



engro polymer & chemicals

ANALYST BRIEFING – 1Q 2014



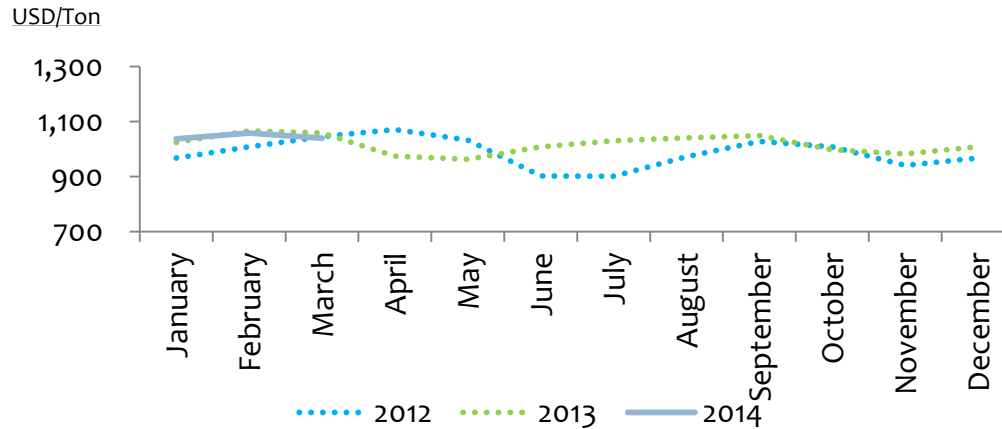
Summary

- In 1Q 2014, the company recorded a Revenue of PKR 5.37 Bn as compared to PKR 5.88 Bn in 1Q 2013
- Company posted a Profit After Tax (PAT) of PKR 148 Mn in the 1Q 2014 as against Profit After Tax of PKR 263 Mn in 1Q 2013
- Primary reason for low profitability was lower domestic sales of PVC and Caustic, however, PKR appreciation resulted in FX gain and supported the overall profitability

International Business Context

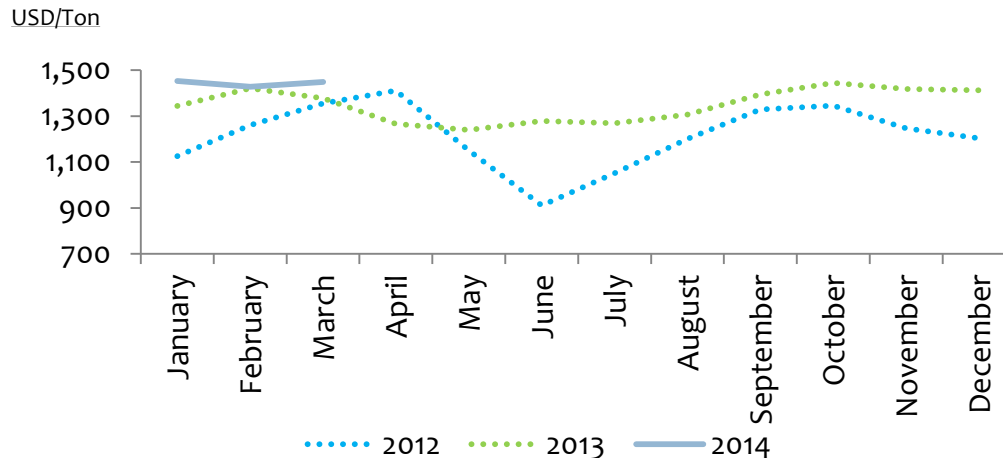


- International PVC Price



- International PVC prices remained flattish in 1Q 2014, competition from cheaper Chinese carbide based products maintained pressure on PVC prices

- International Ethylene Price



- Ethylene prices remained on the higher side in 1Q 2014 due to supply tightness, temporary dip was witnessed in February due to Chinese new year

Domestic Market Overview

PVC

- Domestic PVC market witnessed a slowdown and overall demand remained depressed due to following factors:
 - Carried forward inventory from last year
 - Continued uncertainty regarding USD/PKR exchange rate and international PVC prices
 - Imposition of import duty on finished PVC products by Afghanistan

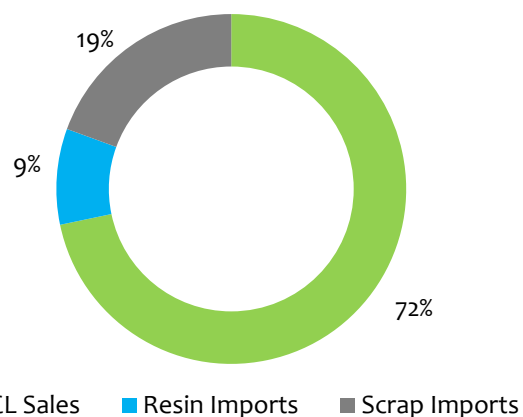
Caustic

- Domestic caustic market remained weak due to following factors:
 - Caustic producers in North did not face usual power curtailment which resulted in higher supply in the system
 - Dynamics turned in favor of buyers and price pressure was observed in the overall market

Highlights – Vinyls

	1Q 2014	1Q 2013
PVC production in KT	33.4	34.0
VCM production in KT	32.9	39.9
PVC Sales in KT		
Local	25.1	34.1
Export	4.6	1.9
EPCL PVC Base Price (\$/MT)	1,117	1,084
EPCL weighted average Ethylene Avg. Price (\$/MT)	1,441	1,469

PVC Domestic Market Share *



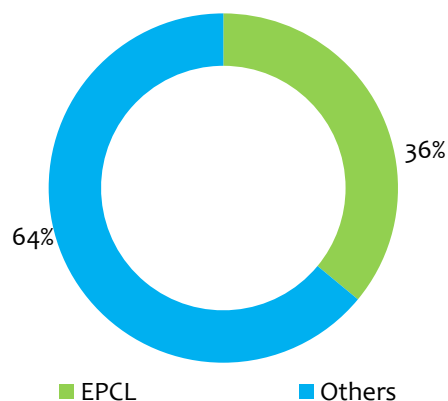
- In line with the domestic market conditions, EPCL also witnessed a slowdown and sharp decline in domestic sales was observed in 1Q
- EPCL has appointed a PVC dealer in Afghanistan, sales are expected to realize from 2Q 2014
- Lower VCM production was due to routine operational issues at the plant which were timely resolved
- In 1Q 2014, company achieved market share of 72%

* Market share is based on our best estimates and have not been verified by an independent source

Highlights – Caustic & Allied

	1Q 2014	1Q 2013
Caustic Production (KT)	25.9	27.9
Caustic Sales Volume (KT)	21.7	24.7
Caustic Price (Rs/MT)	51,403	48,286
Hypo Sales (KT)	4.5	5.0
HCL Sales in (KT)	4.7	1.3

Caustic Domestic Market Share *



- Considering the overall market dynamics In 1Q 2014, EPCL resisted the price pressure and did not drop the prices, as a result some sales were lost to competition in North
- EPCL continued to maintain its dominance in South and is further strengthening its position in Mid Country
- On the production side, Caustic plant had a scheduled routine turnaround of 11 days in 1Q 2014 which has been completed successfully. The activity resulted in a lower production of caustic and allied chemicals as compared to 1Q 2013
- In 1Q 2014, company achieved market share of 36%

* Market share is based on our best estimates and have not been verified by an independent source

Financial Highlights

- Financial Performance

PKR Million	1Q 2014	1Q 2013
Total Revenue	5,367	5,888
Contribution Margin	1,448	1,830
EBITDA	614	1,004
Profit Before Tax	262	353
Profit After Tax	148	263

- Variance as compared to 1Q 2013 was witnessed on account of:
 - Lower PVC sales in Domestic Market
 - Lower Caustic Sales
 - FX gain of Rs. 204 Mn

Thank You