



engro polymer & chemicals

ANALYST BRIEFING – 1Q 2021



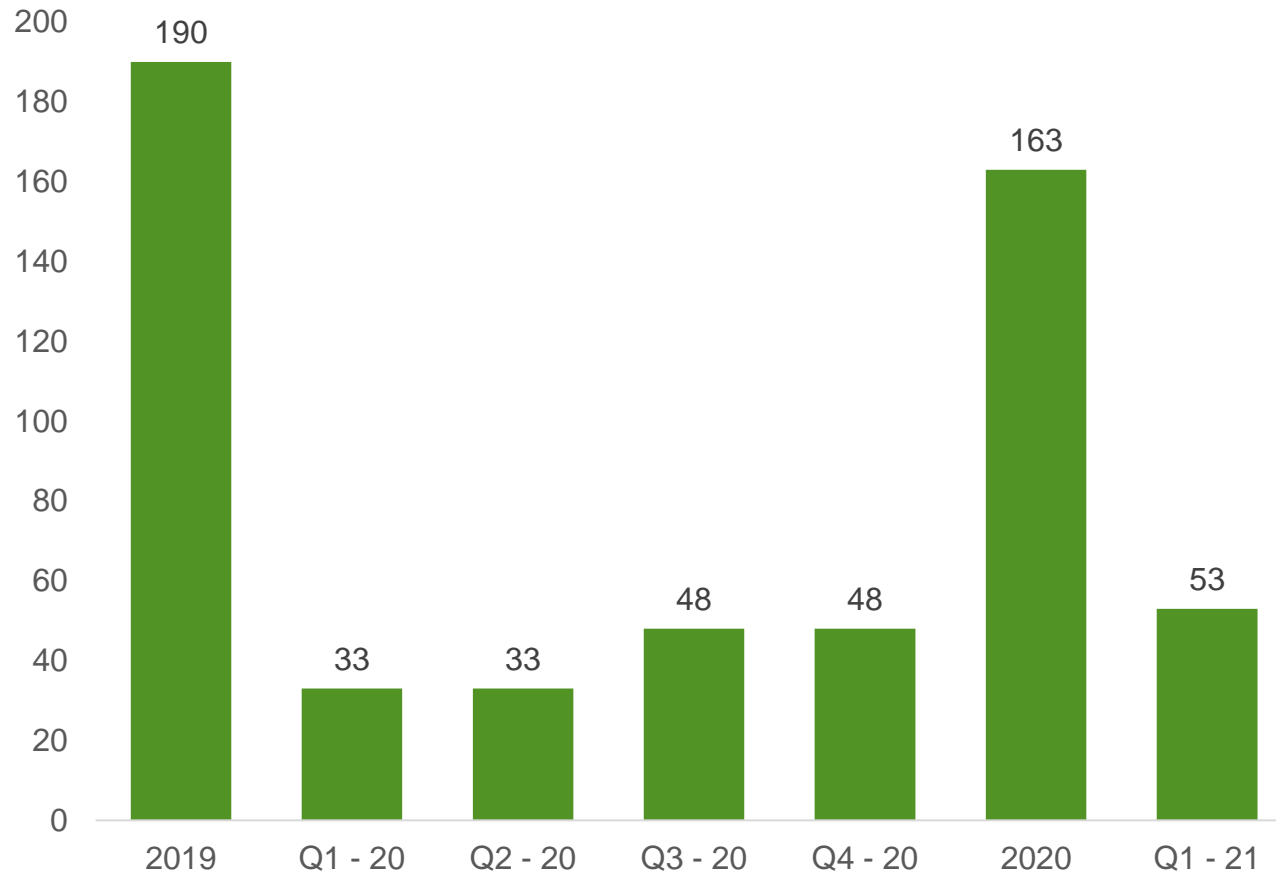
Evolve | Adapt | Grow



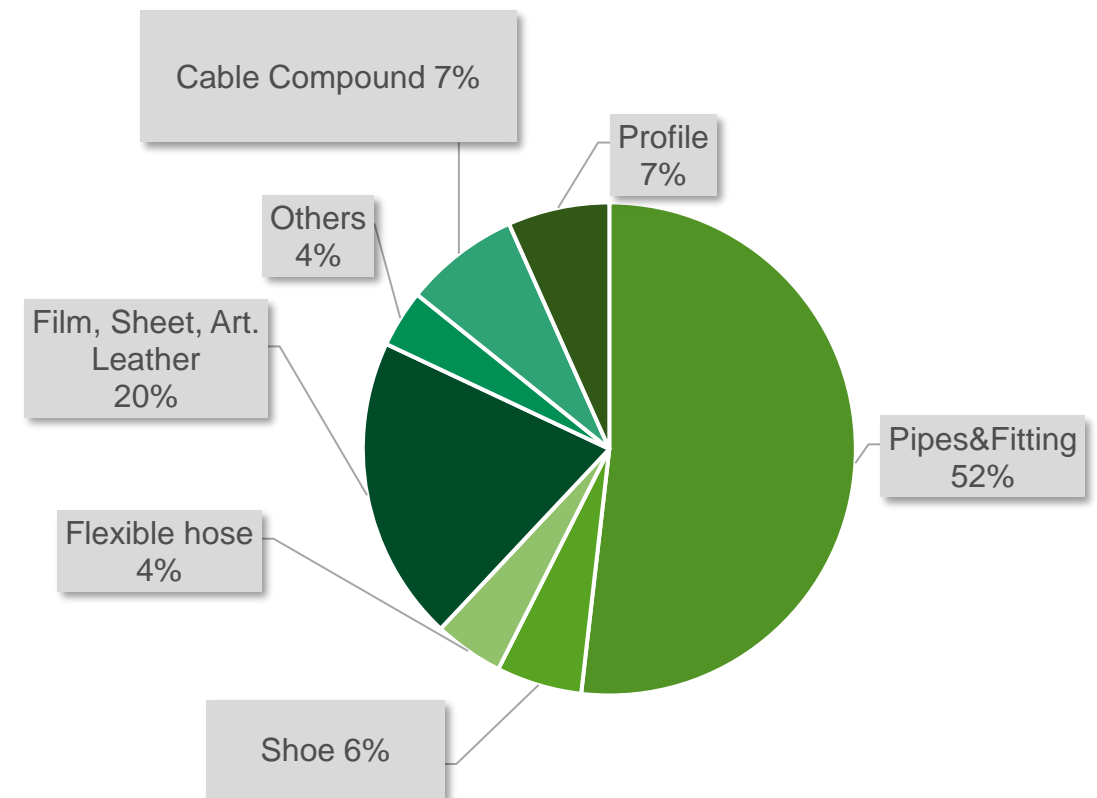
Domestic market overview - PVC

PVC sales increased in the quarter but remained at par with last 5 years market average due to high international PVC prices. EPCL introduced various schemes to support the domestic market

EPCL - quarterly sales trend



Pipes and fittings remains major application of PVC in Pakistan. Meanwhile, EPCL continues to play its part in promoting other downstream applications for which we have made significant investment in our PVC branded outlet



The Company also exported 2KT of PVC in international market



Think PVC Outlet

THINK PVC, the first one of its kind retail outlet in Pakistan, was inaugurated on April 12, providing a platform to PVC downstream manufacturers to showcase their products and applications. THINK PVC aims to promote PVC as a material of choice and to shift consumer perception that PVC is only about pipes and fittings to creating awareness about applications like PVC flooring, doors, windows, wall panels, wardrobes, vanities, roofing and kitchens.

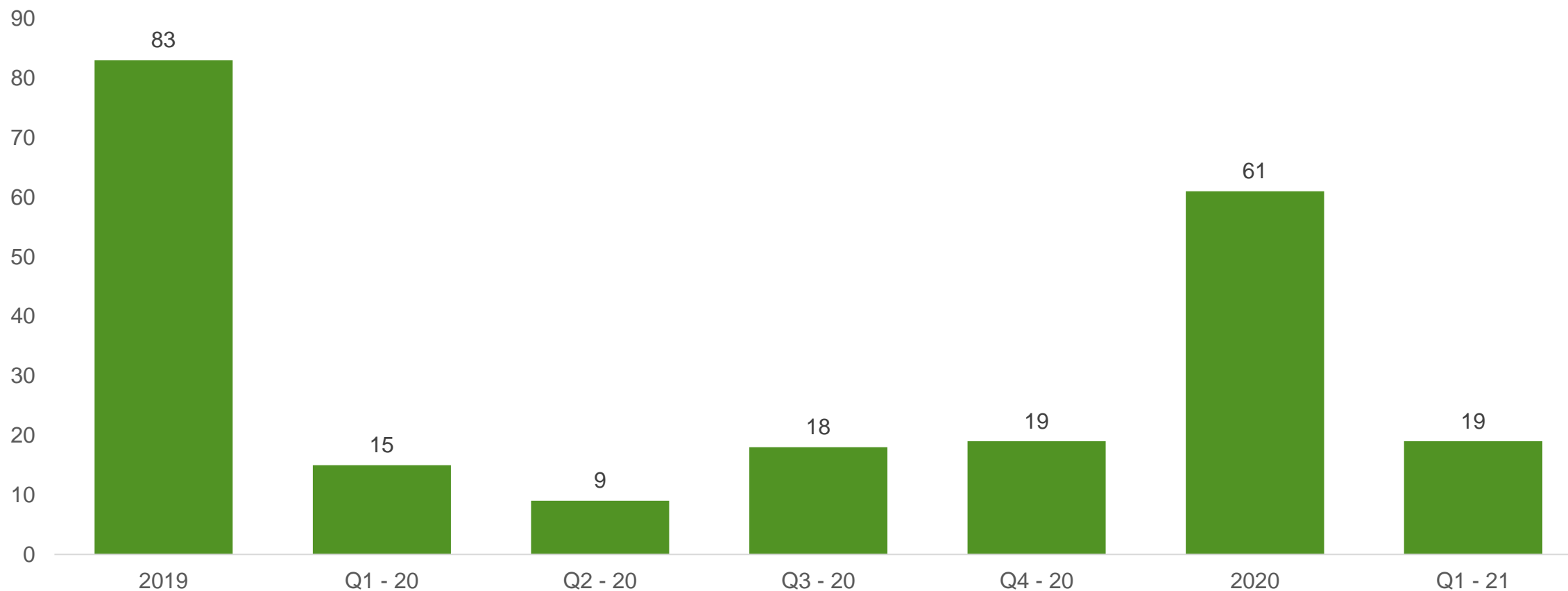




Domestic market overview - Caustic

We estimate that domestic Caustic market declined ~10 -11 % in 1Q 2021 due to rising COVID cases in US and Europe which resulted in slowdown of textile exports. This was also followed by a seasonal decline in soap sector. EPCL managed to maintain its market share during these times

EPCL - quarterly sales trend

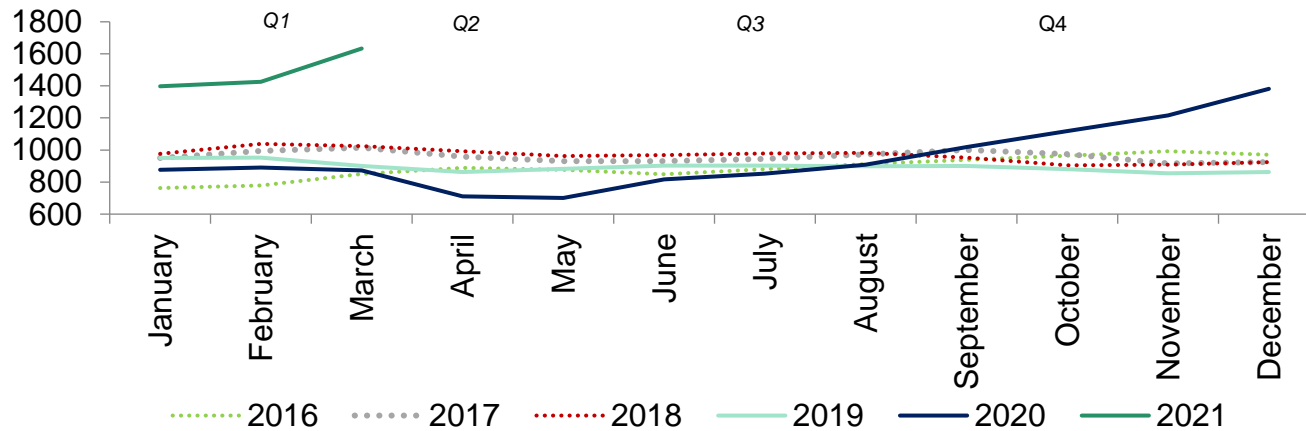




International Business Context

International PVC Price

USD/Ton

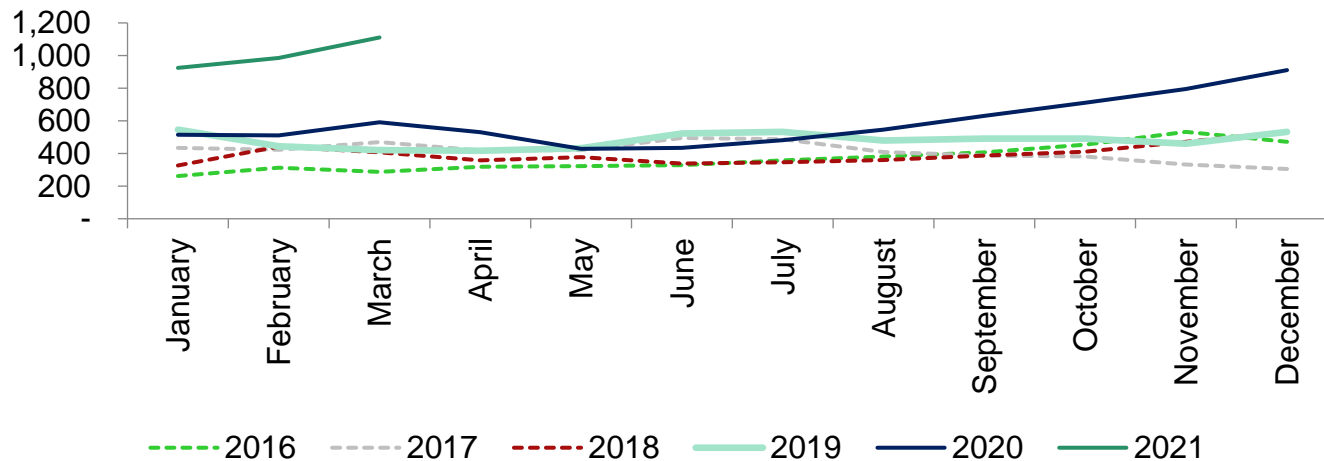


PVC international prices continued the upward trajectory in Q1. The upward trend was because of;

- ✓ US storm which knocked down 87% PVC supply
- ✓ A heavy turnaround season in March
- ✓ High freight costs

PVC – Ethylene Core Delta

USD/Ton



Ethylene prices also surged in 1Q on account of gain in crude prices due to US storm that knocked off 60% of US ethylene supply and increase in crude prices after a drone attack on Saudi’s oil export hub

The increase PVC in prices was higher than the increase in Ethylene prices, resulting in high core delta



Performance vs 1Q 2020

PKR million

	Q1 2021	Q1 2020
Total revenue	15,671	7,058
Profit after tax	4,143	193
EPS Basic (PKR/Share)	4.56	0.21
EPS Diluted (PKR/Share)	3.42	0.21



*21.5x higher PAT
vs 1Q 2020*

- ❖ EPCL announced commercial operations of the new PVC plant on 1st March 2021, increasing the capacity to 295,000 MT per annum
- ❖ The increase in profit is mainly attributable to higher volumetric sales, historically high international PVC prices and efficient plant operations

* In accordance with IFRS 9, the Company also recorded unwinding of GIDC (PAT impact – PKR 61 M)



Outlook

- PVC prices will continue to be influenced by the supply tightness and freight cost. We expect prices to remain firm in the second quarter as supply slowly recovers and freight costs start to normalize
- Ethylene prices are expected to decline due to new nameplate capacities expected in 2Q 2021
- Caustic market provides a bearish outlook due to rising COVID cases in US and Europe resulting in decline in export orders
- The Company has made considerable progress on VCM DBN project, COD is expected to in Q2 2021
- Work on other projects remain as per schedule despite the uncertain circumstances posed due to pandemic
- On the other hand, LABSA project still remain on hold
- Our turnaround is planned in the end of June for a period of 20-25 days. Since the current EPCL capacity is higher than local demand, EPCL will have sufficient inventory to serve the local demand during that period
- Ensuring safe operations amid the third COVID wave and utilization of SBP TERF facility would be the key focus areas going forward



THANK YOU

