Working or short term capital analysis

Government, Capitalism

CHAPTER-I INTRODUCTION 1. 1 Back ground of Study Working Capital refers to that part of the firm’s capital, which is required for financing short-term or current assets such a cash marketable securities, debtors and inventories. Funds thus, invested in current assets keep revolving fast and are constantly converted into cash and this cash flow out again in exchange for other current assets. Working Capital is also known as revolving or circulating capital or short-term capital. Therefore, working capital management is the same of liquidity management and its relate inversely with profitability.

It is significance for any industries due to the investment in Current Assets (CA) must be adequate because inadequate or excessive inadequate working capital can disturb production and can also threaten the solvency of firm, if it fails to meet its current obligation excessive investment in CA should be avoided, since it impairs firm's profitability Secondly, need for working capital arises due to increasing level of business activity ; it is to provided quickly some time surplus fund may arises which should be invested in Short term securities , they should not be kept idle.

The importance of Working capital management compelled to the firms to try the optimal level of investment in each element such as inventories, cash, account receivables but the firm also consider to way of financing the current assets. This means, consideration of current liabilities which include account payables, notes payable, interest payable and other shot-term debt.

In addition, the firm can adopt an aggressive working capital management policy with a low level of current assets as a percentage of total assets, or it may also be used for the financing decisions of the firm in the form of high level of current liabilities as a percentage of total liabilities(Nazir and Afza,

2009), and it is the opposite in conservative working capital management policy. On the other hand, it should be distinguished between three policies that related directly with the working capital efficiency.

First policy is collection policy, that measured by average receivables collection period (ARCP) which is meaning the average length of time required to convert the firm receivables into cash. Second policy is inventory policy, which expressed by average conversion inventory period (ACI). It means the average length of time required to convert raw materials into finished goods and then sell these goods.

Third policy of working capital efficiency is payment policy, which measured by average payment period (APP) that means the length time between the purchase of materials and the payment of cash (Weston and Brigham, 1993). These policies require from company to accelerate the collections of receivables, accelerate its inventory, accelerate the payment cycle, and reduce the cost of the working capital needs.

Above mentioned policies can be merged them in one general policy, is called cash conversion cycle (CCC) developed by Richards and Laughlin(1980) which focuses on the length of time between when the firm makes payments and when it receives cash inflow. To fulfill the one of the most important goal of organization to maximization of share holder’s wealth of a firm is possible only when there is sufficient return from the operations and successful sales activity is necessary for earning profit sales without convert into cash immediately.

To generate the sales and revenue activities there will be the s invisible time lap between the sale of good and receipt of cash. Hence, the time taken to convert raw material into cash is known as operating cycle that includes following activities in different phase. At first phase: * Conversion of cash into raw material * Conversion of raw material into work in progress * Conversion of Work in progress into finished goods * Conversion of finished goods into Sales (Debtors and cash) At second Phase: Cash received and at third phase is payment of credit.

A low cash conversion cycle allows the managers to minimize holdings of relative unproductive assets such as cash and marketable securities, preserves the firm’s debt capacity since less short-term borrowing is required to provide liquidity and corresponds to a higher present value of net cash flows from firms assets Moreover, the cash conversion cycle is an important technique of analysis for the financial mangers of firm to assess why and when the firm needs more cash to sustain its activities. I am going to comparative study of Surya Nepal Private Limited (SNPL) is an Indo-Nepal-UK joint enture, which started operations in Nepal in 1986. SNPL, a subsidiary of ITC Ltd, India, is the largest private sector enterprise in Nepal. The balance shares are held by dispersed Nepalese shareholders and British American Tobacco, UK. Surya Nepal's businesses include manufacture and marketing of cigarettes and readymade garments in Nepal as well as exports of ready-made garments with a total turnover of over US $100 million. Secondly, The guiding force behind Dabur's growth and success has been the wealth of nature and its limitless capacity to support life.

And we have constantly taken care to preserve and protect this natural bounty. With this overall vision of and to eco-sustenance, expand Dabur's resource and production base, Dabur Nepal Private Limited was set up as an independent Group company in 1992. This new company, set amidst the verdant greens and towering mountains of the Himalayan kingdom of Nepal, has established a unique bond oftechnologyand preservation. 1. 2 Problem of Statement The management of a company's working capital significantly influences its profitability. In the short term, companies risk being short on liquidity if the working capital level deteriorates.

In the long term, too much working capital lowers the return on investment and reduces the value of the company. In contrast, a reduction of the working capital can significantly improve cash flows and free up capital from a company's balance sheet. This capital can then be used to reduce debts, pay dividends to investors or reinvest in company growth. In the context of Nepal there is not practically implementation of working capital management technique that can brings the liquidity problem in short term and solvency problem in long term due to loss on business.

This can be the one most important reason for the lower growth rate of manufacturing firm. I want to gain insight into this field and to identify potential areas for optimization of working capital management for the profitability on the Nepalese manufacturing firm. Performance of firm on the topic of working capital management is very essential to reach the optimum level of working capital then to enhance their profitability. But these elements can be affected by Nature of business, seasonality of operations, production policy, market condition, and political scenario.

Therefore, I have done this investigation to know the answer of following question. a. What are the factors of working capital for Nepalese manufacturing firm? b. How can working capital affects the performance to enhance profitability of firms? c. How is the performance of firm to achieve the optimal working capital in order to maximize the profitability? 1. 3 Objective of the Study The main objective of the research is to measure the impact of working capital management on the profitability for Nepalese manufacturing firm. The specific objectives of the study are summarizing as following. a.

To analyze the relationship between working capital management and profitability for manufacturing firm. b. To determine the relationship between size of firm and the profitability c. To Know the relationship between leverage and profitability. 1. 4 Limitation of the Study This study is intended to measure the impact of working capital management on profitability of Nepalese manufacturing firm but the study also influences from the following limitation. a. There isn't financial sponsor for the depth study. b. Due to the time constraints it is not possible to analyze the each variable in details. c.

In depth analysis and the study of financial position is not feasible because of the policy and privacy of firm. d. The information is assuming true that is taken from different source. CHAPTER-II LITERATURE REVIEW 2. 1 Literature Review According to Wilner (2000) most firms extensively use trade credit despite its apparent greater cost, and trade credit interest rates commonly exceed 18 percent and Deloof (2003) also found that according to National Bank statistics during 1997, Belgian companies had accounts payable of only

13% of the total asset and accounts receivable and Inventory of 17% and 10% of the total asset respectively.

Singh and Pandey (2008) discussed the impact of working capital management in the profitability of Hindalco Industries Limited. Regression results showed that current ratio, liquid ratio, receivable turnover ratio and working capital to total assets had statically significant impact on profitability. Dong and Su (2010) examined the relationship between profitability, the cash onversion cycle and its component for listed firms in Vietnam stock market for period (2006-2008). They resulted that there is strong negative relationship between cash conversion cycle and the profitability.

Cote and Latham (1999, p. 261) argued that management of receivables, inventory and accounts payable have tremendous impact on cash flows, which in turn affect the profitability of firms. According to Long, Malitz and Ravid (1993) it is seen that liberal credit terms to the customers increase the sales level of the firm, though having a continuous troubleshooting with managing short term financing in thefinancedepartment. The decision lays with the firm which one to put more importance on. Scherr (1989, p. 6) claimed that companies can strengthen strong cash flow levels, improve profitability, budgeting and forecasting process, predictability and manageability of results, heighten risk if they implement the best practices in working capital. Amit, Sur and Rakshit (2005) studied the relationship between working capital and profitability in the context of Indian pharmaceutical industries and concluded that no definite relationship can be established between profitability and liquidity. Cote and Latham (1999, p.

61) argued that management of receivables, inventory and accounts payable have tremendous impact on cash flows, which in turn affect the profitability of firms. Scherr (1989, p. 16) claimed that companies can strengthen strong cash flow levels, improve profitability, budgeting and forecasting process, predictability and manageability of results, heighten risk if they implement the best practices in working capital. Eljelly(2004) identified the relation between profitability and liquidity who was examined, as measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock firms in Saudi Arabia.

The study found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability. The size variable was found to have significant effect on profitability at the industry level. The results were stable and had important implications for liquidity management in various Saudi firms. First, it was clear that there was a negative relationship between profitability and liquidity indicators such as current ratio and cash gap in the Saudi sample examined. Second, the study also revealed that there was great variation among industries withrespectto the significant measure of liquidity.

Sur Biswas and Ganguly (2001) revealed in their study of Indian aluminium producing industry, a very significant positive association between liquidity and profitability. All previous studies had reached to the same results approximately, which had proved there is the negative relationship between the working capital, debt ratio, current ratio and profitability, and the positive relationship between size of the firm with profitability. This study tries to depend on previous studies to provide new evidence on how working

capital can effect on the profitability. . 2 Research Frame Work Model ROA Leverage Performance Working Capital Efficiency Profitability of the Firm Size of Firm Current Liabilities Current Assets Organization Planning Growth of business Ln of Sales Debt ratio Liquidity ratio: CR All the components such as Working Capital, Profitability and Size of the firms, Liquidity, and Leverage performance are interrelated to each other. The working capital affects the profitability of the firm. Similarly size, leverage, and liquidity affect the working capital requirement and profitability of the firm.

If there is low in current assets then it can’t pay the short term obligation and if firms keep in high ratio then investment opportunity will lose that decreases the value of profitability elements such as ROE and ROA. Secondly, if there is high concentration on sales by keeping low liquid assets then profit can increase and it helps to increase the growth rate of company and fulfill the objective of shareholder’s wealth maximization and ease for the competition but low liquid assets can creates the risk of liquidity. Therefore, all components of above mentioned are interrelated positively and negatively.

After analyzing the financial ratio BOD, manager can formulate the policy for sustainable business as well as investors will take best decision for the investment. This study has been guided according to the above variables and discussed the variables relation after studied of two firms in detail in the below. Hence, this study will benefit for the best decision of working capital requirement to manage the profitability, leverage in long term and to growth the firm in stable rate. CHAPTER-III DATA COLLECTION AND METHODOLOGY 3. 1 Research Data Collection

The data has taken from the secondary source regarding to the official site of Surya Nepal Pvt. Ltd and Dabur Nepal Pvt Ltd. Secondary data is assumed as an enough and reliable. Sample of this study has been focused on the joint venture Nepalese manufacturing firms. These two firms have chosen as a sample company due to big market in Nepal. To fulfill the objective of research, report is prepared by taking a financial data of two sample companies from 2006 to 2011. 3. 2 Definition of variable I have used of dependent and independent variables to complete the study are as below.

Dependent variables include profitability measure which will be computed by the following equation: Return on Assets (ROA)= Net Operating IncomeTotal Assets Secondly, independent variables have been divided in two parts. First part includes working capital management variables. • Average receivable collections period (ARCP) are used to express the credit policy. It is calculated by using following equation: Average receivable collections period (ARCP)= Account Receivables *365/Sales • Average conversion inventory period (ACIP), which is expressed the inventory policy.

It will be identified by following formula: Average conversion inventory period (ACIP)= Inventory *365/Cost of Sales • Average payment period (APP) is used to reflect the payment policy it is measured measured by following equation: Average payment period (APP) = Accounts Payables *365/Cost of Sales • Cash conversion cycle (CCC) is used to express the overall impact on working capital efficiency, and that is calculated by using following equation. Cash Conversion Cycle (CCC)= ARCP+ACIP-APP At the second phase of independent variables has been included as below. • Size of the company = Natural of logarithm of sales (LNS). Current ratio (CR) = Current

assets/Current Liabilities. • Financial leverage ratio (FL) = Total Liabilities / Total Assets. 3. 3 Empirical Analysis This section contains the descriptive analysis by taking the help of mean, standard deviation, maximum and minimum value of all variables that is used in study. Similary, on the second phase of analysis here has been explained the relationship between the variables by using correlation coefficient. Moreover, regression model has been used to quantify the relation between variable and to measure the accuracy of this report.

Multiple regression models have used to complete the regression analysis. All types of analysis and graphical representation will be expressed by using the MS office package 2007. For this study I have used 4 regression models to quantify the relation and model is as below. 1. ROA= a+b1ARCP+b2CR+b3FL+b4LNS (model -1) 2. ROA= a+b1ACIP+b2CR+b3FL+b4LNS (model-2) 3. ROA= a+b1APP+b2CR+b3FL+b4LNS (model-3) 4. ROA= a+b1CCC+b2CR+b3FL+b4LNS (model-3) CHAPTER-IV DATA ANALYSIS AND PRESENTATION 5. 1. Empirical Analysis and Findings 4. 1. 1Descriptive Analysis: Dabur Nepal Pvt. Ltd (Table 1) | ROA| ARCP| ACIP| APP| CCC| CR| FL| Lns| | | | | | | | Mean| 0. 034| 35. 67| 75. 12| 42. 35| 68. 44| 2. 00| 0. 248| 21. 73| Standard Deviation| 0. 028| 19. 74| 31. 74| 35. 27| 39. 24| 0. 676| 0. 055| 0. 346| Minimum| 0. 001| 4. 13| 17. 37| 8. 33| 6. 30| 1. 52| 0. 207| 21. 39| Maximum| 0. 084| 55. 23| 111. 78| 93. 46| 120. 94| 3. 19| 0. 351| 22. 38| Count| 6| 6| 6| 6| 6| 6| 6| According to the above table, ROA on average is 34% and ROA existed between 0. 1 % to 0. 84%. The average receivables collection period has 5 days (approximately) as minimum to

collect its receivables from the purchasers but it takes 55. 23 days as maximum to collect its receivable.

The average days of generating its sales on account about 35. 67 days. In addition, the average conversion inventory period (ACIP) takes about 17. 37 days to sell all its inventory as minimum and takes 111. 78 days as maximum. The mean days to sell the inventories are 75. 12 days with standard deviation of 31. 74 days. About the APP, the firm has a minimum time 8. 33 days to pay its purchases on account and 93. 46 days as a maximum time. It takes an average 42. 35 days to pay its purchase with standard deviation of 35. 27. The cash conversion cycle (CCC) has 6. 30 days as a minimum time and maximum is 120. 94 days.

The minimum current ratio (CR) of the firm is 1. 52 and maximum is 3. 19 with the standard deviation of 0. 55%. The Natural Logarithm of size (LNS) shows minimum sales is 21. 39 and maximum is 22. 38 with the average of 21. 73. About the financial leverage is 20% as minimum and maximum is 35% with the standard deviation of 0. 55%. Surya Nepal PVT. LTD (Table 2) | ROA| ARCP| ACIP| APP| CCC| CR| FL| LNS| | | | | | | | | Mean| 0. 287| 5. 11| 191. 55| 63. 45| 133. 21| 1. 72| 0. 424| 22. 82| Standard Deviation| 0. 086| 2. 90| 21. 84| 5. 88| 19. 96| 0. 678| 0. 152| 0. 339| Minimum| 0. 178| 2. 54| 170. 51| 57. 0| 110. 72| 1. 06| 0. 255| 22. 42| Maximum| 0. 389| 9. 86| 232. 04| 73. 16| 167. 62| 2. 44| 0. 594| 23. 31| Count| 6| 6| 6| 6| 6| 6| 6| 6| an average return on assets(ROA) is just 28% which is lower than Dabur Nepal Ltd. But the minimum and maximum value of ROA exists between 17 % to 38 % and less variability comparison with Dabur Nepal Ltd. The Average receivable collection period (ARCP) is 5. 11 days approximately and lower

than Dabur. Thus, collection capacity of dabur is very strong. similarly, ACIP of Surya Nepal exist between 170. 51 days to 232. 04 days. About the average CCC of Surya Nepal is 133. 1 days which is higher than Dabur Nepal. Therefore, we can say that, cash inflow days in the Dabur Company are quicker than Surya Nepal. Moreover, an average 42% portion is existed under the total assets of the Surya firm that is higher than Dabur Company. It means, Surya Nepal takes more loans for the business. About the average size of Surya Nepal is 22. 82 that is higher than Dabur. Graph: 1 source Table 1 and 2 Let summarize the above result: a. ROA of Surya Nepal is higher that tends to the meaning of; profitability volume is good rather than Dabur Nepal Pvt. Ltd. b. Credit collection capacity is stronger of Surya Nepal Pvt.

Ltd. c. Surya Nepal Ltd. takes more time to convert the goods in raw material. d. Surya Nepal pays to supplier at delay comparison with Dabur. e. CCC of Surya is higher due to higher in ACIP and APP. 4. 1. 2. Correlation Coefficient Analysis Dabur Nepal Ltd. (Table 3) | ROA| ARCP| ACIP| APP| CCC| CR| FL| Lns| ROA| 1| | | | | | | ARCP| -0. 903| 1| | | | | | ACIP| -0. 666| 0. 537| 1| | | | | APP| -0. 074| 0. 141| 0. 705| 1| | | | CCC| -0. 927| 0. 811| 0. 446| -0. 258| 1| | | CR| 0. 835| -0. 627| -0. 888| -0. 450| -0. 6291| 1| | FL| -0. 095| 0. 285| -0. 007| -0. 152| 0. 2743| 0. 48| 1| Lns| 0. 144| -0. 172| 0. 348| 0. 609| -0. 352| -0. 203| -0. 572| 1| Surya Nepal Pvt. Ltd (Table 4) | ROA| ARCP| ACIP| APP| CCC| CR| FL| LNS| ROA| 1| | | | | | | ARCP| -0. 420| 1| | | | | | ACIP| 0. 393| -0. 174| 1| | | | | APP| -0. 359| -0. 402| 0. 441| 1| | | | CCC| -0. 263| 0. 073| 0. 939| 0. 130| 1| | | CR| -0. 892| 0. 493| -0. 443| -0. 736| -0. 196| 1| | FL| -0. 869| -0. 457| 0. 541| 0. 769| 0. 299| -0. 992| 1| LNS| 0. 958| -0. 437| 0. 569| 0. 464| 0. 423| -0. 893| 0. 902|

1| According to the Table 3 and 4, Return on Assets (ROA) has negative relationship with ARCP.

It tends to the meaning of longer the time of collection days reduces the profitability of firm. Therefore, if a firm reduces the length between sales and collection, it will increase the profitability through reinvest collections in profitable investments. Correlation results related negatively between the average conversion conversion inventories (ACIP) and ROA significantly in the case of Dabur. It means when the firm reduces the length time required converting raw material in to finished goods and then to sell those goods that lead to enhance profit.

But in the case of Surya Nepal, there is positive relationship between ARCP and ROA. It means, it should take more stock for the high profit. The average Payment Period (APP) has negatively correlation with Profitability. It means, if the both firm shorten the length time between purchases goods and payment of the value of goods, it will lead to increase profitability. There are negative relationship between cash conversion cycle (CCC) and ROA. If the firms shorten its conversion cycle as much as possible without hurting its operation, it will reflect positively on profitability.

Correlation coefficient of the size (LNS) firm is positive relationship with profitability that indicates if the firm increases its size of sales; it will lead to increase its profitability. Current ratio refers to liquidity of the firm which relates positively correlated with ROA in case of Dabur but negatively correlated with ROA in case of Surya Nepal. Generally, if the firm invests its liquidity very well, it will generate high return and as per situation there

might be required or not for holding of stocks in long term. About the Financial leverage that is negatively correlated with profitability.

It means, if the firm depends on the financial leverage as much as need, ti carry itself financial obligation such as interest payment and principal payment and then it reflects negatively on its profitability. Dabur Nepal Pvt. Ltd. (Table 5) Year| 2006| 2007| 2008| 2009| 2010| 2011| ROA| 0. 031| 0. 030| 0. 022| 0. 001| 0. 084| 0. 038| CCC| 85. 74| 86. 30| 63. 87| 120. 93| 6. 29| 47. 46| Source Table 5. Graph 2 Conclusion: According to the above finding, the increasing in the value of CCC that decreases the value of ROA. And it is proved that there is negative relationship between ROA and CCC.

Surya Nepal Pvt. Ltd Graph 3. Conclusion: In the case of Surya Nepal Pvt. Ltd, there is positive relationship between ROA anc CCC. This means to increase the profit of Surya firm then they have to increase the value of working capital component. 4. 1. 3Regression Analysis: Dabur Nepal Pvt. Ltd Table 6 Independent Variables| Model-1| Model-2| Model-3| Model-4| ARCP| -0. 001| | | | ACIP| | -0. 020| | | APP| | | -0. 0003| | CCC| | | | -0. 0004| CR| 0. 020| 0. 115| 0. 045| 0. 017| FL| -0. 021| -0. 577| -0. 178| -0. 015| Lns| 0. 014| 0. 053| 0. 008| 0. 002| Adjusted R^2| 0. 780| 0. 7| 0. 517| 0. 815| F-test| 0. 010*| 0. 01*| 0. 0051*| 0. 077**| Surya Nepal Pvt. Ltd Table 7 Independent Variables| Model-1| Model-2| Model-3| Model-4| ARCP| -0. 003| | | | ACIP| | 0. 907| | | APP| | | -0. 008| | CCC| | | | 0. 953| CR| 0. 275| 0. 360| 0. 221| 0. 275| FL| -1. 188| -1. 599| -0. 055| -1. 188| Lns| 0. 245| 0. 224| 0. 069| 0. 245| Adjusted R^2| 0. 770| 0. 67| 0. 71| 0. 79| F-test| 0. 0876**| 0. 0035*| 0. 012*| 0. 0144*| In the above table, F-test has been done at 5%=* and 10%

=**significance of level. Table 6 and 7 presents the regression result of two firms of 4 models.

According to the table 6 and 7, ARCP and ROA have negatively correlated. For the both Company if there is 1% increase in the days of collection period than less than 1% will decrease on the value of profitability. Similarly, for the both firm, liquidity ratio and size of firm is positively correlated. It means, increases in the sales that will increase the profit volume. Positive value of CR and LNS but negative value of financial leverage (FL) is accepted by all models. This means, if loan amount is increased by 1% then profit will decreased by 0. 21% in case of Dabur but more than 11% in case of Surya Nepal.

All the, result revealed that, to increase the profit, firm should decrease the loan amount. According to the Model 4 from table 6, there is negative relationship between ROA and cash conversion cycle. This means, to increase the profit, Dabur should reduce the CCC. It is also supported by the theory of higher the working capital leads to the lower of profitability. On the other hand, model 4 from table 7 reveals that there is positive relationship between ROA and CCC. This result is beyond the theory and if Surya Nepal wants to increase its profit then it should increase the Working capital.

It may the cause of poor situation of Nepalese economy, nature of business as well as less concentration onenvironmentmanagement that is leading to keep higher amount of stock. According to table 6, model 1 , 2 , 3 and 4 explained the dependent variable by independent in the portion of 78% , 77% , 51%, and 81 % respectively and remaining portion is due to other element. But in the table 7, dependent variable (ROA) is explained by

independent in the form of 77%, 67%, 71%, and 79% and remaining part is covered by other elements. CHAPTER-V CONCLUSION AND RECOMMENDATION 5. Conclusion and Recommendation

Working capital management is the same of liquidity management and its related inversely with profitability but this theory always doesn't work. Here, I have found the different relationship between the component of working capital and profitability by taking financial data of Dabur Nepal Ltd and Surya Nepal Pvt. Ltd manufacturing from 2006-2011. This study appears that there is a negative significance relationship between average receivables collection period (ARCP), average conversion inventory period (ACIP, only case for Dabur), average payment period (APP) and the profitability measures.

It is proved also a negative relationship between the cash conversion cycle (CCC) from the data of Dabur Company but it is not the result of universal fact because it is also proved that there can be a positive relationship between CCC and Profitability. The reason behind this can be the political risk, poor economy, lack of availability of raw materials and delivery of goods and services in time due to the labor union problem, increasing in supplier power, unavailability of credit facility, poor management of current assets and lack of efficient procedure and subsidy facility from government.

After this analysis, the study recommends for the firms to manage their working capital efficiently to achieve the optimal profitability. Thus, the firms can manage their working capital through reduce the length time between sell the goods and receive cash of sales, it can do that by accelerating its collections. And it also reduce the length time between convert the raw

materials into finished goods to sell these goods through. On the other hand the firms should shorten the length time between purchase goods to pay their purchases.

All these will lead to shorten the cash conversion cycle and then lead to achieve the optimal profitability. Moreover, we can't say that there will be lower profit due to higher CCC because due to the environmental factors the component of working capital can be influenced and result can go beyond the planning and objective. In the context of Nepal, where the practices of working capital management is poor and as a result firms are generating lower profit. Secondly, long procedure of raw material conversion and delay of payment also reduces the profit of firm.

It can be the one cause of Positive relationship between CCC and profitability in case of Surya Nepal Pvt. Ltd. Therefore, reduction of working capital is not only best solution because environment analysis is also important factor. References: Amit, K. Malik, Debashish Sur and Debdas Rakshit (2005). Working Capital and Profitability: A Study on their Relationship with Reference to Selected Companies in Indian Pharmaceutical Industry, GITAM Journal of Management. 3: 51-62. Deloof M (2003). “ Does Working Capital Management Affect Profitability of Belgian Firms? J. Bus. Financ. Account. , 30(314): 573-587. Dr. S. , Ray “ Evaluating the Impact of Working Capital Management Components on Corporate Profitability: Evidence from Indian Manufacturing Firms” 2012 Eljelly, A. M. (2004). Liquidity –Profitability Tradeoff: An Empirical Investigation In An Emerging Market, International Journal Commerce and Management. 14(2), 48-61. J. , Desai ; N. , A. Joshi, “ Effect of Working Capital Management on Profitability of Firms in India”

March 2, 2011 ; http://papers. ssrn. com/sol3/papers. cfm? bstract_id= 1774686; Lazaradiz, I and Tryfonidis, D. (2006). Relationship Between Working Capital Management And Profitability Of Listed Firms In the Athens Stock Exchange, Journal of Financial Management and Analysis. 19(1), 26-35. Mukhopadhyay, D (2004), Working Capital Management in Heavy Engineering Firms- ACase Study, myicwai. com. knowledge/fm48. Raheman, A. , ; Nasr, M. (2007). Working Capital Management And Profitability – Case Of Pakistani Firms. International Review of Business Research papers, 3(1), 279 – 300.

Scherr, F. C. (1989). Modern Working Capital Management, Text and Cases. Englewood Cliffs, New Jersey: Prentice-Hall International Editions. Sur, D. , Biswas and Ganguly, P (2001). Liquidity Management in Indiaan Private Sector Enterprises: A case Study of Indian Primary Aluminium Producing Industry, Indian Journal of Accounting. June: 8-14. Shin, H, H and Soenen, L. (1998). Efficiency of working Capital Management and Corporate Profitability, Financial Practice and Education8 (2), 37-45.