

**FACTORS AFFECTING THE FINANCIAL PERFORMANCE
OF CEMENT SECTOR:**

**AN EVIDENCE FROM DG KHAN CEMENT (PVT) LTD,
PAKISTAN**



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ABSTRACT

The aim of this project report is to study and make an analysis as well as interpretation of financial statements of DG Khan Cement. The required data for subject analysis was collected from www.dgcement.com, www.brecorder.com & www.secp.gov.pk. The period for the analysis ranges from 2007 to 2011 (five years). The study included financial ratio analysis (current ratio, debt to assets ratio, return on assets, return on equity, earning power of the firm, earning per share & dividend yield). Further more financial analysis of the firm (Five year performance of DG Khan Cement, balance sheet of DG Khan Cement, profit and loss account, horizontal and vertical analysis) has become the part of the study. PEST analysis was also become part of the project. Horizontal analysis of balance sheet, horizontal analysis of Profit & loss, vertical analysis of balance sheet and vertical analysis of profit & loss was also done to finalize the required analysis.

Why Cement Sector for Our Project

At the time we got independence in the year 1947, there were only 1 or 2 cement producing units, for production requirement of the country. During the decade just after independence (1948-58), the cement manufacturing units increased in numbers up to six. The economy of the country was on growing node and construction related activities were on boom in the Ayub's government. This increase in demand for cement created a chance for the sector to build new units. Same was done and new factories were established. During the next decade (1958 to 1968), the cement producing units increased from six to nine. The process of nationalization was carried out in the era of Zulfikar Ali Bhutto. Hence all industrial units, including the cement manufacturing units, shifted as nationalized units therefore, new units were not set up in the era of 1971 to 1977. The industrial sector got a chance to flourish, when process of denationalization started in the period of General Zia-ul-Haq, (1977-88). The denationalization of industrial sector boosted them as well as investments. Housing as well as construction industry increased the demand of cement. The increasing demand for cement increased the cement producing units in the country. Thus the number of units increased from 9 units to 23 units. Finally the number of unit, become 24 in the country. The cement sector had a long history, as it was having a production capacity of less than half million ton at time of independence. Now its production capacity had increased and exceeded ten million ton per annum. The increase in the production capacity is due to establishment of new units as well enhancement of production capacity of existing units. Privatization as well as effective controlled price started a new era for the sector in 1997, where production was not only enough for local demand but surplus production.

Evidence of importance of sector is clear from its growth during the period from 1948 to date. Its importance in the economy made it considerable for the project.

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