

## SECTORWATCH | CORONAVIRUS | PET PACKAGING & ETP PACKAGING

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan’s economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government’s response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR																										
<b>CONSUMER GOODS &amp; SERVICES</b>	<b>PET PACKAGING &amp; ETP PACKAGING</b>																										
<b>SIZE</b>	<ul style="list-style-type: none"> <li>- 365,000 MT (estimated) local installed capacity of PET Resin and 18,230MT imports in 1HFY20 (FY19: 14,000MT)</li> <li>- PET preform revenue of PKR ~25-30bln (estimated) and demand quantity is ~4mln units (estimated) in FY19 and same is expected in FY20</li> <li>- PET bottles revenue of PKR ~8-9bln (estimated) and demand quantity is ~700mln units (estimated) in FY19 and same is expected in FY20</li> <li>- Electrolytic Tin Plate (ETP) packaging revenue of PKR ~14-15bln and demand quantity is ~85,000MT in FY20 (estimated)</li> </ul>																										
<b>NUMBER OF PLAYERS</b>	<table border="1"> <thead> <tr> <th>Segment</th> <th>Local players</th> <th>Market Share</th> <th>PACRA Rated Entities</th> <th>PACRA Universe % Share</th> </tr> </thead> <tbody> <tr> <td rowspan="2"><b>PET Resin</b></td> <td>Dominated by Gatron Industries</td> <td>~90%</td> <td>-</td> <td>-</td> </tr> <tr> <td>Others including Pakistan Synthetic Ltd</td> <td>Smaller capacity, minimal imports</td> <td>1</td> <td>~7-8% of local installed capacity (FY19)</td> </tr> <tr> <td rowspan="2"><b>PET Preforms &amp; Bottles</b></td> <td rowspan="2">8-10 major players, others are small players</td> <td rowspan="2">-</td> <td>Preform: 2</td> <td>~15% of total demand (FY19)</td> </tr> <tr> <td>Bottles: 1</td> <td>~25% of total demand (FY19)</td> </tr> <tr> <td><b>ETP</b></td> <td>One local manufacturer*</td> <td>~25-30%</td> <td>1</td> <td>~25-30% market share</td> </tr> </tbody> </table> <p>*remaining demand is catered by commercial importers</p>	Segment	Local players	Market Share	PACRA Rated Entities	PACRA Universe % Share	<b>PET Resin</b>	Dominated by Gatron Industries	~90%	-	-	Others including Pakistan Synthetic Ltd	Smaller capacity, minimal imports	1	~7-8% of local installed capacity (FY19)	<b>PET Preforms &amp; Bottles</b>	8-10 major players, others are small players	-	Preform: 2	~15% of total demand (FY19)	Bottles: 1	~25% of total demand (FY19)	<b>ETP</b>	One local manufacturer*	~25-30%	1	~25-30% market share
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<b>PACRA PENETRATION</b>	<ul style="list-style-type: none"> <li>- Above table defines share of PACRA Rated Universe in each segment.</li> </ul>																										
<b>IMPACT</b>	<ul style="list-style-type: none"> <li>- Demand: The demand for PET and ETP packaging industry emanates from food, beverages, edible oils and allied industries. These industries are operating to ensure the availability of essential supplies during lockdown. Further, high demand period for these industries is also around due to arrival of Ramadan and summer season. Consequently, the demand for these industries remains intact.</li> <li>- Operations: The PET and ETP packaging industries’ production activities are ongoing and are least affected by the countrywide lockdown. However, some industry players have slowed down their production activities in order to avoid pile up of finished goods inventory and improve their liquidity profile.</li> <li>- Supply Chain: Feedstock for PET resin, i.e. PTA &amp; MEG, used in manufacturing of PET preforms and bottles are derivatives of crude oil. Supply chain for PET packaging industry is dominated by the Middle East. The supply chain has not been disrupted as PET packaging is majorly used in the packaging of food and allied products. With respect to Electrolytic tin plate (ETP) packaging industry, Pakistan is already importing its raw material, i.e. Tin Mill Black Plate (TMBP), from Russia, other Central Asian states, Japan &amp; Korea after imposition</li> </ul>																										



- of anti-dumping duty on imports from China. Resultantly, industry's supply chain is already well diversified and remains intact.
- **Financial Obligations:** Overall PET and ETP packaging industry is moderately leveraged, borrowings mainly comprising of short-term borrowings to finance the working capital requirements. Principal repayments against long-term debt remains minimal. SBP's rate cut by 525bps will reduce debt servicing costs, helping to relieve pressure on sector's bottom-line. Further, SBP scheme of deferment of principal for one year and other related measures will also help in managing stretched cash flow profile.
  - **Profitability and Margins:** The prices of PET feedstock has declined due to declining crude oil prices on the back of weakening demand amid COVID-19 pandemic. Although the effect of price decreases will ultimately be passed on to customers, it will boost margins of the industry in short-term.

### **DISCLAIMER**

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### **CONTACT**

ateeb.riaz@pacra.com  
+92-42-35869504  
www.pacra.com.pk

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