REP- 040

Insight—Sector Update—Textile

Friday, September 18, 2026

Aug'26 Textile exports increased ~3%YoY

- In Aug'26, textile exports increased by 3%YoY arriving at USD 1.6Bn, driven by higher exports of cotton yarn, knitwear, ready-made garments and made-up articles by 49%YoY, 6%YoY, 12% YoY and 3%YoY, respectively. The growth was mainly driven by increased demand ahead of upcoming season, we believe. however, on a monthly basis, exports declined ~14%MoM, mainly due to weaker exports of value-added textile products, particularly home textiles, amid escalating tensions in Middle East.
- Moreover, basic textile exports rose ~3%YoY to USD 231Mn, attributable to higher cotton yarn exports. Value added increased by 4%. However, other textiles declined ~8%YoY, respectively.

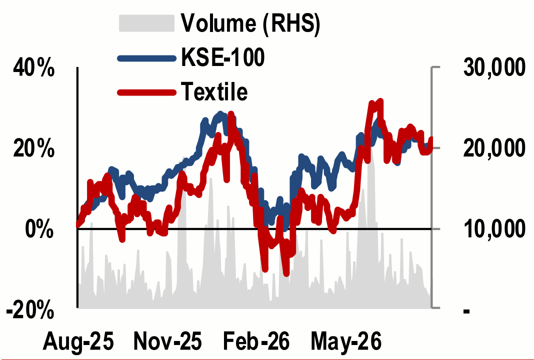
Lower domestic cotton output to push imports up

- As of Aug'26, cotton arrivals increased by 25%YoY to ~1.1Mn bales, supported by stronger arrivals from Sindh (up 42%YoY), and timely harvesting amid favorable weather conditions. Meanwhile, Punjab recorded a modest 3%YoY increase.
- Nevertheless, in Aug'26, raw cotton imports increased by ~50% YoY to USD 169Mn, driven by higher demand and lower domestic cotton production. However, imports declined by 9%MoM, supported by better domestic production as compared to the last year. Looking ahead, domestic cotton production is expected to decline 7%YoY to 4.9Mn bales in FY27 due to lower cultivation particularly in Punjab. As a result, cotton imports are expected to rise to ~5.2Mn bales in FY27, meeting half of the country's cotton requirement.

Value added textiles to drive FY27 growth

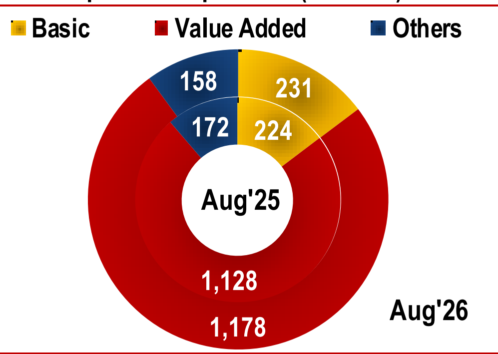
- Pakistan's textile exports are expected to witness moderate growth in FY27, supported by resilient demand for value-added products including apparel and home textiles. However, the global growth outlook remains subdued, with global GDP growth projected at 3.4% in 2027, below the average of 3.5%, while higher global inflation and the ongoing Middle East conflict could weigh on consumer demand and increase energy prices even further putting additional pressure on the sector. Nevertheless, we believe, a resolution of this conflict would revive demand and ease operating costs, supporting the sector.

12 Month Relative Performance of Textile



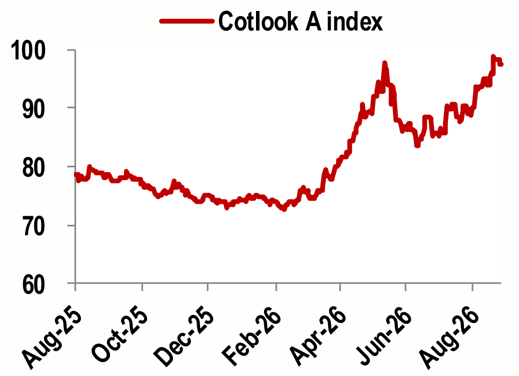
Source: PSX and TSL Research

Textile Exports Composition (USD Mn)



Source: PBS & TSL Research

Cotton Rates (USD)



Source: Bloomberg & TSL Research

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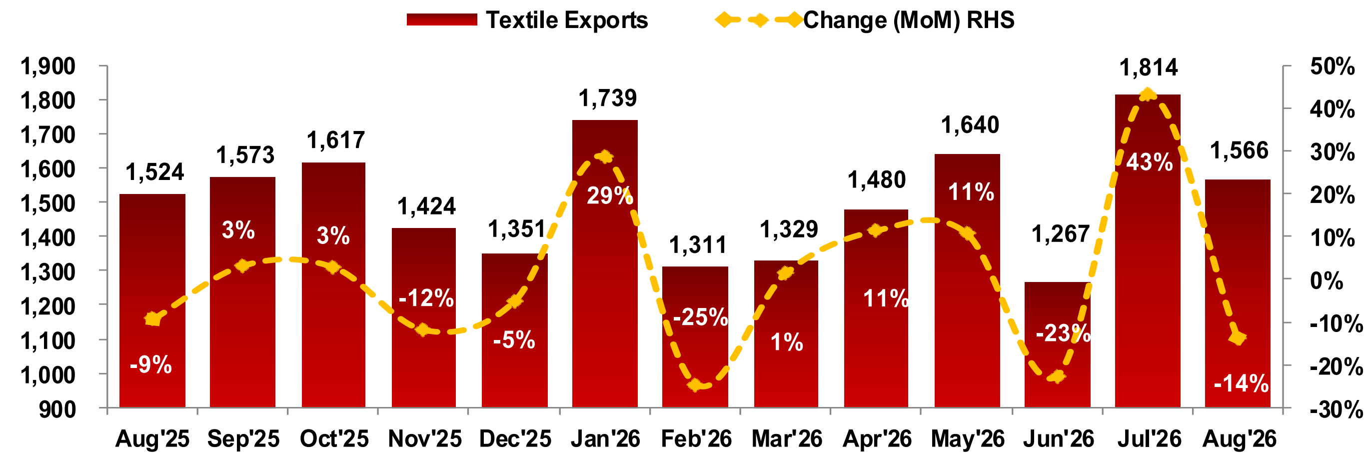
Textile Exports USD (Mn) - Aug'26

Segments	Aug-26	Aug-25	YoY	Jul-26	MoM	2MFY27	2MFY26	YoY
Basic								
Raw Cotton	0	0	N/M	0	N/M	0	0	NM
Cotton Yarn	94	63	49%	67	42%	161	119	35%
Cotton Cloth	135	157	-14%	142	-5%	276	299	-8%
Cotton Carded & Combed	0	0	N/M	0	N/M	0	0	NM
Yarn	2	3	-40%	2	-22%	4	6	-32%
Value-Added								
Knitwear	471	446	6%	534	-12%	1,005	959	5%
Bed Wear	255	269	-5%	308	-17%	564	565	0%
Towel	85	85	-1%	106	-20%	191	179	7%
Readymade Garments	367	328	12%	460	-20%	827	728	14%
Others								
Tents & Canvas	7	9	-25%	8	-12%	15	16	-7%
Arts & Silk	28	33	-14%	30	-7%	59	66	-11%
Madeup Articles	69	67	3%	77	-11%	146	137	7%
Other Textiles	54	63	-15%	79	-32%	133	128	4%
Total Textile Exports	**1,566**	**1,524**	**3%**	**1,814**	**-14%**	**3,380**	**3,202**	**6%**

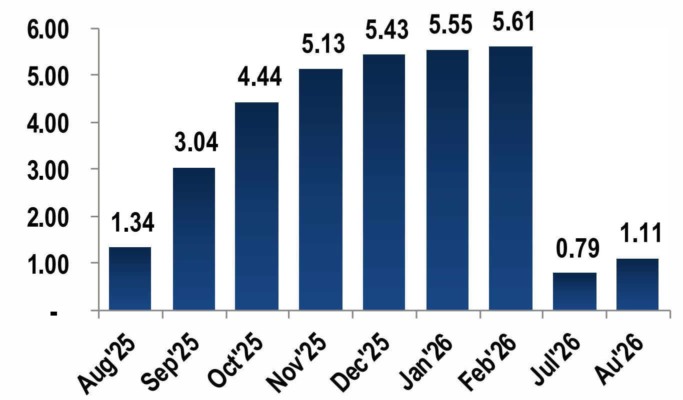
Source: PBS & TSL Research

Textile Exports (USD Mn)



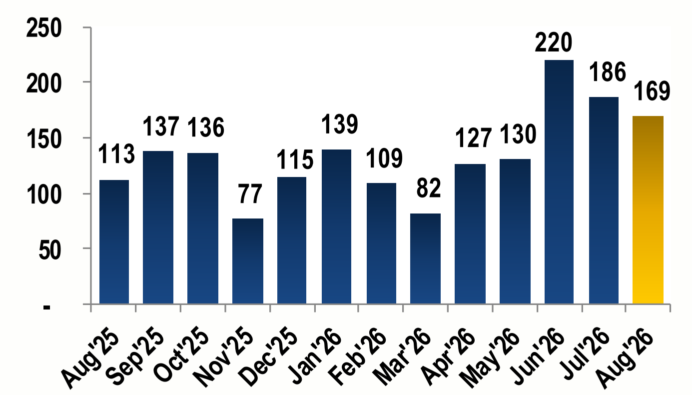
Source: PBS & TSL Research

Cotton Arrivals Since Aug'25 (Mn Bales)



Source: PCGA & TSL Research

Cotton Imports Since Aug'25 (USD Mn)



Source: PBS & TSL Research

SECP Research Entity Notification Number: REP-040

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Valuation Methodology

To arrive at our period end target prices, TSL uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: https://jamapunji.pk/

Frequently Used Acronyms

TP	Target Price	**DCF**	Discounted Cash Flows	**FCF**	Free Cash Flows
FCFE	Free Cash Flows to Equity	**FCFF**	Free Cash Flows to Firm	**DDM**	Dividend Discount Model
SOTP	Sum of the Parts	**P/E**	Price to Earnings ratio	**P/BVPS**	Price to Book ratio
P/S	Price to Sales	**EVA**	Economic Valued Added	**BVPS**	Book Value per Share
EPS	Earnings per Share	**DPS**	Dividend per Share	**DY**	Dividend Yield
ROE	Return on Equity	**ROA**	Return on Assets	**JPB**	Justified Price to Book