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Feruzha Matchanova

Tashkent State Technical University named after Islam Karimov

Senior Researcher, Uzbekistan

[matchanovafa@gmail.com](mailto:matchanovafa@gmail.com)

## ANALYSIS OF FINANCIAL INDICATORS OF LLC AMUDARYOTEX AND ZARAFSHAN TEXTILE

**Abstract:** This paper studies the theories about determining the financial indicators, ratios of the enterprises, using the approaches it will estimate and analyze the financial indicators of LLC AMUDARYOTEX and ZARAFSHAN TEXTILE in Uzbekistan, some conclusions are drawn according to the analysis

**Key words:** finance, financial indicators, textile companies, financial analysis.

**Language:** English

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### Introduction

LLC “AMUDARYOTEX” is registered by the Ministry of Justice of the Republic of Karakalpakstan. This company is a foreign company. The company is 100% owned by TEXTILE TECHNOLOGIES GROUP LIMITED. Its charter is 59,008,022,799 soums. The main activity of the LLC is the production of textiles and raw materials. This chapter analyzes the activities of an LLC based on a mechanism for assessing the competitiveness of a textile enterprise.

The globalization of the economy has opened up markets so that companies can freely offer goods and services or buy them from any supplier around the world. In an effort to improve their competitiveness, many companies have sought to source their supplies from locations in the world that offer the best combination of value and value, manufacturing their products in countries with cheap labor and selling them in markets where they can obtain the highest selling price possible. This need has led to the creation of an export-oriented assembly industry in which a multinational corporation opens up industrial plants in developing countries to produce goods and offer services at affordable prices, which are then sold in developed countries.

This globalization, along with a slowdown in the global economy, presents major challenges for most companies, which are forced to rethink their

strategies, processes and procedures in order to be more competitive and stay in business. Cozzarin and Awwad are of the opinion that one of the fundamental elements in developing a manufacturing system that can provide lasting competitive advantage is to define a set of competitive priorities that a company can pursue. Consequently, any company that wants to develop strategies that will allow it to position itself better than its competitors must know what competitive priorities or factors and their respective components the market demands.

An important and ongoing challenge facing manufacturing enterprises is that there is no clear way of measuring manufacturing competitiveness that administrators can use to help them direct their improvement efforts.

Thus, the purpose of this study is to propose a comprehensive method for assessing the competitiveness of the manufacturing industry in developing countries using a comprehensive analytical model based on expert analysis, collection of empirical data and factor analysis in a specific surveyed sector.

The garment industry was chosen as an example because of its importance to the gross domestic product (GDP) and labor market in developing countries. In addition, this research is considered important because of the existing need for industry

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research that does not suffer from generalization across industries and countries, resulting in a high level of abstraction that discourages managers from considering applicable and relevant results.

Assessment of competitiveness at the company level

While there is no universally accepted definition of competitiveness, the competitiveness of a company or firm can be defined as the ability of a company to perform better than peers in terms of sales, profitability, quality, efficiency, among others. To achieve this level of performance, a company needs to achieve a higher degree of specialization or excellence in certain areas than those with which it competes.

Some authors associate competitiveness with the ability to maintain good results in various aspects, reduce labor costs and increase GDP, or create and maintain a competitive advantage. Porter's model assumes that competitiveness is achieved through higher value creation, which should be directly correlated with superior financial performance or higher than industry average profitability.

Although many authors advocate using only financial performance indicators to measure competitiveness, the factors that lead a company to competitiveness are usually non-financial. In fact, according to Flanagan, one of the dominant theories about firm competitiveness is the resource-based approach (RBV) and the core competency approach, which assumes that each company is a collection of tangible and intangible assets or resources that are specific to a given company and that cannot be easily imitated. Competitors. Resources by themselves do not provide a competitive advantage, but when their set turns into an ability, they can perform tasks or actions, which can create value and provide a competitive advantage over the company's competitors. According to this theory, resources and capabilities that are valuable, rare, inimitable and irreplaceable (VRIN) are combined over time in a consistent manner until they become core competencies of the firm. Another theory, known as Dynamic Opportunity Representation (DCV), suggests that most companies today are more focused on competitive survival than achieving competitive advantage. According to this paradigm, a new type of asset called dynamic ability is responsible for helping a company to adapt adequately to the constant changes of the modern economy, allowing it to remain competitive and survive. Jung-Ching and Tsui-Su define dynamic capabilities as "a set of specific and identifiable processes or a pool of [controlled] resources that firms can integrate, reconfigure, update, and transfer." Examples of these capabilities are organizational procedures, distinctive higher-level management processes, organizational knowledge, and technological assets. These dynamic capabilities do not necessarily translate into sustainable competitive advantage, but can provide temporary advantage or

competitive parity that contributes to the organization's survival in a given environment. distinctive higher-level management processes, organizational knowledge, and technology assets. These dynamic capabilities do not necessarily translate into sustainable competitive advantage, but can provide temporary advantage or competitive parity that contributes to the organization's survival in a given environment. distinctive higher-level management processes, organizational knowledge, and technology assets. These dynamic capabilities do not necessarily translate into sustainable competitive advantage, but can provide temporary advantage or competitive parity that contributes to the organization's survival in a given environment.

It can be seen from these two theories that a good way to measure a company's manufacturing competitiveness is to measure its manufacturing capability, that is, its ability to achieve high performance for its production goals. These goals, known in the literature as competitive priorities, represent strategic choices about which capabilities are important to achieve certain expected results. Competitive priorities are then the "goals" of the company, and competitive opportunities are the "actual" implementation of those priorities in real strengths.

Since the competitiveness of a company is usually viewed as a direct manifestation of its competitive priorities, several authors have examined the impact of these competitive priorities on a company's competitiveness or business performance. Some of them found a positive relationship between being highly competitive and achieving high levels of productivity. Hence, measuring the indicators of competitiveness seems to be an adequate way to describe the manufacturing competitiveness of a company.

### Analysis and results

First of all, the main financial indicators of LLC "AMUDARYOTEX". The following metrics are commonly found in the financial statements listed above and are the most important for managers and other key stakeholders in an organization to understand.

**Gross profit margin.** Gross margin is a profit margin that measures what percentage of revenue remains after deducting the cost of goods sold. Cost of goods sold is a direct manufacturing cost and does not include operating expenses, interest or taxes. In other words, the gross margin is a measure of your profitability, especially for a product line or item, excluding overheads.

$$\text{Gross profit margin} = \frac{\text{Revenue} - \text{Cost of sales}}{\text{Revenue}} * 100$$

### Net profit margin

Net profit margin is a profitability ratio that measures what percentage of revenue and other income remains after deducting all costs to the

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business, including cost of goods sold, operating expenses, interest and taxes. Net profit margin differs from gross margin as a measure of profitability for the business as a whole, taking into account not only the cost of goods sold, but all other related costs.

**Net profit margin = Net profit / Revenue \* 100**

**Working capital**

Working capital is a measure of the available operational liquidity of a business that can be used to fund day-to-day operations.

**Working Capital = Current Assets - Current Liabilities**

**Current liquidity ratio**

Current Ratio is a liquidity ratio that helps you understand whether a business can pay off its short-term liabilities, that is, liabilities maturing within one year, at the expense of current assets and liabilities.

**Current ratio = current assets / current liabilities**

**Debt to equity ratio**

Debt-to-equity ratio is a solvency ratio that measures how much a company finances itself using equity versus debt. This ratio gives an idea of the solvency of a business, reflecting the ability of the share capital to cover all debt in the event of an economic downturn.

**Debt to equity ratio = total debt / equity**

**Return on equity**

Return on equity, more commonly referred to as ROE, is a ratio of return on equity, measured by dividing net income by equity. It shows how well a business can use equity investment to generate returns for investors.

**ROE = Net Income / (Initial Capital + Final Capital) / 2**

**Return on assets**

Return on assets, or ROA, is another rate of return, similar to ROE, that is measured by dividing the net income by the average assets of a company. It is a measure of how well a company is managing its available resources and assets to generate higher returns.

**ROA = Net Income / (Initial Assets + Final Assets) / 2**

First of all, using the financial statements and balance sheet of AMURDARIOTEX LLC for 5 years from 2016 to 2020 (table). All of the above financial indicators will be collected to assess the respective ratios, by which conclusions will be drawn.

**Table 2.3.1. Financial data of AMUDARYOTEX LLC<sup>1</sup>**

	2016	2017	2018	2019	2020
<b>Net proceeds from the sale of products (goods, works and services)</b>	20478493.92	45,376,557.74	60,006,540.00	56,849,467.44	131251032.8
<b>Cost of goods sold (goods, works and services)</b>	16933294.59	39,111,275.74	55,788,445.09	52,286,074.83	113662903.4
<b>Net profit (loss) of the reporting period</b>	103368.76	262,546.28	421,366.12	660,999.82	1892073.49
<b>Total liabilities of the balance</b>	94962018	112805716.8	112709872.9	168,097,268.50	265,640,445.57
<b>Current responsibility, Total</b>	33790656.26	47962047.74	46,779,886.28	62,226,595.52	77,594,610.96
<b>Current assets</b>	14066607.55	45536825.95	48,845,768.26	106,422,660.83	192,338,782.59
<b>Total asset balance</b>	94962018	112805716.8	112,709,872.95	168,097,268.49	265,643,445.57
<b>Total own funds</b>	47986361.74	54718669.1	59,854,986.67	60,515,986.49	78,975,788.92

If you analyze the table above, you can see that the data varies greatly from year to year. All coefficients will be calculated on them. Moreover, for

different data, the ratios will also be different. The following table illustrates the relationship information.

<sup>1</sup> Financial statements and balance sheet of AMUDARYOTEX LLC.

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**Table 2.3.2. Financial ratios of AMUDARYOTEX LLC<sup>2</sup>**

		2016	2017	2018	2019	2020
<i>Gross profit margin</i>	<b>(Revenue - Cost of sales) / Revenue * 100</b>	17.3118167	13.80731001	7.02939198	8.027151028	13.4003741
<i>Net profit margin</i>	<b>Net profit / Revenue * 100</b>	0.504767394	0.578594528	0.702200327	1.162719459	1.441568458
<i>Working capital</i>	<b>Current assets - Current liabilities</b>	-19724048.71	-2425221.79	2,065,881.98	44196065.31	114,744,171.63
<i>Current liquidity ratio</i>	<b>current assets / current liabilities</b>	0.4162869	0.949434565	1.044161757	1.710243987	2.4787647
<i>ROE</i>	<b>Net profit / (Initial capital + Final capital) / 2</b>	0.002154128	0.004798112	0.007039783	0.010922731	0.02395764
<i>ROA</i>	<b>Net profit / (Initial assets + Final assets) / 2</b>	0.001088527	0.00232742	0.003738502	0.003932246	0.007122606

The results show that almost all factors have an upward trend, however, despite the growth, the coefficients are not very high. In this analysis, as mentioned above, ROA is used as an indicator of competitiveness, the results show that AMUDARYOTEX is competitive, but should be improved using modern methods, especially using ICT.

Another company that we will analyze is Zarafshon Textile LLC. It is also one of the largest textile companies in Uzbekistan.

Zarafshon Textile LLC is one of the largest enterprises of the light industry in Uzbekistan. Since 2011, the factory has been producing products that comply with all applicable international standards. The production equipment was imported from the United States of America, Sweden, Japan and Turkey. Every season we present a new collection of clothing for adults and children. We concentrate our efforts on the production of high quality knitwear with a varied assortment and affordable prices that will appeal to all segments of the population. Every year the factory receives from 100 to 120 thousand tons of raw cotton,

which is processed, dyed and sewn into finished products with a circulation of over 19 million copies. Ready-made clothes under the own brand of the "Xalqsevar Vatansevar" factory are distributed throughout the republic through the factory's shops. Over the years, our factory has accumulated a wealth of experience that allows production to grow and expand its potential. The plant employs highly qualified specialists from Turkey and Uzbekistan: technologists, constructors, designers and other specialists. Discussing all the fashion trends and preferences of our clients, we create attractive and fashionable clothes for the whole family. As a result, when choosing a palette, preference is given to a variety of colors and their many interesting combinations. Particular attention is paid to printed and embroidered prints on fabrics that are worn throughout the season and in global fashion. The catalog has something for every season. Our clients can order and purchase wholesale clothing for home, sleep and relaxation, choosing from a variety of sizes for summer, winter and off-season collections.

**Table 2.3.3. Financial data of Zarafshon Textile LLC<sup>3</sup>**

	2017	2018	2019	2020
<b>Net proceeds from the sale of products (goods, works and services)</b>	90945661.3	118247348.2	162052389	94914968.97

<sup>2</sup> Author's calculations using financial statements and balances.

<sup>3</sup> Financial statements and balance sheet of Zarafshon Textile LLC.

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<b>Cost of goods sold (goods, works and services)</b>	60403596.8	100934272.5	130755590	75712565.86
<b>Net profit (loss) of the reporting period</b>	12269453.2	274674	367175	1499440.04
<b>Current responsibility, Total</b>	14992791	22214744	82798375	152920184
<b>Current assets</b>	18452627	48,845,768.26	69352912	41794778
<b>ROA</b>	0.00765	0.00652	0.00642	0.00598

According to information about “Zarafshon Textile”, net proceeds from sales of products (goods, works and services), which increased by 2019 and significantly decreased in 2020, all indicators, except for current liabilities, decreased in 2020. However, the increase in current liabilities does not indicate good performance. These changes can be attributed to the COVID 19 pandemic. Unlike AmudaryoTex, Zarafshon Textile is not competitive in performance because ROA tends to decline throughout the observed period.

Thus, having analyzed the financial performance of AmudaryoTex LLC and Zarafshon Textile LLC, we can say that AmudaryoTex LLC is competitive in terms of ROA, while Zarafshon Textile LLC is not. The use of ICT will increase the competitiveness of both companies.

### Conclusion

Based on the analysis in Chapter 2, we came to the following conclusions:

State-owned enterprises are actively working to expand the range of exported finished products. In particular, the export supplies of the industry enterprises include fleece, thick and bamboo yarns,

new models of ready-made knitwear, bed linen for bedrooms and kitchens, labels, poplin, satin and cotton fabrics, children's jackets and other new types of products.

As competition intensifies, companies are leveraging IT to improve supply chain management (SCM) and leverage it as a competitive advantage. Many textile companies are using technological opportunities to add value to their businesses.

Return on assets best reflects the competitiveness of the industry, as a higher ROI means the company is doing well and using resources efficiently

The role of ICT is very important for the competitiveness of the textile industry. An increase in ICT use by 15% will increase the return on assets by about 2.7%.

The financial performance of LLC “AmudaryoTex” has an upward trend over the years. However, the increase is not significant, it should be improved through the effective use of ICT.

The financial performance of Zarafshan Textile LLC is unstable, and the ROA of Zarafshan Textile LLC is declining, which means that the company is not competitive.

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