

Foundation Alert

PIBTL: Cargo handling declined by 39.5% YoY in 2QFY22

Event

- PIBTL's cargo handling declined by 39.5/35.8% YoY/QoQ in 2QFY22 to 1.79mn tons as compared to 2.95mn tons in 2QFY21.

Impact

- PIBTL handled 1.79mn tons of imported coal in 2QFY22 (down 39.5/35.8% YoY/QoQ).
- We attribute decline in company's cargo handling to (1) lower imports by private sector given record high international coal prices, (2) slowdown of growth in manufacturing sector and (3) decline in business from power plants which were earlier relying on PIBTL for shipments above ~40K tons.
- Furthermore, PIBTL capacity utilization decreased by 39/33ppt YoY to 60% in 2QFY22 as compared to 98/93% in 2QFY21/1QFY22.
- To highlight, despite lower volume support to company margins is expected from avg rupee depreciation of 7.9/5.7% YoY/QoQ against greenback in 2QFY22 due to company's US\$ denominated revenue stream.
- Moreover, company will book exchange loss on its foreign currency debt due to 3.5% QoQ rupee depreciation between reporting dates.
- To highlight, PIBTL would have net positive impact of rupee depreciation in FY22 as its US\$ denominated debt stands at ~US\$37mn and its net revenue after royalty charges in US\$ would be ~US\$45mn in FY22.

Outlook

- The company is not under our formal coverage. However, we expect company to remain beneficiary of (1) robust economic recovery, (2) attractive dividend yield post repayment of long term debt, and (3) higher utilization levels as increased demand from cement and power sectors would require company to increase its capacity to 16mn tons by incurring CAPEX. Furthermore, we expect PIBTL to witness growth in volume handling during FY23/24 due to increased coal imports by cement/textile sector, general industry and COD of Lucky Electric Power Company.
- However, company remains exposed to inherent risks of (1) resumption of coal handling by KPT which is currently suspended on Supreme Court directives and (2) delay in expansion.

Fig 1: PIBTL 2QFY22E volume Handling

	2QFY22E	2QFY21	YoY	1QFY22	QoQ
Quantity handled	1,785	2,953	-39.5%	2,783	-35.8%
Avg US\$/Pkr	174.5	160.8	-7.9%	164.6	-5.7%
US\$/Pkr at reporting date	176.8	159.8	-9.6%	170.6	-3.5%
	1HFY22E	1HFY21	YoY		
Quantity handled	4,568	5,273	-13.4%		
Avg US\$/Pkr	169.7	163.6	-3.6%		

Source: PIBT, Bloomberg, Foundation Research, January 2022

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.