Business Case: Ayesha Knitwear (Pvt) Ltd., Lahore

1. About the Enterprise

Ayesha Knitwear (Pvt.) Ltd, established and registered in 1996 as a private limited company, is a leading garments manufacturer based in Lahore. The company is fully registered with SECP, FBR, Social Security, EPA, and EOBI, and has consistently maintained compliance with regulatory authorities. It employs 250 workers, of which 50 are registered with tax authorities, while 110 employees are registered with Social Security and EOBI. Equipped with an ERP system, the company ensures compliance with both domestic regulations and the requirements of international buyers. Ayesha Knitwear exports garments to Australia, the US, and EU markets through buying offices and direct clients, supplying globally recognized brands while meeting stringent compliance requirements.

2. Pre-Formalization Status

Before formal registration in 1996, Ayesha Knitwear operated informally as a small garment unit serving fabric suppliers and vendor to the exporters. The majority of its workforce was unregistered and lacked social protection coverage, while procurement and transactions were managed through informal systems. Limited documentation and absence of certifications restricted the company's ability to access institutional financing, develop credible supplier networks, or compete for large-scale export orders. Reliance on informal suppliers for raw materials further undermined product consistency and traceability. Like many small units in Pakistan's garment sector, its potential for growth was limited by informality and absence of compliance structures.

3. Why They Decided to Formalize

The leadership of Ayesha Knitwear recognized formalization as essential for growth, credibility, and entry into international markets. Global buyers demanded documented compliance with labor, environmental, and quality standards, making registration with SECP, FBR, Social Security, and EOBI a prerequisite. Although the process was time-consuming and involved multiple approvals, documentation, and bureaucratic delays, the enterprise gained significant benefits. These included legal protection, improved trust with suppliers and customers, and the ability to work with bigger clients and access premium export markets. The management also emphasized that institutions like ILO, ESSI, and EPA should benchmark regional competitors, focus on both employee rights and responsibilities, and provide workable solutions for both employers and workers.

4. Comparative Analysis: Pre vs Post Formalization

Aspect	Pre-Formalization	Post-Formalization
Market Access	Local traders, small-scale buyers (5000 pcs first order)	Export to Australia, US & EU markets via direct clients & buying offices. Now producing 120,000 garments in a month
Workforce	Mostly unregistered, no social protection	Started with **20 employees, Now 300+, incl. 15 female** employees registered with Social Security & EOBI
Finance	Cash-based, no institutional access	Eligibility for institutional finance & legal protection e.g. working though LCs, having access to loan etc.
Technology	Manual operations, limited oversight	ERP system ensuring compliance & transparency
Supply Chain	Informal vendors, low traceability	70–80% supply chain formalized
Reputation	Limited credibility with buyers	Recognized supplier for international brands

5. Challenges Faced by the Enterprise

- Competition from informal enterprises avoiding compliance costs.
- Dependence on informal raw material suppliers due to limited registered vendors.
- Bureaucratic hurdles, delays, and multiple approvals in compliance processes.
- Corruption and inefficiency in ESSI and EOBI, discouraging worker trust.
- Poor infrastructure, unreliable electricity, and weak digital connectivity.
- High logistics costs and frequent delays in shipments.
- Weak role of trade bodies in promoting innovation, product diversification, and global competitiveness.

- Limited R&D support for SMEs to identify new markets, products, and global value chain opportunities.

6. Strategies Adopted to Overcome Challenges

- Implemented ERP systems to digitize operations and improve record-keeping.
- Advocated for relaxation of advance taxation and digitalization of FBR processes.
- Pursued certification programs supported by matching grants to enhance competitiveness, e.g. ISO, WRAP, ACCORD, BSCI etc.
- Worked for stronger vendor collaboration and shared inventory systems to reduce input costs and strengthen supply chains.

7. Outcomes of Formalization

Formalization enabled Ayesha Knitwear to build trust with customers, suppliers, and regulators, significantly improving its market credibility. By complying with SECP, FBR, Social Security, and EOBI, the enterprise gained legal protection, access to finance, and long-term export opportunities. With 70–80% of its supply chain formalized, the company enhanced product quality, consistency, and traceability, although some reliance on informal procurement remains due to vendor gaps. The adoption of ERP systems further strengthened transparency and efficiency, while compliance with international standards opened doors to premium markets in Australia, the US, and the EU. Overall, formalization positioned Ayesha Knitwear as a competitive exporter with a sustainable growth path.

8. Recommendations from the Enterprise

The company recommends that Pakistan's regulatory regime benchmark regional competitors to streamline compliance and improve competitiveness. Incentives such as relaxation of advance taxation, SME-friendly financing, and lower interest rates would encourage further formalization across the sector. Accelerated digitalization of FBR processes and reforms in ESSI and EOBI are necessary to improve efficiency and restore worker trust. Establishing accredited testing and standardization labs would support exports, while investment in R&D, workforce training, and gender balance initiatives would enhance competitiveness and job creation. Public-private collaboration is also needed to strengthen vendor networks, supply chain reliability, and access to global value chains.

9. Lessons Learned

- **Formalization Builds Credibility:** Registration with regulatory authorities creates trust with buyers, suppliers, and financial institutions.
- **Employee Welfare Improves Productivity:** Social Security and EOBI registration strengthens workforce stability and loyalty.
- **Technology Strengthens Competitiveness:** ERP adoption enables transparency, efficiency, and alignment with global compliance standards.
- **Supply Chain Formalization Adds Value:** Shifting vendors into the formal economy improves traceability and record maintenance.
- **Systemic Reforms Are Needed:** Sustainable growth depends on improved infrastructure, efficient institutions, and effective trade facilitation.

10. Conclusion

The case of Ayesha Knitwear (Pvt.) Ltd demonstrates how formalization transforms a medium-sized garment manufacturer into a credible exporter with access to global markets. By registering with regulatory authorities, implementing ERP systems, and formalizing most of its supply chain, the company gained trust, legal protection, and competitiveness in international markets. Despite challenges such as reliance on informal suppliers, bureaucratic hurdles, and poor infrastructure, the enterprise continues to maintain best business practices and supply globally recognized brands. The experience highlights that while enterprise-level commitment is critical, supportive government policies, industry-wide reforms, and effective institutions are necessary to ensure sustainable growth and wider formalization in Pakistan's garment sector.