



engro polymer & chemicals

ANALYST BRIEFING – 4Q & FY 2015

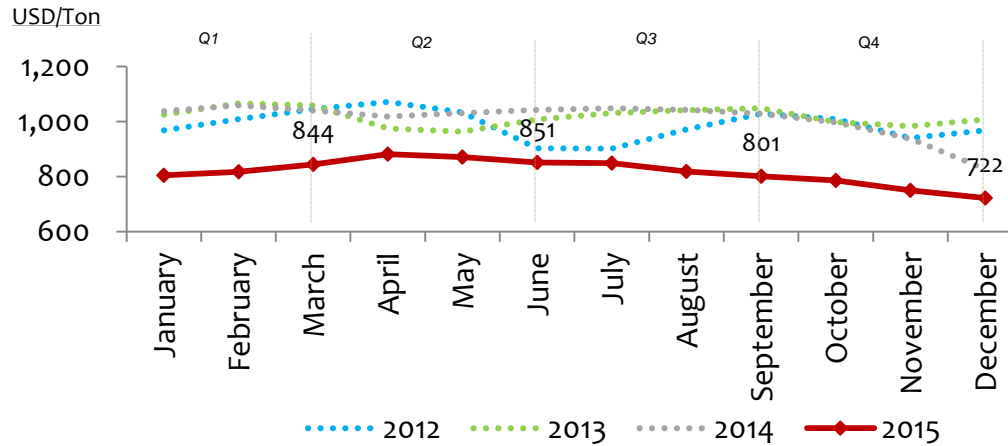


Summary

- In 4Q 2015, the Company achieved a revenue of Rs 5,200 Mn as against Rs. 6,673 Mn in 4Q 2014
- The Company posted a profit after tax of Rs. 169 Mn as against a loss after tax of Rs. 1,077 Mn in 4Q 2014
- The profit per share for 4Q stood at Rs 0.25 as compared to a loss per share Rs 1.62 in the same period last year
- Variance as compared to 4Q 2014 was witnessed on account of:
 - Averting major inventory losses as witnessed in 4Q 2014, and a further benefit in 4Q 2015 which arose from non-operational income
 - Lower caustic sales volume, due to lower production and stern market competition
 - Tax write off taken in the last quarter

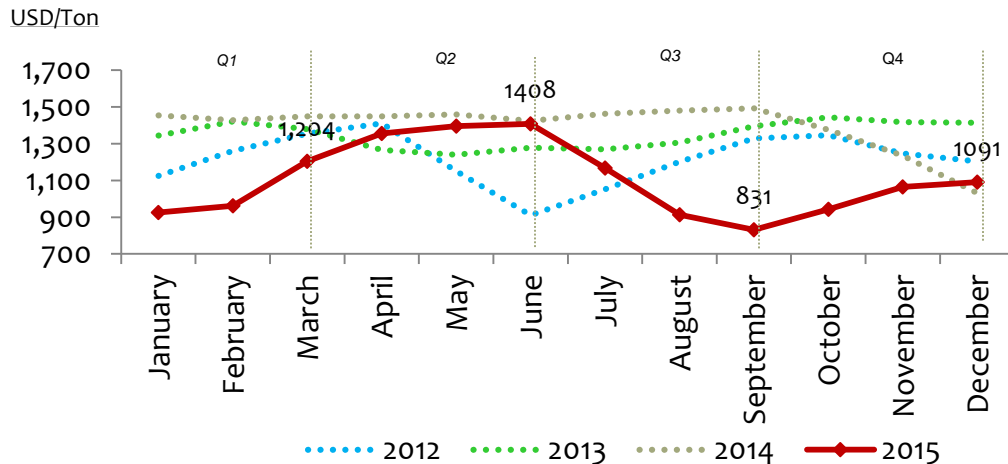
International Business Context

- International PVC Price



- During 4Q, PVC prices posted a decrease; dropping to a year low in December 2015

- International Ethylene Price

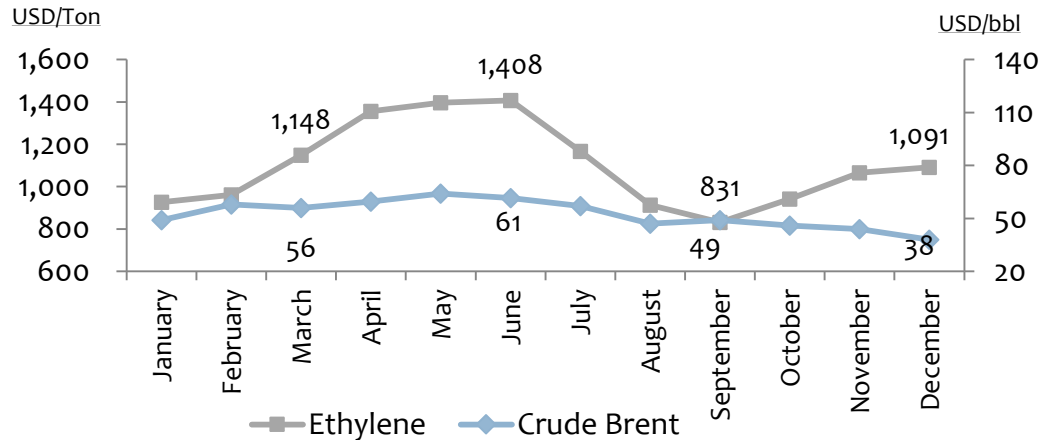


- Ethylene prices witnessed a sharp surge in the international markets, supply restriction fueled the surge; thereon breaking the declining trend from the previous quarter

- Derivative operators faced supply constraints and had to resort to spot market deals

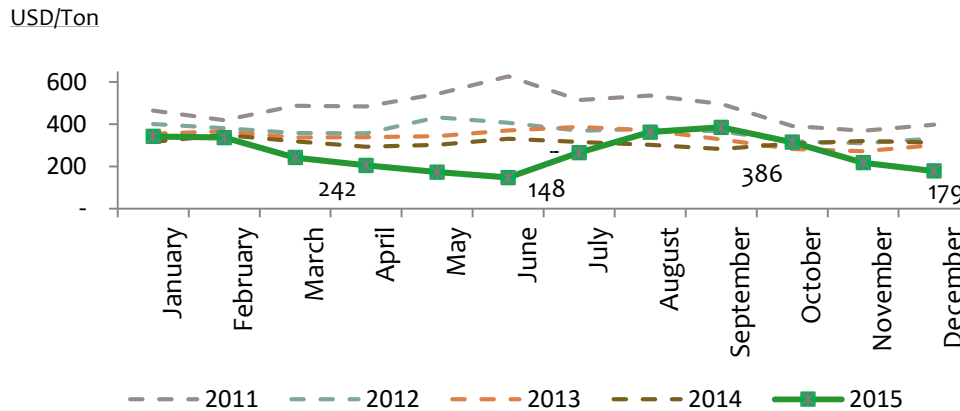
Ethylene, Crude oil and PVC

- Analysis of ethylene and crude oil prices



- Crude oil and ethylene prices decoupled in 4Q, 2015 due to varying supply dynamics. Supply glut of crude and restriction of ethylene mainly caused the split

- PVC- Ethylene Core Delta



- Sharp increase in ethylene prices along with falling PVC prices in 4Q, deteriorated vinyl chain margins

Domestic Market Overview

PVC

- Domestic market remained strong in 4Q 2015
 - During the quarter, the Company posted a 6.5% volumetric growth on YoY basis and secured a market share of 77.5%.
 - During the FY, the overall resin market posted a growth of 10% during 2015, while EPCL sales grew by 18%, mainly substituting scrap imports
 - PVC demand increased versus last quarter on the back of improved economic sentiment

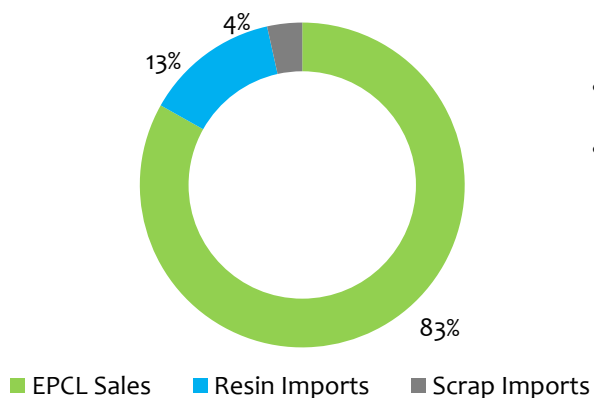
Caustic

- Caustic market remained stable in 4Q 2015:
 - On a quarterly basis, sales were lower by 21% vs last year
 - In FY '15, sales were lower by 10 KT, while production was lower by 16 KT against FY '14
 - Sales were primarily hampered due to a lower production and stiff market competition

Highlights – Vinyls

	4Q 2015	4Q 2014	FY 2015	FY 2014
PVC production (KT)	42	53	161	152
VCM production (KT)	42	53	162	168
PVC Sales in (KT)				
Local	36	34	149	125
Export	5	11	21	20

PVC Domestic Market Share *



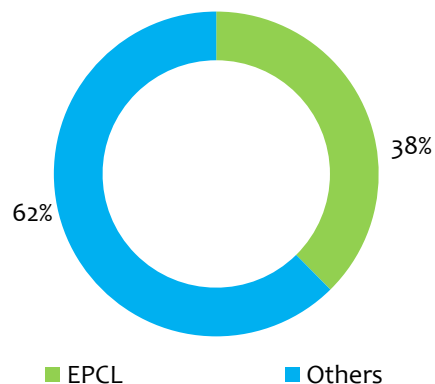
- PVC production touched its yearly high at the close of FY '15 at 161 KT. Production in 4Q 2015 was lower than 4Q 2014 due to VCM plant shutdown
- In FY 2015, the Company secured market share of 83%
- Sales of PVC remained strong, during the FY '15. 149 KT of PVC was sold versus 125 KT in FY '14

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

Highlights – Caustic & Allied

	4Q 2015	4Q 2014	FY 2015	FY 2014
Caustic Production (KT)	25	27	98	114
Caustic Sales Volume (KT)	19	24	83	93
Hypo Sales (KT)	6	6	17	21
HCL Sales in (KT)	6	5	19	17

Caustic Domestic Market Share *



- Domestic caustic market remained stable during the period
- The sales for FY '15 stood at 83 KT versus sales of 93 KT for FY '14. The primary cause for a decline in sales was lower production along with stiff market competition

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

Financial Highlights

- Financial Performance

PKR Million	4Q 2015	4Q 2014	FY 2015	FY 2014
Total Revenue	5,200	6,673	22,264	23,819
EBITDA	573	(900)	1,558	989
Other Income	937	17	992	51
Profit/(Loss) Before Tax	696	(1,526)	(360)	(1,528)
Profit/(Loss) After Tax	169	(1,077)	(644)	(1,109)

- Variance as compared to 4Q 2014 was witnessed on account of:
 - Major inventory loss (NRV) booked in 4Q 2014
 - Tax write off
 - Reversal of certain provisions particularly pertaining to GIDC – Rs. 754 Mn
 - Lower caustic sales due to operational issues at the plant and rigid market competition

Outlook for 1Q '16

- PVC domestic demand is expected to remain strong in the upcoming quarters on account of favorable construction outlook, improving economic sentiment and stable 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
- A positive outlook for PVC-ethylene core delta is seen as supply constraints of ethylene decrease to rationalize ethylene prices. This rationalization may well be complemented in favor of derivative players with a weak outlook for crude oil



Thank You