



engro polymer & chemicals

ANALYST BRIEFING – 3Q 2015

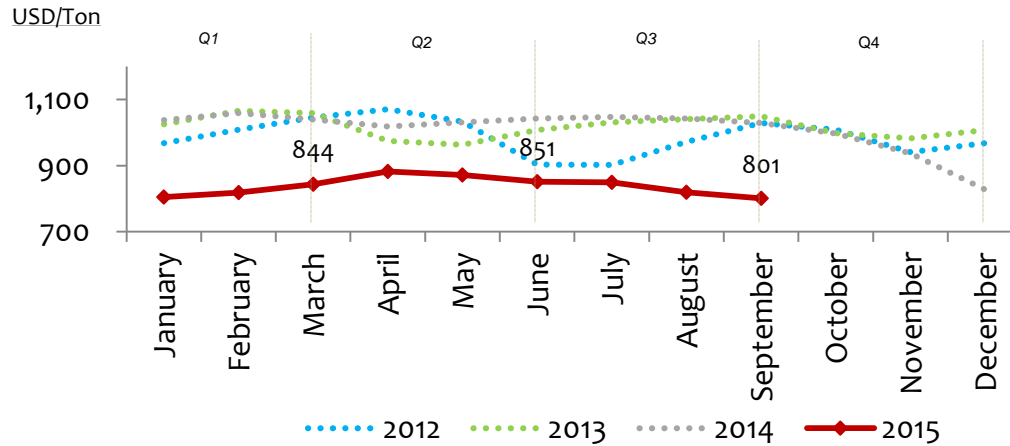


Summary

- In 3Q 2015, the Company achieved a revenue of Rs 4,646 Mn as against Rs. 5,244 Mn in 3Q 2014
- The Company posted a loss after tax of Rs. 379 Mn as against a loss after tax of Rs. 157 Mn in 3Q 2014
- The loss per share for 3Q stood at Rs 0.57 as compared to a loss per share Rs 0.24 in the same period last year
- Variance as compared to 3Q 2014 was witnessed on account of:
 - Reduced margins due to narrow PVC- Ethylene core delta, imposition of duty on primary raw material, higher raw material and gas prices which was marginally offset by an increase in PVC sales
 - Low margins due to higher gas prices, and lower caustic sales volume, due to lower production

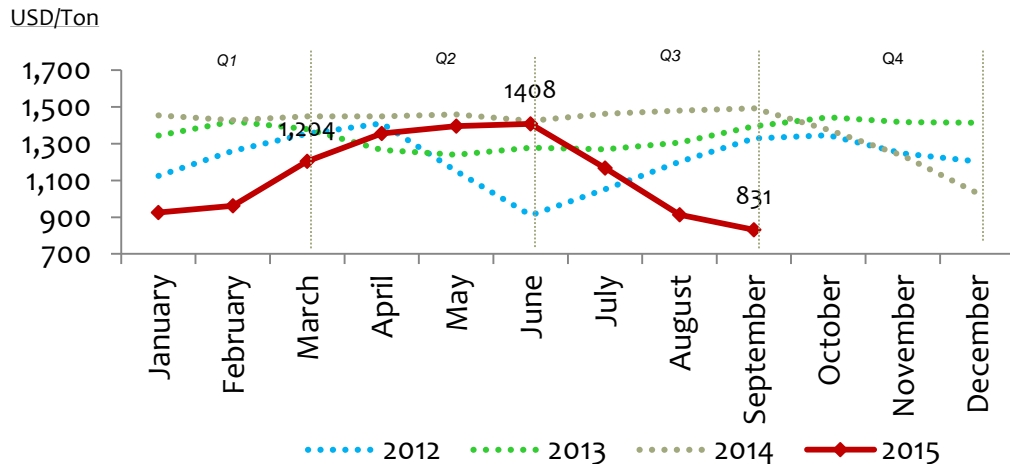
International Business Context

- International PVC Price



- During 3Q, PVC prices posted a decrease; dropping to a year low in September 2015

- International Ethylene Price

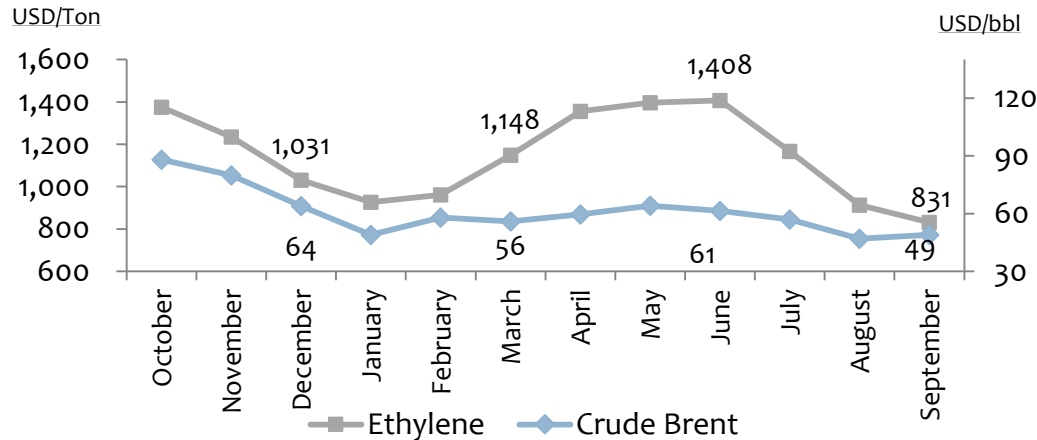


- Ethylene prices witnessed a sharp drop in the international markets, supply normalization aided in rationalizing petrochemical price chain. Ethylene hit four year low in the 3Q 2015

- Inventory levels of Ethylene from earlier periods delayed economic value creation for derivative players

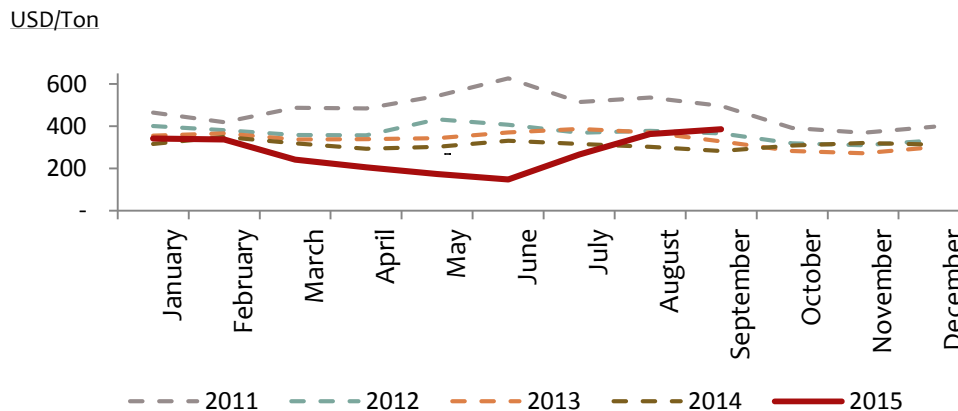
Ethylene, Crude oil and PVC

- Analysis of ethylene and crude oil prices



- Crude oil and ethylene prices rationalized towards the end of the 3Q

- PVC- Ethylene Core Delta



- Sharp decrease in ethylene prices against PVC in 3Q, augmented vinyl chain margins

Domestic Market Overview

PVC

- Domestic market remained strong in 3Q 2015
 - During the quarter, the Company posted a 22% volumetric growth on YoY basis and secured a market share of 82%.
 - During the 9M, the overall resin market posted a growth of 11% during 9M 2015, while EPCL sales grew by 24%.
 - Demand for PVC remained strong on account of healthy activity observed in government projects and construction sectors
 - Unfavorable PVC-ethylene core delta limited the ability to generate economic value, due to carry over inventory

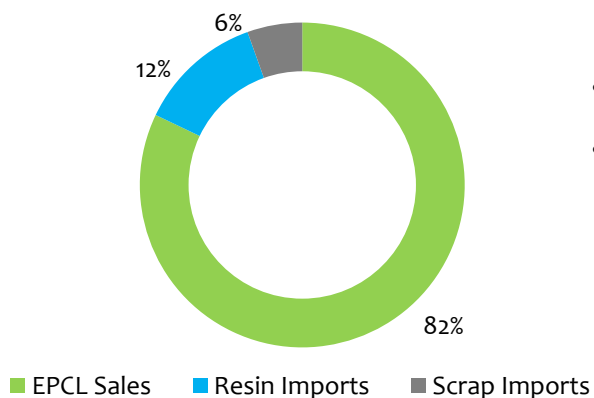
Caustic

- Caustic market remained stable in 3Q 2015:
 - On a quarterly basis, sales were lower by 20% vs last year due to lower production.
 - On YTD basis, sales were lower by 4.9 KT, while, production was lower by 9.3 KT vs same period last year
 - Sales were hampered due to operational issues at the chlor alkali plant, which reduced product availability
 - Chlorine Derivatives
 - HCL sales grew vs last year due to surge in tender based sales to power plants

Highlights – Vinyls

	3Q 2015	3Q 2014	9M 2015	9M 2014
PVC production (KT)	40	41	119	109
VCM production (KT)	47	40	120	115
PVC Sales in (KT)				
Local	33	27	113	91
Export	0.7	4	16	10

PVC Domestic Market Share *



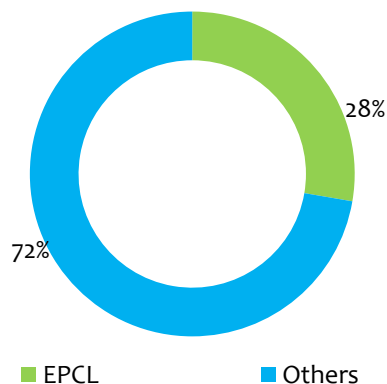
- PVC domestic sales remained strong due to robust demand from construction sector & govt. projects
- In 3Q 2015, the Company secured market share of 82%
- Sales of PVC and VCM remained strong, during the quarter 33 KT of PVC was sold against 27 KT for the same quarter, last year

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

Highlights – Caustic & Allied

	3Q 2015	3Q 2014	9M 2015	9M 2014
Caustic Production (KT)	22	32	74	87
Caustic Sales Volume (KT)	18	22	64	69
Hypo Sales (KT)	4	5	12	15
HCL Sales in (KT)	5	4	14	12

Caustic Domestic Market Share *



- Domestic caustic market remained stable during the period
- On a YTD basis sales were lower by 4.7 KT, which is attributed to operational issues at the plant
- Lower Hypo sales in the quarter were due to operational issues at the plant

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

Financial Highlights

- Financial Performance

PKR Million	3Q 2015	3Q 2014	9M 2015	9M 2014
Total Revenue	4,646	5,244	17,063	17,146
EBITDA	85	4,947	805	1,706
Profit/(Loss) Before Tax	(531)	(211)	(1,056)	(2)
Profit/(Loss) After Tax	(379)	(157)	(812)	(33)

- Variance as compared to 3Q 2014 was witnessed on account of:
 - Reduced margins due to narrow PVC- Ethylene core delta, imposition of duty on primary raw material, higher raw material and gas prices which was marginally offset by an increase in PVC sales
 - Low margins due to higher gas prices, and lower caustic sales volume, due to lower production

Outlook for 4Q

- PVC demand is expected to remain strong in the upcoming quarters on account of favorable construction outlook, improving economic sentiment and easing interest rates
- Domestic demand of Caustic Soda is expected to remain stable. Market development efforts are likely to bring additional growth in the upcoming quarters
- Improvement in PVC-Ethylene core delta on account of a decline in Ethylene prices, and reduction in import duty, is expected to provide support to the vinyl chain. However, international crude oil prices will determine the vinyl chain price trend



Thank You