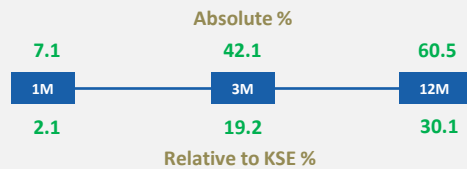


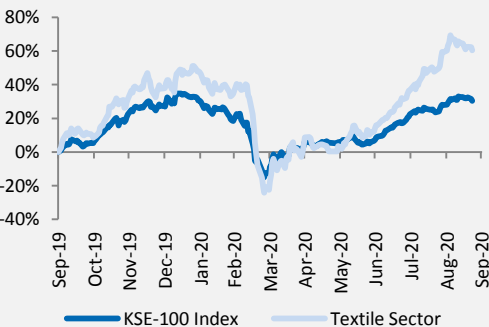
Textile exports remained flat in 2MFY21

23-Sep-20

Sector Performance



Textile Sector vs. KSE100



- As per the latest data disclosed by PBS, textile exports for the month of Aug'20 depicted a double digit decline of 15%YoY clocking in at USD1.0bn.
- On a sequential basis, textile exports reduced by 21%MoM accredited to 24%MoM decline in value added textile exports.
- Recent data suggests that cotton arrivals at factories as of Sep 15, 2020 were recorded at 1.04mn bales, down by 44%YoY according to Pakistan Cotton Ginners' Association data.
- The government has continued the concessionary grid rate for the export oriented sectors including textile to increase their competitiveness globally.
- We believe that ease in lockdowns globally and increased orders have been priced in where textile composite has posted a return of 22%FYTD. We advise caution since second wave of corona, lower cotton production and hike in cotton prices may dent the profitability of sector.

Textile exports reduce by 15%YoY... As per the latest data disclosed by PBS, textile exports for the month of Aug'20 depicted a double digit decline of 15%YoY clocking in at USD1.0bn. This is attributed to heavy rains that disrupted the port activities in Karachi despite lifting of lockdown globally. Segment wise data reveals that both value added and non-value added segment registered a double digit decline of 10%YoY and 32%YoY, respectively. Product wise, cotton yarn and readymade garments posted the highest decline of 51%YoY and 14%YoY, respectively.

...and decreased by 21%MoM: On a sequential basis, textile exports reduced by 21%MoM accredited to 24%MoM decline in value added textile exports. Product wise data reveals that knitwear, bedwear and readymade garments posted a reduction of 21%MoM, 26%MoM and 26%MoM, respectively.

USDmn	Aug'20	Jul'20	MoM	Aug'19	YoY	2MFY20	2MFY19	YoY
Raw Cotton	0	-	NM	4	-94%	0	8	-97%
Cotton Yarn	55	61	-10%	112	-51%	115	210	-45%
Cotton Cloth	145	149	-3%	177	-18%	295	325	-9%
Yarn	2	2	-4%	2	13%	3	5	-29%
Non-value added	202	212	-5%	295	-32%	414	548	-24%
Knitwear	249	316	-21%	278	-11%	564	540	4%
Bed Wear	181	243	-26%	206	-12%	424	400	6%
Towels	55	78	-29%	62	-10%	133	126	6%
Tents & Canvas	8	12	-38%	6	34%	20	10	90%
Readymade	203	274	-26%	235	-14%	477	468	2%
Art,Silk & Syn.	23	28	-18%	27	-14%	52	52	-1%
Madeups	49	61	-19%	52	-6%	110	100	10%
Others	38	49	-22%	29	31%	87	58	49%
Value added	806	1,061	-24%	895	-10%	1,867	1,755	6%
Total	1,008	1,273	-21%	1,190	-15%	2,280	2,303	-1%

Textile exports remained flat in 2MFY21: Textile exports clocked in at USD2.3bn in 2MFY21 depicting a slight decline of 1%YoY. Segment wise analysis reveals that non-value added component decline by 24%YoY which was compensated by the growth of 6%YoY in value added segment.

Cotton crop severely damaged this year: As per the newsflow, torrential rains have severely damaged 60% of the cotton crop in Sindh that will compel the industry to rely on import. Recent data suggests that cotton arrivals at factories as of Sep 15, 2020 were recorded at 1.04mn bales, down by 44%YoY

Textile exports remained flat in 2MFY21

according to Pakistan Cotton Ginners' Association data where the country has set a production target of 10.9mn bales this year.

Textile sector running at full capacity utilization: To highlight, as a result of US-China trade war and rise in COVID cases in India where textile export orders have been shifted to Pakistan, therefore, textile industry is operating at full capacity due to shift in orders. This would boost the topline of export oriented companies in short run to medium run.

Government continues to facilitate the sector: The government has continued the concessionary grid rate for the export oriented sectors including textile to increase their competitiveness globally. In this regard, the grid rate is fixed at USc7.5/kwh for 2MFY21 and USc9.0/kwh for the remainder year whereas the gas rate has remained unchanged at USD6.5/mmbtu.

Investment perspective: We believe that ease in lockdowns globally and increased orders have been priced in where textile composite has posted a return of 22%FYTD. We advise caution since second wave of corona, lower cotton production and hike in cotton prices may dent the profitability of sector.

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