PACRA
Together Creating Value

SECTOR STUDY | 20th NOVEMBER, 2026

Paper & Packaging

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Paper & Packaging

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Introduction

Packaging refers to the enclosing or protecting of goods for distribution, storage, sale, and use. The packaging industry is mostly segmented according to the types of material used.

Plastic

Plastic packaging is composed of synthetic materials derived from various organic polymers like polyethylene, PVC, and nylon. These materials can be molded into specific shapes while in a pliable state and then solidified into either a rigid or slightly flexible form. These encompass items like PET bottles and Plastic boxes. Additionally, it includes flexible packaging options like Plastic bags and pouches.

Paper & Cardboard

Paper-based packaging is typically employed for smaller items such as food and gifts, and tends to be lighter than cardboard. Cardboard packaging is used for handling heavier products and is characterized by its substantial weight and bulkiness. Additionally, cardboard packaging serves as a reliable option for shipping materials and products, offering essential support. This category encompasses various forms like cartons, corrugated boxes, as well as bags and Paper sacks.

Metal

It refers to the use of metallic materials, such as aluminum and steel, as packaging materials. These metals are known for their durability, strength, and ability to protect goods from external factors like moisture, light, and air. They are commonly used in the manufacturing of cans, foils, lids, and other packaging solutions. Metals in packaging are favored for their ability to provide a secure and long-lasting enclosure for a wide range of products, including food, beverages, pharmaceuticals, and various consumer goods.



Source: Science Direct

Global | Overview

- The global Paper Packaging market was valued at USD~458.8Bn in CY25 and is estimated to reach USD~480.0Bn in CY26, with projections of USD~601.7Bn by CY31. Food & beverage, e-commerce and pharmaceuticals remain the main demand drivers, as brands move toward recyclable, protective and lightweight fiber-based packaging.
- On the supply side, the market tightened sharply in CY26 after mill closures in CY25 removed nearly 10% of North American capacity for containerboard (paperboard used to make corrugated boxes). Producers announced three rounds of containerboard price increases during CY26, including PCA's USD~140/ton hike effective Sep'26, while higher recovered-fiber, energy and freight costs contributed to price increase.
- Asia-Pacific remains the largest region, with its paper packaging market estimated at USD~193.1Bn in CY26 (~40% of the global market) and estimated to grow at a CAGR of ~4.5% till CY31. China leads at USD~96.1Bn in CY26, where corrugated boxes hold ~35.6% share on rising e-commerce demand. India's paper & paperboard packaging market is estimated at USD~14.5Bn in CY26, growing faster at a CAGR of ~6.1%.
- The industry has consolidated after Smurfit Kappa's acquisition of WestRock, International Paper's acquisition of DS Smith and Packaging Corporation of America's (PCA) purchase of Greif's containerboard business. International Paper, Smurfit Westrock, Mondi, PCA and Stora Enso are the leading players. The top three containerboard producers in North America now control ~65% of the region's total capacity following a major wave of industry consolidation.
- The global paper packaging market is projected to grow at a CAGR of ~4.6% over CY26-CY31, ahead of ~3.4% for the overall packaging market. Paper is the fastest-growing packaging material as regulators and brands favor renewable fiber over plastic. Plastic still held which ~41.6% of global packaging in CY25. Extended Producer Responsibility (EPR) frameworks, including pilots in China and India, continue to support demand for recyclable packaging.

Source: Mordor Intelligence, Packaging Dive, Market Research Future

Local | Overview

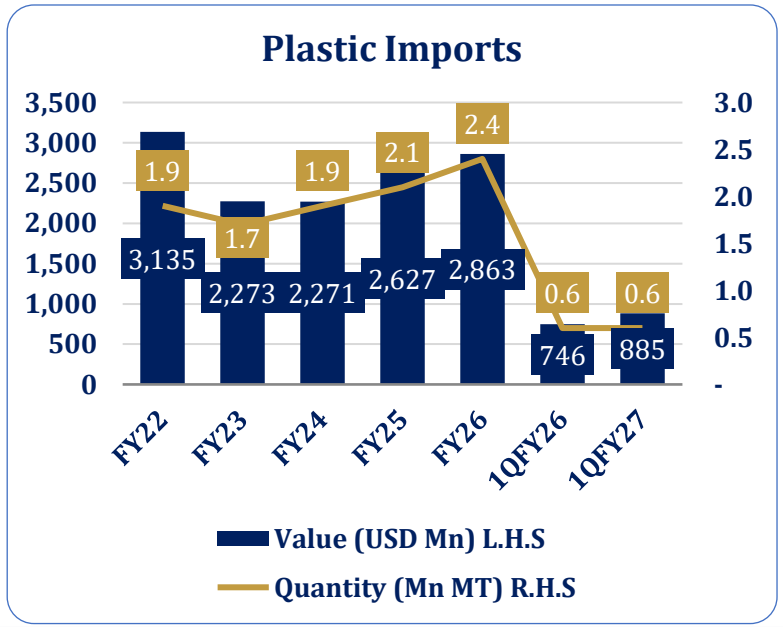
- Pakistan's Paper & Packaging Sector consists of three major segments - Plastic, Paper, and Tinplate. Plastic and Paper segments occupy the major share of the total market, while other materials (Tinplate and Glass) have relatively smaller share.
- Paper remains the largest segment in the sector. This segment recovered by ~8.1% YoY to reach PKR~152.5bn in in revenue in FY26, lifting its share of total sector revenue to ~52.6. Plastic segment revenue was largely flat in FY25, dipping ~0.8% YoY to PKR ~111.9bn, before rebounding to PKR~119.2bn in FY26. Performance during this period was heavily influenced by supply chain disruptions stemming from the Middle East conflict, which drove imported raw material costs up by ~50%.
- Tinplate revenue declined by ~30.7% YoY to PKR~18,022mn in FY26, reducing its share of total sector revenue to just ~6.2%. Reflecting weaker overall domestic demand, tinplate imports nearly halved to USD~12.9mn in FY26. Conversely, export performance showed resilience: exports grew ~10.9% to USD~6.1mn and expanded further to USD~18mn in FY26 as the industry onboarded new trading partners, most notably Portugal, as shipments to Afghanistan reduced sharply.

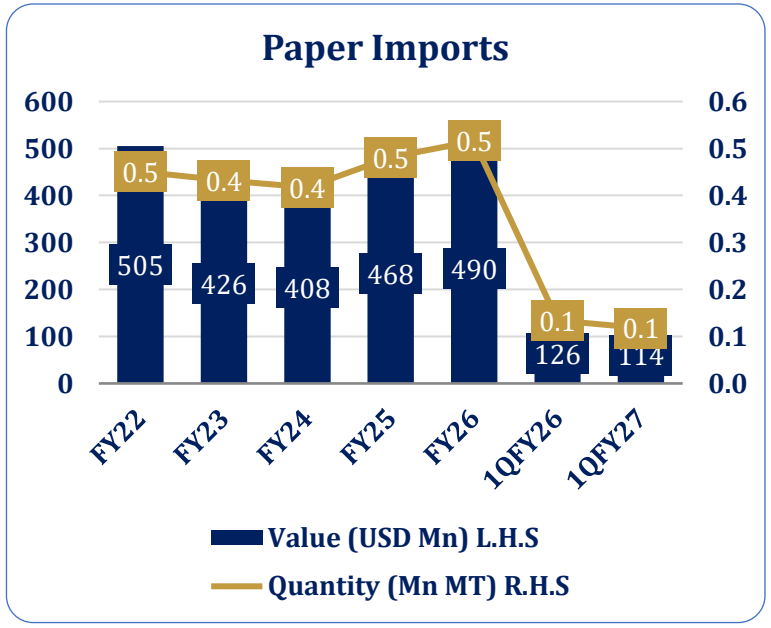
Particulars	FY24	FY25	FY26
Revenue (PKR mn)	287,358	278,977	289,801
Paper			
Revenue (PKR mn)	147,407	141,104	152,561
% Share in Total Revenue	51.3%	50.6%	52.6%
Imports (USD mn)	408	468	490
Plastic			
Revenue	112,807	111,858	119,218
% Share in Total Revenue	39.3%	40.1%	41.1%
Imports (USD mn)	2,271	2,627	2,863
Tinplate			
Revenue (PKR mn)	27,144	26,015	18,022
% Share in Total Revenue	9.4%	9.3%	6.2%
Imports (USD mn)	22.9	24.7	12.9
Exports (USD mn)	5.5	6.1	18.0

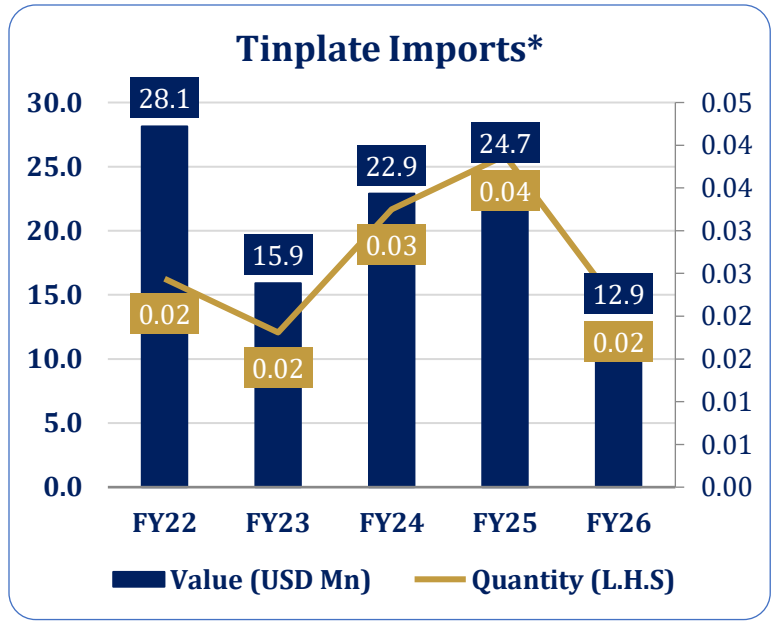
Source: Trade Map, PSX, PACRA Database

Local | Segment-wise Imports

- **Plastic:** FY26 imports rose ~9.0% to USD 2,863mn on ~13.5% more volume, so unit values slipped ~4%. Resin prices were low until the Middle East conflict began in late February 2026, so the spike affected only the last four months of FY26. In 1QFY27, value rose ~18.6% to USD ~885mn while volume fell ~1.7% to ~0.6mn MT. Middle East supplies 70–80% of Pakistan's plastic raw material.
- **Paper & Packaging:** FY26 imports rose ~4.7% to USD 490mn on ~7.3% more volume (~0.5mn MT). In 1QFY27, import value fell ~9.5% to USD 114mn and volume reduced by ~11.9% to ~0.12mn MT (1QFY26: USD 126mn, ~0.13mn MT). Volumes fell even though the rupee averaged ~PKR 277.6/USD, slightly stronger than in 1QFY26 (~PKR 279.0), which kept landed costs in check.
- **Tinplate:** FY26 imports roughly halved, with value down ~48% to ~USD 12.9mn (FY25: USD ~24.7mn), the lowest of the five years shown, and quantity down to 0.02mn MT (FY25: ~0.04mn MT). Increased exports to USD 18mn (FY25: USD 6mn) and local production of tinplate in FY26 is consistent with the drop in imports of FY26.







Note: HS codes used for Tinplate imports is 7209.2890 7209.1690, 8007.0010

Source: PBS, PSW

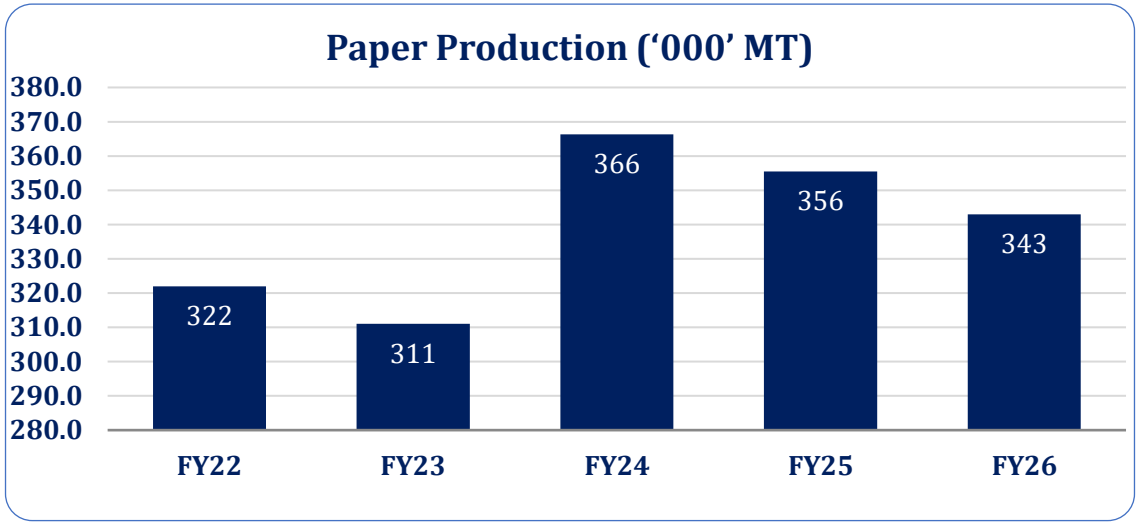
04 · SEGMENT

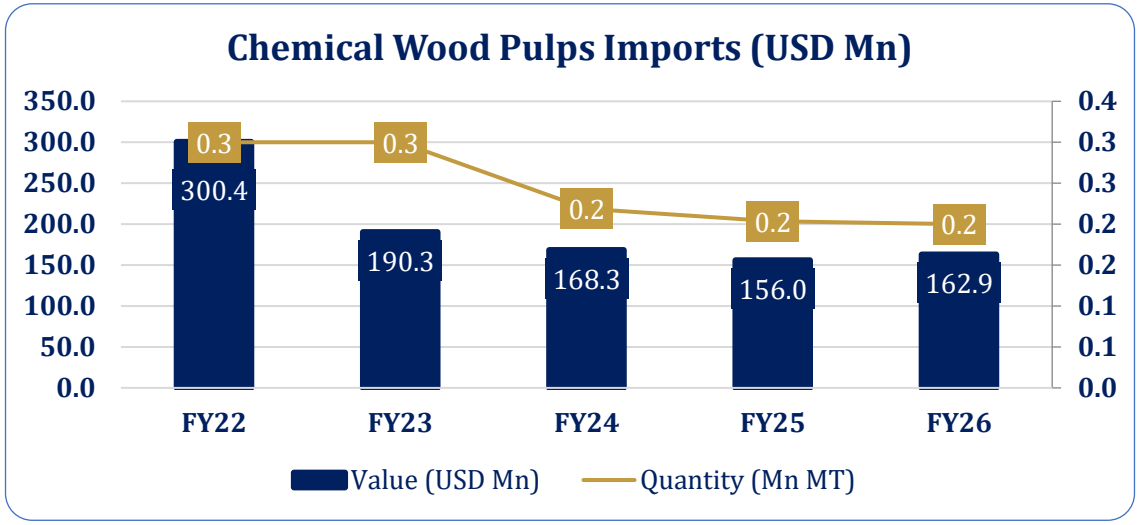
Paper Packaging



Business Risk | Paper

- Paper output fell ~3.7% to ~343,000 MT in FY26 (FY25: ~356,000 MT). This is a second consecutive decline from the FY24 peak of ~366,000 MT, though output is still ~15% above FY22 (~322,000 MT).
- In FY26, Paper and board imports rose ~7.3% in volume to 0.5mn MT (0.4mn MT in FY25) while local output fell.
- Chemical wood pulp imports rose ~4.4% in value to USD ~163mn (FY25: USD ~156mn) on slightly lower volume (~0.20mn MT). That implies higher prices as bleached eucalyptus kraft (BEK) pulp rallied in early 2026 (up USD 120/t in January). Value is still ~46% below FY22.
- Mills also face wider input cost inflation. Prices of kraft paper, pulp, adhesives, inks and fuel increased sharply over the past year, and Hormuz-related energy costs added to this.
- Trade protection covers only part of the market. In Jan-26, the NTC concluded an anti-circumvention investigation and kept the 29% anti-dumping duty on Chinese coated bleached paperboard. Converters argue that local manufacturers are unable to meet required quality and specifications. The FY27 budget rationalized duties on imported paper and paperboard to ease concerns.

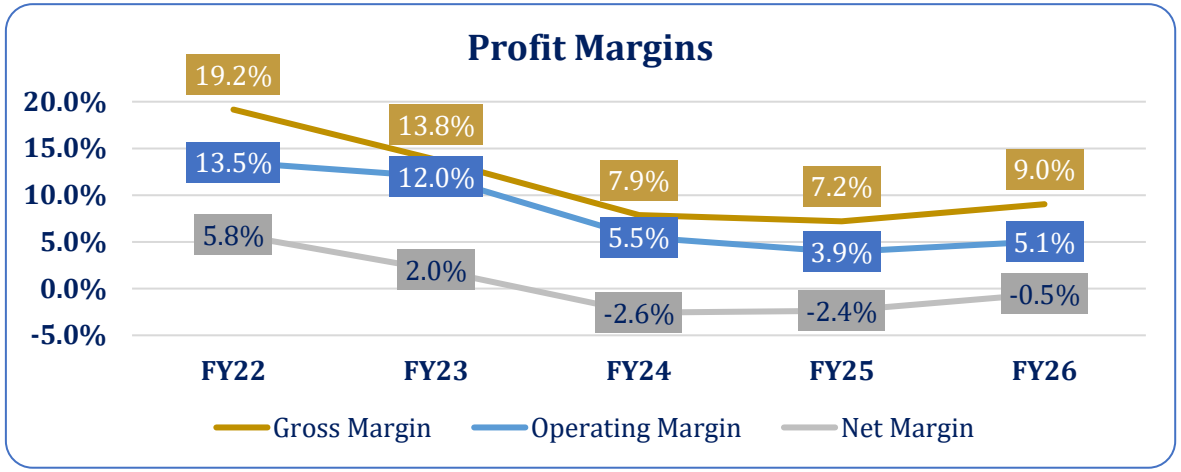


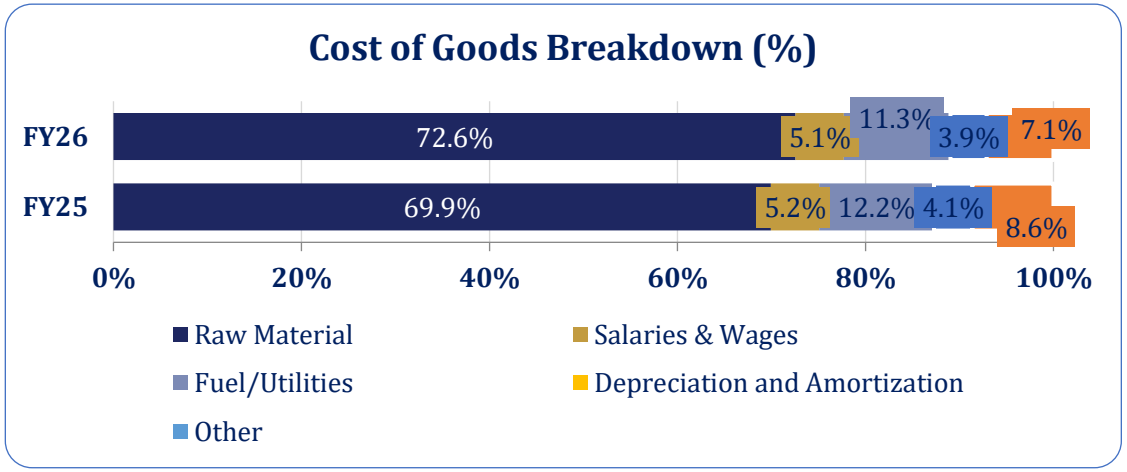


Note: *HS codes for Chemical Wood Pulps includes (4702, 4703 & 4704)*
Latest data available till FY26

Source: PBS, PSW

Margins | Paper



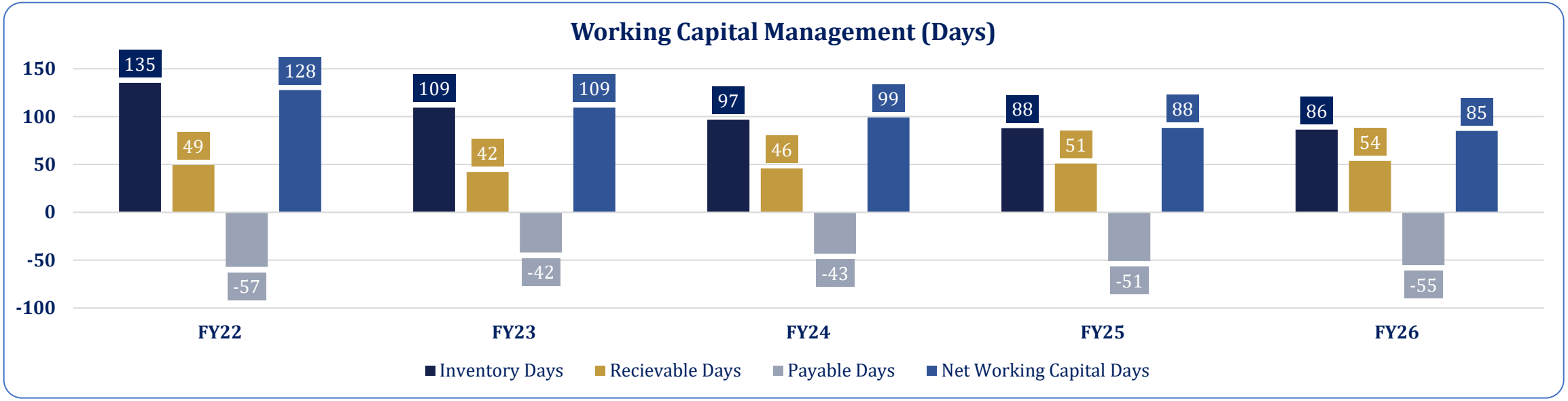


- Mills and converters earn mainly from domestic sales of paperboard, corrugated boxes and folding cartons to food, textile and pharma customers, with exports having a small share. In FY26, Gross margin rose to ~9.0% (FY25: ~7.2%) because sales growth (~8.1%) outpaced COGS growth of ~6.0%.
- Operating margin rose to ~5.1% (~3.9%) as operating costs stayed relatively contained, so most of the gross gain carried through. In FY26, Net margin narrowed to ~-0.5% (~-2.4%) as losses curtailed to an extent with finance cost decreasing by ~35.5% on YoY basis. The sector still closed FY26 in a net loss.
- The decline in non-operating performance was much sharper at 30% in FY25 compared to about 14% in FY26, as other income helped curb the losses. Other income came from recurring operational by-products (scrap sales), profit on bank deposits, government grants, and gains on asset disposals and insurance claims.
- Raw material rose to ~72.6% of COGS (FY25: ~69.9%), alongside a pulp price rally in early 2026 (BEK up USD 120/MT in January). Raw materials include, but are not limited to, domestic agricultural residues (such as wheat straw), locally sourced and imported recycled waste paper, and surface-coating chemicals.
- Fuel and power expenses decreased across the paper and packaging sector due to industrial grid tariff rationalizations and lower power purchase prices. Manufacturers also curbed reliance on costly grid electricity and RLNG by shifting towards captive solar and coal generation. Fuel prices have increased significantly in 4MFY27 along with higher inflation. This is likely to keep margins suppressed.

Note : *Data is reflective of PACRA-rated/Listed sector players*

Source: PSX, PACRA database

Financial Risk | Paper

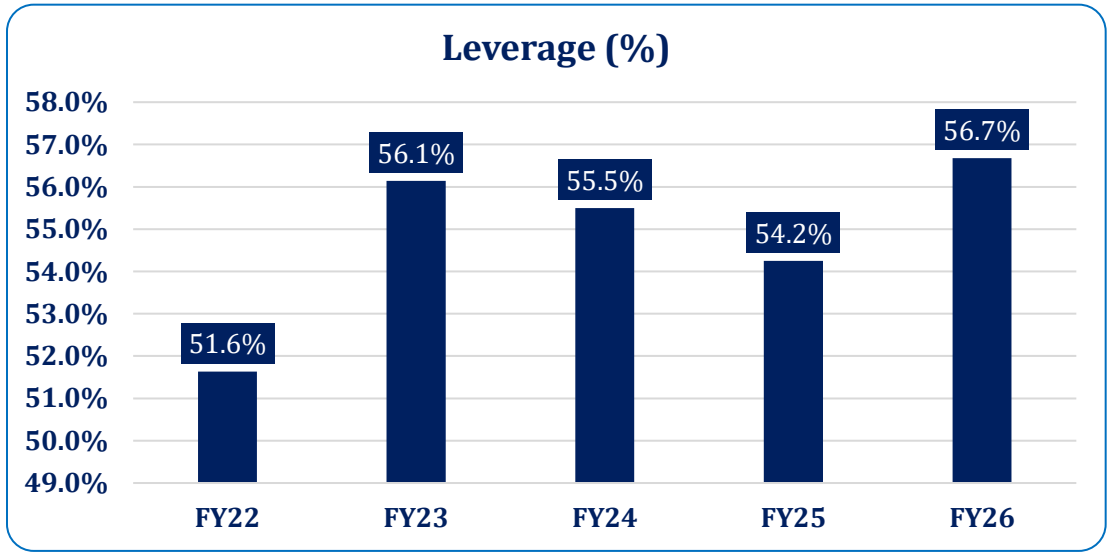


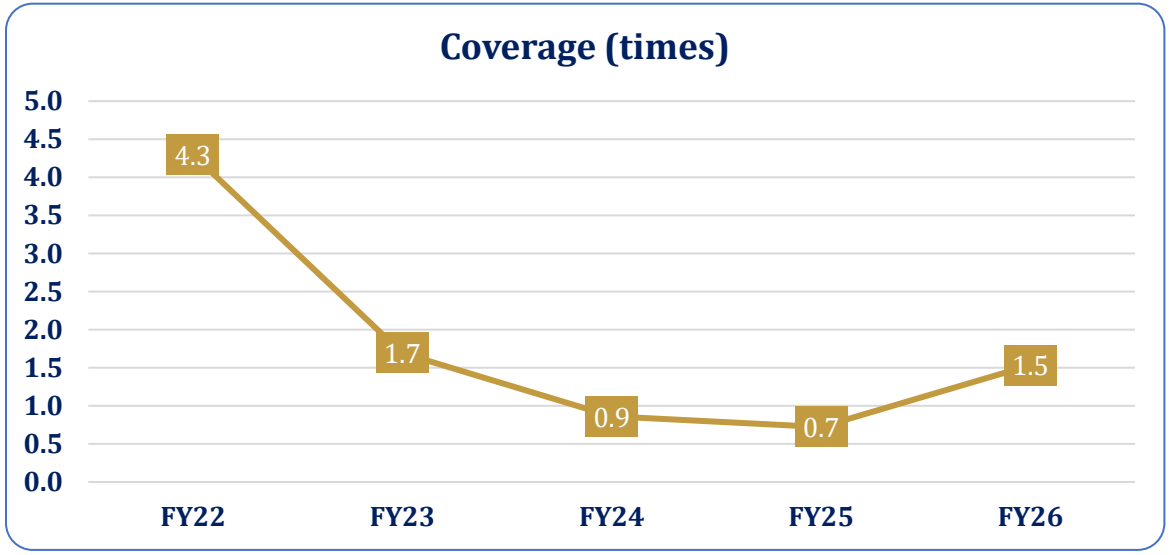
- The working capital cycle shortened to ~85 days in FY26 from ~88 in FY25 as inventory days eased to ~86 (FY22: ~135) and payable days rose to ~55 days from ~51 days, which outweighed receivable days lengthening to ~54 days from ~51 days.
- Inventory days have been reducing every year as sector players optimize their operations. Local producers rely heavily on foreign suppliers for critical inputs like pulp, recycled paper, chemical additives, and equipment. As these imports make up a significant portion of their production costs, businesses find themselves constantly exposed to currency fluctuations, expensive international freight rates, and bottlenecks. Buffer stocks are built in anticipation of adverse supply chain shocks, like the war in Middle East, which ties up resources in working capital management.
- Short-term borrowings are the largest share of segment debt at ~66.0% because the cycle is still long so mills must finance almost three months (~85 days) of inventory and receivables net of supplier credit, and short-term bank lines are the utilized for it.

Note : *Data is reflective of PACRA-rated/Listed sector players*

Source: PSX, PACRA database

Financial Risk | Paper



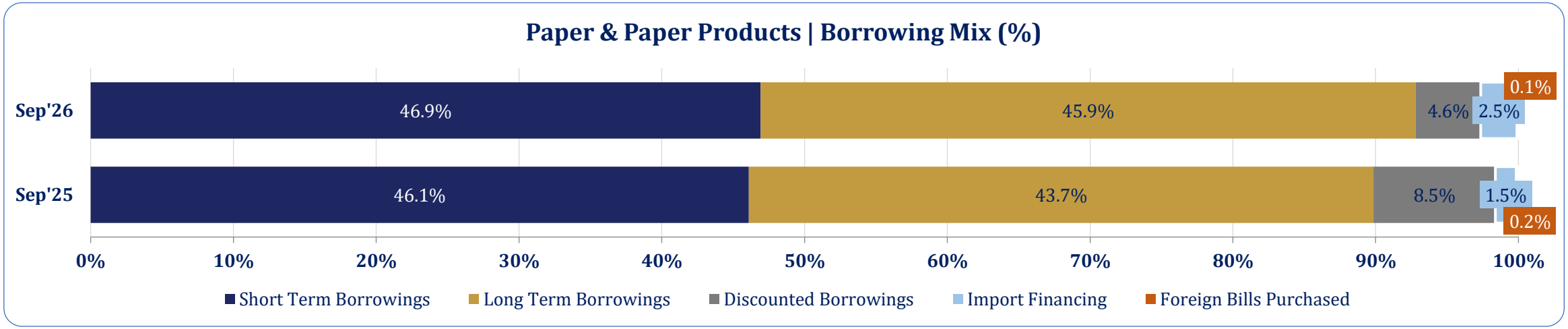


- Leverage rose to ~56.7% in FY26, the highest in five years, but still remains moderate. Most of the increase was short-term borrowing (~66% of debt), as costlier inputs tied up more working capital.
- Interest coverage rebounded above 1x for the first time in two years, reaching ~1.5x in FY26 (FY25: ~0.7x) on the back of lower borrowing costs. Following cumulative rate cuts, the policy rate held at 11% through most of FY26 before easing to 10.5% in mid-December 2025. Despite this relief, the sector's financial cushion remained fragile, with a net margin of ~-0.5% leaving no internal cash generation for debt reduction.
- Rates are rising again. SBP raised the policy rate by 100 basis points to 11.5%, effective April 28, 2026, then by 50 basis points to 12% in October, amid rising energy costs linked to the US-Iran war. With mostly short-term debt and only a ~1.5x cushion, higher finance costs or weaker earnings could push coverage back and extend the losses.

Note : *Data is reflective of PACRA-rated/Listed sector players*

Source: PSX, PACRA database

Financial Risk | Borrowings



- Overall borrowings rose ~4.4% YoY to PKR ~155bn at end-Sep'26. Borrowing stays high mainly because financing costs and working-capital needs have both risen with rising energy prices, inflation and cash tied up in inventory and receivables. Producers therefore rely on short- and long-term bank lines to fund operations and capacity.
- Long-term borrowings rose to ~45.9% of the mix at end-Sep'26 from ~43.7% a year earlier, nearly level with short-term borrowings at ~46.9%, which stays the largest share.
- Discounted borrowing (LTFF & EFS) fell to ~4.6% from ~8.5%, consistent with the IMF-linked transfer of SBP's subsidized export-finance schemes to EXIM Bank. Import financing rose to ~2.5% from ~1.5% in line with costlier imported pulp (~6% higher unit values in FY26).
- SBP raised the policy rate by 100 basis points to 11.5% in April 2026 and by 50 basis points to 12% on 26 Oct, citing energy prices and inflation. Short- and long-term lines are ~93% of borrowings, so the segment is exposed to higher rates.

Note: *Data pertains to SBP Classification " Manufacturing of Paper & Paper Products"*

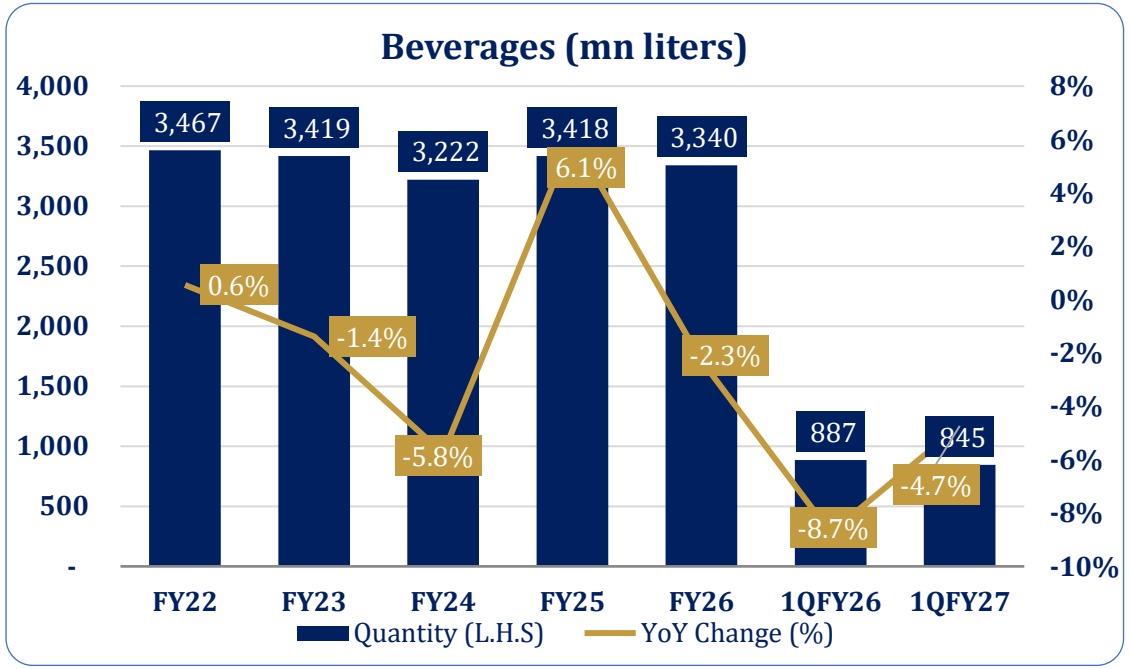
Source: SBP

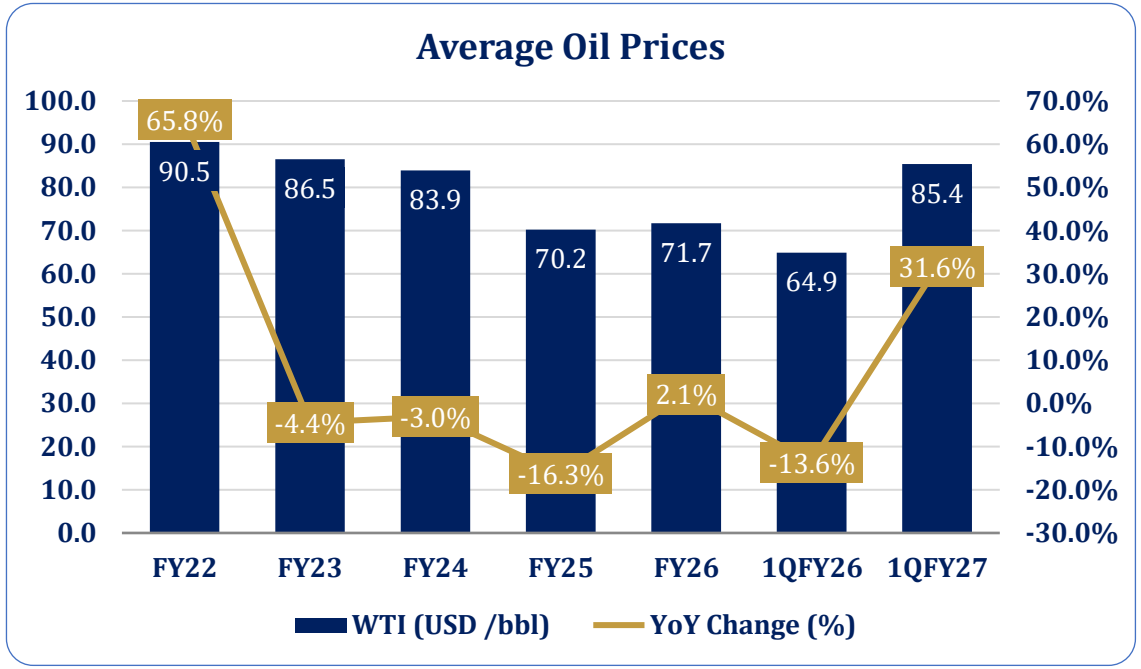
05 · SEGMENT

Plastic Packaging



Business Risk | Plastic

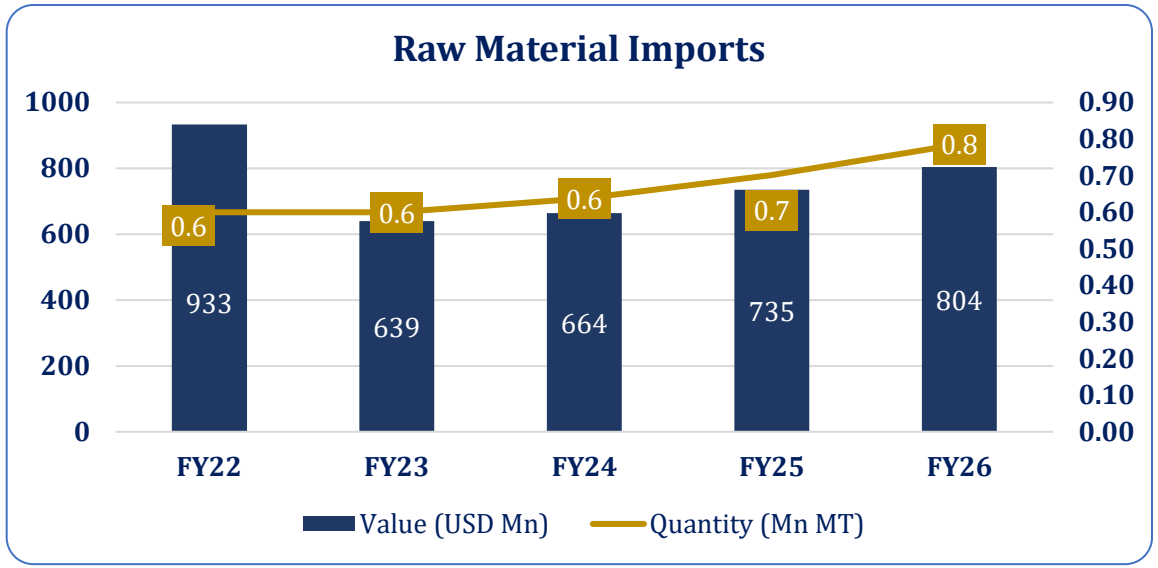


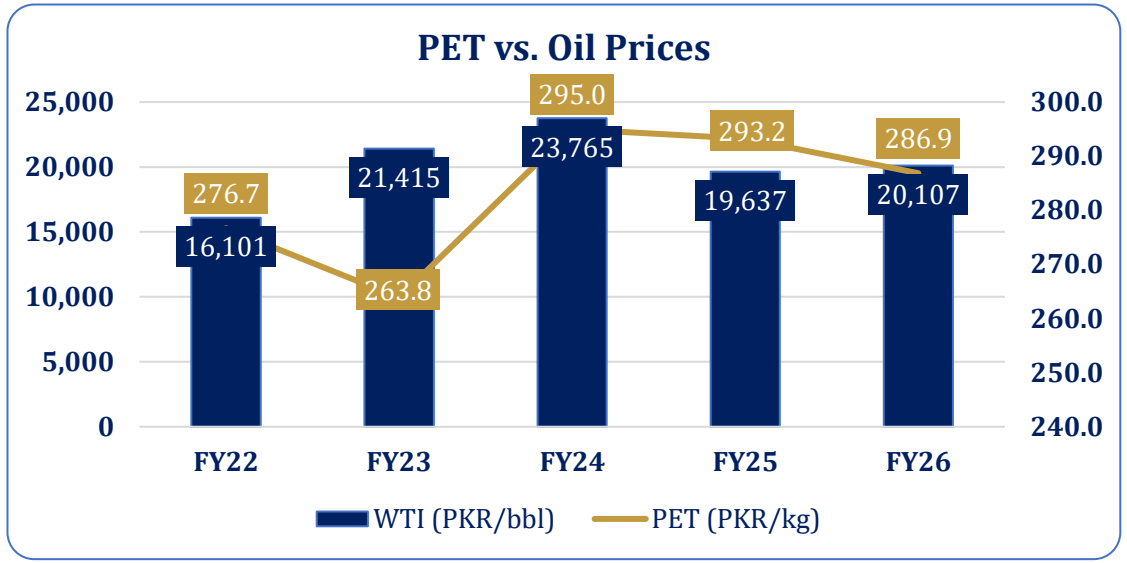


- WTI averaged USD ~84.4/bbl up ~31.6% YoY from USD ~64.9/bbl, which keeps resins costs elevated for converters. Beverage output, the largest end-market for plastic bottles and closures, fell ~2.3% to ~3,340mn liters in FY26 after rising ~6.1% (~3,418mn liters) in FY25. Demand stayed under pressure as the 20% FED on sugary drinks, on top of 18% GST, kept retail prices high. There is a ~4.7% decrease recorded in the production of beverages in 1QFY27 with ~845mn liters.
- WTI averaged USD~71.7/bbl in FY26, up ~2.1% from USD~70.2/bbl, after a ~16.3% fall in FY25, but the annual average masks the impact of Middle East conflict that began in FEB 2026. Crude and oil linked resin prices rose in 1QFY27 at USD 85.4/bbl. Bottle and closure makers typically work on price pass-through consumers, so margins are largely protected.

Source: PBS

Raw Material | Plastic



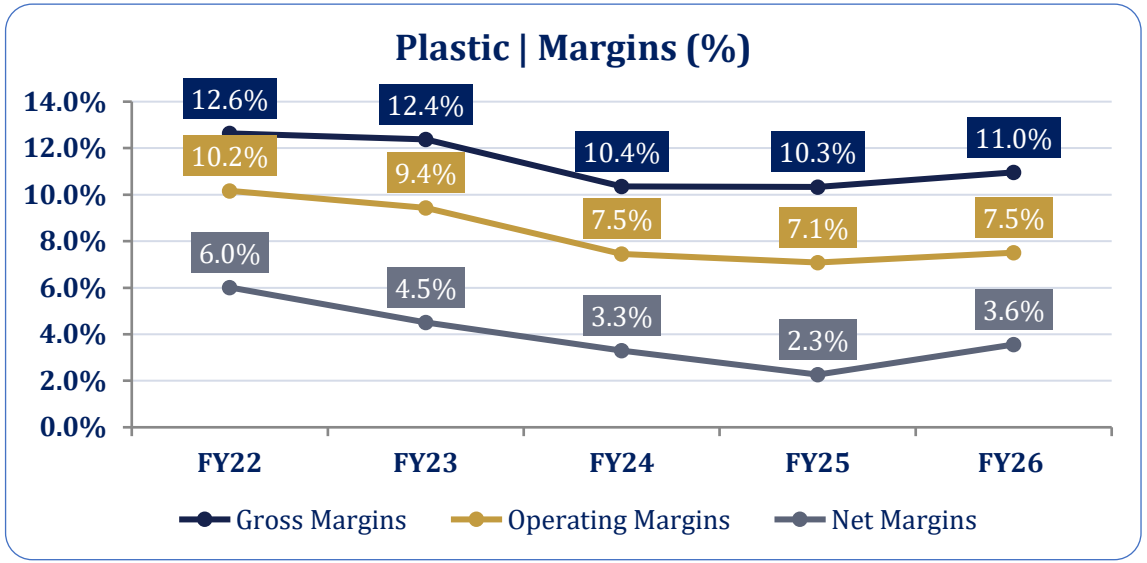


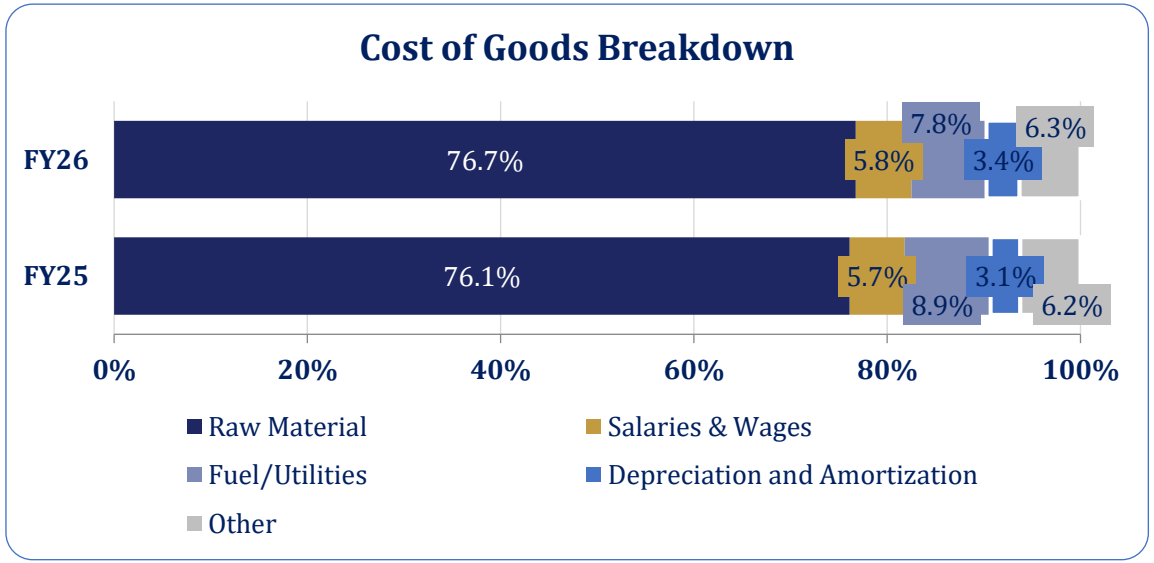
- Raw Material import value rose ~9.3% to USD~804Mn and volume ~12.0% to ~0.79Mn MT in FY26 (FY25: USD~735Mn, ~0.70Mn MT). Average value is still ~14% below FY22 (USD~933Mn).
- In FY26, WTI prices rose ~2.4% to PKR~20,107/bbl, yet PET import prices fell ~2.2% to PKR~286.9/kg (FY25: PKR~293.2/kg). The 2026 oil spike lifted PET less than PE (~42% vs ~74–76% in Jan–Apr) because only ~15% of global PET exports come from the Middle East, and China PET softened from ~USD 1,324/MT in May to ~USD 1,178/MT in June as crude eased.
- Pakistan relies on imports, mainly from China, Thailand and Malaysia, as only two producers (Pakistan Synthetics and Ecopack) supply locally. Feedstock disruption (PX, PTA, MEG) from the Middle East pushed Asian PET above USD 1,200/MT FOB in spring 2026, so import costs follow regional supply shocks.

Note: *HS codes for Raw Materials stand for Polymers of Ethylene in Primary Forms includes (3901)*
HS Code 3901 covers polymers of ethylene in primary forms, which packaging manufacturers use as raw resins for laminates, and paper coatings.

Source: PBS, PSW

Margins | Plastic



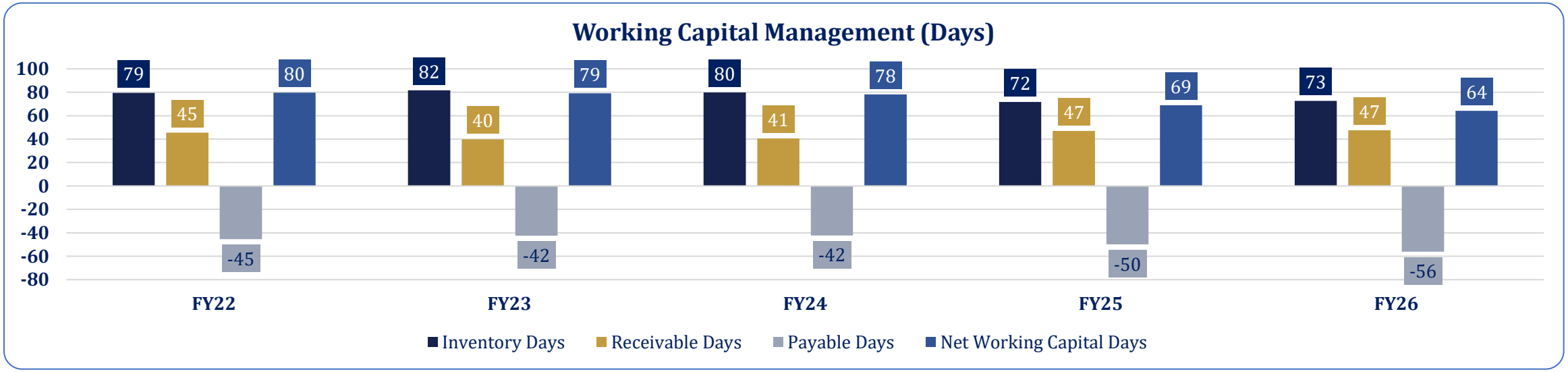


- Plastic revenue comes from rigid PET packaging sold to food and beverage makers, so sales track the beverage cycle and peak when consumption is higher. Results are exposed to PET resin and energy prices, exchange rates and demand.
- FY26 margins recovered, though not back to FY22 levels. Gross margin widened to ~11.0% (FY25: ~10.3%). Revenue grew 6.6% on the back of steady demand, while cost of sales rose 5.8%, so revenue grew only slightly faster than costs, which limited the gain. Operating margin rose a smaller margin to ~7.5% (FY25: ~7.1%), as part of the gross-level gain went to operating expenses. Net margin improved the most to ~3.6% (FY25: ~2.3%). Two things drove this: higher other income, and lower financing costs as the policy rate fell from 22% to 10.5% by Dec 2025.
- Raw material barely moved at ~76.7% of COGS (FY25: ~76.1%). Pakistan relies on imported polymers, and resin prices track international oil prices, so volatility in oil prices and exchange rates is a significant source of risk. In FY26, prices of plastic raw materials have already increased significantly. This is linked to import constraints linked to geopolitical tensions in the region. Local sourcing offers little relief, as locally produced raw materials currently cost more than imported ones.

Note : *Data is reflective of PACRA-rated/Listed sector players*

Source: PSX, PACRA database

Financial Risk | Plastic

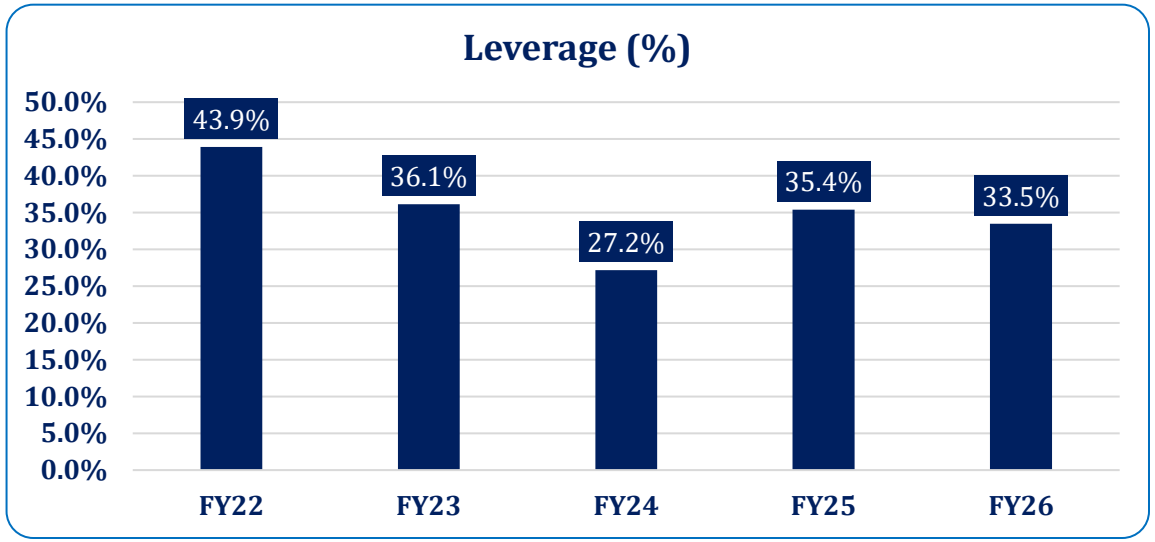


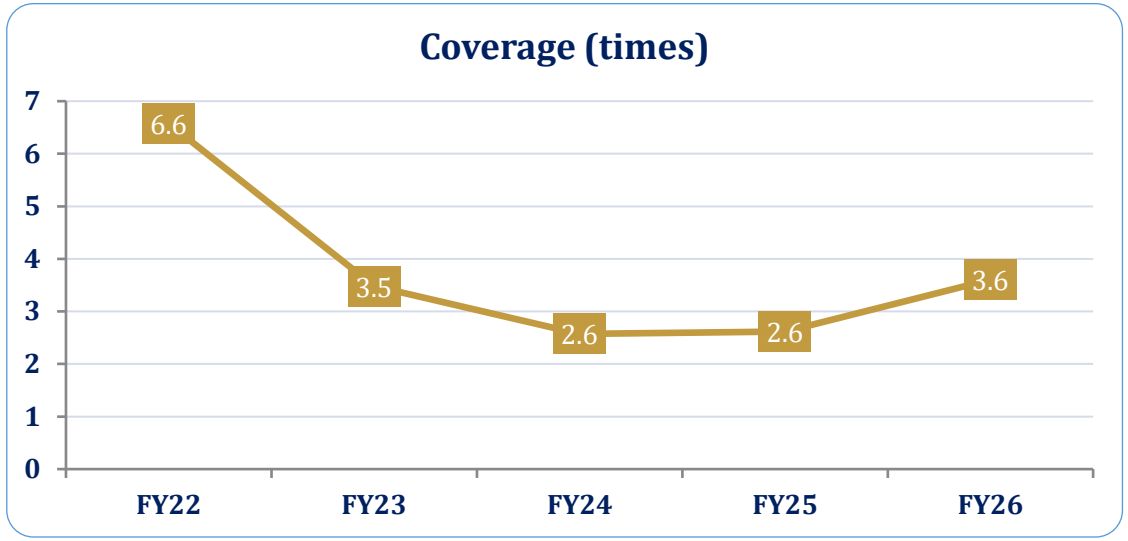
- Net working capital days fell to ~64 days in FY26 from ~69 days in FY25 (FY22: ~80), driven by higher payables, which rose to ~56 days from ~50. Inventory (~73 days in FY26) and receivable days (~47 days in FY26) were flat.
- Most plastic processors buy resin, imported or from local distributors, largely on credit. With resin prices up ~40–50% by April 2026 and a 100bp policy-rate rise to 11.5%, they leaned more on suppliers, which adds risk if suppliers tighten terms.
- Inventory days stay high at ~73 days because processors hold resin buffers against long import lead times, buy in bulk ahead of price and exchange-rate moves, and carry finished goods for customer orders. Supplier credit lowers the cost of holding this stock.
- High borrowing, mainly short-term (~42.3% of the mix at end-Sep'26), shows companies need bank funding to cover working capital needs.

Note: *Working capital cycle is representative of PACRA rated/listed companies*

Source: PSX, PACRA database, PPMA

Financial Risk | Plastic



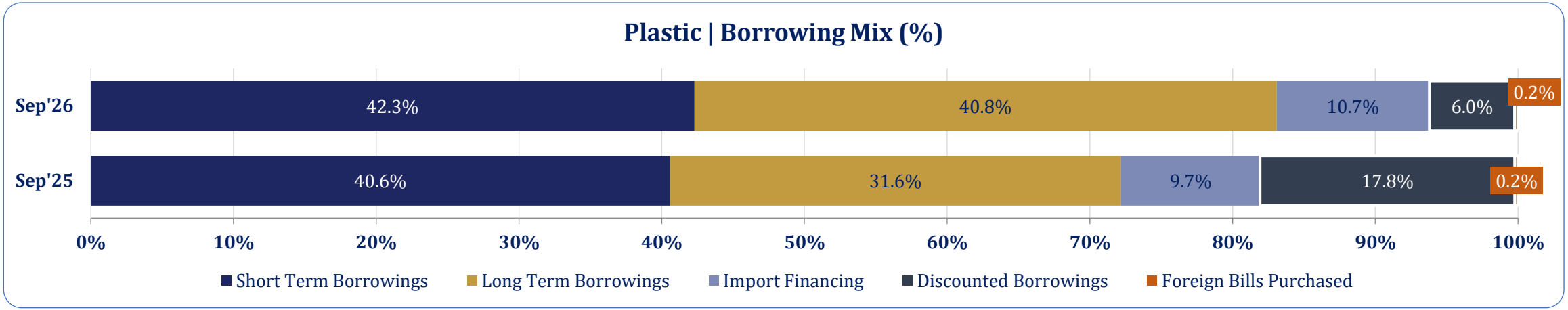


- Leverage settled at ~33.5% in FY26, slightly below FY25 (~35.4%). Lower leverage partly reflects retained profit, which strengthened the equity.
- Around 60% of FY26 borrowings were short-term in nature, used to fund working capital (~64 days). These are rolled over and repriced with the policy rate.
- Coverage improved to ~3.6x from ~2.6x (FY22: ~6.6x) on higher profit and lower financing costs after the policy rate fell to 10.5% by Dec 2025. A shorter working capital cycle (~64 vs ~69 days) also eased borrowing needs, which lowered the interest bill. The subsequent 150bps increase in policy (now at 12%) in 2026 is expected to increase the financing cost, impacting coverages adversely.

Note: *Leverage & Coverage are representative of PACRA rated/listed companies*

Source: PSX, PACRA database

Financial Risk | Plastic | Borrowings



- Total borrowings rose ~28.6% year on year to PKR ~83.4bn at end-Sep'26, from PKR ~64.9bn at end-Sep'25, an addition of about PKR 18.5bn.
- Short-term borrowing grew ~34% to PKR ~35.3bn (Sep'25: ~26.3bn) and is still the largest component at ~42.3% of total borrowings. Long-term borrowings follow at ~40.8%, up from ~31.6%. Long-term borrowings in the plastic industry showed an increase due to capital expenditure (CapEx) for plant expansions, recycling facility investments, and equipment upgrades in this period.
- Discounted borrowing (LTFF and EFS, SBP's subsidised long-term and export finance schemes) fell ~57.0% in value terms, and its share dropped to 6.0% from ~17.8%. This is consistent with the IMF-linked transfer of these schemes to EXIM Bank and an 80% export condition on SME long-term financing.
- Import financing's share edged up to ~10.7% from ~9.7%. Resin, the main plastic raw material, has been costlier since the Middle East conflict began in Feb 2026, which raises the amount firms must finance for imports.

Note: *Data pertains to SBP Classification " Manufacturing of Plastic Products". SBP data reflects the complete sector. PACRA's borrowing mix can differ, as it covers only listed and PACRA-rated clients.*

Source: SBP

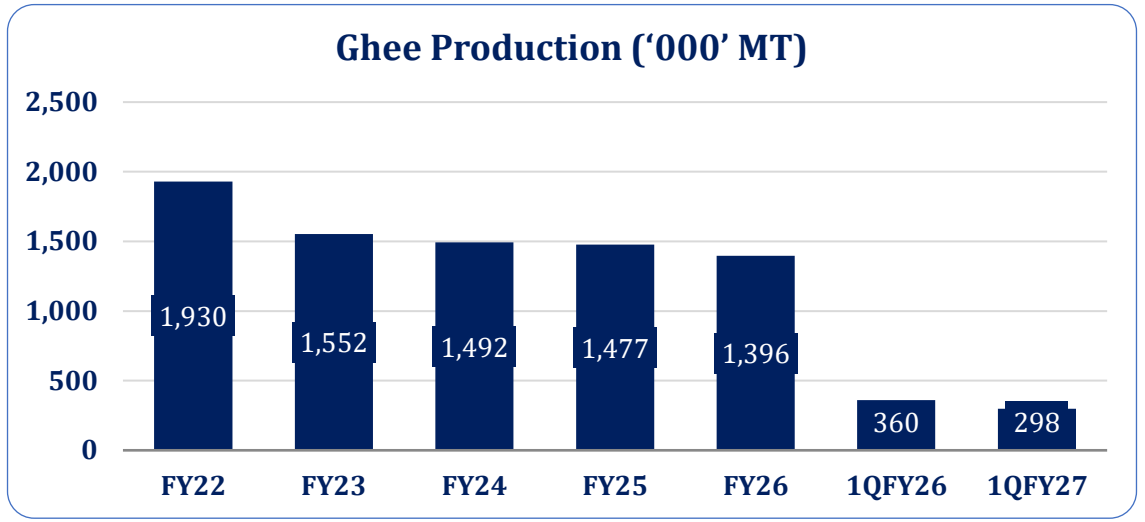
06 · SEGMENT

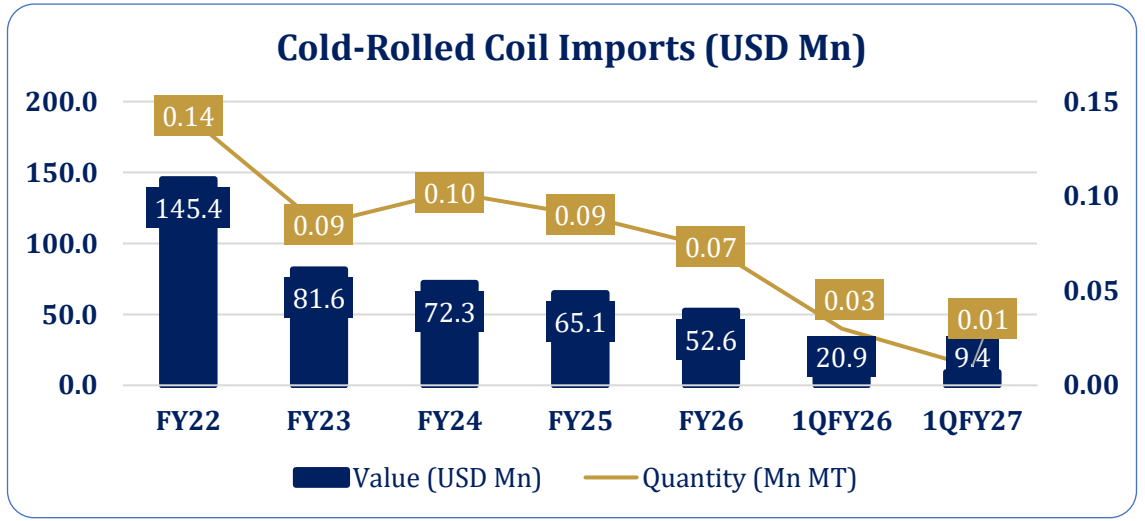
Tinplate Packaging



Business Risk | Tinplate

- The tinplate packaging segment in Pakistan primarily generates demand from the domestic edible oil and ghee industries. Production of oil and ghee fell from ~360mn MT in 1QFY26 to ~298mn MT in 1QFY27. The decline can also be seen in FY26 at 1.3mn MT, down ~5.5% YoY as high prices weighed on packaged volumes despite record palm oil imports (~3.5mn MT).
- Siddiqsons Tin Plate and Pakistan Aluminum Beverage Cans are the two local tinplate producers. Besides duties on tinplate from China, the EU, South Africa and the USA, a ~40% anti-dumping duty on secondary tinplate and customs duty raised to ~17% (from ~1.6%), lifted local demand, helping the sector turn around in 9MFY26.
- Cold-Rolled Coil (CRC) imports fell ~19% YoY to USD~52.6mn in FY26, ~64% below FY22. Volumes fell ~19% to ~73,200MT at a flat USD~718/MT, so the drop was volume-led. Flat-steel demand grew ~25% to ~1.25mn MT, but local mills covered the demand. 1QFY27 recorded a steep decline of ~53% YoY at USD ~9.4mn (SPLY: USD ~20.9mn)
- In Oct'26, NTC renewed China CRC duties (~13-16%) for five more years, after extending them (up to ~19%) to wider coils in 2025 to stop circumvention. Canada and Russia duties were extended in 2025; EU, Korea, Taiwan and Vietnam duties are under sunset review. Tin Mill Black Plate, the tinplate input, stays exempt, keeping the sector's input costs in check.

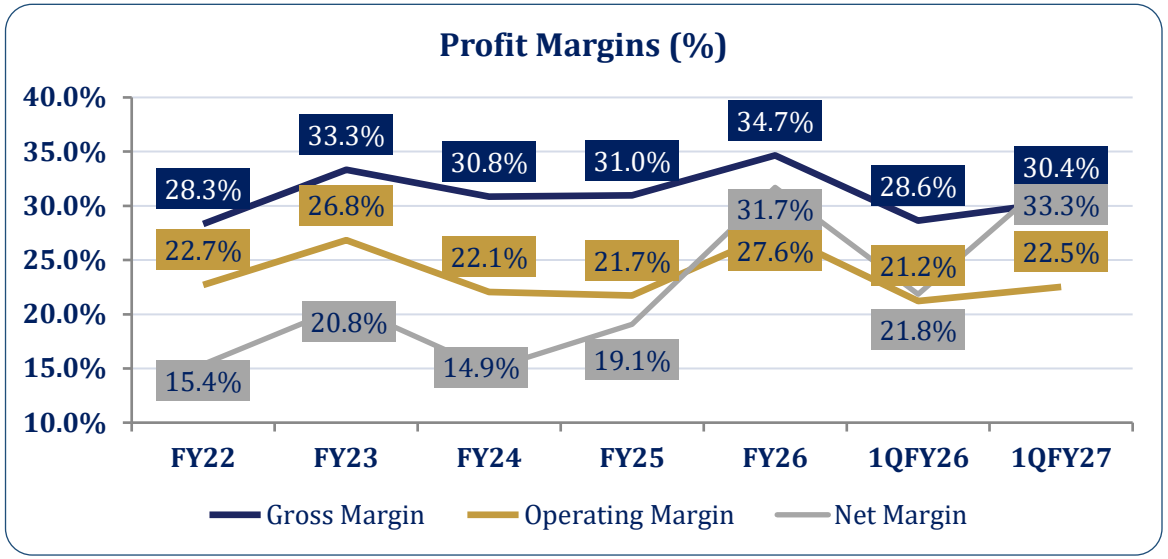


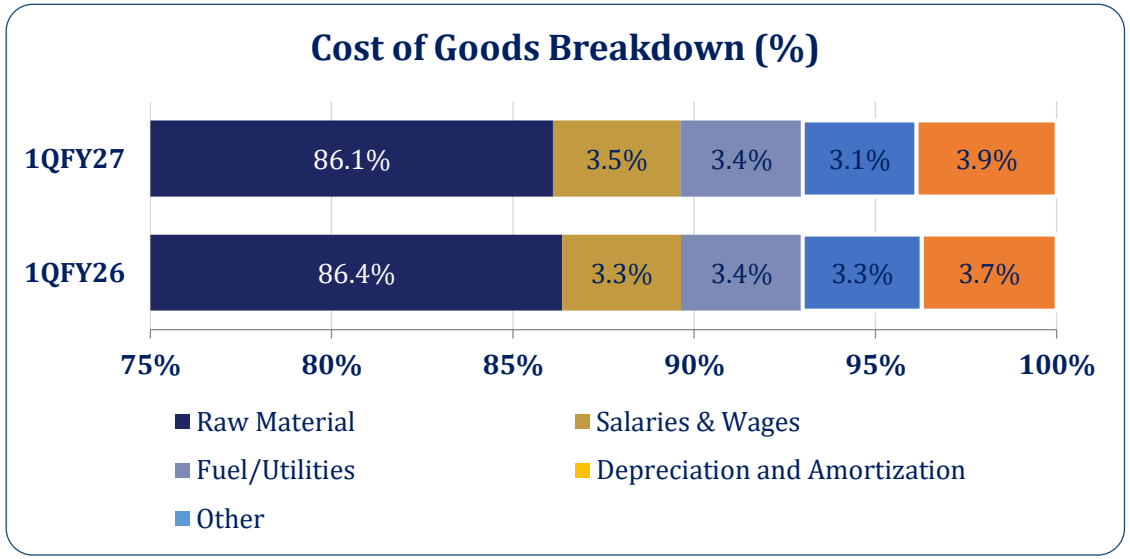


Note: *HS codes for CRC includes (7209)*
Latest Available data

Source: PBS, PSW

Margins | Tinplate

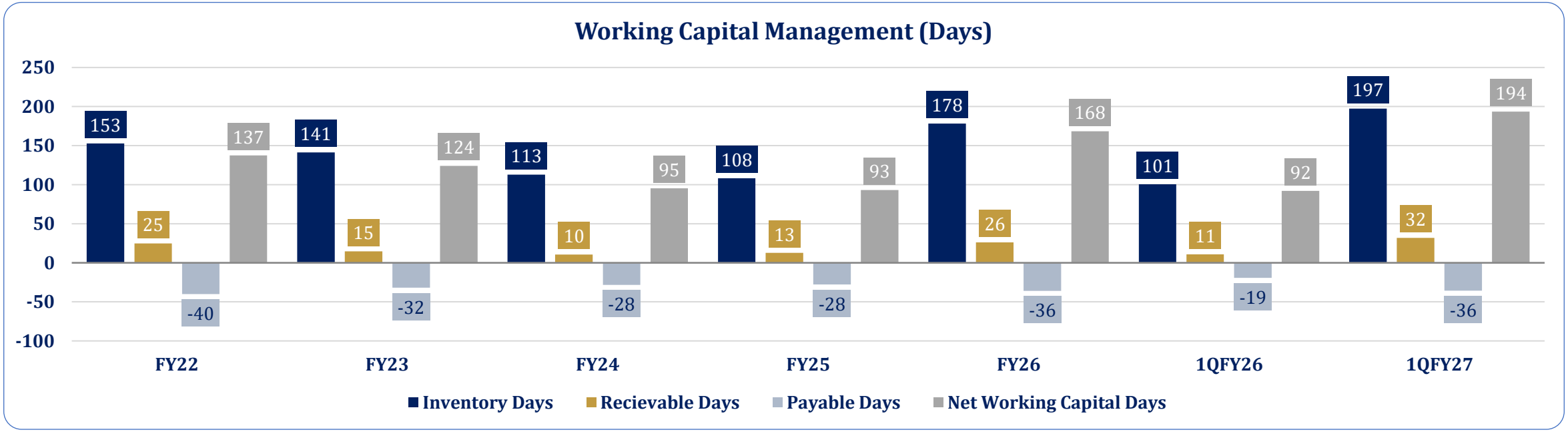




- During 1QFY27, Gross margin was ~30.4% (1QFY26: ~28.7%), operating ~22.5% (~21.2%) and net ~33.3% (~21.8%). The gross margin gain was not as pronounced with COGS falling ~53.3%, only slightly faster than revenue, as fixed costs (salaries, depreciation) could not scale down with lower capacity utilization. Reason for lower sales were low-priced Chinese imports and customer's shift to cheaper packaging. Net margin clocked at ~33.3% (1QFY25 ~21.8%) on higher other income, mainly the write-back of certain prior-period liabilities.
- In FY26, Gross margin rose to ~34.7% (FY25: ~31.0%) due to better cost management with costs decreasing by ~34% compared to FY25. Utilizing lower-cost existing aluminum inventory against rising London Metal Exchange (LME) benchmarks effectively lowered raw material costs relative to revenue. Operating margin improved to ~27.6% in FY26 (~21.7%) and net margin to ~31.7% (~19.1%). Net margin sits above operating margin, consistent with other income, lower financing costs as leverage fell, and the major player's 10-year SEZ tax exemption.
- Imported steel (mainly CRC) was ~86.1% of 1QFY27 COGS (1QFY26: ~86.4%), with salaries ~3.5%, fuel and utilities ~3.4% and depreciation ~3.1%. The NTC extended anti-dumping duties of 13.2–19.0% on Chinese cold-rolled coil for five years from January 2026, but tin mill black plate is excluded, so the main input was not directly hit.

Source: PSX, PACRA database

Financial Risk | Tinplate

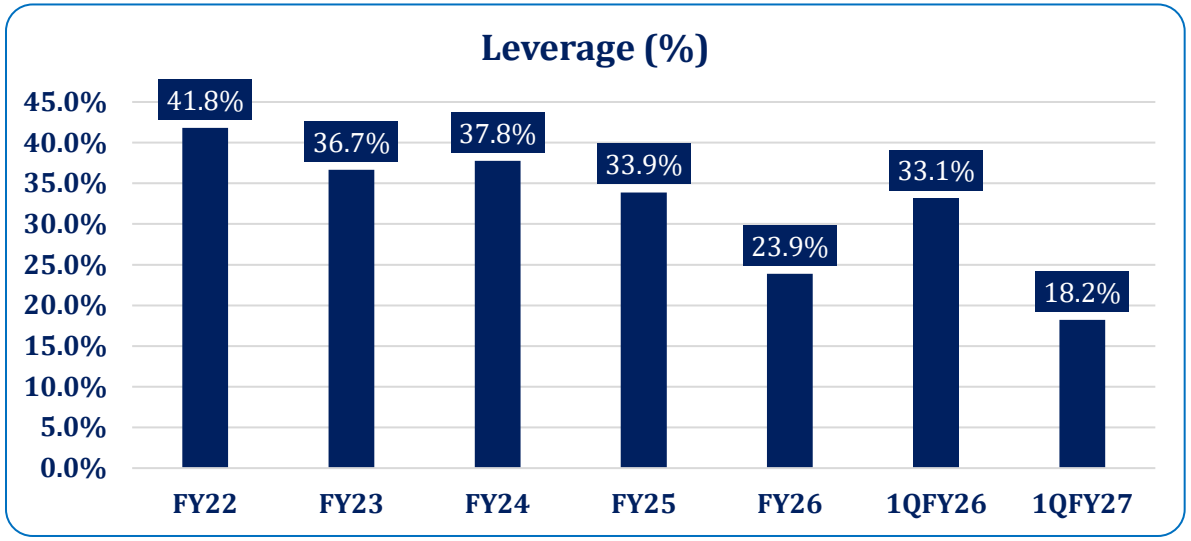


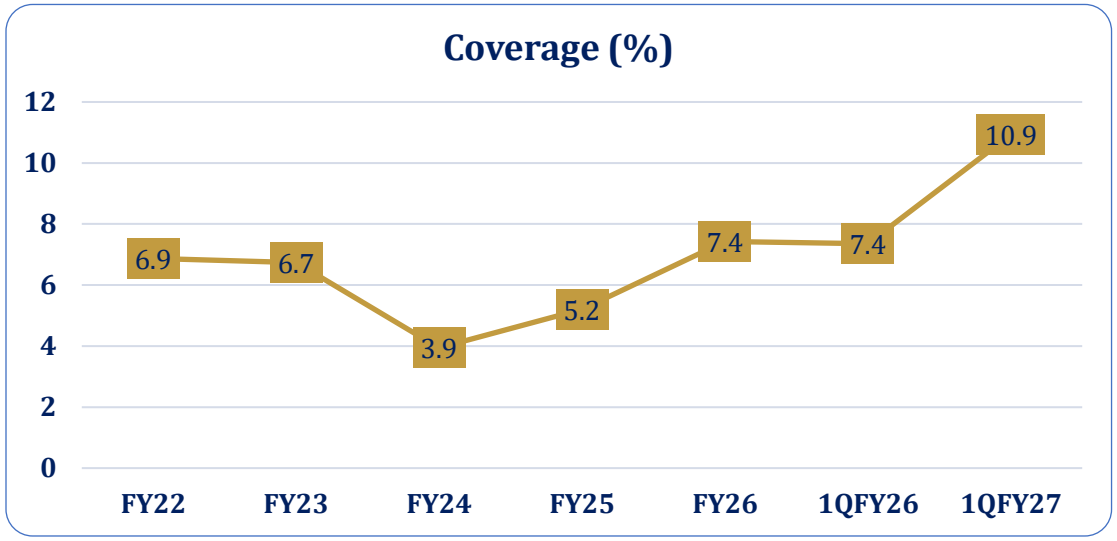
- Net working capital days rose to ~194 days in 1QFY27, the highest of the periods shown (1QFY26: ~92 days) from previous record of 168 days in FY26. Receivable days nearly tripled to ~32 days from ~11 days as weaker sales left collections slower relative to revenue.
- Inventory days nearly doubled to ~197 days in 1QFY27 from ~101 days in 1QFY26, making stock the main driver of the longer cycle. Payable days lengthened to ~36 days from ~19 days but offset only part of the build-up.
- Inventory built up as lower export and overall sales slowed the movement of raw materials and finished goods, while continued aluminum purchases at volatile LME-linked prices raised the carrying value of stock against reduced dispatches. Inventory accumulated mainly due to lost export volumes following the October 2025 trade disruption with Afghanistan, which curtailed access to Central Asian markets.

Note: *The working capital cycle is representative of listed & PACRA rated companies.*

Source: PSX, PACRA database

Financial Risk | Tinplate





- Leverage fell to ~23.9% in FY26 from ~33.9% in FY25, and to ~18.2% in 1QFY27 from ~33.1% in 1QFY26. The drop is consistent with debt repayment from a ~31.7% net margin in FY26, and with a lower cost of carrying debt after the policy rate fell from 22% to 10.5% by Dec 2025. Low leverage leaves room to absorb the April and October 2026 rate rises (to 12%) and Middle East-driven cost pressure. The working capital build-up (net working capital days ~194 in 1QFY27) will need funding, which could lift borrowings again.
- During 1QFY26, total borrowings within the sector contracted substantially, primarily driven by a ~49.3% reduction in short-term debt alongside scheduled long-term loan repayments. These repayments were funded by earnings rather than working capital. Although revenue roughly halved, the business remained profitable.
- Coverage rose to ~10.9x in 1QFY27 (1QFY26: ~7.4x), the highest of the periods shown, because finance cost fell much faster than earnings. Debt repayment cut the sector's quarterly finance cost by 51% YoY. Coverage was lowest at ~3.9x in FY24, when the policy rate was at its 22% peak. It recovered to ~7.4x in FY26 as SBP cut rates.

Note: *The working capital cycle for FY25 is representative of 2 listed company.*

Source: PSX, PACRA database

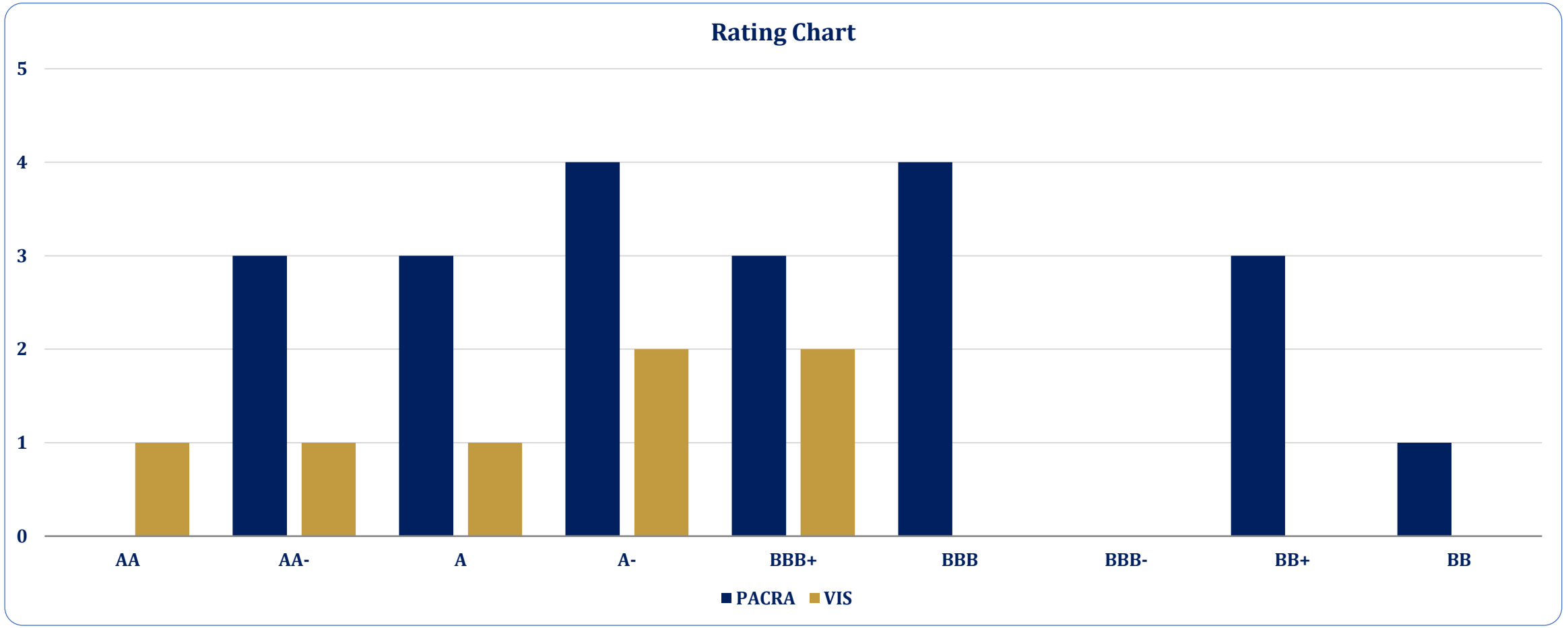
Duty Structure

HS Code	Description	Additional Customs Duty		Customs Duty		Regulatory Duty		Total	
		FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
7209.2890 **7209.1690**	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated.	0.0%	0.0%	10.0%	10.0%	5.0%	4.0%	**15.0%**	**14.0%**
3901.1000 **3901.2000**	Polymers of ethylene, in primary forms.	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	**2.0%**	**2.0%**
3923.1000	Articles for the conveyance or packing of goods, of Plastics; stoppers, lids, caps, and other closures, of Plastics.	4.0%	2.0%	20.0%	20.0%	15.0%	12.0%	**39.0%**	**34.0%**
4703.2100	Wood Pulp (Mechanical, Chemical & Other).	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
4707.2090	Others.	4.0%	4.0%	20.0%	20.0%	0.0%	0.0%	**24.0%**	**24.0%**
4819.1000 **4819.2000**	Cartons, boxes, cases, bags, and other packing containers of Paper, Paperboard.	2.0%	2.0%	15.0%	15.0%	0.0%	0.0%	**17.0%**	**17.0%**
8007.0010	Tinplate, Sheets or Strips.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**

Source: WeBoc, FBR

Rating Chart

PACRA rates 21 entities in the Sector, with their long-term credit rating ranging from AA- to BB category.



Source: PACRA database

SWOT

Strengths

- Highly diversified product mix.
- Government support for local manufacturers in the form of import duties.
- Availability of low-cost labor.

Weaknesses

- Absence of an industry association for the overall packaging industry.
- Higher reliance on imported inputs.

Opportunities

- Conversion from glass to PET bottles in the beverage industry.
- Growing demand for sustainable and environmentally friendly packaging solutions, creating opportunities for product innovation and investment in recyclable and biodegradable materials.
- Improving urbanization, and the expansion of e-commerce are supporting demand for diverse packaging solutions.

Threats

- Increase in exchange rate and volatility of imported raw material prices.
- Increasing awareness regarding harmful environmental impacts of Plastic packaging.
- Regulatory tightening (EPR, emissions, water use) may raise compliance costs.

Outlook

Plastic | Stable

- In FY26, margins recovered from FY25 as gross margin widened to ~11.0% (FY25: ~10.3%) with revenue growing ~6.6% against a ~5.8% rise in cost of sales. Operating margin rose only to ~7.5% (FY25: ~7.1%) because operating expenses absorbed part of the gain. Net margin improved the most, to ~3.6% (FY25: ~2.3%), supported by higher other income and lower finance costs as the policy rate fell from 22% to 10.5% by Dec 2025.
- Input costs remain the main pressure on the sector. Imported resin makes up ~77% of cost of sales, and the 2026 Middle East conflict pushed local prices sharply higher. In April 2026, raw material costs rose 40% to 50% as import constraints tied to geopolitical tensions, including the ongoing conflict involving Iran, squeezed supply. The shock arrived in the last quarter of FY26, so most of its effect on margins will show in FY27. The industry sources 70% to 80% of raw materials from Middle Eastern countries, and even if the conflict ends, the manufacturers expects supply chains to take at least six to eight months to normalize.
- Demand supports volumes, but passing on costs will be harder. Even so, a 40–50% rise in resin costs may be difficult to pass on in full without hurting affordability. Beverage output, the largest end-market for plastic bottles and closures, fell ~2.3% to ~3,340mn liters in FY26 .
- The SBP raised the policy rate by 50bps to 12% in Oct 2026, following a 100bps hike to 11.5% in Apr 2026. This partly reverses the easing that lifted FY26 net margins, and finance costs on working capital and long-term borrowing are expected to rise in FY27. Another hike at the Dec 2026 meeting would add to this burden and erode net margins further, as gross margins are already squeezed by input costs.
- Medium-term stabilization depends on energy tariff rationalization, transport support and monetary easing to lower financing costs, alongside more transparent pricing arrangements between manufacturers and corporate clients.

Outlook

Tinplate | Stable

- Sector margins have strengthened in recent periods. In FY26, gross margin rose to ~34.7% (FY25: ~31.0%) as costs fell ~34%, while net margin improved to ~31.7% (FY25: ~19.1%) on lower financing costs as leverage declined. In 1QFY27, gross margin improved only modestly to ~30.4% (1QFY26: ~28.7%) because fixed costs could not scale down with low utilization, and the jump in net margin to ~33.3% came largely from one-off write-backs of prior-period liabilities rather than core operations.
- The sector is emerging from a prolonged downturn. Capacity utilization for the sector fell to due to L/C restrictions disrupted raw material imports and dumping of cheap secondary tinplate, aided by regional tax distortions, eroded local producers' pricing power.
- The NTC's 40% anti-dumping duty on secondary tinplate and the increase in customs duty from 1.56% to 17% narrow the price gap with imports, which should support volumes and utilization for domestic manufacturers. Off-take from edible oil, lubricant and food packagers is picking up as supply chains normalize, while producers are diversifying exports into the GCC, Europe and the US to reduce dependence on the local market.
- Rising interest rates can add pressure on financing costs for the sector. The SBP raised the policy rate from 10.5% to 11.5% in Apr-26 and to 12% in Oct-26 due to Middle East-driven inflation. Since producers finance imported raw material and inventory through borrowing, higher rates will raise finance costs and may slow downstream demand, partly offsetting the gains from lower leverage.
- Lower-cost Galvalume sheets continue to replace tinplate in food packaging, and full reliance on imported Tin Mill Black Plate (TMBP) along with high international freight keeps input costs exposed to exchange rate and global price movements.

Outlook

Paper | Negative

- In FY26, the sector's gross margin improved to ~9.0% (FY25: ~7.2%) and operating margin to ~5.1% (FY25: ~3.9%) because sales grew faster than costs, while a ~35.5% fall in finance cost narrowed the net margin to ~-0.5% (FY25: ~-2.4%). However, players still closed the year at a net loss, and gross margin remains under pressure as the recovery remains partial.
- Raw material costs now make up ~72.6% of COGS (FY25: ~69.9%), so even small increases in input prices reduce margins directly. Currency depreciation has raised the landed cost of imported pulp and chemicals, higher fuel prices have increased the cost of collecting and transporting wastepaper, and the Iran-US conflict has pushed up import freight.
- Higher industrial electricity and gas tariffs further reduce mill margins because pulping, drying and calendering require continuous power and steam, which mills cannot reduce without cutting output. Monsoon weather also disrupts inland transport, which delays raw material deliveries and raises procurement costs.
- Textbook publishing, academic stationery and government documentation keep base demand stable, but high retail paper prices are leading publishers and consumers to cut print runs or switch to lower-grammage grades. Over the long term, digitization in offices, banking and print media will continue to limit growth in uncoated wood-free and newsprint grades.
- The FY27 budget cut duties on imported paper and paperboard, which makes imported coated and uncoated grades cheaper and limits the ability of local mills to pass rising costs on to customers. This pressures pricing and capacity utilization, and the industry is seeking lower energy tariffs, lower interest rates and transport subsidies.
- Integrated mills with captive power, agro-waste pulping (wheat straw, bagasse) and wastepaper recovery networks control more of their cost base, so they are better placed to protect margins than smaller producers that depend on imports. Since sector profitability remains weak and cost pressures show no sign of easing, the outlook remains Negative.

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