



Today's Daily

■ Pakistan Textiles: Sector update Jan'18

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KSE100 - Index

Current	43,528.51
Previous	42,919.78
Chg.	1.42%

Mkt Cap. (PkRbn/US\$bn)

Current	9,038 / 81.74
Previous	8,923 / 80.70
Chg.	1.29%

Daily Turnover (mn)

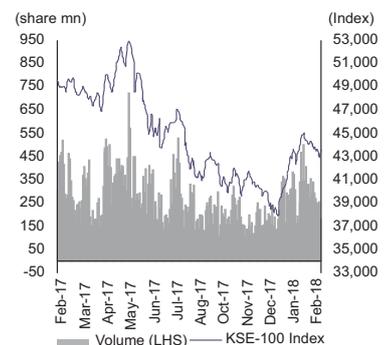
Current	190.65
Previous	188.07
Chg.	1.4%

Value Traded (PkRmn/US\$m)

Current	9,086 / 82.17
Previous	8,519 / 77.05
Chg.	6.7%

News and Views

- In order to protect the rights of candidates eligible to contest Senate polls and to ensure timely election, ECP declared the Pakistan Muslim League-Nawaz nominees as independent candidates after Supreme court ordered Nawaz Sharif ineligible to issue party tickets, following his disqualification from holding a public office on Jul'17
- Saudi Arabia joined Turkey and China in a move to block a US-led attempt this week to place Pakistan on an international terror-financing watch list during the meeting in Paris of the Financial Action Task Force (FATF)
- The foreign exchange reserves dropped by US\$139mn to US\$18.83bn in the previous week, where Central bank's reserves fell to US\$12.70bn, (down US\$130m) on account of external debt-servicing and other official payments.



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Textile exports marginally up by 2.1%YoY: Aided by recovering product prices, textile exports during Jan'18 inched up 2.1%YoY to reach at US\$1.08bn. Segment wise, value added continued to grow at a steady pace, with segment exports resting at US\$821mn (+7.1%YoY). In the value-added segment, all the key categories posted growth with garment, knitwear and made-up exports growing by 15.5%YoY, 13%YoY and 8%YoY respectively. Unable to sustain recovery seen in the last quarter, low value added exports declined 11%YoY at US\$265mn primarily due to strong domestic demand for cotton yarn (yarn exports down 16%YoY). On a cumulative basis, 7MFY18 textile exports now stand 6.8%YoY higher at US\$7.72bn (vs. US\$7.23bn in 7MFY17), with value added exports up by 9.7%YoY to US\$5.66bn while low value added remained flat at US\$2.06bn (-0.3%YoY).

Textile Exports: Jan'18

(USDmn)	Jan'18	Dec'17	MoM	Jan'17	YoY	7MFY18	7MFY17	YoY
Cotton Yarn	78	108	-27.9%	93	-16.1%	739	749	-1.3%
Cotton Cloth	182	179	1.9%	203	-9.9%	1,249	1,270	-1.6%
Total Low Value	265	292	-9.3%	298	-11.0%	2,062	2,068	-0.3%
Knitwear	221	236	-6.6%	195	13.0%	1,556	1,380	12.8%
Bedwear	181	177	2.3%	178	2.0%	1,305	1,234	5.8%
Garments	233	230	1.4%	202	15.5%	1,482	1,300	14.0%
Total Value Added	821	840	-2.3%	766	7.1%	5,667	5,166	9.7%
Total	1,086	1,133	-4.1%	1,064	2.1%	7,729	7,234	6.8%

Source: PBS & AKD Research

Export outlook: We expect textile exports to maintain their upward momentum, where recent rupee depreciation (~5% in Dec'17) coupled with revised export package are expected to drive exports growth. That



said, news flows suggest likely announcement of yet another export package, where GoP intends to further incentivize the sector by way of tariff reduction. Enhancing competitiveness, approval of said package should address some of the structural issues faced by the domestic industry, leading to higher exports going forward. Moreover, recent favorable review on GSP plus status by EU parliament further subsides the sector's downside risk.

Investment perspective: In textile sector, NML remains key beneficiary of: 1) PM's export package with higher benefits accruing on account of higher value added exports and 2) rupee depreciation due to higher export share in the total sales mix (exports/local:77%/23%). Additionally, NML is further diversifying its business into auto sector through JV with a Hyundai Motor Company, where developments over the same can keep the conglomerate in the limelight.



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