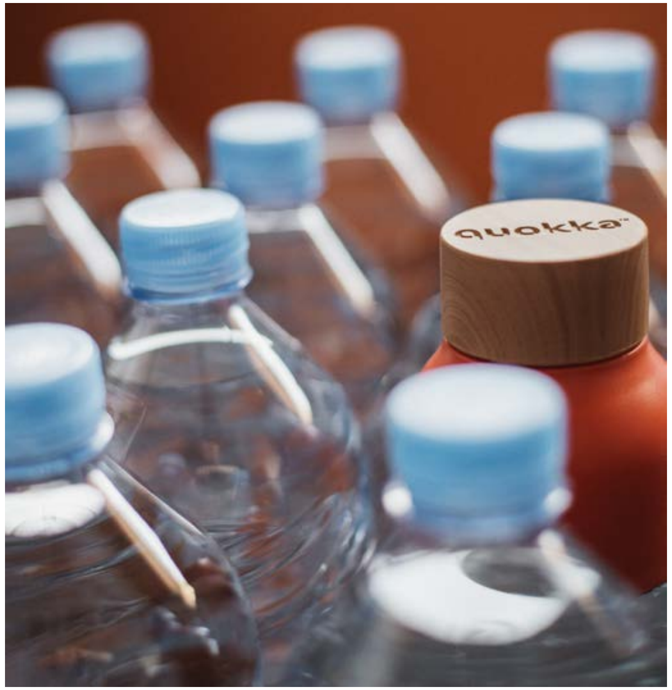
SECTOR STUDY . NOVEMBER 2023

Together. Creating Value.

Paper & Packaging



Research Analysts

Saniya Tauseef | Senior Manager Research
Ayesha Wajih | Supervising Senior Research
Saba Farooq | Research Analyst

Contents

Paper & Packaging

Introduction

Packaging refers to the enclosing or protecting of goods for the purpose of distribution, storage, sale and use. The packaging industry is mostly Segmented according to the type of material used:

Plastic

Plastic packaging is composed of synthetic materials derived from various organic polymers like polyethylene, PVC, and nylon. These materials can be molded into specific shapes while in a pliable state and then solidified into either a rigid or slightly flexible form. These encompasses items like PET bottles and Plastic boxes. Additionally, it includes flexible packaging options like Plastic bags and pouches.

Paper & Cardboard

Paper-based packaging is typically employed for smaller items such as food and gifts, and tends to be lighter than cardboard, whereas cardboard packaging is used in handling heavier products and is characterized by its substantial weight and bulkiness. Additionally, cardboard packaging serves as a reliable option for shipping materials and products, offering essential support. This category encompasses various forms like cartons, corrugated boxes, as well as bags and Paper sacks.

Metal

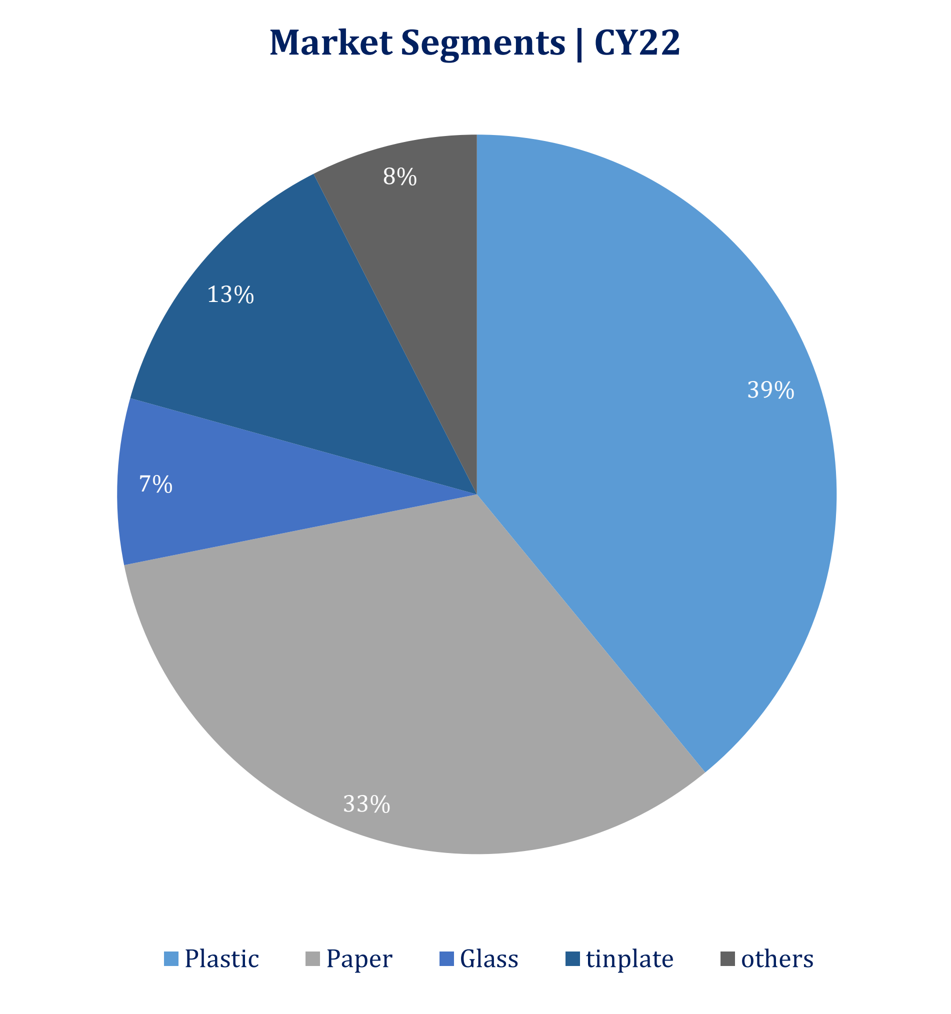
It refers to the use of metallic materials, such as aluminum and steel, as packaging materials. These metals are known for their durability, strength, and ability to protect goods from external factors like moisture, light, and air. They are commonly used in the manufacturing of cans, foils, lids, and other packaging solutions. Metals in packaging are favored for their ability to provide a secure and long-lasting enclosure for a wide range of products, including food, beverages, pharmaceuticals, and various consumer goods.

Source: Science Direct, BYJU'S,

Paper & Packaging

Global | Overview

- The estimated market size of the global Packaging industry is expected to record at USD~1.18tln by the end of CY23, while it was USD~1.13tln in CY22. in this connection, the demand is forecasted to reach USD~1.47tln by CY28 at the CAGR of ~4.52%, with Asia Pacific having the largest share attributable to growing demand for labeled and dairy products in the region.
- The global Industry has experienced consistent growth over the last decade due to substrate choice changes, expansion of new markets, and changing ownership dynamics.
- There had already existed a growing market for food packaging, including delivery and takeaway packaging due to the increase in global urbanization, fast-paced consumer lifestyles and adoption of e-commerce. The COVID-19 pandemic and resulting restrictions have led to a further increase in demand from these sectors.
- Greater consumer awareness regarding the harmful environmental impact of Plastic Packaging may create challenges for the industry. Various regulations have already been implemented such as the ban on single use Plastics in various countries. As a result, the industry is moving towards more innovative and environmental-friendly Packaging solutions.
- As of Dec'22, the largest Segment within the global Industry was Plastic which occupied ~39% of the global Packaging industry. Paper, Tinplate and Glass held market shares of ~33% and ~13% and ~7%, respectively, while others (other packaging and flexible foil packaging) had a combined share of ~8%.



Source: Mordor Intelligence, globelnewswire

Paper & Packaging

Local | Overview

- Pakistan's Packaging Sector consists of three major Segments - Paper, Plastic, and Tinplate. Paper and Plastic Segments occupy the major share in total market, while other materials such as Tinplate and Glass have relatively smaller size.
- In the Tinplate Segment, as there are only two local manufacturers, namely Pakistan Aluminum Beverage Cans Limited and Siddiqsons Tin Plate Limited (STPL). While the former is sole producer of aluminum-based beverage cans, STPL is the sole manufacturer of Tinplate for larger Tin cans in the country.

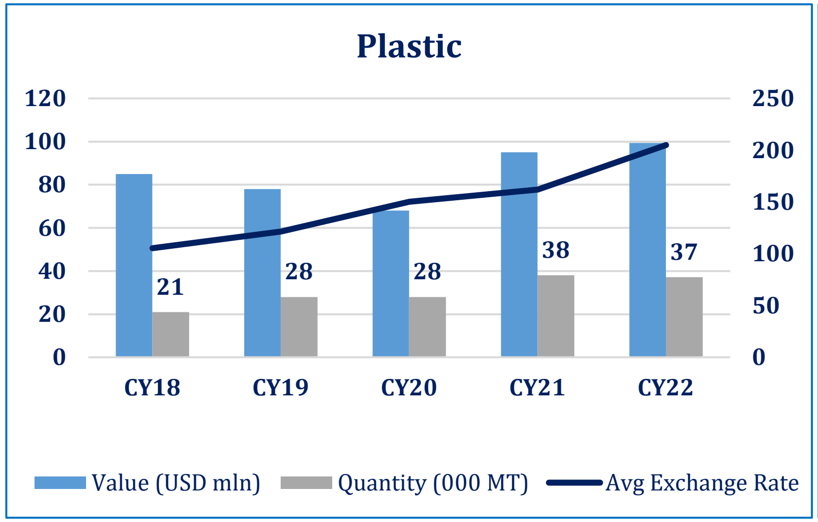
Segment	Plastic	Paper	Tinplate
Type	PET bottles and CPP, BOPP & BOPET film	Paper & Board	Tinplate
Demand	PET bottles: Beverages & Pharmaceuticals Film: Consumer goods such as snacks and confectionary items	Used in a large variety of retail and consumer products	Edible Oil, Ghee, Canned Food & Paints
Market Structure	Oligopoly	Oligopoly	Duopoly
	7 listed players	4 listed players	2 listed players

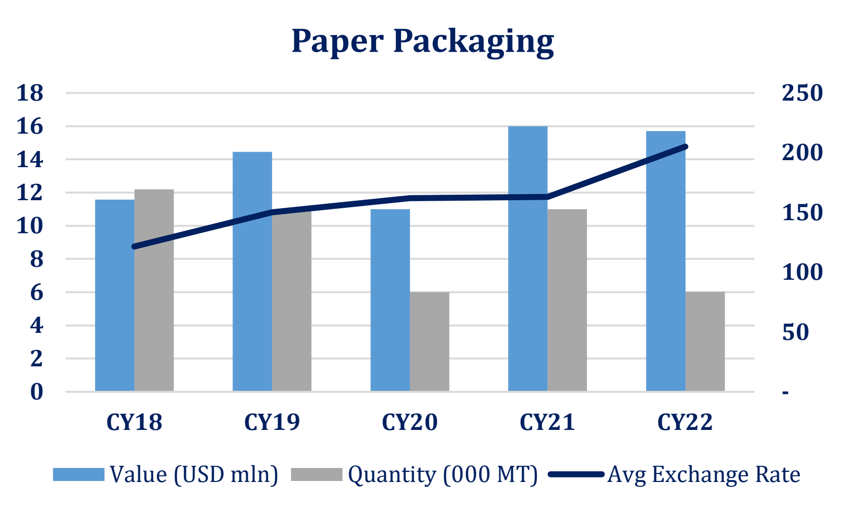
Source: Trade Map, PSX, PACRA Database

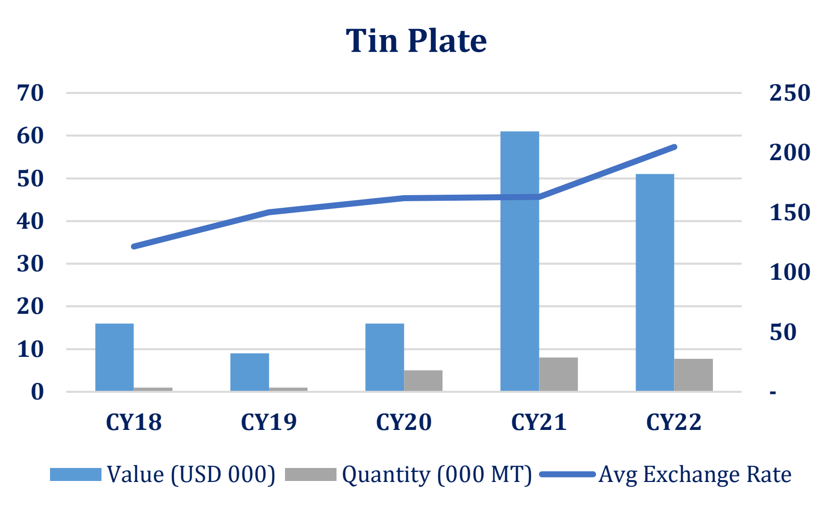
Paper & Packaging

Local | Segment-wise Imports

- Plastic: Imports for the Plastic Segment in CY22 decreased ~3% YoY to ~37,000/MT from ~38,000/MT in CY21. However, in PKR terms, these increased by ~32% YoY, from PKR~15bln (or USD~95mln) in CY21 to PKR~20bln (USD~99mln), mainly on account of steep currency devaluation of ~27% YoY.
- Paper: Following the slowdown in CY20 due to COVID-19, imports for the Paper Segment inched up again in CY22, clocking in at USD~16mln (or PKR~3,219bln), an increase of ~45.4% YoY. During CY20, these had been recorded at USD~11mln (PKR~1,781bln). In volumetric terms, the quantity imported declined to ~6,000MT in CY22 from ~11,000MT in CY21, a ~45% YoY decline. Overall, the imports had grown at a CAGR of ~6% during the five-year period of CY18-CY22.
- Tinplate: Imports for the Tinplate Segment had registered an exponential increase during CY21, clocking in at USD~61,000 (PKR~9.9mln) from USD~16,000 (PKR~2.6mln) in CY20. This is due to an excessive increase in CRC prices of ~293% and supply chain disruptions globally. However, in CY22, this declined to USD~51,000 (PKR~ 10.5mln), recording ~16% decrease and came on the back of ~16% decrease in CRC prices.





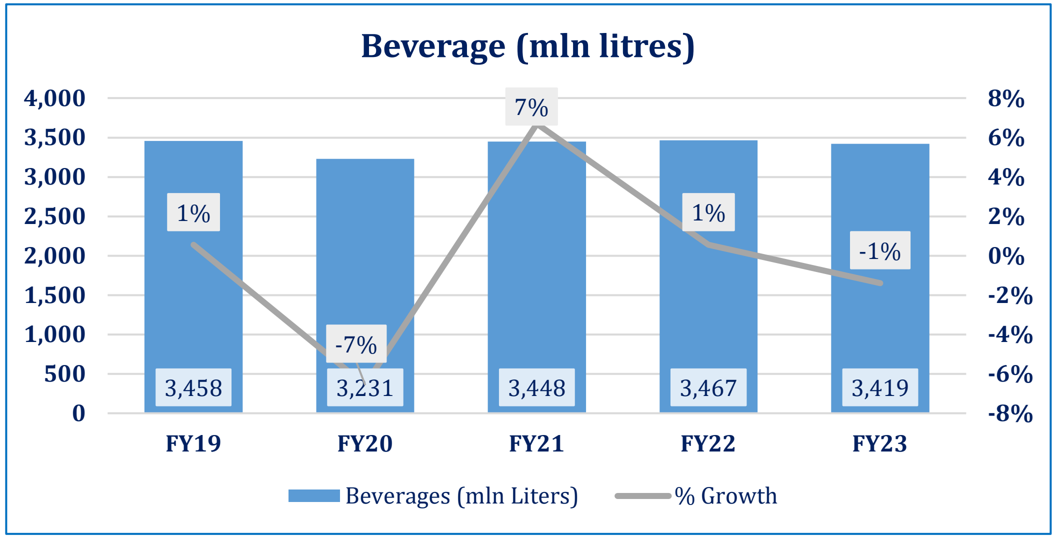


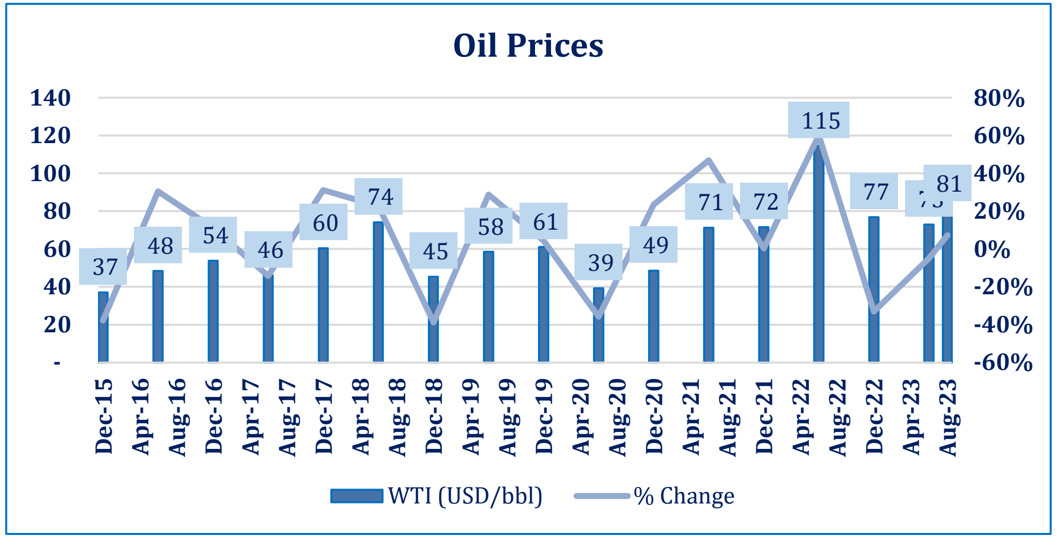
Plastic PACKAGING

Paper & Packaging

Business Risk | Plastic

- The Paper & Packaging derives its demand from various industries, such as the food and beverages. The adjacent graph depicts production levels of beverages over the past five years (FY19-23). Beverage production decreased by ~-1% in FY23 after exhibiting relative volatility in the preceding three years. In FY21, the production levels were restored close to pre-pandemic levels.
- The price of major raw material, PET, in the Plastic Segment is correlated with international oil prices and therefore, any volatility in oil prices and exchange rates is a significant source of risk for this Segment. The variability in oil prices during CY22 was mainly due to the Russia-Ukraine war, which led to supply chain disruptions and increased raw material prices on a global level. Oil prices shot up by ~60% YoY in FY22 compared to FY21. Moreover, in CY23, gradual supply cuts by OPEC+ countries also remained a major contributor to this volatility. However, crude oil prices decreased sharply by ~37% in FY23 due to decrease in demand by major importers of crude Oil like China.
- Furthermore, heightened competition in the market, driven by beverage companies establishing their own bottling plants and sourcing PET preforms externally, has increased the pressure on margins. This is particularly evident given that pre-forms are generally considered to be low-margin products.
- In recent years, there has been greater concern regarding usage of Plastic due to environmental factors. Moreover, the Ministry of Climate Change has also introduced a ban on single use Plastic, however, this is not strictly enforced. However, a suitable alternative does not exist as the local industry has limited innovation and is slow to adopt environment-friendly practices.

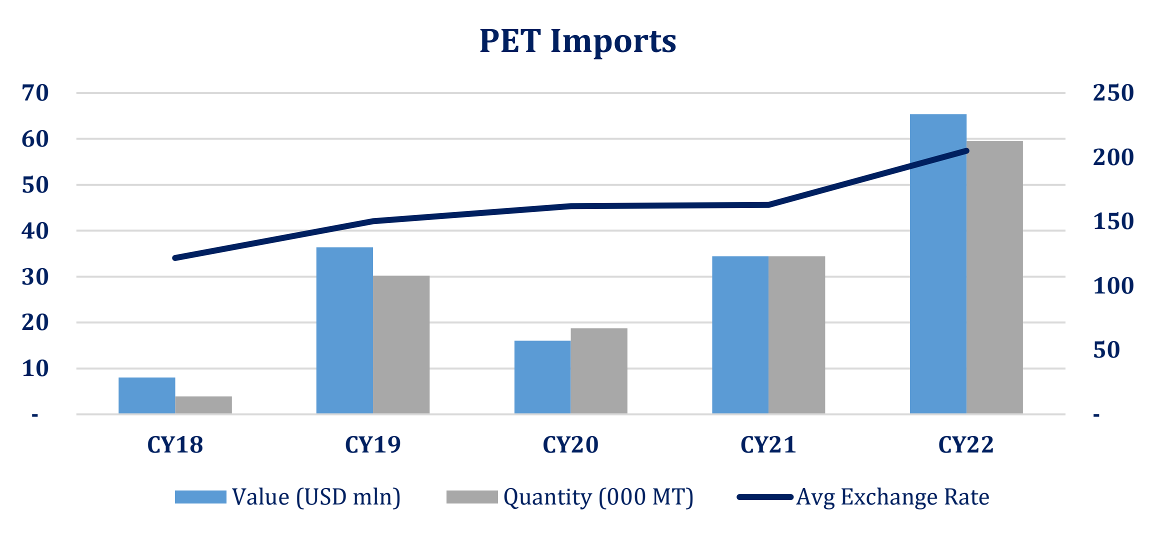


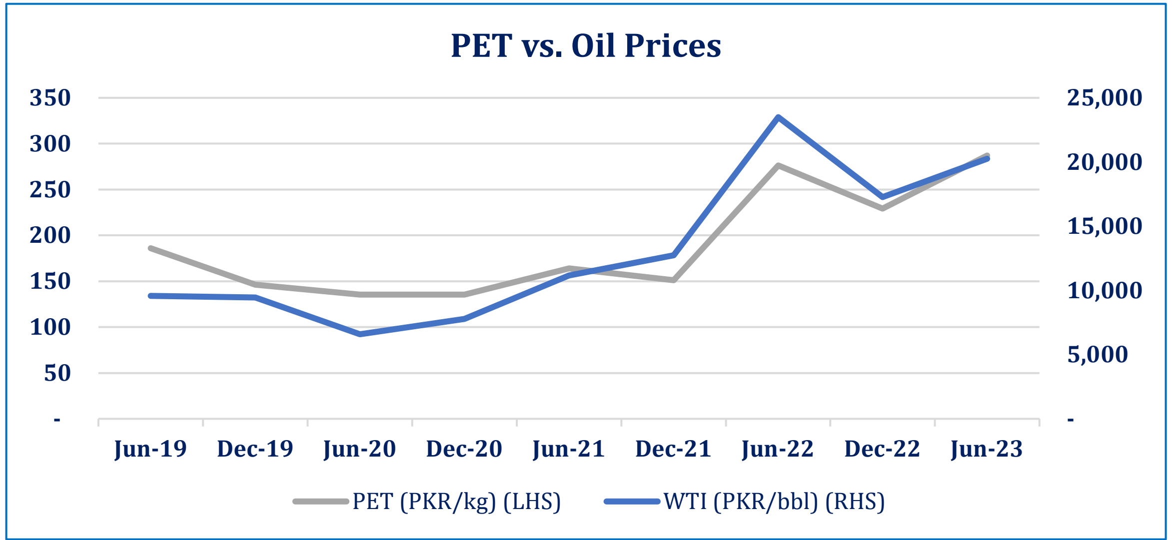


Paper & Packaging

Raw Material | Plastic

- PET Resin is one of the primary raw materials used in the manufacture of Plastic bottles, films, and other Plastic Packaging. It is made from derivatives of crude oil, and as can be seen in the price graph next to it, their prices have a similar trajectory. On global level the prices of PET witness a mix trend. However, in Pakistan prices got rise due to rupee depreciation.
- Average oil prices declined ~38% YoY from USD~115/bbl in FY22 to USD~71/bbl in FY23. This was majorly due to high interest rates across the globe, reflecting hawkish monetary policy to tame increasing levels of inflation. Moreover, demand of crude from China (top crude importer) remained comparatively lower then previous year.
- Local imports of PET Resin increased ~91% from USD~34mln (or PKR~5,611mln) in CY21 to USD~65mln (or PKR~13,413mln) in CY22. Meanwhile, volume imported also increased in CY22 to clock in at ~60,000 MT (SPLY: ~34,000 MT), up ~76% YoY. The imports of PET resin have grown at a CAGR of ~52% during CY18-22.
- Pakistan is almost entirely reliant on imports of PET Resin as there are only two major local suppliers, namely, Pakistan Synthetics Limited and Ecopack Limited. The major exporters of PET Resin to Pakistan are China, Germany and Thailand.



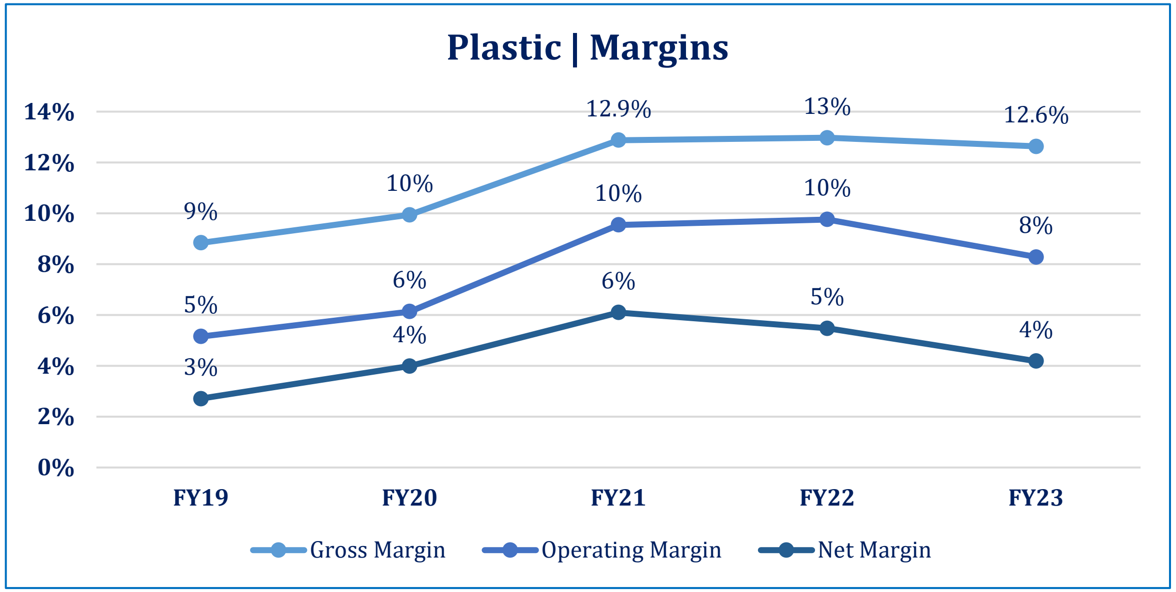


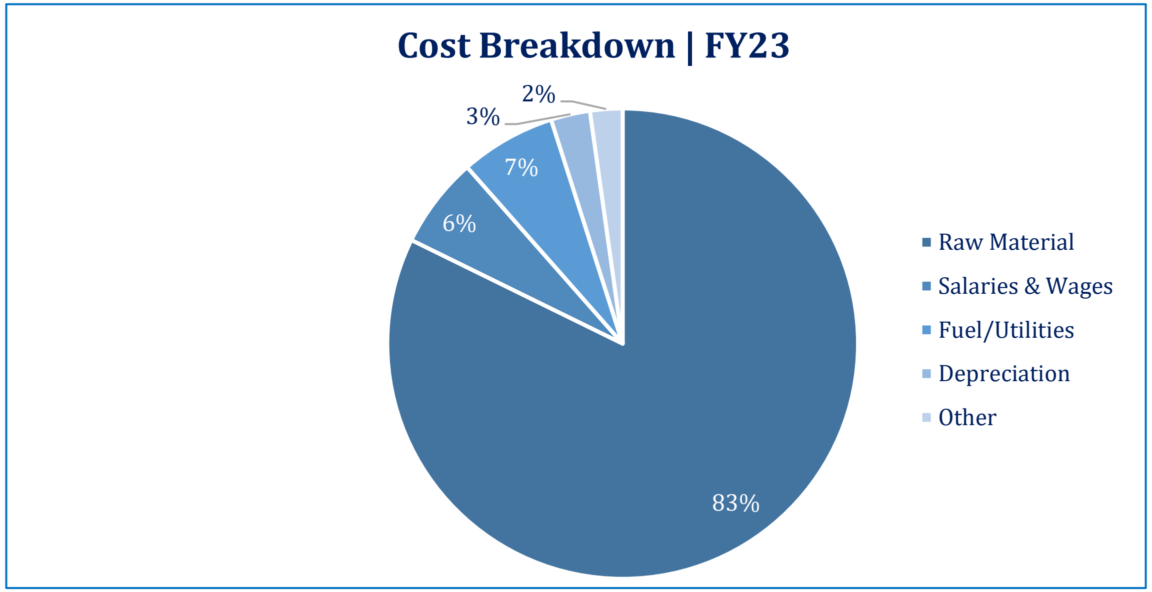
Source: Sunsirs.com/uk, UN Comtrade, Investing.com

Paper & Packaging

Margins | Plastic

- The Segment's direct costs comprise imported raw cellulose, coal, natural gas and crude oil which together form ~83% of cost of sales. Therefore, volatility in exchange rates and international price levels of these commodities directly impact the Segment's cost of production and ultimately profitability. Average gross margins remained relatively stable at ~12.6% in FY23 due to increase in sale prices and PKR depreciation. The average gross margins of the Plastic packaging Segment remained during FY20-23, with these increasing from ~10% in FY20 to ~12.6% in FY23. This is mainly due to an increase in sales volumes that enables the absorption of operational costs. Rangebound average gross margins during FY20-23 likely reflect stable sales for the Segment.
- Average operating margin declined in FY23 to ~8% (SPLY: ~10%), Distribution and selling expenses increased due to higher freight and transportation charges, while administrative expenses rose due to inflation caused by ~39% PKR devaluation during the same period. Meanwhile, Segment's average net margins also dipped to ~4% in FY23 due to higher finance costs. Increase in policy rate from ~17% to 22% during FY23 remained the major factor in increase in finance costs of the Segment. Moreover, in FY23, Segment's recorded coverage stood at ~2.9x (SPLY: ~4.8x), further reflecting Segment players' lower capacity to repay their creditors.





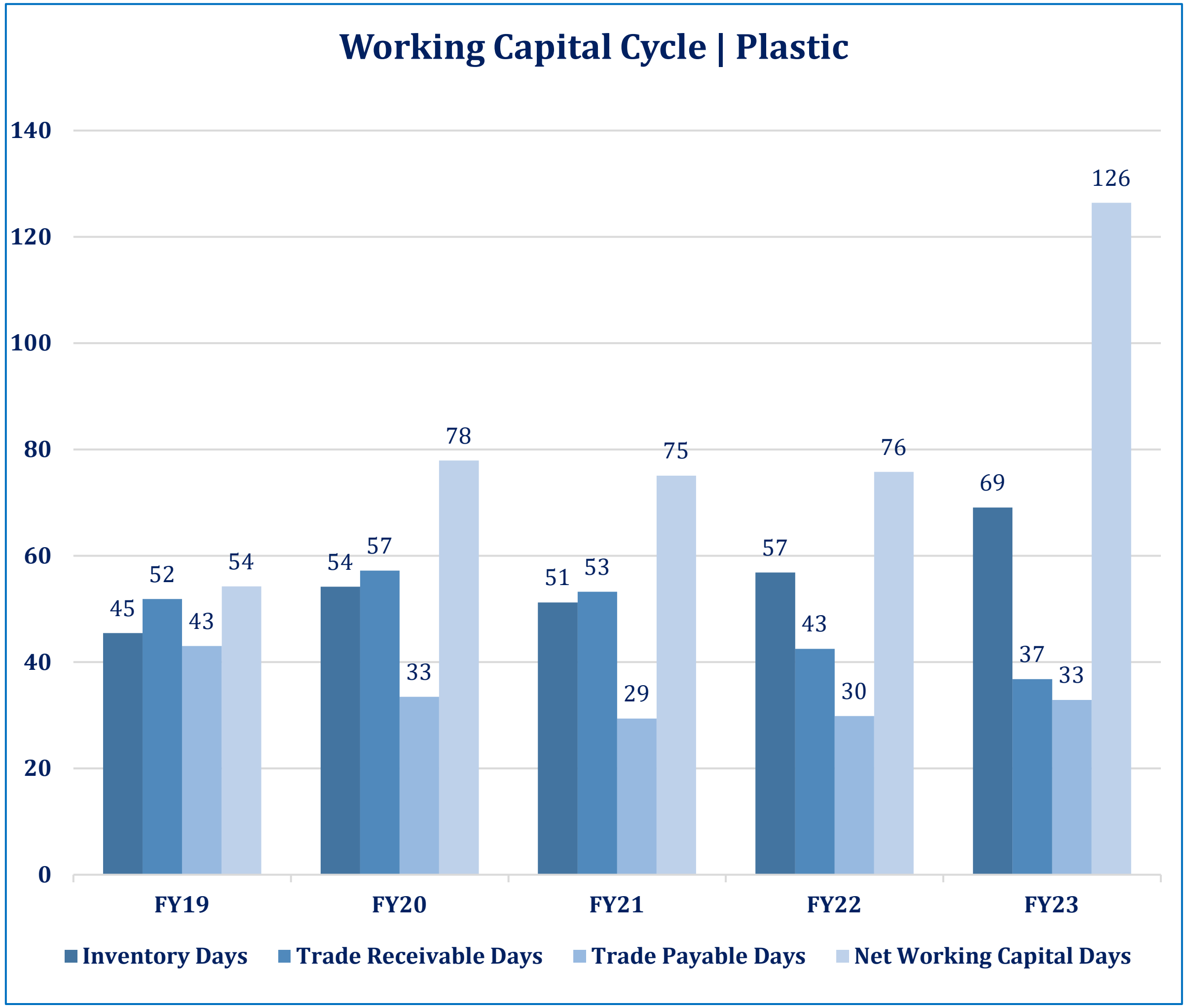
Note: *Cost breakdown and margins are representative of ~13 companies.*

Source: PSX, PACRA database

Paper & Packaging

Financial Risk | Plastic

- The Plastic Packaging Segment's overall working capital cycle has remained relatively stable in previous three years (FY20-22). However, there has been an overall increase in its net working capital days in FY23 which clocked in at ~126 days as compared to ~76 days at the end of FY22. This increase of ~50 days was observed as a result of sharp increase in inventory days of ~12 days in FY23, which clocked in at ~69 days. this could be the prevalent economic crunch in the country that become a hindrance in timely execution of expansion project.
- The Segment's working capital is partially financed through short-term borrowings which constituted ~54% of the total borrowing mix in FY23 (SPLY: ~52%).
- Total borrowings mix for the Segment stood at PKR~34bln in FY23 (SPLY: PKR~27bln), out of which short-term borrowings amounted to PKR~18bln (SPLY: PKR~14bln), an increase of ~27%. Lower interest coverage (covered previously) is also reflected in Segment's payable days increasing ~3 days in FY23, recording at ~33 days.



Note: *Working capital cycle is representative of ~13 PACRA rated/listed companies*

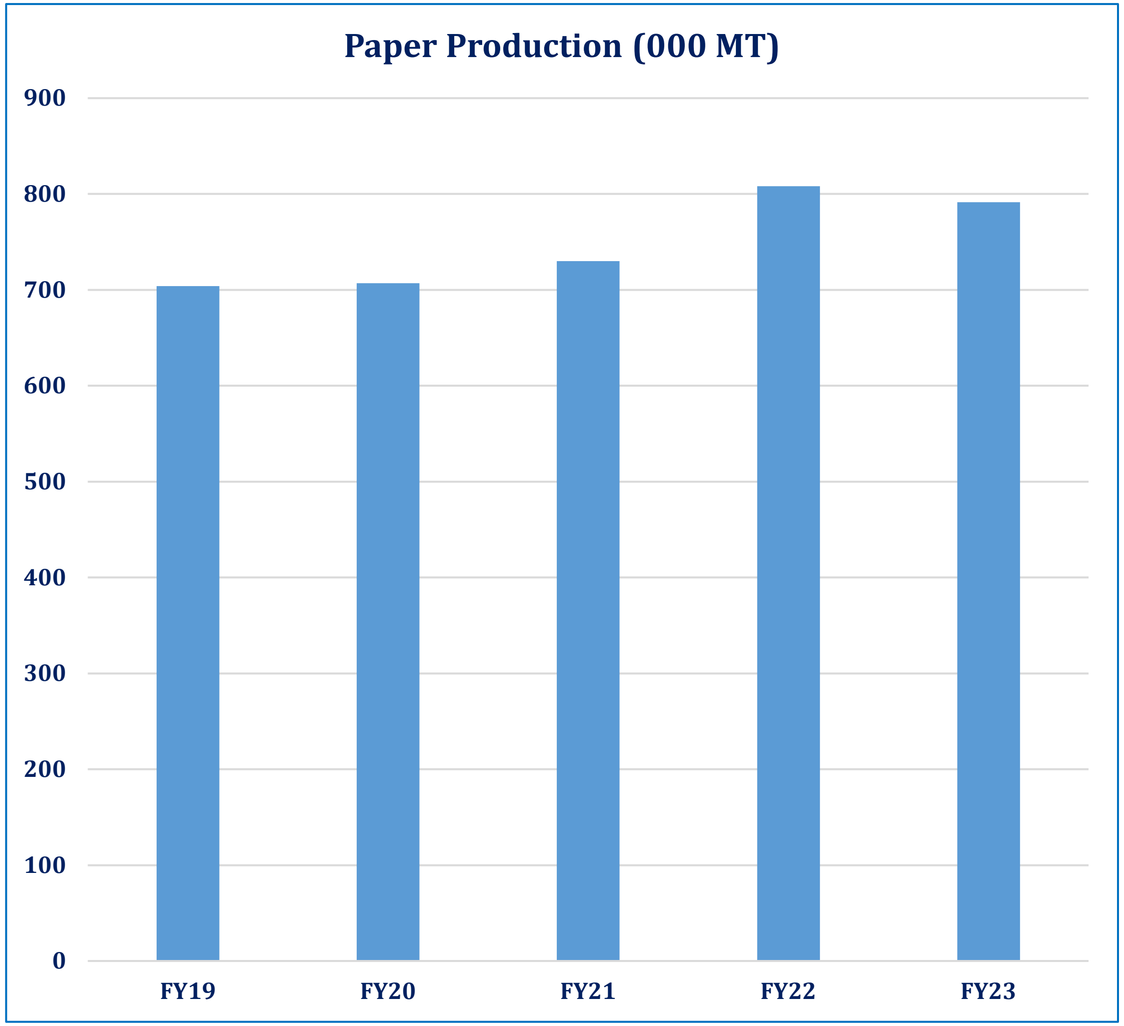
Source: PSX

Paper PACKAGING

Paper & Packaging

Business Risk | Paper

- Over the recent years (FY19-21), the Paper Packaging Segment has remained largely consistent in terms of production. This Segment is being driven by the growing consumer awareness of sustainable packaging and the tight rules enforced by various environmental protection organizations (regarding the usage of environmentally-friendly packaging items).
- The adjacent graph shows production levels of Paper over the last five years which have experienced a CAGR of ~2%. Moreover, consistent levels of production can be observed since FY19 for a period of three years. This reflects stability of the Segment as it makes up a significant portion of overall Paper and board production. The production of Paper declined in FY23 to ~0.79mln/MT from ~0.80mln/MT in FY22 with a slight decrease of ~2% YoY.
- During the year, the Paper & Paperboard Segments faced supply and demand side challenges which led to a drop in domestic consumption of Paper & Paperboard products. The global supply situation and import controls implemented by the Central Bank caused difficulties in procurement of imported raw materials.
- The demand for Paper & Paperboard products witnessed a slowdown in the later part of the year due to inflationary pressures which reduced the disposable incomes of consumers. This was coupled with global recessionary fears which made imports cheaper than local substitutes.

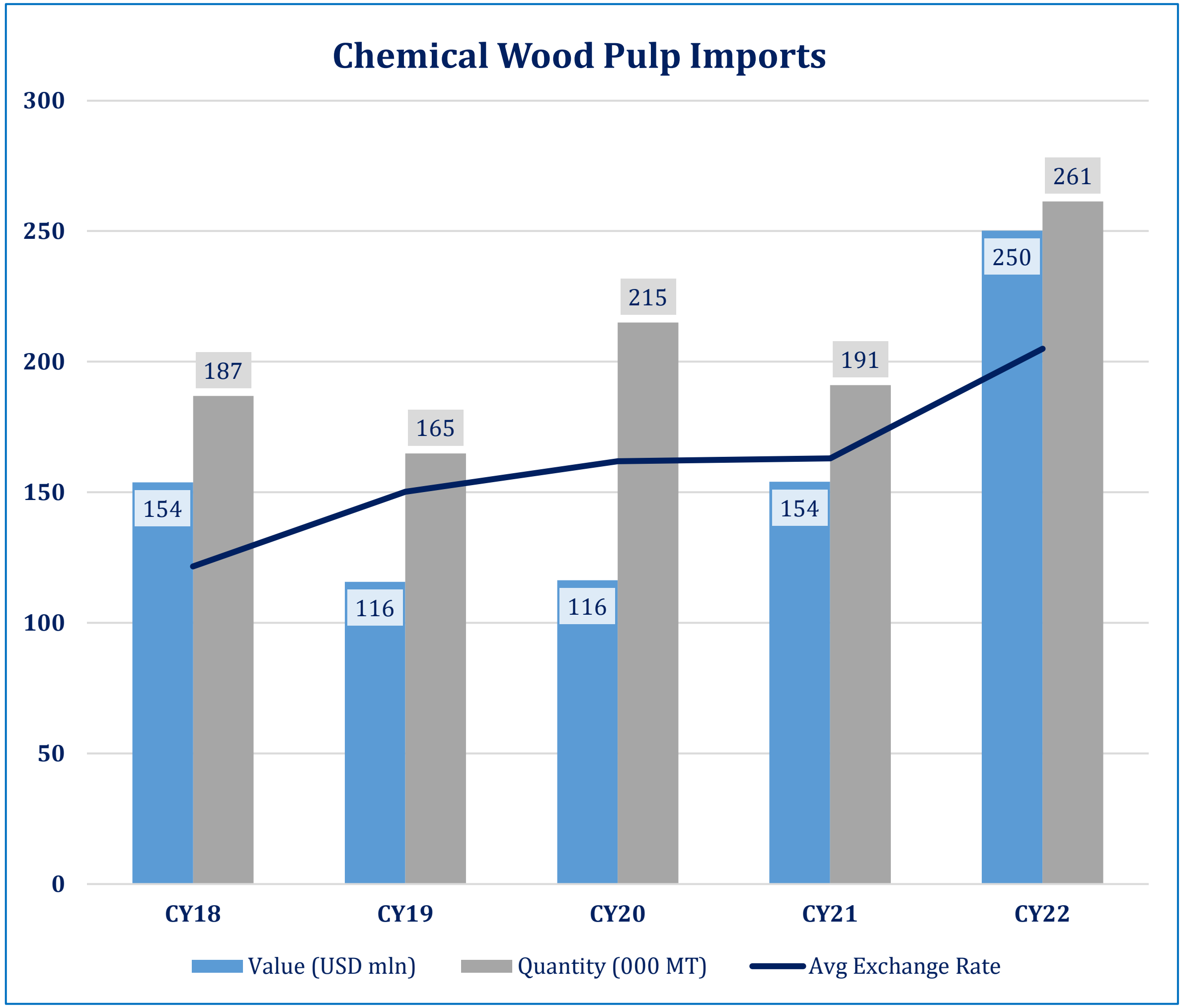


Source: PBS, Packaging Strategies

Paper & Packaging

Raw Material | Paper

- Chemical wood pulp is one of the main raw materials in production of Paper Packaging. The imports of wood pulp increased by ~62% YoY in value terms during CY22, with value imported clocking in at USD~250mln (SPLY: USD~154mln). This increase in imports of wood pulp in value terms occurred likely due to ~39% YoY PKR depreciation against the greenback.
- In volumetric terms, the quantity imported reached ~261,000 MT (SPLY: ~191,000 MT), increasing by ~37% YoY. Moreover, imported quantity exhibited an average growth of ~63% during a five-year period (CY18-22).
- USA, Chile and Brazil are the countries which have the largest share in wood pulp imports in CY22. In CY22, the average import price for wood pulp amounted to USD~957/MT, while USD~806/MT in same period last year depicting an increase of ~19% YoY.

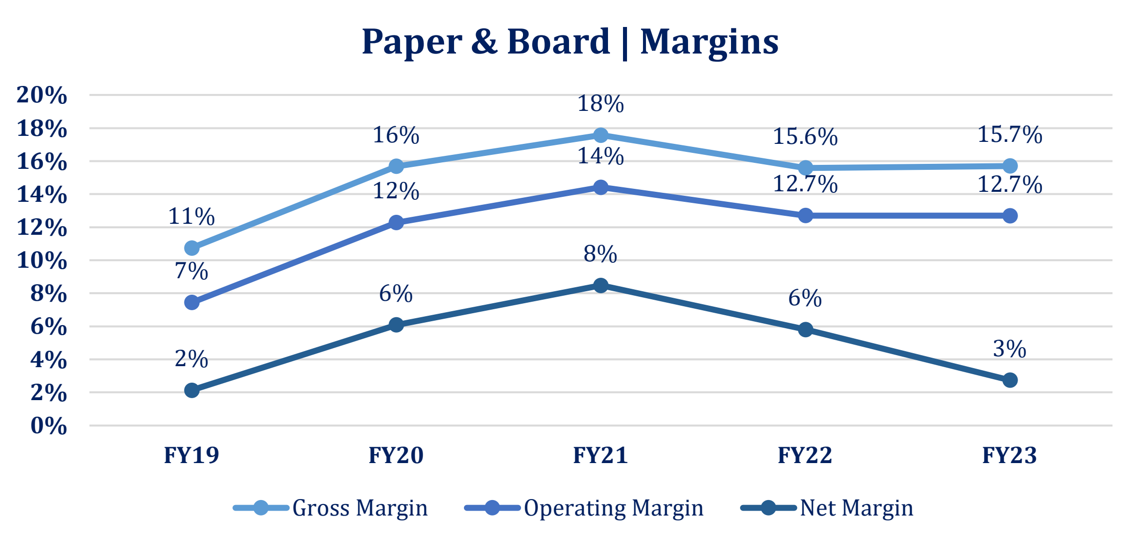


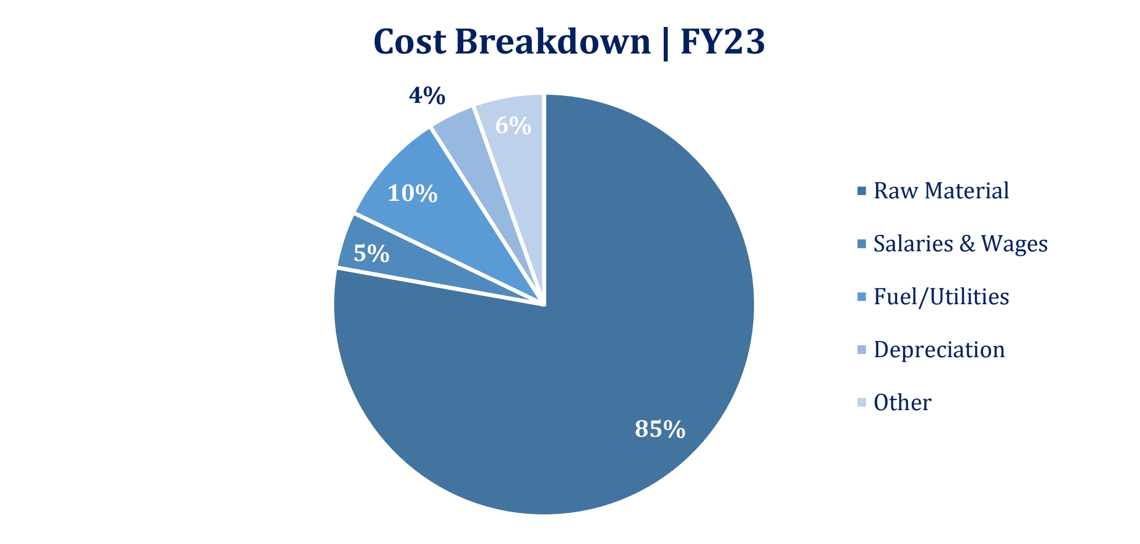
Source: Trade Map, Sunsirs.com/uk, Investing.com, NTC

Paper & Packaging

Margins | Paper

- During FY23, there has been ~14% YoY increase in the Segment's sales revenue. The average margins of the Paper packaging industry have shown a negative trend since FY21, with average gross margins falling from 18% in FY21 to ~15.7% in FY23. Similar to this, an increase in the price of imported Paper can be linked to an increase in the cost of wood pulp by more than ~30% during FY22, which was followed by a further devaluation of the Pakistani rupee (PKR). Moreover, additional import taxes were imposed, increasing the price of imported Paper.
- Additionally, there was a sharp rise in cost of key input items like kraft Paper, Polypropylene (PP) granules and other raw materials owing to PKR devaluation. Meanwhile, cost of production also rose due to increase in oil and energy prices. Higher utilization of running finance facility owing to increase in business volumes and rise in discount rates has resulted in an increase in finance cost in FY23 by ~126% for the Segment, which amounted to PKR~9.0bln. All these developments sharply decreased the Segment's average net margins to ~3% in FY23 (SPLY: ~6%). Further, In FY23, Segment's recorded coverage stood at ~2x (SPLY: ~4x).
- The Segment's direct costs consist largely of imported raw materials, including wood pulp, fibers, cellulose and cotton. Together, raw materials made up ~85% of the total cost incurred by the Segment during FY23. Volatility in exchange rates and international price trends has an impact on costs.





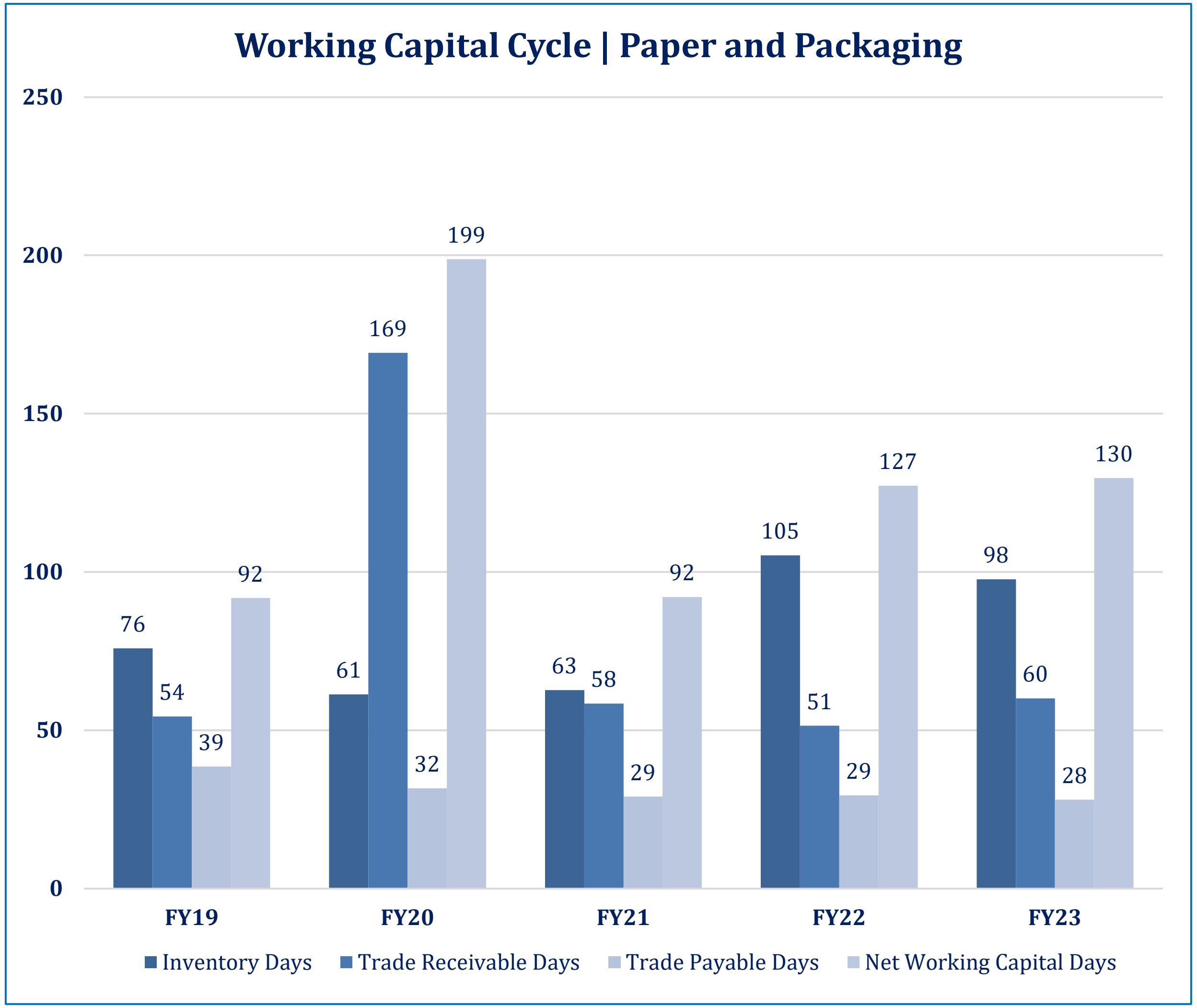
Note: *Cost breakdown and margins are representative of ~10 PACRA rated/listed companies.*

Source: PSX

Paper & Packaging

Financial Risk | Paper

- The Paper Packaging Segment observed a modest increase of its working capital cycle with net working capital days clocking in at ~130 days at the end of FY23 as compared to ~127 days at the end of FY22.
- The Segment overall was impacted by the economic crunch in FY23, with production of Paper declining by ~2% during the year. The Segment faced unprecedented challenges to receive outstanding dues, experiencing increased trade receivable days which reached ~60 days in FY23 (SPLY: ~51 days). Working capital is partially financed through short-term borrowings which constituted ~49% of the Segment's total borrowing mix.
- In this way, finance cost is sharply increased by ~129% in FY23 and stood at PKR~9bln in FY23 (SPLY: PKR~3.9bln)



Note: *Working capital cycle is representative of ~10 PACRA rated/ listed companies.*

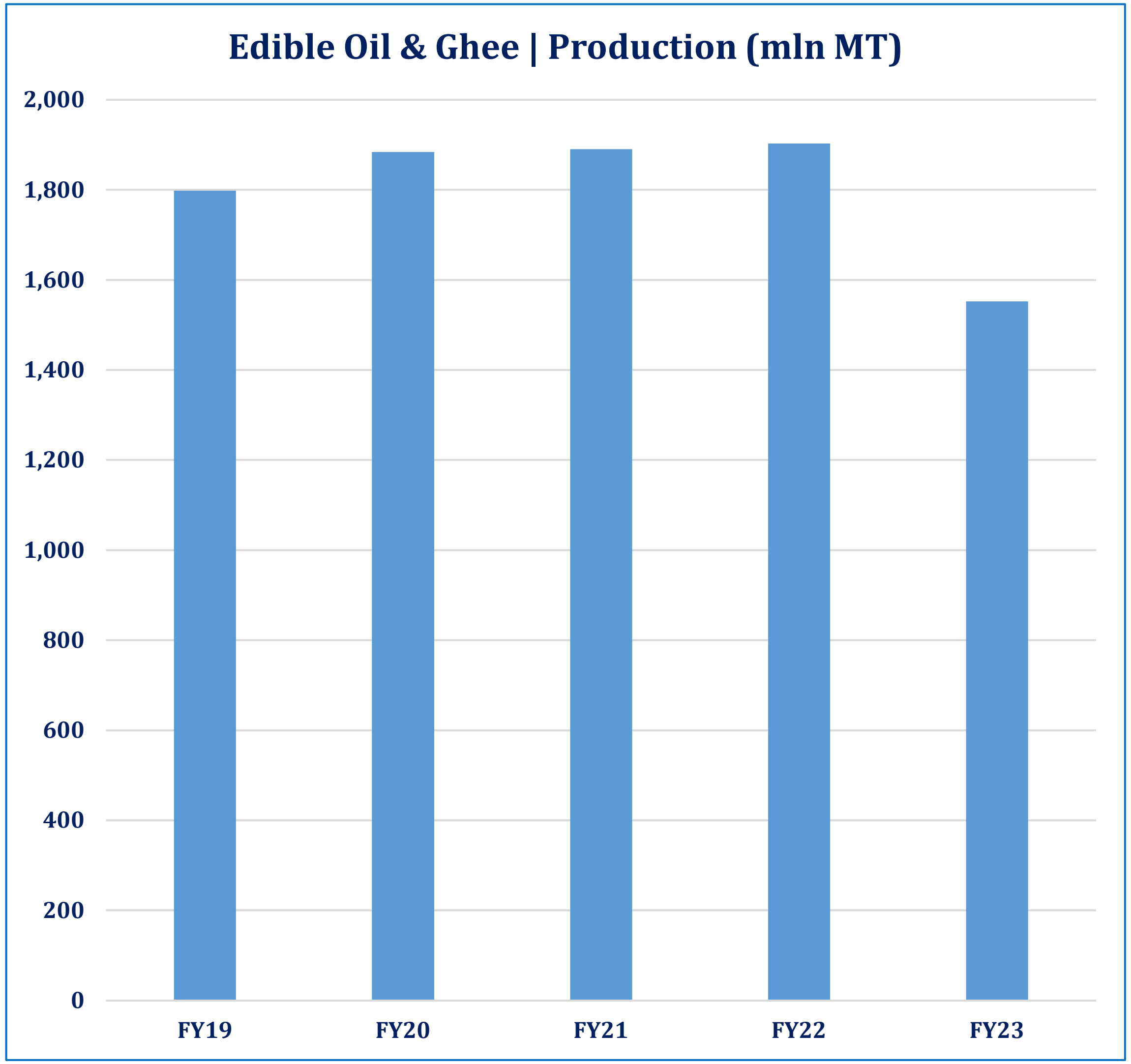
Source: PSX

Tinplate PACKAGING

Paper & Packaging

Business Risk | Tinplate

- The edible oil and ghee industries are one of the main demand drivers for the Tinplate Packaging Segment. The production levels of ghee and edible oil for the previous five years (FY19-23) are displayed in the adjacent graph. With a CAGR of ~(3)% during this time, the output of ghee and edible oil has shrunk by ~18% in FY23. Siddiqsons Tinplate Limited is the sole producer of larger Tin cans for edible oil and ghee.
- In Pakistan, there are two locally-owned Tinplate producers, namely, Siddiqsons Tin Plate Limited and Pakistan Aluminum Beverage Cans Limited. The government ha sin place an anti-dumping charge on Tinplate imports from China, South Africa, the EU, and the USA, which has given local manufacturers some protection. This Anti-Dumping Duties Act by the National Tariff Commission is going to expire this year, however, further decision is not decided yet.
- However, application of anti-dumping duty on the raw material, Cold Rolled Coil (CRC) has further damaged competitiveness by increasing costs. Moreover, alternate sources (e.g. Aluminum Coil, Galvanized coil etc.) of raw material are not reliable in terms of quality.



Source: PBS, Packaging Strategies

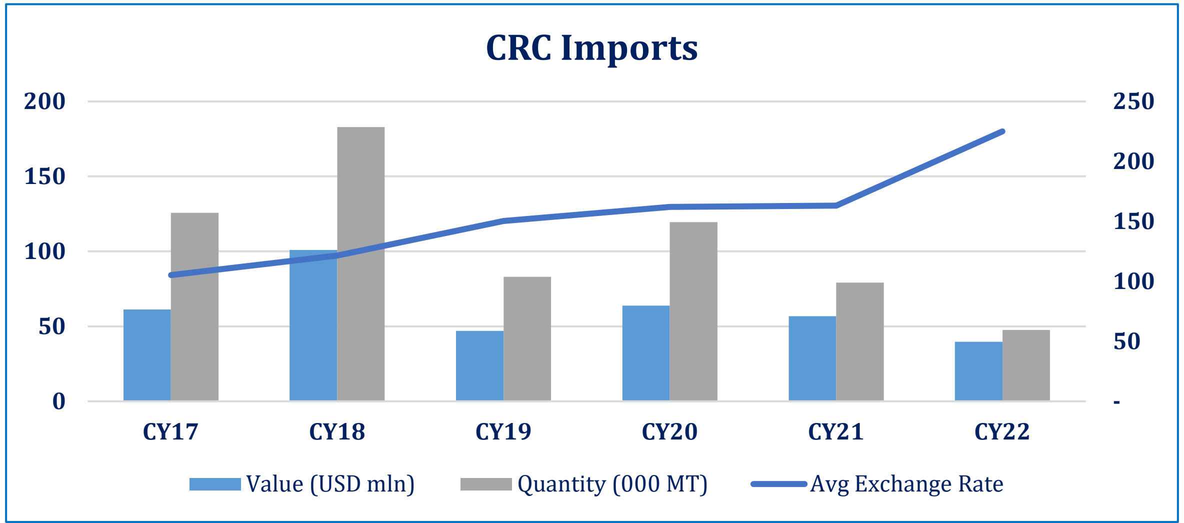
Paper & Packaging

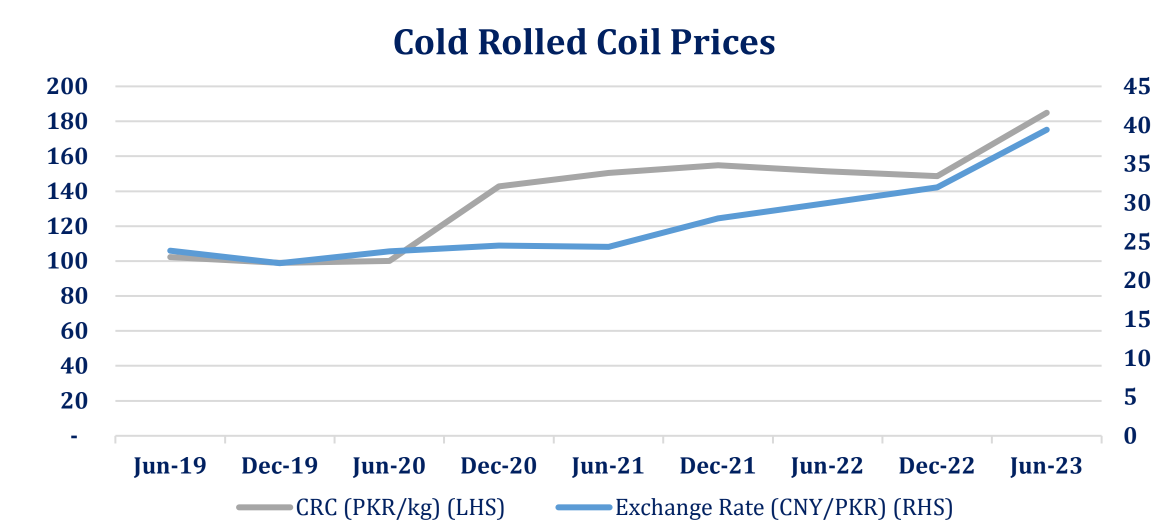
Raw Material | Tinplate

- A significant raw material for Tinplate Packaging, cold-rolled coil (CRC), is imported from nations including South Korea, China, and Japan. In the preceding six years, the cost of CRC has climbed by ~198%. However, the majority of this increase in import of CRC imports in value terms is partly attributable to increase in exchange rate by ~155% during the same time frame. In FY23, CRC imports decreased by ~39% in value terms, and at the same time quantity imported declined due to SBP's requirement of a 100% cash margin for imports.

- The imports of CRC have been volatile in previous periods. During CY20, the imports grew by ~36% to USD~64mln (PKR~25,265mln) from USD~47mln (PKR~22,186mln) in CY19. After CY20, the quantity demanded and value in USD have exhibited a continuous fall till CY22.

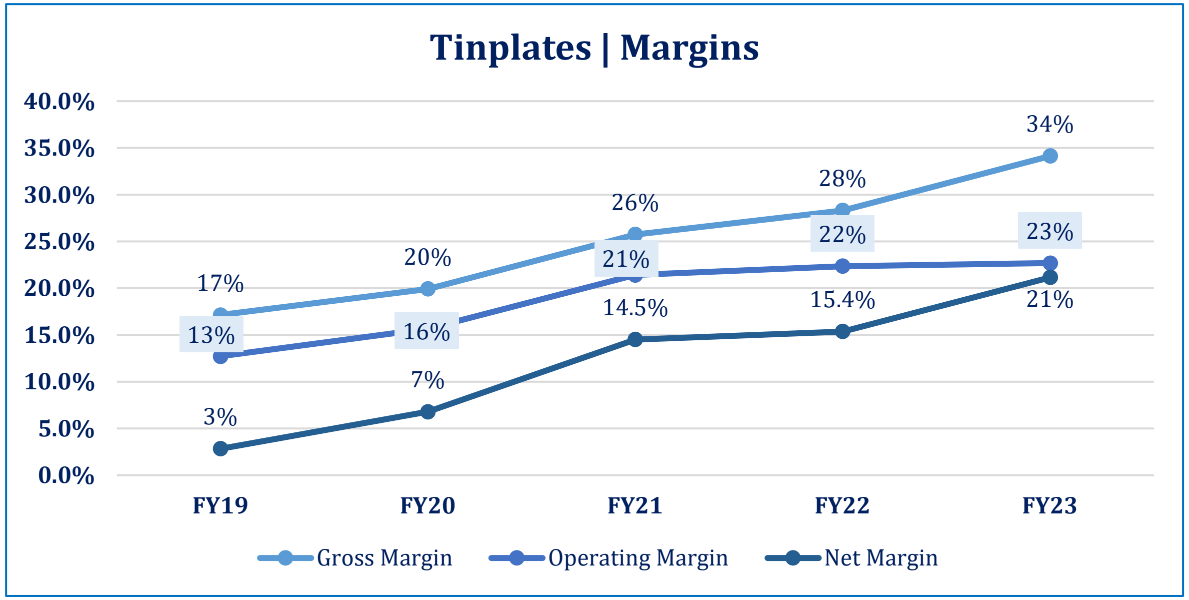
- The National Tariff Commission has imposed anti-dumping duty on CRC imports from Canada and Russia of 14%. Anti-dumping duty was already applicable on imports from China.

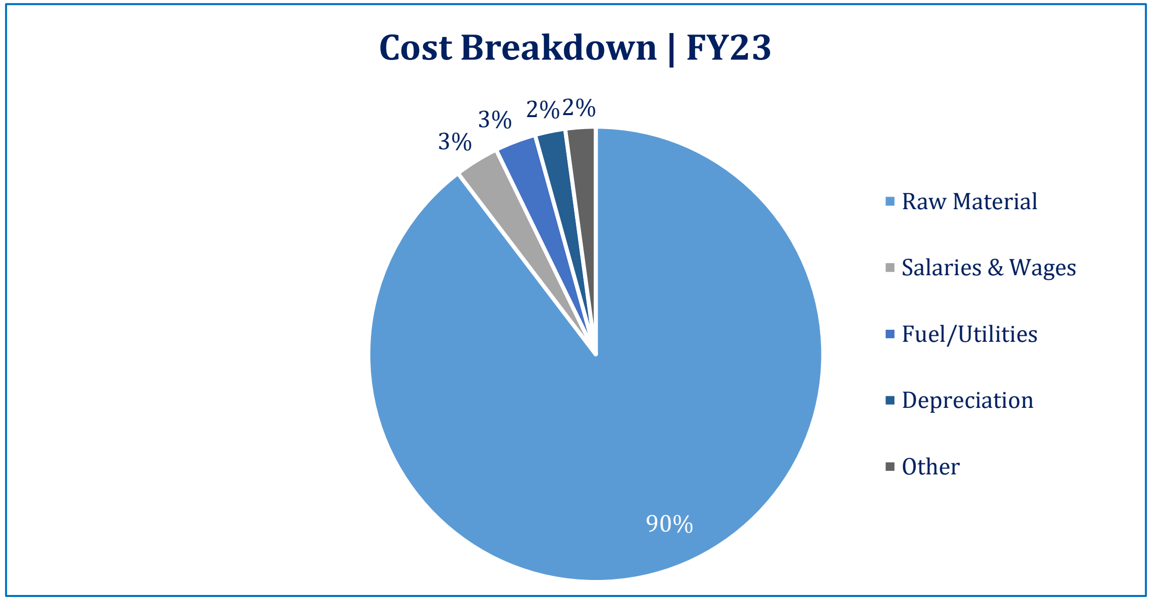




Margins | Tinplate

- The average margins of the Segment have exhibited a changing trend in the last five years (depicted below), with average gross margins increasing from ~28% in FY22 to ~34% in FY23. In addition, average net margins also increased from ~15% in FY22 to ~21% in FY23. Meanwhile, average operating profit increased slightly in FY23 at ~23% (SPLY: ~22%). In FY23, Segment's recorded coverage stood at ~6.6x (SPLY: ~7.2x).
- A major player of the Segment having ~83% share in term of revenue experienced an impressive growth in the sales in international market due to increase in can sales and exchange rate which ultimately added to their gross margin. Most of the Tinplate Segment's direct costs consist largely of imported raw materials (largely, CRC, covered later). Therefore, volatility in exchange rates and international price trends of CRC has a significant impact on costs incurred by the Segment.





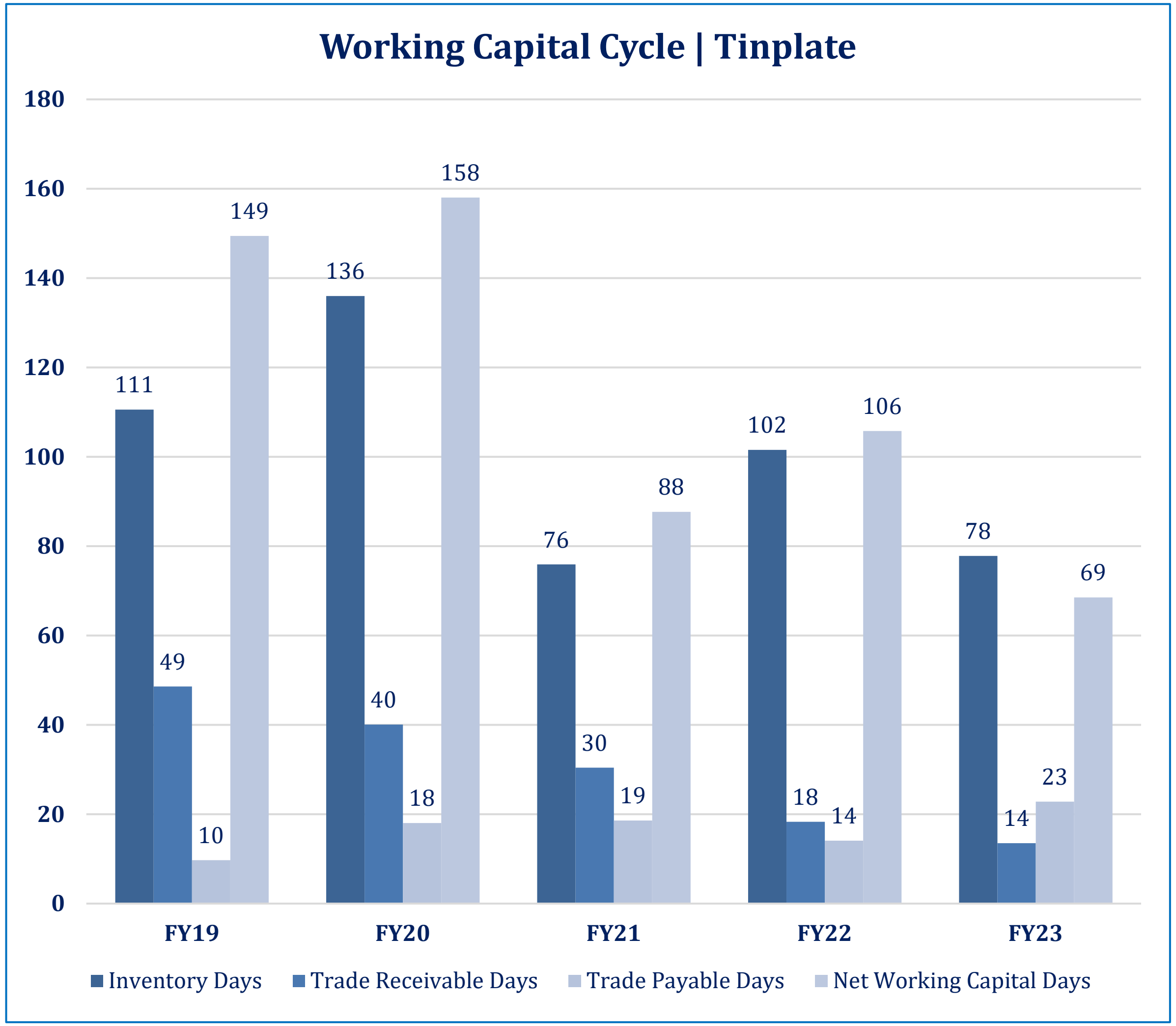
Note: *Cost breakdown and margins are representative of ~2 listed companies.*

Source: PSX

Paper & Packaging

Financial Risk | Tinplate

- The Tinplate Packaging Segment exhibited a decline in its working capital cycle with average net working capital days decrease to only ~69 days at the end of FY23 as compared to ~106 days at the end of FY22.
- In FY23, the inventory days declined sharply and reached ~78 days (SPLY: ~ 102 days).
- There is a brief process through which raw material is converted into finished goods. As a result, there is no work-in-process inventory maintained.
- Working capital is partially financed through short-term borrowings which constituted 64% of the Segment's borrowing mix in FY23 (SPLY: ~50%).



Note: *Working capital cycle is representative of 2 listed company.*

Source: PSX

Paper & Packaging

Duty Structure

- Despite the existence of a large number of players, the Sector remains unregulated by a formal industry association However, a few associations do exist such as, the Flexible Packaging Association of Converters of Pakistan and Pakistan Plastic Manufacturers Association.
- The government is providing protection to local manufacturers through imposition of customs and regulatory duties on the import of finished Packaging goods. With respect to income tax, the Sector falls under Normal Tax Regime (NTR), ~10% Super Tax has been extended to persons from all Sectors having income in excess of PKR~500mln. Such higher rate of tax has been made perpetual thus substantially increasing the overall tax costs for the businesses. In addition, sales tax of 18% is also applicable on the Sector.

PCT Code	Description	Additional Custom Duty		Custom Duty		Regulatory Duty		Total	
		FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
72.09	Flat- rolled products of iron or non- alloy steel, of a width of 600 mm or more, cold- rolled (cold- reduced), not clad, plated or coated.	2-7%	2%-6%	11-20%	11%-20	5%	5%	18-32%	18%-31%
39.01	Polymers of ethylene, in primary forms	2%	2%	11%	3%	0%	0%	13%	5%
47.01-47.05	Wood Pulp (Mechanical, Chemical & Other)	2%	2%	0%	0%	0%	0%	2%	2%
48.19	Cartons, boxes, cases, bags and other packing containers, of Paper, Paperboard	2-7%	7%	20%	16%-20%	0%	0%-10%	27%	20%-36%
39.23	Articles for the conveyance or packing of goods, of Plastics; stoppers, lids, caps and other closures, of Plastics.	2%	4%-7%	16%-20%	16%-20%	15%	10%-15%	35%-42%	30%-41%
8007.001	Tinplates, Sheets or Strips	2%	2%	11%	3%	0%	0%	13%	5%

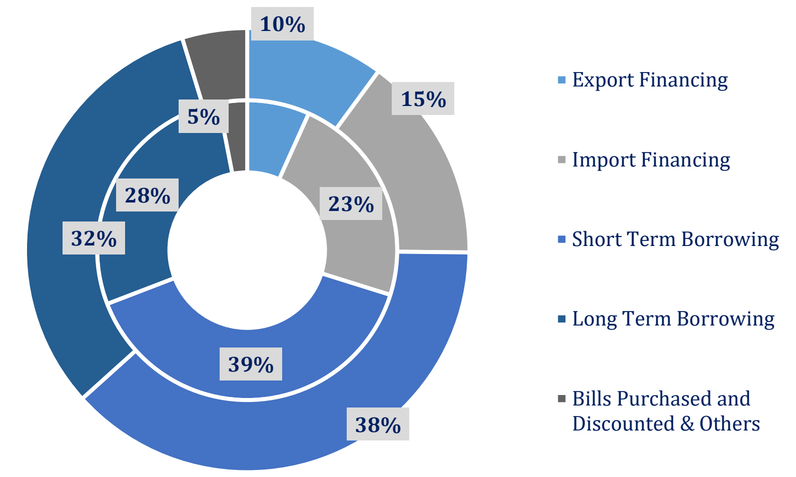
Source: FBR

Paper & Packaging

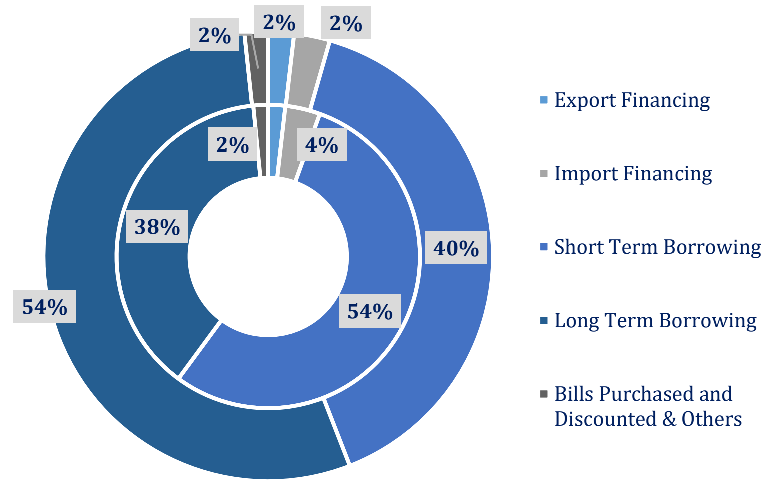
Financial Risk | Borrowings

- **Plastic:** The total borrowing of Plastic industry stood at PKR~80,838mln as at End-Sep'23 as compared to PKR~91,878mln as at End-Sep'22. This was a YoY decrease of ~12%.
- In End-Sep'23, Segment's total borrowing mix consisted largely of short-term borrowing which accounts for ~38% (SPLY: ~39%) of total borrowing, while ~32% of the borrowing comprised long-term financing (SPLY: ~28%).
- **Paper:** Similarly, the total borrowing of the Paper Packaging Segment stood at PKR~99,163mln as at End-Sep'23 as compared to PKR~109,186mln as at End-Sep'22, showing a YoY decrease of ~9% .
- In End-Sep'23, Segment's average borrowing mix consists largely of long term borrowing which accounts for ~54% (SPLY: ~38%) of total borrowing, while ~40% of the borrowing consist of short term financing (SPLY: ~55%).
- **Tinplate: :** The total borrowing of Tinplate industry stood at PKR~6,962mln as at FY23 as compared to PKR~8,134mln as at FY23. This was a YoY decrease of ~14%. The industry's average borrowing mix consists largely of short term borrowing which accounts for ~64% of total borrowing, while the long term financing stood at ~29% in FY23.
- The industry's average borrowing mix consists largely of long term borrowing which accounts for ~44% of total borrowing, while the short term financing stood at ~39% in FY23.

Plastic | Sep'22 (Inside), Sep'23 (Outside)



Paper & Board | Sep'22 (Inside), Sep'23 (Outside)



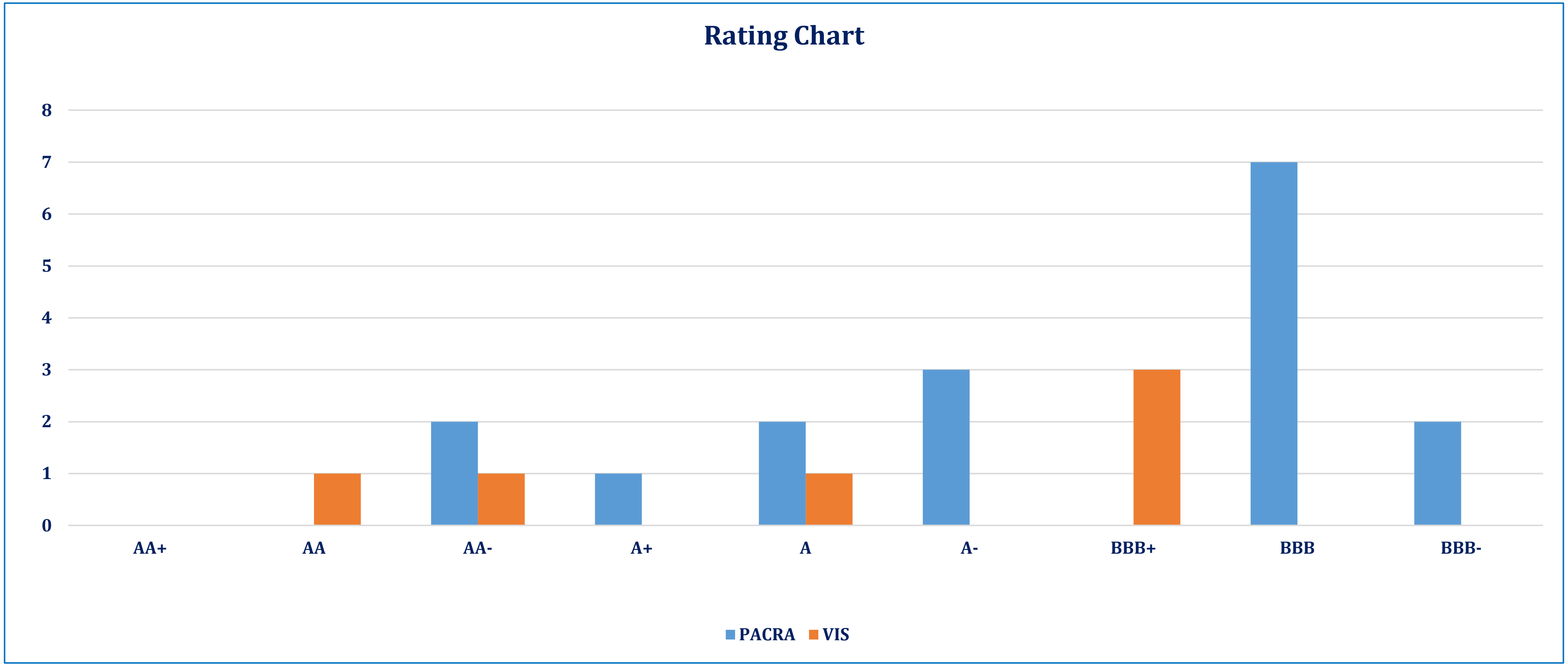
Note: *Average leveraging are representative of ~11 listed companies. The total borrowing figures are obtained from SBP's banking statistics for credit classified by borrowers.*

Source: SBP, PSX

Paper & Packaging

Rating Curve

PACRA rates 21 entities in the Sector, with their long-term credit rating ranging from BBB- to AA- category.



Paper & Packaging

SWOT

Strengths

- Highly diversified product mix.
- Government support for local manufacturers in the form of import duties.
- Availability of low cost labor.
- Increasing trend of urbanization, consumerism and e-commerce

Weaknesses

- Absence of an industry association for the overall packaging industry.
- Decline in per capita income and high level of inflation, thus reduced purchasing power of end consumers.

Threats

- Increase in exchange rate and volatility of imported raw material prices.
- Increasing awareness regarding harmful environmental impacts of Plastic packaging.

Opportunities

- Conversion from glass to PET bottles in the beverage industry.
- Opportunity for innovation in order to move towards more environmentally friendly packaging solutions.

Paper & Packaging

Outlook

Plastic | Stable

- The average gross margins of the Plastic packaging Segment remained during FY20-23, with these increasing from ~10% in FY20 to ~12.6% in FY23. This is mainly due to an increase in sales volumes that enables the absorption of operational costs. Rangebound average gross margins during FY20-23 likely reflect stable sales for the Segment.
- Segment's average net margins also dipped to ~4% in FY23 due to higher finance costs. Increase in policy rate from ~17% to 22% during FY23 remained the major factor in increase in finance costs of the Segment. Moreover, in FY23, Segment's recorded coverage stood at ~2.9x (SPLY: ~4.8x), further reflecting Segment players' lower capacity to repay their creditors.
- The Segment's direct costs comprise imported raw cellulose, coal, natural gas and crude oil which together form ~83% of cost of sales in FY23.
- There has been an overall increase in its net working capital days in FY23 which clocked in at ~126 days as compared to ~76 days at the end of FY22. This increase of ~50 days was observed as a result of sharp increase in inventory days. Going forward, Segment's performance and, therefore, margins are expected to remain rangebound.

Paper | Stable

- In FY23, there was a decline in local Paper production, indicating slow growth in the Segment. Although there was a notable increase in sales volume of ~14% in FY23, this was primarily attributed to higher sale prices.
- Despite this, margins remained stable. However, there was a significant surge in finance costs, up by ~126% YoY, leading to a decrease in average net margin for FY23 to ~3% compared to the previous year's. Further, In FY23, Segment's recorded coverage stood at ~2x (SPLY: ~4x).
- The Segment's net working capital days clocked in at ~130 days at the end of FY23 as compared to ~127 days at the end of FY22, mainly on account of trade receivable days increasing to ~60 days in FY23 (SPLY: ~51 days).
- While wood pulp prices have shown an upward trend in recent months, they are expected to stabilize in the near future. This suggests a more balanced pricing scenario for the Segment.
- Looking ahead, the Segment is anticipated to experience growth, driven by the increasing popularity of online shopping and packaged goods.

Tinplate | Outlook: Stable

- The increase in CRC (major raw material) prices in FY23 led to a decline in its imports. Moreover, production of Edible Oil and Ghee also declined by ~18% YoY during the same year. This led to lower sales volumes of the Segment in the local market.
- During FY23, Segment's sales witnessed a significant rise of ~40%, driven largely by the Tinplate exports in the international market, leveraging the advantage of favorable exchange rates. Consequently, the Segment experienced a notable ~34% increase in average gross margins during FY23, indicating positive growth momentum.
- Moreover, the government has in place an anti-dumping charge on Tinplate imports from China, South Africa, the EU, and the USA, which has given local manufacturers some protection.
- The Segment's average net working capital days decrease to only ~69 days during FY23 (FY22: ~106 days).
- Going forward, demand emanating from the local market is likely to determine the Segment's performance.

Paper & Packaging

Bibliography

- Pakistan Bureau of Statistics (PBS)
- Pakistan Stock Exchange (PSX)
- State Bank of Pakistan (SBP)
- Federal Board of Revenue (FBR)
- National Tariff Commission
- Company Financials
- Investing.com
- Sunsirs.com/uk
- Trade Map
- Globe Newswire
- PACRA database
- Science Direct
- BYJU'S

Research Team	**Saniya Tauseef** *Senior Manager* saniya.tauseef@pacra.com	**Ayesha Wajih** *Supervising Senior* ayesha.wajih@pacra.com	**Saba Farooq** *Research Analyst* saba.farooq@pacra.com
Contact Number: +92 42 35869504			

DISCLAIMER