SECTOR STUDY . AUGUST 2025

Together. Creating Value.

WEAVING

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Weaving

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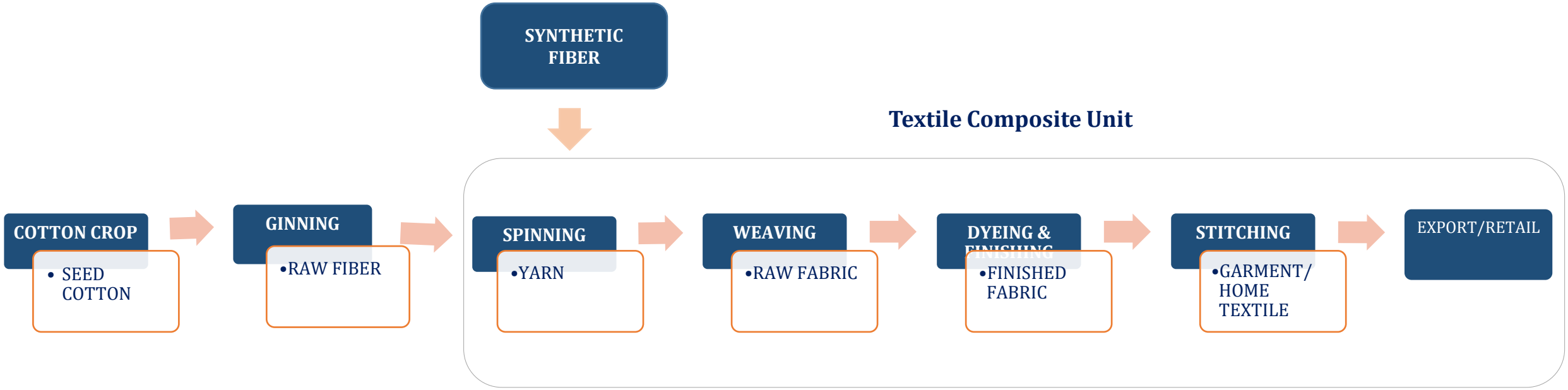
Introduction | Value Chain

- The Textile cluster has a relatively large value chain with multiple distinct sectors. The following flow chart depicts the major processes along with the output of the textile value chain.
- The weaving sector, which processes yarn into fabric, falls at the start of the Textiles value chain, after ginning and spinning. Once the raw fibre is converted into yarn, it is further processed into raw fabric at the weaving stage. However, there is limited value addition in this segment.



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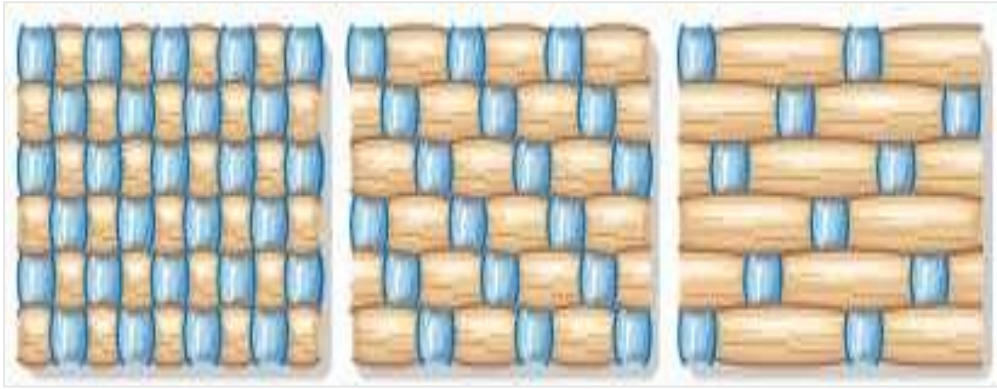
Production | Process & Types

- Weaving is the process of converting cotton yarn into raw fabric. It plays an instrumental role in the textile cluster. In basic weaving, two distinct sets of yarns or threads are interlaced at right angles to form a fabric or cloth, commonly known as Grey Cloth.
- The yarn has to be processed for weaving. There are four steps in the weaving process;
    1. Shedding: Raising and lowering of warp yarns by the harness to form the shed, opening between warp yarns through which weft yarn passes.
    2. Picking: Inserting of weft yarn by the shuttle through the shed.
    3. Battening: compressing the weft yarn into the cloth to make it compact.
    4. Taking Up: Winding newly formed cloth onto the cloth beam.



Plain Weave **Twill Weave** **Satin Weave**

- There are 3 basic types of weave -
    - **Plain weave**: A simple alternate interlacing of warp and filling yarns.
    - **Twill weave**: Made by interlacing the yarns in a manner producing diagonal ribs, ridges, or wales across the fabric.
    - **Satin weave**: Has a sheen produced by exposing more warps than fillings on the right side of the fabric. The exposed warps are called floats.
- Other types of weave, such as pile, jacquard, dobby, and leno are more technical and require special looms or attachments for their production.

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Technology & Machines

- There are five main types of looms from technological perspective, i.e. Projectile Loom, Rapier Loom, Water-Jet Loom, Air-Jet Loom and Shuttle Loom. Major manufacturers of looms and other textile machinery are based in Germany, Italy, Belgium, China, and Japan.
- Major manufacturing brands include Lindauer Dornier GmbH, Toyota, Itema Group, Tsudakoma, Picanol, Shandong Tongda Textile Machinery, among others.
- Advancement in technology over the years has transformed weaving machines into highly automated systems that have more electronic control, are more energy efficient and sustainable.
- Loom speed is measured in terms of Revolutions Per Minute (RPM). More advanced looms have higher RPM, resulting in higher efficiency. The RPM of latest looms from major manufacturers can reach up to ~1,500-20,000 RPM.
- The average cost of weaving looms imported in Pakistan ranges from USD ~20,000-60,000, depending on the RPM, country and brand. However, import and installation costs are also significant and raise the overall cost for weaving players. In addition, many players in Pakistan have adopted a strategy of mixing and matching machinery from different brands to achieve optimal efficiency at lowest cost.
- In the organized mill segment in Pakistan, Shuttle-less/Jet looms are the most commonly used. Almost all machinery used in the sector is imported from Europe and East Asian Countries. Further, there is a need for continuous technological BMR in order to remain competitive in the international landscape.

Source: Manufacturers' Websites.

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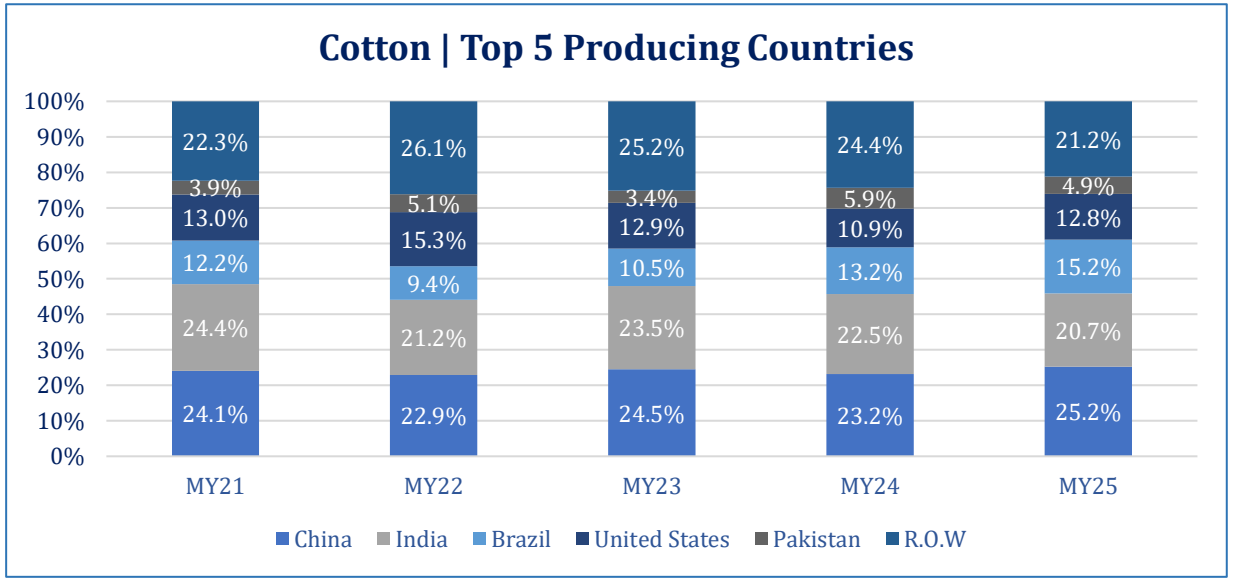
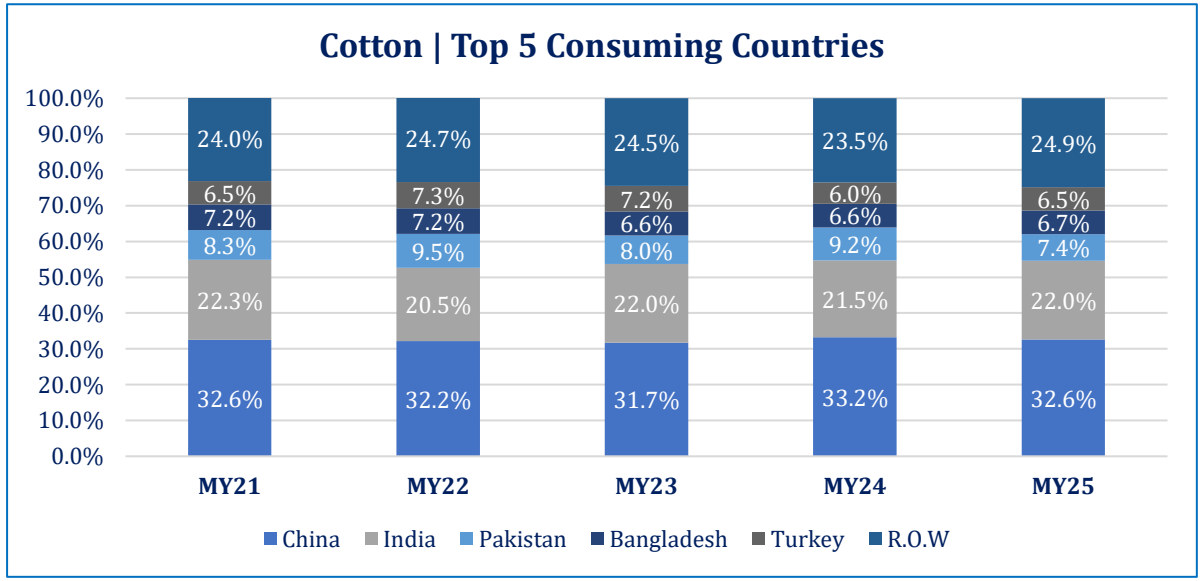
Global | Top Cotton Producers and Consumers

- During MY25, ~24.4mln MT of cotton was produced globally, as compared to ~24.2mln MT in MY24. During the year, low cotton production was witnessed in India and Pakistan owing to lower area under cultivation. However, it was partly offset by an increase in cotton production in China, the United States, and Brazil by ~9.7%, ~19.4%, and ~15.7% respectively. China is both the largest producer and consumer of cotton globally (MY21-25).

- During MY25, China produced ~6.2mln MT of cotton (MY24: ~5.6mln MT), comprising ~25.2% of global cotton production. Brazil, India, the USA, and Pakistan were among the top five cotton producers in the world with ~12.8%, ~20.7%, ~15.2% and ~4.9% shares in the global cotton production during MY25.

- During MY25, China, India, Pakistan, Bangladesh, and Turkey were among the top five cotton consumers with ~32.6%, ~22.0%, ~7.4%, ~6.7%, and ~6.5% shares in the global cotton consumption.





Note: *MY for cotton is Aug- Jul.*

Source: OECD, FAO, Global Market Report 2024, USDA

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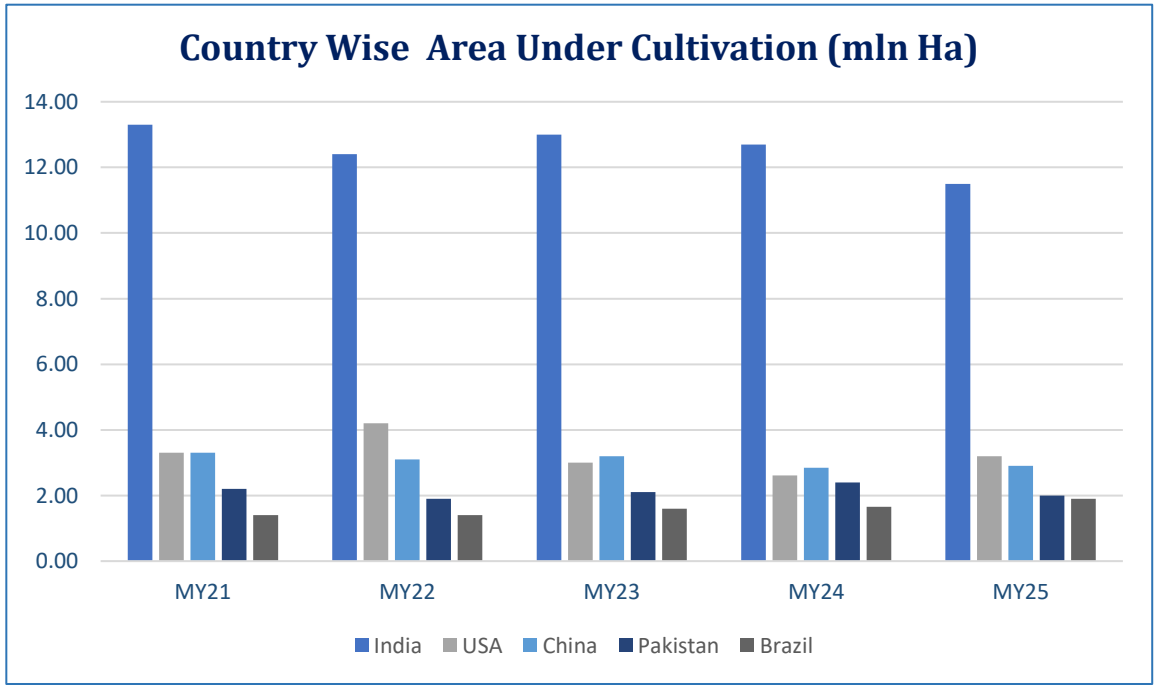
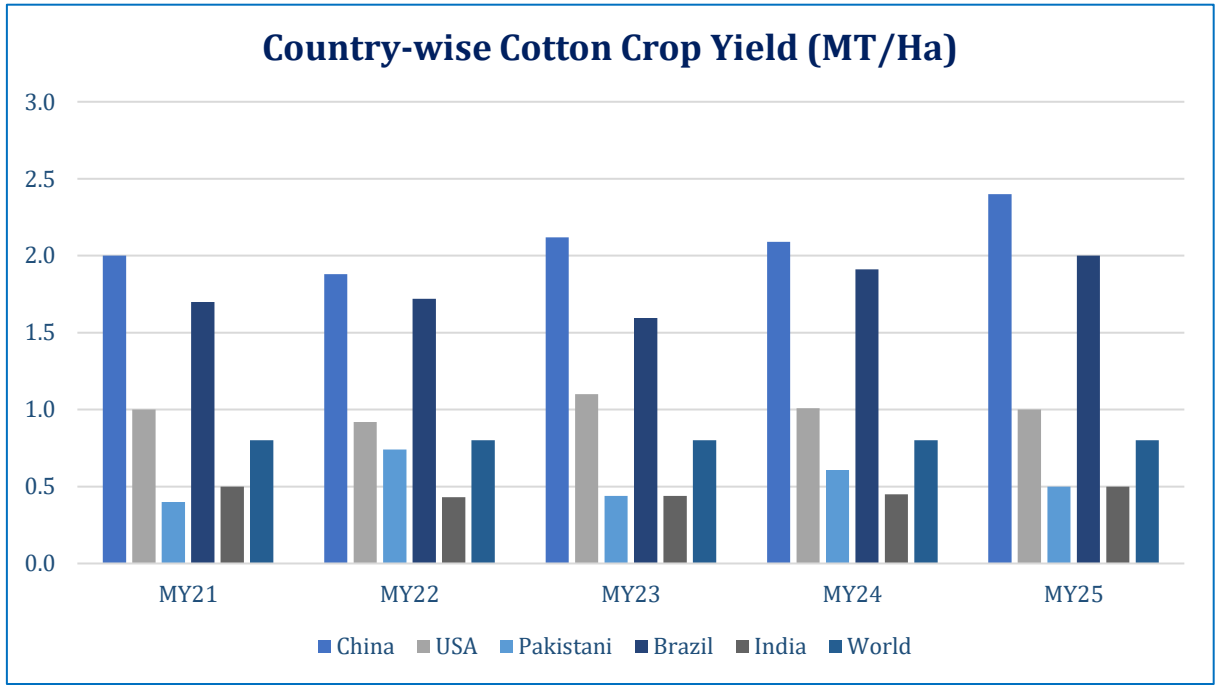
Global | Area Under Cultivation and Cotton Yield

- During MY25, China's yield remained the highest and increased to ~2.4MT/Ha from MY24's record level at ~2.1MT/Ha. Brazil became the world's third-largest cotton producer for the first time in MY24. In MY25, Brazil's yield increased to ~2.0MT/Ha from ~1.9MT/Ha in MY24. Followed by China and Brazil, the United States cotton crop yield stood at ~1.0MT/Ha. Pakistan and India, however, had relatively lower crop yields clocking in at ~0.5MT/Ha, and ~0.5MT/Ha., respectively.

- Throughout FY21-25, India remains the leading country for area under cultivation for cotton crop. During MY25, the area under cultivation in India and Pakistan reduced by ~9.4% YoY and ~16.4% YoY respectively. However, this was offset by an increase in the cultivated area in the United States and Brazil by ~22.6% YoY and ~14.5% YoY, respectively.





Note: *MY for cotton is Aug- Jul.*

Source: OECD, FAO, Global Market Report 2024, USDA

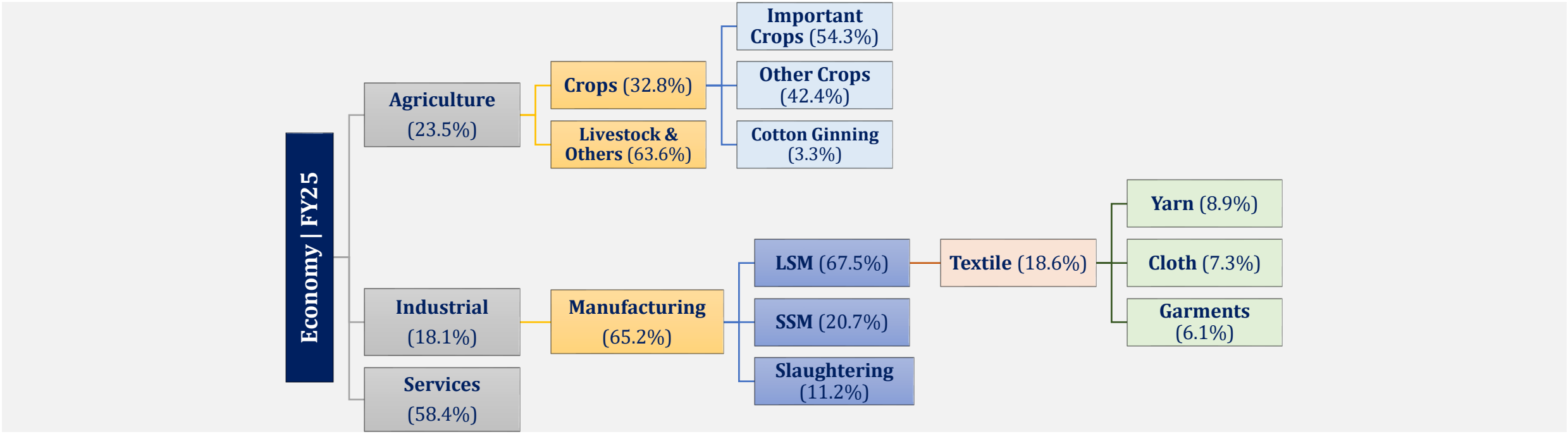
Weaving

Local | Overview

- In FY25, Pakistan's GDP (nominal) stood at PKR~114.7trn (FY24: PKR~105.1trn), increasing, in real terms, by ~2.7% YoY (FY24: ~2.5% growth). Industrial activities in FY25 held ~18.1% share in the GDP, while the manufacturing activities made up ~58.4% of the value addition.

- Large Scale Manufacturing (LSM) in Pakistan is essential for economic growth, considering its linkages with other sectors, as it represented ~67.5% of the value of the manufacturing activities in FY25. However, the LSM contracted by ~1.5% YoY in FY25 (FY24: ~0.9% YoY).

- The Textiles sector is classified as a Large-Scale Manufacturing (LSM) industrial component within the industrial sector. In FY25, the textile industry's weight in the QIM was recorded at ~18.6%. Meanwhile, cotton cloth has ~7.3% share in the QIM.



Source: PES, PBS

Weaving

Local | Overview

- The weaving sector is divided into two segments, i) organized mill segment and ii) unorganized mill segment. The unorganized segment accounts for ~90.0% of the country's total weaving capacity. This sector study focuses on the organized segment.
- The weaving sector is at a mature stage and enjoys a rich operating history in the country. Overall, the sector is competitive, represented by many players of various sizes making a relatively homogenous product. The weight of weaving in the Textiles sector in 7.29%.
- A significant portion of the sector's output is used within the local textile value chain to produce value-added and finished goods such as garments and home textiles. The remaining portion is exported.
- Major export destinations for the weaving sector are other South East Asian and South Asian countries such as Bangladesh, the United States, and Italy, which have significant textile industries and use the fabric as an input for finished goods to be exported to European and North American markets.

Sector Snapshot	Unit	FY21	FY22	FY23	FY24	FY25
Weight of Weaving in Textiles sector	**%**	7.29				
Sector Players	~9 Organized Weaving Mills					
Production [Organized Mills]	**mln Sq. M**	1,048	1,051	921	871	877
Total Production	**mln Sq. M**	9,177	9,189	8,326	7,864	7,874
Export Value	**PKR bln**	307	434	499	528	505
Export Volume	**mln Sq. M**	2,545	2,642	2,012	2,142	1,991
Association	All Pakistan Textile Mills Association (APTMA)					

***Note**: Sector Players refer to the 9 PACRA rated clients*

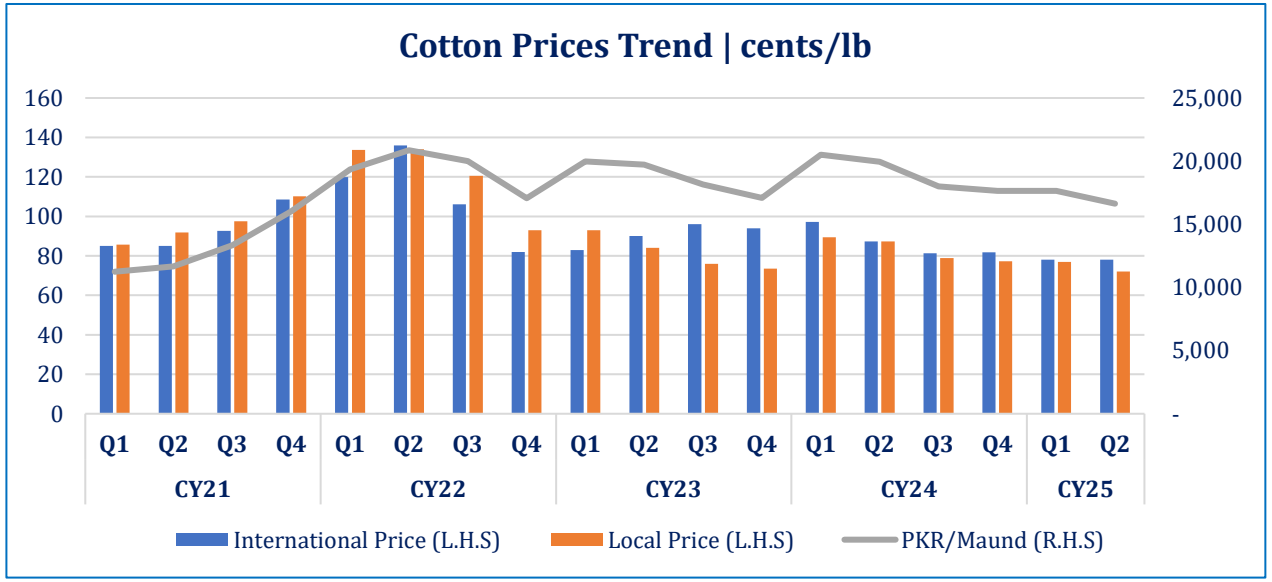
Source: SBP, PBS, TCO, PSX

Weaving

Cotton Dynamics | Prices

- As per the USDA report, global prices for cotton have trended downwards since 2QCY24, mainly pressured by the prospects of increased production in CY25. In 2QCY25, average global cotton prices recorded at ~78.0cents/lb (SPLY: ~92.0cents/lb), down ~18.2% YoY. In CY26, however, the global production is estimated to remain below mill consumption, reducing ending stocks. The global prices, hence, are expected to decline further in CY26.

- The average local price of cotton in FY25, was recorded at PKR~17,137/maund (SPLY: PKR~18,883/maund), down ~15.3% YoY. This is mainly attributed to the ~18.0% sales tax imposed on domestic cotton production while the imported cotton remained duty free. However, this exemption was withdrawn in Finance Act 2025 to encourage local production and reduce import dependency. While the ~18.0% sales tax on domestic production is still in place, the artificial import advantage for ginning and spinning industries is now eliminated. This is likely to increase demand for local cotton and hence put an upward pressure on cotton prices.



	FY21	FY22	FY23	FY24	FY25
International (cents/lb)	76	113	89	93	80
Local (cents/lb)	78	118	94	81	77
Local (PKR/maund)	10,254	17,354	19,108	18,883	17,496

Note: *Cotton Conversion Units - 1 Maund =37.3kg;1 Bale =170kg;1 Bale =4.6 Maund.*

Source: PACRA Database, Ministry of Finance, USDA

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Local | Cotton Dynamics

- Pakistan's cotton production decreased by ~30.7% YoY in FY25, owing to a decrease in area under cultivation and a surge in duty-free imports of cotton and yarn, which disrupted domestic markets.
- On the other hand, a ~234.0% YoY increase in cotton imports was also observed during the same period to meet the domestic demand (FY24: ~70.0% YoY decline).
- Cotton arrivals for FY24-25 clocked in at ~5.5mln bales. For FY26, the target for cotton production is set at ~10.9mln bale.

Local | Cotton Supply ('000' Bales)					
Particulars	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Opening Stock	**3,200**	**2,175**	**1,925**	**1,525**	**1,625**
Production	7,064	8,329	4,910	10,223	7,084
Imports	5,043	4,567	4,024	1,206	4,028
Total Supply	**15,664**	**15,004**	**11,335**	**12,953**	**12,737**
Local Consumption	13,486	12,518	9,309	10,394	10,170
Exports	3	16	68	183	3
Closing Stock	**2,175**	**2,470**	**1,958**	**2,376**	**2,564**
Area under cultivation (000 hectares)	2,079	1,937	2,144	2,400	2,040

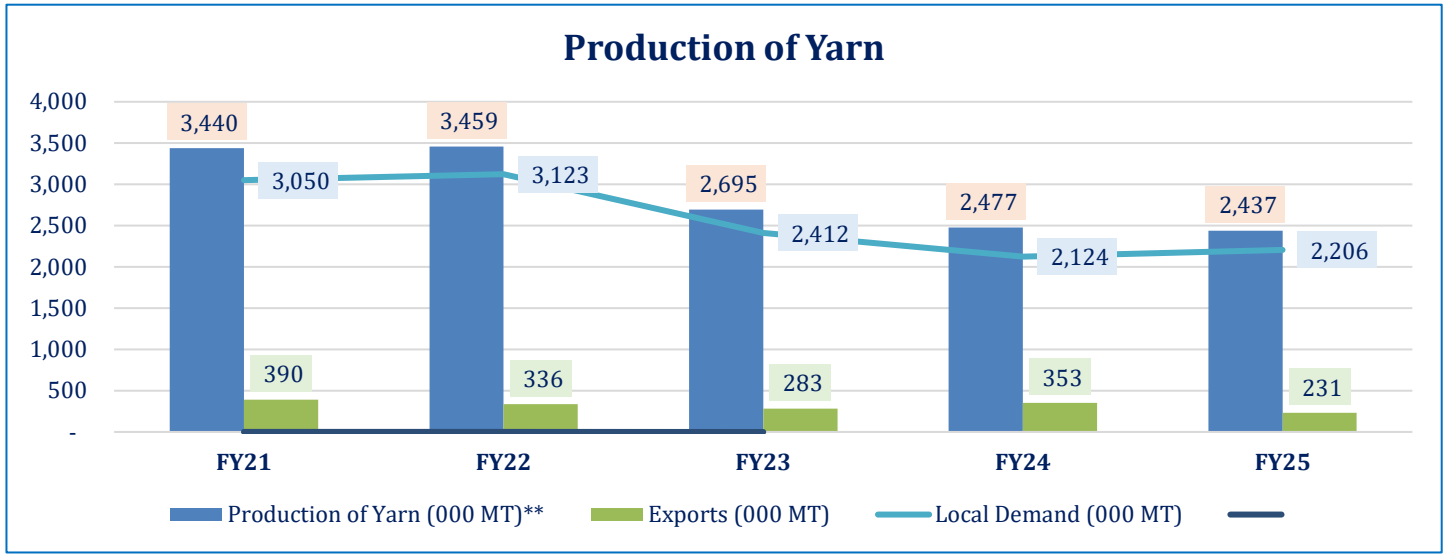
Note: *Data in the table has been taken from USDA, except Cotton Production and Trade Statistics.*

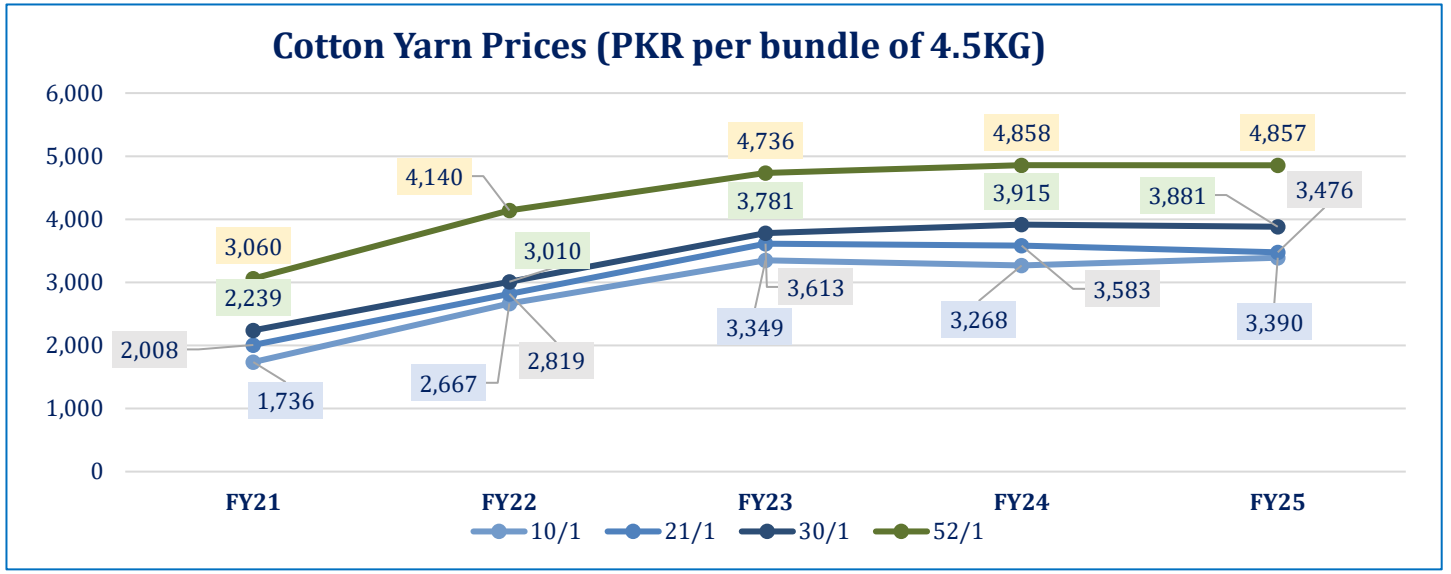
Source: PBS, PES, PCCC, USDA

Weaving

Local | Raw Material

- In FY25, the production of yarn decreased by ~10.6% YoY to clock in at ~2.2mln MT, owing to factors that included higher sales tax on local cotton yarn production while the imports remain duty free, making local production of cotton less competitive.
- Majority of the locally produced yarn is used as raw material for the local weaving sector, rest is exported. In FY25, the exports reduced to ~0.2mln MT from ~0.3mln MT in FY24. The local demand was also down ~6.6% YoY (FY24: down ~11.9%).
- Higher yarn prices also serve to increase the cost of production for the weaving sector. Prices of cotton yarn exhibited a rising trend in FY21-24, recording a steeper increase during FY21-23.





Source: PBS, PCCC, PES, APTMA

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Local | Installed Capacity & Utilization

- As of FY25, there are ~9,084 looms installed in the organized segment of the weaving sector (i.e., cotton textile mills) (SPLY: ~9,084 looms), out of which ~6,384 looms were utilized (SPLY: ~6,398 looms.)

- During FY25, the average capacity utilization for domestic players remained subdued at ~70.3% (SPLY: ~70.4%). The production of cotton cloth in the organized mill segment, however, has increased by ~0.8% in 9MFY25, as compared to SPLY.

Organized Mill Segment	FY21	FY22	FY23	FY24	FY25
No of Looms Installed	9,084	9,084	9,084	9,084	9,084
No. of Looms Utilized	6,942	6,942	6,384	6,398	6,384

Source: PES

Weaving

Local | Fabric Production

- During FY25, the organized weaving segment accounted for ~11.1% of the total fabric production (FY24: ~11.1%) with the unorganized segment making up the remaining ~88.9% (SPLY: ~88.9%). The total fabric production amounted to ~7.9bln sq. meters in FY25 (SPLY: ~7.9bln sq. meters). The output from the unorganized segment is usually of a lower quality.

- During FY25, the organized segments fabric production increased to ~877.1mln sq. meters, up from ~871.4mln sq. meters in FY24, a growth of ~0.7% (FY24: ~5.3%).

(000 Sq. M)	FY21	FY22	FY23	FY24	FY25*
Blended	57,261	57,898	38,596	29,566	30,907
Bleached	126,840	127,420	98,347	77,944	79,115
Dyed & Printed	280,522	280,916	251,045	232,457	234,446
Grey	583,824	584,516	354,562	531,471	532,670
Total Organized Mill Production	1,048,447	1,050,750	920,550	871,438	877,137
Unorganized Mill Production	8,128,845	8,138,083	7,405,770	6,993,269	6,997,556
Total Fabric Production	9,177,292	9,188,833	8,326,320	7,864,707	7,874,693
YoY Growth	12.6%	0.2%	-12.4%	-5.3%	0.7%

Note: Data for FY21-25 is prorated based on nine months data for each FY..

Source: TCO, PES , PBS

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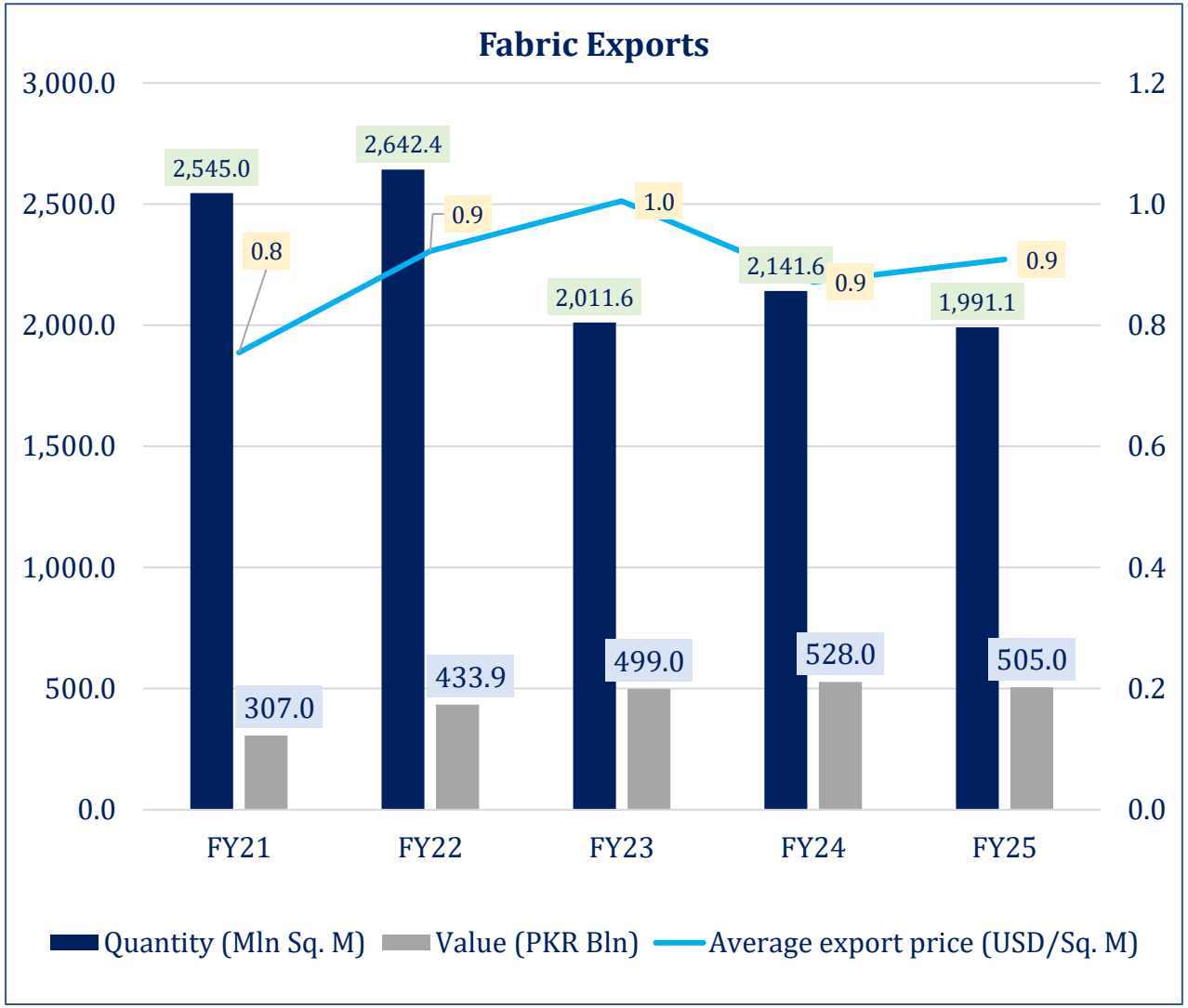
Local | Cotton Cloth Exports

- In FY25, cotton cloth exports declined in volumetric terms, to ~1,991.1mln sq. meters, down ~7.0% (FY24: up ~6.5% YoY).
- The production of cotton cloth in FY25 was down ~0.7% YoY, clocking in at ~877.1mln sq. meters. During FY25, ~25.3% of the cotton cloth produced was exported (FY24 ~27.2%), while the rest catered to the local consumption. On average, during FY21-24 ~27.0% of the cotton cloth produced was exported.
- During FY25, cotton cloth exports (in USD terms) contributed ~10.1% to the country's total textile exports (FY24: ~11.2%) and ~5.6% to the overall exports (SPLY: ~6.1% respectively).
- During 1MFY26, cotton cloth exports clocked in at ~40.1
- In FY25, average export price clocked in at USD~0.9/sq. meters, increasing by ~4.3% YoY.



Source: PBS, PACRA Database

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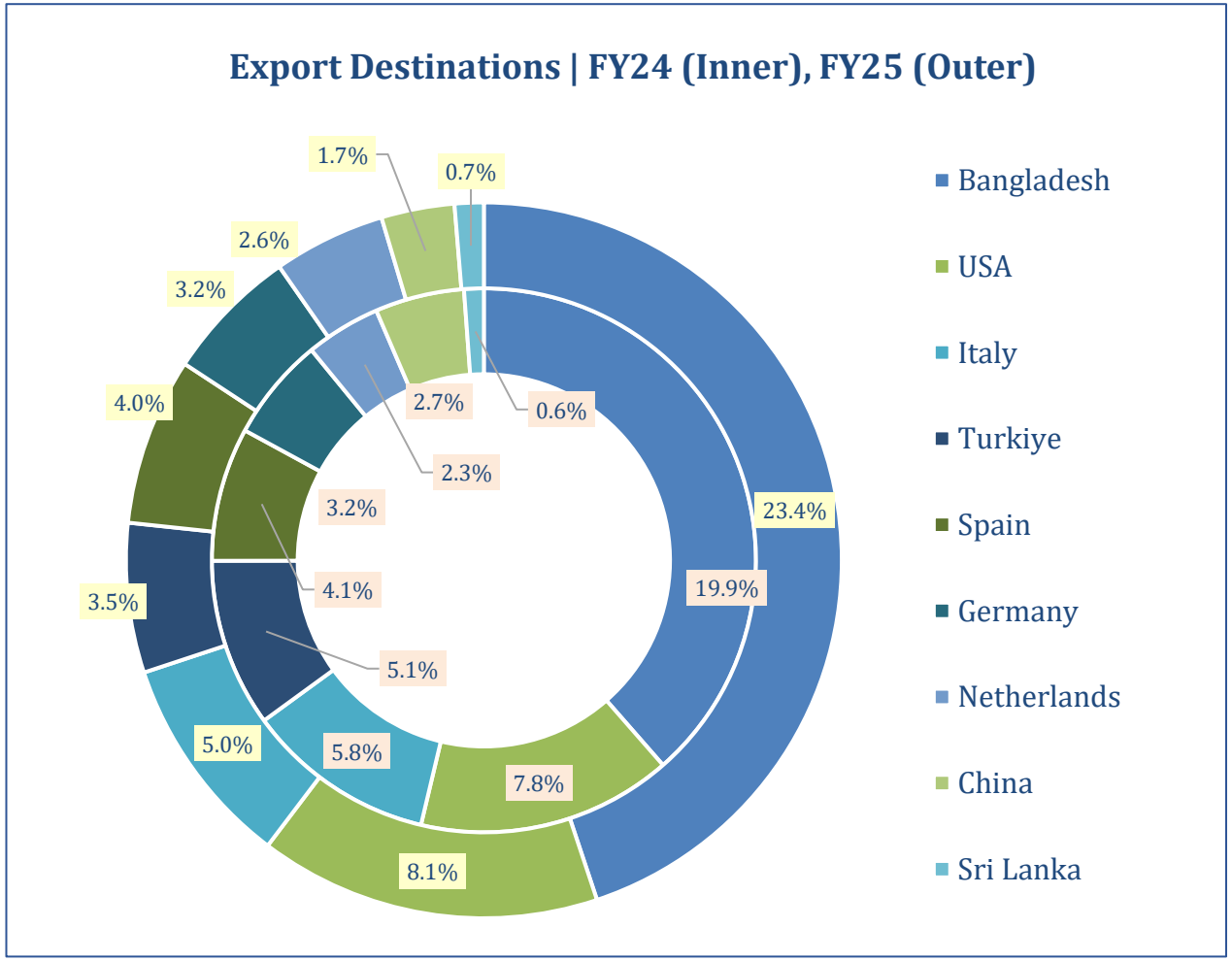
Local | Export Destinations

- During FY25, ~23.4% of Pakistan's cotton cloth exports were concentrated towards Bangladesh (FY24: ~19.9%%) and clocked in at USD~428.2mln (FY24: USD~374.9mln).
- Bangladesh is a significant player in the global textile finished goods market, followed by the USA with a share of ~8.1% in cotton cloth exports (FY24: ~7.8%).
- During FY25, other export destinations for cotton cloth included European countries such as Italy, Turkiye, Germany, Spain, Sri Lanka, Netherlands, and China with ~5.0%, ~3.5%, ~3.2%, ~4.0%, ~0.7%, ~2.6% and ~1.7% share respectively, in the cotton cloth exports.



Note: *Data is stated based on export value i.e., USD mln and includes HS Codes 5208,09,10,11 &12.*

Source: SBP

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Local | Business Risk

- **Varying Local Cotton Production** owing to extreme climate changes poses a significant risk to the local textile sector as damage to local crop will mean more cotton will need to be imported and with the high PKR/USD exchange rate (USD/PKR:~282.2) as at August 15, 2025), sourcing raw material from overseas could likely dilute the bottom lines of industry players. Due to high cost of production, Pakistani textile exports are losing their competitiveness to other regional rivals.

- **Dependency on Cotton Imports:** The ongoing climate change situation has led to a ~17.5% YoY decline in cotton production by 15th August, 2025 . Almost ~50.0% of the ginning factories remained inactive due to insufficient sales. The textiles mills imported around ~4.5mln bales of cotton, and yarn equivalent to ~1.5mln bales, while local production remained at ~5.5mln bales.

- **Low Value Addition:** Although, the increased demand has increased the overall profitability of the sector, it remains a low value addition sector with historically narrow margins. Pakistan's textile exports are low-priced, and closely follow cotton price trends. Recent drops in USD/lb cotton prices will lead to farmers getting a lower price for cotton acting as a disincentive for growing cotton and instead shifting to other cash crops.

- **High Energy Costs:** The government no longer provides the textile industry with RLNG at a subsidized rate. Price of energy for Pakistani industry stands above the regional average for countries such as India, Bangladesh and Vietnam which reduced the competitiveness of Pakistan's exports. Furthermore, the withdrawal of the RCET has forced smaller mill owners to close down businesses.

- **Disruption in Electricity and Gas Supply:** The weaving sector depends on an uninterrupted supply of electricity and gas.

- **High Level of Regional Competition:** Pakistan's textile exporters have traditionally faced a high level of competition from regional players such as Bangladesh and Vietnam which has driven down the average export prices and margins in previous years. Although, many regional players were severely impacted by the COVID-19 pandemic, the regional competition continues post-pandemic.

Source: Center for Disaster Philanthropy, UN Comtrade, PTJ, PCGA

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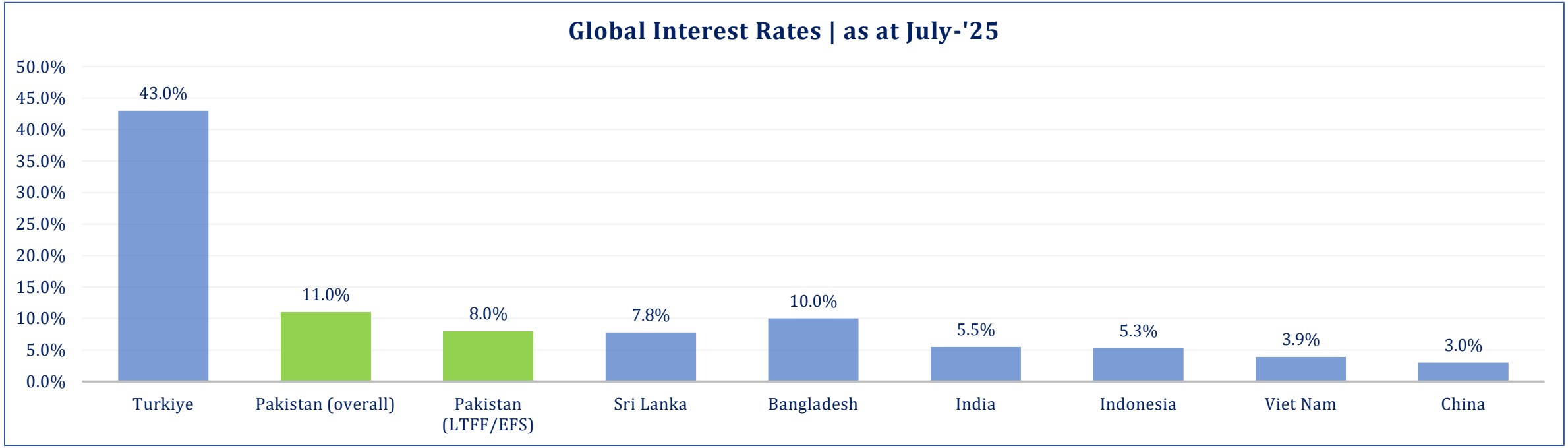
Interest Rates | Regional Comparison



- Pakistan still has the second-highest interest rate in the region (~11.0%), highest being the Turkiye (~43.0%). As of Jul'25, the State Bank of Pakistan has kept the policy rate unchanged to ~11.0%. This is because even though the core inflation has reduced by ~3.2% YoY in Jun'25, the inflation outlook has worsened in the wake of energy tariffs.
- The Textiles sector is a beneficiary of subsidized financing facilities from the SBP in the form of short-term Export Refinance Facility (ERF) and Long-Term Financing Facility (LTFF). In Jul'22, the SBP announced that any subsequent revisions in the LTFF and EFS rates will be linked to policy rate revisions, such that the difference between the two rates and the MPR is ~3.0%. Hence, the current LTFF and EFS rates stand at ~8.0%.

Note: *Interest rates taken from respective country's Central Bank website.*

Source: SBP

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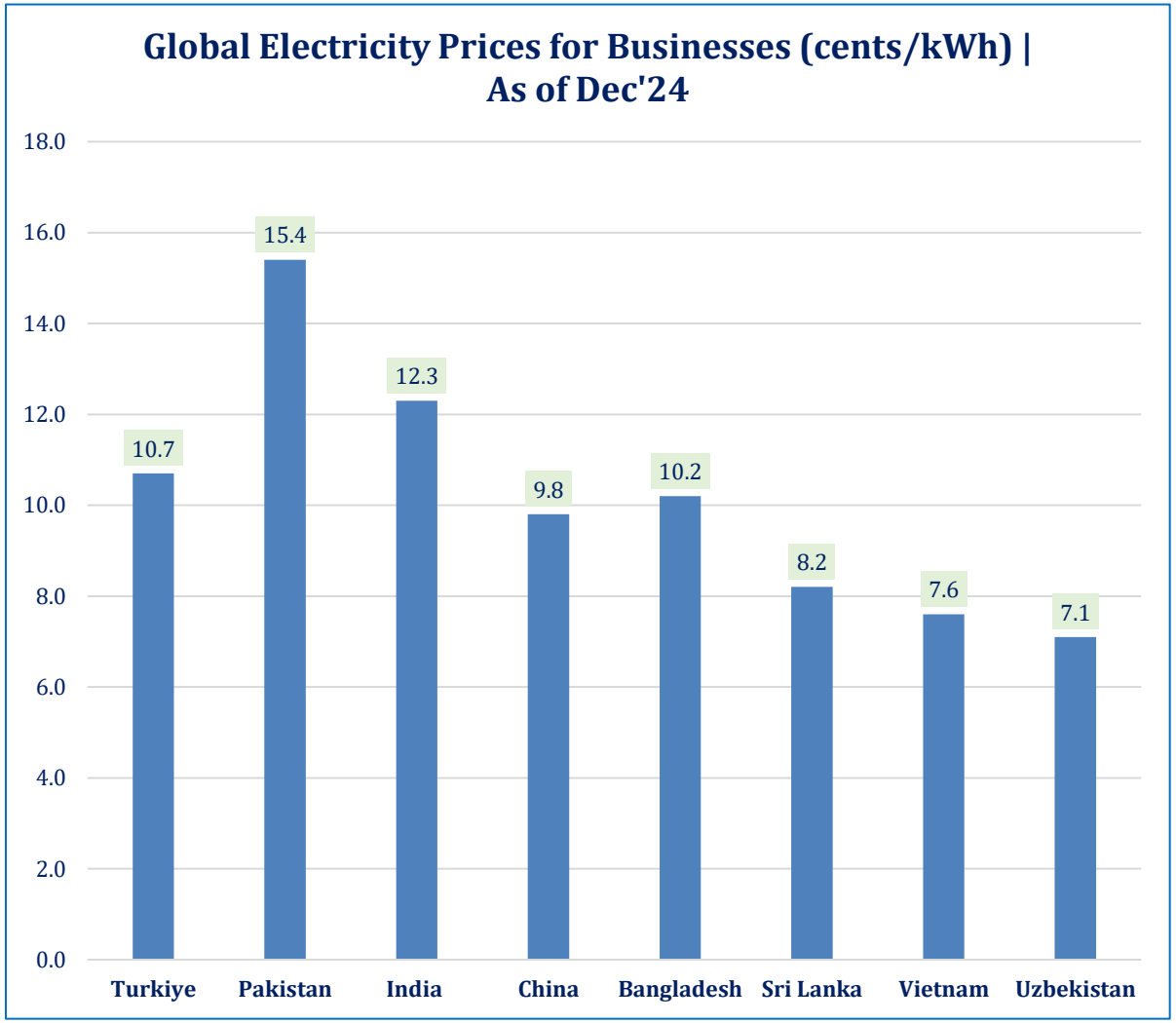
Electricity Prices | Regional Comparison

- Pakistan's businesses face a competitive disadvantage when it comes to comparing national and regional electricity tariffs. Energy costs have a significant share in the final conversion costs of textile mills and these costs cannot be ignored for achieving a competitive edge.
- The government used to provide gas at internationally competitive prices or at regionally competitive energy tariffs (RCET) to the five export-oriented sectors of the economy including the textile cluster. However, this has now been discontinued as of Mar'23.
- Disruptions in the supply of electricity from the national grid (loadshedding and fluctuations) due to obsolete infrastructure and disconnection of gas supply make it challenging to rely on these energy supply sources. Furthermore, in the winter season, gas provided to the sector is further curtailed.
- Power tariffs for industrial consumers are around 15.4 cents/kWh at present. All Pakistan Textile Mills Association (APTMA) is demanding a reduction in power tariffs to ~9.0 cents/kWh to increase international competitiveness of textile exports.
- Additionally, withdrawal of RCET of PKR~19.99/kWh and a gas tariff of USD~9.0/MMBTU for gas/RLNG in Mar'23 has made textile sector uncompetitive in the global market.



Source: globalpetrolprices.com, APTMA

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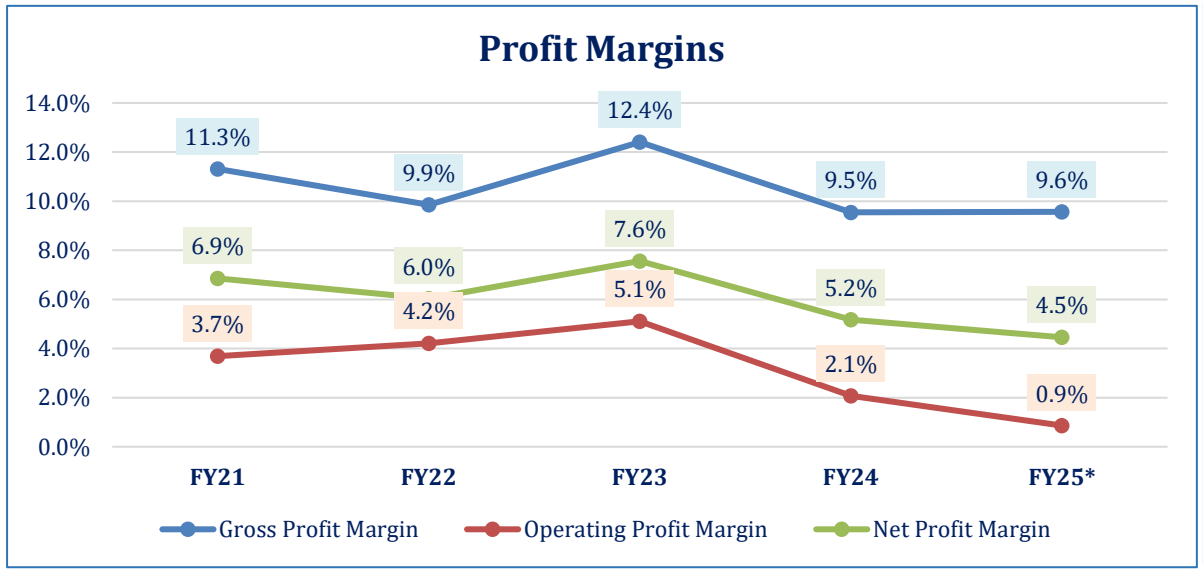
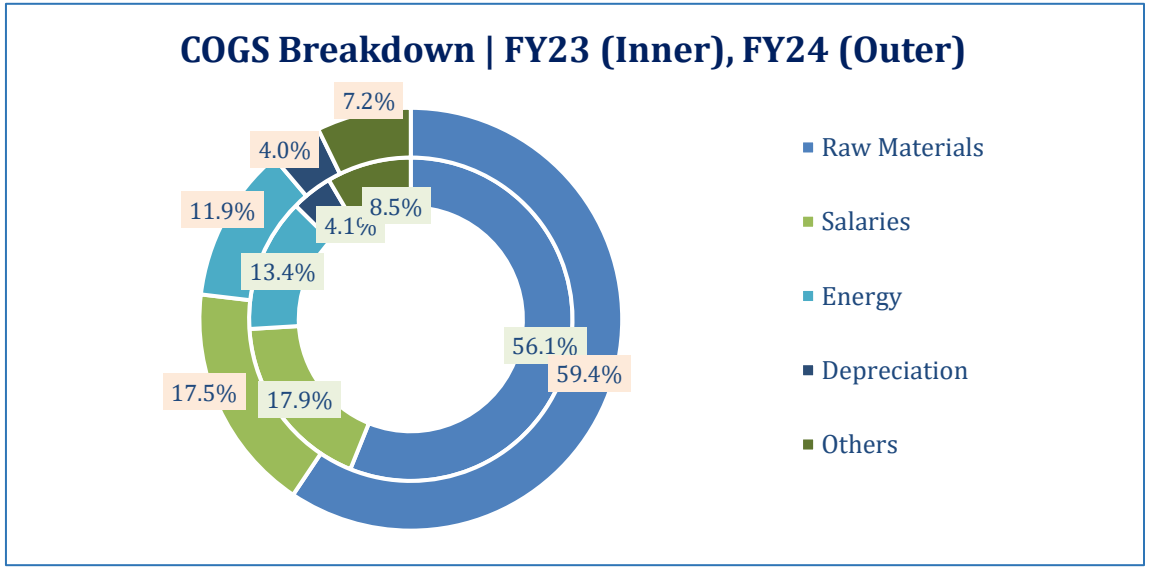
Local | Margins & Cost Structure

- During FY21 to FY24, average gross profit margin of the sector stood at 13.5%, reaching its peak in FY23 to clock in at ~12.3%. In FY24, gross profit margin stood at ~9.5% primarily due to an increase in cost of goods sold by ~18.7% , while sales only increased by ~14.9%. In FY25, the gross margin increased to ~9.6%. Both sales revenue and cost of goods sold reduced by ~42.8% and ~34.2% respectively, as compared to FY24.

- The operating profit margin reduced to ~4.5% in FY25 from ~5.2% in FY24. The operating profit was down ~51.7% YoY and Finance cost reduced by ~11.1% YoY as compared to FY24. The net margins also reduced to ~0.9% from ~2.1% in FY24.

- During FY24, the Raw Materials constituted ~59.4% of the total cost (FY23: ~56.1%), followed by Salaries ~17.5% (FY23: ~7.9%), Energy ~11.9% (FY23: 13.4%), Depreciation ~4.0% (FY23: ~4.1%), and Others ~7.2% (FY23: 8.5%).





Note: *Data pertains to ~9 PACRA rated /listed clients, profit margins are revenue-weighted, and are annualized for FY25.*

Source: PACRA Database

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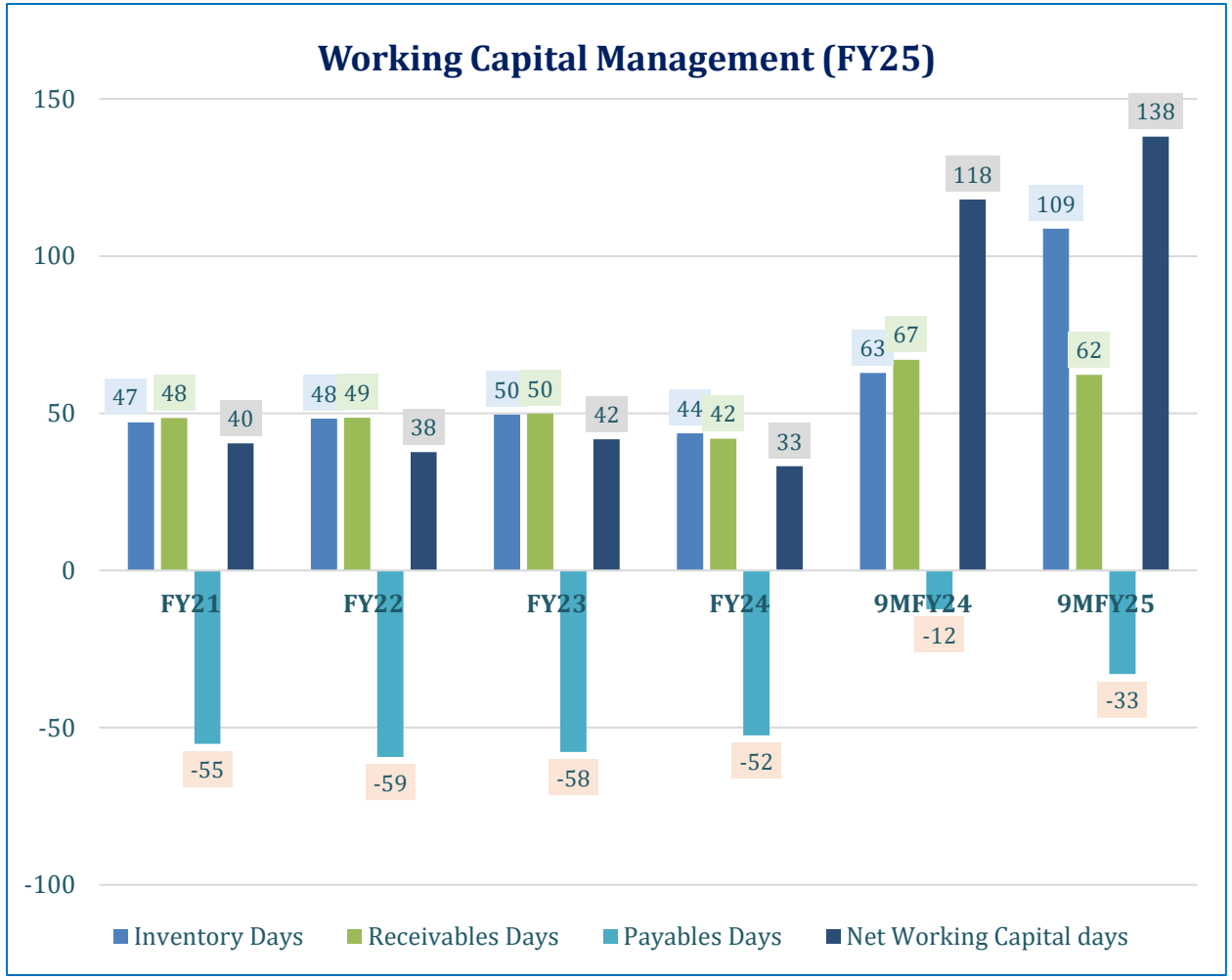
Local | Financial Risk

- The sector's working capital needs are largely a function of inventory, trade receivables, and trade payables. Inventory comprises raw material and finished goods.
- The sector's average working capital cycle recorded at ~118.0 days in 9MFY24. During 9MFY25 it decreased to ~138.0 days, primarily due to an increase in average payable days.



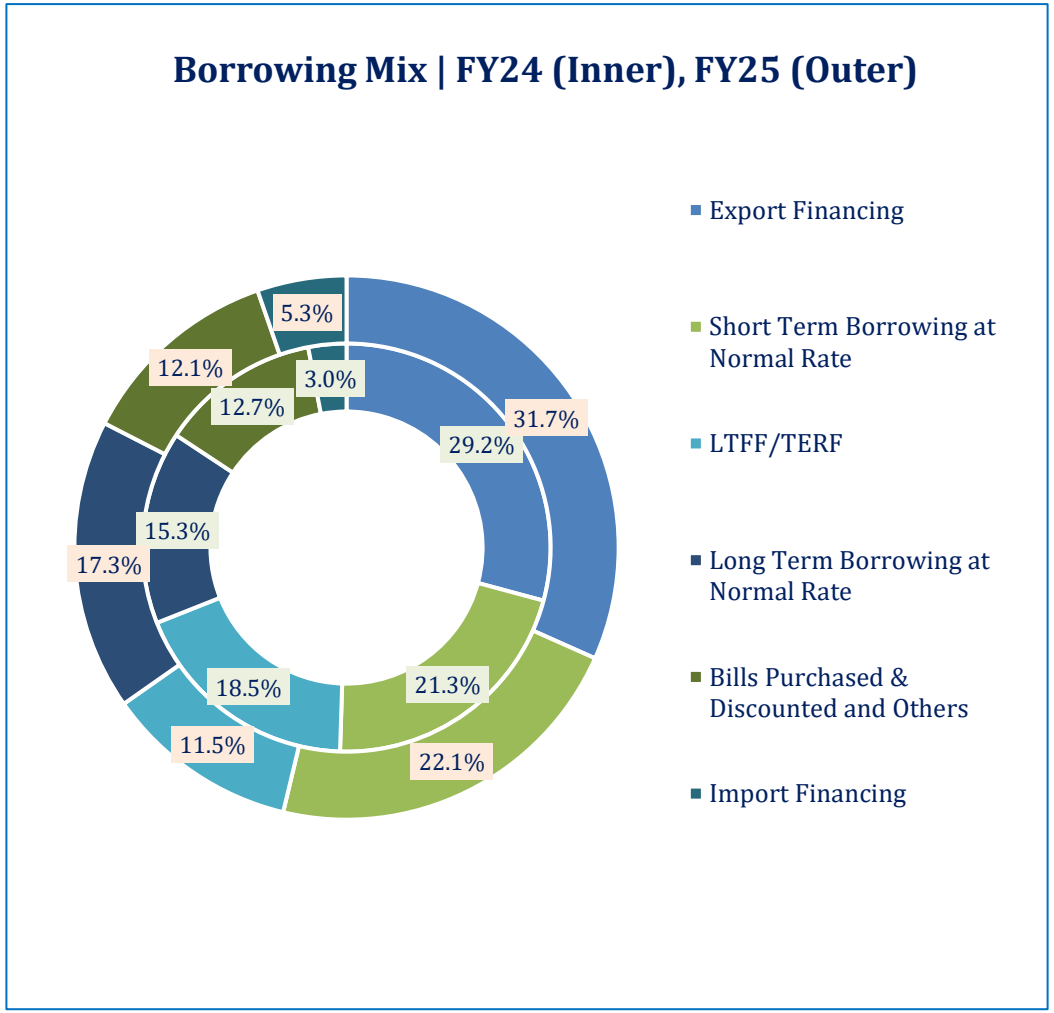
Note: *Working capital cycle is reflective of ~9 listed/rated weaving players.*

Source: PSX, PACRA Database

Weaving

Local | Borrowing Mix

- Sector's total borrowing as at End-Jun'25 stood at PKR~422.5bln, up ~15.2% YoY.
- The largest share is occupied by short term discounted borrowings (EFS- Export Financing Scheme) that stood at PKR~133.8bln (End-Jun'24: PKR~107.1bln) up ~25.0% YoY and comprised ~31.7% of the sector's borrowings (End-Jun'24: ~29.2%).
- The second highest borrowings are short-term loans at normal rate which comprised ~22.1% of total borrowing (End-Jun'24: ~21.3%) and were recorded at PKR~93.3bln (End-Jun'24: PKR~78.2bln), up ~19.3% YoY.
- Long-term discounted borrowing (LTFF) as at End-Jun'25 clocked in at PKR~48.7bln (End-Jun'24: PKR~67.8bln), down ~28.2% YoY, and comprised ~11.5% of total borrowings (End-Jun'24: ~18.5%).
- The overall infection ratio of the corporate sector clocked in at ~7.1% as at End-Mar'25. The Textiles sector infection ratio stood at ~7.2% (End-Mar'24: ~9.2%), exhibiting less credit risk as compared to SPLY. The average leverage ratio of the sector also improved and stood at ~41.7% in 9MFY25 (9MFY24: ~46.2%), indicating that sector players have a moderate amount of debt in relation to equity.
- In other words, the sector players rely on a mix of both debt and equity financing to fund their operations and investments.



***Note**: Data pertains to SBP Classification of " Weaving of Textiles"*

Source: SBP, PACRA Database

Weaving

Local | Regulatory Framework

- As per the Finance Act 2024, the tax regime for direct and indirect exporters has been revised. The ~1.0% tax collected from them will now be considered a minimum tax. Exporters must calculate their actual taxable income or loss based on the relevant provisions. If the ~1.0% withholding tax is less than the tax calculated on their taxable income, they will need to pay the difference.
- Additionally, exporters will now be subject to super tax, which was previously not applicable to their income due to it being under final tax.
- Furthermore, a new provision in the advance tax section mandates that specified withholding agents must collect a ~1.0% advance income tax from exporters of goods (both direct and indirect) at the time of realizing export proceeds. (i.e. Withdrawal of Zero-Rating on Local Inputs for Export Manufacturing).
- The domestic cotton raw materials and yarn is subject to ~18.0% sales tax. As per the Finance Act 2025, the exemption on the import duty for cotton products has been withdrawn, and the imported cotton raw materials and yarn are now subject to ~18.0% sales tax as well.
- In addition, sales tax of 18.0% is applicable on both the raw material, i.e. yarn and finished goods.
- The policy rate in Pakistan was raised to ~22.0% w.e.f. Jun'23, followed by two subsequent reduction in rates (Jun'24 : ~20.5%; Jul'24: ~19.5%). In May'25, the policy rate was reduced to ~11.0% from ~12.0% in Mar'25. The textile sector is a beneficiary of subsidized financing facilities from the SBP in the form of short-term Export Refinance Facility (ERF) and long-term Financing Facility (LTFF). In Jul'22, the SBP announced that any subsequent revisions in the LTFF and EFS rates will be linked to policy rate revisions, such that the difference between the two rates and the MPR is ~3.0% as of Dec'22. Hence, LTFF and EFS rates stand at ~8.0%.
- The Federal Board of Revenue (FBR) has abolished regulatory duties on a wide range of items including synthetic filament yarn of polyester and second-hand clothing. The Finance Bill 2025 broadens the review of regulatory duties, eliminating RDs on goods listed under 554 PCT codes. The maximum RD cap has been slashed from ~90.0% to ~50.0% across affected product lines.
- Duty structure of the sector provides protection to the local sector, as depicted in duty structure table. All Pakistan Textile Mill Association (APTMA) acts as the national trade association of textile cluster in the country.

Source: SBP, Finance Bill 2023/2024

Weaving

Local | Duty Structure

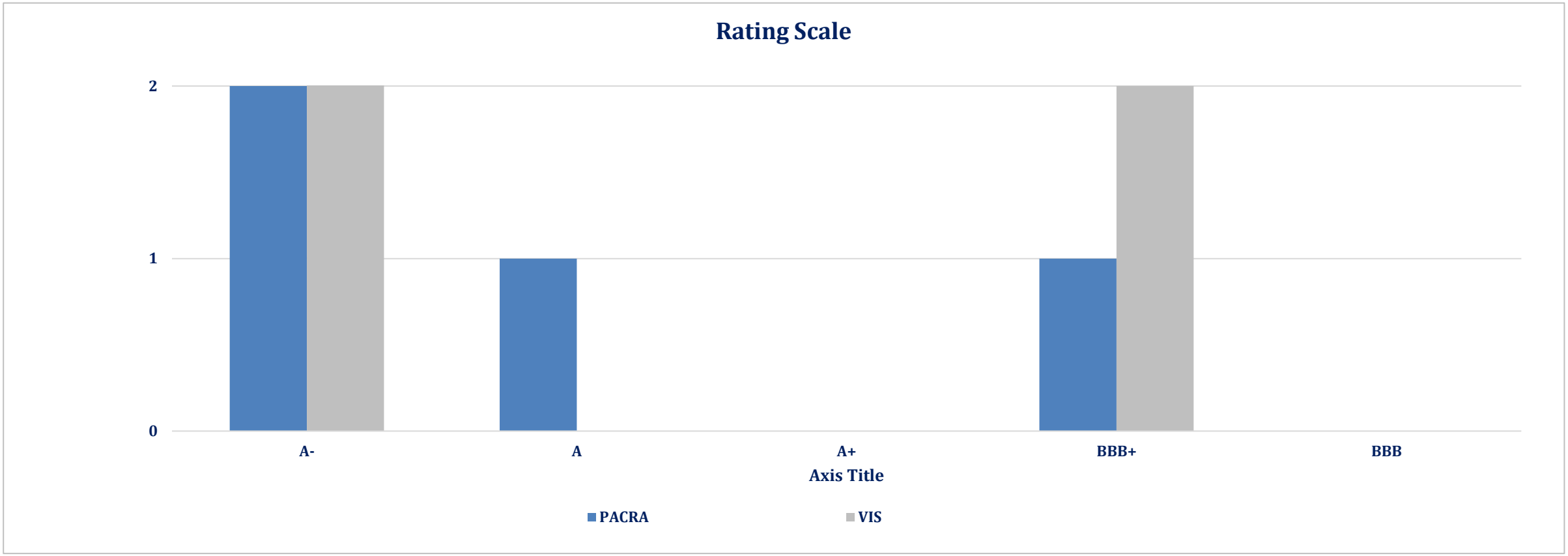
PCT Code	Description	Additional Custom Duty		Custom Duty		Regulatory Duty		Total	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
52.05	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale	2.0%	0.0%	11.0%	5.0%	0.0%	0.0%	**13.0%**	**5.0%**
52.06	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale	2.0%	0.0%	11.0%	5.0%	0.0%	0.0%	**13.0%**	**5.0%**
52.07	Cotton Yarn (other than sewing thread) put up for retail sale	2.0%	0.0%	11.0%	5.0%	0.0%	0.0%	**13.0%**	**5.0%**
52.08	Woven fabric of cotton, cotaining 85% or more by weight of cotton, weighing not more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	**13.0%**	**10.0%**
52.09	Woven fabric of cotton, cotaining 85% or more by weight of cotton, weighing more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	**13.0%**	**10.0%**
52.11	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with mand-made fibres, weighting not more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	**13.0%**	**10.0%**
52.12	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with mand-made fibres, weighting more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	**13.0%**	**10.0%**

Source: FBR

Weaving

Local | Rating Curve

- PACRA rates four entities in weaving sector, with a rating bandwidth ranging from A- to BBB+.



Weaving

Local | SWOT Analysis

- Ample availability of raw material due to large size of spinning sector
- Strong support from government and SBP
- Low labour cost
- Mature and long-standing textile sector
- Strong sector association resulting in high lobbying power

- Imported machinery
- Low BMR resulting in technological obsolescence
- Low value addition/commodity product
- Lower focus on man-made fibres
- Large unorganized segment

- Rising energy costs which threatens energy supply to the industry
- Geographical export concentration
- Intense competition from regional players in international market
- Strong bargaining power of buyers
- Climate change
- High borrowing rates, duties, and taxation

- Forward and horizontal integration can be used to produce value added and differentiated product
- Opportunity to increase efficiency through technological upgrade.
- Lower US tariffs on exports as compared to regional competitors

Weaving

Outlook: Stable

- In FY25, Pakistan's GDP (nominal) stood at PKR~114trn (FY24: PKR~105trn), increasing, in real terms, by ~2.7% YoY (FY24: ~2.5% growth). Industrial activities held ~18.1% share in the GDP, while the manufacturing activities made up ~65.2% of the value addition. The Textiles sector is one of the most important industries of the economy, as Textiles exports contributed ~55.8% to the country's exports in FY25 (FY24: ~54.3%). As for the weaving sector's exports, the country's fabric exports declined by ~4.4% in FY25 (FY24: up ~5.8% YoY) to PKR~505bln from PKR~528bln in FY24. During the same year, ~23.4% of Pakistan's cotton cloth exports were concentrated towards Bangladesh (SPLY: ~19.9%%) and clocked in at USD~428.2mln (SPLY: USD~374.9mln).

- The sector bears high energy and input costs, due to raw material price volatility and input taxes. Earlier, the government provided gas at internationally competitive prices or at regionally competitive energy tariffs (RCET) to the five export-oriented sectors, including the Textiles sector. However, this has now been discontinued as of Mar'23, making exports less competitive in the international market.

- As per the Finance Act 2024, sales tax on supplies of textiles and leathers was enhanced to ~18.0% from ~15.0 %. This made the domestic production more expensive than imported substitutes. However, as per the Finance Act 2025, the exemption on the import duty for cotton products has been withdrawn. This is likely to facilitate local farmers and increase local production. This in turn will reduce dependency on imports.

- Cotton arrivals during the MY25 season clocked in at ~5.5mln bales, significantly lower than the target production for the year, ~10.8mln bales. Over 100 spinning mills shut down, while others operated at below ~50.0% capacity. This is largely attributed to adverse weather conditions, including heavy rainfall in MY25. The impacts of climate change is likely to be carried forward, making it hard to achieve production targets in the next season as well.

- Moreover,, the sector's dependency on imported raw cotton and yarn had increased in MY25, with imports of cotton yarn rising by ~234.0% YoY. In the wake of the current tax policy and climatic changes, the import dependency is likely to remain high in the next season as well. On the other hand, Pakistan bears the lowest tariffs on cotton exports to the US i.e., ~19.0%. Regional competitors including India, Vietnam, and Bangladesh are subject to higher US tariffs - ~26.0%, ~46., and ~37.0% respectively, making Pakistan's cotton exports relatively cheaper in the US market.

Weaving

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