

**WORKING CAPITAL MANAGEMENT OF NEPALESE
MANUFACTURING COMPANIES**

**A Thesis
Submitted
By**

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Certification of Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

.....

Khem Raj Pathak

February, 2020

RECOMMENDATION LETTER

It is certified that this thesis entitled **Working Capital Management of Nepalese Manufacturing Companies** submitted by Khem Raj Pathak is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned have examined the thesis entitled Working Capital Management of Nepalese Manufacturing Companies” presented by Khem Raj Pathak, a candidate for the degree of **Master of Business Studies** (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

C.V.	:	Co-efficient of Variation
CA	:	Current Assets
CATR	:	Current Assets Turnover Ratio
CBB	:	Cash and Bank Balance
CCC	:	Cash Conversion Cycle
CL	:	Current Liabilities
DNL	:	Dabur Nepal Limited
F/Y	:	Fiscal Year
FA	:	Fixed Assets
HDL	:	Himalayan Distillery Limited
ICP	:	Inventory Conversion Period
LAD	:	Loan, Advance and Deposits
LTL	:	Long-Term Liabilities
NPM	:	Net Profit Margin
NWC	:	Net Working Capital
NWCTR	:	Net Working Capital Turnover Ratio
PDP	:	Payable Deferral Period
QA	:	Quick Assets
r	:	Correlation Co-efficient
RCP	:	Receivable Collection Period
ROA	:	Return on Assets
Rs.	:	Rupees
SG	:	Sales Growth
TA	:	Total Assets
TR	:	Turnover Ratio
UNL	:	Unilever Nepal Limited
WC	:	Working Capital
WCM	:	Working Capital Management

ABSTRACT

Working Capital management are the most secured and liquid financial assets available, which can accelerate manufacturing lending to various sectors. Similarly, manufacturing plays an important role in economic development of country. Working Capital management serves as the main source of funds for manufacturing intermediation activities which can simply classified as Liquidity Ratio, Activity Turnover Ratio, Profitability Ratio and Cash Conversion Cycle manufacturing Companies. The study is based on secondary data of 3 manufacturing Companies for the period of 2013/14 to 2018/19. Data and information have been collected from Nepal Stock Exchange (NSE) and annual reports of the selected manufacturing Companies. The research design adopted in this study is descriptive and causal comparative research design as it deals with the Working Capital Management of Nepalese manufacturing Company. This study attempts to examine the Working Capital Management of Nepalese manufacturing Companies.

The descriptive statistics for Manufacturing Companies shows that the current ratio and quick ratio of all selected companies has below the industry average rate 2:1 and 1:1 respectively. Highest average current assets turnover ratio, an average inventory turnover ratio, receivable turnover ratio and cash and bank turnover ratio than other sample companies. It indicates that HDL has efficiently utilized its assets to concert into sales. The turnover ratio shows HDL has highest average current assets turnover ratio, an average inventory turnover ratio, receivable turnover ratio and cash and bank turnover ratio than other sample companies. It indicates that HDL has efficiently utilized its assets to concert into sales. The profitability ratio shows UNL highest level of return on assets i.e. 43% and net profit margin 23%. The result shows UNL is doing better in operation generating profit with available assets than other sample companies. The outcome of cash conversion cycle shows DNL has highest level of CCC followed by UNL and HDL has negative CCC. Longer CCC indicates greater need for external financing thereby increases the cost of financing too resulting in lower profitability. The negative CCC seems to be very satisfactory for short period but in long period, it will deteriorate the credit worthiness of the companies. The correlation of UNL shows there is a negative relationship between ROA with NP margin, CR, RCP and PCP and positive relationship between ROA with RCP, CCC, sales growth and AG. It indicates that CCC has a positive significant impact on return on assets and

bigger the firm size the annual growth of sales, higher the firm profitability and vice versa. Similarly, correlation analysis of DNL shows a positive relationship between ROA with NP margin, RCP, ICP and CCC, and negative correlation with CR, PCP, SG and AG. As we know that positive correlation means both of the variables are moving towards the same directions and vice versa The correlation analysis of HDL shows there is a negative correlation between ROA with RCP, PCP, and AG and positive correlation between ROA with cash conversion cycle, sales growth. It indicates that increase in CCC and sales growth will increase in company's profitability and vice versa Manufacturing Companies.