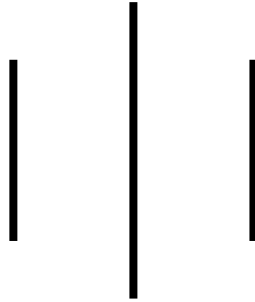


CAPITAL STRUCTURE OF MANUFACTURING COMPANIES USING FINANCIAL RATIOS

(A Case Study of Nepal Lubes Oil Ltd. & Bottlers Nepal Ltd.)



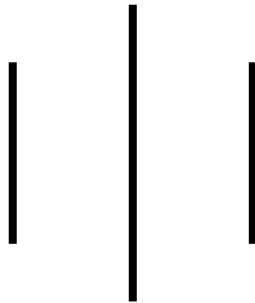
Submitted By:

SMITA SHRESTHA

Shanker Dev Campus

Campus Roll No.: 2198/062

T.U. Regd. No. : 7-2-426-36-2002



A Thesis

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

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

Kathmandu

September, 2010

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

SMITA SHRESTHA

Entitled:

**CAPITAL STRUCTURE OF MANUFACTURING COMPANIES
USING FINANCIAL RATIOS**

(A Case Study of Nepal Lubes Oil Ltd. & Bottlers Nepal Ltd.)

*has been prepared as approved by this Department in the prescribed format of the
Faculty of Management. This thesis is forwarded for examination.*

.....
Prakash Singh Pradhan
(Thesis Supervisor)

.....
Prof. Bisheshwor Man Shrestha
(Head, Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By:

SMITA SHRESTHA

Entitled:

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

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the work reported in this project work entitled “**A CASE STUDY ON CAPITAL STRUCTURE OF MANUFACTURING COMPANIES USING FINANCIAL RATIOS OF NLOL AND BNL**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision of **Prakash Singh Pradhan** of Shanker Dev Campus.

.....

Smita Shrestha

Researcher

Shanker Dev Campus

T.U. Regd. No. : 7-2-426-36-2002

Date: September, 2010

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Development of industrial sector, amongst others, is equally essential for the rapid economic development of the country. Despite the role of the industrial sector in resolving issues regarding growing unemployment and rural poverty, the share of productive industrial sector in Nepal's Gross Domestic Product is only in the range of 10 percent. Given the majority of population dependent on agriculture, need to create job option for them in non-agriculture sector through the development of the productive industry is imminent. This will help not only to solve the problem of unemployment and under employment but also stimulate the process of economic development of the country. As the effort of government alone is not enough for this to happen, the active role of private sector is indispensable in promoting domestic and foreign industrial investment.

This study has been undertaken to assess the capital structure of manufacturing companies using financial ratios of Nepal Lubes Oil Ltd. and Bottlers Nepal Ltd. under partial fulfillment of the requirement of Master's Degree.

I am heartily thankful to my respected thesis supervisor, Prakash Singh Pradhan, whose encouragement, guidance and support from the initial to the final level enabled me to develop an understanding of the subject and to finalize and document this thesis in this form.

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Smita Shrestha

Researcher

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ABBREVIATIONS

B	:	Bond Value
B.S.	:	Bikram Sambat
BNL	:	Bottlers Nepal Limited
CV	:	Coefficient of Variation
DE	:	Debt Equity
DFL	:	Degree of Financial Leverage
DOL	:	Degree of Operating Leverage
EAT	:	Earning After Tax
EBIT	:	Earning before Interest and Tax
EPS	:	Earning Per Share
FY	:	Fiscal Year
K_e	:	Cost of Equity
K_i	:	Cost of Debt
Ltd.	:	Limited
NEPSE	:	Nepal Stock Exchange
NI	:	Net Income
NLOL	:	Nepal Lube Oil Limited
NOI	:	Net Operating Income
NP	:	Net Profit
Pvt.	:	Private Limited
ROA	:	Return on Assets
ROE	:	Return on Equity
S	:	Equity Capital

S.D.	:	Standard Deviation
STD	:	Short-Term Debt
T.A.	:	Total Assets
T.D.	:	Total Debt
T.U.	:	Tribhuvan University
TE	:	Total Equity
V_r	:	Value of the Firm
WACC	:	Weighted Average Cost of Capital