

Spinning

Sector Dashboard

April 2026

Spinning

Local | Overview

- Pakistan spinning sector's revenue stood at PKR ~7,512bn in 8MFY26 in terms of market size based on LSMI weightage of 8.9%, compared to PKR ~10,106 billion in FY25, reflecting a moderation in activity during the current year.
- Capacity utilization has fallen sharply to ~42.5% in 8MFY26 from ~70.8% in FY25, driven by the closure of several spinning mills and a ~40% reduction in production capacity. Operational spindles have declined to ~5,696 thousand from ~9,500 thousand in FY25, even as installed capacity remains unchanged at ~13,409 thousand spindles, indicating that a significant portion of the sector's physical infrastructure is currently idle.
- Yarn production in 8MFY26 stands at ~1.6mn MT, compared to ~2.7mn MT in FY25. Annualizing the 8MFY26 figure suggests full-year output will fall well short of FY25 levels, continuing the downward trend observed since FY22 when production peaked at ~3.4mn MT.
- Cotton yarn export volumes reached ~205 thousand MT in 8MFY26, against ~256 thousand MT in full-year FY25, with export value declining to USD ~501mn from USD ~681mn over the same period. The sector's share in the country's total exports stood at ~2.4% in 8MFY26, up from ~2.1% in FY25.

Spinning	FY23	FY24	FY25	8MFY26
Market Size based on share in LSM * (PKR bn)	7,428	9,345	10,106	7,512
Spinning Units	368	368	368	368
Spindles Installed (000 Nos.)	13,414	13,409	13,409	13,409
Spindles Operational (000 Nos.)	9,500	9,700	9,500	5,696
Capacity Utilization (%)	69.3%	72.3%	70.8%	42.5%**
Yarn Production (000 MT)	2,695	2,477	2,665	1,600**
Export Volume (000 MT)	281	353	256	205
Cotton Yarn Export Value (PKR bn)	212	272	190	141
Cotton Yarn Export Value (USD mn)	844	956	681	501
Contribution in Country's Total Exports (%)	3.0%	3.1%	2.1%	2.4%
Association	All Textile Mills Association			

*share in LSM is based on the LSMI weightage

** based on closure of more than 100 spinning mills and 40% reduction in production capacity

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Local | Cotton Dynamics

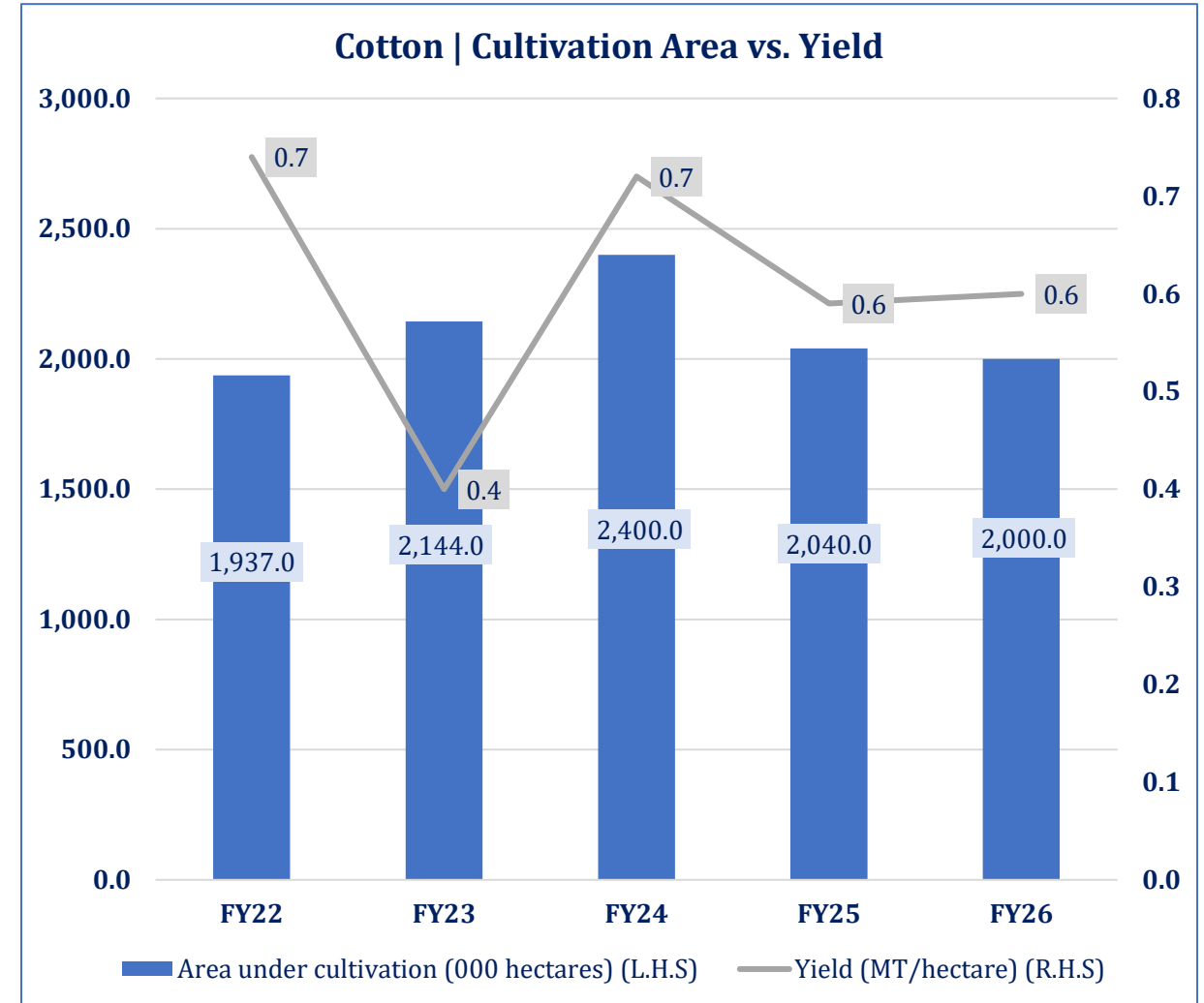
- Pakistan's cotton production is expected to decline to ~1.1mn MT by August 2026 from ~1.2mn MT last year, therefore the recovery remains fragile. Water shortages, pest attacks, and a tax policy that discourages local cotton trading continue to hold the sector back from reaching its true potential.
- Imports still account for nearly 40% of Pakistan's total cotton supply, which reflects on the country's reliance on foreign cotton to keep its mills running. As long as the tax system makes imported cotton cheaper than locally grown lint, domestic farmers will continue to lose out.
- Mills consumption has been gradually falling, from ~2.3mn MT to ~2.2mn MT over the past three years. High energy bills and shrinking profit margins are forcing mills to scale back.

Local Cotton Production, Supply and Demand ('000' MT)			
Particulars (MY Begins)	Aug 2024	Aug 2025	Aug 2026
Opening Stock	404	502	491
Production	1,091	1,156	1,102
Imports	1,331	1,091	1,135
Total Supply	2,825	2,749	2,727
Local Consumption	2,313	2,247	2,225
Exports	11	11	11
Domestic Use and Loss	2,313	2,247	2,225
Closing Stock	502	491	491

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Local | Area Under Cultivation and Yield

- Pakistan lost ~40% of its cotton acreage over the last decade. The area under cultivation for the cotton crop decreased by ~16.7% YoY to ~2.0mn Ha in FY25 from ~2.4mn Ha in FY24. Similarly, cotton crop yield also reduced to ~0.6MT/Ha in FY25 from ~0.7MT/Ha in FY24. Area under cultivation fluctuates depending on previous year production and price anticipation, and yields of other corps.
- For FY26, 2.0 million hectares of cotton were sown, which was down by 11% from the targeted ~2.2 million hectares. Cotton cultivation targets for Punjab at ~3.5mn acres with a production goal of 5.5mn bales, and for Sindh at ~1.6mn acres with a production target of 4.0mn bales. The lack of pest-resistant seeds and adverse weather conditions negatively impacted yields and returns.
- As of 6MFY26, actual production stood at only 2.5mn bales in Punjab and ~2.8mn bales in Sindh. Despite Sindh's production target being ~27% lower than Punjab's, cotton output in Sindh remained 12% higher than Punjab's by mid-December. In Punjab, unfavorable temperatures delayed early sowing, which later commenced at the end of 8MFY26. The delayed early sowing can potentially decrease cotton yields, ultimately shrinking the supply of raw cotton available to the textile industry and forcing Pakistan to spend more on costly imports.

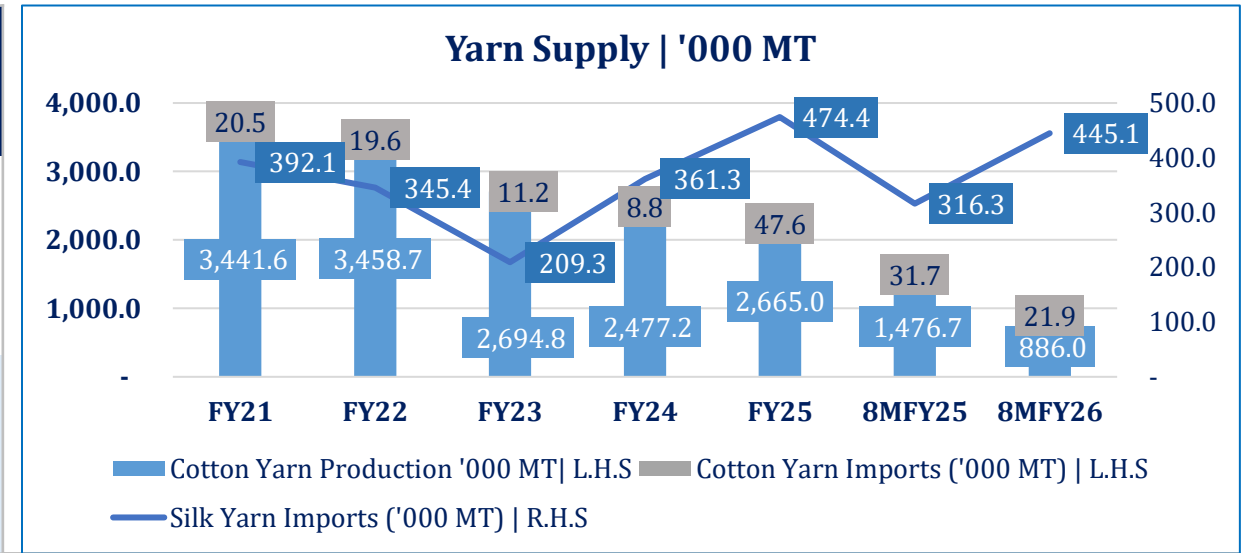


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Local | Installed Capacity & Yarn Supply

- The cotton yarn production has remained under pressure and decreased by ~7.6% to ~2.7mn MT in FY25 (FY24: ~2.5mn MT). The average yarn production during FY21-23 has been ~2.9mn MT, with the highest yarn production in FY22, ~3.5mn MT. During FY22-24, the production declined to ~2.5mn MT primarily due to cheaper imported yarn available. The imports of silk yarn rose by ~31.3% YoY, registering at ~4.7mn MT during FY25(FY24: ~3.6mn MT).
- During the 8MFY26, cotton yarn imports witnessed a sharp contraction, falling ~ 30.8% YoY to ~0.02mn MT, compared to ~0.03mn MT in the same period last year. The fall in imports was due to the government’s decision to impose 18% sales tax and 5% customs duty on imported yarn in July 2025, removing the tax anomaly that had previously made imported yarn cheaper than local yarn.
- Pakistan's spinning sector has been crippled by uncompetitive energy costs at USD ~12.5 cents per kWh versus 5–9 cents in competing economies, which makes local yarn structurally more expensive than imports. A government tariff reduction of PKR ~4.04 per kWh in 1HFY26 was largely negated by a PKR ~1.78 per kWh fuel cost adjustment, providing little relief. As a result, cotton yarn imports surged from ~0.009mn MT in FY24 to ~0.05mn MT in FY25. Higher energy cost forced closure of ~40% of capacity (mainly small mills) in the sector. The average capacity utilization also fell to ~70.8% from 72.3%.

Capacity Utilization	FY21	FY22	FY23	FY24	FY25	FY26*
Spindles Installed ('000 Nos.)	13,414	13,414	13,414	13,409	13,409	13,409
Average Capacity Utilization	84.6%	84.6%	69.3%	72.3%	70.8%	42.5%



*For imports of cotton yarn, the following HS Codes have been considered: 5205, 5206, and 5207

**Data for yarn imports only available till FY25, FY26 values are estimated based on the same import price of FY25.

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Yarn | Supply

Production of Yarn (MT)	FY21	FY22*	FY23*	FY24*	FY25*
Synthetic/Blended	1,385,574	1,392,481	1,084,904	997,328	1,073,025
Medium	826,441	830,560	647,103	594,867	640,018
Coarse	792,771	796,723	620,739	570,632	613,943
Fine	350,824	352,573	274,695	252,521	271,687
Super Fine	85,975	86,404	67,318	61,884	66,581
Total	3,441,585	3,458,740	2,694,760	2,477,233	2,665,255

- FY25 saw a slight recovery in Pakistan's yarn production to ~2.7mn MT, a ~7.6% YoY increase from the ~2.5mn MT produced in FY24. The sector's performance was hit hardest in FY23, when production plummeted due to massive cotton crop damage from the 1HFY23 floods and restricted imports caused by depleting foreign exchange reserves.
- Synthetic/Blended yarn including Polyester-Viscose and Polyester-Cotton blends consistently commands a share of ~40.3% reflecting strong demand from downstream fabric and apparel manufacturers. Medium and Coarse yarns represent ~ 24.0% and ~ 23.0% respectively. While Fine and Super Fine cottons together account for only ~12.7%, indicating that Pakistan's spinning industry is predominantly oriented towards volume-driven, mid-count production rather than premium fine-count specialization.

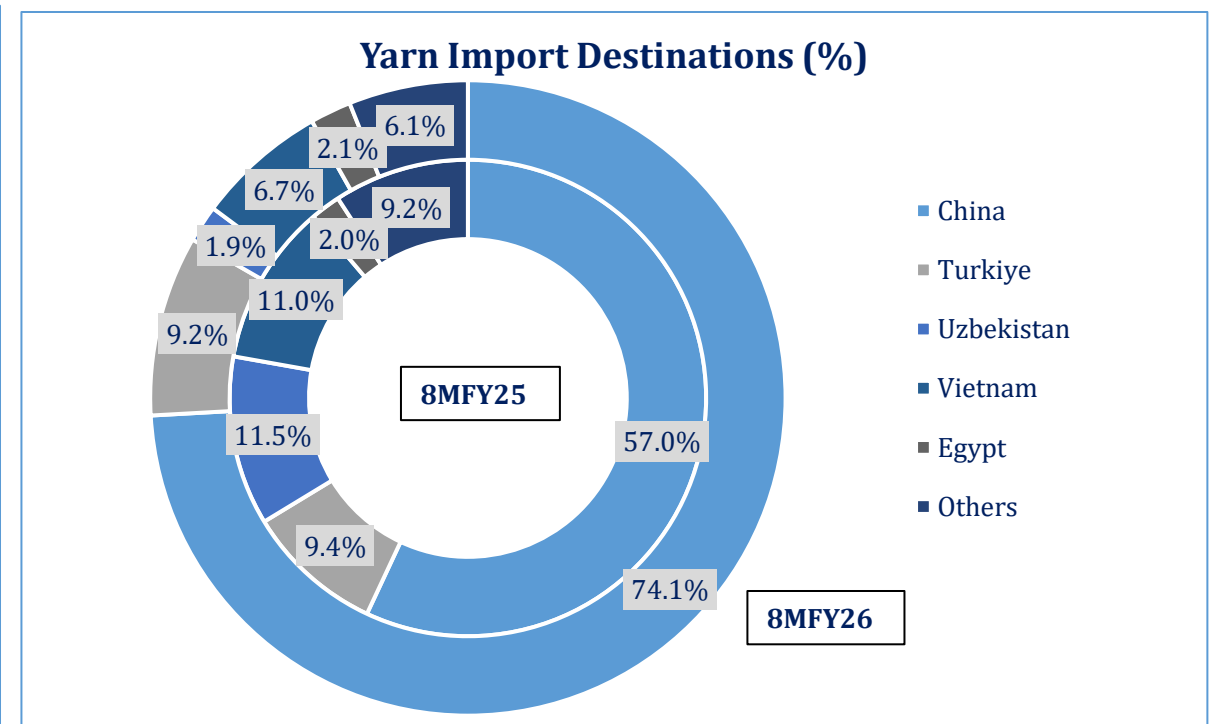
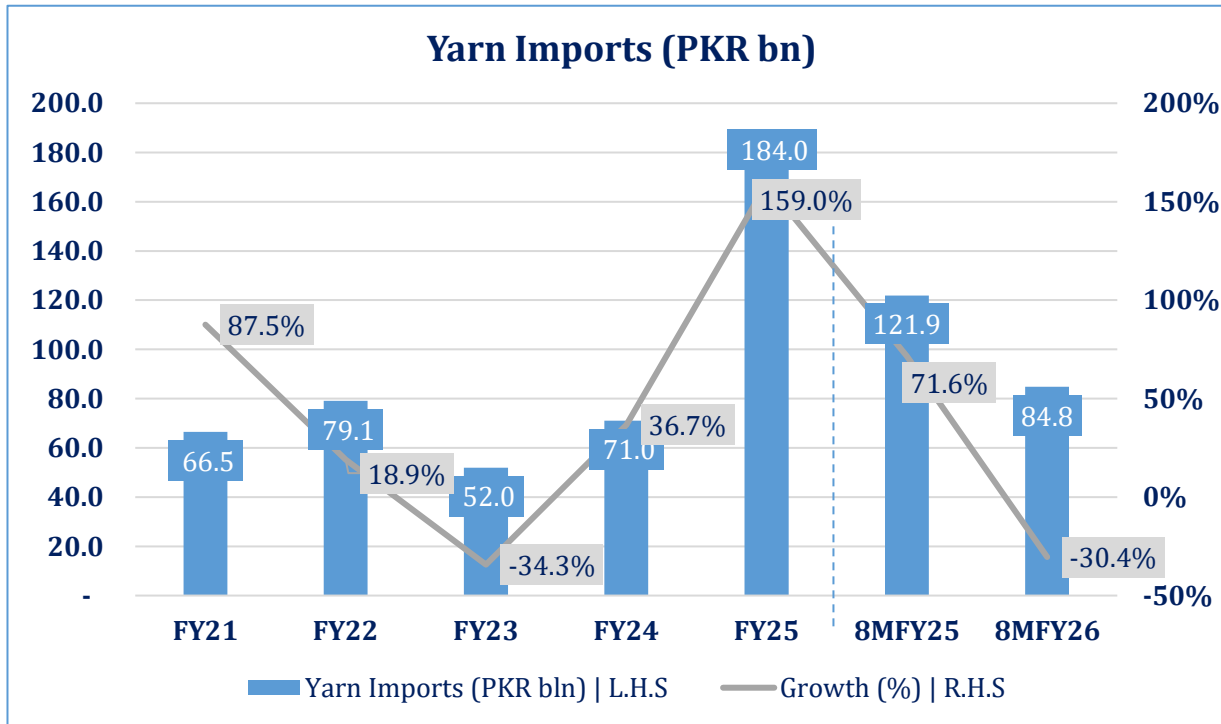
*Production figures for individual yarn categories is estimated using actual total production figures from FY21.

Note: FY22, FY23, FY24, and FY25 are taken from PBS

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Yarn | Imports

- Pakistan's cotton yarn imports averaged at PKR~ 67.2bn during FY21-24, with a noticeable decline in FY23. In FY23 onwards, the imports have followed an upward trend. FY25 then marked a record-breaking surge: imports jumped to PKR ~184.0bn, a staggering ~ 159.0% YoY growth, making it the highest level in the observed period. Tax-free cotton and yarn import policies drove this spike under the Export Facilitation Scheme (EFS), an 18% sales tax on locally produced cotton, therefore disadvantaging domestic ginners. In 8MFY26, yarn imports registered at PKR ~84.8bn (SPLY: PKR ~121.9bn), showing a ~30.4% decline in value terms.
- Cotton yarn imports from China had a share of ~74.1% in 8MFY26 (8MFY25: ~57.0%). Turkiye's share of yarn imports was ~9.2% in 8MFY26 (8MFY25: ~9.4%). Other importing countries of yarn include Uzbekistan, Vietnam and Egypt and accounted for ~1.9%, ~6.7% and ~2.1% of Pakistan's total yarn imports, respectively, during 8MFY26.

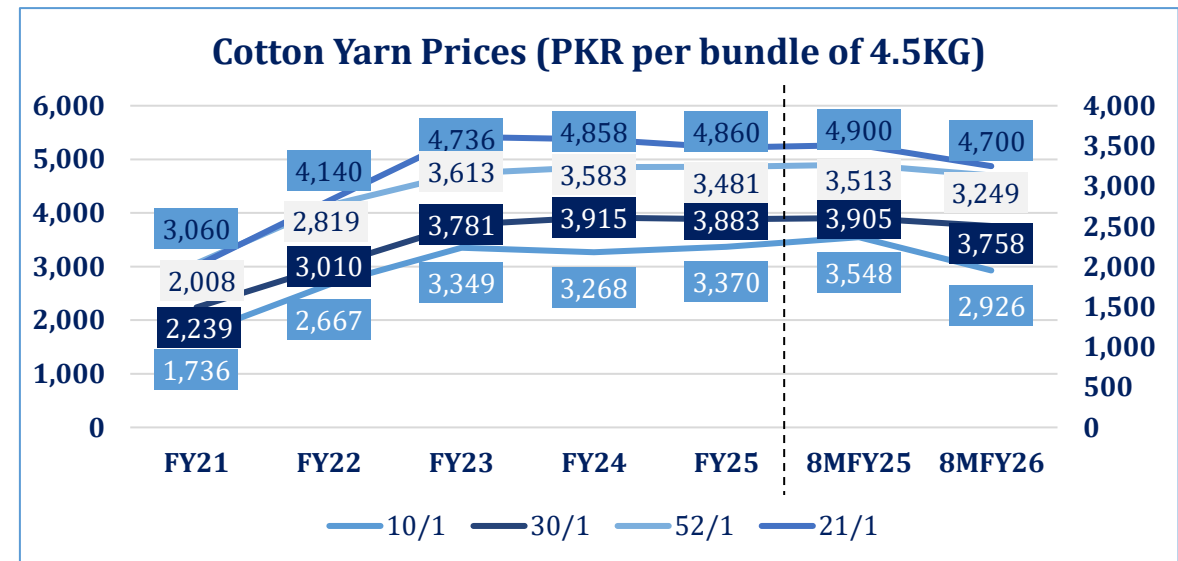
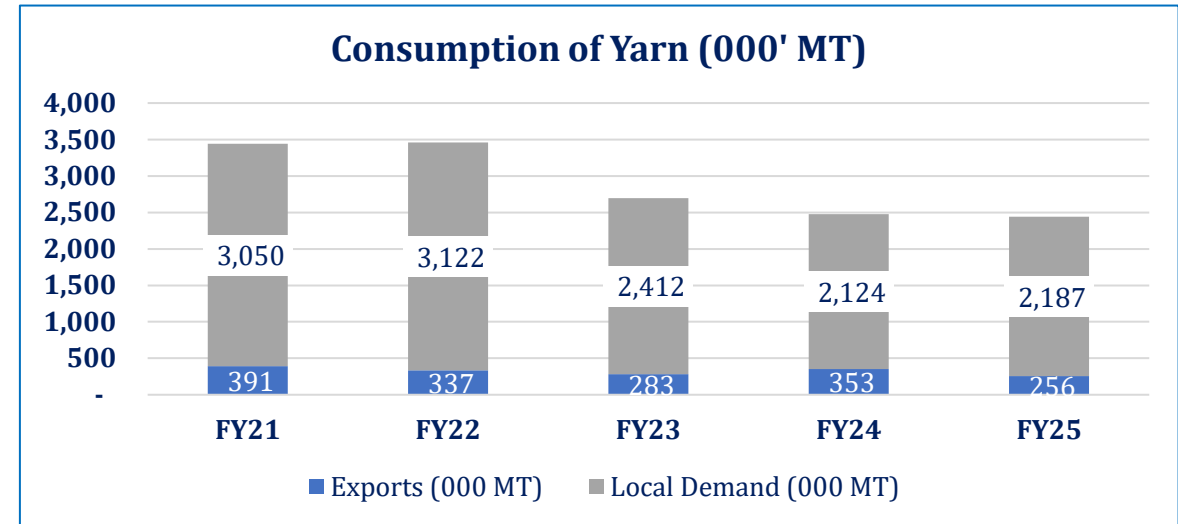


Note: Shares of countries in Pakistan's Yarn Imports by country are value-based.

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Yarn | Prices & Demand

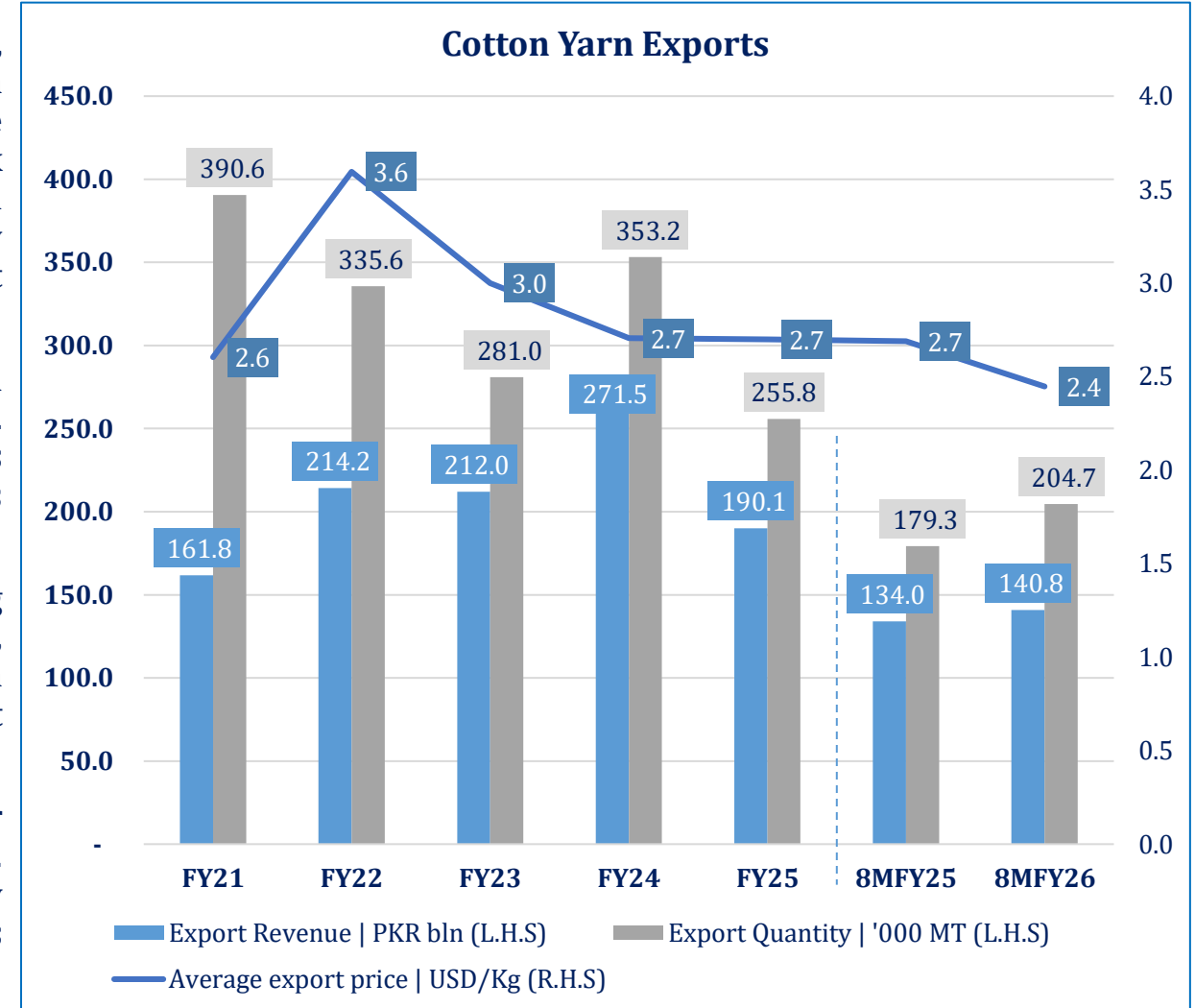
- The consumption of yarn increased by ~4.1% YoY in FY25, from ~2.1mn MT in FY24 to ~2.2mn MT in FY25, owing to increased domestic and foreign demand for textile products. Overall, the consumption of yarn has reduced during FY21-25 period, with average consumption at ~2.6mn MT.
- Export volumes have fallen from ~353,000 MT in FY24 to just 256,000 MT in FY25, a ~27.5% decline YoY. The competitive pressure comes from the region where India dominates the Bangladeshi market, leaving Pakistan with a smaller share. In China, Pakistan exports coarse yarn and imports fine processed yarn, showing a trade structure that reflects a capability gap.
- The numbers (10/1, 21/1, 30/1, 52/1) are yarn count designations under the English Count system, measuring the yarn's fineness. The higher number represents thinner and finer the type of yarn. A 10/1 is a thick, coarse yarn used in denim, canvas, and heavy fabrics. A 52/1 is a fine yarn used in dress shirts, bed linen, and premium apparel. Finer counts require more cotton, more processing, more energy, and greater spinning precision, which is why they command a higher price per bundle.
- FY25 saw prices soften slightly with coarse counts dipped marginally with 10/1 dipped to PKR ~3,481 in FY25 (SPLY PKR ~3,582) and settling at PKR ~3,249 in 8MFY26, while finer counts such as 52/1 marginally increased to PKR ~4,860(FY24: PKR ~4,858). The broad downward trend in cotton yarn prices during the first eight months of FY26, with prices across all counts trending downward, indicates a systemic market softening driven by weak export demand.



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Yarn | Exports

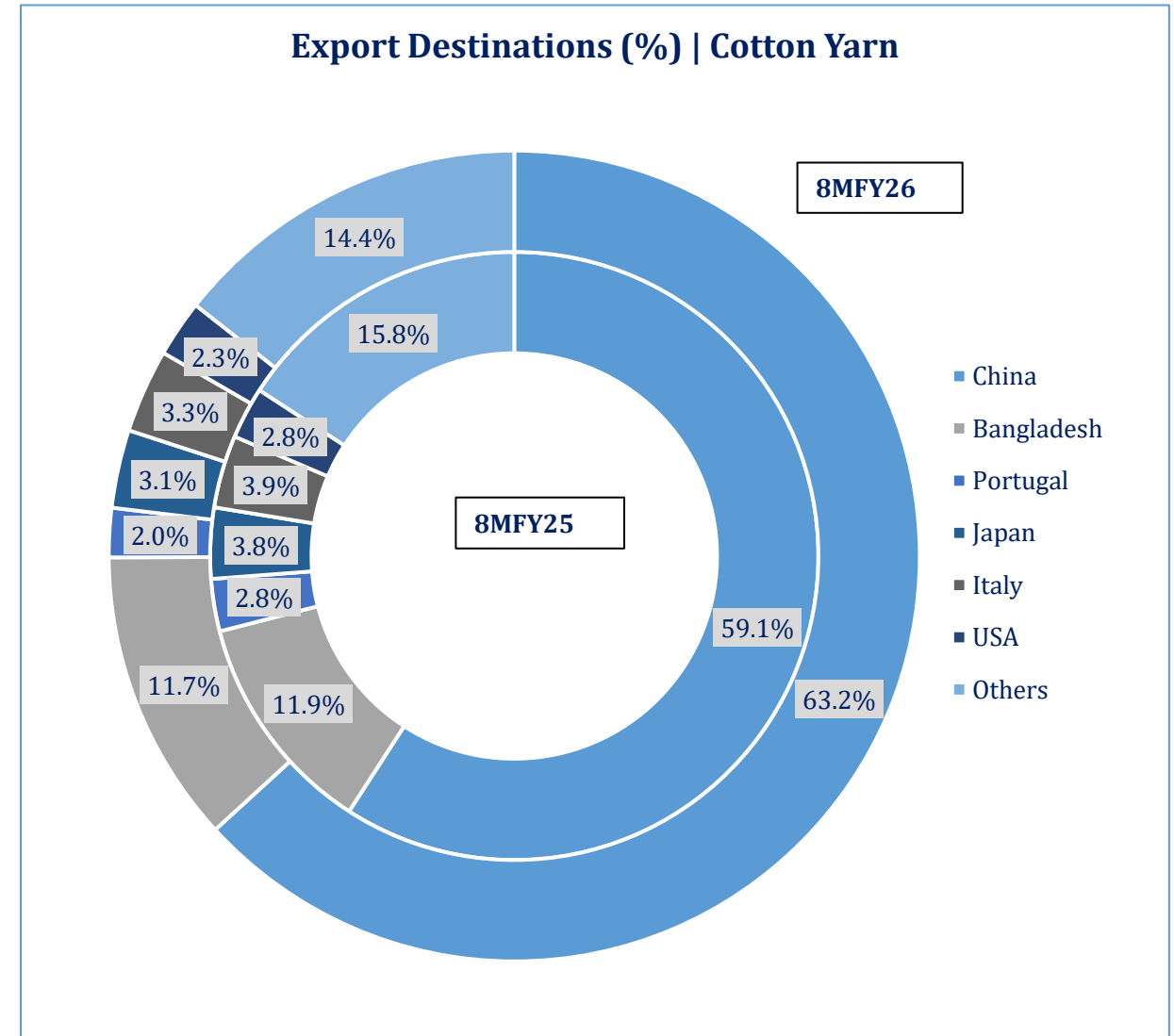
- After a slight recovery in FY24, exports fell further in FY25 to ~2.6mn MT, which is the lowest in the five years. In PKR terms, the export of yarn decreased by ~30.0% YoY in FY25 (FY24 growth: ~28.1% YoY). The export of yarn decreased by ~30.0% YoY in FY25, driven by weak external demand and price competitiveness pressures, as cheaper yarn from China and India continued to displace Pakistani exports in key markets. The average export price of yarn remained the same at USD~2.7/Kg.
- Pakistan continues to produce and export ~30.0–40.0 count yarn, which is of lower quality than what is needed to produce high-quality textiles. The country's cotton is of medium staple, and long-staple cotton is imported to produce quality fabrics for export. Higher-quality yarn is mostly sourced from China.
- Cotton yarn exports improved by ~5.1% to PKR ~140.8bn during 8MFY26 as revenues still remain under pressure. During this period, export revenue reached USD ~501mn (SPLY: USD ~482mn), showing a ~3.9% increase in value terms. Average export price of yarn stabilized at USD ~ 2.4/Kg, falling from USD ~2.7/Kg.
- Cotton yarn exports delivered a stronger performance compared to other textile segments in 8MFY26, supported by strong demand from China. However, broader textile momentum has weakened, with monthly declines in February 2026 highlighting persistent structural challenges around energy costs, taxation, and cotton availability.



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Yarn | Export Destinations

- China dominates Pakistan's yarn export landscape, with ~63.2% of total cotton yarn exports in 8MFY26.
- Pakistan exports low-value, coarse/grey yarn to China, while simultaneously importing finer, processed yarn, indicating that Pakistan occupies the lower end of the textile value chain in this bilateral relationship.
- Bangladesh (~11.7%), Japan (~3.1%), Portugal (~2.0%), USA (~2.3%), and Italy (~3.3%) collectively account for over ~22.4% of exports in 8MFY26, down from ~25.0% in 8MFY25. The decline of European and Japanese destinations is particularly notable, as these markets typically demand higher-quality yarn, suggesting some downward quality migration in Pakistan's export mix.
- During 8MFY26, Pakistan's cotton-related exports to China reached USD ~286.0mn, marking a ~6.9% increase compared to the same period of FY25, driven by sustained demand from China's textile sector. This places Pakistan as the second-largest supplier to China in this category after Vietnam.



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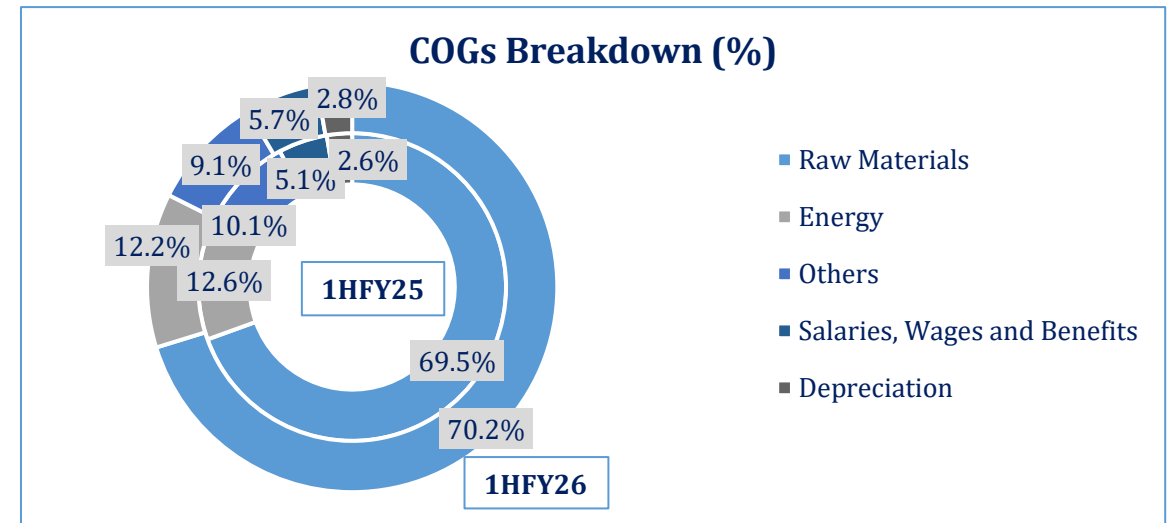
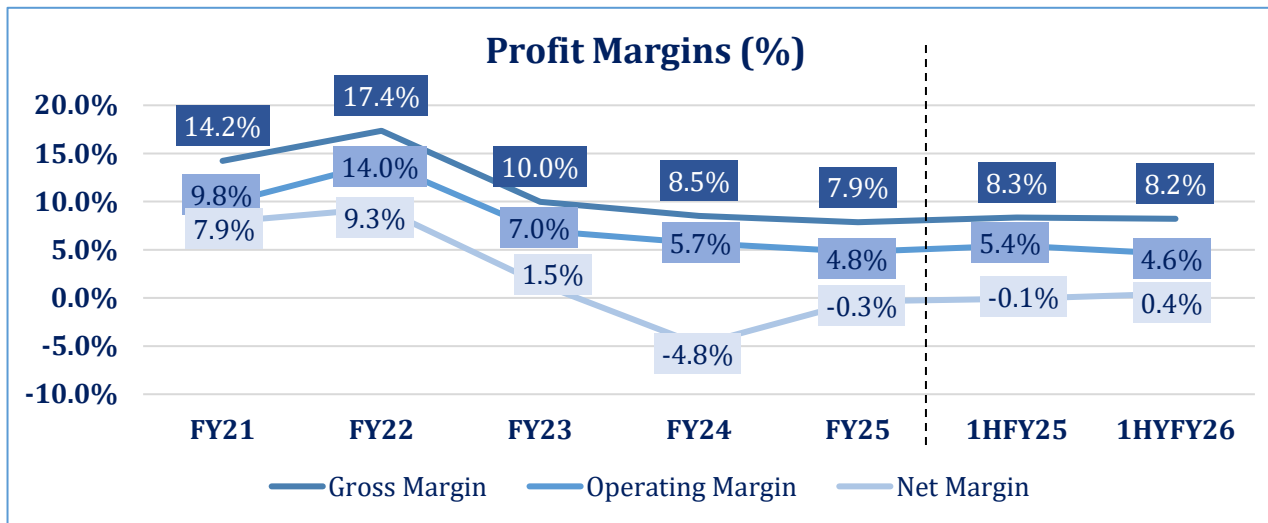
Local | Business Risk

- **Varying Local Cotton Production:** Extreme climate changes pose a significant risk to the local textile sector as damage to local crop means more cotton will need to be imported. Sourcing raw material from overseas could likely dilute the bottom lines of industry players, especially small players. This disrupts production and long-term planning.
- **Dependency on Cotton Imports:** Tax regimes and climatic conditions have increased the Sector's dependency on imports. Even though, the sales tax exemption on imported cotton, which made imported cotton a cheaper substitute, has now been withdrawn in the Finance Act 2025, the recent floods have resulted in crop damage, which could increase dependency on imported cotton.
- **Low Value Addition:** Pakistan's yarn exports are low-priced, and closely follow cotton price trends. Recent drops in USD/lb cotton prices will lead to farmers getting a lower price for cotton acting as a disincentive for growing cotton and instead shifting to other cash crops. Moreover, Pakistan produces low short-staple cotton, which is a lower quality. In most Textiles product long staple cotton is used, which is mostly imported.
- **High Energy Costs:** The government no longer provides the textile industry with RLNG at a subsidized rate. Price of energy for Pakistan's industry stands above the regional average for countries such as India, Bangladesh and Vietnam which reduced the competitiveness of Pakistan's exports. Furthermore, the withdrawal of the RCET has forced smaller mill owners to close down businesses. The Textiles exports have slightly improved but due to high cost of production, Pakistani Textiles exports are losing their competitiveness to other regional rivals including Bangladesh and Vietnam.
- **Disruption in Electricity and Gas Supply:** The Spinning Sector depends on an uninterrupted supply of electricity and gas. Power outages along with higher effective electricity rates as compared to regional competitors also sustain cost pressures.
- **High Level of Regional Competition:** Pakistan's textile exporters have traditionally faced a high level of competition from regional players such as Bangladesh and Vietnam which has driven down the average export prices and margins in previous years.

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Local | Margins & Cost Structure

- In FY25, the textile sector's gross margin fell to around 7.9%, compared to 8.5% in FY24. Sales revenue declined by approximately 7% YoY, largely reflecting lower cotton yarn prices during the period. Costs, however, did not ease to the same extent, which weighed on overall profitability. However, this was followed by a decline in operating margins to ~4.8% (FY24: 5.7%). This is due to high operating expenses relative to total sales. Net margins, although still negative, showed an improvement to ~-0.3 in FY25 (FY24: ~-4.8%).
- Gross Margins declined modestly, moving to ~8.2% in 1HFY26 (SPLY: ~8.3%) but remained higher than FY25 gross margins. The intense competition from cheaper imports leaves the sector vulnerable, as it prevents local producers from setting prices that reflect their own costs. There is a notable drop in operating margins, settling at ~4.6% (SPLY ~5.4%), a squeeze largely driven by escalating administrative costs that outpaced core profits.
- Net margins recovered modestly to ~0.4% in 1HFY26 from ~-0.1% in 1HFY25, driven by lower finance costs and tax burdens. The revised EFS policies played a key role by removing upfront duties on raw materials and benefiting from declining interest rates, which eased financial pressures and brought the sector back into positive profitability territory.
- Raw materials make up the biggest share of the entire cost. In 1HFY26, the share of raw materials stands at ~70.2% (SPLY: ~69.5%). This sector is highly energy-intensive, making it highly sensitive to price fluctuations. Energy represents ~12.2% of the cost structure, with high tariffs driving up total conversion expenses.

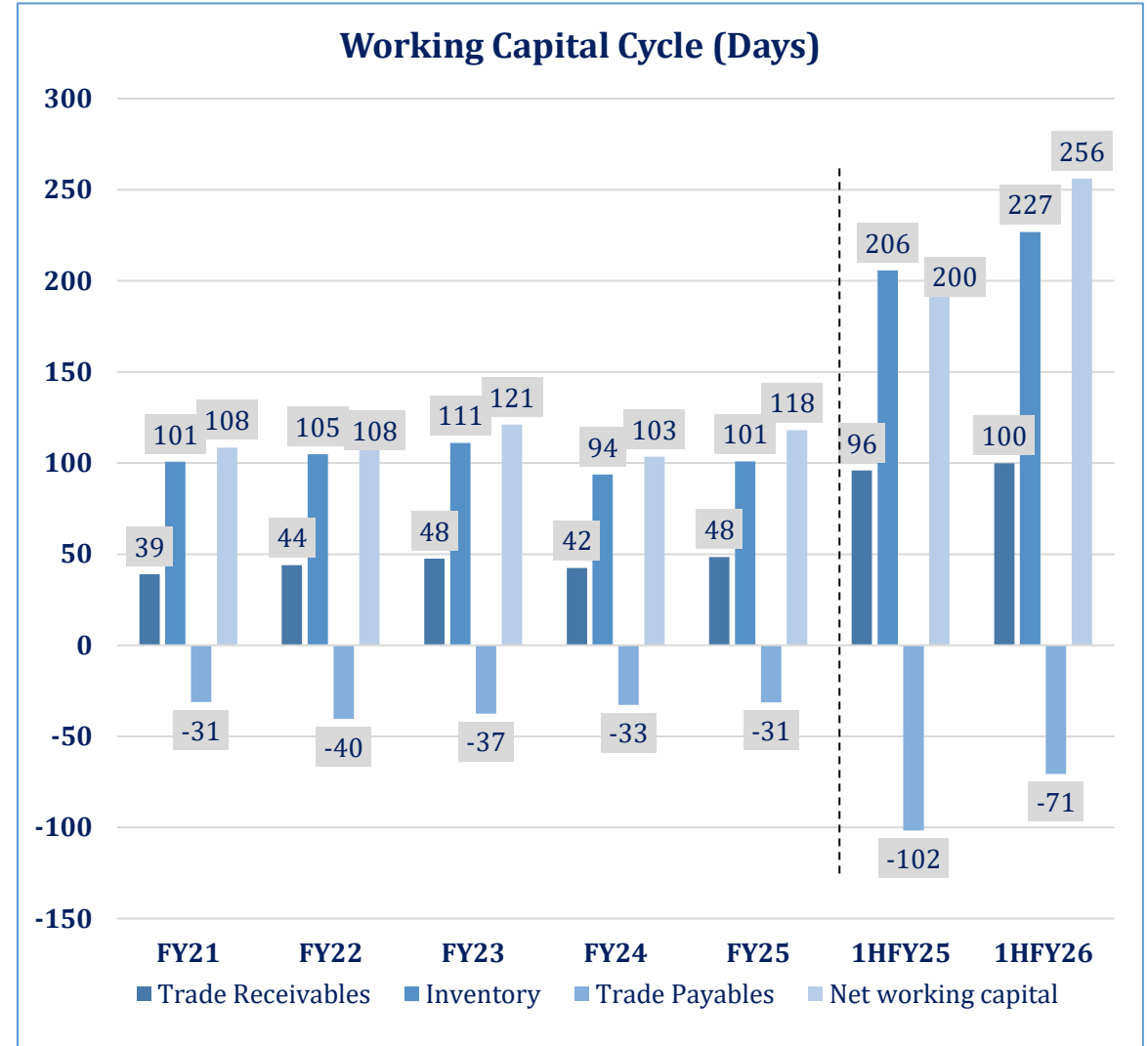


Note: Margins and cost break up are reflective of ~45 listed/rated spinning sector players.

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Local | Financial Risk | Working Capital Management

- Within the Sector’s working capital, inventory consists mostly of raw material and finished goods, with work-in-process making a small contribution. Many players within the organized mill segment are integrated with group companies, resulting in more efficient working capital management.
- The Sector’s average receivable days during 1HFY26 stood at ~100days (SPLY: ~96 days), primarily driven by logistical bottlenecks and delayed export realizations. The inventory days increased from ~206 days to ~227 days in 1HFY26; this is attributable to Pakistan’s cotton arriving in one concentrated crop cycle (September–December). Spinning mills purchase the bulk of their annual raw material requirement in this narrow window, creating an inherently high seasonal inventory peak.
- Payables have declined to ~71 days in 1HFY26 (SPLY: ~102 days), but nowhere near enough to offset the receivables and inventory build-up.
- Consequently, average net working capital days increased from ~200 days in 1HFY25 to ~256 days in 1HFY26, reflecting higher inventory holdings. However, at nearly 256 days, the net working capital cycle remains higher than FY21–FY24 and signals continued structural stress.
- In 2HFY26, the Strait of Hormuz disruption has stretched the working capital cycle of Pakistan's textile sector by delaying raw material arrivals, pushing up energy and freight costs, and creating uncertainty around whether export receivables will be collected on time.

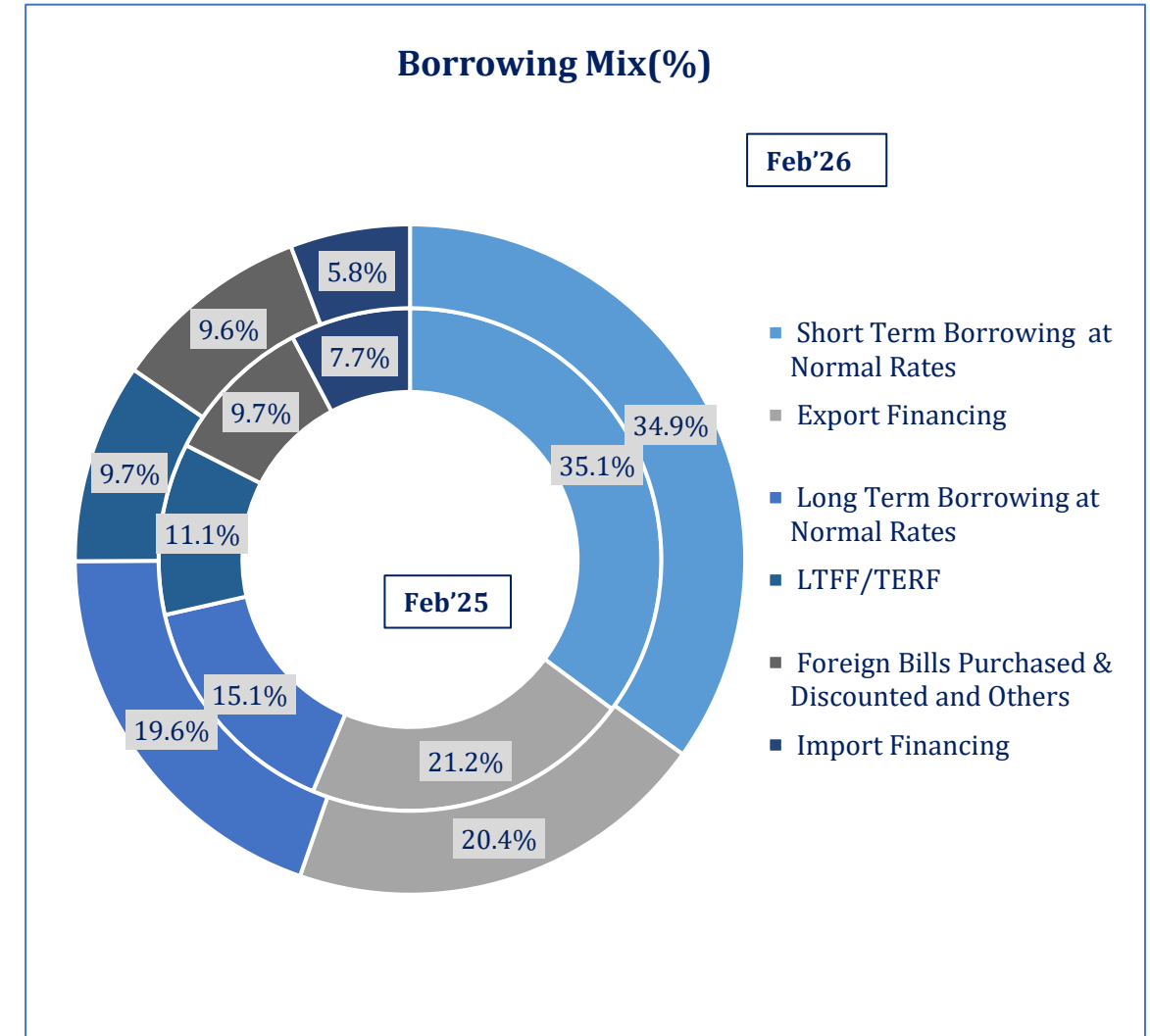


Note: Working Capital is reflective of ~45 listed/rated spinning sector players..

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Local | Borrowing Mix

- The Sector’s total borrowing as at End-Feb’26 stood at PKR~604.8bn (End-Feb’25: PKR~637.9bn), down ~5.0% YoY.
- Short-term loans at normal rates, comprising ~34.9% of total borrowings (End-Feb’25: ~35.1%), were recorded at PKR~210.9bn (End-Feb’25: PKR~223.8bn), down ~5.8% YoY.
- Long-term borrowing at normal rates, comprising ~19.6% of total borrowings (End-Feb’25: ~15.1%), were recorded at PKR~118.5bn (End-Feb’25: PKR~96.4bn) up ~22.9% YoY. Long-term discounted borrowing (LTFF) as at End-Feb’26 clocked in at PKR ~58.4bn (End-Feb’25: PKR~70.4bn), down ~17.0% YoY and comprised ~9.7% of total borrowings (End-Feb’25: ~11.1%).
- Import financing stood at 5.8% and Foreign bills at 9.6% in Feb’26. Import financing covers synthetic fibre yarn and chemical imports (polyester staple fibre, dyes) used in blended yarn production, a growing segment as pure cotton yarn margins compress.
- The borrowing mix of the Spinning Sector is primarily concentrated in short-term borrowings and export financing. This reflects the segment’s operational pattern, characterized by inventory-heavy cycles, raw material stocking, and phased capital outlays.
- The one positive signal is that policy rate cuts have begun reducing the cost of the dominant short-term and export financing facilities, which, combined, should gradually ease the debt servicing burden through FY26.

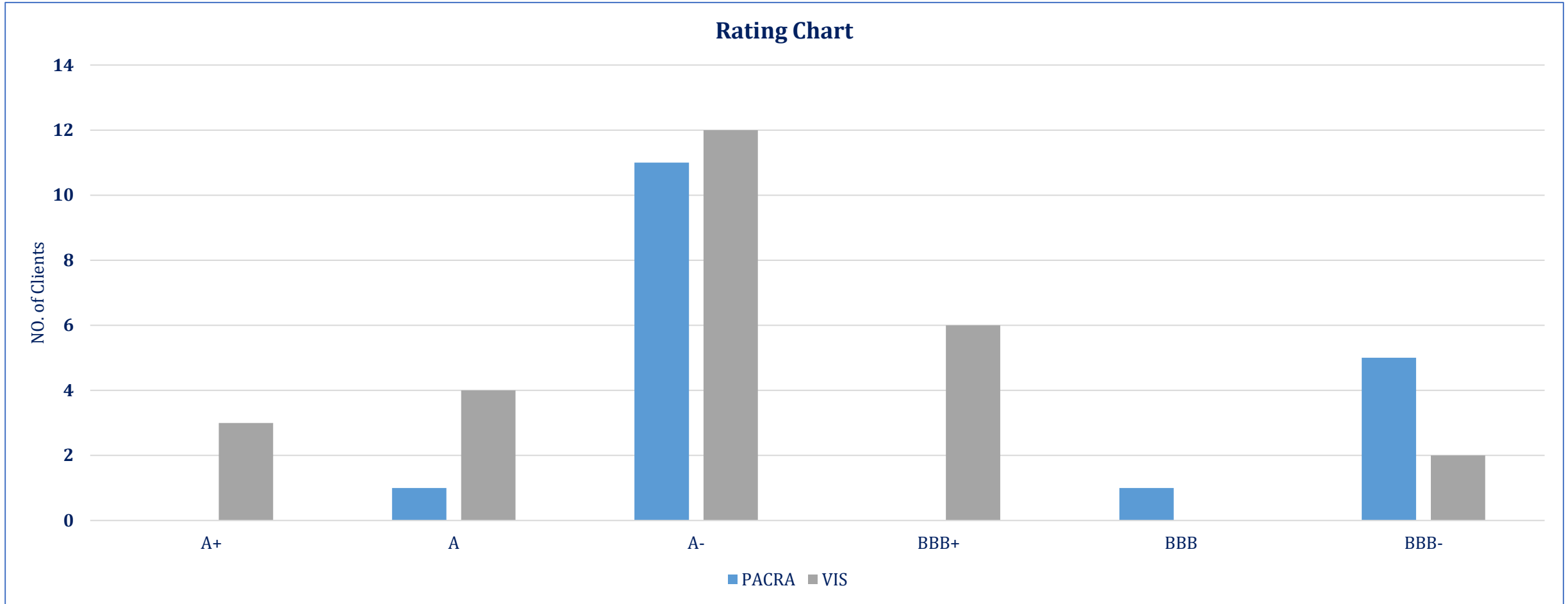


Borrowing figures are representative of 'Preparation and spinning of textile fibres' as per SBP. Interest coverage is reflective of ~45 spinning players.

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Rating Curve

- PACRA rates 18 spinning players with a long-term rating bandwidth ranging from A to BBB-.



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- All Pakistan Textile Manufacturers' Association (APTMA)
- Trade Information Portal

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