



engro polymer & chemicals

ANALYST BRIEFING – 3Q 2014



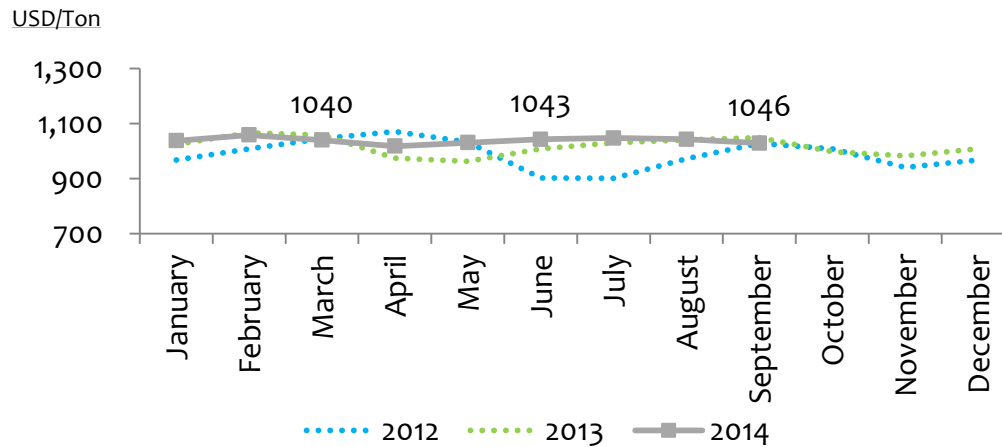
Business Overview (3Q 2014)



- In 3Q 2014, the company recorded a Revenue of PKR 5.2 billion as compared to PKR 6.1 billion in 3Q last year
- The Company posted a Loss After Tax of PKR (157) million in 3Q 2014 as against Profit After Tax of PKR 127 million in 3Q 2013
- Loss in 3Q vs. previous year was due to shrinkage in contribution margin, which absorbed the impact of following:
 - Lower Sales Volume
 - 5% duty imposition on import of Raw material
 - Higher gas price (due to surge in GIDC effective Jul 01, 2014)
 - Lower Exchange rate compared to 3Q last year
 - Declining product prices

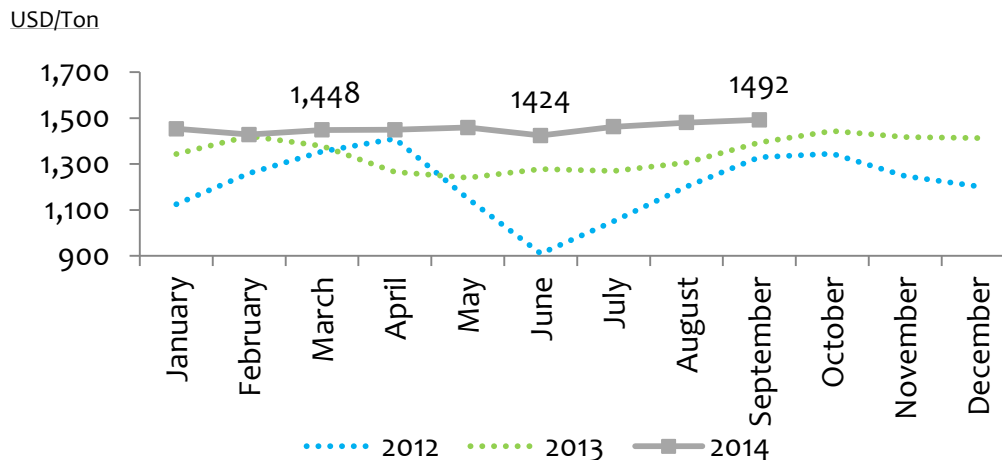
International Market Update

- International PVC Price



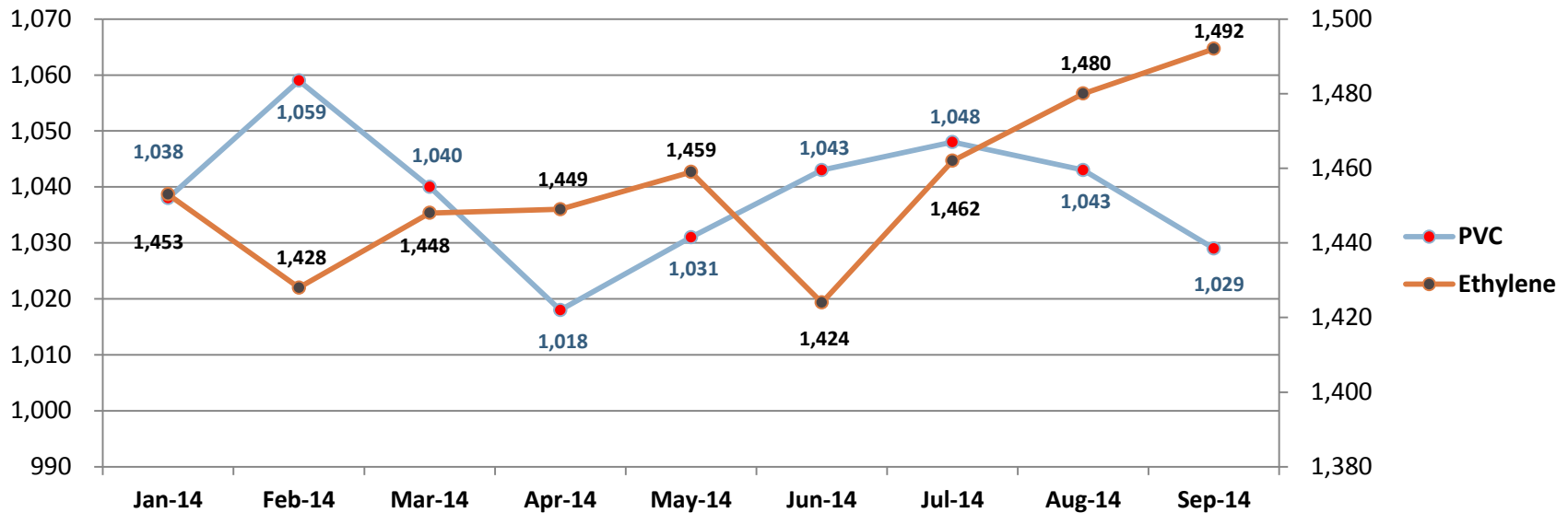
- PVC prices remained weak in 3Q 2014. Usually, they follow Ethylene price trend but excess supply of carbide based PVC from China restricted upside in PVC prices in 3Q

- International Ethylene Price



- Ethylene prices remained firm in 3Q 2014. Prices were higher due to supply tightness driven by cracker shutdowns in the region and relatively lower supplies from Middle East

PVC – Ethylene International Price Comparison



PVC – Ethylene Core Delta can be computed using the above prices

Domestic Market Overview

PVC

- PVC domestic sales dampened during 3Q 2014 due to:
 - Eid Holidays, electricity load shedding at customer's end
 - Buyers held orders as they anticipated declining product prices
 - Decline in export of pipes and fittings to Afghanistan market due to duty imposition there
 - The company exported 2.1 KT PVC to manage lower domestic sales

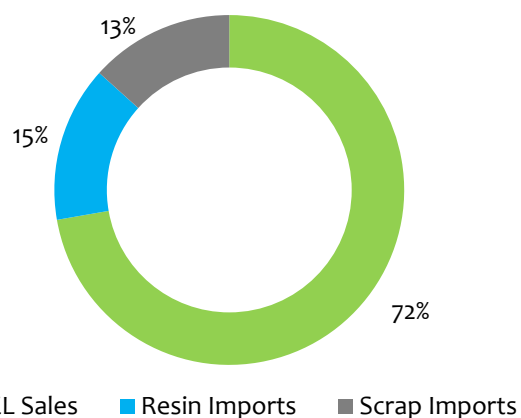
Caustic

- Domestic caustic market remained stable in 3Q, however, long product supplies put pressure on Caustic prices
- The Company exported 3 KT Caustic to manage aggregate supply in the local market

Highlights – Vinyls

	3Q 2014	3Q 2013
PVC production in KT	40.8	35.4
VCM production in KT	47.2	40.1
PVC Sales in KT		
Local	27.1	35.5
Export	2.1	-
EPCL PVC Base Price (\$/MT)	1,102	1,058
EPCL weighted average Ethylene Avg. Price (\$/MT)	1,465	1,327
PVC – Ethylene Core Delta (\$)	369	394

PVC Domestic Market Share *



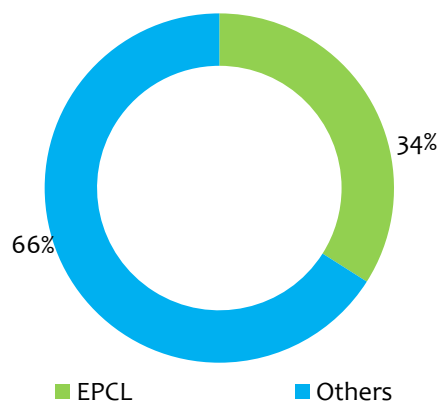
- In 3Q 2014, company achieved market share of 72.3%
- In 3Q, EPCL posted highest ever production of PVC, VCM & EDC due to better capacity and service factor.
- Successful completion of Chillers project enhanced PVC production by approximately 3.5 KT (Annualized capacity increase of 15 KT)

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

Highlights – Caustic & Allied

	3Q 2014	3Q 2013
Caustic Production (KT)	31.5	29.6
Caustic Sales Volume (KT)	22.4	24.9
Caustic Price (Rs/MT)	48,565	49,853
Caustic Margins (Rs./MT)	17,979	25,429
Hypo Sales (KT)	5.3	5.6
HCL Sales in (KT)	4.1	5.9

Caustic Domestic Market Share *



- In 3Q 2014, competition initiated a round of price decline but EPCL maintained its price and as a consequence lost marginal market share
- EPCL initiated price slab rationalization in the North which helped gain volumes from the competition
- On the production side, Caustic production remained steady
- In 3Q 2014, the Company achieved market share of 34%

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

Financial Highlights

- Financial Performance

PKR Million	3Q 2014	3Q 2013
Total Revenue	5,244	6,105
Contribution Margin	1,324	2,200
EBITDA	319	1,119
Profit/(Loss) Before Tax	(211)	224
Profit/(Loss) After Tax	(157)	127

- Variance as compared to same period last year was mainly due to:
 - Lower PVC domestic sales volumes (Rs.354 M)
 - Lower PVC domestic margins (Rs. 316 M)
 - Lower Caustic margins (Rs. 167 M)
 - Lower Caustic sales volumes (Rs. 64 M)

Outlook for 4Q 2014

- Stable PVC domestic demand due to depleted inventories at customer's end
- PVC – Ethylene core delta is expected to improve due to expected rationalization in Ethylene prices
- Domestic demand of Caustic Soda is expected to remain stable, however, EPCL prices are expected to remain under pressure
- Any further increase in domestic natural gas prices in addition to increase in natural gas CESS could be a possible challenge during next quarter

Thank You