

“FINANCIAL STATEMENT ANALYSIS OF SELECTED TEXTILE COMPANIES IN PAKISTAN”

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EXECUTIVE SUMMARY

Pakistan's garment and textile are two principal industries contributing more than 60 per cent to total export earnings, accounting for 46 percent of total manufacturing and employing 38 percent of the manufacturing labor-force. Exports According to official data, textile manufactures exports increased by 23.31 percent to US\$6,417.83 million during the period July-May 2002-03 as compared to the corresponding period of previous year. Their share in overall exports stood at 64.88 percent as against 63.70 per cent during July-May 2001-02, thus further reducing the contribution of other categories to exports. So looking to the increasing trend researcher is doing financial statement analysis of selected textile companies in Pakistan. As financial statement analysis provide deep insight to the financial position of a company, which is favorable for present and its future of its existence. Financial ratios are widely used to develop insights into the financial performance of companies' by both the evaluators' and researchers'. The firm involves many interested parties, like the owners, management, personnel, customers, suppliers, competitors, regulatory agencies, and academics, each having their views in applying financial statement analysis in their evaluations.

This study is about the financial statements analysis of the selected companies in the textile industry in Pakistan. The study is descriptive in nature. The researcher has utilized the descriptive method in acquiring information for evaluating the financial performance of the selected textile companies. The research data is secondary in nature as for this particular research. The data is collected for the consecutive five years i.e. from 1998 to 2002, in the form of annual reports from the registrar office, containing; balance sheet, income statement and profit & loss

account. The sample for this particular research is three different companies; (Colony) Sarhad Textile Mills LTD, D.M. Textile Mills LTD, Al-Qadir Textile Mills LTD. This research is based on secondary source of data and consists of annual reports, articles, web sites, and books.

By analyzing financial statements the findings are really interesting that Al-Qadir Textile Company is performing much better than the industry norms, where it has faced several problems in 1998 and 1999. Al-Qadir has the highest ROA and ROE for the year 2000. The results and data show that Al-Qadir is highly financed through debt and has improved the debt position, but still it is high the company needs to increase its shareholders equity. D.M have a negative net-profit margin for 1998 and 1999. D.M shows a good ROA for the year 2001 and over the years company has reduced its debt burden from 93% to 64%. D.M's current ratio is below one, which means on average 0.46 is its current ratio showing that company has 0.45 paisas in current assets for every Rs.1 in current liabilities. D.M has continuous negative ratio due to high credit sales. D.M are enjoying high inventory turnover where (Colony) Sarhad is below the industry average. (Colony) Sarhad is having negative results for the consecutive five years; high cost of sales is being the reason for this result. (Colony) Sarhad has debt of average 72%. (Colony) Sarhad shows variability in its current ratio. Whereas (Colony) Sarhad has positive ratio of net working capital to total assets, this is because of more assets. (Colony) Sarhad is in a critical situation where it should try to increase its sales or reduce its cost of sales.