

**A STUDY ON FINANCIAL POSITION
OF
NEPAL ELECTRICITY AUTHORITY**

A THESIS

Submitted by:

Yadab Bhattarai

T.U. Reg. No7-2-475-16-2004

Exam Roll No:

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In Partial fulfillment of the requirements for the degree of
Master of Business Studies (MBS)

Bhairahawa Multiple Campus

Bhairahawa, Rupandehi.

July 2013

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Yadab bhattarai

Entitled:

A STUDY ON FINANCIAL POSITION

OF

NEPAL ELECTRICITY AUTHORITY

Has been prepared as approved by this department in the prescribed format of the faculty of management. This thesis is forwarded for examination.

.....
Mr. Sahadev Bhatta
Thesis Supervisor

.....
Mr. Lucky Prasad Joshi
Head of Research
Department

.....
Dr. Ghanashyam Neupane
Campus Chief

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Yadab Bhattarai

Entitled

A STUDY ON FINANCIAL POSITION

OF

NEPAL ELECTRICITY AUTHORITY

And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment for **Master's Degree in Business Studies (M.B.S.)**

Viva-Voce Committee

Head, Research Department :

Member (Thesis Supervisor) :

Member (External Expert) :

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitled **A study on Financial Position Of Nepal Electricity Authority**, to the Research Department of Bhairahawa Multiple Campus, Bhairahawa Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirements for the Masters of Business Studies (MBS), under the supervision of Mr. Sahadev Bhatta Bhairahawa Multiple Campus, Bhairahawa.

.....
Yadab Bhattarai
Researcher
Bhairahawa Multiple Campus
Roll No. 64/065/066
MBS symbol No:
TU Registration No: 7-2-475-16-2004

ACKNOWLEDGEMENTS

This thesis is the result of a journey of almost two decades of my study life and many have helped along the way. I am grateful to all of them, but none should be held responsible for the shortcomings of this thesis or the ideas therein, which are mining alone. Although I have enjoyed every bit of the fight, my family has had to live with the tensions and frustrations such a journey entails. During the roughly two decades of this journey, I have benefited enormously from discussions with my family but I have nothing that returns something.

I am deeply indebted to my supervisor **Mr. Sahadev Bhatta**, Bhairahawa Multiple Campus, Bhairahawa. With whom, it would not have been possible for me to get this dissertation completed. This success is made by this through and encouraging guidance, valuable suggestions, and constant help by spending his valuable time for dissertation.

My deepest gratitude goes to **Mr. Lucky Prasad Joshi**, Head of the Research Department Bhairahawa Multiple Campus, who always helped me in my dissertation work by providing precious guidelines and suggestions.

I owe very much to my respected teachers Pitamber Tiwari, Firoj Khan, Narendra Raj Pandey for their valuable suggestion in Statistics, Finance, Grammatical and technical part of this thesis.

Many helpful hands are involved to support me for preparing this thesis. I would like to express my deep gratitude towards the experts of NEA, Managing director Mr Rameshwor Yadav, Director Finance department, Mr. Arjun Kumar Chauhan, account officer Mr. Tom Lal subedi, and other staff of Nepal electricity Authority.

I am very much appreciated to my brother, Mr Mahadev Bhattarai for topic selection up to complete this thesis. As well as my sisters Yeshoda and Laxmi who's helped me in each and every step during my study life.

Besides this, I am grateful to all those individuals and friends, Ram Parasd Chapagain, Bishnu Aryal, Ishwar Bhattarai and all my collages, whose contribution factors to develop this thesis.

Lastly, I would like to thank all the individuals and institutions whose works and publications I have used as reference for this study.

Yadab Bhattarai
Bhairahawa, Nepal
July, 2013

TABLE OF CONTENT

Title page	i
Recommendation	ii
Viva - Voce Sheet	iii
Declaration	iv
Acknowledgements	v
Table of Content	vi
List of Table	ix
List of Figures	x
Abbreviations	xi
CHAPTER-ONE: INTRODUCTION1	1-15
1.1 Background of the Study	1
1.2 Development of Hydro Electricity in Nepal	2
1.3 Management of Hydro Electricity in Nepal	4
1.3.1 Private Sector in Hydroelectricity Development	4
1.3.2 Nepal Electricity Authority in Hydroelectricity Development	8
1.3.2.1 Introduction	8
1.3.2.2 Objectives	8
1.3.2.3 Responsibilities	9
1.3.2.4 Present Performance of NEA	10
1.4 Statement of the Problems	11
1.5 Objectives of the Study	12
1.6 Need and Importance of the Study	12
1.7 Limitations of the Study	13
1.8 Organization of the Study	14
CHAPTER-TWO: REVIEW OF LITERATURE	16-27
2.1 Introduction	16
2.1.1 Conceptual Review	16
2.1.1.1 Concept of Financial Position	16
2.1.1.2 Financial Statements	17
2.1.1.3 Analysis of Financial Position	19
2.1.1.4. Tools of financial statement Analysis	20
2.2 Review of Related Studies	22
2.2.1 Review of Related Articles	22
2.2.2 Review of Related Thesis	24
CHAPTER – THREE: RESEARCH METHODOLOGY	28-46
3.1 Introduction	28
3.2 Research Design	28
3.3 Nature and Sources of Data	29
3.4 Data collection Procedure	29
3.5 Methods of Analysis	30
3.6 Analytical Tools Used	30
3.6.1 Commoner's method	30
3.6.2 Ratio Analysis	31
3.6.2.1 Liquidity Ratio	32

3.6.2.2 Leverage Ratio	34
3.6.2.3 Turnover / Activity / Efficiency Ratio	36
3.6.2.4 Profitability Ratio	39
3.6.3 Statistical Tools	43
3.6.4 Graphs	46
3.7 Methods of Presentation and Analysis	46
CHAPTER – FOUR: PRESENTATION AND ANALYSIS OF DATA	47-75
4.0 Introduction	47
4.1 Ratio Analysis	47
4.1.1 Liquidity Ratio	47
4.1.1.1 Current Ratio (CR)	49
4.1.1.2 Quick Ratio (QR)	49
4.1.2 Leverage Ratio	50
4.1.2.1 Debt Equity Ratio (D/E Ratio)	51
4.1.2.2 Debt to Total Capitalization Ratio (DTC Ratio)	52
4.1.2.3 Interest Coverage Ratio (IC Ratio)	52
4.1.3 Turnover / Activity / Efficiency Ratio	53
4.1.3.1 Inventory Turnover Ratio (IT Ratio)	54
4.1.3.2 Debtors turnover ratio (DT Ratio)	55
4.1.3.3 Average Collection period (AC Period)	55
4.1.3.4 Fixed Assets Turnover Ratio (FATOR)	56
4.1.3.5 Total Assets Turnover Ratio (TAT Ratio)	57
4.1.4 Profitability Ratio	58
4.1.4.1 Operating Profit Ratio (OP Ratio)	59
4.1.4.2 Net Profit Margin / Ratio (NP Ratio)	60
4.1.4.3 Operating Expenses Ratio (OE Ratio)	61
4.1.4.4 Return on Asset (ROA)	61
4.1.4.5 Return on Shareholders' Equity (ROSE)	62
4.2 Statistical tools	62
4.2.1 Calculation of Mean, Standard Deviation (SD), Co-efficient Variance (CV), Probable Error (PE) , Correlation and Regression between Sales And Net Profit after Tax (NPAT) of NEA	63
4.2.2 Regression analysis between Sales and NPAT	64
4.2.3 Calculation of Mean, Standard Deviation (SD), Co-efficient of Variation (CV), Probable Error (PE), Correlation and Regression between Sales and Total Asset of NEA	66
4.2.4 Regression analysis between Sales and Total Asset	67
4.2.5 Calculation of Mean, Standard Deviation (SD), Co-efficient of Variation (CV), Probable Error (PE), Correlation and Regression between Total Debt and Shareholders Equity of NEA	68
4.2.6 Regression analysis between Total Debt and Shareholders' Equity	69
4.2.7 Calculation of Mean, Standard Deviation (SD), Co-efficient of Variation (CV), Probable Error (PE), Correlation and Regression between Current Assets and Current Liability of NEA	70
4.2.8 Regression analysis between Current Asset and Current Liability	71
4.3 Analysis of Primary Data	72
4.4 Major Findings of the Study	72

CHAPTER - FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	76-82
5.1 Summary	76
5.2 Conclusion	77
5.3 Recommendations	78
5.4 The Future Course	82
<i>Bibliography</i>	83
<i>Appendix (Annex)</i>	85

LIST OF TABLES

<i>Table no. No.</i>	<i>Title</i>	<i>Page</i>
1.1	Hydropower Projects Developed By IPPs	7
4.1	Liquidity Ratios of Nepal Electricity Authority	48
4.2	Leverage Ratios of Nepal Electricity Authority	50
4.3	Turnover Ratios of Nepal Electricity Authority	53
4.4	Profitability Ratios of Nepal Electricity Authority	58
4.5	Calculation of Statistical Tools	63
4.6	Calculation of Statistical Tools	66
4.7	Calculation of Statistical Tools	68
4.8	Calculation of Statistical Tools	70

LIST OF FIGURES

<i>Figure no. No.</i>	<i>Title</i>	<i>Page</i>
4.1	Liquidity Ratios of Nepal Electricity Authority	49
4.2	Leverage Ratios of Nepal Electricity Authority	51
4.3	Turnover Ratios of Nepal Electricity Authority	54
4.4	Profitability Ratios of Nepal Electricity Authority	59
4.5	Calculation of Statistical Tools	65
4.6	Calculation of Statistical Tools	65
4.7	Calculation of Statistical Tools	67
4.8	Calculation of Statistical Tools	71
5.1	Alternative Financing Strategy	80
5.2	Strategy for collection of outstanding bill	81

ABBREVIATIONS

ACP	:	Average Collection Period
CA	:	Current Assets
CL	:	Current Liabilities
CV	:	Co-efficient Variation
D/ER	:	Debt Equity Ratio
DTR	:	Debt Turnover Ratio
DTCR	:	Debt to Total Capitalization Ratio
ed	:	edition
ed.cit	:	edition cited
et.al	:	and others
F/Y	:	Fiscal Year.
FATR	:	Fixed Assets Turnover Ratio
GoN	:	Government of Nepal.
I.e.	:	That is
IT	:	Inventory Turnover Ratio
IPP	:	Independent Power Producer.
IPPAN	:	Independent Power Producers Association of Nepal
NEA	:	Nepal Electricity Authority
NPC	:	National Planning Commission
NPR	:	Net Profit Ratio
NRs	:	Nepali Rupees
OE	:	Operating Expenses Ratio
OP	:	Operating Profit Ratio
PE	:	Probable Error
PEs	:	Public Enterprises
QA	:	Quick assets
ROA	:	Return on Assets
ROE	:	Return on Equity
SD	:	Standard Deviation
TATR	:	Total Assets Turnover Ratio
TFA	:	Total Fixed Assets