

EXECUTIVE SUMMARY

The purpose of this project was to identify the working capital management issues at Amana Contracting Group Limited (Amana) and find out ways in which the company can enhance their working capital management system in order increase utilization of unutilized funds up to 70% in short period of time. In analysing the current working capital management system, the project focused on Amana's working capital management system, cash flow management process, and the asset management process to increase the liquidity levels of the company which ultimately was invested to achieve the project objectives. Methods of analysis include the cause and effect method; used in identifying the root causes which are leading to the excess liquidity of the company for years and financial management techniques; used for ratio analysis and comparison of ratios against the industry standards. Results of data analysed show that all ratios are above industry averages which means comparative performances are healthy in the areas of liquidity, credit control, and cash flow management.

The report finds the prospects of the company in its current position in terms of working capital management is not positive leaving a huge vacuum for further improvements. The major areas of weakness require further investigations and remedial actions by the company's top management. Further, the project proposes to improve working capital management system, improve cash management system, and finally improving the asset management system at Amana. In order to achieve these components, the project focuses on ensuring receivables are collected within the contractual terms, ensuring payables are paid within the agreed payment terms, calculation and evaluation of key working capital ratios and benchmarking it with the industry working capital requirement & ratios, implementing healthy credit reviews for the potential customers, reviewing contract provisions, reviewing of terms of contracts, timing of payments, methods of payment, advance payments and retention clauses and even reviewing of cash flow forecasting and budgeting etc. All these tasks resulted in a staggering amount of USD 4.60 million extra liquid funds available for investment at Amana and the company enters in to assets management agreement with AL-PER Solutions Limited (AL-PER), an asset management company, who invests the extra liquid funds in a hedge fund. Further, through this project, the underutilised liquid assets of Amana were set at 70%, the final results show the actual rate is about 76% which is higher than what is expected from the project.