयन डिष्टिलरी लिमिटेड, पर्सा

नाफा नोक्सानको विवरण

२०७३ श्रावण १ देखि २०७४ आषाढ ३१ (जुलाई १६, २०१६ देखि जुलाई १५, २०१७) सम्म

विवरण	अनुसूची	यस वर्ष(रु.)	गत वर्ष(रु.)
विक्रीबाट आम्दानी	१२	१,३४७,८७१,१५२	१,६५४,९७७,२४३
विक्रिको लागत मुल्य	१३	८५७,३५४,४४१	८८६,७३५,१३०
<b>कूल नाफा</b>		<b>४९०,५१६,७११</b>	<b>७६८,२४२,११४</b>
अन्य परिचालन आम्दानी		२५,४२२,७३१	२०,५७४,१३१
प्रशासनिक खर्चहरू	१५	१००,००४,५३४	१०३,५५२,४५५
बिक्री तथा वितरण खर्चहरू	१६	२७६,५३१,९६३	२१८,७८१,७६६
हासकट्टी	१	४२,७६२,४६५	३७,६७४,८४२
<b>परिचालनबाट भएको नाफा</b>		<b>९६,६४०,४८१</b>	<b>४२८,८७१,१८३</b>
सम्पत्ति बिक्रीबाट भएको घाटा/(नाफा)		६१३,९०७	(१,७९४,९५१)
जिन्स सामग्रीको अपलेखन		-	८,७६९,२८६
वित्तिय खर्चहरू	१४	१५,०४८,२२२	१२,५५१,३२८
<b>अन्य सामान्य कर्मचारीहरूको खर्च पूर्वको नाफा</b>		<b>८०,९७८,३५१</b>	<b>४०९,२८१,५२०</b>
<b>सामान्य कर्मचारी लाभ खर्च</b>			
उपदान खर्च		३,६१३,३००	३,४७८,१९०
कर्मचारी बोनस खर्च	१७	७,०३३,१८६	३६,१०१,६८४
<b>कर पूर्वको नाफा</b>		<b>७०,३३१,८६५</b>	<b>३६९,७०१,६४५</b>
<b>करसंग सम्बन्धित खर्चहरू</b>			
चालु वर्षको कर खर्च		१९,८९७,४१४	११७,१४४,०२४
अघिल्लो समयको कर समायोजन		-	२,७९२,७७८
डेफर्ड कर खर्च/(आम्दानी)		१,५६६,३८५	८३९,१३६
<b>यस वर्षको खुद नाफा</b>	६	<b>४८,९६८,०६६</b>	<b>२४८,९२५,७०८</b>
<b>कम्पनीको साहु प्रति एट्रिविड्युटेबल नाफा</b>		<b>४८,९६८,०६६</b>	<b>२४८,९२५,७०८</b>
प्रति शेयरको आधारभुत कमाई (ने.रु)		१२.६७	६४.५५
प्रति शेयरको पातलिएको कमाई (ने.रु)		१२.६७	६४.५५

वित्तीय विवरणहरू संग सम्बन्धित लेखाका नीति तथा टिप्पणीहरू १८  
माथी उल्लेखित अनुसूचिहरू नाफा नोक्सान विवरणका अभिन्न अंग हुन् ।

## Appendix 11: Balance Statement on 2017/2018

## हिमालयन डिष्टिलरी लिमिटेडको

## वित्तीय स्थितीको विवरण

२०७५ साल आषाढ ३२ (जुलाई १६, २०१८)

विवरण	अनुसूची	यस वर्ष (रु.)	गत वर्ष (रु.)
गैर चालु सम्पत्ति			
जायजेश्या, प्लान्ट र उपकरण	१	६०९,०७०,९७४	६०८,७३७,६१४
पुंजीगत कार्यप्रगती		१६,६२२,७९९	३६,७१५,९०१
अदृश्य सम्पत्ती	१	१,९९२,००९	२,१८२,१७१
एमोर्टाईज मुल्यका वित्तिय सम्पत्ती			
दीर्घ कालिन धरोटी	२	१७,८५८,६०३	९,६२७,६०८
गैर चालु बैंक मौज्जात	३	५५,१८५	१०५,०३६
<b>जम्मा गैर चालु सम्पत्ती (ए)</b>		<b>६४५,५९९,५६९</b>	<b>६५७,३६८,३३०</b>
चालु सम्पत्ति			
जिन्सी मौज्जात	४	३८३,९९९,५७३	२७६,९७५,५५६
एमोर्टाईज मुल्यका वित्तिय सम्पत्ती			
धरोटी	२	३८३,६३६	३४६,२०१
ट्रेड र अन्य आसामीहरु	५	१२७,४६३,४५७	५३,७८६,४०९
अग्रिम भुक्तानी र पेशकी	६	२७,९७३,८८१	२५,४३४,५१३
नगद तथा नगद सरह	३	५,४०४,३३०	४,०१२,६५९
<b>जम्मा चालु सम्पत्ती (बि)</b>		<b>५४५,२२४,८७७</b>	<b>३६०,५५५,३३८</b>
<b>जम्मा सम्पत्ती (ए+बि)</b>		<b>१,१९०,७४४,४४७</b>	<b>१,०१७,९२३,६६७</b>
ईक्विटि			
शेयर पुंजी		३८५,६४५,५००	३८५,६४५,५००
संचित मुनाफा		४९०,१९९,७२८	२७५,५६०,१३५
ईक्विटिका अन्य भागहरु			
घटी घोषित लाभांश		(८१,१८८,५२६)	(८१,१८८,५२६)
<b>जम्मा संचित</b>		<b>४९४,६५६,७०२</b>	<b>४७९,०१७,१०९</b>
<b>जम्मा ईक्विटि (सि)</b>		<b>७७९,३०२,७३०</b>	<b>७६०,२४७,१३९</b>
गैर चालु दायित्व			
सुरक्षित ऋण		५,०७२,८३४	१९,६७७,१६२
चालु पुंजी वित्तिय परिचालन	७	१६६,६६९,९५६	१७८,०९७,९४४
अवकाश सुविधा दायित्व	८	२३,१४६,१२७	२३,६२३,७५८
डिफर्ड कर दायित्व	९	३१,३३९,३९९	३९,०९४,२५९
<b>जम्मा गैर चालु दायित्व (डि)</b>		<b>२२६,२२०,२३७</b>	<b>२६०,४९३,११६</b>
चालु दायित्व			
छोटो अवधिको ऋण			
ट्रेड र अन्य भुक्तानी दिन बांकी	१०	१४,७२२,२७९	१८,९०८,५०२
आसामीबाट अग्रिम भुक्तानी	११	५३,३५३,६०९	१३९,४५६,३८९
कर्मचारी सुविधाहरुको दायित्व		१२९,००५	९,६०२,७९४
आयकर बांकी	९	४४,०९०,४४८	७,०३३,१८६
		५७,६६०,१७६	२,४१२,६५२
<b>जम्मा चालु दायित्व (ई)</b>		<b>१६९,८७५,५०८</b>	<b>१७७,४१३,४४३</b>
<b>जम्मा ईक्विटी र दायित्व (सि+डि+ई)</b>		<b>१,१९०,७४४,४४७</b>	<b>१,०१७,९२३,६६७</b>

## Appendix 12: Profit or Loss Statement on 2017/2018

### हिमालयन डिष्टिलरी लिमिटेड, पर्सा

नाफा नोक्सानको विवरण

२०७४ श्रावण १ देखि २०७५ आषाढ ३२ (जुलाई १६, २०१७ देखि जुलाई १६, २०१८) सम्म

विवरण	अनुसूची	यस वर्ष (रु.)	गत वर्ष (रु.)
विक्रीबाट आम्दानी	१२	२,४२४,६०३,८६७	१,३४७,८७९,१५२
विक्रिको लागत मुल्य	१३	१,४२६,४००,०९२	८५७,३५४,४४९
<b>कूल नाफा</b>		<b>९९८,२०३,७७५</b>	<b>४९०,५२४,७०३</b>
अन्य परिचालन आम्दानी		२७,८४८,८५८	२५,४२२,७३९
प्रशासनिक खर्चहरू	१५	१३३,१९४,४९७	१००,००४,५३४
विक्री तथा वितरण खर्चहरू	१६	३३८,८७७,९६७	२७६,५३९,९६३
हासकङ्गी	१	४७,७६७,०४९	४२,७६२,४६५
<b>परिचालनबाट भएको नाफा</b>		<b>५०६,२१३,११९</b>	<b>९६,६४०,४८९</b>
सम्पत्ति विक्रीबाट भएको घाटा/ (नाफा)		(२२,४४९)	६१३,९०७
वित्तिय खर्चहरू	१४	२०,११९,८७६	१५,०४८,२२२
<b>अन्य सामान्य कर्मचारीहरूको खर्च पूर्वको नाफा</b>		<b>४८६,११५,६८४</b>	<b>८०,९७८,३५९</b>
कर्मचारी सुविधा खर्चहरू			
उपदान खर्च	१७	२,००३,४९०	३,६१३,३००
कर्मचारी बोनस खर्च		४४,०१०,१९९	७,०३३,१८६
<b>कर पूर्वको नाफा</b>		<b>४४०,१०१,९९५</b>	<b>७०,३३१,८६५</b>
करसंग सम्बन्धित खर्चहरू			
चालु वर्षको कर खर्च		१५०,१००,५६२	१९,८९७,४१४
अधिल्लो समयको कर समायोजन		४,२७७,५७७	-
डेफर्ड कर खर्च/ (आम्दानी)		(७,७६२,९३२)	१,५६६,३८५
<b>यस वर्षको खुद नाफा</b>		<b>२९६,४८६,७८८</b>	<b>४८,८६८,०३६</b>
कम्पनीको साहु प्रति एट्रिव्यूबल नाफा		२९६,४८६,७८८	४८,८६८,०३६
प्रति शेयरको आधारभुत आम्दानी (ने.रु)		७६.१०	१२.६७
प्रति शेयरको खहलुटेर आम्दानी (ने.रु)		७६.१०	१२.६७

**Appendix: 1 Balance sheet on 2013/2014 in (UNL)**

Particulars	Schedules	"As at		(NRP)
		31 Ashad 2070"	32 Ashad 2069"	"As at
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund:</b>				
(A) Share Capital	1	9,20,70,000	9,20,70,000	
		1,20,44,52,97		
(B) Reserves and Surplus	2	6	1,02,51,91,196	
		<u>1,29,65,22,97</u>	<u>,11,72,61,19</u>	
<b>Grand Total</b>		<u>6</u>	<u>1</u>	<u>6</u>
<b>Non-Current Assets</b>				
<b>Fixed Assets</b>				
	3			
A) Gross Block		50,70,90,009	43,72,09,523	
(B) Less: Accumulated Depreciation		(292,912,318)	(27,93,43,410)	
<b>(C) Net Block</b>		<b>21,41,77,691</b>	<b>15,78,66,113</b>	
(D) Capital work in Progress		1,45,14,604	27,57,962	
<b>Investments</b>				
Fixed Deposits		<b>45,53,50,000</b>	<b>45,53,50,000</b>	
<b>Deferred Tax Assets</b>				
		<b>1,26,16,545</b>	<b>1,40,57,887</b>	
<b>Current Asset, Loans and Advances</b>				
(A) Inventories	4	51,55,64,807	51,13,21,636	
(B) Sundry Debtors	5	27,43,50,397	26,43,97,619	
C) Prepaid, Loans, Advances, Deposits and Other	6	30,54,37,978	31,92,44,164	
Receivables				
(D) Cash and Cash Equivalents	7	26,21,01,849	19,88,24,676	
		<u>1,35,74,55,03</u>	<u>1,29,37,88,0</u>	
<b>Total Current Assets</b>		<b>1</b>	<b>95</b>	
<b>Less: Current Liabilities and Provisions</b>				
(A) Current Liabilities	8	43,31,52,285	60,00,96,859	
B) Provisions	9	32,44,38,610	20,64,62,002	
<b>Total Current Liabilities</b>		<b>75,75,90,896</b>	<b>80,65,58,861</b>	
<b>Net Current Assets</b>		<b>59,98,64,135</b>	<b>48,72,29,234</b>	
		<u>1,29,65,22,97</u>	<u>,11,72,61,19</u>	
<b>Grand Total</b>		<u>6</u>	<u>1</u>	<u>6</u>

**Appendix: 2 Income Statement on 2013/2014**

(NRP)

Particulars	Schedules	Current Year	Previous Year
<b>Income</b>			
Sales Less Return	11	4,48,64,03,71 9	4,23,24,68,901
Other Income	12	28,40,25,461	22,42,58,893
		<u>4,77,04,29,18</u>	<u>4,45,67,27,79</u>
<b>Total Income</b>		<u><b>1</b></u>	<u><b>4</b></u>
<b>Expenditure</b>			
Cost of Materials	13	2,45,09,56,11 3	2,40,54,45,206
Manufacturing Expenses	14	32,94,99,275	26,18,09,023
Administrative Expenses	15	13,06,25,837	11,07,74,377
Selling and Distribution Expenses	16	60,84,30,027	64,78,98,533
Financial Expenses		1,34,131	1,07,487
Exchange (Gain)/Loss		4,31,565	36,44,250
Depreciation	3	1,35,68,908	1,22,52,796
		<u>3,53,36,45,85</u>	<u>3,44,19,31,67</u>
<b>Total Expenditure</b>		<u><b>6</b></u>	<u><b>2</b></u>
		<u>1,23,67,83,32</u>	<u>1,01,47,96,1</u>
<b>Operating Profit</b>		<b>5</b>	<b>22</b>
Provision for Inventory Obsolescence		(51,29,047)	1,41,33,810
		<u>1,24,14,38,58</u>	
<b>Profit Before Provision for Bonus</b>		<b>2</b>	<b>1,00,06,62,312</b>
Provision for Bonus		11,28,58,053	9,09,69,301
		<u>1,12,85,80,52</u>	
<b>Profit Before Tax</b>		<b>9</b>	<b>90,96,93,011</b>
Provision for Taxation:			
Current		32,32,42,749	17,38,80,021
Deferred		32,18,01,407	17,36,72,087
		14,41,342	2,07,934
<b>Profit After Tax</b>		<u>80,53,37,780</u>	<u>73,58,12,990</u>
		1,02,51,91,19	
Profit Brought Forward from Previous Year		5	83,25,91,206
		<u>1,83,05,28,97</u>	
<b>Profit Available for Appropriation</b>		<b>6</b>	<b>1,56,84,04,196</b>
Last Year's Dividend Paid		62,60,76,000	54,32,13,000
		<u>1,20,44,52,97</u>	<u>1,02,51,91,1</u>
<b>Balance Carried Over to Balance Sheet</b>		<u><b>6</b></u>	<u><b>96</b></u>

Appendix: 3 Balance sheet in 2014/2015

Particulars	Schedules	(NPR)	
		"As at 32 Ashad 2071"	"As at 31 Ashad 2070"
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund:</b>			
(A) Share Capital	1	9,20,70,000	9,20,70,000
(B) Reserves and Surplus	2	1,41,42,39,216	1,20,44,52,976
<b>Grand Total</b>		<b>1,50,63,09,216</b>	<b>1,29,65,22,976</b>
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>	3		
(A) Gross Block		54,97,15,752	50,70,90,009
(B) Less: Accumulated Depreciation		(28,15,70,807)	(29,29,12,318)
<b>(C) Net Block</b>		<b>26,81,44,945</b>	<b>21,41,77,691</b>
(D) Capital work in Progress		1,36,06,020	1,45,14,604
<b>Investments</b>			
Fixed Deposits		<b>65,70,50,000</b>	<b>45,53,50,000</b>
<b>Deferred Tax Assets</b>			
		<b>1,25,58,065</b>	<b>1,26,16,545</b>
<b>Current Asset, Loans and Advances</b>			
(A) Inventories	4	50,21,48,349	51,55,64,807
(B) Sundry Debtors	5	23,98,82,435	27,43,50,397
(C) Prepaid, Loans, Advances, Deposits and Other	6	27,24,70,412	30,54,37,978
Receivables			
(D) Cash and Cash Equivalents	7	39,18,79,144	26,21,01,849
<b>Total Current Assets</b>		<b>1,40,63,80,340</b>	<b>1,35,74,55,031</b>
<b>Less: Current Liabilities and Provisions</b>			
(A) Current Liabilities	8	53,05,41,141	43,31,52,285
(B) Provisions	9	32,08,89,013	32,44,38,610
<b>Total Current Liabilities</b>		<b>85,14,30,154</b>	<b>75,75,90,896</b>
<b>Net Current Assets</b>		<b>55,49,50,186</b>	<b>59,98,64,135</b>
<b>Grand Total</b>		<b>15,063,09,216</b>	<b>1,29,65,22,976</b>

#### Appendix: 4 Income statement on 2014/2015

Particulars	Schedules	(NPR)	
		Current Year	Previous Year
<b>Income</b>			
Sales Less Return	11	4,36,18,13,99	4,48,64,03,719
Other Income	12	50,79,19,034	28,40,25,461
<b>Total Income</b>		<b>4,86,97,33,02</b>	<b>4,77,04,29,181</b>

		<b>6</b>	
<b>Expenditure</b>			
		2,39,58,94,96	
Cost of Materials	13	4	2,45,09,56,113
Manufacturing Expenses	14	36,39,81,768	32,94,99,275
Administrative Expenses	15	14,17,61,271	13,06,25,837
Selling and Distribution Expenses	16	65,76,54,922	60,84,30,027
Financial Expenses		2,52,005	1,34,131
Exchange (Gain)/Loss		(5,49,415)	4,31,565
Depreciation	3	1,76,78,909	1,35,68,908
		<b>3,57,66,74,42</b>	
<b>Total Expenditure</b>		<b>4</b>	<b>3,53,36,45,856</b>
		<b>1,29,30,58,60</b>	
<b>Operating Profit</b>		<b>0</b>	<b>1,23,67,83,325</b>
Provision for Inventory Obsolescence		2,34,59,773	(51,29,047)
Provision for Assets Write off		77,59,634	4,73,790
		<b>1,26,18,39,19</b>	
<b>Profit Before Provision for Bonus</b>		<b>3</b>	<b>1,24,14,38,582</b>
Provision for Bonus		11,47,12,654	11,28,58,053
		<b>1,14,71,26,53</b>	<b>1,12,85,80,52</b>
<b>Profit Before Tax</b>		<b>9</b>	<b>9</b>
Provision for Taxation:		23,76,08,299	32,32,42,749
Current		23,75,49,819	32,18,01,407
Deferred		58,480	14,41,342
<b>Profit After Tax</b>		<b>90,95,18,240</b>	<b>80,53,37,780</b>
Profit Brought Forward from Previous Year		1,20,44,52,97	1,02,51,91,195
		<b>2,11,39,71,21</b>	
<b>Profit Available for Appropriation</b>		<b>6</b>	<b>1,83,05,28,975</b>
Less: Final Dividend		69,97,32,000	62,60,76,000
		<b>1,41,42,39,21</b>	
<b>Balance Carried Over to Balance Sheet</b>		<b>6</b>	<b>1,20,44,52,976</b>

**Appendix 5: Profit or loss statement on 2016/2017**

in Rs.

<b>Particulars</b>	<b>Note</b>	<b>2073-74</b>	<b>2072-73</b>
Revenue from operations	16	4,44,23,74,518	3,94,64,75,648
Other income	17	62,63,32,010	51,27,24,588
<b>TOTAL INCOME</b>		<b>5,06,87,06,528</b>	<b>4,45,92,00,236</b>
<b>EXPENSES</b>			
Cost of materials consumed	18	(2,39,19,81,812)	(1,97,94,11,692)
Changes in inventories of finished goods (including	19	10,89,79,198	(2,67,59,143)
stock-in-trade) and work-in-progress			
Employee benefits expenses	20	(34,72,98,786)	(24,26,98,762)
Depreciation and amortisation expenses	3,4	(3,29,86,701)	(2,64,34,130)
Other expenses	21	(1,14,47,23,099)	(77,64,17,084)
<b>TOTAL EXPENSES</b>		<b>(3,80,80,11,200)</b>	<b>(3,05,17,20,811)</b>
<b>Profit before tax</b>		<b>1,26,06,95,328</b>	<b>1,40,74,79,425</b>
Income Tax Expense	22	(29,54,65,022)	(28,58,02,098)
<b>Profit from continuing operations</b>		<b>96,52,30,306</b>	<b>1,12,16,77,327</b>
<b>Net Profit for the year</b>		<b>96,52,30,306</b>	<b>1,12,16,77,327</b>
Basic and Diluted Earnings per share	24	1,048	1,218

## Appendix 6: Balance Statement on 2016/2017

Particulars	Note	2073-74	2072-73
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	56,33,40,715	47,99,00,510
Intangible assets	4	19,30,731	21,90,377
Deferred tax assets	6	1,59,49,220	77,54,405
Other non-current assets	7	5,93,001	-
<b>Total Non-Current Assets</b>		<b>58,18,13,667</b>	<b>48,98,45,292</b>
<b>Current assets</b>			
Inventories	8	62,00,25,639	67,46,90,691
<b>Financial assets</b>			
Trade and other receivables	9	68,02,78,067	29,70,66,288
Investments	5	1,16,04,93,610	1,03,67,71,634
Cash and cash equivalents	10	24,17,36,744	51,75,66,166
Bank balance other than CCE	11	3,48,92,484	2,83,49,570
<b>Other current assets</b>			
Prepayments		25,88,198	21,51,449
<b>Total current assets</b>		<b>2,74,00,14,742</b>	<b>2,55,65,95,798</b>
<b>Total assets</b>		<b>3,32,18,28,409</b>	<b>3,04,64,41,090</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	9,20,70,000	9,20,70,000
Retained earnings	13	1,98,22,01,113	1,95,69,18,640
<b>Total Equity</b>		<b>2,07,42,71,113</b>	<b>2,04,89,88,640</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provisions	14	1,29,48,402	1,08,70,569
<b>Total Non-Current Liabilities</b>		<b>1,29,48,402</b>	<b>1,08,70,569</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,01,94,48,347	90,20,20,708
Provisions	14	16,03,32,004	4,36,63,608
Income Tax Liability	22	5,48,28,543	4,08,97,565
<b>Total Current Liabilities</b>		<b>1,23,46,08,894</b>	<b>98,65,81,881</b>
<b>Total Liabilities</b>		<b>1,24,75,57,296</b>	<b>99,74,52,450</b>
<b>Total Equity and Liabilities</b>		<b>3,32,18,28,409</b>	<b>3,04,64,41,090</b>

## Appendix7: Balance Statement on 2017/2018

in NPR

	Note	2074-75	2073-74
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	636,573,693	563,340,715
Intangible assets	4	15,917,174	1,930,731
Deferred tax assets	6	1,533,353	15,949,220
Other non-current assets	7	4,063,414	593,001
<b>Total Non-Current Assets</b>		<b>658,087,634</b>	<b>581,813,667</b>
<b>Current assets</b>			
Inventories	8	751,736,499	620,025,639
<b>Financial assets</b>			
Trade and other receivables	9	605,258,341	680,278,067
Investments	5	834,437,122	1,160,493,610
Cash and cash equivalents	10	303,713,920	241,736,744
Bank balance other than CCE	11	47,071,799	34,892,484
<b>Other current assets</b>			
Prepayments		2,735,882	2,588,198
<b>Total current assets</b>		<b>2,544,953,563</b>	<b>2,740,014,742</b>
<b>Total assets</b>		<b>3,203,041,197</b>	<b>3,321,828,409</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	92,070,000	92,070,000
Retained earnings	13	1,811,406,700	1,982,201,113
<b>Total Equity</b>		<b>1,903,476,700</b>	<b>2,074,271,113</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provisions	14	11,144,079	12,948,402
<b>Total Non-Current Liabilities</b>		<b>11,144,079</b>	<b>12,948,402</b>
<b>Current Liabilities</b>			
<b>Financial liabilities</b>			
Trade and other payables	15	976,914,723	1,019,448,347
Provisions	14	278,918,919	160,332,004
Income Tax Liability	22	32,586,776	54,828,543
<b>Total Current Liabilities</b>		<b>1,288,420,418</b>	<b>1,234,608,894</b>
<b>Total Liabilities</b>		<b>1,299,564,497</b>	<b>1,247,557,296</b>
<b>Total Equity and Liabilities</b>		<b>3,203,041,197</b>	<b>3,321,828,409</b>

**Appendix8: Profit or Loss Statement on 2017/2018**

<b>in NPR</b>			
	<b>Note</b>	<b>For the year 2074-75</b>	<b>For the year 2073-74</b>
Revenue from operations	16	4,868,313,101	4,442,374,517
Other income	17	487,324,225	626,332,010
<b>TOTAL INCOME</b>		<b>5,355,637,326</b>	<b>5,068,706,527</b>
<b>EXPENSES</b>			
Cost of materials consumed	18	2,558,943,560	2,391,981,811
Changes in inventories of finished goods (including stock-in-trade) and work-in- progress	19	(4,431,722)	(108,979,198)
Employee benefits expenses	20	369,269,061	347,298,786
Depreciation and amortisation expenses	3,4	45,092,056	32,986,701
Other expenses	21	1,056,948,286	1,144,723,099
<b>TOTAL EXPENSES</b>		<b>4,025,821,241</b>	<b>3,808,011,199</b>
<b>Profit before tax</b>		<b>1,329,816,085</b>	<b>1,260,695,328</b>
Income Tax Expense	22	(330,438,541)	(295,465,022)
<b>Profit from continuing operations</b>		<b>999,377,544</b>	<b>965,230,306</b>
<b>Net Profit for the year</b>		<b>999,377,544</b>	<b>965,230,306</b>
Basic and Diluted Earnings per share	24	1,085	1,048

### Appendix: 1 Balance statement on 2013/2014

Dabur Nepal Pvt. Ltd		(Amount in Rs Lacs)		
Balance Sheet as at 31st March 2014				
	PARTICULARS	Note No	As at 31st March, 2014	As at 31st March, 2013
I	<b>EQUITY AND LIABILITIES</b>			
	<b>1. Share holder's Funds</b>			
	a) Share Capital	1	499	499
	b) Reserves and Surplus	2	14,636	11,407
	<b>2. Non-current liabilities</b>			
	a) Deferred Tax Liabilities (Net)		-339	-348
	b) Long-term provisions	3	76	64
	<b>4. Current Liabilities</b>			
	a) Short-term borrowings	4	11,657	10,561
	b) Trade payables		5,864	3,893
	c) Other current liabilities	5	2,323	4,129
	d) Short-term provisions	6	2,866	1,876
	<b>Total:</b>		<b>37,583</b>	<b>32,081</b>
II	<b>ASSETS</b>			
	<b>1. Non-current assets</b>			
	a) Fixed Assets			
	i) Tangible assets		10,378	10,269
	ii) Intangible assets		-	-
	iii) Capital work-in-progress		129	73
	<b>2. Current assets</b>			
	a) Current investment		-	
	b) Inventories	7	12,316	11,602
	c) Trade receivables	8	8,138	5,139
	d) Cash and cash equivalents	9	1,063	248
	e) Short-term loans and advances	10	3,143	4,749
	f) Other current assets	11	2,415	1
	<b>Total:</b>		<b>37,583</b>	<b>32,081</b>

## Appendix: 2 Profit or loss Statement on 2013/2014

Dabur Nepal Pvt. Ltd

Statement of Profit & Loss for the year ended 31st March 2014

PARTICULARS	Note No	(Amount in Rs Lacs)	
		For the year ended Mar 31' 2014	For the year ended Mar 31' 2013
I Revenue from operations	12	54,106	46,207
II Other Income	13	17	46
III Total Revenue (I +II)		54,124	46,253
IV Expenses			
Cost of materials consumed	14	37,785	30,262
Purchase of stock in trade	15	(608)	1,972
Changes in inventories of FG , WIP & Stock in Trade			
Finished Goods	16	281	(323)
Work in Progress		(8)	(130)
Stock in trade		-	-
Employee benefits expenses	17	3,054	2,642
Finance cost	18	1,053	1,413
Depreciation & Amortisation Expenses	19	1,742	1,126
Other Expenses	20	7,024	6,645
Total Expense		50,324	43,608
(V) Profit before exceptional and extraordinary items and tax (III - IV)		3,800	2,645
(VI) Exceptional Items		-	-
(VII) Profit before extraordinary items and tax (V - VI)		3,800	2,645
(VIII) Extraordinary Items		-	-
(IX) Profit before tax (VII - VIII)		3,800	2,645
(X) Tax expense			
	(1) Current tax	836	616
	(2) Deferred Tax	9	(142)
(XI) Profit/(Loss) for the year from continuing operations (IX - X)		2,955	2,172

## Appendix: 3 Balance sheet Statement on 2014/2015

Dabur Nepal Pvt. Ltd		(Amount in Rs Lacs)		
Balance Sheet as at 31st March 2015				
	PARTICULARS	Note No	As at 31st March, 2015	As at 31st March, 2014
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
	<b>1. Share holder's Funds</b>			
	a) Share Capital	1	499	499
	b) Reserves and Surplus	2	17,981	14,636
	<b>2. Non-current liabilities</b>			
	a) Deferred Tax Liabilities (Net)		49	-339
	b) Long-term provisions	3	-	76
	<b>4. Current Liabilities</b>			
	a) Short-term borrowings	4	14,722	11,657
	b) Trade payables		6,814	5,865
	c) Other current liabilities	5	327	2,323
	d) Short-term provisions	6	4,567	2,866
	<b>Total:</b>		<b>44,959</b>	<b>37,583</b>
<b>II</b>	<b>ASSETS</b>			
	<b>1. Non-current assets</b>			
	a) Fixed Assets			
	i) Tangible assets		15,542	10,378
	ii) Intangible assets		-	-
	iii) Capital work-in-progress		1,215	129
	<b>2. Current assets</b>			
	a) Current investment		-	
	b) Inventories	7	11,188	12,316
	c) Trade receivables	8	10,250	8,138
	d) Cash and cash equivalents	9	67	1,063
	e) Short-term loans and advances	10	6,668	3,144
	f) Other current assets	11	29	2,415
	<b>Total:</b>		<b>44,959</b>	<b>37,583</b>

\*Exchange rate as on 31.03.2015 NPR 1 = Re. 0.625 (PY NPR 1 = Re. 0.625)

### Appendix: 4 Profit or loss Statement on 2014/2015

**Dabur Nepal Pvt. Ltd**

Statement of Profit & Loss for the year ended 31st March 2015

(Amount in Rs Lacs)

PARTICULARS	Note No	For the year ended Mar 31' 2015	For the year ended Mar 31' 2014
I Revenue from operations	12	58,756	54,107
II Other Income	13	22	17
III Total Revenue (I +II)		58,778	54,124
<b>IV Expenses</b>			
Cost of materials consumed	14	40,724	37,785
Purchase of stock in trade	15	(900)	(608)
Changes in inventories of FG , WIP & Stock in Trade			
Finished Goods	16	739	281
Work in Progress		13	(8)
Stock in trade		-	-
Employee benefits expenses	17	3,509	3,054
Finance cost	18	624	1,054
Depreciation & Amortisation Expenses	19	966	1,742
Other Expenses	20	7,489	7,024
<b>Total Expense</b>		53,164	50,324
(V) Profit before exceptional and extraordinary items and tax (III - IV)		5,614	3,800
(VI) Exceptional Items		-	-
(VII) Profit before extraordinary items and tax (V - VI)		5,614	3,800
(VIII) Extraordinary Items		-	-
(IX) Profit before tax (VII - VIII)		5,614	3,800
(X) Tax expense			
(1) Current tax		1,057	836
(2) Deferred Tax		70	9
(XI) Profit/(Loss) for the year from continuing operations (IX - X)		4,487	2,955

## Appendix: 5 Balance Sheet Statement on 2015/2016

Dabur Nepal Pvt. Ltd

Balance Sheet as at 31st March 2016

(Amount in Rs Lacs)

	PARTICULARS	Note No	As at 31st March, 2016	As at 31st March, 2015
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
	<b>1. Share holder's Funds</b>			
	a) Share Capital	1	499	499
	b) Reserves and Surplus	2	19,338	17,981
	<b>2. Non-current liabilities</b>			
	a) Deferred Tax Liabilities (Net)		61	49
	b) Long-term provisions	3	-	-
	<b>4. Current Liabilities</b>			
	a) Short-term borrowings	4	15,376	14,722
	b) Trade payables		8,636	6,814
	c) Other current liabilities	5	459	327
	d) Short-term provisions	6	4,752	4,567
	<b>Total:</b>		<b>49,121</b>	<b>44,959</b>
<b>II</b>	<b>ASSETS</b>			
	<b>1. Non-current assets</b>			
	a) Fixed Assets			
	i) Tangible assets		15,711	15,542
	ii) Intangible assets		-	-
	iii) Capital work-in-progress		402	1,215
	<b>2. Current assets</b>			
	a) Current investment		-	-
	b) Inventories	7	12,262	11,188
	c) Trade receivables	8	11,670	10,250
	d) Cash and cash equivalents	9	36	67
	e) Short-term loans and advances	10	9,014	6,668
	f) Other current assets	11	26	29
	<b>Total:</b>		<b>49,121</b>	<b>44,959</b>

\*Exchange rate as on 31.03.2016 NPR 1 = Re 0.625 (PY NPR 1 = Re 0.625)

## Appendix 6: Profit or loss Statement on 2015/2016

**Dabur Nepal Pvt. Ltd**

**Statement of Profit & Loss for the year ended 31st March 2016**

(Amount in Rs Lacs)

PARTICULARS	Note No	For the year ended Mar 31' 2016	For the year ended Mar 31' 2015
I Revenue from operations	12	50,239	58,756
II Other Income	13	36	22
<b>III Total Revenue (I +II)</b>		<b>50,275</b>	<b>58,778</b>
<b>IV Expenses</b>			
Cost of materials consumed	14	34,506	40,724
Purchase of stock in trade	15	1,298	(900)
Changes in inventories of FG , WIP & Stock in Trade			
Finished Goods	16	(1,384)	739
Work in Progress		(293)	13
Stock in trade		-	-
Employee benefits expenses	17	3,375	3,509
Finance cost	18	885	624
Depreciation & Amortisation Expenses	19	1,601	966
Other Expenses	20	8,826	7,489
<b>Total Expense</b>		<b>48,814</b>	<b>53,164</b>
(V) Profit before exceptional and extraordinary items and tax (III - IV)		1,461	5,614
(VI) Exceptional Items		-	-
(VII) Profit before extraordinary items and tax (V - VI)		1,461	5,614
(VIII) Extraordinary Items		-	-
(IX) Profit before tax (VII - VIII)		1,461	5,614
(X) Tax expense			
(1) Current tax		92	1,057
(2) Deferred Tax		39	70
(XI) Profit/(Loss) for the year from continuing operations (IX - X)		1,330	4,487

## Appendix: 7 Profit or Loss statement on 2017/2018

Dabur Nepal Private Limited					
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March, 2018					
(All amounts in lakhs, unless otherwise stated)					
		NPR			INR
	Note	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017
Revenue from operations	16	97,763.57	101,643.59	61,102.23	63,527.25
Other income	17	210.84	138.13	131.77	86.33
<b>TOTAL INCOME</b>		<b>97,974.41</b>	<b>101,781.72</b>	<b>61,234.01</b>	<b>63,613.58</b>
Cost of materials consumed	18	(64,701.12)	(71,501.18)	(40,438.20)	(44,688.24)
Changes in inventories of finished goods and work-in-progress	19	(746.96)	1,715.97	(466.85)	1,072.48
Employee benefits expenses	20	(7,561.85)	(6,874.75)	(4,788.65)	(4,296.72)
Finance costs	21	(1,076.39)	(1,394.17)	(672.75)	(871.36)
Depreciation and amortisation expenses	22	(3,362.96)	(3,490.05)	(2,101.85)	(2,181.28)
Other expenses	23	(11,042.99)	(11,222.53)	(6,901.87)	(7,014.08)
<b>TOTAL EXPENSES</b>		<b>(88,592.27)</b>	<b>(92,766.72)</b>	<b>(55,370.17)</b>	<b>(57,979.20)</b>
<b>Profit/ (Loss) before tax</b>		<b>9,382.14</b>	<b>9,015.00</b>	<b>5,863.84</b>	<b>5,634.38</b>
Tax expenses					
Current tax	24	(1,710.32)	(1,565.20)	(1,068.95)	(978.25)
Deferred tax credit/(charge)	24	(1.39)	(164.05)	(0.87)	(102.53)
<b>PROFIT FOR THE YEAR (A)</b>		<b>7,670.43</b>	<b>7,285.75</b>	<b>4,794.02</b>	<b>4,553.59</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will not be reclassified to profit or loss					
Remeasurements of the net defined benefit plans	25	33.27	(122.32)	20.79	(76.45)
Income tax on above	24	(6.06)	21.24	(3.79)	13.27
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR (B)</b>		<b>27.21</b>	<b>(101.08)</b>	<b>17.00</b>	<b>(63.17)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B)</b>		<b>7,697.64</b>	<b>7,184.67</b>	<b>4,811.02</b>	<b>4,490.42</b>
Earnings per equity share					
Basic (Face value of Rs. 100 each)		960.58	912.41	600.36	570.25
Diluted (Face value of Rs. 100 each)		960.58	912.41	600.36	570.25
Summary of significant accounting policies	1 & 2				
The accompanying notes are an integral part of these financial statements					

## Appendix: 8 Balance Sheet Statement on 2017/2018

Dabur Nepal Private Limited					
Statement of Financial Position as at 31 March, 2018					
(All amounts in lakhs, unless otherwise stated)					
		NPR		INR	
	Note	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	28,736.82	22,978.22	17,960.51	14,361.39
Capital work-in-progress	4	1,578.93	1,009.48	986.83	630.92
<b>Total non-current assets</b>		<b>30,315.75</b>	<b>23,987.70</b>	<b>18,947.34</b>	<b>14,992.31</b>
<b>Current assets</b>					
Inventories	5	26,957.78	25,344.49	16,848.61	15,840.31
<b>Financial assets</b>					
Trade receivables	6	15,911.72	19,424.01	9,944.82	12,140.00
Cash and cash equivalents	7	477.97	1,450.03	298.73	906.27
Other financial assets	8	1,633.96	1,049.81	1,021.23	656.13
Current tax assets		8,358.17	6,696.85	5,223.85	4,185.53
Other current assets	9	9,206.83	6,698.46	5,754.27	4,186.54
<b>Total current assets</b>		<b>62,546.43</b>	<b>60,663.65</b>	<b>39,091.51</b>	<b>37,914.78</b>
<b>TOTAL ASSETS</b>		<b>92,862.18</b>	<b>84,651.35</b>	<b>58,038.85</b>	<b>52,907.09</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity Share capital	10	798.52	798.52	499.08	499.08
Other equity		45,547.61	37,849.97	28,467.25	23,656.23
<b>Total Equity</b>		<b>46,346.13</b>	<b>38,648.49</b>	<b>28,966.33</b>	<b>24,155.31</b>
<b>Non-current liabilities</b>					
Long term provisions	15	196.90	383.51	123.07	239.69
Deferred tax liabilities (net)	24	321.41	320.02	200.88	200.01
<b>Total non-current liabilities</b>		<b>518.31</b>	<b>703.53</b>	<b>323.95</b>	<b>439.70</b>
<b>Current liabilities</b>					
<b>Financial liabilities</b>					
Short term borrowing	11	16,364.66	20,205.59	10,227.91	12,628.49
Trade payables	12	16,961.24	15,306.83	10,600.78	9,566.77
Other financial liabilities	13	190.27	137.00	118.92	85.63
Other current liabilities	14	3,549.99	2,438.67	2,218.74	1,522.92
Provisions	15	22.81	20.89	14.26	13.05
Current tax liabilities		8,908.75	7,192.36	5,567.97	4,495.23
<b>Total current liabilities</b>		<b>45,997.72</b>	<b>45,299.33</b>	<b>28,748.57</b>	<b>28,312.08</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>92,862.18</b>	<b>84,651.35</b>	<b>58,038.85</b>	<b>52,907.09</b>
Summary of significant accounting policies		1 & 2			