



engro polymer & chemicals

ANALYST BRIEFING – 1Q 2015



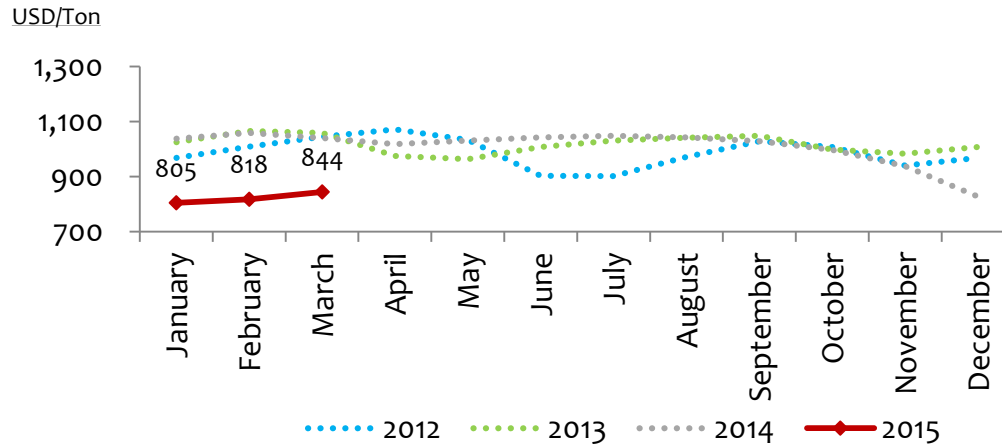
Summary

- In 1Q 2015, the Company achieved a revenue of Rs. 6,701 Mn as against 5,367 Mn in 1Q 2014
- The Company posted a loss after tax of Rs. 107 Mn translating into negative Earnings Per Share of Rs. 0.16 as compared to a profit after tax of Rs. 148 Mn and Earning Per Share of Rs. 0.22 in 1Q 2014
- Variance as compared to 1Q 2014 was witnessed on account of:
 - Higher domestic sales volume of PVC and Caustic
 - Lower PVC domestic margins due to core delta contraction especially in March and lower caustic prices
 - Higher gas prices
 - Imposition of duty on primary raw material
- The Company has maintained its operational ability at optimum level and remained comfortable on the production front. In March 2015, the company also undertook a routine shut down

International Business Context

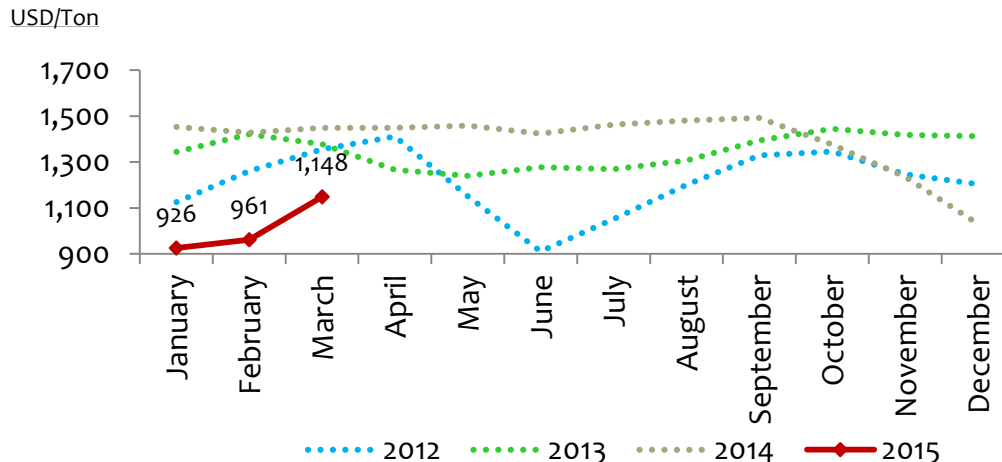


- International PVC Price



- 2015 started with lowest PVC price in last 4 years. Prices improved gradually and CFR SEA prices touched \$ 844/t in March

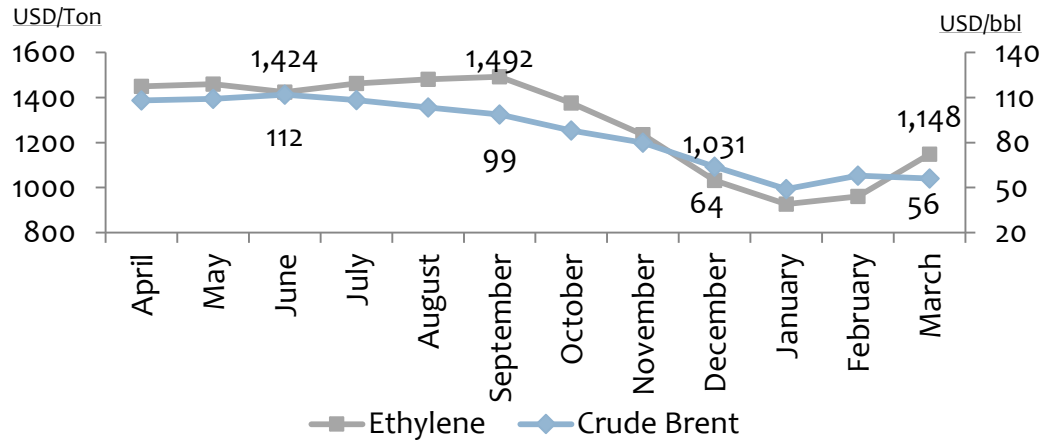
- International Ethylene Price



- Ethylene price drop that originated in 4Q 2014 extended to 2015, however, supply tightness and ethylene unavailability in the region pushed the prices upwards

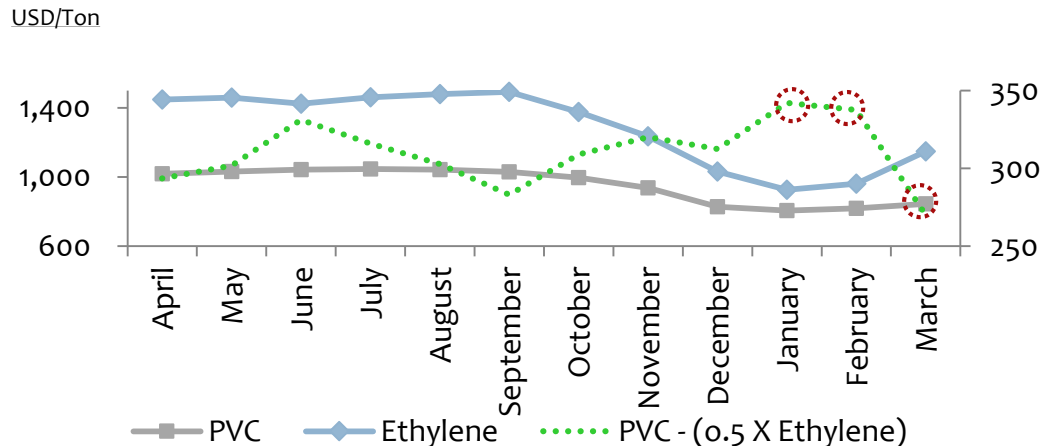
Ethylene, Crude oil and PVC

- Analysis of ethylene and crude oil prices



- Ethylene prices followed the crude oil prices in 4Q 2014, the trend extended in 2015 but was short-lived. Regional supply tightness pushed the ethylene prices upwards despite declining trend in oil prices

- PVC and Ethylene Prices



- 1Q 2015 started with healthy PVC – Ethylene core delta, however, sharp increase in Ethylene prices in March was not followed by PVC hence core delta for the overall PVC industry contracted

Domestic Market Overview

PVC

- Domestic market remained strong in 1Q 2015
 - During the quarter, the company posted a 60% volumetric growth on YoY basis and secured a market share of 85% as compared to 72% in 1Q 2014
 - Volumetric growth was led by strong demand from construction & govt. projects and conversion of end users from scrap to resin
 - PVC prices maintained an uptrend but sharp increase in ethylene prices in March had an adverse effect on margins of the overall PVC industry and EPCL was no exception

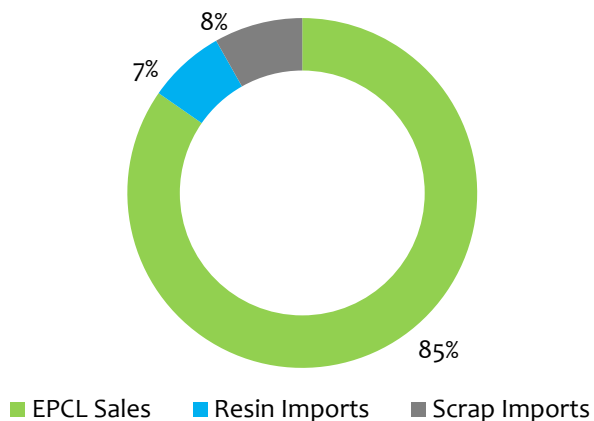
Caustic

- Domestic caustic market remained stable in 1Q 2015:
 - The Company capitalized on supply shortfall in North market
 - Supplies focused on Paper sector in North as customers switched from Soda Ash to Caustic

Highlights – Vinyls

	1Q 2015	1Q 2014
PVC production in KT	41	33
VCM production in KT	41	33
PVC Sales in KT		
Local	40	25
Export	14	5
EPCL PVC Base Price (\$/MT)	864	1,107
EPCL weighted average Ethylene Avg. Price (\$/MT)	1,043	1,444
PVC – Ethylene Core Delta (\$/MT)	343	385

PVC Domestic Market Share *



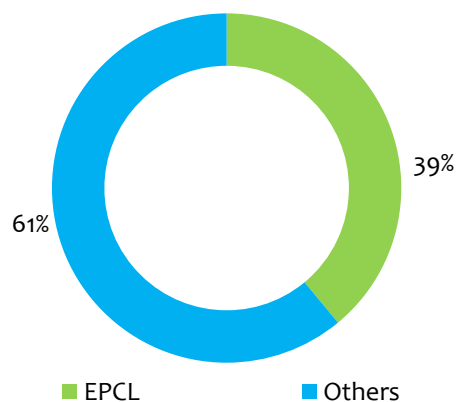
- In 1Q 2015, the Company secured market share of 85% as against 72% in 1Q 2014, strong increase in market share was due to limited resin and scrap imports
- PVC domestic sales were strong due to robust demand from construction sector & govt. projects and
- In 1Q 2015, the sales improved further due conversion of scrap users to resin due to low price differential between scrap and resin
- Production of PVC and VCM remained strong, during the quarter 41 KT of PVC was produced

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

Highlights – Caustic & Allied

	1Q 2015	1Q 2014
Caustic Production (KT)	26	25.9
Caustic Sales Volume (KT)	23.7	21.7
Caustic Price (Rs./MT)	49,066	51,403
Hypo Sales (KT)	3.1	4.5
HCL Sales in (KT)	4.0	4.8

Caustic Domestic Market Share *



- Considering the overall market dynamics In 1Q 2015, EPCL Prices remained stressed due to competitive pressure. To avoid price war in South, EPCL responded by improving supplies and strengthening position in Mid-Country & North market
- Price for Chlorine Derivatives (Hypo and HCL) increased despite competitive pricing by Competition. Consequently, volume of some dealers/sub dealers partially shifted to competition
- On the production side, Caustic plant had a maintenance shutdown for 15 days, which was completed successfully. The activity resulted in lower sales of allied chemicals as compared to 1Q 2014
- In 1Q 2015, the Company achieved market share of 39%

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

Financial Highlights

- Financial Performance

PKR Million	1Q 2015	1Q 2014
Total Revenue	6,701	5,367
Contribution Margin	1,623	1,484
EBITDA	684	612
Profit/(Loss) Before Tax	(125)	258
Profit/(Loss) After Tax	(107)	148

- Variance as compared to 1Q 2014 was witnessed on account of:
 - Higher domestic sales volume of PVC and Caustic
 - Lower PVC domestic margins due to core delta contraction especially in March and lower caustic prices
 - Higher gas prices
 - Imposition of duty on primary raw material

Outlook for 2Q

- PVC domestic sales outlook is stable however, monsoon timing and duration, spending on government projects, PVC resin and scrap differential may affect domestic sales volume
- PVC – Ethylene core delta may witness pressure due to firm ethylene prices in case of supply tightness, however since both PVC and ethylene are part of the same vinyl chain, core delta may rationalize.
- Domestic demand of Caustic Soda is expected to remain stable during 2Q 2015, however, EPCL prices are likely to remain under pressure
- We highlight any significant increase in gas price will have an adverse impact on profitability



Thank You