



WORKING CAPITAL MANAGEMENT COVERING RECENT REGULATORY GUIDELINES



Background

Loan is an asset to any financial institution. A bank normally maintains more than 60% of its loan portfolio under working capital. That is why it is very much necessary to ensure that a working capital loan does not become bad as it is normally not secured by other collateral security. These types of loans are secured by current assets and that are in the possession of the borrower themselves.

Hence, it is very crucial to make analysis of working capital before disbursement. The first step in ensuring a good loan is to ask for proper documentation of the loan applicant. Lending money is one of the main functions of a Bank. In the lending process, selection of borrower is the most crucial and vital job for a banker. In addition, objectives of the credit department are managing credit exposure of the bank, maintaining credit risk, compliance of Nepal Rastra Bank, recovering or collecting dues of loans and advances. If the loans become bad, then it affects the whole financial position of the bank. This program aims to provide the participants the knowledge and skills that help them to reach sound, reliable judgment of borrowers' creditworthiness, understand every aspects of analyzing and managing Working Capital Loans.

The recent draft guidelines issued by NRB on working capital also explains the need for making the working capital lending more transparent and effective on its purpose and utilization.

Program Details

Date & Time: 2nd & 3rd December 2022 (8.00am-3.15pm)

Duration: 8 sessions (12 hours)/Post training examination of 1hr will also be conducted

Venue & Location: Siddhartha Cottage Restaurant, Nepalgunj

Target Audience: Relationship Managers/Credit Officers/Risk Officers/Branch Managers and any other staffs who are directly being involved in doing appraisal and assessment of business loans and project loans.

Course Outline

Program Takeaways

- Gain Fundamental knowledge of working capital loans.
- Acquire rational knowledge on cash cycle and operating cycles of a business firm
- Able to analyze proper need assessment of different types of working capital loans
- Understand different models of working capital assessment
- Know various documentation process specific for working capital loans
- Understand process of drawing power verification and enforcement
- Be able to structure working capital loans properly
- Be able to provide working capital loans with regulatory compliance

Program Delivery Method: Slide Presentation, Discussion, Case Studies and Takeaway Review Test.

Program Content:

No. of Sessions	Program Details
1 session	Assets Conversion Cycle Analysis <ul style="list-style-type: none">• What is an asset conversion cycle?• Operating cycle vs. cash cycle• Understanding different components of operating cycle• Lender's concerns on operating cycle• Case study
1 session	Introduction to Working Capital <ul style="list-style-type: none">• Concept of Working Capital• Importance of Working Capital• Advantages/disadvantages of excess and short working capital• Working Capital Components and their impacts• Characteristics of different components• Roles of different components on working capital• Working Capital Trade offs

Course Outline

No. of Sessions	Program Details
1 session	Working Capital Borrowing Need Analysis <ul style="list-style-type: none">• Why do an enterprise need working capital financing?• Various causes of working capital needs (long term sales growth, seasonal sales growth, WC Inefficiencies)• Understanding different needs and their evaluation• A case study
2 sessions	Structuring Working Capital Facilities as envisaged by NRB Guidelines <ul style="list-style-type: none">• Why proper structuring is necessary• Basis of structuring working capital facilities• Different Working Capital Instruments• Permanent Working Capital• Variable Working Capital• Seasonal Working Capital• Ways to identify the types of working capital• Working Capital structure vs. Cash Flow pattern• Identifying the need and determination of LC and Bank Guarantee Limit• A case study
1 session	Working Capital Loan Monitoring and Drawing Power Assessment <ul style="list-style-type: none">• Review of certified NTA reports• Regular and surprise inspection• Understanding Drawing Power• Working Capital Limit vs Drawing Power• Components of drawing power• Calculation and enforcement of Drawing Power• A case study

Course Outline

Date & Time	Program Details
1 session	Variance Analysis and Limit Determination in Working Capital <ul style="list-style-type: none">• Review of Audited Financials• Determination of variance• Reduction in working capital limit based on significant negative variance• A case study
1 session	Working Capital Securitization <ul style="list-style-type: none">• Definition of securitization• Types of Security instruments including insurance• Charge Documents and Agreements• Registration of Charges under Secured Transactions Act• Issues on Securitization
	Post Training Examination of 1 hr

***Certification of completion shall be provided to participants scoring 60% or above in the assessment (MCQ). The rest of the participants shall receive certificate of participation.*

Facilitator's Profile

Mr. Sudeep Khanal retired on his own from NIC Asia Bank as Assistant CEO. He is a senior Chartered Accountant (ICAI), and Certified Information System Auditor (CISA, USA) by profession, and also holds the Master Degree in Business Administration (E-MBA) from KU. He has experience of about two decades comprising of a year in heading Internal Audit Function of Soaltee Group, few years year in Rastriya Baniija Bank (during the financial reform period of the Bank) as Deputy Head of Internal Audit Department, Compliance Officer and Head of Internal Audit Department, more than a decade in Nepal SBI Bank as Head of Internal Audit and Compliance Department, Branch Manager and Regional Manager, and few years in NIC Asia Bank as Chief Corporate Banking Officer, Chief Support Officer and Assistant CEO-Support Service Ecosystem. Recently, he has restarted his Chartered Accountancy practice. Thus, he has long experience in business, support and control verticals of Banking industry.