



ANALYST BRIEFING

9M 2017

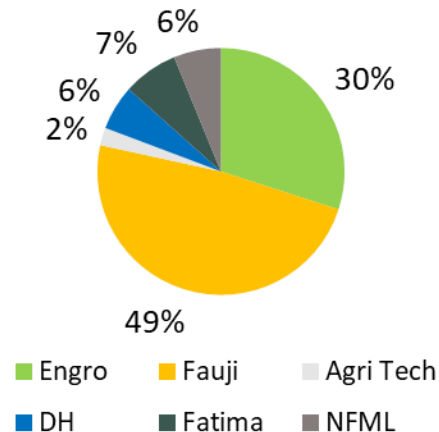
UREA MARKET ENVIRONMENT



- ▶ Industry Urea sales for 9M clocked in at 4,088KT vs 3,472 KT in 9M 2016 (increase of ~18% YoY).
- ▶ Higher sales were due to lower urea prices, improved agronomics and expectation of price increase during 4Q
- ▶ YTD industry export sales clocked in at 439KT (EFERT: 211KT)
- ▶ Industry production for the period was 4,321KT vs 4,493KT in 9M 2016.
- ▶ Agritech and FatimaFert both produced lower vs last year either due to limited gas avails or negative margins
- ▶ Total EFERT domestic sales were 1,231KT in 9M 2017 vs 1,022KT in SPLY.
- ▶ Domestic market share stood at 30% in 9M 2017 vs 29% SPLY. Branded urea market share at 32% in 9M2017 vs 30% SPLY
- ▶ Urea prices improved and are currently close to government notified prices
- ▶ International urea prices increased from USD 200/T to USD 280/T towards end of 3Q, mainly a result of recent hurricanes in North America, spur in Indian demand, and annual turnarounds by Chinese producers

Urea Industry (KT)	9M 2017		Change
	9M 2017	9M 2016	
Opening Inv.	1,043	558	
Production	4,321	4,493	-4%
Exports	439	0	
Sales	4,088	3,472	18%
Closing Inv.	818	1,562	

9M 2017

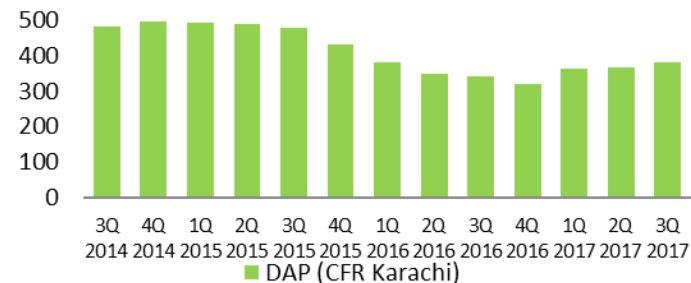


PHOSPHATES MARKET ENVIRONMENT

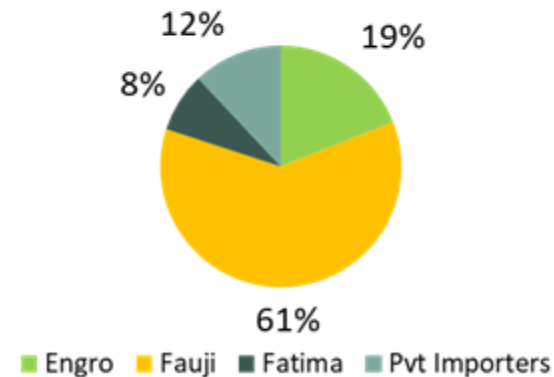


- ▶ 9M 2017 industry sales stood at 1,247 KT compared to 922 KT in 9M 2016
- ▶ Growth of 35% YoY is due to improved farmer economics along with continuation of subsidy on phosphates
- ▶ EFERT DAP sales in 9M2017 were recorded at 234 KT, down 11.5% YoY. YTD EFERT DAP market share was 19% vs 26% last year
- ▶ DAP sales/margin were lower due to limited avails in 1Q, pricing pressure & lower competitor prices
- ▶ Total sales in 3Q were 139KT, whereas market share remained at 20%.
- ▶ International prices are expected to witness upward pressure (currently trading around USD 390/T) due to the seasonality factor and China's controlled output to meet domestic demand
- ▶ Subsidy of PKR ~150/bag for farmers is allocated by Punjab government from October onwards which is expected to improve demand during peak season.
- ▶ Subsidy amounts to upto PKR ~2.0bn

Phosphate Prices (USD/T)

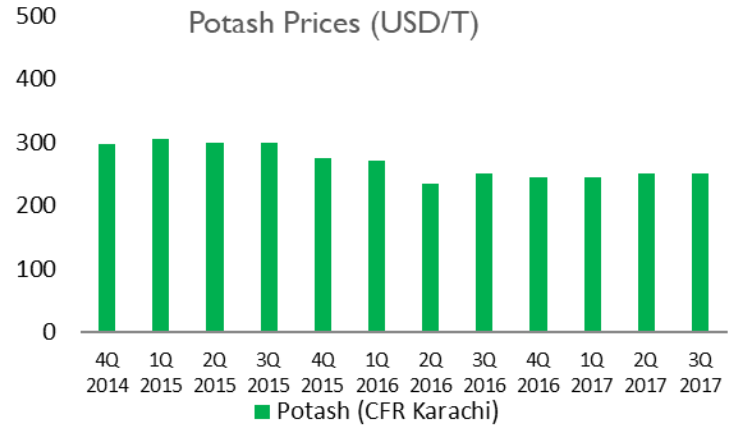


9M 2017

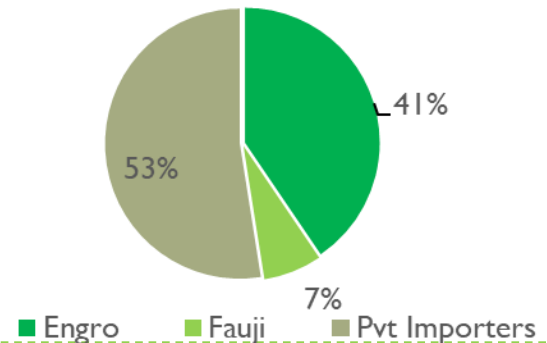


ZARKHEZ MARKET ENVIRONMENT

- ▶ Total sales for ZBU stood at 101 KT vs 9M 2016 sales of 71 KT (higher by 42% YOY)
- ▶ Higher sales were due to YTD potash market increasing by 43% vs last year buoyed by lower potash prices, subsidy on potash and improved farmer economics
- ▶ EFERT's market share YTD clocked in at ~41% vs 47% SPLY, the decline is largely due to straight potash traders entering the market.
- ▶ Within total ZBU sales, Zarkhez sales stood at 45 KT. MOP/SOP sales stood at 9 KT and NP sales at 41 KT
- ▶ In lieu of the improved sales, production during 9M stood at 78 KT vs 66 KT SPLY
- ▶ Government of Punjab announced direct farmer subsidy of PKR 500/bag on MOP and PKR 800/bag on SOP from August 2017



9M 2017 Potash Market Share



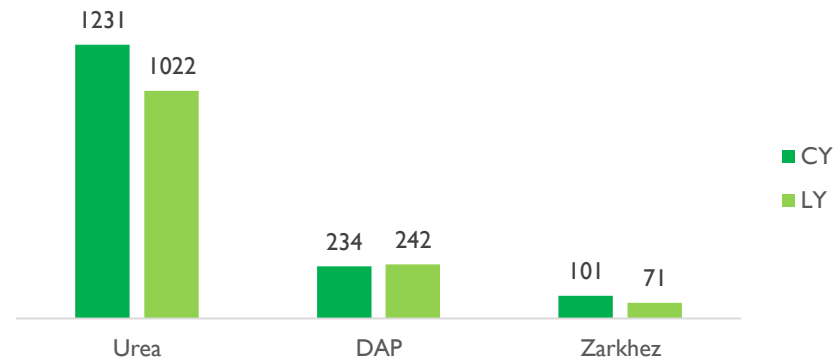
BUSINESS HIGHLIGHTS



- ▶ For 9M 2017, the Company has declared Profit after tax of PKR 6,924M, an increase of 21% over PKR 5,745M million earned in 9M 2016
- ▶ Higher profitability was led by higher offtakes as well as exports of 211KT
- ▶ Whereas contribution also came from regularization of gas cost of Plant-1
- ▶ Sales revenue for the Company was PKR 48,473 million for 9M 2017, up 18% as compared to SPLY (PKR 40,910 million)
- ▶ Finance cost decreased to PKR 2,003 million (vs PKR 2,386 million SPLY) due to loan repayments, lower benchmark interest rates and re-pricing of various long-term loans.

PKR M	9M 2017	9M 2016
Total Revenue	48,473	40,910
Gross Profit	14,933	11,575
Finance Cost	2,003	2,386
Profit / (Loss) After Tax	6,924	5,745

Sales KT (9M 2017 vs 9M 2016)



UPDATES

- ▶ Plant I is shut down for maintenance and will resume production by second week of November
- ▶ GIDC on all non-concessionary gases is being accrued , but payment is being withheld due to litigation, in line with industry practice
- ▶ However, GIDC on concessionary gas is a separate legal matter, and EFERT continues to make no accrual or payments for GIDC
- ▶ Despite repeated assurances by the GoP of timely settlement of subsidy, the matter remains outstanding due to procedural hurdles
- ▶ Our current subsidy receivable from the government is at PKR 7.1 B. We continue to engage with the government for streamlining subsidy disbursement mechanism

OUTLOOK

- ▶ Improved farmer income coupled with lower urea prices will continue to support local urea demand during the upcoming season.
- ▶ We expect closing inventory to fall significantly to ~400 to ~500KT by end of 2017
- ▶ International urea prices are expected to stabilize in Q4 after a spike in the preceding quarter as demand-supply situation normalizes.
- ▶ Seasonal buying in Q4 is expected to exert upward pressure on international DAP prices
- ▶ EFERT continues to explore opportunities within the country to expand its business within Agri space



THANK YOU

Q & A