ALL PAKISTAN TEXTILE MILLS ASSOCIATION

PRESS RELEASE

All Pakistan Textile Mills Association (APTMA) issued the following Press Release

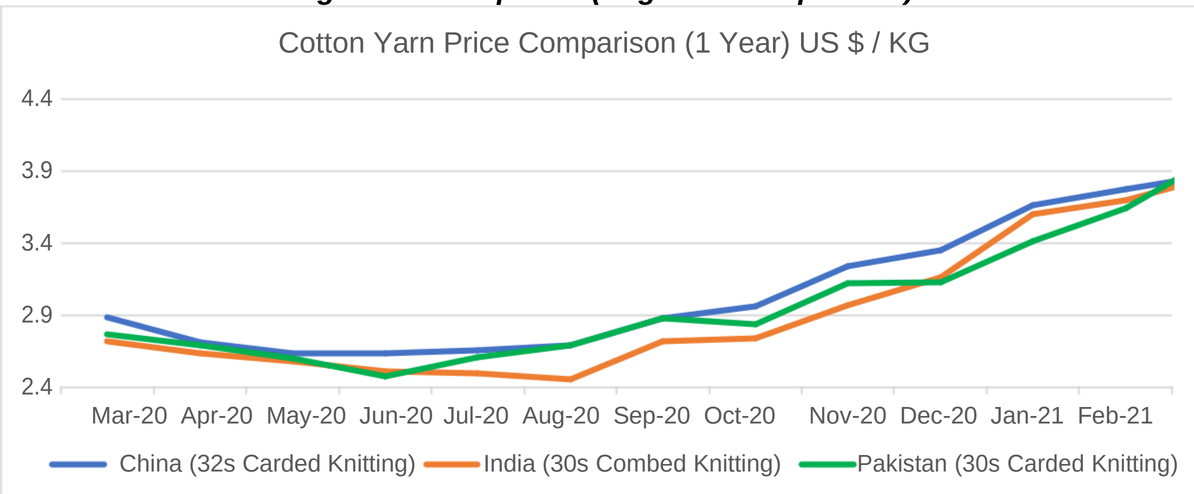
APTMA REBUTS ARGUMENTS REGARDING COTTON YARN AVAILABILITY

ISLAMABAD, 13th APRIL 2021 – APTMA rebuts arguments regarding cotton yarn availability.

1) APTMA is the premier trade organization of Textile Sector with members responsible for 60% by value of all direct exports. APTMA membership includes representation from all segments of textile value chain: spinning, weaving, knitwear, garments, home textile etc., as well as vertically integrated concerns. It is highly regrettable that a purely economic issue has been politicized by some of the smaller trade associations. The real economic issue which has caused such an uncalled outburst is the revaluation of rupee from 165 to 152 to a dollar which has squeezed the profitability of the entire value chain, including the yarn manufacturers, as explained below.

2) It is completely baseless that yarn rates are above international rates. The export sector already has the facility to import yarn for re-export of products free of duty from any other country except India. Yarn prices of the world are depicted below.

Figure 2: Yarn prices (Regional Comparison)



3) Export Refinance is available to value-added sector at a mere 3% and should have been spent on purchasing yarn and cloth, the sector would not be reaching out to government for additional support. Approx. Rs. 1 trillion has been acquired by value-added sector in the name of Export Refinance for the procurement of yarn that would have given them enough stock for at least 6 months. Whereas,

there is no stock of yarn or fabric currently available with the companies suggesting that the funds were utilized elsewhere. Export Refinance availed by value-added sector must be audited to assess whether the credit is utilized or not for the purpose it was meant to be. Cheaper yarn as is claimed could have been imported well in time but was not done so. It would be interesting to find out on what items this concessional finance has been spent - there will be unpleasant surprises.

4) Spinners imported cotton when cotton prices were high (90 cents/lb) and exchange rate was 165. Currently, cotton is at 80 cents and exchange rate is 152. The combined effect is that raw material (cotton) that has been imported is 22% more expensive but the yarn manufacturers had to adjust pricing in line with the lower cotton price and exchange rate, taking a hit of approx. 10% on the realized value of yarn. The rupee appreciated against the dollar by 8% and thereby squeezed the textile sector by reducing the amount of rupees they would have been received. In a business that is volume based with small margins, large scale unforeseen appreciation has wiped out profitability. Failure to hedge against exchange rate fluctuation is a business decision and neither the government nor anyone else can be held responsible.

Figure 2: NY Cotton Prices - US Cents/Pound

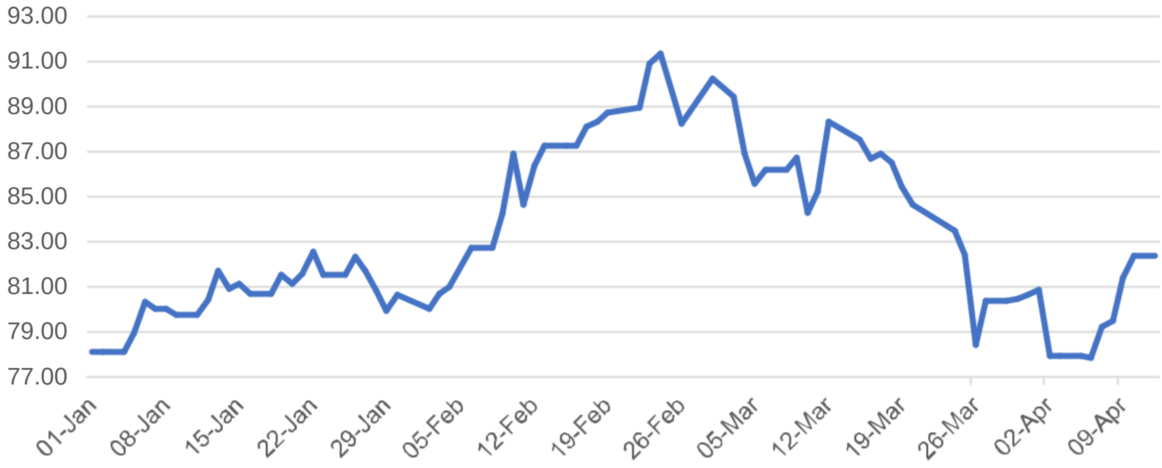
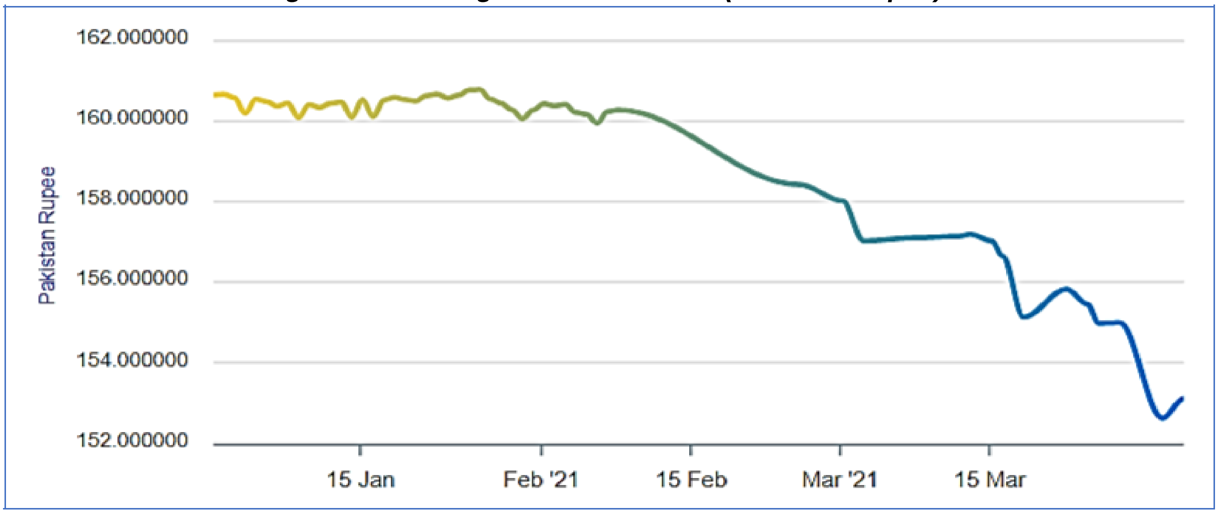


Figure 3: Exchange Rate fluctuation (Dollar vs Rupee)



Forwarded for favor of publication in your esteemed newspaper / transmission.

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