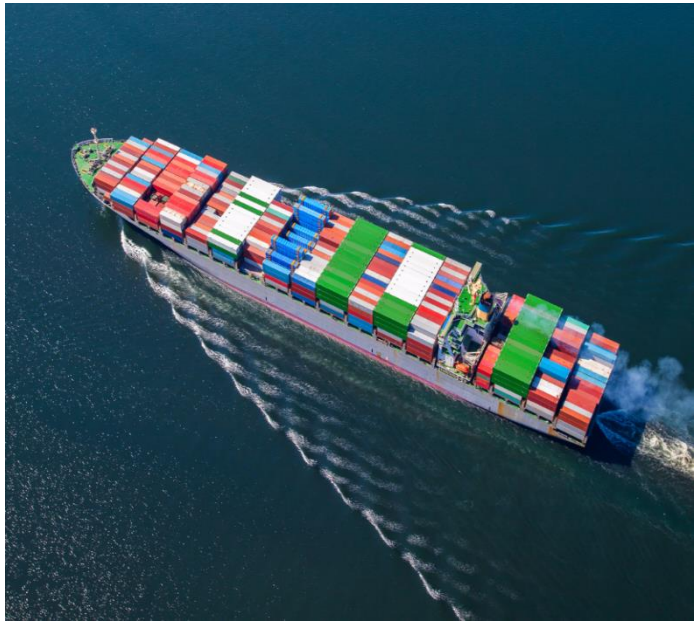
SECTOR STUDY . JULY 2025

Together. Creating Value.

Shipping



Research Team

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Shipping

Shipping

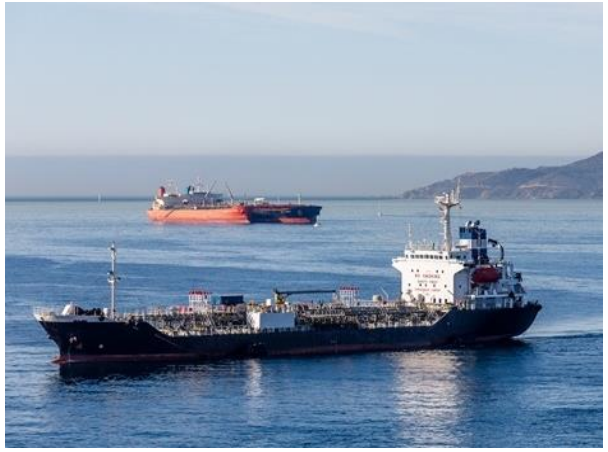
Introduction | Types of Ships

Container Ships

A ship structured specifically to hold huge quantities of cargo compacted in different types of containers.

Bulk Carrier

The cargo transported in such ships is loose cargo i.e. without any specific packaging to it and generally contains items like food grains, ores etc.



Tanker Ships

Specialized ships for carrying a large amount of liquid cargo. They are further sub-divided into different types
i.e. Oil Tankers, Liquefied Gas Carriers etc.

Roll-on Roll-off Ships

These are the ships that are used to carry wheeled cargo i.e. cars, trucks, buses etc.

Source: Marine Insights

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Introduction | Types of Ships

Passenger Ships

As the name suggests, these are used for transiting passengers. Mainly classified into Ferries & Cruise Ships.

Offshore Ships

These ships mainly help in oil exploration and construction jobs at sea. These include supply ships, pipe layers, crane barges etc.

Fishing Ships

These ships are used for recreational and commercial fishing at sea. These are classified into two types i.e. trawlers and non-trawler ships.

Specialty Ships

These ships have onboard machinery and equipment to perform special tasks. These include: anchor handling tug supply, drilling ships etc.

Source: Marine Insights

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Introduction | Types of Ships

High-Speed Craft Ships

As the name suggests, these are high speed water ships also called fast ferry. Most high-speed craft serve as passenger ferries but largest ones also carry cars, buses, large trucks and freight.

Dredgers

Dredgers are types of ships that have excavation tools used for removing sand and other types of deposits from the seabed. Dredgers are used for several purposes, such as deep-sea mining.
They are classified into two types: mechanical dredgers & hydraulic dredgers

Source: Marine Insights

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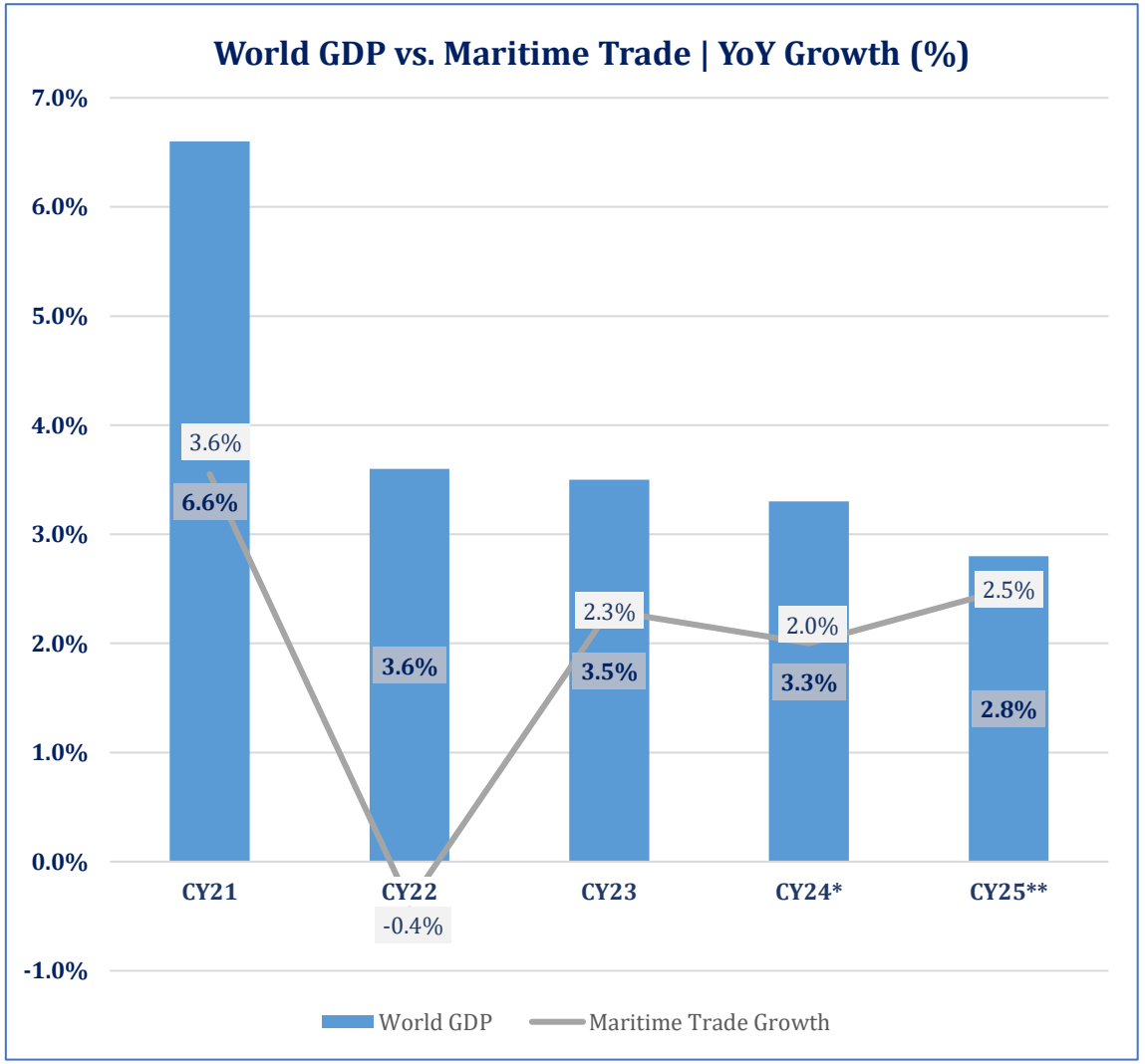
Global | Overview

- The global shipping sector has been a key player in world trade as it has accounted for ~80.0% of the world trade in terms of volume and ~70.0% in value terms, as of CY24. This industry includes international bulk transportation of raw materials, commodities, dry and liquid goods, perishable food items along with manufactured, as well as capital goods.
- The growth in maritime trade has closely followed the trajectory of global GDP during the past 10 years (CY15-24), exhibiting a strong average correlation factor of ~0.8.
- In CY24, global maritime trade was heavily disrupted by a combination of geopolitical and climate-related events. The Red Sea attacks forced major shipping lines to opt for the Cape of Good Hope, leading to a ~70% drop in Suez Canal transits.
- The Panama Canal conditions have now improved in comparison to the severe drought in the Panama Canal in FY23, due to the rainy season and water-saving measures during the same yr?. There have also been tensions in the Black Sea along with new regulations in the Turkish Straits adversely affecting oil and grain shipment.
- CY25 has been eventful as well, with the US-China tariff wars along with persistent disruptions in global shipping routes inversely impacting the global seaborne trade.



*Estimated **Projected

Source: Review of Maritime Transport, 2024, UNCTAD, IMF

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Global | Vehicle Fleet

- The monetary value of the global fleet registered a significant increase to USD~1.4trn in CY24 as compared to USD~1.3trn recorded the previous year. The share of the top ten countries also increased to ~67.4% during the year, with Greece (~16.9%) persisting as the global leader followed by China (~13.3%) and Japan (~10.4%).
- The global shipping fleet also registered a volumetric ~3.3% YoY growth, comprising ~109,000 registered ships. In Jan'24, the carrying capacity also increased by ~77mln DWT YoY to ~2.4bln DWT.
- The average age of ships around the globe increased to ~22.4 years during CY24 (SPLY: ~22.2 years) while the highest proportion was still attributed to more than ~20 years old ships which was ~40.1% (developed countries) and ~39.8% (developing countries), respectively.
- Majority of global maritime trade was contributed by Asia (~42.0%), while Liberia (~0.41mln DWT) beat Panama (~0.38mln DWT) as the leading flag registration country.

Jan'24		
Maritime Trade Growth	**Total Global Fleet (by carrying capacity)**	**Carrying Capacity**
~2.0%	~109,000 ships	~2.4bln DWT
Trade Volume	**Average Age**	**Highest Proportion**
~12.6bln MT	**~22.4** Years	**~> 20** Years Old Ships
Highest Maritime Trade Share	**Top Country – Carrying Capacity**	**Country Leading Flag Registration* (DWT)**
Asia ~42.0%	**Greece** ~16.9%	**Liberia** ~0.41mln DWT

**A Flag State refers to a nation where shipowners or shipping companies get their commercial or recreational ships registered. Hence, the registered ships have to carry the flag of that state. Liberia is the largest flag State in the world.*

Source: Review of Maritime Transport 2024

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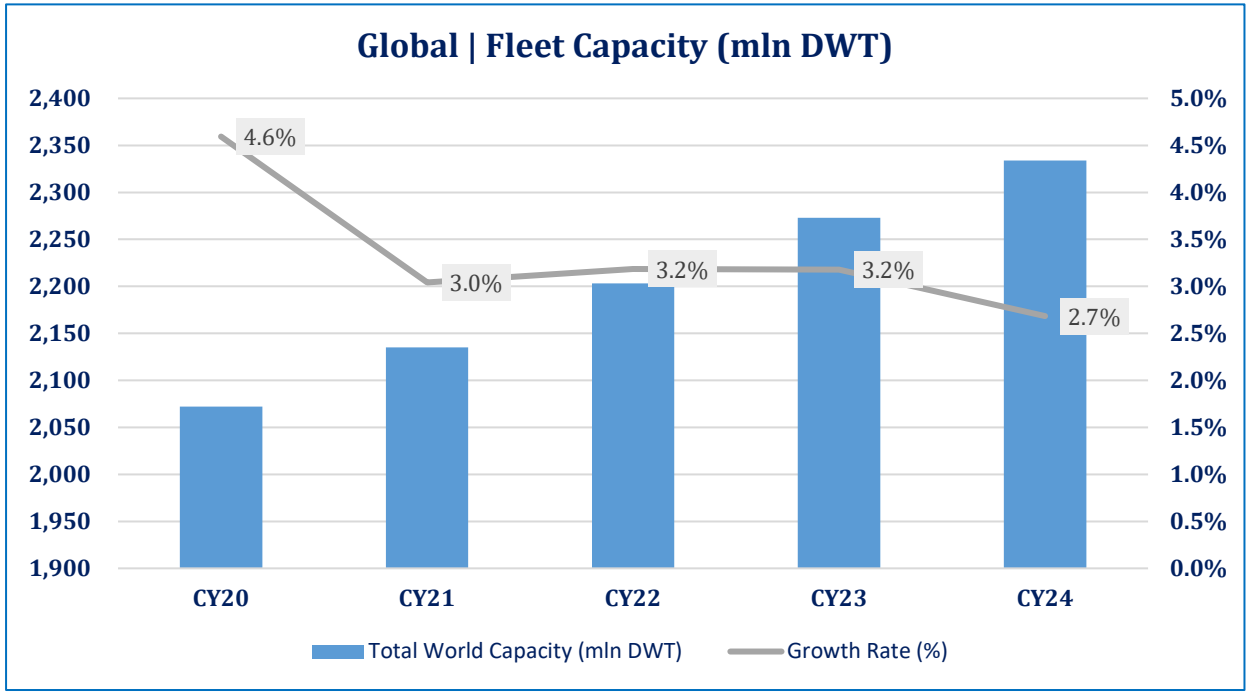
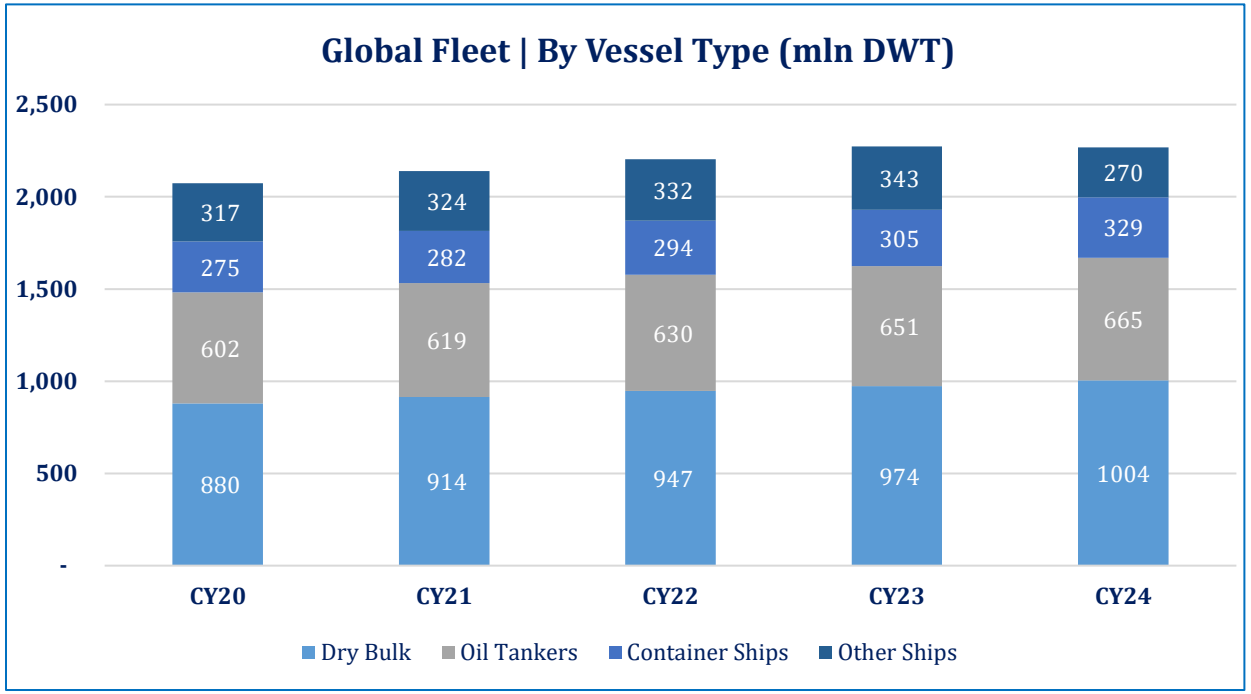
Global | Fleet Capacity





- The global fleet capacity demonstrated a growing trend, expanding by ~2.7% YoY in CY24 (amounting to ~2,334mln DWT). However, the growth rate was lower than the previous five years due to low orderbook, long lead times at shipyards, higher new building prices, and a strong second-hand market.
- In the global fleet ship types, the proportion of the dry bulk is highest at ~42.7%, followed by oil tankers (~28.3%) and containers (~14.0%).
- The rest of the global fleet consisted of the 'other ships' (~11.5%) category which includes offshore supply ships (~3.8%), liquified gas carriers(~4.0%), chemical tankers (~2.2%), ferries and passenger ships (~0.40%) and others (~1.1%).

Source: Review of Maritime Transport 2024

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Global | Top Fleet Owners

- Global world fleet ownership (by capacity) rose to ~2,334mln DWT, which reflected a YoY increase of ~3.6% (SPLY: ~2,254mln DWT). The total number of registered ships grew by ~2.8% YoY, reaching ~58,173 vessels.
- The top ten countries with the highest ownership of the world fleet are depicted in the table below. Greece again leads with a total carrying capacity of ~394.9mln DWTs which amounts to ~16.9% of the global share (SPLY: ~17.4%), followed by China with a share of ~13.3% (SPLY: ~13.4%) and Japan with a share of 10.4% (SPLY: ~10.5%).

Ownership of Global Fleet | Carrying Capacity (DWT) | CY24				
Sr.	**Country**	**Total No. of Ships**	**Carrying Capacity (mln DWT)**	**Total as % of World**
1	Greece	4,992	394.9	16.9%
2	China	9,418	309.8	13.3%
3	Japan	4,104	242.3	10.4%
4	Singapore	2,824	146.0	6.3%
5	Hong Kong, China	2,000	135.5	5.8%
6	Republic of Korea	1,688	97.0	4.2%
7	Germany	2,091	74.4	3.2%
8	Taiwan Province of China	1,043	60.7	2.6%
9	United Kingdom	1,267	56.9	2.4%
10	Norway	1,836	53.9	2.3%
	Rest of the World (ROW)	23,774	762.1	32.7%
	World	**58,173**	**2,334**	**100.0%**

Source: Review of Maritime Transport 2024

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Global | Ship Recycling & Breaking

Top Ship Recycling Countries | CY23 (000 Gross MT)*								
Ship Type	**Bangladesh**	**Pakistan**	**India**	**Türkiye**	**Brazil**	**Rest of the World**	**World Total**	**Share (%) by Ship Type**
Bulk Carriers	2,186	583	0	255	60	18	**3,101**	40.7%
Other Ships	587	648	530	12	213	248	**2,105**	30.1%
Container Ships	445	1,133	131	30	0	115	**1.854**	28.9%
Oil Tankers	201	103	2	74	0	35	**415**	5.6%
Total	**3,419**	**2,466**	**530**	**371**	**273**	**416**	**7,475**	**100%**

- A slight decrease was recorded in the ship recycling segment of ~0.8% YoY in CY23, recording at ~7.5mln MT. This decline is relatively minor as compared to previous years (~50.8%). This downward trend can be attributed to countries holding on to their old vessels, as they find them more profitable due to high freight rates and route disruptions. Other factors include uncertainty over future low-carbon regulations and the strong demand generated for countries to repurpose these old vessels within the illegal "shadow fleet*" which have profited due to ongoing wars (mostly utilized by Russia).

- In CY23, Bulk Carriers held the highest proportion of global ship recycling, accounting for ~40.7% of the recycled fleet. This was followed by 'other ships' (~30.1%), container ships (~28.9%), and oil tankers (~5.6%). The proportion of oil tankers had dropped significantly from CY22 (~36.1%), representing the lowest share among all categories. Bangladesh accounted for ~45.7% of global ship recycling in CY23, while shares of India, Türkiye, and Brazil stood at ~7.1%, ~5.0% and ~3.7%, respectively. Meanwhile, Pakistan's share in global recycling rose to ~33.0% in CY23 (SPLY: ~16.8%), and the Rest of the World only accounted for ~5.6%. Asia currently dominates the global ship recycling due to low-cost operations and high-capacity yards. However, compliance issues under the Hong Kong Convention may limit the future role of countries like Pakistan due to stricter global regulations.

Note: *Latest data available is for CY23. *Gross MT reflect the size of the ship*

Source: Review of Maritime Transport 2024

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Global | Ship Recycling & Breaking

- Until the 1970s, ships were dismantled mainly in Europe and the US, however, when social and environmental protection laws became stricter, the industry shifted to areas where legal frameworks were weaker i.e., Asia. During CY23, the vast majority of ships were broken in South Asia (Bangladesh, Pakistan and India) which account for ~85.8% of ship breaking and recycling.
- Ship breaking and recycling has a number of hazardous results such as workers being killed, impaired for life, exposed to toxics that cause cancers, and sensitive coastal environments are ruined.
- The minimal ship breaking activities that happen in Europe have strict rules and regulations laid down by the International Ship Recycling Association (ISRA) and is founded by the EU. The association promotes and facilitates the environmentally sound and safe recycling of ships and ensures important social, human health and environmental impacts of ship recycling are not violated.
- The three goals of ISRA constitute, (i) ensuring that the EU does not export its waste challenges to third world countries, (ii) making it easier to transport waste for recycling and reuse in the EU and (iii) better tackling illegal waste shipments.
- In CY23, recycling saw massive changes with container ships increasing by ~9 times its value previous year, while that for oil tankers declined drastically by ~84.7% YoY. Owners of other ship types were more likely to hang on to their existing carrying capacities in view of potential profitability, especially in the case of oil tankers.
- The ship breaking and recycling industry is an important source of scrap metal, despite a slowdown in recycling in CY23 (as seen in the case of oil tankers), the ship breaking industry has been performing well, therefore it is anticipated to remain have a stable outlook.
- Ship recycling done through eco-friendly business practices has considerable impact on the environment, as steel acquired through ship recycling reduces CO_2 emissions by up to ~58% compared to producing new steel.

Note: *Latest data available is for CY23.*

Source: Review of Maritime Transport 2024, IRSA

Shipping

Global | Outlook

- The shipping sector has been transformed by horizontal and vertical integration through mergers and acquisitions. Consolidation in the shipping market reduces competition and constrains supply. It can lead to market power abuse, higher shipping costs for businesses and thus higher prices for consumers.
- Over the last 25 years (1999-2024), the top 20 carriers in the shipping sector have almost doubled their market share from ~48.0% to ~91.1% in terms of container fleet capacity (TEU), whereas, the four largest carriers (Mediterranean Shipping Company (MSC), A.P. Møller–Maersk (Maersk), CMA CGM and COSCO Shipping Lines) now control ~57.4% of the global container shipping capacity (~28.0mln TEU).
- Annual seaborne trade growth is expected to expand by ~2.0% and containerized trade also expanding by ~3.5% in CY24. This outlook however will be directly affected by key factors such as the Russia-Ukraine war, shipping route disruptions (specifically in the Red Sea), climate changes and geopolitical tensions, which resulted in delays and pushed up shipping costs.
- In addition to this, shipowners are looking more inclined towards holding on to their old vessels, due to higher freight rates, strict environmental regulations, and route disruptions. Also, as a result of new environmental regulations, ship owners are facing uncertainties regarding the most efficient alternative fuels and ways of reducing carbon emissions (as seen in the case of Pakistan).
- The US and Europe are drastically faltering behind Asia and Americas, because of issues such as persistent manufacturing weakness (as seen in Germany), trade disruptions (especially in the Red Sea) and policy uncertainties.
- Despite these challenges, the global maritime sector remains resilient and stable, carrying approximately 80% of global trade in CY24. Going forward, global seaborne trade is projected to grow at an average rate of 2.4% annually (CY25-29), backed by demand from emerging markets and continued shifts in trade routes due to geopolitical and environmental factors.

Source: Review of Maritime Transport, 2024, UNCTAD, AXS Marine

Shipping

Local | Overview

- Seaborne trade plays an important part in Pakistan's economy because of the geostrategic position of the country. Pakistan's coastline stretches over ~1,000KM along the Arabian Sea and, thus, plays a pivotal role in directing maritime traffic between the Suez Canal, Persian Gulf, and the Far East. The total seaborn trade of the country increased by ~16.3% YoY to ~96.4mln MT in FY24 (~82.9mln MT previously).

- PNSC is Pakistan's national flag carrier, consisting of 19 subsidiary companies. It is an autonomous corporation, listed on the PSX, which functions under the control of the Ministry of Maritime Affairs and is listed on PSX.

- The gross revenue of PNSC declined further to PKR~37,873mln in 9MFY25 (SPLY: PKR~46,363mln), recording a ~18.3% YoY decline, These variations are brought out by decrease in average freight rate per metric ton from USD~13.72 to USD~10.07 on refinery business, leading to a loss of PKR~3.5bln.

- Of the total seaborne trade, PNSC contributed ~9.9% as of CY24, which is lower compared to the previous year when it was ~10.83%, highlighting its gradually shrinking market share against big global players such as Maersk, DP World, and Hutchison Ports.

Particulars	Units	FY23	FY24	9MFY25
Gross Revenue	**PKR mln**	54,771	46,363	37,873
Shipping Corporations | Local	**No.**	01		
Structure		Listed & Monopolistic		
Total Seaborne Trade	**mln MT**	83	96	96*
PNSC Share in Total Seaborne Trade	**%**	11%	10%	10%*
Fleet Size	**No.**	12	12	12*
Tankers	**No.**	7	7	7*
Dry Bulk Carriers	**No.**	5	5	5*
Association	All Pakistan Shipping Association			
Regulator	Ministry of Maritime Affairs			

Note: *Gross Revenue is reflective of one sector player and includes Local Sales and others. *Latest Available figures are of FY24.*

Source: PACRA Database, PNSC

Shipping

Local | Overview

- Pakistan's shipping sector was nationalized in 1974 where all the ship-owning businesses were merged under the Pakistan Shipping Corporation (PSC). Later, Pakistan National Shipping Corporation (PNSC) was established in 1979 after the National Shipping Corporation (NSC) was merged with Pakistan Shipping Corporation (PNSC). PNSC is listed on Pakistan Stock Exchange since 1980.

- As of May'25, PNSC is majorly owned by the Government of Pakistan (GOP) (~87.6%), through the Ministry of Maritime Affairs, followed by the PNSC Employees Empowerment Trust (~1.6%), bringing the total GOP holding to ~89.1%. The Ministry of Maritime Affairs oversees the Corporation and monitors its regulatory framework.

- The PNSC fleet consists of ~12 vessels, including ~7 tankers & ~5 bulk carriers. The total deadweight capacity of the entire fleet amounts to ~938,876 DWT in FY25. The average age of the fleet is ~19 years, which is comparatively better than the global average (~22.4 years), indicating a relatively younger fleet that may offer advantages in fuel efficiency, regulatory compliance, and operational reliability .

Pakistan's Fleet and Capacity (Mar'25)

Sr.	Ship Types	Ship Name	Year of Manufacturing	Years of Purchase by PNSC	Age (Years)	Capacity (DWT)
1	Tankers	M.T Quetta	2003	2008	22	107,215
2		M.T Mardan	2007	2023	18	107,123
3		M.T Sargodha	2008	2023	17	107,123
4		M.T Lahore	2003	2010	22	107,018
5		M.T Shalamar	2006	2014	19	105,315
6		M.T Khairpur	2012	2019	13	74,986
7		M.T Bolan	2013	2019	12	74,919
Total Liquid Bulk						**683,699**
8	Bulk Carriers	**M.V Malakand**	2004	2010	21	76,830
9		**M.V Hyderabad**	2004	2011	21	52,951
10		**M.V Multan**	2002	2012	23	50,244
11		**M.V Chitral**	2003	2010	22	46,710
12		**M.V Sibi**	2009	2011	16	28,442
Total Dry Bulk						**255,177**
Total						**938,876**

Source: PNSC, PACRA Database

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Local | Seaborne Trade

- PNSC's activities were centered majorly on Liquid Bulk (tankers) trade in FY24, accounting for ~29.0% share in overall liquid bulk trade country. In comparison to this, Dry Bulk (bulk carriers) trade only accounted for ~2.0% during the year.
- In FY24, dry cargo trade declined to ~1.3mln MT from ~1.6mln MT (or ~18.8% YoY), whereas trade of liquid cargo declined to ~8.6mln MT from ~9.3mln MT (down ~7.5% YoY) during the year.
- The term Slot Charter is used when only part of the ship is chartered in order to transport dry cargo in TEU. Break bulk in slot charter decreased ~62.5% YoY in FY24, while containerized cargo only declined slightly by ~4.6% YoY.

Particulars	Dry Bulk			Liquid Bulk			Total		
	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
Seaborne Trade | Country (mln MT)	70.07	54.1	67.2	36.1	28.8	29.2	106.8	83	96.4
Seaborne Trade | PNSC (mln MT)	1.3	1.5	1.3	10.7	9.2	8.6	12.0	11.0	9.9
PNSC (% Country's Seaborne Trade)	2%	3%	2%	30%	32%	29%	11%	13%	10%

Particulars	Unit of Measurement	FY22	FY23	FY24
Dry Cargo (Bulk Carrier)	mln MT	1.3	1.6	1.3
Liquid Cargo (Tanker)	mln MT	10.7	9.3	8.6
Slot Charter				
Break Bulk***	Higher of MT or CBM** (W/M)	0.03	0.08	0.03
Containerized Cargo	000 TEUs*	2.1	1.2	1.2

**TEU: twenty feet container . **CBM: cubic meter. ***Break Bulk is cargo that is not containerized.*

Source: PNSC, UNCTAD

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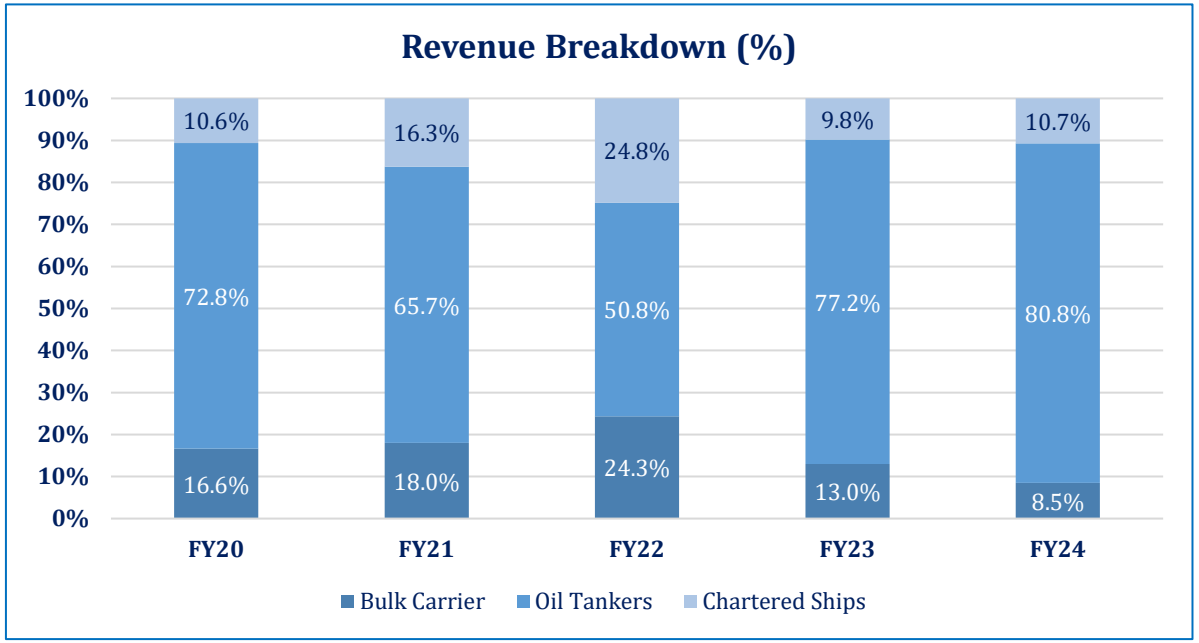
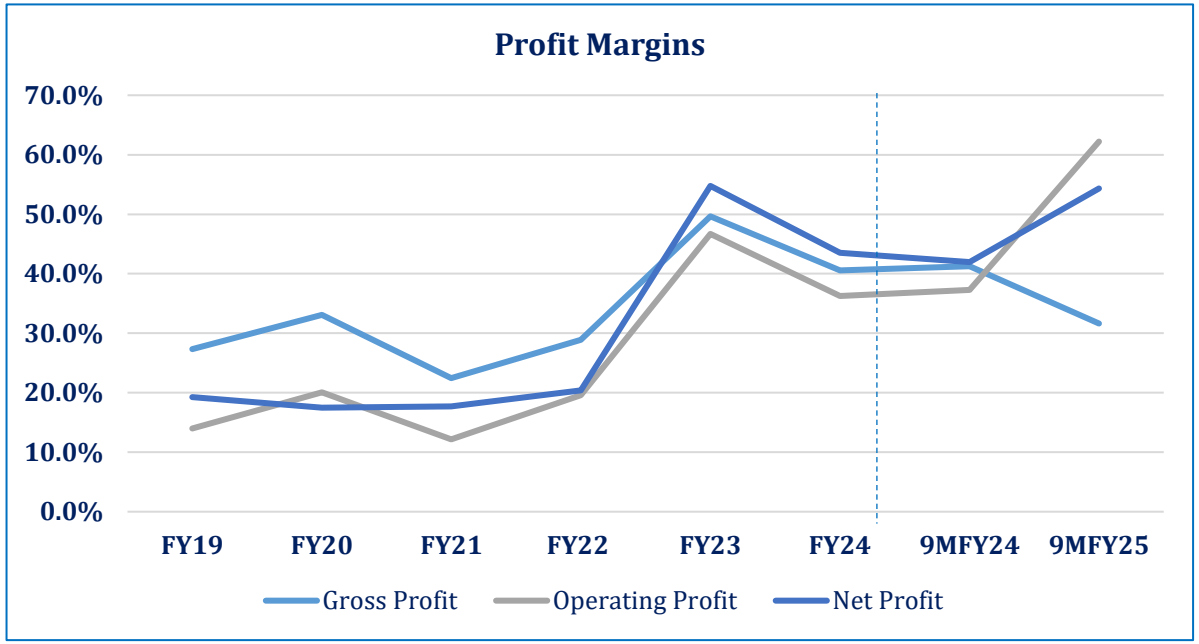
Business Risk

- The sector's total revenue declined to PKR~41.0bln in FY24 from PKR~47.2bln in FY23 (~13.1% YoY decline). Oil tankers are the major contributors to this sector, generating PKR~33.1bln and constituting ~80.8% of the total shipping revenue (FY23: ~77.2% of the total shipping revenue), whereas the revenue from bulk carriers and chartered ships declined to ~8.5% (PKR~3.3bln) and ~10.7% (PKR~4.1bln), respectively.

- Gross and operating margins decreased from ~49.6% and ~46.7% in FY23 to ~40.6% and ~36.2%, respectively, in FY24. Net margins also saw a downward trend, declining ~20.6% YoY to ~43.5% in FY24, despite finance costs declining ~28.1% YoY. However, when comparing 9MFY24 and 9MFY25, operating margins registered an increase from ~37.3% to ~62.2%. Gross margins showed a similar trend, while net margins rose to ~54.4% in 9MFY25, due to factors such as ~58.0% YoY lower finance costs. This was mainly attributed to the recognition of a gain amount of PKR~4.4bln from the sale of two tanker vessels from the PNSC managed fleet (M.T. Lahore & M.T. Quetta).





Note: *Calculation based on PNSC Financials. Latest data available is for FY24 for Revenue Breakdown*

Source: PNSC

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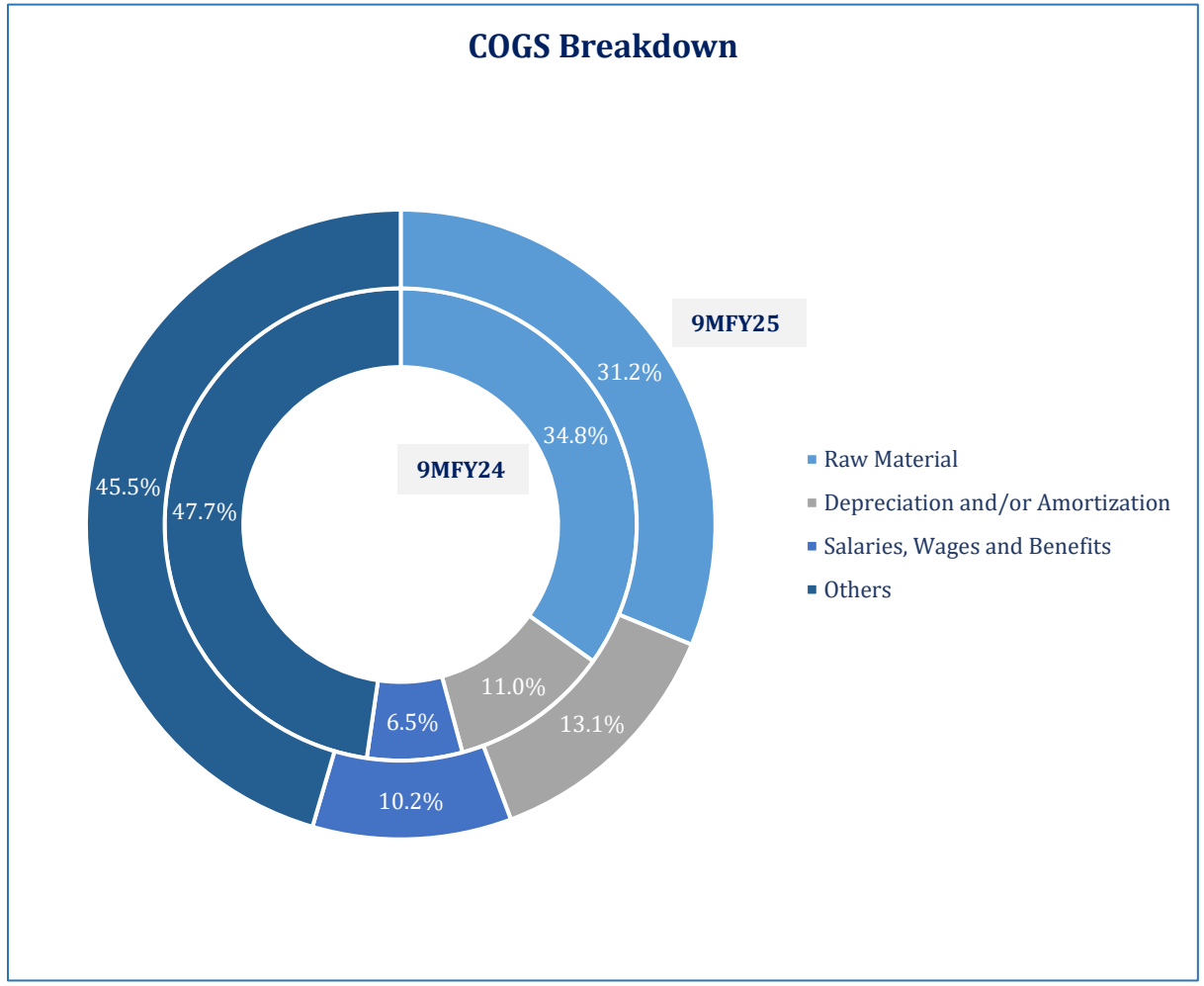
Business Risk

- In FY24, the sector's cost of goods sold (COGS) stood at PKR~27,561mln, a ~7.8% YoY increase. Raw material costs lowered ~10.4% YoY in FY24 and comprised ~31.2% of the total costs incurred (FY23: ~37.6%). However, "Other" costs, comprising energy costs and fleet maintenance expenses, formed ~45.5% of total COGS during the year (FY23: ~51.4%).
- In 9MFY25, the cost of goods sold stood at PKR~19,423mln (SPLY: PKR~20,563mln). "Others" constituted ~45.5% of total costs during the period and recorded ~9.9% YoY decline.
- Meanwhile, raw material costs rose ~20.2% YoY to PKR~6,066mln in 9MFY25 and comprised ~31.2% of the total costs incurred (SPLY: ~34.8%).
- A rise of ~12.7% YoY was recorded in depreciation costs as well as in salaries & wages components of total cost during 9MFY25. During the period, these made up ~13.1% and ~10.2% of the total cost of goods sold, respectively.



Note: *Calculation based on PNSC Financials. Others include, but are not limited to, Charter Hire and related expenses, Demurrage expenses and Custom dues,.*

Source: PNSC

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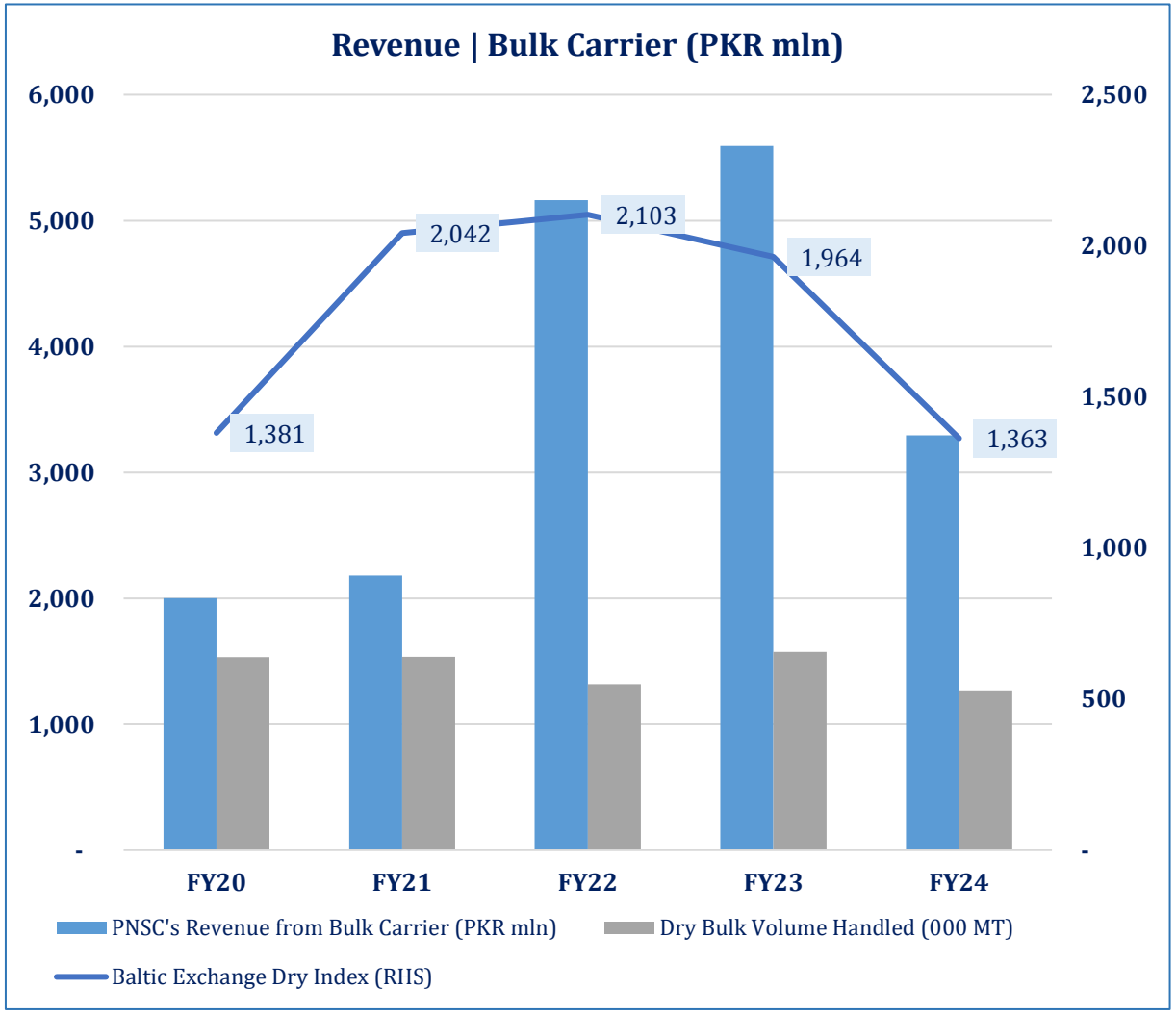
Business Risk | Baltic Exchange Dry Index

- The Baltic Dry Index (BDI) is a benchmark to track international demand for dry raw materials and its cost to transport them by shipping vessel. The Index, issued by London-based Baltic Exchange, takes into account ~23 different shipping routes carrying coal, iron ore, grains, and many other commodities across the globe.

- In FY24, the Index declined to ~1,363 points (FY23: ~1,964 points), indicating a decline in trading activities owing mainly to trade sanctions on Russia, coupled with the overall economic slowdown in China & USA.

- The index recording ~30.6% YoY decline in FY24; meanwhile, the segment's revenue registered ~41.1% YoY decline, recording at PKR~3,295mln, owing mainly to ~19.4% YoY decline in dry bulk volumes handled.

- In FY25, BDI-linked freight rates may face downward pressure as vessel supply growth outpaces demand (mainly due to slowing Chinese iron ore imports because of high inventories and weaker steel production), adding strain to already competitive dry bulk markets.



Source: PES, PNSC, Investing.com

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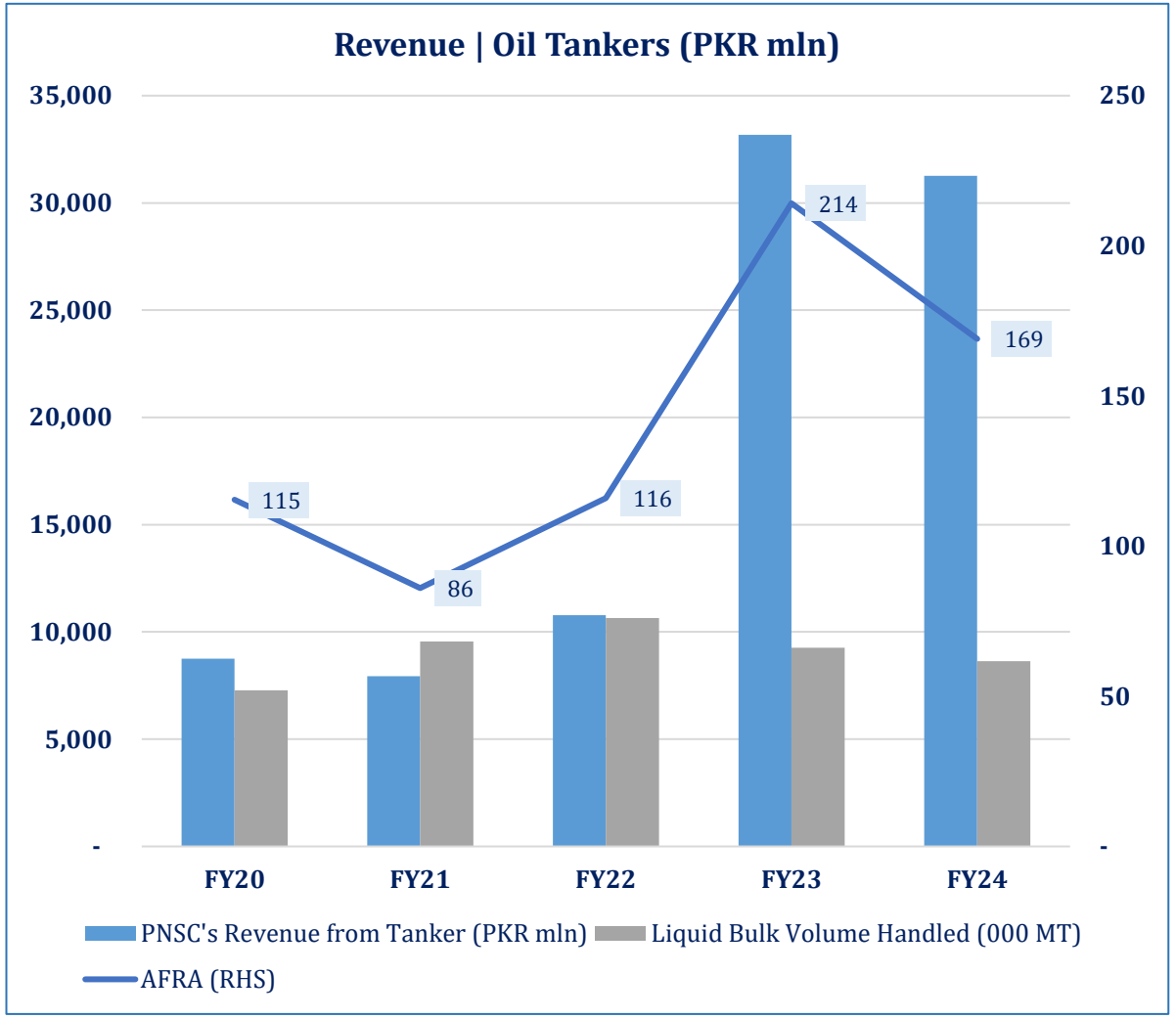
Business Risk | Average Freight Rate Assessment (AFRA)

- The global crude oil and refined product tanker fleet employs a classification system known as Average Freight Rate Assessment (AFRA) to standardize contract terms, establish shipping costs, and determine the ability of ships to travel into ports or through certain straits and channels.
- AFRA was established by the Royal Dutch Shell and is overseen by the London Tanker Brokers' Panel (LTBP). AFRA uses a scale that classifies tanker vessels according to DWT MT.
- In FY24, the AFRA rates decreased from an average of ~214 points in FY23 to an average of ~169 points in FY24 (~21.1% YoY).
- This, combined with a ~7.0% YoY increase in liquid bulk handled (~8.6mln MT) in FY24 (~9.3mln MT in FY23), resulted in the local oil tanker segment's revenue generation recording a ~5.8% YoY decrease during the year. Revenue from liquid bulk was recorded at PKR~31,263mln in FY24.
- In FY25, AFRA rates are supported by ~1.5mbpd oil demand growth and longer voyages via the Cape of Good Hope, but an aging fleet and geopolitical instability (as seen in the Red Sea) can affect the vessel availability and freight rate stability which can hinder its progress.



Source: PNSC, EIA

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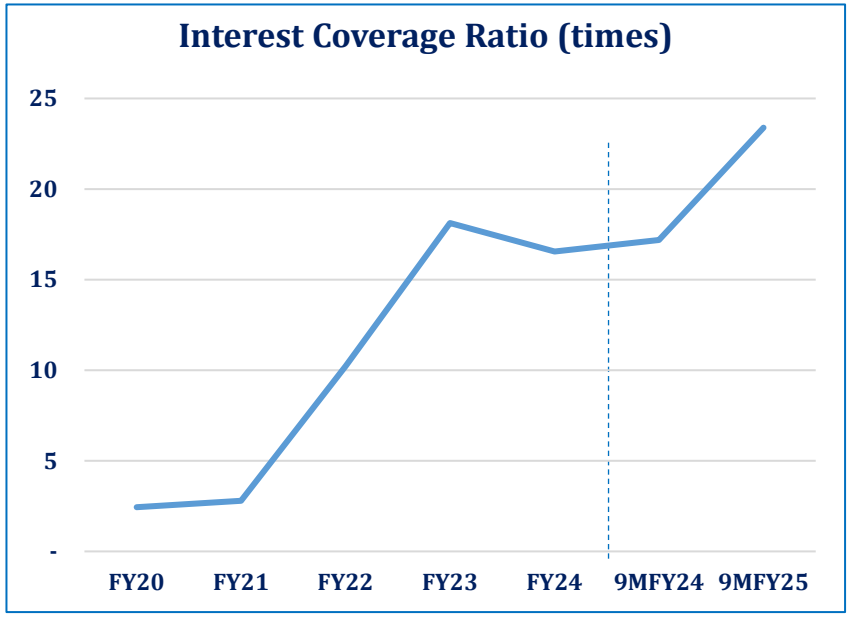
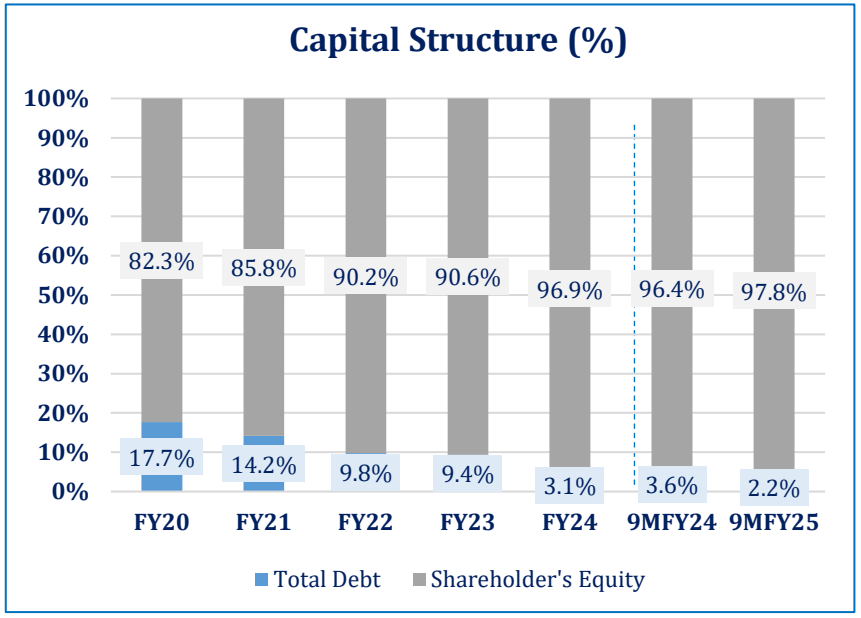
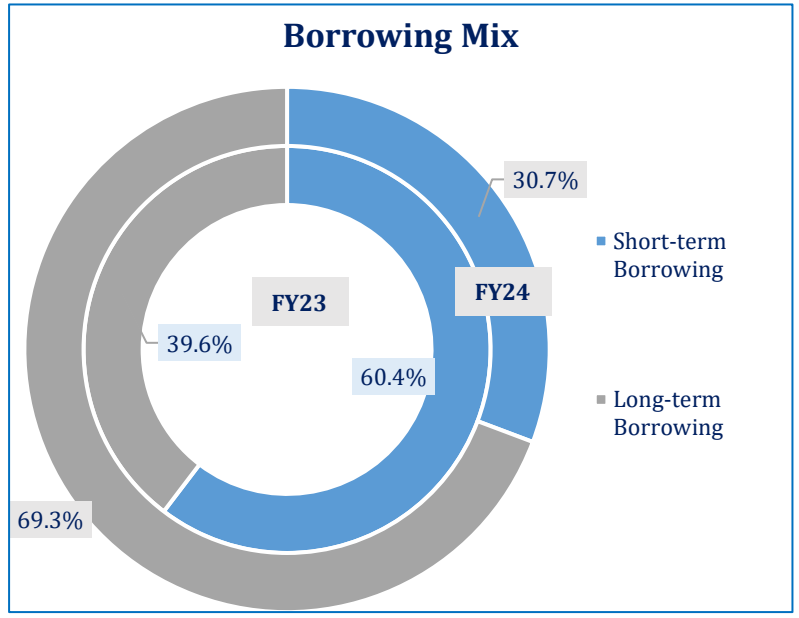
Financial Risk

- The total borrowings of the sector stood at PKR~2,836mln as of End-FY24, down ~61.4% YoY. A major portion (~69.3%) of the borrowings represents long-term borrowings, which recorded ~75.0% YoY increase. In FY23, a major portion (~60.4%) of the borrowings was reflective of short-term (ST) borrowings. Meanwhile, LTBs registered ~32.5% YoY decline during the year. The debt-to-leverage ratio, resultantly, was recorded at ~3.2% in FY24 (FY23: ~10.3%), depicting robust internal capital generation.
- During 9MFY25, sector's total borrowings stood at PKR~2,182mln, ~28.5% YoY lower than those recorded in SPLY. Short-term borrowings made up ~40.0% of total borrowings while long-term borrowings contributed ~60.0%, during the said period (SPLY: ~28.5% and ~71.5%, respectively).
- Sector's interest coverage ratio stood at ~17.0x in FY24 (FY23: ~18.0x) and ~23.4x in 9MFY25 (SPLY: ~17.0x) depicting, for latter, a considerably high capacity of meeting financial obligations compared to the same period last year.





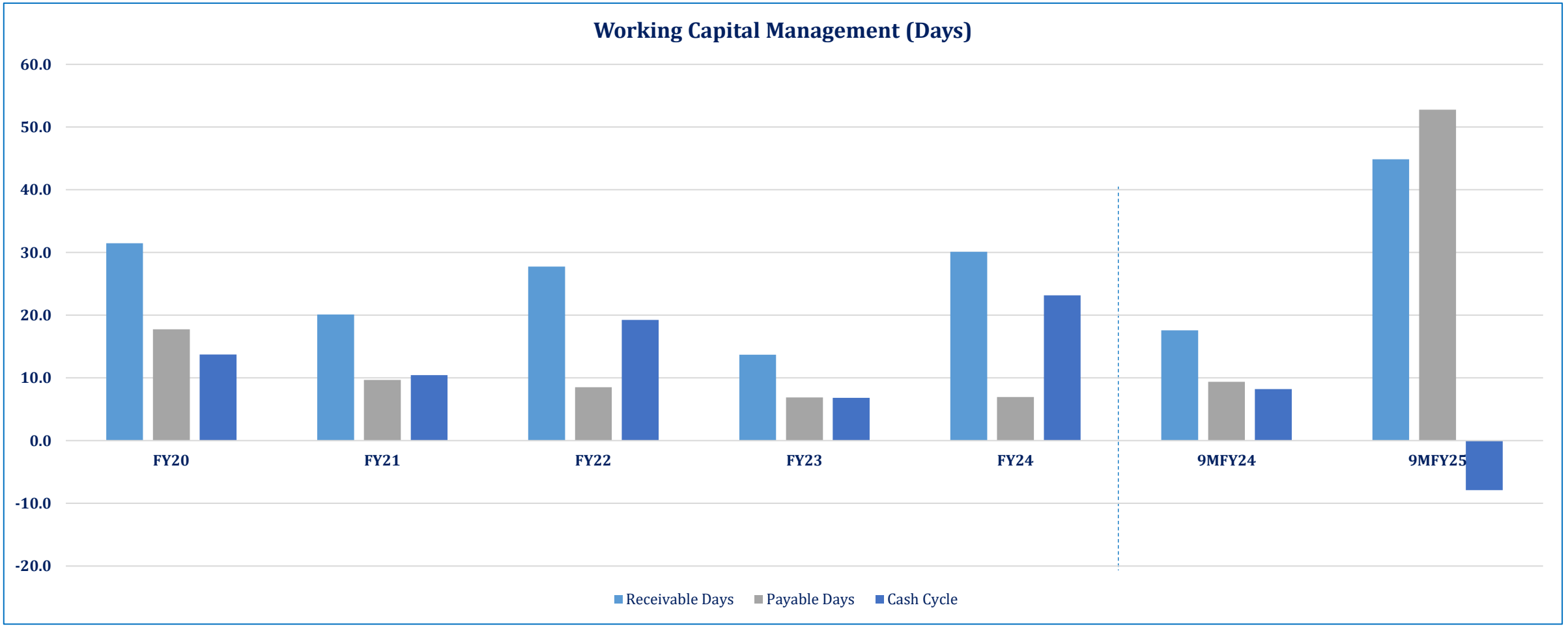


Source: SBP, PNSC

Shipping

Financial Risk | Working Capital Management

- The cash conversion cycle of the sector increased in FY24 in contrast to FY23 by ~16 days. Sector's receivable days were up ~16 days YoY, while the payable days were recorded the same as the previous year.



Source:: PNSC

Shipping

SWOT Analysis

Strengths

- An International sector in true essence, wherein compliance and safety requirements are devised, managed and monitored on a global scale.
- Significantly important sector of the economy in terms of catering over ~95% of the country's external trade movement.
- Regulated & ssovereign control.
- Capital intensive thus high barrier to entry.

Weaknesses

- Significant dependence on specific trade routes.
- Inability to set pricing, dependence on international index.
- High reliance on global trade dynamics.
- High operational costs.
- Highly sensitive to global economic conditions, affecting demand and pricing..

Threats

- Litigation risks.
- Major accidents or oil spillage.
- Fluctuation in interest/ exchange rates.
- Volatility in fuel cost.
- Adverse changes in global laws e.g., taxation policies.
- Trade wars, sanctions, and regional conflicts.

Opportunities

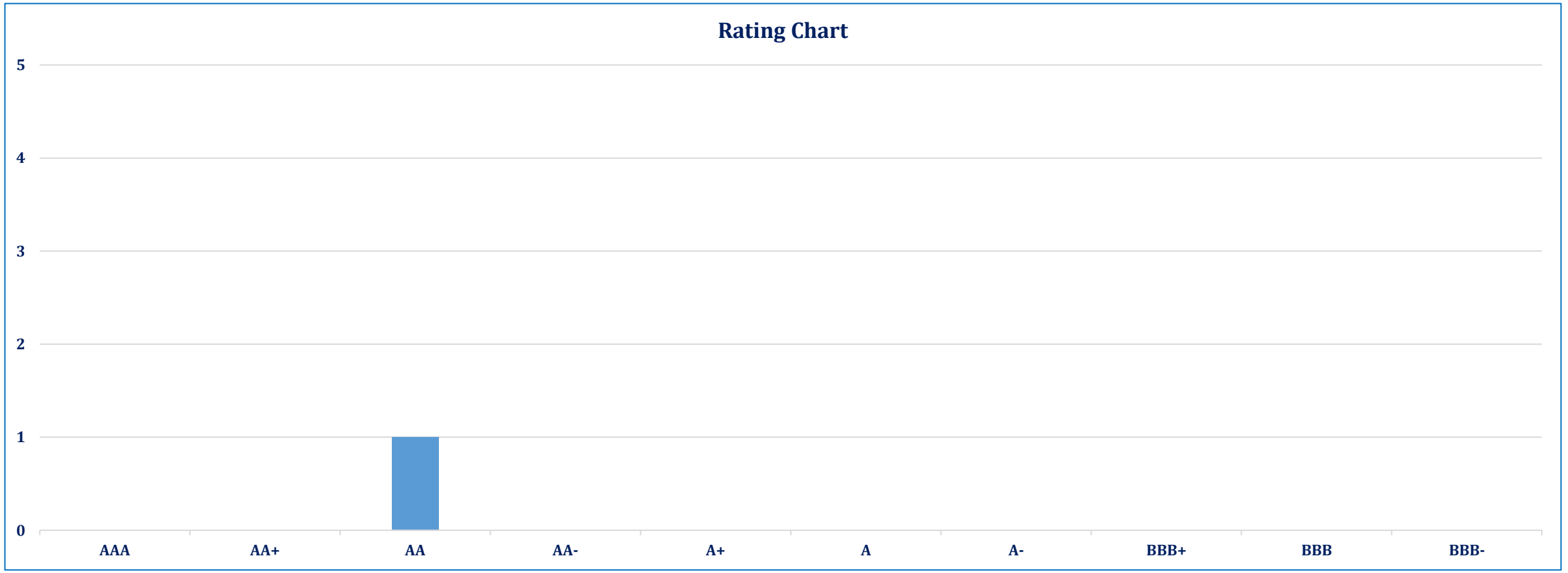
- Unique coastal geographical position of the country holds the potential to grow tremendously on global shipping services.
- Strategic alliances and joint ventures
- Web-Enabled logistic operations.
- Bilateral agreements for development and growth.
- Decarbonization fuel regulations.

Source: PACRA Database

Shipping

Rating Curve

PACRA rates one entity in the shipping sector, with a long-term rating of 'AA'.



Source: PACRA Database

Shipping

Outlook: Stable

- Pakistan's GDP (nominal) was recorded at PKR~114.7trn during FY25 from PKR~105.74trn in FY24, registering a growth (real) of ~2.7% YoY. Large Scale Manufacturing (LSM) saw a mixed performance in FY25, declining by ~1.53% but some of its sectors (Textile, Pharmaceuticals, Automobiles) have reflected resilience showing gradual signs of industrial revival that could lift seaborne trade through rising imports of raw materials and exportable goods.
- Pakistan's maritime sector also showed steady progress in FY25, with Karachi Port Trust handling ~54mln MT of cargo (up by ~4.45%) and Hutchison Ports committing a US~1bln investment in port modernization.
- The Pakistan National Shipping Corporation (PNSC), handled ~10.3% (~9.94mln MT) of the total seaborne trade in FY24, down from ~13.0% (~10.8mln MT) in FY23, a total capacity of ~938,876 DWT. In FY24, dry cargo trade decreased to ~1.3mln MT from ~1.6mln MT, whereas trade of liquid cargo declined to ~8.6mln MT. This shows that although there is a boost in shipping activities, PNSC is lagging behind as foreign vessels are capturing a larger portion of trade, indicating underutilization or competitiveness issues within the national fleet.
- In FY24, the sector's revenue decreased ~13.1% YoY to PKR~41.0bln. Oil tankers contributed ~80.8% during the year (FY23: ~70.2%), while chartered ships and bulk carriers' shares declined. Dry and liquid bulk volumes declined ~19.4% and ~7.0% YoY, respectively.
- Sector revenue from the oil tanker segment is linked to AFRA rates. In FY24, AFRA rates went down by ~21.1% (from an average of ~214 points in FY23 to ~169 points in FY24), leading to a decrease in revenue. With freight rates projected to decline throughout CY25, the AFRA rates will be negatively impacted but the tanker freight market is expected to maintain a strong trajectory through CY25 and CY26, largely due to strong global oil demand (particularly from Asia) and constrained fleet growth.
- In FY24, Gross and operating margins decreased to ~40.6% and ~36.2% respectively, while net margins also declined to ~43.5%, due to certain factors including a ~28% rise in finance costs. However, in 9MFY25 (in comparison to 9MFY24), an increase in net and operating margins was seen due to profit earned from selling two vessels (M.T. Lahore & M.T. Quetta).
- In FY24, the sector's total borrowings declined by 61.4% YoY to PKR~2,836mln. Short-term borrowings fell by ~49.2% YoY to ~30.7%, while long-term borrowings rose by ~75% YoY to ~69.3%. The Baltic Exchange Dry Index, has been depleting for the past two years, falling mainly due to factors like lower demand (especially from China), rising vessel supply from new deliveries and easing of route disruptions in the Red Sea (lowering freight rates).
- The shipping sector's outlook is stable, because of its state-owned monopoly, and low risk of default. Although PNSC is facing structural, international and operational challenges that hinder its full potential but plans to expand its fleet to ~34 vessels to target USD~700.0mln in freight earnings over the next three years may prove to be the catalyst that is needed to reclaim its share in national trade.

Shipping

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