



Coal Mining & Trading

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Coal Mining & Trading

Global | Overview

- Coal is a carbon-rich organic rock formed from vegetation compressed over millions of years under heat and pressure. It is mainly used in two forms: **Metallurgical coal (coking coal)**: Used in steel production. **Thermal coal**: Used to generate electricity and heat.
- In CY24, global coal reserves were recorded at ~1,074.1bln MT (CY23:~1,157.4bln MT). The USA holds the highest reserves of coal in the world, ~248.9bln MT, forming ~23.2% of the global share (CY23: ~248.9bln MT, ~21.5% global share).
- However, during CY24, despite the highest proven reserves, coal production of the USA (~464.6mln MT) was lower than the coal production of China (~4,780.0mln MT) and India (~1,085.0mln MT), which hold the fourth and fifth, respectively, largest proven reserves in the world.
- This may be linked with stricter environmental conditions and a shift to greener energy sources in the USA. The global production-to-reserve ratio of ~0.8% depicts that the global reserves are expected to last for ~131 years.
- Meanwhile, China is the largest producer and consumer of coal, forming ~51.7% and ~55.6% in CY24, respectively (CY23: ~51.7% and ~55.6%, respectively) (this is covered later). India is the second-largest producer of coal in the world.

| Country | Proven Reserves (bln MT) CY24* | Share in Global Reserves (%) | Production (mln MT) CY24 | Production n (% of reserves) |
|---------------|----------------------------------|------------------------------|---------------------------|------------------------------|
| USA | 248.9 | 23.2% | 464.6 | 0.2% |
| Russia | 162.2 | 15.1% | 427.2 | 0.3% |
| Australia | 150.2 | 14.0% | 462.9 | 0.3% |
| China | 143.2 | 13.3% | 4,780.0 | 3.3% |
| India | 111.0 | 10.3% | 1,085.1 | 1.0% |
| Germany | 35.9 | 3.3% | 91.9 | 0.3% |
| Indonesia | 34.8 | 3.2% | 836.1 | 2.4% |
| Ukraine | 34.4 | 3.0% | 17.4 | 0.1% |
| Poland | 28.3 | 2.6% | 85.2 | 0.3% |
| Kazakhstan | 25.6 | 2.4% | 112.6 | 0.4% |
| Others | 99.6 | 9.6% | 878.5 | 0.9% |
| Total/Average | 1,074.1 | 100% | 9,241.5 | 0.8% |

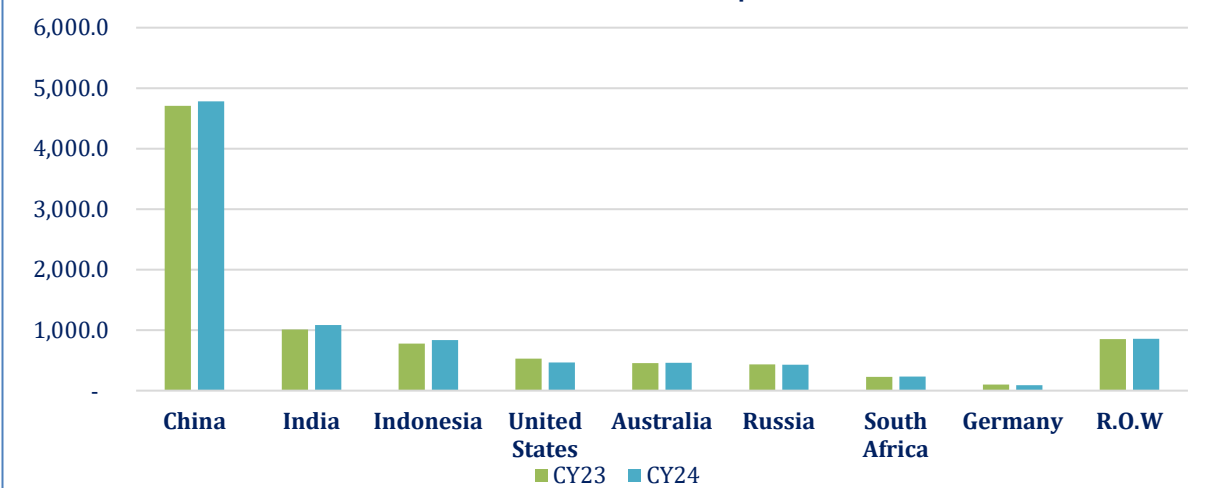
Note: *Latest Available.
Proven Reserves depict the coal that can be mined with the mining technology currently available.

Coal Mining & Trading

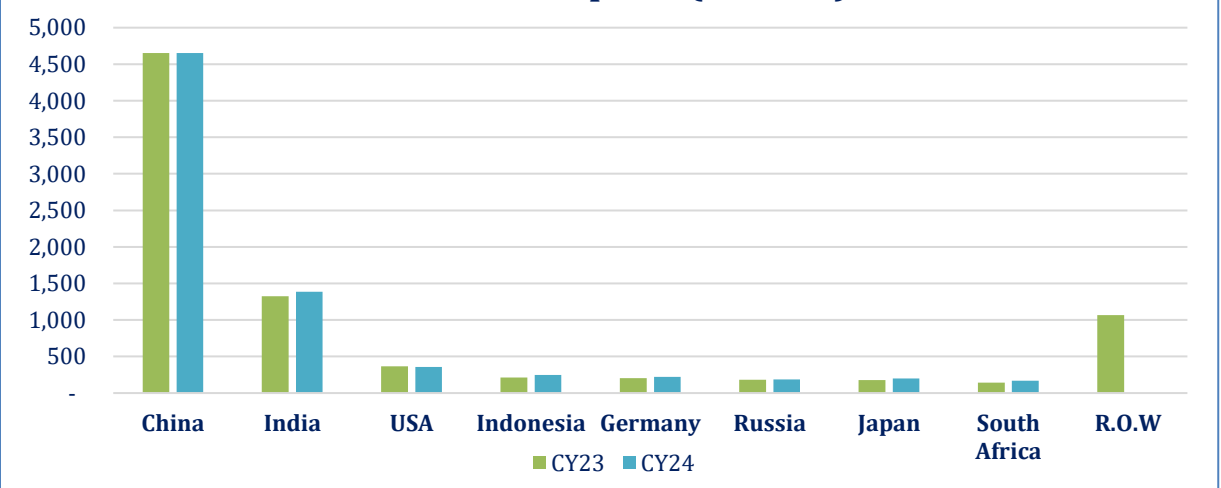
Global | Production & Consumption

- In CY24, global coal production expanded to ~9,241.5mln MT (highest recorded), up ~1.6% YoY. Although China holds the largest share in the production of coal, in CY24 the growth was predominantly driven by Indonesia and India, which ramped up domestic production by ~7.9% and ~7.3% YoY, respectively, to reduce their reliance on imports, while China recorded a moderate growth of ~1.5%.
- During the year, China recorded a ~1.5% YoY increase in coal production, reaching a record high of ~4,780.0mln MT and forming ~51.7% of global coal extracted. The Asia Pacific region contributed ~80.0% of the world's coal production (SPLY: ~78.9%), with output concentrated in three countries - China, India, and Indonesia.
- Global coal demand surged to a historic high of ~8,373mln MT in CY24, marking ~0.6% YoY increase. The growth was primarily driven by countries relying substantially on coal for power generation and industrial applications, notably China and India. These, respectively, made up ~55.6% and ~16.6% of global coal consumption in CY24.
- Globally, ~60.0% of coal is utilized for electricity generation, cement production, and in the metallurgy sector. However, rising environmental concerns about coal consumption due to its carbon content pose a major threat to demand as we advance.

Global Coal Production | mln MT



Coal Consumption (mln MT)



Note: Conversion rates for each of the country is calculated based on bp Stats conversion rate of production from Exa Joules to mln MT for the respective country. Coal includes both solid coal as well as Bituminous coal

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Global | Trade

| Coal Imports (mln MT) | | | | | | |
|-------------------------|-------------|-------|-------|-------|-------|-------|
| Sr. | Countries | CY20 | CY21 | CY22 | CY23 | CY24 |
| 1 | China | 335 | 338 | 295 | 514 | 588 |
| 2 | India | 286 | 282 | 301 | 323 | 320 |
| 3 | Europe | 354 | 401 | 446 | 321 | 270 |
| 4 | South Korea | 265 | 270 | 270 | 257 | 247 |
| 5 | Japan | 180 | 192 | 191 | 174 | 172 |
| | Pakistan | 16 | 19 | 18 | 9 | 6 |
| | R.O.W | 240 | 198 | 121 | 200 | 223 |
| | Total | 1,676 | 1,700 | 1,642 | 1,798 | 1,826 |

| Coal Exports (mln MT) | | | | | | |
|-------------------------|-----------|-------|-------|-------|-------|-------|
| Sr. | Countries | CY20 | CY21 | CY22 | CY23 | CY24 |
| 1 | Indonesia | 433 | 442 | 453 | 492 | 528 |
| 2 | Australia | 365 | 375 | 321 | 351 | 354 |
| 3 | Russia | 266 | 283 | 249 | 253 | 226 |
| 4 | USA | 77 | 97 | 99 | 110 | 117 |
| 5 | Mongolia | 43 | 26 | 47 | 103 | 119 |
| | R.O.W | 492 | 477 | 473 | 489 | 482 |
| | Total | 1,676 | 1,700 | 1,642 | 1,798 | 1,826 |

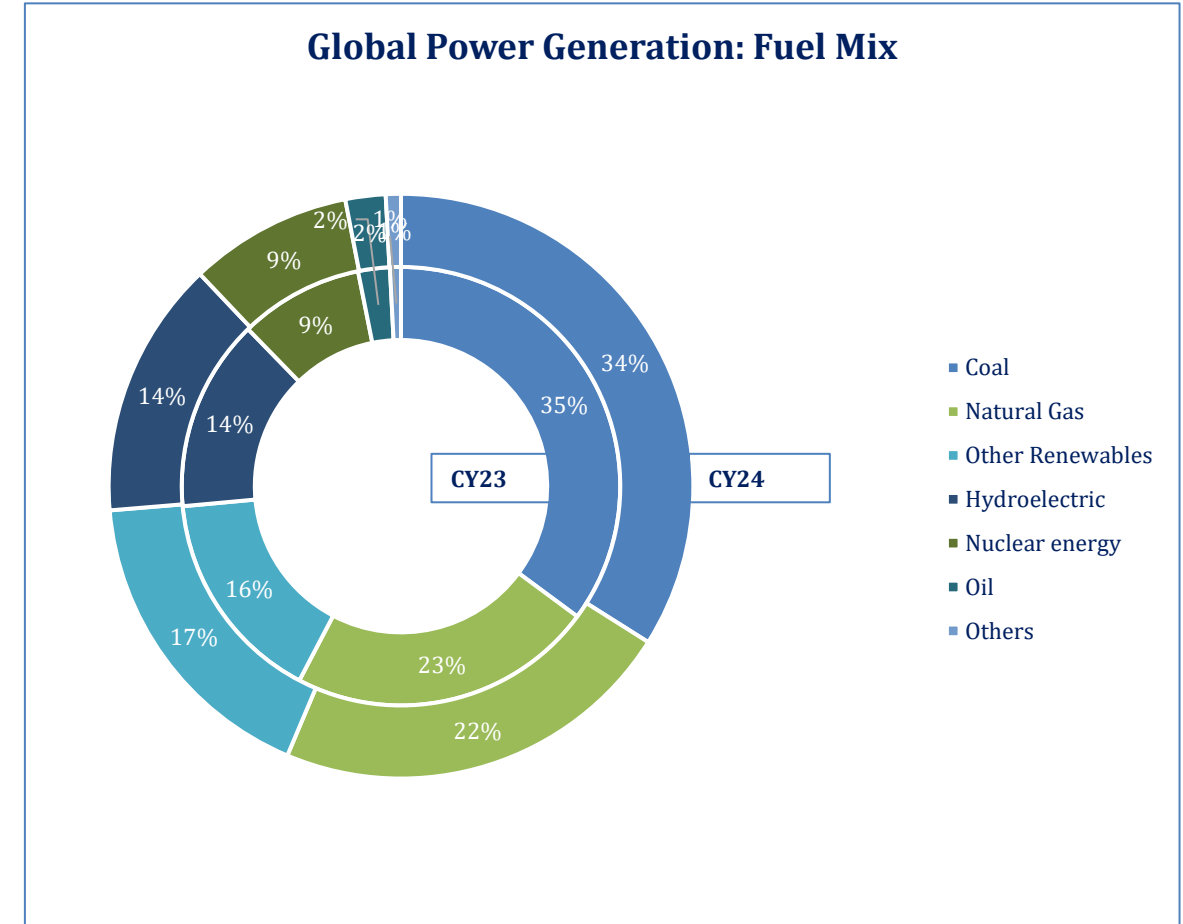
- In CY24, the global coal trade registered ~1.6% YoY increase, reaching its highest level since CY18. China, with ~32.2% share in global coal imports, emerged as the leading coal importer in CY24. The country’s imports surpassed India’s by ~1.8x, amounting to ~588.0mln MT, up ~14.4% YoY, because of increased demand for coal by the cement sector.
- Pakistan’s coal imports continued their downward trend, declining by ~33.0% YoY. This reduction was primarily driven by increased reliance on domestic coal, with local production rising to ~19.2mln MT in FY24, up from ~15.0mln MT in the previous year.
- Overall, the Asia Pacific region accounted for ~84.3% of global coal imports during the year (SPLY: ~82.0%). Meanwhile, Europe saw its coal imports decline to ~270.0mln MT, the lowest level since CY20.
- On the other hand, Indonesia, Australia, and Russia collectively accounted for ~60.6% of global coal exports during CY24 (SPLY: ~61.0%), with Indonesia alone contributing ~28.9% and recording ~7.3% increase YoY during the year.

Note: Pakistan coal imports are on FY basis

Coal Mining & Trading

Global | Power Generation Mix

- In CY24, global power generation was up ~4.4% YoY increase, reaching a record high of ~31,255.9 TWh (CY23: ~29,924.8 TWh).
- Coal maintained its dominant position in power generation, accounting for about ~34.0% of the global power generation in CY24 (SPLY: ~35.0%). After coal, natural gas is the second most used fuel, accounting for ~22.0% of total power generation in CY24 (SPLY: ~23.0%).
- Hydroelectric also held a steady share, comprising ~14.0% in the global power generation mix, the same as last year.
- Oil-fired plants contributed slightly over ~2.0% of the total power generation mix. The share of renewables in total power generation increased from ~16.0% in CY23 to ~17.0% in CY24.
- The share of nuclear power remained stable at ~9.0%. While new reactors came online in China and several plants resumed operations in France and Japan, these gains were offset by the shutdown of Germany's remaining nuclear facilities.



Coal Mining & Trading

Global | Carbon Emissions

- Since CY19, global carbon emissions have risen by ~850.0mln MT reaching ~35.4bln MT. Carbon emissions from coal increased to ~900.0mln MT, while gas emissions have risen modestly, and oil emissions remain slightly below CY19 levels.
- In CY24, coal accounted for ~38.4% of the increase in global emissions from energy combustion, with China & India being the major contributors.
- Historically, a significant amount of CO2 emissions were primarily from Western Europe (including countries like the UK and Germany) and the USA.
- Asia, particularly China, has become the largest producer of CO2 emissions. This shift can be attributed to China's rapid economic and industrial growth over the past few decades, transforming it into a global manufacturing hub.

| Country-wise Carbon Emissions CY24 | | |
|--------------------------------------|-----------|--------|
| Sr. | Countries | bln MT |
| 1 | China | 11.2 |
| 2 | USA | 4.6 |
| 3 | India | 2.9 |
| 4 | Russia | 1.6 |
| 5 | Japan | 1 |
| | R.O.W | 14.1 |
| | Total | 35.4 |

Coal Mining & Trading

Global | Carbon Emissions

- Coal stands as the leading contributor to human-induced carbon dioxide (CO2) emissions post-pandemic (COVID-19), necessitating reductions in its consumption to achieve international climate goals.
- In CY24, global energy-related carbon emissions rose by ~1.1%, adding ~467.5mln MT to reach a new peak of ~35.4bln MT of carbon emissions. In CY24, coal emissions contributed ~38.4% to the overall increase (SPLY: ~70.0%). Additionally, in CY24, coal maintained its leading role in power generation, holding a share of ~34.0% in the global power mix.
- In CY24, energy-related CO2 emissions in the USA saw a slight decrease compared to CY23. While emissions declined across multiple economic sectors, over ~80.0% of the reductions in energy-related CO2 emissions occurred within the power sector. This reduction was primarily driven by decreased generation from coal-fired power plants, as natural gas and solar power expanded their share in the generation mix.
- The high emissions intensity of coal has led to a reluctance among investors to commit to continuous investment, especially in thermal coal, as the decarbonization of electricity is progressing rapidly. New projects face challenges as countries in the Western Hemisphere remain committed to ambitious climate goals, potentially reducing coal demand.
- More significantly, financial institutions are increasingly reluctant to fund carbon-intensive projects due to environmental, social, and governance (ESG) concerns, making access to financing more difficult.

| Change in CO2 emissions by Fuel and Region CY24 (MT) | | | |
|---|-------|-------|-------------|
| Countries | Coal | Oil | Natural Gas |
| China | 76.6 | -11.4 | 57.1 |
| India | 106.5 | 22.8 | 9.7 |
| Indonesia | 36.2 | -1.4 | 4.4 |
| Rest of EMDE | 49 | 5.9 | 78.6 |
| USA | -34.3 | -6.6 | 23.3 |
| European Union | -53.4 | -3.6 | 0.6 |
| Japan | -11.6 | -16.3 | -0.5 |
| Rest of AE | -34.6 | 3 | 8.3 |
| Others | -0.2 | 41 | -0.1 |
| World | 134.2 | 33.4 | 181.4 |

Coal Mining & Trading

Global | Outlook

Consumption

- India, Indonesia, and other emerging and developing economies are projected to continue relying on coal to fuel robust economic growth, even as they commit to accelerating the adoption of renewables and other low-emission technologies. However, coal-fired power plants are being frequently closed down in these regions, and industrial coal usage is projected to decrease due to sluggish industrial output, enhanced efficiency measures, and a greater shift towards alternative fuels.
- For the forecast period through CY27, coal demand is expected to remain relatively stable within a narrow range. While declining usage in the European Union and the United States is offset by rising demand in India and ASEAN nations, China remains the key driver of global coal consumption. In the power sector, although renewable energy is expanding rapidly, robust electricity demand is likely to keep coal-based power generation close to CY24 levels.
- Chinese coal consumption is projected to experience minimal growth, averaging below ~0.5% annually and reaching ~5,005.0mln MT by CY27. While the coal conversion sector remains uncertain, it presents significant potential for upward growth.
- Coal-fired power generation is expected to see a modest increase between CY24 and CY27, driven by a strong average annual growth in electricity demand of around ~6.0%. By CY27, steam coal consumption for electricity and heat generation is projected to reach ~3,321.0mln MT, reflecting an annual growth rate of less than ~2.0% over the forecast period.

Production

- Global coal production is expected to decline slightly, reflecting weak projected growth in global coal demand and currently high inventory levels. Production decreases in the United States and the European Union, along with a drop in Indonesian output due to reduced Chinese demand for seaborne thermal coal, are anticipated. India remains the primary source of production growth, driven by rising demand from its power sector. Nonetheless, industry projections suggest that declines elsewhere will nearly offset this growth, resulting in a global production level of ~8,984.0mln MT by CY27.

Coal Mining & Trading

Local | Snapshot

- Pakistan’s coal supply comprises local extraction and imports. Meanwhile, the country’s coal exports are almost negligible. Pakistan holds ~186.0bln MT of coal reserves, with ~99.0% coal reserves found in Sindh.
- Coal consumption has been on a declining trend since FY21 (~28.0mln MT) down to ~24.7mln MT due to falling demand, high input costs, and a shift towards alternative energy sources, particularly in power generation. In 9MFY25, consumption declined by ~6.4% to ~16.2mln MT, primarily due to a ~5.3% drop in the power sector and a sharp ~39.5% fall in the cement and industrial sectors.
- Out of ~186.0bln MT of coal reserves, ~3.5bln MT are proven coal reserves (measured reserves), ~12.0bln MT indicated reserves, ~57.0bln MT inferred reserves, while the remaining ~113.0bln MT are hypothetical coal reserves (not yet discovered). Pakistan ranks 20th in the world in terms of proven coal reserves.
- During 9MFY25, coal imports stood at ~4.4mln MT (SPLY:~3.4mln MT), recording ~29.4% YoY increase (In FY24, the decline was recorded at ~48.5% YoY). Meanwhile, local production registered a ~15.8% YoY decrease in 9MFY25 (FY24: up ~58.0% YoY).
- In terms of sectoral demand, the local power sector utilized ~70.0% of the total coal supply during 9MFY25 (SPLY: ~69.0%), while the cement sector made up ~16.0% of the demand during the same period (SPLY: ~16.0%).
- Local coal price is linked to international prices, exposing consumers to international price fluctuations due to reliance on imported coal and exchange rate risk that increases import costs in case of currency devaluation.

Figures in mln MT unless otherwise stated

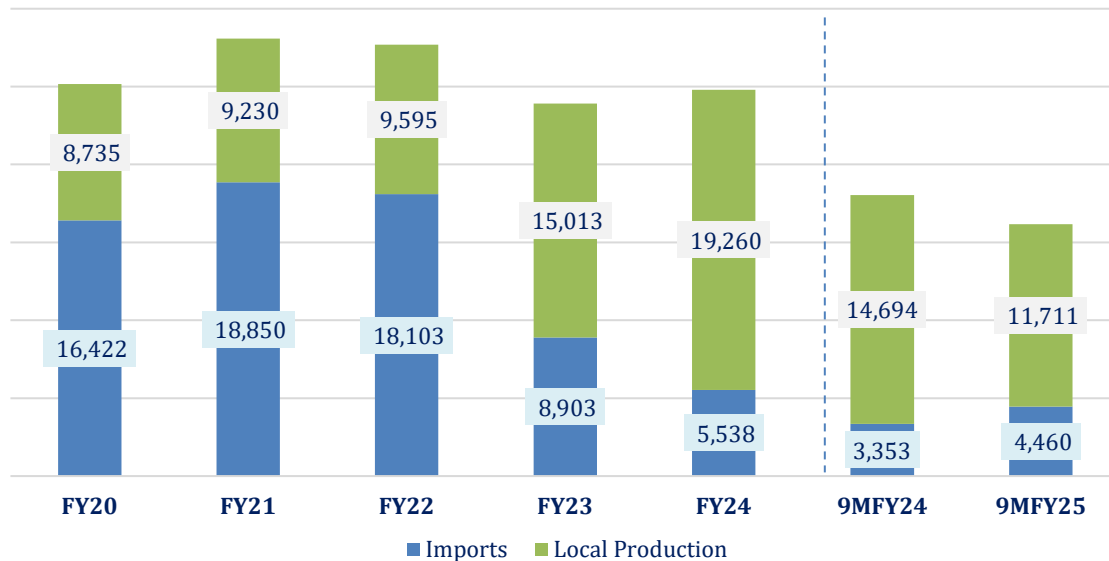
| Particulars | FY23 | FY24 | 9MFY24 | 9MFY25 |
|--------------------------------------|---|-------|--------|--------|
| Coal Consumption (A+B) | 23.9 | 24.7 | 17.3 | 16.2 |
| Power | 15.5 | 19.2 | 11.9 | 11.2 |
| Cement | 5.4 | 4.3 | 2.8 | 2.6 |
| Brick Kilns | 3.0 | 1.2 | 2.6 | 2.3 |
| Local Production (A) | 15.0 | 19.2 | 13.9 | 11.7 |
| Imports (B) | 8.9 | 5.5 | 3.4 | 4.4 |
| Avg Coal Price (USD/MT) ¹ | 206.1 | 110.4 | 110.4 | 109.2 |
| Regulatory Authority | Ministry of Energy (Petroleum Division) | | | |
| Association | All Pakistan Mines & Minerals Association | | | |

Coal Mining & Trading

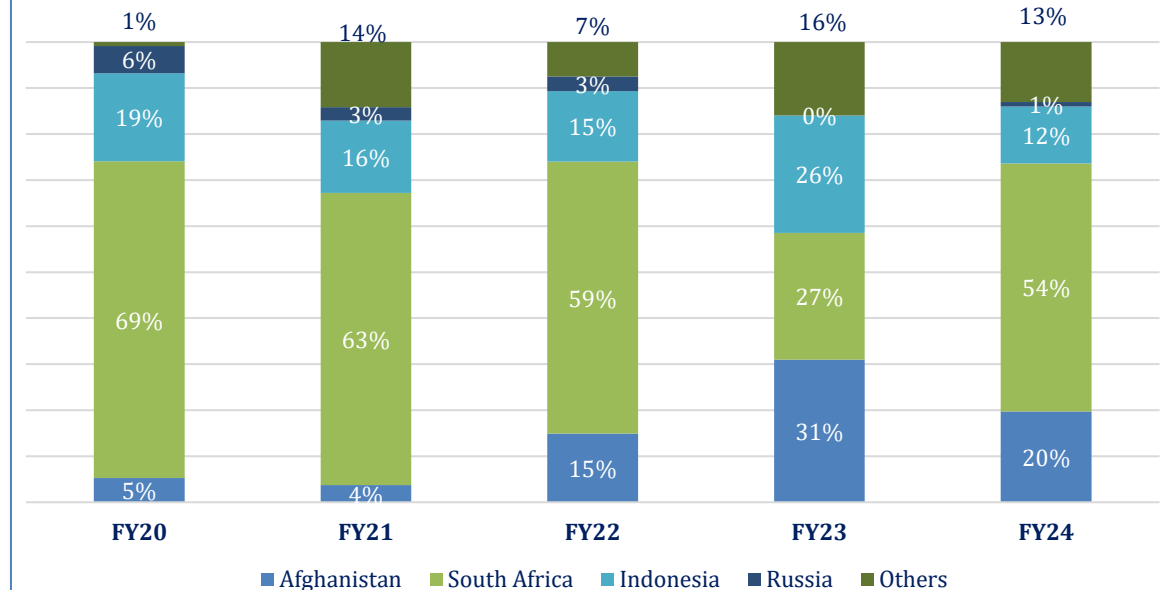
Local | Supply

- In FY24, Pakistan sourced ~54.0% of its coal imports from South Africa (FY23:~27.0%), ~12.0% from Indonesia (FY23:~26.0%), and ~20.0% from Afghanistan (FY23:~31.0%). The shift back to South African coal, seen before FY22, was driven by a more stable exchange rate.
- With the PKR appreciating ~2.7% in FY24, the government moved away from cheaper Afghan coal to higher-quality imports.
- The share of imported coal has slightly increased to ~27.5% in the 9MFY25 period (SPLY: ~24.7%), largely owing to slightly lower coal prices and a stable exchange rate when compared with last year. Average coal price in 6MCY25 stood at USD~109.2/MT (SPLY: USD~110.4/MT).

Local Production and Imports (000 MT)



Coal Imports | Country-wise

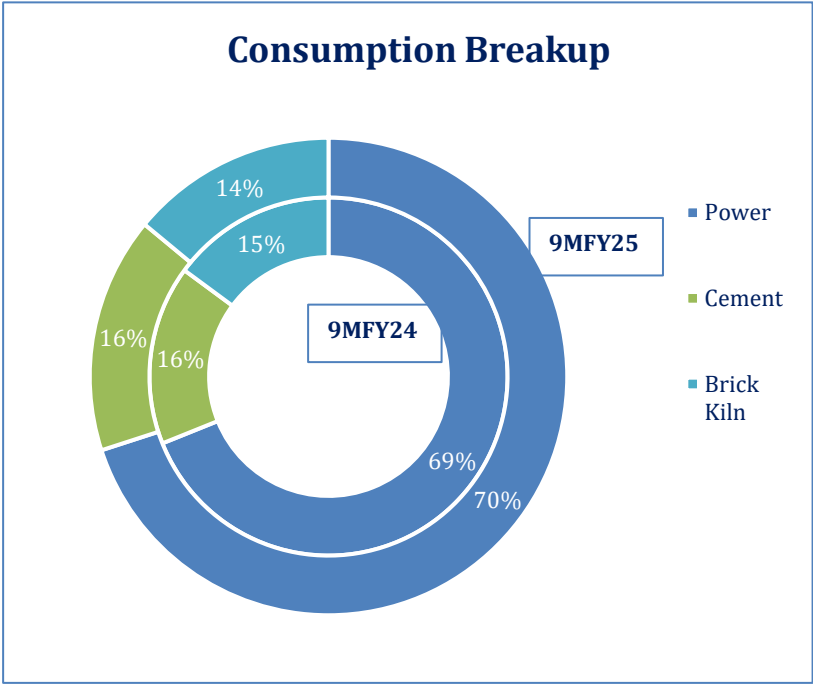
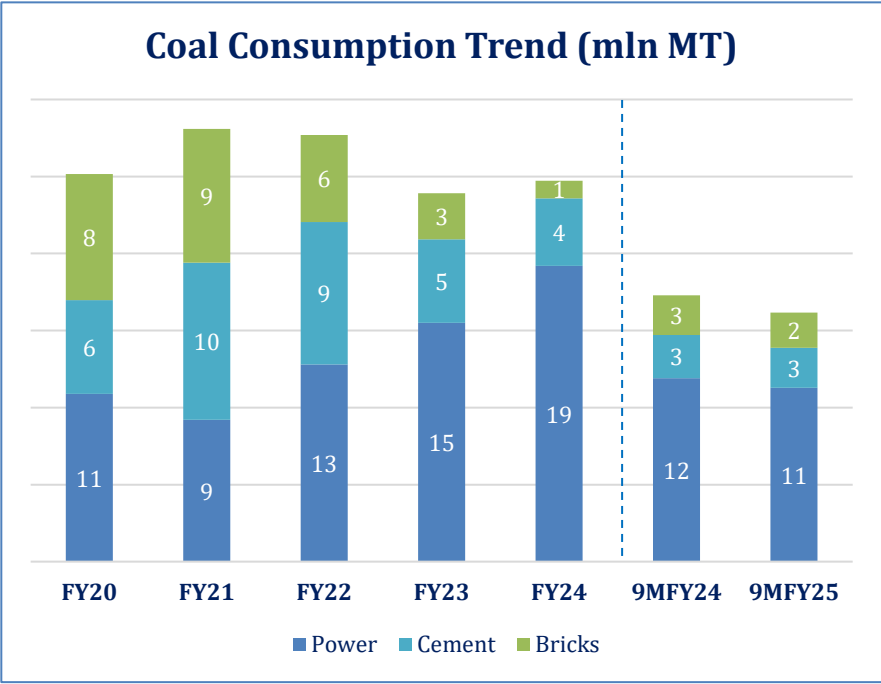
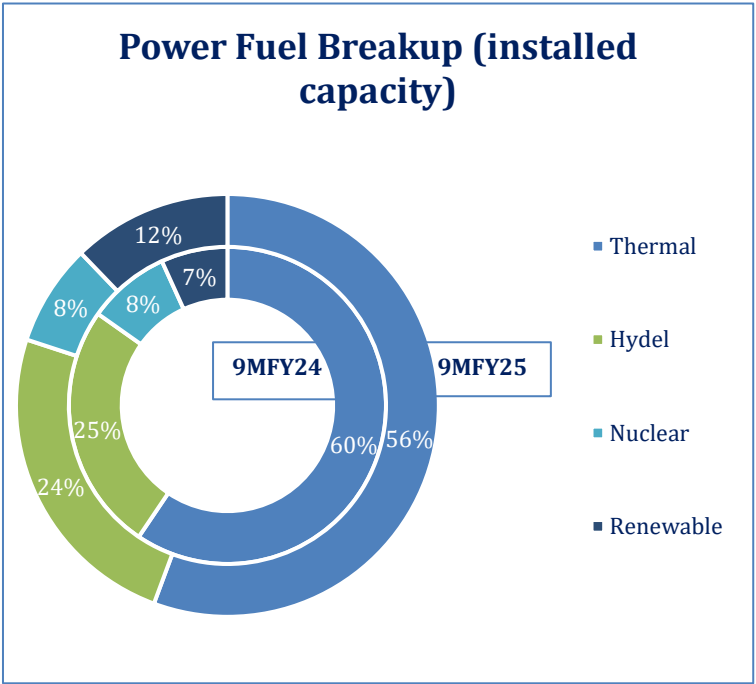


Note: For country-level import data, figures are the latest available and are limited to three HS code, namely – 2701.1200, 2701.1900 and 2704.0010.

Coal Mining & Trading

Local | Demand

- During 9MFY25, coal consumption by power sector declined to ~11.2mln MT, down ~5.3% YoY (9MFY24: ~11.9mln MT) and was recorded at ~70.0% of country's total consumption (9MFY24: ~69.0%).
- The cement sector accounted for ~16.0% of total coal consumption during 9MFY25, maintaining its share from the previous year. While coal demand from the sector had declined last year due to economic slowdown and weak construction activity, the stable share this year suggests a potential stabilization in demand.
- Collectively, the power and cement sectors accounted for ~86.0% of the total coal consumption in the country during 9MFY25. Meanwhile, coal consumption by brick kilns also reduced to ~14.0% in 9MFY25 (SPLY: ~15.0%).

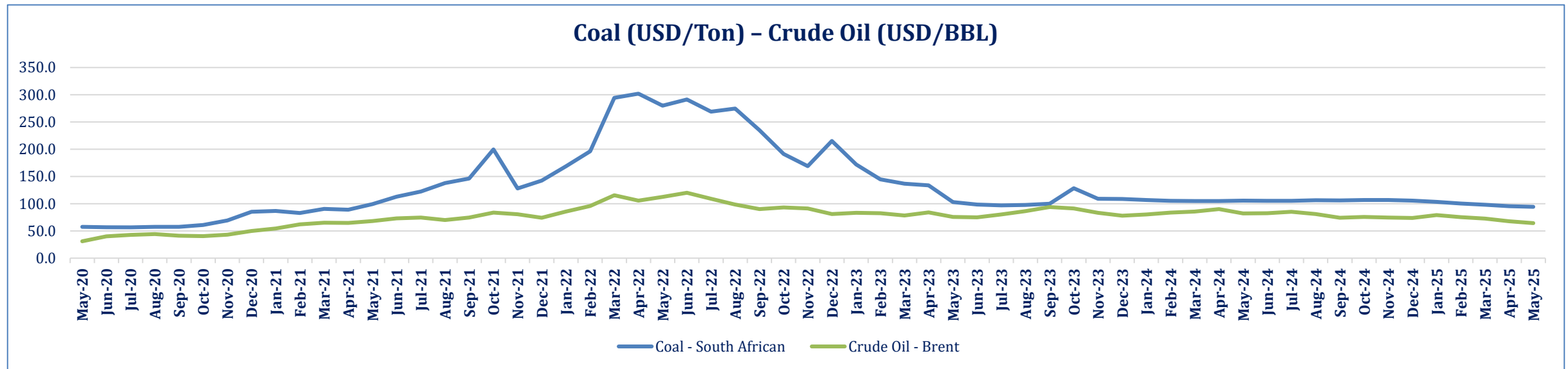


Note: Power fuel breakup data in ES is available up to Apr'22. Renewables include wind, solar and bagasse, Thermal includes RLNG, RFO, coal and gas.

Coal Mining & Trading

Business Risk | Pricing

- Coal prices in CY22 soared to record levels (End-Apr'22: USD~302.0/MT; End-Mar'22: USD~294.4/MT), driven sharply by rising gas prices resulting from the Russia and Ukraine conflict and global demand revival. However, increased coal supply and reduced gas prices caused coal prices to sharply decline by End-CY22 (Nov'22: USD~169.1/MT).
- Furthermore, this downward trend in coal prices continued during CY23 amid diminished economic outlooks, low gas prices, a resurgence in nuclear energy, and abundant power generation from renewable sources. After a short spike in coal prices in Oct'23 to USD~128.4/MT (Sep'23: USD~99.9/MT) due to strong demand from the Asian market, prices have been relatively stable throughout CY24.
- In 5MCY25, coal prices declined when compared with CY24 average prices owing to global oil production reaching an all-time high and surpassing ~9.0bln tons for the first time in CY24. Increased supply and higher adoption of renewable energy sources have mainly contributed to the downturn in global coal prices. Global coal prices as of End-May'25 stand at USD~94.3/MT, while Brent Crude Oil prices stand at USD~64.2/bbl.



Note: For coal; coal price of South African Coal has been taken. For crude oil; oil price of Brent crude have been compiled.

A photograph of a coal mining port. In the foreground, a large pile of dark coal is visible. To the right, an orange conveyor belt system is shown, with coal being transported. In the background, a large white ship is docked at a pier. The sky is clear and blue.

Coal Mining

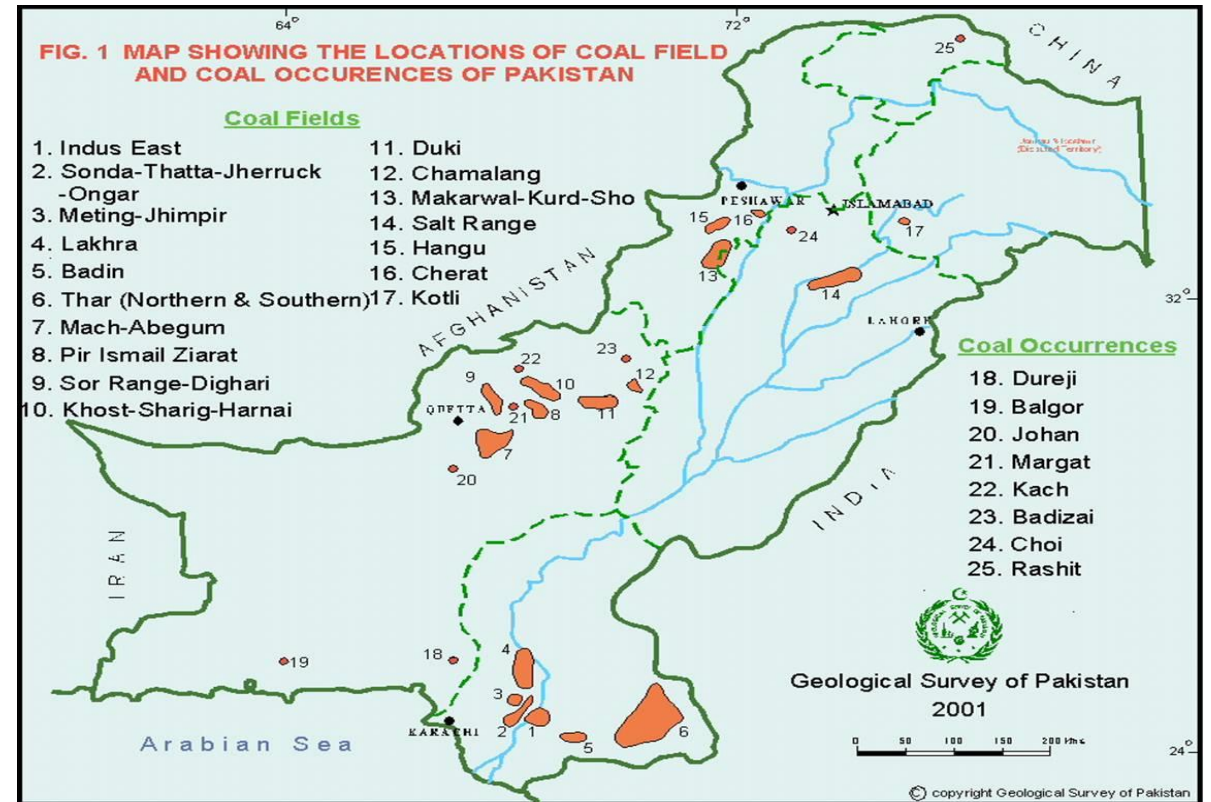
Coal Mining & Trading

Coal Mining | Overview

- Pakistan possesses substantial coal reserves located in the provinces of Sindh, Punjab, and Baluchistan. These reserves stand at ~186.0bln MT as of FY24. Thar coalfield spans more than ~9,000 sq. kms in the Thar Desert of Tharparkar district, with ~175.0bln MT coal reserves (includes proven, hypothetical, inferred, and indicated reserves). Sindh Engro Coal Mining Company (SECMC) holds ~100% ownership of Thar coalfields.
- SECMC stands as Pakistan's foremost coal producer, managing the country's initial open-pit lignite mine in Block II of the Tharparkar region within Sindh province. Operating at a current annual mining capacity of ~7.6mln MT, it is dedicated to supplying high-quality lignite coal to power producers across Pakistan.

Coalfields | Overview (FY24)

| Sr. | Province & Mines | Reserves (bln MT) |
|--------------|--|-------------------|
| 1 | Sindh: Lakhra, Sonda, Thatta, Jherruck, Thar, Haji Coal and others | 184.6 |
| 2 | Punjab: Eastern Salt Range, Central Salt Range, Makerwal | 0.2 |
| 3 | Balochistan: Khost-Sharig-Harnai, Sor Range/Degari, Duki, Mach- Kingri, Musakhel Abegum, Pir Ismail Ziarat, Chamalong | 0.2 |
| 4 | KPK | 0.1 |
| 5 | AJK | 0.8 |
| Total | | 186.0 |



Coal Mining & Trading

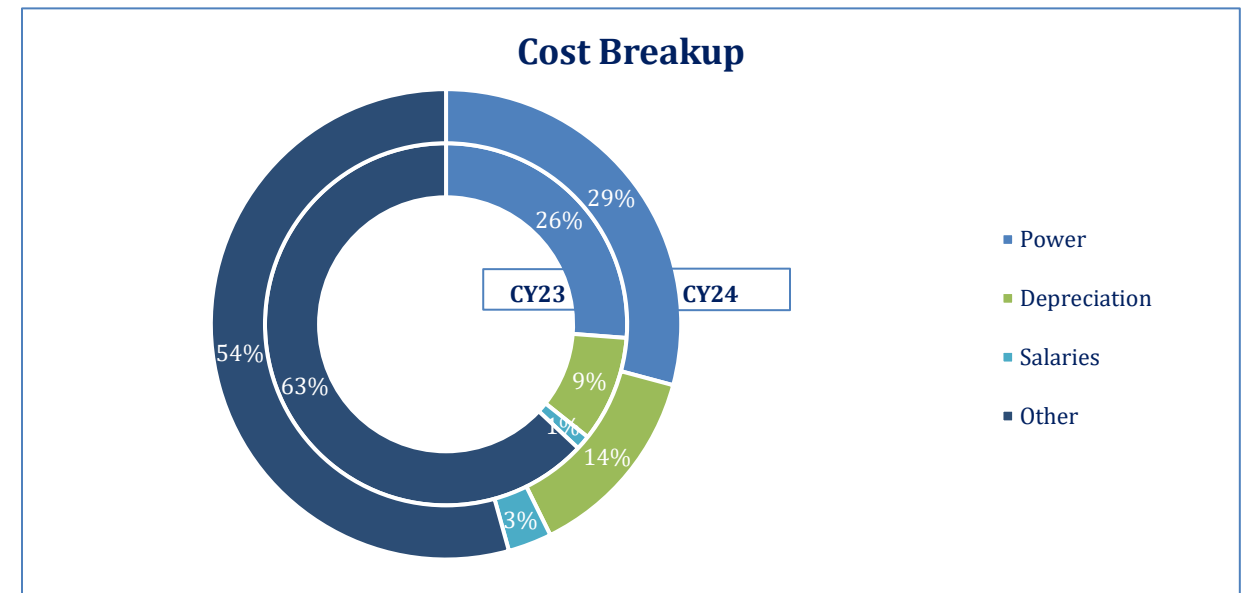
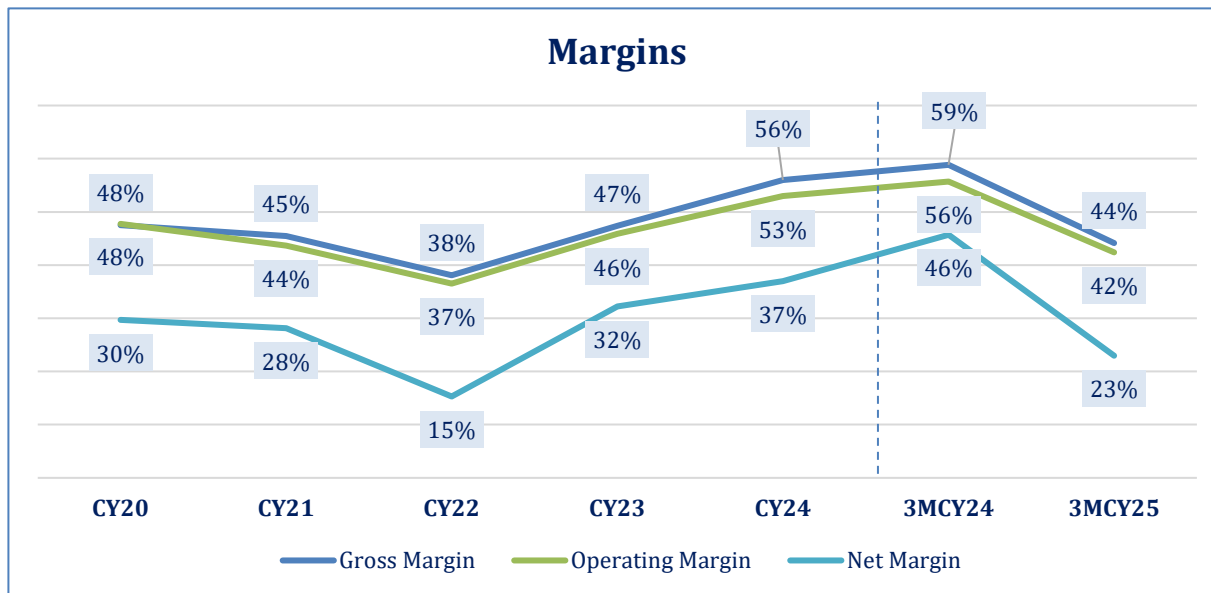
Coal Mining | Thar Coalfield Blocks

| Thar Coalfields Reserves Operational Blocks mln MT | | | | | |
|--|----------------------|----------|-----------|----------|---------|
| Block | Block Name | Measured | Indicated | Inferred | Total |
| I | Sinhar Vikian Varvai | 620.4 | 1,918.1 | 1,028.4 | 3,566.9 |
| III | Saleh Jo Tar | 225.9 | 938.9 | 288.3 | 1,453.2 |
| IV | Sonalba | 684.1 | 1,711.3 | 176.1 | 2,571.5 |
| VII | Dhaklo | 572.1 | 1,514.5 | 89.2 | 2,175.8 |
| VIII | Khario Ghulam Shah | 882.8 | 2,131.4 | 21.7 | 3,035.9 |
| IX | Katan | 661.8 | 2,048.0 | 152.4 | 2,862.3 |
| X | Mithrio Sumra | 609.1 | 1,920.6 | 418.2 | 2,947.8 |
| XI | Baprana | 315.6 | 1,014.3 | 282.2 | 1,612.1 |
| XII | Janib Ali Shahjo Tar | 510.0 | 1,755.9 | 79.7 | 2,345.6 |

Coal Mining & Trading

Coal Mining | Business Risk

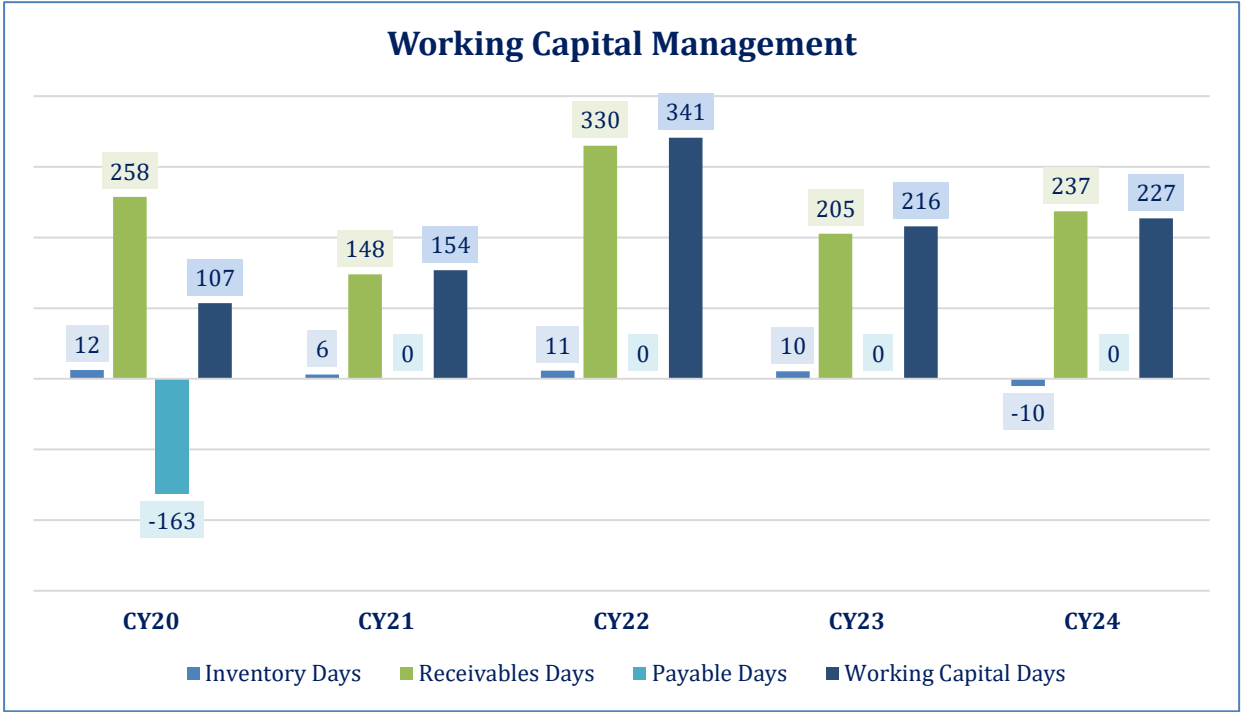
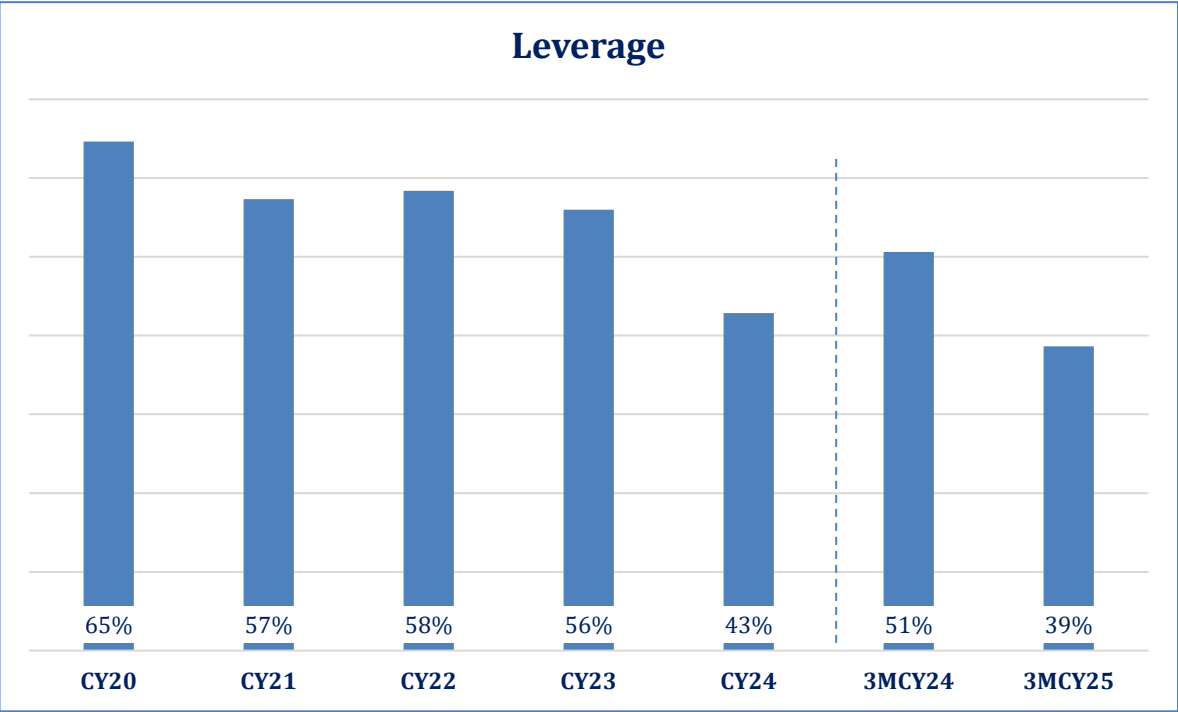
- The primary operation of local mining companies comprises the mining of coal. Segment operations are planned in different phases (blocks), due to which the operations and management (contractors) cost is high.
- Among the costs, Power accounted for the highest proportion in the cost of sales, clocking at ~29.0% in CY24 (CY23: ~26.0%). On the other hand, depreciation in total cost accounted for ~14.0% during CY24 (CY23:~9.0%), as coal mining is a capital-intensive industry (although smaller players tend to have labor-intensive operations).
- During CY24, the segment's gross margin increased to ~56.0% (CY23: ~47.0%) while net profit margins rose by ~37.0% YoY. In 3MCY25, the sector's margins were down compared to the same period of last year.



Coal Mining & Trading

Financial Risk | Mining

- The sector’s working capital is high because it’s part of the power sector’s circular debt chain - payments get delayed, and that puts pressure on receivables.
- The working capital was recorded at ~227 days in CY24 on the back of higher receivable clocking at ~237 days (CY23: ~205 days).
- The sector’s leverage ratio has improved from ~56.0% in CY23 to ~43.0% in CY24.

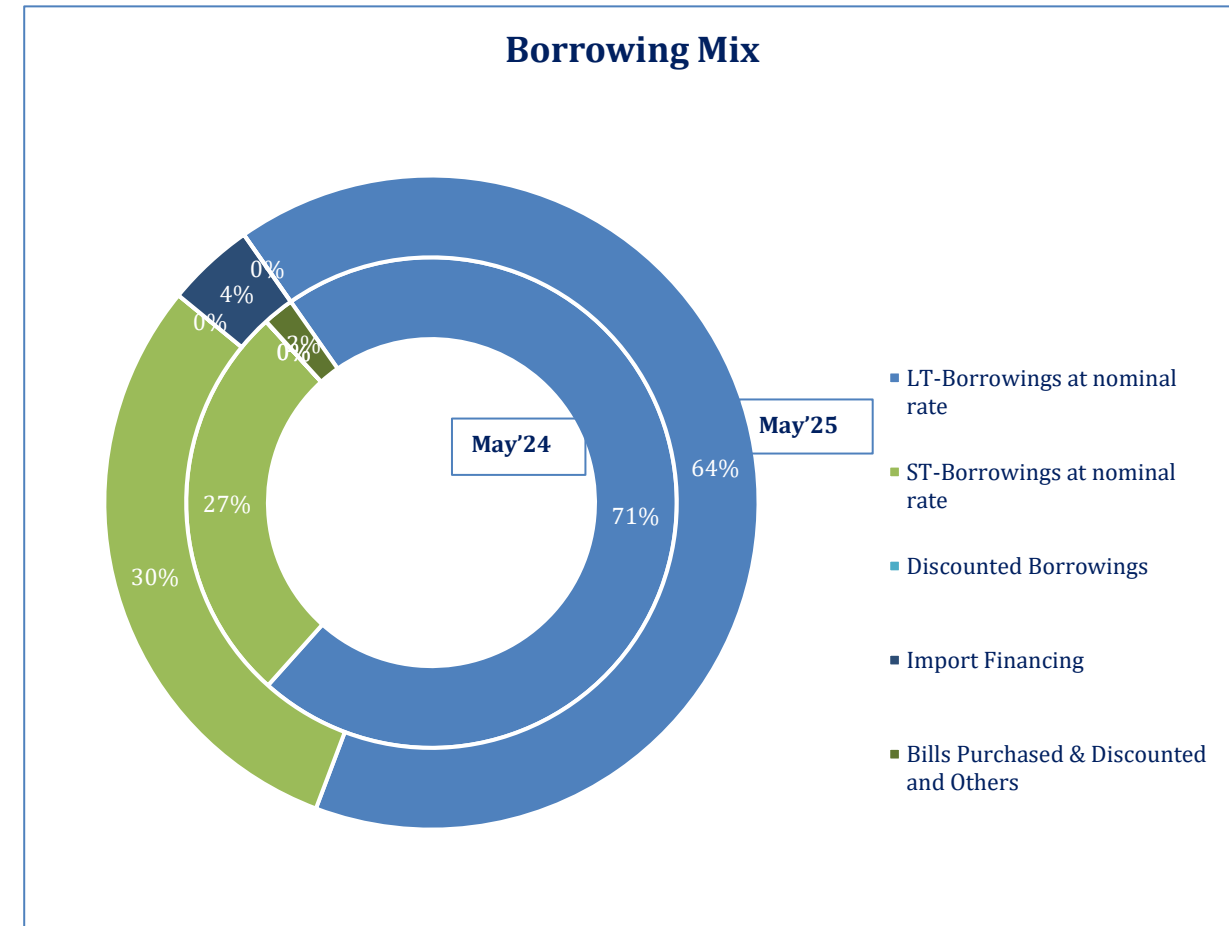


Note: Data based on 1 PACRA-rated client.

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Financial Risk | Mining

- Total borrowings of the segment, as at End-May'25, stood at PKR~47.0bln (End-May'24: PKR~48.0bln), down ~2.1% YoY.
- Long-term borrowings at normal rates formed ~64.0% of total borrowings during the period (End-May'24: ~71.0%) and stood at PKR~30.8bln (End-May'24: PKR~34.3bln), down~10.2% YoY.
- Short-term borrowings at normal rates, as at End-May'25, made up ~30.0% of total borrowings (End-May'24: ~27.0%) and increased by ~11.2% YoY to clock in at PKR~14.2bln (End-May'24: PKR~12.7bln).
- Meanwhile, borrowing for import financing stood at PKR~2.0bln by End-May'25.



Terminal Handling



Coal Mining & Trading

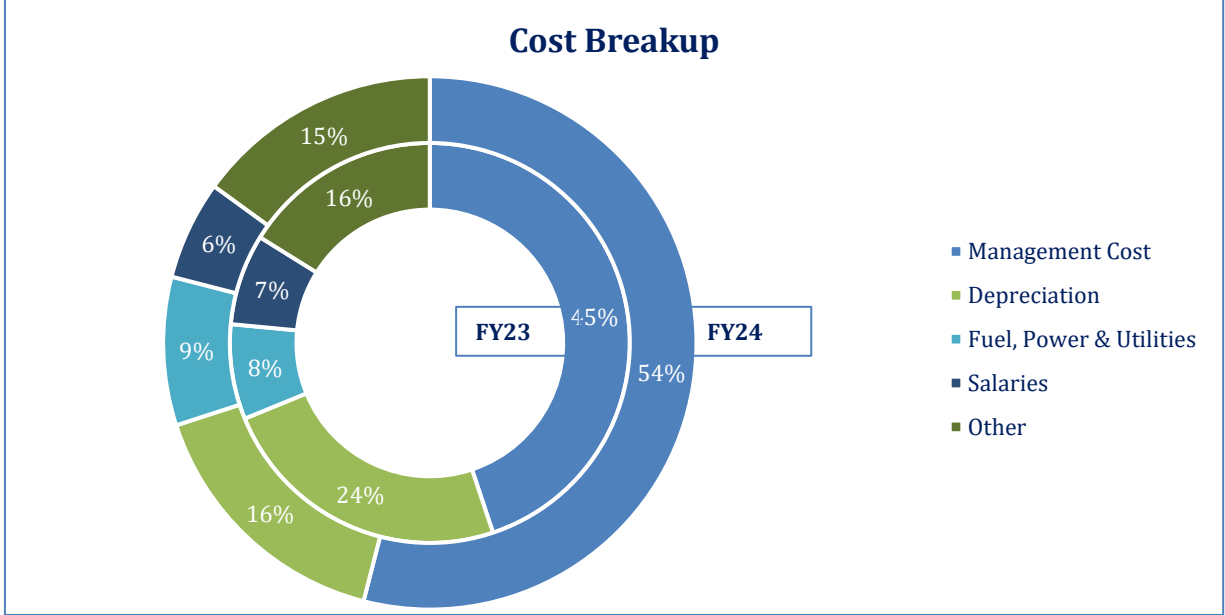
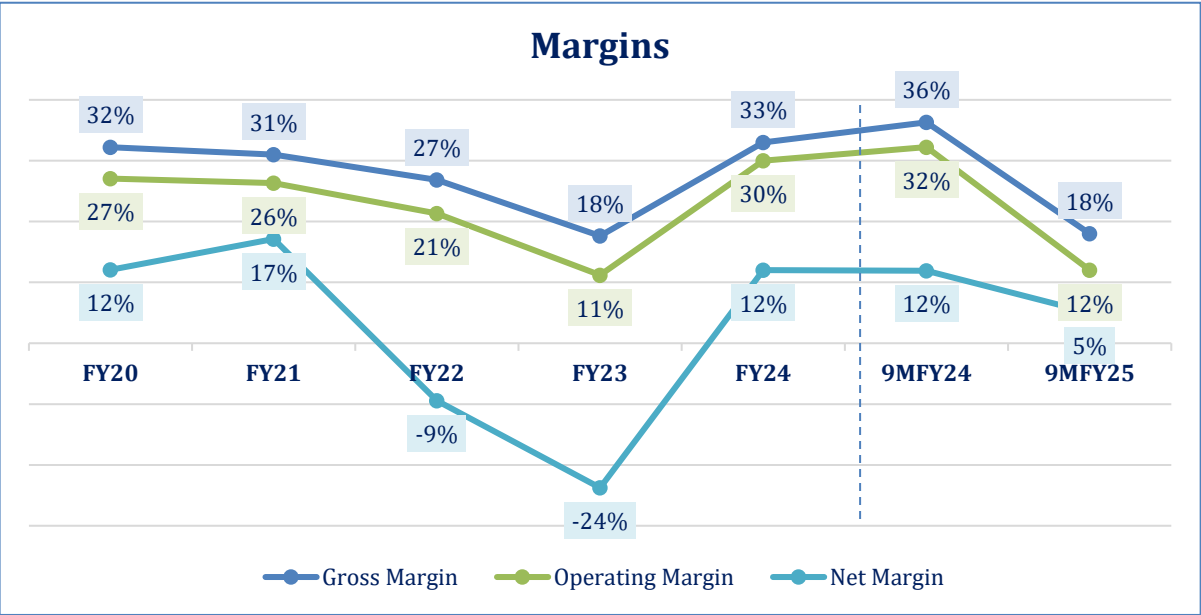
Terminal | Overview

- Pakistan International Bulk Terminal Limited (PIBTL) is responsible for the construction, development, operation, and management of a terminal for coal, clinker, and cement at Port Muhammad Bin Qasim, under a build-operate-transfer (BOT) arrangement.
- The terminal is a fully mechanized facility designed to handle dirty bulk cargo, aimed at improving Pakistan's port infrastructure for such commodities. Located ~50 km from Karachi along the Arabian Sea coastline, Port Qasim features a navigation channel of around ~45 km, facilitating safe and efficient vessel movement. The port handles nearly ~40.0% of Pakistan's total cargo throughput.
- PIBTL employs modern technologies and complies with environmental standards consistent with the World Bank Group's Environmental Health & Safety (EHS) guidelines for coal handling. It serves as a key facility for bulk cargo handling in the country.
- The terminal plays an important role in the national coal supply chain, supporting nearby industries such as coal-fired power plants and cement manufacturers. By improving port handling efficiency, the terminal contributes to lower commodity import costs and enhances the speed and reliability of cargo movement. The project represents Pakistan's first dedicated terminal for coal, clinker, and cement, with a total investment of USD~305.0mln.
- Additionally, Karachi Port Trust (KPT) functions as a transshipment point for coal utilized in the country's power generation sector.

Coal Mining & Trading

Business Risk | Terminal Handling

- The primary operations of the terminal segment comprise the handling of imported coal at the port. Dominated by a single player in the segment, competitors' presence is non-existent. In FY24, revenue of the terminal segment rose by ~5.3% and clocked in at PKR~13,852mln (SPLY: PKR~9,073mln), while the revenue of the terminal declined by ~36.2% during 9MFY25 to PKR~7,442.0mln (SPLY: PKR~11,673.0mln). The fall in revenue in 9MFY25 happened due to a fire incident that affected the infrastructure of the terminal, hence disrupting its operations.
- For the segment's margins, gross profit margins increased from ~18.0% in FY23 to ~33.0% in FY24; however, subsequently declined to ~18.0% during 9MFY25 owing to ~36.2% YoY decrease in revenue (SPLY: ~70.8% YoY growth). Similarly, during FY24, operating margin increased to ~30.0% from ~11.0% in FY23 but declined to ~12.0% during 9MFY25 (SPLY: ~32.0%).
- Net margins also deteriorated, from ~12.0% in 9MFY24 to ~5.0% in 9MFY25 due to ~73.1% lower net profit.

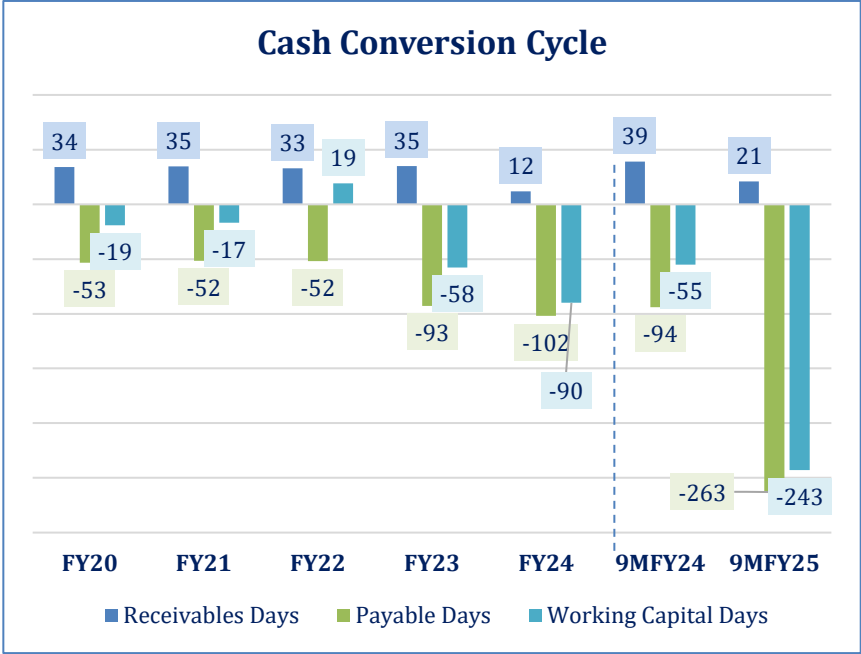
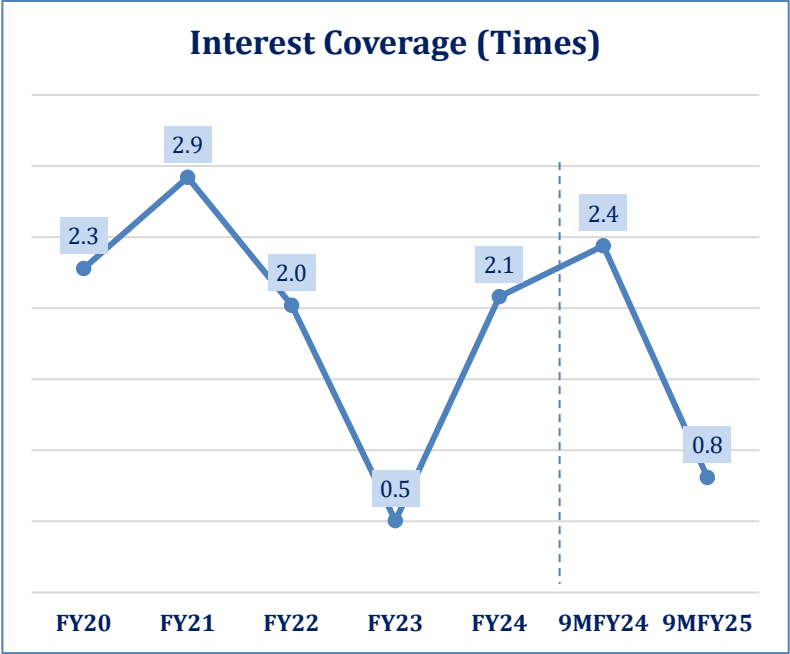
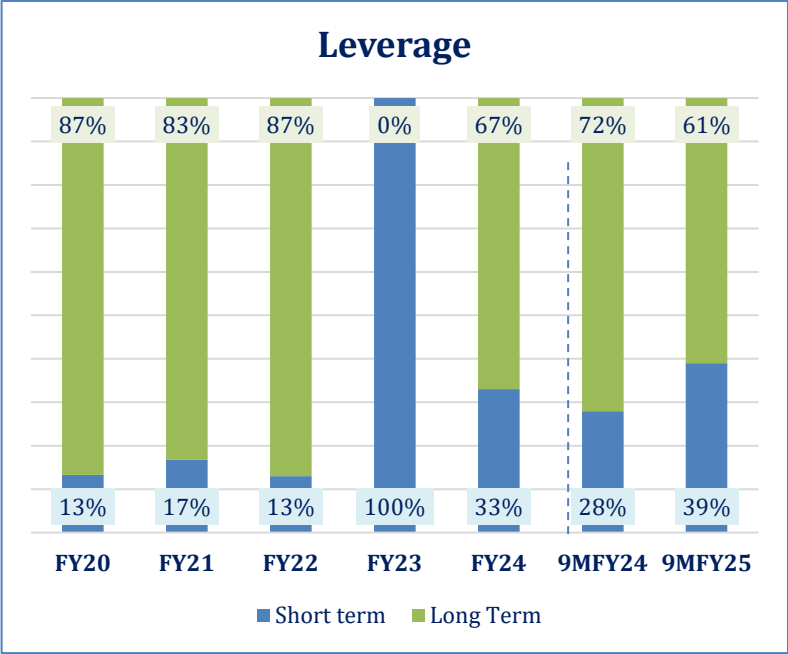


Note: Data based on 1 PACRA rated client. Trans-shipment: The process of shipping goods or containers to an intermediate destination before forwarding them to their final destination.

Coal Mining & Trading

Financial Risk | Terminal Handling

- The segment's leverage ratio increased to ~37.0% in FY24 (FY23: ~46.0%). This resulted from ~75.0% YoY lesser payments of the current portion of long-term borrowings. In line with low CMLTB of PKR~3,385mln (SPLY: PKR~13,798mln) and a ~75.0% increase in operating profit, interest coverage in FY24 improved to ~2.1x (SPLY: ~0.5x).
- In 9MFY25, interest coverage deteriorated to ~0.8x (SPLY: ~2.4x), mainly driven by a ~36.2% decline in revenue and subsequently a ~76.5% fall in operating profit, compared to the same period last year.
- In 9MFY25, the total borrowing mix comprised ~61.0% long-term (9MFY24: ~72.0%) and ~39.0% (SPLY: ~28.0%) short-term borrowings. There is only one commercial coal terminal in the country, which started its operations in FY17. Working capital days were recorded at ~90 days during FY24. Working capital days further deteriorated to ~243 days during 9MFY25 (SPLY: ~55 days), owing to a massive surge in Payable days to ~263 days (SPLY: ~94 days). The terminal segment does not record inventory of its own.



Note: Data based on 1 PACRA-rated client.

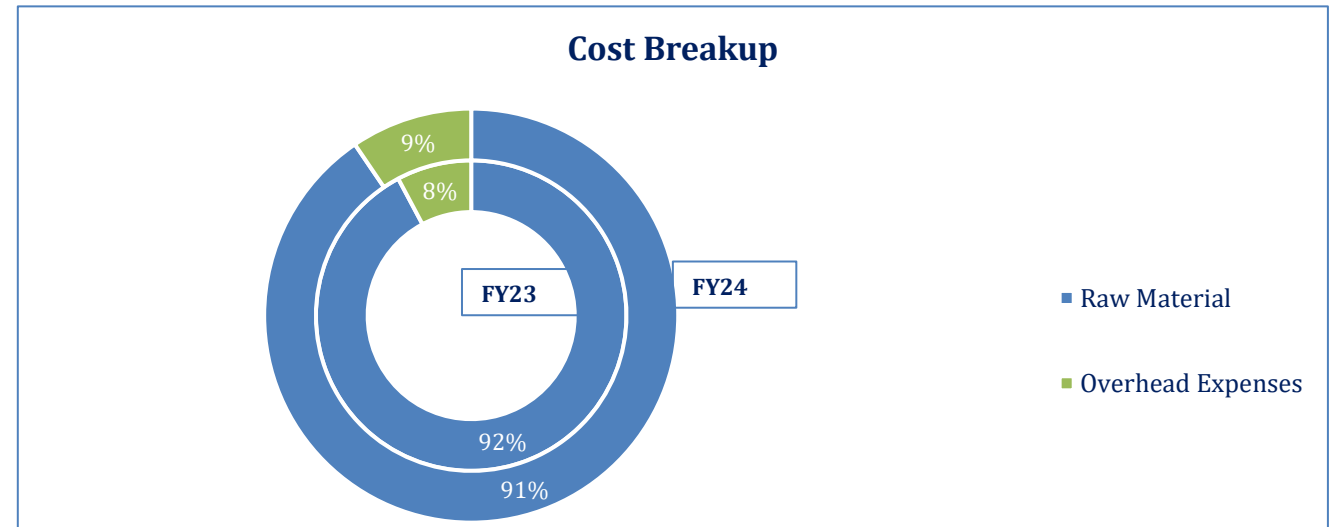
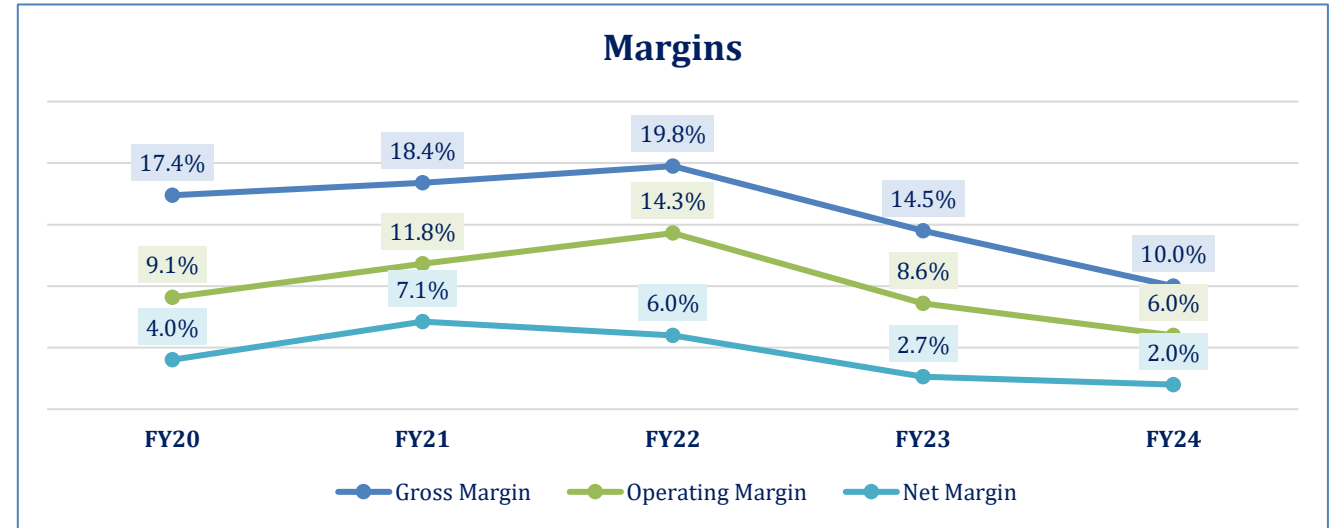
Trading



Coal Mining & Trading

Business Risk | Trading

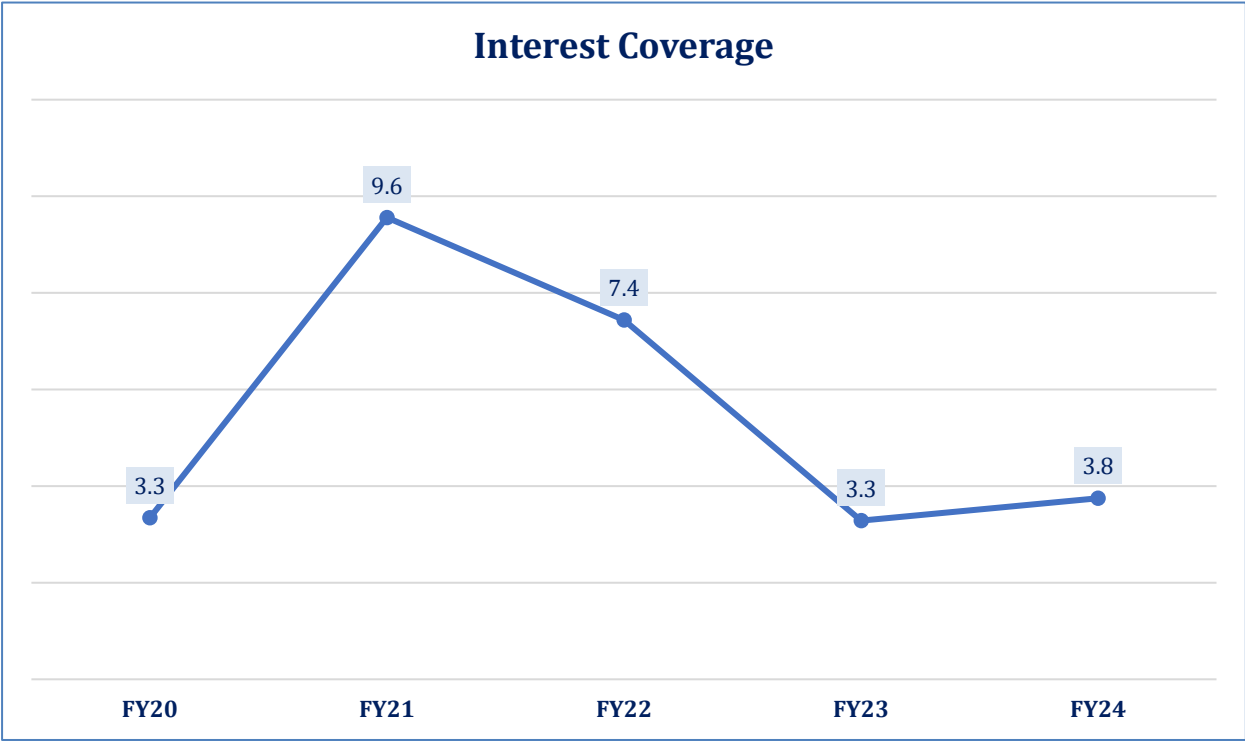
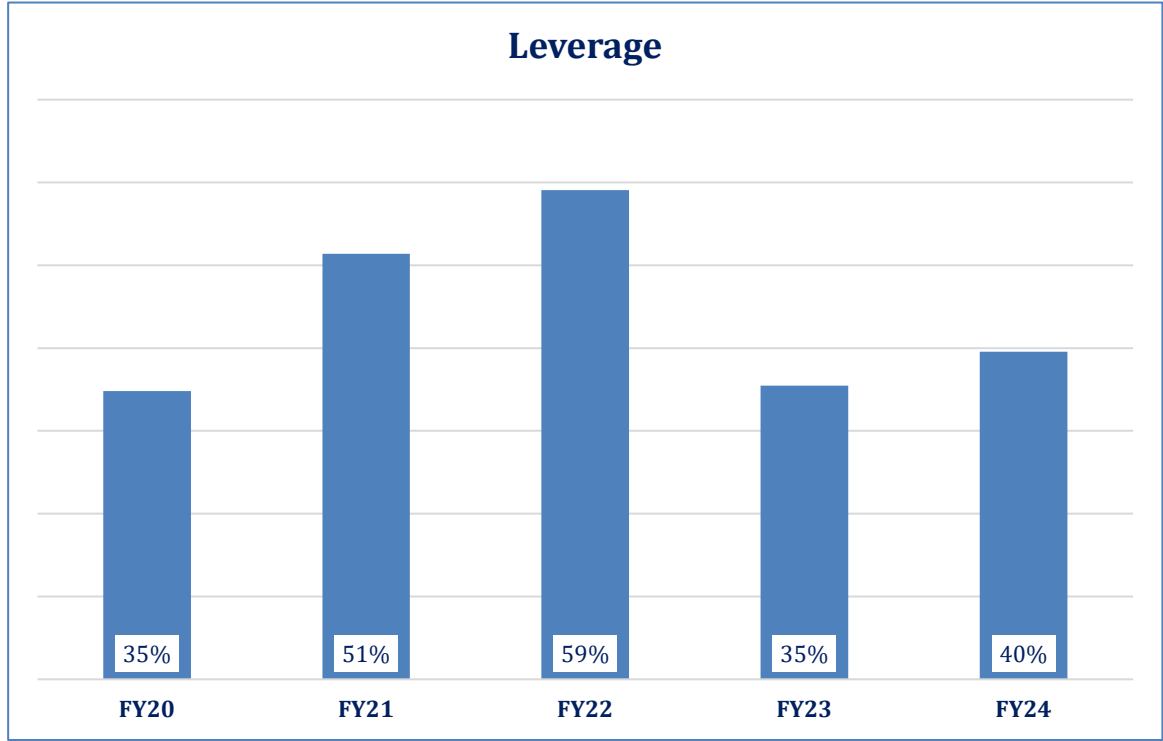
- The trading segment engages in the activity of storage and supply of coal to various sectors of the economy, mainly cement, steel, and textile.
- Due to the nature of trading operations, raw material makes up the largest portion of its cost of sales, followed by transportation. Imported coal is exposed to exchange rate risk and international coal price, which bear the risk loss on inventory if prices decline and vice versa.
- The segment's margins had been steadily increasing till FY22, owing to the overall increase in coal consumption leading to higher volumes over the last five years. However, due to lower coal demand, revenue and thus margins declined during FY23 and subsequently during FY24.
- Gross margin during FY24 declined to ~10.0% (FY23: ~14.5%). Whereas, net profit margin fell to ~2.0% (FY23: ~2.7%).



Coal Mining & Trading

Financial Risk | Trading

- Leverage ratio increased from ~35.0% in FY23 to ~40.0% during FY24. Despite this increase in leverage, the trading segment of the coal sector is moderately leveraged.
- Meanwhile, interest coverage deteriorated from ~7.4x in FY22 to ~3.3x in FY23 but slightly improving to ~3.8x in FY24.

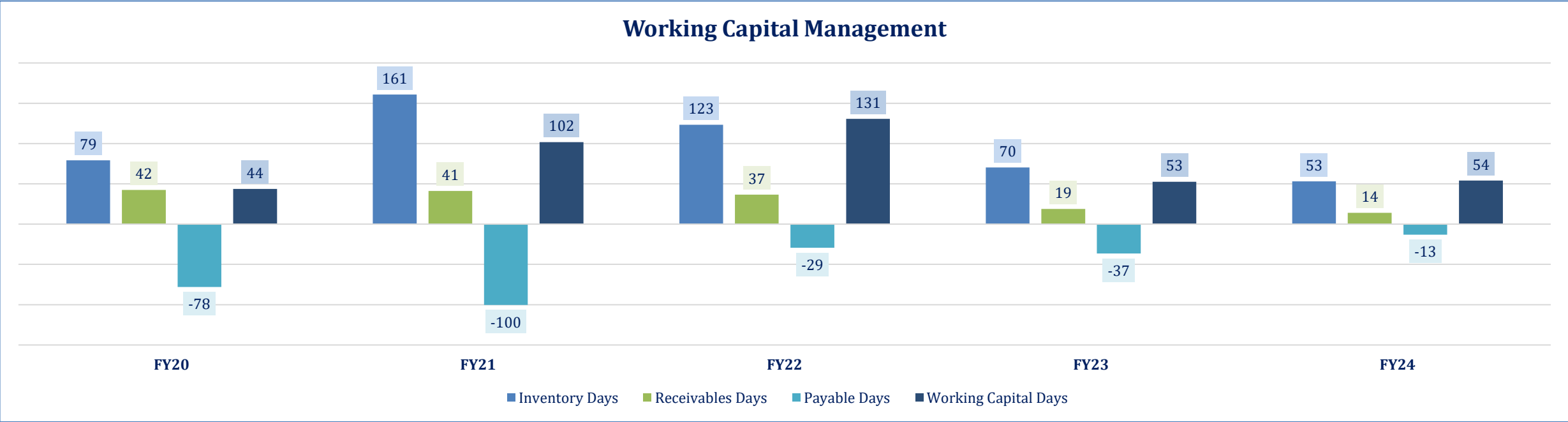


Note: Data based on PACRA-rated client.

Coal Mining & Trading

Financial Risk | Trading

- The segment's working capital cycle saw a minor decline from ~53 days in FY23 to ~54 days in FY24. Inventory days improved from ~70 days to ~53 days, whereas payable days worsened from ~37 days to ~13 days.
- The working capital days improved from ~206 days in 6MFY23 to ~78 days in 6MFY24.



Coal Mining & Trading

Duty Structure

- The duty structure is designed to keep the cost of coal low, mainly to support the power and cement sectors - the two main coal-consuming sectors.

| HS Code | Description | Customs Duty | | Sales Tax | | Income Tax | | Additional Customs Duty | | Regular Duty | |
|-----------|-----------------|--------------|------|-----------|------|------------|------|-------------------------|------|--------------|------|
| | | FY25 | FY26 | FY25 | FY26 | FY25 | FY26 | FY25 | FY26 | FY25 | FY26 |
| 2701.1200 | Bituminous Coal | 3% | 5% | 18% | 18% | 12% | 12% | 2% | 0% | 0% | 0% |
| 2701.1900 | Other Coal | 3% | 5% | 18% | 18% | 12% | 12% | 2% | 0% | 0% | 0% |
| 2704.0010 | Coke of Coal | 3% | 0% | 18% | 18% | 12% | 12% | 2% | 0% | 0% | 0% |

Coal Mining & Trading

Porters 5 Forces Model



Coal Mining & Trading

SWOT Analysis

- Low-cost skilled and unskilled labor.
- Capital-intensive sector.
- Good margins in periods of robust demand.
- Demand potential.
- PIBTL is the only bulk terminal.

Strengths

Weaknesses

- Heavy reliance on imported coal.
- Exposure to exchange rate volatility.
- Low-quality local coal.

- Increasing freight rates.
- Rising environmental concerns.
- Inflow of Afghan coal.
- Tight supply due to conflict in Eastern Europe.

Threats

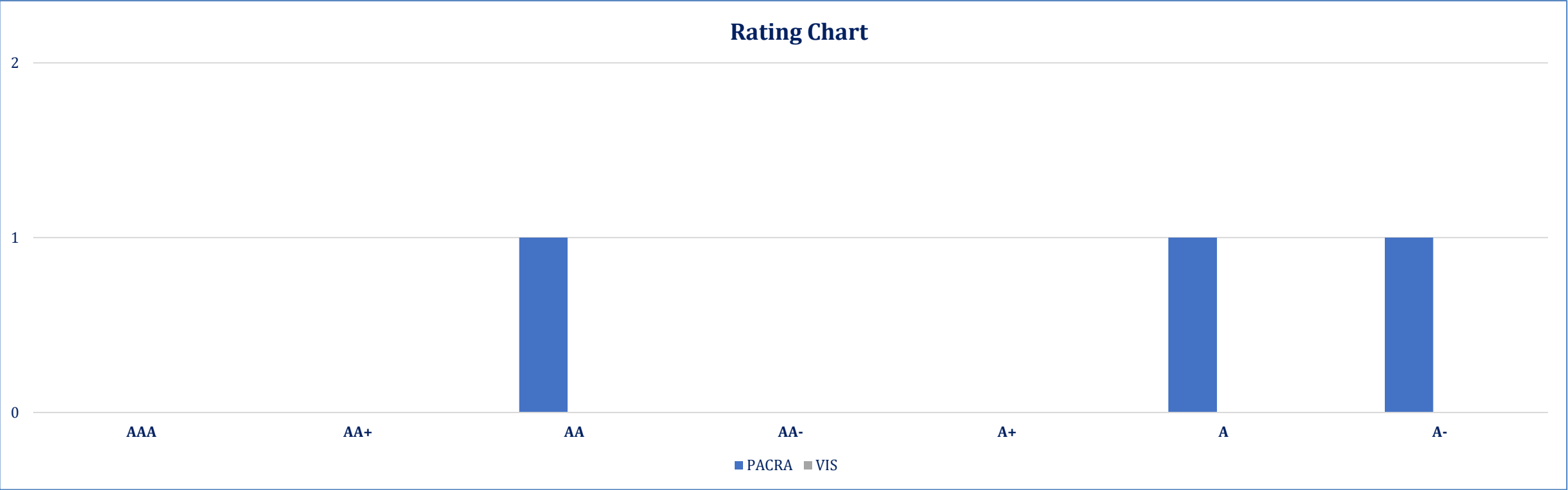
Opportunities

- Coal after power is mostly used in the cement sector; cement companies have announced expansionary projects.
- New thermal power plants.
- Growing dependence on thermal energy.
- Increase in prices of other energy commodities.

Coal Mining & Trading

Rating Curve

- PACRA rates three players of the Coal Mining & Trading sector. Rating bandwidth is from AA to BBB+. PACRA rates 3 clients in the sector, one client in the trading segment (Rating: AA), one client in the terminal segment (Rating: A) and one client in the trading segment (Rating: A-).



Coal Mining & Trading

Outlook: Stable

Macro Overview

- In FY25, Pakistan's GDP (nominal) stood at PKR~114.7trn, increasing, in real terms, by ~2.7% YoY (FY24: ~2.5% YoY). Industrial activities during the year held ~18.1% share in the GDP, while services made up ~58.4%.
- Large-scale Manufacturing (LSM) in Pakistan is essential for economic growth, considering its linkages with other sectors, as it represented ~67.5% value in manufacturing activities and ~8.0% of the country's GDP in FY25. The LSM, however, contracted by ~1.5% YoY in FY25 (FY24: ~0.9%).

Mining

- Segment operations are planned in different phases (blocks), due to which the operations and management (contractors) cost is high. Depreciation in total cost accounted for ~14.8% during 9MCY24 (9MCY23: ~9.2%), as coal mining is a capital-intensive operation (although smaller players tend to have labor-intensive operations).
- Power accounted for the highest proportion in the cost of sales (9MCY24:~29.2%, 9MCY23: ~23.7%). During 9MCY24, the segment's gross margin improved to ~56.2% (9MCY23: ~39.1%) due to ~34.2% lower cost of sales while revenue declined by ~8.5% YoY.
- Moving forward, the government is actively aiming to utilize coal resources, and hence, the sector's outlook remains stable.

Coal Mining & Trading

Outlook: Stable

Terminal

- The segment's overall margins improved in FY24 compared to FY23; however, the overall performance of the segment in 9MFY25 was affected by a fire incident on the terminal in Nov'24, halting its operations partially, but the operations were resumed in Dec'24.
- The terminal has been developed to facilitate the export of clinker and cement, as well as the import of coal, which is used for power generation by IPPs and in key industries such as cement and steel. The consumption of imported coal has declined by ~70.0% since FY22, while local coal production has increased by ~101.0%.
- This shift is primarily driven by weaker coal demand, particularly from the cement sector (the largest consumer of coal), whose activity remained subdued due to the economic downturn during FY22 to FY24. Cement production fell by ~19.8%, reaching ~38.2mln tons in FY24 compared to ~47.6mln tons in FY22.
- Moving forward, as the government promotes local coal as a cost-effective energy source, the terminal's overall revenue could be impacted if the cement and power sectors increasingly shift toward domestic coal usage.

Trading

- The segment's margins had been steadily increasing till FY22, owing to the overall increase in coal consumption leading to higher volumes over the last five years. Although revenue has kept on increasing steadily, margins declined during FY23 and subsequently during FY24. Gross margin during FY24 declined to ~9.9% (FY23: ~14.5%). Whereas, net profit margin further fell to ~2.3% in FY24 (FY23: ~2.7%).

Coal Mining & Trading

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