**Comparative Financial Statement Analysis Of**

**Dewan Farooque Motors Limited**



**Course title: Business Finance (MGT-232)**

**GROUP #1**

**FINAL PROJECT**

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**CHAPTER 1**

1. **INTRODUCTION**

**1.1 Dewan Farooque Motors Limited**

It is a Pakistani automobile importer and manufacturer based in Karachi. It was incorporated in December 1998 by [Dewan Yousuf Farooqui](https://en.wikipedia.org/wiki/Dewan_Yousuf_Farooqui) to assemble [Hyundai](https://en.wikipedia.org/wiki/Hyundai_Motor_Company) and [Kia](https://en.wikipedia.org/wiki/Kia_Motors) vehicles in Pakistan. This followed an earlier introduction of Kia cars in 1994 by Naya Daur Motors, which reportedly collected around Rs 800 million in booking fees from approximately 16,000 customers but delivered only a limited number of vehicles before its collapse.

Dewan Farooque Motors established a manufacturing facility in [Sujawal](https://en.wikipedia.org/wiki/Sujawal), [Sindh](https://en.wikipedia.org/wiki/Sindh), at a cost of PKR 1.8 billion. Completed in about seven months, it was among the first automotive plants in the country to employ robotic paint systems. Between 2000 and 2011, Dewan Farooque Motors produced 95,429 vehicles, including [Kia Spectra](https://en.wikipedia.org/wiki/Kia_Spectra), [Kia Sportage](https://en.wikipedia.org/wiki/Kia_Sportage), [Hyundai Santro](https://en.wikipedia.org/wiki/Hyundai_Santro) models, and 50,000 Shehzore trucks. In 2009, automobile production stopped. After a gap of three years, Dewan Farooque Motors produced a few hundred cars in fiscal year 2014 and 2015 based on its old inventory. Dewan Farooque Motors in October 2016 announced that the company would start assembling vehicles in 2017 again.

In 2016, Dewan Farooque agreed to resume production of vehicles of [Indian](https://en.wikipedia.org/wiki/India) multinational [Mahindra & Mahindra](https://en.wikipedia.org/wiki/Mahindra_%26_Mahindra)'s [South Korea](https://en.wikipedia.org/wiki/South_Korea) based subsidiary [SsangYong](https://en.wikipedia.org/wiki/SsangYong_Motor), as Daehan-Dewan at its assembly plant in [Sujawal](https://en.wikipedia.org/wiki/Sujawal).

On 19 January 2018, Dewan Farooque Motors announced it has received approval for its Brownfield plant from the Engineering Development Board and is expected to resume vehicle production from February 2018. On February 25, 2018, Dewan launched a cargo pickup truck under the popular *Shehzore* nameplate in collaboration with Daehan Motors (Vietnam).

In May 2024, Dewan Farooque announced plans to launch a cargo pickup truck under the popular *Shehzore* nameplate in collaboration with [Kia Motor Corporation](https://en.wikipedia.org/wiki/Kia_Motor_Corporation).

**CHAPTER 2**

***2.1 Trend Analysis***

Trend analysis is an analytical approach that technical analysis uses. It is basically trying to predict the future change in prices based on recently witnessed trend data. Basically, the whole trend analysis premise is founded on the understanding that historical events teach the trader lessons that they would likely witness in future activities.(Haralayya, 2021).

* 1. ***Liquidity Ratios***
     1. *Current Ratio:*

*Table 1: Current Ratio*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Current (CA/CL) | 0.28 | 0.21 | 0.21 | 1.58 |

*Figure 1: Current Ratio*

**Interpretation:**

Dewan Farooque Motors Limited exhibited weak liquidity, as evidenced by current ratios ranging from 0.21 to 0.28, suggesting challenges in meeting short-term financial obligations. In contrast, Indus motor company limited showcases robust financial stability with a current ratio of 1.58, indicating its capacity to fulfill its short-term obligations.

*2.2.2* *Acid Test Ratio:*

*Table 2: Acid Test Ratio*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Acid-Test (CA\_I/CL) | 0.17 | 0.21 | 0.20 | 1.12 |

*Figure 2: Acid Test Ratio*

**Interpretation:**

Dewan Farooque motors limited encounters substantial liquidity risk, as its acid-test ratios range from 0.17 to 0.21, indicating a heavy dependence on inventory to fulfill its financial obligations. Conversely, Indus motor company limited maintains a robust acid-test ratio of 1.12, indicating strong short-term financial stability without relying heavily on inventory sales.

***2.3 Leverage Ratios***

2.3.1 *Debt to Equity Ratio:*

*Table 3: Total debt to equity Ratio*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Total Debt to Equity (T.D/TE) | -2.07 | -1.88 | -1.95 | 0.00 |

*Figure 3: Total debt to equity Ratio*

**Interpretation:**

Dewan Farooque's unfavorable ratios (-2.07 in 2024, -1.88 in 2023, -1.95 in 2022) indicate significant financial hardship, as obligations surpass equity because of incurred losses or high leverage. The declining trend (-1.95 → -2.07) indicates increasing risk. In sharp contrast, Indus Motor's 0.00 ratio (2023) signifies a debt-free financial structure, demonstrating no dependence on loans and very low financial risk.

2.3.2 *Total Debt to Total Asset Ratio:*

*Table 4: Total Debt to Total Asset Ratio*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Total Debt to Total Asset (CL+NL/TA) | 1.93 | 2.13 | 2.04 | 0.00 |

*Figure 4: Tota Debt to Total Asset Ratio*

**Interpretation:**

Dewan Farooque's ratios greater than 1 (1.93 in 2024, 2.13 in 2023, 2.04 in 2022) indicate that liabilities exceed assets—a significant alert for insolvency. The high point at 2.13 (2023) indicates declining asset coverage. Indus Motor's 0.00 ratio (2023) indicates that assets are entirely financed by equity, reflecting a solvent and low-risk financial position.

2.3.3  *Long term debt to capital Ratio*

*Table 5: Long term debt to capital Ratio*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Long Term debt to Capital (LTD/LTD+E) | -0.01 | 0.00 | -0.01 | 0.00 |

*Figure 5: Long term debt to capital Ratio*

**Interpretation:**

Dewan Farooque's almost zero ratios (-0.01 in 2024, 0.00 in 2023, -0.01 in 2022) suggest minimal long-term debt yet ongoing negative equity, worsening financial vulnerability. Indus Motor's 0.00 ratio (2023) highlights its preference for equity financing over long-term debt to ensure stability.

**2.4 Coverage Ratio:**

*2.4.1 Interest Coverage Ratio:*

*Table 6: Interest coverage Ratio*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Interest Coverage (O Pr/FC) | 0.00 | 0.00 | 0.00 | -19.60 |

*Figure 6: Interest coverage Ratio*

**Interpretation:**

The Interest Coverage Ratio of Dewan Farooque Motors is 0.00 for year 2024,2023,2022 and -19.60 for Indus Motor in 2023 shows that neither company generated enough operating profit to meet interest expenses, highlighting weak financial health.

**2.5** **Activity Ratios:**

*2.5.1 Receivables Turnover* :

*Table 7: Receivables turnover*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Payable Turnover in Days(365/pto) | 838.86 | 1140.09 | 1749.31 | 86.87 |  |

*Figure 7: Receivables turnover*

**Interpretation:**

Dewan Farooque’s rising figures (838.86 in 2024 to 1,749.31 in 2022) indicate significant inefficiency in payment collection, suggesting inadequate credit management or client defaults. Indus Motor’s low 86.87 days (2023) emphasizes effective receivables collection, securing a consistent cash flow.

*2.5.2 Payable Turnover*:

*Table 8: Payable Turnover*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Payable Turnover (Csale/Trade Pay) | 0.44 | 0.32 | 0.21 | 4.20 |  |

*Figure 8: Payable Turnover*

**Interpretation:**

Dewan Farooque’s low ratios (0.44 in 2024, 0.21 in 2022) indicate overdue payments to suppliers, likely caused by insufficient cash flow. Indus Motor’s elevated ratio (4.20 in 2023) suggests timely payments, demonstrating solid liquidity or advantageous supplier conditions**.**

*2.5.3 Payable Turnover in Days(365/pto):*

*Table 9: Payable Turnover in Days*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Payable Turnover in Days(365/pto) | 838.86 | 1140.09 | 1749.31 | 86.87 |  |

*Figure 9: Payable Turnover in Days*

**Interpretation:**

Dewan Farooque’s prolonged durations (838.86 in 2024, peaking at 1,749.31 in 2022) highlight extended delays in supplier payments, jeopardizing credit reliability. Indus Motor’s 86.87 days (2023) indicates a disciplined approach to payment cycles, fostering strong relationships with vendors.

*2.5.4 Average Collection Period (365/RTO):*

*Table 10: Average Collection Period*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Average Collection Period(365/RTO) | 24.64 | 1362.67 | 1703.33 | 1.82 |  |

*Figure 10: Average Collection Period*

**Interpretation:**

Dewan Farooque’s high values (1,703.33 days in 2022) highlight poor receivables management, with sales stuck as unpaid bills. Indus Motor’s 1.82 days (2023) indicates almost immediate collections, guaranteeing efficient cash flow conversion.

*2.5.5 Inventory Turnover ):*

*Table 11: Inventory Turnover*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Inventory Turnover (Csale/stock Tr) | 0.33 | 6.16 | 5.61 | 6.38 |  |

*Figure 11: Inventory Turnover*

**Interpretation:**

Dewan Farooque’s drop to 0.33 (2024) from 6.16 (2023) indicates excess unsold inventory accumulating, locking up capital. Indus Motor’s consistent ~6.4 ratio (2023) indicates effective inventory turnover, preventing excess stock.

*2.5.6 Inventory Turnover in Days:*

*Table 12: Inventory Turnover in Days*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Inventory Turnover in Days | 1108.44 | 59.29 | 65.12 | 57.23 |  |

*Figure 12: Inventory Turnover in Days*

**Interpretation:**

Dewan Farooque’s rise to 1,108.44 days (2024) indicates significant overstocking, whereas Indus Motor’s ~57–65 days (2022–2023) demonstrates efficient inventory management.

2.5.7 *Operating Cycle (Avg C + In):*

*Table 13: Operating Cycle*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Operating Cycle (Avg C + In) | 1133.08 | 1421.95 | 1768.45 | 59.05 |  |

*Figure 13: Operating Cycle*

**Interpretation:**

Dewan Farooque’s inflated cycles (1,768.45 days in 2022) reveal severe inefficiencies in transforming inventory/receivables into cash. Indus Motor’s 59.05 days (2023) reflects an efficient, cash-conscious business strategy.

2.5.8 *Cash Cycle (op C - Payable):*

*Table 14: Cash Cycle*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Cash Cycle (op C - Payable) | 294.22 | 281.86 | 19.14 | −27.82 |  |

*Figure 14: Cash Cycle*

**Interpretation:**

Dewan Farooque’s favorable cycles (294.22 days in 2024) imply that it finances operations for a longer period prior to cash inflows, putting pressure on liquidity. Indus Motor's negative cycle (-27.82 days in 2023) shows it receives cash prior to settling with suppliers—a benefit in cash flow.

2.5.9 *Total Assets Turnover:*

*Table 15: Total Assets Turnover*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |  |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |  |
| Total Assets Turnover(sale/Tass) | 0.00 | 0.00 | 0.00 | 1.45 |  |

*Figure 15: Total Assets Turnover*

**Interpretation:**

Dewan Farooque’s 0.00 ratios (2022–2024) indicate poor asset utilization for generating revenue. Indus Motor’s 1.45 (2023) indicates strong asset utilization, effectively propelling revenue.

**2.6** **Profitability Ratios:**

*2.6.1 Gross Profit Margin:*

*Table 16: Gross profit margin*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Gross Profit Margin (Profit/sale\*100) | -2842.16% | -78471.11% | -57728.47% | 4.46% |

*Figure 16: Gross profit margin*

**Interpretation:**

Dewan Farooque Motors Limited (DFML) has consistently reported very low gross profit margins throughout the years, suggesting that the production costs significantly surpass its sales revenue, leading to substantial operational losses. Conversely, Indus Motor Company Limited (IMCL) sustained a favorable margin of 4.46% in 2023, indicating it is effectively controlling production expenses and generating profit from its primary activities.

*2.6.2* *Net Profit Margin*

*Table 17: Net Profit Margin*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Net Profit Margin (Nprf/N sale\*100) | -4600.09% | -128225.00% | -122798.61% | 5.44% |

*Figure 17: Net Profit Margin*

**Interpretation:**

DFML's net profit margins are worryingly negative, indicating substantial overall losses once all expenses, taxes, and costs are considered. In 2023, IMCL recorded a net profit margin of 5.44%, indicating it keeps a satisfactory share of its revenue as profit. This emphasizes IMCL’s general financial solidity and robust profitability, in contrast to DFML, which is facing challenges.

*2.6.3 Return On Investment:*

*Table 18: Return on Investment*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Return on Investment (Nprf/E) | 12.37% | 7.12% | 5.87% | 16.09% |

*Figure 18: Return on Investment*

**Interpretation:**

Both firms indicated a positive ROI, suggesting a degree of profit from the capital invested. Nonetheless, IMCL recorded a significantly superior ROI of 16.09% in 2023, indicating it is more effective at producing returns for investors. DFML, despite demonstrating steady progress, continues to fall short in optimizing investment returns.

*2.6.4 Return on Equity:*

*Table 19: Return on Equity*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Dewan Farooque Motors Limited** | | | **Indus Motor Company Limited** |
| **Ratios** | **2024** | **2023** | **2022** | **2023** |
| Return on Equity (NPRF/TAS) | -11.55% | -8.02% | -6.12% | 7.87% |

*Figure 19: Return on Equity*

**Interpretation:**

DFML has recorded a negative ROE across all years, indicating it is unable to produce returns for its shareholders and is, in fact, diminishing shareholder value. In comparison, IMCL achieved a robust ROE of 7.87% in 2023, showcasing its capacity to efficiently utilize shareholders' equity to produce profits and provide value to its investors.

**2.6.5 Discussion and Conclusion:**

Dewan Farooque Motors Limited (DFML) is experiencing significant financial difficulties. Its liquidity is poor (low current and acid-test ratios), it has extremely high debt, and substantial losses in both gross and net profit margins. The interest coverage is zero, indicating it cannot cover interest payments from its operations. Activity ratios indicate sluggish inventory turnover, postponed receivables, and extended operating cycles, negatively impacting cash flow. Even with some returns, the overall performance remains weak and presents risks for investors.   
  
Indus Motor Company Limited (IMCL) conversely, demonstrates robust financial stability. It possesses high liquidity, no liabilities, and steady profitability. Its processes are effective — it sells and collects quickly, maintains minimal inventory, and features a brief cash cycle. This positions IMCL as a reliable and effective organization in comparison to DFML.   
  
**Conclusion:** IMCL maintains a solid financial position and exhibits operational effectiveness. DFML is not meeting expectations and is in a precarious financial situation.

**Chapter 3:**

**3.1 Common Size Analysis:**

*Table 20: Common size*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement of Financial Position** | | | | **COMMON SIZE** | | |
|  | **2024** | **2023** | **2022** | **2024** | **2023** | **2022** |
| **ASSETS** |  |  |  |  |  |  |
| NON-CURRENT ASSETS |  |  |  |  |  |  |
| Property, Plant and Equipment | 1,034,455 | 744,984 | 765,959 | 26.11% | 25.87% | 26.49% |
| Investment | 761,521 | 830,332 | 909,483 | 19.22% | 28.84% | 31.45% |
| CURRENT ASSETS |  |  |  | 0.00% | 0.00% | 0.00% |
| Stores and spares | 68,176 | 55,093 | 46,557 | 1.72% | 1.91% | 1.61% |
| Stock-in-trade | 889,279 | 22,972 | 14,856 | 22.44% | 0.80% | 0.51% |
| Trade debts - considered good | 672 | 672 | 672 | 0.02% | 0.02% | 0.02% |
| Short term loans to associated undertakings - considered good | - | 154,879 | 154,879 |  | 5.38% | 5.36% |
| Advances, deposits, prepayments and other receivables - considered good | 1,036,725 | 907,744 | 846,659 | 26.16% | 31.53% | 29.28% |
| Taxation - net | 26,934 | 23,297 | 23,720 | 0.68% | 0.81% | 0.82% |
| Cash and bank balances | 144,862 | 138,710 | 128,715 | 3.66% | 4.82% | 4.45% |
| **TOTAL CURRENT Assets** | 2,166,648 | 1,303,997 | 1,216,058 | 54.68% | 45.29% | 42.06% |
| **Total Assets** | 3,962,624 | 2,879,313 | 2,891,500 | 100.00% | 100.00% | 100.00% |
| **EQUITY AND LIABILITIES** |  |  |  | 0.00% | 0.00% | 0.00% |
| **SHARE CAPITAL AND RESERVES** |  |  |  | 0.00% | 0.00% | 0.00% |
| Share Capital |  |  |  | 0.00% | 0.00% | 0.00% |
| Authorized |  |  |  | 0.00% | 0.00% | 0.00% |
| 150,000,000 (2023: 150,000,000) Ordinary shares of Rs. 10 each | 1,500,000 | 1,500,000 | 1,500,000 | 37.85% | 52.10% | 51.88% |
| Issued, subscribed and paid-up | 1,387,353 | 1,387,353 | 1,387,353 | 35.01% | 48.18% | 47.98% |
| Revenue Reserve |  |  |  | 0.00% | 0.00% | 0.00% |
| Accumulated loss | - | - | - | -128.38% | -160.78% | -152.12% |
| **TOTAL EQUITY** | - | - | - | -93.37% | -112.60% | -104.14% |
| **NON-CURRENT LIABILITIES** |  |  |  | 0.00% | 0.00% | 0.00% |
| Long-term loans - secured | - | - | - |  |  |  |
| Long term security deposits | 16,800 | 11,700 | 11,700 | 0.42% | 0.41% | 0.40% |
| Deferred Liabilities | 4,231 | 4,231 | 4,231 | 0.11% | 0.15% | 0.15% |
| **TOTAL NON-CURRENT LIABILITIES** | 21,031 | 15,931 | 15,931 | 0.53% | 0.55% | 0.55% |
| **CURRENT LIABILITIES** |  |  |  | 0.00% | 0.00% | 0.00% |
| Short term loan from Related Parties | 1,696,185 | 469,022 | 293,063 | 42.80% | 16.29% | 10.14% |
| Trade and other payables | 673,006 | 441,756 | 399,097 | 16.98% | 15.34% | 13.80% |
| Unclaimed Dividend | 1,802 | 1,802 | 1,802 | 0.05% | 0.06% | 0.06% |
| Short term finances and Book overdraft-secured | 4,173,558 | 4,095,913 | 4,095,913 | 105.32% | 142.25% | 141.65% |
| Current maturity of long-term loans | 1,096,929 | 1,096,929 | 1,096,929 | 27.68% | 38.10% | 37.94% |
| **TOTAL CURRENT LIABILITIES** | 7,641,480 | 6,105,422 | 5,886,804 | 192.84% | 212.04% | 203.59% |
| **CONTINGENCIES AND COMMITMENTS** |  |  |  | 0.00% | 0.00% | 0.00% |
| **TOTAL EQUITY AND LIABILITIES** | 3,962,624 | 2,879,313 | 2,891,500 | 100.00% | 100.00% | 100.00% |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement of Profit and Loss** | | | | **COMMON SIZE** | | |
|  |  |  |  |  | | |
| Item | 2024 | 2023 | 2022 | **2024** | **2023** | **2022** |
| GROSS SALES | 11980 | 212 | 169 | 0.30% | 0.01% | 0.01% |
| Sales tax | -1827 | -32 | -25 | 0.05% | 0.00% | 0.00% |
| commission and discount | -200 |  |  | 0.01% | 0.00% | 0.00% |
|  | -2027 | -32 |  | 0.05% | 0.00% | 0.00% |
| **NET SALES** | 9953 | 180 | 144 | 0.25% | 0.01% | 0.00% |
| Cost of sales | -292833 | -141,428 | 83,273 | 7.39% | 4.91% | 2.88% |
| **GROSS LOSS** | -282880 | -141,248 | -83129 | 7.14% | 4.91% | 2.87% |
| Operating expenses |  |  |  | 0.00% | 0.00% | 0.00% |
| Marketing & Distribution expenses | -106693 | 14788 |  | 2.69% | 0.51% | 0.00% |
| Administration and general expenses | -38093 | -25477 | -15005 | 0.96% | 0.88% | 0.52% |
| OPERATING LOSS | -427666 | -181513 | -98134 | 10.79% | 6.30% | 3.39% |
| OTHER INCOME/(LOSS) | -29856 | -40378 | -70735 | 0.75% | 1.40% | 2.45% |
|  | -457522 | -221891 | -168869 | 11.55% | 7.71% | 5.84% |
| **Finance cost** | -200 | -9 |  | 0.01% | 0.00% | 0.00% |
| Provision for obsolescence / slow moving stocks |  | -2556 | -2218 | 0.00% | 0.09% | 0.08% |
| Provision for obsolescence / slow moving stores and spares |  | -6347 | -5736 | 0.00% | 0.22% | 0.20% |
|  | -200 | -8912 | -7954 | 0.01% | 0.31% | 0.28% |
| **(LOSS) BEFORE TAXATION** | -457723 | -230803 | -176823 | 11.55% | 8.02% | 6.12% |
| TAXATION | -124 | -2 | -7 | 0.00% | 0.00% | 0.00% |
| **(LOSS) AFTER TAX** | -457847 | -230805 | -176830 | 11.55% | 8.02% | 6.12% |
|  | -457847 | -230805 |  | 11.55% | 8.02% | 0.00% |
| **Basic / Diluted (loss) per share (Rupees)** | -3.43 | -1.73 | -1.33 | 0.00% | 0.00% | 0.00% |

**3.2 Discussion:**

The common size analysis uncovers a troubling financial structure. In the Statement of Financial Position, current assets rose to 54.68% in 2024 from 42.06% in 2022, primarily because of an increase in inventory. Nonetheless, investments dropped markedly as a share of total assets, highlighting a diminished emphasis on long-term financial instruments. Alarmingly, equity became negative, as accumulated losses surpassed share capital, indicating a significant depletion of shareholder value. Liabilities, particularly short-term borrowing and overdrafts, currently account for more than 190% of total assets, indicating severe over-leverage and liquidity concerns.   
  
In the Statement of Profit and Loss, net sales were minimal in relation to the total asset base (only 0.25% in 2024), whereas the cost of sales and operating expenses took up an excessive portion (7.39% and 3.65%, respectively), resulting in a continual gross and operating loss. Loss after tax constituted 11.55% of total assets, indicating significant inefficiency in resource usage. In general, the company is significantly unprofitable, excessively indebted, and unviable without substantial strategic reorganization.

# 

# **Chapter 4:**

# **4.1 Index Analysis:**

*Table 21: Index Analysis*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Statement of Financial Position | | | | **index Analysis** | | |
|  | 2024 | 2023 | 2022 | **2024** | **2023** | **2022** |
| ASSETS |  |  |  |  |  |  |
| NON-CURRENT ASSETS |  |  |  |  |  |  |
| Property, Plant and Equipment | 1,034,455 | 744,984 | 765,959 | 135.05% | 97.26% | 100.00% |
| Investment | 761,521 | 830,332 | 909,483 | 83.73% | 91.30% | 100.00% |
| CURRENT ASSETS |  |  |  |  |  |  |
| Stores and spares | 68,176 | 55,093 | 46,557 | 146.44% | 118.33% | 100.00% |
| Stock-in-trade | 889,279 | 22,972 | 14,856 | 5985.99% | 154.63% | 100.00% |
| Trade debts - considered good | 672 | 672 | 672 | 100.00% | 100.00% | 100.00% |
| Short term loans to associated undertakings - considered good | - | 154,879 | 154,879 |  | 100.00% | 100.00% |
| Advances, deposits, prepayments and other receivables - considered good | 1,036,725 | 907,744 | 846,659 | 122.45% | 107.21% | 100.00% |
| Taxation - net | 26,934 | 23,297 | 23,720 | 113.55% | 98.22% | 100.00% |
| Cash and bank balances | 144,862 | 138,710 | 128,715 | 112.54% | 107.77% | 100.00% |
| TOTAL CURRENT Assets | 2,166,648 | 1,303,997 | 1,216,058 | 178.17% | 107.23% | 100.00% |
| Total Assets | 3,962,624 | 2,879,313 | 2,891,500 | 137.04% | 99.58% | 100.00% |
| EQUITY AND LIABILITIES | - | - | - | - | - | - |
| SHARE CAPITAL AND RESERVES | - | - | - | - | - | - |
| Share Capital | - | - | - | - | - | - |
| Authorized | - | - | - | - | - | - |
| 150,000,000 (2023: 150,000,000) Ordinary shares of Rs. 10 each | 1,500,000 | 1,500,000 | 1,500,000 | 100.00% | 100.00% | 100.00% |
| Issued, subscribed and paid-up | 1,387,353 | 1,387,353 | 1,387,353 | 100.00% | 100.00% | 100.00% |
| Revenue Reserve |  |  |  |  |  |  |
| Accumulated loss | - | - | - | 115.66% | 105.25% | 100.00% |
| TOTAL EQUITY | - | - | - | 122.87% | 107.66% | 100.00% |
| NON-CURRENT LIABILITIES |  |  |  |  |  |  |
| Long-term loans - secured | - | - | - |  |  |  |
| Long term security deposits | 16,800 | 11,700 | 11,700 | 143.59% | 100.00% | 100.00% |
| Deferred Liabilities | 4,231 | 4,231 | 4,231 | 100.00% | 100.00% | 100.00% |
| TOTAL NON-CURRENT LIABILITIES | 21,031 | 15,931 | 15,931 | 132.01% | 100.00% | 100.00% |
| CURRENT LIABILITIES |  |  |  |  |  |  |
| Short term loan from Related Parties | 1,696,185 | 469,022 | 293,063 | 578.78% | 160.04% | 100.00% |
| Trade and other payables | 673,006 | 441,756 | 399,097 | 168.63% | 110.69% | 100.00% |
| Unclaimed Dividend | 1,802 | 1,802 | 1,802 | 100.00% | 100.00% | 100.00% |
| Short term finances and Book overdraft-secured | 4,173,558 | 4,095,913 | 4,095,913 | 101.90% | 100.00% | 100.00% |
| Current maturity of long-term loans | 1,096,929 | 1,096,929 | 1,096,929 | 100.00% | 100.00% | 100.00% |
| TOTAL CURRENT LIABILITIES | 7,641,480 | 6,105,422 | 5,886,804 | 129.81% | 103.71% | 100.00% |
| CONTINGENCIES AND COMMITMENTS |  |  |  |  |  |  |
| TOTAL EQUITY AND LIABILITIES | 3,962,624 | 2,879,313 | 2,891,500 | 137.04% | 99.58% | 100.00% |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Statement of Profit and Loss** | | | | **Index Analysis** | | |
|  |  |  |  |  | | |
| Item | 2024 | 2023 | 2022 | **2024** | **2023** | **2022** |
| GROSS SALES | 11980 | 212 | 169 | 7088.8% | 125% | 100% |
| Sales tax | -1827 | -32 | -25 | 7308.0% | 128% | 100% |
| commission and discount | -200 |  |  |  |  |  |
|  | -2027 | -32 |  |  |  |  |
| **NET SALES** | 9953 | 180 | 144 | 6911.8% | 125% | 100% |
| Cost of sales | -292833 | -141,428 | 83,273 | 351.7% | 170% | 100% |
| **GROSS LOSS** | -282880 | -141,248 | -83129 | 340.3% | 170% | 100% |
| Operating expenses |  |  |  |  |  |  |
| Marketing & Distribution expenses | -106693 | 14788 |  |  |  |  |
| Administration and general expenses | -38093 | -25477 | -15005 | 253.9% | 170% | 100% |
| OPERATING LOSS | -427666 | -181513 | -98134 | 435.8% | 185% | 100% |
| OTHER INCOME/(LOSS) | -29856 | -40378 | -70735 | 42.2% | 57% | 100% |
|  | -457522 | -221891 | -168869 | 270.9% | 131% | 100% |
| **Finance cost** | -200 | -9 |  |  |  |  |
| Provision for obsolescence / slow moving stocks |  | -2556 | -2218 | 0.0% | 115% | 100% |
| Provision for obsolescence / slow moving stores and spares |  | -6347 | -5736 | 0.0% | 111% | 100% |
|  | -200 | -8912 | -7954 | 2.5% | 112% | 100% |
| **(LOSS) BEFORE TAXATION** | -457723 | -230803 | -176823 | 258.9% | 131% | 100% |
| TAXATION | -124 | -2 | -7 | 1771.4% | 29% | 100% |
| **(LOSS) AFTER TAX** | -457847 | -230805 | -176830 | 258.9% | 131% | 100% |
|  | -457847 | -230805 |  |  |  |  |
| **Basic / Diluted (loss) per share (Rupees)** | -3.43 | -1.73 | -1.33 | 257.9% | 130% | 100% |

**4.2 Discussion:**

The index examination reveals considerable financial turmoil despite a rise in net sales. Although total assets grew, this was largely attributed to an unusual spike in stock-in-trade, reflecting weak inventory turnover. Investments and stock values kept decreasing, with growing losses compounding annually. The company's dependence on short-term loans also increased significantly, indicating liquidity pressure. On the revenue front, while sales soared significantly in 2024, expenses rose even more, especially the costs associated with sales and marketing leading to a substantial operating and net loss. The organization continues to operate at a loss, experiencing increasing deficits and a fragile financial foundation, indicating an immediate requirement for expense management and strategic changes.

**Chapter 5**

**5.1 Conclusion:**

Dewan Farooque Motors Limited (DFML) is experiencing a significantly poor financial period. The liquidity ratios of the company, both current and acid-test, are significantly beneath the acceptable threshold, indicating that DFML might have difficulty covering its short-term expenses and require improved cash management. Conversely, Indus Motor Company Limited (IMCL) possesses solid liquidity, signifying it can easily fulfill its short-term commitments.   
  
Examining leverage ratios, DFML is significantly over-leveraged — its debt-to-equity and debt-to-asset ratios indicate that the firm is primarily funded by debt instead of its own capital. This raises financial risk. IMCL, on the other hand, carries no debt, indicating robust internal funding and minimal risk.   
  
Regarding profitability, DFML's condition is concerning. Its gross and net profit margins are significantly negative, indicating its selling products at a loss and failing to cover its total costs. Simultaneously, IMCL benefits from strong and robust profit margins, indicating its efficient operations and profitability from its activities.   
  
The ROI and ROE for DFML are likewise weak. A negative ROE indicates that shareholders are experiencing a decline in value rather than an increase. IMCL continues to excel with strong returns on investment and equity, demonstrating its capability to create value for its shareholders.   
  
Activity ratios indicate the efficiency of operations. DFML experiences an extended operating and cash cycle, indicating it requires excessive time to convert inventory into cash. Its inventory and receivable turnover rates are low, showing sluggish stock and delays in receiving payments. IMCL, on the other hand, exhibits rapid turnover rates and a negative cash cycle, which is, in fact, a positive indicator it receives payments before it must settle with suppliers

**Chapter 6**

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