

Paper & Packaging

November 2019

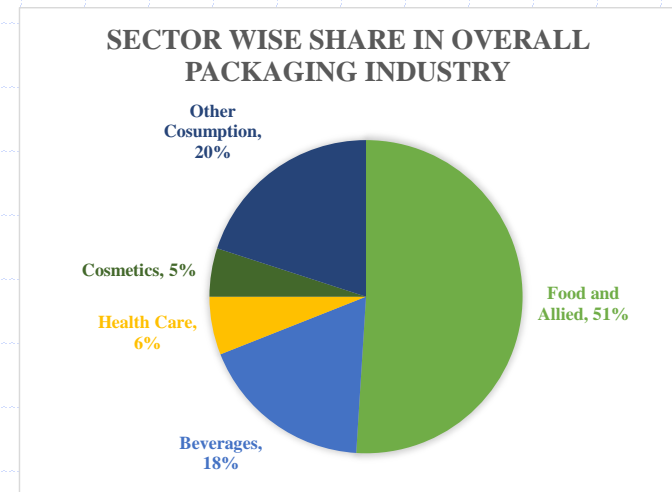
Packaging Industry

Packaging Universe of Pakistan:

- Pakistan's Packaging Industry universe includes:
 - Paper and Board Packaging
 - Folding Cartons
 - Corrugated Packaging
 - Plastic Packaging
 - PET, Flexible Packaging and BOPET
 - New Material – Bioplastic and Oxo-degradable Plastic Packaging
 - Metal Packaging
 - Tin Plate
 - Glass Packaging

Sectoral Break-up:

- In 2016, global packaging market was valued approximately above US\$500bln.
- Whereas, the total market value of Pakistan's packaging industry is ~ US\$5bln.
- Major consumer of packaging industry are shown in the pie chart



Plastic Industry| Underlying Driver

- Country's total plastics consumption, including packaging segment, is around 6.5 kg per capita with an estimated growth rate of around 8% per annum. World average is 38 kg per capita.
- Its projected that industry's growth may go up to 10% per annum in coming 6 - 7 years.
- Following are the growth drivers;
 - An increase in country's per capita income
 - Urbanization
 - Spreading concept of vast shopping malls on modern lines
- As per estimates, hardly 10% of the plastic polymers are locally produced.
- Remaining 90% of the demand is fulfilled through imports.



PET Packaging

- Among various plastic packaging products, PET occupies prime position in the sector.
- PET is the world's packaging choice for many foods and beverages because it is hygienic, strong, lightweight, shatterproof, and retains freshness.
- PET, *polyethylene terephthalate*, is a clear, strong and lightweight plastic belonging to the polyester family.
- It is typically called "polyester" when used for fibers or fabrics, and "PET" or "PET Resin" when used for bottles, jars, containers and packaging applications.
- PET bottle manufacturing process involves two basic stages:
 - i. Preform Manufacturing in an Injection Mould,
 - ii. Bottle Blow Moulding
- Consumers can identify PET bottles by the triangular # as a resin identification code found on the bottom of PET bottles and jars.
- Globally, PET packaging market over the next five years is expected to post a volumetric growth ~ 3.8% to manufacture 21mln tons per annum.



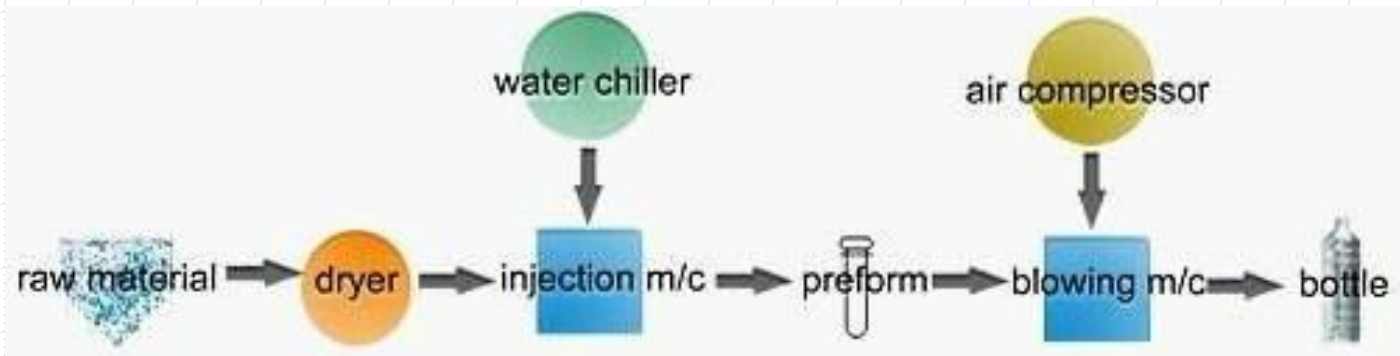
Process Flow

PET Preform

- PET resin, after being processed through the drying process, goes into the injection moulding machine to form PET preform.
- Here, chilled water is passed through the injection mould, to bring the preform at room temperature for packaging and/or for blowing.

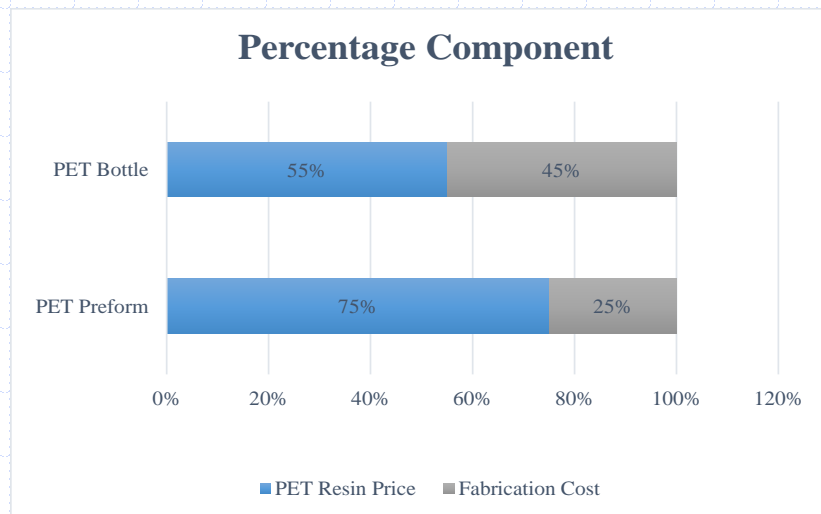
PET Bottle

- PET preform is reheated in the crystallization machine and passed on to the blowing mould.
- Here, air is compressed in to give PET bottle its final shape.



Cost Components

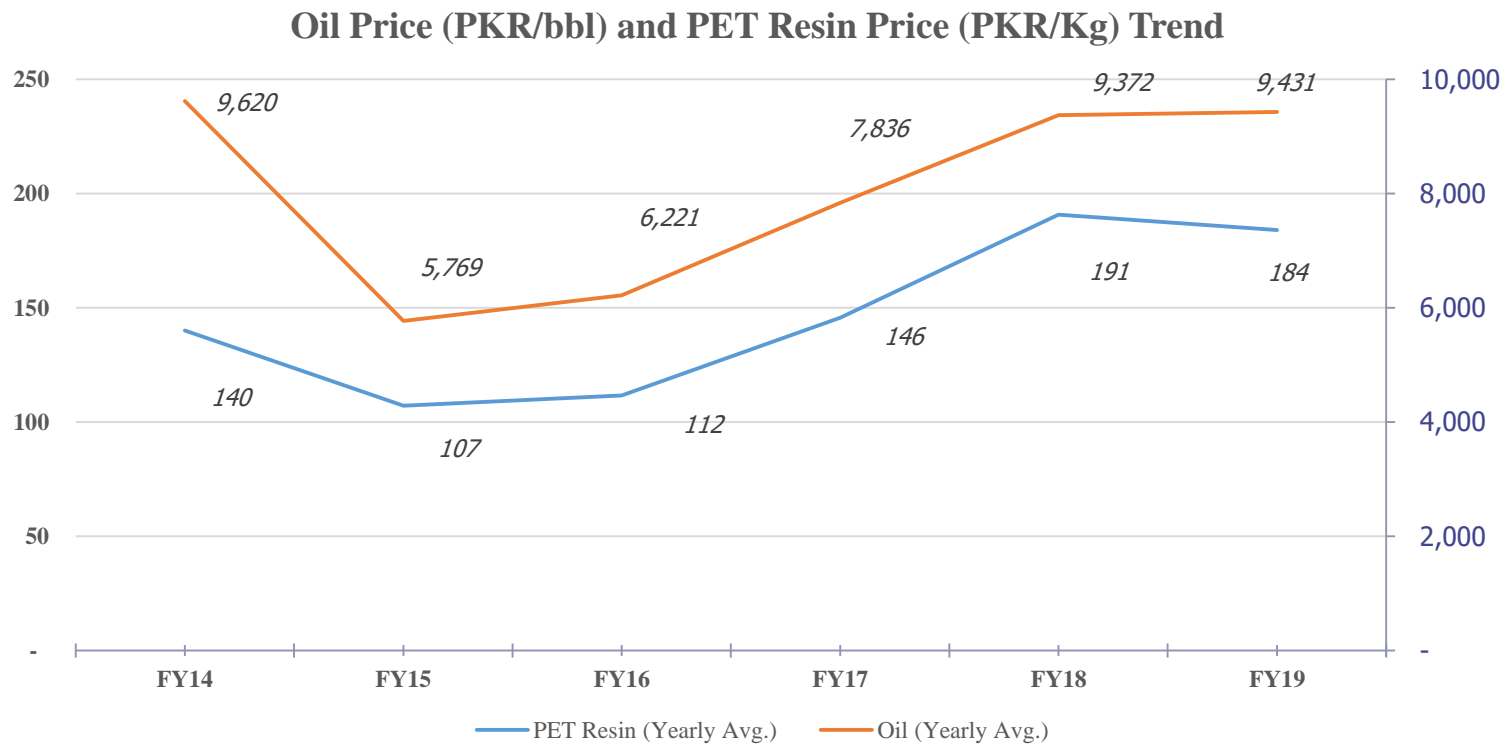
- Different products are converting to PET bottles for packaging their products mainly to seek cost efficiency and better preservation.
- The Cost of PET preform and bottle has two components:
 - PET Resin price
 - Local fabrication cost
- Following figure shows the percentage component of each cost in the two products:



- Fabrication cost differs for each company. However, it includes: labelling, packaging, power, admin and selling, freight, wastage and others.

PET Resin Pricing

- The price of PET Resin, in both international and local market, is reliant on international oil prices.
- The price trend for PET resins is shown in figure below:

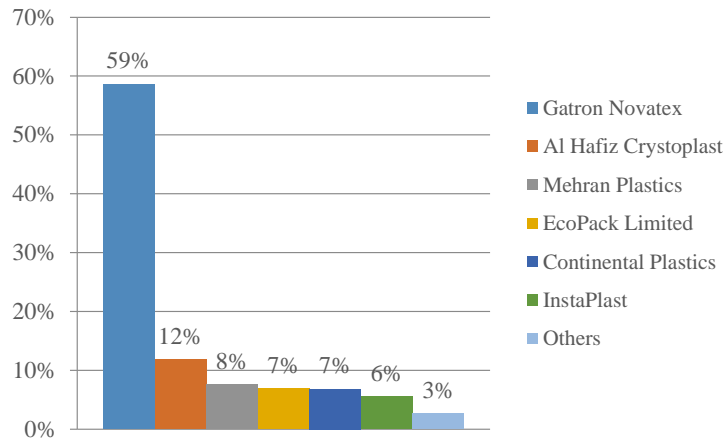


PET Industry Revenue

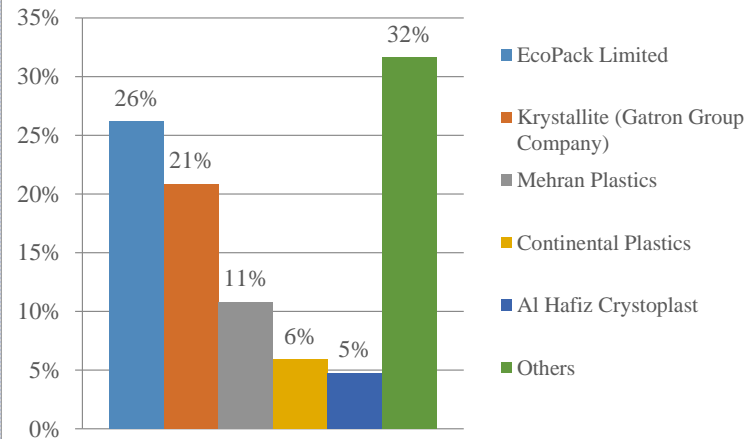
	FY16	FY17	FY18	FY19	FY20 Projected
Anticipated Demand for Bottle Beverage industry - Mln. Units	3,065	3,537	3,872	4,825	5,550
Expected Growth rate	-	15%	9%	25%	15%
PREFORMS					
Outsourced Preform Market in Mln. Units	2,518	2,917	3,195	4,107	4,800
Weighted Average PET Resin rate per Kg	110.66	114.97	149.97	180.00	180
Average Preform size (Gms)	35.0	35.0	35.0	35.0	35.0
PET Resin cost per Preform in PKR	3.87	4.02	5.25	6.30	6.3
Average Fabrication Price per Preform in PKR	1.35	1.35	1.51	1.51	1.5
Total Price Per Preform PKR	5.22	5.37	6.76	7.81	7.8
Total Revenue of Preform Market (PKR in mln)	13,142	15,665	21,587	32,069	37,488
BOTTLES					
Outsourced Bottle Market in Mln. Units	547	620	677	718	750
Weighted Average PET Resin rate per Kg	110.66	114.97	149.97	180.00	180
Average Bottle size (Gms)	35.0	35.0	35.0	35.0	35
PET Resin cost per Bottle in PKR	3.87	4.02	5.25	6.30	6.3
Average Fabrication Price per Bottle in PKR	6.73	6.87	5.83	5.83	5.83
Total Price Per Bottle PKR	10.60	10.89	11.08	12.13	12.13
Total Revenue of Bottle Market (PKR in mln)	5,796	6,751	7,503	8,713	9,098

Key PET Industry Players

PET Preforms - Market Share



PET Bottles - Market Share



Key PET Industry Players

	Segment Wise - Performance								
	PET Packaging								
	Injection Performance						Blowing Performance		
	EcoPack Limited			Gatron Industries Limied			EcoPack Limited		
	FY19	FY18	FY17	FY19	FY18	FY17	FY19	FY18	FY17
Production	mln units								
Installed Capacity (no. of preforms/bottles)	797	511	416	1,150	1,150	1,239	304	304	304
Actual Capacity (no. of preforms/bottles)	468	388	283	694	780	1,077	177	174	159
Utilization	59%	76%	68%	60%	68%	87%	58%	57%	52%
Balance Sheet	PKR - mln								
Total Assets	1,390	1,180	719	2,703	2,015	2,534	548	522	302
Total Liabilities	843	549	192	511	677	315	67	193	133
Performance	PKR - mln								
Turnover	2,254	1,606	750	4,372	4,581	5,909	1,821	1,707	1,455
Gross Profit	160	125	82	412	607	406	226	238	275
Operating Profit	87	72	36	-	-	-	167	180	186
Margins									
G.P Margin	7%	8%	11%	9%	13%	7%	12%	14%	19%
Operating Margin	3.9%	4.5%	4.8%	-	-	-	9.2%	10.5%	12.8%

Regulatory Structure

Regulatory Structure			
		%	Stage of Imposition
Custom Duty	Polymers of Ethylene in primary form	5%	On Import
	PET Resin - Bottle Grade	8.5%	
	Uncoated film of PET	11%	
	Film of ethylene	16%	
Sales Tax		17%	On Sale
Income Tax		Minimum Tax Regime	On Profit

- Tax collected under section 148 of the Ordinance from an industrial undertaking importing plastic raw material, shall now constitute minimum tax on the income of such importer.

Key Drivers + Challenges

Growth Drivers

- Beverage industry product penetration and conversion to PET bottles
- Increasing trend of consumerism
- Entry of new players in the market
- Increasing trend juices towards PET packaging

Growth Challenges

- Increased tariffs up to 60% on PET Resin imports by EU, Turkey and now USA
- Exports of PET Resin to US accounts ~ 41% (\$64mln) of Pakistan's total PET exports
- Removal of anti-dumping duties upholding some conditions by Canada
- Identify new markets or recover the lost grounds to maintain double digit growth

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