COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF UNILEVER NEPAL LTD AND BOTTLERS TERAI LTD.

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Exam Year-2066

Roll NO:1699(1st year)

Exam Year-2065

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Thesis

Submitted to

Office of Dean

Faculty of Management

Saptagandaki Multiple Campus

Tribhuvan University

In Partial fullfillment of the requirement for the degree of master in Bussiness studies (M.B.S.)

Bharatpur-10,Chitwan

August, 2013

ACKNOWLEDGMENT

It is a matter of glory to state that being a student of Master Degree in Business Study , I have an oppurtunity to devote myself in preparing this thesis entitled **"Financial Performance of Utilever Nepal Ltd and Bottlers Terai Ltd."** as required by the central Department of Management for the partial fullfillment of Master Degree.

For this I must acknowledge my deep sense of gratitude to my respected Supervisor, Chairman of Research committee Mr. Kapil Dev Subedi for his valuable guidance through out research work. It's my Pleasure to appreciate also my respected teachers Khem Narayan Sapkota who inspired me to do this Challenging job and me again to Mr. Kapil Dev Subedi who guide me many ways.

I would like to thank Mr. Yubaraj Acharaya of Bottlers Terai Ltd for Providing valuable information and annual report and guiding in many ways. I would also acknowledge the help and advice of number of friends and scholars in this work.

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CHAPTER I
INTRODUCTION

1.1 Background of The Study

Financial statement is detail summary of several items that appear in balance sheet account. It is information processing system designed to provide data for decision making, thus the analysis of financial statement consist of study of relationship and trends to determine where or not the financial position and results, operations and financial position and results, operation and financial progress of the company are satisfactory or not.

Financial statement analysis is defined as the process of analyzing and interpreting the financial figures contained in the statements by developing some relationships amongst the figure in such a manner that meaningful information can be obtained about the liquidity, efficiency, profitability and leverage position of the company.

financial performance of joint stock companies can be measured in terms of different variables including the profitability, Liquidity, effectiveness, Capital Structure and other financial position of concerned business.

The profitibality ratios are calculated to measures the operating efficiency of the company. Besides management of the company, Creditors and owners are also interested in the profitability of the firm. Creditors wants to get interest and repayment of principal regularly. owners wants to get reasonable return on their investment. this is possible only when the company earns enough profit. therefor the profitibality ratios measures the profitability or the operational effeciency of the firm. This ratio reflects final results of business operation. the following ratios are calculated to measure profitability of the firm.

Financial statement analysis which helps in identifying financial strengths and weakness of business concerns. it is also helped to an analysis to make qualitative judgement about the firms financial position, the performnance and to point out areas for further investigation.

1.2 Statement of the problem

Most of Nepalese companies have been suffering from the problem of poor financial performance. So the reason for this they have to adopt a systematic financial performance adopted by multinational company.

The basic issues of financial performance have been sought to be answered by the study. I tried to examine Income statement, Comparative Financial statement, Comparative Balance sheet, Funds Flow Analysis. The industrialization process in Nepal being very slowly although government in favor of industrialization. The financial performance of establishment manufacturing industries also not good. Much enterprise couldn't achieve pre-establishment objective.

Besides the above- mention problems, present study will intend to explore the following basic question.

i. To what extent is the financial information assists in estimating the earnings potential of the company.
ii. What are the fundamental principles adopted in short term and long term planning.
iii. What steps should be taken to improve financial performance systematically.

Are financial performances satisfactory interm of liquidity, solvency, utilization and profitability ?

What are the causes of poor performance ?

Is one company better than the other one ? And in which respect ?

1.3 Focus of the study

Topic itself is very clear about focus of the study; purpose of study is to analyze financial performance of manufacturing company established as multinational company. Study exerted more effort on analysis of financial performance of selected multinational company and study gives emphasis on level of sales and its trend, trend of current assets and current liabilities finally.

1.4 Objective of the study

The basis objective of the study is to examine and compare the financial performance of Bottlers Terai Ltd and Nepal Lever Ltd. For this purpose, the study has the following objectives.

i. To make all over comparison of financial performance of Bottlers Terai Ltd. and Nepal Lever Ltd.

ii. To analyze the liquidity, long- term solvency, assets utilization and profitability position of Bottlers Terai Ltd. and Nepal Lever Ltd.
iii. To identify financial strength and weakness of Bottlers Terai Ltd and Unilever Nepal Ltd.

1.5 Limitations of the study

The scope of the study lies mainly in filling the gaps of research as Bottlers Terai Ltd and Nepal Lever Ltd. So, the reliability and validity of data depends upon data and information provided by both Bottlers Terai Ltd. and Nepal Lever Ltd. The limitations of studies are as follows:

i. The study is concerned only with financial performance of Bottlers Terai Ltd. and Nepal Lever Ltd.
ii. Data is taken for 5 years from secondary sources of data.
iii. Accuracy, reliability and validity of the study depends upon the data provided by manufacturing company.
iv. The study is limited only for specific manufacturing company which may introduce question for generalizing.
v. Only statistical and accounting tools are used.

1.6 Organization of the study

This study is divided into six chapters. Introduction, Review of literature, Research methodology, presentation and analysis of data, Test of hypothesis and summary, suggestion and conclusions.

The first chapter 'Introduction' deals with the subject matter of study, statement of the problem, objectives of the study, research questions, hypothesis, limitation of the study and organization of the study and organization of the study.

In second chapter 'Review of literature' the relevant writings are review to serve the objectives of the study.

Third chapter includes Research Methodology with suitable research design and data analysis to carry out objectives of the study.

Fourth chapter deals with presentation of data analysis of relevant data information through definite course of research methodology. 'Test Hypothesis' in this chapter only the 'T' test is used to find out whether, there is no significance different between Bottlers Terai Ltd. and Unilever Nepal Ltd.

Fifth Chapter includes summary of the study, various suggestion for filling the verified gap and conclusion drawn from the study.

CHAPTER II
REVIEW OF LITERATURE

2.1 Conceptual frame work

2.1.1 Financial statement

Financial statement reports what has actually happened to earning and dividend over the past few year. It may show a position at a moment in time as in the case of activity over a given period of time incase of an income statement. Brigham viewed the financial statement as an accounting picture of the firms operation and financial position.

2.1.2 Income statement

Income statement is designed to report the point performance of business entity for specific period of time such as a year, quarter, as month business revenues and expenses results from the accomplishment of the firm's operation. In the other word, the income statement reveals the performance of the firm during a particular period of time. Sales of the major source of the revenue income and from it various items of expenses, generally called as operating expenses and interest and taxes which are deducted to find out the net income or loss.(John J. Hampton,)

2.1.2.1 Balance Sheet

Balance sheet presents the position of company's assets liabilities, and stockholder's equity at particular date, the liabilities indicate the amount owned by the firm to its creditors, it is the document that report the financial position of a company at a specific pointing time.

2.1.3 Financial statement analysis

Analysis of financial statement is thus an important aid to financial analysis. The terms of financial refers to the two statements balance sheet or statement of financial position and profit and loss statement which the account prepares at the end of the accounting period of business enterprise. If attempts to study the relationship between different items of financial statement analysis is largely a study of relationship among the various financial factors in a business a disclosed by single set of statement and a study of the finds of these factors as shown in a series of statements.(Western and Brigham)

2.1.4 Tools of Financial Statement Analysis

Some of the important tools used in analyzing financial statement or comparative financial statement funds flow analysis and ratio analysis various tools.

2.1.4.1 Comparative Financial statement

Comparative financial statement are statements of the financial position of a business, so designed as to provide time prospective to the consideration of various elements of final position embodies in such statement. Usually, it is the balance sheet and income statement which along are prepared in a comparative form because they are most important statement of financial position.

2.1.4.1.1 Comparative Balance Sheet

Increase and decrease in various assets and liabilities as well as proprietors equity or capital brought about by the conduct of a business can be observed by a comparison of the balance sheet at the beginning and end of period, such observation offer yield considerable information which is of a value in forming on opinion regarding the progress of the enterprise and in order to facilities comparison, a single device known as the 'Comparative Balance Sheet' may be used.

It show not only the balances of the accounts at different dates but also the extent of their increase or decrease between those data. These great advantage of this analysis is that it party's the defined of particular nature of business enterprises and of the enterprise as a whole.

2.1.4.1.2 Comparative income statement

Comparative income statement shows the operating result for a number of accounting period so that changes in absolute data from one period to another may started in term of money and percentage. It contents the same column as the comparative balance sheet and provides the same type of information the amount balances, increase and decrease in money amounts and, if desired, the percent of increase or decrease.

2.1.4.2 Funds Flow Analysis

The statement of changes in financial position prepared to determine only the source and uses of working capital between dates of two balance is known as the fund flow statement. So, it is also known as source and application of fund. Summary of financial operation, fund provided and its deposit changes in working capital, fund generated and expanded an so on.

An analysis based on this statement is generally called fund- flow analysis or simple fund analysis. It may however, be pointed out that 'fund analysis' make use of cash flow statement also depicting the changes in the financial position between two different dates can be presented in various form and these forms have been designed to reflect the working capital movement.

2.1.4.3 Ratio Analysis

Ratio analysis is a yard stick tool to evaluate the financial performance and condition of the firm. Thus a ratio is defined as 'the indicated quotient of two mathematical expression.' As the relationship between two or more things.

2.1.4.3.1 Liquidity Ratio

Liquidity ratio measures the ability of a firm to meet its short- term obligation and reflects the short- term financial strength. The important liquidity ratios are

I. Current ratio and
II. Quick ratio

Liquidity ratios are used to judge the firm's ability to meet it's short- term obligation. It express the firm ability to meet it's obligations at maturity. It's measure the firms ability to fulfill short-term commitments out of it's liquidity assets. In other word, it measures the firm's short- term strength to meet the short- term liabilities.

i. Current Ratio

Current ratio measures the firm's short- term solvency. It indicates the availability of current assets in rupees for everyone rupees of current liabilty.

As Geneva rule 2:1 ratio is considered acceptable for most firm although it is only a rule of this standard. Higher the current ratio greater is the profitability of prompt and full payment of current liability.

ii. Quick Ratio

This ratio established relation between quick or liquid assets and current liabilities. The ratio is founded by dividing the total quick assets by total current liabilities.

ii. Leverage Ratio

Leverage ratio are used to measure the firm's ability to meet long- term obligation.

Financial leverage can work in opposite direction overall rate of return, the earning of shareholders will be reduced. If the equity base is thin, the creditors risk will be high.

iii. Debt to Equity Ratio

Debt to equity ratio indicates to what extent the firm depends upon outsides for it's existence. For the creditors, this ratio provide the extent to which they can gain the benefits by maintaining control over the firm with a limited investment.[15]

A high debt to equity ratio that claims of creditors are greater than those of owner. A low debt equity ratio implies a greater claim of owner than creditors.

ii. Debt to Total Capital Ratio

The relationship between in creditor's fund and owners capital can be expressed in term of debt to total capital ratio. The total debt of the firm comprises both long- term debt plus current debt.

iv. Activity Ratio (Assets Management Ratio)

The activity ratio represents the intensity with which the firm uses it's assets in generating sales. It indicates whether the firm investment in current and long- term assets is

properly used. Too large investment means tying down of funds in unproductive activities. This ratio gives signal to use funds for more productive purposes. This ratio measures the firm's efficiency indicates how the firm have utilize it's different assets.

v. Inventory Turnover Ratio

The inventory turnover ratio shows how rapidly the inventory is turning in to receivable through sales. Generally, a high inventory turnover is indicated if good inventory management. A high level of sluggish inventory amounts to unnecessary tip up of funds impairment of profit and increased cost. If the absolute inventories have to be written off, this will adversely affect the working capital and liquidity position of the firm.

ii. Debtors Turnover Ratio

The debtor's turnover indicates the number of times on the average that debtor's turnover each year. Generally, the higher the value of debtors turnover the more efficient is the management of credit. Financial analysis is applied two ratios to judge the quality of debtors. The first ratio is found out by dividing the credit sales by average debtors. The second ratio is found out by dividing total sales by the end balance of debtors.

iii. Total Assets Turnover Ratio

The total assets turnover ratio represents the ratio between total assets to sales. It reveals the efficiency in managing and utilizing the total assets.

Average Collection Period

Average collection period indicates how rapidly the debtors are collected. The average collection period is compared with the firm credit terms to judge it's credit and collection efficiency, as a rule of thumb the average collection period should not exceed the period of payment mentioned in terms of sales plus one third of that period.

vi. Profitability Ratio

The profitability ratio related to invest mainly return on assets return on capital employed and return on sales. The overall profitability is measured by the return on investment which is computed as combined product of net margin and investment turnover. It is a central measure of the earning power and operating efficiency of a firm.

vii. Gross Profit Margin

Gross profit margin ratio indicates the percentage of net profit after cost of production. It also indicates the efficiency of operation of the firm. If profit margin falls the cost of production increase.

ii. Net Profit Margin

This ratio establishes a relationship between net profit & sales. If the net profit margin is inadequate, the company will fail to achieve satisfactory return on owner's equity. It also indicates the firm's capability to with stand in adverse economic conditions. This ratio is the overall measure of the company's ability to turn each rupee of sales into net profit.

iii. Return on Assets

The return on assets measure the profit ability of the total funds or total investment of a firm. It however throws no light on the profitability of different sources of funs, which finance total assets.

iv. Return on Equity

The return on shareholders equity measures the return on owners fund. The return on shareholders equity is net profit after taxes dividend by shareholders equity.

v. Return on Capital

The analysis of over all profitability is the rate of return on capital, which relates the net profit invested by them.

2.2 Review of Previous and Related Study

2.2.1 Review of previous and related study

Review of literature provides a clearer idea emerges as to what variables would be most important to consider and how they should be investigated to solve the problem.

In the area of this study and important study by Kalpana Poudyal on "the productive power the ratios of Nepalese manufacturing public enterprises have concluded that liquidity ratio of profit making manufacturing public enterprises were power as indicated by hypothesis testing. Inventory turnover ratio, fixed assets turnover ratio and total assets

turnover ratio of profit making manufacturing public enterprises were found higher but long-term debt to total capitalization ratio and total debt to total capitalization ratio and total debt to total assets ratio of loss incoming manufacturing public enterprises were found higher. Hypothesis testing confirmed their productive power."

Kalpana Pouyal "The predictive power of the ratios of Nepalese manufacturing public enterprises." Financial statement may refer to any formal and original statement which disclose financial information relating to any business concern during a financial year which are present in the form of income statement and balance sheet usually prepared ate the end of each financial year.

"The terms of financial refers to the two statements balance sheet or statement of financial position and profit and loss statement which the account prepares at the end of the accounting period of business enterprise. If attempts to study the relationship between different items of financial data and factors. In other words financial statement analysis is largely a study of relationship among the various financial factors in a business a disclosed by single set of statement and a study of the finds of these factors as shown in a series of statements.", (western & Bringham)

In a view of researcher's only a number of studies related to profitability in public enterprises in Nepal have been undertaken. In this section, an attempt has been made to review them.

Manohar Krishna Shrestha, a study was made on the receivable management of Nepalese public enterprises in 1987. The main objectives of the study was to assess the practical aspects of receivable management of ten selected Nepalese public enterprises for the period of three years up to 1985. And the study found that:

I. Nepalese public enterprise had adopted that liberal credit policy to improve collection.
II. The aging schedule of selected public enterprise had no uniform pattern and outstanding receivable in many instances were very old exceeding 10 years or 50.
III. Most of the selected public enterprise had larger share of receivable seriously to speed up the collection of long outstanding receivable by directing suitable monitoring policies and.

IV. Receivable turnover widely fluctuated from one EPS to another and from one year PES should maintained on optimal credit policy to balance the risk of losses arising from defaults and additional investment.It receivable to that of benefit or profitability covering from it.

Dr. Jaya Krishna Pathak, in his study surplus generation in Nepalese public enterprises. Observed that the financial performance of public enterprises is unsatisfactory and also deteriorating over times in times of low profitability, increasing cost of production low internal financial and under utilization of production capacity.

Prof. BS Sharma and Prof. Manohar Krishna Shrestha have conducted a study on working of public enterprises in Nepal. The main findings of their study were here summarized as under:

i. Capital employed showed these types of corporations. Corporations that have positive role of return for all the year.
ii. Return on fixed assets does not seem to be satisfactory in all the corporations.
iii. Only two corporations mainly EEC and WSSB enjoyed better profit margin for MBR of the year.
iv. Because of increase of losses by most of the corporations return on equity and return on net working capital is not so much satisfactory.

Dr. Salik Ram Koirala, in his doctoral research work entitled "A study of accounts receivable management in public receivable management in public manufacturing industries in Nepal." Has confined his work to receivable management. His major findings in this regard was the management of working capital specially the management of account, receivable has been a course of great anxiety.

Jerome Osteryoung Richard and Constand and Donald Nast published on journal of small business management, the heading of the journal is financial ratios in large public and small private firms. They concluded on analyzing the study that there are significant differences between many of the industry average ratios for small private and large public firms across a large number of well- defined industry groups. These findings suggest that

financial analysis, lenders and small firm managers should be sure to identify an appropriate industry average ratio for comparison purpose when examining these ratios.

The results also indicate that there are some ratios that are not different across the large and small firms in this study. These ratios are the liquidity ratios (CR and QR), the accounts receivable turnover ratio, profitability ratios (ROS and RONW) and expense ratios. This indicates that as long as industry membership is correctly controlled for these ratios can be expected to exhibit constant proportionality across different sized firm.

Finally the study examined only the difference in the means of ratios and it is concluded that there should better understanding the distribution characteristics of ratios in small and large firm is also needed.

"A corporation needs to be economically viable, financially sound and socially efficient. This can be possible only through favorable turnover of assets and capital employed in the corporation. Most of the enterprises in Nepal suffer from low turnover. As a result of this their survey report remarks, public enterprises have swelled up much of the budget since HMG has disbursed funds more than double of previous year figure.

The efficiency of the enterprises creates the burden to general people in the form of higher prices in the cost of Nepalese public enterprises. It is said that all the enterprises are suffering for under- utilization of capacity an this has become the prime reason of high cost and high pricing.

A study conducted by Kalpana Poudyal on "the productive power the ratios of Nepalese manufacturing public enterprises have concluded that liquidity ratio of profit making manufacturing public enterprises were found higher but they had not much productive power as indicated by hypothesis testing. Inventory turnover ratio, fixed assets turn over ratio and total assets turnover ratio, fixed assets turnover ratio and total assets turnover ratio of profit making manufacturing public enterprises were found higher but long term debt to total capitalization ratio and total debt to total assets ratio of loss incoming manufacturing public enterprises were found higher hypothesis testing confirmed their predictive power.

Manoj Lal Pradhan has made a better effort in making a study regarding the financial performance of one of the public manufacturing organisation with comparison to one of the private manufacturing organisation is conducted through ratio analysis method applied for the analysis of overall financial performance of them. The main interferences he has deducted from his study are as under.

According to analysis, the overall financial performance of private sector enterprises seemed betters than of the public sector enterprises is higher than that of the public sector enterprise.

The main causes of high score of the Shree textile were as follows :

i. The profitability position ? The Shree textile was better than that of Hetauda Textile, because the Shree Textile Company has earned net profit whereas the Hetauda Text Tile incurred the net losses.
ii. The liquidity position of the Shree Textile was better than that of the Hetauda Textile because the Hetauda had invested unnecessarily excessive funds on assets as compare with Shree Textile.
iii. The long- term solvency of the Shree Text Tile was better than that of Hetauda Text Tile because the Shree Text Tile had used proper mix of debt and equity where as Hetauda Textile heavily relied on equity capital only.
iv. The assets utilization of the Shree Textile was better than that of Hetauda Textile because the assets turnover of the Shree Textile is higher than that of Hetauda Textile.

And finally he concludes his study as, since the score of the Shree Text tile is higher than that of the Hetauda Text tile, the hypothesis "the overall financial performance of the Shree Textile is better than that of Hetauda Textile" was accepted.

Hyung K.KIM attempted to measure the extent of Korean monetary and credit policy "A study of financial policy in an under developed country". The purpose of this study is to examine the performance of the Bank of Korea, the Central bank of the Republic of Korea, in the period 1953- 1960. An attempt is made to analyse the particular economic conditions and financial markets influencing the development of central- banking operations and to

illuminate the financial problems of reconstructing a war- torn economy and achieving relative price stability. The lessons similar economic conditions and financial problems.

At the end of the war in 1953, the Bank of Korea operated in an environment characterized by 1) reduced output because of war destruction, 2) violent inflation, 3) beginning of reconstruction of the war- turn economy, and 4) underdeveloped financial markets. Other significant economic factors were 1) heavy financial support for defense and operations of government enterprises and 2) a substantial foreign aid program.

The extremely limited sources of funds for reconstruction and defense expenditure expenditure and for subsidizing government enterprise forced the government to turn to central bank to finance the budget deficit as well as to support the commercial credit by banks. Expansionary policy of central bank credit for these purposes resulted in a sharp increase in the money supply.

Monetary policy was also inadequate in restraining credit expansion through the bank system. The lack of central bank control over credit extension to the government made in imperative to co- ordinate fiscal and monetary policies for price stability. Not until 1957 did Korea pursue an effective, co-ordinated stabilization policy, by suspending government deficit financing for reconstruction and central- bank advances for commercial loans.

Two measurable developments facilitated these conservative fiscal and monetary actions of 1957, 1) the increase the domestic output, and 2) the massive inflow of foreign- aid goods. Although the early reconstruction program was not entirely satisfactory (because of apparent misuse of funds), it increase domestic output and contribute to the success of the financial stabilization policy in 1957. The foreign- aid program so essential to early reconstruction efforts reached a peak in 1957, and facilitated a further increase in domestic output. In addition, the large amount of aid funds allocate for reconstruction and defense reduced the pressure on the central bank to expand credit further.

The experience of Korean monetary and credit policy during this period shows that: 1) a country experiencing continued violent inflation can control prices if its government pursues stabilization policies involving conservative fiscal and monetary measures and if physical means are available 2) monetary policy was not given and forced to extend credit to government and business and had sufficient control over variations in the money supply and 3) foreign aid greatly facilitated the stabilization policy and reconstruction of the economy.

The term "Financial Analysis" deals with the overall financial operations. Measured interms of liquidity, turnover, leverage and profitability.

Liquidity is one of the measurements of the company's overall performance. The firm should maintain the liquidity for smooth functioning of the companies. To ensure the liquidity in the companies, the proper management of the current assets and current liabilities is a necessary condition. The selection of the current assets must be managed in such a way that helps to produce sufficient short- term funds with a minimum cost.

Under a low liquidity policy, return would be higher due to the use of more short term financing, which is cheaper than long term financing. But use of more short term financing would increase the risk of technical insolvency because current assets remaining the same, increase in current liabilities will decrease net working capital leading to the decline in liquidity. "the way how corporate manage current assets has an important bearing on the overall liquidity position and failure to maintain sufficient degree of liquidity cause to stop regular operations besides making corporate managers unable to pay obligation in time."

"Account receivable turnover indicates the number of times the average receivable is turned over during the year. The higher receivable turnover indicates the better financial performance of the companies. The ineffective management of receivables leads to show moving there by increasing the possibility of bad debts and doubtful debts, which exhibits the unfavorable financial performance. So, the firm should adopt suitable credit policy to handle the account receivables effectively.

Inventory is the major items of total assets in the country. So it should be properly managed higher turnover of inventory show better financial performance of company. "As a rule the higher the inventory turnover the larger the amount of profit, the smaller the amount of capital tied up in inventory and the more current the merchandize stock.

Effective utilization of fixed assets is demonstrate if there has been increased in the fixed assets turnover a period of time. A decline in the turnover reveals a decline in the capacity utilization of a company.

The overall turnover indicates the overall efficiency of the company. These cash turnover, receivable turnover, inventory turnover, fixed assets turnover and capital turnover

are related to each other. The mismanagement of one of them can hinder the turnover in other. As such, it is of up most importance that company should give resources by adequately improving the level of management and performance.

Lack of appropriate mix of debt and equity capital in the firm is one of the important issues and constraints that may hinder the financial performance. Thus there should be appropriate mix of debt and net worth in the firm for better performance. The leverage ratio show how much of a company assets are financed by debt and equity. If the company has employed excessive debt financing will be difficult in future. The company might have to pay higher rate of interest. on the other hand, it reveals the failure to use cheap borrowed capital and raise the shareholders rate of return. The company with high leverage ratios are subject to higher risk and this would, in turn, increase their chances of getting high return, conversely, the company with low leverage ratio are subject to low risks and would, in turn, decrease their returns therefore, there should be a proper balance between expected risk and return. So long as, the benefit from debt is higher than its interest cost, it should use debt capital.

Financial performance can be evaluated from the standpoint of profitability "A corporate can claim itself to do successful if it can maintain maximum profit to justify the worth of the return on investment. Thus helps corporations to save from shortage of funds and provide opportunities to undertake the expansion of assets to enlarge business.

W.H. Beaver, had presented "Financial Ratios and predicates of failure." To prove this statement he had taken the aspects of application of financial analysis. Thus, we have discussed how to calculate and interpret summary measures of or company's financial position. We conclude this topics with a brief glimpse at some of the ways that those measures can help the financial managers."

Suppose that we are credit analyst or bank lending officer with the job of deciding whether a particular company is likely to repay its debts. What can be learn how from the company's financial statements?

To answer this question William Beaver compared the financial ratios of 79 firms that subsequently failed with the ratios 79 that remained solvent. Beaver's sample of failed firms behaved much as we would expect. They had more debt then the surviving firms and they had less cash but more receivable. As a result they had somewhat lower current ratios and

dramatically lower cash ratios. Contrary to popular belief, the failed firms had less, rather than more, inventory. Beaver's study showed that the financial ratios of firms which subsequently fail are different from those of firms which survive.

In I.M. Pandey's book, he has stated that careful attention should be given to the management of receivables for performance improvements of the corporation as its huge amount of funds has been invested in account receivables. The effective management of receivables will contribute in a market place. I.M. Pandey has also stated in his book that to achieve the goal of maximizing the value, the firm should manage its trade creditors.

1. To obtain optimum value of sales.
2. To control the cost of credit and keep it at minimum.
3. To maximum investment in debtors at an optimum level.

Cash is the important aspect of working capital that cash is the basic input needed to keep the business running on continuous basis. So, The cash should be managed efficiently in order to keep the firm sufficient liquid and to use excesses cash in some profitable way. The firm should hold sufficient cash, neither more nor less. Cash shortage will distribute the firm's operation, while excessive cash will simply remain idle. Without contributing anything towards the firm profitability.

I.M. Pandey stated that there should be taken more attention on measuring the financial risk and firm's ability. By using leverage ratio, it helps to determine appropriate mix of debt and owners equity in financing the firm's assets. The manner in which assets are financed has a number of implications, Pandey, I.M.

1. Debt is more risky than equity. The firm has a legal obligation to pay its interest to debt holders. Irrespective of the profits made or losses incurred by the firm. If the firm unable to pay debts on time, it may cause firm into liquidation.
2. Employment of debt is advantageous for shareholders in two ways: a) they can retain control of the firm with a limited time. And b) their earning will be magnified, when the firms earns a rate of return on thetotal capital employed higher than the interest rate of borrowed funds. The employment of debt is called Financial leverage. The use of debt magnifies the shareholder's earnings as well as increased their risk.
3. A highly debt burden firm will find difficulty in raising funds from creditor's and owners in the future.

It is therefore companies should be maintained optimal capital structure that helps the company at strengthen.

Regarding the level of investment in working capital, most of the financial analyst or experts I.M. Pandey, S.C. Kuchhal, James C. Van Horne, Khan K. Jain, etc. have identified more or less the same determinants that comprise nature, size and volume of business, manufacturing cycle. Business fluctuation, production policy, firm's credit policy, availability of credit growth and expansion profit margin and profit appropriation. Operating efficiency and dividend policy. The quantum of working capital is also determined by the management's attitude towards risk.

As Agrawal observes "management in public enterprises is characterized by instability of top management. Lack of emphasis on effective, management, lack of emphasis on effective planning, undue emphasis on prestige and status. Failure of formal structure to provide for the needs of employees. Authoritarian relationship. Lack of formal communication system. Highly centralized decision making and tendency toward adhocism." Govinda Ram Agrawal, "Management and Development."

Financial managers have to undertake numbers of activities to highlight the central goal of maximizing the values of the companies. These financial activities have great impact on all the other business activities like marketing, production and personnel activities. Thus any mistake made in financial decisions adversely affects the whole operations of the corporation. These activities should be analysed and evaluate from time to time. "Scientific analysis and interpretation can give the better picture of progress that the company has made in the past, its present position and its future prospects.", (Dr. Agrawal).

Research Gap

By reviewing the various previous and related literatures I found that there was analysis of the financial ratios of the most of the companies. In most cases, analysis was done only on manufacturing or non- manufacturing sector and comparative analysis between non-manufacturing with non- manufacturing sector, and manufacturing with manufacturing sector.

So, the present study focuses on comparative analysis of Financial performance between two manufacturing multinational companies. The main objective of the study is to find out the financial performance of multinational manufacturing companies and to make comparison between financial performance of both companies by analyzing various ratios. Finally, it makes some conclusion over the companies and gives some recommendation.

CHAPTER III
RESEARCH METHODOLOGY

3. Introduction

Research methodology in the way to solve systematically about the research problem. In order to conduct this study the following process as are adopted.

3.1 Research Design

A well- set research design is necessary for every research work so, as to concentrate the research works in that manner to get the objective of the research fulfill. The research design followed is basically case study of the Bottler's Terai Ltd. And Unilever Nepal Limited. The study evaluates the financial position of Bottler's Terai Ltd. And Unilever Nepal Limited and trace out basic differences in the financial management practices of these enterprises. Thus, the study is descriptive and analytical.

The formidable problem that follows in the task of design of the research project popularity known as research design.

Research design is constructed in such way which refers to the entire process of planning and carrying out a research study. Identification selection, formulation of a research problem may be considered as the planning stage of research. The remaining activities refer to designs operation &completion of the research study. This research design of the study is descriptive as well as analytical.

3.2 Period Covered

This study covers the period of five years data of two companies 2006/07 to 2010/11.

3.3 Types and Sources of Data

As the study is evaluate in nature, the main sources of data and financial statement of the Bottler's Terai Ltd. And Nepal Lever Limited for a period of five year. The study is based on secondary data used for this study are taken from the balance sheet and profit and loss accounts. Besides these financial statement data are taken from other sources too such as dissertation, various government.

3.4 Tools for Analysis

For the purpose of comparatively Financial Analysis between Bottler's Terai Ltd. And Unilever Nepal Ltd. The following tools are used and analysed.

3.4.1 Financial Tools

There are a wide variety of financial tools, which can be applied in order to review the financial analysis of a company, but this study will follow ratio analysis method.

3.4.2 Statistical Tools

Similarly, a number of statistical tools can be employed to examine the economic data of a company. But for the sake of study, mean, standard deviation, and coefficient of variation will be taken into consideration.

3.5 Definition of Variables

In order to evaluate the financial performance of any firm, the financial analysis needs some sort of yardsticks. The yardsticks frequently used by the analyst in ratio. However, the management should take initiative to diagnose the financial strength and weakness, which is the guideline for the future.

The type of relationship to be examined differs in accordance with objective and purpose of evaluation. All the group (shareholders, Investors, Creditors, Competitors, Labour, Leader and so on) are interested in financial status of the company, But they analyse the financial statement establishing the relationships between two variables of the financial statement from their view point.

The analysis and interpretation of financial statement results in presentation of information that will aid in decision making by business managers, investors and creditors as well as other groups who are interested in financial status and operating.

Ratio Analysis

Ratio analysis is a powerful tools of financial analysis. A ratio is defined as "the indicated quotient of two mathematical expression" and as "the relationship between two or more things." In financial analysis a ratio is used as an index or yardstick, for evaluating the financial position and performance of the firm. The relation between two accounting figures

expressed mathematically is known as a financial ratios which help the analysis to make qualitative judgments about firm's financial position and performance. Several ratios can be computed

From the information of financial statement. These ratio can be grouped into various classes according to financial activities to be evaluated. The ratios selected for the comparative study of the Bottlers Nepal Terai Ltd and Unilever Nepal Limited are as follows.

- Liquidity ratio
- Long - term solvency ratio
- Assets utilization ratio
- Profitability ratio

Liquidity Ratio

Liquidity ratio measures ability of the firm to meet its current obligation. In order to ensure short- term solver by, the company must maintain adequate liquidity. Liquidity ratio should neither be inadequate nor highly nor highly liquid.

Liquidity refers to ‘nearness to cash’ the nearer on investment is to cash, the lower is its rate of return. The practice of holding a large size of current assets is an expense affair with too much liquidity, the possibility of its misuse becomes high. On the other hand, too little liquidity may lead to reserve cash problems, which can result inability to pay debts in time. Thus, company usually maintains liquidity as a means of meeting short term expected and unexpected requirement for net cash out days. Inadequate liquidity may lead a company to delay payments, sell assets or obtain temporary financing unfavorable terms. Hence, it is necessary to maintain liquidity at an appropriate level for companies.

Current Ratio

In order to ensure short- term solvency, the company must maintain adequate liquidity. Current ratio is frequently used to measure availability of current assets in rupee for everyone rupee of current liabilities. Generally, the current assets of the firm should be twice than current obligation to be technically solvent. Technical solvent means the ability of the firm to meet current obligation duty as and when they become due. A relatively high value of

current assets is considered as an indication that the firm is liquid and gas ability to pay its bill and vice-versa.

The following table shows the current ratio of Unilever Nepal Ltd. And Bottlers Terai Ltd.

$$\text{Current ratio} = \frac{Current Assets}{Current Liabilities}$$

Note :

Current assets = Inventories, cash in hand, cash out bank, Bills receivable, work in progress, prepaid expenses.

Current liabilities = Bills payable, sundry creditors, outstanding expenses, Income tax payable, Bank overdraft.

Quick Ratio

Quick ratio is more refined measure of the firm's liquidity. This ratio established a relation between quick assets and current liabilities. An assets is said to be quick which can be converted into cash within operating cycle without loss in the value of assets. Inventory are excluded because it takes to time to sell finished goods and convert raw material and work in process into finished goods and there is uncertain where it is sold or not. Prepaid expenses should also be excluded from quick assets because it cant be convert into cash-quick ratio is find out by dividing quick assets by current liabilities.

$$\text{Quick Ratio} = \frac{Quick Assets}{Current Liabilities}$$

Inventory Turnover Ratio

Inventory turnover ratio indicates the efficiency of the firm is selling its product. The inventory turnover shows how rapidly the inventory in turning into receivable through sales. Generally, a high inventory turnover is an indication of good inventory turnover also. Such a policy may lead to a large number 'stock outs' leading to loss of sales. Hence, inventory ratio computed for the selected Nepalese companies are as presented.

Inventory turnover ratio of Both companies Unilever Nepal Ltd and Bottlers Terai Ltd are shown in the following table

$$\text{Inventory turnover ratio} = \frac{Sales}{Inventory}$$

Inventory to Current Assets

It is signifies the liquidity position of the firms. It finds relationship between inventory and current assets, the following tables shows the inventory to current assets ratio of Unilever Terai Ltd and Bottlers Terai Ltd.

Inventory to current Assets ratio = $\frac{Inventory}{CurrentAssets}$

Long - term solvency ratio

The funds needed for business enterprises are finance through the owner's capital of through the borrowed capital or through both. The owners capital collected by issuing new share or retain some earning from profit. The creditors capital is obtained by borrowing from financial institutions, mixes of the ratio sources used to rise fund represent structure of an enterprise. Thus, financial structure of an enterprise comprises equity and debts.

Thus, the financial structure of an enterprise represent proportionate relationship between ratios means of long- term funds of financial such as debenture, debt borrowing preference capital, common share capital including reserve and surplus i.e retained earning. However, there should be appropriate mix of debt. And owners equity in financing the firms assets. The debt is risky from the point of view enterprise because the debt holders are creditors. The creditors have legal right and the first priority to pay the debt and its charge on maturity date but they cannot be interfered the firms management. The debt increased the risk of insolvency of the firm as involves interest irrespective of profitability.

At the some time employment of debt is advantageous to shareholders earning will be magnified when the firm's earns a rate higher than the interest rate on invested funds and vice- versa.

By considering risk and return of debt. These should be appropriate mixes of debt and equity in financing the firm’s assets.

The long- term solvency ratios are calculated to measure the degree of financial risk and the firm ability of using debt for the benefit of shareholders. In case of Unilever Nepal Ltd and Bottlers Terai Ltd, the following long- term solvency ratio are calculated and analyzed.

Net worth to Total Debt ratio

The net worth to total debts shows the relationship between borrowed fund and owners capital to measure long- term solvency of firm. In other worth to total debt ratio employed as a principle tool for analyzing the composition of capital structure.

It measure the relative claims of creditors and owners against the firm's assets the net worth to total debt of two companies are given below.

Net worth to Total debt ratio = $\frac{NetWotrth}{Totaldebts}$

Note :

Net worth = Equity share, preference share, retained earning, reserve and surplus, net profit.

Total debts = Current liabilities or short- term liabilities + long- term liabilities.

Net worth to Total Assets Ratio

The net worth and total assets by measuring the extent to which the assets is financed through equity. In other word it shows to what extent the net worth has been utilized in relation to total liabilities and capital invested in total assets of the firm. In general it measures the claims if owner against the total assets. The following table shows the net worth to total assets ratio of two companies.

Net worth to total assets ratio = $\frac{Networth}{Totalassets}$

Note :

Total assets = Current assets + Fixed assets + Intangible assets

Net Fixed Assets to Net Worth

It reveals that how many percentage of net worth investment in fixed assets and what extent the margin of safety for long- term creditors. The investment decision of fixed assets influence the firm's wealth, determine its size and set the place and direction of its growth and affects its business risk. Therefore, management should be aware before taking investment decision on its fixed assets and working capital in the firm.

The long- term solvency of the firm excessively depends upon the investment policy of management of fixed assets which also effects the long- term investors, shareholders and creditors. The investment in fixed assets involves commitments of funds for longer period into the future and usually is difficult and costly to reserve after they are in large increments.

Net fixed assets to net worth ratio can be calculated as follows.

$$\text{Net fixed assets to net worth ratio} = \frac{Fixedassets}{NetWorth}$$

Utilization Ratio

The funds of creditors and owners are invested in various kind of assets to generate sales and profit. The better management of assets, the larger the amount of sales. The utilization ratio are employed to evaluate the efficiency with which firm utilizes its assets. This ratios and also called turnover ratio because they indicate the speed with which assets are being converted to turnover on to sales. Utilization ratio, these involve a relationship between sales and various assets. A proper balance between sales and assets generally reflects that assets are managed well. So, with the help of different turnover ratio, the financial performance of the companies regarding assets utilization can be evaluated.

Total Assets turnover

Although, fixed assets are directly contribute to the generation of sales. Other assets also contribute to the production and sale activities of the firm. The firm must be manage its total assets efficiency and should generate maximum sales through their proper utilization. Therefore, the total assets turnover ratio is significant one to measure to what extent assets have generated sales and how the assets are being used. The total assets turnover ratio of two companies are given in the following table.

$$\text{Total assets turnover ratio} = \frac{Sales}{Total\ assets}$$

Fixed Assets Turnover

The firms acquire plant and machinery and productive assets for the purpose of generating sales therefore, the efficiency of fixed assets should be judged in relation to sales. The fixed assets turnover ratio measures the efficiency with which the firm's utilizing its investment in fixed assets. Such as land, building, plant and machinery, furniture, etc. It also indicates the adequacy of sales in relation to the investment in fixed assets.

Fixed assets turnover ratio = $\frac{Sales}{Fixedassets}$

The following table showed the fixed assets turnover ratio

Current Assets Turnover Ratio

The current assets turnover ratio indicates the efficiency of in utilizing its current assets. The ratio is computed by two ways. One is by dividing cost of goods sold by average current assets and other is by dividing sales by current assets. The current assets turnover ratio of Unilever Nepal Ltd and Bottlers Terai Ltd during the study period is shown in the following table.

Profitability ratio

A company or business firm must earn profit for its survival and growth in the future. In fact sufficient profit must be earned to maintain the operation of the business be able to acquire funds from investors for expansion and to contribute towards the goal of the nation. Thus, the profitability ratio is used to measure the operating performance of the firm. Profitability ratio can be computed in relation to the investment and the sales. Profitability ratio shows to what extent the company is able to earn profit in relation to different variables like sales, total assets, equity capital, etc.

Thus, profitability is the net result of a large number of policies and decisions. If a firm is unable to earn profit then it will be difficult to survive. But if a firm is earning profit then it will be difficult to survive.

But if a firm is earning profit then there will be a lot of benefits i.e. workers get bonus, shareholders get dividend etc. So, profit is indicator of efficiency of a firm. It also indicates public acceptance of the product and show that the firm can produce competitively.

Profitability ratios are two types. Those showing profitability in relation to sales and that showing profitability in relation to investment. Profitability is the measure of efficiency of a firm. The financial manager should continuously evaluate the efficiency of the firm interim of profit. The following ratios are used to evaluate the profitability of Unilever Nepal Ltd and Bottlers Terai Ltd.

- Gross profit margin
- Net profit margin
- Return on equity capital
- Return on total assets

Gross profit margin

Gross profit reflects efficiency with which a management produced each unit of product. These ratio indicates the average spread between the cost of production and sales revenue. Hence, a high gross profit margin implies that the firm is able to produce at low costs. A low gross profit margin may reflect a high cost of production due to inefficient management of the company and due to increase in Sales price despite of stable costs of production in the firm's is relatively low. Where as a low gross profit margin is definitely a ganger, signal, warning a careful and detailed analysis of the factors responsible for it.

Gross profit margin $\frac{Grossprofit}{Sales} \times 100$

Net profit Margin

This ratio establishes a relationship between net profit & sales. And it indicates managements efficiency in manufacturing, administration & selling of the products. This ratio is the overall measure of the company's ability to turn each rupee of sales into net profit. If the net profit margin is inadequate, the company will fail to achieve satisfactory return on owners equity. The net profit margin ratio of both companies Unilever Nepal Ltd and Bottlers Terai Ltd is given in Table.

Return on Equity Capital

Since the two common shareholders are the real owners of the real common shareholders are the real owners are the real owners of the company. The performance of its operation is

judged on the basis of return on common equity. This ratio shows how well the firm has used the resources of the owners. It is also great concern of top management, which has been bearing the responsibility of maximizing the shareholders wealth. It is computed to evaluate the profitability of the owner investment which includes common share capital, donation, provision, resource, depreciation funds and surpluses. The return on equity capital of two factories were given in the table.

Return on equity capital = $\frac{Netprofit}{Equitycapi\ tal} \times 100$

Return on Total Assets

Return on total assets measures the success and failure to utilize the total assets. Moreover, it indicates the real performance carried over by management of the company. Thus, it is an index that can measure not only the performance of the company's management but sort out the future of the company. The conventional of calculating return on total assets is divide "profit after tax" by total assets. Return on total assets of Unilever Nepal Ltd and Bottlers Terai Ltd is mentioned in Table.

4. Method of Analysis

For the purpose of analysis of available data the following method are employed.

i. On the basis of available financial statement, balance sheet, profit and loss account and trading account, different table is prepared presented as when required.
ii. For ratio analysis the component of current assets, current liabilities, fixed assets, long- term loan, intangible assets and total investment etc. are sorted out and used.
iii. There are various financial ratios to calculate the financial analysis. But for this study some important ratios have been computed. So, the following financial ratios are used for the study are as follows.

Liquidity Ratio

- Current ratio
- Quick ratio
- Inventory to current assets

Long- Term Solvency Ratio

- Net worth to total debt
- Net worth to total assets
- Fixed assets to net worth

Utilization ratio

- Total assets turnover ratio
- Fixed assets turnover ratio
- Current assets turnover

Profitability Ratio

- Gross profit margin
- Net profit margin
- Return on equity
- Return on total assets

iv. To measure the dispersion between Bottlers Terai Ltd. And Nepal Lever Ltd, we can use the standard deviation and the coefficient of variation in the following way.

Standard Deviation

The standard deviation is the absolute measure of dispersion in which the drawbacks present. In other measures of dispersion are removed. It is said to be the best measure of dispersion as it satisfies most of the requisites of a good measure of dispersion.

Standard deviation (S.D.) is defined as the positive square root of the mean.

If X be the variate values and $\overline{X}$, their arithmetic mean, the S.d ($\pm$) is given by,

$$\pm = \sqrt{\frac{\sum \left(X - \overline{X}\right)^2}{n}} = \sqrt{\frac{\sum X^2}{n} - \left(\frac{\sum X}{n}\right)^2}$$

where, n = no. of observations

Coefficient of Variation

Standard deviation is the measure of dispersion. The relative measure of dispersion based on the standard is known as the coefficient of standard deviation.

Coefficient of S.d. = $\frac{S.d.}{mean} = \frac{\pm}{\overline{X}}$

The coefficient of dispersion based on standard deviation multiplied by 100 is known as the coefficient of variation (C.V.). If $\overline{X}$ be the arithmetic mean and $\pm$ the standard deviation of distribution, then the C.V. is defined by

C.V. = $\frac{\pm}{\overline{X}} \times 100$

Whenever calculated date of both companies were very near then we have to adopt testing of hypothesis. i.e. 'T' test.

In this steps in testing the significance of the difference between two means for large sample $(n \geq 30)$ are as follows.

Step : 1

Formulate Null (H_0) and Alternative Hypothesis

H_0 : «₁ = «₂

i.e., No significance difference between the average condition of two industries (Bottler's Terai Ltd. & Nepal Lever Ltd.)

$H_1 : \mu_1 \neq \mu_2$ (Two tailed test)

i.e. There is significance different between the two industry (Bottler's Terai Ltd. & Unilever Nepal Lever Ltd.)

Step : 2

Under H_0, Compute The Test Statistics

$$t = \frac{\overline{x_1} - \overline{x_2}}{\sqrt{\frac{\pm 1^2}{x1} + \frac{\pm 2^2}{n2}}}$$

where, $n_1 \geq 30$ and $n_2 \geq 30$ Z ~ N (0,1). If $\pm_1^2$ and $\pm_2^2$ are not known.

Then their estimates are provided by the corresponding sample variances s_1^2 and s_2^2

$$t = \frac{\overline{x_1} - \overline{x_2}}{\sqrt{s_p^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

CHAPTER IV
PRESENTATION AND ANALYSIS OF DATA

4.1 Financial Analysis

Financial analysis is the process of identifying the financial strength and the weakness of the firm by properly establishing relationship between the items of the balance sheet and profit and loss[39] account. Financial analysis can be undertaken by management of the firm, or by parties outside the firm, viz., owners creditors, investor and other. The nature of analysis varies on the purpose of the analysis, for example trade creditors are interested in the firm's ability to meet their claims over a short period of time. There analysis will therefore, confine to the evaluation of the firm's liquidity position. The supplier's of long- term debt on the other hand are concerned with they analysis the firm's profitability over time, its ability to generate cash to be able to pay interest and repay principle and relationship between various source of fund. Long- term creditors do analysis the historical financial statement to make analysis about its future solvency and profitability. Similarly, investors who have interested their money in the firm's shares are most concerned about the firm's earnings, they restore more confidence in those firm's that show steady growth in earnings. As such they concentrate on the analysis of the firm's present and future profitability. In fact management of the firm would be interested in every aspect of the financial analysis.

The analysis and interpretation of financial statement results in presentation of information that will aid in decision making by business managers. Investors, creditors as well as other group who are interested in Financial status and operating result of a business.[40]

4.2 Ratio Analysis

Ratio analysis is a powerful tools of financial analysis. A ratio is defined as[41] "the indicated quotient of two mathematical expression" and as "the relationship between two or more things." In financial analysis a ratio is used as an index or yardstick, for evaluating the financial position and performance of the firm. The relation between two accounting figures expressed mathematically is known as a financial ratios which help the analysis to make qualitative judgments about firm's financial position and performance. Several ratios can be computed

From the information of financial statement. These ratio can be grouped into various classes according to financial activities to be evaluated. The ratios selected for the comparative study of the Bottlers Nepal Terai Ltd and Unilever Nepal Limited are as follows.

5. Liquidity ratio

ii. Long - term solvency ratio

iii. Assets utilization ratio

iv. Profitability ratio

4.2.1 Liquidity Ratio

4.2.1.1 Current Ratio

Table No. 4.1
Current Ratio

(Rs. in million)

Year	Unilever Nepal Ltd.			Bottlers Terai Ltd.		
	Current Assets	Current Liabilities	Ratio (in times)	Current Assets	Current Liabilities	Ratio (in times)
2006/07	1905.8	404.2	4.71	224	109.1	2.05
2007/08	2.67	494.8	4.17	328.6	162.1	2.02
2008/09	2162	535.8	4.03	306.3	154.1	1.98
2009/10	2277	637.8	3.57	418.9	239.3	1.75
2010/11	2387.4	685.5	3.48	575.4	318.6	1.8
			$\overline{X_1} = 3.992$			$\overline{X_2} = 1.92$
			$\pm$ = 0.44			$\pm$ = 0.12
			CV = 11.02%			CV = 6.32%
			$\overline{X_{12}}$ = 2.956			

Source : Unilever Nepal Ltd and Bottlers Terai Ltd.

Fig 4.1 (a)
Unilever Nepal Ltd.
Current Ratio

(Rs. in million)

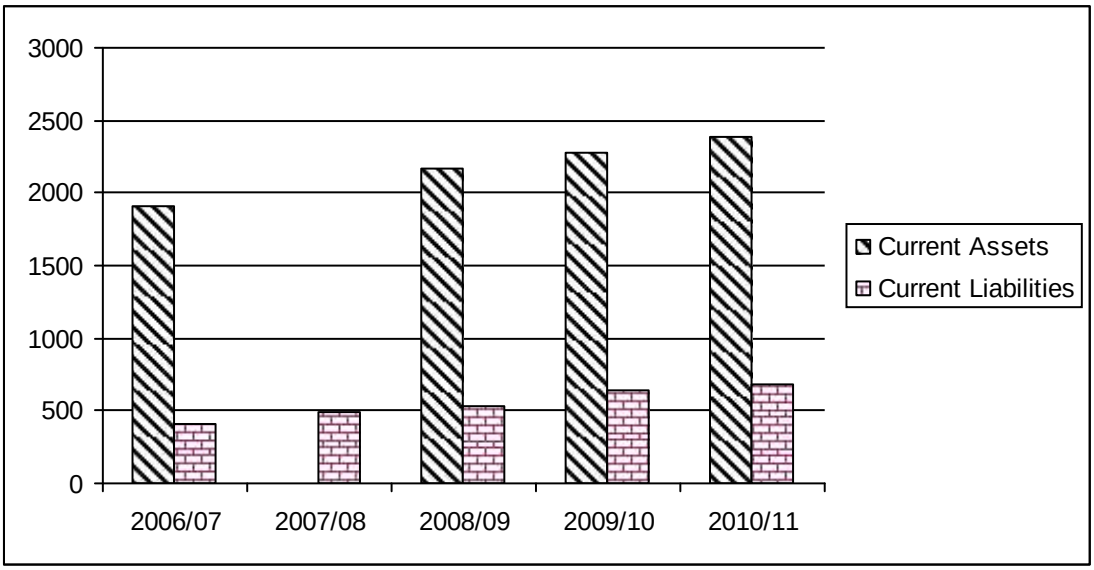
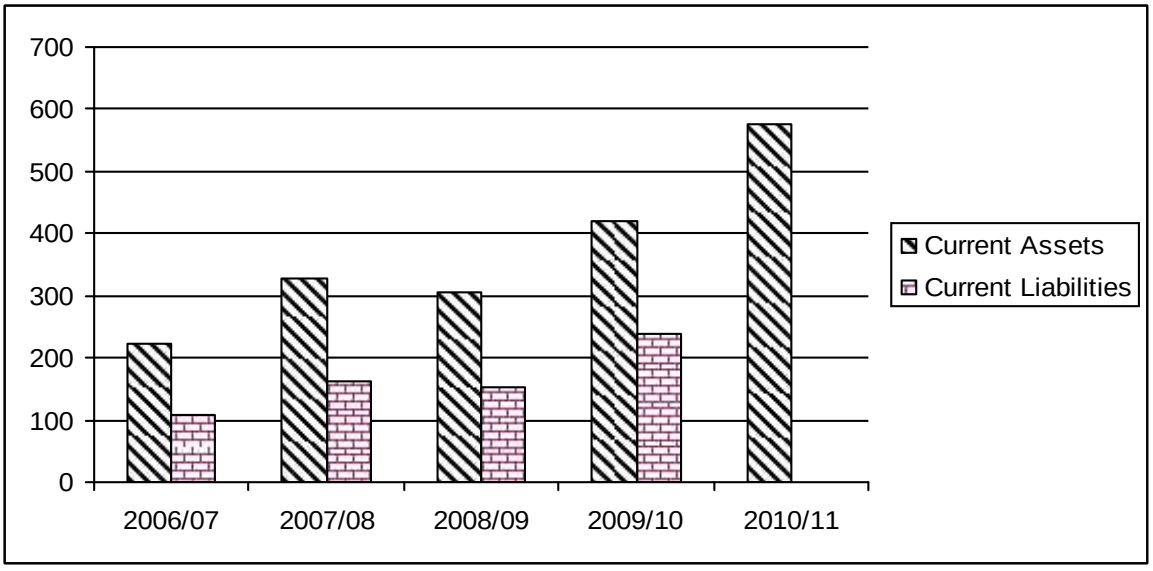


Fig 4.1 (b)
Bottlers Terai Ltd.
Current Ratio

(Rs. In Million)



The level of current assets depends upon the expected sales. In fact it was only the current assets which can be adjusted with sales fluctuation in the short run. Most firm experience seasonal and cyclical fluctuation in the demand for its products and service. These business variations effect the working capital requirement.

The current ratio of Unilever Nepal Ltd. and Bottler's Terai Ltd. was decrease near about in year by year. The average current ratio of Unilever Nepal Ltd. was $\overline{X_2} = 1.92$. The average industry current ratio was 2.956. This indicates current ratio assets turnover ratio of Unilever Nepal Ltd is more efficient than that of Bottlers Terai Ltd.

Standard Deviation of Unilever Nepal Ltd is greater Unilever Nepal Ltd have more risk than Bottlers Terai Ltd. where as co-efficient of variation of Unilever Nepal Ltd is higher than Bottlers Terai Ltd.

4.2.1.2 Quick Ratio

Table : 4.2
Quick Ratio

(Rs. In million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Quick Assets	Current Liabilities	Ratio (in times)	Quick Assets	Current Assets	Ratio (in times)
2006/07	738.2	404.2	1.82	116.73	109.1	1.07
2007/08	858.9	494.8	1.73	228.50	162.1	1.41
2008/09	913.4	535.2	1.71	231.79	154.1	1.51
2009/10	947.4	637.8	1.48	349.49	239.3	1.46
2010/11	1098.3	685.5	1.60	334.54	318.6	1.05
			$\overline{X} = 1.668$			$\overline{X} = 1.3$
			$\pm$ = 0.117			$\pm$ = 0.198
			C.V. = 7.01%			C.V. = 15.23%
$\overline{X_{12}}$ = 1.484						

Source: Unilever Nepal Ltd. and Bottlers Terai Ltd.

Fig 4.2 (a)
Unilever Nepal Ltd.
Quick Ratio

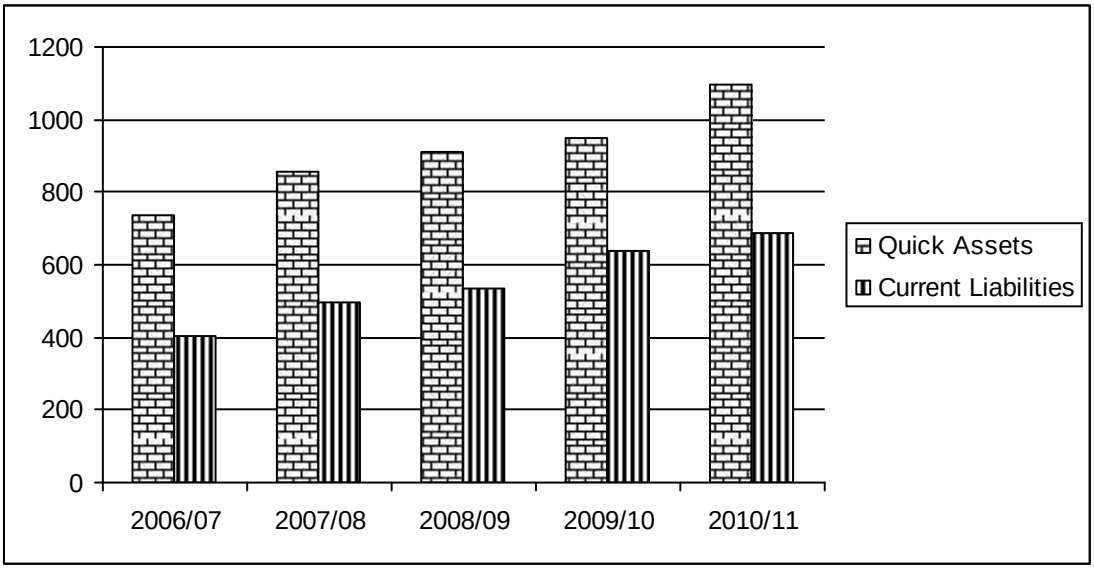
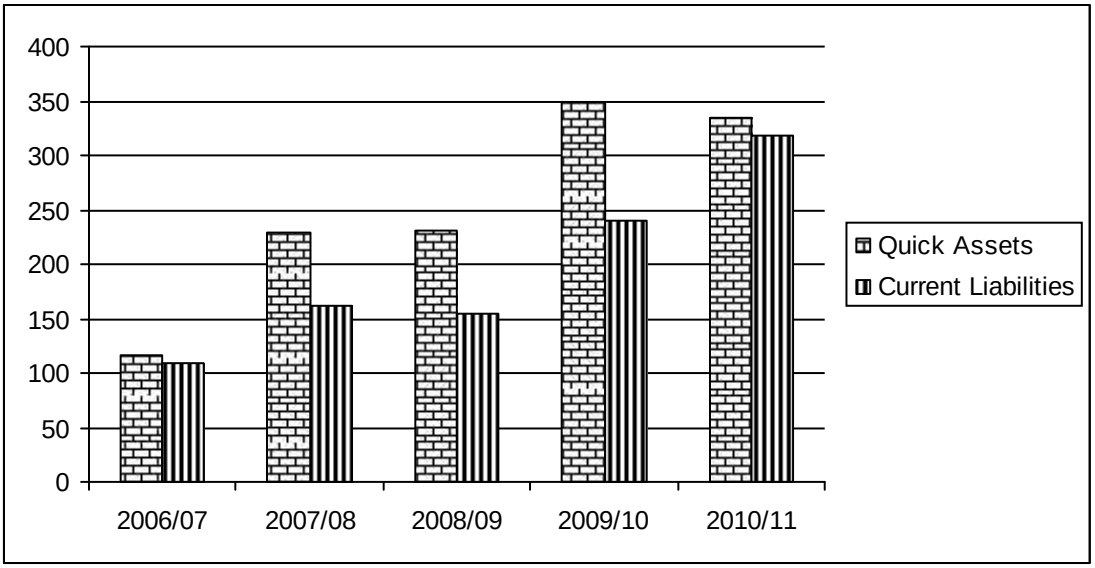


Fig 4.2 (b)
Bottlers Terai Ltd.
Quick Ratio



Quick ratio of Unilever Nepal Ltd. was 1.82 times in the year 2006/07 and it decreased to 1.73 times in the year of 2007/08. In the year 2008/09 this ratio again decreased from 1.73 times to 1.71 times and 1.48 times in the year 2009/10. During this study period both the companies quick ratio seemed increasing or decreasing.

Quick ratio of Bottlers Terai Ltd. was 1.07 times in the year of 2006/07 and it increased to 1.41 times in the year of 2007/08. In the year 2008/09 this ratio was 1.51 times in the year 2009/10 this ratio was decreased to 1.46 times and again decreased to 1.05 in the year 2010/11.

The basic standard of quick ratio is 1:1 and is considered as satisfactory. If the quick ratio is greater or lesser than 1:1 it is not favourable for the firm. If the ratio is more there 1:1 there is extra burden for the firm in unnecessary. Quick shortage of quick assets which will reduce the working capital availability.

Above table shows the quick ratio of Bottlers Terai Ltd was fluctuating year by year. The high quick ratio was 1.82 times in the year 2006/07 and lowest quick ratio was 1.48 times in the year 2009/10 in relation to Unilever terai Ltd. In the other hand, highest and lowest quick ratio of Bottler's terai Ltd was 1.51 in the year 2008/09 and 1.05 in the year 20410/11. The high quick ratio indicate the company had highly liquid and which makes profitability was low due to high investment in quick assets.

The industry average quick was $\overline{X_{12}}$ = 1.484. Unilever Nepal Ltd's average quick ratio $\overline{X_1}$ = 1.668. Bottlers Terai Ltd average quick ratio $\overline{X_2}$ = 1.3. This indicates that Bottlers Terai Ltd quick ratio was low than industry quick ratio $\overline{X_2}$ = 1.3. This indicates that Bottlers Terai Ltd quick ratio was low than industry quick ratio of Unilever Nepal Ltd.

The standard deviation and the coefficient of variation both are higher in Bottlers Terai Ltd than Unilever Nepal Ltd.

4.2.1.3 Inventory Turnover Ratio

Table No.4. 3
Inventory Turnover

(Rs. in million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Inventory	Sales	Ratio (in times)	Inventory	Sales	Ratio (in times)
2006/07	1167.6	1371	1.17	107.27	354.09	3.30
2007/08	1208.1	1429	1.18	100.10	484.98	4.84
2008/09	1248.6	1818	1.45	74.51	475.11	6.37
2009/10	1329.6	2144	1.61	69.41	621.17	8.94
2010/11	1289.1	2626	2.03	241.26	845.25	3.50
			$\overline{X}$ = 1.488			$\overline{X}$ = 5.39
			± = 0.56			± = 2.08
			C.V. = 37.63%			C.V. = 38.58%
					$\overline{X_{12}}$	**= 3.439**

Source : Unilever Nepal Ltd and Bottlers Terai Ltd.

Fig No. 4.3 (a)
Unilever Nepal Ltd.
Inventory Turnover

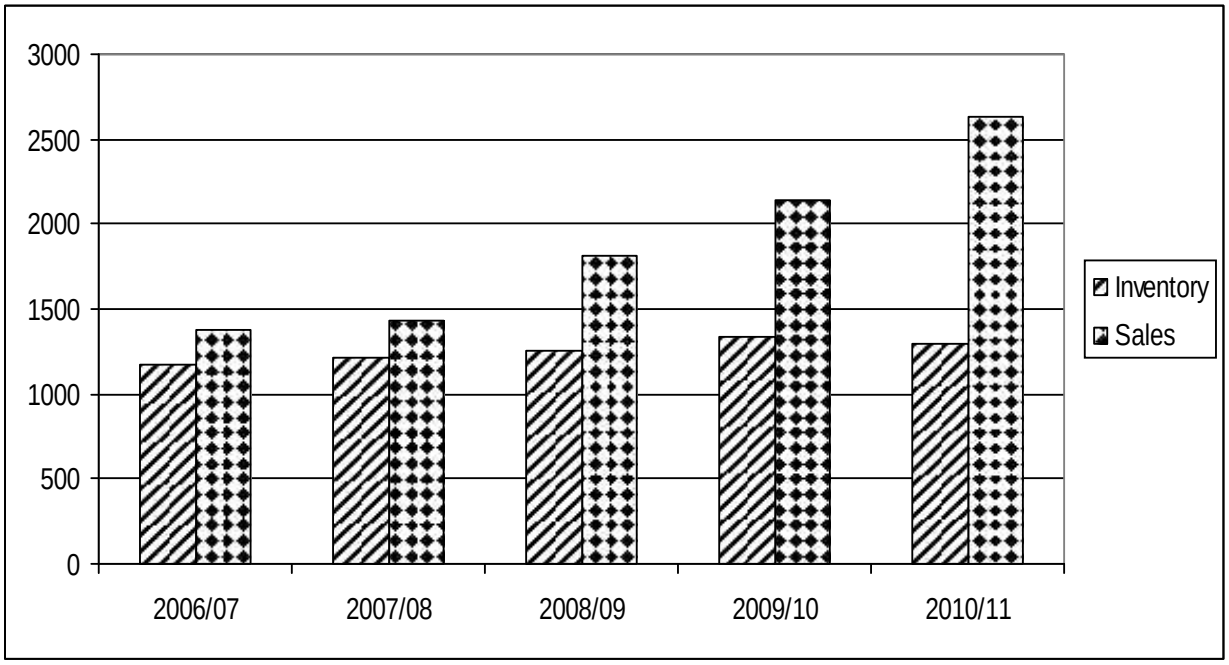


Fig No 4.3 (b)

Bottlers Terai Ltd.

Inventory Turnover

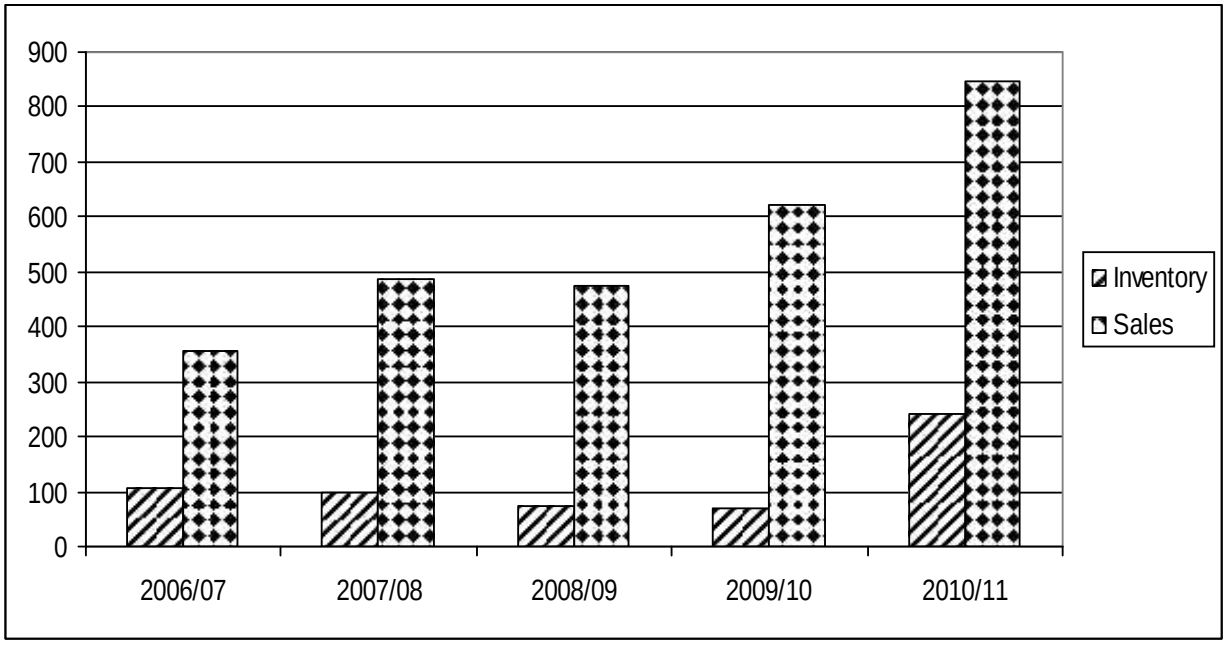


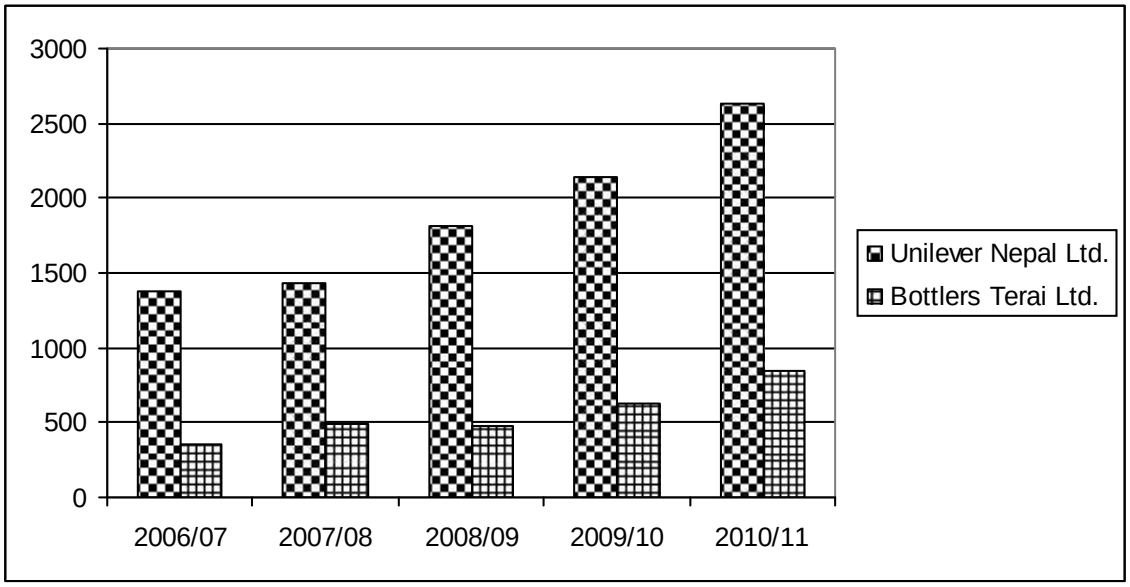
Table No. 4.4

Sales Table

(Rs. in million)

Year	Unilever Nepal Ltd.	Bottlers Terai Ltd.
2006/07	1371	354.09
2007/08	1429	484.98
2008/09	1818	475.11
2009/10	2144	621.17
2010/11	2626	845.25
	$\overline{X_1} = 1877.6$	$\overline{X_2} = 556.12$
	$\overline{X_{12}} = 1216.86$	

Fig 4.4
Sales Graph of
Unilever Nepal Ltd and Bottlers Terai Ltd.



Inventory turnover ratio of Unilever Nepal Ltd. was lower than Bottlers Terai Ltd. The average inventory turnover ratio of Bottlers Terai Ltd was 5.39 times and Unilever terai Ltd. was 1.488 times respectively. It also indicates that Bottlers Terai Ltd. followed effective inventory management technique that to Unilever Nepal Ltd.

The standard deviation and coefficient of Bottlers Terai Ltd is higher than Unilever Nepal Ltd. From inventory turnover point of view Unilever Nepal Ltd is more consistence or significance than Bottlers Terai Ltd. with in the study period.

4.2.1.4 Inventory to Current Assets

Table No : 4.5

Inventory to Current Assets

(Rs. In Millions)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Inventory	Current Assets	Ratio (in %)	Inventory	Current Assets	Ratio (in %)
2006/07	1167.6	404.2	288.86	107.27	224	208.81
2007/08	1208.1	494.2	244.15	100.10	328.6	328.27
2008/09	1248.6	535.2	233.29	74.51	306.3	411.08
2009/10	1329.6	637.8	208.46	69.41	418.9	603.51
2010/11	1289.1	685.5	188.05	214.26	575.8	238.66
			$\overline{X_1} = 232.56$			$\overline{X} = 358.06$
			$\pm$ = 34.25			$\pm$ = 141.75
			C.V. = 14.72%			C.V. = 39.58%
Average industry inventory to current assets ratio = 295.31						

Source : Unilever Nepal Ltd. and Bottlers Terai Ltd.

Fig. 4.5 (a)

Unilever Nepal Ltd.
Inventory to Current Assets

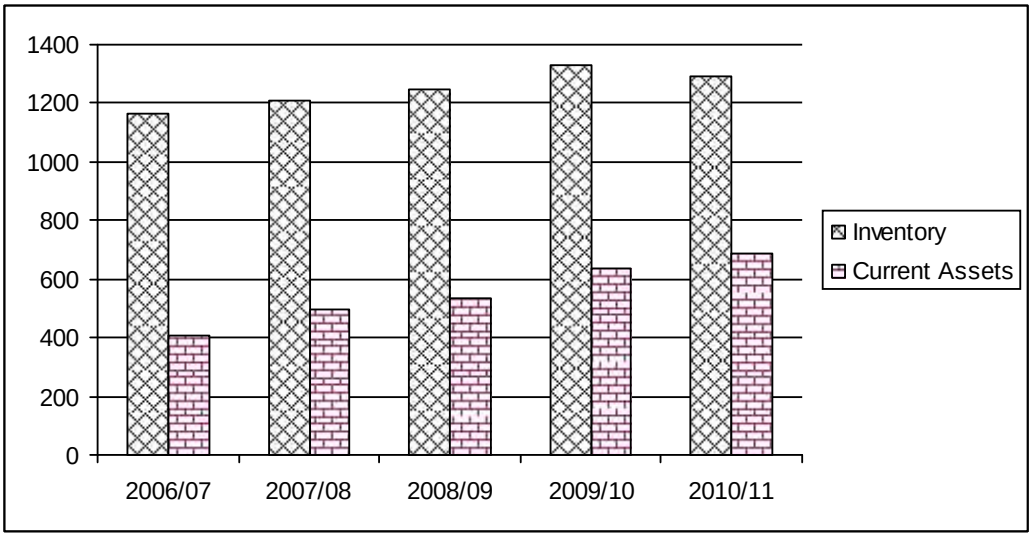
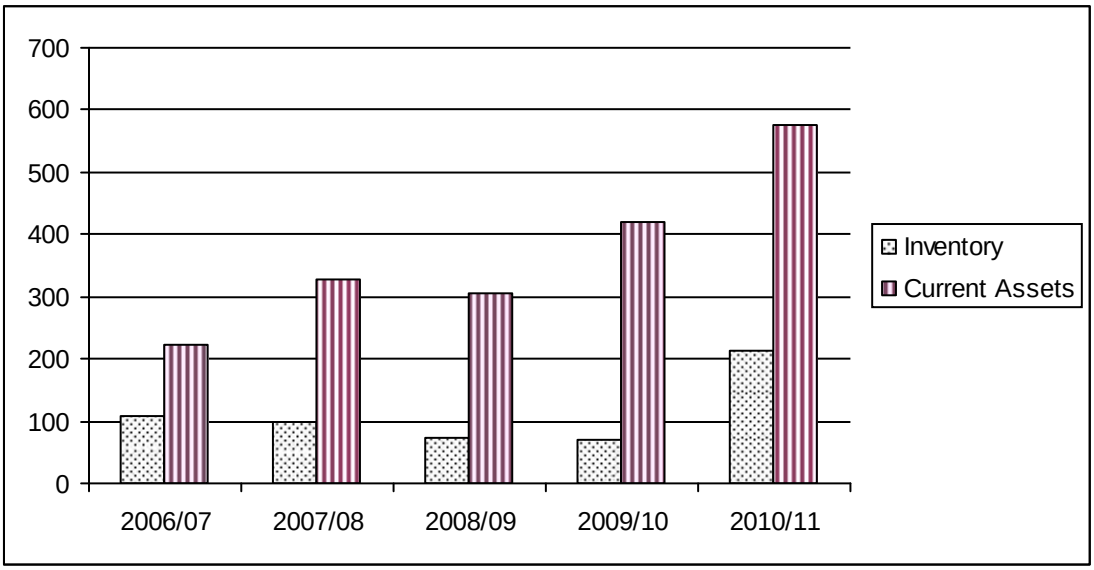


Fig 4.5 (b)
Bottlers Terai Ltd.

Inventory to Current Assets



Inventory to current assets ratio of Unilever Nepal Ltd was 288.86 percent in the first study period and then decreasing year by year and come down 188.05 percent in the year of 2010/11. Inventory to current assets ratio of bottlers Terai Ltd. was 208.81 percent in the year 2006/07 there by increasing and which reached up to 603.51 percent in the year 2009/10 and again decreased up to 238.66 percent in the year 2010/11.

The average inventory to current assets ratio of Unilever Nepal Ltd was less than Bottlers Terai Ltd. It indicates that Unilever Nepal Ltd. had been holding low inventory compared to Bottlers Terai Ltd which shows liquidity position of Unilever Terai Ltd was less than Bottlers Terai Ltd. One of the reasons for high inventory competitive market but also the management in ability to study the demand of customers according to the desire.

The industry average inventory to current assets ratio was $\overline{X_{12}} = 295.31$ percent. Average inventory to current assets ratio of Unilever Nepal Ltd was 232.56 percent and there by 358.06 percent of Bottlers Terai Ltd.

The standard deviation of Unilever Terai Ltd was lower than Bottlers Terai Ltd, coefficient of variation of Unilever Ltd was also lower than Bottlers Terai Ltd.

4.2.2 Long - Term Solvency Ratio

4.2.2.1 Net worth to Total Debt ratio

Table No : 4.6
Net Worth to Total debt

(Rs. in million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Total Debt	Net Worth	Ratio (in times)	Total Debt	Net Worth	Ratio (in times)
2006/07	1411.25	234.75	0.166	154.46	263.24	1.704
2007/08	1218.45	270.70	0.222	214.56	284.84	1.327
2008/09	1225.40	227.42	0.185	226.90	209.30	0.922
2009/10	1384.35	224.65	0.162	300.53	223.12	0.742
2010/11	1327.90	243.10	0.183	378.05	244.65	0.647
			$\overline{X_1} = 0.1836$			$\overline{X_2} = 1.0684$
			$\pm$ = 0.02			$\pm$ = 0.394
			C.V. = 10.89%			C.V. = 36.87%
Average industry net worth total debts ratio $\overline{X_{12}}$ = 0.626						

Fig 4.6 (a)
Unilever Nepal Ltd
Net Worth to Total debt

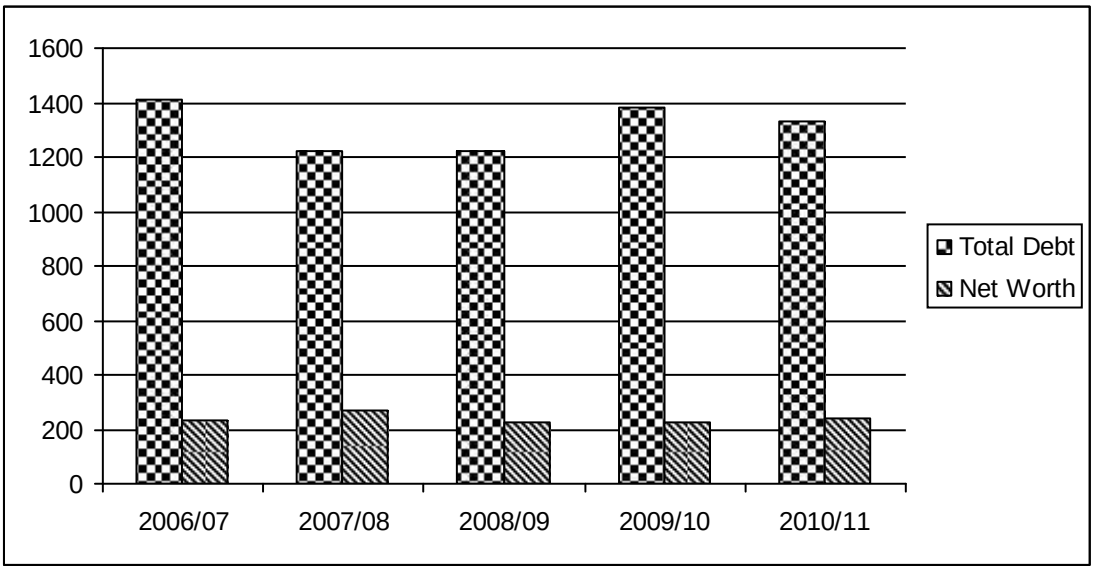
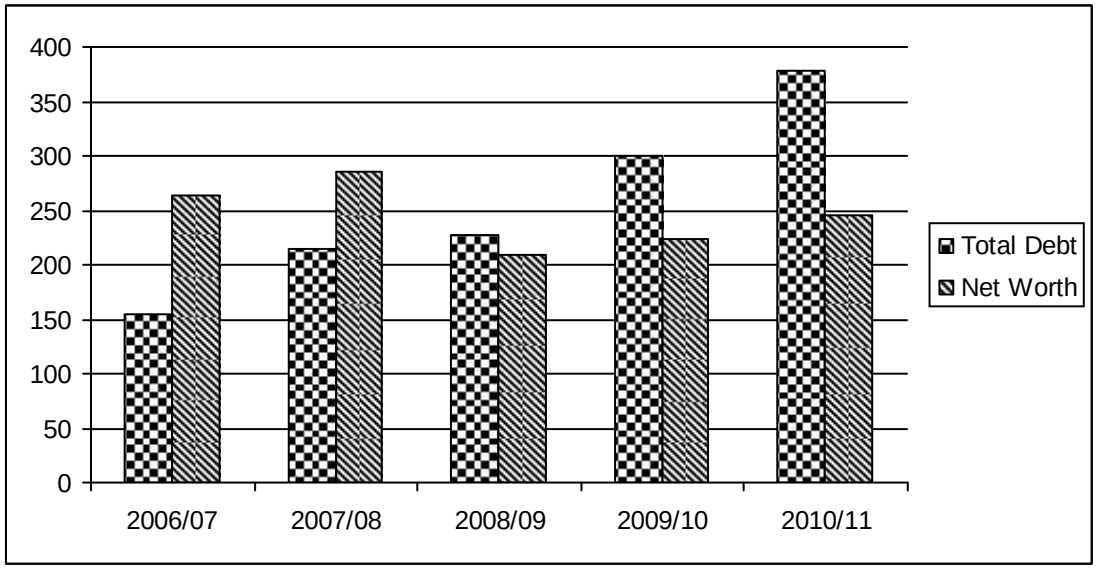


Fig 4.6 (b)
Bottlers Terai Limited
Net Worth to Total debt



The net worth to total debt ratio of Unilever Nepal Ltd is sometime decrease and some time increase. It was due to short- term liabilities. The highest net worth to total debt ratio is 0.222 in the year 2007/08, the lowest net worth to total debt ratio is 0.162 in the year 2009/10. The net worth to total debt ratio of Bottlers Terai Ltd. Was higher at the first study period and there by decreasing. The highest net worth to total debt- ratio was 1.704 times in the year (2006/07) and its came down to 0.647 in the year (2010/11).

Industry average net worth to total debts ratio $\overline{X_{12}}$ = 0.626 times. Unilever Nepal Ltd average net worth to total debts ratio is $\overline{X_1}$ = 0.1836 and Bottlers Terai Ltd net worth to total debts ratio is $\overline{X_2}$ = 1.0684. This shows that Unilever Nepal Ltd was low net worth to Total debts ratio and Bottlers Terai Ltd was highest net worth to total debts ratio.

The standard deviation and coefficient of variation of Bottlers Terai Ltd is higher than Unilever Terai Ltd, i.e. ± = 0.394 and C.V = 36.87%, But the Unilever Nepal Ltd was only ± = 0.02 and C.V. = 10.89%.

4.2.2.2 Net worth to Total Assets Ratio

Table No : 4.7
Net Worth to Total Assets

(Rs in million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Net Worth	Total Assets	Ratio	Net Worth	Total Assets	Ratio
2006/07	234.75	1648	7.02	263.24	417.7	1.58
2007/08	270.70	1493	5.51	284.84	499.4	1.75
2008/09	227.42	1456	6.40	209.30	436.2	2.08
2009/10	224.65	1609	7.16	223.12	523.5	2.34
2010/11	243.10	1571	6.46	244.65	622.70	2.54
			$\overline{X_1} = 6.51$			$\overline{X}_2 = 2.05$
			$\pm$ = 0.58			$\pm$ = 0.356
			C.V. = 8.94%			C.V. = 17.36%
Average industry net worth to total assets ratio					$\overline{X_{12}} = 4.28$	

Source : Unilever Nepal Ltd and Bottlers Terai Ltd.

Fig 4.7 (a)
Unilever Nepal Ltd.
Net Worth to Total Assets

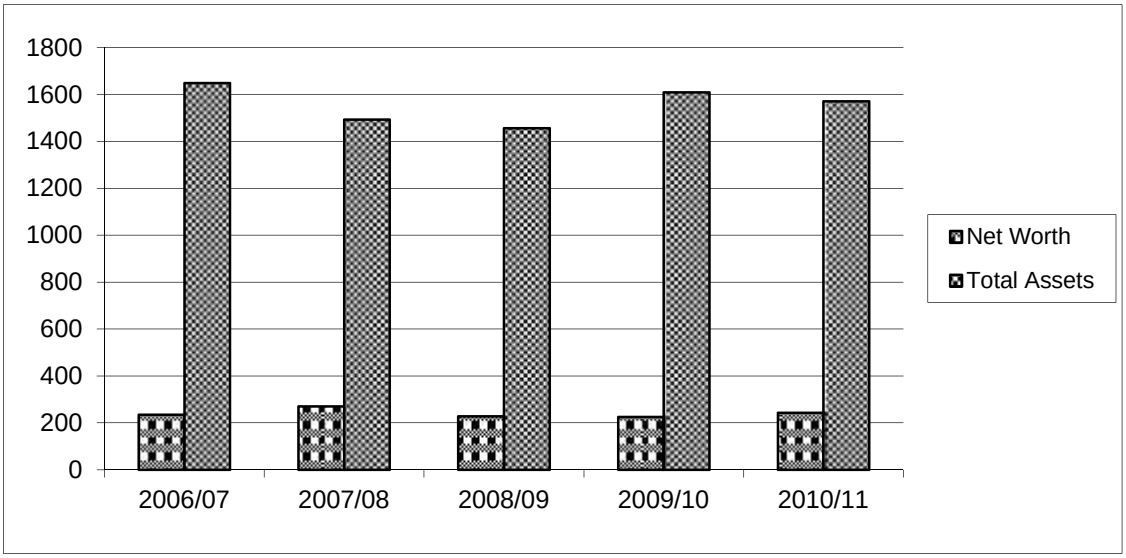
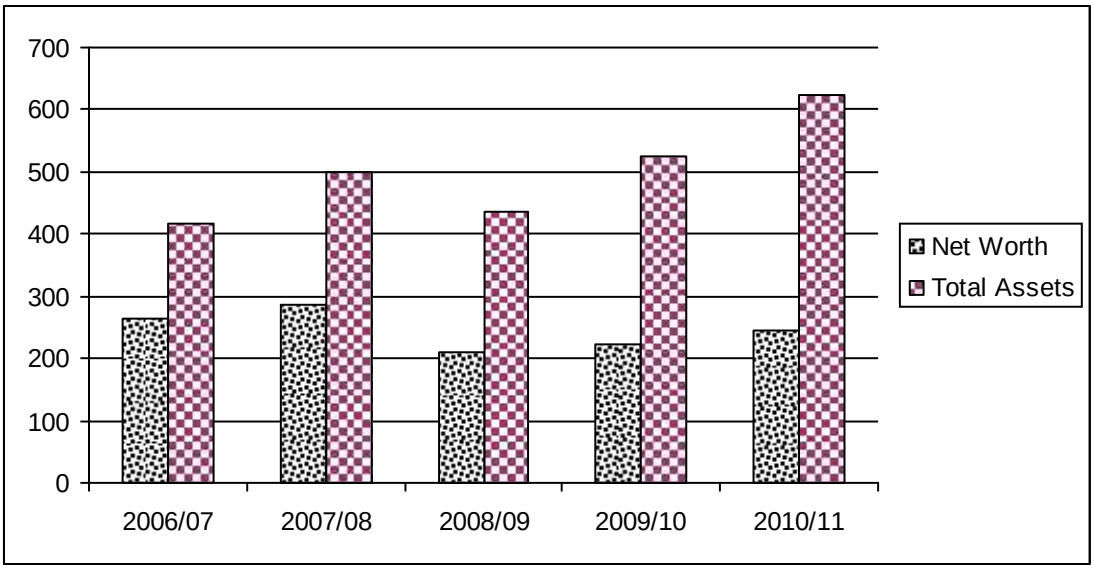


Fig 4.7 (b)

Bottlers Terai Ltd.
Net Worth to Total Assets



The net worth to Total assets ratio of Unilever ltd was 7.02 times in the year 2006/07. This ratio is decreased to 5.51 times in the year 2007/08. Again increased to 6.40 times in the year 2008/09, there by 7.16 times in the year 2009/10. This ratio again come down to 6.46 times in the year 2010/11. It was caused for whole situation by increasing and decreasing the total assets and net worth.

The highest net worth to total assets ratio of Bottlers Terai Ltd is at the end of study period that was 2.54 times in the year 2010/11 and lowest net worth to total assets ratio is 1.58 times in the year 2006/07.

The net worth to total assets ratio shows the good solvency position of the company. In an average this ratio of Unilever Nepal Ltd. Was 6.51 times and that of Bottlers Terai Ltd was 2.05 times. It indicates that Unilever Terai Ltd used much net worth. It was showed that Unilever Nepal Ltd adopted tight financing policy whereas Bottlers Terai Ltd. adopted liberal financial policy.

Average industry net worth to total assets ratio $\overline{X_{12}} = 4.28$. Unilever Nepal Ltd average net worth to total assets ratio was 6.51 times and Bottlers Terai Ltd average net worth tot total assets ratio was 2.05 times. Thus, Unilever Nepal Ltd was high net worth to total assets ratio than average net worth to total assets ratio of Bottlers Terai Ltd.

The standard deviation of Unilever Nepal Ltd is 0.582 and Bottlers Terai Ltd is 0.356. But the coefficient of variation is 8.94% and 17.36%. Therefore, net worth to total assets position is more consistency that of Unilever Nepal Ltd. within the study period.

4.2.2.3 Net Fixed Assets to Net Worth

Table : 4.8
Fixed Assets to Net worth

(Rs in million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Net Fixed Assets	Net Worth	Ratio (%)	Net Fixed Assets	Net Worth	Ratio (%)
2006/07	1533	234.75	653.03	124.80	263.24	47.40
2007/08	1495	270.70	552.27	135.55	284.84	47.58
2008/09	1457	227.42	640.66	110.18	209.30	52.64
2009/10	1571	224.65	699.34	161.18	223.12	72.23
2010/11	1609	243.10	661.86	230.09	244.65	94.04
			$\overline{X_1} = 641.43$			$\overline{X_2} = 62.77$
			$\pm$ = 48.69			$\pm$ = 18.09
			C.V. = 7.59%			C.V. = 28.81%
Average industry net fixed assets to net worth $\overline{X_{12}}$ = 352.1%						

Source : Unilever Nepal Ltd and Bottlers Terai Ltd.

Fig 4.8 (a)

Unilever Nepal Ltd.
Fixed Assets to Net worth

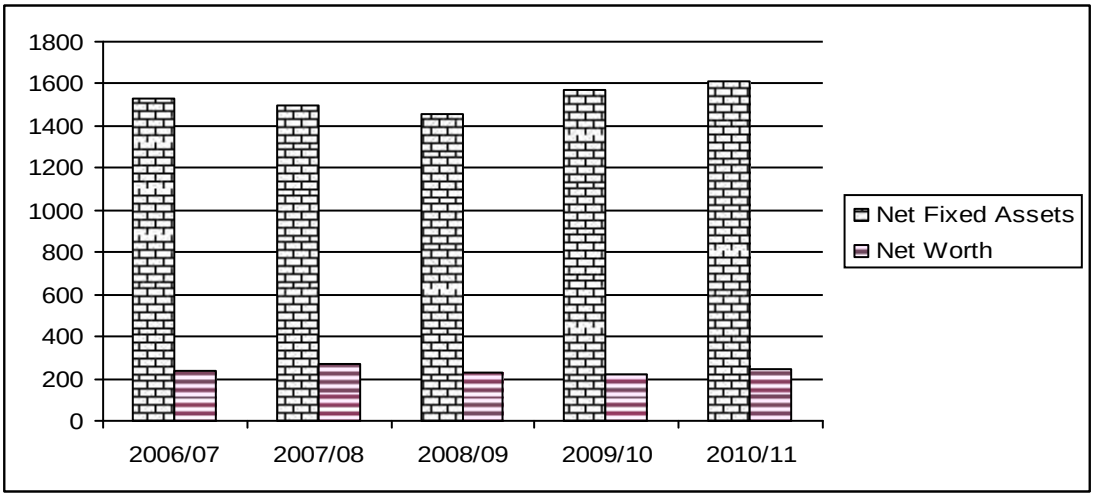
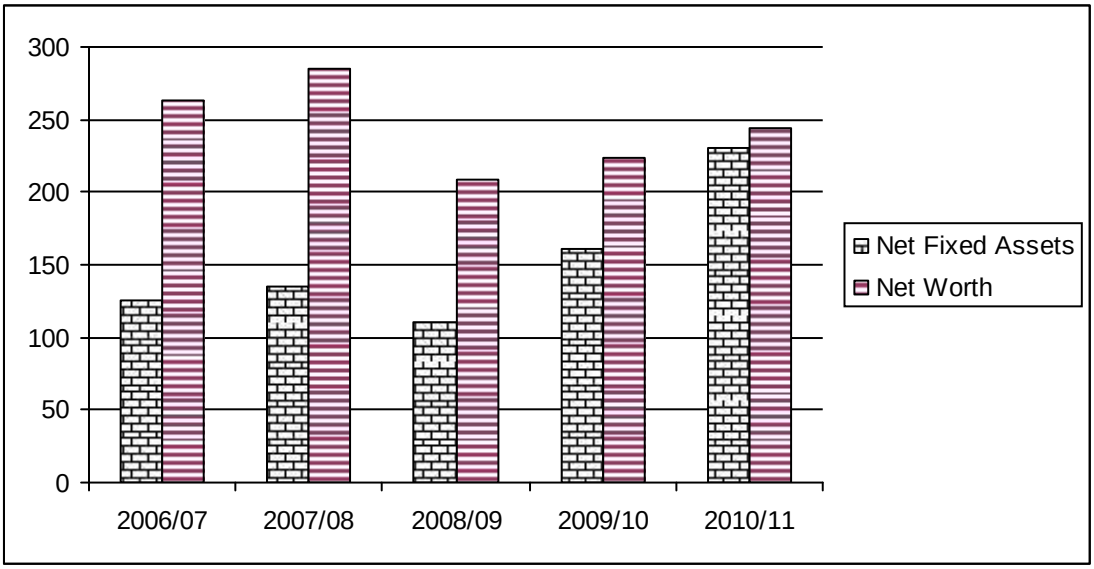


fig 4.8 (b)
Bottlers Terai Ltd.
Fixed Assets to Net worth



The net fixed assets to net worth ratio of Unilever Nepal Ltd was 653.03 percent in the year (2006/07) and 552.7 percent in the year (2007/08). This ratio was also increased in the successive two years that is 640.66 percent in the year (2008/09) and 699.34 percent in the year (2009/10). At the last of the study period this ratio comedown into 661.86 percent. It was caused by increasing or decreasing the rate of net worth and net fixed assets year by year.

The net fixed assets to net worth, ratio of Bottlers Terai Ltd was 47.40 percent in the beginning of the study period in the year (2006/07) and remain nearer same i.e. 47.58 percent in the year (2007/08). This ratio was successively increased there after that is 52.64 percent in the year (2008/09), 72.32 percent in the year (2009/10), 94.04 percent in the year (2010/11).

Average industry net fixed assets to net worth ratio $\overline{X_{12}} = 352.1$ percent. Unilever Nepal Ltd average net fixed assets to net worth ratio $\overline{X_1} = 641.43$ percent and Bottlers Terai Ltd average net fixed assets to net worth ratio $\overline{X_2} = 62.47$ percent.

The standard deviation and coefficient of variation of Unilever Nepal Ltd was 48.69 and 7.59% and that of Bottlers Terai Ltd was 18.09 and 28.81%.

4.2.3 Utilization Ratio

4.2.3.1 Total Assets turnover

Table No : 4.9
Total Assets Turnover

(Rs. In Million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Total Assets	Sales	Ratio (in times)	Total Assets	Sales	Ratio (in times)
2006/07	1648	1371	0.83	417.7	354.09	0.84
2007/08	1493	1429	0.95	499.4	484.98	0.97
2008/09	1456	1818	1.24	436.2	475.11	1.08
2009/10	1609	2144	1.33	523.65	621.17	1.18
2010/11	1571	2626	1.67	622.70	845.25	1.35
			$\overline{X}_1 = 1.204$			$\overline{X}_2 = 1.084$
			$\pm$ = 0.29			$\pm$ = 0.17
			C.V. = 24.08%			C.V. = 15.68%
Average industry total assets turnover ratio $\overline{X}_{12}$ = 1.144						

Source : Unilever Nepal Ltd. and Bottlers Terai Ltd

Fig 4.9 (a)
Unilever Nepal Ltd.
Total Assets Turnover

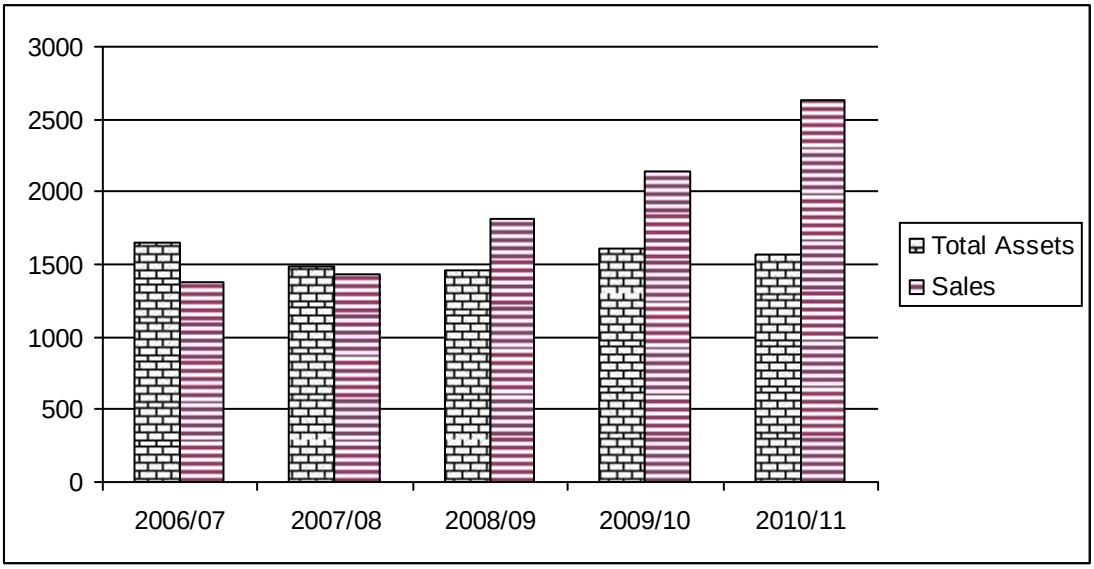
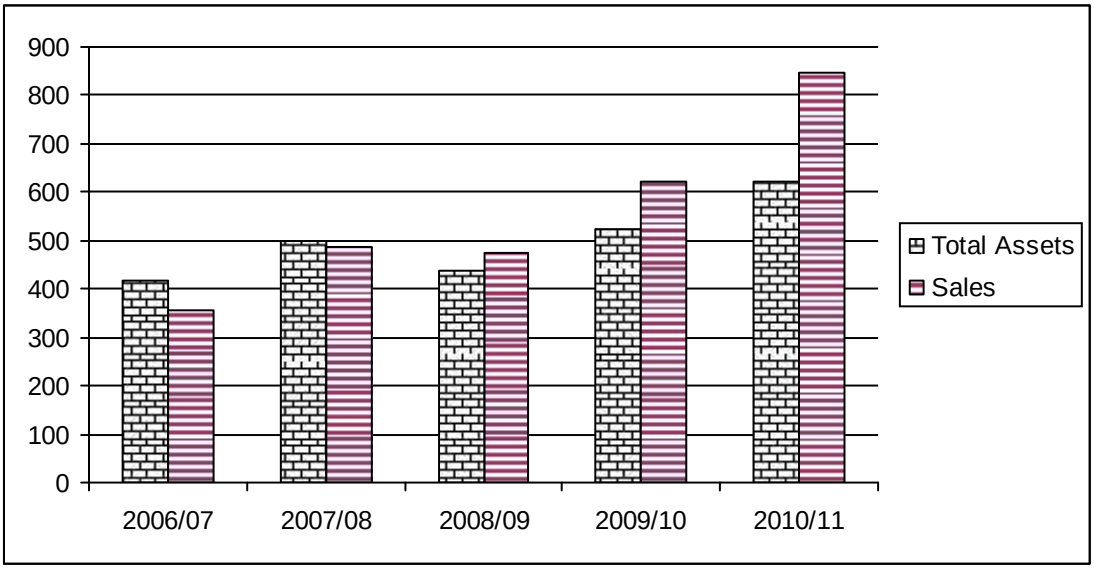


Fig 4.9 (b)
Bottlers Terai Ltd.
Total Assets Turnover



Total assets turnover ratio of Unilever Nepal Ltd was increasing year by year. This ratio was 0.83 times in the year (2006/07) which was increased to 0.95 times in the year (2007/08). Gradually, which was again increased 1024 times in the year (2008/09), 1.33 times in the year (2009/10), 1.67 times in the year (2010/11).

Total assets turnover ratio of Bottlers Terai Ltd. was also increasing year by year. This ratio was 0.84 times in the year (2006/07) which was increased to 0.97 times in the year (2007/08). Gradually, which was again increased 1.08 times in the year (2008/09), 1.18 times in the year (2009/10), 1.35 times in the year (2010/11).

Total assets turnover ratio of Both companies was found to be increasing. Industry average total assets turnover ratio is 1.144. Unilever Nepal Ltd average total assets turnover ratio was 1.204 and Bottlers Terai Ltd Total assets turnover ratio was 1.084.

The standard deviation and coefficient of variation of Unilever Nepal Ltd was 0.29 and 24.08 percent and that of Bottlers Terai Ltd was 0.17 and 15.68 percent.

4.2.3.2 Fixed Assets Turnover

Table No : 4.10
Fixed Assets Turnover

(Rs. In Million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Fixed Assets	Sales	Ratio(in times)	Fixed Assets	Sales	Ratio (in times)
2006/07	4533	1371	0.89	124.80	354.09	2.83
2007/08	1495	1429	0.95	135.55	484.98	3.57
2008/09	1457	1818	1.24	110.18	475.11	4.31
2009/10	1571	2144	1.36	161.18	621.17	3.85
2010/11	1609	2626	1.63	230.09	845.25	3.67
			$\overline{X}_1 = 1.214$			$\overline{X}_2 = 3.646$
			$\pm$ = 0.39			$\pm$ = 0.48
			C.V. = 32.12%			C.V. = 13.16%
Average industry Fixed assets turnover ratio $\overline{X_{12}} = 2.43$						

Source : Unilever Nepal Ltd. and Bottlers terai Ltd.

Fig 4.10 (a)

10. a. Unilever Nepal Ltd.
Fixed Assets Turnover

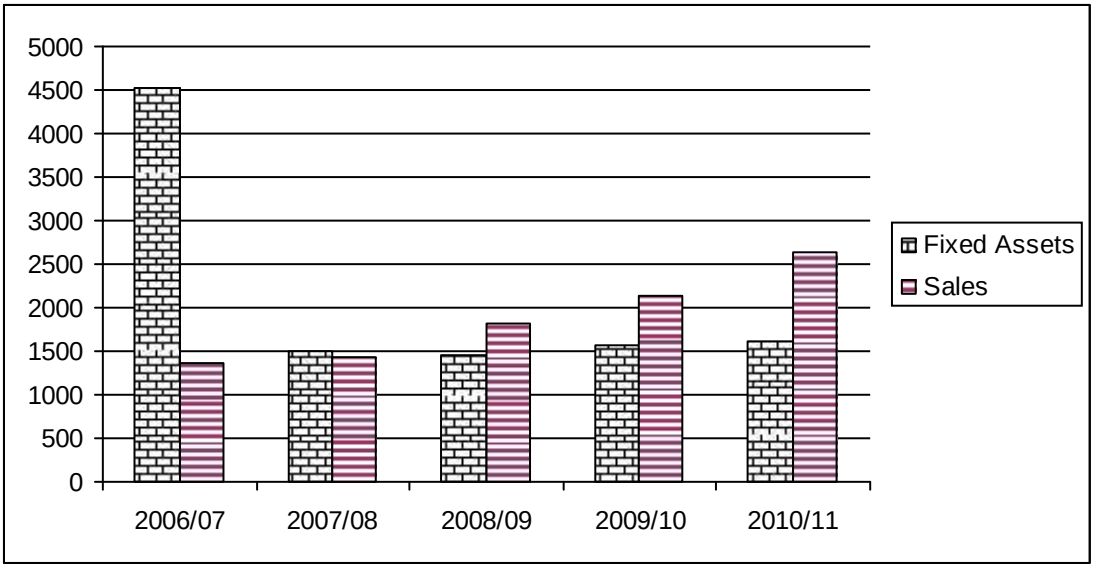
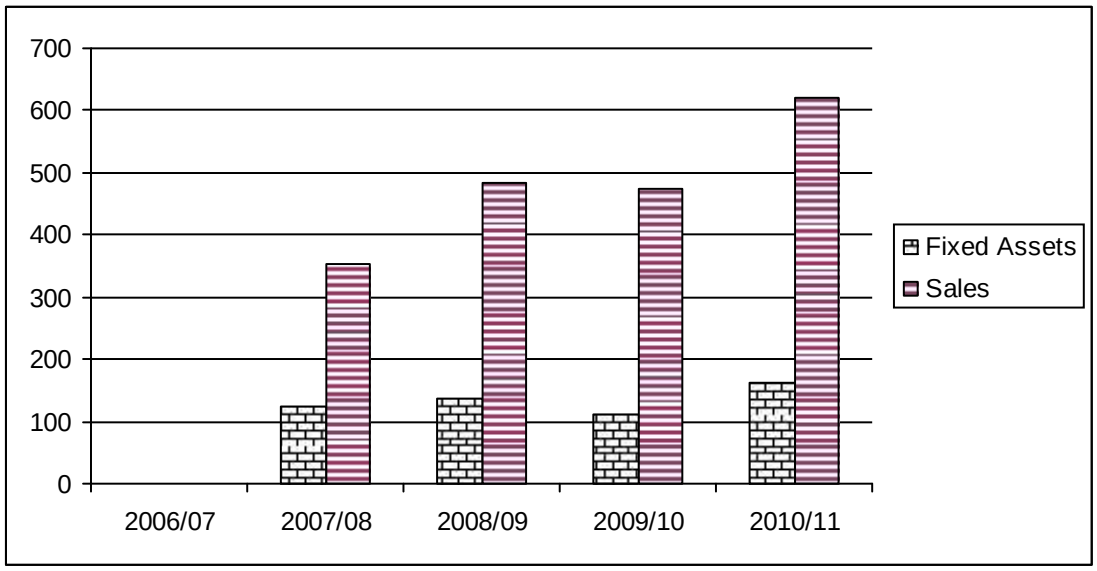


Fig 4.10 (b)

Bottlers Terai Ltd.
Fixed Assets Turnover



The fixed assets turnover ratio of Unilever Nepal Ltd. showed increasing year by year. The highest and lowest ratio was 1.63 and 0.89 times in the year 2006/07 and 2010/11. The main cause of increasing and decreasing of those ratio depends upon the utilization of fixed assets and generate sales volume. In an average fixed assets turnover ratio of Unilever Nepal Ltd was 1.214 times.

The fixed assets turnover ratio of bottlers Terai Ltd was increasing priory and decreased again. The highest and lowest ratio was 4.31 and 2.83 times in the year (2008/09) and (2006/07). In the year (2007/08) this ratio was 3.57 times After this year (2008/09), it was decreased to 3.85 times. Again, it was decreased successively to 3.67 times in the year (2010/11). This ratio indicates that company was able to generate how much rupee amount sales by employing a rupee investment in fixed assets. In an average fixed assets turnover ratio of Bottlers terai Ltd was 3.646 times.

Average industry fixed assets turnover ratio $\overline{X_{12}} = 2.43$ times. Unilever Nepal Ltds average fixed assets turnover ratio is lower than average industry fixed assets turnover ratio however Bottlers Terai Ltds fixed assets turnover ratio was higher than industry average turnover ratio.

The standard deviation and the coefficient of variation of Unilever Nepal Ltds was 0.39 and 32.12 percent and that of Bottlers Terai Ltds was 0.48 and 13.16%.

4.2.3.3 Current Ratio

Table 4.11
Current Assets Turnover

(Rs. in million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Current Assets	Sales	Ratio (in times)	Current Assets	Sales	Ratio (in times)
2006/07	404.2	1371	3.39	224	354.09	1.58
2007/08	494.8	1429	2.88	328.6	484.98	1.47
2008/09	535.2	1818	3.39	306.3	475.11	1.55
2009/10	637.8	2144	3.36	418.9	621.17	1.48
2010/11	685.5	2626	3.83	575.8	845.25	1.46
			$\overline{X}_1 = 3.37$			$\overline{X}_2 = 1.508$
			$\pm$ = 0.30			$\pm$ = 0.05
			C.V. = 8 . 9%			C.V. = 3.31%
Average industry current assets turnover ratio $\overline{X}_{12} = 2.439$						

Source : Unilever Nepal Ltd and Bottlers Terai Ltd.

Fig 4.11 (a)
Unilever Nepal Ltd.
Current Assets Turnover

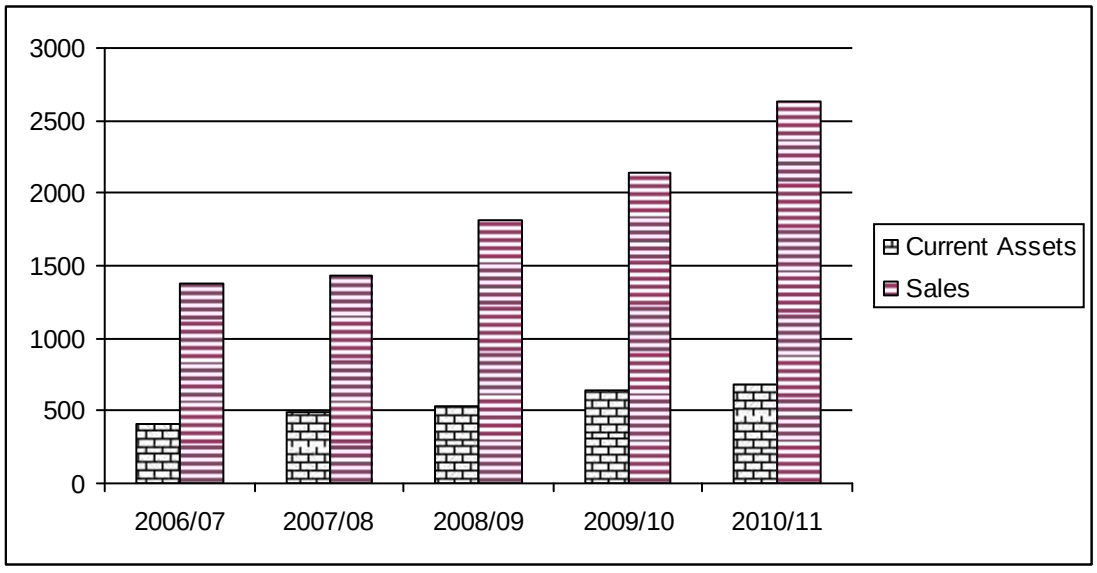
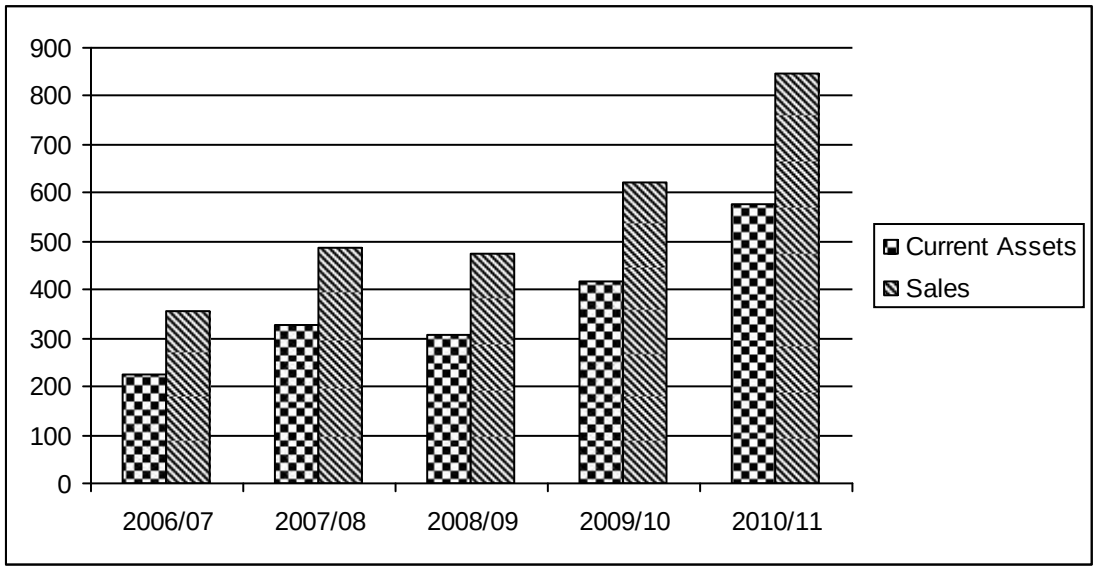


Fig4.11 (b)
Bottlers Terai Ltd.
Current Assets Turnover



The current assets are exclusive of fictitious assets like debit balance of profit and loss account and differed expenditure, etc.[46] The high current assets turnover ratio indicates efficient utilization of current assets and vice-versa. Current Assets Turnover ratio of Unilever Nepal Ltds was decreasing and increasing year by year. The highest and lowest ratio was 3.83 times in the year (2010/11) and 2.88 times in the year (2007/08). 3.39 times in the year (2006/07) and in the year (2008/09) 3.36 times in the year (2009/10).

Current assets turnover ratio of Bottlers Terai Ltds was decreasing and increasing year by year. The highest and lowest ratio was 1.58 times in the year (2006/07) and 1.46 in the year (2010/11). Likewise, this ratio was 1.47 times in the year (2007/08), 1.55 times in the year (2008/09) and 1.48 times in the year (2009/10).

Industry average current Assets turnover ratio was 2.439. Average current assets turnover ratio of Unilever Nepal Ltds was greater than average combined currents assets ratio however that of Bottlers Terai Ltd was lower than average combined current assets ratio. [46] M.T. Khan and P.K Jain, Op. Cit. P- 98

4.2.3.4 Overall Assets Utilization

The following analysis of the assets utilization reveals following facts regards assets management of Unilever Nepal Ltd and Bottlers Terai Ltd.

- Total assets turnover ratio of Bottlers Terai Ltd was less than Unilever Nepal Ltd. which indicates that company had invested huge amounts of funds in total assets. The study showed that total assets turnover ratio of Unilever Ltd was more efficient than Bottlers Terai Ltd.
- Fixed assets turnover ratio of Bottlers Terai Ltd was better than Unilever Nepal Limited. Bottlers Terai Ltd generated Rs. 3.646 by on employing a rupee in fixed assets. So, Bottlers terai Ltd could mobilize its fixed assets to generate attractive turnover, because of under investment unit.
- The current assets turnover ratio of Unilever Nepal Ltd was better than Bottlers Terai Ltds. Unilever Nepal Ltd generated sales Rs. 3.37 by employing a rupee in current assets.

4.2.4 Profitability ratio

4.2.4.1 Gross profit margin

Table No : 4.12
Gross Profit Margin

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Gross Profit	Sales	Ratio (%)	Gross Profit	Sales	Ratio (%)
2006/07	189.06	1371	13.78	166.37	354.09	46.98
2007/08	223.35	1429	15.62	225.05	484.98	46.40
2008/09	257.64	1818	14.17	224.30	475.11	47.21
2009/10	291.97	2144	13.61	294.66	621.17	47.43
2010/11	326.22	2626	12.42	439.18	845.25	51.95
			$\overline{X_1} = 13.92$			$\overline{X_2} = 47.99$
			± = 1.031			± = 2.007
			C.V. = 7.40%			C.V. = 4.182%
Average industry Gross profit margin ratio $\overline{X_{12}} = 30.955$						

Source : Unilever Nepal Ltd and Bottlers Terai Ltd.

Fig 4.12 (a)
Unilever Nepal Ltd
Gross Profit Margin

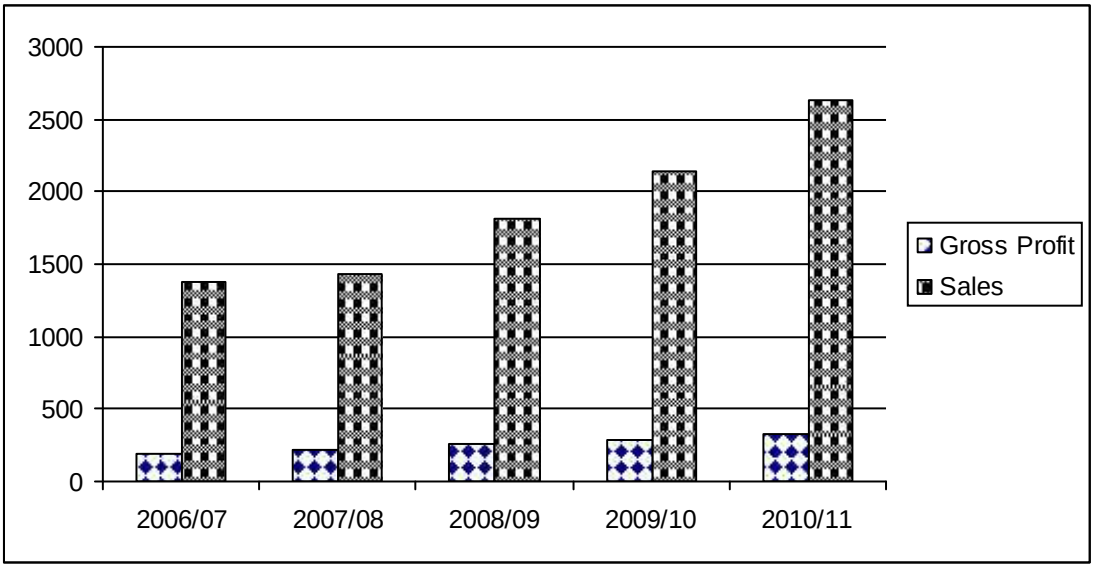
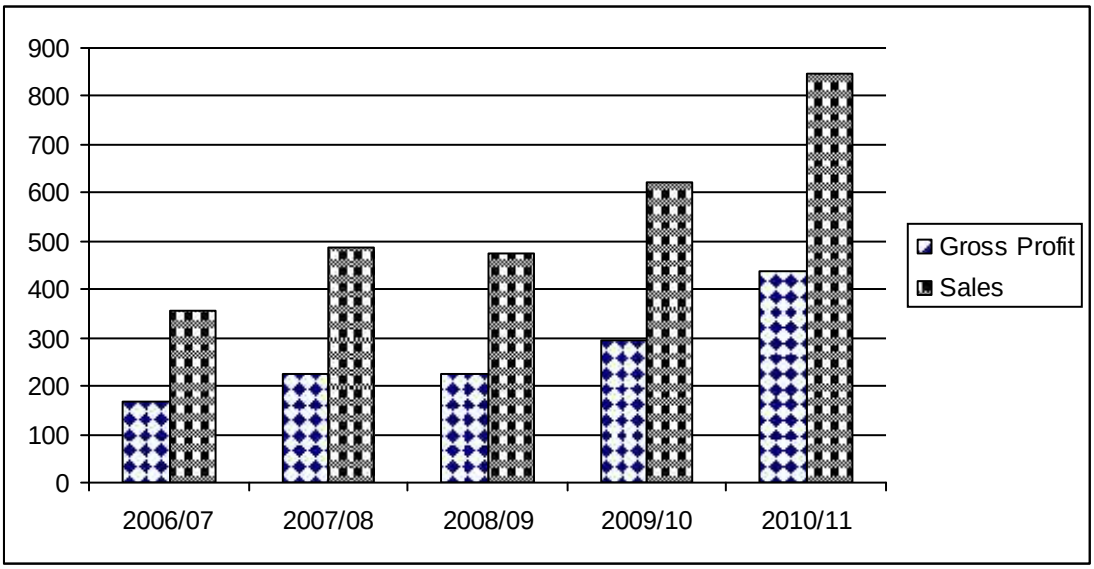


Fig 4.12 (b)
Bottlers Terai Ltd
Gross Profit Margin



Gross profit margin ratio of Unilever Nepal Ltds was increasing and decreasing year by year. The highest and lowest ratio was 15.62 percent in the year (2007/08) and 12.42 percent in the year (2010/11). Likewise 13.78 percent in the year (2006/07), 14.17 percent in the year (2008/09), 13.61 percent in the year (2009/10). Gross profit margin ratio was influenced by low or high cost of production and high or low efficiency of management.

Gross profit margin ratio of Bottlers Terai Ltds likely to be seemed nearly throughout four successive years which was increased at the end of study period. The highest and lowest ratio was 51.95 percent in the year (2010/11) and 46.40 percent in the year (2007/08). Likewise 46.98 percent in the year (2006/07), 47.21 percent in the year (2008/09), 47.43 percent in the year (2009/10).

The average industry Gross profit margin ratio was 30.955 percent. Average Gross profit margin ratio of Unilever Nepal Ltds was lower than average industry Gross profit margin ratio however that Bottlers Terai Ltds was higher than average industry Gross profit margin ratio.

Standard deviation and C.V. of Unilever Ltds was 1.031 and 7.40% and that of Bottlers Terai Ltds was 2.007 and 4.182%.

4.2.4.2 Net profit Margin

Table No : 4.13
Net Profit Margin

(Rs. in million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Net Profit	Sales	Ratio (%)	Net Profit	Sales	Ratio(%)
2006/07	168.6	1371	12.29	141.29	354.09	39.90
2007/08	198.2	1429	13.86	13.86	484.98	33.58
2008/09	207.2	1818	11.43	11.43	475.11	18.38
2009/10	217.2	2144	10.13	10.13	621.17	16.28
2010/11	227.0	2626	8.64	8.64	845.25	18.37
			$\overline{X_1} = 11.27$			$\overline{X_2} = 25.30$
			$\pm$ = 1.78			$\pm$ = 9.58
			C.V. = 15.79%			C.V. = 37.86%
Average industry net profit margin $\overline{X_{12}} = 18.28$						

Source : Unilever Nepal Ltd. and Bottlers Terai Ltd.

Fig 4.13 (a)

Unilever Nepal Ltd.
Net Profit Margin

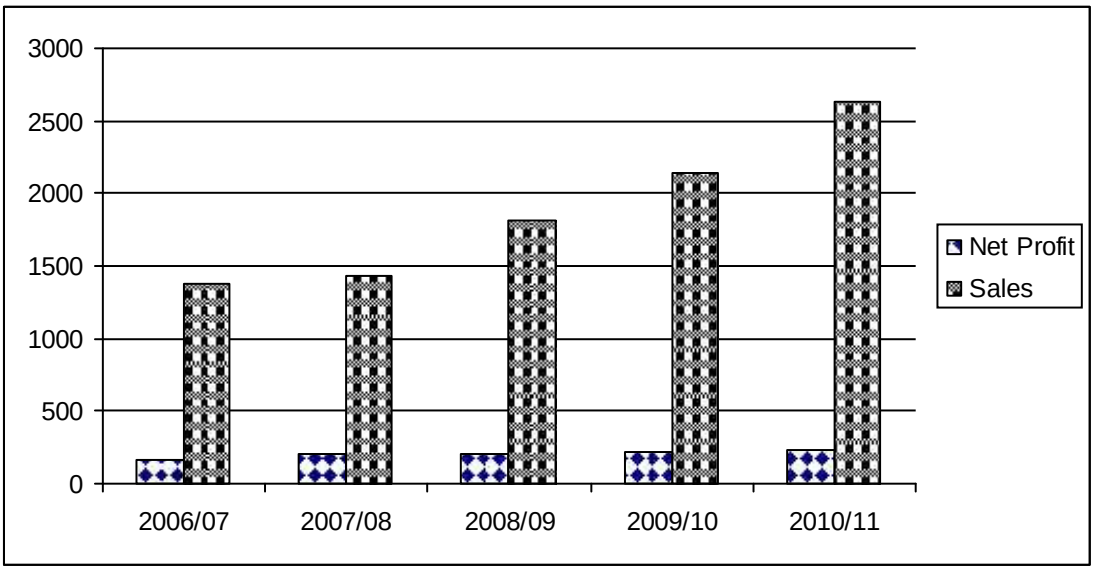
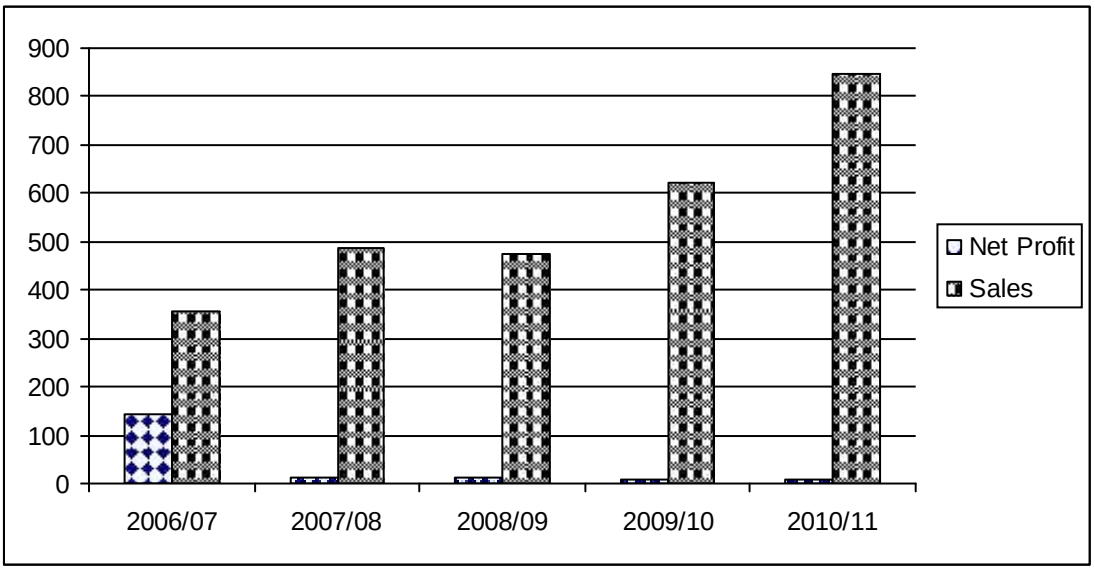


Fig 4.13 (b)

Bottlers Terai Ltd.
Net Profit Margin



Net profit margin ratio was increasing and decreasing year by year. The highest and lowest ratio of Net profit of margin was 13.86 percent and 8.64 percent in the year (2007/08) and in the year (2010/11) respectively. Likewise 12.29 percent in the year (2006/07), 11.43 percent in the year (2008/09), 10.13 percent in the year (2009/10).

Net profit margin ratio was decreasing at the beginning of four successive years and slightly increased at the last the year of study period. The highest and lowest ratio was 39.90 percent and 16.28 percent in the year (2006/07) and in the year (2009/10).

Likewise 33.58 percent in the year (2007/08), 18.38 percent in the year (2008/09), 18.37 percent in the year (2010/11).

The standard deviation and C.V of Unilever Nepal Ltds was 1.78 and 15.79% and 9.58 and 37.86% that of Bottlers Terai Ltds.

4.2.4.3 Return on Equity Capital

Table No : 4.14
Return on Equity Capital Ratio

(Rs. In million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Net Profit	**Equity**	**Ratio(%)**	**Net Profit**	**Equity**	**Ratio (%)**
2006/07	168.6	324.75	71.82	141.29	263.24	53.67
2007/08	192.2	270.70	73.21	162.88	284.84	57.18
2008/09	207.8	227.42	91.37	87.35	209.30	41.73
2009/10	217.4	224.65	96.77	1.01.17	223.12	45.34
2010/11	227.0	243.10	93.37	155.30	244.65	63.47
			$\overline{X}_1 = 85.30$			$\overline{X}_2 = 52.27$
			± = 1.59			± = 7.88
			C.V. = 12.41%			C.V. = 15.07%
Average industry return on equity capital ratio $\overline{X}_{12} = 68.78$						

Source : Unilever Nepal Ltd. and Bottlers Terai Ltd.

Fig 4.14 (a)

Unilever Nepal Ltd.
Return on Equity Capital Ratio

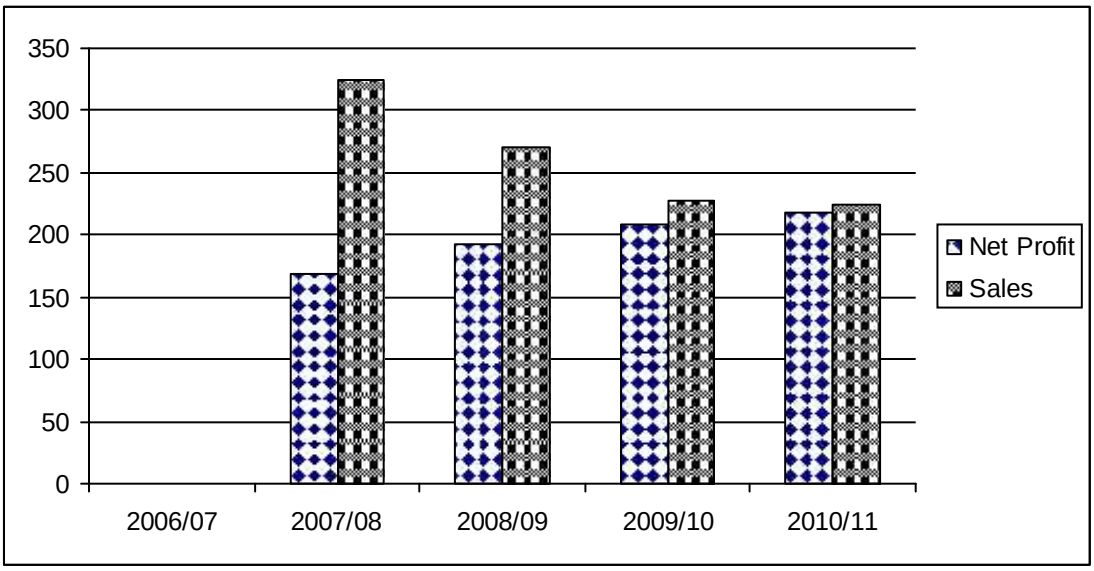
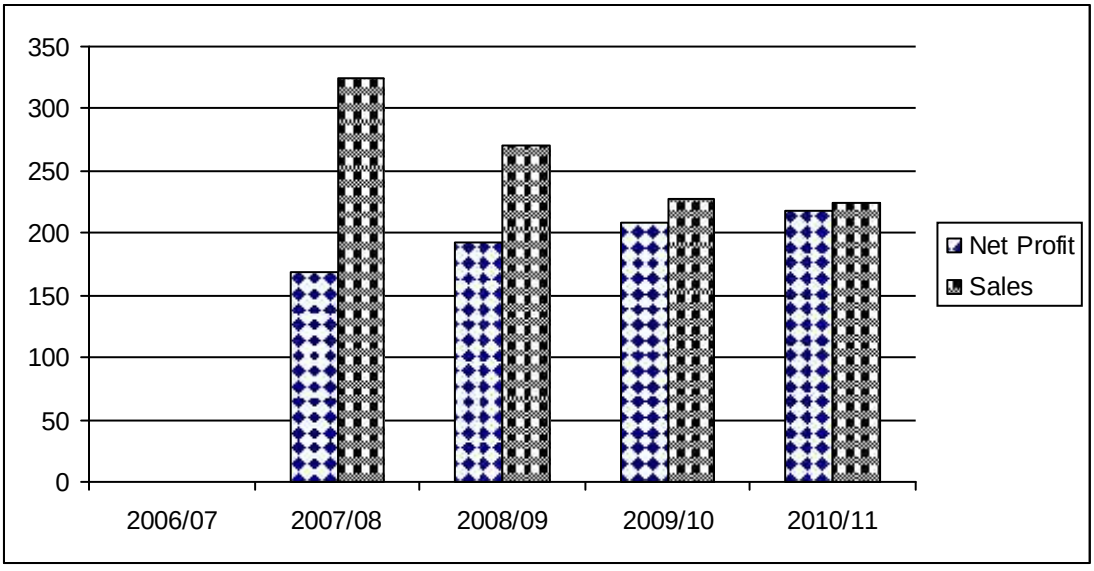


Fig 4.14 (b)
Bottlers Terai Ltd.
Return on Equity Capital Ratio



Return on Equity Capital Ratio of Unilever Nepal Ltds was increasing in successive four years thereby decreased at the last of the year during the study period. The highest and lowest return on equity capital ratio was 96.77 percent and 71.82 percent. Likewise 73.21 percent in the year (2007/08), 91.37 percent in the year (2008/09) and 93.37 percent in the year.

Return on Equity Capital Ratio of Bottlers Terai Ltds was increasing and decreasing year by year. The highest and lowest ratio of Return on equity capital ratio was 63.44 percent in

the year (2010/11) and 41.73 percent in the year (2008/09). Likewise 53.67 percent in the year (2006/07), 57.18 percent in the year (2006/07), 57.18 percent in the year (2007/08), 45.34 percent in the year (2009/10).

In general the average return on equity capital ratio was $\overline{X_{12}}$ = 68.78 percent. Average return on equity capital ratio of Unilever Nepal Ltds was higher than average return on equity capital ratio of Bottlers Terai
Ltds was lower than average industry combined ratio.

The standard deviation and C.V. of Unilever Nepal Ltds was 10.59 and 12.41% and 7.88 and 15.07% that of Bottlers Terai Ltd.

4.2.4.4 Return on Total Assets

Table No : 4.15
Return on Total Assets

(Rs. in million)

Year	Unilever Nepal Ltd			Bottlers Terai Ltd		
	Net profit	**Total assets**	**Ratio (%)**	**Net profit**	**Total assets**	**Ratio (%)**
2006/07	168.6	1648	10.23	141.29	417.7	33.82
2007/08	198.2	1493	13.27	162.88	499.4	32.61
2008/09	207.8	1456	14.27	87.35	436.2	20.02
2009/10	217.4	1609	13.51	101.17	523.65	19.32
2010/11	227.0	1571	14.44	155.30	622.70	24.93
			$\overline{X}_1 = 13.14$			$\overline{X}_2 = 26.14$
			± = 1.52			± = 6.10
			C.V. = 11.56%			C.V. = 23.33%
Average industry Return on Total assets ratio $\overline{X_{12}} = 19.64$						

Source: Unilever Nepal Ltd and Bottlers Terai Ltd.

Fig 4.15 (a)
Unilever Nepal Ltd
Return on total assets

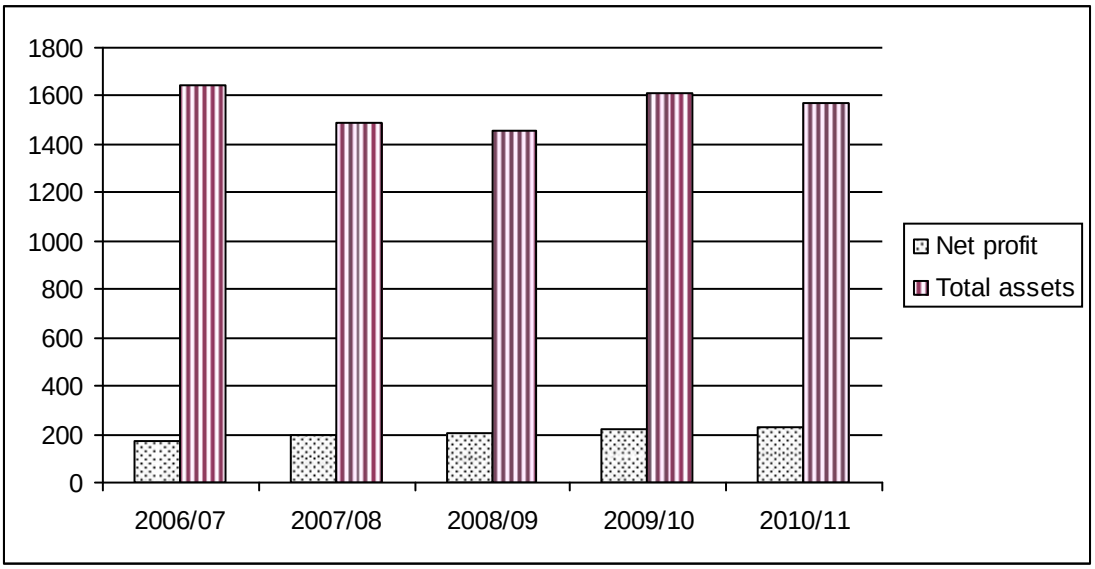
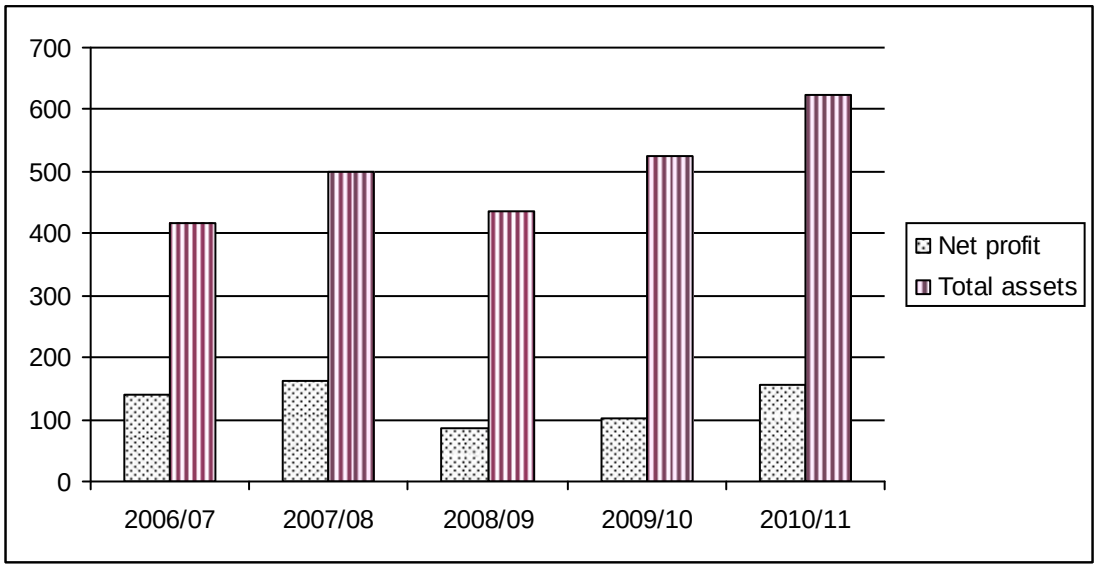


Fig 4.15 (b)
Bottlers Terai Ltd
Return on total assets



Return on Total assets ratio of Unilever Nepal Ltd is increasing and decreasing year by year. The highest and lowest ratio was 14.44 percent in the year (2010/11) and 10.23 percent in the year (2006/07). Likewise this ratio was 13.27 percent in the year (2007/08), 14.27 percent in the year (2008/09), 13.51 percent in the year (2009/10).

In general Average Return on Total assets $\overline{X_{12}}$ is 19.64 percent. Unilever Nepal Ltds average return on total assets ratio is lower than average combined Return on Total assets

ratio however Bottlers Terai Ltds average Return on Total assets ratio is higher than average combined Return on Total assets ratio.

The Standard deviation and coefficient of variation of Unilever Nepal Ltds was 1.52 and 11.56 percent and Bottlers Terai Ltds was 6.10 and 23.33 percent.

4.2.5 Test of Hypothesis

Meaning/Introduction

Decision making about the characteristics of population on the basis of study of sample taken from population involved the risk of taken wrong decision i.e. we may want to decide whether extra class conducted is really effective increasing to secure more marks in exam or which of two extra class conducted is more effective. In such decision making the probability theory play a vital role. The methods of statistics which helps in arriving at the criterion for such decision is called test of hypothesis testing or test of significance or statistical decision making. A hypothesis is an assumption that we make about the population parameter.

The test of hypothesis is a process of testing of significant regarding the parameter of the population on the basis of the sample drawn from the population. In testing hypothesis, we examine on the basis of statistical computed from the sample drawn, whether the sample drawn belong to the parent population with certain specified characteristics. The computed value of the statistic may differ from hypothetical value of the statistic may differ from hypothetical value of the parameter due to sampling fluctuation. If the different is small we consider that it has arisen due to sampling fluctuation. If the different is small we consider that it has arisen to sampling fluctuation. Hence, the difference is consider to be significant any hypothesis is expected. If the different is large we consider. That it has not arisen due to sampling fluctuation but it is due to some other reason. Hence, the difference is consider to be significant and the hypothesis decision the fact whether the different between the computed statistic and hypothetical parameter is significant.

4.2.5.1 Test of significance of Difference Between Two means

The steps in testing the significance of the difference between two means for large sample. ($n \geq 30$) are as follows.

Step 1: Formulate null (Ho) and alternative hypothesis

Ho: $\mu_1 = \mu_2$
i.e. there is no significance between the average condition of the two companies (Unilever Nepal Ltd and Bottlers Terai Ltd.)

H_1: $\mu_1 \neq \mu_2$ (two tailed test)
i.e. there is significance difference between the two companies (Unilever Nepal Ltd and Bottlers Terai Ltd.)

Step 2: Under Ho, Compute the test statistic

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{\frac{\pm 1^2}{n_1} + \frac{\pm 2^2}{n^2}}}$$

Where $n_1 \geq 30$ and $n_2 \geq 30$, Z ~ N (0,1), if are not known then their estimates are provided by the corresponding sample variances $S1^2$ and $S2^2$.

$$t = \frac{\overline{X_1} + \overline{X_2}}{\sqrt{\frac{S1^2}{n1} + \frac{S2^2}{n^2}}}$$

Respectively equation (2) reduce to

Note : that S_1 that S_2 are unbiased estimate of population S.D'S. If two samples are drawn from the same population then $\mu_1 = \mu_2$ and $\pm\ 1_2 = \pm\ 2_2 = \pm$ (say), then

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{\propto^2 \left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Step 3: Select the level of significance, $\propto$ the level of significance which indicates whether the probability of difference of means is small or large, is generally fixed at 5%, ($\propto = 0.05$) unless otherwise stated.

Step 4: Make decision by comparing computed and tabulated values of /t/. If the computed value of /t/ is less than tabulated value /t$\propto$/. null hypothesis /H_o/ is accepted otherwise /H_o/ is rejected.

4.2.5.2 Liquidity Ratio

- Current Ratio

Average current ratio of Unilever Nepal Ltd. $\left(\overline{X_1}\right) = 3.992$ Average current ratio of Bottlers Terai Ltd $\left(\overline{X_2}\right) = 1.92$ Null hypothesis (H_o) : $\mu_1 = \mu_2$ i.e. there is no significant different between the current ratio of Unilever Nepal Ltd and Bottlers Terai Ltd.

Alternative hypothesis (H_1) : $\mu_1 \neq \mu_2$ i.e. there is significant different between the current ratio of Unilever Nepal Limited and Bottlers terai Ltd.

Under Null Hypothesis, H_o, the test statistic is,

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{S^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Unilever Nepal Ltd			**Bottlers terai Ltd**		
X_1	$X_1 - \overline{X}_1$	$\left(X_1 - \overline{X}_1\right)^2$	X_2	$X_2 - \overline{X_2}$	$\left(X_2 - \overline{X}_2\right)^2$
4.71	0.718	0.5155	2.05	0.13	0.0169
4.17	0.178	0.0316	2.02	0.10	0.01
4.03	0.038	0.0014	1.98	0.06	0.0036
3.57	-0.422	0.1780	1.75	-0.17	0.0289
3.48	-0.512	0.2621	1.80	-0.12	0.0144
$\overline{X}_1 = 3.992$		$\sum\left(X_1 - \overline{X}_1\right)^2 = 0.9886$	$\overline{X}_2 = 1.92$		$\sum\left(X_2 - \overline{X}_2\right)^2 = 0.0738$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[\sum\left(X_1 - \overline{X_1}\right)^2 + \sum\left(X_2 - \overline{X_2}\right)^2\right]$$

$$= \frac{1}{5+5-2}[0.9886 + 0.0738]$$

$$= 0.1328$$

$$t = \frac{3.992 - 1.92}{\sqrt{0.1328\left(\frac{1}{5} + \frac{1}{5}\right)}}$$

$$= \frac{2.072}{0.2304}$$

$/t/ = 8.99$

Tabulated value of /t/ at 5% level of significant for 8 (5+5-2) d.f. is 2.31

Decision

Since the calculated value of /t/ = 8.99 is more than tabulated value of /t/ = 2.31. The null hypothesis is rejected i.e. there is significant difference in the two means of Unilever Nepal Ltd and Bottlers Terai Ltd. In other words, current ratio of Unilever Nepal Ltd and Bottlers Terai Ltd is difference.

4.2.5.3 Utilization Ratio

- Fixed Assets Turnover

The average fixed assets turnover ratio of Unilever Nepal Ltd $\overline{X_1} = 1.214$ The average fixed assets turnover ratio of Bottlers Terai Ltd $\overline{X_2} = 3.646$

Null Hypothesis, $H_o : \mu_1 = \mu_2$ there is no significant difference in fixed assets turnover ratio between Unilever Nepal Limited and Bottlers Terai Limited.

Alternative Hypothesis, $H_1 : \mu_1 \neq \mu_2$, i.e, there is significance difference in fixed assets turnover ratio between Unilever Nepal Limited and Bottlers Terai Limited.

Under null hypothesis, the test statistic is,

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{S^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Table 4.16

Fixed assets turnover

Rs (in millions)

X_1	$\left(X_1 - \overline{X}_1\right)$	$\left(X_1 - \overline{X}_1\right)^2$	X_2	$\left(X_2 - \overline{X}_2\right)$	$\left(X_2 - \overline{X}_2\right)^2$
0.89	-0.324	0.1049	2.83	-0.816	0.6658
0.95	-0.264	0.0696	3.57	-0.076	0.0057
1.24	0.026	0.0006	4.31	0.664	0.4408
1.36	0.146	0.0213	3.85	0.204	0.0416
1.63	0.416	0.1730	3.67	0.024	0.005
$\overline{X}_1 = 1.214$		$\sum\left(X_1 - \overline{X}_1\right)^2 = 0.369$	$\overline{X}_2 = 3.646$		$\sum\left(X_2 - \overline{X}_2\right)^2 = 1.154$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[\sum\left(X_1 - \overline{X_1}\right)^2 + \sum\left(X_2 - \overline{X_2}\right)^2\right]$$

$$= \frac{1}{5+5-2}[0.3694 + 1.1544]$$

$$= \frac{1}{8}[1.5238]$$

$$= 0.190475$$

$$t = \frac{(1.214 - 1.1544)}{\sqrt{0.190475\left(\frac{1}{5} + \frac{1}{5}\right)}}$$

$$= \frac{0.0596}{\sqrt{0.190475\left(\frac{2}{5}\right)}}$$

$$= \frac{0.0596}{0.07619}$$

/t/ = 7.82

Decision

Since the calculated value of /t/ = 7.82 is more than tabulated value of /t/ = 2.31. The null hypothesis is rejected, i.e. there is significant difference in the two means of Unilever Nepal Limited and Bottlers Terai Limited. In other words, fixed assets turnover ratio of Unilever Nepal Limited and Bottlers Terai Limited is difference.

4.2.5.4 Long- Term Solvency Ratio

-Net worth to total debt

The average net worth to total debt ratio of Unilever Nepal Limited $\overline{X_1} = 0.1836$

The average net worth to total debt ratio of Bottlers Terai Limited $\overline{X_2} = 1.0684$

Null Hypothesis : H_o ; $\mu_1 \neq \mu_2$ i.e. there is no significant different in net worth to total debt ratio between Unilever Nepal Ltd and Bottlers Terai Ltd.

Alternative Hypothesis : H_1 ; $\mu_1 \neq \mu_2$ i.e. there is significant different in net worth to total debt ratio between Unilever Nepal Ltd and Bottlers Terai Ltd.

Under null hypothesis, the test statistic is,

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{S^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Unilever Nepal Ltd			Bottlers Terai Ltd		
X_1	$\left(X_1 - \overline{X}_1\right)$	$\left(X_1 - \overline{X}_1\right)^2$	X_2	$X_2 - \overline{X}_2$	$\left(X_2 - \overline{X}_2\right)^2$
0.166	-0.0176	0.0003	1.704	0.6356	0.4039
0.222	0.0384	0.0014	1.327	0.2586	0.0668
0.185	0.0014	0.00000196	0.922	-0.1464	0.0214
0.162	-0.0216	0.0004	0.742	-0.3264	0.1065
0.183	-0.0006	0.00000036	0.647	-0.4214	0.1775
$\overline{X_1} = 0.1836$		$\sum\left(X_1 - \overline{X}_1\right)^2 = 0.002$	$\overline{X_2} = 1.0684$		$\sum\left(X_2 - \overline{X}_2\right)^2 = 0.776$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[\sum\left(X_1 - \overline{X_1}\right)^2 + \sum\left(X_2 - \overline{X_2}\right)^2\right]$$

$$= \frac{1}{5+5-2}[0.0021 + 0.7761]$$

$$= 0.097$$

$$t = \frac{0.1836 - 1.0684}{\sqrt{0.097\left(\frac{1}{5} + \frac{1}{5}\right)}}$$

$$= \frac{-0.8848}{0.1969}$$

/t/ = 4.49

Decision

Since, the calculated value of /t/ = 4.49 and its tabulated value of /t/ = 2.31. Hence, the calculated value of /t/ is more than that of tabulated value. So, null hypothesis is rejected. In other words, net worth to total debt ratio of Unilever Nepal Ltd and Bottlers Terai Ltd is difference.

- Net worth to total Assets

The average net worth to total assets ratio of Unilever Nepal Ltd $\overline{X_1} = 6.51$
The average net worth to total assets ratio of Bottlers Terai Ltd $\overline{X_2} = 2.05$

Null Hypothesis H_o : $\mu_1 \neq \mu_2$, there is no significance difference in net worth to total assets ratio between Unilever Nepal Ltd and Bottlers Terai Ltd. Alternative hypothesis H_1 ;

Alternative Hypothesis H_1 : $\mu_1 \neq \mu_2$ i.e. there is significance difference in net worth to total assets ratio between Unilever Nepal Ltd and Bottlers Terai Ltd.

Under null hypothesis, the test statistic is,

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{S^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Unilever Nepal Ltd			**Bottlers Terai Ltd**		
X_1	$\left(X_1 - \overline{X}_1\right)$	$\left(X_1 - \overline{X}_1\right)^2$	X_2	$X_2 - \overline{X}_2$	$\left(X_2 - \overline{X}_2\right)^2$
7.02	0.51	0.2601	1.58	-0.47	0.2209
5.51	1.00	1.0000	1.75	-0.30	0.0900
6.40	-0.11	0.0121	2.08	0.03	0.0009
7.16	0.65	0.4225	2.34	0.29	0.0841
6.46	-0.05	0.0025	2.54	0.49	0.2401
$\overline{X_1} = 6.51$		$\sum\left(X_1 - \overline{X}_1\right)^2 = 1.6972$	$\overline{X_2} = 2.05$		$\sum\left(X_2 - \overline{X}_2\right)^2 = 0.6360$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[\sum\left(X_1 - \overline{X_1}\right)^2 + \sum\left(X_2 - \overline{X_2}\right)^2\right]$$

$$= \frac{1}{5+5-2}\left[1.6972 + 0.6360\right]$$

$$= \frac{1}{8}\left[2.332\right]$$

$$= 0.2915$$

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{S^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

$$= \frac{6.51 - 2.05}{\sqrt{0.2915\left(\frac{1}{5} + \frac{1}{5}\right)}}$$

/t/ = 13.07

Decision

Since, the calculated value of /t/ at 8 d. f = 13.07 and the tabulated of /t/ = 2.31. Hence, the calculated value is higher than that of its tabulated value. Thus, the null hypothesis is rejected. In other word, the net worth to total assets ratio of Unilever Nepal Ltd and Bottlers Terai Ltd. is difference.

4.2.5 Profitability Ratio

– **Net profit ratio**

The average net profit ratio of Unilever Nepal Ltd $\overline{X} = 11.27$

The average net profit ratio of Bottlers Terai Ltd $\overline{X_2} = 25.30$

Null Hypothesis H_o : $\mu_1 \neq \mu_2$, There is significance difference in net profit ratio between Unilever Nepal Ltd and Bottlers Terai Ltd.

The test statistic under null hypothesis is

$$t = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{S^2\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Unilever Nepal Ltd			**Bottlers terai Ltd**		
$X_1(\%)$	$\left(X_1 - \overline{X}_1\right)$	$\left(X_1 - \overline{X}_1\right)^2$	$X_2(\%)$	$X_2 - \overline{X}_2$	$\left(X_2 - \overline{X}_2\right)^2$
12.29	1.02	1.0404	39.90	14.6	213.16
13.86	2.59	6.7081	33.58	8.28	68.55
11.43.	0.16	0.0256	18.38	-6.92	47.88
10.13	-1.14	1.2996	16.28	-9.02	81.36
8.64	-2.63	6.9169	18.37	-6.93	48.02

$\overline{X_1} = 11.27$		$\sum\left(X_1 - \overline{X}_1\right)^2 = 15.990$	$\overline{X_2 = 25.30}$		$\sum\left(X_2 - \overline{X}_2\right)^2 = 458.9$

$$S^2 = \frac{1}{n_1 + n_2 - 2}\left[\sum\left(X_1 - \overline{X_1}\right)^2 + \sum\left(X_2 - \overline{X_2}\right)^2\right]$$

$$= \frac{1}{5+5-2}[15.9906 + 458.97]$$

$$= \frac{1}{8}[474.96]$$

$$S^2 = 59.37$$

$$t = \frac{11.27 - 25.30}{\sqrt{59.37\left(\frac{1}{5} + \frac{1}{5}\right)}}$$

$$= \frac{-14.03}{4.87}$$

/t/ = 2.88

Decision

Since, the calculated value of /t/ at 8 d. f. = 2.88 and the tabulated of /t/ = 2.31. Hence, the calculated value is higher than that of its tabulated value. Thus, the null hypothesis is rejected. In other word, the net profit ratio of Unilever Nepal Limited and Bottlers Terai Limited is difference.

The major findings of this studies are as following.

From the above analysis of profitability ratio of two companies the following note worthy points and derived.

i. Gross profit margin ratio of Unilever Nepal Ltds was seemed to be consistency of less fluctuating than Bottlers Terai Ltd but average Gross profit margin ratio of Unilever Nepal Ltd. In comparison cost of production of bottlers Terai Ltd's was low and high efficiency of management than Unilever Nepal Ltd's.

ii. The net profit margin of both companies was positive or satisfactory. The net profit margin ratio of bottlers Terai Ltd's was higher than Unilever Nepal ltd. Net profit of Unilever Nepal Ltd's was influenced by administration, selling and distribution expenses.

iii. Return on Equity capital ratio of bottlers Terai Ltd is lower than Unilever Nepal Ltd. In the study period of (2008/09) and in the year (2009/10), this ratio is more than double of Unilever Nepal Ltd's than Unilever Nepal Ltd. Thus in this regard the profitability position of bottlers Terai Ltd was some better than Unilever Nepal Ltd.

iv. Return on total assets of Bottlers Terai Ltd. is higher than Unilever Nepal ltd. Return total assets of Unilever Nepal Ltd. Return total assets depends upon assets utilization and sales volume.

v. The liquidity position of both selected multinational companies reveals that

The average current and quick ratio of Unilever Nepal Ltd is higher that that of Bottlers Terai Ltd.

vi. Current assets ratio of Unilever Nepal Ltd. is more fluctuating than Bottlers Terai Ltd. which shows Unilever Nepal Ltd. have more risk than Bottlers Terai Ltd.

vii. According to test hypothesis, there is significant difference between current ratio of Unilever Nepal Ltd and Bottlers Terai Ltd.

viii. From Inventory turnover point of view Unilever Nepal Ltd is more consistence or significance than Bottlers Terai Ltd. with in the study period. Thus, liquidity position of Unilever Nepal Ltd. is more efficient than Bottlers Terai Ltd.

ix. Total assets turnover ratio of both multinational companies Unilever Nepal Ltd and Bottlers Terai Ltd seemed to be gradually increasing. Average Total Assets turnover ratio of Unilever Nepal Ltd is higher than Bottlers Terai Ltd.

x. The fixed assets turnover ratio of Unilever Nepal Ltd is found to be gradually increasing whatever that of Bottlers Terai Ltd was increasing and decreasing in different year during study period. Average fixed assets turnover ratio of Bottlers Terai Ltd is higher than Unilever Nepal Ltd.

xi. Average total assets turnover ratio of Unilever Nepal Ltd and Bottlers Terai Ltd was 1.204 and 1.084.

xii. The fixed assets turnover ratio of Bottlers Terai Ltd. is more efficient than Unilever Nepal Ltd. That showed Unilever Nepal Ltd has invested more funds on fixed assets in comparison to sales. According to test hypothesis there is significance difference between the fixed assets turnover ratio of Unilever Nepal Ltd and Bottlers Terai Ltd.

xiii. Current assets turnover ratio of Unilever Nepal Ltd is higher than that of Bottlers Terai Ltd.

xiv. Net worth to total debt ratio of Bottlers Terai Ltd was higher than that of Unilever Nepal Ltd. But, it was fluctuating year by year. It was due to increasing or decreasing of debt year by year.

xv. Net fixed assets to net worth ratio of Unilever Nepal Ltd is better than that of Bottlers Terai Ltd. Net worth to total assets also indicated that the claims of owner against the total assets.

xvi. The net worth to total debt ratio of Bottlers Terai Ltd was higher than Unilever Nepal Ltd. But this ratio was more fluctuating in context of Unilever Nepal Ltd. Testing hypothesis 'T' there is significance difference between Unilever Nepal Ltd. and Bottlers Terai Ltd.

xvii. The net fixed assets to net worth ratio of Unilever Nepal Ltd is higher than that of Bottlers Terai Ltd.

xviii. Net worth to total assets ratio of Unilever Nepal Ltd is higher than that of Bottlers Terai Ltd. which means that claim of owner against the total assets very high and claim of debt holder against the total assets was poor.

According to test hypothesis Net worth to total assets ratio of Unilever Nepal Ltd and Bottlers terai Ltd is difference.

CHAPTER V
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The subject of this thesis is comparative study of financial performance between Unilever Nepal Limited and Bottlers Terai Ltd. Most of the developed countries are involved countries are involved in the economic activities to uplift living standard of their people.

In Nepal, performances of public enterprises are not sound. Most of The PES suffering from economic inefficiencies such as more production cost, political interference in the management of public enterprises, rapid expansion of bureaucracy brought distortions like difficulty in budget, problems in labour relations thereby adverse effect on entire economy. In this context, there is significance of industrialization in transforming backward economy into modern one the government has been making planned effort for encouraging foreign investment.

So, this study has been carried out on multinational company like Unilever Nepal Ltd. and Bottlers Terai Ltd rather than public enterprises. This study will provide guideline for improving efficiencies of public enterprises. This study, ratio analysis is used to point out financial strength and weakness of Unilever Nepal Ltd and Bottlers Terai Ltd for five years period (2006/07 and 2010/11). Various financial ratios are required to study and the same calculated on the basis of financial statements. The following are the findings of this study.

5.2 Conclusion

Most of the public enterprizes have been facing the chronic disease of poor financial performance which have been creating problem to the governemnt to invest huge amount of fund in them with no return.

The unmet wants of the people presents ocean of oppurtunties. Therefore we can hopeful in transforming these “near markets” to “Real Markets”. These prospective markets can be converted into realitity by providing income through joint venture. Inorder to carry out these expectation, successfully foreign investment must effeciently utilized.

According to analysis of profitability of bottlers terai Ltd is seemed to be better than unilever nepal Ltd. Liquidity position of Unilever nepal Ltd. Is more effecient than Bottlers

Terai Ltd. The inventory point of view Unilever nepal Ltd is more consistence than Bottlers Terai Ltd. Asssets utilization ratio of both company seemed to be better.

Comparativelty financial performance of both companies are seemed to be different. In conclusion both companies financial performance is seemed to be better.

In context, that most of Nepalese companies have been suffering from the problem of the poor financial performance. So the reason for this study they have to be adopt a systematic financial performance adopted by multinational company.

5.3 Recommendation

On the basis of the above analyzing methods, the following recommendations can be suggested for Unilever nepal Ltd and Bottlers Terai Ltd.

i. Total assets turn over ratio of Bottlers Terai Ltd was less then Unilever nepal Ltd. Which indicates that company had invested huge amounts of funds in total assets. Adopting the different promotional tools Bottlers Terai Ltd could pushup the sales but the marketing expenses shouldn't exceed benefit.

ii. Both the selected Multinational company should be analyzed "cost-benefit"for investment and should be adopt such policy will assist to improve their financial position.

iii. Long term solvency ratio of both multination companies are different. Net worth to total debt ratio shows that Unilever Nepal Ltd is highly dependent on borrowing capitals. So, in order to minimize the financial risk, Unilever Nepal Ltd should concentrate on the addition of more equity capital in their capital structure.

iv. Gross profit margin ratio of Unilever Nepal Ltd was seem to low then Bottlers Terai Ltd. So, Unilever Nepal Ltd should make effort for reducing production cost and increase in efficiency on management.

v. Net profit margin of both companies was positive or satisfactory. The net profit margin Ratio of Bottlers Terai Ltd's was higher then Unilever nepal Ltd. Net profit of Unilever Nepal Ltd's was influenced by administrative, selling and distribution expenses.

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APPENDIX

1. What are the specific goals of the company ?
2. What are the main strength and weakness of the company ?
3. Which source of fund is used more by company either debt or equity ?
4. Are the funds properly utilized ?
5. Could the company manage and utilize its assets satisfactory ?
6. What trends of assests and liabilities have been following ?
7. What are the overall financial performance of a company?
8. What is the long-term solvency of the company? Does it employee sufficient debt funds to take benefits on leverage?
9. Has company get satisfactory profitability position?
10. What is the long-term solvency of the coompany ? Does it employee sufficient debt funds to take benefits on leverage.