

September 16, 2020

Pakistan Research



Pakistan International Bulk Terminal: FY20 preview & 1QFY21 outlook

PIBTL may report earnings in FY20 & outlook 1QFY21 looks rosy due to commercial activity...

FY20 developments...

We reinitiate our coverage in Pakistan Bulk Container Terminal (PIBTL). The vessel handler is expected to announce it's FY20 results on September 17. We see some significance of this results:

- Despite Covid19, we see vessel handling activity is gaining momentum at *Bin Qasim* since most of the Pakistani cement producers have coal fired plants.
- PIBTL took FCY loans from foreign agencies viz. OPEC Fund & IFC which were 6m LIBOR based. Since 2017, 6m LIBOR rate has significantly come down to 1% and below. PIBTLs financial charge will decline due to that. Our hunch is that during 4Q PIBTL exchange loss will either evaporate on FCY loan since PKR-USD parity came down during few weeks in the quarter. The extent of FCY loan is Rs7bn as of 9MFY20.
- Given Covid19, PIBTL local currency long term loan of Rs6.5bn would also yield lesser financial charge in 4Q since SBP 'lowered down' interest rates from 13.25% to 7% to support trade and industry.
- We expect few cement producers may have used PIBTL silos to export cements. Though this number is still below par.
- The number of coal vessels increasing on PIBTL berth carrying an average 55k tons coal and in few cases 60k tons handling per vessel.
- We see PIBTL may report EPS in 4Q and thus FY20 EPS of ~Re 0.80 – Re 0.86 - the significance is reporting of probable earnings given capital intensive nature of the project since many years.
- PIBTL handled 6.5mn tons coal during 9MFY20 as per books; wherein we expect them to handle 8mn tons during FY20 translating into estimated ships of ~144 ships.

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Ticker	PIBTL
Price	13.69
Avg. Volume	7.45mn
52 week hi	14.25
52 week lo	7.00
Paid up in Rs	17.86bn
Market cap Rs	24.45bn
Enterprise Value Rs	36.55bn
EV per share Rs	20.46/sh
Book Value Rs	8.0/sh
Beta	1.55

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1 Month Range

Rs. 12.06 Rs. 13.95



6 Month Range

Rs. 7.28 Rs. 13.95



52 Week's Range

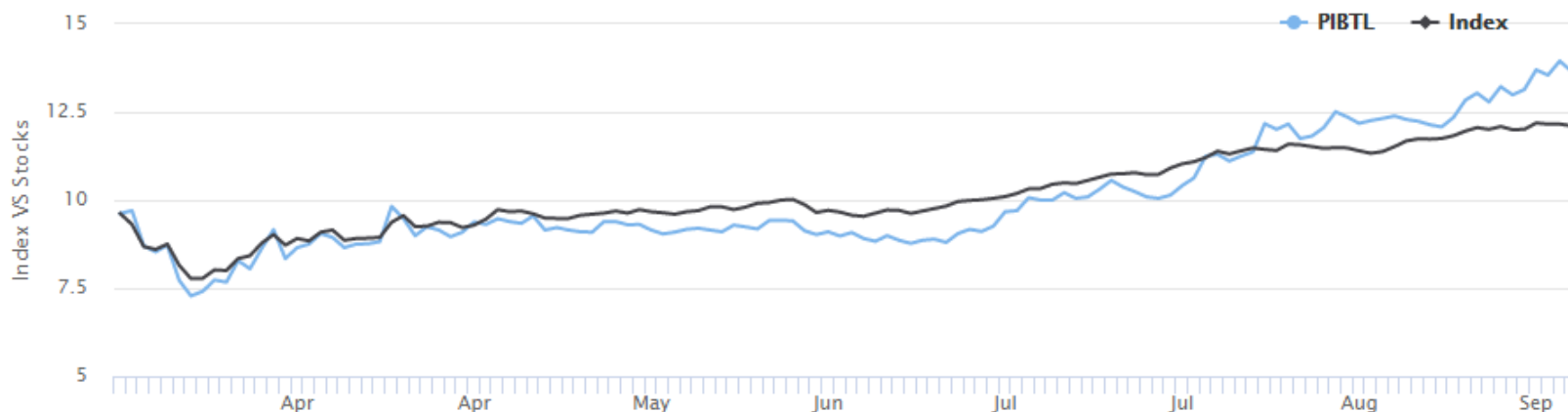
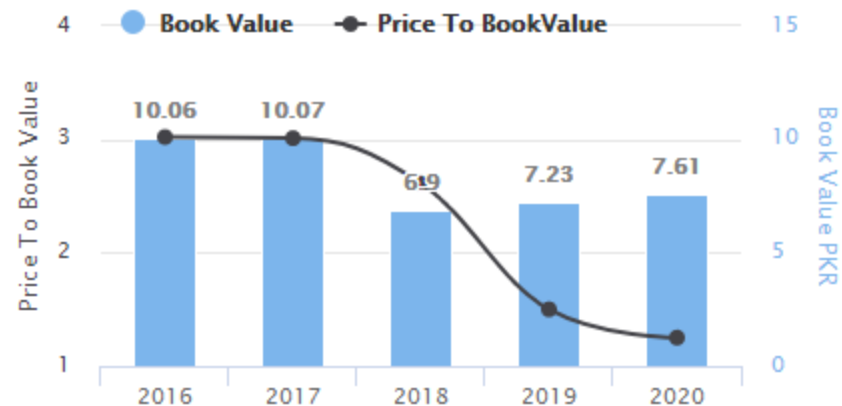
Rs. 7.00 Rs. 14.25



PIBTL valuations: Expected P/BV 1.68x...

Profit and Loss (Rs in '000)	FY19	FY20E
Turnover – net	8,004,395	10,998,620
Cost of services	5,747,427	7,793,622
Gross Profit	2,256,968	3,204,998
Admin expenses	414,818	406,080
EBIT	1,842,150	2,798,918
Other income	236,452	400,000
Finance cost	1,823,296	1,350,000
Exchange loss	2,748,637	-
(Loss) / PBT	(2,493,331)	1,848,918
Taxation	116,229	536,186
Net (loss) / NPAT	(2,377,102)	1,312,732
(Loss) / EPS	(1.56)	0.86

Source: SCS Research



Ongoing 1QFY21 seems interesting given commercial activity on *vessel schedule*...

- PIBTL port at *Bin Qasim* has taken momentum in 1QFY21 in post Covid19 scenario. Monthly number of ships have increased as being witnessed on *vessel schedule*. At least we have counted 23 ships during month of September alone which have either sailed or confirmed on berth.
- Taking ~50ships as proxy during 1Q - PIBTL can report 1Q sales revenue of Rs3bn - Rs3.5bn and NPAT of ~ Rs760mn (EPS: Re 0.50). We see continuation of earnings spree in following quarters.
- Some of the main reasons being lessening loan on balance sheet from Rs11bn – Rs12bn, decreasing 6M LIBOR below 1%; this entails no exchange versus prior years.
- We expect cement utilization to touch 50mn tons in FY21 come what may (FY20: 48mn tons) hence PIBTL coal handling to increase from 8mn tons (total annual capacity to handle is 12mn tons).
- We are positive on PIBTL with significant developments related to probable earnings in following quarters due to demand from CPEC related China Power Hub Generation (HUBC), Sahiwal plant as well as big cement producers viz. LUCK, BWCL etc.

6m LIBOR

Source: Macro trends



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- less than 10% (Target Price, if any/Current Price -1) Hold*

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Following research techniques adopted to calculate target price/recommendation

Price to earnings & Price to Book, EV-EBITDA multiple

Discounted Cash flows or Dividend Discount Model or Enterprise Value