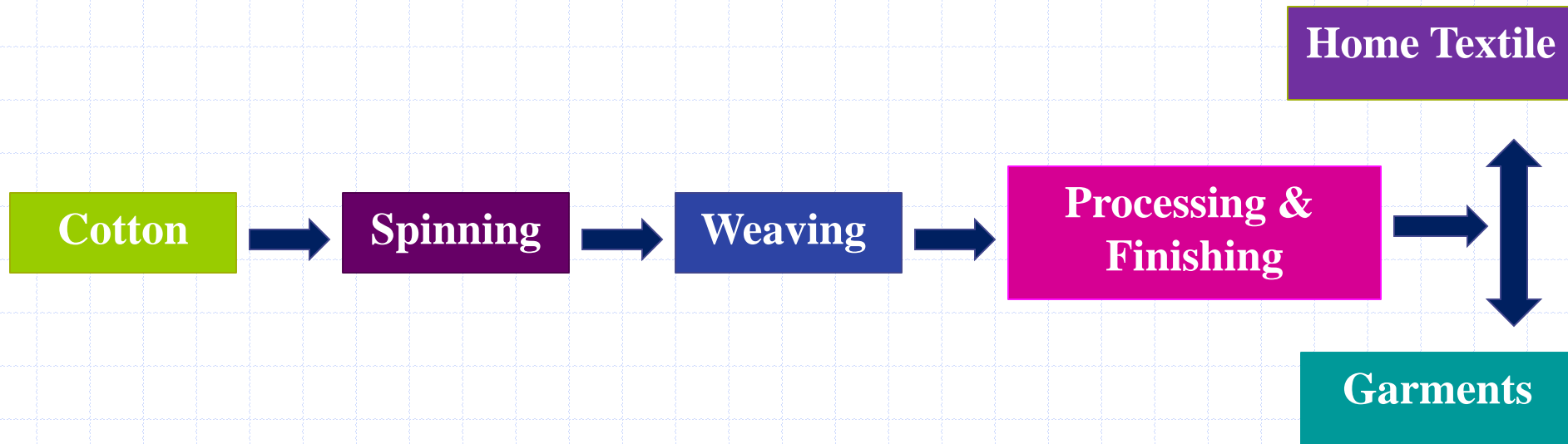


TEXTILE SECTOR – AN OVERVIEW

September 2016

Textile | Value Chain



Competitive

- Commodity
- Large number of players
- Product Differentiation comes with Brand
- Price control increases with value addition

Cotton Yield Comparison

Year	World		Pakistan	
	Area (mln HA)	Yield (Bales/ HA)	Area (mln HA)	Yield (Bales/ HA)
1982/83	31.4	2.1	2.3	1.7
1992/93	32.6	2.5	2.8	2.5
2002/03	30.7	3.0	2.8	2.9
2012/13	34.4	3.6	3.0	3.1
2013/14	32.8	3.7	3.0	3.2
2014/15	33.8	3.5	3.0	3.6
2015/16	30.5	3.2	2.8	2.5
2016/17*	29.5	3.5	2.4	3.4

* Estimated

Sources: USDA
bale = 480lb

- Pakistan cotton yield has improved over the years and at par with the world
- Pakistan's cotton harvested area comprises ~12% (FY17) of the world's area under cotton cultivation
- Over the three decades, cotton cultivation area in Pakistan has largely remained same

Cotton Dynamics | World Statistics

- China & India | World largest cotton producers and consumers | contribution: ~50%

- World's cotton production level witnessed dip in 2016 | China- the key reason; expected to maintain at current level

- Pakistan | World 4th largest cotton producer and 3rd largest consumer

World Cotton Production					
Millions of 480 lb. Bales	Aug 12 - July 13	Aug 13 - July 14	Aug 14 - July 15	Aug 15 - July 16	Aug 16 - July 17* (Sep16)
China	35	33	30	→ 22	21
India	29	31	30	26	27
United States	17	13	15	13	16
Pakistan	9	10	11	7	8
Brazil	6	8	7	6	7
Australia	5	4	2	3	4
Uzbekistan	5	4	4	4	4
Rest of World	19	19	21	16	17
World Total	124	120	119	→ 96	102

World Cotton Consumption					
Millions of 480 lb. Bales	Aug 12 - July 13	Aug 13 - July 14	Aug 14 - July 15	Aug 15 - July 16	Aug 16 - July 17* (Sep16)
China	36	35	33	34	35
India	22	23	25	24	24
Pakistan	11	10	11	10	10
Turkey	6	6	6	7	7
Brazil	4	4	3	3	3
United States	4	4	4	3	4
Bangladesh	4	4	6	6	6
Vietnam	2	3	4	4	5
Rest of World	20	20	19	18	18
World Total	108	110	110	110	111

Source: USDA

* Estimated

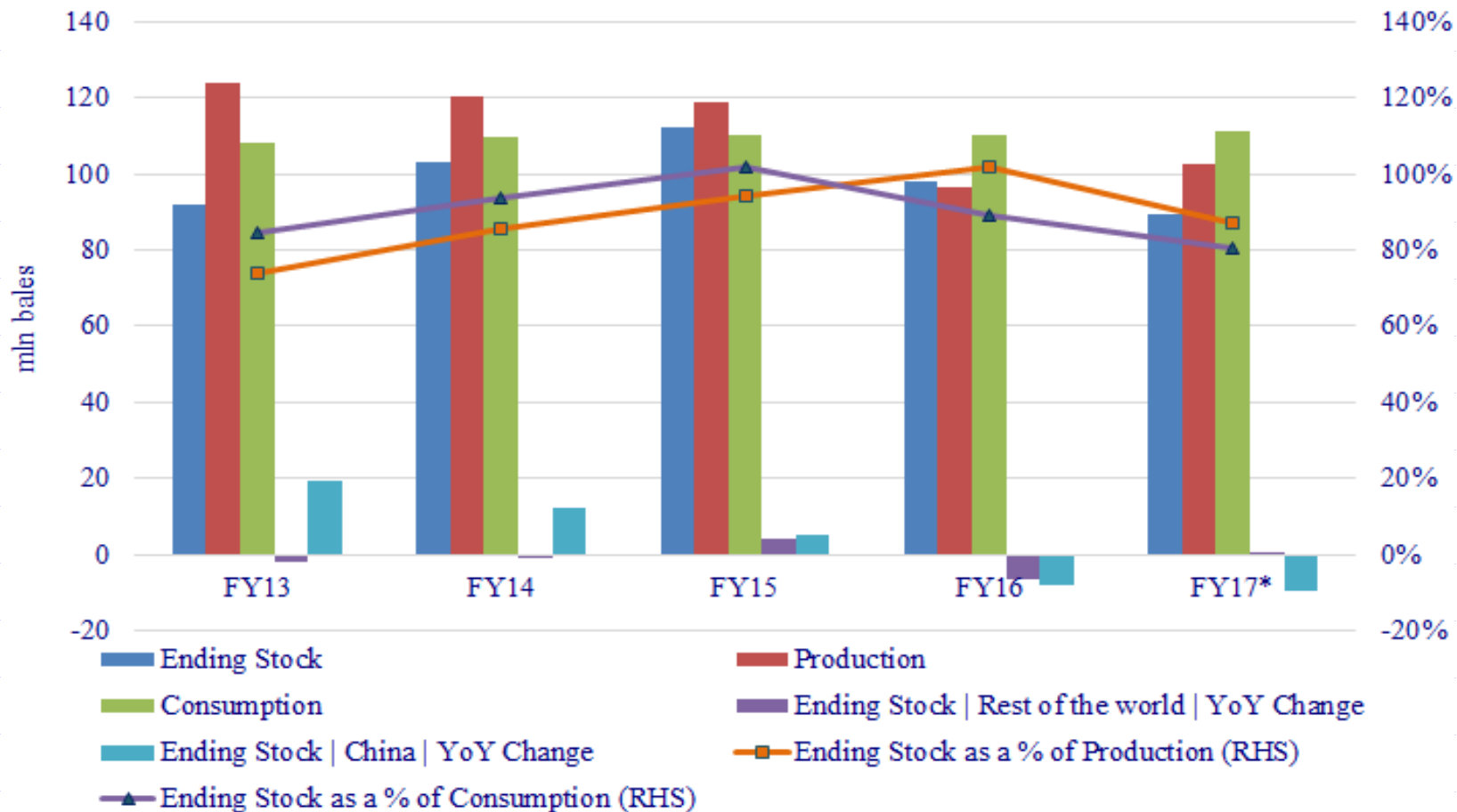
Cotton Dynamics | World Inventory Levels

World Cotton Ending Stocks					
Millions of 480 lb. Bales	Aug 12 - July 13	Aug 13 - July 14	Aug 14 - July 15	Aug 15 - July 16	Aug 16 - July 17*
					<i>(Sep16)</i>
China	50	63	68	→ 60	→ 51
India	12	11	13	11	11
Brazil	6	8	8	6	6
United States	4	2	4	4	5
Pakistan	3	2	3	3	3
Turkey	1	1	2	2	1
Rest of World	16	15	15	13	13
World Total	92	103	112	→ 98	→ 89
<i>Source: USDA</i>					<i>* Estimated</i>

- Since FY11, world's stock has doubled | China – the largest stock holder
- More than 50% of ending stock held by China post FY13
- In FY16, inventories were used; hence, ending stocks reduced by ~13% | expected to reduce further in FY17 | China continued to lead the show

World Cotton Statistics

World | Production, Consumption, & Ending Stock



Cotton Dynamics | World Trade Statistics

- Vietnam's cotton import has more than doubled since FY13 | growth in spinning sector |

World Cotton Imports					
Millions of 480 lb. Bales	Aug 12 - July 13	Aug 13 - July 14	Aug 14 - July 15	Aug 15 - July 16	Aug 16 - July 17* <i>(Sep16)</i>
China	20	14	8	4	5
Bangladesh	5	5	5	6	6
Turkey	4	4	4	4	4
Indonesia	3	3	3	3	3
Vietnam	2	3	4	4	5
Thailand	2	2	1	1	1
Pakistan	2	1	1	3	2
Rest of World	10	9	8	9	9
World Total	48	41	36	35	34

World Cotton Exports					
Millions of 480 lb. Bales	Aug 12 - July 13	Aug 13 - July 14	Aug 14 - July 15	Aug 15 - July 16	Aug 16 - July 17* <i>(Sep16)</i>
United States	13	11	11	9	12
Australia	6	5	2	3	3
Brazil	4	2	4	4	3
India	8	9	4	6	4
Uzbekistan	3	3	2	2	2
Greece	1	1	1	1	1
Burkina	1	1	1	1	1
Rest of World	10	9	9	8	8
World Total	48	41	36	35	34

Source: USDA

* Estimated

Textile | Pakistan Cotton Production & Price

Pakistan - Statement of Cotton Arrival

Bale = 374 lb.	Arrivals					YoY Percentage Change					
	FY13	FY14	FY15	FY16	FY17*	FY12	FY13	FY14	FY15	FY16	FY17*
Punjab	9.5	9.6	10.9	6.0	7.5	53%	-22%	1%	13%	-45%	25%
Sindh	3.4	3.8	4.0	3.8	3.8	-29%	27%	10%	6%	-5%	0%
Total of Pakistan	12.9	13.4	14.9	9.8	11.3	27%	-13%	4%	11%	-34%	15%

*Estimated

Source: PCGA

mln bales

	FY14	FY15	FY16
Opening Stock	1.5	0.7	0.4
Production	12.8	14.0	9.8
Imports	1.6	1.0	2.3
Total	15.9	15.7	12.4
Consumption	14.5	14.7	11.5
Exports	0.7	0.6	0.3
Ending Stock	0.7	0.4	0.6
Total	15.9	15.7	12.4

World Textile Exports | Top 5 Exporting Countries

	<i>US\$ mln</i>		
	2012	2013	2014
China (incl Hong Kong)	288,171	316,669	328,564
% of world textile exports	41%	41%	41%
% of country's export	11%	12%	11%
% of GDP	6%	6%	6%
Italy	35,333	37,195	38,708
% of world textile exports	5%	5%	5%
% of country's export	7%	7%	7%
% of GDP	2%	2%	2%
India	29,276	35,750	36,082
% of world textile exports	4%	5%	5%
% of country's export	10%	11%	11%
% of GDP	2%	2%	2%
Germany	32,005	33,319	35,058
% of world textile exports	5%	4%	4%
% of country's export	2%	2%	2%
% of GDP	1%	1%	1%
Turkey	25,344	27,565	29,202
% of world textile exports	4%	4%	4%
% of country's export	17%	18%	19%
% of GDP	4%	4%	4%
Pakistan	12,919	13,890	14,068
% of world textile exports	2%	2%	2%
% of country's export	53%	55%	57%
% of GDP	9%	10%	9%

- China | leading textile exporter contributing 41% of world textile exports

- Pakistan exports revenue heavily reliant on textile

Textile | Share of Pakistan Textile Exports

Sr. #		Pakistan's Textile Exports Key Countries				
		FY08	FY11	FY12	FY13	FY14
1	USA	25%	25%	26%	24%	24%
2	China*	8%	7%	11%	15%	14%
3	U.K	5%	8%	8%	8%	9%
4	Germany	4%	6%	5%	5%	6%
5	Bangladesh	-	2%	4%	5%	5%
6	Spain	3%	3%	3%	3%	4%
7	Italy	4%	4%	4%	3%	3%
8	UAE	2%	2%	2%	2%	2%
9	All Other Countries	50%	43%	37%	35%	35%

* Excluding Hong Kong from FY12 onwards

Source: SBP & PBS

Sr. #		Share of Pakistan's Textile Exports in the Respective Countries Textile Imports				
		FY08	FY11	FY12	FY13	FY14
1	Bangladesh	-	5%	9%	9%	9%
2	China*	1%	2%	4%	6%	7%
3	U.K	2%	3%	3%	3%	4%
4	UAE	3%	6%	5%	4%	4%
5	USA	2%	3%	3%	3%	3%
7	Italy	1%	2%	2%	2%	2%
8	Spain	1%	2%	2%	2%	2%
6	Germany	1%	1%	1%	1%	2%

* Excluding Hong Kong from FY12 onwards

Source: WTO

Textile | Pakistan Exports Contribution

Pakistan & Textile Industry Exports						
	FY07	FY12	FY13	FY14	FY15	FY16
Pakistan Exports (USD bln)	17.0	24.7	24.8	25.1	23.7	20.8
Textile Exports (USD bln)	8.9	12.3	13.1	13.7	13.5	12.5
%age of Pakistan's Exports	52%	50%	53%	55%	57%	60%

Source: PBS

Pakistan Textile Export - Contribution							
	FY07	FY11	FY12	FY13	FY14	FY15	FY16
Raw Cotton	1%	3%	4%	1%	1%	1%	1%
Cotton Yarn	13%	16%	15%	17%	15%	14%	10%
Cotton Cloth	19%	19%	20%	21%	20%	18%	18%
Home Textile	29%	25%	24%	24%	26%	26%	28%
Garmnets	31%	30%	29%	29%	31%	34%	37%
Others	7%	7%	8%	7%	7%	7%	7%

Source: PBS

- Garments and Home Textile contributes more than 60% towards textile exports

Textile | Pakistan Exports Trend

Textile Sector Exports									
Commodity	Units	FY14		FY15		FY16			
		Quantity	Value (USD 000)	Quantity	Value (USD 000)	Quantity	Value (USD 000)	YoY Quantity Change	YoY Rate Change
Raw Cotton	000 Kgs	114,671	205,136	94,074	147,060	49,550	76,633	-47.3%	-1.1%
Cotton Yarn	000 Kgs	669,630	2,004,476	647,604	1,855,723	448,051	1,261,992	-30.8%	-1.7%
Cotton Cloth	000 Sq Mtrs	2,520,516	2,769,986	2,074,177	2,452,632	2,106,014	2,214,565	1.5%	-11.1%
Home Textile									
- Bed Wear	000 Kgs	316,735	2,137,744	324,551	2,103,071	326,574	2,016,096	0.6%	-4.7%
- Towels	000 Kgs	166,567	767,461	172,156	797,155	177,946	793,898	3.4%	-3.6%
- Madeup Articles			659,929		654,926		632,012		
Garments	000 Doz	137,090	4,202,984	455,929	4,501,577	151,845	4,565,790	-66.7%	204.5%
Others			972,369		941,765		894,778		
Total			13,720,085		13,453,909		12,455,764		
YoY Change in %					-1.9%		-7.4%		

Source : PBS

Exchange Rate | Pak Rupee Vs. US\$

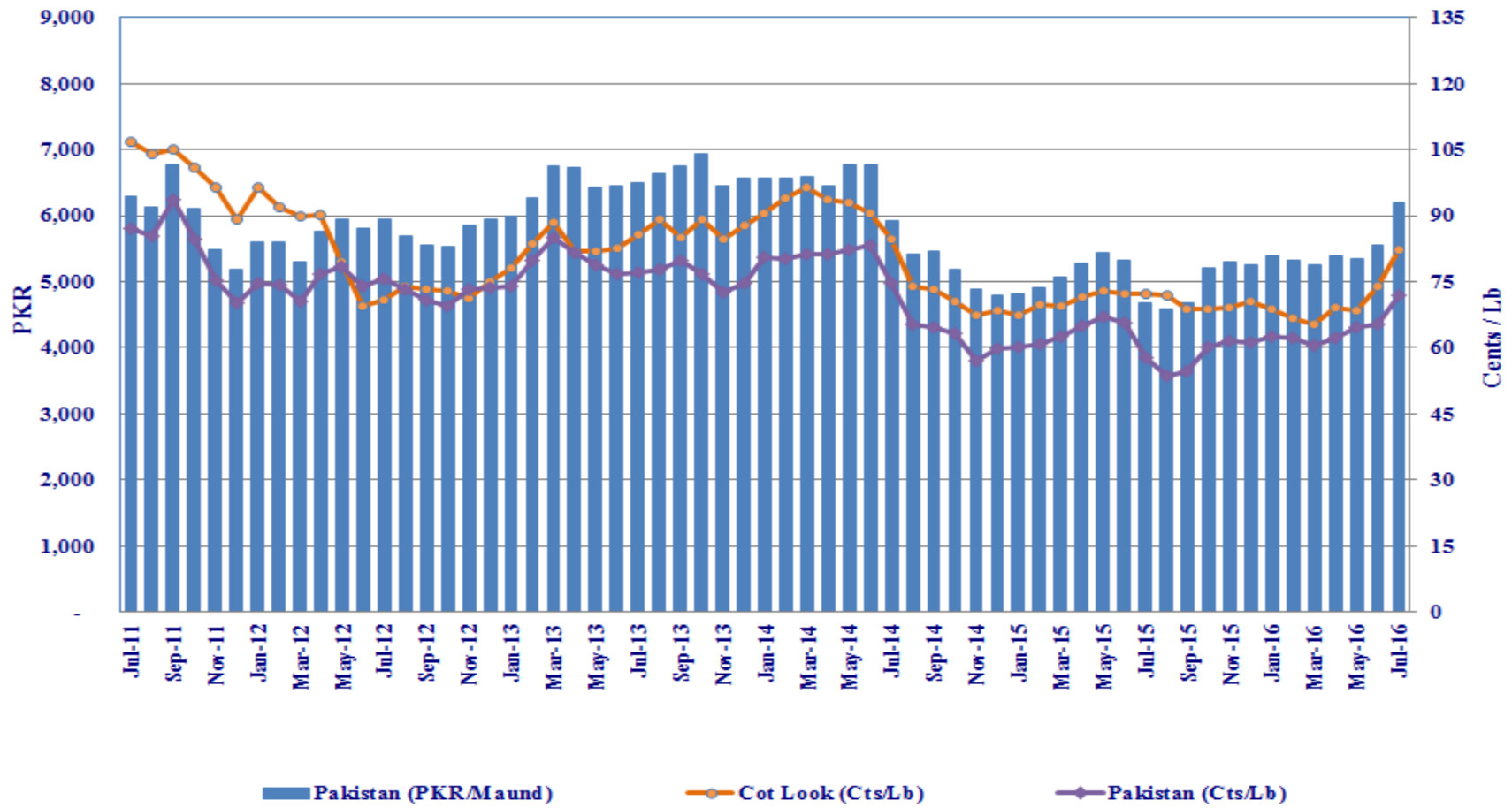
↓ 6.2%

↑ 1.4%

↓ 2.9%

Cotton | Price Trend

Cotton Price Comparison



Textile Industry | Financial Risk

PKR bln

Pakistan Sector Loans					
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Total Loans	3,994	4,178	4,662	5,061	5,703
Textile Loans	632	682	720	708	749
Textile Loans Share in Total Loans	16%	16%	15%	14%	13%

Pakistan Non-Performing Loans					
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Total NPLs	635	617	595	630	635
Textile NPLs	201	210	202	201	197
Textile NPLs Share in Total NPLs	32%	34%	34%	32%	31%

Pakistan Infection Ratio					
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Total Infection Ratio	16%	15%	13%	12%	11%
Textile Infection Ratio	32%	31%	28%	28%	26%

Banking Compendium

Textile Industry | Regulatory Structure

- **Spinning | 15% import duty on cotton yarn | Effective Nov. 1, 2015
Including custom duty: 5%, regulatory duty: 10%**
- **Weaving & Processing | 15% import duty on greige and processed fabric |
Effective Nov. 1, 2015 Including custom duty: 5%, regulatory duty: 10%**
- **DTRE System (Duty and Tax Remission for export) | Benefit to value-added
segment as import made under DTRE is exempted from regulatory duty**
- **Reduced rate of LTFF (Long Term Finance Facility) and ERFF (Export
Refinancing Facility) | <http://www.sbp.org.pk/ecodata/sir.pdf>**
- **Expected bailout package of over PKR 175bln for the textile industry to
support declining exports | Package mainly relates to (i) concessions in taxes,
duties and tariffs in addition to offering duty drawback to the exporters, and
(ii) modernise technology for value addition in textile products in addition to
massive infrastructural modernisation of the industry**

Textile Industry | Key Challenges

- *Volatility in cotton crop production* leading to higher reliance on imported cotton and yarn
- *Declining Exports*
- *High cost of doing business* on the back of obsolete technology, low productivity, reduced competitiveness, shortage of energy, poor governance, internal security concerns

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