

PIBTL | exp PE 5.1x | FY24 EPS PKR 1.19/sh | Positive @ PKR 6.06/sh

Wednesday, 6 March 2024

## Pakistan Research | Detailed Coverage – 2024

# Pakistan International Bulk Terminal (PIBTL):

*Our positive premise sway upside potential...*

**DCF Target Price PKR 12.06/sh**

**Sensitivity Analysis for DCF Value**

		Terminal Growth Rate						
		-2%	0%	2%	4%	6%	8%	10%
WACC	16.8%	10.52	12.17	14.27	17.02	20.79	26.27	34.98
	17.7%	9.68	11.15	13.00	15.39	18.59	23.11	29.98
	18.6%	8.92	10.24	11.87	13.96	16.71	20.49	26.03
	19.5%	8.22	9.41	10.86	12.70	15.08	18.29	22.84
	20.0%	7.86	8.98	10.35	12.06	14.27	17.21	21.32
	20.9%	7.25	8.26	9.49	11.02	12.95	15.48	18.94
	21.8%	6.69	7.61	8.72	10.08	11.78	13.98	16.92
	22.7%	6.17	7.01	8.01	9.23	10.75	12.67	15.20
	23.6%	5.69	6.46	7.37	8.47	9.82	11.51	13.71

Source: SCS Research

## We re-initiate our coverage on PIBTL at the following “Positive” premise:

### Bigger scenario:

- ✓ We see a jump in the number of coal-vessels handled, and it is expected to rise in FY24. We see demand emanating from both efficient and inefficient coal-fired power plants. One such efficient coal-fired plant is Lucky Electric, which is also one of the nearest from PIBTL's Port Qasim location. Hence, we see a jump in coal consumption. The South African coal comes from Port Qasim based PIBTL berth and is also known as Richard Bay Coal. We see this coal handling to rise in 2HFY24 which could propel PIBTL revenue by 76.6% in FY24.
- ✓ Here, high coal handling charges in local currency is the main factor behind present revenue growth.
- ✓ By assuming 12 vessels per month, their could be 144 vessels alongside exchange rate of PKR 277, our model churns out an EPS of PKR 1.19/sh. In our FY24 forecast, we have not considered any exchange gain, so there could be a slight variation in EPS if an exchange gain is incurred.
- ✓ The DCF based target price of PIBTL stands at PKR 12.06/sh.

### Balance sheet restructuring & Dollar denominated tariff:

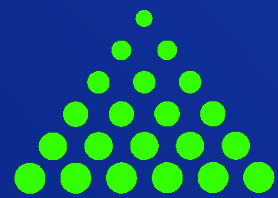
- ✓ The company opted to pay a deferred principal amount of USD 3.4 million on November 2, 2023. That was the main thorn which created exchange losses during preceding fiscals. Now the company may not suffer from exchange losses going forward at least on FCY loans.
- ✓ PIBTL repaid debt along with interest amounting to PKR 3.19 bn in 1HFY24.
- ✓ Thus we see ‘Exchange gain’ instead of exchange loss in 1HFY24 - which is a positive development.
- ✓ In our model, we are still assuming total of Vessel Handling Tariff, Royalty Charges and Ancillary Charges plugged in at average of \$8/ton in the future. PIBTL gains \$3.10/ton as per document. SOURCE: <https://bit.ly/3ImEZEn>

	FY21	FY22	FY23	FY24E
Coal Handled (in mn ton)	10.10	8.20	4.84	8.10
Vessel Handeld	176	146	86	144
Terminal Utalization	84.0%	69.0%	40.4%	67.6%
Revenue	10.9 bn	10.5 bn	9.07 bn	16.08 bn
Coal handled per vessel (tons)	57,386	56,164	56,279	56,279
PBV (x)	0.49	0.52	0.68	0.60
ROE (%)	8.3%	-3.0%	-13.3%	11.6%

Source: SCS Research, Company Book

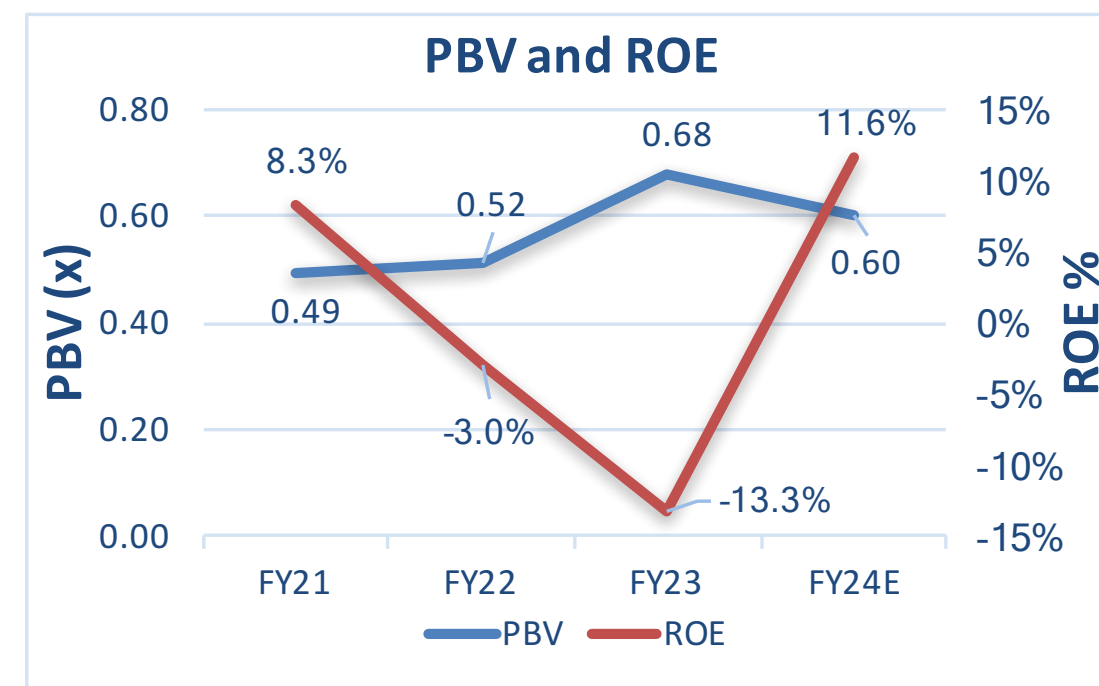
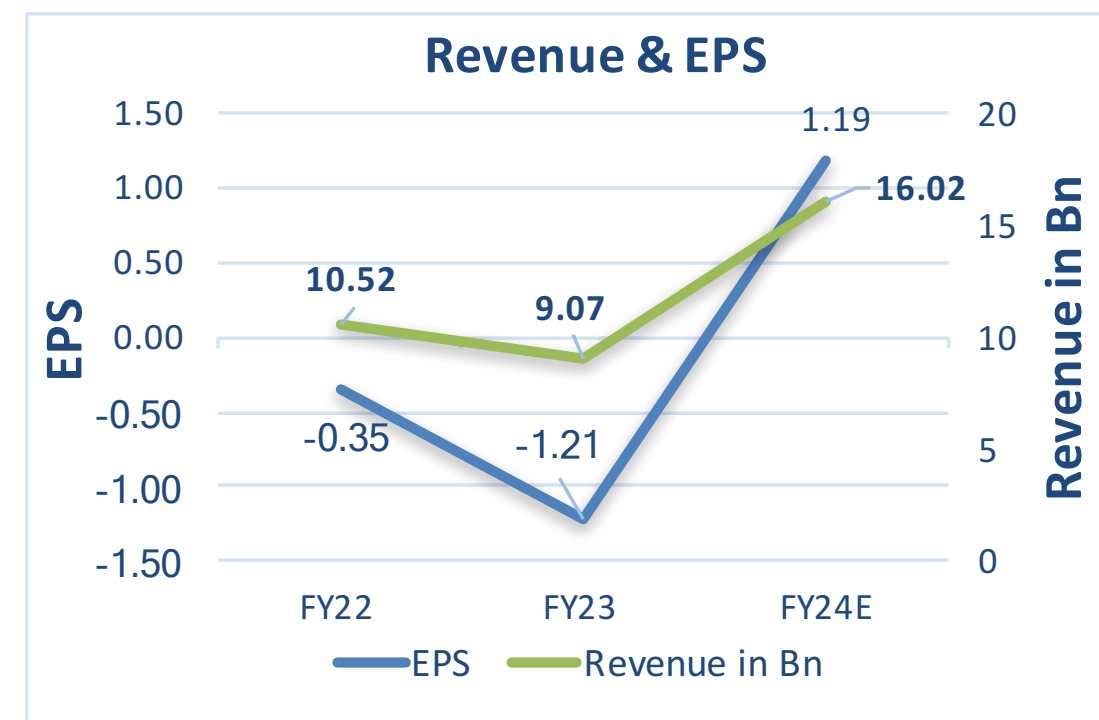
PKR in '000'	FY22	FY23	FY24E	% Change
Revenue	10,515,512	9,072,699	16,018,270	76.6%
COGS	7,692,541	7,472,722	9,499,550	27.1%
<b>Gross Profit</b>	<b>2,822,971</b>	<b>1,599,977</b>	<b>6,518,720</b>	<b>307.4%</b>
Admin & Gen Exp	579,604	583,574	704,172	20.7%
Op Profit	2,243,367	1,016,403	5,814,548	472.1%
Other Income	220,977	179,039	316,102	76.6%
Finance Cost	1,109,099	2,013,644	3,047,574	51.3%
Exchange Loss	1,649,475	2,310,140	-	-
<b>PBT</b>	<b>-294,230</b>	<b>-3,128,342</b>	<b>3,083,076</b>	<b>200%</b>
Tax	-338,163	972,702	-955,753	200%
<b>PAT</b>	<b>-632,393</b>	<b>-2,155,640</b>	<b>2,127,322</b>	<b>200%</b>
EPS	-0.35	-1.21	1.19	200%
Net Margins	-6.01%	-23.76%	13.28%	37 ppt

Source: SCS Research, Company Book



## PIBTL | Debt repayment and exchange gain case

- Management successfully secured a deferral of the principal payment originally due on June 15, 2023 in negotiations with international lenders such as the International Finance Corporation (IFC) and the OPEC Fund for International Development (OFID). The agreement was reached prior to the stipulated deadline. However, the company opted to pay a deferred principal amount of USD 3.4 million on November 2, 2023.
- The classification of non-current liabilities related to both foreign and local loans as current liabilities, as per the requirements of applicable accounting and reporting standards, has impacted the financial standing of PIBTL in FY23. Independent auditors have highlighted that the current liabilities of PIBTL exceeded its current assets by PKR 9.7 billion in FY23. However, in the balance sheet of IQFY24, the huge debt is reclassified as a non-current liability, and we see working capital to be positive.
- We see PIBTL's improved performance along with periodic debt repayments. In FY23 PIBTL was having problem repaying its debt.
- In IHFY24 PIBTL have repaid PKR 3.19 bn of its debt (including interest) which is a positive development.
- In IHFY24 we see exchange gain of PKR 108 million while in IHFY23 there was a exchange loss of PKR 676 million.
- As per earlier books, the LIBOR based FCY loans had an adverse impact on PIBTL financials as against local KIBOR based local loans which is now been created. The sensitivity says that PIBTL remained in loss earlier due to FCY loan and will now turn into profits after it replaced it into a PKR based LCY loans.



## PIBTL | Supplies to coal fired plants...

- As per our industry analysis, PIBTL is a coal supplier to efficient plants (~PKR 18/kwh). One such plant is newly commissioned by Lucky Electric. Also, the cost of a non-efficient plant ranges from PKR 18/kwh to PKR 25/kwh for a company.
- In lieu of the above, we may see an increase in coal demand from sectors like cement, textiles, chemicals, and others during FY24, which will be a positive factor for PIBTL. Earlier in FY23, we saw the volume of coal handling declining, which was mainly attributed to currency devaluation, interest rate hikes, and resultant import restrictions. Increased coal trading from Afghanistan has also negatively affected PIBTL's volumes. At the end of FY24 we may also see a decrease in interest rates and a stability in the PKR value, which will positively impact other sectors and also result in an increase in coal demand.

## Management view in directors report on the future operations of PIBTL...

- Improving the operational performance of the company, from which the company can generate sufficient cash flows to meet financial obligations.
- Confirmation from sponsors to provide financial support to the company to meet financial obligations.
- The ability to implement debt re-profiling. Here, the repayment schedules are aligned with expected cash flows, as the company earlier struggled to pay debt in FY23.

PKR in '000'	1H FY23	1H FY24	% Change
Revenue	5,861,930	8,072,185	37.7%
COGS	4,441,248	4,965,236	11.8%
Gross Profit	1,420,682	3,106,949	<b>118.7%</b>
Admin & Gen Exp	313,485	317,333	1.2%
Operating Profit	1,107,197	2,789,616	152.0%
Other Income	87,598	108,632	24.0%
Finance cost	828,999	1,066,029	28.6%
Exchange gain/(loss)	-676,281	108,177	116%
PBT	-310,485	1,940,396	<b>725.0%</b>
Tax	78,158	-883,861	1230.9%
PAT	-232,327	1,056,535	<b>554.8%</b>
EPS	-0.13	0.59	554.8%
Net Margins	-3.96%	13.09%	17.05 ppt

Source: SCS Research, Company Book



## PIBTL | DCF Valuation PKR 12.06/sh

- On the brighter side, the government is now formed, and we see an increase in the revenue of PIBTL in the upcoming years.
- As seen in 1HFY24, the EPS stands at **PKR 0.59/sh**, while in 2HFY23, it was loss per share (LPS) of **PKR 0.13/sh**. So in the future, the company is expected to generate profits given in an increase in vessel handling which is complimented with Dollar based tariff. We see this is beneficial in repaying financial obligation on time. We have used this optimistic scenario to calculate our DCF value.
- The value of the terminal growth rate and WACC can change based on future market uncertainty and changes in beta, respectively. By staying on the conservative side, we have taken a terminal growth rate of 4%, and the WACC is calculated to be 20.01%. Our DCF model churns out a target value of **PKR 12.06/sh** based on the given assumption.

WACC Calculation	
Risk free rate	15.00%
Market Risk Premium	5.00%
Beta	1.59
<b>Cost of Equity</b>	<b>22.95%</b>
Terminal Growth Rate	<b>4.00%</b>
Interest Rate	22.00%
Tax Rate	29.00%
Interest Rate (1-Tax Rate)	15.62%
Total Debt (000)	11,564,220
Total Equity (000)	17,236,846
Debt to Equity (x)	0.67
Weight of Debt	40.15%
Weight of Equity	59.85%
<b>WACC</b>	<b>20.01%</b>

Source: SCS Research

Valuation Table (PKR in 000)	
Total Firm Value	32,552,135
Less: Debt	11,564,220
Add: Cash	544,337
Total Equity Value	21,532,252
No of shares in "000"	1,786,092
<b>Target Price/sh</b>	<b>12.06</b>
Current Market Value	6.06
Upside/(Downside)	99%

Source: SCS Research

### Sensitivity Analysis for DCF Value

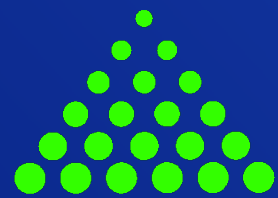
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18.6%	8.92	10.24	11.87	13.96	16.71	20.49	26.03
19.5%	8.22	9.41	10.86	12.70	15.08	18.29	22.84
20.0%	7.86	8.98	10.35	<b>12.06</b>	14.27	17.21	21.32
20.9%	7.25	8.26	9.49	11.02	12.95	15.48	18.94
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Source: SCS Research

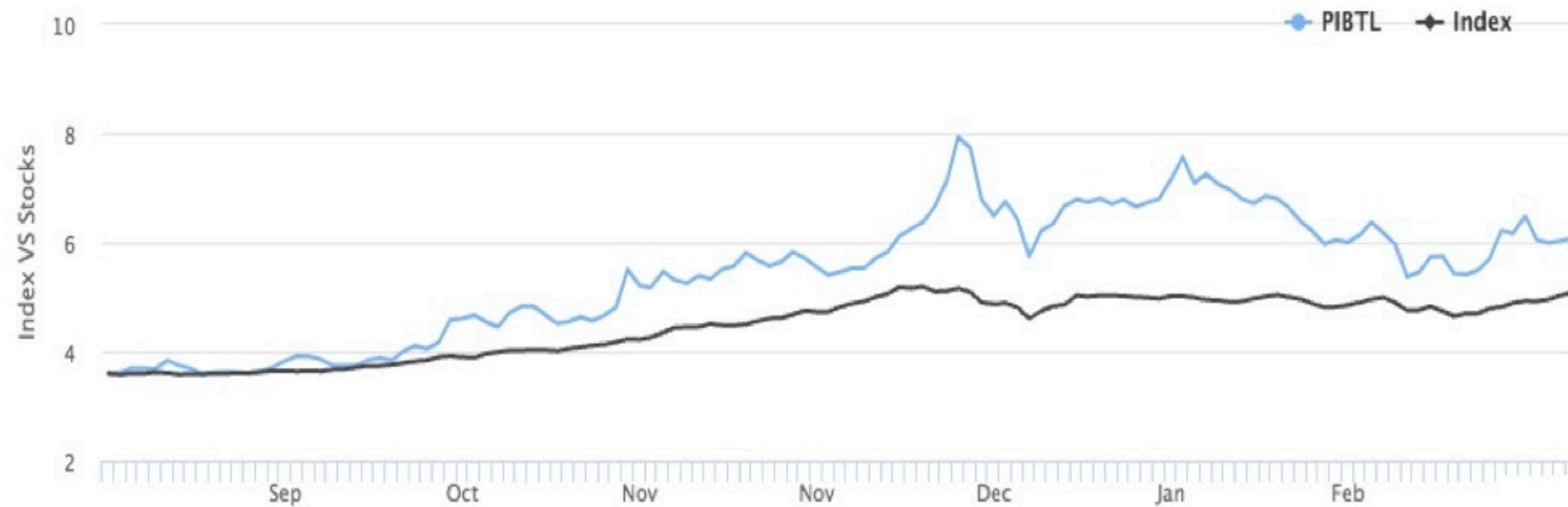
### Sensitivity Analysis for EPS (FY24)

	Number of vessels in FY24						
	114	124	134	144	154	164	174
273	0.52	0.73	0.94	1.15	1.35	1.56	1.77
274	0.53	0.74	0.95	1.16	1.36	1.57	1.78
275	0.54	0.75	0.96	1.17	1.38	1.59	1.79
276	0.55	0.76	0.97	1.18	1.39	1.60	1.81
277	0.56	0.77	0.98	<b>1.19</b>	1.40	1.61	1.82
278	0.57	0.78	0.99	1.20	1.41	1.62	1.84
279	0.58	0.79	1.00	1.21	1.43	1.64	1.85
280	0.59	0.80	1.01	1.23	1.44	1.65	1.86
281	0.60	0.81	1.02	1.24	1.45	1.66	1.88

Source: SCS Research



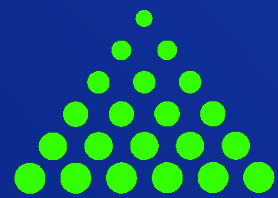
**PIBTL | Relative Index | exp PE 5.1x | FY24 EPS PKR 1.19/sh | Positive @ PKR 6.06/sh**



#### PIBTL Snapshot

Price (PKR)	6.06
Mkt Cap (PKR)	10.82 bn
Avg Vol (12m)	6,927,354
Paid-up (PKR)	17.8 bn
Authorized Cap (PKR)	20 bn
Beta	1.59
Exp PE (FY24)	5.1x
Par Value (PKR)	10
52 week low (PKR)	3.40
52 week high (PKR)	8.50

Source: SCS Research



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  - (Target Price, if any/Current Price - 1) < -10% Negative
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Valuation method

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