Internship Report
On
Working Capital Management System of Rupkotha Impex Ltd.

<u>Submitted to</u>:

Mahbub Parvez
Associate Professor
Faculty of Business & Entrepreneurship
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<u>Submitted by</u>:

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Date of Submission: 28/11/2018

Letter of Transmittal

Date: 28-11-2018
To
Mahbub Parvez
Associate Professor
Faculty of Business & Entrepreneurship
Daffodil International University

Subject: Submission of internship report titled 'Working Capital Management system of Rupkotha Impex Limited.

Dear Sir
This is my pleasure to submit my internship report on "**Working Capital Management system of Rupkotha Impex Limited".** It was a great opportunity for me to acquire knowledge and practical experience regarding the functions, procedures, and operational mechanism of a commercial bank based on Islamic banking principle while working in **Rupkotha Impex Limited**. I have tried hard to fulfill your expectations by sharing details of each and every topic and avoiding unnecessary amplification of the topics.
Therefore, I will be very much glad to hear from you for further clarification.
Sincerely yours,

…………………………..
Md Nazim Khan
ID: 161-14-1992
Major in finance
MBA Program
Department of Business Administration
Faculty of Business and Economics
Daffodil International University

Certificate of Approval

This is to certify that Md Nazim Khan, ID No:161-14-192 program: MBA, Batch-43th, is a student of the Master of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University. He has completed his internship report under my supervision. The topic of the report is "Working Capital Management system of Rupktha Impex Ltd."

I wish his every success in life.

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Mahbub Parvez
Associate Professor
Faculty of Business & Entrepreneurship
Daffodil International University

Acknowledgment

It was a great pleasure to prepare internship report on the “**Working Capital Management system of Rupkotha Impex Limited”** I would like to express thanks and convey my gratitude to my honorable supervisor, **Mahbub Parvez, Associate Professor, Daffodil International University**, for letting me to prepare this report and I would like to express my sincere appreciation to him for his whole hearted support and guidance.
I am deeply thankful to **Enamul Karim Sujon,** Managing Director Rupkotha Impex Ltd for providing me lot of support to start my Internship program at **Rupkotha Impex Limited**. And I want to give a lot of thanks to him for his help and support.

I want to give special thanks to M. Amanur rahman AGM Accounts and admin department for guidance and necessary Information for preparing the report. They are very helpful and supportive. Every time they gave me inspiration to learn the new thing.

Lastly, I am also thankful to each and every person who helped me every way they could.

…………………………………………..
Md Nazim Khan
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Executive Summary

The internship report is on “**Working Capital Management system of Rupkotha Impex Limited**. The report analysis the product and services of Account’s Department of **Rupkotha Impex Limited**.

Rupkotha Impex Limited Is an International Trading and Import, Export house since 2000 Doing indenting & import, export, distribution business having agency agreement with world renowned suppliers. We have experienced sales forces in respective field, which are quite capable enough to promote any new product of new suppliers. We just need our partners to give us whole hearted support in our marketing effort. The company’s management had a long vision prior to start business desired to go for the name as Rupkotha Impex Limited.

Rupkotha Impex is globally recognized as trusted Import, Export and Supplier base company, directly involved with import, export, indenting, distribution, supply etc. This company established in 2000 in the name of mansion impex bd after that from 2008 newly start in the name of Rupkotha Impex. We have a group of professional talents in the world of Marketing, Sales, distribution etc.

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Chapter - 1:
Introduction

1.1 Working Capital:

Working capital is a common measure of a company's liquidity, efficiency, and overall health. Because it includes cash, inventory, accounts receivable, accounts payable, the portion of debt due within one year, and other short-term accounts, a company's working capital reflects the results of a multitude of company activities, including inventory management, debt management, revenue collection, and payments to suppliers.

1.2 Working Capital Management:

Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The primary purpose of working capital management is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

1.3 Why Working Capital Management:

When a company does not have enough working capital to cover its obligations, financial insolvency can result and lead to legal troubles, liquidation of assets and potential bankruptcy. Thus, it is vital to all businesses to have adequate management of working capital.

Working capital management is essentially an accounting strategy with a focus on the maintenance of a sufficient balance between a company’s current assets and liabilities. An effective working capital management system allows businesses to not only cover their financial obligations, but it is also a way to help companies boost their earnings. Managing working capital means managing inventories, cash, accounts payable and accounts receivable. An efficient working capital management system often uses key performance ratios, such as the working capital ratio, the inventory turnover ratio and the collection ratio, to help identify areas that require focus in order to maintain liquidity and profitability

1.4 What is intended:

It indicates whether a company is able to pay off its short-term liabilities almost immediately or not

Helps to maintain optimum level of leverage

A significant use of working capital is inventory. The longer inventory sits on the shelf or in the warehouse, the longer the company's working capital is tied up in inventory.

Point out the level and timing of a company's cash flows which is most important for any company.

To understand that the timing of asset purchases, payment and collection policies Capital-raising efforts of the company that can generate different working capital needs for similar companies.

1.5 Background of the Study

The MBA program is designed to focus on theoretical and professional development of people that they can take up the business as a profession and can do success in their career. For this reason the student have to complete the internship course and prepared a report on internship work. I have prepared this report on "**Working capital management system of Rupkotha Impex Limited**" based on the Internship experiences on **Rupkotha Impex Limited**. This study is an exploratory research in nature and especially I tried to focus the internal operational activities of the organization

1.6 Objectives of the Study:

The **primary objective** of the report is to understand the working capital management system of Rupkotha Impex Ltd and the effect of working capital indicators in the performance of the Company.

Specific objectives are

- To Gain knowledge & understand the basic assumption of working capital
- To understand the management of working capital in terms of their key indicators of the company.
- To understand different ratios like Days Sales Outstanding, Days Inventory Held, Operating Cycle, Cash Conversion Cycle etc.
- To know about the Implication of the ratios on the company's overall performance
- To understand from which sources are firm financing their current Asset to meet up the liability.
- To understand the inventory management, the aggregate liquidity and the cash conversion cycle to illustrate the working capital management of the industry.

1.7 Methodology:

To prepare the report in an efficient and understandable manner, the methodology used to analyze the performance effectiveness of the working capital management system of Rupkotha Impex Ltd. using various measures of working capital from 2011 to 2016. Working capital measures they include the debt collection period, the average payment period, the cash conversion cycle of the billing performed. The performance of the business measured and represented by the two most important ratios, namely, the return on equity and the return on total assets. The relationship between performance and working capital parameters is also illustrated by a multivariate regression in the report.

1.8 Data Sources:

1. Primary Sources:

- Officers;
- Managing director of Rpkotha Impex Limited

2. Secondary Sources:

- Annual reports of **Rupkotha Impex Limited**
- Book-Internship program for the students of different universities
- Internet search Information kept by Managing Director, operations manager in their own files.

1.9 Limitation of the study:

We could not gather so many information as we wanted to, because shortage of information available of the company. As a result it was not possible to cover all aspects related to the subject matter. But whatever the information we used or collected is genuine. Lack of experiences has acted as constraints in the way of meticulous exploration on the topic. Being a member of the organization; it was not possible on my part to express some of the sensitive issues.

Chapter - 2:
About The Company

2.1 Management Aspect:
Name of the Company: Rupkotha Impex Limited
Industry: Export, Import & Trading
Chairman: Ahmed Faizur Rahman
CEO and Managing Director: Enamul Kabir Sujan
Establishment: It was established in 2000
- Rupkotha Impex Limited

2.2 History of Rupkotha Impex Ltd.:

Rupkotha Impex Limited Is an International Trading and Import, Export house since 2000 Doing indenting & import, export, distribution business having agency agreement with world renowned suppliers. We have experienced sales forces in respective field, which are quite capable enough to promote any new product of new suppliers. We just need our partners to give us whole hearted support in our marketing effort. The company's management had a long vision prior to start business desired to go for the name as Rupkotha Impex Limited.

Rupkotha Impex is globally recognized as trusted Import, Export and Supplier base company, directly involved with import, export, indenting, distribution, supply etc. This company established in 2000 in the name of mansion impex bd after that from 2008 newly start in the name of Rupkotha Impex. We have a group of professional talents in the world of Marketing, Sales, distribution etc.

2.3 Mission:

Rupkotha Impex‟s mission is to enrich the quality of life of people through responsible application of knowledge, skills and technology. Rupkotha Impex is committed to the pursuit of excellence through world-class products, innovative processes and empowered employees to provide the highest level of satisfaction to its customers.

2.4 Vision:

- Provide products and services of high and consistent quality, ensuring value for money to our customers.
- Endeavour to attain a position of leadership in each category of our businesses.
- Develop our employees by encouraging empowerment and rewarding innovation.
- Promote an environment for learning and personal growth.

- Attain a high level of productivity in all our operations through effective utilization of resources and adoption of appropriate technology.
- Promote inclusive growth by encouraging and assisting our distributors and suppliers in improving efficiency.

- Ensure superior return on investment through judicious use of resources and efficient operations, utilizing our core competencies.

2.5 Organization Hierarchy:

Board of Directors of Rupkotha Impex Ltd.

DESIGNATION	NAME
Chair person	Ahmed Faizur Rahman
Vice Chairperson	Syed Mohammad Ali
Directors	MD Zahirul Islam MD Rukonuzzaman M. Amanur Rahman MD Shameem Hasan
Managing Director	Enamul Kabir Sujan

2.6 Departments and Functions:

To meet the objectives of the organization, it is divided into different segments known as department. Every department has its own set of functions, which are described sequentially-

Corporate:

Rupkotha Impex Ltd. corporate division has made significant alliance with local corporate companies, large corporate houses. This was made possible by strong customer orientation, innovative product offerings and superior service delivery. Progressively, the division has also widened its geographical coverage

Accounts & Admin:

Keeps record of all financial transactions. Taking cheques from different departments and clear it. This department finally sends all information to corporate office for preparation of financial statements.

Finance& Accounts:

Function of this department is planning and distribution of business asset and its art of recording and reporting financial transaction. It is required for an organization to know the financial condition of an organization and how they can invest minimizing the risk. Moreover, Shareholders also interested to go through the financial report before buying share of Rupkotha Impex limited; Detail function of the department is described below-

a) Quarterly financial report to shareholder.
b) Annual financial report to shareholder and investor.
c) Monthly financial performance analysis.
d) Division and branch wise financial statement and analysis.
e) Preparing Annual budget (overall)
f) Bank reconciliation; mismatch of cash or entry (checking whether any of the cash or entry is missing)
g) Monthly rolling forecast; full year profit analysis.
h) Long time forecasting; next 5 years Balance sheet projection.

Marketing:

In general view point to acknowledge the consumer about the utility of the product or service and further influence to buy the product is the main function of Marketing. Moreover, this department is involved in promoting the values of the company through different social works and media publications. Details of the functions are as bellow-

a) Maintain continuous communication with press.
b) Creating Basic advertisement, tvc, billboard to match the goals of organization's
c) Platform building; communicating the brand to people.
d) External and internal linking through website.
e) Internal marketing.

f) Managing family day
g) Employee satisfaction
h) Event management, Fair management along with logistic and all other arrangement.
i) Making new strategy for promoting new product

2.7 Values:

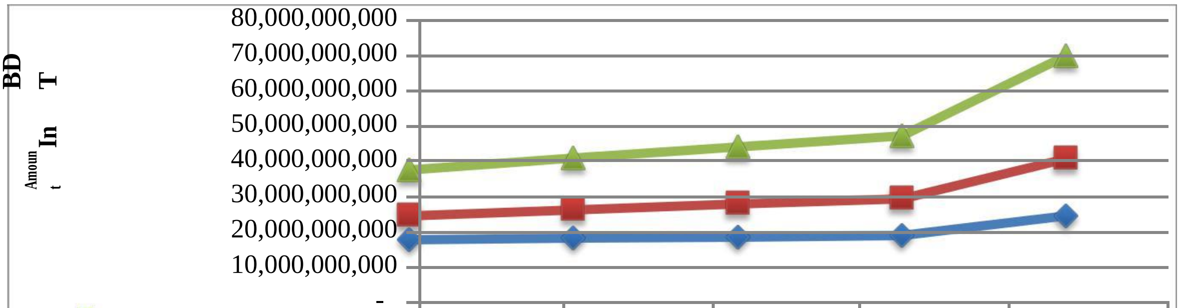
- Quality
- Customer Focus
- Fairness
- Transparency
- Continuous Improvement
- Innovation

2.8 Products & Services:

- Castrol Knitting oil
- Castrol Tribol BW 22
- Rupkotha Music
- Myshop.com.bd
- Bdstar24.com
- BHROMON.com

2.9Financial Performance:

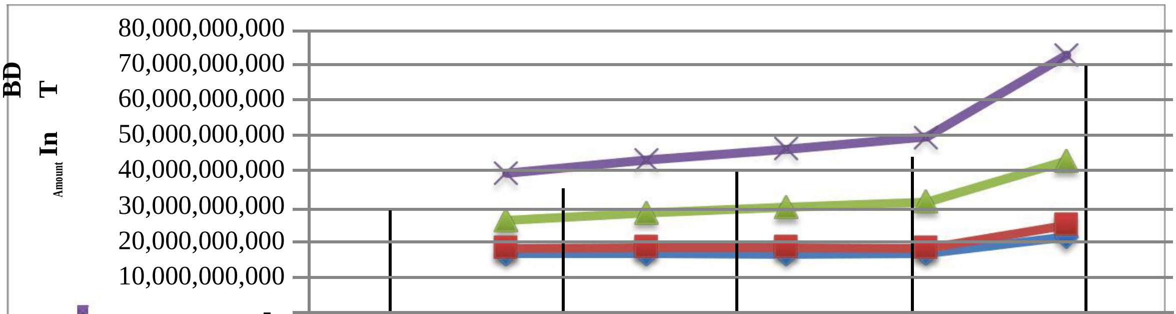
Overview of Assets of Rupkotha Impex Ltd.:



	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Total Liabilities & Shareholders Equity	16,075,870,945	18,134,878,997	20,051,669,744	22,009,047,332	36,069,556,176
Current Liabilities	9,606,976,372	11,783,117,304	13,698,757,058	15,945,796,641	22,115,406,199
Non Current Liabilities	1,780,536,322	2,196,381,211	2,312,497,899	1,789,051,946	4,108,261,376
Shareholders' Equity	4,194,087,869	4,155,380,482	4,040,414,787	4,274,198,745	9,845,888,601

Fianancial Year

Overview of Liabilities and Equity of Rupkotha Impex Ltd.



	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Total Assets	16,075,870,9	18,134,878,9	20,051,669,7	22,009,047,3	36,069,556,1
Current Assets:	8,485,700,40	9,927,388,37	11,494,582,2	12,926,269,9	20,189,582,3
Non Current Assets	7,590,170,53	8,207,490,61	8,557,087,50	9,082,777,41	15,879,973,8

Financial Year

2.10 SWOT Analysis

<u>Strengths</u> ***Strong corporate identity** ***Strong employees bonding& belongingness** ***Efficient performance** ***Empowered work forces** ***Strict adherence to compliance standard** ***Modern equipment & technology** *** Fully owned IT** ***Goodwill**	**<u>Weaknesses</u>** *** More innovative services must be offered** ***Low paid up capital** *** Limited scope of investment.**
<u>Opportunities</u> ***Countrywide network** ***Huge market** ***Market Growth** ***Little chance of getting information by other organizations**	**<u>Threats</u>** ***New Trading organization** ***Rivalry of existing competitor** ***Similar services are offer by many organization** ***Industrial Downward**

Chapter – 3:
Working Capital Management system of Rupkotha Impex Ltd.

3.1 Components of Working Capital

Components of Non Current Assets:

Property, Plant and Equipment

Capital work in progress

Investment in Subsidiary

Investment in long term assets

Intangible assets

Other Investment

Other Assets

Components of Current Assets:

Inventories

Trade Debtors & Other Receivables

Advance, Deposits and Prepayments

Cash and Cash equivalents

Others Receivable

Advance Income Tax

Inter-company receivables

Components of Shareholders' Equity:

Share Capital

Share Premium

General Reserve

Revaluation Reserve

Capital Reserve

Other Reserve and surplus

Retained Earnings

Minority Interest

Non Controlling Interest

Components of Non Current Liabilities:

Long term loans secured

Deferred tax liability

Liability for gratuity & WPPF

Other Liabilities

Components of Current Liabilities:

Creditors for goods

Short term borrowing

Bank Overdraft

Income Tax Payable

Liabilities for other finance

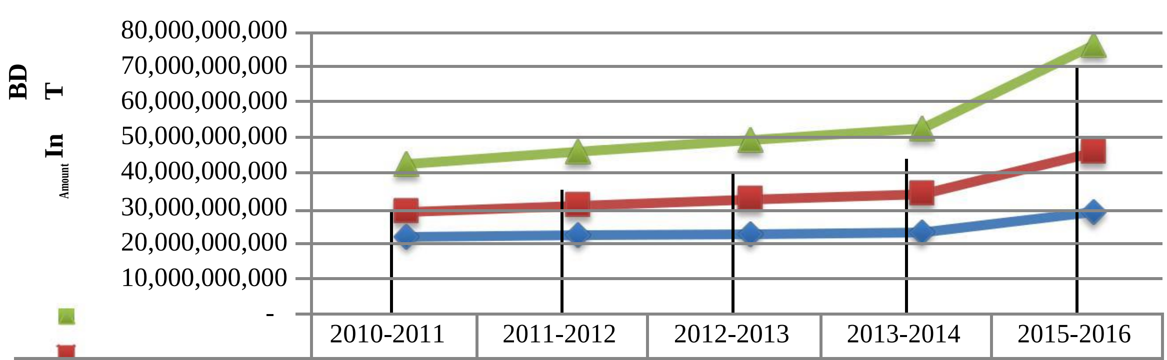
Long term borrowings Current maturity

Payable to Holding Company

Lease Finance Current Maturity

Others Liabilities

3.2 Overview of Assets of Rupkotha Impex Ltd.:



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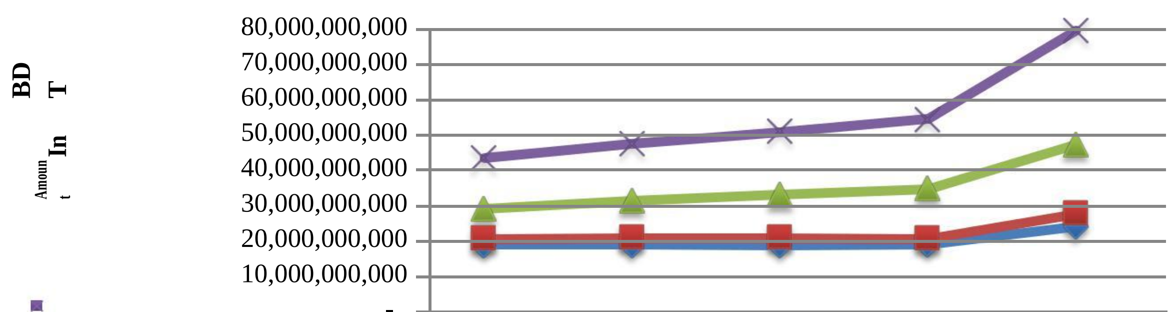
Non Current Assets	7,590,170,53	8,207,490,61	8,557,087,50	9,082,777,41	15,879,973,8

Fianancial Year

Interpretation: Level of the assets is in stable increasing trend till year 2013-2014 that indicates the company is expanding their existing capacity by investing in Equipment and plant through year by year that is a positive signaling. But in year 2015-2016 it increased by more than 50%. There is a reason behind the fluctuation that is the change in Income tax ordinance as the manufacturing company has to maintain its account from July to June. That's why the financial statement includes 18 months data. If we do average the data for 12 month then the growth rate will be smooth. The company invests most of its fund into its current assets rather than noncurrent assets.

3.3 Overview of Liabilities and Equity of Rupkotha Impex Ltd.



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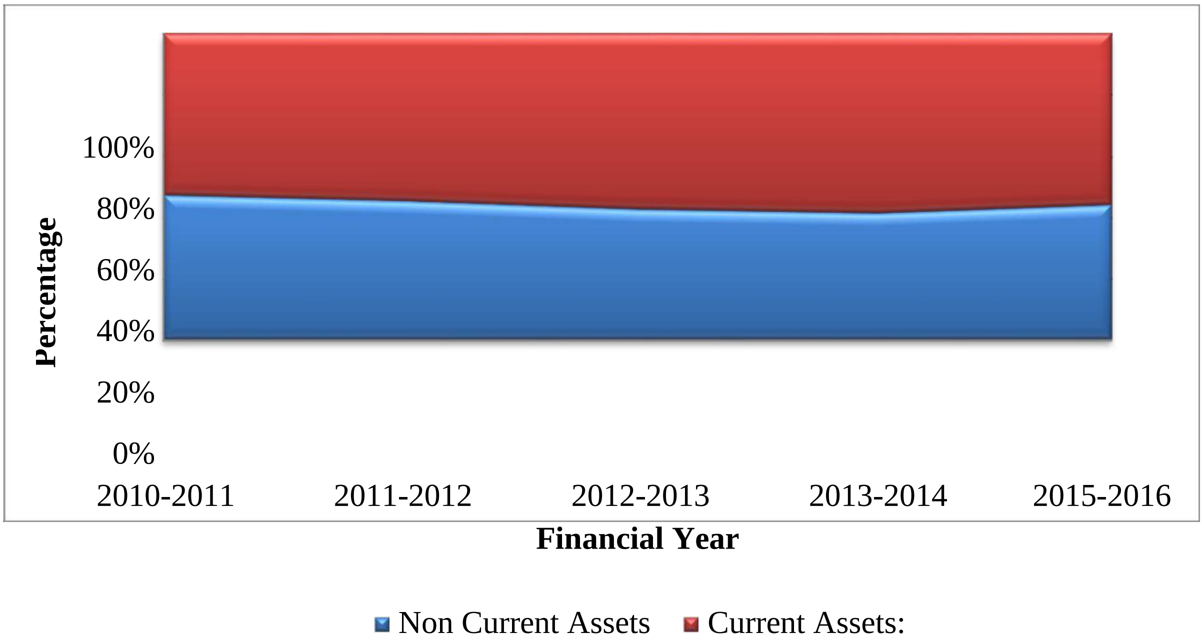
Shareholders' Equity	4,194,087,869	4,155,380,482	4,040,414,787	4,274,198,745	9,845,888,601

Financial Year

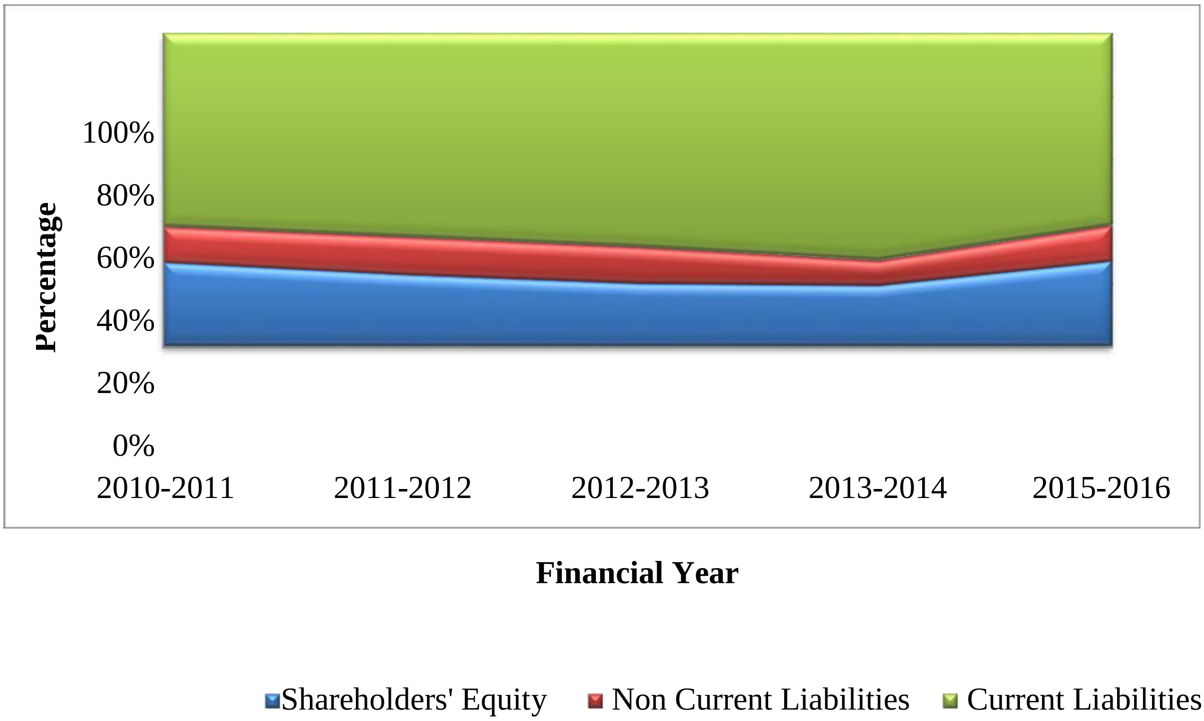
Interpretation: Sources of funds are also increasing in same pattern with the investment in assets level that reveal the firm is trying to main stability between its financing sources. The abnormality in year 2015-2016 is also for the q8 month data

3.4 Investment in Different Assets:



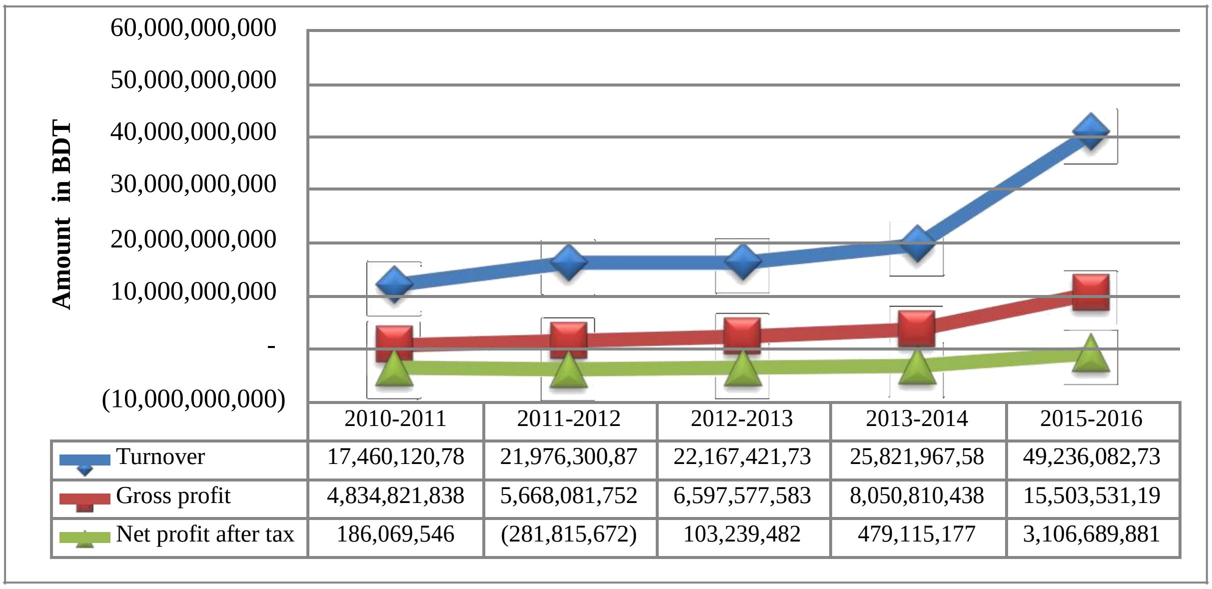
Interpretation: Most of the investments in assets are made on the currents assets which are more than 50% to year 2010-2012. In the year 2013 the investment in noncurrent assets is low because the firm initiated more investment in inventories because of high demand and for this the investment in account receivables also increase which boast of the level of current assets.

Financing Strategy:



Interpretation: From the year 2011 Rupkotha Impex Ltd. use more than 60% short term source of fund that covered Current assets and also Noncurrent assets. That's why it clearly said that the firm use aggressive financing strategy to finance its assets which helped them to boast the profitability because the interest rate charge for the short term source is lower than long term sources. And the year 2013-2014 the firm was more aggressive which could introduce cash stock out situation that is considered as risk for the firm.

3.5 Overview of Turnover, Gross Profit and Net profit after tax:



	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Turnover	17,460,120,78	21,976,300,87	22,167,421,73	25,821,967,58	49,236,082,73
Gross profit	4,834,821,838	5,668,081,752	6,597,577,583	8,050,810,438	15,503,531,19
Net profit after tax	186,069,546	(281,815,672)	103,239,482	479,115,177	3,106,689,881

Financial Year

Interpretation: Gross profit and net profit is smoothly move with the turnover through year by year except the year 2011-2012 which indicates the firm is good in terms of profitability. But in the year 2011-2012 the net profit was negative rather the turnover was significantly increased. The reason behind that the Cost of raw material was high because of devaluation of BDT as significant amount of raw materials were imported from abroad. Moreover the provision for tax was stable as previous that also forced to reduce Net profit.

Ratio Analysis:

Ratio analysis is the calculation and comparison of ratios which are derived from the information in a company's financial statements. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment. To evaluate a firm's financial condition and performance, the financial analyst usually performs analysis on various aspects to find out the financial health of the firm; among which ratio analysis is one of the most important and commonly used methods. In this study various ratio analyses will be done to understand the financial condition of the company and to compare this condition with its rival firm. The financial ratios can be analyzed based on three criteria:

- **Benchmark Analysis:** A benchmark is a point of reference with which the financial ratios of the specific company can be compared. For example, the current ratio of 2:1 is considered to be ideal for a company and it is assumed to be the benchmark.

- **Time Series Analysis:** It involves comparing a present ratio with past and expected future ratios for the company. For instance, the current ratio (the ratio of current assets to current liabilities) for the present year could be compared with the current ratio for the previous years. When financial ratios are arranged over a period of years, the analyst can study the composition of change and determine whether there has been an improvement or deterioration in the firm's financial condition and performance over time.

- **Cross Section Analysis:** The third method of comparison involves comparing the ratios of one with those of similar firms or with industry averages at the same point in time. Such a comparison gives insight into the relative financial condition and performance of the firm. It also helps us to identify any significant deviation from any applicable industry average.

In this report, ratios of the company named Rupkotha Impex Limited is calculated and analyzed based on time series analysis.

3.7 Liquidity Ratio:

A liquid asset is one that can be easily converted to cash without significant loss of its original value. Liquidity or Short Term Solvency ratios are used to determine a company's ability to pay off its short-terms debts obligations. The higher the value of the ratios, the larger will be the margin of safety that the company possesses to cover short-term debts. It shows the relationship of a firm's cash and other current assets to its current liabilities. Different types of liquidity ratios are discussed below.

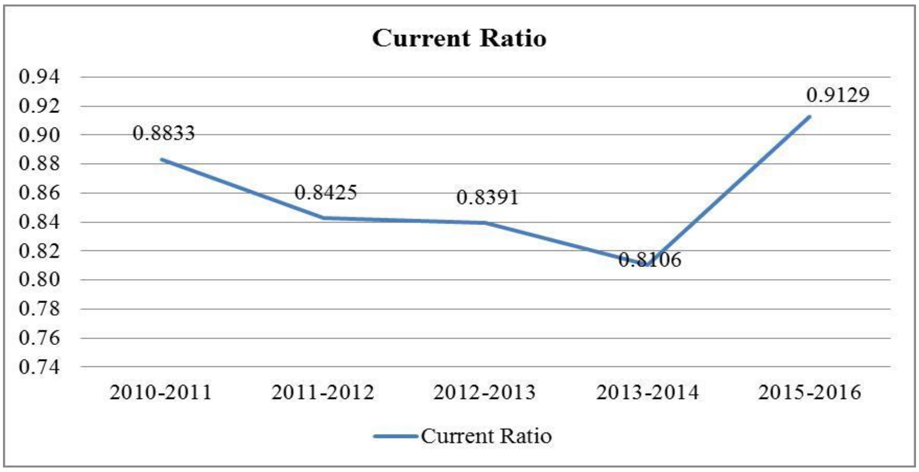
3.8 Current Ratio

Current Ratio is the ratio of current assets to current liabilities. The current ratio indicates the Ability of a company to pay its current liabilities from current assets that shows the strength of the company's working capital position. Current ratio of 2:1 is considered to be a healthy condition for most business organization. The ratio is calculated as follows:

Current Ratio = Current Assets / Current Liabilities

The following table shows the current ratio data of the year between 2010 from 2016 -

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Current ratio	0.8833	0.8425	0.8391	0.8106	0.9129



Interpretation: The higher the Current Ratio the higher the ability to pay the Short term obligations. From the figure we can understand that Rupkotha Impex Limited's Current ratio has been improved after contentious decrease in last three years. So this firm's ability to pay short term obligations has been improved in 2015-2016.

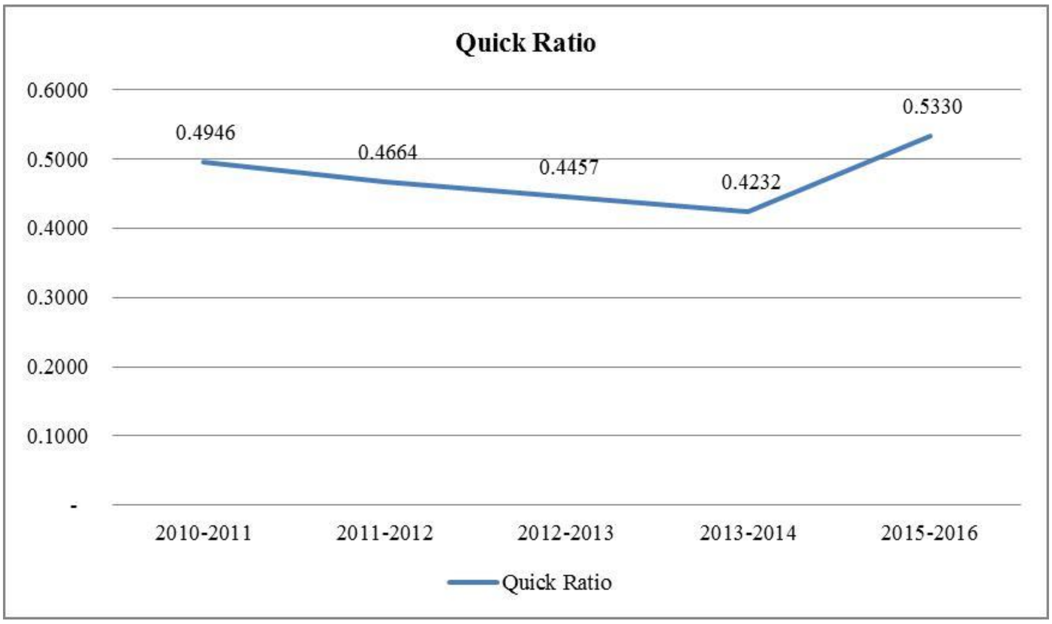
3.9 Quick Ratio:

The Quick ratio or acid-test measures a company's ability to meet its short-term obligations with its most liquid assets. Inventories typically are the least liquid of a firm's current assets and they are the assets on which require more time to be sold and losses are most likely to occur in the event of liquidation. Therefore, it is important to measure the firm's ability to pay off short term obligations without having to rely on the sale of inventories. Quick ratio of 1:1 is considered to be a healthy condition for most businesses. It is calculated as follows.

Quick Ratio= (Current Assets- Inventories)/ Current Liabilities

The following table shows the Quick ratio data of the year between 2010 from 2016 –

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Quick Ratio	0.4946	0.4664	0.4457	0.4232	0.5330



Interpretation: Compared to the benchmark of quick ratio 1:1 is ideal for a company. Like current ratio Firm's Quick ratio has also been improved in 2015-2106 after contentious decrease in last three years. This is good news. The quick ratio measures the dollar amount of liquid assets available for each dollar of current liabilities. So a quick ratio of 0.533 means that a company has Taka 0.533 of liquid assets available to cover each Taka 1 of current liabilities. Higher the quick ratio, better the company's liquidity position.

3.10 Asset Management Ratio:

A set of ratios that measure how effectively a firm manages its assets compared to its sales. These ratios are designed to find out whether the total amount of each type of asset as reported on the balance sheet appear reasonable, too high, or too low considering current and projected sales levels. Asset Management Ratio is done based on inventory turnover ratio, day's sales outstanding and fixed asset and total asset turnover ratio.

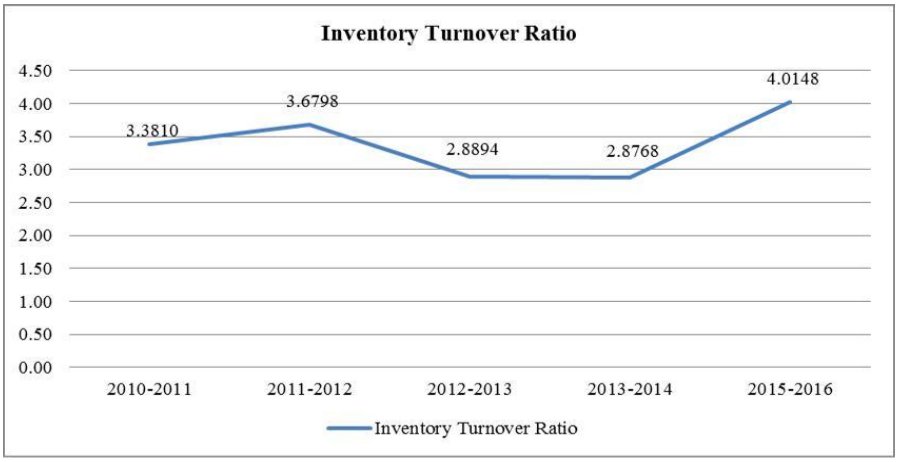
Inventory Turnover Ratio:

Inventory Turnover Ratio tells how often a business's inventory turns over during the course of the year. Inventories are the least liquid form of asset and a high inventory turnover ratio is generally positive. On the other hand, an unusually high ratio compared to the average for the industry could mean that the business is losing sales because of inadequate stock on hand. The ratio is calculated as follows:

Inventory turnover ratio= Cost of goods sold /Inventories

The following table shows the Inventory turnover ratio data of the year between 2010 from 2016 -

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Inventory turnover Ratio	3.3810	3.6798	2.8894	2.8768	4.0148



Interpretation: Inventory turnover measures how fast a company is selling inventory and is generally compared against industry averages. The higher the Inventory turnover ratio the better the firm's efficiency in inventory management is. In 2010-2011 firm can turn its inventory 3.38 times into sales. In 2015-2016 turnover increased to 4.01 times which indicates firm performs better than previous years.

Days Sales Outstanding Ratio:

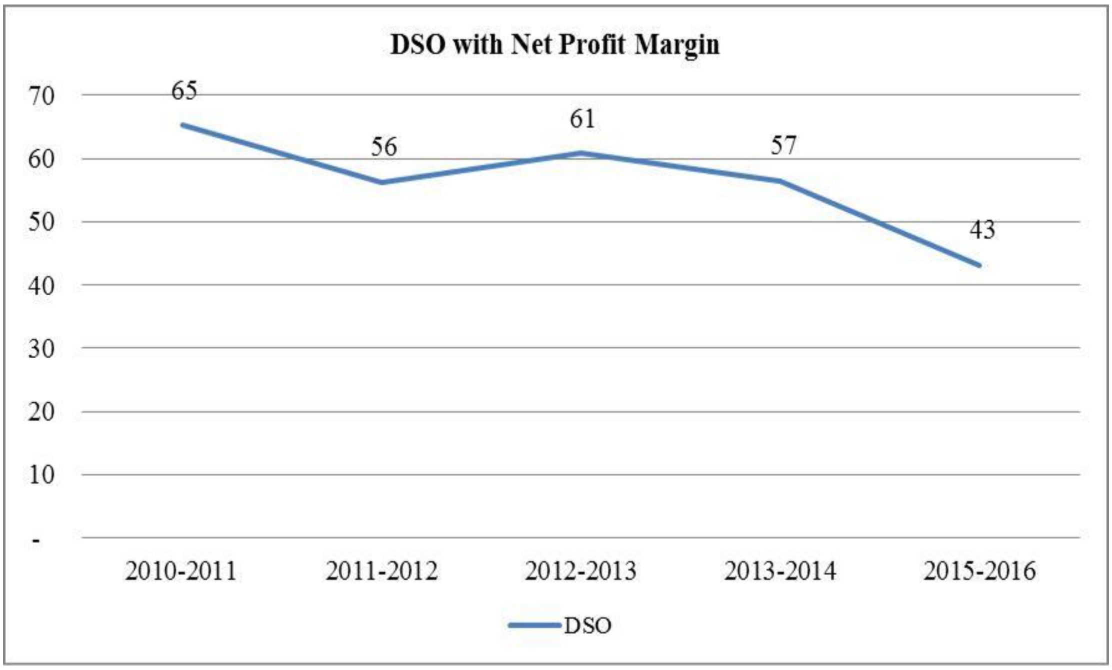
DSO is called the average collection period, is used to evaluate the firm's ability to collect its credit sales in a timely manner. It is calculated by dividing accounts receivable by average sales per day which indicates the average length of time it takes the firm to collect its credit sales. DSO is calculated as follows:

Days Sales Outstanding (DSO) =Receivables/Average sales per day

= Receivables/ [Annual sales/360]

The following table shows the DSO ratio data of the year between 2010 from 2016 -

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
DSO	65.21	56.27	60.77	56.51	43.13



Interpretation: From graph we can see that DSO of Rupkotha Impex Limited decreased from 2010-2011 to 2015-2016., which is good news. A low DSO value means that it takes a company fewer days to collect its accounts receivable. A high DSO number shows that a company is selling its product to customers on credit and taking longer to collect money.

3.11 Debt Management Ratio:

Debt Management ratios help to evaluate a company's long-term solvency measuring the extent to which the company is using long-term debt. This ratio reflects how effectively a firm is managing its debts. It helps the analyst to determine the extent to which borrowed funds have been used to finance assets and review how well operating profits can cover fixed charges such as interest.

Debt Ratio:

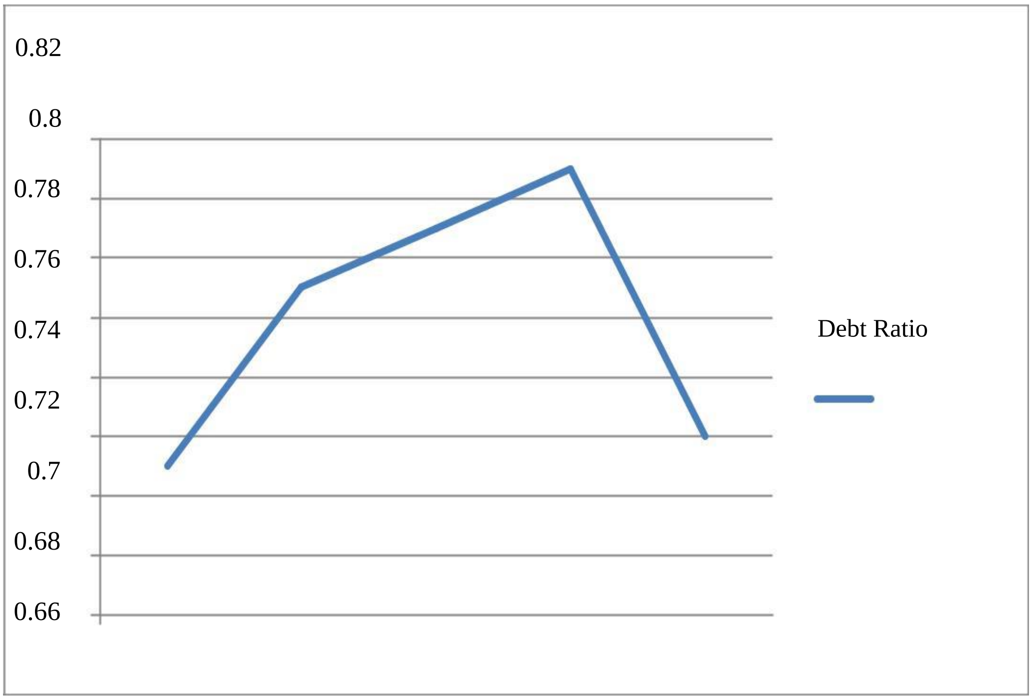
The debt ratio indicates how much of a company's assets are provided through debt or the percentage of the firm’s assets financed by creditors. Total debt includes both current liabilities and long term liabilities. Creditors prefer low debt ratios, because the lower the ratio, the greater the cushion against creditor’s losses in the event of liquidation. The owners on the other hand can benefit from leverage because it magnifies earnings, and thus the return to stockholder. But, too much debt often leads to financial difficulty, which eventually might cause bankruptcy. It is calculated as follows:

Debt Ratio= Total Debt/ Total Assets

The following table shows the Debt ratio data of the year between 2010 from 2016 -

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Debt Ratio	0.71	0.77	0.79	0.81	0.72

Debt Ratio



2010-2011 2011-2012 2012-2013 2013-
2014 2015-2016

3.12 Profitability Ratio:

A group of ratios that show the combined effect of liquidity, asset management, and debt management on operating results .It is the net result of a number of policies and decisions.

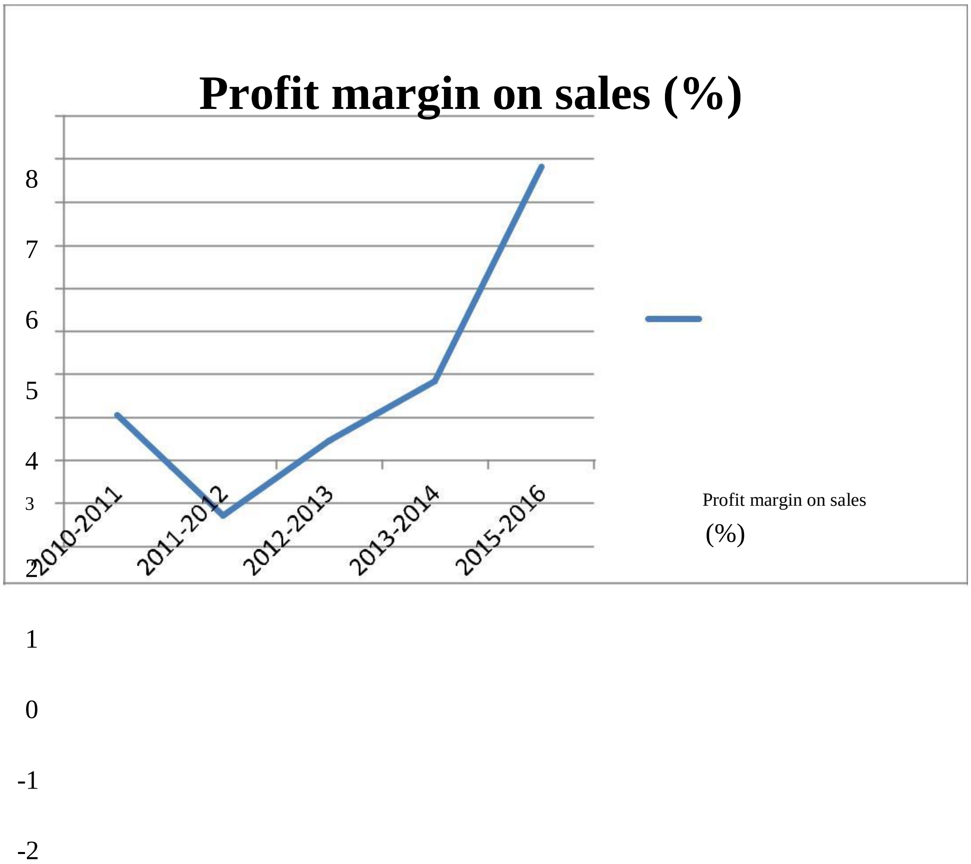
Profit Margin on Sales:

Profit Margin is the ratio measures net income per dollar of sales and is calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. Profit margin is displayed as a percentage; a 20% profit margin, for example, means the company has a net income of $0.20 for each dollar of sales. It is calculated as follows:

Profit margin on sales = Net Income/ Sales

The following table shows the Profit Margin ratio data of the year between 2010 from 2016 –

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Profit margin on sales (%)	1.06	-1.28	0.47	1.85	6.83



The Profit margin ratio increases from year 2011 to 2016, which is good news and indicates a more profitable company that has better control over its costs compared to its competitors.

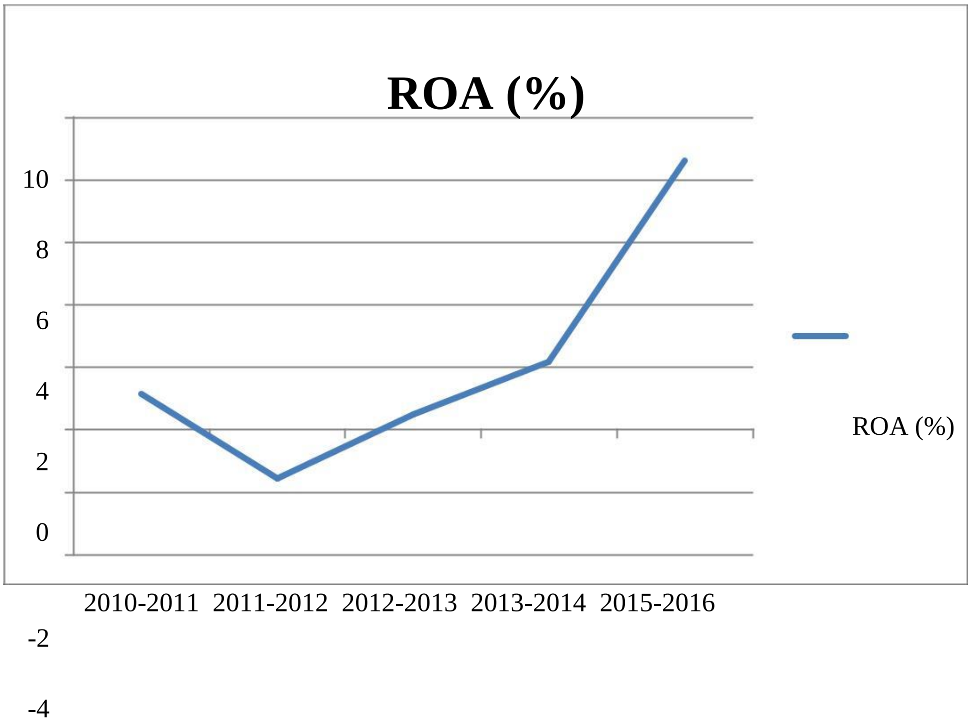
Return on Asset (ROA):

Return on Asset (ROA) is an indicator of a company which deals with profit relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings. It is calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment". The ROA after interest and taxes are computed as follows:

Return on Asset (ROA) = Net Income / Total Assets

The following table shows the ROA ratio data of the year between 2010 from 2016 -

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
ROA (%)	1.16	-1.55	0.51	2.18	8.61



Interpretation: The ROA ratio increases from year 2011 to 2016 which is good news. The higher the ROA number, the better, because the company is earning more money on less investment.

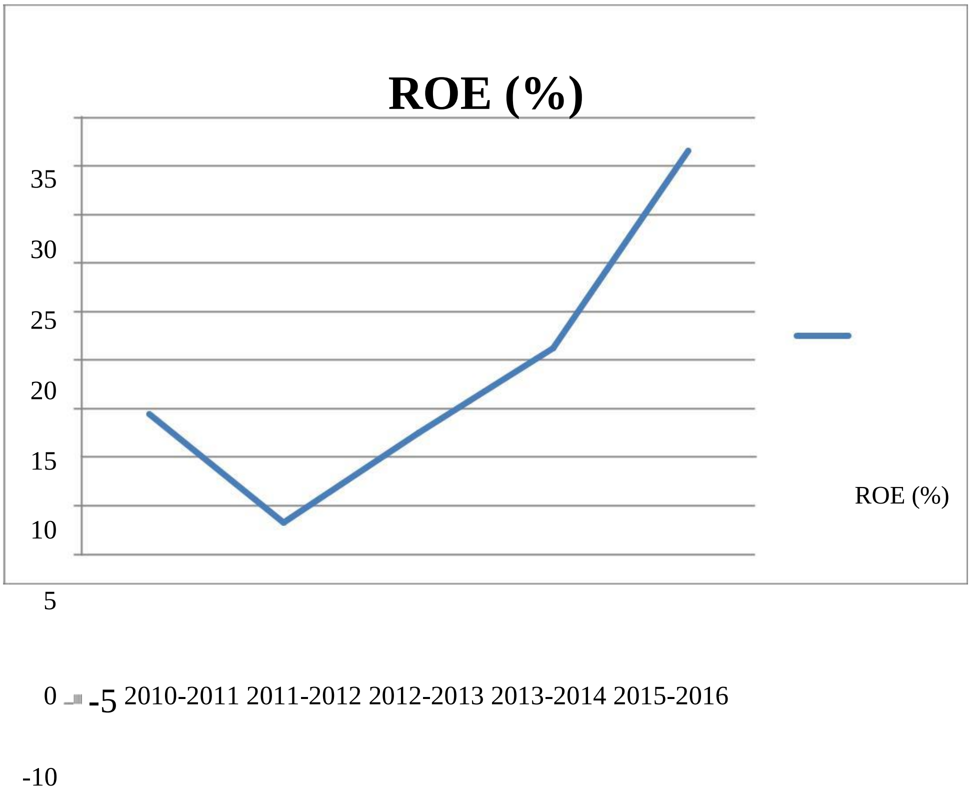
Return on Equity (ROE):

Return on Equity (ROE) measures the rate of return on common stockholders' equity. It measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. The return on equity (ROE) is measured as follows:

Return on Equity (ROE) = Net income / Total Shareholders' Equity

The following table shows the ROE ratio data of the year between 2010 from 2016 -

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
ROE (%)	4.44	-6.78	2.56	11.21	31.55



Interpretation: The ROE ratio increases from year 2011 to 2016, which is good news. The higher the ROE number, the better, because the company generates more profit with the money shareholders have invested.

Market Value Ratio:

This is a set of ratio that relates the firm’s stock price to its earnings and book value per share. These ratios give management an indication of what investors think of the company’s past performance and future prospect. If the firm’s liquidity, asset management, debt management, and profitability ratios are all good then market value ratios will be high which will lead to an increase in the stock price of the company.

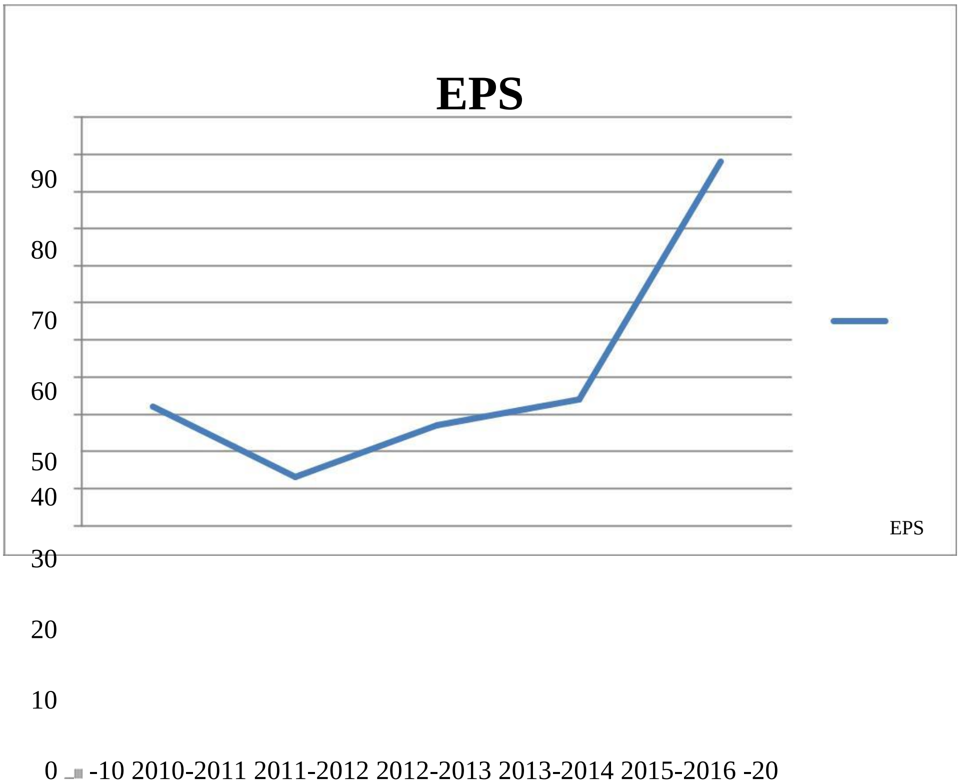
Earnings per Share

Earnings per Share (EPS) are the portion of a company's profit allocated to each outstanding share of common stock. It serves as an indicator of a company's profitability. It is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. It is calculated as follows:

EPS = Net Income/ Number of Shares Outstanding

The following table shows the EPS data of the year between 2010 from 2016 -

Year	**2010-2011**	**2011-2012**	**2012-2013**	**2013-2014**	**2015-2016**
EPS	12.11	-6.98	7.13	13.93	77.99



Interpretation: EPS of Rupkotha Impex Limited has been increasing at healthy rate over the years. This is good news because this will help to attract the investors and thus the company can collect more money from stock market.

Prediction of Distress and Turnaround:

Models for distress prediction: Several models to predict distress have been developed over the years. One of the more popular and a robust model is the Altman's Z-score model:

$$Z = 1.2(X_1) + 1.4(X_2) + 3.3(X_3) + 0.6(X_4) + 1.0(X_5)$$

where

X_1 = net working capital/total assets (measure of liquidity)

X_2 = retained earnings/total assets (measure of cumulative profitability)

X_3 = EBIT/total assets (measure of return on assets)

X_4 = market value of equity/book value of total liabilities (measure of market leverage)

X_5 = sales/total assets (measure of sales generating potential of assets)

Here,

- Bankruptcy prediction when Z is less than 1.81.

- Z within the range between 1.81 and 2.99 is gray area.
- Z above 2.99 is safe.

Calculation of Z score for Rupkotha Impex Limited:

		2015-2016	
X1	Net working capital / Total Assets	(1925823876)/ 36069556176	-0.0534
X2	Cumulative retained earnings / Total assets	4426586566/36069556176	0.1227
X3	EBIT/ Total Assets	6498690159/36069556176	0.1802
X4	Market value of equity/ Total Liabilities	20254227546/2622366575	0.7724
X5	Sales/ Total Assets	49236082736/36069556176	1.365

Z-score = 1.2*(-0.0534) + 1.4*0.1227 + 3.3*0.1802 + 0.6*0.7724 + 1*1.365 = 2.5308

Comment: The firm is in gray zone in 2015-2016. There is some probability that this firm will go into Bankruptcy within 2 years.

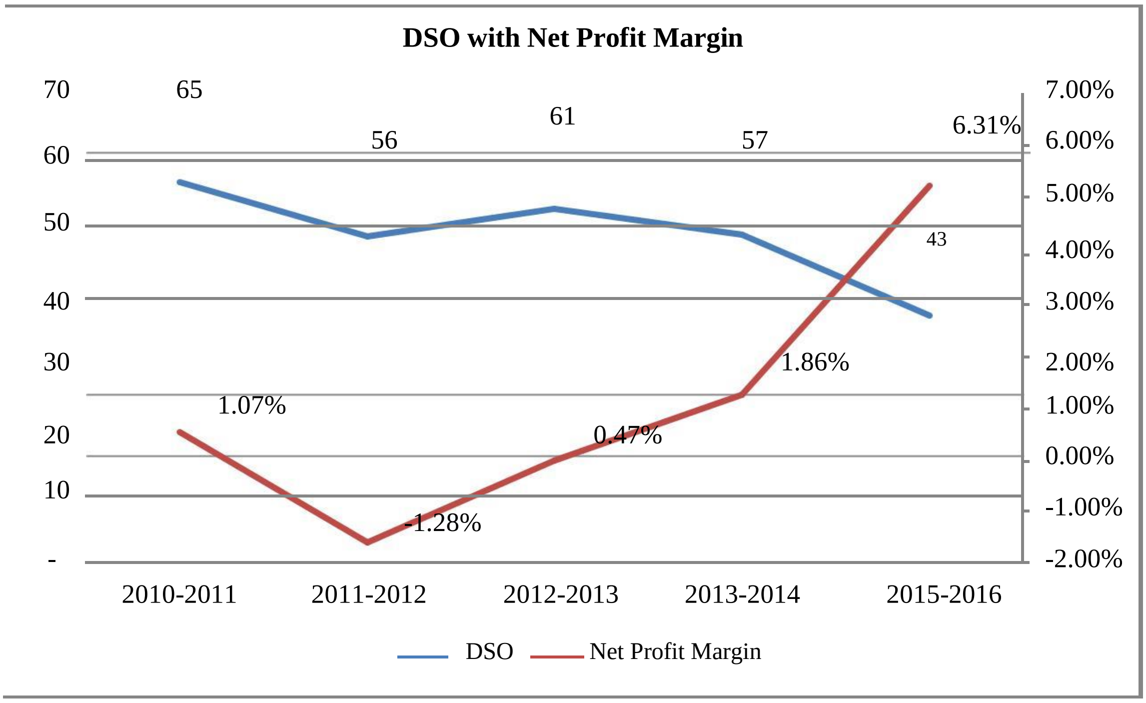
Chapter -4:
Improved Measures of Aggregate Liquidity

4.1 Days Sales Outstanding (DSO):

The days sales outstanding also called the average collection period or days' sales in receivables, measures the number of days it takes a company to collect cash from its credit sales. This calculation shows the liquidity and efficiency of a company's collections department.

DSO = 360 / ART

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
DSO	65.21	56.27	60.77	56.51	43.13



Interpretation:

The sooner cash can be collected, the sooner this cash can be used for other operations. So lower the DSO better for the Firm. From graph we can see that DSO of Rupkotha Impex Limited decreased from 2010-2011 to 2015-2016.

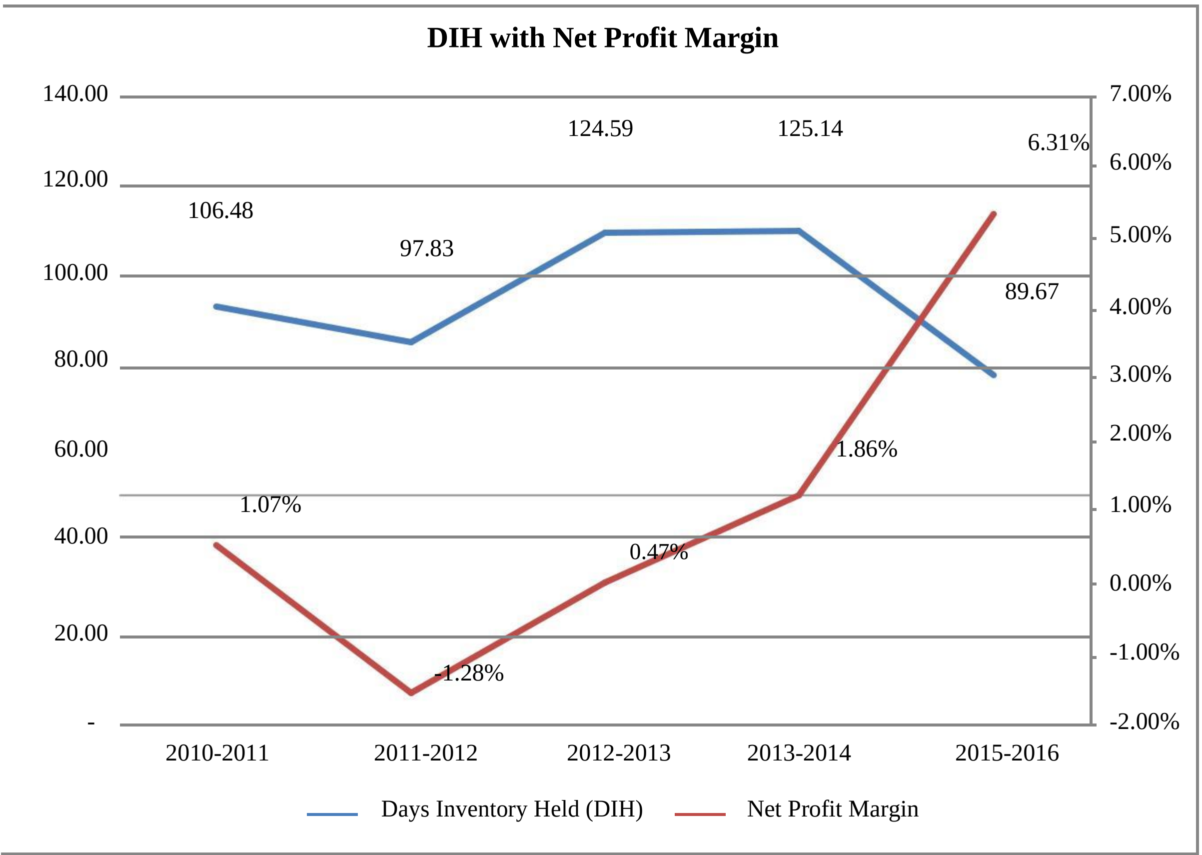
We also found that Net Profit Margin has been increased with the decrease in DSO.

4.2 Days Inventory Held (DIH):

Days Inventory Held measures the number of days it will take a company to sell all of its inventory or how many days company hold its inventory before sell. In other words, the days inventory held (DIH) shows how many days a company's current stock of inventory will last.

DIH = 360 / ITR

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Days Inventory Held (DIH)	106.48	97.83	124.59	125.14	89.67



Interpretation:

The lower the Days Inventory held the better for the firm. By analyzing the Rupkotha Impex Limited we see that in 2010-2011 inventory stuck 106 days in the firm but in 2015-2016 it reduced to 90 days which indicates firm manage the inventory better than previous years.

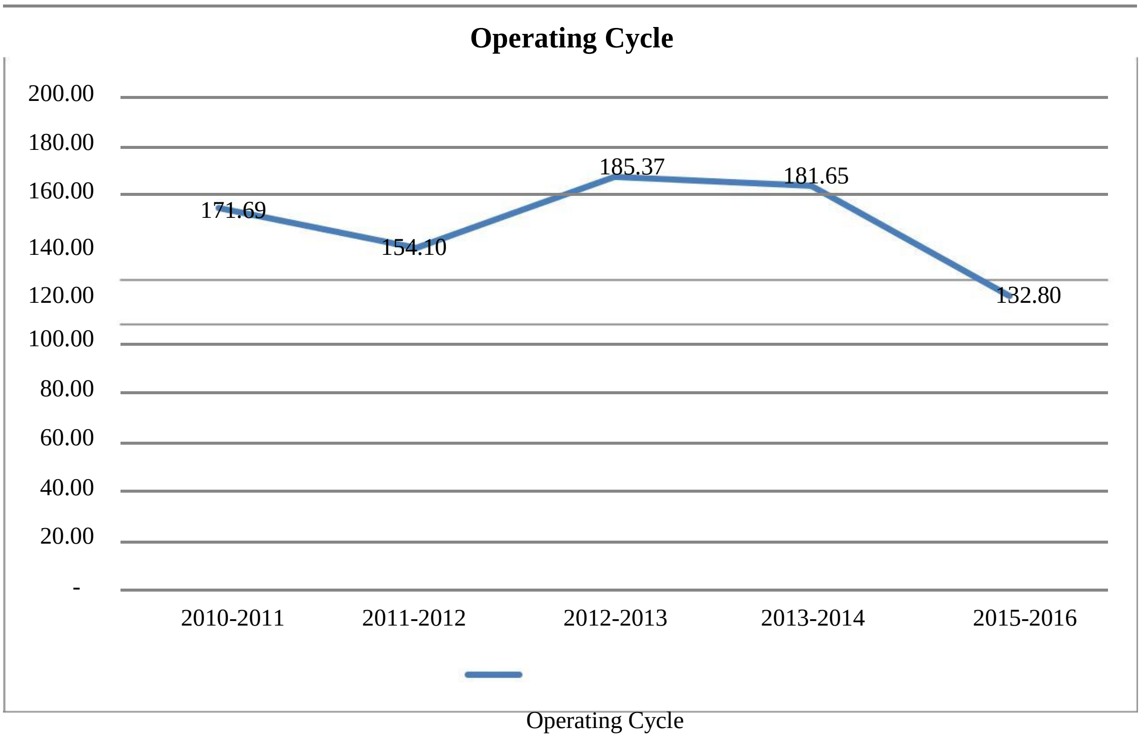
We found that that Net Profit Margin also has been improved with the decrease in Inventory.

4.3 Operating Cycle:

Operating cycle is the number of days a company takes in realizing its inventories in cash. It equals the time taken in selling inventories plus the time taken in recovering cash from trade receivables.

Operating Cycle = DSO + DIH

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Operating Cycle	171.69	154.10	185.37	181.65	132.80



Interpretation:

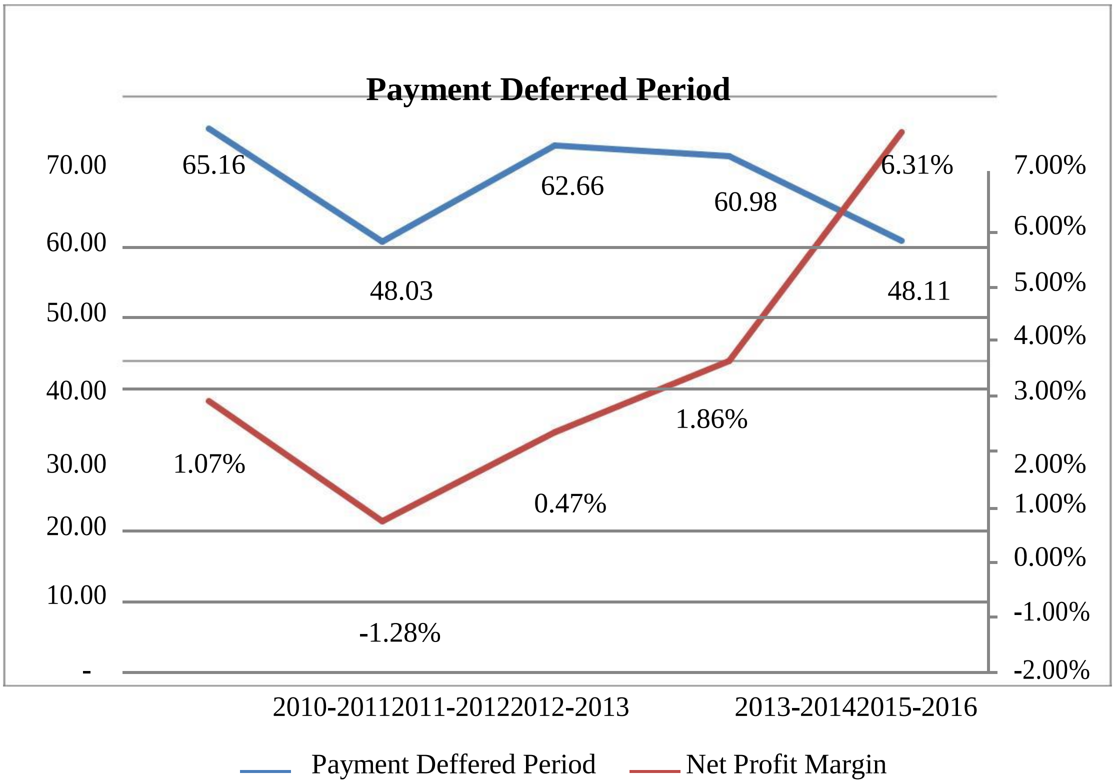
Lower operating cycle indicates how quickly firm can realize its inventory in cash. In 2010-2011 firm's operating cycle was 172 days which is reduced to 133 days in 2015-2016 indicates the better performance of the firm.

4.4 Payment Deferred Period (PDP):

Payment deferred period indicates how many days firm deferred its payment or after how many days firm makes its payment. Normally firm wants to lengthen its payment period because firm can use this cash in its own operation.

PDP = (Purchase related Accruals / Cost of Goods Sold) * 360

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Payment Deferred Period	65.16	48.03	62.66	60.98	48.11



Interpretation:

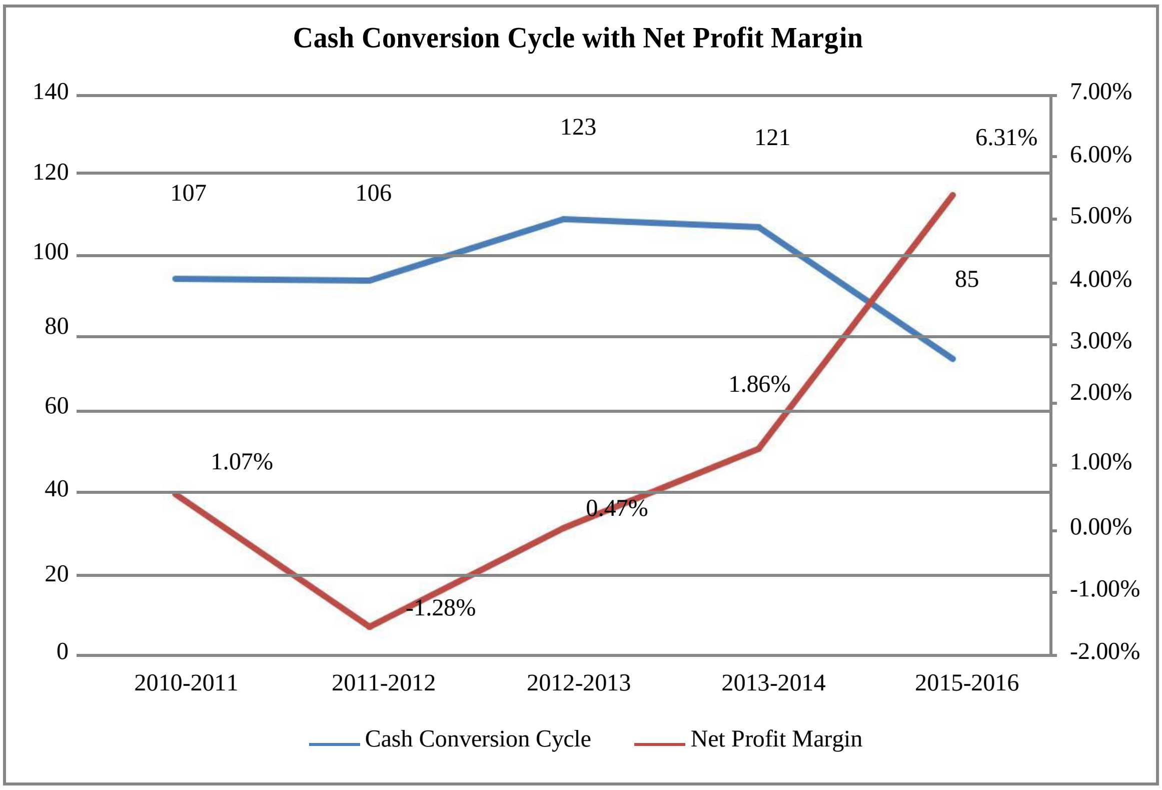
Though lengthy the payment deferred period is better for firm but firm can lose its reputation. So firm should maintain a moderate payment deferred period. PDP has been decreased from 2010-2011 to 2015-2016. We found that Net Profit Margin has been increased though PDP decreased.

4.5 Cash Conversion Cycle (CCC):

The cash conversion cycle is a cash flow calculation that attempts to measure the time it takes a company to convert its investment in inventory and other resource inputs into cash. In other words, the cash conversion cycle calculation measures how long cash is tied up in inventory before the inventory is sold and cash is collected from customers.

Cash Conversion Cycle = Days Inventory Oustanding + Days Sales Outstanding - Days Payables Outstanding

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Cash Conversion Cycle(CCC)	107	106	123	121	85



Interpretation:

The lower Cash Conversion Cycle indicates the quicker firm can convert its investment into cash. Though Firms CCC is 107 days in 2010-2011 but in 2015-2016 it is reduced to 85 days which indicates firm is performing better than previous years.

Net Profit Margin has also been improved with the decrease in Cash Conversion Cycle.

4.6 Comprehensive Liquidity Index (CLI):

- This is a liquidity-weighted or modified version of the popular current ratio, weighting each current asset and liability based on its nearness to cash (its turnover).

- In computing CLI, the dollar amount of each current asset or liability is multiplied by one minus the inverse of the asset's or liability's turnover ratio. If there are more than two turnovers required to generate cash from the asset, the inverse of each of these ratios is deducted.

- The results are summed over all current assets and current liabilities.

- The summed totals are liquidity-adjusted measures of total current assets and total current liabilities.

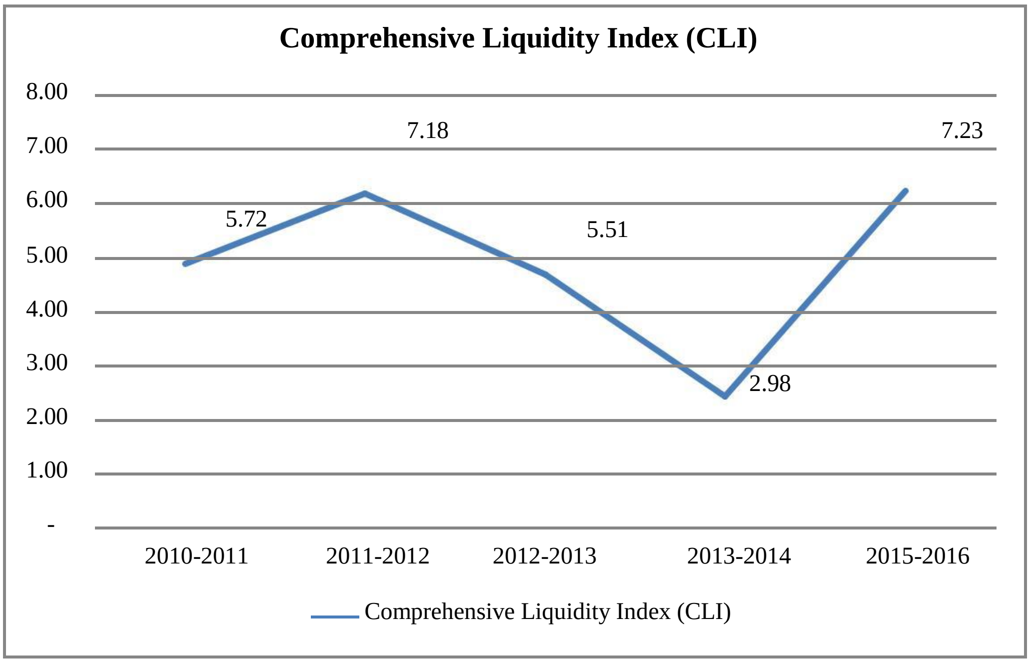
CLI = Modified Current Asset/ Modified Current Liabilities

Modified Current Asset = Cash + Marketable Securities (MS) + A/R*(1 – 1/ART)

+ Inventory*(1 – 1/ART – 1/ITR)

Modified Current Liabilities = A/P*(1 – 1/APT) + W/P*(1 – 1/WPT)

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Comprehensive Liquidity Index (CLI)	5.72	7.18	5.51	2.98	7.23



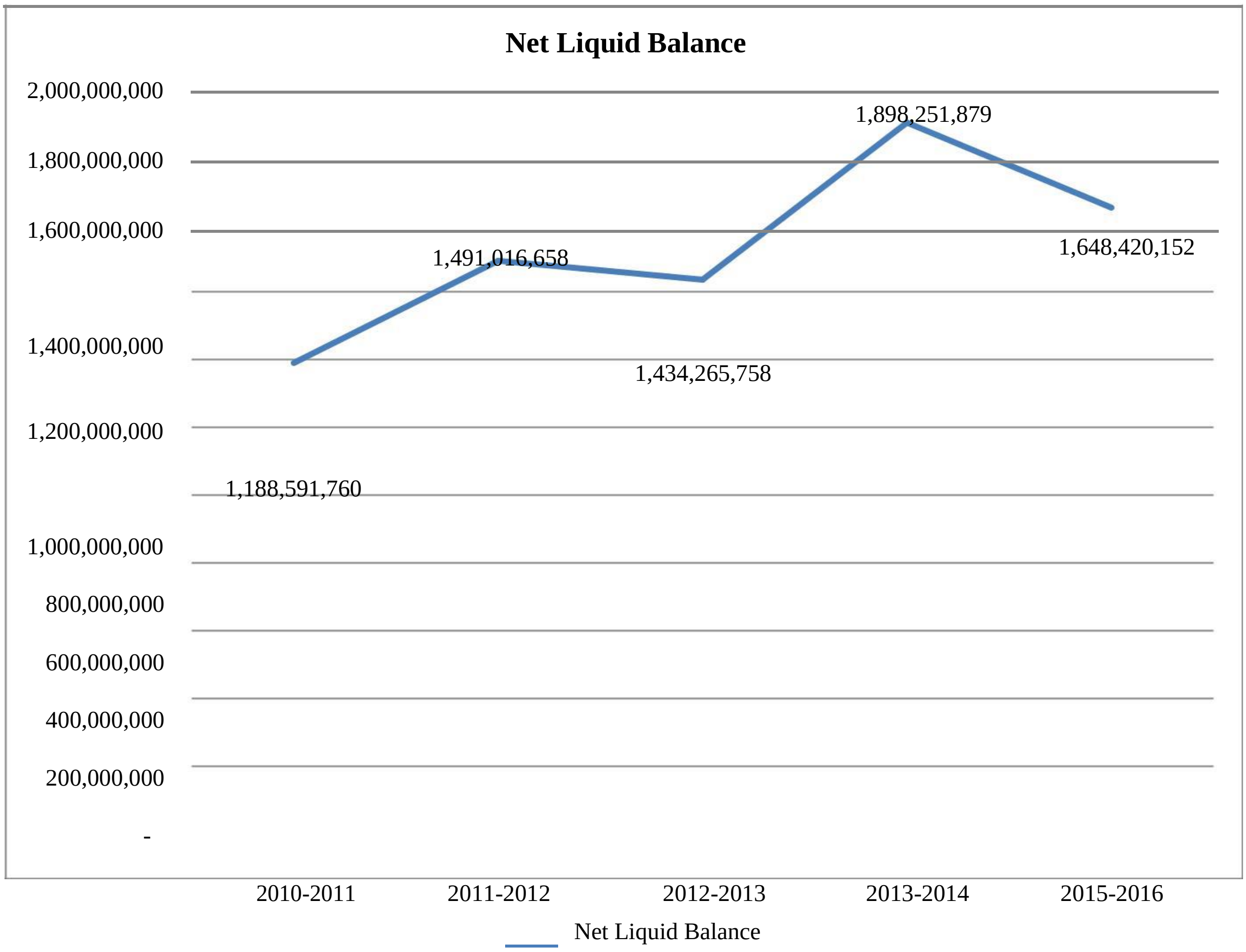
Interpretation: The higher Comprehensive Liquidity Index indicates the firm has better liquidity. CLI of Rupkotha Impex Limited has been improved in last year after two years.

Net Liquid Balance:

- This index measures center on the firm's balance of cash and marketable securities.
- This index represents the firm's true reserve against unanticipated cash needs, since other remedies for cash shortages can be very costly.
- The Net Liquid Balance does not view the firm's investment in A/R and inventory as contributions to aggregate liquidity, but, rather, considers them as additional assets to be financed.

Net Liquid Balance = Cash + Marketable Securities – Notes Payable

Year	2010-2011	2011-2012	2012-2013	2013-2014	2015-2016
Comprehensive Liquidity Index (CLI)	1,188,591,760	1,491,016,658	1,434,265,758	1,898,251,879	1,648,420,152



Interpretation:

Net Liquid Balance has been decreased in 2015-2016 after some increase in 2013-2014. So Liquidity position was deteriorated in last year.

Chapter – 5:
Regression Analysis:

The regression analysis is done to forecast or predict the relationship between the dependent variable (y) with the independent variable (x). There may be more than one independent variable to precisely find the dependent variable. The regression analysis is important for business analysis since it is important to relate the affecting factors of the company's profitability or performance. so it is important to research the relationship of its profitability with various factors. The management of the working capital is important, since the products of this industry need to be advanced and up-to-date. The analysis was sorted to get the profitability of the industry by sampling. On the other hand, the correlation of the factors is also analyzed to understand to factors affecting the industry.

5.1 Regression Analysis for factors affecting Net Profit:

Net income(y)	PDP	DIH	DSO
186,069,546	65	106	65
(281,815,672)	48	97	56
103,239,482	62	124	61
479,115,177	60	125	57
3,106,689,881	48	89	43

Regression Statistics	
Multiple R	0.98703416
R Square	0.997408513
Adjusted R Square	0.989634051
Standard Error	138699986.4
Observations	5

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	8152011222	530921569.4	15.35445477	0.041403096	1406013064	14898009381
PDP	172515879.6	17677378.21	9.759132692	0.06500635	-52096507.09	397128266.2
DIH	-35516641.33	6482993.176	-5.478432625	0.114939335	-117890879.9	46857597.26
DSO	-236788115.8	14446288.52	-16.39093082	0.038791675	-420345615.4	-53230616.21

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	7.40418E+18	2.46806E+18	128.2929288	0.064788358
Residual	1	1.92377E+16	1.92377E+16		
Total	4	7.42342E+18			

\Interpretation:

We use net profit as dependent variable and PDP, DIH, DSO as independent variable.The result of the regression forms the relationship equation as

Net Profit (Y) = -236788115.8 X_{DSO}–35516641.33X_{DIH}+172515879.6 X_{PDP}+ 8152011222 Thus, it shows that the Net Profit of Rupkotha Impex LTD. is negatively affected by Days Sales Outstanding, and Days Inventory Hold and positively affected the Payment Deffered period, or else there would be a constant net profit of 8152011222.

5.2 Regression Analysis for factors affecting ROA:

ROA	**D/E RATIO**	**CCC**
0.011574	3.8330	106.5249
-0.01554	4.3642	106.0707
0.005149	4.9627751	122.7095
0.021769	5.1493	120.669
0.086131	3.663413	84.69468

Regression Statistics

Multiple R	0.775970979
R Square	0.60213096
Adjusted R Square	0.20426192
Standard Error	0.034301632
Observations	5

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	2	0.003561315	0.001780657	1.513389834	0.39786904
Residual	2	0.002353204	0.001176602		
Total	4	0.005914519			

	Coefficients	***Standard Error***	***t Stat***	***P-value***	***Lower 95%***	***Upper 95%***
Intercept	0.206910244	0.123444076	1.67614559	0.235700812	-0.324226748	0.738047235
D/E RATIO	0.040882451	0.057536412	0.710549188	0.551047213	-0.20667675	0.288441651
CCC	-0.00337316	0.002496722	-1.351036739	0.309228528	-0.014115692	0.007369365

Interpretation:

Here we use ROA as depended variable and CCC, Debt ratio as independent variable.The result of the regression forms the relationship equation as-

ROA (Y) =0.2708 + 0.040882451 XD/E -0.00337316. X_{CCC}

Thus, it shows that the ROA of the Rupkotha Impex LTD.is negatively affected by the Cash Conversion Cycle and positively affected by Debt-Equity Ratio, or else there would be a constant return of 0.206910244. So firm should reduce its Cash Conversion Cycle.

5.3 Regression Analysis for factors affecting ROE:

ROE	PDP	DIH
0.044364723	65	106
-0.067819463	48	97
0.025551704	62	124
0.112094735	60	125
0.315531691	48	89

Regression Statistics	
Multiple R	0.338250911
R Square	0.114413679
Adjusted R Square	-0.771172642
Standard Error	0.191029304
Observations	5

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	2	0.009429247	0.004714624	0.1291954	0.885586321
Residual	2	0.07298439	0.036492195		
Total	4	0.082413637			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0.422986209	0.710212462	0.595577003	0.611877318	-2.632811377	3.478783796
PDP	-0.000660549	0.01780545	-0.037098111	0.973776695	-0.077271218	0.075950121
DIH	-0.00276945	0.008928598	-0.31017748	0.785763797	-0.041186105	0.035647205

Interpretation:

The dependent variable (Y) is now the Return on Equity and the relationship of the factors like Payment differed period (PDP) and Days Inventory held (DIH) were considered for the analysis. The result of the regression forms the relationship equation as-ROE (Y) = --0.000660549X_{PDP} – -0.00276945X_{DIH}+0.422986209

Here, The ROE is negatively affected by PDP and DIH. As greater the DIH reduces firm's profitability. So firm should reduce the Days Inventory held.

Chapter – 6:
Findings, Recommendation & Conclusion

Findings:

- Rupkotha Impex Limited’s ability to pay short term obligations has been enhanced in 2015-2016 following sharp decrease in previous years. But the current ratio was not up to the mark as its below 1.it indicates that the Rupkotha Impex Limited still maintain higher current liability than its current asset. Moreover, its inventory value was huge enough that, when looking to its quick ratio result, it shows that almost 200% was its CL comparing to highly liquid current asset.

- Nevertheless, the cash holding was decreased in last year comparing with its following year. It only maintain minimum amount of cash which can increase the threats of bankruptcy risk.

- Firm can convert 6.48 times its account receivables into cash if we consider the average of last 5 years where gradual improvement was noticeable, it’s tremendous improvement occurred in last year where it is to say that it could convert its receivables 8.3 times in 2016.

- On the other hand inventory turnover improved in last year though there is room for further development. Apart from this, inventory held was its lowest since last 5 years.

- Though Cash Conversion Cycle is greater in previous years but recently it is decreasing trend.

- The higher Comprehensive Liquidity Index indicates the firm has better liquidity. CLI of Rupkotha Impex Limited has been improved though there was worse results before 2016.But recovery of CLI makes it the highest of previous four year.

- Days Sales Outstanding, and Days Inventory Hold and Payment Deferred period has improved over the year which means Rupkotha Impex Limited has the insight to improve its working capital management as these input has direct impact on net profit and return on asset.

- Overall performance of Rupkotha Impex Limited is getting better from 2012 to 2016.However it needs to keep its focus on the development of specific area to ensure competiveness in the industry.

- The ROA ratio increases from year 2011 to 2016 which is good news. The higher the ROA number, the better, because the company is earning more money on less investment.

- The ROE ratio increases from year 2011 to 2016, which is good news. The higher the ROE number, the better, because the company generates more profit with the money shareholders have invested.

- The firm used aggressive financing policy as they used more short term source rather than long terms source.

Recommendation

- Rupkotha Impex Limited current ratio was not up to the mark as its below 1. They should increase the current ratio.
- They maintain minimum amount of cash which can increase the threats of bankruptcy risk. So, they have to hold more cash for decrease threats.
- Though Cash Conversion Cycle is greater in previous years but recently it is decreasing trend. It should be increased as earlier.
- Days Sales Outstanding, and Days Inventory Hold and Payment Deferred period has improved over the year which means Rupkotha Impex Limited has the insight to improve its working capital management as these input has direct impact on net profit and return on asset.
- They need to keep focus on the development of specific area to ensure competiveness in the industry.

Conclusion

Working capital management is important part in firm financial management decision. The ability of the firm to operate continuously for longer period depends on how they deal with working capital. The optimal level of working capital management is could be achieve by firm that manage the tradeoff between profitability and liquidity.

Proper management of working capital is essential to a company's fundamental financial health and operational success as a business. An efficient working capital management will help a firm to survive through a crisis or ramp up production in case of an unexpectedly large order. It is important for a business to manage good working capital by undertaking each component relating to working capital effectively and efficiently. It must be noted that while the amount of working capital that a company carries can be used to protect it against possible insolvency, it can also affect its profitability as well.

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1. Modern Working capital Management (Frederick C. Scherr)
2. Annual Report of Rupkotha Impex limited for the year 2011- 2016.