Pakistan National Shipping Corporation (PNSC) Corporate Briefing Takeaways

22 November 2024

REP-300

The management of Pakistan National Shipping Corporation (PNSC) held a corporate briefing session to discuss its performance and future outlook.

Brief Takeaways:

- **Profitability:** The management revealed that a 33% YoY decline in FY24 profitability is related to lower revenue and the absence of one-off gains. The topline declined amid lower freight rates (USD 15/day in FY24 vs. USD 40/day in FY23) and the absence of the Government's TCP cargo orders during FY24. Liquid cargo rates reduced by 12% YoY, which impacted the overall revenue. In addition to this, FY23 had one-offs such as a gain on the sale of liquid cargo vessel M.T Karachi, coupled with a hefty exchange gain, which were not present in FY24.
- **IMO Regulation 2023:**The management disclosed that the International Marine Organization (IMO) has set a target to shift the world cargo industry toward green cargo ships (de-carbonization strategy) by 2030. Accordingly, the company is considering acquiring vessels that meet the 2030 regulation. Therefore, the company is considering completed or under-construction new vessels (known as resale vessels) or those less than five years old.
- **Tenders for Aframax tanker:** The company has issued a tender for replacing the Aframax tanker. PNSC has received bids from interested companies in the UK, US, and China. Regarding the rumors of reaching a deal with a Chinese company, the management shared that no contract has been signed yet and evaluation is ongoing.
- **Multi-purpose vessels:** The management reiterated that the new Aframax tankers will be internally coated, which means they could serve as clean and dirty cargo vessels.
- **Payment plans:** For the procurement of the new vessels, the company plans to make some payments in Pak Rupees and remaining in USD.
- **Price of Vessels:** According to the management, the resale vessel will cost USD 85mn, while vessels less than five years old cost USD 72.5mn.
- **PNSC's Procurement Policy:** In FY23, the government restricted the company from procuring second-hand vessels. If the company opts for a new vessel, it will take more than two years for the vessel to be completed and delivered. Therefore, the company is finalizing its own procurement policy, which will again allow it to procure second-hand vessels.
- **Revenue Outlook:** For FY25, the company expects 8mn tons of cargo to be brought in for refineries. For clean cargo, the freight rates have significantly declined, which, according to the management, could result in lower revenue. Meanwhile, for dry vessels, the management shared that it has received many orders and expects growth in revenue from these vessels.
- **Delivery time-line:** The management shared that the delivery time for a new Aframax and LR vessel would be 2028. If the company decides to procure a new vessel, efforts will be made to have it delivered earlier, by 2026 or 2027.
- **Sale of existing fleet:** Regarding the expected price of used vessels, management shared that most of the fleet is more than 20 years old, and selling price of a ship in working condition would be USD 12mn to USD 15mn. Meanwhile, if vessels are sold as scrap, price is expected to be USD 7mn to USD 7.5mn

AHL Research
D: +92 21 32462589
UAN: +92 21 111 245 111, Ext: 255
research@arifhabibltd.com