



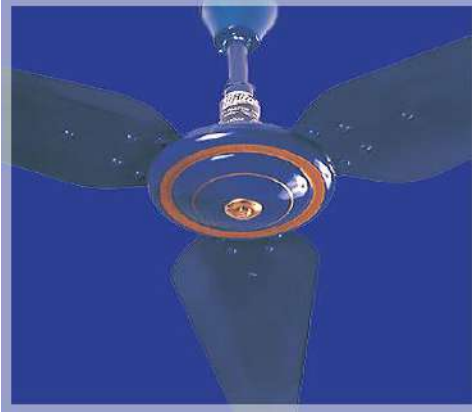
Engineering Division's

Report on

Fan Industry of Pakistan



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Ceiling Fan 00 M7 Blue



Ceiling Fan SM-RR Model 102



Deluxe Model
(Round Metal Body)



Exhaust Fan

Pedestal Fan



Decora Model



Pedestal Fan



Tilting Box Louvre Fan



Circomatic Fan



Bracket Fan Light



Louvre Pedestal / Table Fan



Louvre Pedestal Fans



Louvre Bracket Fan



VENTILATIONS

REPORT ON
FAN INDUSTRY IN PAKISTAN

1. **Fan Exports up to dates:**

Fan production belongs to light engineering industry. Pakistan exported electric fans worth US\$ 38.046 million in 2010-2011. (FBS data) This shows an export growth of 10.9% as compared to 2009-2010 export figure of US\$ 34.311 million. Major importing countries were Sudan, Yemen, UAE, Bangladesh, etc.

FAN INDUSTRY PROFILE

Characteristics	Value
Number of units	450
Total Installed Capacity	9.5 - 10 Million Fans (annual)
Current Production	8 Million Fans
Contribution to National Exports	0.15%
Sector Employment	25-30,000
Capital Labor Ratio	6 workers/Million (Rs)
Total estimated Investment	Rs. 5.0 Billion

2. **Types of fans:**

The local fan industry produces a variety of fans which include, Ceiling Fan, Bracket Fan, Exhaust Fan, Pedestal Fan, Tilting Box Louvre Fan, Circomatic Fan, Louvre Pedestal / Table Fan, Louvre Bracket Fan, Ventilation Fan.

3. **Fans classified as per energy consumption:**

The fans that consume less than 125 watts of energy are generally referred to as consumer fans (SITC 74341; HS 8414.51).

The fans which consume over 125 watts are classified as industrial fans. (SITC 74343; HS 8414.59)

Pakistan's fan industry mainly deals in consumer fans.

4. **Required Certifications:**

The local exporters of fan exporting companies are known to be fully aware of the certification requirements led by major importing countries. These certifications include CE for Europe; UL for the USA; SASSO for Saudi Arabia; SABS for South Africa; SONCAP for Nigeria and SIRIM in Malaysia and Sri- Lanka.

5. **H S Code:**

International Harmonized Customs Chapter 84 deals with electric fan trade. Pakistan mainly exports consumer fans which fall under HS Code 8414.5900: The export of industrial fan is negligible.

6. **Fan industry set up in Pakistan:**

Gujrat, and Gujranwala, are two key players in the production of fans which is almost 98%. Some of the production is also done in Lahore and Karachi. This industry primarily belongs to small and medium enterprisers (SMEs). There are 450 SMEs engaged in the production of fans both were domestic market and for export. Out of this a major number of 300 units are known to exist in Gujrat. Fan sector is not only earning precious foreign exchange for the country but is contributing in multiple ways to the national economy. This industry employs up to 30,000 workers. However, the down side is that the production is mostly seasonal and confined to 1st six months of the year. Therefore the workers are not adequately skilled as they are forced to find alternative sources for earning livelihood. Few major companies have endeavored to keep their workers engaged throughout the year by shifting to related engineering products. A major contribution of the fan industry is that it has developed clusters in Gujrat and Gujranwala. Around 90% production cater to domestic demands. It is interesting to note that local consumer demands better quality and innovative designs as compared to export products which are of low margins. Most of the companies operate under locally created brands with only a few moving towards international branding. Fan industry is producing around 90,000 indirect employment opportunities. Thus its contribution to total manufacturing employment is up to 1.54%.

Pakistan's exports are mainly concentrated in low-income markets, such as Africa, Bangladesh and some Middle East countries. The average export price of Fans made in Gujrat and Gujranwala is around \$23-25, which is much lower than some of the more sophisticated fans which sell for around US\$400-500. The retail price of Pakistani fans in its export markets on the other hand varies between US\$35-40.

The sector, which has shown high levels of growth in the recent years suffer from low levels of productivity, inadequate technology upgrade and shortage of skilled staff. The industry also requires testing and certifications. Certifications are normally required for export markets, whereas, general performance and safety testing are conducted regardless. Additionally, the surveys conducted suggest that current export markets usually offer lower margins as compared to local markets.

7. **Production Capacity:**

On average, 8 million fans are produced per annum with an estimated value of Rs. 20 billion. Category-wise, production of around 63% goes to ceiling fans, 30% to Pedestal fans, and remaining 7% to bracket fans. About 7-8 companies are large scale manufacturing units which have composite integrated system i.e. from motor winding to high pressure dies casting. These units have induced higher level of investment on adoption of modern technology and automated process. Since, fan production is seasonal activity which remains in demand during 1st 6 months of the year, therefore, the large companies switch to alternate production of washing machines, geysers and recently into motorcycle parts. That is why the big fan manufactures are also known as auto parts maker. However, the local fan industry is mostly dominated by small firms and as such, does not benefit from economy of scale. This is a critical reason why the fan industry is not able to compete costs with international competitors. The capacity of an average fan manufacturing unit is up to 400 fans per day which is no comparison to China where average production per day is reported to be about 40,000 fans. One of the solution to address this issue could be mergers of companies or creating standardization in production processes, common facility centre, joint sourcing of materials, and joint production. It is estimated that 10% of the install capacity production is export oriented.

8. **Raw Material:**

The materials used in the fan manufacturing of fans are electric steel sheets, aluminum, enameled copper wire, ball bearing, steel rods, blades, winding wire and PVC. 50% of the raw material is imported which also reflect significant cost variability. Where local material are used (aluminum steel sheet) quality is not consistent. Unfortunately, energy efficiency is not available in Pakistani fans.

9. **Manufacturing / Assembly Process:**

The fan assembly process consists of body turning, body drilling, axel turner and winding, fitter, painting, and finally testing and packaging. Major costs in the process is electricity which is noncompetitive and inconsistence.

Gujranwala is known for the existence of numerous small factories producing Dies and casting. TUESDEC also supports through its "Tool and Die making centre in Gujranwala". As per the existing process, Lathe machine is used for body turning of pedestal fans. Besides manual coiling techniques are employed. Factory workers use spray paints with wet paint which results in 40% wastages of the paint, and also creates environmental hazards.

Pakistan fan industry needs to develop better designs, better quality, marketing and branding, through upgrading production processes and techniques, it is considered that body turning of fan can be converted into CNC machines. Similarly, drilling technology can be converted to multiple drilling and transfer of manual coiling to automatic coil inserting would increase productivity by at least 4 times.

10. **Value Chain Analysis:**

In the average ceiling fan manufacturing model the ex-factory costs include cost of material 81.8%, casting 2.8%, assembly process 3.8%, overheads 10.5%, and 1.1% on marketing. Added to this are factory margins of 18.5% and importers margin 32%. The importers margins are the highest because local manufacturers have not developed their own sales point and rely on importers for the marketing of their products, therefore the benefits goes to the importers. Presently, the industry is producing fans which are used as basic utility good, if higher value is targeted the industry players will have to look towards high income markets where fans are a fashion items, example of USA, which imports fan of above US\$ 1 billion. In view of existing capabilities an understanding of fans technology by the fan producers the industry can easily move to developing more fashion oriented designs. The capacity issue is therefore, seems to be related to lack of finance and due to lack of awareness.

11. **Supporting Industries:**

In many ways, the performance of an industrial sector is a reflection of the support that it is getting from its suppliers and vendors. The main supporting industries for the sector include; (i) guard makers; (ii) rotor stator; (iii) aluminum blades; (iv) aluminum rods; (v) enameled copper wire; (vi) casting industry; (vii) training and research institutes; (viii) packaging industry; and (ix) marketing and branding agencies

12. **Global Fan Market analysis:**

According to ITC data of calendar year 2010, the world fan market is reported to be of US\$ 3 billion. China is a major exporter with figure of US\$ 1.8 billion. The other major exporting countries are lagging much behind. Next to China are Chinese Taipei with 88 million, USA 79 million, Singapore 75 million, Thailand 59 million, Spain 57 million, Germany 56 million, Malaysia 47 million, Panama 45 million, Indonesia 39 Million, Hong Kong 36 million, Italy 36 million, followed by Pakistan with 34 million. Which means that Pakistan export share in global exports is 1.3%.

The major global importing countries of fan show USA on top with figure of US\$ 1 billion. Followed by Japan 184 million - China 159 million - Hong Kong 113 million - Australia 98 million - Canada 78 million - Mexico 75 million - India 71 million - UAE 70 million - Nigeria 64 million - Singapore 64 million - Panama 60 million and France 52 million.

13. Export Market Competitiveness:

Pakistan Fan industry specializes in consumer fans, (HS 8414.59 power into 125 watt). These are low prices fans. Export price per average is US\$ 30/=:, however Pakistani pedestal fan fetches selling price of US\$ 40/=: . Pakistan is exporting to low income market such as Africa, Bangladesh, and some Middle East countries. Our competitors are therefore, China, Taiwan and Thailand. The fans which fetch very high price in US and European market come under industrial fans and they are sold at the price of upto US\$ 400-600 per item. The total world export market is of US\$ 3 billion. The local industry needs testing mainly for electrical safety. The inability of local manufacturers to develop sale points abroad means the foreign agents are taking bigger chunk of the value added, In comparison. China has established on ground presence in foreign markets particularly in Africa to export into target countries

14. Export potential for Pakistan:

Pakistan exported fans worth US\$ 38 million in 2010-2011. Pakistani fans were exported to two continents Asia and Africa. The breakup is as follows:

I) Continent of Asia: **Yemen 5.39 million, UAE 4.42 million, Bangladesh 3.89 million, Afghanistan 3.49 million, Saudi Arabia 2.47 million, KIraq 2.02 million, Jordan 1.13 million, Oman 0.36 million, Sri Lanka. 0.32 million and Kuwait 0.22 million**

II) Continent of Africa: **Sudan 8.8 million, South Africa 0.253 million**

Africa offers a big market for export of fans. The potential countries are Nigeria, South Africa, Sudan, Egypt and Mauritius. Pakistan is already exporting to these markets. The value of export is however not of desired level due to lack of marketing except Sudan where Pakistan has captured the market. In all other African countries, China is the largest exporters of fans with more than US\$ 100 million. It is estimated that the local fan industry possesses requisite qualities and price to capture significant share in Africa.

15. TDAP Marketing strategy:

Upon the directive of Secretary Commerce, and Chief Executive TDAP, Engineering Division TDAP has contacted Gujrat Chamber of Commerce to compose a fan delegation to Africa. The Gujrat Chamber has communicated the consent of their member to participate in the delegation and have proposed to visit Nigeria and South Africa. The Secretary, TDAP in the weekly meeting 22nd November 2011 also instructed to focus on African markets for fan. The Pak Mission in Nigeria has proposed to send a delegation by end January 2012, matter is in process.

LIST OF FAN MANUFACTURERS /EXPORTERS

Name of Firm & Address	Contract Person
M/S Super Asia Group of Industries G.T.Road Gujranwala	M.Faisal Afzal
M/S G.F.C Fans G.T.Road,Gujrat	Muhammad Ilyas
M/S Pak Fan G.T.Road,Gujrat	Muzaffar H.Bhatti
M/S Yunas Fans Yunas Colony G.T.Road,Gujrat	Irfan A. Ayub
M/S Royal Fans G.T.Road,Gujrat	Anjum Rafiq Khawar Rafiq
M/S Metro Fans G.T.Road, Gujrat	Mirza Imtiaz Ahmed
M/S Perwaz Fans G.T.Road, Gujrat	Ali Usman
M/s.Pak Punjab Fans G.T.Road, Gujranwala	Mr. Rasheed Ahmed Mr. Waheed Ahmed
M/s. Champion Fans Saharan Street, Saiklot Road,G/wala	Mr.Suleman
M/s. Beeta Industry G.T.Road, Gujranwala	Mr. Khurram Shahbaz
M/s. Amin Fans G.T.Road, Gujrat	Mr. Muhammad Munir
M/s. Al-Khair Fans, Gujrat	Malik Safdar Hussain
M/s. NGS Fans, Gujrat	Mr. Ghaisuddin Paul
M/s. Zam Zam Fans, Gujrat	Mr. Dawood Jhangheer
M/s. Lahore Fans,SIE No.1, Gujrawnala	Mr. Farrukh Latif
M/s. Starco Fans,Gujrat	Mr. Azhar Ahmed Malik

Representative Associations of Fan Industry:

- (I) Gujrat Chamber of Commerce & Industry.
Current President Mirza Muhammad Mushtaq;
Secretary General; Mr. Yasir Mahmood Butt,
GT Road Gujrrat.
- (II) Pakistan Electric Fan Manufacturers Association
Current Chairman Mr. Ali Usman,
Senior Vice Chairman Mr. Khurram Shahzad,
PEFMA House, GT Road, Gujrat.
- A) Statement showing major importing countries of Pakistani Fans is annex-I.
- B) Statement showing major global exporters and importers of fan is annex-II

MAIN IMPORTERS OF PAKISTANI FAN

Unit : US Dollar in million

Importers	Exported value in 2009	Exported value in 2010
World	32.04	33.66
Sudan	5.46	8.82
Yemen	6.26	5.38
United Arab Emirates	6.25	4.41
Bangladesh	3.09	3.89
Afghanistan	3.29	3.48
Saudi Arabia	3.58	2.47
Iraq	0.95	2.01
Jordan	1.01	1.12
Oman	0.22	0.36
Sri Lanka	0.23	0.32
South Africa	0.28	0.25
Kuwait	0.47	0.21

WORLD'S MAIN EXPOTERERS OF FAN

Unit : US Dollar in million

Exporters	Exported value in 2009	Exported value in 2010
World	2350.80	2689.05
China	1532,420	1812.02
Chinese Taipei	61.07	88.45
United States of America	58.79	78.55
Singapore	50.41	74.57
Thailand	48.85	58.94
Spain	54.03	56.66
Germany	50.95	56.09
Malaysia	23.41	46.64
Panama	31.07	44.72
Indonesia	26.66	38.69
Hong Kong, China	145.06	35.93
Italy	40.76	35.52
Pakistan	32.04	33.66

WORLD'S MAIN IMPORTERS OF FAN

Unit : US Dollar in million

Importers	Imported value in 2009	Imported value in 2010
World	2740.91	3119.72
United States of America	987.11	1012.20
Japan	208.48	183.86
China	129.37	159.49
Hong Kong, China	146.58	113.34
Australia	57.66	97.86
Canada	62.27	77.86
Mexico	67.64	74.89
India	36.86	71.08
United Arab Emirates	82.08	70.34
Nigeria	19.25	64.49
Singapore	55.69	64.46
Panama	32.92	59.65
France	33.20	52.02