

Foundation Alert

PIBTL: Cargo handling increased by 19% YoY in 1QFY22

Event

- PIBTL's cargo handling increased/decreased by 19/5% YoY/QoQ in 1QFY22 to 2.76mn tons.

Impact

- PIBTL handled 2.76mn tons of imported coal in 1QFY22 (up/down 19/5% YoY/QoQ).
- 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 Captive Power Plants (CPPs).
- Furthermore, PIBTL capacity utilization increased by 15ppt YoY to 92% in 2QFY22 as compared to 77% in 1QFY21. However, on sequential basis PIBTL capacity utilization declined by 4ppt QoQ in 2QFY22.
- Moreover, on sequential basis avg rupee depreciated by 6.2ppt QoQ against greenback in 1QFY22, which would result in better margins for the company given US\$ denominated revenue stream.
- The company is expected to book an exchange loss on its foreign currency debt due to 7.6% 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 revenue in US\$ would be ~US\$75mn 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. In the short run, lower interest rates on both domestic and international borrowing post 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 which is currently suspended on Supreme Court directives and (2) delay in expansion.

Fig 01: PIBTL 1QFY22E volume Handling

	1QFY22E	1QFY21	YoY	4QFY21	QoQ
Quantity handled	2,757	2,320	18.8%	2,889	-4.6%
Avg US\$/Pkr	164.6	166.8	1.3%	154.3	-6.2%
US\$/Pkr at reporting date	170.6	165.7	-2.9%	157.7	-7.6%
	FY21	FY20	YoY		
Quantity handled	10,071	8,630	16.7%		
Avg US\$/Pkr	160.3	157.4	-1.8%		

Source: PIBT, Bloomberg, Foundation Research, October 2021

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