



Spinning

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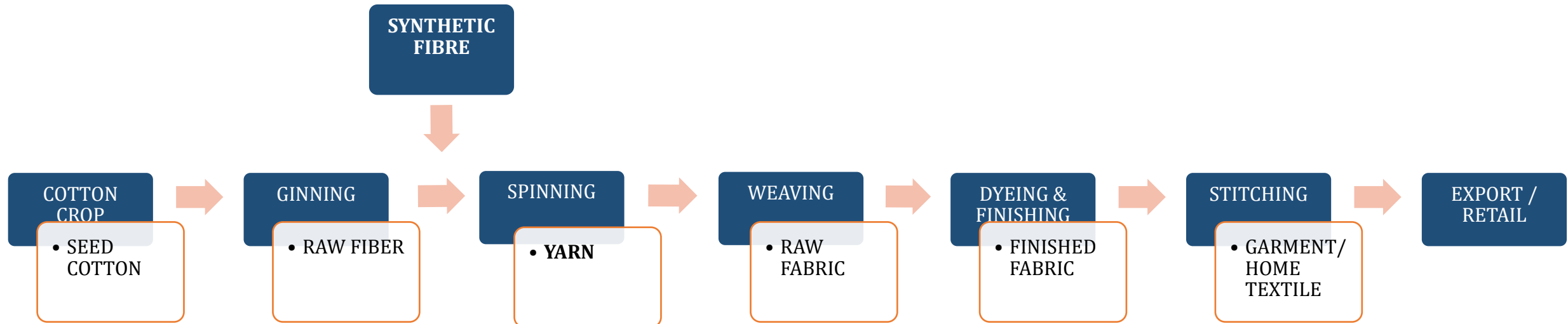
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Introduction | Textile Value Chain

- The textile cluster has a relatively large value chain with multiple distinct sectors. The following flow chart depicts the major processes along with the output of textile value chain.
- The Spinning Sector, which processes cotton into yarn, falls towards the beginning of the value chain, also referred to upstream sector in the textile chain. However, there is limited value addition in this segment.



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Introduction | Production Process



Blow Room

The compressed bales are opened, cleaned and blended/mixed according to particular length to form a specific size of lap.

Carding

The lap is shifted to carding machine where cleaning and intermixing of fibres occurs to produce a continuous web.

Combing

Fibres are straightened and arranged in a parallel manner and short fibres are separated from long fibres.

Cone Winding

Final stage where yarn is wound into cones so that it can be shipped to the customer.

Roving/Ring Frame

Roving frames carry out process of converting fibres into low twist lea. Further twisting is done to form yarn of required count and strength.

Drawing

Strengthening of fibres by passing them through rollers

Introduction | Technology & Machinery

- Major manufacturers of spinning machines (i.e. spindles & rotor machines) and other textile machinery are based in Germany, Italy, Belgium, Switzerland, China, and Japan.
- Major manufacturing brands include Saurer Schlafhorst GmbH & Co., Toyota, Murata Machinery Limited, Savio Machine Tessilli, Rieter, RIFA Textile Machinery Co. Ltd. Lakshmi Machine Works Limited, among others.
- The efficiency of spinning machines is determined by the number of spindles installed on the machine and its RPM (Rotations Per Minute). More advanced machines have higher RPM, resulting in higher efficiency. The RPM of latest spinning machines from major manufacturers can reach up to ~125,000-150,000 RPM.
- Overall, the cost of spinning machines depends on number of spindles, RPM and level of automation of back processes. However, import and installation costs are also significant and raise the overall cost for spinning players.
- Almost all machinery used in the Sector is imported from Europe and East Asian Countries (mainly China). Further, there is a need for continuous technological BMR to improve efficiency to remain competitive in the international landscape.
- With advancements in technology, the Spinning Sector is transitioning towards more energy efficient machines including the new Ring- Spinning machine which incorporates features like energy saving drives and high-speed spindles which reduce running losses.



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Introduction | Yarn Count

- Yarn count is a measurement that determines its fineness or coarseness.
- There are two methods of calculation of Yarn Count, Direct and Indirect, with Indirect method more widely practiced.
- The Direct Method uses weight per unit length to determine count with thicker/coarse yarn having higher count. There are various numbering systems as shown in the adjacent table.
- The Indirect Method uses length per unit weight to determine count with finer yarn having higher count. There are various numbering systems as shown in the table.
- The English numbering system is practiced in Pakistan. The unit length of 840 yards is also known as a 'Hank'. The number of hanks per lb. of yarn equals the yarn count.
- In Pakistan, yarn is divided between coarse, medium, fine and super fine categories based on count with major production concentrated in coarse and medium count yarns.
- Different dying and chemical processes add value to the product. Higher yarn count attracts higher prices.

Direct Method		
Numbering System	Unit of Length	Unit of Weight
Tex System, Tt	1000 m	No. of grams
Denier, D or Td	9000 m	No. of grams
DeciTex, dtex	10,000 m	No. of grams
Millitex, mtex	1000 m	No. of milligrams
Kilotex, ktex	1000 m	No. of kg
Jute Count	14,400 yards	No. of lb.

Indirect Method		
Numbering System	Unit of Length	Unit of Weight
English cotton count, Ne/S	840 yards	1 lb.
Metric count, Nm	1000m / 1km	1 kg
Woollen Count (YSW)	256 yds.	1 lb.
Woollen Count (Dewsbury)	1 yd.	1 ounce (oz.)
Worsted Count Nek	560 yds.	1 lb.
Linen Count, NeL	300 yds.	1 lb

Yarn Type	Count
Coarse	1s - 20s
Medium	21s - 34s
Fine	35s - 47s
S.Fine	48s - 80s

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Global | Production & Consumption

- During MY25, the global production of cotton increased by ~5.2% YoY to ~25.4mln MT (MY24: ~24.2mln MT). The gains in production are primarily driven by higher yields and expansion in area under cultivation.
- China and India are the largest cotton producers in the world. China produced ~5.9mln MT of cotton in MY21, and remained stable till MY24 with a production of ~5.6mln MT, the lowest during MY21-24 period. In MY25, the production increased by ~9.7% YoY, (MY24: down ~6.1%), to ~6.2mln MT - the highest in the last five years.
- India's cotton production peaked in MY21 at ~5.9mln MT but reduced in MY22 to ~5.3mln MT. It increased again in MY23 but has followed a declining trend till MY25 with the lowest production of ~5.1mln MT in last five years period.
- The global cotton consumption during MY25 increased by ~1.8% YoY. China and India remained the largest consumers of cotton accounting for a cumulative ~54.6% of global consumption (MY24: ~54.8%). China's cotton consumption also remained the highest in MY21 at ~8.4mln MT. It dropped to the five years low of ~7.5mln MT in MY23 due to a decline in global mill use amidst global economic slowdown. However, it recovered to ~8.3mln MT in MY25 but still remained below MY21 levels.
- India's consumption peaked in MY21 at ~5.7mln MT and dropped to ~5.2mln MT in MY23. It recovered to ~5.6mln MT in MY25, still below the MY21 levels.
- The consumption of cotton remains a function of demand for Textiles and competition from synthetic fibres. The demand for Textiles has exhibited an upward trend over the past decade. In CY24, the synthetic fibres had a market share of ~77.4% and cotton had ~22.4% share. This is due to the versatility of synthetic fibres and their competitive pricing as compared to cotton. During MY26, the global cotton production is expected to increase by ~2.6% YoY, primarily in India, Brazil, and the United States. Cumulatively, these countries are expected to account for ~76.0% of the total global output by MY34 (MY25: ~46.7%).

Production (000 MT)	MY21	MY22	MY23	MY24	MY25	MY26*
China	5,910	5,730	5,980	5,618	6,164	5,610
India	5,992	5,290	5,722	5,493	5,050	5,730
United States	3,181	3,815	3,150	2,628	3,137	3,467
Brazil	3,002	2,356	2,551	3,200	3,701	3,889
Pakistan	980	1,306	849	1,427	1,200	1,120
R.O.W	5,454	6,482	6,122	5,841	6,178	6,271
Total	24,519	24,979	24,374	24,207	25,430	26,087

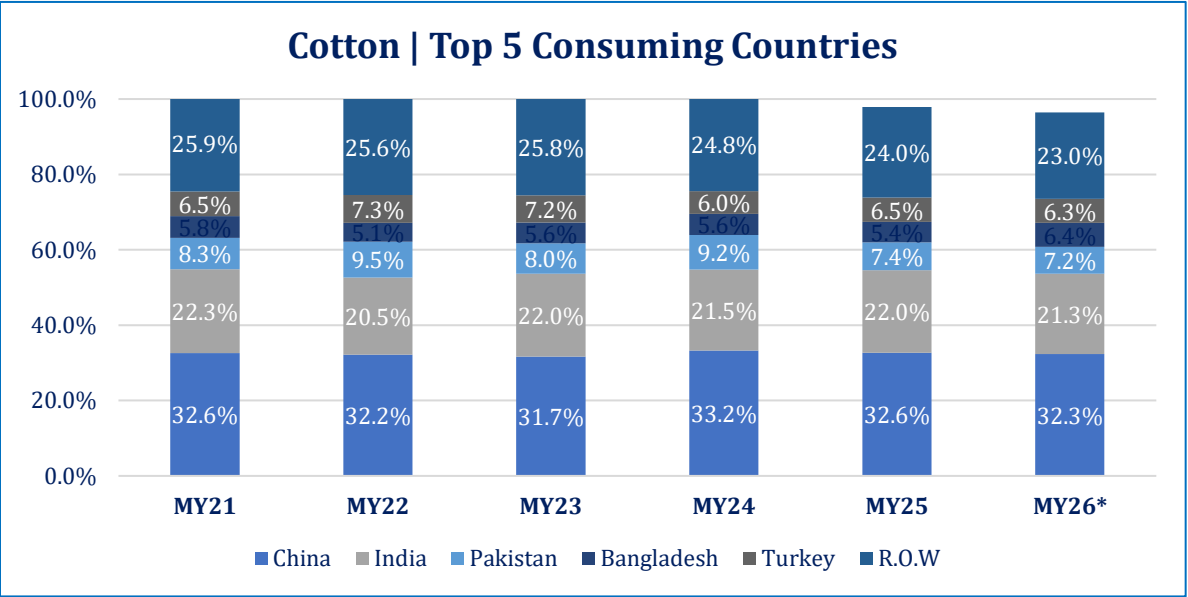
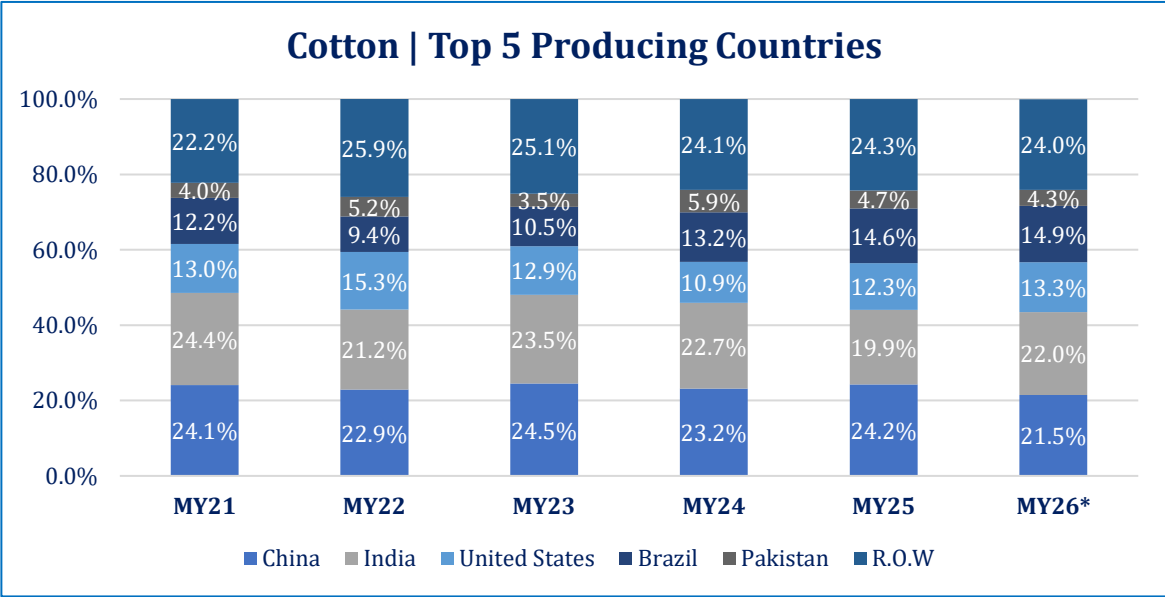
Consumption (000 MT)	MY21	MY22	MY23	MY24	MY25	MY26*
China	8,400	8,315	7,500	8,318	8,314	8,599
India	5,747	5,304	5,200	5,389	5,600	5,681
Pakistan	2,153	2,447	1,900	2,300	1,875	1,907
Bangladesh	1,496	1,309	1,317	1,394	1,377	1,698
Turkey	1,670	1,890	1,700	1,500	1,650	1,678
R.O.W	6,686	6,627	6,103	6,200	6,116	6,116
Total	25,799	25,857	23,661	25,025	25,471	26,619

*Forecast
MY='Marketing Year' i.e., Aug-Jul.

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Global | Top Cotton Producers and Consumers

- The share of China in global cotton production has remained stagnant over the last five years. On average, China produced ~23.8% of the world’s cotton during MY21-25. China’s share dropped in MY22 to the lowest in five years at ~22.9% from ~24.1% in MY21. It recovered in MY23 to ~24.5%, the highest in five years. It again reduced slightly in MY24 and recovered to ~24.2% in MY25, reaching almost MY21 levels. During MY25, China had a ~24.2% in the global cotton production, followed by India, which accounted for ~19.9% of the global cotton production.
- During MY21-25, India held the second-largest share in production in MY21 of ~24.4%, which followed an overall declining trend. The consumption declined in MY22 to ~21.2% but recovered in MY23 to ~23.5%. It then reduced till MY25 to the five years low of ~19.9%.
- On the consumption end, China and India also lead the global cotton market, with ~32.6% and ~22.0%, respectively, in MY25. Both countries have large Textiles industry and a growing population driving demand for cotton. China’s consumption has remained relatively stagnant over the last five years with the high of ~32.6% in MY21 and a low of ~31.7% in MY23. China’s share recovered to MY21 levels in MY25 at ~32.6%. Similarly, India’s consumption share peaked in MY21 at ~22.3% and dropped to the five years lowest of ~20.5%. In MY25, it increased to ~22.0%.



**Forecast*
MY='Marketing Year' i.e., Aug-Jul.

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Global | Ending Stock

- On average, the global ending stocks amounted to ~19.1mln MT during FY21-25 period, the highest being in FY21 at ~19.6mln MT. After a decline in MY22, the ending stock levels rebounded in MY23 to ~19.6mln MT – MY21 levels. However, MY23 onwards, there has been a gradual decline.
- The global Ending stocks of cotton declined by ~0.2% YoY from ~18.7mln MT in MY24 to ~18.6mln MT in MY25.
- China maintains the largest ending stock levels, amounting to ~8.7mln MT at End-MY24 (End-MY23: ~8.7mln MT).
- Ending stock of Turkey significantly declined by ~45.8% in MY25 from ~0.7mln MT in MY24 to ~0.4mln MT in MY25.
- It is anticipated that during MY25, ending stock will reach ~18.1mln MT (MY24: ~18.6mln MT), down ~2.9% YoY, primarily due to lower ending stocks in Pakistan and Turkey.
- Pakistan’s domestic production reduced in MY25 by ~30.7% YoY. Meanwhile, the Textiles exports during Jul’24- Jan’24 period increased as compared to SPLX. Hence, the increased mill consumption of cotton reduced ending stock levels. In Turkey, however, there is a slowdown of orders in the Textiles industry, particularly apparel in the last few years. Yarn producers therefore have overstocks, and hence, there is a less need for cotton as a raw material.

Ending Stock (000 MT)	MY21	MY22	MY23	MY24	MY25	MY26*
China	9,367	8,602	8,436	8,713	8,740	8,713
India	2,502	1,945	2,600	2,632	2,382	2,400
Turkey	1,216	1,270	1,214	655	355	375
Pakistan	640	500	484	459	344	328
Bangladesh	387	294	290	300	325	325**
R.O.W	5,578	6,277	6,571	5,928	6,495	6,293
Total	19,690	18,888	19,595	18,687	18,641	18,109

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Global | Trade

- During MY21-23, USA maintained its position as the leading cotton exporter. However, during MY24, Brazil emerged as the largest exporter of cotton, surpassing USA's production by ~0.1mln MT. In MY25, Brazil's exports amounted to ~2.6mln MT (MY24: ~2.7mln MT). This was followed by the United States with exports of ~2.5mln MT in MY25 (MY24:~2.6mln MT).
- Moreover, India is no longer one of the major exporter in MY25 due to lower production and increased domestic consumption. A large share of domestic production is diverted to local manufacturing, leaving less surplus for exports. Overall, the global exports were down ~2.2% YoY, but are expected to increase by ~9.8% YoY in MY26.
- China maintained its position as the largest importer of cotton during MY21-25, with a share of ~22.4% in global cotton imports in MY25. (MY24: ~30.2%). On average, China has had a ~22.9% share in global cotton imports during MY21-25.
- China is followed by Vietnam (the second largest importer of cotton) with ~16.9% share in the world imports (MY24: ~14.8%). On average, Vietnam has had a ~15.2% in world's cotton imports during MY21-25 – highest being in MY25.
- Pakistan's cotton imports have followed a declining trend MY21 onwards. The cotton imports reduced from ~1.2mln MT in MY21 to ~0.9mln MT in MY24, which further dropped to ~0.6mln MT in MY25. the domestic cotton production in MY24 increased by ~108.2% YoY, reducing import dependency.
- By MY34, the world trade is projected to increase by ~1.6%, driven by increasing demand for Textiles in Asian countries.

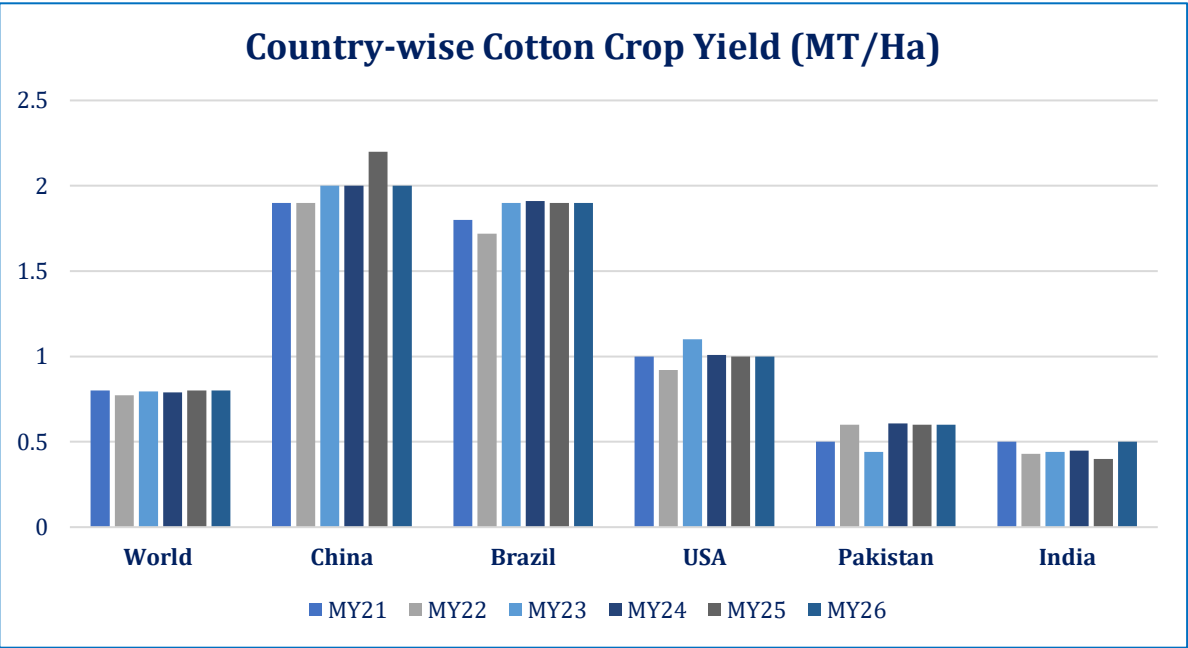
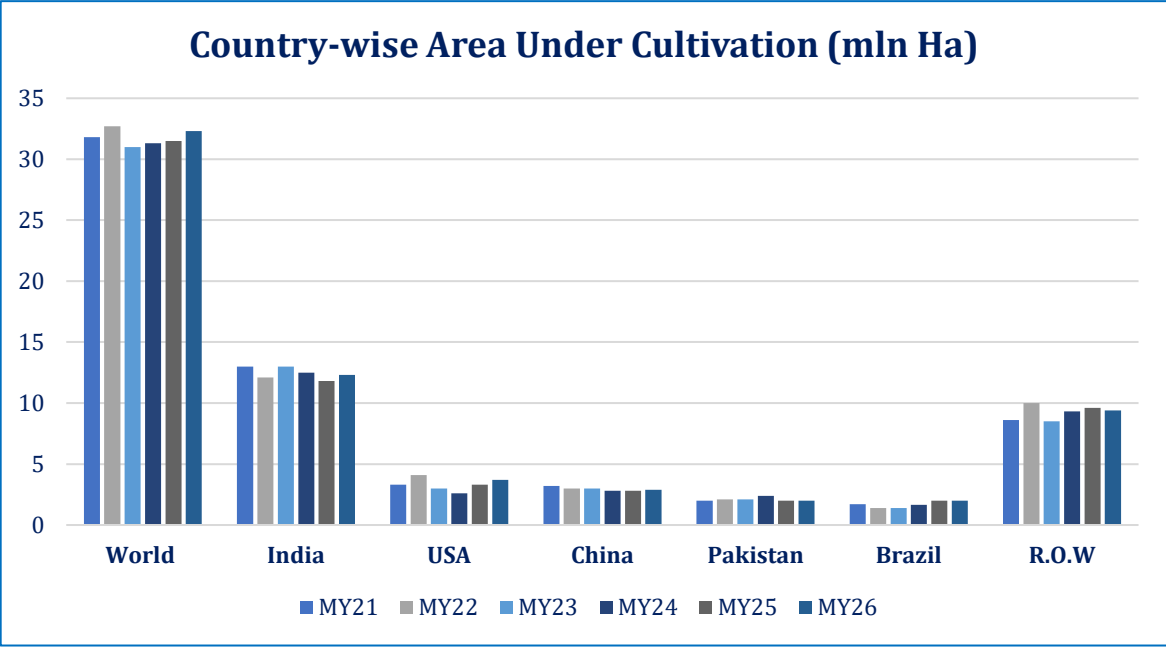
Exports (000 MT)	MY21	MY22	MY23	MY24	MY25	MY26*
Brazil	2,420	1,738	1,454	2,700	2,578	3,065
USA	3,266	3,083	2,711	2,558	2,460	3,055
India	1,373	872	246	459	300	441
Australia	348	791	161	1,191	1,200	995
Africa	1,685	1,774	1,381	1,532	1,709	1,760
R.O.W	558	111	4,085	1,380	2,540	1,471
Total	10,429	9,650	8,369	10,038	9,820	10,787

Imports (000 MT)	MY21	MY22	MY23	MY24	MY25	MY26*
China	2,835	1,847	1,376	3,000	2,200	2,994
Vietnam	1,546	1,359	1,350	1,471	1,657	1,533
Bangladesh	1,436	1,190	1,287	1,377	1,377	1,377
Turkey	1,193	1,240	946	640	1,000	1,226
Pakistan	1,175	1,050	1,064	871	575	786
R.O.W	2,600	3,041	2,341	2,589	3,006	4,248
Total	10,785	9,727	8,364	9,948	9,815	10,787

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Global | Area Under Cultivation & Cotton Yield

- During MY25, China’s yield was slightly above its previous year’s record level at ~2.2MT/Ha (MY24: ~2.0MT/Ha and it retained its position as the world’s largest cotton-producing country. Chinese cotton is produced at the world’s highest yield, which is more than double than the world’s average. Next to China, Brazil achieved a cotton yield at ~1.9MT/Ha in MY25 (MY24: ~1.9MT/Ha).
- While China remains the top producer with the highest yield, the cultivation area has not significantly increased. It is expected that the cotton cultivation area will decrease by ~0.4% by MY34. Nevertheless, the cotton production will remain stable during MY25-34 due to stable and high yields.
- India, on the other hand, has the highest cultivation area among the top 5 producers of ~11.8mln Ha in MY25 (MY24: ~12.5mln Ha), because of favorable geography and availability of land for cotton production. China, however, has higher yields despite a lower cultivation area due to technological advancements. India’s area under cultivation is expected to grow to ~12.3mln Ha in MY26. The production in India is expected to grow by ~2.0% over the next decade.



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Global | Outlook

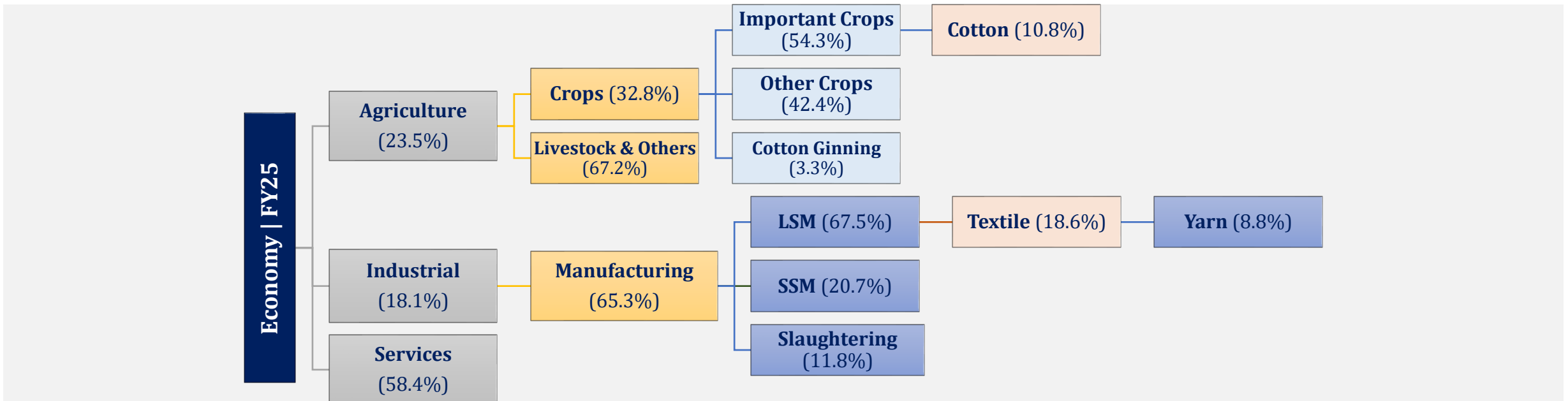
- The global cotton yarn market size in terms of revenue was valued at USD~86.1bln in CY24 and is projected to grow to USD~117.9bln by MY32 at a CAGR of ~4.0%.
- Asia-Pacific is the leading region in the global yarn market, followed by the North American region. Changing consumption patterns, increasing population, disposable incomes and the rise in demand for clothing along with home furnishing products in Asia-Pacific region are major growth factors for the market.
- Cotton yarns possess distinct qualities, including softness, durability, and excellent absorbency. Moreover, blended varieties of yarn are becoming more common in the market owing to significant features of both artificial and natural yarn thus opening up new growth opportunities in the coming years.
- The expansion of Textiles sector in Asian economies is expected to increase demand for mill consumption over the next decade. However, the price competitiveness of synthetic fibre, particularly polyester could encourage the Textiles manufacturers to favour synthetic fibres over cotton. Since MY10, cotton prices have been on average around ~77.0% above the polyester price and around ~100.0% in more recent years, in nominal terms. Hence, cotton prices are expected to trend downwards in the medium term, if the competition from synthetic fibres persists and influence Textiles manufacturers and demand.
- The new generation (Gen-Z) worldwide tends to spend more on clothing compared to previous generations. This trend is anticipated to boost demand for cotton yarn in apparel manufacturing in the coming years.



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Local | Overview

- In FY25, Pakistan's GDP (nominal) increased YoY to PKR~114.7trn (FY24: PKR~105.1trn). The GDP grew by ~2.7% YoY in real terms (FY24: ~2.5% growth YoY). Industrial activities in FY25 held ~18.1% share in the GDP, while the manufacturing activities made up ~58.4% of the value addition.
- Large Scale Manufacturing (LSM) in Pakistan is essential for economic growth, considering its linkages with other sectors, as it represented ~67.5% of the value of the manufacturing activities in FY25. However, the LSM contracted by ~1.5% YoY in FY25 (FY24: ~0.9% YoY).
- The Textiles sector is classified as a Large-Scale Manufacturing (LSM) industrial component within the industrial sector. In FY25, the Textiles industry's weight in the QIM was recorded at ~18.6%. The weight of Yarn in LSM was ~8.8%.



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Local | Overview

- The Spinning Sector is fundamental to Textiles production. In Pakistan, there are ~368 spinning units with ~13.4mln installed spindles and ~198,800 installed rotors. During 9MFY25, ~9.5mln spindles and 126,583 rotors were operational, with capacity utilization rates of ~70.8% and ~63.7%, respectively.
- The industry comprises large-scale organized players as well as fragmented cottage/small-scale entities. The Sector has matured over the years and has a long operating history in the country. The market structure can be classified as competitive, with a large number of players producing a relatively homogenous product.
- The market size of the Spinning Sector has also followed an upward trend FY21 onwards, with its share in LSM increasing from PKR~55.4bln in FY21 to PKR~116.2bln in FY25, a CAGR of ~20.2%.
- Yarn production was highest in FY22 and dropped significantly by ~22.1% YoY in FY23, primarily due to lower cotton production in the wake of FY23 floods. Hence, the spindles utilized also reduced.
- During FY25, Pakistan’s yarn production increased by ~7.6% YoY to ~2.7mln MT (FY24: ~2.5mln MT). During the same period, yarn exports stood at ~256,000.0 MT, equivalent to PKR~187.0bln (or USD~681.0mln). The export volume reflects a ~27.5% YoY decrease when compared with FY24.The export value of yarn in PKR terms reduced by ~31.3% YoY in FY25.

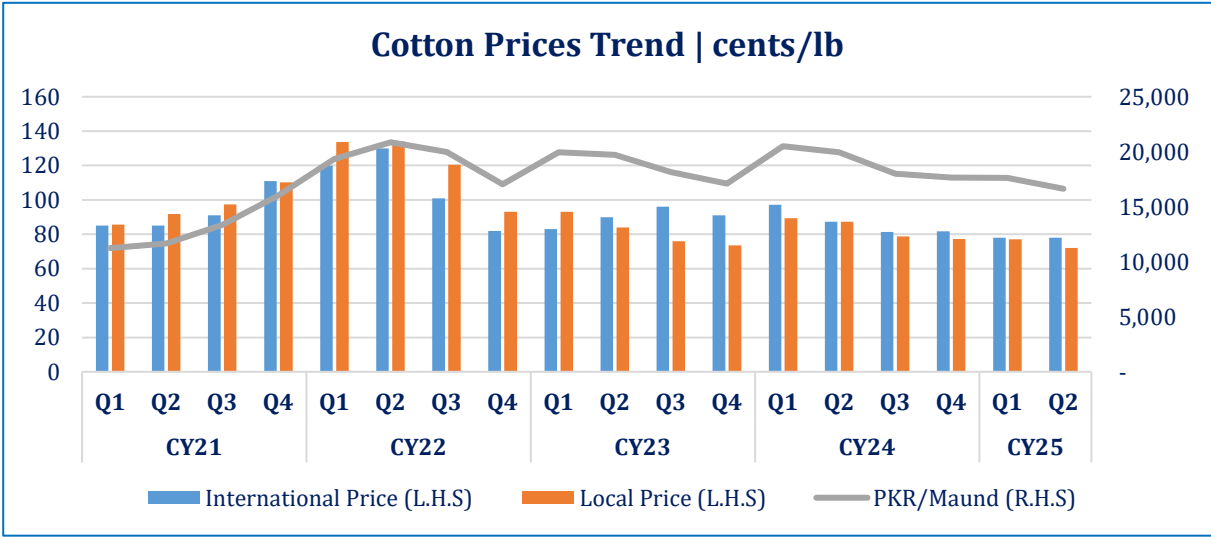
Spinning	FY21	FY22	FY23	FY24	FY25
Market Size based on share in LSM * (PKR bln)	55.4	79.0	95.8	113.8	116.2
Spinning Units	477	477	368	368	368
Spindles Installed (000 Nos.)	13,414	13,414	13,414	13,409	13,409
Spindles Operational (000 Nos.)	11,338	11,338	9,500	9,700	9,500
Capacity Utilization (%)	84.6%	84.6%	69.3%	72.3%	70.8%
Yarn Production (000 MT)	3,442	3,459	2,695	2,477	2,665
Export Volume (000 MT)	391	336	281	353	256
Cotton Yarn Export Value (PKR bln)	162	214	212	272	187
Cotton Yarn Export Value (USD mln)	1,017	1,207	844	956	681
Contribution in Country's Total Exports (%)	4.0%	3.8%	3.0%	3.1%	2.1%
Association	All Pakistan Textile Mills Association				

**share in LSM is based on the LSMI weightage*

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Cotton Dynamics | Prices

- The global cotton prices increased to ~113.0cents/lb in FY22 from ~76.0cents/lb in FY21. However, FY22 onwards, the prices have trended downwards and are expected to follow the same trend in the medium term. During 3QCY25, average global cotton prices were ~80.0cents/lb (SPLY: ~93.0cents/lb), down ~14.0% YoY. This decline reflects strong competition from synthetic fibres. The subdued cotton demand has added downward pressure on global prices.
- The average local price of cotton in FY25, was recorded at PKR~17,137/maund (SPLY: PKR~18,883/maund), down ~9.2% YoY. This is mainly attributed to 18.0% sales tax imposed on domestic cotton production while the imported cotton remained duty free in the first half of FY25. This reduced the demand for locally produced cotton, ultimately reducing prices. However, this exemption was withdrawn in Finance Act 2025 to encourage local production and reduce import dependency. While the 18.0% sales tax on domestic production is still in place, the import advantage for ginning and spinning industries is now eliminated. This is likely to increase demand for local cotton since price disparity is eliminated. During 3MFY26, the cotton prices followed the same declining trend due to an increase in cotton arrivals. As of Sep'25, domestic cotton arrivals were up ~40.0% YoY.



	FY21	FY22	FY23	FY24	FY25*
International (cents/lb)	76	113	89	93	80
Local (cents/lb)	78	118	94	81	77
Local (PKR/maund)	10,254	17,354	19,108	18,883	17,137

*FY25 = 3QFY25

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Local | Cotton Dynamics

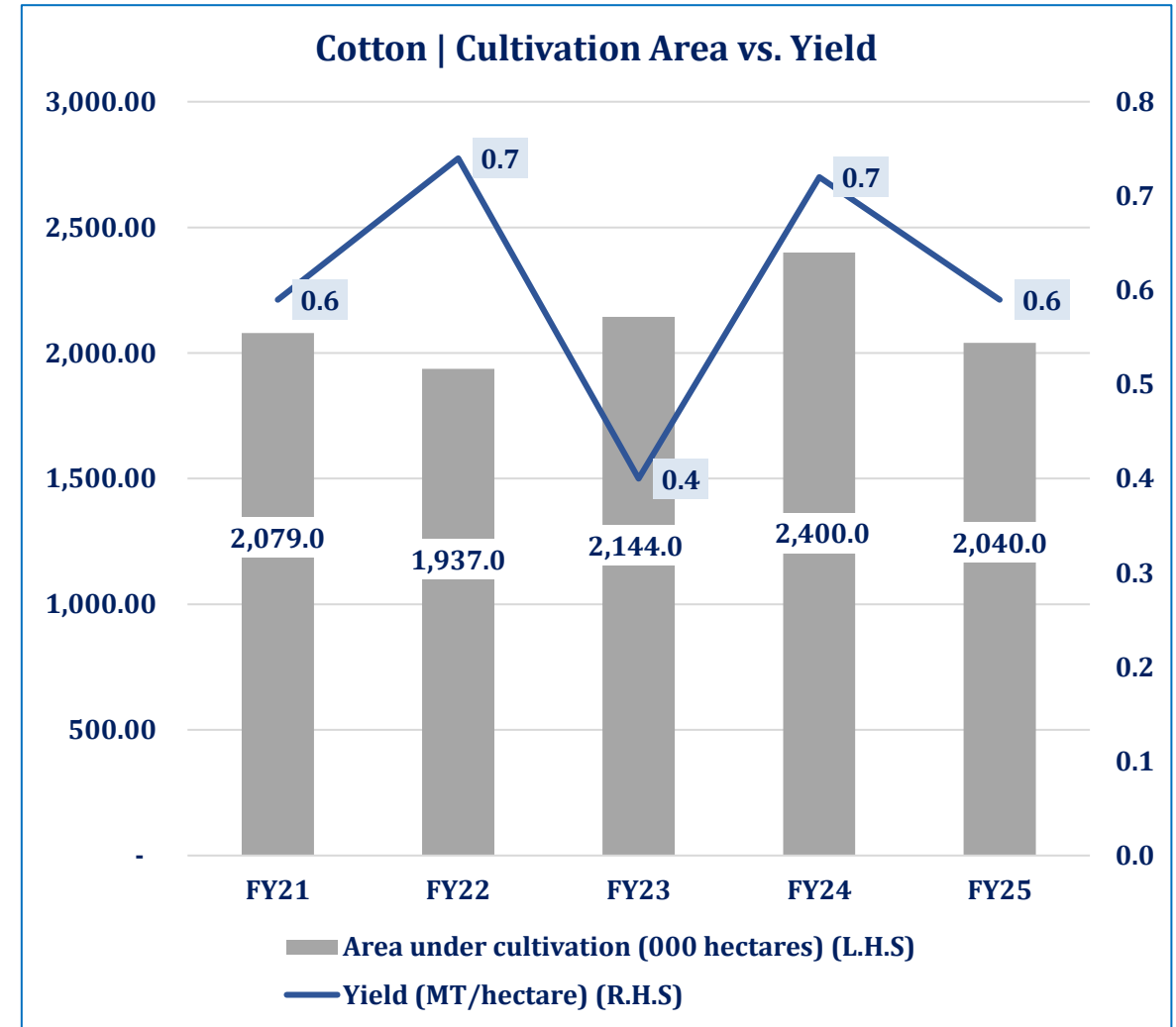
- Pakistan’s cotton production decreased by ~30.7% YoY in FY25, owing to a decrease in area under cultivation and lower yield, primarily due to unfavorable weather conditions. Extreme temperatures in Punjab hindered boll formation, reducing yield. Moreover, the ~18.0% sales tax on local cotton production as compared to the initially duty-free imported cotton, also reduced demand for local cotton during the early months of FY25.
- Cotton arrivals for FY25 clocked in at ~7.1mln bales, against the production target of ~10.8mln bales. For FY26, the target for cotton production is set at ~10.2mln bales.
- On the other hand, a ~234.0% YoY increase in cheaper cotton imports was observed during the same period to meet the domestic demand (FY24: ~70.0% YoY decline).
- The current climate change has adversely affected the agricultural crops including cotton nationwide. While the impact of floods on the cotton crop is still under assessment, the cotton arrivals have increased by ~39.8% YoY as of mid Sep’25. This is a positive development and indicates that production in FY26 could meet the set target.

Local Cotton Supply ('000' Bales)					
Particulars	FY21	FY22	FY23	FY24	FY25
Opening Stock	3,200	2,175	1,925	1,525	1,625
Production	7,064	8,329	4,910	10,223	7,084
Imports	5,043	4,567	4,024	1,206	4,028
Total Supply	15,307	15,140	10,858	12,954	12,737
Local Consumption	13,486	12,518	9,309	10,394	10,170
Exports	3	16	68	183	3
Closing Stock	2,175	2,470	1,958	2,376	2,564

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Local | Area Under Cultivation and Yield

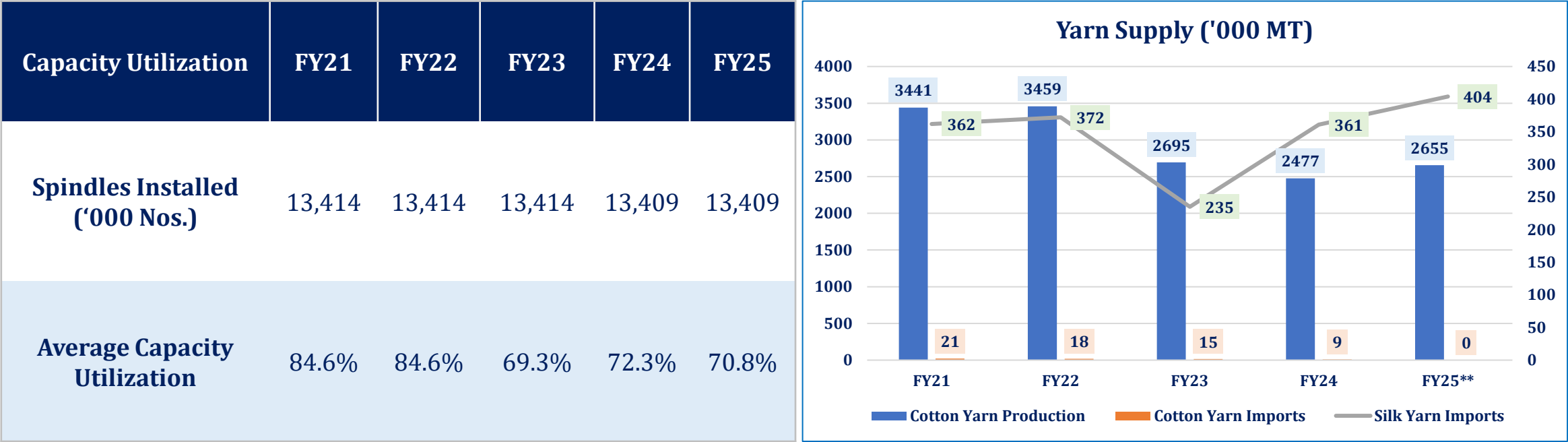
- The area under cultivation for the cotton crop decreased by ~15.0% YoY to ~2.0mln Ha in FY25 from ~2.4mln Ha in FY24. Similarly, cotton crop yield also reduced to ~0.6MT/Ha in FY25 from ~0.7MT/Ha in FY24.
- For FY26, cotton production target is set at ~10.2mln bales. However, the actual production is subject to the ongoing climatic challenges. The current floods have damaged almost ~1.0mln Ha of all crops (~7.7% of the country's total cultivated area), as of Oct'25.



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Local | Installed Capacity & Yarn Supply

- The cotton yarn production has remained under pressure but increased by ~7.6% to ~2.7mln MT in FY25 (FY24: ~2.5mln MT). The average yarn production during FY21-23 has been ~2.9mln MT, with the highest yarn production in FY22, ~3.5mln MT. During FY22-24, the production declined to ~2.5mln MT primarily due to cheaper imported yarn available. However, there is a slight recovery in FY25 as the production of yarn increased to ~2.7mln MT. This is likely a result of the withdrawal of ~18.0% sales tax exemption on imported yarn, in the Finance Act 2025, which has reduced the price disparity for locally produced yarn.
- The imports of silk yarn rose by ~11.9% YoY, registering at ~404.0mln MT during FY25(FY24: ~361.0mln MT).
- The utilized capacity of the spindles reduced to ~70.8% in FY25 from ~72.3% in FY24.



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Yarn | Supply

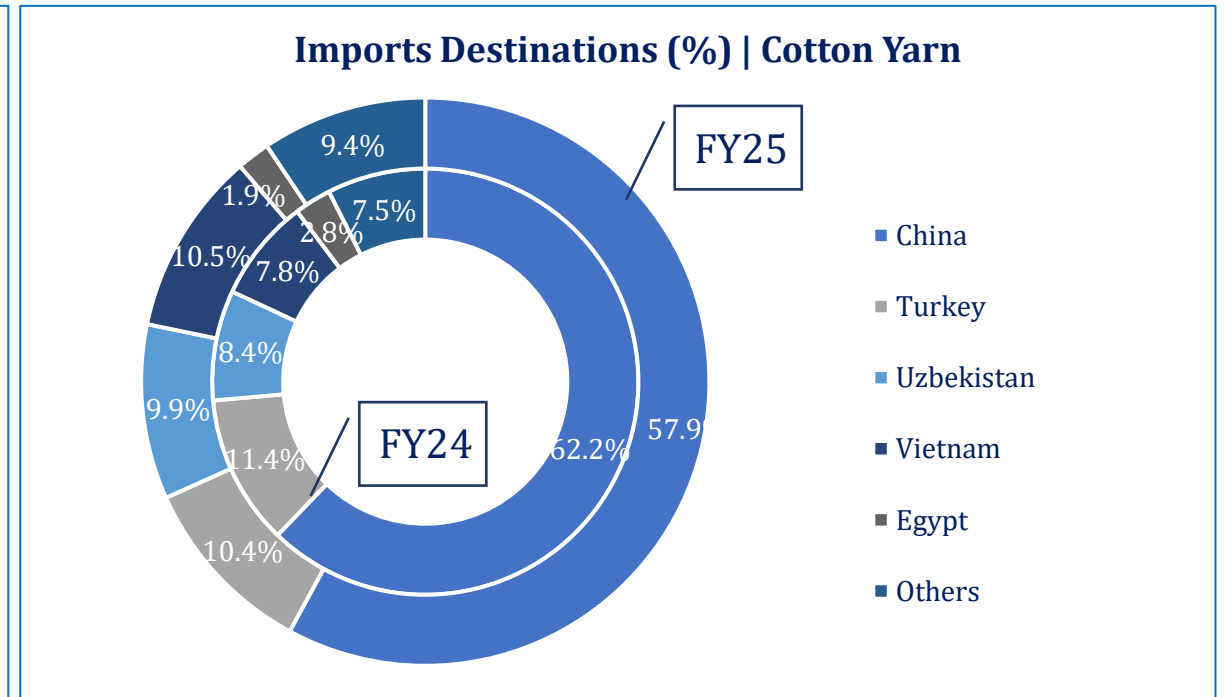
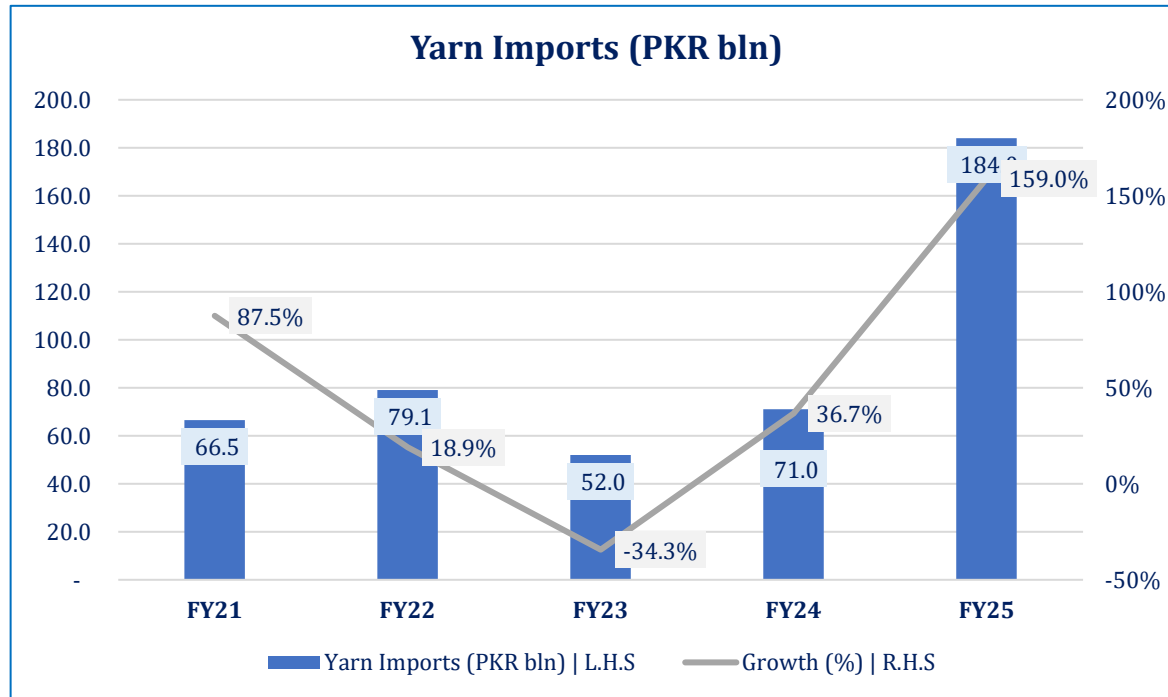
Production of Yarn (MT)	FY21	FY22*	FY23*	FY24*	FY25*
Synthetic/Blended	1,385,574	1,392,481	1,084,904	997,328	1,073,025
Medium	826,441	830,560	647,103	594,867	640,018
Coarse	792,771	796,723	620,739	570,632	613,943
Fine	350,824	352,573	274,695	252,521	271,687
Super Fine	85,975	86,404	67,318	61,884	66,581
Total	3,441,585	3,458,740	2,694,760	2,477,233	2,665,255

- Pakistan’s annual production of yarn remained relatively stable in FY21-FY22. During FY23-25, the average yarn production was ~2.6mln MT. The production significantly dropped in FY23 due to cotton crop damage during 1HFY23 in the wake of floods and import restriction due to depleting forex reserves. In FY25, it recovered slightly to ~2.7mln MT (FY24: ~2.5mln MT), up ~7.6% YoY, but still remains significantly below FY21-22 levels.
- Synthetic or blended yarn, which includes Polyester-Viscose and Polyester-Cotton, has had the largest share of total yarn production. This is followed by medium/coarse type yarn which has a larger share in production as compared to fine and super fine cotton yarn.

Spinning

Yarn | Imports

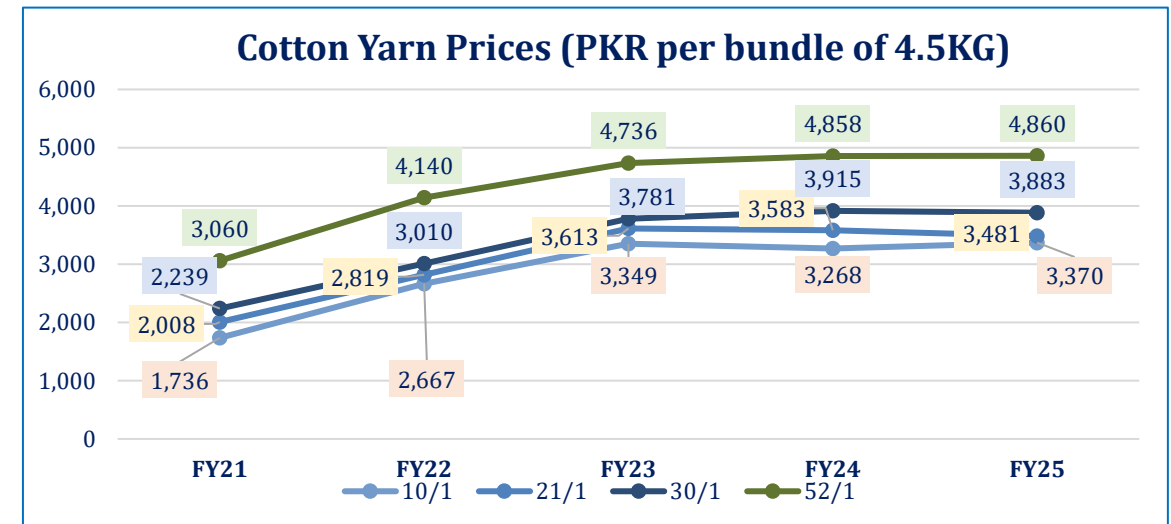
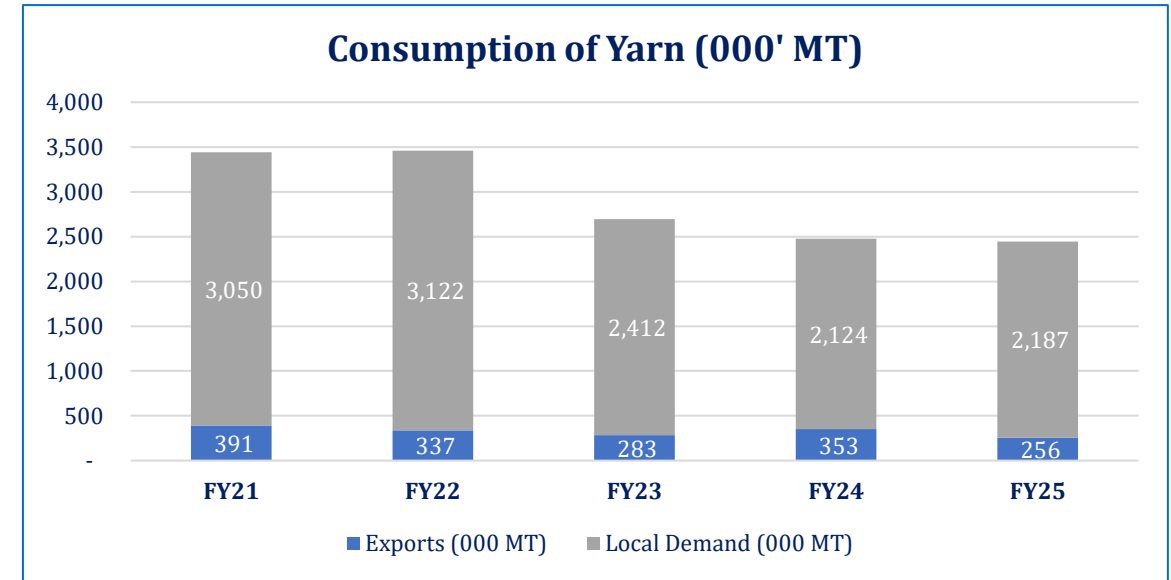
- Pakistan's cotton yarn imports averaged at PKR~67.2bln during FY21-24, with a noticeable decline in FY23. In FY23 onwards, the imports have followed an upward trend. In FY25, these substantially increased by ~159.0% YoY to PKR~184.0bln (FY24: PKR~71.0bln). The increase in imports is predominantly because of tax free cotton and yarn imports, earlier allowed by the government, sales tax on local ginning mills, and adverse weather conditions causing floods.
- Cotton yarn imports from China had a share of ~57.9% in FY25 (FY24: ~62.2%). Turkey's share of yarn imports was ~10.4% in FY25 (FY24: ~11.4%). Other importing countries of yarn include Uzbekistan, Vietnam and Egypt and accounted for ~9.9%, ~10.5% and ~1.5% of Pakistan's total yarn imports, respectively during FY25.



Spinning

Yarn | Prices & Demand

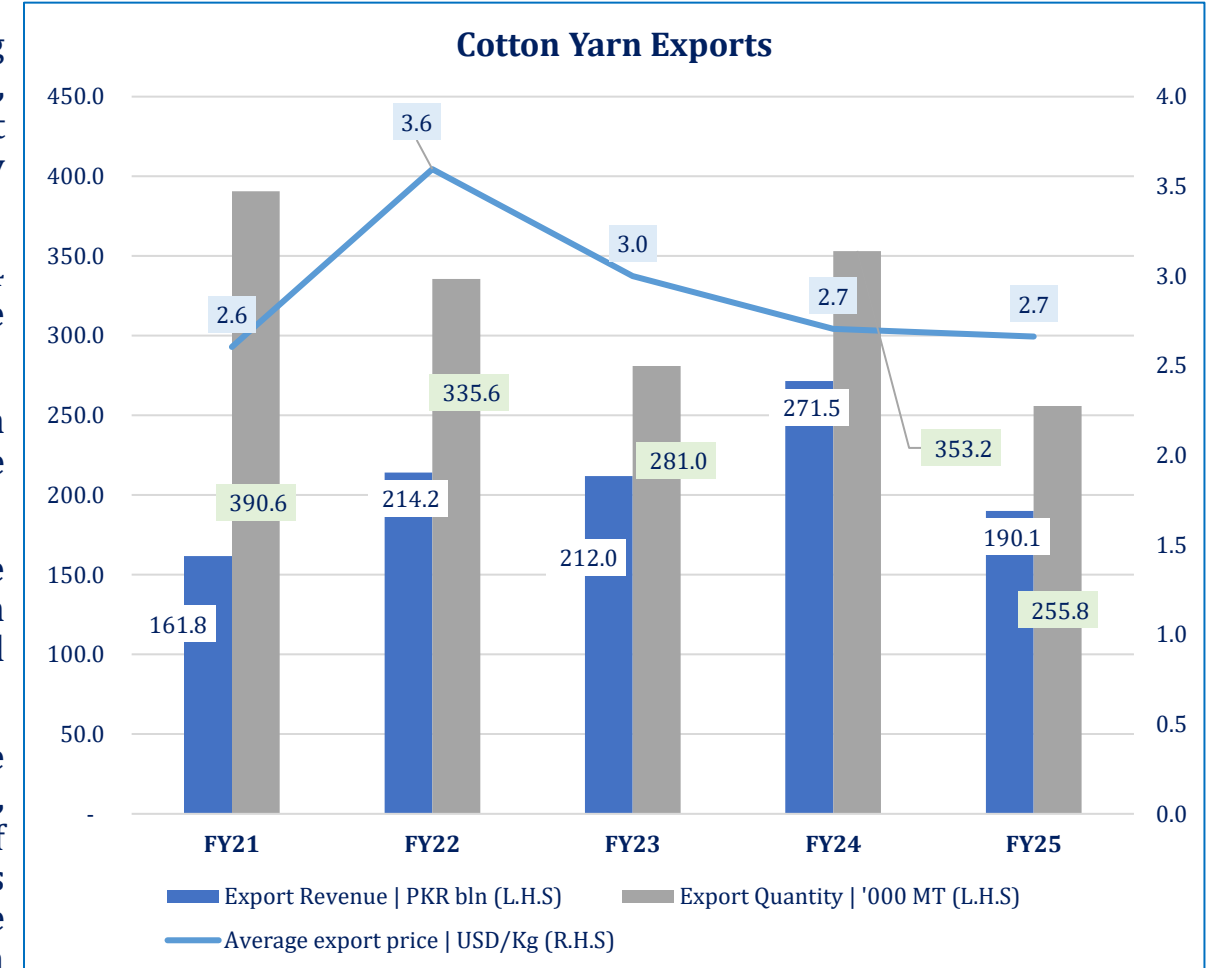
- The consumption of yarn increased by ~4.1% YoY in FY25, from ~2.1mln MT in FY24 to ~2.0mln MT in FY25 owing to increased domestic and foreign demand for textile products.
- Overall, the consumption of yarn has reduced over the FY21-25 period. The average consumption during the period has been ~2.6mln MT. It was the highest in FY22 at ~3.1mln MT and followed a downward trajectory till FY24 when the consumption was at its lowest of ~2.1mln MT during the five years period.
- The consumption of yarn declined in FY23 to ~2.4mln MT after reaching the five years peak in FY22 of ~3.1mln MT primarily due to lower yarn production in the wake of floods. Moreover, the exemption of import duty on cotton yarn under the Export Financing Scheme created a bias towards the cheaper imported cotton yarn. In Finance Act 2025, however, this exemption has been withdrawn to encourage local yarn consumption.
- The local yarn prices for 21/1 and 30/1 count yarn is PKR~3,481.0 and PKR~3,883.0 per bundle of 4.5 kgs. The price of finer quality yarn (52/1) is relatively higher at PKR~4,860.0 per bundle of 4.5 kgs. Meanwhile, the price of higher quality imported cotton yarn, particularly the one imported from China is, on average, PKR~4,776.7 per bundle of 4.5 kgs.
- Prices of cotton yarn are expected to move in tandem with the cotton price and remain restricted in 1HFY26. However, fluctuations in cost factors, particularly in raw material cost, energy, and finance costs, along with the revived demand can result in an uptick in the price of yarn.



Spinning

Yarn | Exports

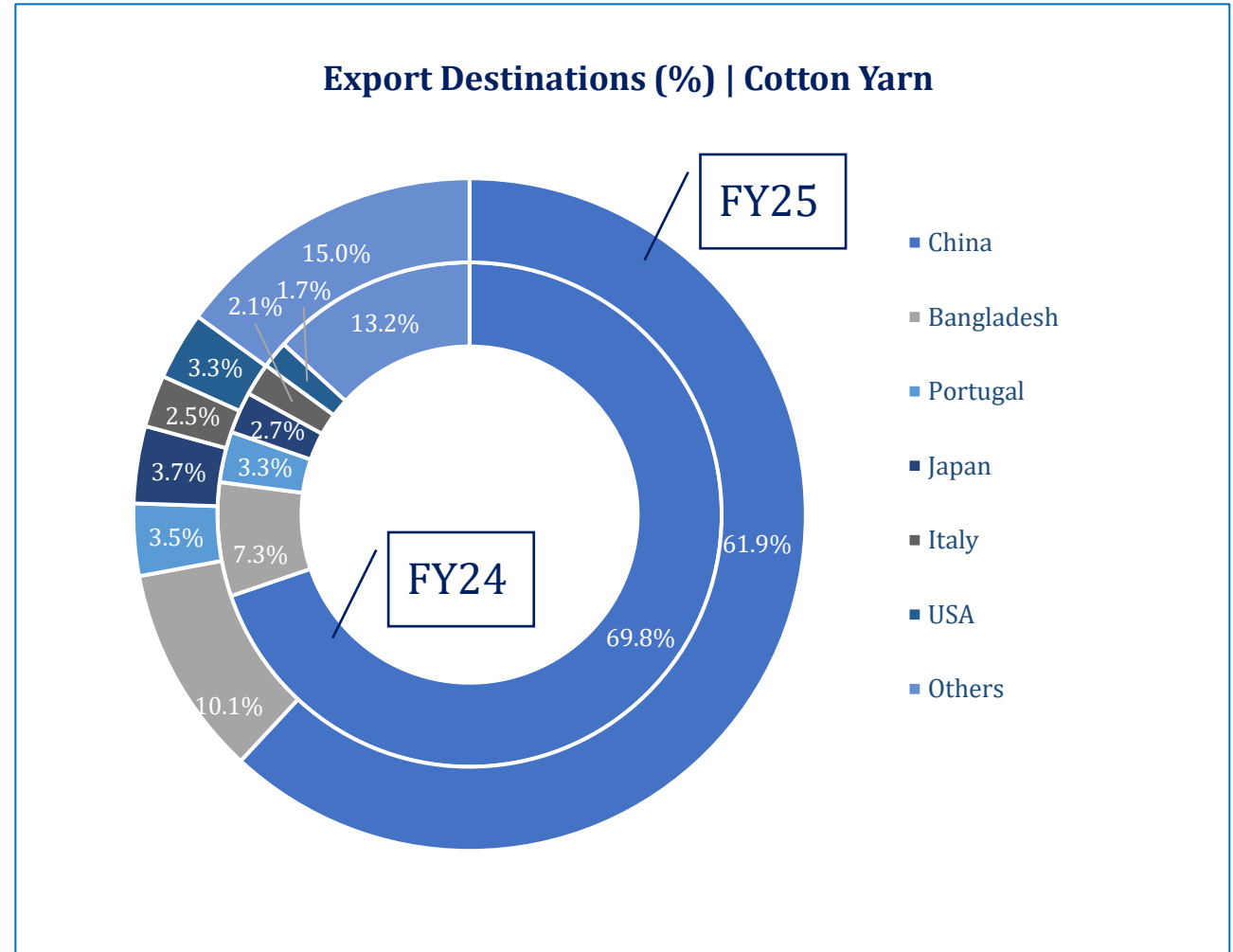
- Pakistan is a major exporter of yarn with average yarn exports amounting to ~323,240MT during FY21-25. Yarn exports were the highest in FY21, at ~390,565 MT and declined till FY23 to ~281,225 MT. With a slight improvement in FY24, yarn exports again declined in FY25 to only ~255,799 MT.
- In PKR terms, the export of yarn decreased by ~30.0% YoY in FY25 (FY24 growth: ~28.1% YoY) due a lower cotton production this year. The average export price of yarn remained the same at USD~2.7/Kg.
- Pakistan produces and exports ~30.0-40.0 counts yarn, which is of a lower quality than what is needed to produce high quality Textiles. The higher quality yarn is mostly imported from China.
- The slowdown was due to a slight reduction in demand for textile products. In FY26, however, both cotton yarn and cotton cloth production has increased. During 1MFY26, cotton yarn increased by ~1.7% YoY and the Textiles Sector grew by ~0.04% YoY.
- Currently, Pakistan faces a ~19.0% tariff (including baseline tariff) by the US, a major Textiles export destination for Pakistan. On the other hand, regional competitors like India, Bangladesh, and Viet Nam face a tariff of up to ~50.0%, ~20.0%, and ~20.0% respectively, as of Aug'25. This positions Pakistan more favourably than key regional competitors in the US textiles market. Heading in the last the quarter of CY25, Pakistan can benefit from this trade window of opportunity.



Spinning

Yarn | Export Destinations

- Pakistan's yarn exports are largely concentrated towards China, which accounted for ~61.9% of total yarn exports during FY25 (FY24: ~69.8%).
- China is both, the larger importer and exporter of cotton yarn from Pakistan. Pakistan exports lower quality yarn to China (coarse/grey cloth), and imports processed/fine yarn from China.
- Even though the share of exports to China have decreased by ~7.9% YoY, strong trade momentum is expected under China-Pakistan Free Trade Agreement.
- Other export destinations include Bangladesh (~10.1%), Portugal (~3.5%), Japan (~3.7%), USA (~3.3%) and Italy (~2.5%).



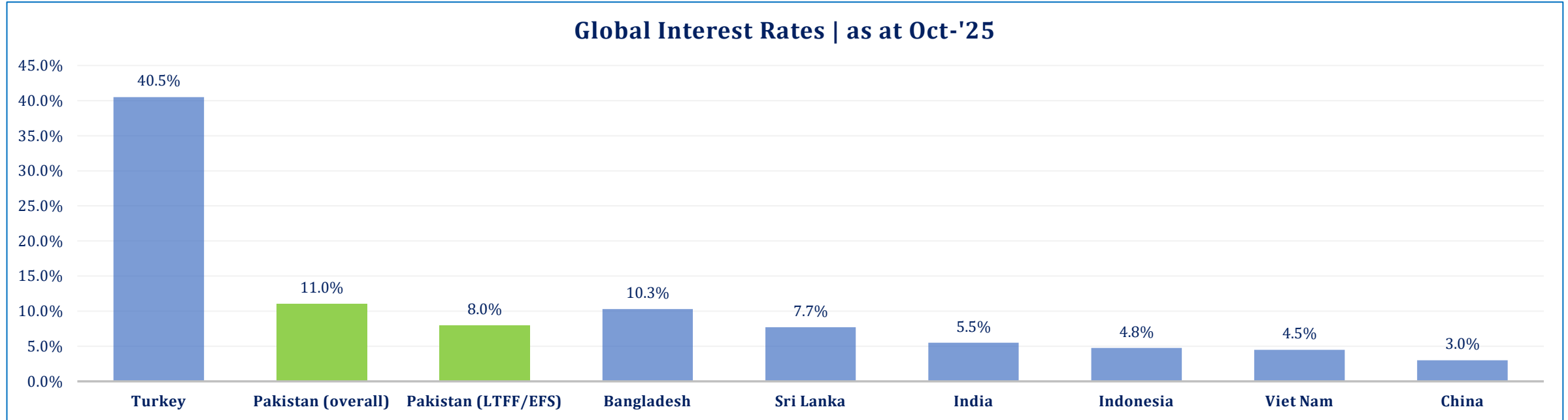
Spinning

Local | Business Risk

- **Varying Local Cotton Production** extreme climate changes pose a significant risk to the local textile sector as damage to local crop means more cotton will need to be imported. Sourcing raw material from overseas could likely dilute the bottom lines of industry players, especially small players. This disrupts production and long-term planning.
- **Dependency on Cotton Imports:** Tax regimes and climatic conditions have increased the Sector's dependency on imports. Even though, the sales tax exemption on imported cotton, which made imported cotton a cheaper substitute, has now been withdrawn in the Finance Act 2025, the recent floods have resulted in crop damage, which could increase dependency on imported cotton.
- **Low Value Addition:** Pakistan's yarn exports are low-priced, and closely follow cotton price trends. Recent drops in USD/lb cotton prices will lead to farmers getting a lower price for cotton acting as a disincentive for growing cotton and instead shifting to other cash crops. Moreover, Pakistan produces low short-staple cotton, which is a lower quality. In most Textiles product long staple cotton is used, which is mostly imported.
- **High Energy Costs:** The government no longer provides the textile industry with RLNG at a subsidized rate. Price of energy for Pakistan's industry stands above the regional average for countries such as India, Bangladesh and Vietnam which reduced the competitiveness of Pakistan's exports. Furthermore, the withdrawal of the RCET has forced smaller mill owners to close down businesses. The Textiles exports have slightly improved but due to high cost of production, Pakistani Textiles exports are losing their competitiveness to other regional rivals including Bangladesh and Vietnam.
- **Disruption in Electricity and Gas Supply:** The Spinning Sector depends on an uninterrupted supply of electricity and gas. Power outages along with higher effective electricity rates as compared to regional competitors also sustain cost pressures.
- **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.

Spinning

Interest Rates | Regional Comparison

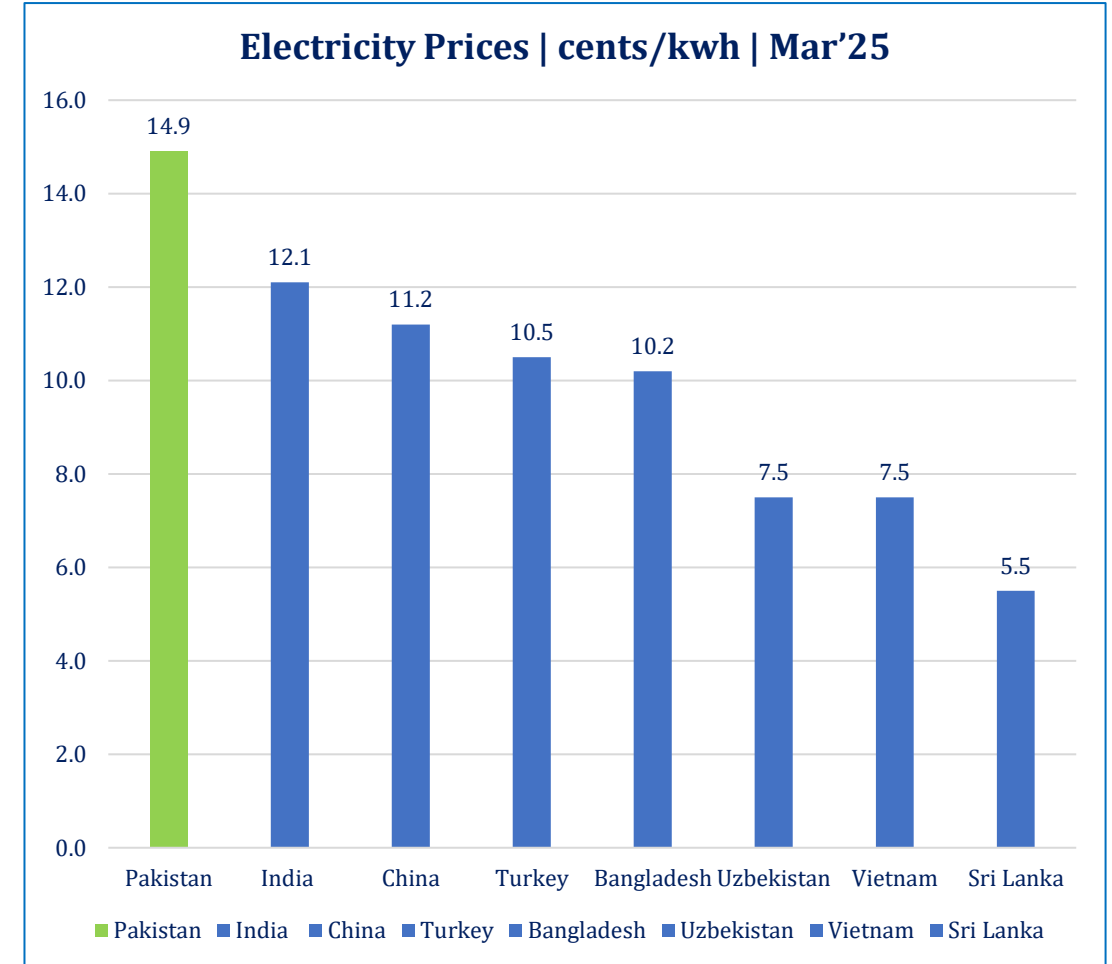


- Pakistan still has the second-highest interest rate in the region (~11.0%), highest being the Turkey (~40.5%). As of Oct'25, the State Bank of Pakistan has kept the policy rate unchanged to ~11.0%. This is because the inflation outlook has worsened in the wake of energy tariffs and further compounded by recent floods and heavy rains in the country.
- The Textiles sector is a beneficiary of subsidized financing facilities from the SBP in the form of short-term Export Refinance Facility (ERF) and Long-Term Financing Facility (LTFF). In Jul'22, the SBP announced that any subsequent revisions in the LTFF and EFS rates will be linked to policy rate revisions, such that the difference between the two rates and the MPR is ~3.0%. In Finance Act 2025, however, cotton yarn was excluded from the EFS, which means that yarn exporters can no longer access the subsidized ~8.0% financing.

Spinning

Electricity Prices | Regional Comparison

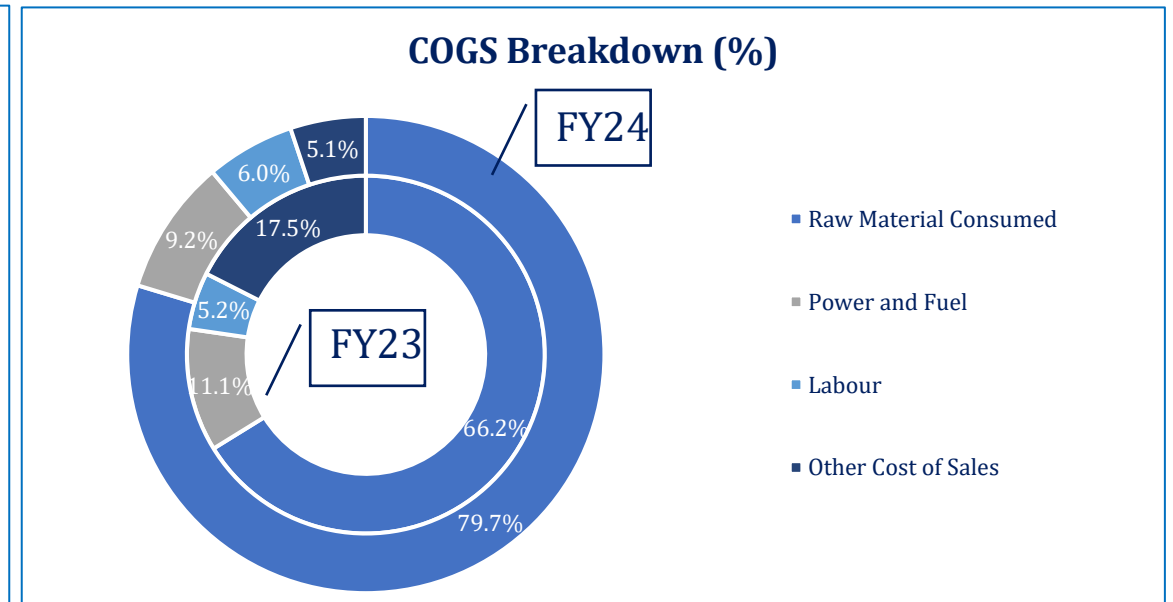
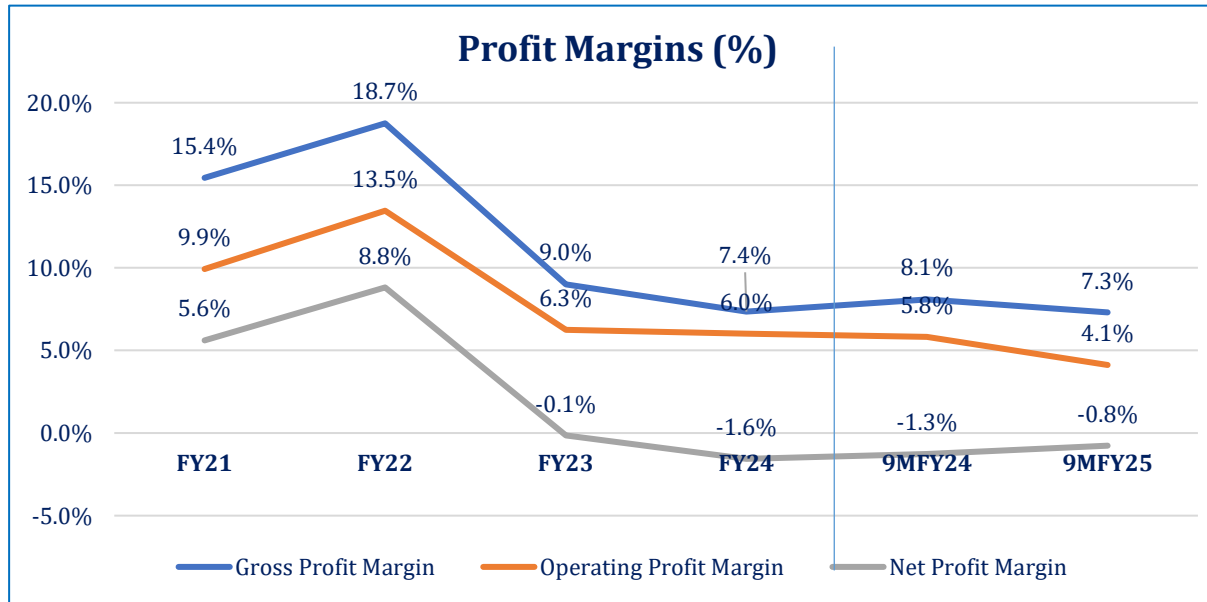
- Pakistan's export businesses face a competitive disadvantage when it comes to comparing national and regional electricity tariffs. Energy costs have a significant share in the final conversion costs of textile mills and these costs cannot be ignored for achieving a competitive edge.
- The government used to provide gas at internationally competitive prices or at regionally competitive energy tariffs (RCET) of PKR~19.99/kWh and a gas tariff of USD~9.0/MMBTU for gas/RLNG to the five export-oriented sectors of the economy including the textile cluster. However, this has now been discontinued since Mar'23, making the Textiles sector uncompetitive in the global market.
- Disruptions in the supply of electricity from the national grid (loadshedding and fluctuations) due to obsolete infrastructure and disconnection of gas supply make it challenging to rely on these energy supply sources. Furthermore, in the winter season, gas provided to the Sector is curtailed further.
- The increase in electricity tariff and energy cost has directly impacted margins of yarn producers.



Spinning

Local | Margins & Cost Structure

- The Sector's gross margins peaked in FY22 at ~18.7% due to a ~53.5% YoY increase in sales revenue. However, this was followed by a declining trend and the gross margins during 9MFY25 decreased to the five year low of ~7.3%. The revenue of the Sector declined in 9MFY25 by ~8.7% YoY, primarily due to expensive cotton procurement and drop in local yarn demand as cheaper imports served as substitutes. Reduced gross margins translated into lower operating margins as well. During 9MFY25, the operating margin reduced to ~4.1% (SPLY: ~5.8%). However, there is a substantial deviation from the FY21-24 average of ~8.9%.
- Net margins declined sharply from ~8.8% in FY22 to ~0.1% in FY23 and have remained negative through 9MFY25 at ~-0.8% (SPLY: -1.3%). The steep drop in FY23 margins was primarily due to a ~101.4% YoY surge in finance costs, which grew at a CAGR of ~71.7% during FY21-24. Although finance costs declined by ~19.1% YoY in 9MFY25, leading to a ~0.5% improvement in net margins versus SPLY, profitability continues to remain negative.
- Raw materials make up the biggest share of the entire cost. In FY24, the share of raw materials was ~79.6% (FY23: ~66.2%). The increase of raw material share in the over all cost structure can be attributable to greater reliance on imported cotton.

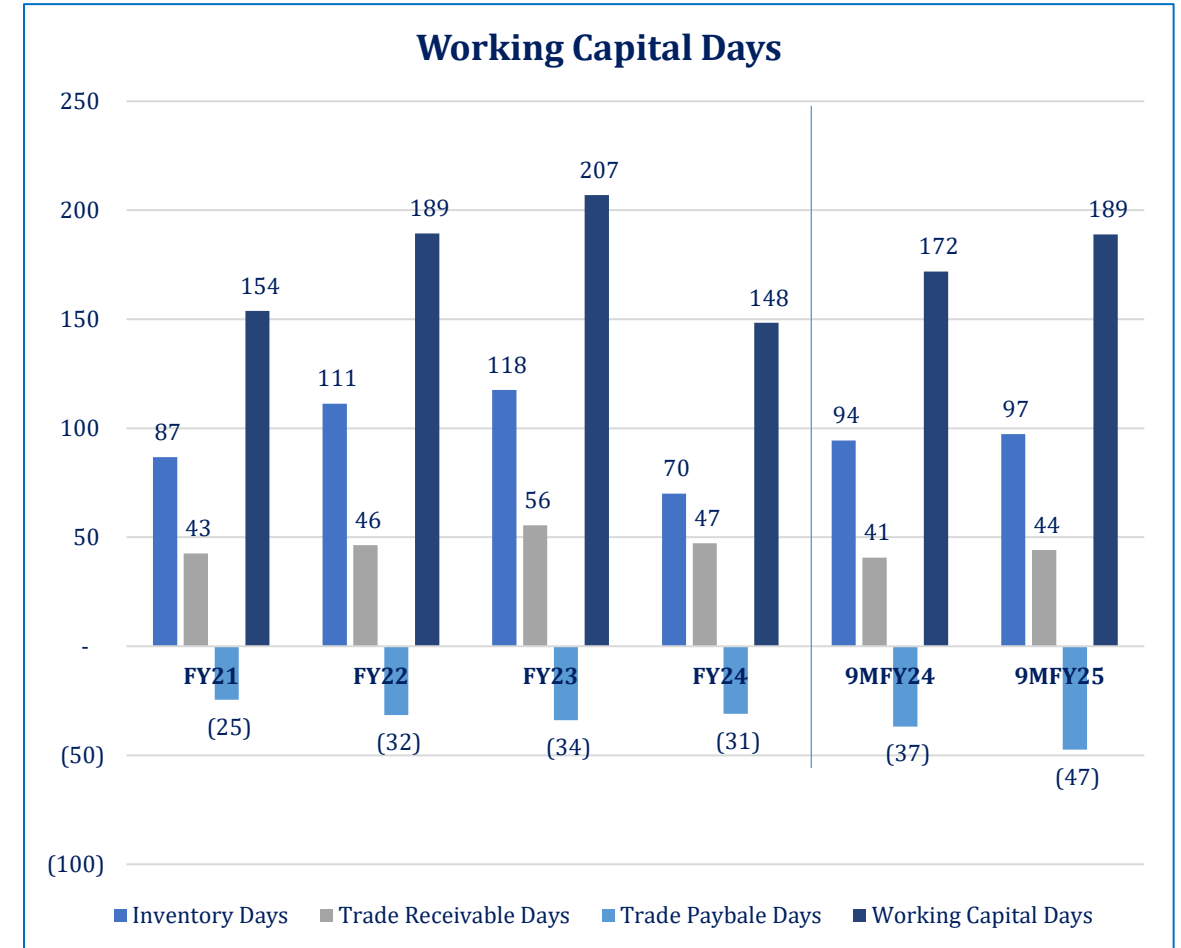


Note: Margins and cost break up are reflective of ~27 listed/rated spinning sector players.

Spinning

Local | Financial Risk | Working Capital Management

- Within the Sector's working capital, inventory consists mostly of raw material and finished goods, with work-in-process making a small contribution. Many players within the organized mill segment are integrated with group companies, resulting in more efficient working capital management.
- The Sector's average receivable days during 9MFY25 stood at ~44.0 days (SPLY: ~41.0 days), remaining close to the FY21-24 average of ~48.0 days. The average inventory days increased slightly by ~3.0 days to ~97.0 days (9MFY24: ~94.0 days), consistent with the four-year average of ~97.0 days. However, the rise in inventory levels during 9MFY25 is also reflected in higher short-term borrowings, indicating greater reliance on working capital financing to fund this buildup. Payable days increased by ~10.0 days to ~47.0 days, compared to the FY21-24 average of ~31.0 days, reflecting extended credit terms.
- Consequently, average net working capital days increased from ~172.0 days in 9MFY24 to ~189.0 days in 9MFY25, reflecting higher inventory holdings and slower receivable turnover.



Spinning

Local | Borrowing Mix

- The Sector's total borrowing as at End-Aug'25 stood at PKR~622.4bln (End-Aug'24: PKR~598.3bln), up ~4.0% YoY.
- Short-term loans at normal rates, comprising ~37.9% of total borrowing (End-Aug'24: ~33.5%), were recorded at PKR~236.1bln (End-Aug'24: PKR~202.0bln), up ~17.4% YoY. Short-term discounted borrowings (EFS - Export Financing Scheme) stood at PKR~116.5bln (End-Aug'24: PKR~117.2bln), down ~0.6% YoY and comprised ~18.7% of the Sector's borrowings (End-Aug'24: ~19.6%).
- Long-term borrowing at normal rates, comprising ~17.5% of total borrowing (End-Aug'24: ~16.1%), were recorded at PKR~108.8bln (End-Aug'24: PKR~96.3bln) up ~13.0% YoY. Long-term discounted borrowing (LTFF) as at End-Aug'25 clocked in at PKR~65.1bln (End-Aug'24: PKR~79.4bln), down ~18.0% YoY and comprised ~10.5% of total borrowings (End-Aug'24: ~13.3%).
- The borrowing mix of the Spinning Sector is primarily concentrated in short-term borrowings and export financing. This reflects the segment's operational pattern, characterized by inventory-heavy cycles, raw material stocking, and phased capital outlays.
- The interest coverage of the Sector during 9MFY25 was ~1.7x (SPLY: ~1.5x). During FY24, the average policy rate was ~21.4%, which led to lower short-term borrowings. The interest rate declined in FY25, but the interest coverage has remained below ~2.0x, primarily because of an increase in short term borrowings.
- Moreover, the Textiles infection ratio/NPLs have consistently remained above the overall banking sector's, with the gap narrowing from a high of ~5.0% points in FY20 to ~0.6% as of June'25. As of Jun'25, the Textiles sector infection ration was ~8.0% (overall banking sector: ~7.4%).
- The Spinning Sector borrowings have grown steadily from PKR~418.0bln in FY21 to PKR~622.4bln in FY25. As its share in Textile borrowing has hovered around 32-35%, the Spinning Sector borrowings are expected to rise, supported by recent policy rate cuts and expectations of further monetary easing. Lower financing costs may accelerate credit demand, particularly for working capital tied to cotton procurement.



Spinning

Local | Regulatory Framework

- As per the Finance Act 2024, the tax regime for direct and indirect exporters has been revised. The ~1.0% tax collected from them will now be considered a minimum tax. Exporters must calculate their actual taxable income or loss based on the relevant provisions. If the ~1.0% withholding tax is less than the tax calculated on their taxable income, they will need to pay the difference. Importantly, the Finance Act 2025, has not introduced any amendments to this regime and treatment established in 2024 continues to apply.
- Additionally, exporters will now be subject to super tax, which was previously not applicable to their income due to it being under final tax.
- Furthermore, a new provision in the advance tax section mandates that specified withholding agents must collect a ~1.0% advance income tax from exporters of goods (both direct and indirect) at the time of realizing export proceeds. (i.e. Withdrawal of Zero-Rating on Local Inputs for Export Manufacturing).
- The domestic cotton raw materials and yarn is subject to ~18.0% sales tax. As per the Finance Act 2025, the exemption on the import duty for cotton products has been withdrawn, and the imported cotton raw materials and yarn are now subject to ~18.0% sales tax as well. In July 2025, through SRO 1359(I)/2025, imported raw cotton, cotton yarn, and grey cloth were excluded from the Export Facilitation Scheme, making them subject to normal duties and 18% sales tax, with a 10-day grace period for shipments already in transit.
- The policy rate in Pakistan was raised to ~22.0% w.e.f. Jun'23, followed by two subsequent reduction in rates (Jun'24 : ~20.5%; Jul'24: ~19.5%). In May'25, the policy rate was reduced to ~11.0% from ~12.0% in Mar'25. As of Sep'25, the policy rate remains at ~11.0%. The Textiles sector is a beneficiary of subsidized financing facilities from the SBP in the form of short-term Export Refinance Facility (ERF) and long-term Financing Facility (LTFF). In Jul'22, the SBP announced that any subsequent revisions in the LTFF and EFS rates will be linked to policy rate revisions, such that the difference between the two rates and the MPR is ~3.0% as of Dec'22. Hence, LTFF and EFS rates stand at ~8.0%.
- The Federal Board of Revenue (FBR) has abolished regulatory duties on a wide range of items including synthetic filament yarn of polyester and second-hand clothing.
- Duty structure of the Sector provides protection to the local players, as depicted in duty structure table. All Pakistan Textile Mill Association (APTMA) acts as the national trade association of textile cluster in the country.

Spinning

Local | Duty Structure

PCT Code	Description	Additional Custom Duty		Custom Duty		Regulatory Duty		Total	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
52.05	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale	2.0%	0.0%	11.0%	5.0%	0.0%	0.0%	13.0%	5.0%
52.06	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale	2.0%	0.0%	11.0%	5.0%	0.0%	0.0%	13.0%	5.0%
52.07	Cotton Yarn (other than sewing thread) put up for retail sale	2.0%	0.0%	11.0%	5.0%	0.0%	0.0%	13.0%	5.0%
52.08	Woven fabric of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	13.0%	10.0%
52.09	Woven fabric of cotton, containing 85% or more by weight of cotton, weighing more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	13.0%	10.0%
52.10	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	13.0%	10.0%
52.11	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/m2	2.0%	0.0%	11.0%	10.0%	0.0%	0.0%	13.0%	10.0%
52.12	Other woven fabrics of cotton	4.0%	2.0%	16.0%	15.0%	0.0%	0.0%	20.0%	17.0%

Spinning

SWOT Analysis

- Large installed capacity
- Integrated into textile value chain as key raw material, key industry for the economy
- Government protection from tariff & duty structure
- Strong sector association resulting in high lobbying power
- Mature and long-standing Textile sector



- Low value addition/commodity product
- Periodic imposition of import duties on import of cotton
- Lower focus on synthetic fibres
- Restrictions on sales to unorganized segment creating hurdles
- Higher electricity and interest costs

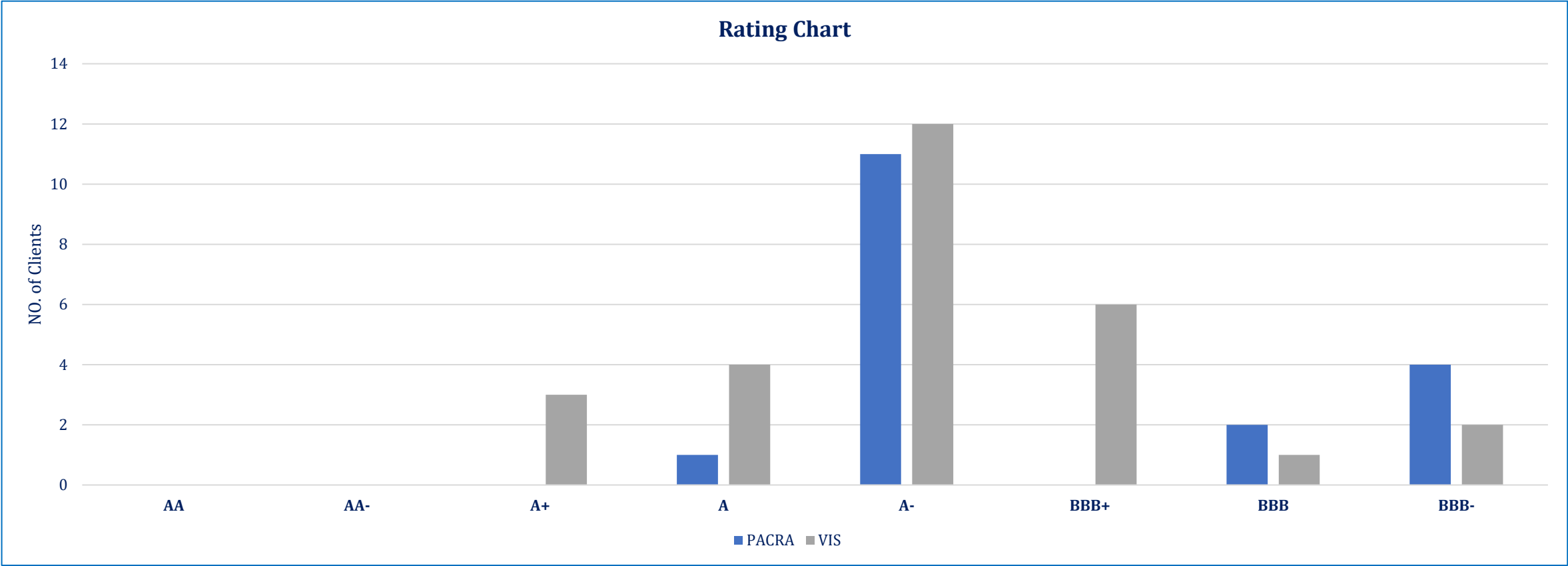
- Geographical export concentration
- Intense competition from regional players in international market
- Strong bargaining power of buyers
- Possible withdrawal of subsidies on electricity and gas
- Higher duties in imports
- Climate change and pest attack threats on cotton crop

- Forward and horizontal integration to produce value added and differentiated products
- Opportunity to increase efficiency through technological upgrade
- Special Economic Zones provide incentives to Sector

Spinning

Rating Curve

- PACRA rates 18 spinning players with a long-term rating bandwidth ranging from A to BBB-.



Spinning

Outlook : Negative

- In FY25, Pakistan's GDP (nominal) increased YoY to PKR~114.7trn (FY24: PKR~105.1trn). The GDP grew by ~2.7% YoY in real terms (FY24: ~2.5% growth YoY). The LSM sector contracted by ~1.5% YoY, while yarn production increased by ~7.6% YoY, showing a limited recovery after the subdued performance during FY23-24; however, production levels still remain below FY22 highs. Persistent cost pressures have continued to strain the Sector. High energy tariffs, expensive cotton procurement, and the removal of regionally competitive energy tariffs (RCET) and concessional financing schemes have collectively eroded profitability. The Sector's net margins have remained negative since FY23. Although net margins improved marginally by ~0.5% YoY during 9MFY25, they continue to stay in the red, reflecting ongoing stress on operations. This has placed Pakistan's Spinning Sector at a clear competitive disadvantage compared to regional peers such as India, Bangladesh, and Vietnam, which enjoy lower production costs and better export pricing.
- Pakistan's yarn exports declined sharply by ~30.0% YoY in PKR terms during FY25, even as overall Textiles exports increased by ~6.0% YoY, underscoring a relative loss of competitiveness and limited value addition in the spinning segment. Additionally, ~61.9% of yarn exports are concentrated in China, heightening geographic concentration risk and exposure to external demand shocks. The Sector's profitability has also been undermined by a surge in imported yarn, which increased by ~159.0% YoY to PKR~184.0bln in FY25 due to earlier tax-free imports and lower domestic cotton availability.
- With the beginning of FY26, monsoon rains and floods have caused damage to crops. Despite this, cotton arrivals increased by ~40.0% YoY as of mid-Sep'25. While amendments in the Finance Act 2025 including the withdrawal of "duty-free" imports of cotton and yarn may encourage local production and reduce import dependency, the benefits are expected to materialize gradually. Cotton remains a major cost component, constituting ~79.7% of total direct costs (as of FY24), and its availability and price stability remain vulnerable to climate and policy shocks.
- The Sector continues to face significant structural challenges. Elevated leverage (total borrowings at PKR~622.4bln, up ~4.0% YoY) have further weakened liquidity and debt-servicing capacity, with interest coverage ratios remaining below ~2.0x. Power outages, gas supply disruptions, and expensive energy tariffs continue to compress operating margins. Moreover, Pakistan predominantly produces coarse and medium count yarn, offering limited value addition, while higher-quality fine yarn is still largely imported from China. This reliance on imported high-value yarn and outdated machinery has constrained the Sector's competitiveness and profitability.

Spinning

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