

# **Fundamental and Technical Analysis**

## **Bannu Woollen Mills Limited**

**BANNU WOOLLEN**  
**MILLS LIMITED**  
بنوں وولن ملز لمیٹڈ

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## **BannuWoollen Mills Limited**

### **1. Introduction of the Company**

Bannu Woollen Mills Limited is the only leading company in woolen industry of Pakistan.

#### **1.1 Historical Background**

In 1953 the Bannu Woollen Mill Ltd was formed by PIDC and it is also considered as the oldest woolen company of Pakistan. 1964 due to the disinvestments be PIDC the company was bought by Bibojee Group of Companies that has been established by a well-known industrialist of Pakistan named Lt.Gen.(R)M. Habibullah Khan Khattak (Late). The group of companies collaborates in the manufacturing of different types of products, the group provides employment opportunities on direct basis as well by indirect way by downstream industries, and then the group is also making significant contribution in the National exchequer and in the GDP. In 1992 the Bannu Woollen Mills was declared as a public limited company and it is listed in the stock exchanges of Karachi and Islamabad.

#### **1.2 Quality Management System**

The quality management system of the company is authorized and is also registered against the ISO 9001-2000 regulations by M/S Moody International Certification Ltd; with official recognition to M/S UKAS (U.K).

#### **1.3 Products being offered by the Company**

The Bannu Woollen Mills creates different woolen products that consists of tweed, velour, blazer, blankets, shawls, services dress clothing, upholstery, curtain clothing, superior or donigal or honey shirts, and byla or byma material for winter wear (Ltd, 2021).

#### **1.4 Vision of Company**

The vision statement of the Bannu Woollen Mills states that it wants to become a market leader in the woolen or blended fabrics, blankets, and shawls. It is building the company goodwill by making innovation and competitiveness that makes sure that the customers and stakeholders are satisfied and ants to fulfill the social responsibilities as well.

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### **1.5 Mission Statement**

The mission statement of the Bannu Woollen Mills is to become the lead producer of quality woolen or blended fabrics, blankets, and shawls and for that the company states that it should build and work on their main competencies and wants to achieve high level of excellence in performance. The company mission statement identify that it aims to exceed the expectation level of the shareholders and targets to obtain technological advancements through which they can repeat the most effective, ethical, and time bounded business practice in their management.

### **1.6 Recent Goals of Company**

The company is trying to endeavor to adopt innovation and to introduce alternate uses of the product that can expand the customer base to support the physical infrastructure of the nation.

### **1.7 Current Situation**

According to the annual report 2020 of the Bannu Woollen Mills Limited states that the overall economic situation of Pakistan has been shaken due to the covid-19 pandemic that has negatively influence the company's performance as well. It is also mentioned that during the pandemic the company witnessed loss after tax of worth Rs.47.968 million as compared to the last year's loss of worth Rs.17.083 million and then in 2020 the company also identified that the sales revenue s being decreased. Then according to the annual report of Bannu Woollen Mills the board of the company meets every quarter in which they consider and make decisions regarding the financial and operating results. In the financial year of 2019-2020 total six board meetings were held in which the board firmly monitored the performance of the company along with its own performance and of the sub committees as well. The company has an independent internal audit department that follows a risk-based audit approach and on quarterly basis the internal audit reports are sent to the board audit committee in which the areas where improvement is required gets highlighted.

Hence, it can be stated that the Bannu Woollen Mills is a well-known company that is quite effective in their business performance but due to covid-19 pandemic it got negatively impacted but with its structured board it can face the issue efficiently.

## **2. Economic Analysis**

Economic analysis is relevant to the economic survey report of Pakistan for the 2019-2020 fiscal year. This analysis is helpful to understand the growth rate of national income along with the observance of market competition in different industries. The

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government is willing to increase financial stability because it is a productive sign to improve the business opportunities in the market. This practice is the supportive element for the investors, and they can perform in the market with encouragement and satisfaction with the expectation of financial advantages. For this purpose, this analysis is maintained under particular elements, which are mentioned as under, and these are supportive of realizing the economic stability of Pakistan.

### 2.1 Growth Rate of National Income

In 2020 the GDP of Pakistan was about 262.8 billion in U.S dollars. Pakistan's economy is diverse like economies of other nations and consists of three main sectors that are agriculture, services, and industries. The private expenditure has made a large contribution in the economy growth of Pakistan and it was possible that the pattern can continue but because of covid-19 the private expenditure got impacted negatively. In the context of GDP, the private expenditure dropped to 78.5% in FY2020 as compare to 82.9% in FY2019. Then the private investment contribution in GDP dropped to 9.98% from 10.29% in FY2019. On the other hand, the public investment has showed development as it grew to 3.8% as compare to 3.7% of the last year. It has been found out that there was a growth of 13.2% in the public investment context during the FY2020 although it got decreased by 21.6% last year. In the industry and service sector the negative and significant impact of the covid-19 has been witness mainly in the retail and wholesale area.

### 2.2 Inflation

In Pakistan inflation has remained worrying and due to that the government is carefully working on making policies and is trying hard to take managerial measures to decrease the inflation and along with that it is also providing relief funds to facilitate customers. The government of Pakistan has promised regarding a smooth supply particularly for food products and fine and punishment would be imposed against the notice. These steps being taken by the government shows the efforts regarding declining the inflation rate. For maintain the price enhancement the government has made many efforts through which it can support the supply of products, through that is looks after notices, ensure safety related to smuggling, and also look after unnecessary profiteering. Just to look after the inflation pressure and to contain the agitated economy because of domestic demand SBP has enhanced the policy rate from 100 bps to 13.25% in the starting of the 2020 fiscal year. Then to control the inflation influence the lending from SBP has been discontinued and restrictions have been implemented as well.

### 2.3 Interest Rates

Previous year, elimination of artificial stability in the interest rate and exchange rates for the implementation of stabilized measured made reduction in the public and private investments and similar trend has been witnessed this year as well. The high interest rate was able to attract foreign investors and the capital started to flow in the debt market of Pakistan but due to covid-19 and decreasing price of oil shake the capital markets. Due to this uncertainty the foreign investors required the shadow in the area of safe assets, started to sell their stocks, and also started to cash their bonds from the rising markets that also included Pakistan. Because of that the government, SBP, and Securities and Exchange Commission of Pakistan started to take effective measures that can reinstate the confidence of investors. The State Bank of Pakistan is working on maintaining the double-digit interest rate that can control the inflation and it has now eliminated the policy rate by 525 basis points to 8% through which they can support economic activities in covid-19.

### 2.4 Government Revenue, Expenditure and Deficits

It has been mentioned that the economy of Pakistan was leading towards a stale condition like the business confidence was recuperating, prices was decreasing gradually, twin deficits was under control, and economy was recovering. But suddenly the covid-19 pandemic hit the economy really bad that shook the Pakistan's economy. The model of economy of Pakistan started to get shift in a different way which was not forecasted by anyone. The covid-19 pandemic created various hindrances for the political, economic, social, and political structure of the complete globe including the under developed nations like Pakistan. One of the biggest indefensible macroeconomic disparities that were faced by the government of Pakistan was the deficits that were moving towards the balance of payment issues. The Pakistani government focused on solving those issues on urgent basis through managing the combined demand and through addressing the deep-rooted structural issues. According to the data Pakistan has witness the government revenue of 6,306 billion LCU, total expenditure for 2020-2021 is Rs 7,294.9 billion, and Rs1.138 trillion fiscal deficits has been recorded.

### 2.5 Exchange Rates

It has been mentioned that stable exchange rate and healthy growth ratio has been improved that has improved the position in the world bank easiness of doing business index and stable credit has endorsed the successful policies of the government in stabilizing the competitive level of the products of Pakistan in the international market. Then a sharp decrease in the REER because of the market-based exchange rate and the proposal of

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government to provide affordable electricity supply to the textile sector has also increased the competitiveness level of Pakistani commodities in the foreign market. The government of Pakistan not only worked on the fiscal, monetary, and exchange rate area of globalization but also started to imply long term measures for sustainable and broad growth in the future. Then the decline in the Foreign Savings highlights that the effect of the elimination of the artificial yet costly stable exchange rate and the implementation of the market value-based exchange rate administration has attained success also the exchange rate became stable that can attract foreign investments

## 2.6 Infrastructure

Infrastructure means the physical system of any nation or area and in context of Pakistan infrastructure of various industry and sectors are being keenly focused. After that the expenditures from IMF re part of the enduring EFF program, the inflow from the ADB, and other international financial institutions are mainly targeted for the energy, finance, and infrastructure areas. An organized and unified strategic model has been made for businesses belonging to the public sector institutional infrastructure of both federal and provincial. It has been developed to provide support to the holistic implementation of the policies that are made for the easiness of business operations. Then basic infrastructure of Pakistan to follow the growing demand in the medical sector and diversification in commodities is being improved as well. It has been found out that during the month of July-March of year 2019-2020 an investment of worth Rs 3.72 billion has been made in the LPG infrastructure so proper energy sources can be provided to other sectors. Hence, Pakistani government is working on infrastructure of every sector.

## 2.7 Weather / Monsoon

On continuous basis Pakistan has been positioned as one of the most impacted nations by the climate and weather changes. The population of Pakistan is facing natural issues like floods, cyclones, and droughts and the policy makers and other are using geographic information technology systems for obtaining better understanding of the complex conditions and are also offering tangible solutions for the climate change situations. For saving the country for natural disasters and to enhance the forest cover nationwide the government of Pakistan has commenced the Ten Billion Tree Tsunami Programme that can also fight with the terrible impact of global warming. This mega scheme covers all of the provinces that also includes AJK and GB and also have provincial budgetary shares as well. All of the segment like students, farmers, and others are asked for actively take participation in this scheme and along with that an Eco-system Restoration Initiative is also commenced by the government. This can facilitate the evolution towards an



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environmentally flexible Pakistan by main streaming implementation that can enhance the environment sustainability.

## 2.8 Political Stability

It has been found out that 2019 would always be remembered by Pakistan as a journey full of crisis for Pakistan as the country faced various multiple issues like high inflation rate, low growth ratio, increased unemployment ratio, and intense political divisions. Despite all of that the number of terrorist attacks and struggle for obtaining sustainable peace was endured by Pakistani government. The modifying geographical environment made many challenges and opportunities for Pakistan that impacted the national security and internal political stability of the nation. The biggest challenge for the Pakistani in 2020 was to bring stability in its political system because uncertainty on the political sitting was able to create hindrance for the governance and economic organization. Then it was forecasted that in 2020 more tests would emerge and the neighborhood of Pakistan would become more profound in context of geopolitical hotspot. There is political instability in Pakistan has obliged Pakistan to tune of 107% of its total GDP and then the political instability in Pakistan has thrown 40% population of Pakistan in poverty.

## 3. Textile Industry Analysis

### 3.1 SOWT Analysis

SWOT analysis of textile industry of Pakistan is following:

#### 3.1.1 Strengths

The strength of Pakistan is that it has high independence level in context of raw material and Pakistan is situated in the 13<sup>th</sup> position in the list of leading cotton exporters and has fourth position in the biggest cotton producer. Then Pakistan's textile sector provides 40% employment opportunities and the cheap labor is the biggest strength of. The cheap labor supply supports the textile sector position and at the similar timing it helps to enhance the number of orders from foreign markets.

#### 3.1.2 Weaknesses

One of the weaknesses of Pakistan's textile industry is that it lacks in the research and training criteria and due to this lack in the cotton sector it has resulted in low quality of cotton as compare to other nations belonging to Asia. Then the labor force of Pakistan's textile sector is not qualified, skilled, and educated enough that creates hindrance for the sector to get competitive. There are other weaknesses of the textile sector of Pakistan like

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insufficient infrastructure, business management problems, and the inadequate quality standards.

### **3.1.3 Opportunities**

The biggest opportunity for Pakistan's textile sector is that it can use various marketing tools for international collaboration, for forming good relation with customers, and to present the products effectively. Then the recent progress in the global economy is increasing so the textile sector of Pakistan can find new markets through which they can expand its export. Other opportunities for the textile sector of Pakistan are the increase in global demand and then technical textile approach is also being implemented.

### **3.1.4 Threats**

The textile industry of Pakistan is stated as one of the oldest sectors but despite of that it is facing issues because of certain threats. The threats that has been identified for Pakistani's textile industry is that competition is being increased on international level, then Pakistan is facing energy crisis that can create hindrance in the production of products, the political and economic instability in Pakistan is increasing, and the new trends are also difficult to be followed by the labors of Pakistan.

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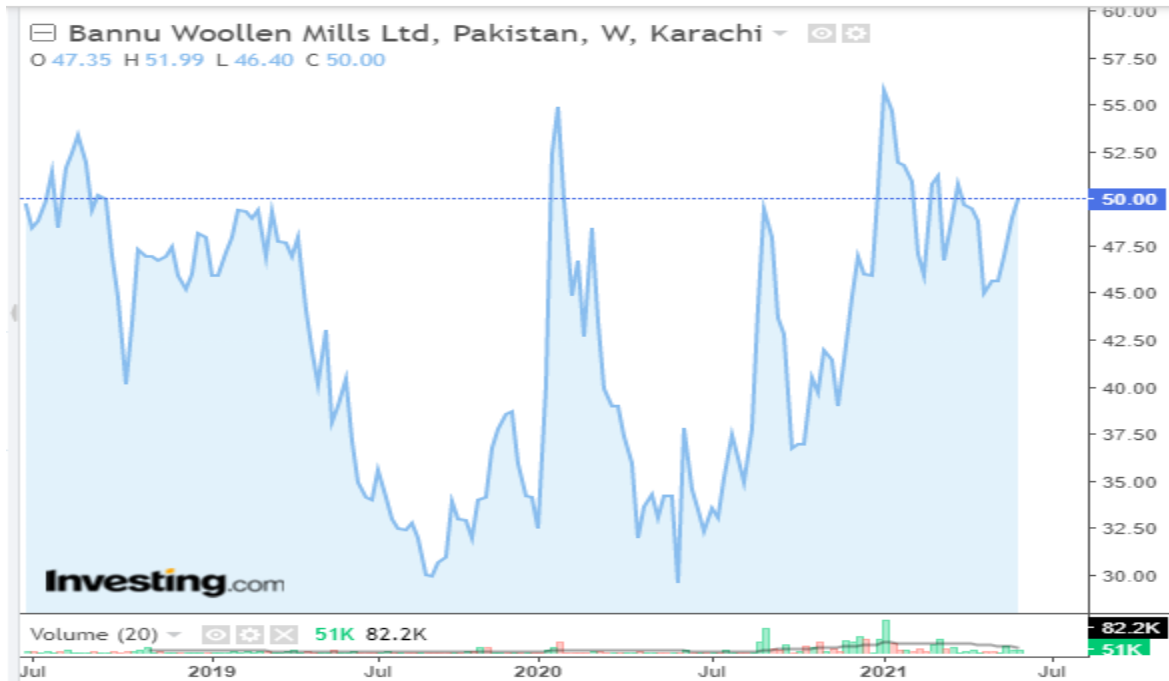
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### 5. Technical Analysis

#### 5.1 Bannu Woollen Mills LTD Share Price Trend from 2019-2021



In above graph, it is evidence that the share price of Bannu Woollen Mills LTD. on a trend line shows mostly rise and fall trend. There flat movement in trend line is not being observed. However, the share price of Bannu Woollen Mills LTD moves in a zigzag manner.

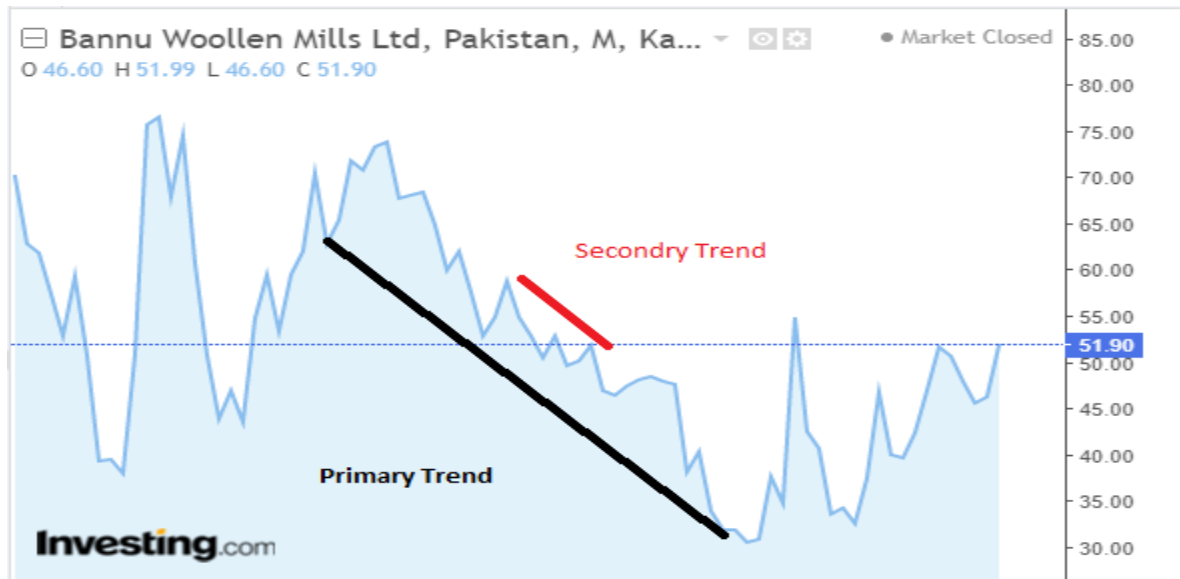
The share price of Bannu Woollen Mills LTD was found to be sharply declined from June, 2019 to January 2020 and from March, 2020 to August, 2020.

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### 5.2 Primary and Secondary Trend



### 5.3 V shape Chart

Considering the 1-month data from 1<sup>st</sup> May, 2021 to 31<sup>st</sup> May, 2021, here it can be seen clearly that both primary and secondary trends are being observed in last month's data set. It's downward trend (Bear).



V formation of one day graph of Bannu Woollen Mills LTD. shows long sharp decline and fast reversal, it indicates quick changes in market expectation from Bannu Woollen Mills LTD.

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### 5.4 Candle Stick Chart



In candle stick chart (1-week summary) shows high opening and low close (red stick) and low opening and high close (green stick) of Bannu Woollen Mills LTD. Down turn, up turn and hamper. So, in a week trading graph of Bannu Woollen Mills LTD. both bearish and Bullish trend can be observed.

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