



Pakistan National Shipping Corporation

Corporate Briefing Session (CBS)

22 November 2024

- **Company Brief and Business Segments**
- **Financial Details**
- **Strategic Planning and Future Prospects**
- **Q & A Session**



Company Brief and Business Segments





Vision

To be a prominent player and key stakeholder in global shipping industry by maintaining diversified and efficient marine assets

Mission

To provide reliable & efficient shipping services to overseas and Pakistan's seaborne trade, maintaining relationship of integrity and trust with our customers, partners, employees, safeguarding interests of our stakeholders and contributing towards betterment of national economy, society and the environment.



INTRODUCTION



- Autonomous body established under the PNSC Ordinance XX of 1979
- 87.56% shares held/controlled by the Federal Government (as of 30 June 2024)
- Board of Directors' structure under PNSC Ordinance 1979 (as amended)
 - 8 Directors (including Chairman and two Ex-Officio Directors) are appointed by Fed. Government
 - 2 Directors are elected by the Minority Shareholders
 - Chief Executive Officer appointed by the Federal Government .
- Group Comprises of 19 Subsidiaries
- General Administration & affairs are vested in the Board of Directors
- Federal Government issues directives on policy matters
- Credit Rating issued by Pakistan Accredited Credit Rating Agency (PACRA):
 - *AA for long term A1+ for short term

*PNSC aimed for AAA long term credit rating considering its Balance Sheet strength, however the rating agency expects to have stronger assets base in near future for any potential positive upgrade.



Corporation is undertaking three functions:

- Fleet Maritime Operations & Logistics by Sea through Dry Bulk Cargo, Liquid Bulk Cargo, Non-Vessel Owning Common Carrier Services and Slot Charter Services
- Real Estate (3 commercial buildings)
- Workshops (2 for marine repair & maintenance works)

Shipping Business Operations



PNSC is in the process of modernizing and upgrading its fleet so as to address the logistics needs of its current and future customers and to comply with foreseeable decarbonisation regulations.

In this regard PNSC continues to engage with its stakeholders for early execution of its fleet development plan and organizational preparedness.

DRY BULK CARGO

- PNSC operates a Fleet of five Bulk Carriers tramping worldwide moving commodities across the globe.
- The Corporation caters to the needs of major global commodities traders and charterers providing them timely and market competitive freight solutions.
- Caters break-bulk and TEU requirements of SOEs and defense organizations and also manage inventory of owned SOCs of Private Sector.

LIQUID BULK CARGO

- PNSC operates a fleet of seven double hull tankers, PNSC has the capability to transport dirty products including crude oil through its five Aframax Crude Oil tankers as well as the ability to transport clean products such as MoGas through its Two (2), LR-1 Product tankers
- PNSC is carrying crude oil on its owned tankers from 2003 onward under a COA with refineries
- PNSC's LR-1 Product Tankers operate in the international market

PNSC Tanker and Dry bulk fleet commercial availability for FY 23-24 is 80% and 73% respectively.





DEVELOPMENT IN SHIP MANAGEMENT ACTIVITIES

PNSC has implemented new Safety Management System (SMS) in accordance with International Maritime Organization (IMO) and International Safety Management (ISM) code in line with Oil Companies International Marine Forum (OCIMF) for Tanker Management Self Assessment (TMSA) and International Safety Guide for Oil Tankers and Terminals (ISGOTT) to meet the International Shipping Standards for Tankers and Bulkiers as applicable.

PNSC WORKSHOP

PNSC workshop has expanded its business strategy to save foreign exchange by opening new services after getting OEM training and authorization by Mercantile Marine Department such as Life Raft Service, LSA/FFA facility, UT Gauging and Radio Equipment Initiative. PNSC expects to render these services to foreign flag vessels calling Pakistan Ports.



Fleet



<u>Tanker Vessel Name</u>	<u>Type</u>	<u>Date of Induction</u>	<u>Last Operational Date</u>	<u>DWT</u>
Quetta	Aframax	10-Jul-08	13-May- 23	107,215
Lahore	Aframax	23-Feb-10	23-Jul-23	107,018
Shalamar	Aframax	1-Dec-14	08-Nov-26	105,215
Bolan	LR-1	25-Mar-19	18-Mar-33	74,919
Khairpur	LR-1	16-Apr-19	18-Oct-32	74,986
Mardan	Aframax	3-Aug-22	27-Jul-27	107,123
Sargodha	Aframax	11-Aug-22	15-Mar-28	107,123

<u>Bulker Vessel Name</u>	<u>Type</u>	<u>Date of Induction</u>	<u>Last Operational Date</u>	<u>DWT</u>
Chitral	Handymax	25-Oct-10	09-Jun-28	46,710
Malakand	Panamax	27-Dec-10	28-Oct-29	76,830
Hyderabad	Handymax	21-Apr-11	08-Jan-29	52,751
Sibi	Handysize	18-May-11	28-Sep-34	28,442
Multan	Handymax	26-Sep-12	10-Sep-27	50,244



Financial Details





GROUP FINANCIAL HIGHLIGHTS

	For the year ended June 30, 2024	For the year ended June 30, 2023	Variance	%
	----- (Rupees in '000) -----			
Revenue	46,363,490	54,597,184	(8,233,694)	-15%
Gross profit	18,802,421	26,981,388	(8,178,967)	-30%
Levies & Taxation	(2,575,972)	(1,882,252)	(693,720)	37%
Net profit	20,181,735	29,994,295	(9,812,560)	-33%
Dividend Declared (Rs/Share)*	35	20	15	75%
Bonus Shares (Percent)**	50	-	50	100%
EPS (Rupees)	152.81	227.11	(74)	-33%

* Dividend declared includes interim cash dividend Rs.10 plus final dividend Rs.25 for the year ended June 2024.

* Dividend declared includes interim cash dividend Rs.5 plus final dividend Rs.15 for the year ended June 2023.

** Bonus Shares in proportion of 50 Shares of every 100 Shares held i.e. 50%. for the year ended June 2024.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Balance Sheet	2024	2023
Property, plant and equipment	36,500,711	35,806,011
Other non-current assets	4,816,353	4,400,167
Trade debts	3,825,726	5,969,078
Cash and bank balances	7,172,765	8,383,959
Other current assets	47,578,479	31,430,973
Total assets	99,894,034	85,990,188
Shareholder's equity	88,327,564	71,079,894
Employee benefits	1,128,785	739,613
Long-term financing	1,952,583	2,822,020
Lease liabilities	11,878	88,547
Current portion of long-term financing	868,800	4,422,203
Other current liabilities	7,604,424	6,837,911
Total equity and liabilities	99,894,034	85,990,188



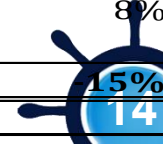
GROUP FINANCIAL PERFORMANCE (CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT)

EXECUTIVE HIGHLIGHTS	For the year ended June 30, 2024	For the year ended June 30, 2023	Variance	%
----- (Rupees in '000) -----				
Revenue	46,363,490	54,597,184	(8,233,694)	-15%
Expenditures	(27,561,069)	(27,615,796)	54,727	-0.2%
Gross profit	18,802,421	26,981,388	(8,178,967)	-30%
Administrative expenses	(2,003,503)	(1,608,239)	(395,264)	25%
Impairment loss	(173,225)	(1,122,941)	949,716	-85%
Other expenses	(752,394)	(449,022)	(303,372)	68%
Other income	7,899,179	9,486,391	(1,587,212)	-17%
Operating profit	23,772,478	33,287,577	(9,515,099)	-29%
Finance cost	(1,014,771)	(1,411,030)	396,259	-28%
Profit before levies and tax	22,757,707	31,876,547	(9,118,840)	-29%
Levies & Income Taxes	(2,575,972)	(1,882,252)	(693,720)	37%
Net profit	20,181,735	29,994,295	(9,812,560)	-33%
EPS (Rupees)	152.81	227.11		
Gross Profit Margins	41%	49%		
Net Profit Margins	44%	55%		



GROUP FINANCIAL PERFORMANCE (REVENUE FROM CONTRACT WITH CUSTOMERS & OTHERS)

Revenue	For the year ended June 30, 2024	For the year ended June 30, 2023	Variance	%
----- (Rupees in '000) -----				
<u>Dry Cargo</u>				
Bulk Carriers - Owned	3,295,146	4,980,257	(1,685,111)	-34%
Bulk Carriers - Foreign Flag	-	2,775,182	(2,775,182)	-100%
Slot charter revenue	3,150,697	4,707,063	(1,556,366)	-33%
Total Dry Cargo	6,445,843	12,462,502	(6,016,659)	-48%
<u>Liquid Cargo</u>				
<u>Owned Tankers</u>				
Freight revenue	30,483,350	33,337,622	(2,854,273)	-9%
Demurrage income	3,507,746	4,687,653	(1,179,908)	-25%
Income from miscellaneous claims	1,275,492	1,343,803	(68,311)	-5%
	35,266,587	39,369,078	(4,102,491)	-10%
<u>Chartered Vessels - Foreign Flag Vessels</u>				
Freight revenue (Liquid Cargo)	4,068,723	1,430,329	2,638,394	184%
Demurrage income	123,838	1,029,592	(905,754)	-88%
Income from miscellaneous claims	170,521	40,226	130,295	324%
	4,363,082	2,500,147	1,862,935	75%
Total Liquid Cargo	39,629,669	41,869,225	(2,239,556)	-5%
Income From Shipping Business	46,075,512	54,331,727	(8,256,215)	-15%
Real Estate Income	287,978	265,457	22,521	8%
Total Revenue	46,363,490	54,597,184	(8,233,694)	-15%





GROUP FINANCIAL PERFORMANCE (BREAK-UP OF FLEET EXPENSES)

Fleet Expenses	For the year ended June 30, 2024	For the year ended June 30, 2023	Variation	%
	------(Rupees in '000)-----			
Charter hire and related expenses	5,043,985	6,432,524	(1,388,539)	-22%
Diesel, fuel and lubricants consumed	8,607,218	9,604,501	(997,283)	-10%
Port, light, canal and customs dues	3,332,929	2,765,071	567,858	21%
Demurrage expenses	85,206	674,845	(589,639)	-87%
Fleet communication expenses	114,390	79,542	34,848	44%
Agency commission and brokerage	704,778	858,132	(153,354)	-18%
Claims	7,340	3,511	3,829	109%
Sindh sales tax	196,043	108,327	87,716	81%
Traveling and conveyance	200,535	154,924	45,611	29%
Survey fee	151,481	137,779	13,702	10%
Sundry expenses	380,473	206,616	173,857	84%
Salaries and allowances	2,815,349	1,747,925	1,067,424	61%
Vessel insurance	901,682	836,948	64,734	8%
Depreciation	3,604,920	2,998,980	605,940	20%
Victualling expenses	310,540	257,126	53,414	21%
Stores and spares consumed	670,117	460,251	209,866	46%
Total Fleet Expenses	27,428,414	27,507,133	(78,719)	-0.3%

Strategic Planning and Future Prospects



Fleet Development Plan – Projects under evaluation:

Type of Vessel	Aframax Tanker LR-2
Nos.	2+2
DWT(MT) per vessel	110,000
Age of ship (approx.)	New Built
Resale price (US\$M)	85.00
5 years old price (US\$M)	72.50
10 years old price (US\$M)	60.00
Actual Price of per Vessel (US\$M)	73.25



Challenges on procurement of secondhand Vessels

PNSC is restricted from procurement of secondhand, However, under the provisions of State Owned Enterprises Act 2023., Corporation is allowed to formulate its own Procurement Policy in line with international shipping industry practices.

Currently, PNSC's Procurement Policy is under review to be submitted for the approval of Federal Government.



Chartering Practices for Profit Maximization

Tankers:

- Aframax: Our strategy to operate our DPP fleet with a combination of market and COA cargoes on spot voyages to minimize waiting time between laycan to maximize profits. We remain committed to fulfil our COA obligation for transportation of 8.0 Million tonnes crude to Pakistan.
- LR1 tankers: PNSC has adopted a smart strategy by operating LR1 vessels on spot voyages with short hauls routes to capitalize on cyclical market trends rather than committing on long haul voyages to maximize profits.

Bulk carrier : Considering age/ trading restrictions imposed on bulk carriers, the bulk fleet fixed on single TCT & TC contracts to ensure stable cash flow and maximize profits.

Liner/ break Bulk: Majority for FCL/LCL booking done through MLO by analyzing the seasonal trends and for break bulk cargoes usually booking made on FLT/CQD terms with spot chartering arrangement.

Tanker and Dry Bulk Market highlights Q1/2 FY 23-24



Dry Bulk Market

The dry bulk market witnessed softness in earnings year-over-year (y/y) across all segments. Capesize earnings averaged 40% higher year-over-year in FY24, while Kamsarmax and Handymax earnings were down by 21% and 34%, respectively.

PNSC Dry bulk fleet earning met the budgeted targets for freight earnings

Crude Tanker Market

Crude tanker earnings had surged in FY23 to levels last seen in FY09, mainly propelled by sanctions on Russian crude exports. Earnings softened slightly year-over-year (y/y) in FY24 but still sustained strong levels from a historical perspective.

The structural dislocation caused by Russia's invasion of Ukraine in February 2022 continues to benefit the Aframax and Suezmax tanker segments. US and EU's efforts to tighten sanctions on the dark fleet, the lower discount of Urals (vs Brent), have all made it challenging for Russian crude exports. Yet Russian seaborne exports increased by approximately 2% in FY24.

PNSC Aframax on average achieved a TCE \$ 49k per day against TD8published earning \$39k for FY 23-24

Tanker and Dry Bulk Market highlights Q1/2 FY 23-24



Product Tanker Market

The product tanker market has been witnessing a prolonged period of firm earnings since early 2022, following the onset of the Russia-Ukraine war.

Like crude tankers, product tanker earnings softened y/y in FY24 but continue to be strong from a historical perspective. Product tanker markets have been aided by strong refinery throughput, shifts in product trade patterns due to impacts from the Russia-Ukraine conflict, and the latest trade disruptions from the conflict in the Red Sea.

New Middle East refineries in Kuwait, Oman and Iraq have ramped up production, and despite higher y/y maintenance in Saudi Arabia, Middle East product exports grew by 4% in FY24.

PNSC LR1 on average achieved a TCE \$ 40k per day against TC5 published earning \$32 k for FY 23-24

Tanker and Dry Bulk Market highlights FY 24-25



Aframamax: Satisfactory start to the quarter followed by seasonal slowdown and adverse impact from crude tankers weighing on freight rates, however little impact on Refinery COA earning other than PARCO shut down due to maintenance in October 2024.

LR1: Product Tanker Market decline in freight due to Crude Tanker Cannibalization and decline product demand from West and China has drastically corrected PNSC LR1 earning from \$ 40k TCE to \$ 15k TCE per day

Dry Bulk: During the first two quarters of 2024 dry bulk trade volumes increased by +5.4%, supported by record iron ore, coal and minor bulk exports. Ton-miles increased at a faster pace, due to canal inefficiencies and strong long-haul Atlantic exports. PNSS dry bulk performed exceptionally well against the budgeted targets.

Market Outlook:

Almost 45% of refineries at high risk of closure are located in Europe. At the same time, 3.5m b/d of net refining capacity has come online in the Middle East/India and China.

Potential additional ordering for product tankers from 2028 onwards will be impacted by Chinese shipyards opting to build container vessels, LNG carriers and vessel for China's strategic imports.

Generally, the positive trends on the tanker demand side combined with relatively limited tonnage supply growth, support a positive freight market development in the next three-year period. However, market volatility is expected to remain not least due to the continued geopolitical instability.

Off course, 2025 could be a very different case. If disruption in the Red Sea were to end, the trend could reverse with "lost miles" limiting tonne-mile expansion.



Q & A Session



Thank You

