

Textile - Composite

An Overview

November 2019

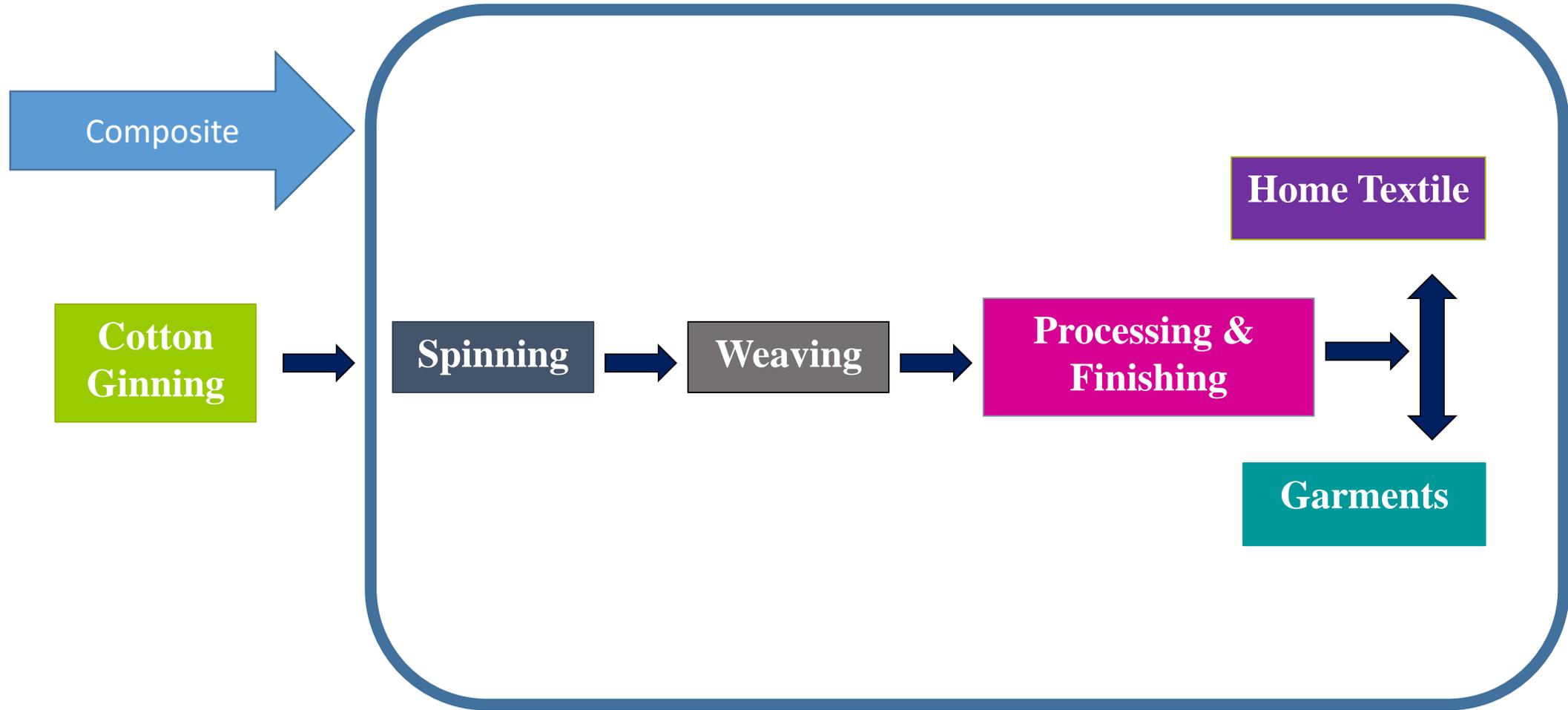


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- 1 Process
- 2 Products
- 3 World Trade
- 4 Pakistan Exports
- 5 Sub Segments
- 6 Taxes & Duties
- 7 Opportunities & Challenges

Textile | Value Chain



Composite Textile unit includes all processes from spinning of yarn to finished good

Composite - Products



Composite
Textile
offers



Yarn



Cloth



Bedwear



Garments



Towel

Composite Textile offers wide variety of products including Yarn, Cloth, Bedwear, Garments, Towels

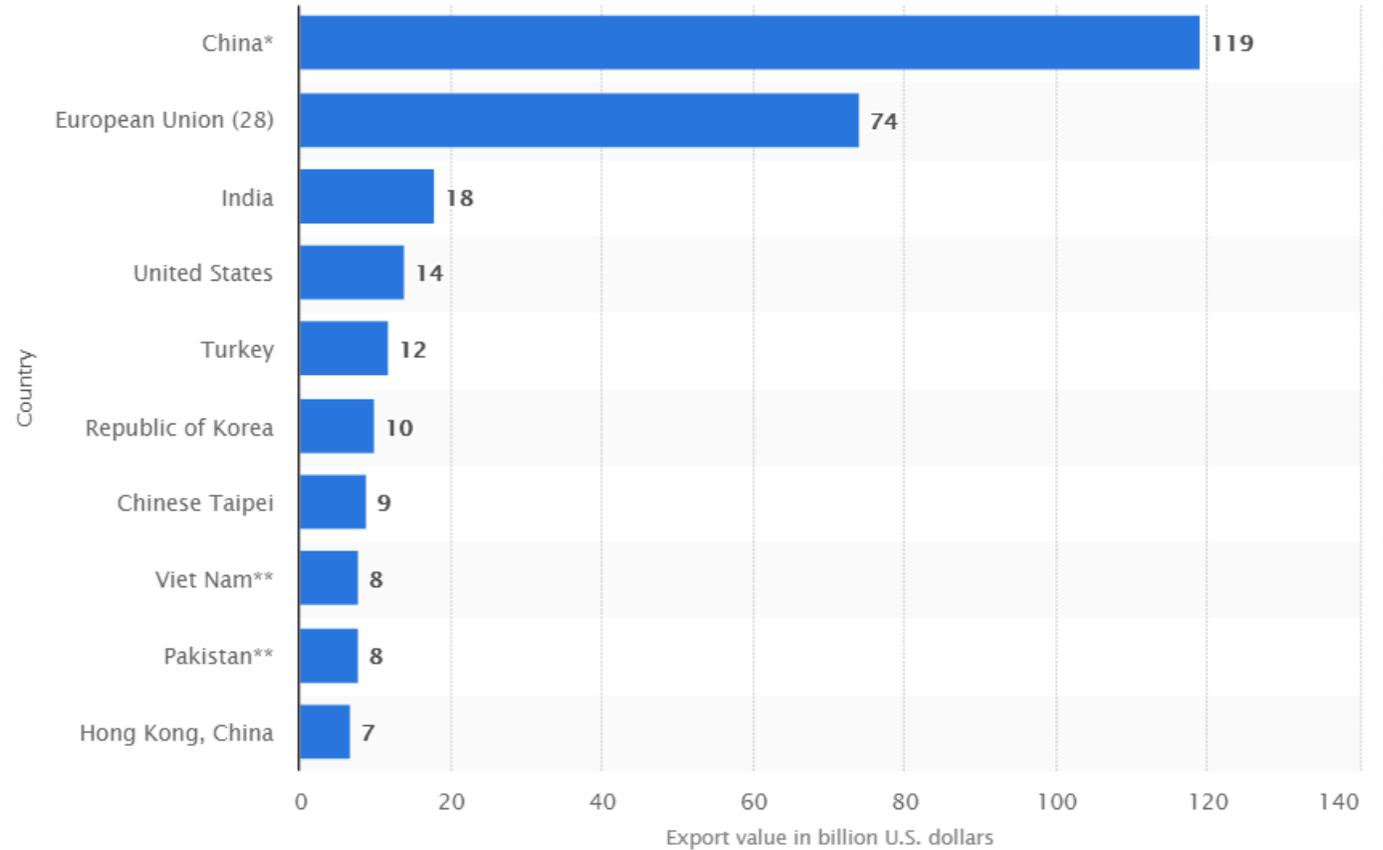
Worldwide Trade

Textile's world trade is dominated by United States and China

United States is the biggest importer and China is the biggest Exporter of Goods

China leads the export market with ~119bln in 2019

Pakistan has exported value added textile goods of ~8bln in 2018



Value of the leading 10 textile exporters worldwide

Pakistan Textile Exports

Pakistan Exports	FY16		FY17		FY18		FY19		3MFY19		3MFY20	
	Quantity	Value (\$mln)	Quantity	Value (\$mln)	Quantity	Value (\$mln)						
Raw Cotton (MT)	49,315	77	24,976	43	35,371	58	12,796	20	4,619	8	6,980	10
Cotton Yarn (MT)	423,624	1,265	455,345	1,244	490,258	1,371	428,016	1,125	111,491	313	117,832	294
Cotton Cloth (th. sqm)	2,152,132	2,214	1,961,685	2,120	1,988,598	2,204	2,007,334	2,101	619,886	529	619,886	529
Knitwear (th. dozen)	112,459	2,364	113,200	2,362	107,611	2,719	134,548	2,908	28,037	701	29,946	779
Bed Wear (MT)	328,857	2,020	353,108	2,134	359,961	2,260	371,672	2,259	103,443	583	128,115	600
Towels (MT)	184,479	803	182,873	787	188,619	788	196,063	785	44,952	184	41,499	180
Garments (th. dozen)	32,775	2,195	34,785	2,317	36,240	2,595	48,870	2,657	10,809	598	14,772	667
Others			8,769	1,446	11,882	1,549	11,883	1,488	2,457	267	3,778	244

Textile Industry is estimated at USD ~27bln with exports having ~50% share

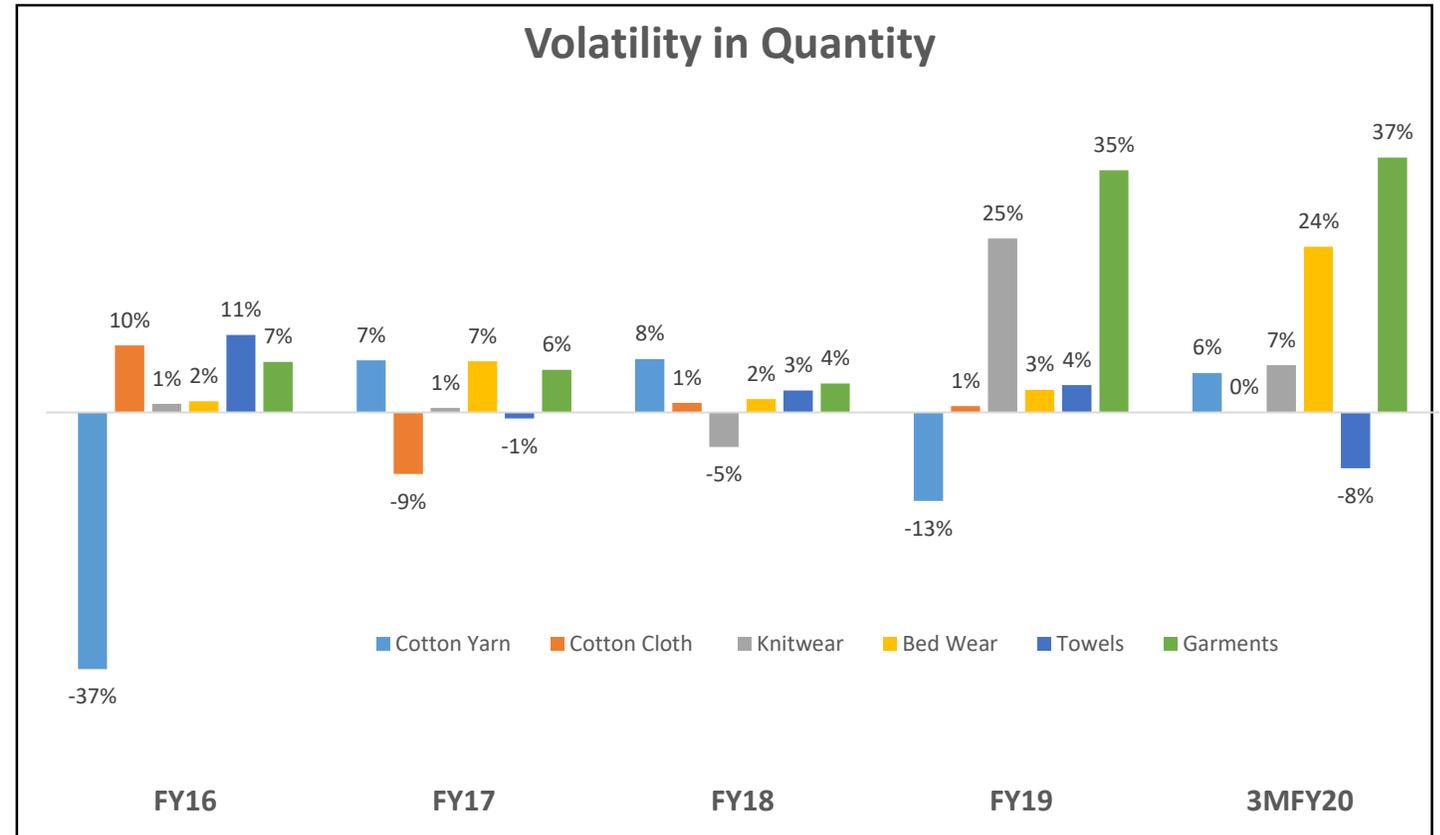
Textile has ~45% share in total exports of Pakistan

Pakistan's Exports – Quantity Trend

Volatility in Quantity in recent years

Decrease in yarn and cloth export and increase in value added exports

Significant increase in export quantity in case of garments



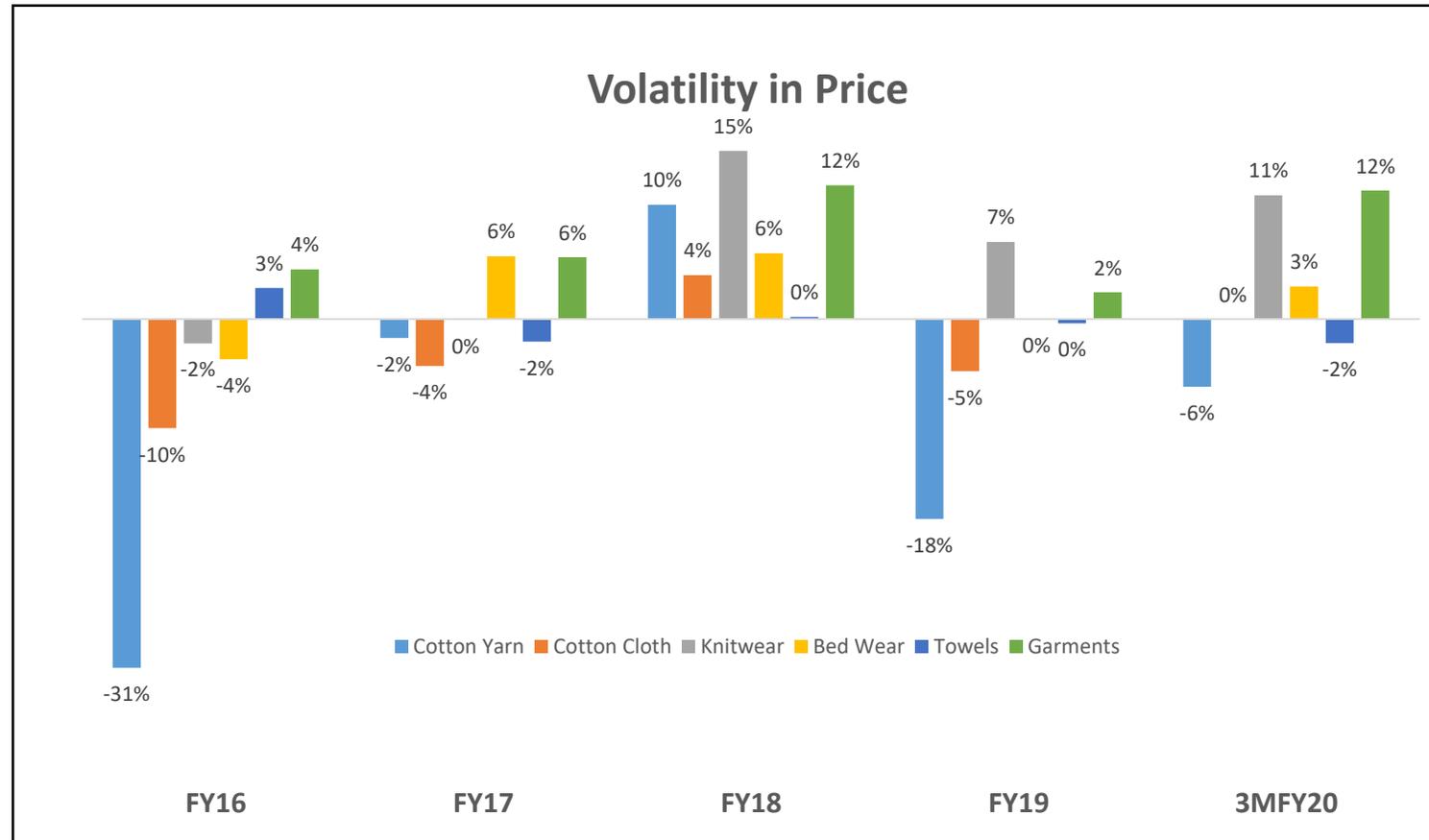
Pakistan's Exports – Price Trend

Pakistan textile exporters largely export in medium to lower tier markets

Low price exports in comparison to other exporters

Disproportionate increase in price since currency devaluation

Exporters had to share currency devaluation benefit with buyers



Pakistan's Exports - Yarn

China remains largest exporter for Pakistani Yarn

Yarn Exports witnessed significant dip during 2019 due to ongoing Trade war between China & US

Countries	2017	2018	2019
USD Mln			
China	801,407	869,780	707,923
Bangladesh	83,669	83,602	83,508
Turkey	62,550	72,540	44,442
Portugal	49,984	56,472	42,808
Hong Kong	34,507	35,399	21,693
Japan	30,253	33,191	30,854
Republic Of Korea	29,136	34,004	26,602
Italy	21,740	30,091	24,554
United States	12,055	13,532	22,457
Viet Nam	10,081	5,914	8,915
Top 10	1,135,382	1,234,525	1,013,756
Total	1,242,871	1,371,919	1,125,419

Pakistan's Exports - Cloth

Bangladesh is Pakistan's Biggest Export destination

In Cloth Exports Pakistan have diversified exposure as top 10 export destination represents ~60% exports of the Country

Countries	2017	2018	2019
	USD Mln		
Bangladesh	442,598	479,254	482,241
Italy	152,468	163,869	144,842
China	116,794	122,449	89,744
Germany	96,356	98,956	88,269
Turkey	91,700	162,608	125,511
United States	90,537	90,042	112,414
Spain	86,932	85,955	82,296
Sri Lanka	76,125	79,169	87,387
Portugal	74,476	86,869	78,567
United Kingdom	69,621	56,130	49,646
Top 10 Total	1,297,607	1,425,301	1,340,917
Total	2,110,917	2,203,587	2,101,813

Source TDAP

Pakistan's Exports - Bedwear

Pakistan's major destination is United States but it represents only ~6% of US imports

Pakistan is largest exporter in European region

Pakistan has witnessed growth in quantity exported recently owing to currency devaluation

GSP+ status from EU impacted positively on Bedwear exports

Countries	2017	2018	2019
	USD mln		
United States	479,836	484,898	484,242
United Kingdom	425,668	403,654	409,571
Germany	210,449	240,845	240,824
Netherlands	177,241	185,828	188,185
Belgium	122,755	146,495	125,609
Italy	102,231	119,382	112,198
Spain	97,921	107,915	109,912
France	91,019	110,186	107,030
Australia	43,534	47,222	61,505
Poland	33,194	35,770	38,097
Top 10	1,783,848	1,882,195	1,877,173
Total	2,153,112	2,296,839	2,259,921

Pakistan's Exports – Garment*

United States is the major destination for Garment export

Top 10 countries represent ~90% share in total exports

Pakistan's knitwear and readymade garment industry suffered badly due to abolishment of Quota

In last few years Pakistan's garment exports have shown improvement

Garments	2017	2018	2019
USD Mln			
United States	1,396,334	1,516,424	1,635,852
United Kingdom	648,225	754,439	746,196
Spain	464,259	551,015	569,524
Germany	489,670	543,283	548,922
Netherlands	253,348	339,699	376,933
Belgium	311,911	318,678	292,645
Italy	140,263	150,792	155,686
France	143,232	146,074	139,712
United Arab Emirates	104,532	136,932	119,553
Poland	74,736	92,156	102,336
Top 10	4,026,510	4,549,492	4,687,359
Total	4,680,257	5,257,508	5,443,538

Pakistan's Exports - Towel

Countries	2017	2018	2019
	USD Mln		
United States	387,351	357,026	345,115
United Kingdom	79,936	77,356	78,036
Germany	43,604	42,273	38,972
Italy	32,593	36,707	37,996
Netherlands	30,754	43,466	49,427
Spain	26,741	32,590	32,452
United Arab Emirates	20,593	20,071	15,125
Belgium	19,625	20,061	15,046
Poland	15,337	15,305	20,084
France	15,180	18,680	17,470
Top 10	671,714	663,535	649,723
Total	788,656	787,399	785,139

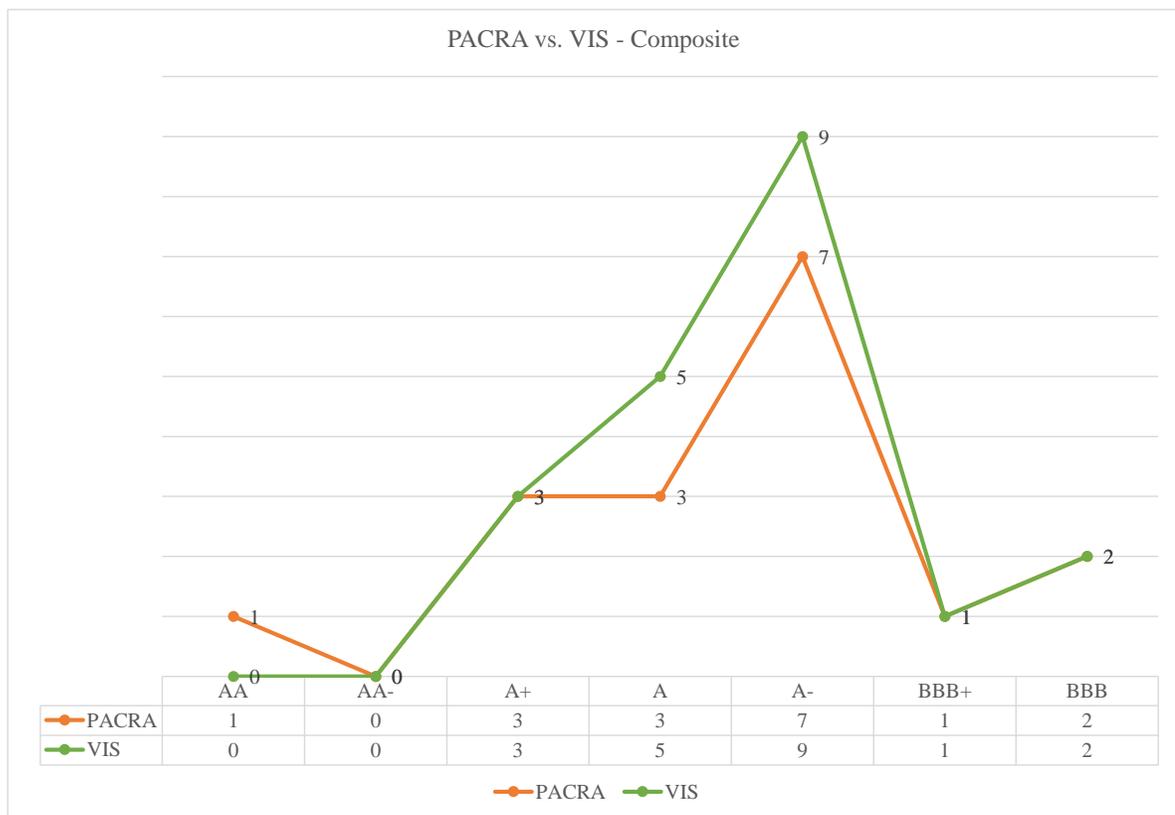
United States is Pakistan's major destination

Pakistan's towel export market is dominated by few large players with long term contracts with US Retail Chains

Recent closure of some stores in US has lead to decrease in exports to US

GSP+ impacted positively on Towel Exports

Composite Textile - Ratings



Total Market Capitalization is 230bIn



Rated Capitalization is 157bIn



Rated by PACRA is 91bIn

Duty Structure

Rebate	Current Package	Previous Package
Yarn	0%	4%
Greige Fabric	0%	4%
Processed Fabric	3%	5%
Made ups	3%	6%
Garments	4%	7%

Custom Duty			
S.No.	Category	FY20	FY19
1	Cotton	3%	3%
2	Yarn	11%	11%
3	Fabric	20%	20%
4	Finished Goods	20%	20%
5	Worn Clothing	3%	3%
Anti-dumping duty			
S.No.	Category	FY20	FY19
1	Polyester Yarn	3-11%	3-11%
Sales Tax			
S.No.	Category	FY20	FY19
1	Cotton	10%	0%
2	Yarn-Local	17%	0%
3	Fabric-Local	17%	0%
4	Finished Goods-Local	17%	0%
5	Retailer - Integrated with FBR	14%	6%

Opportunities & Challenges

Opportunities

Recent Currency Devaluation has provided a breather to net exporter

US China Trade war can help Pakistan in increasing value added textile exports to USA

Chinese Companies can come and invest in industrial estates in CPEC

Rebates are available for value added segments

Challenges

Withdrawal of Zero Rating has impacted liquidity of exporters

Despite subsidized energy cost, energy cost remains higher in comparison to competitors

High exchange rate and interest rates have made new investments costly

Withdrawal of tax credits have made BMR further difficult

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