Interloop, one of the largest hosiery producers goes public

Interloop Limited (INLO), the first public offer of shares for the current year, managed to raise Rs5.025 billion, making it the largest private sector Initial Public Offering (IPO) of the country.

The company, billed as the largest hosiery producer in Pakistan, has set out to raise fresh capital of Rs4.905bn, representing 12.5 per cent stake in the company.


Musadaq Zulqarnain.

Chairman and Chief Executive Officer Musadaq Zulqarnain thanked his team following the overwhelming response to the book building process on the social media. "By the grace of God, Interloop's book building has been oversubscribed by 30pc ... credit goes to our employees for building a great company," he tweeted.

The company has raised over Rs5bn and plans to utilise the amount to finance a new facility at Faisalabad to expand hosiery production capacity and set up a denim production facility in Lahore.

Following the completion of its issue, the company would be amongst the top 50 companies listed on the Pakistan Stock Exchange by market capitalisation.

The company, founded by Zulqarnain and his brother Navid Fazil in 1992, has risen to become one of the world's largest hosiery manufacturers with an annual turnover in excess of Rs30bn. The company's operation extends beyond Pakistan's boundaries and has established a production facility in Bangladesh.

It ranks as the Pakistan's seventh largest exporter and generates approximately 90pc of its revenue through exports supplying yarns, hosiery and apparel items to some of the world's leading brands including Nike, Puma, Reebok, H&M's and Levi's.

The company's plans for the future growth include increasing its global footprint by increasing hosiery production by around 22.6pc and expand product mix by adding knitted apparel and denim jeans.

APTMA demands outstanding sales tax refund

Zahid Mazhar, chairman, All Pakistan Textile Mills Association Sindh-Balochistan Region has said it is imperative to increase exports substantially and that only the textile industry was capable to double its exports in the next five years.

He said the GDP growth was unlikely to increase beyond 3.3 percent this year. "Rate of inflation may rise to 12 percent by end of June 2019, rate of unemployment may rise to 7.0 percent, budget deficit and current account deficit will be around 7.0 to 7.25 percent and $12 to $12.5 billion," he said.

He pointed out that the manufacturing sector of Pakistan was already overburdened with the high rate of taxation and could not sustain additional tax burden. "Therefore, no additional tax should be imposed on the manufacturing sector which will lead to further de-industrialisation and shrinkage of GDP."

APTMA chairman said the tax refunds of the textile exporters were stuck for more than a year in most cases. "The government had announced issuance of promissory notes by end of February this year to liquidate these refunds, but till date these have not been issued."

Pakistan has already lost its share in world textile and clothing trade from 2.2 percent in 2006-07 to 1.7 in 2017-18 and would lose further, he added.

While highlighting the issues hurting the viability of the textile industry against regional competitors, he said that high cost of doing business, inordinate delay in payment of refunds of sales tax, income tax and duty drawback to exporters, highest interest rate in the region, high costs of energy, shortage of raw material, shortage of credit availability as well as working capital, lack of institutional support, low skill and productivity were some of the major issues.

Skills development in garments

Readymade garments are one of Pakistan's top exports but a number of constraints are inhibiting the sector's true potential. A particularly problematic issue is the availability of skilled labour for garment manufacturing.

Recently, the Planning Commission approved funds for a project which aims to set up 1000 industrial stitching units under the public private partnership mode. Although that is a good initiative, there needs to be more effort dedicated towards developing the skills of small and medium enterprises operating in the garments sector.

Enhancing labour productivity is paramount if the overall quantum of garment exports is to be enhanced. While focus was on providing rebates and reducing the cost of production, the other part of the equation which is skills development for garment workers still needs a lot of effort.

Cotton production falls

The country produced 10.772 million bales up to April 1 recording a shortfall of 6.90 per cent over the corresponding period last year, according to the figures released by the Pakistan Cotton Ginners Association (PCGA) on Wednesday.

Punjab recorded a fall of 9.50pc to 6.622m bales as against 7.317m bales produced in the same period last year. Sindh too witnessed a fall of 2.45pc to 4.149m bales compared to 4.263m bales. Ginners are currently holding 809,195 unsold cotton stocks compared to 486,963 bales held in the same period last year.

The textile spinning industry purchased less cotton during the period under review at 9.963m bales as against 11.084m bales last year while exporters also booked smaller quantity of cotton at 102,330 bales as against 216,615 bales in the last season.

Stakeholders say the government needs to come up with an incentives package urgently for motivating growers to shift back to cotton crop by fixing indicative price for phutti (seed cotton).

For the last six years cotton crop has been a victim of neglect on part of successive governments particularly when cultivation area of the crop rapidly shifted to sugarcane farming.

Cotton growers have been using uncertified seed and poor quality pesticides which eventually led to reduced per acre yield. The huge import bill which has swelled over $1.2 billion could only be reduced once domestic cotton production has increased, cotton analyst Naseem Usman said.

Sluggish growth in exports concerns -PTEA

The Pakistan Textile Exporters Association (PTEA) has expressed grave concern over sluggish growth in exports as unending export downfall has continued unabated. The high cost of production, competitiveness, inconsistency in government policies and uncompetitive energy prices have contributed to this crisis-like situation.

Chairman Pakistan Textile Exporters Association Mian Ajmal Farooq.

Chairman Pakistan Textile Exporters Association Mian Ajmal Farooq said that economy's mainstay textile industry is facing unprecedented crisis since many years. Consequently, sizeable textile capacity had been severely impaired and textile exports, both in quantity and value terms had declined across the value chain; whereas regional peers have doubled their exports.

He said unfortunately, government has not feeling the undeniable pain of the fall in export earnings as sliding exports are contributing significantly to the trade deficit. He termed the erosion of textile industry's competitiveness as major factor behind the downfall, particularly against the huge incentives being provided by the competing countries to their export sectors.

President Alvi terms textile sector lynchpin of Pakistan's economy

President Dr. Arif Alvi has said that textile sector was the lynchpin of Pakistan's economy.

President of Pakistan, Dr. Arif Alvi.

Talking to the delegation of All Pakistan Textile Processing Mills Association (APTPMA) in Faisalabad, Dr. Arif Alvi said that textile sector was contributing 60 per cent in Pakistan's total exports and 40 per cent in industrial employment.

According to a statement issued from his office, the president appreciated the role being played by private sector, particularly the APTPMA in economic development of the country.

He further said that the government was formulating strategic trade policy framework (STPF) for the next five years with focus on reducing cost of production and encouraging investment into export-oriented sectors.

The president said, "To fully utilize the potential of textile value chain, the government is also drafting textile policy for the period 2019-24."

He emphasized that business community to play their active role in encouraging businessmen to pay all their taxes so that budget deficit could be reduced and more funds could be allocated for development work.

He highlighted that the tough economic conditions of the country call for difficult decisions and added that the government was committed to improve the economy.

Dr. Arif Alvi said, "The government is endeavoring to reduce the trade deficit by curbing import of non-essential and luxury items and by reducing the cost of doing business. The Government has rationalized the prices of gas, RLNG and electricity for zero-rated export-oriented sectors i.e. textile, leather, carpets, surgical and sports goods and introduced sales tax zero-rating regime for the same."

US denies duty-free market access to Pakistan while FTA with China is delayed

The Trump administration has turned down Pakistan's demand for duty-free market access to the US for its products, disclosed a prime minister's aide.

Abdul Razak Dawood.

"We want duty-free market access for Pakistan's exports to the United States, but Trump is a main hurdle," Adviser to Prime Minister on Commerce, Textile and Industry Abdul Razak Dawood said during a meeting of the National Assembly Standing Committee on Commerce and Textile recently.

The adviser said the government would again try to approach the US administration after the end of President Donald Trump's tenure.

Pakistan sought the duty relief after the US withdrew concessions given to India and Turkey. Pakistan is eying to take a big share of the US market by taking advantage of the scrapping of duty concessions for the two countries, which are major competitors of Pakistan in the international market.

Dawood revealed that China had agreed to relax duty on more Pakistani goods under phase-II of the free trade agreement (FTA-II), which would be signed on April 28 during the visit of Prime Minister Imran Khan to Beijing.

He was of the view that internal politics in China had caused the delay in inking the FTA-II. "The Chinese ambassador told me that internal politics in China delayed the FTA-II between Pakistan and China for six years," Dawood remarked.

He disclosed that the Chinese trade minister was not willing to offer duty concessions on the export of 313 Pakistani goods, but the Chinese foreign minister and prime minister were in favour of giving duty-free access to such products.

The PM adviser pointed out that the matter had been delayed for years as Pakistan had approached China in 2014 seeking duty-free access for more goods. Now, the Chinese foreign minister and prime minister are ready to approve the package.

"China has agreed to provide duty-free market access to 313 Pakistani goods under the FTA-II like the Asean grouping," he said, adding that Pakistan may be able to enhance exports to China by \$1-2 billion because of the duty relief.

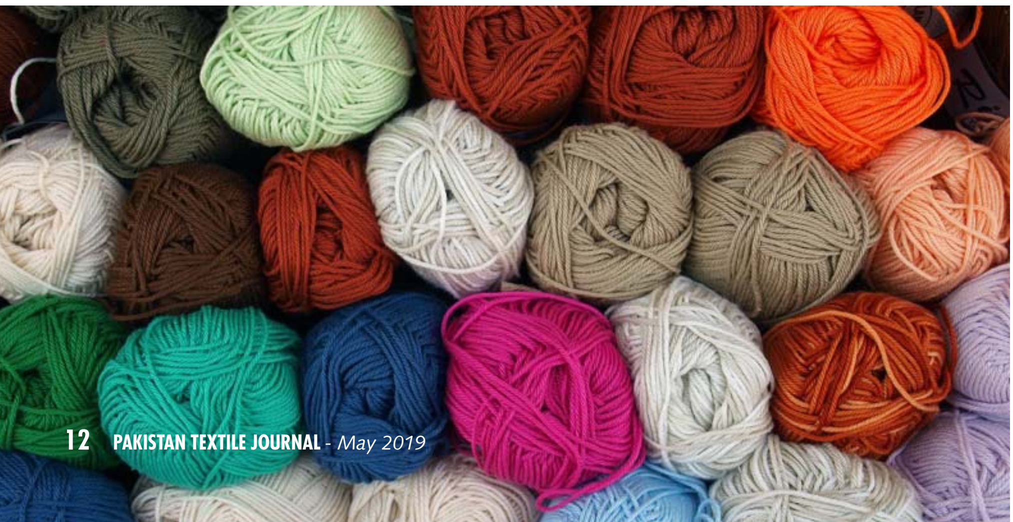
He said Turkey had refused to offer duty concession on the export of leather and textile products from Pakistan. "Turkey has warned it wants to impose 27% additional duty on the export of these products. It will result in reducing Pakistani exports further."

He pointed out that FTA talks with Turkey had failed miserably and Pakistan's exporters had also not been able to explore the potential of Indonesian markets, though Jakarta offered concessions on 20 products.

Textile industry running short of working capital

Textile exporters claim that a major chunk of their working capital has been stuck in claims for tax and duty refund, which is jeopardising the country's exports and hurting the national economy.

Pakistan Textile Exporters Association (PTEA) and Vice Chairman expressed concern over blocking of funds, saying the government was not releasing the money to clear the refund claims.



The tax drawback scheme was initiated to boost exports and the results were visible in the performance of exporters, they said in a statement. Total exports in 2017-18 rose to about US$ 13.4 billion from US$ 12.5 billion in the preceding year. Next year, exports climbed to US 15.0 billion, which they said clearly supported the argument that if the exporters were facilitated they would produce good results.

Describing exports as the lifeline for the economy as well as a very sensitive sector, the PTEA leaders said any disruption would lead to loss of productivity and jobs as well as industrial unrest.

Textile industry ready to invest $1 billion in BMR

The All Pakistan Textile Mills Association has said that textile industry in Pakistan is ready to invest US$ 1 billion in Balancing, Modernization and Replacement (BMR) of the units and looking for various options of importing machinery ahead, as textile operators continue to remain engaged in revamping and modernisation of their manufacturing units.

Chairman APTMA said that besides China, the textile industry in Pakistan is looking for the option of importing textile machinery of European and Japanese make. The APTMA members also discussed various aspects of the Chinese machinery and the after sale service facilities. The industry needs spinning machines including rapier looms and air jet looms at a competitive price.

Up-gradation of textile sector to help Pakistan maintain its inherent edge

Ambassador of People's Republic of China to Islamabad, Yao Jing said the up-gradation of textile sector with Chinese collaboration would help Pakistan maintain its inherent edge in this specific field through technology transfer.

This was stated by the ambassador while talking to the faculty and students of National Textile University (NTU) Faisalabad during his visit here.

He assured that China would access the technological needs of Pakistan and take appropriate steps for manufacturing of hi-tech Textile Machinery within this country.

He said Pakistan had expertise as its exporters were already manufacturing and exporting leading international brands and China could help them to produce their own indigenous brands so that they could earn sizable profit from their quality products.

He also offered to arrange specialized training courses for the students of NTU and said it would pave the way for technology transfer from China to Pakistan.

Similarly, exchange of delegations would also be encouraged to forge working relationship between the faculty and students of the two countries, he added.

Rector NTU Prof Dr Tanveer Hussain welcomed the Chinese Ambassador and briefed him about the university.

Federal Parliamentary Secretary for Railways Mian Farrukh Habib, Dean Faculty of Engineering Dr Yasir Nawab, Dean Faculty of Humanity and Social Sciences Dr Zafar Javaid, Registrar Muhammad Salman Yousuf and others were also present on the occasion.◆