



Towels

Sector Study



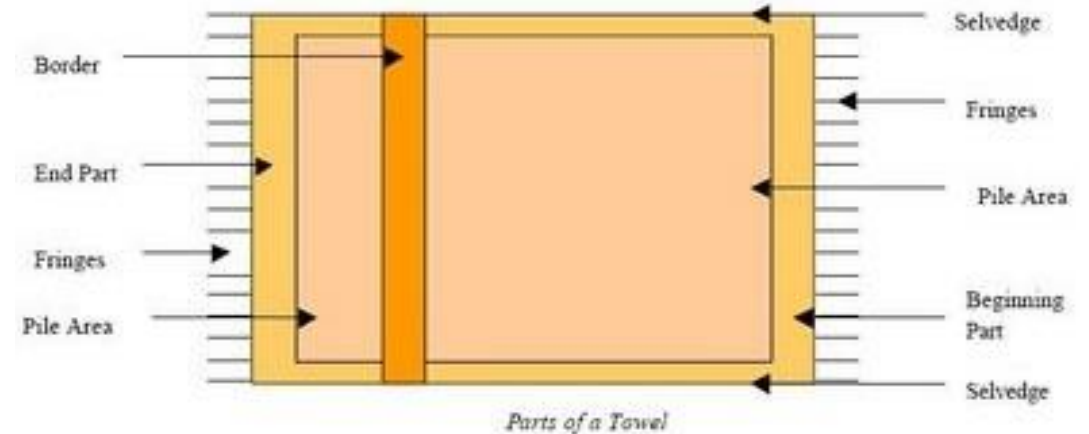
January 2020

Introduction

- Until the 1960's, most of the country's demand for towels was met through imports
- Towel Manufacturers Association was founded in 1965 and recognized by the Ministry of Commerce in 1976.
- In subsequent years, easy availability of raw material, simplicity of manufacturing process and government's incentives have boosted production
- In made ups, towel's subsector is the fourth largest after knitwear, garments and bed wear in terms of exports.
- According to *Pakistan's Economic Survey 2019*, there are ~10,000 (shuttle and shuttle-less) towel looms installed in Pakistan's organized and unorganized sector

Terry Towels

- A terry towel is a textile product made of pile loops on one or both sides covering the entire ground surface or forming pile strips, pile checks, or other pile patterns (with hemming end or with firm selvages)
- Long loops absorb a large amount of water
- Length of loops determine fluid absorption by the cloth.



Fibres used for Terry Towel Production

- Cotton is the most common fiber used for terry towel production due to its natural qualities including:
 - Absorbency
 - Wet strength
 - Hypoallergenic
- Fibres other than cotton used for towels include:
 - Polyester
 - Bamboo
 - Flax
 - Nylon

Manufacturing Process

- Woven fabrics usually consist of i) **warp** and ii) **weft** yarns in 2 dimensions.
- Terry towel is made with loop pile on one or both sides generally covering the entire surface or forming strips, checks or pattern.
- Coarse count cotton yarn is mainly used for towel manufacturing.

Process Flow Chart of Terry Towel Manufacturing



Types of Towels

Towel type	Size	Best Uses
Bath Towel	From 27" x 52" to 30" x 58"	<ul style="list-style-type: none"> • Small bathrooms • Kids' bathrooms • Guest bathrooms
Bath Sheet	From 35" x 60" to 40" x 70"	<ul style="list-style-type: none"> • Master bathrooms • Large bathrooms
Hand Towel	From 16" x 28" to 18" x 30"	<ul style="list-style-type: none"> • Any bathroom • Powder room
Finger Towel	11" x 18"	<ul style="list-style-type: none"> • Small bathroom • Powder room
Washcloth	About 13" x 13"	<ul style="list-style-type: none"> • Showers and bathtubs



Cotton Dynamics | World Production

- China is the world's leading cotton producer (~24%), followed by India (~22%).
- Pakistan is down to world's 5th largest cotton producer (7%) as Brazil has taken the lead.

World Cotton Production					
Millions of 480 lb. Bales	FY 15	FY 16	FY 17	FY 18	FY 19
China	30	22	23	28	28
Market Share	25%	23%	22%	23%	24%
India	30	26	27	29	26
Market Share	25%	27%	25%	24%	22%
United States	16	13	17	21	18
Market Share	13%	13%	16%	17%	15%
Brazil	7	6	7	9	13
Market Share	6%	6%	7%	7%	11%
Pakistan	11	7	8	8	8
Market Share	9%	7%	8%	7%	7%
Rest of World	20	16	17	20	25
Market Share	17%	16%	16%	16%	21%
World Total	119	97	106	123	118
<i>Source: USDA</i>					

Cotton Dynamics | World Imports

- China is the leading importer of cotton (~24%) in the world, followed by Vietnam and Bangladesh (~17%).
- Pakistan is the fifth largest importer (~7%). Share in world cotton import had increased substantially from FY15 (FY19: ~7%, FY15: ~3%)

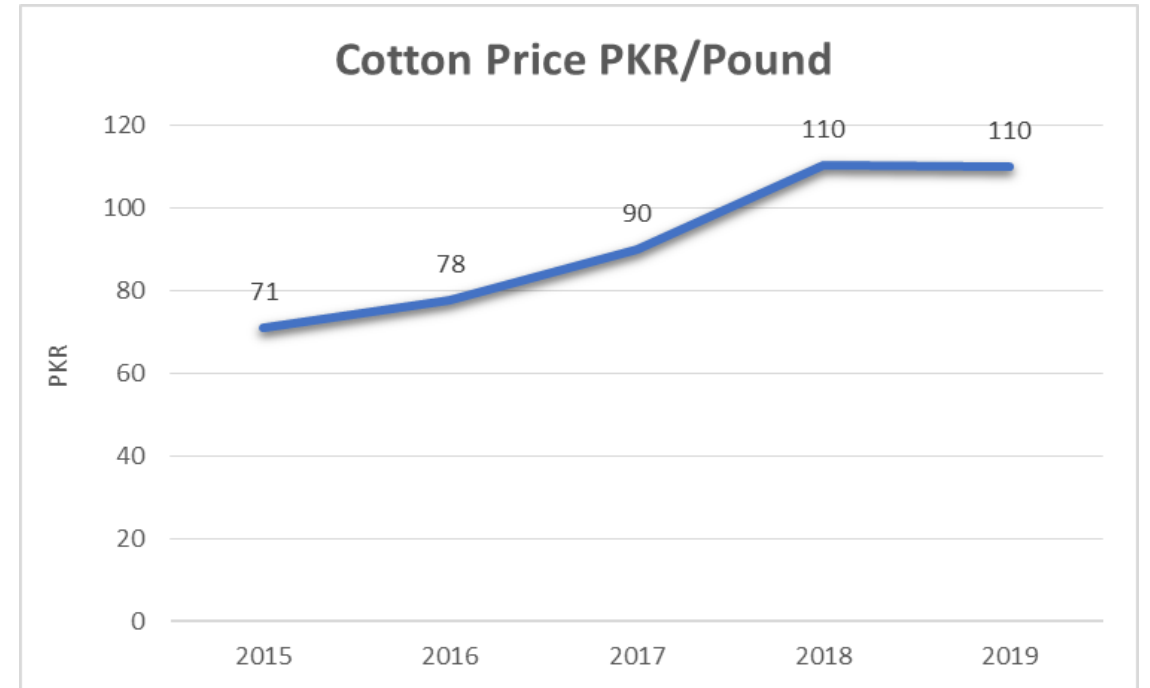
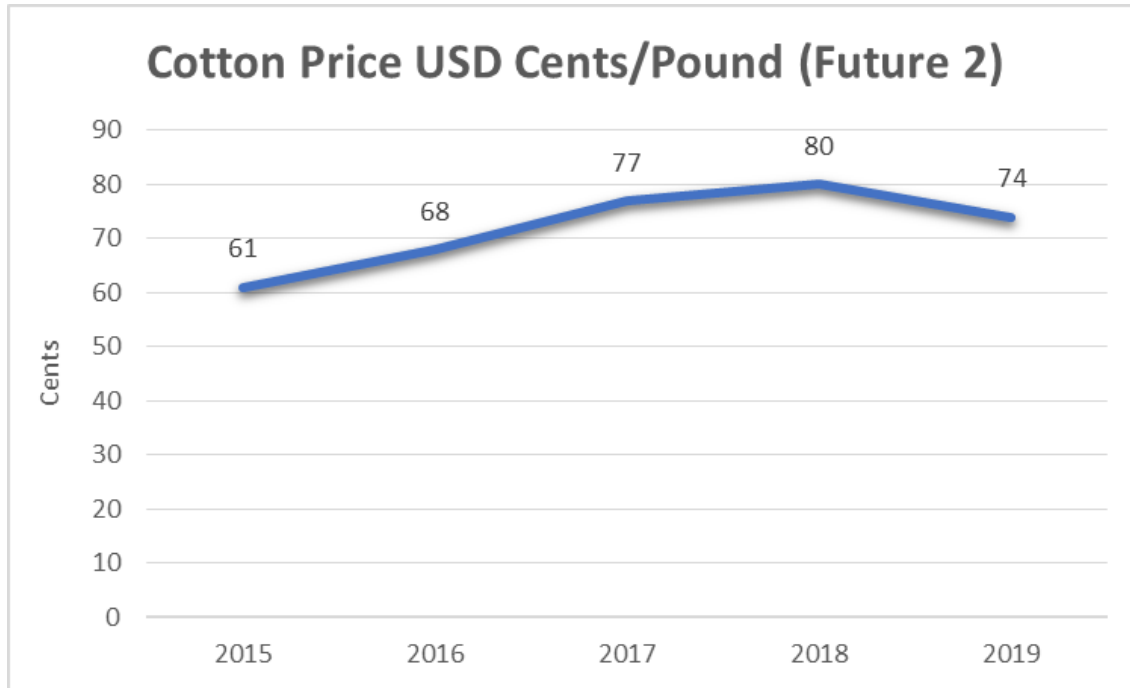
World Cotton Imports					
Millions of 480 lb. Bales	FY 15	FY 16	FY 17	FY 18	FY 19
China	8	4	5	6	10
Market Share	22%	11%	14%	15%	24%
Vietnam	4	5	6	7	7
Market Share	11%	14%	16%	17%	17%
Bangladesh	6	6	6	8	7
Market Share	17%	17%	16%	20%	17%
Turkey	4	4	4	4	4
Market Share	11%	11%	11%	10%	10%
Indonesia	3	3	3	3	3
Market Share	8%	9%	8%	7%	7%
Pakistan	1	3	2	3	3
Market Share	3%	9%	5%	7%	7%
Rest of World	8	8	10	9	8
Market Share	22%	23%	27%	22%	19%
World Total	36	35	37	41	42
<i>Source: USDA</i>					

Cotton Dynamics | Cotton Consumption

- China is highest cotton consuming country in the world (~33%), followed by India (~20%) and Pakistan (~9%).
- Turkey's share in consumption had increase significantly from FY15 (FY19: ~6%, FY15: ~3%).

World Cotton Consumption					
Millions of 480 lb. Bales	FY 15	FY 16	FY 17	FY 18	FY 19
China	34	36	39	41	40
Market Share	30%	32%	34%	33%	33%
India	25	25	24	24	24
Market Share	22%	22%	21%	20%	20%
Pakistan	11	10	10	11	11
Market Share	10%	9%	9%	9%	9%
Bangladesh	6	6	7	8	7
Market Share	5%	5%	6%	7%	6%
Vietnam	6	5	5	7	7
Market Share	5%	4%	4%	6%	6%
Turkey	4	7	7	7	7
Market Share	3%	6%	6%	6%	6%
Others	29	24	24	25	24
Market Share	25%	21%	21%	20%	20%
World Total	115	113	116	123	120
<i>Source: USDA</i>					

Cotton Price Trend



Main Importers and Exporters of Towels

Importers

- USA
- Germany
- Netherlands
- Italy
- Spain

Exporters

- India
- China
- Pakistan
- Bangladesh

Asia is the largest exporter of bath towels while Europe is the largest importer.

USA's Towel Imports

Towel Imports (USA)				
US\$ (mln)				
	CY 16	CY 17	CY 18	CY 19
Towel Imports	1,588	1,650	1,635	1,659
India	634	642	635	650
Market Share	40%	39%	39%	39%
China	367	397	406	401
Market Share	23%	24%	25%	24%
Pakistan	350	352	331	347
Market Share	22%	21%	20%	21%
2019*: Annualized on the basis of 10 months				
Source: International Trade Administration				

- Pakistan has a major share in USA's towel imports.
- Pakistan's share in towel imports of USA has remained stable in last 4 years.

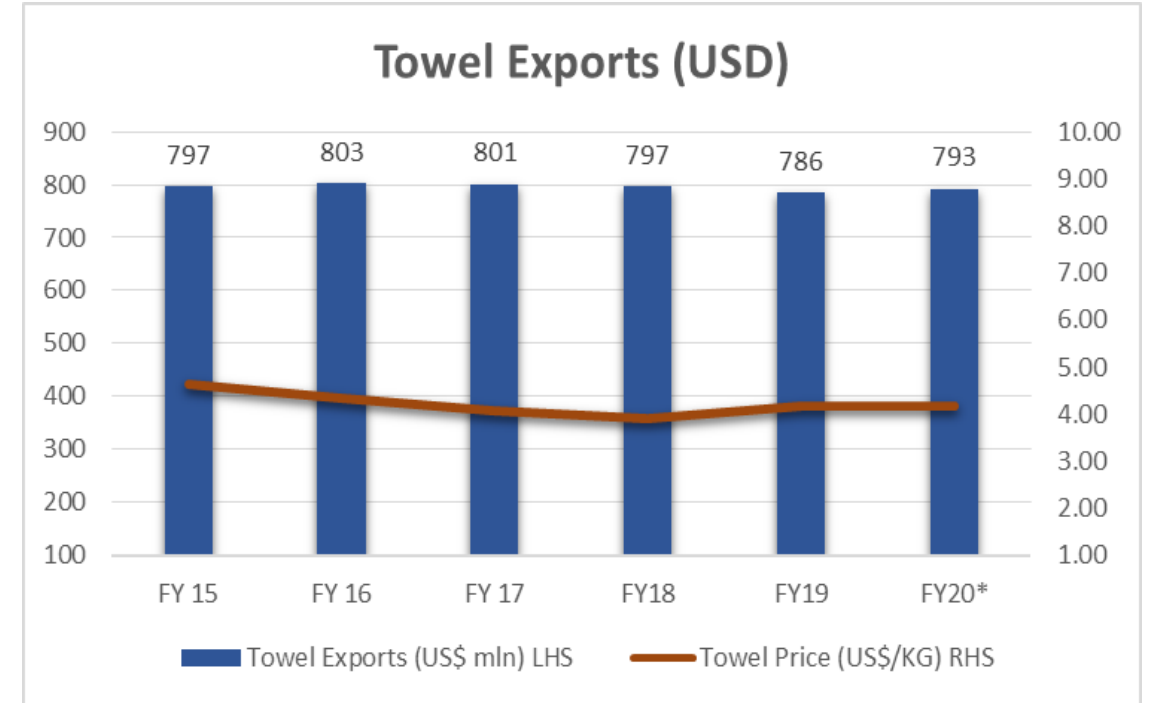
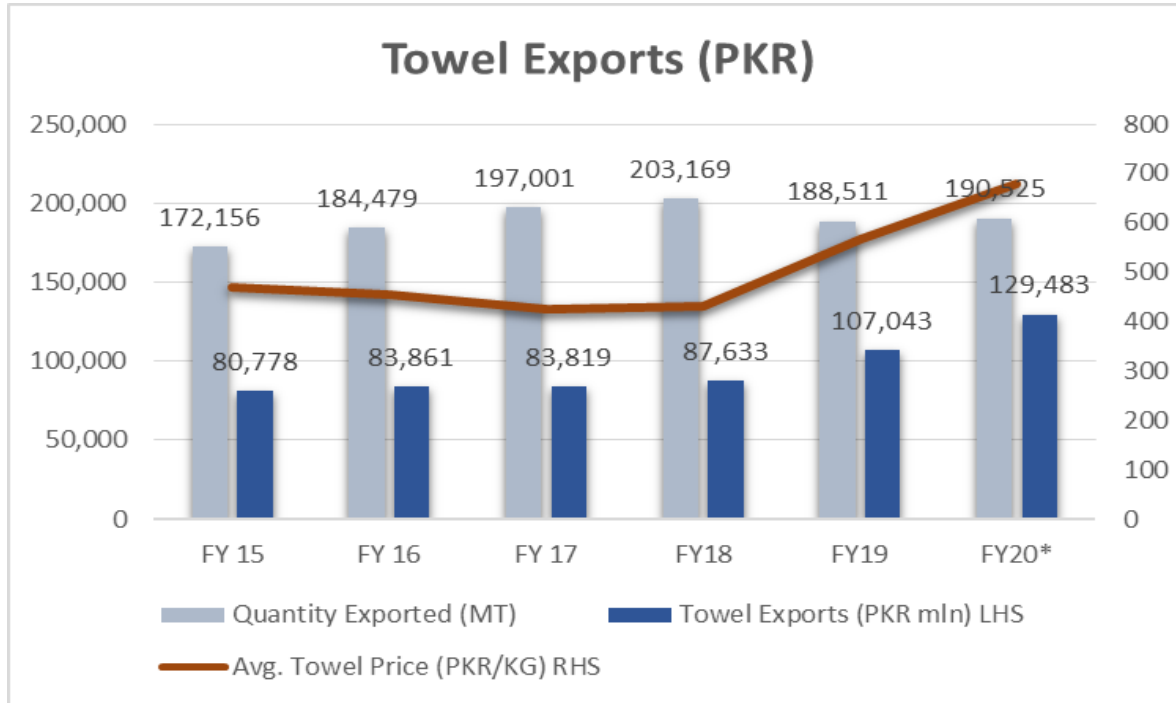
Country wise share of Pakistan's Towel Exports

Pakistan Towel Exports to Countries					
Countries	FY 15	FY 16	FY 17	FY 18	FY 19
USA	50%	50%	48%	45%	44%
UK	10%	10%	10%	10%	10%
Germany	5%	5%	5%	5%	5%
Netherlands	2%	2%	4%	5%	6%
Italy	4%	4%	4%	5%	5%
Spain	3%	3%	3%	4%	4%
Belgium	2%	3%	2%	3%	2%
UAE	4%	3%	3%	3%	2%
Ireland	1%	1%	1%	1%	1%
Malaysia	0%	1%	1%	1%	1%
Others	19%	18%	19%	18%	20%
<i>Other countries include South Africa, Poland, Canada, Norway, Japan, Sweden, Greece and Australia</i>					
<i>During FY19, Europe had 40% share in Pakistan's Towel Exports.</i>					
<i>Source: Trade & Development Authority of Pakistan (TDAP)</i>					

Pakistan – Towel Exports

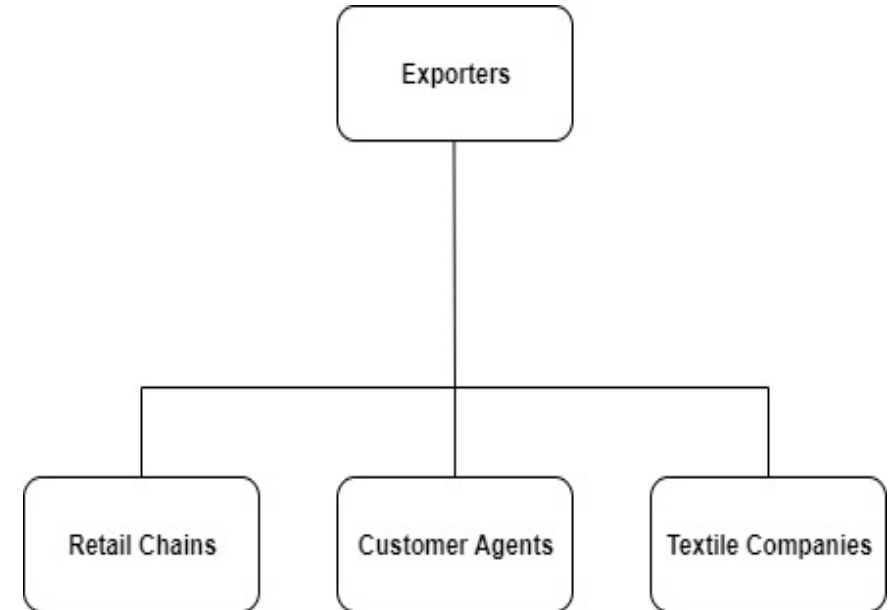
Towel Exports (Pakistan)						
	FY 15	FY 16	FY 17	FY18	FY19	FY20*
Quantity Exports - Towel (MTs)	172,156	184,479	197,001	203,169	188,511	190,525
Textile Exports (PKR mln)	1,362,904	1,297,257	1,303,570	1,486,948	1,813,512	2,260,313
Towel Exports (PKR mln)	80,778	83,861	83,819	87,633	107,043	129,483
Avg. Towel Price (PKR/KG)	469	455	425	431	568	680
Towel Exports/ Textile Exports	5.9%	6.5%	6.4%	5.9%	5.9%	5.7%
Textile Exports (US\$ mln)	13,454	12,447	12,451	13,521	13,329	13,834
Towel Exports (US\$ mln)	797	803	801	797	786	793
Avg. Towel Price (US\$/KG)	4.63	4.35	4.06	3.92	4.17	4.16
<i>FY20*: It is projected on the basis of average multiple of first 6 months of last 4 years.</i>						
<i>Source: Pakistan Bureau of Statistics</i>						

Pakistan – Towel Exports



Towel Export Dynamics

- Pakistan is one of the leading towel exporters in the world.
- USA has the major share in Pakistan's towel exports (FY 19: ~44%), followed by Europe (FY 19: ~40%).
- Usually no distribution channel is used by industry players as exports are made directly to customers (Retail Chain, Customers agent and Textile Companies).
- Customer provides buying plan for usually 4 to 6 months for smooth operations.
- Price negotiation is done before entering in a contract or if there is any material change in price.



Local Players | Towel

- Towel industry in Pakistan is export oriented.
- Feroze 1888 is the market leader on the basis of share in total towel exports, followed by Al Rahim.



AL RAHIM
Textile Industries | *Manufacturer and Exporter
of Home Textile Products*

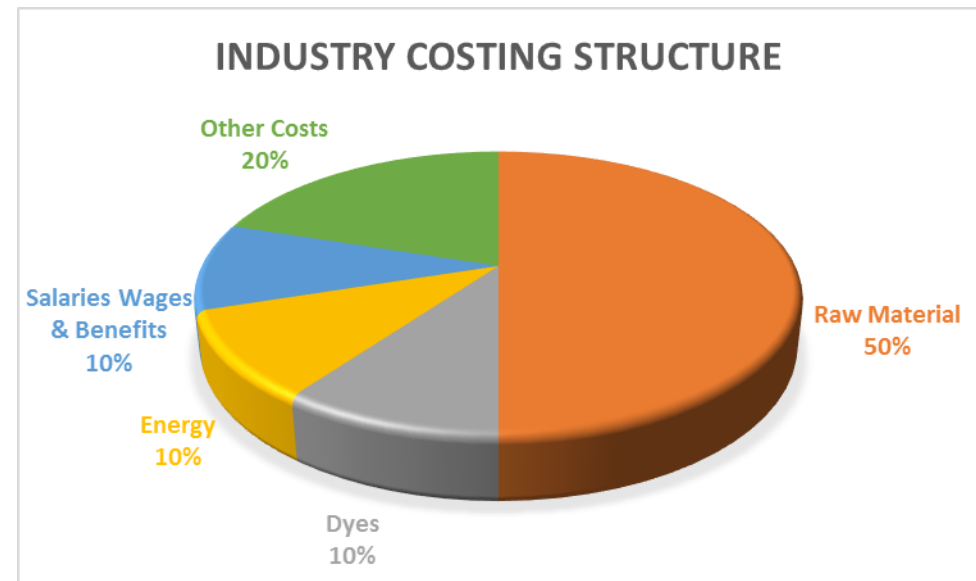


TM
BARI MILLS
M. Yahya M. Yousuf Bari



Industry Costing Structure

Industry Costing Structure	
Raw Material	50-60%
Dyes	10%
Energy	10%
Salaries Wages & Benefits	10-15%
Other Costs	5-20%



Regulatory Structure

- The Government has imposed sales tax on textile sector in FY 20 budget.
- The Economic Coordination Committee of the federal cabinet (ECC), decided to withdraw the three percent regulatory duty, two percent additional custom duty and five percent sales tax on the imported cotton from January 15,2020.

Custom Duty		
	FY 19	FY 20
Terry Fabric	20%	20%
Terry Towels	20%	20%
Raw Cotton (Custom Duty)	2%	0%
Raw Cotton (Regulatory Duty)	3%	0%
Cotton Yarn	11%	5%
Greige Fabric	20%	20%
Sales Tax		
	FY 19	FY 20
Terry Towels	0%	17%

Source: Federal Board of Revenue

Opportunities

- GSP+ scheme has enabled Pakistan to export more textile products in Europe region.
- Withdrawal of import duties on raw cotton from January 2020 is an opportunity to enhance competitiveness of country's exports.
- Expiration of Free Trade Agreement between America and India

Challenges faced by Towel Industry of Pakistan

- Towel manufacturers need to add value and offer high end products as compared to regional players, to grab more international market share.
- Higher cost of doing business in Pakistan compared to other peers in the region has reduced competitiveness of country's exports.
- Higher Interest Rates and devalued currency has made BMR tough.
- The imposition of sales tax on export oriented industry in FY20 budget is stretching the liquidity profile of the exporters.

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