Every business needs adequate resources and assets especially liquid resources to maintain day to day cash flows. It needs enough to pay wages, salaries and account payable if it is to keep its workforce and ensure its supplies. Maintaining the adequate working capital is not just important in the short term. Adequate liquidity is needed to ensure the survival of business in the long run. Even a profitable company my fall without adequate cash flows and to meet its liabilities and due to the ineffective or inefficient management of working capital. The above study starts with the brief introduction and importance of the working capital management and how it impact and hamper the firm profitability either resulting profit or negative profit (loss).Working capital management an important area of financial management means the management of firm's current assets and liabilities. The management of these assets and liabilities requires the great attention because it potentially impacts the firm's profitability, liquidity, value, and risk in the form of financing of these assets. In today's competitive business world majority of firms greatly focuses on long term financial management which involves greater uncertainly and risk and ignores the potential and key strategic area of concern to firm value addition principle which is either called by some financial expert as short term financial management or working capital management. The current assets of a typical manufacturing firm account for over half of its total assets, for a distribution company they account for even more. Due to the above reason the study selects the large sample of manufacturing firms from various sectors

The above study findings are also based on the management of this important area known as working capital management. The study investigates the relationship between the management of working capital and its various components with profitability by taking into consideration the sample of various listed firms on Karachi Stock Exchange for the period 2005-2009. The sample consists of 264 firms from Textile, Chemical, Engineering, Sugar, Cement, Fuel and Energy and Tobacco sector. The relationship is investigated and tested through various accounting and relative valuation models such as return on investment, current ratio and cash conversion cycle etc. The financial econometrics PDRM (pool data model) are then used to construct the solid conclusion about the relationship between the working capital management and profitability.