1. Corporate Overview

Legal Status: PIA was converted from a statutory company to a public limited company in 2016 under the Pakistan International Airlines Company (Conversion) Act, 2016. It operates under the Companies Act, 2017.

Principal Activities: Commercial air transportation (passenger, cargo, postal), engineering, and allied services.

Key Challenges:

Severe impact from COVID-19, including travel bans and operational disruptions.

Tragic plane crash (PK8303) on May 22, 2020, further strained operations.

Suspension by the European Union Air Safety Agency (EASA) for six months from July 1, 2020.

2. Financial Performance (Jan-Jun 2020)

Revenue (Net): PKR 51.47 billion (down 21.9% YoY from PKR 65.92 billion in 2019).

Operating Loss: PKR 10.03 billion (40.8% increase YoY from PKR 7.12 billion in 2019).

Net Loss: PKR 36.90 billion (slightly improved from PKR 37.89 billion in 2019).

Key Cost Drivers:

Aircraft Fuel: PKR 14.66 billion (23.5% of total costs, down 52.9% YoY due to reduced flights).

Finance Costs: PKR 17.11 billion (mainly from long-term financing and lease liabilities).

Liquidity: Current liabilities exceeded current assets by PKR 257.71 billion, indicating significant liquidity stress.

3. Impact of COVID-19

Revenue Decline: Core passenger/cargo revenue fell by 44%, partially offset by a 98.7% increase in charter revenue (special cargo flights for the Government of Pakistan).

Cost Mitigation:

Voluntary salary reductions (saving PKR 325 million).

Deferred loan repayments under State Bank of Pakistan (SBP) relief measures.

Focus on cargo operations to offset passenger revenue losses.

4. Government Support

Financial Backing: The Government of Pakistan (GoP) reiterated support through:

Long-term financing and guarantees.

Markup reimbursement (PKR 28.26 billion in 2020).

Equity injections and debt restructuring.

Going Concern Assumption: Relies on continued GoP support, as accumulated losses reached PKR 536.28 billion.

5. Operational Highlights

Q1 2020 Performance: Positive start with 18.5% revenue growth and reduced operating losses (62% YoY improvement).

Q2 2020 Setbacks: COVID-19 lockdowns and the PK8303 crash led to missed Hajj/Umrah seasons and operational disruptions.

6. Contingencies and Risks

Provident Fund Dues: PKR 16.65 billion unpaid (violating Section 218 of the Companies Act, 2017).

Tax Contingencies: PKR 58.99 billion in unresolved tax disputes.

Legal Claims: Pending lawsuits and regulatory penalties.

7. Auditor’s Emphasis of Matter

Going Concern Uncertainty: Dependent on GoP support.

Non-Compliance: Delayed Provident Fund payments and unresolved tax liabilities.

8. Consolidated Financials (Group)

Net Loss: PKR 39.89 billion (attributable to equity holders).

Revenue: PKR 55.23 billion (includes hotel operations and subsidiaries).

9. Strategic Measures

Cost Reduction: Salary cuts, operational downsizing.

Revenue Diversification: Expanded cargo/charter flights.

Fleet Management: Insurance settlements for damaged aircraft (e.g., ATR42-500 and Airbus A-320-214).

10. Outlook

Challenges: Prolonged COVID-19 effects, EASA suspension, and high debt burden.

Opportunities: Cargo demand, GoP support, and potential post-pandemic recovery.

Key Takeaways

PIA’s survival hinges on GoP support and operational restructuring.

The airline faces severe financial and reputational risks but is leveraging cargo operations to mitigate losses.

Transparency in financial reporting and compliance remains critical for stakeholder confidence.