



Weaving

Sector Study

TABLE OF CONTENTS

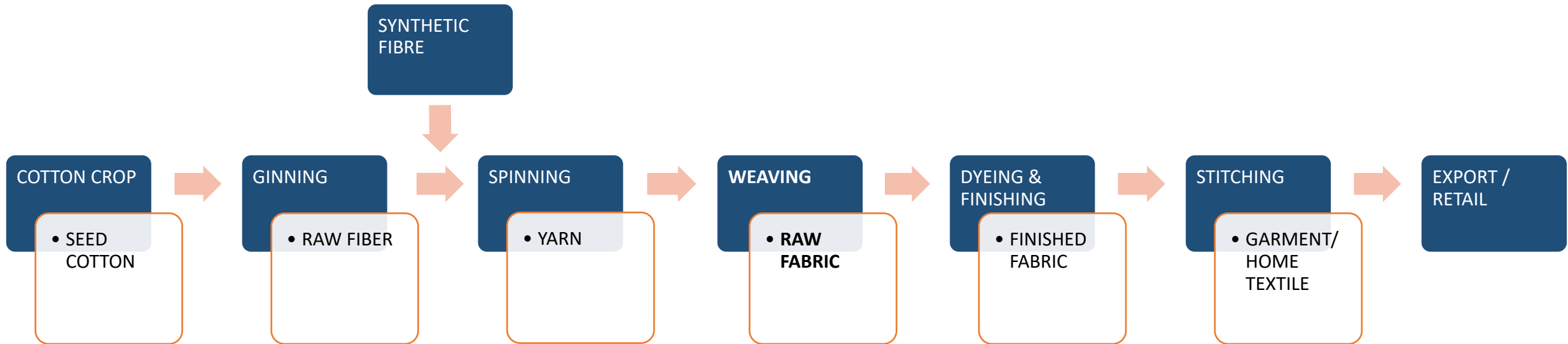


Contents	Page No.	Contents	Page No.
Introduction	1	Regional Cost Comparison	14
Production Process & Types	2	Margins & Cost Structure	15
Technology & Machinery	3	Financial Risk Working Capital Management	16
Global Overview	4	Financial Risk Borrowing Mix	17
Local Overview	5	Regulatory Framework	18
Cotton Dynamics	6	Custom Duty Structure	19
Raw Material	8	Rating Curve	20
Capacity & Utilization	9	SWOT Analysis	21
Fabric Production	10	Outlook & Future Prospects	22
Fabric Exports	11	Bibliography	23
Export Destinations	12		
Business Risk	13		

Weaving | Introduction

Textile Value Chain

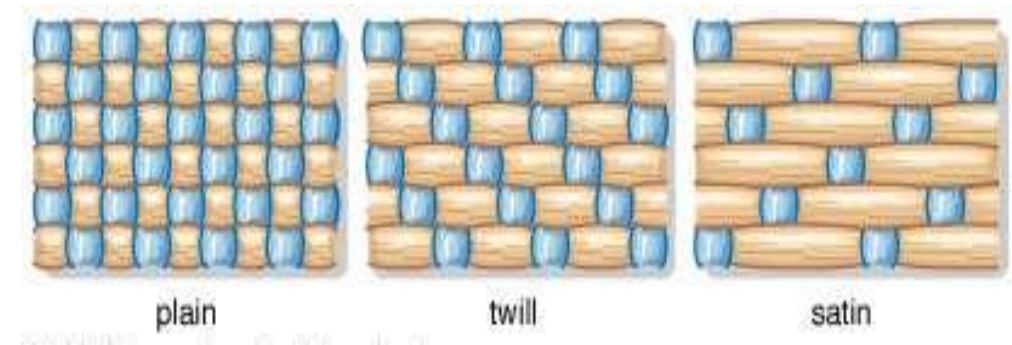
- Textile cluster has a relatively large value chain with multiple distinct sectors.
- The following flow chart depicts the major processes along with the output of textile value chain
- The weaving sector, which processes yarn into fabric, falls in the middle of the value chain. However, there is limited value addition in this segment.





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 prior to weaving. There are four steps in the weaving process;
 1. Shedding: Raising and lowering of warp yarns by means of the harness to form shed, opening between warp yarns through which weft yarn passes.
 2. Picking: Inserting of weft yarn by the shuttle through the shed.
 3. Beating Up: Packing the weft yarn into the cloth to make it compact.
 4. Taking Up: Winding newly formed cloth onto the cloth beam.
- 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.





Technology & Machines

- There are three main types of looms from technological perspective, i.e. Projectile Loom, Rapier Loom, and Jet 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.
- 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 – 2,000 RPM.
- The cost of a single loom ranges from USD 15,000 to 40,000 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 Pakistan, RPM of looms range from 150 to 200 in the unorganized segment. In the organized segment, it is as high as 950 RPM. Large textile mills usually invest in higher RPM capacity.
- In Organized segment, Jet looms are the most commonly used. In air jet loom, the air consumption varies from 13 to 40 litres/second.
- 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.



- The global fabrics market is expected to grow from USD~166bln in CY20 to USD~184bln in CY21 at a compound annual growth rate (CAGR) of 10%. The growth is mainly driven by companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges.
- The outbreak of the COVID-19 pandemic acted as a massive restraint on the fabrics manufacturing market in CY20 as supply chains were disrupted due to trade restrictions and consumption declined due to lockdowns imposed by governments globally.
- Asia Pacific was the largest region in the global fabrics market, accounting for ~55% of the production in CY20. Meanwhile, Western Europe was the second largest region, accounting for 13% of the global fabrics production.
- Increasing demand for online shopping is expected to drive the fabrics manufacturing market. Manufacturers can now sell their products on a larger platform than before, which will increase their customer base geographically, driving the growth of the global textile market. Online platforms such as Alibaba, Fibre2Fashion, textileinfomedia and FourSource are common platforms for B2B fabric commerce market.
- Another new paradigm in the fabric industry is smart fabrics. The demand for smart fabrics is increasing rapidly. This is mainly driven by the growing use of smart fabrics in various sectors including fashion, entertainment, medical, transportation, sports and fitness, and military. Smart fabrics are textiles that can interact with their environment and respond to a physical stimulus including those from mechanical, electrical, thermal and chemical sources.

Weaving | Local Industry

Overview

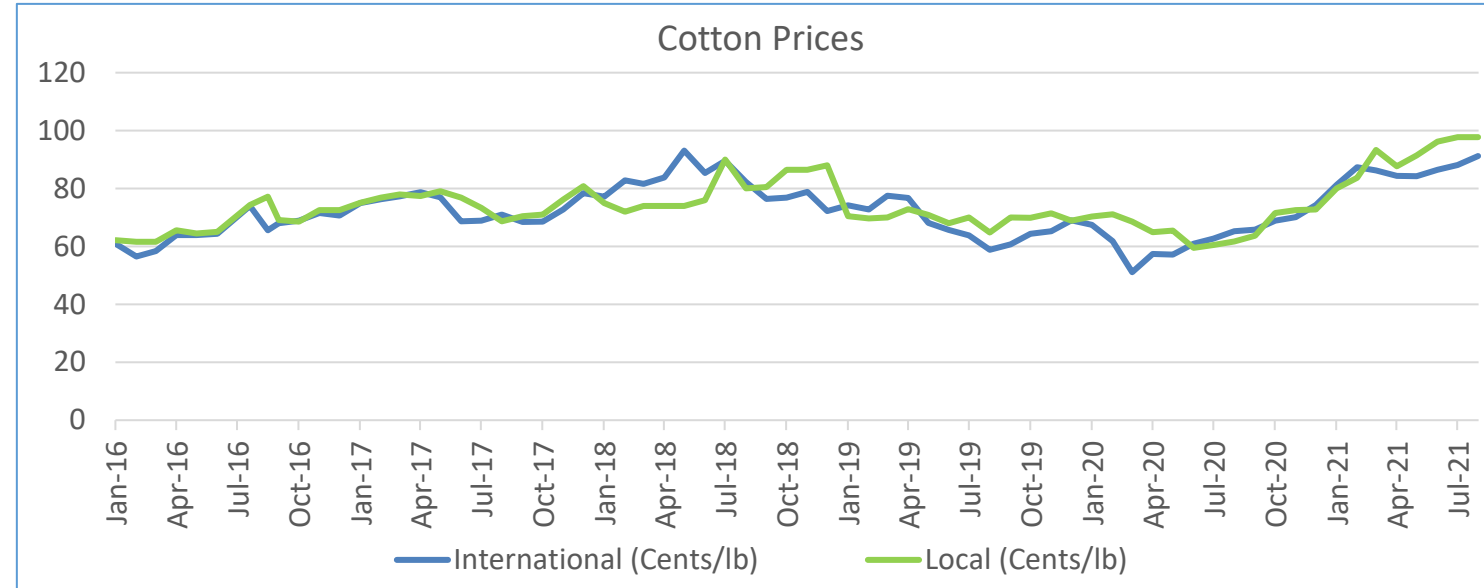
- The weaving sector is divided into two segments, i) Organized mill segment and ii) Unorganized mill segment. The unorganized segment accounts for approximately ~90% of the country's total weaving capacity. This sector study focuses on the organized segment.
- The weaving sector has an approximate size of PKR~980bln in FY21, a growth of ~15% as compared to PKR~850bln in the previous year. The growth came on the back of higher demand from local finished goods players at more profitable prices as they were able to attract a larger number of export orders while regional competitors suffered due to lengthy COVID-19 lockdowns. In addition, supply shortages drove up the price of cotton, the impact of which was passed on to other segments in the textile value chain.
- 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.
- 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, which amounts to ~30-35% of the total market, is exported.
- The major exports destinations for the weaving sector are other South East Asian and South Asian countries such as Bangladesh, China and Turkey 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 Overview	FY19	FY20	FY21
Market Size (PKR bln) [Estimate]	796	850	980
Contribution to GDP	~2%	~2%	~2%
Sector Players	~30 Organized Weaving Mills		
Production [Organized Mills] (mln Sq. M)	1,046	935	1,048
Total Production (mln Sq. M)	9,148	8,174	9,169
Export Value (PKR bln)	286	288	307
Export Volume (mln Sq. m)	2,827	2,328	992
Industry Association	All Pakistan Textile Mills Association		

Weaving | Local Industry

Cotton Dynamics | Prices

- **International:** Prices in the international market fluctuate based on supply and demand factors. Cotton, like other commodities, is heavily traded and thus speculative factors influence its price.
- Since 2016, international cotton prices have experienced an overall increase of ~50%.
- Prices have recently reached a new peak of ~94 cents/lb in Aug-21 and have been on an increasing trend since the start of COVID-19 pandemic.
- Prior to COVID-19, the prices were on a declining trend due to the US-China trade war as US prices decreased due to higher tariffs imposed by China resulting in lower exports.
- **Local:** Cotton prices have also been on an increasing trend in the local market, growing ~148% in PKR terms since 2016 with currency depreciation being a major factor since 2018.
- Prices have recently reached a new peak of PKR~13,800 per maund driven by the increase in international prices as well as greater demand in the local market.



Average Cotton Prices	CY16	CY17	CY18	CY19	CY20	8MCY21
International (Cents/lb)	66	73	82	68	64	86
Local (Cents/lb)	68	75	80	70	67	91
Local (PKR/maund)	5,846	6,521	7,971	8,721	8,923	11,869

Cotton Dynamics | Supply

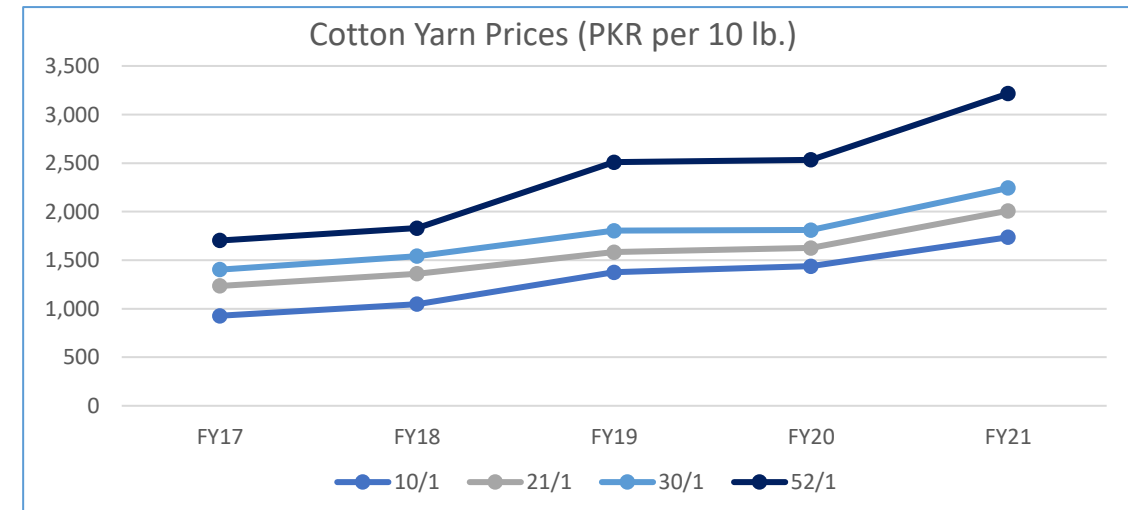
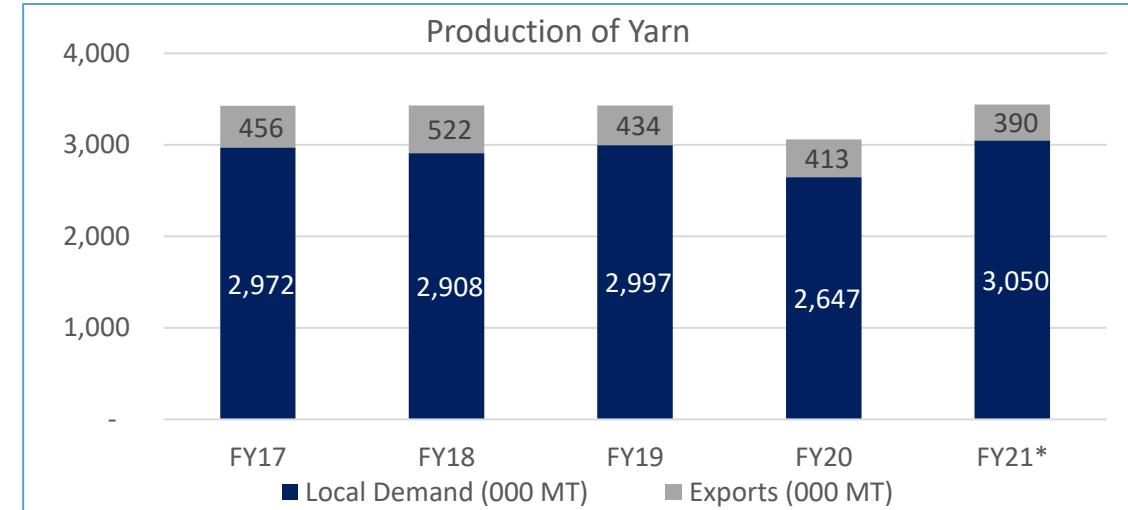
- Pakistan’s production of cotton declined significantly during FY21, from ~8.6mln bales to ~5.6mln bales, due to pest attacks and adverse climate events.
- Cotton is a pesticide hungry crop that requires considerable amount of pesticide in order to resist or prevent pest attacks. This, however, increases the input costs for farmers.
- In addition, the cotton seed used in Pakistan is of a relatively lower quality and more vulnerable to pest attacks, resulting in lower yield.
- Other prevailing factors that have continued to hamper cotton production is lack of support from government and adverse climate events. These factors ultimately results in lower area sown as farmers switch to more profitable Kharif season crops such as sugarcane and maize.
- Recently, the government announced intervention price for seed cotton of PKR~5,000 per 40kg in order to support farmers and prevent switching. The government has set a cotton production target of ~10.5mln bales for the FY22 season. However, market sources estimate size of cotton crop to stand at ~8mln bales.
- The decline in local production has increased reliance on imports which increased ~64% during FY21 which increased from 523,000 MT in FY20 to 857,000 MT in FY21.

Pakistan’s Cotton Supply						
	FY16	FY17	FY18	FY19	FY20	FY21
Production (Mln Bales)	9.8	10.7	11.6	10.7	8.6	5.6
Production (000 MT)	1,666	1,819	1,972	1,819	1,462	959
% Change	-	9%	8%	-8%	-20%	-34%
Net Imports (000 MT)	368	481	563	402	523	857
% Change	-	31%	17%	-29%	30%	64%
Total Cotton Supply (000 MT)	2,034	2,300	2,535	2,221	1,985	1,816

Weaving | Local Industry

Raw Material

- The majority of locally produced yarn, approximately ~89% in FY21, is used as raw material for the weaving sector. The production of yarn increased approximately ~12% during FY21 as greater export demand for the value added textile segments due to lockdowns in regional competitors provided a boost to the entire local textile value chain.
- The previous year of FY20 had experienced a significant decline in production largely due to the COVID-19 pandemic and resulting lockdown during the last quarter of the year.
- Prices of cotton yarn have been on a rising trend in recent years. During FY21, there was a significant decline in local cotton production which subsequently led to increase in prices of cotton and cotton yarn. The average cotton yarn prices increased approximately ~20% during FY21.



Note: FY21 production figure is prorated from 11MFY21 data

Installed Capacity & Utilization

- There are ~9,000 looms installed in the organized segment of the weaving sector, out of which ~6,384 looms were utilized in FY21.
- Meanwhile, there are approximately ~400,000 power and shuttle less looms operating within the unorganized segment.
- During FY20, the average capacity utilization for listed and rated players stood at ~74%, declining significantly from ~90% in FY19 due to the COVID-19 pandemic and resulting restrictions. Capacity utilization in FY21 is expected to be improved due to increase in demand and few restrictions during the period.
- In addition, many players have invested in new machines on the back of higher demand and number of looms is also expected to increase.

Organized Mill Segment	FY16	FY17	FY18	FY19	FY20	FY21
No of Looms Installed	8,188	9,084	9,084	9,084	9,084	9,084
No. of Looms Utilized	5,488	6,384	6,384	6,572	6,384	6,384

Fabric Production

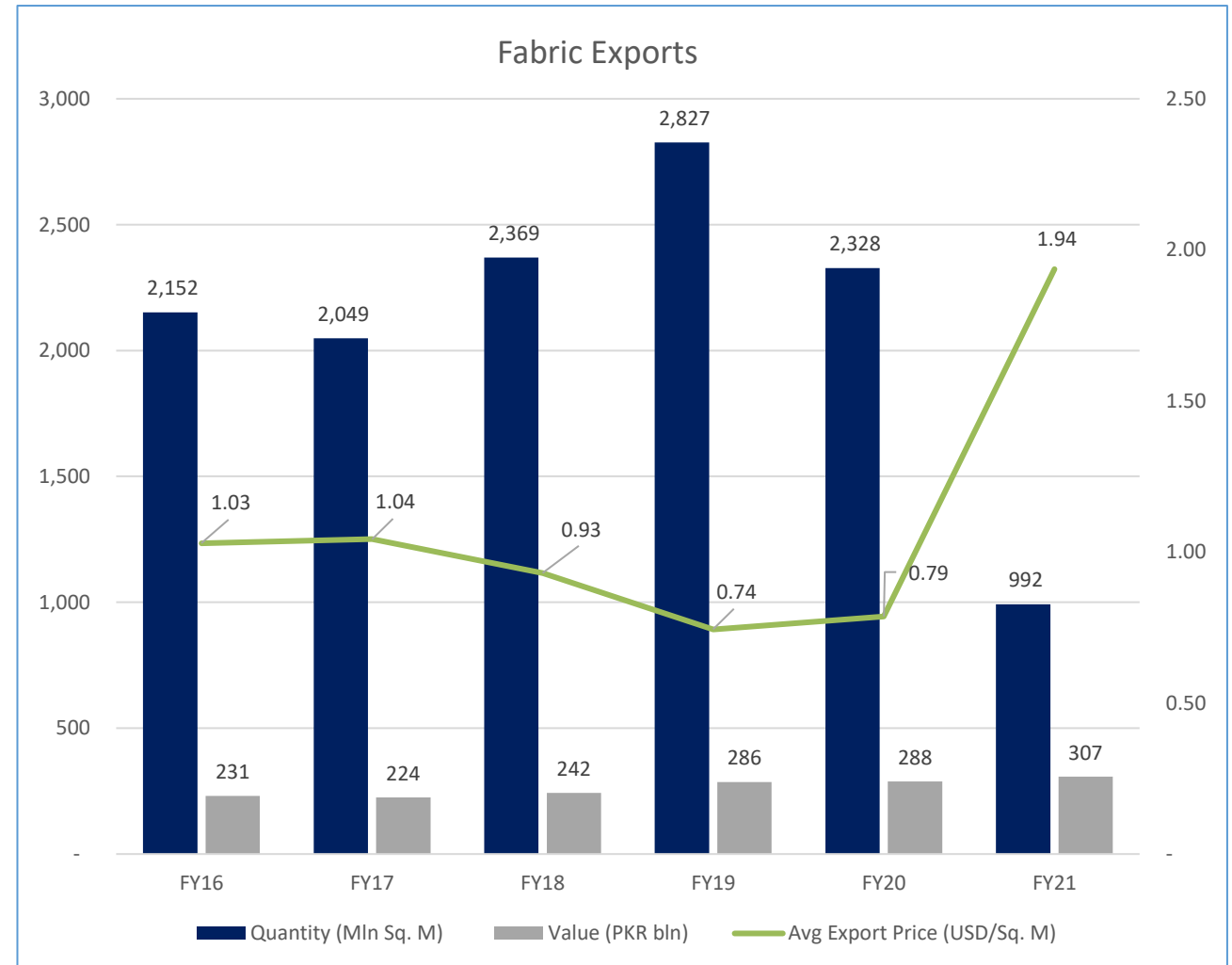
- The organized weaving segment accounts for ~11% of total fabric production with the unorganized segment making up the remaining ~89% which amounts to ~8bln Sq. M. The output from the unorganized segment is usually of a lower quality.
- During FY21, the organized segments fabric production increased to ~1,048mln Sq. M from ~935mln Sq. M, a growth of ~12% which is largely attributable to the low base effect of FY20 when production was disrupted by the COVID-19 pandemic and resulting lockdowns. However, the overall textile industry has recovered significantly during FY21 due to increased export demand for finished goods which subsequently led to greater demand for fabric and other raw materials.

(000 Sq. M)	FY16	FY17	FY18	FY19	FY20	FY21*
Grey	571,393	584,532	582,812	583,364	521,212	584,670
Bleached	87,852	75,805	111,110	114,146	101,985	114,402
Dyed & Printed	302,781	299,519	269,082	267,397	238,908	267,996
Blended	77,157	83,488	80,736	81,073	72,435	81,255
Total Organized Mill Production	1,039,183	1,043,344	1,043,740	1,045,980	934,540	1,048,447
Unorganized Mill Production	8,120,017	8,126,356	8,127,160	8,101,820	7,239,019	8,120,652
Total Fabric Production	9,159,200	9,169,700	9,170,900	9,147,800	8,173,559	9,169,099
Growth		0.11%	0.01%	-0.25%	-10.65%	12.18%

Weaving | Local Industry

Fabric Exports

- During FY21, the export of fabrics declined significantly in quantitative terms, to ~992mIn Sq. M from ~2,328mIn Sq. M in FY20, a reduction of ~57%.
- This was largely due to higher demand from the local value added textile industry which experienced a boost in export orders during the period. Volumetric exports of four finished goods segments (garments, knitwear, bedwear and towels) experienced a collective growth of ~21% during FY21.
- However, in value terms, exports of fabrics stood at PKR~307bln in FY21, a ~7% increase from PKR~288bln in FY20. This increase is attributable to the significant increase of ~146% in the average export price of fabric. The exchange rate impact was minimal with average rate increasing slightly from 158.4 in FY20 to 160.5 in FY21.
- In previous years, the average export price had experienced a declining trend due to high competition and low levels of value addition. However, in FY21, many regional competitors experienced lengthy lockdowns which created supply shortage and boosted the export price.
- During FY21, the export of fabrics contributed ~12% to the country's total textile exports which amounted to ~7% of the country's total exports.



Export Destinations

- Approximately ~23% of Pakistan’s fabric exports are concentrated towards Bangladesh, which is a significant player in the global textile finished goods market.
- Other export destinations include European countries such as Italy, Portugal, Germany, Netherlands and Spain, who together account for ~23% of fabric exports as well as USA, ~7%, and Turkey, ~5%.

FY18	000 USD	%	FY19	000 USD	%	FY20	000 USD	%	FY21	000 USD	%
BANGLADESH	479,254	22%	BANGLADESH	482,241	23%	BANGLADESH	430,747	24%	BANGLADESH	436,949	23%
ITALY	163,869	7%	ITALY	144,842	7%	U.S.A	136,224	7%	U.S.A	139,425	7%
TURKEY	162,608	7%	TURKEY	125,511	6%	ITALY	123,942	7%	ITALY	128,870	7%
CHINA	122,449	6%	U.S.A	112,414	5%	TURKEY	101,165	6%	TURKEY	105,239	5%
GERMANY	98,956	4%	CHINA	89,744	4%	PORTUGAL	81,245	4%	PORTUGAL	84,533	4%
U.S.A	90,042	4%	GERMANY	88,269	4%	SRI LANKA	67,204	4%	SRI LANKA	76,580	4%
PORTUGAL	86,869	4%	SRI LANKA	87,387	4%	GERMANY	75,277	4%	GERMANY	78,214	4%
SPAIN	85,955	4%	SPAIN	82,296	4%	NETHERLANDS	67,788	4%	NETHERLANDS	73,776	4%
SRI LANKA	79,169	4%	PORTUGAL	78,567	4%	SPAIN	71,420	4%	SPAIN	71,939	4%
NETHERLANDS	69,860	3%	NETHERLANDS	75,488	4%	CHINA	63,783	3%	CHINA	65,623	3%
OTHERS	764,546	35%	OTHERS	734,563	35%	OTHERS	611,106	33%	OTHERS	659,854	34%
Total	2,203,577		Total	2,101,322		Total	1,829,901		Total	1,921,001	

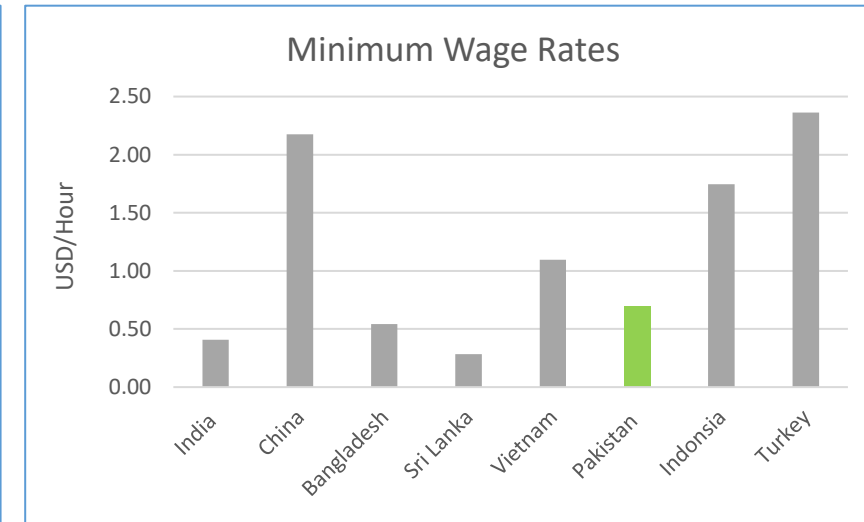
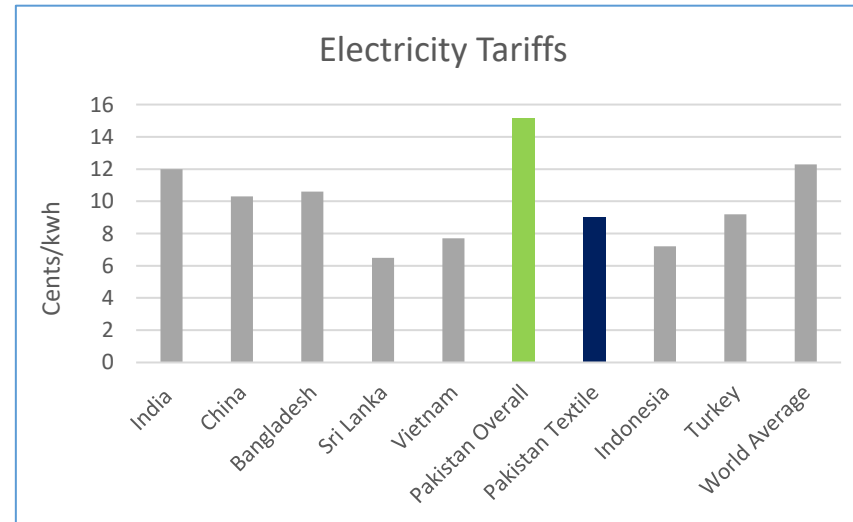
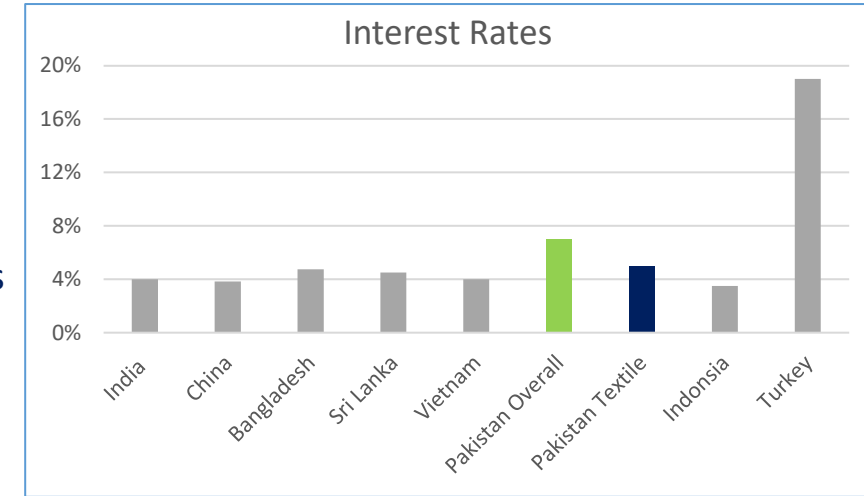
Business Risk

- **Decline in local cotton production:** In the previous season, cotton production was significantly reduced, from ~8mln bales down to ~5mln bales, due to severe impact of pest attacks and climate change. While the current season's crop estimates stands at ~8mln bales, the actual production may fall as pest attacks and adverse climate events are unpredictable and remain unaddressed. The reduced local production has increased the country's reliance on imported cotton and thus the exposure to exchange rate fluctuations.
- **Rising raw material prices:** The shortage in supply of cotton in local and international markets has resulted in increase in prices of both cotton and other items within the textile value chain such as yarn, which is the raw material for the weaving sector. Raw material constitutes ~60% of the sector's direct costs and thus profitability depends on the players' ability to continue to pass on the increased price impact.
- **Low level of value addition:** Although, the increased demand in past year has increased the overall profitability of the sector, it remains a low value addition sector with historically narrow margins.
- **High Energy Costs:** Although the government provides the textile industry with subsidized RLNG at USD~6.5 per mmbtu and electricity at USD~9 cents per kwh, which was increased from USD~7.5 cents per hour in September 2020, these rates are above the regional average for countries such as India, Bangladesh and Vietnam which reduced the competitiveness of Pakistan's fabric exports.
- **COVID-19 pandemic:** The pandemic continues to create challenges for the local market due to ongoing restrictions, such as closure of malls/markets on weekends and reduced timings, as well as occasional complete lockdowns which are imposed when infection rates reach high levels. In addition, the country's vaccination rate remains low and therefore, the restrictions are expected to remain in place for some time.
- **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 which benefited Pakistan, the regional competition will continue once COVID-19 crisis subsides.

Weaving | Local Industry

Regional Cost Comparison

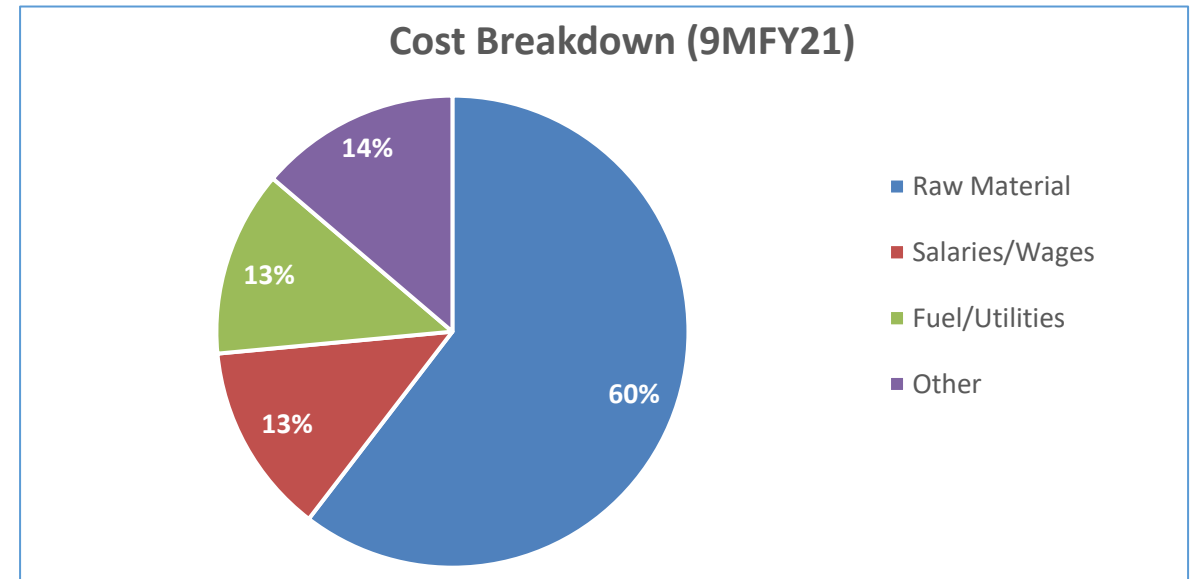
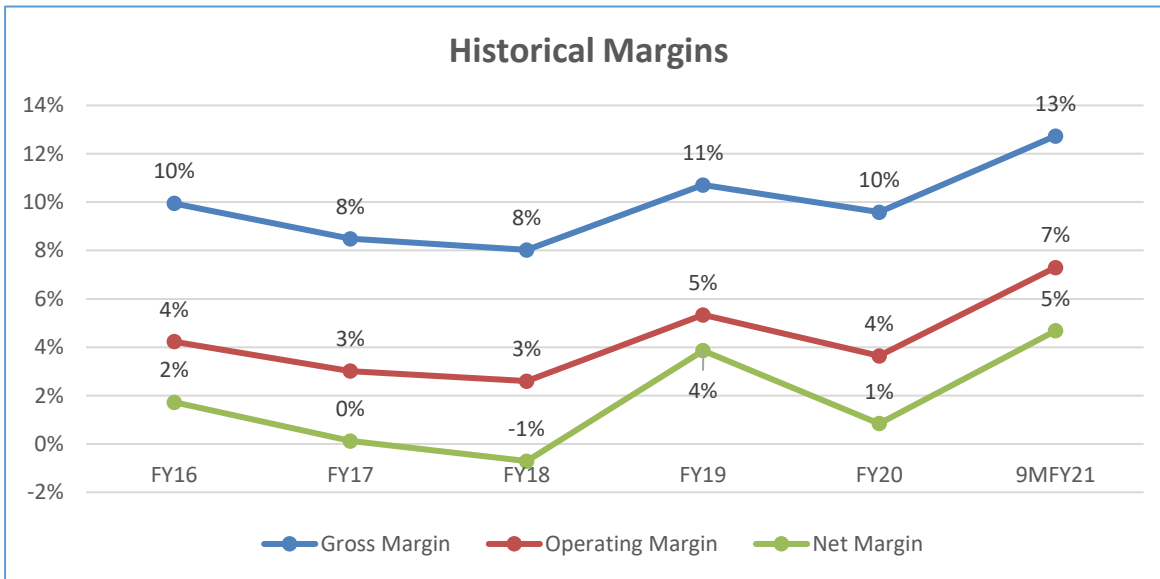
- Pakistan has the second highest interest rate in the region behind Turkey. The high cost of borrowing acts as a barrier to investments in various sectors. Garments, on the contrary, falls in the ambit of export sector which has access to subsidized financing facilities from the SBP in the form of short term Export Refinance Facility (ERF) and Long Term Financing Facility (LTFF). On regional level, China and Indonesia have the lowest borrowing rate.
- The Pakistani businesses face competitive disadvantage due to the high electricity tariffs it incurs which exceed all regional players. However, the government provides subsidized electricity and gas at internationally competitive prices to the textile cluster. Electricity tariff for textile sector amounts to 9 cents/kwh while gas rates are at USD~6.5 per mmbtu. In contrast, Sri Lanka and Indonesia have access to the lowest electricity tariffs in the region.
- Despite recent increase in minimum wage, which now translates to 0.86 USD per hour for Sindh and 0.69 USD per hour for the rest of Pakistan, the country maintains competitive advantage of low labor cost over regional players China, Vietnam, Indonesia and Turkey. However, countries such as Sri Lanka, Bangladesh and India continue to have comparatively lower minimum wage rates.



Weaving | Local Industry

Margins & Cost Structure

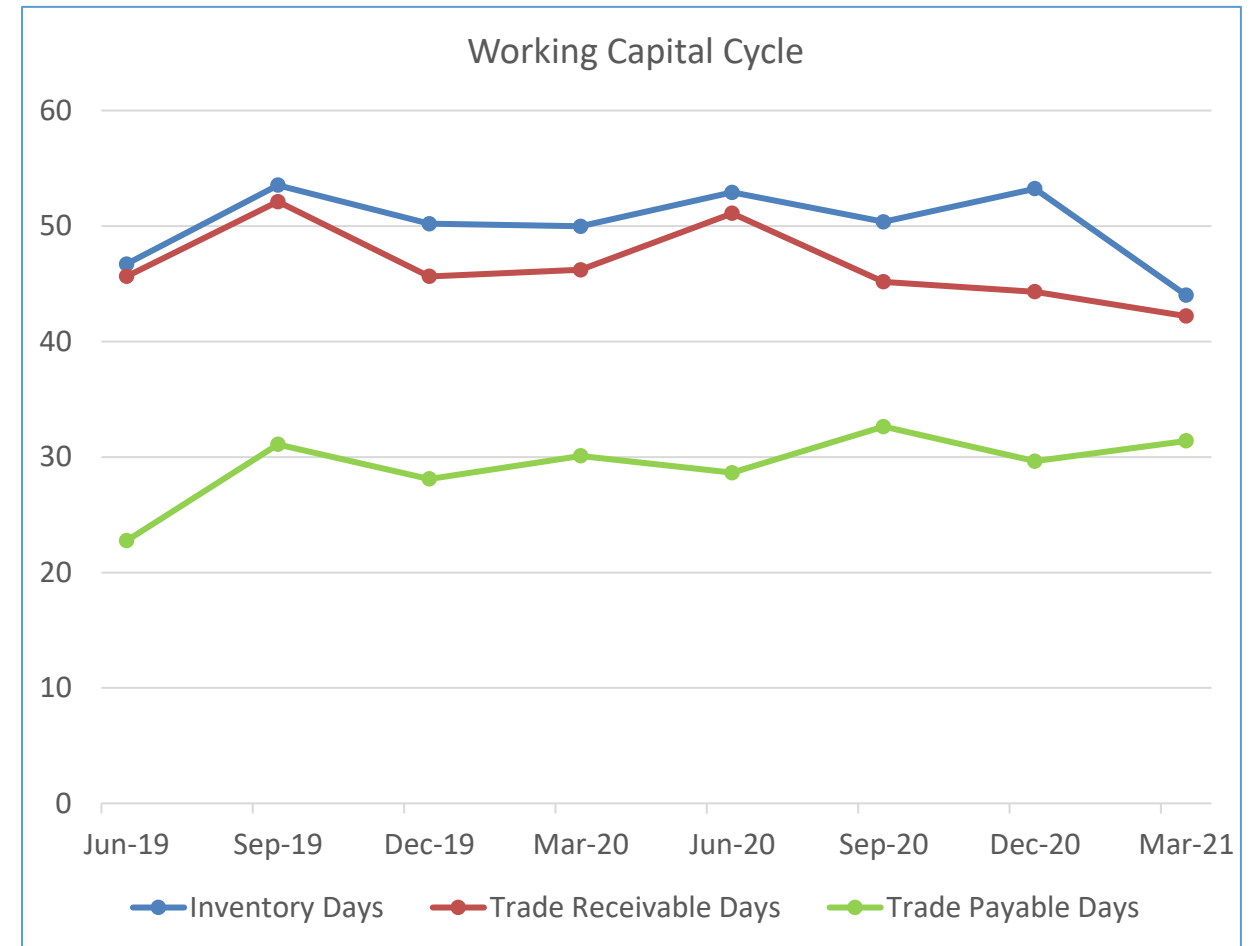
- Over the last five years, the weaving sector’s gross margin has stood at ~9% while net margin has stood at ~1%. The historical low margin level is reflective of the low value addition by the sector. During FY21, gross margin improved to ~13% from ~10% in FY20 and net margin improving to ~5% from ~1% in FY20.
- Due to fewer restrictions or lockdowns during the past year, Pakistan gained a competitive edge over regional competitors on value added products and secured additional export orders. This culminated into higher fabric demand from the local market at more profitable rates. In addition, the reduction in custom duty on imported yarn also reduced input costs. Moreover, the reduction in policy rate also reduced finance costs and improved net margins.
- The largest component within direct costs is raw material comprising ~60% of the total manufacturing cost. The raw material for the sector, cotton yarn, has been impacted by the declining local cotton production and rising cotton prices, both locally and internationally, in the aftermath of COVID-19 pandemic.



Weaving | Local Industry

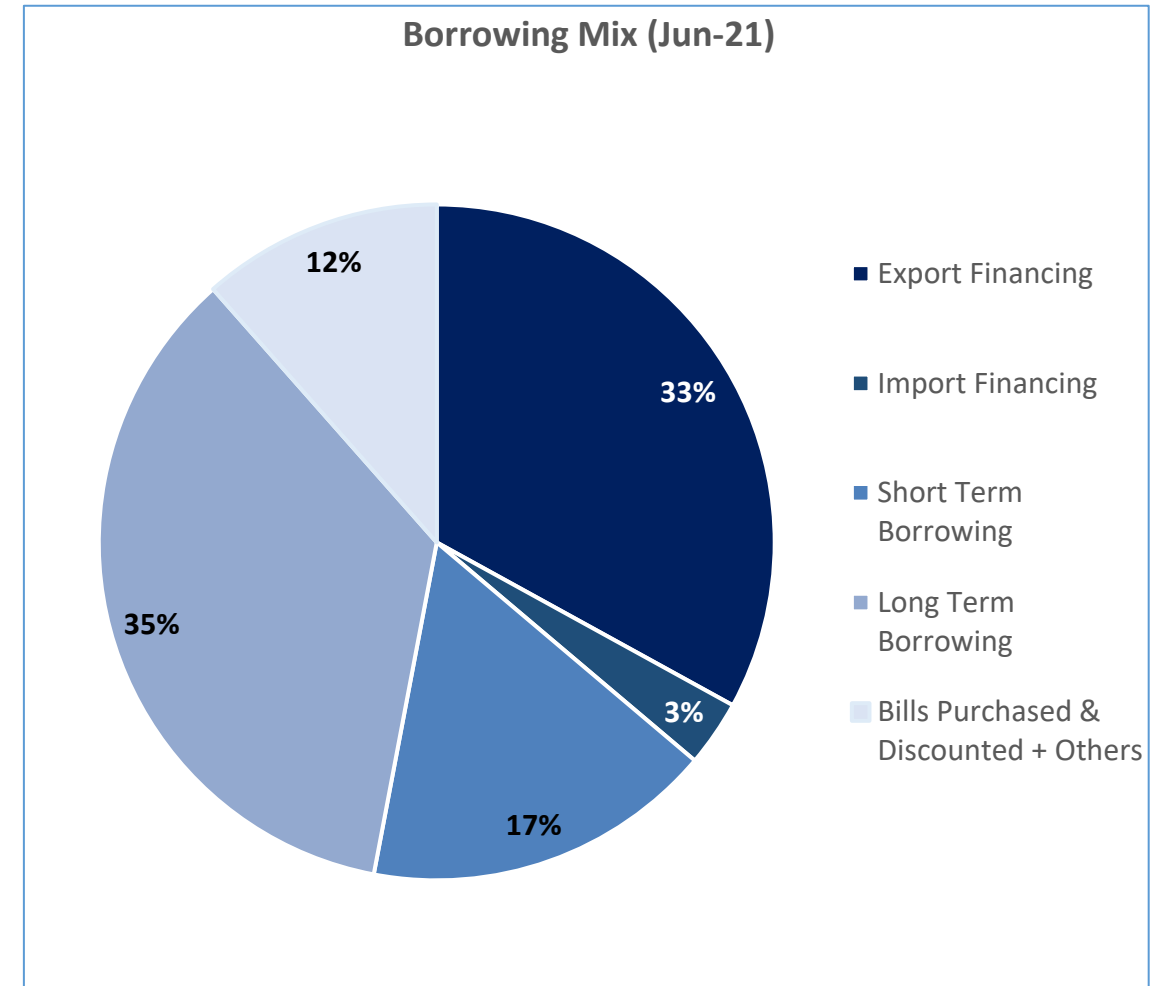
Financial Risk – Working Capital

- The sector’s working capital needs are largely a function of inventory and trade receivables. Inventory consists mostly of raw material and finished goods while work-in-process makes only a small contribution.
- The industry’s average working capital cycle ranges from ~65-70 days.
- The sector’s working capital cycle has experienced a slight reduction in Mar-21 to ~55 days after remaining relatively stable in previous periods. The decline is attributable to lower inventory levels during the period.
- Many players within the organized mill segment are backwards and/or forwards integrated with group companies, resulting in more efficient working capital management and ease of procurement of raw material.
- The sector’s working capital is largely financed through short term borrowings which include Export Finance Scheme which amounts to PKR~74bln and is available at discounted rate of 3%.



Financial Risk – Borrowing Mix

- The total borrowing of weaving sector as at End-Jun-21 stood at PKR~243bln as compared to PKR~221bln at End-Jun-20.
- The largest share is occupied by long term borrowing which accounts for ~35% and stands at PKR~86bln. In addition, export financing also contributes a significant ~33% and stands at PKR~80bln.
- The sector avails discounted borrowing in the form of EFS, at a rate of ~3%, as well as LTFF and TERF, at rates of ~5%. Approximately ~55% of the sector’s total borrowing was at lower rates as at End-Jun-21. (EFS: PKR~74bln, LTFF/TERF: PKR~59bln).
- The average leveraging for the weaving sector stands at ~56% (moderately leveraged).
- The overall textile industry’s infection ratio stood at ~12% in Mar-21, exhibiting gradual improvement from Dec-20 when it was ~12.6%. However, the infection ratio still remains elevated in comparison to overall banking credit NPL which stood at ~9.3% in Mar-21.



Regulatory Framework

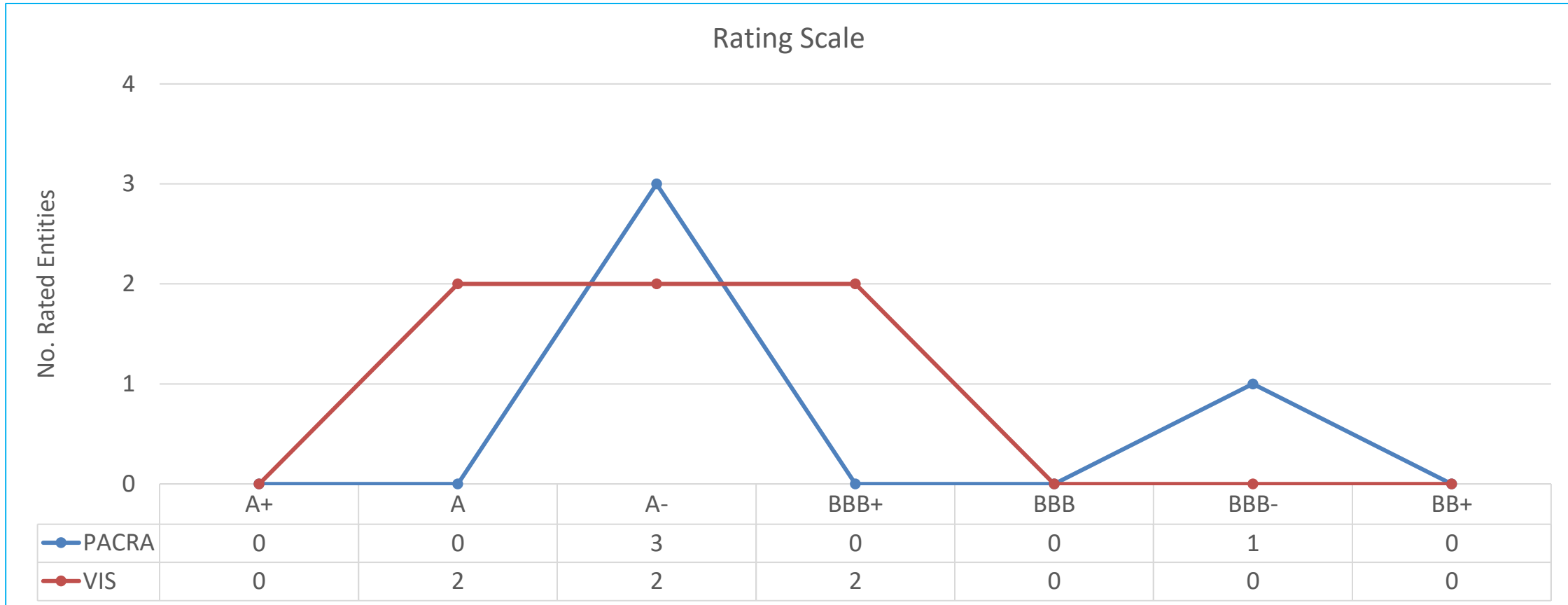
- With respect to Income Tax, the weaving sector is under the Normal Tax Regime (NTR). Further, the sector is also subject to Minimum Tax @ 1.5% of turnover, if tax liability under NTR is lower than minimum tax. However, the additional tax paid under minimum tax is adjustable against future tax liabilities for the next 5 years.
- In addition, sales tax of 17% is applicable on both the raw material, i.e. yarn and finished goods, i.e. fabric. In addition to Sales Tax, there is Advance Tax of 1% applicable on the import of these products. However, the amount of Advance Tax is adjustable against final income tax liability.
- The government also provides Drawback of Local Taxes and Levies (DLTL) at the rate of 2% on eligible product line of processed fabric (2% additional drawback is also allowable for exports to non-traditional markets).
- The sector receives discounted financing from SBP under the Export Finance Scheme (EFS) and the Long Term Financing Facility (LTFF).
- In response to the COVID-19 pandemic, SBP introduced several measures intended to provide relief to the industries. These measures included loan extension and refinancing, loan for payment of employee salaries and wages and facilitation of new investment, expansion and BMR activities through the Temporary Economic Refinance Facility (TERF).
- In addition, SBP also reduced the monetary policy rate by 625bps to 7% which significantly reduced the sector's finance costs.
- 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.

Custom Duty Structure

PCT Code	Description	Additional Custom Duty		Custom Duty		Regulatory Duty		Total	
		FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20
52.05	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale	2%	2%	0%	11%	0%	5%	2%	18%
52.06	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale	2%	2%	0%	11%	0%	5%	2%	18%
52.07	Cotton Yarn (other than sewing thread) put up for retail sale	2%	2%	0%	11%	0%	5%	2%	18%
52.08	Woven fabric of cotton, cotaining 85% or more by weight of cotton, weighing not more than 200g/m2	2%	7%	11%	20%	0%	10%	13%	37%
52.09	Woven fabric of cotton, cotaining 85% or more by weight of cotton, weighing more than 200g/m2	2%	7%	11%	20%	0%	10%	13%	37%
52.10	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%	4%	11%	16%	0%	10%	13%	30%
52.11	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%	4%	11%	16%	0%	10%	13%	30%
52.12	Other woven fabrics of cotton	4%	7%	16%	20%	0%	10%	20%	37%

Rating Curve

- PACRA rates 4 weaving players with a rating bandwidth ranging from BBB- to A-.





Weaving | Local Industry

SWOT Analysis



Weaving | Outlook & Future Prospects

Outlook: STABLE

- The domestic economy has started to gradually recover from the impact of the COVID-19 pandemic which slowed down industrial activities and brought various businesses to a halt. Despite steady increase in the rate of vaccinations, the country is experiencing a fourth wave of the pandemic which could hinder economic activity.
- The economic recovery is exhibited by the GDP growth of ~3.9% during FY21 (based on provisional figures). Among the contributors of GDP growth is industrial activity which has picked up in various sectors with the Large Scale Manufacturing Industries output increasing ~15% YoY during FY21. The textile sector which holds a weight of ~21% in the LSM Index, exhibited a YoY growth in output of ~4%.
- During FY21, the weaving sector's fabric exports grew by ~7% to PKR~307bIn from PKR~288bIn in FY20. This growth resulted from higher average export price and despite the significant reduction in export volume due to increased demand from local value added textile market. Demand from the local value added segment is expected to remain intact in the near term.
- The current seasons cotton crop estimates are ~8mln bales, however, pest attacks or adverse climate may negatively impact cotton production going forward. Moreover, the rising trend in local and international markets is expected to continue due to lower crop prospects in Brazil and USA while on the other hand demand is steadily increasing.
- The overall textile industry's infection ratio stands at ~12%, and although there is slight improvement from previous periods this is well above the total infection ratio of ~9.3% indicating higher level of financial risk.
- The decision taken by the State Bank of Pakistan (SBP) to lower the policy rate by 625bps to 7% in the last quarter of FY20 has lowered the finance costs for the industry. Moreover, the interest rate is also not expected to witness any major hike in the short-term.
- In addition, the removal of custom and regulatory duty on yarn will benefit the sector. However, custom duties on fabrics have also been reduced in the recent budget which will increase competition and have a negative impact.
- The textile industry is expected to continue to receive significant support from the government in the form of subsidized borrowing and energy prices due to its considerable contribution to the country's GDP and exports.

- State Bank of Pakistan (SBP)
- Pakistan Bureau of Statistics (PBS)
- PACRA Database
- Economic Survey
- Textile Commissioner Organization (TCO)
- Pakistan Central Cotton Committee (PCCC)
- Federal Board of Revenue (FBR)
- Pakistan Stock Exchange (PSX)
- Trading Economics
- Globalpetrolprices.com
- Trade Development Authority of Pakistan (TDAP)
- <https://www.thebusinessresearchcompany.com/report/fabrics-global-market-report-2020-30-covid-19-impact-and-recovery>

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