

Foundation Alert

PIBTL handled highest ever quarterly cargo

Event

- PIBTL's cargo handling increased by 43/54% YoY/QoQ in 4QFY21.

Impact

- We attribute increase in company's cargo handling to (1) increased demand by private sector (cement and general industry) given accelerating economic growth, (2) higher import by traders due to abrupt increase in international coal prices, and (3) increased demand from CPPs.
- PIBTL handled 2.93mn tons of imported coal in 4QFY21 (up 43/54% YoY/QoQ). To highlight, this would be highest quarterly coal handling by PIBTL.
- Furthermore, in FY21 PIBTL coal handling increased by 17.2% YoY to 10.1mn tons due to strong recovery in economic activity and substantial growth in cement production during FY21.
- We expect higher coal handling would be positive for company's profitability as despite exchange loss in 4QFY21 (due to rupee depreciation of 3.1%), company would have net exchange gain in FY21 (given rupee appreciation of 6.4% in FY21).

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. In the short run, decline in both domestic and international borrowing rates due to outbreak of COVID would enhance company's profitability. Furthermore, we expect PIBTL to witness growth in volume handling during FY22/23 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 due to suspension of court order which restricts coal handling at KPT and (2) delay in expansion would be a threat to company's volume handling.

Fig 1: PIBTL 4QFY21 volume handling

	4QFY21	4QFY20	YoY	3QFY21	QoQ
Quantity handled	2,931	2,049	43.0%	1,909	53.5%
Avg US\$/Rs	154.4	164.5	6.5%	158.6	2.7%
US\$/Rs at reporting date	157.8	167.9	6.4%	152.9	-3.1%
	FY21	FY20	YoY		
Quantity handled	10,112	8,630	17.2%		
Avg US\$/Rs	160.3	157.4	-1.8%		

Source: Bloomberg, Foundation Research, July 2021

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