



engro polymer & chemicals

Annual Report 2018

ANALYST BRIEFING

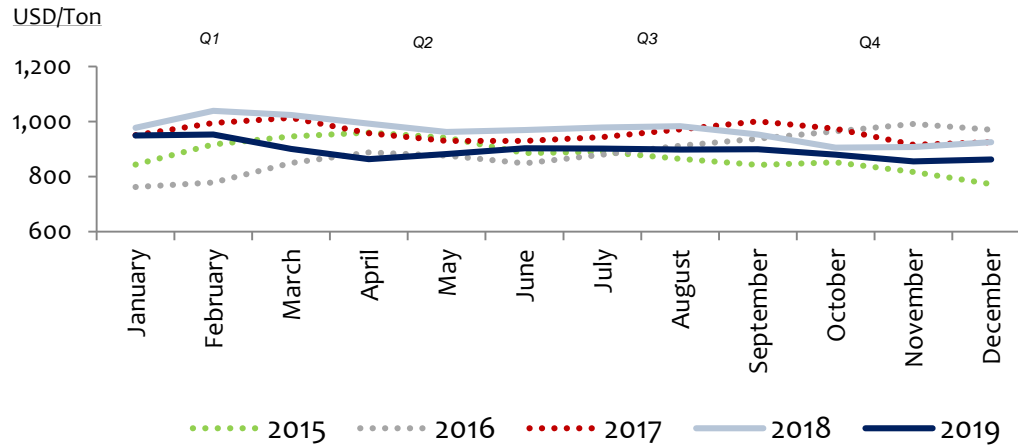
FY 2019

POWER OF
PERSPECTIVE

International Business Context

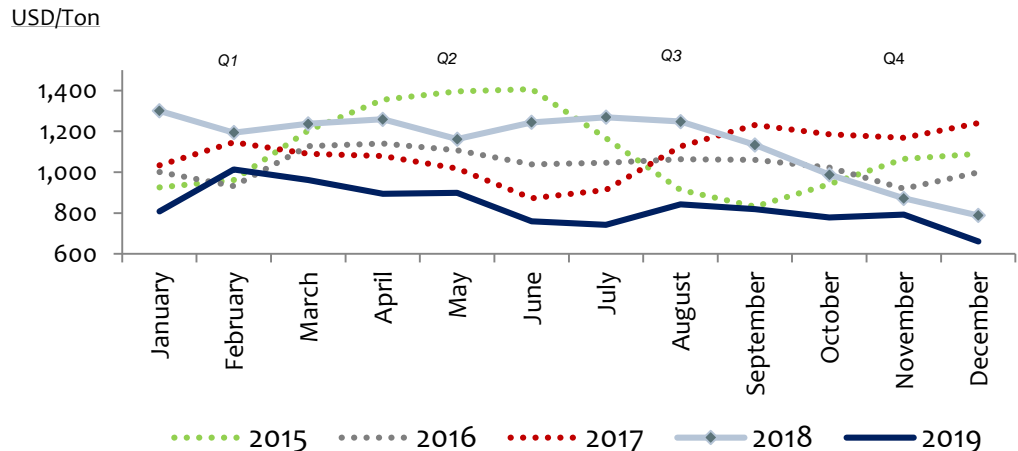


• International PVC Price



- In Q4, PVC prices declined owing to limited demand emanating from holiday season in Asia (China and Vietnam) and lower downstream demand. Meanwhile prolonged monsoon season in India and trade war risks also suppressed demand.

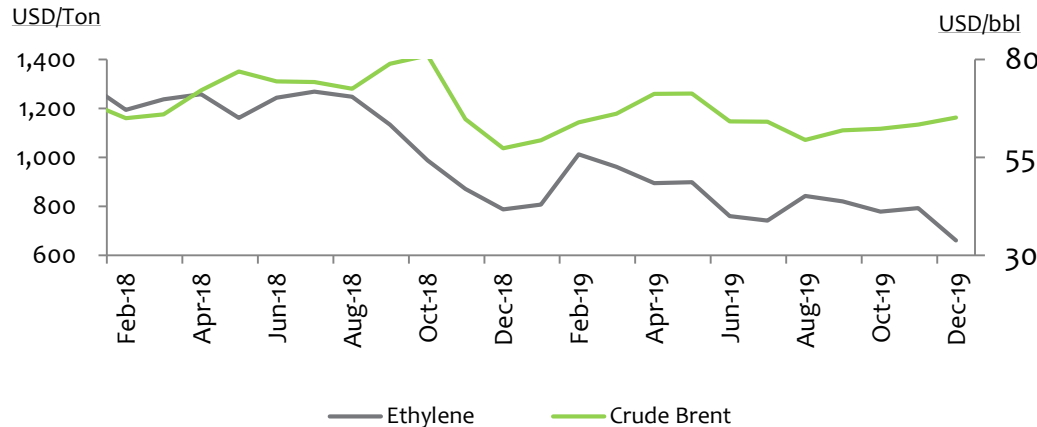
• International Ethylene Price



- Ethylene prices continued to decline in the outgoing period owing to weak downstream demand which forced integrated plants to sell in spot market.
- Ethylene demand decrease mainly from PE due to trade war concerns and Chinese curb because of environmental concerns.

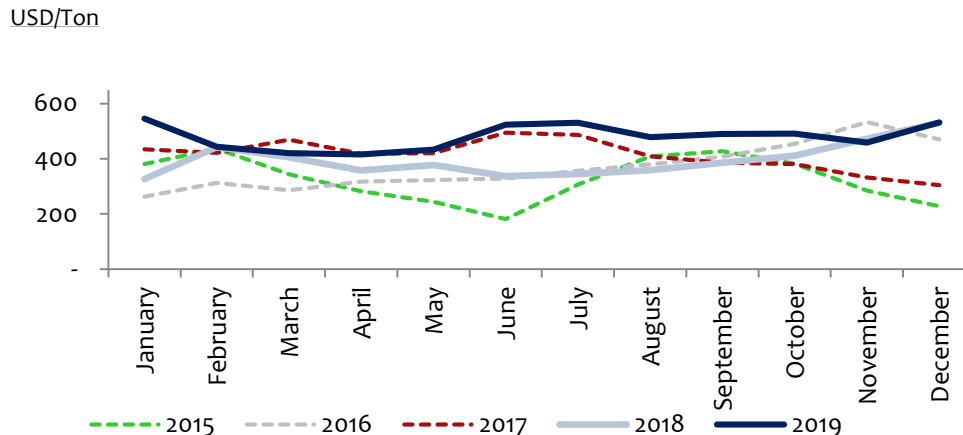
Ethylene, Crude oil and PVC

- Analysis of ethylene and crude oil prices



- Oil prices increased during the quarter as the US-China trade deal appeared close leading to expected improvement in demand. However Ethylene prices declined resulting in pressure on Naphtha margins.

- PVC- Ethylene Core Delta



- PVC – Ethylene core delta improved in the 2019 despite lower PVC prices, mainly due to steep decline in Ethylene prices

Domestic Market Overview

PVC

- PVC domestic market remained slower against LY on account of macroeconomic situation, weakness in construction sector, monsoon season and CNIC condition.
- EPCL continued to work on new applications of PVC to support the domestic decline where rigid sheets and PVC profiles experienced strong growth

Caustic

- Caustic soda remained slow during the outgoing period.
- Overall decline in domestic consumption impacted the demand from textile sector.

Business Highlights



Chlor Alkali (KT)	Q4 2019	Q4 2018	2019	2018
Caustic Production	28	24	105	105
Caustic Domestic Sales	22	22	83	86

Vinyl (KT)	Q4 2019	Q4 2018	2019	2018
PVC production	56	50	198	203
PVC Domestic Sales	49	54	191	203

Financial Summary



Rs. Mn	Q4 2019	Q4 2018	2019	2018
Total Revenue	10,003	9,748	37,837	35,272
Profit Before Tax	1,235	1,495	5,039	6,463
Profit After Tax	882	1,065	3,696	4,930
Profit After Tax (Pre one-time adjustments)	768	767	3,789	3,841
EPS (PKR/ share)	0.97	1.34	4.07	6.22

- In Q4 2019, the company's revenue increased by 3% while the full year topline growth clocked in at 7%.
- The Company posted a full year profit after tax of Rs. 3,696 Mn as against a profit after tax of Rs. 4,930 Mn LY
- Some one-off items have impacted the financials which are as follows:

One-time items	PAT Impact (PKRmn)	EPS impact
2019		
IFRS 16 Implementation	-93	-0.10
2018		
MTOT reversal benefit	542	0.68
One-time insurance benefit	547	0.69
Total Impact	1,182	1.30

Outlook for 2020

- The Vinyl chain segment will continue to remain a function of PVC/Ethylene international dynamics
- Caustic Soda market may experience some pressure going forward owing to rising cost of doing business for downstream sector
- Major highlights include:
 - **Preference Shares:** Issuance of preference shares for PVC expansion and VCM debottlenecking projects to benefit from tax credit on equity funding under section 65E of income tax ordinance 2001.
 - **LABSA:** Entry in LABSA market The project will come online in 2021 with a capacity of 24,000 MT and will be funded through internally generated cashflow.
 - **HTDC:** Post completion, this will reduce the company's water consumption requirements and bring further energy efficiency.



Thank You