



# **ANALYST BRIEFING**

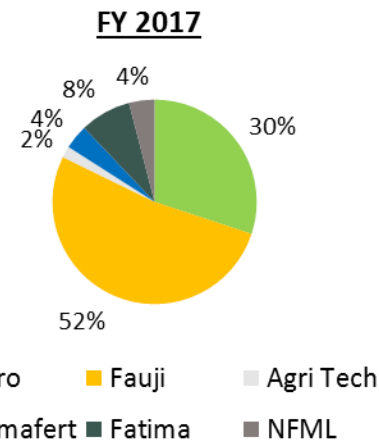
FY 2017

# UREA MARKET ENVIRONMENT



- ▶ Industry Urea sales for FY 2017 clocked in at 5,826KT vs 5,485 KT in FY 2016 (increase of ~6.2% YoY)
- ▶ Higher sales were a result of lower urea prices prevailing throughout 2017 vs LY & improved agronomic demand due to improved crop earnings
- ▶ FY industry export sales clocked in at 557KT (EFERT: 223KT)
- ▶ Industry production for the year was 5,614KT vs 5,998KT in 2016, lower by 6% YoY
- ▶ Agritech and FatimaFert both produced lower vs last year either due to limited gas avails or negative margins.
- ▶ EFERT production also stood lower than last year due to plant turnaround
- ▶ Total EFERT domestic sales were 1,739KT in 2017 vs 1,652 KT LY.
- ▶ Domestic market share stood at 30% in 2017 (in line with last year). Branded urea market share at 31% in 2017 vs 30% in 2016
- ▶ Urea prices have improved and are currently close to government notified prices
- ▶ International urea prices stabilized at USD 255/T towards the end of the year after rising to highs of USD280/T in 3Q, mainly as a result of normalization of demand from India

Urea Industry (KT)	FY 2017		FY 2016	Change
	FY 2017	FY 2016		
Opening Inv.	1,058	561		
Production	5,614	5,998		-6%
Exports	557	0		
Sales	5,826	5,485		6%
Closing Inv.	268	1,049		



# PHOSPHATES MARKET ENVIRONMENT

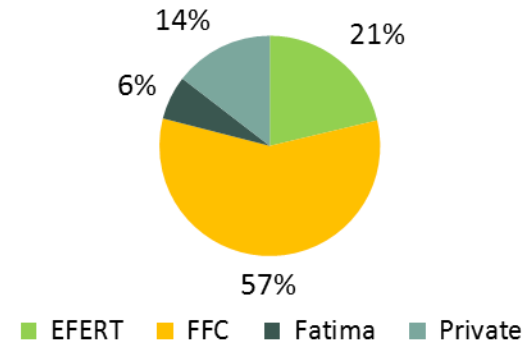


- ▶ FY 2017 industry sales stood at 2,343 KT compared to 2,225 KT in FY 2016, a growth of 5% YoY
- ▶ Higher industry sales were primarily due to improved farmer economics along with continuation of subsidy on phosphates
- ▶ EFERT DAP sales in 2017 were recorded at 501 KT, down 6.2% YoY. YTD EFERT P market share was 21% vs 24% last year
- ▶ DAP sales/margin were lower due to price capping by Govt. & lower competitor prices leading to negative margins
- ▶ Total sales in 4Q were 268KT and market share increased to 25% in the last quarter
- ▶ International prices have been picking up (currently hovering around CFR USD 430/T) due to the seasonality factor and China's controlled output to meet domestic demand
- ▶ Subsidy of PKR ~150/bag for farmers allocated by Punjab government from October onwards helped improve demand during the quarter.

Phosphate Prices (CFR)



**FY 2017**

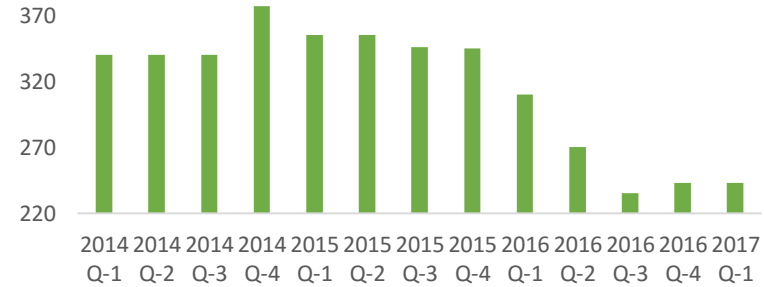


# ZARKHEZ MARKET ENVIRONMENT

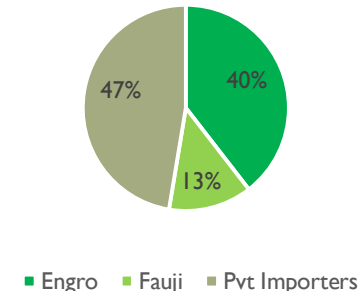


- ▶ Total sales for ZBU stood at 144 KT vs 2016 sales of 114 KT (higher by 26% YOY)
- ▶ Higher sales are attributable to 50% increase in potash market (2017: 48 KT vs. 2016: 32 KT) vs last year and were further buoyed by lower potash prices, subsidy on potash and improved farmer economics
- ▶ EFERT's market share YTD clocked in at ~40% vs 48% SPLY with the decline largely due to straight potash traders entering the market.
- ▶ Within total ZBU sales, Zarkhez sales stood at 63 KT (up 9% YoY). MOP/SOP/AS sales stood at 23 KT (up 230% YoY) and NP sales at 59 KT (up 16% YoY)
- ▶ In lieu of the improved sales, production during the year stood at 109 KT vs 95 KT LY
- ▶ In addition to the subsidy on MOP and SOP in Punjab, Government of Punjab has also recently approved subsidy on NPK

Potash Price (CFR)



2017 Potash Market Share



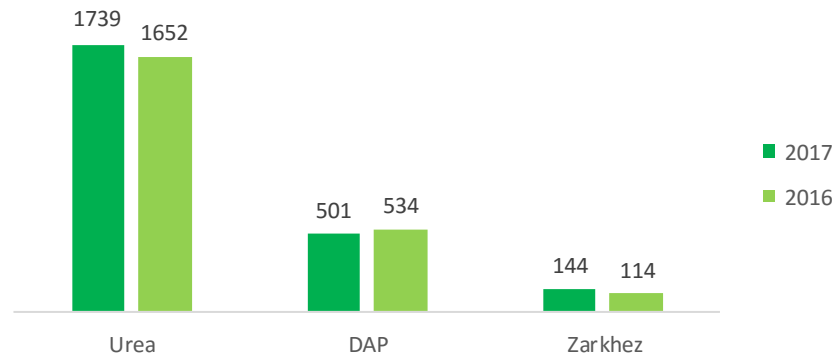
# BUSINESS HIGHLIGHTS



- ▶ For FY 2017, the Company has declared Profit after Tax of PKR 11,156 M, an increase of 20% over PKR 9,283M million earned in 2016
- ▶ Higher profitability was led by higher offtake as well as exports of 223KT
- ▶ Contribution also came from regularization of gas cost of Plant-1
- ▶ Sales revenue for the Company was PKR 77,129 million for 2017, up 11% as compared to LY (PKR 69,537 million)
- ▶ Finance cost decreased to PKR 2,648 million (vs PKR 3,187 million SPLY) due to loan repayments, lower benchmark interest rates and re-pricing of various long-term loans.
- ▶ Contribution to profitability from one off events totaling PKR 0.8 B

PKR M	2017	2016
Total Revenue	77,129	69,537
Gross Profit	23,219	17,439
Finance Cost	2,648	3,187
<b>Profit / (Loss) After Tax</b>	<b>11,156</b>	<b>9,283</b>

Sales KT (2017 vs 2016)



# UPDATES

- ▶ All key terms agreed with Mari with respect to 26 MMSCFD term sheet. Term sheet signed by both parties and circulated to OGRA for approval.
- ▶ GIDC on all non-concessionary gases is being accrued , but payment is being withheld due to litigation, in line with industry practice
- ▶ GIDC on concessionary gas is a separate legal matter, and EFERT continues to make no accrual or payments for GIDC
- ▶ Our current Subsidy Receivable from the government is at PKR 7.3 B. Despite repeated assurances by the GoP of timely settlement of subsidy, the matter remains outstanding due to procedural hurdles
- ▶ The Economic Coordination Committee has further extended the export deadline to 28th February 2018, with an enhancement of 35 KT(EFERT share 12.4 KT) in the volume (additional export volume 78KT in 2018)



# OUTLOOK



- ▶ Globally, urea demand in 2018 is expected to grow marginally by 1.7%, while supply is expected to trend moderately higher with new capacities entering the global market
- ▶ International urea prices have lately stabilized around USD 255/T (translating to a landed equivalent of PKR 1,730/bag) after trending at highs of USD 280/T during the year.
- ▶ Low crop prices and supply side pressure, along with the commissioning of new capacities in India, US and Nigeria are expected to keep prices soft during most of 2018
- ▶ Local urea demand for 2018 is expected to remain stable, courtesy the anticipated improvement in farmer income and subsidy continuation in 2018 providing relief to demand. Domestic production is expected to clock around the same levels as 2017, hence maintaining the demand-supply equilibrium
- ▶ International DAP prices are expected to remain soft in 2018 compared to late 2017. Capacity additions, low energy prices and excess supply of grains is expected to gradually soften input prices.
- ▶ Due to continuation of subsidy and upbeat farmer economics, local DAP demand for 2018 is expected to remain stable
- ▶ EFERT continues to explore opportunities within the agriculture sector in Pakistan to create value for shareholders by leveraging its strong position in the Agri space
- ▶ During the year, the Company also created a footprint in the Seeds and Pesticides business and is also evaluating other businesses in the Agri space.

# THANK YOU

## Q & A