



Jute

Research Team

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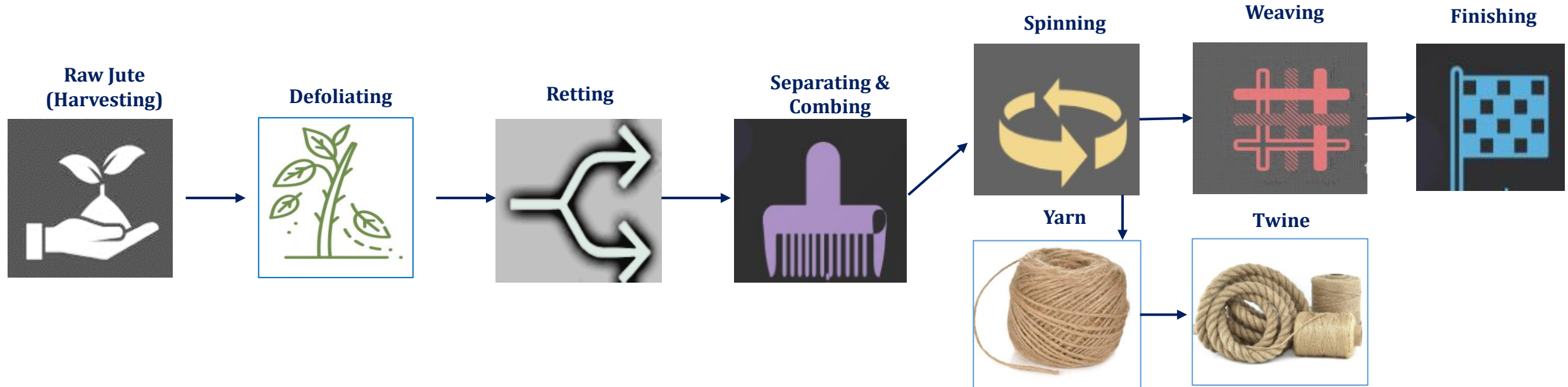


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Introduction

- Jute, also known as the 'Golden Fibre', is a natural fibre extracted from the bark of the white Jute plant. Jute is a rain-fed crop, which commonly thrives in tropical lowland areas with significant humidity levels.
- Raw Jute, which is the Sector's main raw material, can be processed and manufactured into a variety of products. These include yarn, twines, Hessian Cloth and Sacking Bags. Hessian cloth is commonly used in the manufacturing of carpets. Jute is environment-friendly, especially in comparison to other materials used in packaging, being 100% biodegradable and recyclable in nature. Moreover, it is also carbon-neutral, where one hectare of Jute plants can consume ~15 MT of carbon dioxide from the atmosphere and release ~100 MT of oxygen during its growing season.
- The most common products made from Jute are Sacking Bags used for packaging of wheat, potatoes, rice and many other food or agricultural products largely due to its breathability optimizing shelf life of edible commodities. The value chain of Jute production is as follows:



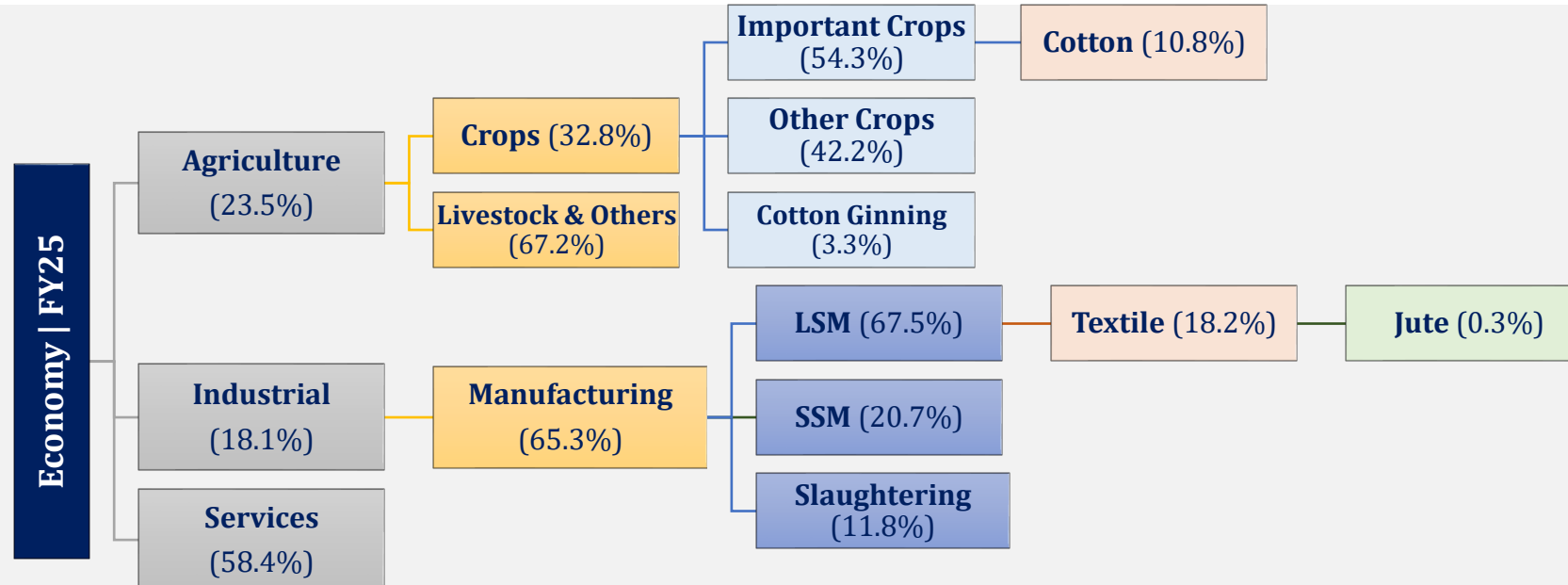
Global | Overview

- **Size:** The market size of the global Jute bags is expected to grow from USD~3.0bln in CY24 to USD~6.5bln in CY33 at a CAGR of ~8.5% (CY25-CY33) as a result of rising popularity of Jute Bags that are considered to be environmental-friendly.
- **Production:** Global Jute Production Market is highly concentrated. Countries with highest volumes of Jute & Allied Fibres production are India (~52.2%) and Bangladesh (~44.4%). Global Jute output fell ~5.3% YoY to ~3.1mln MT (FY23: ~3.3mln), with Bangladesh accounting for ~88% of the decline due to weather-related fibre shortages. Jute crop has a cultivation period of ~120-150 days. It is sown during March-May, with production volumes depending on the amount of rainfall, and is harvested during June-September, depending on whether sowing was early or late.
- **Exports:** Bangladesh dominates the global Jute export market with ~80.1% share of the global exports in FY24. India has a smaller share (~8.4% in FY24) since majority of its Jute production is consumed locally.
- **Imports:** With respect to world imports of raw Jute, India, Pakistan and China were the top three countries in FY24, with imports recording at ~130,000 MT, ~36,374 MT and ~29,000 MT, respectively.
- **Outlook:** Jute bags' biodegradability, affordability, and durability have contributed to the growth of the ethical bag market. Jute shopping bags, sack bags, and hessian bags are rapidly gaining popularity and are expected to continue rising in demand. Additionally, Jute is easy to recycle and cost-effective, enabling commercial users to diversify their product offerings.

Country	World Production of Jute & Allied Fibres ('000 MT)			World Exports of Products of Jute, Kenaf and Allied Fibres (000 MT)		
	FY22	FY23	FY24*	FY22	FY23	FY24*
India	1,620	1,638	1,620	99	84	60
Bangladesh	1,537	1,533	1,380	600	569	571
Pakistan	58	63	41	10	20	4
China	38	37	34	3	3	2
R.O.W	12	7	30	86	101	76
World	3,265	3,278	3,105	797	777	713

Local | Introduction

- In FY25, Pakistan's GDP (nominal) stood at PKR~114.7trn (FY24: PKR~105.1trn), increasing, in real terms, by ~9.1% YoY (FY24: ~26.4% growth). Industrial activities in FY25 held ~18.1% share in the GDP while the manufacturing activities made up ~65.3% of the value addition. In 3QFY25, Pakistan's nominal GDP stood at PKR ~12.38trn (3QFY24: PKR ~10.46trn), growing in real terms by~2.4% YoY (2QFY25: ~1.5% YoY), indicating a modest pickup versus the prior quarter. Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth considering its linkages with other sectors, as it represented ~67.5% value of the manufacturing activities in FY25. LSM fell by ~1.5% YoY in FY25 after a modest increase of ~0.9% in FY24.
- The Textile 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 ~18.2% while Jute that accounts for a meager ~0.3% weight.



Local | Overview

- **Structure:** Pakistan's Jute Sector operates as an oligopoly, dominated by a small number of mills that collectively shape supply. Around five mills are operational, with the two largest players (Sargodha Jute Mills Limited and Thal Limited) holding ~72% of total production capacity.
- **Supply:** The Sector depends entirely on imported raw Jute procured from Bangladesh as its exclusive source for raw material. Jute is a Kharif crop, with a cultivation period of ~120-150 days. It is sown during the months of Mar-May and harvested from Jun-Sep. As of 9MFY25, there are a total of 10 units installed in Pakistan's Jute Sector, with ~25,060 spindles installed (9MFY24: ~25,060 spindles), while ~61.4% of the installed spindles are operational (SPLY: ~67.3%). Similarly, the number of looms installed stand at ~1,186 units as of 9MFY25 (SPLY: ~1,186 units) out of which ~54.0% are operational (SPLY: ~64.3%).
- **Demand:** The demand for processed Jute products in the country is largely derived from the Agricultural Sector. Sacking Bags, which make up the largest product segment, are most commonly used for packaging of wheat, rice and potatoes as well as many other Food and Agricultural products. Meanwhile, Hessian Cloth is used as a raw material in the carpet making industry. Moreover, a range of new products have been developed with high value-addition such Jute geo-textiles, paper pulp, handicrafts, fashion accessories and home textiles. According to information from the Pakistan Jute Mills as Association (PJMA), Pakistan has succeeded in extending its activities as a Jute product supplier to countries including Iran, Egypt, Sudan, the UK, and the UAE.

Local | Production & Capacity Utilization

- Depicted below are the available capacities of the five operational Jute Mills in the country. The installed capacities have remained largely unchanged over the recent years. During FY25, the installed capacity of these five major players stood at ~114,300 MT. As of FY25, Thal Limited & Sargodha Jute Mills hold ~56.3% combined share in terms of production capacity of the five local Jute Mills.
- Total production of Jute goods in FY25 fell by ~26.8% to record at ~30,000MT (FY24: ~41,000MT). Out of this, Sacking Bags formed the largest share at ~46.7% and stood at ~14,000 MT, decreasing by ~46.2% YoY. Other categories of goods including Hessian Cloth and Miscellaneous Products that made up ~43.3% and ~10.0% of the total production, respectively, during FY25. Over the last five years (FY21-FY25), Jute production in Pakistan has significantly declined by ~57.2% due to a combination of factors including decline in raw material production in Bangladesh, rising import prices and weakening local demand.

Annual Production of Jute Goods					
(000'MTs)	FY21	FY22	FY23	FY24	FY25
Sacking Bags	43	37	48	26	14
Hessian Cloth	18	14	11	11	13
Others	9	7	4	3	3
Total	70	58	63	41	30

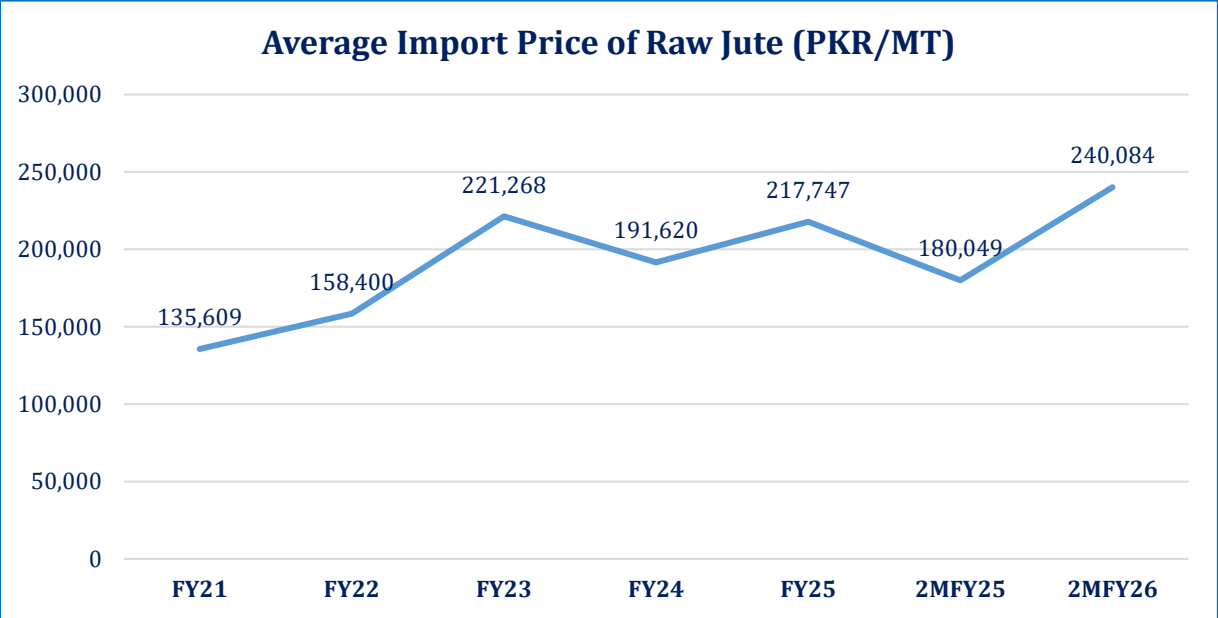
Name of Players	FY25 Capacity (MT)
Thal Limited	33,800
Sargodha Jute Mills**	30,500
Indus Jute Mills*	20,000
White Pearl Jute Mills	15,000
Madina Jute Mills*	15,000
Total	114,300

**Available as of FY24

*Available as of Oct'22.

- Pakistan is almost entirely dependent on Bangladesh for its imports of Raw Jute and yarn of Jute. During FY25, imports decreased to PKR~4,974mln from PKR~6,970mln in FY24 (FY23: PKR~14,216mln), a decrease of ~36.5% YoY. The reduced imports in value terms came on the back of a decline in the imports in quantitative terms. From FY23 onwards, the government of Pakistan has been making efforts to reduce imports of non-essential goods in response to a widening trade deficit and growing foreign exchange pressures, which can explain the decrease in imports of Raw Jute as well.
- Jute import price in terms of PKR/MT increased ~13.6% YoY (FY24: down ~13.4% YoY) reaching up to PKR~217,747/MT in FY25 from PKR~191,620/MT in FY24 on account of increased prices from Bangladesh. Jute imports in volumetric terms declined from ~36,374 MT in FY24 to ~22,843 MT in FY25.
- During 2MFY26, Jute imports increased by ~49.8% from same period last year despite an increase in average import price to PKR~240,084/MT (SPLY: PKR~180,049/MT). This likely reflects local mills strategically building up inventory based on anticipation of further raw jute price escalation. Average import price increased in 2MFY26 most likely due to a significant drop in output of Jute crop in Bangladesh reported in August 2025.

Year	Quantity (MT)	Value		Average Import Price	
		PKR mln	USD mln	PKR/MT	USD/MT
FY21	62,614	8,491	53.3	135,609	851
FY22	59,053	9,354	58.5	158,400	990
FY23	64,248	14,216	57.9	221,268	901
FY24	36,374	6,970	24.6	191,620	677
FY25	22,843	4,974	17.9	217,747	784
2MFY25	2,877	518	1.9	180,049	646
2MFY26	4,311	1,035	3.6	240,084	835



Jute

Local | Jute Products Exports

- Pakistan mainly exports two Jute products - Hessian cloth and Jute Sacks/Bags. In FY24, Pakistan exported ~3,492 MT of Sacks/Bags made of Jute compared to ~4,560 MT in FY23, down ~23.4% YoY. Exports of Hessian Cloth stabilized in FY24 at ~6,799 MT after a sharp surge of ~420.8% YoY during FY23 to reach ~32,258 MT from ~6,194 MT in FY22. This surge in FY23 was largely driven by ~39.0% higher exports to Egypt compared to FY22, as it shifted from high-priced Bangladeshi Hessian Cloth to its cheaper substitute from Pakistan.
- Sudan has been the major export destination for Jute Sacks/ Bags during the last nine years (FY16-24). During FY23, ~57.1% of Pakistan's total Jute Sacks/ Bags exports were to Sudan. In FY24, exports of Jute Sacks/Bags were mostly to Afghanistan, Australia and Tanzania, which collectively accounted for ~49% of exports of these goods. With respect to prices, export price of Jute Sacks/ Bags in FY24 stood at PKR~295,533/MT (FY23: PKR~ 423,465/MT), depicting a decrease of ~30.2% YoY.
- Prior to FY20, Uzbekistan was the largest importer of Hessian Cloth. While during the last four years (FY20-24) Egypt remained the largest importer of Hessian Cloth, accounting for ~57% exports in FY24. On the prices front, average export price of Hessian Cloth stood at PKR~279,894/MT in FY24 (FY23: PKR~ 47,492/MT), an increase of ~498.3% YoY.

Jute Exports (Sacks/Bags)	Quantity	Value	Avg. Exchange Rate	Value	Average Export Price	
	MT	PKR mln	USD/PKR	USD mln	PKR/MT	USD/MT
FY20	6,513	1,140	158	7.2	175,035	1,106
FY21	5,921	1,257	160	7.8	212,295	1,324
FY22	4,031	1,184	178	6.7	293,724	1,650
FY23	4,560	1,931	248	7.8	423,465	1,708
FY24*	3,492	1,032	283	3.6	295,533	1,044

Jute Exports (Hessian Cloth)	Quantity	Value	Avg. Exchange Rate	Value	Average Export Price	
	MT	PKR mln	USD/PKR	USD mln	PKR/MT	USD/MT
FY20	1,233	223	158	1.4	180,860	1,143
FY21	4,365	1,133	160	7.1	259,565	1,619
FY22	6,194	1,822	178	10.2	294,156	1,652
FY23	32,258	1,532	248	6.2	47,492	192
FY24*	6,799	1,903	283	6.7	279,894	989

*Latest available

Note: HS Codes – 6305.1000 (Sacks/Bags) and 5310.910 (Hessian Cloth), respectively.

Source: PBS, SBP

Jute

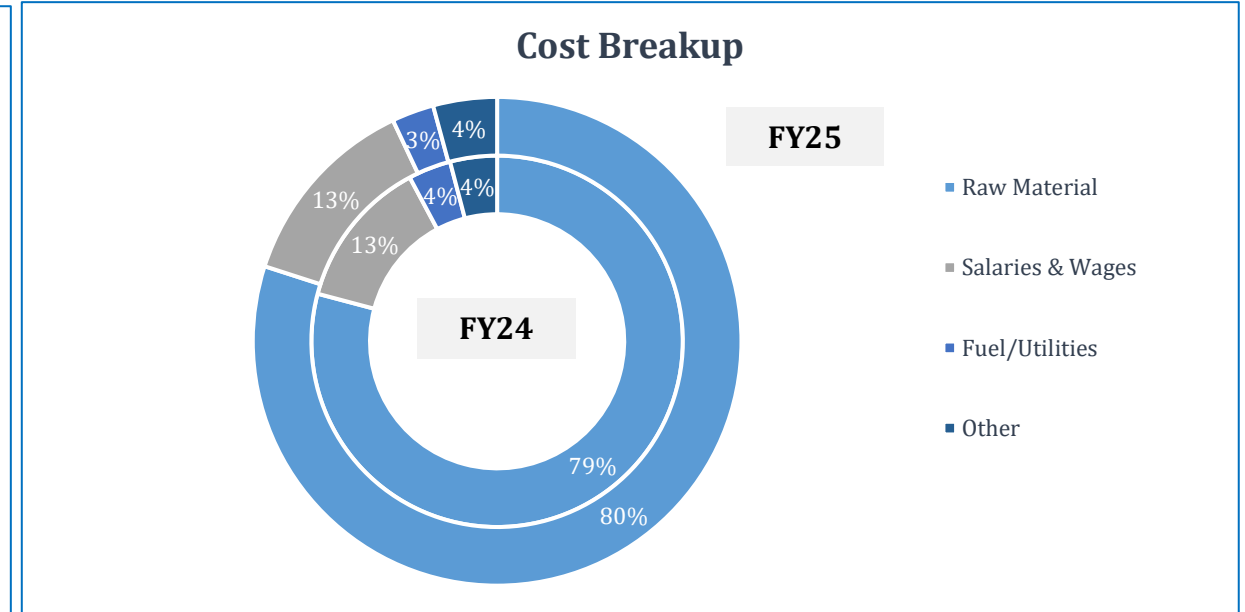
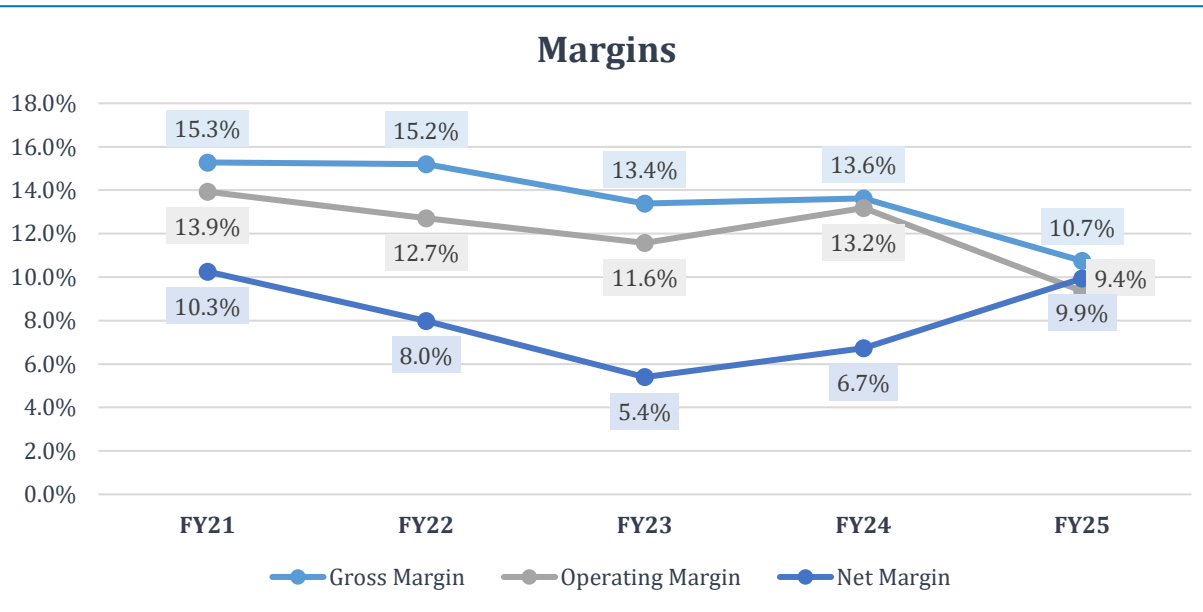
Local | Business Risk

- **Import Concentration:** The Sector faces significant risk due to its dependency on imports from only one country, Bangladesh. Any damage to the Jute crop in Bangladesh due to external shocks is likely felt by Pakistani importers through increase in prices. In addition, there is also risk due to exchange rate volatility. The country imports long Jute and Tossa and long Meshta grades, as well as various Jute and Meshta cuttings.
- **Dependence on Government Orders:** The largest buyer of Jute products are the provincial and federal governments who issue various tenders, mostly for purchase of Sacking Bags, that are used for packaging of food items such as wheat, onions, potatoes etc. The Sector is highly dependent on these government orders, with the concerned governing body being PASSCO (Pakistan Agricultural Storage & Services Corporation).
- **Seasonality:** The Sector is subject to seasonality, aligned with both the harvest of Jute in Bangladesh as well as the timing of tenders issued by the local government. Inventory procurement usually takes place in second and third quarters of each fiscal year, after the harvest period for Jute crop. Moreover, production activity remains low in the first quarter and picks up during the second quarter as mills begin preparing stocks in anticipation of government tenders that are usually issued December onwards. The government's buying patterns have not varied over the years (buying through tenders and in the quantity more or less being the same).
- **Economic Indicators:** Inflationary Pressure, high interest rates & Rupee devaluation, such factors have major impact on the business. High inflation hurts the operational side where as interest rates restrain the bottom line. Moreover, with the removal of RCET from Mar'23 onwards, the cost of doing business for Sector players increased.



Local | Business Risk

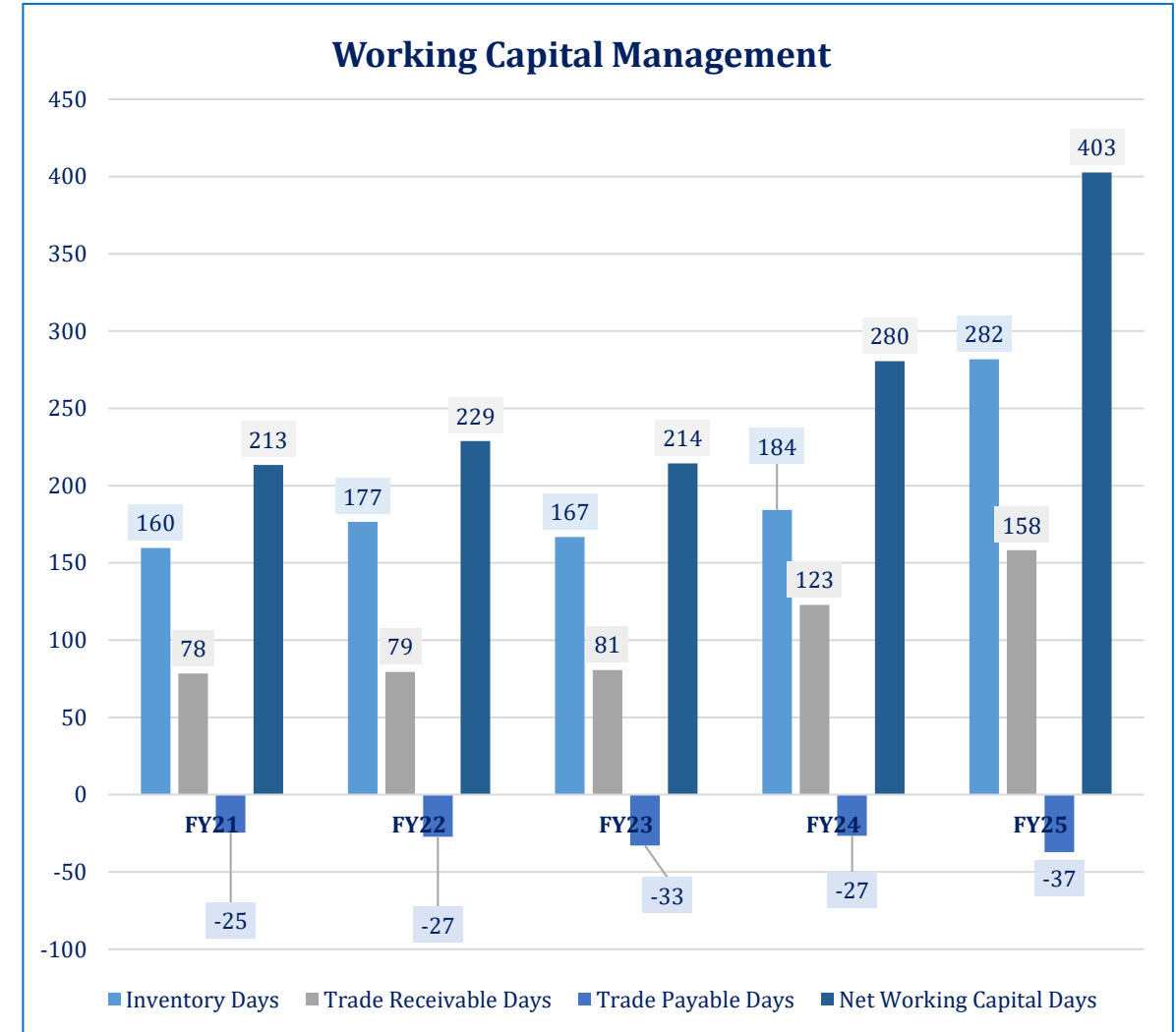
- The margins of Jute Sector are significantly dependent on three factors (i) Jute export prices in Bangladesh, (ii) exchange rate fluctuations, and (iii) local demand. The volatility in profit margins is attributable to changes in prices of imported raw material, i.e. Raw Jute, along with volatility in exchange rates.
- The Sector's average gross margin went down from ~13.6% in FY24 to ~10.7% in FY25, mainly due to increased cost of raw material imported from Bangladesh, while sales revenue grew at a slower pace than costs. Operating margin fell from ~13.2% in FY24 to ~9.4% in FY25. Average net margins experienced a rise of ~3.2% in FY25, going from ~6.7% in FY24 to ~9.9% in FY25. Net margin increased despite declining gross and operating margins, primarily because finance costs fell by ~35.7% YoY. The reduction in borrowing cost outweighed the operating pressure.
- During FY25, raw material constituted ~80.0% of manufacturing costs (FY24: ~79.0%), followed by salaries and wages that comprised ~13.0% of the total cost during both years.



Note: Historical margins and cost break-up is estimated from data of two players in the Jute Sector that jointly hold ~72% of the market share.

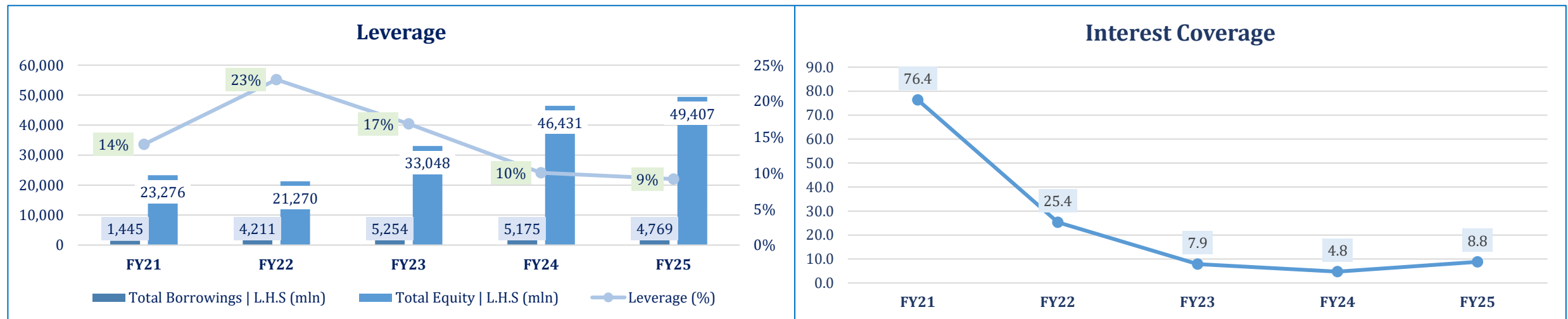
Local | Financial Risk

- The Sector's working capital is largely a function of its inventory and trade receivables, while also being exposed to seasonality. Majority of the procurement of raw material usually occurs during the second and third quarters of the fiscal year, i.e. from October to March. Raw material is usually procured in bulk for use for the entire year, while working capital is financed through short-term borrowings.
- Offloading of finished goods picks up after December as large orders won through government tenders have to be filled. As a result, working capital requirements begin to decline in the second half of the fiscal year. Any delays in payment from the government likely result in an increase in trade receivable days.
- During FY25, the working capital cycle deteriorated as it increased by ~123 days from ~280 days in FY24 to ~403 days in FY25. The rise in working capital cycle was due to an increase in inventory cycle by ~98 days (from ~184 days in FY24 to ~282 days in FY25). This reflects the fact that high inventory levels were strategically being maintained during the year, likely because Sector Players were anticipating further increase in import prices.
- Additionally, average trade receivables rose by ~35 days to ~158 days in FY25 from ~123 days in FY24, reflecting delay in payments to be received. However, average trade payables increased by ~10 days (FY25: ~37 days; FY24: ~27 days).



Local | Financial Risk

- In FY25, the Jute Sector's total borrowings decreased by ~7.8%, recording at PKR~4,769mln (SPLY: PKR~5,175mln). Of these, short-term borrowings made up ~25.4%, while ~74.6% comprised long-term borrowings (FY24 borrowing mix – Short-term Borrowings: ~23.0%, Long-term Borrowings: ~77.0%).
- In view of the nature of the business, where keeping the working capital requirement smooth is essential, short-term borrowings normally take up the major share in the total borrowings. However, in order to finance new plant and machinery by one of the major listed players in the Sector, the proportion of Sector's long-term borrowings is higher than the proportion of short-term borrowings between FY22-FY25.
- The Sector's capital structure is sound as it has a low level of leverage. In FY25, leverage stood at ~9% compared to ~10% in FY24.
- Interest rates were cut down to ~11% by 2025 after reaching a record high of 22% in June 2024, consequently improving interest coverage to ~8.8x in FY25 (FY24:~4.8x). Looking back, the Sector has strong coverage overall, peaking in FY21 at~76.4x due to relatively less borrowings. The coverages decreased in FY22 with interest rates rising sharply on the basis of weaker operating earnings amid elevated raw-jute prices and PKR depreciation. This trend continued into FY23 (~7.9x) and FY24 (~4.8x).



Jute

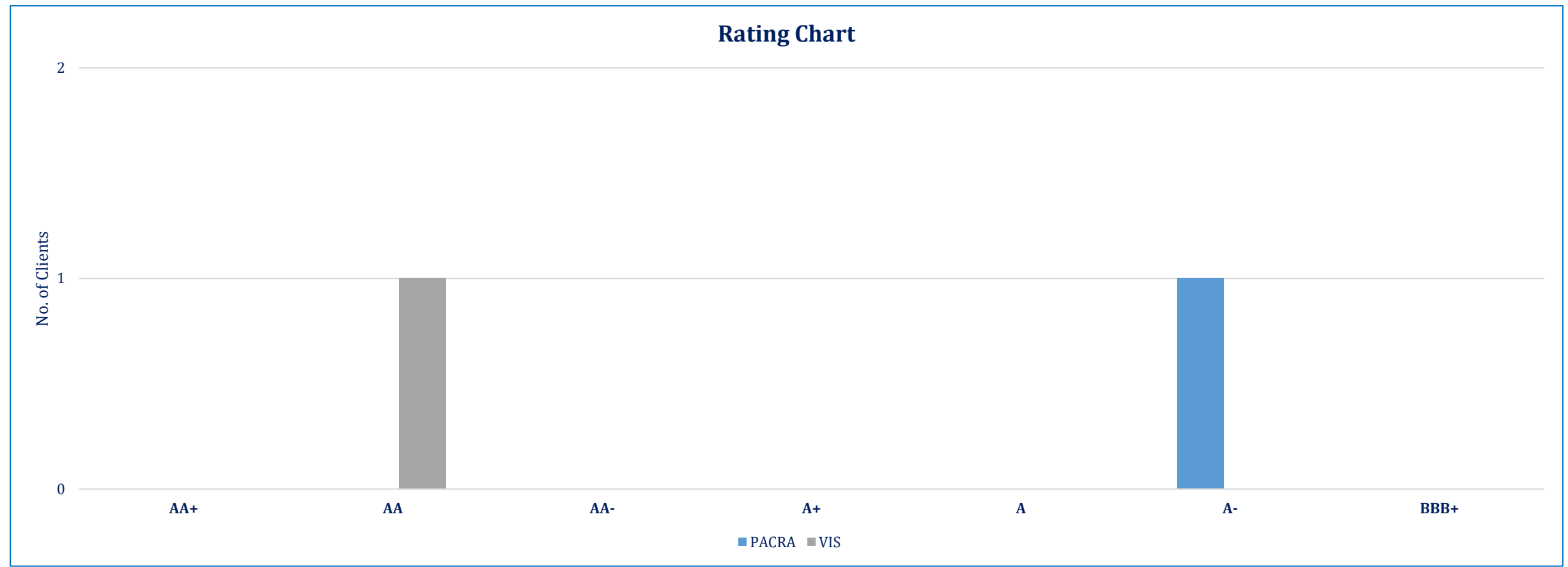
Local | Duty Structure

- The duty structure implemented by the government provides protection to local Jute Mills. The applicable duties can be seen in the table below. In addition, sales tax of 18% is also applicable to this Sector.

PCT Code	Description	Additional Custom Duty		Custom Duty		Regulatory Duty		Total	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
53.03	Jute, raw or processed but not spun	2%	0%	0%	0%	0%	0%	2%	0%
53.07	Jute Yarn	2%	0%	0%	0%	0%	0%	2%	0%
53.1	Woven fabrics of Jute	4%	2%	16%	15%	0%	0%	20%	17%
6305.1	Sacks and bags, made from jute, used for packing of goods	6%	4%	20%	20%	10%	10%	36%	34%

Rating Curve

PACRA rates one entity in the Jute Sector.



SWOT Analysis

- Availability of cheap labor
- Government support in the form of favorable duty structure

- Exchange rate volatility
- Fluctuations in raw material prices
- Stagnant demand



- Reliance on imported raw material
- Imports concentration in one country
- Reliance on single local buyer (Government)

- Environment consciousness and ban on plastic could create demand for biodegradable packaging products
- Reduction in custom duty of raw material
- Export opportunities remain to be exploited
- Product diversification

Outlook | Stable

- In FY25, Pakistan's GDP (nominal) stood at PKR~114.7trn (FY24: PKR~105.1trn), increasing, in real terms, by ~9.1% YoY (FY24: ~26.4% growth). Industrial activities in FY25 held ~18.1% share in the GDP while the manufacturing activities made up ~65.3% of the value addition. In 3QFY25, Pakistan's nominal GDP stood at PKR ~12.38trn (3QFY24: PKR ~10.46trn), growing in real terms by~2.4% YoY (2QFY25: ~1.5% YoY), indicating a modest pickup versus the prior quarter.
- Pakistan's Jute Sector enters FY26 from a weak base after FY25 production fell ~27% to ~30,000 MT, with Sacking Bag production sharply contracting (~-46% YoY) . With mills reliant on imported raw jute and government demand, capacity utilization is likely to remain subdued and margins pressured by elevated USD/MT prices, PKR volatility and demand risk.
- Pakistan is almost entirely dependent on Bangladesh for its imports of Raw Jute and yarn of Jute (~99% of both items is imported from Bangladesh). During FY25, imports stood at PKR~4,974mln as compared to PKR~6,970mln in FY24 (FY23: PKR~14,216mln), a decrease of ~28.6% YoY. The decrease in imports in value terms came on the back of a decline in the imports in quantitative terms.
- In FY25, the Sector's average gross margin declined from ~13.6% in FY24 to ~10.7% in FY25, while operating margin also decreased from ~13.2% in FY24 to ~9.4% in FY25. Average net margins experienced a rise of ~3.2% in FY25 and increased from ~6.7% in FY24 to ~9.9% on the back of lower finance costs. The working capital cycle deteriorated as it increased by ~123 days from ~280 days in FY24 to ~403 days in FY25.
- Financial risk for the Sector is low, as Sector Players have demonstrated a strong ability to fulfill financial commitments over the last 5 years, especially in terms of interest payments. Although interest coverage declined by~66.8% in FY22, it still remains relatively high at ~8.8x in FY25. With low leverage and policy rate at ~11%, the Sector's strong interest coverage looks sustainable into FY26.
- Looking forward, the Sector's outlook is stable mainly because financial risk is low, however flat to mildly negative production trends are expected unless (i) larger government orders for jute sacks return, (ii) raw-jute import prices ease, and/or (iii) policy support for biodegradable packaging strengthens—any of which could stabilize production.

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