



# Product Report on Towel Industry 2022

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## Table of Contents

<b>Towel: Product Report</b> .....	5
1. Brief Profile of the Sector.....	5
i. Background.....	5
ii. Sub-sectors.....	7
iii. Geography.....	8
(a) Top 6 Market Players in the Towel Industry.....	8
iv. Contribution to Economy.....	8
2. Value Chain.....	10
i. Global Supply Chain Analysis.....	10
ii. Value Chain Analysis (National).....	13
iii. Processes and Linkages.....	16
iv. Problems in Value Chain.....	16
3. Challenges faced:.....	19
4. TRADE STATISTICS:.....	20
i. GLOBAL EXPORTS AND IMPORTS:.....	20
i. EXPORT VS IMPORT ANALYSIS:.....	22
a. COUNTRY WISE ANALYSIS (Exports by Pakistan):.....	22
b. PAKISTAN IMPORT:.....	23
i. Cost Structure.....	26
ii. Productivity Structure.....	26
iii. Time and delivery Performance.....	27
iv. Freight Details.....	28
v. Quality Standards and Requirements.....	28
vi. Relative Price Analysis.....	30
4. Government Facilitation to the Sector.....	32
i. FBR-Duty Drawback Schemes and SROs- Import Export Policy Orders.....	32
ii. SBP Regulations.....	34
iii. Subsidies in Utilities or any other.....	35
5. Potential for Increase in Exports and Challenges faced.....	35
i. Sector Challenges: Productivity and Demand.....	35
ii. Potential Markets for Pakistan.....	37
iii. How to be Compatible in Potential Market.....	39

6. Sustainable development in Towels' Industry: .....	41
7. Conclusion:.....	43
8. References.....	45

Table 1 Top 6 Market Leaders in the Towel Industry .....	8
Table 2 Export Performance of Towel sector .....	<b>Error! Bookmark not defined.</b>
Table 3 Pakistan’s Towel contribution in its Total Exports and Textile Group Exports	<b>Error! Bookmark not defined.</b>
Table 4 Top 10 World Exporters of Towels - Values in US\$ millions (Trade Map) .....	<b>Error! Bookmark not defined.</b>
Table 5 Top 10 World Importers of Towels - Values in US\$ millions (Trade Map) .....	<b>Error! Bookmark not defined.</b>
Table 6 Country-wise Exported value of Pakistan's towel industry .....	<b>Error! Bookmark not defined.</b>
Table 7 Product-wise export of Pakistan's Towel Industry .....	<b>Error! Bookmark not defined.</b>
Table 8 Cost Structure of Towel Industry .....	26
Table 9 Towel Exports of Pakistan and Avg. Price .....	31
Table 10 FBR Custom Duty and Sales Tax for Towel industry .....	33
Table 11 Potential Markets of Pakistan's towel .....	39

Figure 1 Textile Sector Composition.....	9
Figure 2 Figure 2 Yearly increase in the Year 2021 of the textile .....	10
Figure 3 Pakistan's Towel Export to major Retail Stores .....	11
Figure 4 Processes involved in towel's value chain.....	12
Figure 5 Manufacturing Process of Terry Towel .....	<b>Error! Bookmark not defined.</b>
Figure 6 Breakdown of Terry Towel Manufacturing Process.....	13
Figure 7 Value Chain of Pakistan's towel industry .....	13
Figure 8 Towel Industry Size on Yearly Basis .....	17
Figure 9 Quantity of Towel Exported (June'15-'19).....	<b>Error! Bookmark not defined.</b>
Figure 10 USA's Towel Imports from China, India and Pakistan .....	<b>Error! Bookmark not defined.</b>
Figure 11 Fundamental Parameters of a Quality Terry Towel.....	30

## Towel: Product Report

### 1. Brief Profile of the Sector

#### i. Background

The textile industry of Pakistan is an indispensable sector of its economy that gives an impetus to economic growth. It forms a major part of total industrial exports. The textile industry not only contributes 60% to overall Pakistan's exports but also stands at the top second sector in terms of job creation. With the prospective of value addition at each stage of the manufacturing process thus, the textile becomes the sector with the longest chain of production by contributing about one-fourth of industrial value-added products. Though many challenges being faced by the textile industry of Pakistan yet this industry is making its way into the global textile market gradually and systematically.

When it comes to everyday essentials of life, the use of a towel holds an important place. Towel and its associated products are significant players in the textile industry of Pakistan. Besides, the towel and its sub-sectors stand next to bedwear concerning production and exports. Though the towel industry had no place in the textile industry before 1965. However, currently, the towel is a potential sector for the economy because a terry towel is one of the highest value addition of exportable products. Thus, the towel industry of Pakistan is mainly export-oriented and its growth entirely depends on quality, innovation and technology, design and development, value addition, and price competitiveness.

#### HSCODEs and their description:

- A. **Product: 5802:** Terry towelling and similar woven terry fabrics, tufted textile fabrics (excluding narrow woven fabrics of heading 5806, carpets and other floor coverings)
- B. Pakistan's exports represent **4.6%** of world exports for this product, its ranking in world exports is **4**

#### 6-digit HS codes under 5802

6 Digit HS code	Description
580211	Terry toweling and similar woven terry fabrics, of cotton, unbleached (excluding narrow woven fabrics of heading 5806, carpets and other floor

	coverings)
<b>580219</b>	Terry toweling and similar woven terry fabrics, of cotton (excluding unbleached, narrow woven fabrics of heading 5806, carpets and other floor coverings)
<b>580220</b>	Terry towelling and similar woven terry fabrics (excluding those of cotton, narrow woven fabrics of heading 5806, carpets and other floor coverings)

<b>6 digit HS Code</b>	<b>Description</b>
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding . . .
630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing . . .
630292	Toilet linen and kitchen linen of flax (excluding floor-cloths, polishing-cloths, dish-cloths . . .
630293	Toilet linen and kitchen linen of man-made fibres (excluding floorcloths, polishing cloths, . . .
630299	Toilet linen and kitchen linen of textile materials (excluding of cotton or man-made fibres, . . .
630 710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials

## ii. Sub-sectors

In Pakistan, the towel is one of the most growing sub-sectors of the textile industry. The towel manufacturing units are increasing rapidly because of easy access to raw material, the manufacturing process getting simpler, and most importantly because of the government's incentives to lift and speed up production. Currently, there are nearly 10,000 towel looms in Pakistan constituting shuttle and shuttleless in both organized and unorganized sectors. The overall market of towels is categorized into two segments i.e. one for home consumption and the second for institutional usage.

Towel comprises of a wide range of items that have different sizes, shapes, designs, colors, fabric, styles, qualities, and even various weights. For instance, waffle bathrobes are different from usual bathrobes which are extra lightweight, super soft, and more absorbent with a three-dimensional waffle texture. Because the towel has no substitute, therefore, its demand is always increasing. Towel consists of a broad range of products with equal sub-sectors. The range includes terry towels, terry lounge covers, pool towels kitchen towels, salon towels, sports towels, bathrobes, washcloth, bar mops, beach towels, bath mat, face towels, printed and embroidery towels, tea towels, wash gloves, and many more similar items. The towel manufacturing companies are quitting conventional methods and channels of production and shifting towards innovation and modernization with no compromise on quality to meet international market standards and to gain a competitive edge.

High-quality and luxurious towels are being manufactured with premium yarns. The manufacturing and production process is designed to produce perfect and sophisticated designs. The fabric may vary from 100% cotton to a blend of cotton and poly depending on the requirements of the customer. Moreover, it is ensured that the towel must withstand even the most rigorous laundering, especially for the hospitality industry. For home usage, towels are kept super soft and absorbent. Contrarily, the terry bath mats are kept thick and absorbent through the double yarn which provides dimensional stability to withstand multiple washes not only at home but also for industrial laundry. Similarly, beach and sports towels come in funky colors. Thus, each sub-sector of the towel is specifically designed to meet the customized needs of the sector.



### iii. Geography

Though the manufacturing units of the towel industry of Pakistan are expanded around the country, however, the key cities which are main centers of towel manufacturing are Karachi, Lahore, Faisalabad, Multan, Sialkot, Hyderabad, and Jhang. The towel manufacturing units are spanning is backward areas as per government policy of decentralization of industry to create employment opportunities for the people of far-flung areas.

#### (a) Top 6 Market Players in the Towel Industry

Top six Towel Manufacturers/ Exporters		Estimated Market Share as of June'19
1	Feroze 1888 Mills Ltd.	26.0%
2	Alkaram Towel Industries (Pvt) Ltd	10.2%
3	United Towel Exporters	11.3% (as of June'18)
4	Indus Home Limited	6.4%
5	International Textiles Limited	4.0%

Table 1 Top 6 Market Leaders in the Towel Industry

Feroze 1888 Mills Ltd. has a vast range of towel products with a diversified portfolio. With nearly one-fourth of total towel exports, Feroze 1888 Mills Ltd. is the top player of the towel industry on account of the highest share in the total towel exports of Pakistan.

### iv. Contribution to Economy

The towel sector in Pakistan is predominantly export oriented and In made-ups, the towel's subsector commands the second-largest share after bedware in terms of exports .

Similar to other textile segments, the supply or export of towels is concentrated in the Asian continent. This is due to the easy access to raw material and cheap labor.

Importers	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019
World	1,251,728	1,236,019	1,283,616	1,328,750	1,296,460

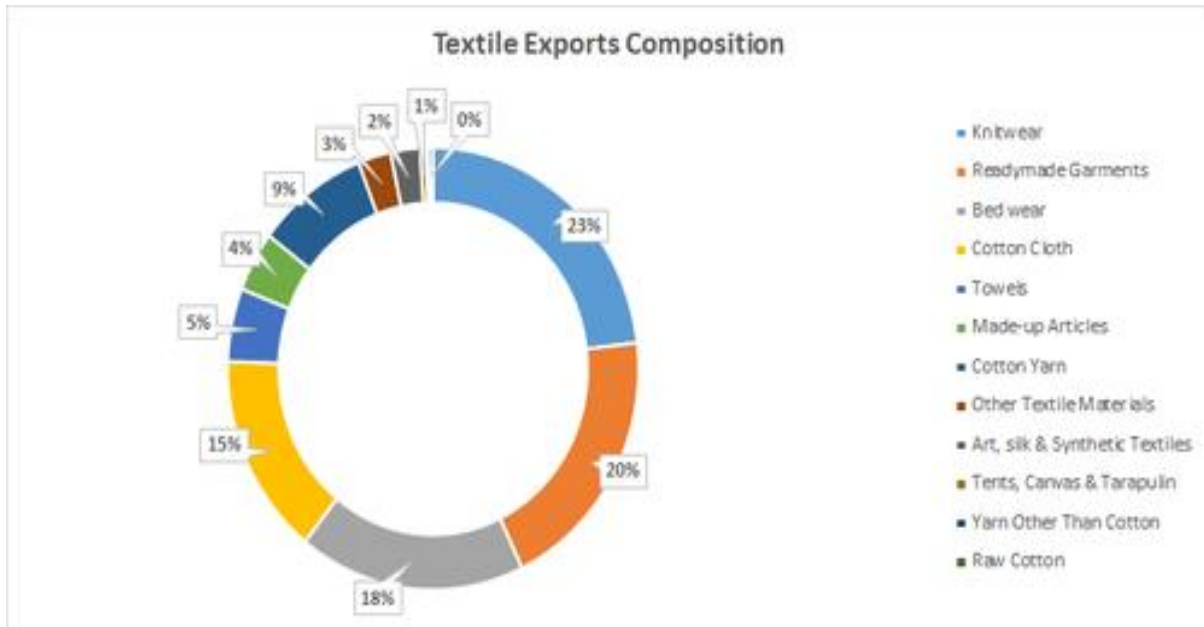


Figure 1 \_ Towel contribution to Textile Exports-2020

The figure above demonstrates various subsectors of textile industry. Towel being one of them is contributing 6% to the overall textile industry.

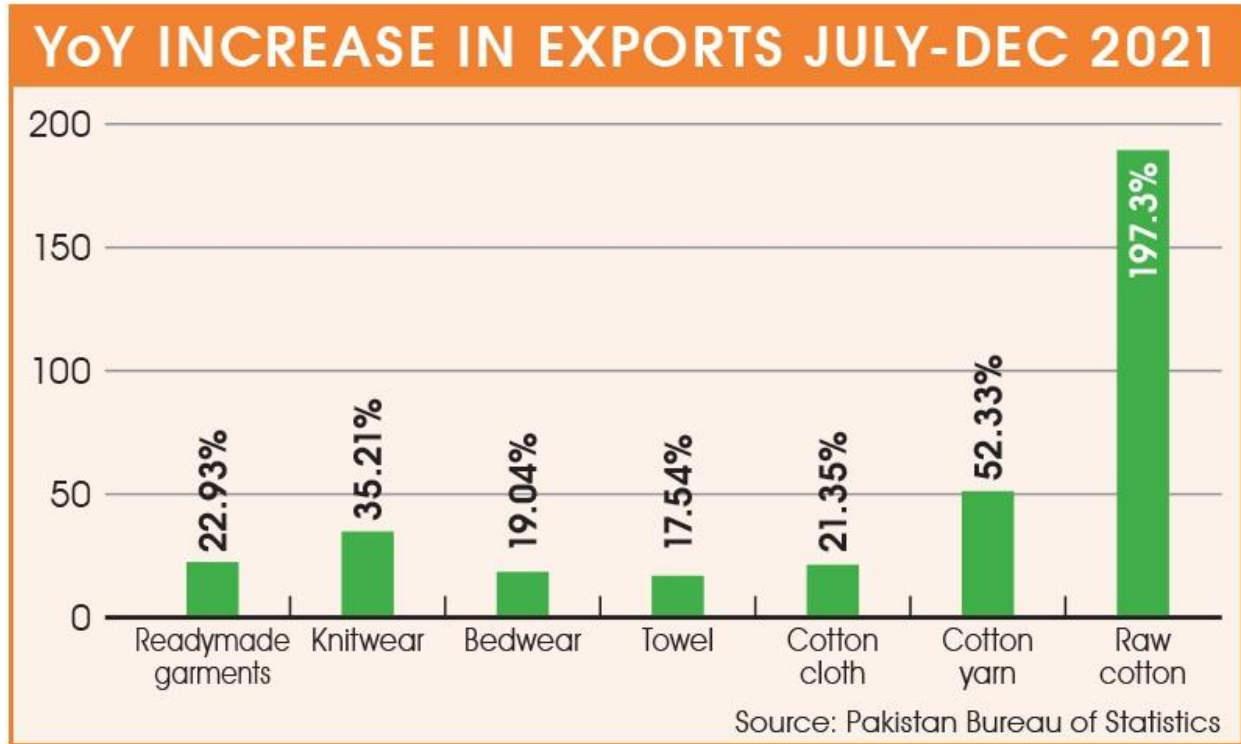


Figure 2: Yearly increase in the Year 2021 of the textile industry (Dawn, 2022).

## 2. Value Chain

### i. Global Supply Chain Analysis

The textile industry around the globe is one of the top-performing and competitive industries with high-level value added sectors. The largest exporter of towels is Asia while Europe is the largest importer. Pakistan is the 3rd exporter of the towel. In Pakistan’s overall towel exports, the USA holds a major share of nearly 44% as of FY’19 and Europe on the second number with a share of 40% as of FY’19. For the towel industry, there is no specific distribution channel used by the towel exporters because they are directly exported to textile companies, customers agent, and retail chain.



Figure 4 Distribution Channel

For instance, towels are exported to big retail stores of USA and European countries such as Walmart, IKEA, H&M and many more similar retail stores.



Figure 5 Pakistan's Towel Export to major Retail Stores

The value chain of the towel starts with the production of yarn from the raw material which could vary according to the composition and required properties of the final towel product. For instance, cotton, polyester, silk, linen, Tencel, microfiber, bamboo, and many similar raw materials. Some manufacturing companies purchase the required yarn direct from the suppliers whereas some factories prefer to purchase raw material and then spin it with various synthetics to get the desired yarn needed for the production of towels. The kind of yarn which is used during the production process defines the final properties of a towel such as softness, absorbency, durability, water absorption. Generally, towels are produced in a single color and then they are bleached, dyed, designed, and decorated with machine-sewn embroidery, fancy patterns are woven according to the market demand.

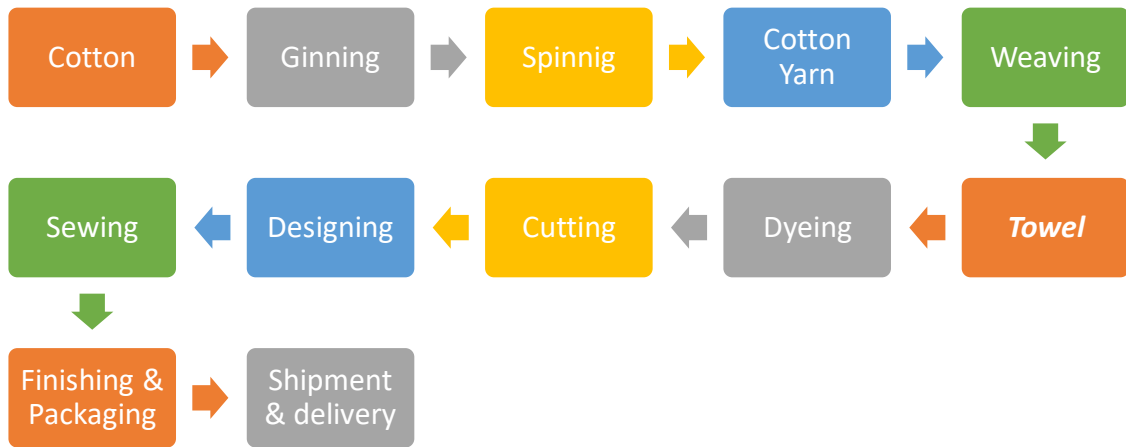


Figure 6 \_Processes involved in towel’s value chain

The yarn has to pass through a series of processes which comprises warping, sizing, weaving. Afterward, the production process moves to the dyeing phase and then the production process continues to the final stages of cutting, designing sewing, finishing and packaging, and lastly to the retailers and consumers through shipment and delivery. In addition to this, to skip the stage of dyeing, factories are switching toward dyed yarn but they increase the cost of production. Towels come in different sizes, weight, quality, design, and many distinctive properties. The final properties of the towel depend on the type of yarn, production process such as dyeing, cutting, designing, and lastly on the type of technology being used.

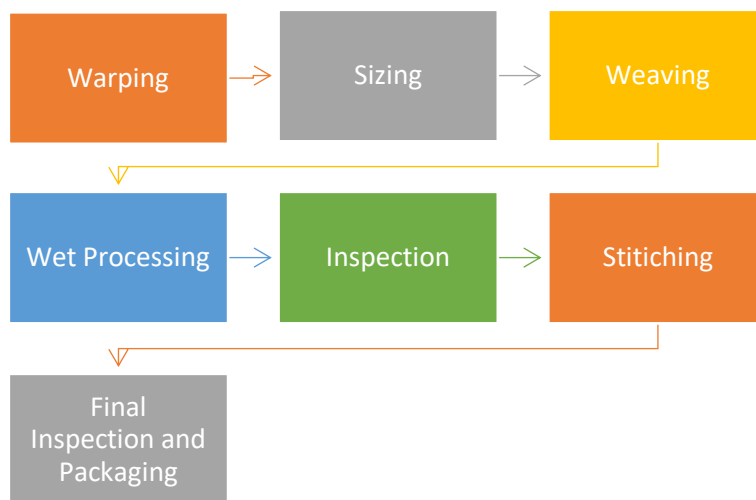


Figure 7:Manufacturing Process of Towels

Terry towel is one of the products of textile industry that is made from with a loop pile. The major role of pile is to absorb water. The production of terry towels requires special weaving

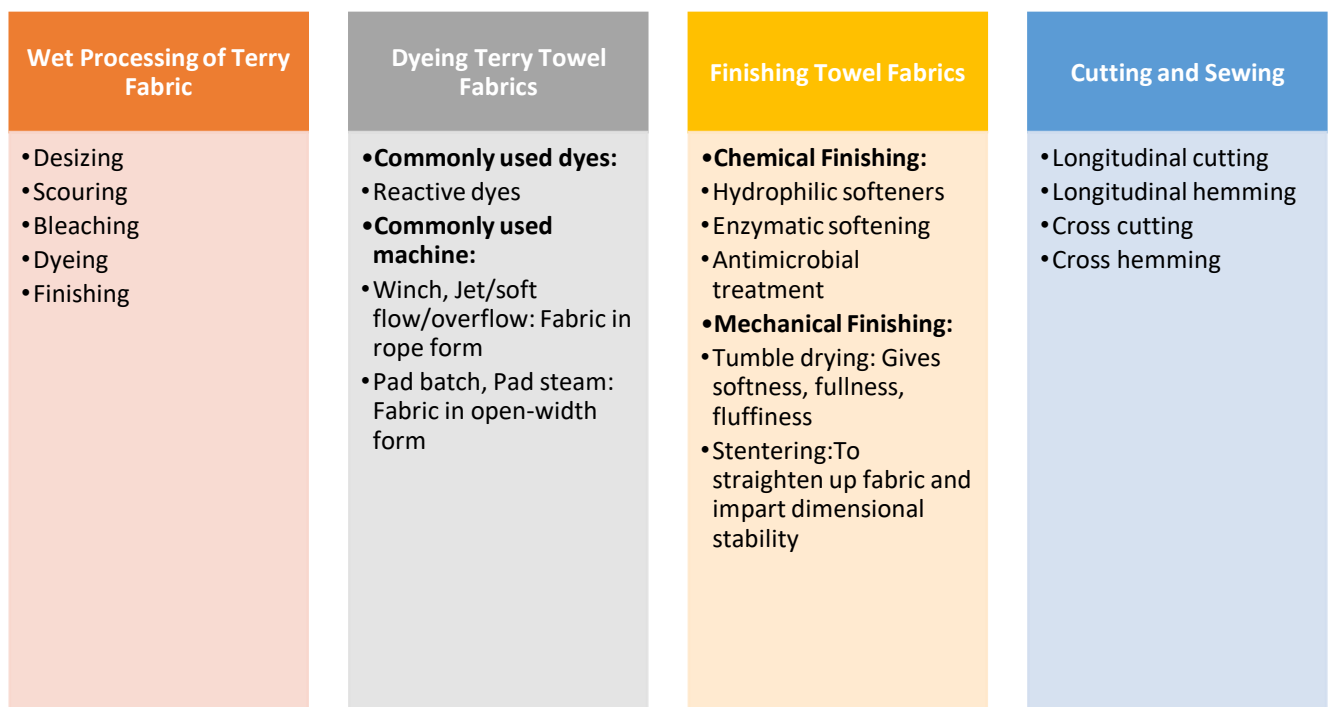


Figure 8\_ Breakdown of Terry Towel Manufacturing Process

techniques. Below is the breakdown of process involved in manufacturing of terry towel.

ii. Value Chain Analysis (National)

Value chain comprises of activities that an industry undertakes to deliver finished product in the market for the consumption by the end consumers. The value chain of towel products is a set of activities, stages and sectors that are directly and indirectly linked with its production process. The value chain analysis provides an insight about the functioning and performance of all the stakeholders, technologies, processes, standards and regulations involved. With the help of value

chain analysis, problems can be identified and recommendations can be made to make to increase the potential of towel industry of Pakistan.

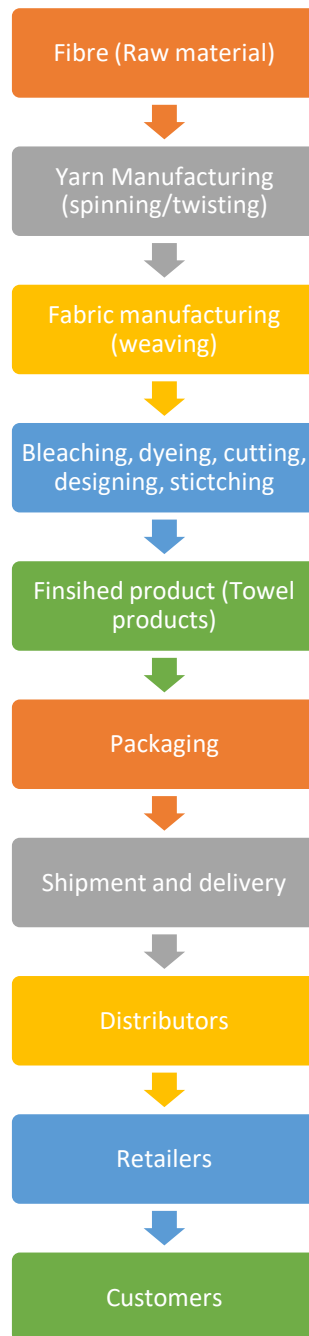


Figure 9\_ Value Chain of Pakistan's towel industry

The supply chain is divided into two main sectors. First is the formal sector which comprises textile mills and the second is the informal sector which is mainly based on SMEs. The value chain of Pakistan's towel industry is similar to the global supply chain where the process starts from the acquiring of raw material i.e. fiber. In Pakistan, cotton is the most commonly used fiber for the production of towel.

The production of towel mainly revolves around spinning, weaving, dyeing and finishing, and stitching. As soon as the raw material i.e. fiber is acquired, the next step in spinning is one of the most basic steps. The actual manufacturing of terry fabric starts when the fibers are twisted to transform them into yarn. In Pakistan's towel manufacturing industry, spinning takes place in the light of tight quality centric approaches. The top players of towel manufacturers and exporters such as Feroze 1888 Mills Ltd. are using machinery which is from Germany, Switzerland, England and Japan. With the help of machines, high-grade yarn is produced. In the factories, labs ensured that each fiber is passed through all the international standard inspections because the goal is to produce quality products which eventually leads to customer satisfaction.

For weaving, looms are used such as 'Dyna Terry Silver Looms' which are of 3.6 meters of width. Presently, most of the manufacturers are using fully computerized looms. The end product of weaving is textile terry. The dyeing and finishing stage include the use of dryer, soft flow dyeing, continuous bleaching, stenter and tumbler. In the final stage of stitching consists of complete cutting, double side hemming, longitudinal hemming, packaging and folding.

The process of dyeing takes place under the supervision and management of professionals. The dyed products comprise of vat dyed, disperse reactive, disperse vat, fiber dyed, yarn-dyed. For drying of the fabric, modern loop dryers are used. Moreover, to give an impression to the terry fabrics, beater bars are used. Every process is strictly monitored from the absorption of dyes to the final finishing touches because the aim is to ensure customer satisfaction.

In Pakistan, many manufacturing companies of towel are now producing customized towels with creative prints and designs. The towels are designed and decorated using printing machines that

For shaping the towel products, cutting and sewing machines are used which perform function at a faster rate. These actions in the stage are performed with the help of Juki, Brother Single Needle, Pegasus, Texpa, Bando 200 and Bando auto cutting machines. Embroidery machines are



also used in these factories for the embellishment of towels and for that modified needlecraft is used with the assistance of team of designers. For the packing of towel products, the technology of Corrugation is being used which provides packaging materials that are strong along with multiple layers to minimize waste and increase productivity. The finished products are stored in warehouses operates with ERP systems for better management of inventory. The production of towel products is aligned with consumer demand.

During the entire value chain, the focus is to foster healthy relationships with all the stakeholders involved such as vendors, retailers, customers.

### iii. Processes and Linkages

The value chain of towel industry shows all the process which convert raw material into finished product that is towel. Value chain also identifies all the actors involved in the entire voyage of towel production through raw material. These actors include suppliers, service providers, institutional players. Lastly, value chain classifies the linkages and relationships between the actors and processes which help in producing the finished product and distributing it to the retailers and customers. If cotton is being used as the raw material then the process starts from the picking and transportation of cotton into the factories. This makes link of towel industry to agriculture sector because towel is product of textile sector. The raw material is transformed into fabric through ginning and spinning. The main networks in the value chain of towel consist of raw materials, intermediaries, producers, exporters and marketers. If man-made fiber is used then it comes from the chemical sector. Some other chemicals are used in dyeing and finishing of towel are also obtained from chemical sector. Afterward, the fabric i.e. terry is dyed and further processes such as cutting, stitching, designing, embellishing take place. The processes end with packing and shipment of the finished products of towel. The towel products are exported through various channels. For instance, big retailers, trading companies, direct selling.

### iv. Problems in Value Chain

The towel industry is buyer driven which dynamic market. The demands of customers change according to the fashion trends but Pakistan fails to meet these demands because of limited product base of towel industry. The quality of raw material and yarn directly impacts the properties of towel such as absorbency, softness. Pakistan's towel industry fails to meet the market demand because of energy crisis and even government policies which are discouraging

for the exporters. The transportation infrastructure such as road and railways are outdated and obsolete. Lack of adequate port and shipping facilities also causes delay in the timely delivery of exports. Thus, there are numerous problems in the value chain of towel industry which negatively impacts its productivity and performance.

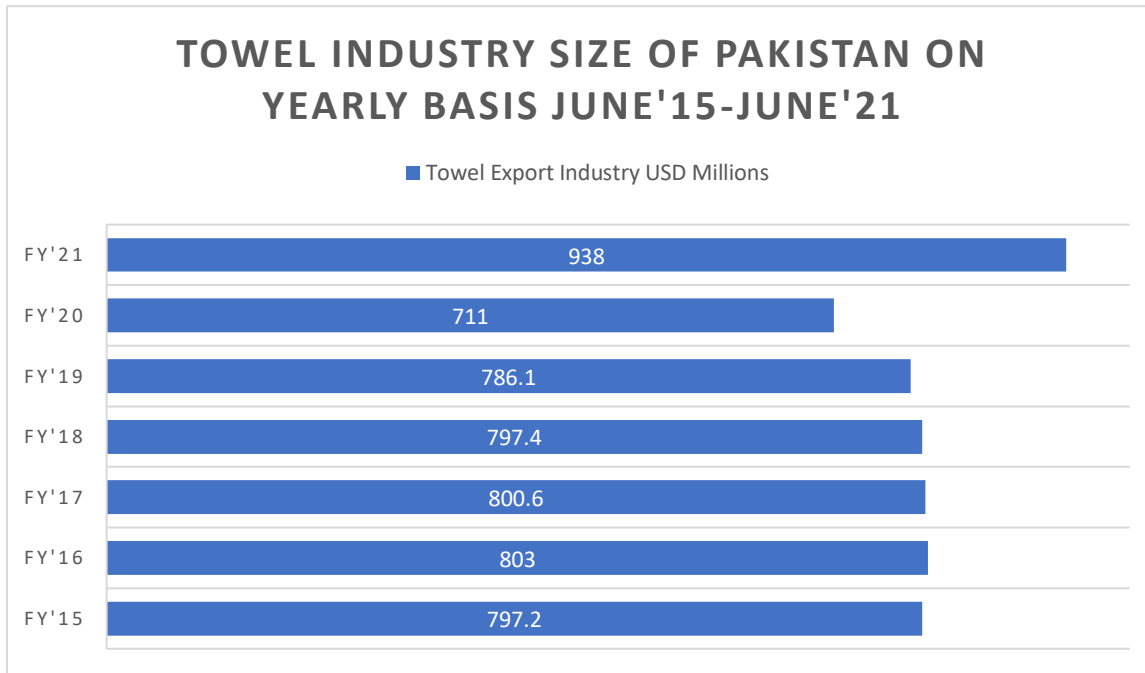


Figure 10\_ Towel Industry Size on Yearly Basis

The above graph shows the overall towel industry size of Pakistan. The towel industry of Pakistan is prominently export oriented and the growth of this industry is largely dependent on quality, price, competitiveness and export outlets. An increasing trend has been observed from FY'15 to Fy'16. Towel exports after reaching its highest level in FY'16 continued to decline in the following years because of high price competition and inability of towel industry to produce high quality towel products to withstand international standards and global competition.

**Table 2\_Pakistan's Towel contribution in its Total Exports and Textile Group Exports**

In Value Terms	FY'15	FY'16	FY'17	FY'18	FY'19
<b>Textile (%) Contribution in Total Exports</b>	53.5%	55.6%	58.4%	59.6%	57.0%
<b>Towel (%) Contribution in Total Exports</b>	3.4%	3.9%	3.9%	3.4%	3.4%
<b>Towel (%) Contribution in Textile Group Exports</b>	6.1%	6.6%	6.6%	6.0%	6.0%

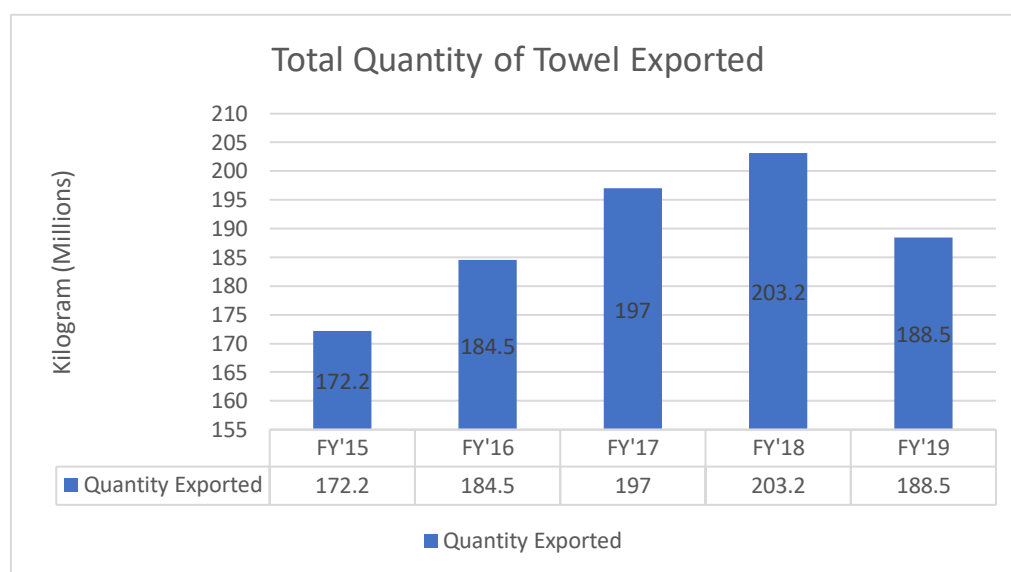


Figure 11\_Total Quantities exported

The above table highlights Pakistan's towel contribution in its total exports and textile group exports. The data shows stagnant performance of towel industry. Even the textile's contribution in total exports of Pakistan has decreased from 59.6% in FY'18 to 57% in FY'19. In 2019, the share of towel exports in total exports stood at 3.4% while its share in the textile group remained at 6%. A decline in both the value and quantity has been observed. Thus, the overall performance is dismal.

The figure above shows the total quality of towel exported in kilograms. From FY'15 to FY'18, there has been yearly increase in the total quantity of towel exported. While a decline of 7.2% has been observed from 203.3 kg (millions) in FY'18 to 188.5 kg (millions) in FY'19 which is drastic decline in the quantity of towel exported.

### 3. Challenges faced:

All the above figures and tables show that towel industry of Pakistan is not realizing its true potential. The performance of this industry can be improved if issues are identified and immediate measures are taken to solve them. One of the main reasons for this decline in Pakistan's towel industry is because of the issues in the value chain of towel industry. Towel is a product that comes in the forward linkage of textile industry and the backward linkage of towel industry in Pakistan is also the agricultural sector. One of the biggest hurdles comes from the regular supply of raw materials. The erratic rainfalls and irregular weather patterns hamper the continuous supply of raw material. The production cost gets high for those manufacturers who have to import raw material to meet the market demand.

Pakistan mainly relies on cotton for the production of towel. Little or no focus is made on the research and development in the cotton sector. While the regional competitors are using biotechnology and genetic engineering which helps in increasing the quality and quantity of the cotton. Lack of research and development negatively impacts the performance of this sector and decreases productivity. There is a lack of integration between the actors and institutes in the value chain. This creates difficulty and constraints for the manufacturers in the entire production process starting from the acquisition of raw material.

The next challenge is the lack of skilled labor. Though the availability of cheap labor provides a competitive edge. However, this advantage of cheap labor is compromised because low productivity of labor because without skilled staff, it is difficult to operate and run technical machinery which eventually reduces the efficiency of machinery and productivity of the entire industry.

Another constraint in the value chain is of lack of modern machinery and latest technology. Most of the manufacturing companies are still using traditional and outdated methods of production which slows down the production process and negatively impacts the true potential of towel industry. Though some advancements have been made such as ring spin, computerized dyeing and finishing, designing via computers and software technology. However, for the functioning of the latest machinery, Pakistan needs skilled labor. So, more focus must be given on education, training and skill development of labor. The towel industry of Pakistan is manufacturing a wide

range of towel products yet it is far behind the regional competitors. There is more potential in the value addition side which Pakistan is not realizing currently.

In short, the towel industry of Pakistan should look into the issues and focus on fixing them while looking into the strategies of competitors. The competitiveness of this industry can be increased through pragmatic policy measures and institutional changes. Attention should be given to diversifying the towel products and their export destinations. The gap of unskilled labor needs to be filled through training programs and technical institutes. The government should encourage manufacturers to adopt latest technology and must provide incentives so that Pakistan could lead its regional competitors in the towel industry.

#### 4. TRADE STATISTICS:

##### i. GLOBAL EXPORTS AND IMPORTS:

###### a. GLOBAL EXPORTS:

Top five global exporters of towel product are china, Pakistan, India, Turkey and Vietnam are together they account for more than 70%of the total export market . Pakistanis the second largest exporter of towel product with a market share of 12.6%. China comes on the top while capturing major share in total world’s exports of towel with a market share of 41.6%.. List of exporters for the selected product group is give below

Unit : US Dollar thousand

Exporters	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019	Share in value in world's exports, % in 2019
World	10,206,067	10,354,914	10,878,979	10,391,335	100
China	4,393,132	4,397,487	4,649,799	4,317,899	41.6
Pakistan	1,236,019	1,283,616	1,328,750	1,296,460	12.5
India	1,142,520	1,110,859	1,142,717	1,165,908	11.2
Turkey	652,832	668,222	659,708	623,446	6

Viet Nam	236,041	261,965	306,363	334,210	3.2
Germany	248,771	251,098	303,228	299,718	2.9
Bangladesh	231,610	274,036	275,487	244,886	2.4
Portugal	228,850	236,239	279,657	226,646	2.2
Netherlands	152,537	157,388	159,894	166,994	1.6
Belgium	170,176	163,895	181,321	140,294	1.4

Source: Trade Map

## b. GLOBAL IMPORTS:

World imports of towels and terry made-ups totaled \$9.19 billion in 2019 with the United States accounting for more than 30.0 percent of the global share. The top five towel importing countries are USA , Japan ,Germany ,France and UK. List of top ten importing countries for the selected product group is given below .

Unit : US Dollar thousand

Importers	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019	Imported value in 2020	Share in value in world's imports, % in 2019	
World	8,286,406	8,696,263	9,142,372	9,154,640		100	
United States of America	2,751,836	2,926,525	2,992,649	2,943,429	2,780,944	32.2	
Japan	695,723	692,418	712,931	731,911	635,880	8	
Germany	542,700	557,947	578,866	557,591	570,016	6.1	
France	401,360	411,453	460,433	426,029	379,267	4.7	
United Kingdom	412,898	399,966	397,760	416,171	363,676	4.5	

Netherlands	216,131	207,359	232,215	243,404	277,061	2.7	
Italy	236,484	226,909	243,303	232,103	196,309	2.5	
Spain	216,215	246,641	239,887	218,944	174,977	2.4	
Australia	208,848	219,196	222,325	217,282	221,671	2.4	
Canada	206,699	215,616	221,178	211,039	199,612	2.3	

i. EXPORT VS IMPORT ANALYSIS:

a. COUNTRY WISE ANALYSIS (Exports by Pakistan):

The USA, UK, Netherlands, Germany and Italy are the top five export destination of Pakistan towels. Pakistan's towel exports are largely concentrated towards the United States with share of 56.7% of total towel exports in FY2019. However, there has been a surge in exports of textile, including towels, in the aftermath of the COVID-19 crisis. Pakistan has been able to attract additional orders as many regional competitors have been unable to sufficiently resume operations and fulfill orders on time. The top five export destinations combined accounted for more than 70% of towel exports. USA is the biggest export market of Pakistan's towel. United Kingdom comes on the second with a market share of 7.8% in 2019. List of top ten towel importers from Pakistan is given below.

	Value exported in 2020 (USD thousand)	Share in Pakistan's exports (%)	Growth in exported value between 2016-2020 (% p.a.)	Share of partner countries in world imports (%)	Average tariff (estimated) faced by Pakistan (%)
World	4911	100	7	100	
United States of America	1392	28.3	35	1.3	9.7
Italy	850	17.3	104	0.6	0
Sri Lanka	501	10.2	4	2.7	0
United Kingdom	343	7	127	2.4	0
Greece	177	3.6	149	0.1	0
Belgium	166	3.4	28	0.9	0
Japan	107	2.2		30.8	2.1
United Arab Emirates	106	2.2	-40	0.7	5
Lithuania	103	2.1	51	0.04	0

Unit : US Dollar thousand

b. PAKISTAN IMPORT:

Being the second largest exporter of towel , Pakistan is also self sufficient in meeting demand of domestic market . Therefore , Pakistan Import of towel is not conspicuous

Unit : US Dollar thousand

Exporters	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019
World	593	639	1,457	1,200	1,196
China	374	392	701	906	906
Turkey	90	115	87	78	87
Germany	36	19	544	21	77
Korea, Republic of	29	11	20	21	28
Spain	0	7	5	8	20
United Arab Emirates	21	11	21	14	12
United States of America	6	26	17	57	12
Viet Nam	5	2	8	28	11
United Kingdom	7	6	21	18	11
Italy	0	6	7	2	9



## PRODUCT WISE EXPORT :

Pakistan holds the highest share of exports of HS Code 630260 and 630710 comprises of more than 1 billion export in these two categories . Since the world is moving towards the production of MMF towels, r ‘Toilet linen and kitchen linen of man-made fibres (excluding floor cloths, polishing cloths, dishcloths and dusters)’ (HS-630293), Pakistan needs to diversify its product line for export expansion. China is not only the largest exporters of towel in world but also a top producer of towels made from MMF

Unit : US Dollar thousand

Code	Product label	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019
TOTAL	All products	22,089,018	20,533,793	21,911,598	23,778,621	23,818,817
	towel	1,251,728	1,236,019	1,283,616	1,328,750	1,296,460
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding . . .	820,804	777,086	806,254	791,218	787,444
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	396,831	384,886	407,753	441,705	407,886
630299	Toilet linen and kitchen linen of textile materials (excluding of cotton or man-made fibres, . . .	22,997	66,437	64,598	91,136	94,588
630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing . . .	11,096	7,596	5,011	4,691	6,541
630293	Toilet linen and kitchen linen of man-made fibres (excluding floorcloths, polishing cloths, . . .	0	14	0	0	1
630292	Toilet linen and kitchen linen of flax (excluding floor-cloths, polishing-	0	0	0	0	0

	cloths, dish-cloths . . .					
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## PRODUCT WISE IMPORT

Unit : US Dollar thousand

Code	Product label	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019
TOTAL	All products	43,989,645	46,998,269	57,518,651	60,391,133	50,134,812
	towel	593	639	1,457	1,200	1,196
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	433	483	1,099	954	881
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding . . .	83	84	338	218	300
630299	Toilet linen and kitchen linen of textile materials	62	53	5	11	7

	(excluding of cotton or man-made fibres, ...)					
630291	Toilet linen and kitchen linen of cotton (excluding of terry fabrics, floorcloths, polishing ...)	12	16	12	15	5
630293	Toilet linen and kitchen linen of man-made fibres (excluding floorcloths, polishing cloths, ...)	3	3	3	2	3

## Competitiveness of the Sector

### i. Cost Structure

The rough estimate of cost structure of Towel Industry is below. The acquisition of raw materials and energy have the major cost in the overall cost structure of towel industry.

Towel Industry Costing Structure	
Raw Materials	40%
Dyes	10%
Energy	30%
Salaries	7%
Other Costs	3%

Table 3 Cost Structure of Towel Industry

### ii. Productivity Structure

Though Pakistan is one of the top cotton-producing countries in the world but the crop of cotton in Pakistan is below par with the world concerning its yield. The seed requirement is not meet

because according to the Economic Survey of Pakistan 2019-20, 57,205 metric tons was the total requirement of seeds but the number of seeds locally available and imported stood at 21,844 metric tons. Thus, it is suggested that Pakistan must focus on improving the cotton seeds through better farm management techniques and through the use of the latest technology because once the yields of the cash crop are improved, it will help the manufacturers in the entire value chain and eventually enhance productivity and competitiveness of towel industry. In addition to this, it is important to focus more on man-made materials blended in cotton for the production of towels. It will add aesthetic effects and will also encourage the exports of high-value-added embroidered towels.

Presently, Pakistan is not doing sufficient value-addition in the towel industry. Therefore, to promote value addition, it is necessary for the manufacturers to use low percentages of white and high percentages of dyed yarns by blending MMFs and cotton. It will also increase the production of artistic towels and will also enhance market competitiveness.

Pakistan's towel industry is highly labor-intensive. Sadly, most of the labor is unskilled which directly hampers the quality, productivity and value for growth in the exports of towel. To increase the productivity and competitiveness of towel industry it is recommended that the labor must be trained and skilled through technical education.

Presently, only some of the manufacturers of towel in Pakistan are using dyed yarns and doing value-addition through reactive printing on towels. This value-addition increases the dollar value of the towel. Thus, to move into the higher end of the markets, it is essential for the towel manufacturers to produce towels through dyed yarns because it will fetch better prices as compared to the piece-dyed towels. Moreover, it is recommended that government should avoid imposing customs duties on reactive dyes to encourage value-addition and promote competitiveness in the global market.

### iii. Time and delivery Performance

Time and delivery performance are two most important metrics to measure the efficiency of value chain. The time and delivery performance of towel industry depends on the following factors:

- Business Climate

- Infrastructure and Proximity to Markets
- Preferential Access
- Labor and Management
- Raw Materials Input
- Level of Service Provided and Reliability of Supplier

The time and delivery performance of towel industry depends on all of the above factors starting from the friendly business environment to uninterrupted supply of raw materials. The time and delivery performance of towel industry have also been negatively impacted by poor business climate such as sales tax. Similarly, the interruption in energy supply disrupts the production process which in turn impacts time and delivery performance. In addition to this, lack of modern technology and unskilled labor are also increasing the time and delivery performance of the towel industry.

#### iv. Freight Details

Shipment is the last part of value chain. Shipment is divided into two i.e. for local customers and for exports. Direct agreements on terms and conditions are made with the customers by ex-mill and ex-party. In ex-mill terms, it is the responsibility of customers to make arrangements for transportation. While in ex-party terms, it is the responsibility of the company to arrange transportation. For the exports, the terms such as Free On Board (FOB), Carriage Insurance and Freight (CIF) are agreed with the customer. These terms are referred to as incoterms. In case of delays in supply chain process, towel manufacturers have to choose air shipments to avoid penalties but this is the most expensive and least preferable mode of distribution.

#### v. Quality Standards and Requirements

The entire process of towel production is checked through rigorous quality control. Since the purchase of raw material to the purchase of yarn, it is checked for weight and it must match the criteria set by the manufacturing company. If the weight of yarn spools is lighter, it means the yarn is thinner than the established standards. Lighter weight yarn may not make the towel sturdy. In addition, bleach and dye vats are checked from time to time for their accurate chemical composition.

In the weaving stage, the fabric is passed over a lighted inspection table. The towel is inspected for any kind of weaving imperfections by the weavers and quality inspectors. In case of a slight imperfection in the woven towels, it may be corrected with touch up or maybe straightened out. Contrarily, those towels which may not be touched up, they are completely rejected by the company. Most companies use visual checks to keep quality control. Moreover, all the actors involved in the production process of towel must be aware of the minimum quality standards so monitor the product in a better way.

The purpose of quality controls is to ensure the prevention of product faults and to rectify defects on spot throughout the production process from spinning to final product. There are different kinds of quality control tests that are designed and performed to rectify errors in the production process with the help of machine adjustment. Moreover, quality control also ensures that the product meets the performance requirements. Before sending the shipment to final customer, in-house quality audits are performed. Even for the sample selection and passing criteria, there are different Acceptable Quality Limits that are being practiced by the manufacturing companies. For instance, in the case of AQL 4, it is ensured that there should not be more than 4% defective pieces of the sample selected. Thus, the quality audits are used to make sure that shipped goods are not rejected at the quality audit of customer.

Weight & GSM	Softness/Handfeel	Pile Orientation	Lint	Absorbency	Dimensional Stability
<ul style="list-style-type: none"> <li>Weight and GSM must match the requirements of customer</li> <li>ERP system to calculate everything such as pile's height, density of picks and ends to match the criteria.</li> </ul>	<ul style="list-style-type: none"> <li>Depends on the:               <ul style="list-style-type: none"> <li>properties of yarn used in the pile</li> <li>Finishing Chemicals</li> <li>Pile Orientation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Depends on the process line</li> </ul>	<ul style="list-style-type: none"> <li>Finished towel have lint which are protruding fibers.</li> <li>Lint is measured by weight of accumulated fiber collected from washing machine and tumble drying machine during testing.</li> </ul>	<ul style="list-style-type: none"> <li>Highly water absorbent</li> </ul>	<ul style="list-style-type: none"> <li>Performance and behavior of towel after laundering</li> <li>It is measured through residual shrinkage % in a finished towel</li> </ul>

Figure 12\_Fundamental Parameters of a Quality Terry Towel

#### vi. Relative Price Analysis

The table above shows the Pakistan's towel exports both in rupees and dollars. From FY'15 to FY'19, there was a yearly increase in the export of towels but the dollar value of towel exports declined from 810 in FY'17 to 786 in FY'19. The average towel price is fluctuating every year because of change in the dollar rate.

	FY'15	FY'16	FY'17	FY'18	FY19
<b>Towel Exports (PKR mln)</b>	80,778	83,861	83,819	87,633	107,043
<b>Avg. Towel Price (PKR/KG)</b>	469	455	425	431	568
<b>Towel Exports/ Textile Exports</b>	5.9%	6.5%	6.4%	6.5%	5.9%
<b>Towel Exports (USD mln)</b>	797	803	801	797	786
<b>Avg. Towel Price (USD/KG)</b>	4.63	4.35	4.06	3.92	4.17

Table 4 Towel Exports of Pakistan and Avg. Price

Source: Pakistan Bureau of Statistics

The technology being used in the production of towel products does not catch up with regional competitors i.e. India, China. Investment in technology is risky and not even subsidized and this is the reason why the technology adoption rates are low in Pakistan. With the transfer of the latest technology and modern processing machinery, it will become for Pakistan to achieve a high average unit price for Pakistani towels in the world market of towel. To improve the competitiveness of towel industry, the manufacturers of towel should update both technology and processing. Government must facilitate them and upgradation should be through either tax incentives or lower rates of mark-up for capital investments. In the past, some schemes have been initiated by the government such as Technology Upgradation Fund (TUF) scheme to facilitate the textile sector but the exporters are not happy with the scheme because of its inefficiency to reduce the risks associated with technology adoption.

Another way of improving the unit prices is that more international brands should be invited to Pakistan for joint ventures as the regional competitors have been successfully doing it to attract foreign investment. For instance, 'Brand Fund' is one such idea that attracts foreign investment. Moreover, locally, full support should be given to the manufacturers and exporters of towel who make efforts and invest in building their brands. Thus, foreign collaborations and joint ventures must be encouraged which will help in improving trade in marketing and manufacturing process, technology transfer and developing brand image that will eventually increase the competitiveness of towel industry increasing the unit values of towel products as compared to the current values.



## 4. Government Facilitation to the Sector

### i. FBR-Duty Drawback Schemes and SROs- Import Export Policy Orders

The Federal Board of Revenue has introduced various SROs to facilitate export-oriented companies to save import duties on items that are to be exported as part of finished product. For instance, SRO 450(I)/2001 and SRO 492(I)/2009. Under SRO 1125(I)/2011, all textile products are subject to sales tax at zero rates. But in the last year's budget, the government has imposed a sales tax of 17% which led the value-added textile to the verge of disaster because of a severe liquidity crisis. The textile including towel manufacturers and exporters claim for sales refunds; however, delays are generally faced in realization of sales tax refunds.

Towel is nearly 100% export-oriented industry but the refund mechanism always creates severe cash flow crush because refund is delayed and exporters are unable to reinvest. It also increases the cost of doing business for the exporters. The liquidity crises or the issue of exporters' refunds in the form of sales tax refunds, custom rebates and the payments of DLT remain stuck up with the government which highly discourages the exporters. The only solution to rescue the export-oriented industries is to revive the zero-rated sales-tax regime and reinstate SRO 1125 to provide relief to Exporters. Though government has introduced FASTER refund system sales tax refunds for exporters was to be paid within 72 hours but the functioning of system is below par.

Despite the integrated effort of associations, the Federal Tax Ombudsman and FBR, to remove the flaws of FASTER, even today nearly 25% to 30% exporters have not received the refunds against the claims filed in July, 2019. Thus, the efficiency and transparency of FASTER is questionable. In addition, the imposition of sales tax on exports has brought detrimental consequences on the exporter's liquidity.

There are different rules and applicability criteria for SROs with respect to import items and other compliance requirements. However, all the SROs require that the items which are imported under these SROs should be exported within the timeline prescribed in the relevant SROs, otherwise, the company would be liable to pay penalties in addition to paying the exempted import duties. Post Dated Check and guarantees are form of securities that are provided to FBR to the exemption from import duties. If the applicant commits any violation regarding regulations of SROs then such securities may be liquated by the FBR. For the arrangement of

issuances of these Post-Dated Checks and guarantees and monitoring the timely release of them, Finance Executives are responsible. They also remind the relevant department about the upcoming expiry of PDCs/the last release dates of such securities. The exemptions from import duties under SR0s are also included in order costing. Moreover, carry significant value in procurement decisions i.e. whether to purchase it locally or through import channels.

Custom Duty		
	FY'19	FY'20
Terry Fabric	20%	20%
Terry Towels	20%	20%
Raw Cotton (Custom Duty)	2%	0%
Raw Cotton (Regulatory Duty)	3%	0%
Cotton Yarn	11%	5%
Greige Fabric	20%	20%
Sales Tax		
	FY'19	FY'20
Terry Towels	0%	17%

*Source: Federal Board of Revenue*

*Table 5 FBR Custom Duty and Sales Tax for Towel industry*

The above table shows the custom duty and sales tax on the terry fabric, terry towel, raw cotton, cotton yarn and Greige Fabric. The custom duty for terry fabric and terry towel in FY'19 and FY'20 remained 20%. While Sales Tax has been increased from 0% in FY'19 to 17% in FY'20. The custom duty and regulatory duty on raw cotton has been decreased to zero percent in FY'20. The custom duty for cotton yarn has also been decreased to 5% in 2020. The increase of sales tax on terry towel may impact the performance of Towel industry negatively.

PCT Code	Description	Additional Custom Duty		Custom Duty		Regulatory Duty		Total	
		FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20
52.01	Cotton, not carded or combed	0%	0%	0%	0%	3%	3%	3%	3%
52.03	Cotton, carded or combed	0%	0%	0%	0%	3%	3%	3%	3%
52.05	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale	2%	2%	11%	11%	0%	5%	13%	18%
52.06	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale	2%	2%	11%	11%	0%	5%	13%	18%
52.07	Cotton Yarn (other than sewing thread) put up for retail sale	2%	2%	11%	11%	0%	5%	13%	18%
58.02	Terry towelling and similar woven terry fabrics	7%	7%	20%	20%	0%	0%	27%	27%
63.01-63.07	Other made up articles (including blankets, bedsheets, towels etc.)	7%	7%	20%	20%	10%	10%	37%	37%

## ii. SBP Regulations

State Bank of Pakistan has introduced certain financing schemes at low mark up rates to facilitate export-oriented sectors including towel industry. These schemes include Export Refinancing Scheme (ERF) and Long-Term Finance Facility (LTFF). The purpose of initiating such schemes is to meet both short-term and long-term financing needs of exporters. Textile sector is the back-bone of Pakistan's export sector and it is the largest beneficiary of these schemes.

In the second part of ERF, exporters may get financing of 18 days period on the basis of their overall export performance of previous year. For instance, the exporters may apply for export refinances on the basis of export shipments in an annum for next 180 days up to 50% of export shipments made in the previous year. However, for this, exporter has to show performance at least equal to the amount of export refinances in the next 180 days. In addition to this, there are other benefits in the form of lesser interest rates if the amount of exports exceeds the amount of finances obtained.

For Long Term Finance Facility, the exporters may obtain long-term financing for the purpose of procurement of imported or locally manufactured plant and machinery if they meet the defined criteria. The companies in the textile sectors with annual turnover of USD 5 million or their

exports constitute 50% of total turnover of the company whichever is lower become eligible for this Long-Term Financing Facility for purchase of plant and machinery. The financing period for LTFF may vary from 3 to 5 or 1 years. Moreover, an exporter may obtain finances up to Rs. 1.5 billion.

### iii. Subsidies in Utilities or any other

The federal government provided electricity to the textile and other zero-rated industries at the rate of 7.5 cents/kWh till June 2020. Though it was said that government will provide Rs20 billion total subsidy for power and petroleum in the form of cross subsidy and/or allocation, in budget FY2020-21 but budget only allocated Rs 10 billion for RLNG. However, custom duty of 5% were exempted on the imports of raw material such as polyester. The textile industry demanded continuation of regionally competitive fixed electricity tariff which is 7.5cents/KWh and \$ 6.5 per MMbtu for RLNG/gas across the value chain to ensure competitive export pricing. Even if the RLNG/gas continued at \$ 6.5 per MMbtu, it is still higher than the regional competitors i.e. 7.2cents/KWh and \$3.5 per MMbtu for India. In the towel value chain, energy accounts for 35% of conversion costs. Hence, competitive pricing of towel exports is highly sensitive to energy pricing. The regional competitors are already enjoying the benefit of cheaper electricity and gas rates.

## 5. Potential for Increase in Exports and Challenges faced

### i. Sector Challenges: Productivity and Demand

There are various challenges faced by the towel industry of Pakistan which are hindering the realization of true potential of this industry. Exporters of towel are confronted with both productivity and demand challenges. Firstly, the lack of skilled labor is hampering the productivity of towel industry. Because the labor is not skilled enough but available at cheap cost, the manufacturing companies of towel prefer conventional and obsolete methods of production. Thus, they failed to compete in the global market as compared to regional players such as China and India where literacy rate is higher and more skilled labor is available that is more productive which eventually increases the performance of their towel industry.

In these countries, more emphasis is put on education, skill development and training which increases the efficiency of workforce and ultimately improves productivity and performance of

industrial sector. Whereas in Pakistan, there is a shortage of technical educational institutes and the existing institutes are facing challenges of lack of tools and less qualified training staff. Secondly, due to the lack of research and development in Pakistan, poor quality cotton seeds are used which decreases the quality of end product. The towel industry is highly dependent on cotton. No research is done on raw materials other than cotton though the international competitors of towel products are switching towards organic fibers and other high-quality fibers. The use of poor-quality raw material decreases the demand for Pakistani towel products in the global market. Some exporters of towel who use quality raw materials have to import which adds to the cost of production.

The international market of towel is becoming more dynamic, the latest technology and modern methods of production have been adopted by countries to lead the global market. However, Pakistan lags far behind these countries in research and development and so does in technological adoption. The industrial players are focusing more on innovation and technology to update their machinery, production techniques and designs to earn high revenues. In Pakistan, obsolete technology is used in the production of towel products which lowers the productivity of this sector. Modern and latest technology requires huge investment while Pakistani exporters are mostly associated with SMEs who cannot afford such investments when little or no incentives are being provided by the government. Moreover, newcomers also face various difficulties in capital acquisition. So, they have to switch toward cheap and outdated machinery.

E-commerce is widely being adopted around the world; however, Pakistan is still in the initial stages. The mode of doing business is shifting towards E-commerce platforms but Pakistan does not provide an E-commerce platform to exporters. Thus, these exporters fail to reach international customers via online platforms.

The export of towel products is limited to mainly US and European countries. Lack of diversification in the export destinations is risky in the future because any disruption in Pakistan's relation with these countries can bring detrimental consequences for the entire industry. Similarly, limited trade agreements signed by Pakistan is one of the reasons for limited export destinations because the exporters have to suffer high tariff in other countries and regions. Contrarily, the competitors of Pakistan's towel industry such as China and India have signed many trade agreements that provide the benefit of the preferential tariff.

Though towel industry is producing value-added products yet it lacks far behind its competitors when it comes to value additions and high-end products. Thus, these countries manage to grab a major share of towel in international market. Limited product innovation is because of lack of research and development culture. Thus, low-value addition is a major challenge faced by Pakistan's towel industry which eventually decreases competitiveness.

Towel industry of Pakistan mainly relies on exporting towel products to large retail stores. This means there is low penetration in the B2B sales and even in the fashion segment which reduces sales volume and revenue.

One of the major challenges faced by the towel industry and textile industry as a whole is the problem of cost competitiveness as compared to regional leaders. There is a wide range of issues afflicting the power sector such as electricity crisis, gas shortage, utility cost which increases the cost of production of towel products as compared to the regional players. In addition, the exporters of towel industry have limited power over pricing because of continuous decline has been observed in the dollar price of products. Lastly, the regional players have made progress on the sustainability front whereas Pakistan's towel industry has made limited progress. Thus, all these challenges pose a direct threat to the towel industry both on productivity and demand front.

## ii. Potential Markets for Pakistan

This section is devoted to identifying potential markets. Criteria for selecting potential markets are as follows:

- Country's imports of towel from the world should be greater than USD 50 million, and
- Pakistan's market share is less than 20 percent,
- Countries are not already among the top 5 export destinations

If conditions stated above are satisfied than the market is considered as potential market. Among potential markets, top 3 markets are selected based on trade potential indicator.

Trade Potential:

The trade potential of towel is calculated by equilibrating demand and supply conditions. It first selects a minimum of Pakistan export to the world (supply) and country's import from the world

(demand). Secondly, it subtracts the existing export of Pakistan to that market in order to depict untapped potential. Mathematically,

Trade Potential = Minimum (Pakistan export to the world, Country's World Import) – Pakistan exports to that country

The following tables shows the potential markets sorted on the basis of above-mentioned formula. Though USA is the biggest market of Pakistan's towel exports yet there is more potential for Pakistan's Towel in the market of USA. Pakistan's export of towel and terry made-up suffer from market concentration because major share of towel exports went to two markets i.e. the USA and EU countries.

Pakistan should focus on exploring and tapping the non-traditional markets such Japan, France, Canada, Australia, Austria, Russian Federation for market expansion.

Importers	World Import 2019	Pak Exports 2019	Market Share
<b>World</b>	6513.313	888.573	14%
<b>United States of America</b>	2205.373	415.736	19%
<b>Japan</b>	600.652	2.529	0%
<b>Germany</b>	343.94	41.303	12%
<b>France</b>	259.852	18.966	7%
<b>Canada</b>	156.867	11.175	7%
<b>Australia</b>	142.63	8.124	6%
<b>United Arab Emirates</b>	135.213	15.109	11%
<b>Belgium</b>	91.274	14.174	16%
<b>Russian Federation</b>	85.612	0.66	1%
<b>Austria</b>	70.072	0.233	0%
<b>Ukraine</b>	69.043	0.321	0%
<b>Korea, Republic of</b>	61.728	0.04	0%
<b>Iraq</b>	58.73	0.197	0%
<b>Switzerland</b>	57.028	0.089	0%
<b>Saudi Arabia</b>	51.09	9.208	18%

### iii. How to be Compatible in Potential Market

Some of the most important towel market requirements include quality, performance, fashion, style, color, pattern, absorbency, softness, fiber type, quick-drying, price and lastly the brand name which is relatively less important for the consumers when it comes to any kind of towel purchase. In the global market of towel, new and quality fibers, new yarn fabrications, latest weaving techniques and fashion statements are main factors which provide a competitive edge to the manufacturers and exporters. Below are some focal points which must be incorporated in towel industry of Pakistan to make it more compatible in the potential market:

**New Fibers:** Both the retailers and customers of towel always look for distinctive, innovative and unique towel products. Presently, in the world towel market, more and more towel products are being made from variety of fibers other than cotton. Therefore, Pakistan's towel industry needs to focus on new fibers. For instance, modal, bamboo, tri-blend bamboo, seaweed, Lyocel, soyabean, corn, silk and microfiber. Towels which are made with the combination of cotton and bamboo tend to be 25% softer after laundering than those towels which are produced 100% from the cotton. Moreover, the addition of soy fiber in cotton enhances the absorbency of towel. Some of the biggest retailers in the global market of towel such as Opulence towel, Bed, Bath and Beyond, Target and Macy are selling bamboo towels. Thus, to be compatible with the potential market, the towel market of Pakistan must focus on research and development of new fibers and then encourage the manufacturers to shift toward new fibers.

**Unique Yarn Fabrications:** The utilization of new yarn techniques is one of the most potential growth areas in the global towel market. For instance, low-twist yarn is one of the most significant innovations in yarn fabrications. Low-twist yarn works when longer staple cotton fibers are spun with these low-twist yarns. Sharadha Terry Towel Products Ltd. is one of the famous manufacturing company known for quality low-twist yarns. This company is registered under the trademark of MicroCotton® which is also used in the top-quality branded towel sold at the biggest retail stores such as Bed Bath and Beyond, Walmart. MicroCotton® is known for unique cotton yarn which is made from the finest cotton and 100% all-natural cotton. The towels produced are thick with instant absorbency, luxurious towels which provides silky soft feels. Similarly, HydroCotton® is another unique yarn which is the trademark spinning technology of Welspun. The novelty of this spinning technology is that it enhances the absorbency of towel by



providing each cotton strand a hollow area that absorbs moisture and also provides soft hand if it is used along with long-staple cotton. It is the need of the hour for the towel industry of Pakistan to explore novel yarn techniques that will help in upgrading the quality of towels to compete in the global towel market.

**Impressive Finishing:** In this age of modernization where the living standard of people is increasing rapidly, the consumer demand in towel industry is changing and it is no longer different from the apparel industry. Consumers prefer those towel items which have a super-soft feel, anti-bacterial, scented, anti-allergenic finishing. Such finishing chemicals can be added in the final stage of production or with latest technology, they can also be combined with the fiber before the process of spinning. This is the latest technique that enhances the functioning of these chemicals to last longer and they do not go away even after many series of laundering. Presently, manufacturing companies are focusing on improving and upgrading their production process to provide quality experience to the customers. Similarly, the towel manufacturing companies of Pakistan must focus on using latest and innovative technologies that could upgrade their production process and help withstand the global market competition.

**Latest Design:** The towel industry is expanding rapidly with its focus to cater to both institutional purposes and direct consumers. Towel industry is becoming more specific in producing towel items according to the needs and particular requirements of users. Customers look for exciting designs and bright colors along with quality. Similarly, the retailers of towel always search for unique, differentiated and innovative products. Many of the institutions such as hospitality sector, spas and other luxurious markets who are end-users of towel products even provide their designs to the manufacturing companies. New technologies are being employed by the top players of towel manufacturing companies to meet the demands of their customers. Thus, towel manufacturers in Pakistan need to focus more on technologies that provide better designs and finishing so that Pakistan can also lead the global market of towel industry.

**Competitive Pricing:** The pricing of towel depends on factors such as size, weight, quality of fiber and also on the mark up of retailers. Though upland cotton is the most commonly used grade for open pricing point, however, with the use of low-twist spinning technology, the price of towel products will increase along with softness and quality. Therefore, to be compatible with the global market of towel, the pricing policy must be competitive.

In a nutshell, Pakistan needs to focus on encouraging both the manufacturers and exporter of towel to invest in modern technology and deploy innovative production techniques. Pakistan lacks in the area of research and development thus, to bridge this gap, it is on the government to set up institutions that continuously research on new fabrics, novel yarn and latest designs. For the development of unique fabrics, fabric discovery and development centers must be established. These centers would set up fabric start-up incubators along with the facilities of the end-to-end prototype. In addition, these centers can focus on the education and development of work-force. This will solve one of the major challenges of unskilled labor.

For the diversification of export destinations, Pakistan should focus on signing trade agreements on favorable terms with different countries. To gain a competitive edge in the global market, the government should facilitate towel industry by withdrawing duties. Pakistani exporters are striving hard to compete in world market because of the high cost of production while the regional players such as India, China and Bangladesh gain an advantage due to the lower cost of production. With the advancement in technology, E-commerce is trending around the globe. Though Pakistan is encouraging E-commerce, it should also focus on developing E-commerce platforms such as Alibaba, IndiaMart. This will facilitate exporters to get easy access to international customers.

When it comes to exports, the textile is the biggest sector of Pakistan and towel is one of its industries. Pakistan has the potential to lead global market of towel if it focuses on research and development, technology, innovation, new fabrics and fibers, value addition, low cost of production. Unique and quality towel items along with competitive pricing policy will the towel industry of Pakistan to be compatible in the global market.

## 6. Sustainable development in Towels' Industry:

Sustainability has also arrived in the textile industry. It is about more than the use of organic cotton and better working conditions. The consumption of water, energy and chemicals poses challenges for textile companies at every stage of the value chain.

Fibers must be spun into yarns and then woven for surface production. In addition to the use of chemical auxiliaries, the high energy consumption for spinning, weaving, washing and drying processes is of particular environmental relevance in this production step. Saving energy is

therefore also in the interest of companies. With improved process sequences or with energy recovery from the process waste heat, an attempt is made to get the maximum out of the energy consumed.

Innovative ideas can also help consumers save energy. Weseta Textil AG has developed a terry towel that weighs only 380 g/m<sup>2</sup> and at the same time has the absorbency of a 600 g/m<sup>2</sup> towel. This means that 45 percent less energy is required for washing.

The fibres used as raw materials for textile production pollute the environment during cultivation and are produced with a high use of resources. For example, large quantities of pesticides and water are used in cotton cultivation and man-made fibres such as polyester are produced from crude oil using a high amount of energy and chemicals.

Organic cotton, organic wool, native natural fibres such as flax or hemp and cellulose-based fibres are alternatives to conventional cotton. In the case of synthetic fibres, it is possible to process milk or other animal proteins, for example, instead of crude oil. However, these innovations are still at the beginning of their development, are cost-intensive and are in the per mille range of total consumption.

### **Use of Bamboo Fibres:**

Bamboo fiber is a bamboo fiber as raw material, through careful design and multiple processing techniques to produce a set of health, environmental and aesthetic health in one of the new towels. Has become a focus on health, the pursuit of quality of life, increase consumer choice bit of fashion.

#### **Bamboo fiber terry towel features:**

1. Bamboo fiber towel smooth, velvet has a unique sense of softness to the smooth skin of the most delicate care, skin care is doing my material of choice.

2. Cross-section of bamboo fiber towels covered with large and small oval-shaped pores, the height of the natural hollow cross-section so that it can absorb and evaporate in an instant a lot of water, called 'Fiber Queen.'

3. Bamboo contains a natural bactericidal components, it has antibacterial properties of mites. Textile products by the State Quality Supervision and Inspection Center for testing validation: the same number of bacteria under a microscope, bacteria in the cotton, wood fiber products can flourish, and bamboo fiber products, the bacteria killed in 24 hours after more than 80% antibacterial ability is unmatched by other textile materials.

4. Bamboo fiber has been completely defatted, desugared, removal of protein processing, to prevent the stains on the towels in the bamboo fiber residue. 5. Bamboo fiber has been completely defatted, desugared, removal of protein processing, to prevent the stains in the bamboo fiber towel chemical reaction, has a strong cleaning ability, quick and thorough decontamination. Bamboo fiber is six ten thousandths UV transmittance, ultraviolet transmittance of cotton, two thousand five hundred ten thousandths, UV resistance of bamboo fiber is made of cotton 4 ten 7 times.

6. Compendium of Material in the sterilization on the bamboo, clear and fire over 20 different medicinal functions and formulas of the elaborate, nearly a thousand species of bamboo folk prescription

## 7. Conclusion:

The textile industry of Pakistan is an indispensable sector of its economy that gives an impetus to economic growth. Towel and its associated products are significant players in the textile industry of Pakistan. The towel industry of Pakistan is mainly export-oriented and its growth entirely depends on quality, innovation and technology, design and development, value addition, and price competitiveness. Pakistan is the third largest exporter of towel with a market share of 13%. Major export destination are USA, UK Germany and Netherland .Pakistan has the potential to lead global market of towel if it focuses on research and development, technology, innovation, new fabrics and fibers, value addition, low cost of production. Unique and quality towel items along with competitive pricing policy will the towel industry of Pakistan to be

compatible in the global market. Commercial Counselors can play an effective role in penetrating potential towele markets which in result will galvanize exports of Pakistan towels. Pandemic of COVID -19 further provided an opportunity to Pakistan towels to compete China and India owing to US –China trade War and worsening of COVID -19 crisis in India respectively. There is an opportunity to capture the share of global market which had been mainly dominated by China. By providing timely and good quality product we can build strong and long lasting relationship with new customers

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