

“Impact of USA-China Trade War on Financial Performance of Pakistan Textile Industry: A Comparative Analysis of Nishat Mills and Gul Ahmed”



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Executive Summary

The US China trade war, which intensified between 2016 and 2019, significantly disrupted global trade flows and restructured international supply chains, particularly within export oriented industries such as textiles. The imposition of heavy tariffs on Chinese goods by the United States compelled global buyers to diversify their sourcing strategies away from China, creating potential opportunities for alternative textile exporting countries, including Pakistan. Given Pakistan's strong cotton base and vertically integrated textile sector, the trade war presented both opportunities and challenges for its leading textile firms.

This study examines the impact of the US China trade war on Pakistan's textile industry through a comparative financial analysis of Nishat Mills Limited and Gul Ahmed Textile Mills Limited, two of the country's largest and most prominent textile manufacturers. While both firms operate within the same macroeconomic and geopolitical environment, their differing business models export focused operations in the case of Nishat Mills and a hybrid export retail model for Gul Ahmed provide a strong basis for comparative evaluation.

A quantitative research approach is employed, utilizing secondary data extracted from the audited annual reports of both companies for the period 2016 to 2019. The study applies financial ratio analysis, including profitability, liquidity, efficiency, leverage, and shareholder return ratios such as Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Operating Margin. Trend analysis is further used to evaluate performance changes before and during the trade war period.

The findings reveal that the impact of the US China trade war on Pakistan's textile industry was uneven across firms. Gul Ahmed Textile Mills Limited demonstrated a significant improvement in financial performance during the onset of the trade war, particularly in 2018, reflected in higher profitability margins, improved ROA and ROE, and a substantial rise in EPS. This performance suggests that Gul Ahmed was able to capitalize on increased export demand and benefited from its focus on value added products and operational flexibility. In contrast, Nishat Mills Limited exhibited relatively stable but weaker performance, with declining margins and limited gains during the same period, indicating that higher cost pressures and a more rigid operational structure constrained its ability to fully exploit trade diversion opportunities.

Overall, the study concludes that while the US China trade war created favorable conditions for Pakistan's textile exports, the extent of benefit depended largely on firm level strategic responsiveness, product diversification, and operational efficiency. The research highlights the importance of adaptability and value addition in enabling textile firms to benefit from global trade disruptions. The findings offer valuable insights for policymakers, industry stakeholders, investors, and future researchers seeking to understand the financial implications of global trade conflicts on emerging market industries.

CHAPTER 1

Introduction:

Throughout the history, international trading system has always been a determinative factor of industrial expansion, corporate performance and economic stability all over the world. But in the last few decades, some events have trembled the global trading system deeply i.e., US China Trade war. This trade war was unfolded in between 2016 and 2019. This whole war began as a controversy over the rights for intellectual property and the whole scenario led to a full scale tariff conflict between the World's largest economies i.e., China and United States of America. A combined tax of about 10 to 25% was imposed on the goods which worth more than US\$550 billion. This step led to the reshaping of the whole global supply chain flow which caused an alteration in sourcing decision for large business and created a notable uncertainty for those industries which are fully dependent on the export goods, especially the textile industries.

Textile industries are the major representative of most extremely integrated global value chains which involves the cotton growing mechanism, weavers, spinners, processors, good manufacturer such as garments and retail brands which work and dominate the market across the globe. China has been dominating the textile industry for many years as it contributes almost 35% of the global textile export. But when the United States of America imposed such extreme tariffs on the Chinese textiles, the buyers from all over the world were forced to reevaluate their sourcing strategies. Many shifted toward other major textile exporting countries which included Pakistan, India, Bangladesh, Turkey and Vietnam. (Stawasz and Wieloch, 2023)

Pakistan has a strong cotton based industry which is famous across many countries due to its skilled labor force and a proper integrated textile value chain which emerged as one of the most potential beneficiaries of this whole trade war. Textile industry is the largest manufacturing sector of Pakistan which contributes:

- 8.5% of the total GDP
- Almost 60% of total Pakistan's export (Khalid, 2025)
- Provide more than 45% of industrial employments opportunities

According to the related context, Gul Ahmed Textile Mills Limited and Nishat Mills Limited provide us the ideal case study needed. Both abovementioned groups are the Pakistan's leading and most diversified textile corporations. Both have significant and extensive production facilities with a huge involvement in the overall export of the country to the global markets, particularly Europe and the United States of America. Although, they both operate in the same industry and follow the same macroeconomic environment, their business model has significant difference among each other. Such as:

- Gul Ahmed runs one of Pakistan's largest retail chains under the brand *Ideas*, which gives the company a strong presence in the local market, while it also plays an important role in exports.

- Nishat Mills, on the other hand, is mainly focused on exports, making it a highly export-oriented organization.

The two abovementioned differences make them the best models for an ideal comparative study related to a global trade war and conflicts.

1.1 Background of the Study:

As far as we can dive into the history, it is clearly mentioned that the textile industry is one of the world's largest interconnected industries. The complexity in the production cycles of textile industry, their dependence on the international markets for collecting ideas and cross border sourcing makes the textile industry one the most sensitive firm in relation to macroeconomic and geopolitical changes. The US China trade war has drastic effects on the textile industry which led to the disruption in flows.

1.2 Historical context of the US China trade war:

The trade war between United States of America and China intensifies after the year 2016 as US accused China of:

- Forcefully transferring technologies
- China's efforts for massive trade imbalance
- To boost export, China manipulated currency
- Unfair price advantages due to state subsidies
- Intellectual property theft

To respond, the United States invoked the section 301 related to the trade act which was imposed in 1974 and placed multiple rounds of huge tariffs on the Chinese goods. ('Section 301 of the Trade Act of 1974', 2024) In return, China invoked retaliatory tariffs. This whole trade war created uncertainty throughout the globe in the year 2018 and 2019.

1.2.1 Impact on Global Textile Value Chains

As China being the world's largest textile powerhouse, the whole tariff scenario on the Chinese industry led to ripple effect in the following sectors i.e.,

- Readymade garments
- Synthetic fibers
- Export demand
- Yarn and fabric markets
- Input cost structure

All the major United States retailers which include Walmart, Target and other apparel brands had to reconsider their sourcing strategies according to the tariffs implemented on the Chinese goods which in result, opened a way for many positive opportunities for other Asian countries. (*Textiles and Apparel | United States International Trade Commission, no date*)

1.2.2 Pakistan's sector of textile during the trade war

The US China trade war presented Pakistan with many opportunities as well as challenges:

Opportunities:

- The US buyers who were seeking alternatives to China made goods created export inquiries for Pakistan as the tariffs on Chinese goods increased, the US importers began to shift their sourcing to other countries.
- Pakistan received more export inquiries because of its excessive homebased textile and apparel capacities.
- Pakistan's strong hold such as towels and other home textiles, denims and lower cost apparel; experienced higher demands than ever.
- Due to the devaluation of the Pakistan's currency, all the export goods were exported with reduced price in US dollar which attracted a huge eye for importers.

Challenges:

- Due to a significant devaluation of the PKR, about 32% in the previous 2 years, it created challenges for the firms to maintain their profit margins while importing machinery and chemical in US dollar.
- The increased utility costs increased the production expenses due to high country based tariffs on energy.
- Cash flow issues were created due to slow release of rebate funds and sale tax which in result, forced the firms to rely solely on bank loans for operation.
- Despite strong demands, the profit margin decreased due to high interest rates for loans.

1.2.3 Relevance of Gul Ahmed and Nishat Mills

Nishat Mills Limited and Gul Ahmed Textile Mills Limited were the major selection by the importers due to:

- Both represent the Upper tier of Pakistan's textile sector.
- They have a big name in the global market making them accustomed to the export culture.
- They follow business patterns and publish audited financial reports on a detailed basis which made them good for ratio analysis. Also, their contrasting strategies allowed meaningful insights such as export and retail hybrid vs. export heavy.

- The performance of both firms in the year 2016 to 2019 showed us how Pakistan's textile industry navigated the global market in the US China trade war.

1.3 Problem statement

Despite the opportunities provided to Pakistan's textile industry due to the economic significance created by the US China trade war, there is minimum and limited seen evidence on how the overall Pakistan's textile industry was affected financially.

The only statement available highlighted a general scenario:

“Pakistan's textile industry benefited from the trade war due to excessive trade diversion.”

Apart from this, there is no firm evidence based research was found as compared to other textile firms. According to the provided evidence, the whole profit margin and financial impact on the Pakistan's textile industry can only be assumed rather than evaluated. The domestic challenges also overlapped with tensions in the international trade sector which also result in complicating the financial analysis. Nishat Mills Limited and Gul Ahmed Textile Mills Limited, despite leading the whole Pakistan's textile industry during the US China trade war, also experiences variation in cost structures along with risk exposures.

So, the main purpose of this study is to determine, “How and to what levels did the US China trade war during the year 2016 to 2019 impacted the financial performance of the Pakistan's leading textile companies i.e., Gul Ahmed and Nishat Mills.

1.4 Research Objectives

The research objectives for this study are being classified into two categories, primary and secondary.

1.4.1 Research gap

There is a huge gap in the financial reports regarding the trade war between US and China as most of the studies are focused majorly on overall global trade patterns, policy implications and macroeconomic shifts while providing minimum findings about the financial performance on firm level of Pakistan's overall textile export. Despite being a significant sector of Pakistan's economy, there is a distinct lack of financial studies and report on how individual industries as well as major firms like Nishat Mills Limited and Gul Ahmed Textile Mills Limited responded to the US China trade war. This gap indicated a need for a detailed and proper comparative study and analysis for

all of these companies with the help of various quantitative financial indicators in order to understand the performance of Pakistan's textile sector during this global shift of economy.

Thus, the primary objective of this research study is to analyze the financial performance of Gul Ahmed Textile Mills Limited and Nishat Mills Limited during the trade war from 2016 to 2019 and compare them in order to find out who performed better. As far as the secondary objective of this study is concerned, it includes the evaluation of liquidity, profitability, leverage and efficiency trend while performing of both firms. This can be evaluated by calculating the key financial roles and interpreting them for the four years of US China trade war to determine the exact performance patterns. Moreover, this study also aims to evaluate whether the Pakistan's textile industry benefitted from this trade war by calculating the order inflows, competitive advantages and export trends during the trade war period. Apart from that, the study is also focused on how macroeconomic variable, for example, increase in energy tariffs, currency devaluation, high interest rates and inflation affected the financial outcomes and benefits for both firms.

1.5 Research Questions

Following questions will be answered with the help of this study:

1. What were the overall effects of US China trade war on textile value chains?
2. What changes occurred in the financial performance of Gul Ahmed Textile Mills Limited and Nishat Mills Limited from year 2016 to 2019?
3. Was Pakistan able to increase their export opportunities due to reduction in competition with China?
4. Which of the abovementioned firm show better financial resilience and why?

1.6 Significance of this Study

This study has a significant role in providing valuable and essential insights for industry practitioners, economists, academic researchers, policy makers and investors. Considering the academic impact, this study fills the significant gap by providing us the necessary evidence on how the trade war between US and China affected the performance of Pakistan's textile industry and exporters financially. Thus, helping the global literature on trade diversification, emerging market competitiveness and supply chain restructuring. As far as the textile industry is considered, this study shows how the trade shift in international market influence the cost structure, operational stability and profitability along with offering essential insights about how the two leading textile firms of Pakistan i.e., Nishat Mills Limited and Gul Ahmed Textile Mills Limited, adapted to these shifts and external pressure during the years of trade war. If we consider the policy standpoint, this research is quite significant as it provides the overall findings based on evidence that can also help

and guide various institutions such as State banks of Pakistan, APTMA and the Ministry of Commerce in order to develop more effective trade patterns, industrial policies and tariff policies which can be aimed to robust the standing of textile sector. As for the economical point of view of this study, it enlightens how Pakistan's macroeconomic environment which includes the country increasing inflation, devaluation of Pakistan's currency and a huge rise in Pakistan's energy prices, either increased or decreased the overall benefit for the textile sector during the trade war years. This effort can help in further evaluating the foreign exchange earnings and improving the GDP through better contribution through textile productions. This study also benefits the investors by offering better vision on resilience, risk exposure and financial health and growth of two major textile companies which can ultimately help them to make better investment decisions and make predictive forecasts during such periods of unstable global trading.

1.7 Scope of Study

This study has a well defined scope which is designed in order to provide detailed yet focused evaluations on how the trade war between US and China affected the financial performance of Pakistan's textile industry and the apparel sector which is a core pillar and great contributor in the country's export economy. The research is concentrated on the two major essential textile firms of Pakistan; Nishat Mills Limited (NML) and Gul Ahmed Textile Mills Limited (GATM), which were chosen because of their large scale of operations, vertical integration, strong exposure to export, diversification in their product lines and their well known status in the relative sector. Their availability of financial report which are audited annually ensures one's access to comparable and reliable financial data which is significant for quantitative analysis. This study covers the year of trade war from 2016 to 2019, which was the period of escalation due to US China trade war. More importantly, this specific time interval of the trade war was concluded before the onset on COVID 19 pandemic, thus presenting a clean dataset that provide the trade war complications and impacts without any interference from any kind of other global disruption. By combining the firm specific financial metric along with the external economic factors and trade related factors, this study aims to provide an integrated understanding of how the Pakistan's top leading textile firms and exporters saw and achieved the opportunities provided during the trade war years and how they faced the challenges which had arisen from the international trade conflicts.

CHAPTER 2

Literature Review

The global dynamics of all trade wars have always been widely studied in order to evaluate their influence on production cost, global supply chains and international trade patterns. Researchers have claimed that increase in tariffs due to trade wars between world's largest economies holds the power to disrupt the already established trade relationships while compelling various firms to seek alternate markets. The US China Trade War, which was initiated from 2016 and ended in 2019, is considered one of the most influential and dominant global event which reshaped the overall sourcing strategies across various industries. During this trade war, the buyers from United States of America shifted their textile order away from China which ultimately benefited other competitors in the South Asia.

The textile sector is globally integrated and distinguished by more than one stage of production processes. Over the past few decades, China has been dominating the textile export which shaped the global pricing and demand. Due to an immense increase in the production cost and rising trade pressure due to the tariffs, the retailers have been encouraged to explore other alternate options for sourcing such as Pakistan, Bangladesh and Vietnam. These countries offer raw material advantages and competitive labor options. Proper studies have already revealed that the countries like Bangladesh and Vietnam have gained a significant amount of gains and profit during the period of trade war because of their modern technology and competitive pricing. In increase in the export inquiries were also recorded in Pakistan especially for products which are made from cotton such as denim and home textile i.e., towels. But researchers have claimed that the potential gain by Pakistan were not more than moderate level due to the challenges faced by the industry at domestic and national levels.

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Pakistan's textile industry which is a crucial contributor in the national exports has its strengths and weakness which effect the overall competition in the global market. The opportunities arise from strong cotton base, skilled labor with low costs and intense manufacturing capabilities. These capabilities made Pakistan a proper alternate for Buyer. But this sector in Pakistan has its own challenges to face such as infrastructure limitations, policy inconsistency and rising production costs. All these challenges reduce the ability of Pakistan's textile industry to compete at global stage. According to recent studies, it has been revealed that volatility in exchange rates, energy tariffs and interest rate hikes have also affected the competition. The depreciation of Pakistani currency (PKR) has also raised the cost of imported input necessary for efficient production i.e., machinery and chemicals.

In organizational studies, to assess the performance trends over time, financial ratios are widely being used. These ratios which include liquidity, leverage and profitability, help in identifying how such external disruptions like trade wars affects the firm's financial health. Moreover, ratio analysis is crucial for industries which are export oriented where fluctuations in external factors such as cost structures, demands and market conditions are noticeable.

This thorough review of existing literature underlines the significance of understanding the mechanism of global trade conflicts which impact the firm's performance, particularly for the industries which majorly relies on exports i.e., the textile sector. This literature also emphasizes the need for more factual research which focuses on the financial benefits and responses of Pakistan's textile industry in relation to the global trade shift.

2.1 Independent Variable (IV): China US Trade War

The independent variable in this study is the ChinaUS trade war which was an economic conflict that ranges from 2016 to 2019. During this trade war, the US imposed tariffs on the Chinese goods and in return, China retaliated with its own tariffs. (Liu, 2025) As a result, the whole global supply chain was disrupted creating a significant shift in the global trade dynamics. As far as the textile industry is concerned, the US tariffs on the Chinese textile goods made them least competitive in the US market which causes the US buyers and importers to reach to other alternative suppliers rather than China which offered them low cost and tariff free access. The US imposed tariffs on Chinese goods over US\$500 billion which helped other competitors like Pakistan enter the competition. (*Implications of the US China trade war Opinion Business Recorder*, no date) However, the internal challenges faced by the Pakistan's textile industry made it difficult for them to obtain all the potential gain. Pakistan benefited from the diversion caused by the trade war as the Pakistan's garment export had a jump of about 12% in the year 2019(Haq, 2019) which forced the global brands to reevaluate their sourcing strategies and supply chains.

2.2 Dependent Variable (DV): Financial Performance

The dependent variable in this study is financial performance, which reflects how Pakistan textile industry financially responded to the changes created by the China US tariffs on Chinese textile products reduced China competitiveness in the US market, Pakistan textile firms, leading to higher exports inquiries and larger order volumes (Hanif, 2019). In response to this increase demand, many firms adjusted their production schedules and expanded output in key product categories such as apparel, home textiles and denim in order to improve sales and profitability. Additionally, several firms shifted towards value adapted quickly to the opportunities created by the trade war were able to improve revenues, or fit margins and market share, while those that failed to respond effectively faced higher costs, lower export earnings, and financial pressure, negatively affecting their overall financial performance (Ahmed, 2018).

CHAPTER 3

Research Methodology

3.1 Introduction

This chapter is concerned with the research methodology which was adopted in order to assess financial impact on Pakistan's textile industry by the US China Trade War, especially Nishat Mills Limited and Gul Ahmed Textile Mills Limited. This study is eager to examine and measure the financial outcomes over the time of trade war and extracting all the numerical data from all the annual audited reports. For this purpose, a purely quantitative research approach is adopted because quantitative methodology is the best suited to evaluate and calculate all the financial performance as it depends mostly on numerical indicators and objectives that can be interpreted, compared and measured statistically. Thus, this chapter is focused on defining the nature of data, data collection procedures, sampling techniques and analytical tools which are useful for examining firm's financial performance.

3.2 Research Design

This research is focused on using comparative, quantitative and longitudinal research design. Quantitative design is better and appropriate because it depends on the numerical data which is extracted from financial statements for allowing better objective measurement of all the performance indicators like profits, assets, sales, equity and liabilities. (Arocho, Knight and Munk, no date) However, a comparative design is used in this study because it measure and evaluate two major textile firms of Pakistan side by side, which enable a direct assessment on how each of the both firms responded to the external shifts created by the US China trade war. Moreover, the longitudinal method of the research design is related to examining the performance trends which lasted for more than four consecutive years which help in capturing the data before and after the trade war period. (Labarre, 2006)

3.3 Research Approach

This study is concerned on following a deductive research approach which begins with existing international trade theories, financial performance and trade diversions. These theories are then tested with the help of real time financial data. Deduction approach is better suited for quantitative research as it uses theoretical expectations for measurable outcomes. For example, the economic

theory proposes that countries like Pakistan might benefit from the trade restrictions that limit China's overall export capacity. This research approach is used to test whether all these theoretical assumptions are true for the chosen companies in this study. Thus, by analyzing all these financial ratios from the annual audited reports, this research approach helps in evaluating whether the performance patterns that are observed matches the theoretical predictions on the impact generated by the trade war.

3.4 Population and Sample

The population of this study is concerned with all Pakistan's textile companies which are listed on the Pakistan Stock Exchange along with the large scale export orientated textile manufacturers. Nishat Mills Limited and Gul Ahmed Textile Mills Limited are being selected from this populations by using purposive sampling. The reason for choosing these firms include their diversification, export orientated textile manufacturing and largest exporter in the textile industry for Pakistan. Apart from that, these companies always publish detailed audited annual reports which contain all the financial data which is required for this study in order to conduct reliable ratio analysis. Also, they have a strong presence in the international market which makes them the ideal firms for analyzing the global trade disruptions. This company selection and sampling technique cooperate with the quantitative research method because the availability of numerical data concludes the relevance of samples.

3.5 Data Collection Method

This study relies totally on quantitative data while avoiding any kind of qualitative data such as surveys, theoretical assumptions and interviews. In short, this study is concerned with objective interpretation rather than subjective interpretation. The primary source of data for this study includes the annual report statements of Gul Ahmed and Nishat Mills for the year from 2016 to 2019. These reports are useful in providing verified and audited numerical data which include gross profit, revenue, total assets, net profit, shareholder's equity, liabilities, current liabilities, current assets, cash flow and inventories. Also, supplementary quantitative data has also been obtained from Pakistan Bureau of Statistics, State Bank of Pakistan and international institutions which include WTO and IMF to obtain macroeconomic data related to interest rates, exchange rates, tariff enhancements and export values.

3.6 Data Analysis Technique

To calculate the impact of US China trade war on the chosen companies from Pakistan, this study employs financial ratio analysis technique. This technique is widely used in the corporate financial evaluation. Ratios are best for calculating financial aspect as they provide standardized indicators which are numerical and helps in capturing various dimensions of financial health of the company. Such as, profitability ratios which include gross profit margins, return on assets, return on equity and net profit margin help us in evaluating how effectively and efficiently each of the chosen company gained profit during the trade war years. Similarly, liquidity ratios which include quick ratio and ratios helps in measuring the ability of the firm to meet short term obligations in an industry which is characterized by devaluation of currency and increased interest rates. Leverage ratios which include interest coverage and debt to equity helps in assessing reliance on debt financing and all the financial risks. Efficiency ratios which include asset turnover and inventory turnover is used to indicate how effectively and efficiently each firm used their recourses to generate sales during the trade war disruption. All these ratios are then compared annually in order to identify trends and assess company's financial performance.

Apart from ratio analysis, this study is also focused on using trend analysis which is used to observe numerical changes over time. Trend analysis is useful in identifying the financial performance whether it improved, declined or remained stable during the trade war disruption.

3.7 Reliability and Validity

The reliability of this study is ensured because all the data is obtained from the audited annual reports of firms which follows the international standard for reporting. External audits also help this financial statement in minimizing the errors. As the study is focused on the standardized ratio formulas across the year for both companies, the analytical process is maintained replicable and uniform. Validity is guaranteed by selecting such ratios that are used widely in financial research. External validity for this study is enhanced by the fact that both the chosen companies are the leading players in the textile industry of Pakistan.

3.8 Ethical Considerations

This study is strictly adhered to all the ethical guidelines by only using secondary data which is available and published publicly. No financial figures were manipulated in the research, and no confidential information was used. To maintain academic transparency, all used data sources are fully acknowledged. As this study only focuses on numerical data, there is no risk for any individual or organization.

CHAPTER 4

Research Findings

4.1 Introduction

This chapter is focused on the results and outcomes of the whole project by analyzing all the financial performances of Gul Ahmed Textile Mills Limited and Nishat Mills Limited during the trade war year between US and China from year 2017 to 2018. The purpose of this study is to evaluate how well the two leading textile firms of Pakistan performed before and during the trade war and also how the diversion created by the trade war from the Chinese goods helped these firms in generating measurable benefits.

Because the trade war between US and China was infested in the year 2017 and 2018, following yearly periods were selected:

1. Pre trade war year: 2016 and 2017
2. Onset of Trade war: 2018 and 2019

For this study, following six key financial indicators are used in order measure performance:

- 1) Net Profit Margin (NPM)
- 2) Gross Profit Margin (GPM)
- 3) Return on Assets (ROA)
- 4) Earnings Per Share (EPS)
- 5) Return on Equity (ROE)
- 6) Operating or EBITDA Margin

All the abovementioned ratios are used to collectively describe performance, operational efficiency, profitability, shareholder returns and earning capacity.

4.2 Ratio Formulas Used in this Study

The following standardized financial formulas were used:

1- Net Profit Margin (NPM)

$$NPM = \frac{PAT}{Sales} \times 100$$

Where, “PAT” is profit after tax. It helps to determine the final profit of sales in percentage.

2- Gross Profit Margin (GPM)

$$GPM = \frac{GP}{Sales} \times 100$$

Where, GP is gross profit. This formula helps to find how much profit a company makes after subtracting direct production cost.

3- Return on Assets (ROA)

$$ROA = \frac{PAT}{TA} \times 100$$

Where, “PAT” is profit after tax and “TA” is total assets. This formula is used to determine the total earning generated by a company.

4- Earnings Per Share (EPS)

$$EPS = \frac{PAT}{OS} \times 100$$

Where, “PAT” is profit after tax and “OS” is outstanding shares. This formula determines the rate of profit earned by each share.

5- Return on Equity (ROE)

$$ROE = \frac{PAT}{SE} \times 100$$

Where, “PAT” is profit after tax and “SE” is shareholders’ equity. This formula shows how much return is generated for shareholders.

6- Operating or EBITDA Margin

$$\text{Operating or EBITDA margin} = \frac{EBITDA}{Sales} \times 100$$

It determines how effectively a firm manages their operations before the implementation of taxes and interests. (Mccoy *et al.*, 2023)

4.3 Outcomes for Nishat Mills Limited

4.3.1 Financial Data Extracted

Year	Sales	Shares	Total Assets	Equity	Gross Profit	EBITDA	PAT
2016	47.99 billion	438,119,118	106.60 billion	82.16 billion	6.23 billion	8.93 billion	3.91 billion
2017	49.25 billion	438,119,118	117.53 billion	88.76 billion	6.38 billion	8.23 billion	4.26 billion

2018	53.73	438,119,118	102.73	75.71	5.55	8.39	4.09
2019	billion		billion	billion	billion	billion	billion

4.3.2 Ratio Results for Nishat Mills

Ratio	2016	2017	2018
EPS (Rupees)	8.93 billion	9.73 billion	9.35 billion
Operating Margin	18.62 percent	16.72 percent	15.63 percent
NPM	8.15 percent	8.65 percent	7.63 percent
ROA	3.67 percent	3.63 percent	3.98 percent
GPM	13 percent	12.96 percent	10.33 percent
ROE	4.67 percent	4.80 percent	5.40 percent

4.3.3 Interpretation of Nishat Mills results

A. Pre trade war status (2016 to 2017)

The pre trade war period was good for Nishat Mills Limited as they have shown stable financial health. A slight decrease in the gross profit margin was detected. Nishat Mills Limited controlled their indirect cost system more effectively rather than their direct manufacturing cost which helped in improving their profit margin. A decrease in operating margin; 18.62% to 16.72%. However, ROA remained stable. ROE of Nishat Mills Limited increased marginally. EPS of Nishat Mills Limited increased from 8.93 to 9.73 which reflect development in pre share earnings.

B. Post trade war (2017 to 2018)

Nishat Mills Limited was unable to improve their financial status in the onset year of war. The GPM for the company decreases from 12.96% to 10.33% which was caused by increase in cost pressure. Furthermore, the net profit margin also dropped. Operating margin continued its decline journey. A rise in manufacturing and overhead cost disrupted the company's performance. ROA increased slightly because of lower asset base and the ROE also improved due to the decline in equity.

Summary

Nishat Mills did not gain any significant benefit from the trade war because their business model is huge but cost sensitive.

4.4 Gul Ahmed Textile Mills Limited Outcomes

4.4.1 Financial Data Extracted

Year	Sales (million)	Operating Profit (million)	Equity (million)	Total Assets (million)	Shares	Gross Profit (million)	PAT (million)
2016 2017	32,275	2,245	8,717	13,693	356,391,300	7,306	1,141
2017 2018	40,066	1,686	10,914	18,382	356,391,300	7,207	818
2018 2019	45,626	3,315	12,621	19,620	356,391,300	9,576	2,075

4.4.2 Ratio Results for Gul Ahmed Textile Mills Limited

Ratio	2016	2017	2018
NPM	3.54 percent	2.04 percent	4.55 percent
ROA	8.33 percent	4.45 percent	10.58 percent
ROE	13.09 percent	7.49 percent	16.44 percent
GPM	22.63 percent	18.00 percent	21.00 percent
EPS (Rupees)	3.20	2.29	5.82
Operating Margin	6.95 percent	4.20 percent	7.27 percent

4.4.3 Interpretation of GATM Results

A. Pretrade war years (2016 & 2017)

Gul Ahmed Textile Mills Limited was suffering from a serious decline in their profitability margins before the trade war begins. The overall gross profits were decreased noticeably which indicated serious cost pressures. The net profit margin of the company also decreased which indicated that the company is suffering from converting all of their sales into pure earnings. Also, the operating margin of the company dropped from 6.95% to a shameful 4.2%. This was due to operational inefficiencies and increase in labor cost. Also, the ROE and ROA of the company declined which determines that the company was generating minimized returns as compared to their asset base and investment by the shareholders. The EPS of the company also decreased from 3.20 to 2.29 which indicated the decrease in shareholder profitability. This caused the investors to stay away from the firm ultimately damaging the company's reputation.

B. Post trade war onset years (2017 & 2018)

As compared to the growth observed for Nishat Mills Limited, Gul Ahmed Textile Mills Limited showed a great turnaround after the beginning of trade war:

- Gross margin increased greatly from 18% to 21%.
- Net profit margin was doubled
- The overall operational margin rose drastically. Also, the ROA increased to 10.58% revealing better use of assets.
- ROE jumped to 16.44% which doubled according to previous year.
- EPS of Gul Ahmed Textile Mills Limited rose significantly from 2.29 to a double, 5.82.

Summary:

According to the statistics discussed above, Gul Ahmed Textile Mills Limited benefitted a lot from the trade war. GATM focused on their value added products and enhanced their export orientation which helps them capture new demand from global market.

4.5 Cross Company Analysis (Comparative)

1. Efficiency and operational strength comparison

Nishat Mills Limited had a decrease in their operating margin due to high cost burdens. While Gul Ahmed Textile Mills Limited's operating margin show a significant increase due to improved efficiency.

2. EPS Comparison

EPS had a slight decreased in Nishat Mills Limited during the year 2018 but the EPS of Gul Ahmed Textile Mills Limited increased more than double.

3. Profitability Comparison

Nishat Mills Limited had stable profitability margin, but it dropped in 2018 because of the rise in cost. While Gul Ahmed Textile Mills Limited showed a great recover for growth in 2018.

4. Returns to investors

ROA and ROE of Nishat Mills Limited were stable but low. While both the ratios increased for Gul Ahmed Textile Mills Limited.

Comparative Conclusion

Gul Ahmed Textile Mills Limited outshine Nishat Mills Limited according to the financial statements after the trade war.

- Nishat Mills Limited's traditional way to operating made then less responsive to the global

need due to the shift.

- Enhanced Manufacturers benefited better.
- Textile firms that adapted quickly to the global shift had many opportunities ahead.

4.6 Overall findings

The above ratio analysis proves that the trade war between US and China created unequal opportunities and benefits among the Pakistan's textile industry.

- Gul Ahmed Textile Mills Limited Textile Mills Limited grasp the opportunity and enhanced their profitability and strengthen their operation performance. This caused a significant increase in shareholder value.
- While Nishat Mill Limited gained stability, but they weren't able to gain benefits from the trade war due to their conservative operating system.

Hence, it can be seen that firms with high product diversification, strategic flexibility and responsiveness to global shifts determine gain from global disruption.

CHAPTER 5

Project Benefits

5.1 Introduction

This chapter is focused on the various benefits with which this study can contribute to managerial decision making, future research options, industry development, and academic learning. These benefits are written in clear and simple language but providing analytical value and meaningful depth.

The ratio findings from chapter four are the basis of these benefits especially the comparison between the financial performance of both chosen companies i.e. Nishat Mills Limited (NML) and Gul Ahmed Textile Mills Limited (GATM). These insights can help the investors, students, managers and policymakers to better understand the global disruption caused by trade war to influence local business.

5.2 Educational Benefits

The most important benefit of this research is its contribution to the academic learning particularly for those students who are studying economics, finance, supply chain and international business. This project shows how a real time global event like the US China trade war influenced the whole world's business performances. By comparing financial result from different companies, like we did in this project for the two most leading companies of Pakistan, over the trade war years, student can understand the depth of such global shifts.

This project can also help the students in enhancing their analysis and quantitative skills. As ratio analysis is the major component of business education but most of the students lack the examples to use such ratios in real time event. This project can help them not only in understanding the ratios but also how to implement them in most meaningful ways. For example, they can develop the understanding for how an increase in EPS (earning per share) indicates greater profit performance per share.

Moreover, this project also enhances the critical thinking skills and analytical skills of the students. Students can learn how to detect patterns and trends and calculate the conclusion. They can also gain the idea of how to make a logical argument by connecting the financial result to the external events such as tariffs implementations. These efforts enhance their ability to evaluate businesses and think strategically far beyond the superficial financial statements.

Finally, this research also proves to be an academic reference for future research purposes. Students who have projects related to trade wars, financial ratios and textile firm's performance can use this study as a valuable reference which can guide them throughout their research and help them make better finding effectively and efficiently.

5.3 Organizational and Marginal Benefits

This project is also valuable for decision makers and managers as it provides better understanding procedures. That detailed financial comparison from chapter four between the two leading textile companies of Pakistan i.e. Nishat Mills Limited and Gul Ahmed Textile Mills Limited highlights the process of how various strategies have different effects and can lead to almost entirely different result in global disruption events. Through this project, managers can gain the idea that those firms which adapt rapidly to global trends and shifts, always tends to perform better while other slow moving and traditional strategies can cause competitive loss.

As for an example, Gul Ahmed's significant recovery of their financial performance during and after the trade war illustrates the importance of their value added production strategy. Different managers can observe the fact that companies which offers finished products or goods gained more profitability margin during the trade war years than those firms who focused on raw goods and low margin production. This part of the study can help managers in revising their strategies related to product development to be concerned totally on value added operations.

Furthermore, the analysis made in the study also reveals that the cost efficiency has a key role in overall business success during the period of global shifts and uncertainty. Nishat Mills' overall decline in operating margins and gross margins can convince that the operational rigidity and rising cost due to external factors can abrade the ability of firm to gain benefit from the global disruption opportunities. This insight can help the managers to enhance their processes efficiency and cost control mechanisms along with how investing in modern technology can reduce the waste material and increase or enhance productivity.

This project can also inspire managers and decision makers to monitor currency movements and global trade policies more regularly. As the external factors which include currency exchange rate fluctuations and changes in tariffs can notably affect textile firm's profitability, managers should involve high global intelligence in their decision and strategic planning. By all these efforts, managers and decision making parties can respond in a much better way and also position their firms in place where it can be benefited from the future trade opportunities

5.4 Financial and Investor Market Benefits

This project also has a benefit for shareholder, financial analysts and investors. By providing a financial comparison based on multi years, investors can be helped in order to evaluate whether a company is resilient and capable of generating more returns in a globally changing environment. Return on assets, return on equity and earnings per share final results can offer as a major indicator for future investment plans and can help in confirming firm's future financial stability.

Many investors can use the finding from this project to differentiate between those companies which have stronger earnings growth and those companies with slower performance. This study clearly indicated that Gul Ahmed Textile Mills Limited has experienced considerable EPS growth in the year 2018 which makes it a better option for potential investor to invest in. While on the other hand, Nishat Mills Limited has stable but low EPS performance relatively which makes it a more conservative investment profile. This helps the investors in making better decisions about risk assessment and company's product diversification.

In addition to this, the study also highlights the influence of external events on firm's overall value. Many investors mostly overlook the fact that global trade dynamics have a huge impact on the local businesses. This study has also revealed that external shock can either generate new opportunities or expose the firm's weaknesses which determine the company's overall standings in the global market. These insights can help in guiding the investors for longterm investment plans and provide them with better investment strategies along with helping investors in identifying trade patterns of various industries which are sensitive to economic shifts and global politics.

5.5 Benefits for Industry Stakeholders and Policymakers

The end result about the financial statement of the chosen companies provides useful insights for industry associations, policymakers and government bodies. As we know that the textile sector has a major role in maintaining the economy of Pakistan thus understanding the global trade disruption can help the policymakers of local business in generating better ideas and effective support policies.

The improvement in the performance of Gul Ahmed Textile Mills during and after the trade war determines that a Pakistani firm can also benefit from global trade disruptions when the buyer from international market is looking for diversified alternative options from huge markets i.e., China. This Insight can ultimately inspire and motivate various policymakers in order to strengthen their export activities and incentives, reduce bureaucratic barriers and negotiate better trade agreements for textile exporters like Nishat Mills Limited and Gul Ahmed Textile Mills Limited. Thus, by taking these significant actions, the Pakistan's government can present Pakistan export services and goods more attractive to the international buyers in the global supply chains.

The abovementioned discussions and analytics made in this study also reveal that how raw material costs, cost pressures particularly energy prices and inflation can weaken a textile firm's performance, as shown in the case for Nishat Mills Limited. This information can be used by the policymakers in order to design a better strategic plan for more stabilize input prices, supportive energy policies for industry and can also help in the modernization of industrial sector. Also, by lowering the overall production costs for whole textile industry can help in remarkably improving their competitiveness in the international market.

Moreover, chambers of commerce and industry associations can be benefited from the findings of this research to guide the whole Pakistan's textile industry on adopting new technologies which are necessary for modern age and improving the operation efficiency. The result of this study determines that the firms which use diversification and innovation in their product list perform much better during global shift as compared to other firms.

5.6 Benefits for Pakistan's Textile sector

This project is focused on the textile industry thus providing beneficial insights for textile sector by emphasizing on modernization, importance of value addition and flexibility in product lines. The comparison between the annual financial results of Pakistan's two leading textile firms i.e., Nishat Mills Limited and Gul Ahmed Textile Mills Limited indicates that the textile industry can never depend solely on traditional operational and production methods if the purpose of the industry is to survive and enhance their growth in the competitive international market.

Gul Ahmed Textile Mills Limited's powerful performance during the trade war year, 2018 clearly proves the true potential of value added products for example, home textile i.e., towels, fashion fabrics, simple garments and stitched garments. These products have proved to be more resilient to the global trade shifts and have greater profit margin than those traditional products. This helps and motivates other textile firms to sway away from low value product lines such as grey fabric and yarn. They should focus on modern day need thus making more finished goods that meets the modern day requirements of international brands.

The findings of this project also illustrate the significance of operational efficiency and agility. Textile firms that can efficiently adjust themselves to fluctuations in the international market by modifying their production lines and production levels or can respond effectively and efficiently to sudden shifts in international buyer's demands are more likely to perform better and thrive during disruptions caused in the global market. This insight motivates the textile companies in order to invest in modern digitalization, research, machinery and development.

Furthermore, the findings of this project also highlight the importance of flexibility in supply chain. Companies that emphasize on using modern inventory system by using modern machinery and produce according to the modern day need, maintaining proper relationships with suppliers and diversifying their export strategies and markets can perform better in sudden global shifts. The textile sector of any region can use this informative roadmap to strengthen itself in a competitive market and align itself with the always changing trends of the global industry.

5.7 Benefits for future study and Research

This project also prove its worth in the research sector by contributing to the existing literature as it offers quantitative evidence about the US China trade war form year 2016 to 2018, in relation to the Pakistan textile industry. There are very few samples of studies below the undergraduate level which analyze politics at global level in the trade market by using real time financial data of real companies. This makes the whole project a valuable asset for any kind of future study related to the textile industries and global shifts.

Scholars and students who have interest in the international trading system, financial performance on firm level and supply chain disruptions can use this research technique and methods to upgrade their research by expanding the number of total companies examined or studies at the same time for long term effects. Future studies can also explore those external factors which are not the part of this study for example, inflation, energy shortage and costs, and volatility in exchange rates, in order to understand their long term effects on financial outcomes of the firm or firms.

The methodology used in this research i.e., combining international trade context with the analysis of financial ratios, delivers a strong and necessary foundation for future researches and academic works. Researchers can also apply a similar approach used in this research for many other industries like cement, information technology, pharmaceuticals and logistic companies.

CHAPTER 6

Limitations and Conclusion

6.1 Introduction

The purpose of this chapter is to determine the limitations, recommendations and conclusion for the project. This chapter summarizes the whole purpose of this study by highlighting major findings from the comparative analysis between Gul Ahmed Textile Mills Limited (GATM) and Nishat Mills Limited (NML). This study can help them propose proper practical suggestion in order to improve their financial performance and help them in the future by guiding research content.

6.2 Limitations of Research/Study

As the valuable insights provided by the project, it is still limited by several limitations which prevent the study to enter its depth phase. The reliance on secondary data proved to be a major limitation from the annual reports and financial statements. However, these documents are necessary, but they don't provide the essential data about the operational strategies, internal management decision and some confidential financial information. Without the primary data i.e., surveys and interviews, the research cannot fully capture the major internal factors that contributed to differences in performance between Nishat Mills Limited and Gul Ahmed Textile Mills Limited.

Another limitation is concerned with the minimum number of companies that are being analyzed for this study as minimum data can help in generating accurate findings, but it can prevent the research from discovering new facts. Pakistan's textile industry is huge and diverse at the same time consisting of many large and small businesses which have their own product specialty and regional market in which they excel at. As this study is concerned with the two major textile firms, capturing the result of whole Pakistan's textile industry in relation to the USChina trade war is impossible. Apart from that, a greater number of companies could have been more useful as they can help in obtaining more diversified, comprehensive and generalized analysis.

This study is focused majorly on the exact trade war years which start from 2016 to 2018 which only provide the early data about the trade war disruption, and it does not display the full development which took place in the post trade war years i.e., 2019 and 2020, when more extra tariffs were implemented. Thus, due to the sole focus of this study on the pretrade war year and the onset trade war year between United States and China prevented from studying and researching the long term effects of this global shift which consists of diversification in international sourcing and steady supply chain sources.

Moreover, the research primary focus is financial ratios as these ratios are important for understanding the shareholder value, profitability and efficiency but these financial ratios, on the other hand, do not have the capability to capture the nonfinancial factors that may or may not affect the firm's overall performance. For example, productivity of the entire workforce, marketing strategies, challenges faced in keeping the operations more reliable and efficient, upgrades in machinery and digital technologies and flexibility in supply chain. Also, this financial ratio might have helped in covering the trade war years, but these ratios doesn't cover the full impact from year 2019 and 2020 because then, additional tariffs were imposed.

6.3 Conclusion of Study

Ultimately, all the external factors which include inflation, exchange rate shifts, high interest rates and energy shortages majorly affected Pakistan's whole textile sector during the trade war of United States and China in the year 2018. These external factors can't be separated from the effects of the United States and China trade war; they may or may not have contributed to changing the overall firm's financial performance. This particular limitation caused a lot of difficulties in determining the exact extent to which the trade war affected the financial outcome, thus cannot be measured accurately.

The purpose of this project is to evaluate the overall impact of US China trade war on Pakistan's two most leading textile companies, by analyzing their efficiency, shareholder returns and profitability, before and after the onset of trade war. Gul Ahmed Textile Mills Limited showed a significant improvement in their 2018's financial performance with an increase in returns on equity and assets, profit margins and rise in earnings per share. This improvement revealed that Gul Ahmed Textile Mills Limited capitalized on the global shift and attracted more export than usual from international buyers.

In contrast to that, Nishat Mills Limited had a stable performance during the trade war years and didn't show any significant improvement. The profitability margins declined, earning per shares decreased and operating efficiency weakened in 2018. Although Nishat Mills Limited is one of the leading brands from Pakistan's textile sector, but their financial results shows that they were unable to adapt rapidly to the global shifts in order to take advantage created by trade war disruption.

According to these findings, firms with strong export network, value added product portfolios and flexible manufacturing systems are way better positioned to gain benefit from global disruptions. This study helps in understanding the significance of operational efficiency, innovation and strategic adaptability for textile industry in extreme competitive international markets. The firms should always act continuously and proactively to evaluate the international trends in order to remain in the competition.

6.3 Recommendations

According to the results and limitation of this whole study, there are several recommendations which can be proposed to textile firms, future researchers, investors and policymakers:

- **Textile firms:** It is recommended for textile firms like Gul Ahmed Textile Mills Limited and Nishat Mills Limited that they should improve their value added productions because textile good which provide higher margins i.e., fashion apparel, home textile and garments, showed great demand and profitability during the trade war years. Those companies who follow traditional models for production should always consider diversification in modern technologies and machineries, innovation capabilities and their product lines. Also, firms should improve their export strategies by making strong policies which can adapt to sudden shift in global market.
- **Future Researchers:** This study can future researchers by encouraging them to understand and expand this study by including more companies from all over the world and analyzing the long term effects of trade war. This study can help them maintaining a base for their research. They should explore the workforce skills and nonfinancial indicators which include technology indications and supply chain management skills. This exploration will provide a greater understanding for how textile industries adapt to global trends and shifts.
- **Investors:** As far as the investors are concerned, the firm in which an investor is going to invest should prove its worth itself and provide them with the profit they are expecting but it is an investor's duty to first study the various perks of that firm in which it is going to invest. This study is focused on the major significance of firm's strategic resilience and evaluating its adaptability. Companies with better adaptation plans tend to provide better returns. Investor must look for such industries before investing their money and consider the factors such as international presence, operational efficiency and their capability for innovation.
- **Policymakers:** The policymakers can help their relative textile sector by addressing to various challenges which can, later, prove to be for the betterment of the entire sector. Thus, they should help the textile industry by creating awareness for structural challenges for example, limited technology, high energy prices and inconsistent policies. They should provide various incentives for offering financial support, modernization and easing the export procedures to achieve industrial expansion which can ultimately help the firms to compete in an effective way in the global market.

However, all of the above can also help firms to improve their production and profitability margins but at firm level, operational efficiency is the major task for any company. It should be improved to reduce the costs of operation thus enhancing profitability. Investing in energy efficient machinery, implementation of lean manufacturing techniques to reduce waste and adopting digital supply chain tool can be proved effective. Focusing significantly on the research and development (R&D) can lead the firms to make differentiated products which can make them more attractive to global buyers.

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Name of Student(s)	Muhammad Abdullah Malik - Muazzam Ahmed Khan
Enrollment No.	01-111221-056 , 01-111221-055
Thesis/Project Title	Impact of US-China trade war on financial performance of Pakistan textile industry: analysis of Covid-19 and Nishad milk

Supervisor Student Meeting Record				
No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	2/9/25	Maam office	Introduction	
2	16/9/25	Maam office	Lit. Review	
3	5/10/25	Maam office	R. Design	
4	20/10/25	Maam office	Analysis	

Progress Satisfactory Progress Unsatisfactory

Remarks: Progress was satisfactory.

Signature of Supervisor: Dr. Sadaf Maam Date: 15-12-25
Name: Sadaf Maam Note:

Students attach 1st & 2nd half progress report at the end of spiral copy.



2nd Half Semester Progress Report & Thesis Approval Statement

Name of Student(s)	Muhammad Abdullah Malik, Muazzam Ahmad Khan
Enrollment No.	01-111221-056, 01-111221-055
Thesis/Project Title	Impact of US-China trade war on financial performance of Pakistan textile industry: Comparative analysis of Gwt-Ahmed and Nisheet Mills

Supervisor Student Meeting Record				
No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	7/11/25	Maam office	limitations	
6	25/11/25	Maam office	Revisions	
7	15/12/25	Maam office	Reference	

APPROVAL FOR EXAMINATION

Candidates' Name: Muazzam Ahmad, Enrollment No: 01-111221-055,
Abdullah Malik 01-111221-056-

Project/Thesis Title: Impact of US-China trade war on financial performance of Pakistan textile industry: A comparative analysis of Gwt-Ahmed and Nisheet Mills.

I hereby certify that the above candidates' thesis/project has been completed to my satisfaction and, to my belief, its standard appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 9% that is within the permissible limit set by the HEC for thesis/ project BBA/MBA. I have also found the thesis/project in a format recognized by the department of Business Studies.

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