

## Foundation Alert

### PIBTL: Cargo handling declined by 20.5/15.0% YoY/QoQ in 3QFY22

#### Event

- PIBTL's cargo handling declined by 20.5/15.0% YoY/QoQ in 3QFY22 to 1.52mn tons as compared to 1.91mn tons in 3QFY21.

#### Impact

- PIBTL handled 1.52mn tons of imported coal in 3QFY22 (down 20.5/15.0% 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, (3) decline in business from power plants which were earlier relying on PIBTL for shipments above ~40K tons and (4) increased reliance on Afghan/domestic coal by cement industry.
- Furthermore, PIBTL capacity utilization decreased by 13/9ppt YoY/QoQ to 51% in 3QFY22 as compared to 64/59% in 3QFY21/2QFY22.
- To highlight, company margins are expected to remain on higher side despite lower volumes due to avg rupee depreciation of 10.7/1.7% YoY/QoQ against greenback in 3QFY22 due to company's US\$ denominated revenue stream.
- Moreover, company will book exchange loss on its foreign currency debt due to 3.6% QoQ (absolute rupee depreciation of Rs6.52 against USD) rupee depreciation between reporting dates.
- To highlight, PIBTL would have net negative 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\$34mn in FY22.

#### Outlook

- The company is not under our formal coverage. However, we expect company to remain beneficiary of (1) sustainable increase in coal imports in the long run due to economic recovery, (2) attractive dividend yield post repayment of long term debt, and (3) higher utilization levels due to COD of Lucky Electric Power Company at then of Mar'22. Furthermore, we expect PIBTL to witness growth in volume handling during FY23/24 due to increased coal imports by cement/textile sector and general industry given normalized international coal prices.
- However, company remains exposed to inherent risks of (1) resumption of coal handling by KPT which is currently suspended on Supreme Court directives, (2) delay in expansion and (3) continuous reliance on Afghan coal by cement players in the long run post normalization of international coal prices.

**Fig 01: PIBTL 3QFY22E volume Handling**

	3QFY22	3QFY21	YoY	2QFY22	QoQ
Quantity handled	1,518	1,909	-20.5%	1,784	-15.0%
Avg US \$/Pkr	177.6	158.6	-10.7%	174.5	-1.7%
US\$/Pkr at reporting date	183.3	152.9	-16.6%	176.8	-3.6%
	<b>9MFY22</b>	<b>9MFY21</b>	<b>YoY</b>		
Quantity handled	6,085	7,182	-15.3%		
Avg US\$/Pkr	172.4	162.1	-6.0%		

Source: PIBT, Bloomberg, Foundation Research, April 2022

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