## Pakistan Textiles

## 10MFY23: Textile exports declined by $14 \%$ YoY

As per the data reported by PBS, textile exports declined by $\sim 14 \%$ in 10MFY23 to stand at US\$13.7bn vs. US\$15.9bn in SPLY. The slowdown is mainly attributable to global recession resulting in lower export orders coupled with challenging domestic environment.

Segment-wise, value-added products (Knitwear, Bedwear, Towels, Readymade garments) witnessed a drop of $\sim 12.6 \% \mathrm{YoY}$, to stand at US\$9.69bn in 10MFY23. Similarly, basic textile (i.e. Raw Cotton, Cotton Yarn, Cotton Cloth) slump by $\mathbf{\sim} 22.8 \%$ YoY to clocked in at US\$2.37bn, while other textile products also plunged by $\sim 9.6 \%$ YoY to reach at US\$1.64bn in 10MFY23.

On volumetric front, textile exports dwindled by 18.2\% YoY in 10MFY23 compared to SPLY. This decline is led by dip in basic textile exports, which were down by $25.2 \%$ YoY followed by value added and other textile products down by $11.6 \%$ and $22.2 \%$, respectively.

Value added posted an increase of $0.4 \% \mathrm{MoM}$
On MoM basis, value added volumes increased by $4.2 \%$ while prices drop by $3.5 \%$ resulting a slight increase in value added exports by $0.4 \%$ in Apr'23 to clocked in at US\$0.86bn. In value added exports knitwear, bedwear \& towels posted an increase of $3.3 \%, 10.8 \%$ \& $1.0 \%$, respectively which was offset by decline in readymade garment by $10.5 \%$ in dollar terms amid decline in prices by $10.3 \%$ MoM.

## Basic textile witnessed a decrease of $6.9 \% \mathrm{MoM}$

On MoM basis, basic textile export volumes decreased by $6.8 \%$ whereas prices drop by $0.2 \%$ leading to decline in basic textile exports by $6.9 \%$ in Apr'23 to clocked in at US\$0.21bn. The decrease is mainly attributable to decline in cotton cloth exports by $7.1 \%$ (volume $\downarrow 5.7 \%$, price $\downarrow 1.5 \%$ ), while cotton yarn exports declined by $6.3 \%$ (volume $\downarrow 7.8 \%$, price $\uparrow 1.6 \%$ ).

## Outlook

Textile exports have remained sluggish amid multiple headwinds in domestic environment and weakening global demand. We expect textile exports to increase in volumetric terms amid gradual decline in inventory pileup and resurgence of demand at export destinations, however, decline in product prices is likely to offset the impact. Furthermore, headwinds in domestic economy will continue to hamper textile players which includes unavailability of locally produced cotton, delays in clearance of imported cotton \& other essential inputs, elevated gas \& electricity tariffs and increased finance cost.


Source:PBS, Insight Research

## 10MFY23: Textile Export Breakup



Source: PBS, Insight Research

|  | y Rate vs. EFS/LTFF Rate (\%) |
| :---: | :---: |
| 25\% | - Policy Rate - EFS Rate - LTFF Rate |
| 20\% |  |
| 15\% |  |
| 10\% |  |
| 5\% |  |
| 0\% |  |
|  |  <br>  |

Source: SBP, Insight Research

## Pakistan Textile Exports

| US\$ mn | Apr-23 | Apr-22 | YoY | Mar-23 | MoM | 10MFY23 | 10MFY22 | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Raw Cotton | 0 | - | NM | 1 | -47\% | 13 | 7 | 103\% |
| Cotton Yarn | 64 | 98 | -35\% | 68 | -6\% | 637 | 1,006 | -37\% |
| Cotton Cloth | 147 | 210 | -30\% | 158 | -7\% | 1,685 | 2,006 | -16\% |
| Cotton Carded or Combed | - | - | NM | 0 | NM | 1 | 2 | -39\% |
| Yarn Other Than Cotton Yarn | 3 | 6 | -42\% | 3 | 1\% | 36 | 54 | -33\% |
| Basic Textile | 214 | 314 | -32\% | 230 | -7\% | 2,372 | 3,074 | -23\% |
| Knitwear | 322 | 488 | -34\% | 311 | 3\% | 3,712 | 4,218 | -12\% |
| Bed Wear | 218 | 279 | -22\% | 197 | 11\% | 2,250 | 2,727 | -18\% |
| Towels | 80 | 108 | -26\% | 79 | 1\% | 825 | 928 | -11\% |
| Readymade Garments | 247 | 351 | -29\% | 276 | -10\% | 2,905 | 3,214 | -10\% |
| Value Added | 867 | 1,226 | -29\% | 864 | 0\% | 9,691 | 11,087 | -13\% |
| Other Textile Products | 152 | 200 | -24\% | 164 | -8\% | 1,646 | 1,820 | -10\% |
| Total Textile Export | 1,233 | 1,739 | -29\% | 1,258 | -2\% | 13,709 | 15,982 | -14\% |

Source: PBS, Insight Research

| Volumes ('000) | Apr-23 | Apr-22 | YoY | Mar-23 | MoM | 10MFY23 | 10MFY23 | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Raw Cotton (MT) | 0 | - | NM | 0 | -46\% | 12 | 3 | 320\% |
| Cotton Yarn (MT) | 22 | 24 | -11\% | 23 | -8\% | 208 | 285 | -27\% |
| Cotton Cloth (MT) | 28 | 33 | -15\% | 30 | -6\% | 280 | 377 | -26\% |
| Cotton Carded or Combed (MT) | - | - | NM | 0 | NM | 1 | 1 | 3\% |
| Yarn Other Than Cotton Yarn (MT | 1 | 1 | -16\% | 1 | 0\% | 11 | 18 | -37\% |
| Basic Textile | 51 | 59 | -13\% | 55 | -7\% | 512 | 684 | -25\% |
| Knitwear (TH.DOZ) | 17 | 16 | 11\% | 17 | 3\% | 145 | 135 | 7\% |
| Bed Wear (MT) | 34 | 40 | -13\% | 31 | 9\% | 337 | 436 | -23\% |
| Towels (MT) | 16 | 20 | -19\% | 17 | -3\% | 161 | 187 | -14\% |
| Readymade Garments (TH.DOZ) | 7 | 6 | 3\% | 7 | 0\% | 66 | 44 | 51\% |
| Value Added | 74 | 81 | -9\% | 71 | 4\% | 709 | 802 | -12\% |
| Other Textile Products | 10 | 10 | 1\% | 12 | -14\% | 93 | 119 | -22\% |
| Total Textile Export | 136 | 151 | -10\% | 138 | -2\% | 1,314 | 1,605 | -18\% |

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## Frequently Used Acronyms

| TP | Target Price | DCF | Discounted Cash Flows | FCF | Free Cash Flows |
| :--- | :--- | :--- | :--- | :--- | :--- |
| FCFE | Free Cash Flows to Equity | FCFF | Free Cash Flows to Firm | DDM | Dividend Discount Model |
| SOTP | Sum of the Parts | P/E | Price to Earnings ratio | P/Bv | Price to Book ratio |
| P/S | Price to Sales | EVA | Economic Valued Added | BVPS | Book Value per Share |
| EPS | Earnings per Share | DPS | Dividend per Share | DY | Dividend Yield |
| ROE | Return on Equity | ROA | Return on Assets | CAGR | Compounded Annual Growth Rate |

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