

Project on gulistan textile mills



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INDUSTRY PROFILE The textile and apparel industry is often considered the backbone of the Islamic Republic of Pakistan's economy. In that south Asian republic which shares borders with China to the north, India to the east, and Iran and Afghanistan to the west, as well as the Arabian Sea to the southwest cotton textiles and apparel historically were the focus of the industry, mainly because of the large amount of cotton grown in the country. In fact, Pakistan currently ranks fourth among world cotton producers and third among world cotton consumers having produced 9. million 480-pound bales and consumed 11. 8 million 480-pound bales in the 2010/2011 marketing season. Pakistani textile manufacturers recently have diversified their product offerings to include man-made yarns, fabrics and apparel as the result of shifts in global demand for cotton-blend apparel. Other recent economic factors, such as the end of textile quotas in 2005, have caused Pakistan's textile industry to continue to adapt in an effort to remain globally competitive. The republic's textile and apparel industry in 2011 consisted of ginning, spinning, man-made fiber, weaving, finishing, apparel, terry towel, tarpaulin and canvas, and knitwear machinery sectors. The textile and apparel industry as a whole employed approximately 40 percent of total industrial workers and accounted for 46 percent of total manufacturing. There were 1, 221 ginning units, featuring an installed capacity of 20 million bales of cotton. The spinning sector comprised 408 spinning units, with an installed capacity of 157, 143 rotors; and 50 composite units, with an installed capacity of 10. 1 million spindles.

The country's 10 man-made fiber units had an installed capacity of 660, 000 tons. The Pakistani government's Board of Investment reported 124 large

and 425 small weaving units, with a total production capacity of 4.4 billion square meters of fabric. With regard to finished textile goods, the country's 5,000 apparel units featured an installed capacity of 450,000 sewing machines, show organizers reported. The installed capacity for Pakistani knitwear manufacturers numbered 12,000 machines. Tarpaulin and canvas production capacity totaled 100 million square meters, while installed capacity of terry towels totaled 7,500 looms.

While the Pakistani manufacturing sector as a whole in 2011 accounted for approximately 25 percent of the country's estimated gross domestic product (GDP) of US\$395.2 billion on a purchasing-power-parity basis, the textile industry's diverse product offerings accounted for 11 percent of the country's GDP, as reported in the aforementioned IGATEX Pakistan report. In addition, approximately 60 to 70 percent of total exports came from the production of cotton textiles and apparel, which are considered Pakistan's largest industries.

The Business Recorder, a Karachi-based financial newspaper, reported in June 2011 that the textile industry's value addition accounted for more than 9 percent of the GDP, and that the industry had a market share of approximately 30 percent in world yarn trade and 8 percent in cotton cloth. With the recent decline in textile exports and a record-setting trade deficit that reached more than \$2.1 billion in the first two months of 2012, Pakistan's textile industry currently is confronting new economic challenges.

Including the spinning, weaving, value-added apparel and made-up and home textile sectors had begun to downsize its workforce. A hike in interest rates in July 2011 by the country's central bank led to increases in export

refinancing, long-term commercial and industrial credit, and, ultimately, rising production costs. Furthermore, exporters are facing steep price competition from manufacturers in China, India and Bangladesh. COMPANY PROFILE Gulistan Group of Companies began with the establishment of Gulistan Textile Mills in 1966.

Gulistan Group of Companies since then the group has expanded substantially to become one of the largest textile groups in Pakistan with over 6000 employees Gulistan Group of Companies main focus of this carefully designed expansion has been to add stability to business obligations and win customer confidence in product quality, reliability and competence. This approach towards progress and growth is visible in Gulistan Group's enormous success in all of its undertakings to date. Gulistan Group of Companies an annual turnover of US\$140 million. Gulistan Group of Companies all units are listed company.

Gulistan Group of Companies head offices are in Lahore ; Karachi. Gulistan Group of Companies has: * 11 spinning mills producing 60, 000 tons of yarn per annum. * 2 woven fabric mills producing 16. 5 million meters of fabric per annum. * 4 Power generation plants producing 21 megawatts of electricity. * Gulistan Group of Companies are manufacturing (Yarn, Fabrics, Apparel, Cotton Clothes, * Towels, Bed wear, knitwear, Raw Cotton, etc) Yarn Gulistan's 9 spinning mills with 215, 000 spindles and 4, 200 rotors produce 70, 000 tons per year of cotton ; blended yarns from 4/1 to 120/1 as well as up to 10-ply yarns.

This is complemented by a yarn dyeing plant with a capacity of 3, 000 tons per year of a wide variety of melange and dyed yarns. Gulistan Group has

one of the largest and most versatile spinning setup in Pakistan. Fabrics The state of art weaving unit with its 255 air jet and projectile looms have a capacity of weaving 36 million linear meters of high quality greige fabric in widths ranging from 40 inches to 144 inches and thread counts as high as 600 in single, Apparel Gulistan has set up a 500 stitching machines woven apparel unit ensuring aesthetics, elegance and fineness.

Gulistan is producing 8000 trousers per day through its latest state of the art mechanical setup, production planning systems and design mechanism. Home Textile Home Textile products are the latest addition to the group's product range. A manual fabrication facility is being setup and exports have already begun of top quality yarn dyed sheet sets into the United States.

Vision Statement * To become a complete and integrated textile conglomerate. * To become an institution that delivers extra value through superior product quality and professionally principled management. To stay abreast of technological advancements to meet the changing and challenging requirements of our customers. All of us at Gulistan are committed to delivering more to our customers all over the globe. We seek growth through state of the art technological innovations and continuous improvement in our operations. Analysis Basically Vision statement is the answer of the question that " what do we want to become? " And it is a really important component of the organization. If the organization wants to formulate any strategy clear vision is the key component required for that.

Let's analyze the vision statement of Gulistan point by point. * Conglomerate means " A group of diverse companies under common ownership and run as a single organization" so it's clear that they want to take over the whole

textile industry under their own company. This sends a clear message to the competitors that they want to compete. This statement motivates the employees because they made it clear what they want to become. * The organization promises to deliver quality product and good management so this is their competitive advantage because the quality and the management make the difference.

This statement sends the clear message to the customers or the target market that quality and management is their core competence. * As we all know that this is the time of globalization. The customer demands and needs are more challenging than the previous times so technological advancements are necessary for the organization. It's a good thing to include in vision statement because it shows the strength of the organization that they opened their door for technological advancements to fulfill their other vision components. The major portion of the revenue generated by Gulistan is from their exports so they also covered the global prospective by stating that they are committed to deliver more for their customers all over the globe. This also covers that they are targeting the customers not only from Pakistan but all over the globe. * As the core rule of vision that it should be broader so they stated in their vision that they will seek through state of the art technological innovation and continuous improvement in their operations.

This shows the broader vision of the organization that they are not stereotype and they always open their arms for improvements. This is a really a good vision statement which covers all aspects like Industry, customers, core competence, competitiveness, product and employees. Mission Statement

Commitment towards excellence, to our customers, to society is the foundation that we have built upon; from it we drive our strength. Gulistan has held the traditional values of honesty, integrity and commitment in high esteem. The structure of each of our business units is designed to integrate experience with technological advancement.

With the effort and expertise put in by the 10, 000-members of Gulistan family, our state of the art units are producing world-class yarns, fabrics, made-ups, apparel and household products for our local ; global customers. Our plans are geared towards expanding our global presence; providing quality products and developing relationships while at the same time serving the community we live in. Analysis Mission statement must have 9 basic components let's see that how gulistan is fulfilling those 9 mission components and I also highlighted them above. Customers-- Local and global customers. * Products-- Yarns, fabrics, made-ups, apparel and household products. * Markets—International & Global Markets *Technology-- To integrate experience with technological advancement. * Concern for survival, growth and profit—Expansion of global presence. *Philosophy-- Traditional values of honesty, integrity and commitment in high esteem. *Self Concept-- Providing quality products and developing relationships. * Concern for public image-- Commitment towards excellence, to our customers, to society. Concern for employees-- The effort and expertise put in by the 10, 000-members of Gulistan family. This is a really a good & comprehensive mission statement which covers nine basic components of mission statement like customers, products, markets, technology, concern for survival & growth, philosophy, self concept, concern for public image & concern for employees.

PEST ANALYSIS Political * Rules and regulations by the government for the collection of taxes have impact on the organization. * Rules and regulations imposed by the government on import and export effect the organization. Different types of export duties by government also effected organization to discourage from export their product. * Day to day changing in political situation in Pakistan had a bad impact on organization. * Organizations are discouraged to expand their business due to changes in political situation. Economic * Economic condition of our country is very bad so it has a great impact on industrial sector. * Due to bad economic condition industries are suffering from low profit. * Due to inflation profit of industries is reducing because it impact on industries to increase in prices of products. Bad economic condition results in to reducing number of industries in a country and to unemployment. Social * Unemployment is increasing day by day due to electricity shut downs in our country. * Attitude of the people on work is not improving due to low salaries are given to them in response to their work. Technological * Volatile technologies are launched day by day which has a great impact on organizations to serve in market. * Fast internet browsing eliminates gap between importers and exporters. * Modern customized software reduces human effort and it tends to save time and money of owner. Advertising agencies make it easy to access their customers at home at any time on national and international level. * Innovation in technology increases efficiency of organizations to compete in the market and to increase productivity. Conclusion: Technology has a great impact on the industry. Due to technology, they face new challenges, which check their abilities and improve performance. Gulistan adapts latest ways of technology & is successfully doing their business. PORTER'S MODEL 1.

Threats of new entrants The threat of new entrants in the retail industry keeping in view the brands that we have chosen is low.

As the scope of the textile business, Gulistan is providing a vast category of products under one roof. The new entrants face several barriers which primarily includes the high costs involved in starting this business. Secondly the product offered by them is highly differentiated product which also discourages new entrants. With such established brands it becomes very difficult for the new entrants to make a position in the market or capture market share. Thirdly the cost involved in having an exclusive distribution is very high which also serves as a barrier to entry.

2. Threats of substitutes
We are analyzing the threat of substitute can be classified into the following category of: * Local Market * International Market The threat of substitute is medium to low in local market. People might switch brands if they think due to any reason the brand is not providing satisfaction. But on the other hand people who are brand loyal would not think of any substitute. But in the international market the threat of substitutes is pretty high because other industries ; competition. 3. Rivalry among existing firm The rivalry among the textile industry is high, both in the local market and for the international market.

In case of the local market the number of competitors is very large and all moves are competitive. Majority of them are even located in the same areas ; are challenging each other's positions, taking sales from each other. The international market is also on the competitive moves. Launch of new product by any brand impacts the other brands like the recent launch of Gulistan impacted the sales of other exports ; international brands too. 4.

Bargaining power of suppliers The bargaining power of suppliers is high in retail industry as the suppliers can supply to any firm they want.

In international ; local market some industries have multiple suppliers and therefore have great impact on the sales of the business. The products at these stores are differentiated and therefore the switching costs involved are very high. Alongside the substitutes in case of suppliers is also not viable as brand equity is also very important. 5. Bargaining power of buyers The bargaining power of buyers is high in the international market but in case of local markets it is low. The reason for the high bargaining power in local market is * Plentiful alternate suppliers Product not differentiated * Access to substitutable products * Plentiful options for consumers. On the other hand in case of the international market the bargaining power of buyers is low because * Less alternatives * Differentiated product * Changing supplier costs high to the seller Conclusion: As we discussed above the textile industry is very vast in Pakistan the competition in local markets is high because there are many textile companies working here. People have plenty of choices to select between different brands. So companies are competing neck to neck for customer satisfaction.

Quality is the most important to maintain competitive edge over other brands. Globally the competition is also tough because textiles are included in the major exports of Pakistan. Quality and variety both are important in international markets. Gulistan is producing variety of products with supreme quality so they should improve and sustain it to remain in competition. Opportunities ; Threats Opportunities Pest analysis * Fast internet browsing eliminates gap between importers and exporters. * Modern

customized software reduces human effort and it tends to save time and money of owner. Advertising agencies make it easy to access their customers at home at any time on national and international level. * Innovation in technology increases efficiency of organizations to compete in the market and to increase productivity. Porter's model * Threat of new entrants is low. * Threat of substitute is low in local market. * Low bargaining power in local market. Threats Pest analysis * Rules and regulations by the government for the collection of taxes have impact on the organization. * Rules and regulations imposed by the government on import and export effect the organization. Different types of export duties by government also effected organization to discourage from export their product. * Day to day changing in political situation in Pakistan had a bad impact on organization. * Organizations are discouraged to expand their business due to changes in political situation. * Economic condition of our country is very bad so it has a great impact on industrial sector. * Due to bad economic condition industries are suffering from low profit. * Due to inflation profit of industries is reducing because it impact on industries to increase in prices of products. Bad economic condition results in to reducing number of industries in a country and to unemployment. * Unemployment is increasing day by day due to electricity shut downs in our country. * Attitude of the people on work is not improving due to low salaries are given to them in response to their work. * Volatile technologies are launched day by day which has a great impact on organizations to serve in market. Porter's model * Threat of substitute is high in international market. * Rivalry among existing firms. * Bargaining power of suppliers is high. * High bargaining power of buyers in international market.

EFE MATRIX KEY EXTERNAL FACTORS	Weight	Rating	Weighted Score
OPPORTUNITIES WTO regime implementation.	0. 12	4	0. 48
Cost reduction by using modern and technology	0. 13	3	0. 39
Local market development	0. 10	1	0. 10
Entering in Energy sector. (Subject to Government permission)	0. 11	2	0. 22
THREATS Export of raw cotton and yarn	0. 12	4	0. 48
WTO regime implementation	0. 10	4	0. 40
Exchange rate fluctuations	0. 09	2	0. 18
Instable political and economical conditions	0. 12	4	0. 48
Government policies	0. 11	1	0. 11
TOTAL	1. 00		2. 84

Interpretations:

EFE score of 2. 84 indicating that the Gulistan is taking the external opportunities and avoiding external threats quite well, however there is room for improvement is well. This score suggest Gulistan to be aggressive but the degree of aggressiveness needs to be little moderate, it should not go for diversification, rather it should go for penetration in the existing market, further developing local or foreign market or it may design a new product.

Critical Success Factors Critical Success Factors are: * Product design * Technological up-gradation * Research ; development * Market Segmentation Distribution ; promotion * Capacity utilization * Persistence in product quality * Efficient procurement of raw material * Effective management * Trained manpower * Cost competitiveness * Customer satisfaction ; loyalty

Competitive Profile Matrix CRITICAL SUCCESS FACTORS			
Gulistan Textile MILLS LTD. CRESCENT TEXTILE MILLS CHENAB TEXTILE MILLS	WEIGHT	Rating	Weighted Score
Product design	0. 07	4	0. 28
3	0. 21	3	0. 21
Technological up-gradation	0. 11	3	0. 33
4	0. 44	3	0. 33
Research ;			

development| 0. 0| 4| 0. 40| 3| 0. 30| 2| 0. 20| Market Segmentation| 0. 07| 2| 0. 14| 2| 0. 14| 4| 0. 28| Distribution ; promotion| 0. 07| 3| 0. 21| 3| 0. 21| 2| 0. 14| Capacity utilization | 0. 08| 3| 0. 24| 3| 0. 24| 2| 0. 16| Persistence in product quality| 0. 09| 4| 0. 36| 3| 0. 27| 4| 0. 36| Efficient procurement of raw material | 0. 09| 3| 0. 27| 3| 0. 27| 3| 0. 27| Effective management| 0. 08| 3| 0. 24| 4| 0. 32| 2| 0. 16| Trained manpower| 0. 07| 4| 0. 28| 3| 0. 21| 3| 0. 21| Cost competitiveness | 0. 10| 2| 0. 20| 2| 0. 20| 1| 0. 10| Customer satisfaction ; loyalty| 0. 7| 3| 0. 21| 3| 0. 21| 2| 0. 14| TOTAL| 1. 00| | 3. 16| | 2. 98| | 2. 56|

INTERPRETATIONS: A Gulistan Mills limited is dominating in the industry as compared to local players. There are several competitors like Agzard 9, Kohinoor textile mills, etc, but above taken competitors are the major ones. CPM scores for Gulistan showing aggressiveness as compared to the crescent and Chenab textile mills. Gulistan is number one company within the local environment; it is basically leading the industry in the following aspects: * Product design. * Research ; development. Persistence in product quality. * Trained Manpower. Moreover, crescent textile mills is resides at the second number and leading industry in effective management style. Finally Chenab textile comes at number 3rd with leading position in persistence in quality and market segmentation. Strategic internal audit of the company of the following departments * Marketing * Finance * Accounting * MIS * HR

MARKETING DEPARTEMENT Sales ; Marketing department at the Gulistan Textile Mills Ltd. is involved in following three types of sales. * Exports * Local Sales * Wastage Sales

For these three types of sales the Gulistan Textile Mills Ltd have following two Sale ; Marketing offices. * Lahore Office * Faisalabad Office Exports The

Gulistan Textile Mills Ltd exports all his goods through the agents in the different countries across the world. The direct sales to the foreign customers are very low. Gulistan Textile Mills Ltd. Export Agents Customers Export Agents Following are the major export agents of the Gulistan Textile Mills Ltd. * KSEO SEOUL KOREA * ATEX INTERNATIONAL * TAIZEUS LAILA ISLAM * SENCO INTERNATIONAL * ESTERN KOREA * R. D JAEWARDANE INDIA * MITSUI ; CO INDIA * FIBER SMITH INTERNATIONAL

Export Customers Following are the customers of the Gulistan Textile Mills Ltd across the world. * COTTONNIERE DU, SENIGAL * CHINA TEXMAT CHINA * HAESONG BANGLADESH * EL HARAMEEN CO. EGYPT * ZHEJIANG IMPORT CHINA * KANDYGS HANDLOO SRILANKA * CRYSTAL MARTIN UK * RESTEX COMPANY USA * OASIS NJRT GENE TURKY Internal Audit Check List * Target markets are effective. They are relying mainly on exports so market is divided into one small portion of local sales and other major portion of exports. * Currently their exports portion is doing great among all other competitors like nishat mills is behind in the exports section. Firm market share is stable locally but in exports they already acquired major international markets. * As they have sales and exports agents on 2. 5 % commission which are doing well for them * Customers are pretty much satisfied with the product quality because they never compromised on product quality. * Gulistan is maintaining good quality with reasonable price which is the key factor for their huge sales * They are less focused on their advertisement because they have sales agents. They have invested in print media for advertisement. * They have trained managers and with minimum 10 years of experience in their related fields.

ACCOUNTS DEPARTEMENT The financial information of a business is communicated through this department. As we know that “ Accounting is an art of interpreting, measuring and communicating the result of economic activities” this department is concerned with the preparation of financial statements preparing budgets for business and allocating budget to different units according to their requirement. For daily expenses or for purchasing of goods or machinery for business. Accounts department prepares financial statements on quarterly, half yearly and annually basis.

On the basis of these statements management takes necessary decisions for business. Stakeholders can also get information about the financial position of the organization. Accounts manager handle whole department different accountant and assistants work under account manager. Units send all documents on daily basis to head office and on basis of these accountants prepare financial statements for purchases, payments, expenses, receipts and others. Functions of Accounts * Maintain record of assets of business * Recording transactions in books of accounts * Preparing financial statement Preparing ledger, journal and vouchers * To pay salaries, wages and different types of expenses to mills * Prepares financial statements on quarterly. Semi annually and annually basis

FINANCE DEPARTMENT Finance department is concerned with the financial activities of the organization. Finance manager is responsible for the acquisition of finance for running operations of business smoothly. Finance manager prepares cash flow statements to estimate the financial needs in the business and to check whether the expenses are incurring according to the requirement of business.

Finance is life blood of a business so it is very important department which handles financial activities of an organization. Accounts manager provides bank statements to finance manager and finance manager review those statements and then take decision which unit need to be finance and they are responsible for planning finance from where to acquire and where to invest. All the departments in organization depend on finance without finance department organization is unable to run smoothly. Functions of Finance Department * Planning Funds * Procurement of funds * Finding sources of funds Forecasting of financial for future * Effective utilization of funds * Negotiating with creditors * Allocation of funds to different units * Provide funds as they require Allocation of budget to units Allocation of expenses to units Make decisions of payrolls Proper review of expenses of units

RATIO ANALYSIS For the analysis of the financial statements of the **GULISTAN GROUP OF COMPANIES** we use the ratio analysis in order to get a clear vision about the financial position with simple interpretation. For this purpose we can analyze the financial statements through the followings ratios: 1.

Liquidity Ratios 2. Activity Ratios 3. Debt Ratios 4. Profitability Ratios 5. Marketability Rations/Efficiency

Liquidity Ratios The liquidity of a business firm is measured by its ability to satisfy its short-term obligations as they come due. Liquidity refers to the solvency of the firm's overall financial position the ease with which it can pay its bills. Basic measures of liquidity are: * Current ratio * Quick ratio By putting the values taken from the annual report of " **GULISTAN GROUP OF COMPANIES**" in the formulas of above ratios the results are shown in the following table.

Current Ratio = current asset / current liabilities Quick Ratio = current asset - inventory / current liabilities

Ratios	2011	2010	2009
Current Ratio	$5657592015 / 5872231037 = .96$	$4222471024 / 4221143753 = 1.00$	$3,170,385,835 / 3,125,424,959 = 1.01$
Quick Ratio	$5657592015 - 4098001926 / 5872231037 = .27$	$4222471024 - 2872063135 / 4221143753 = .32$	$3,170,385,835 - 1891974316 / 3,125,424,959 = .41$

A current ratio of 2.0 is occasionally cited as acceptable, but a value's acceptability depends on the industry in which the firm operates. A current ratio of 1.0 would be considered acceptable for a utility but might be unacceptable for a manufacturing firm. The ratio in 2011 is below 1.0 so it is not acceptable.

Quick Ratio The quick ratio is similar to the current ratio except that it excludes inventory, which is generally the least liquid current asset. Quick ratio is an extended version of current ratio in which only very quick assets (which can be quickly liquidated) are considered. Quick ratio in 2011 is also low that shows excess of inventory in stock.

Activity Ratios Activity ratios are used to measure the speed with which various accounts are converted into sales or cash.

With regard to current accounts, measures of liquidity are generally inadequate

Basic measures of activity are:

- * Inventory turnover
- * Total asset turnover
- * Average collection period
- * Average payment period.

Inventory turnover = $CGS / Inventory$

Avg. collection period = $A/R / Avg. sale per day$

Avg. payment period = $A/p / Avg. purchase per day$

Asset turnover = $sale / total asset$

Ratios	2011	2010	2009
Inventory Turnover	$4197948535 / 4098001926 = 1.02$ Times	$4442886796 / 2872063135 = 1.55$ Times	$1983953867 / 1891974316 = 1.05$ Times

Avg. collection period

1202179249/14370761. 5= 83. 65 Days| 992689190/14190684. 10= 69. 95 Days| 896133503/11757625= 76. 22 Days| Avg. payment period| 507009956/11435996= 44. 33 Days| 428978782/11833817= 36. 25 Days| 250638087/11932214= 21 Days| Asset turnover| 5245328111/9277085948=. 57| 5179599697/7821978153=. 56| 4291532961/6639205671=. 65| Interpretation of the Results Inventory

Turnover Inventory turnover commonly measure the activity, or liquidity, of a firm's inventory. Inventory turnover of the company is 1. 02 times in the year 2011 and it has decreased from the last year figure of 1. 55 times. Though here is a decrease in inventory turnover in 2011 but it is best in 2010 as compared to 2011 and 2009. Total Assets Turnover Total assets turnover indicates the efficiency with which the firm uses all its assets to generate sales. Generally, the higher a firm's total asset turnover, the more efficiently its assets have been used. This measure is probably of greatest interest to management, because it indicates whether the firm's operations have been financially efficient. Asset turnover in 2009 is high that shows efficient use of assets but it decreased in 2010 and have minor increase in 2011 which is not enough.

Thus it shows inefficiency of the management of the firm to use assets to generate revenues. Average Collection Period Average collection period indicates that how many days are required to collect amount from the trade debts. The earlier the cash is received from the debtors; the better will be for the company. Average collection period of the company has decreased in 2010 as compared to 2009 but it has a great increase in 2011 This shows inefficiency in the collection of Accounts receivable Average Payment Period

Average payment period indicates that after how many days the payment to creditors is made. This time period should be maximum one. But Avg. Collection period for GTM shows gradually an increase in these years that shows efficiency of management to best utilize of resources. Debt Ratios The debt position of a firm indicates the amount of other people's money being used in attempting to generate profits. In general, the financial analyst is most concerned with long-term benefits, because these commit the firm to paying interest over the long run as well as eventually repaying the principally borrowed.

Because the creditors' claims must be satisfied before, the distribution of earnings to share holders. Basic measures of debt are: * Debt ratio * Time interest earned ratio

Debt Ratio = Total Liabilities / Total Assets

Time Interest Earned Ratio = EBIT / Interest Ratios

Year	Debt Ratio	Time Interest Earned Ratio
2011	6031027175/9277085948 = 65%	860296219/832459296 = 1.03
2010	4366370736/7821978153 = 56%	660050601/535671023 = 1.23
2009	3220598874/6639205671 = 49%	459782158/401355131 = 1.4

Interpretation of the Results Debt Ratio The debt ratio measures the proportion of total assets financed by the firm's creditors. The higher this ratio, the greater the amount of other people's money being used in an attempt to generate profits. GTM's debt ratio has increased from year to year. This shows that the company has increased its dependence on the outsider's sources of finances. This ratio is high than the acceptable limit of 60%. This shows that there is a significant increase in the debts of the company. Interest Coverage Ratio

Interest coverage ratio tells that how many times the firm is able to pay its financial charges out of its profit . A high ratio is desirable. This ratio for the company is 1. 03 times in the year 2011 and has decreased from 1. 23 times in the year 2010. This shows good sign for the company. But in 2010 it is increased so it is bad sign for company but it seems to be controlled by management in 2011. Profitability Ratios There are many measures of profitability. Each related the return of the firm to its sales, assets, equity, or share value.

As a group, these measures allow the analyst to evaluate the firm's earnings with respect to a given level of sales a certain level of assets, the owners' investment, or share value. Without profit, a firm could not attract outside capital. Basic measures of profitability are: * Gross profit margin * Operating profit margin * Net profit margin * Return on total assets * Earnings per share
 GP Margin = GP / Sale
 OP Margin = OP / Sale
 NP Margin = NP / Sale
 EPS = earnings available for common stock / number of common stock outstanding
 ROA = earnings available for common stock / Total Assets

ROE = earnings available for common stock / Common stock equity Ratios|
 2011| 2010 | 2009| GP Margin| 1047379576/5245328111= 20%|
 736712900/5179599697= 14%| 569887350/4291532961= 13%| OP Margin|
 885608679/5245328111= 17%| 587536742/5179599697= 11%|
 431199214/4291532961= 10%| NP Margin| 1582297/52453281118= 3%|
 52791520/5179599697= 1%| 50720861/4291532961= 1. 18%| EPS|
 1582297/17258090=. 09| = 52791520/16054038= 3. 06|
 50720861/14594580= 3. 48| ROA| 1582297/9277085948=. 017%|
 52791520/7821978153=. 7%| 50720861/6639205671=. 76%| ROE|

1582297/172580900=. 92%| 52791520/16054038= 3. 29%|
 50720861/14594580= 3. 48%| Interpretation of the Results Gross Profit
 Margin The gross profit margin measures the percentage of each sales dollar
 remaining after the firm has paid for its goods. The higher the gross profit
 margin, the better and the lower the relative cost of merchandise sold. Gross
 profit margin of the company has increased in the year 2011 as compared to
 last year; this increase is due to decreased cost of goods sold. Operating
 Profit Margin

The operating profit margin measures the percentage of each sales dollar
 remaining after all costs and expenses other than interest and taxes are
 deducted. It represents the pure profits earned on each sales dollar. A high
 operating profit margin is preferred. Operating profit margin of the company
 has increased to 2011 as compared to the year 2010 ; 2009 gradually. This
 has increased due to decreased selling and administrative expenses. Net
 Profit Margin The net profit margin measures the percentage of each sales
 dollar remaining after all costs and expenses, including interest and taxes,
 have been deducted.

The higher the firm's net profit margin will be better. The net profit margin is
 commonly cited measure of the firm's success with respect to earnings. Net
 profit margin of the company has increased to in the year 2011 against 2009
 ; in the year 2010. Return On Equity Return on shareholders' investment
 (ROI) measures the overall effectiveness of management in generating
 profits with its available assets. The higher the firm's return on investment,
 the better. For the year 2011 it is . 92%, which is very low than that of 2010
 3. 29% and 3. 8 in 2009 which is better from all of these current year. So it is

a negative sign for the company. Return On Total Assets Return on Total asset of the company has decreased in the year 2011 from in the year 2010 ; 2009 it shows inefficiency of the company management to generate profit on the total assets. There is no best utilization of assets. Earnings per Share The firm's earnings per share (EPS) are generally of interest to present or prospective stockholders and management. The earnings per share represent the number of dollars earned on behalf of each outstanding share of common stock.

They are closely watched by the investing public and considered an important indicator of corporate success. Earnings per share of the company is decreased to . 03 per share in the year 2011 against 3. 06 in 2010 and 3. 48 in 2009 per share. It is due to decreased in profit level. So company adopts different steps to increase profit. Marketability Ratios Equity investor is more interested in the dividends of the company. It is also concerned about the profitability positing of the firm. For the purpose of equity investor we calculated the following ratios: * PER = Market price per share / EPS * Book Value of Share = total common equity / number of common stock outstanding * Market Value of Share = market price per share of common stock outstanding / Book Value Ratios | 2011| 2010 | 2009| PER| $75 / . 09 = 833$ | $75 / 3. 06 = 24. 50$ | $75 / (1. 63) = -46$ | Book Value| $172580900 / 4771715 = 36. 17$ | $160540380 / 4771715 = 33. 64$ | $145945800 / 14594580 = 10$ | Market Ratio| $75 / 10 = 7. 5$ | $75 / 10 = 7. 5$ | $75 / 10 = 7. 5$ | Interpretation of the Results Price Earnings Ratio

Price earnings ratio for GTM is increased in 2011 and in 2010 there is decrease in price earnings ratio of GTM so shareholder perceives it less risky

to invest in GTM. Book Value Per Share Book value per share is good one if it is below the market price of its shares. Book value per share of the company is 10 per share, which shows investor's confidence on the firm's ability to generate profits Market Ratio Market ratio for GTM is same from 2011 and in 2010, 2009 so there is consistency in price earnings ratio of GTM so it is due to no change in book value per share. MIS DEPARTMENT

The MIS department is really strong in Gulistan. Company is equipped with AS400 Software which interconnects all departments. It collects the data from each server in every department and brings it to one server. If the manager needs any information he or she can obtain that data by just one click. This software can also generate reports regarding different accounts which eventually help management to take decisions. Strong and quick management information system is key competitive edge of Gulistan. Internal Audit Checklist * All managers utilize this facility to make decisions according to their concerned departments. They have appointed a HOD for MIS. * Data is always updated on daily basis. * Every manager has password and login through which he or she can access the system. * Training is essential for every manager so that he or she can get familiar to the system. * Company always tried to make it user friendly ; they succeeded in that. * Managers considered MIS a key thing or a company asset because it's very valuable for providing them competitive edge. HR DEPARTMENT Gulistan has huge number of employees. It is necessary to manage a strong HR department and gulistan is doing it.

The company's people are their assets and it's important for them that how they are developed, trained, and motivated. Gulistan is committed to

diversity in a working environment where there is mutual trust and respect . Where everyone feels responsible for the performance and reputation of their company. They recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. They are committed to safe and healthy working conditions for all employees. They didn't use any form of forced, compulsory or child labor.

They are committed to working with employees to develop and enhance each individual skills and capabilities. They respect the dignity of the individual and the right of employees to freedom of association. They maintained good communications with employees through company based information and consultation procedures. Their HR department is currently working on these basic lines:- * Management by objectives * Hiring and retaining highly professional and talented people, who are dedicated, empowered and committed to deliver remarkable growth. * Skills development through internal and external training programs. Equal opportunity employment i. e. No discrimination in hiring, promotions, rewards and appraisals on the basis of sex, religion, caste, race or national origin.

Following are the organization's main strengths:- * Good Governance And Policies * Team Work * Communication between Units * Healthy Resources * Product Quality * Low Workers Strength * ISO 9001 and IKO-TEX 100 Certified * Biggest composite unit in Pakistan * Highest credit rating by PACRA * Self owned power plant * Largest dyeing facility in South East Asia Following are the organization's weaknesses:- Organization is unable to offer its middle managers a good salary * Transit time is more as compare to foreign competitor * High employee's turnover * High cost of production *

Relying on international market more than local market * Benefits offered to the general managers are good but the benefits offered to middle managers are not at all satisfactory * A weakness of the Gulistan Textile Mills Limited is the no direct relationships with the customer because they have to pay the 2. 50% of the sales to agents as commission.

INTERNAL FACTOR EVALUATION (IFE) MATRIX

KEY INTERNAL FACTORS	Weight	Rate	Weighted Score
STRENGTHS			
ISO 9001 and IKO-TEX 100 Certified	0.11	3	.33
Biggest composite unit in Pakistan	.10	4	.44
Highest credit rating by PACRA	0.13	4	.52
Self owned power plant	.15	4	.60
Largest dyeing facility in South East Asia	.12	4	.48
Weaknesses			
Relying on international market more than local market	.10	2	.20
High cost of production	.12	2	.24
High employee's turnover	.06	2	.12
Transit time is more as compare to foreign competitor	.11	1	.11
Total	1.00		3.00

INTERPRETATIONS: IFE score of 3.0 indicating that the Gulistan Textile Mills is an internally strong organization, it represent that it is excellent in its overall internal strategies when it come to explore strengths and weaknesses. Overall the main strength is financial.

SWOT Matrix

STRENGTHS	WEAKNESSES
1. ISO 9001 certified ; IKO-TEX 100 Certified.	
2. Biggest composite unit in Pakistan	
3. Highest credit rating by PACRA	
4. Self owned power plant	
5. Largest dyeing facility in south east Asia	
	1. Relying on international market only
	2. High cost of production
	3. High employees turnover
	4. Transit time is more as compare to foreign competitor

OPPORTUNITIES

S-O STRATEGIES	W-O STRATEGIES
1. WTO regime implementation	
2. Cost reduction technology by using modern and advanced technology	
3. Local	

market development 4. Diversification in energy sector (Subject to Government permission)| 1. provide electricity to residential areas (S4, O4)2. capture local market by providing facility of outsourcing and introducing company products through its retail outlets (S2, S5, O3)| 1. Import modern technology (W1, W2, O2)2. Company can enter in new market through retail outlets (W1, W4, O3)| THREATS| S-T STRATEGIES| W-T STRATEGIES| . Export of raw cotton and yarn 2. WTO regime implementation 3. Exchange rate fluctuations 4. Instable political and economical conditions 5. Government policies| 1. Penetration in foreign market (S1, T2)2. Make future contracts to avoid currency fluctuations (S3, T3)| 1. Focus on local market (W1, W2, W4, T2, T3)2. Import modern technology, and do agreements with suppliers to secure your supply of raw material (W2, T1)| INTERPRETATIONS: Critical Region is WO. Gulistan can import new technology to reduce its cost of production.

Company can thus be able to penetrate in the market and capture more shares by improving quality of goods and services, and provision of goods at lower prices. LONG TERM NON FINANCIAL OBJECTIVES * To provide quality product to customers to satisfy their need. * To achieve goals set by group. * To win competition in the market and to reach on peak of textile sector. * To use innovative technology that reduces human dependency. * To provide such an environment where employees do their work with honesty and satisfactorily. * To expand business around the boundaries of Pakistan and at international level. To use innovative machinery for its units. * To provide such a mechanism where employees are rewarded and encouraged toward their objectives. LONG TERM FINANCIAL OBJECTIVES * To achieve the

turnover of Rs 29 billion. * Introduction of value added products. * Attaining bigger international market share. * Upgrading all the technological equipments to increase production. * To find Suppliers of the company in local market to increase local market share. * For better production make relations with cotton development and research institutes, local cotton producers and cotton whole sellers. Plant layout is important factor in production cost the company objective is to improve plant layout for cost reduction. Findings Interpretations Of EFE: EFE score of 2. 84 indicating that the Gulistan is taking the external opportunities and avoiding external threats quite well, however there is room for improvement is well. This score suggest Gulistan to be aggressive but the degree of aggressiveness needs to be little moderate, it should not go for diversification, rather it should go for penetration in the existing market, further developing local or foreign market or it may design a new roduct. Interpretations Of CPM: A Gulistan Mills limited is dominating in the industry as compared to local players. There are several competitors like Agzard 9, Kohinoor textile mills, etc, but above taken competitors are the major ones. CPM scores for Gulistan showing aggressiveness as compared to the crescent and Chenab textile mills. Gulistan is number one company within the local environment; it is basically leading the industry in the following aspects: * Product design. * Research ; development. * Persistence in product quality. Trained Manpower. Moreover, crescent textile mills is resides at the second number and leading industry in effective management style. Finally Chenab textile comes at number 3rd with leading position in persistence in quality and market segmentation. Interpretations Of IFE: IFE score of 3. 00 indicating that the Gulistan Textile Mills is an internally strong organization, it represent that it is excellent in its

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overall internal strategies when it come to explore strengths and weaknesses. Overall the main strength is financial. SPACE MATRIX

Financial Strength	Rating	Environmental Stability	Rating	Leverage	4
Rate of inflation	-3	net income	6	Technological changes	-3
E. P. S	5	Competitive pressure	-3	R. O. E	5
Risk involve in business	-2	Average	5	Average	-2.75
Y-Axis strength	2.25	Competitive Advantage	Rating	Industry Strength	Rating
Market share	-1	Growth potential	5	product quality	-2
Financial stability	3	customer loyalty	-3	Resource utilization	3
Technological know how	-2	Profit potential	2	Average	-2
X-Axis strength	1.25	INTERPRETATIONS: *			

For the purpose of evaluating financial strength we have compared our concerned co. with industrial average. * Leverage used by Gulistan was significantly low as compared to industrial average that why we have ranked it at point 4. * Net income of Gulistan was highest in industry that's why it is given 6 points. * It's E. P. S ; return on equity was also high as compare to industry that's why they were ranked 5. * Market share of Gulistan was highest about 12% that why it is given -1 marks. There product is of good quality ; there customers are loyal but customers can't be very loyal in this industry that's why they were ranked at -2 ; -3. * They have new ; advanced technology that's why they are ranked -2. * Rate of inflation is increasing its C. G. S ; technological changes its depreciation as well as there is heavy competitive pressure from china ; Bangladesh that's why they were ranked -3. * There is high risk now a days in this business but due to being as industrial giant in Pakistan they are not in such a risk that why it is given -2. There is high growth potential in industry because now recovery period have

been started. * Industry is less financial stable as well as most of the companies are producing very below then their capacity that's why they are ranked at 3. * Due to increase in cost the profit potential has been declined that why this is ranked at 2. Directional vector point is :(1. 25, 2. 25)

Conservative Aggressive Competitive Defensive FS IS CA ES Interpretations:

* According to our calculations the score of our company is 1. 25 on x-axis And 2. 25 on Y-axis * Which is showing that our co. hould go for aggressive strategy * Furthermore it is telling us that our financial strength is the dominating factor in industry * Our concerned strategies can be * Backward , forward , horizontal , integrations * Market penetration * Market development * Product development * Diversification(related or unrelated) *

On the other hand, Gulistan also has the opportunity to enter and capture the local market. Company can do this through opening retail outlets in the local areas and provide better goods and services to its domestic customers.

THE BOSTON CONSULTING GROUP MATRIX

Market Share High Low StarsHigh Industrial Growth | Question Mark| Cash CowLow | Dogs| Interpretations: Gulistan is a composite textile unit of Gulistan Textile Group. Total number of players in the industry is 60, and Gulistan is the market leader. It captures 12% market share as a whole. In 2009, the industrial overall growth rate is 11%, but that of Gulistan Textiles is 24% as compare to the sales of 2008. The industrial growth is high and Gulistan Textiles has high market growth as well.

So, it lies in the first quadrant (Stars) of the BCG matrix. It implies that, company has the opportunity to go for Market penetration to capture more shares in the existing market by using new technology, and increasing

promotional activities. It also has a tremendous option of local market development. Other feasible strategies may be the backward integration to secure the supplies in order to tackle with the threat of exporting of local raw material to foreign markets. Also Gulistan Textiles goes for forward integration to minimize its weakness of transit time of goods and services to its customers.

THE INTERNAL-EXTERNAL (IE) MATRIX A- IFE TOTAL SCORE B- C- Strong Moderate Low D- E- I Grow and Build| II Grow and Build| III Hold and Maintain| IV Grow and Build| V Hold and Maintain| VI Harvest| VII Hold and Maintain| VIII Harvest| IX Divest| High F- G- H- I- J- K- Medium L- EFE TOTAL SCORE M- N- O- P- Q- Low R- S- T- U- V- W- Interpretations: * IFE Total Score (As per IFE Matrix) = 3.00 * EFE Total Score (As per EFE Matrix) = 2.84 It implies that Gulistan Textiles is in a much strong position. But, comparatively it is stronger internally as compare to its external position.

As per IE Matrix, Gulistan Textiles lies in fourth cell, which implies that it should go for aggressive strategies that is grow and build strategies. The possible strategies for Gulistan Textiles may be the integrations, intensive, and diversifications. Gulistan Textiles has the opportunity to go for Market penetration to capture more share in the existing market by using new technology, and increasing promotional activities. It also has a tremendous option of local market development. Other feasible strategies may be the backward integration to secure the supplies in order to tackle with the threat of exporting of local raw material to foreign markets. Also Gulistan Textiles goes for forward integration to minimize its weakness of transit time of goods and services to its customers. THE GRAND STRATEGY MATRIX Rapid

Market Growth Quadrant II| Quadrant I | Quadrant III| Quadrant IV| Strong Competitive Advantage Weak Competitive Advantage Slow Market Growth Interpretations: Total number of players in the industry is 60, and Gulistan Textiles is the market leader. It captures 12% market share as a whole.

In 2009, the industrial overall growth rate is 11%, but that of Gulistan Textiles is 24% as compare to the sales of 2008. As the market growth is high, and Gulistan Textiles has strong comparative position in the market. So, it lies in the first quadrant of Grand strategy matrix, which implies that it should go for aggressive strategies. The possible strategies for Gulistan Textiles may be Market Development, Market Penetration, Backward and Forward Integrations. THE QUANTITATIVE STRATEGIC PLANNING MATRIX (QSPM) | Strategy 1LOCAL MARKET DEVELOPMENT| Strategy 2PENETRATING IN FOREIGN

MARKET| KEY INTERNAL FACTORS| Weight| AS| TAS| AS| TAS| STRENGTHS | ISO 9001and IKO-TEX 100 Certified. | 0. 10| 1| 0. 10| 3| 0. 30| Biggest Composite Unit in Pakistan. | 0. 11| 4| 0. 44| 2| 0. 22| Capacity utilization. | 0. 13| 3| 0. 39| 2| 0. 26| Self-Owned Power Plant. | 0. 14| 2| 0. 28| 3| 0. 42| Largest Dyeing Facility in South East Asia. | 0. 12| 2| 0. 24| 1| 0. 12| WEAKNESSES| Relying on international markets only. | 0. 10| 4| 0. 40| 2| 0. 20| High Cost of Production. | 0. 12| 3| 0. 36| 4| 0. 48| Market Segmentation. | 0. 07| 3| 0. 21| 1| 0. 07| Transit time is more as Compared to Foreign Competitors. 0. 11| 2| 0. 22| 1| 0. 11| SUBTOTAL| 1. 00| | 2. 64| | 2. 18| | Strategy 1LOCAL MARKET DEVELOPMENT| Strategy 2PENETRATING IN FOREIGN MARKET| KEY INTERNAL FACTORS| Weight| AS| TAS| AS| TAS| OPPORTUNITIES | WTO regime Implementation. | 0. 12| 1| 0. 12| 4| 0. 48|

Cost reduction through introducing modern technology. | 0. 13| 2| 0. 26| 4| 0. 52| Local market development. | 0. 11| 3| 0. 33| 1| 0. 11| Entering in Energy Sector. | 0. 11| -| -| -| -| THREATS| Export of raw cotton and yarn. | 0. 12| 3| 0. 36| 2| 0. 24| WTO regime Implementation. | 0. 1| 1| 0. 10| 3| 0. 30| Exchange rate fluctuations. | 0. 09| 2| 0. 8| 1| 0. 09| Instable Political and Economic Conditions. | 0. 11| 3| 0. 33| 2| 0. 22| Government Policies. | 0. 11| 2| 0. 22| 3| 0. 33| SUBTOTAL| 1. 0| | 1. 90| | 2. 29| GRAND TOTAL | | | 4. 54| | 4. 47|

Interpretations: * I. S. O certification will only be helpful in market penetration so that's why it is given high marks. * Biggest composite unit ; less capacity utilization will be helpful or will be used better by open chain store rather than market penetration so it is given higher marks. * Increasing sales in foreign will better use energy rather than chain store so it is given higher marks. Largest dying facility has its goodwill so we have ranked it higher in chain store. * Reliance on international market can be decreased by opening chain store that's why it is given higher marks. * Higher cost of production can be decreased by exporting more quantity but opening new store will increase an expense for that's why penetration is given higher marks. * Open chain store will increase our segmentation ; it will decrease on reliance on exports so problem of transit time will impact us less that are why these are given higher marks. * WTO regime will be useful only in penetration so it is given higher marks. Local market development will be done only in that case when we will go for chain store so it is given higher marks. * If we will open chain store we will be able to charge higher prices due to our goodwill so yarn's export problem will not affect us as it is effecting. * WTO regime implementation will be covered only in that case when we will go for market penetration. * Exchange rate fluctuation will

impact us only in that case when we will go for foreign trade so opening retail store will reduce its impact that's why it is given higher score. Due to bankruptcy of foreign customers the political ; economical conditions will have less impact on us if we will go for chain store that's why it is given higher marks. * Government policies regarding opening a new store can be difficult to meet so it is given lower marks. Conclusion Future of the company Gulistan Textile Mills Limited is a growing firm and all its employees have a potential and skills to grow for the betterment of the company. Work environment is good and employees are satisfied with Gulistan Textile Mills Limited. There are not hard and fast rule in the accomplishment of the work.

Gulistan Textile Mills Limited facilitates its employees with the lot of facilities like medical and other facilities. The job turnover ratio is gradually increasing due to the Economic crisis in Pakistan but employees are sincere with their work. Office area is established and safety measures are applied. Company is facing very tough competition from competitors particularly china, India, Bangladesh. The competitive positive position of competitors is better because of their lower cost of doing business on account of various incentives and subsidies available to them.

Recently government provided some relief to textile manufactures of value added product only in shape of lower interest rates. For increasing textile manufactures, Gulistan group of companies has no alternative but to improve the sale of its product in followings way. * Gulistan group of companies should improve the quality of its products. * Gulistan group of company should emphasis on value-added products and improve the quality. * The machinery of company should be improved by technology which

increases the production of goods. * Gulistan group of companies should meet the requirements of consumers in term of fashion and design.

Learning It was a marvelous experience that we have availed with devotion and commitment. We have an interest in textile industry that's because Textile is the back bone of the economy of the country. But one thing we want to share it's not easy that looks it has a great toughness and complications in its process but the overall it was nice and great. We learnt that how strategies are formed, implemented & evaluated in textile sector. By doing analysis we have an idea that how to make and evaluate the strategies that are implemented in field.