

REP-091
Sep 25, 2018

We reinitiate our coverage on PIBTL and issued a **Buy** call with an initial target of Rs15.5/share, which is emanating from i) improved terminal utilization from both cement and power sectors, ii) expected increase in realized tariff and iii) expected dividend payout from FY20 onward

Result preview

We expect PIBTL to post LPS of Rs2.42/share, which is primarily driven from lower terminal utilization i.e. ~26%, exchange losses due foreign currency loan Rs0.56/share and deferred tax charge of ~Rs0.82/share.

Terminal Utilization has now reached well above Breakeven Level

- PIBTL has so far handled 108 vessels since its commencement in April-2017 (FY18 54 vessels), we estimate ~210 vessels of 55kt-60kt (coal) are required to attain full capacity utilization of coal handling i.e. 12mntpa. We estimate terminal to achieve breakeven at ~45% utilization
- Following the Honorable Supreme Court order, PIBTL volumes has started to picked up since Jun-18 which barred import of coal from KPT (as shown in Fig 1.1)
- We expect 4QFY18 gross margin to turn positive ~19% (9MFY18 average negative 89%), due to improve volume handled during the quarter (27 ships handled during 4QFY18, while same ships were handled in 9MFY18)
- Moreover current utilization of terminal stands at ~80% (1QFY19). We estimate PIBTL FY19 utilization to reach ~95% (Coal)
- We work out total demand of imported coal currently stands at 18.3mntpa which is expected to go beyond 34mntpa in 2022 as shown in Figure 1.2 (including cement and power generation)
- PIBTL current capacity stands at 16mntpa (12mnt coal, 4mnt cement/clinker). We think PIBTL could expand its coal handling facility upto 16mnt with a nominal CAPEX, we have incorporate expanded capacity from FY21 onward in our valuation
- We believe PIBTL to start paying dividend from FY20, due to improved cash flows and higher terminal utilization going forward

Valuation

We have a **Buy** stance on PIBTL with a target price of Rs15.5/share (Jun-19) based on DCF (assuming risk free rate at 10% and market premium of 7.5%), currently trading at 13.09x and 8.7x of FY19 and FY20 estimates respectively

Key Risks

- Higher than estimated increase in USD
- Delay in commission of imported coal based power plants
- Lower tariff realization than estimated
- Delay in commissioning of cement plants
- Increased competition through new bulk cargo terminal
- Policy swing from government to hold back new plant to use imported coal

PIBTL

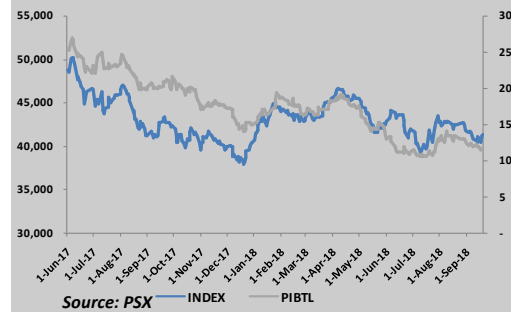
Income Statement

Rs '000 (except where indicate)	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E
Sales	10,632,572	12,377,083	16,067,318	16,580,616	17,111,863	18,045,946
COGS	(6,869,783)	(7,733,419)	(9,321,821)	(9,515,460)	(9,716,569)	(10,099,511)
Gross Profit	3,762,789	4,643,664	6,745,497	7,065,156	7,395,293	7,946,435
Administration expenses	(287,972)	(296,611)	(305,509)	(314,674)	(324,114)	(333,838)
Other operating income	60,482	62,296	64,165	66,090	68,073	70,115
Finance cost	(1,126,225)	(987,414)	(845,395)	(700,014)	(551,113)	(398,527)
Other charges	(247,471)	(308,654)	(455,291)	(477,160)	(499,748)	(537,790)
Profit before taxation	2,161,603	3,113,281	5,203,467	5,639,398	6,088,391	6,746,395
Taxation	(670,097)	(902,851)	(1,404,936)	(1,466,243)	(1,522,098)	(1,686,599)
Profit After Taxation	1,491,506	2,210,429	3,798,531	4,173,155	4,566,293	5,059,796
EPS	0.84	1.24	2.13	2.34	2.56	2.83
Gross Margin	35%	38%	42%	43%	43%	44%
Net Margin	14%	18%	24%	25%	27%	28%

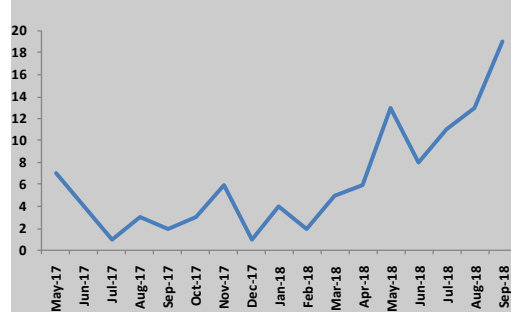
Source: Company Financials, ASL Research

KATS Symbol	PIBTL
Reuters Symbol	PIBT.KA
Target Price	Rs15.53
LDCP	Rs11.13
Outstanding Shares (mn)	1,786.09
Free Float (mn)	817.3
Market Cap (mn Rs)	19,879.2

Price Performance vs KSE100 Index



PIBTL vessels handled since COD (Fig 1.1)



Source: PQA, AS Research

Imported Coal demand outlook (Fig 1.2)

Imported Coal (mntpa)	FY19E	FY22E
Total coal demand from cement industry	7.2	8.8
Captive - (Imported Coal) - (309MW)	1.2	1.2
IPP (Sahiwal 1320MW, Port Qasim 1320MW)	10.0	10.0
Jamshuro 1320MW (80% imported)	-	4.0
Lucky Electric - 660MW- 50% imported	-	1.3
HUBC - 1320MW	-	5.0
Dastang Imported Coal (350x2)MW	-	2.7
Gwadar 300MW	-	1.1
Total coal demand	18.37	34.03

Source: NEPRA, ASL Research

Research Department
021-111-555-275 Ext # 104
research@abbasisecurities.com

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Valuation Methodology

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method (P/E, P/B, Justified P/B & P/E etc.)
- Discounted Cash flow Method
- Equity and Asset based valuation

Rating

BUY	Total return more than 20% from last closing of market price
HOLD	Total return is in between 10% and 20% from last closing of market price
REDUCE	Total return is less than 10% from last closing market price