



engro polymer & chemicals

ANALYST BRIEFING – 2Q 2021



Evolve | Adapt | Grow

Key achievement & highlights



1H 2021

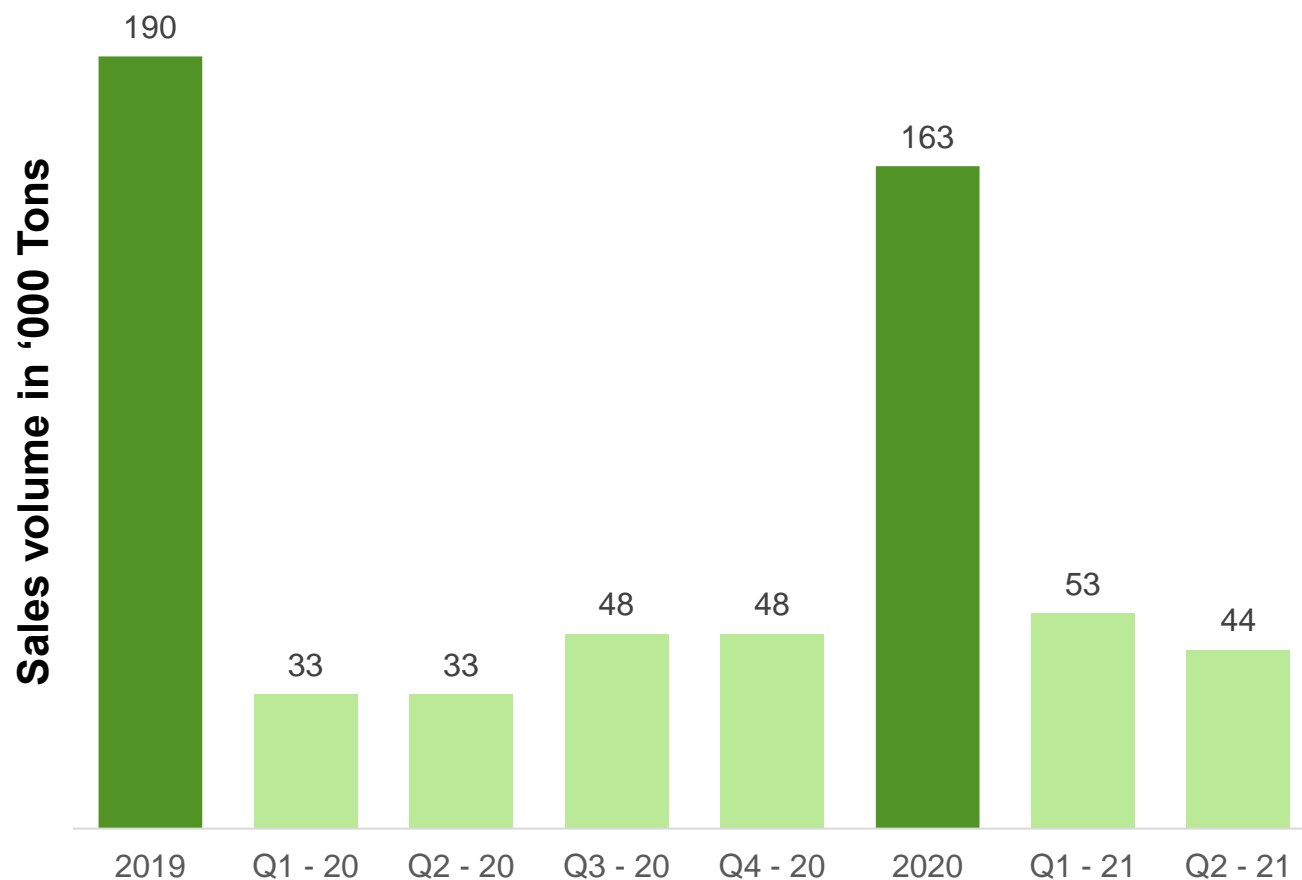
- Highest ever PAT
- Highest ever Dividend
- COD of **VCM DBN** - benefits to flow from 2nd half
- Highest ever market share for PVC (1H21: **95%**; 1H20: **64%**)
- PVC **Exports of 8 KT**
- Caustic liquid & flakes **export transaction of 2KT & 1KT, respectively**
- **Regained caustic market share of 33%**; despite market decline
- Availed **TERF** facility of PKR 3.5Bn which will yield benefits in years to come
- Effective **COVID site management** during 2nd & 3rd wave



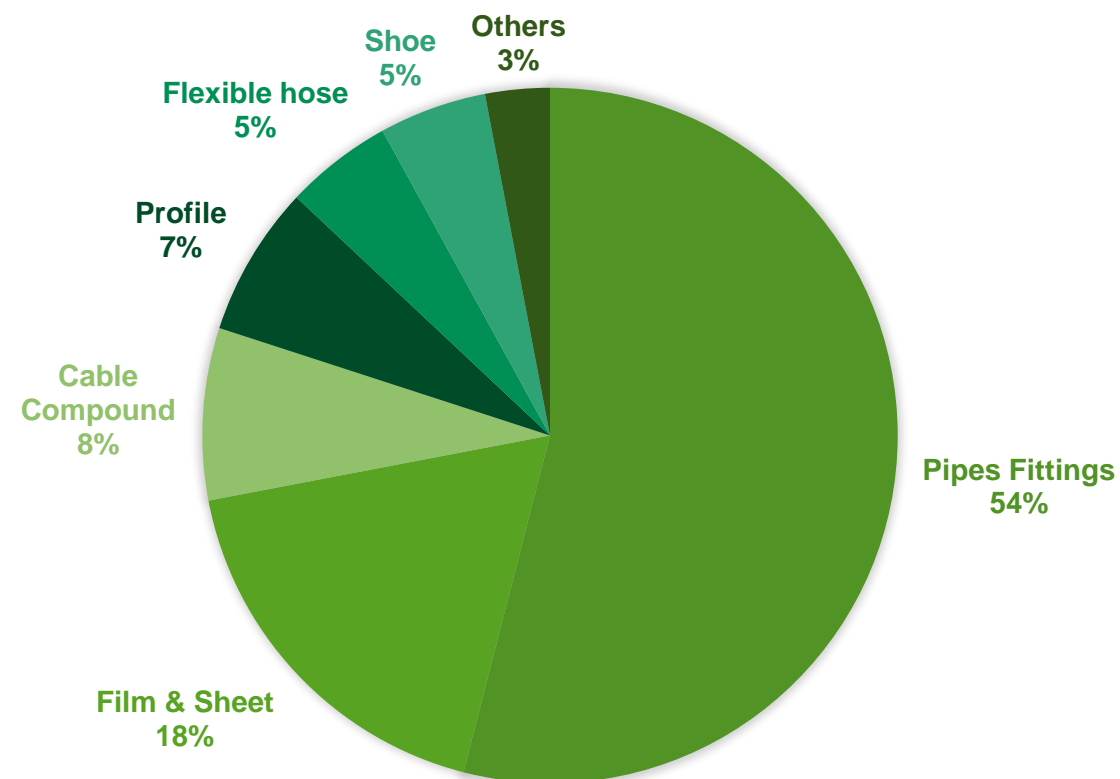
Domestic market overview - PVC

PVC sales increased in the quarter compared to last year despite the high PVC international prices. EPCL introduced various schemes to support the domestic market

PVC - 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



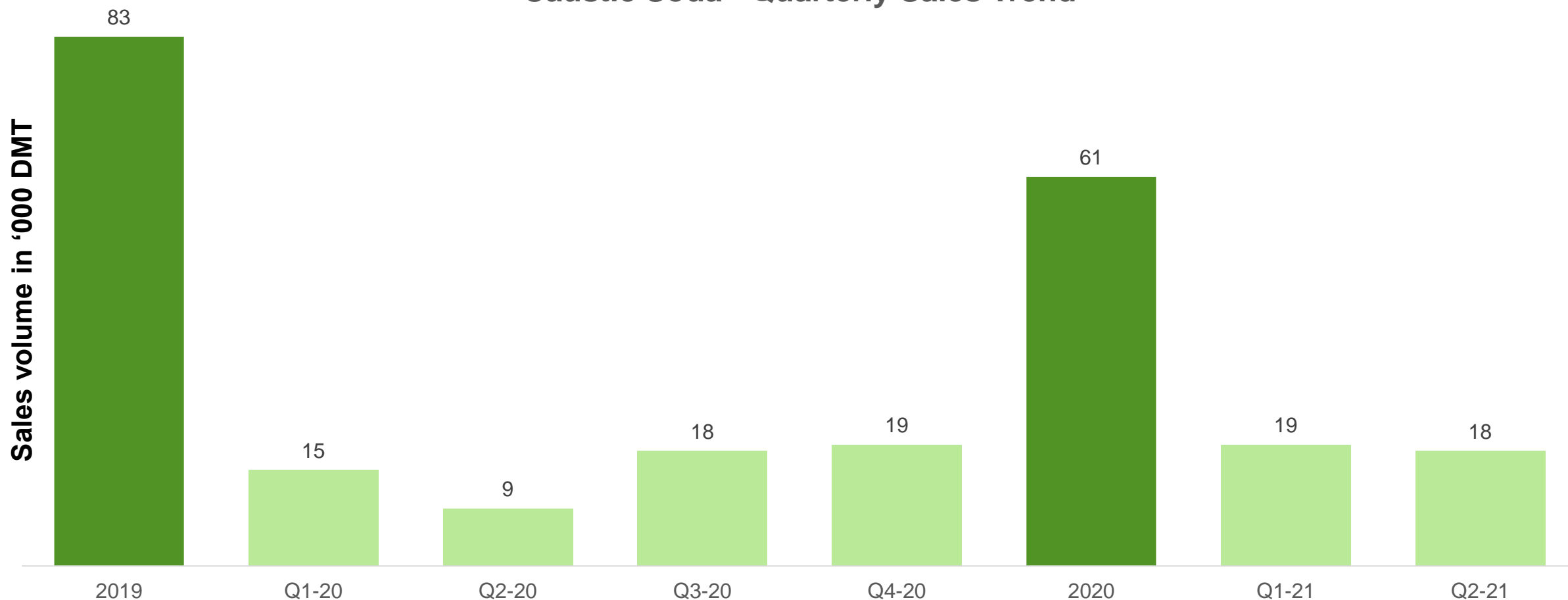
The Company also exported 8KT of PVC in international market in 1H 2021



Domestic market overview - Caustic

We estimate that domestic Caustic market declined ~10 % in 1H 2021 due to rising COVID cases in Europe which resulted in slowdown of textile exports. This was also followed by high cotton prices and gas supply issues at customers. EPCL has managed to regain its market share to the level of 2019

Caustic Soda - Quarterly Sales Trend



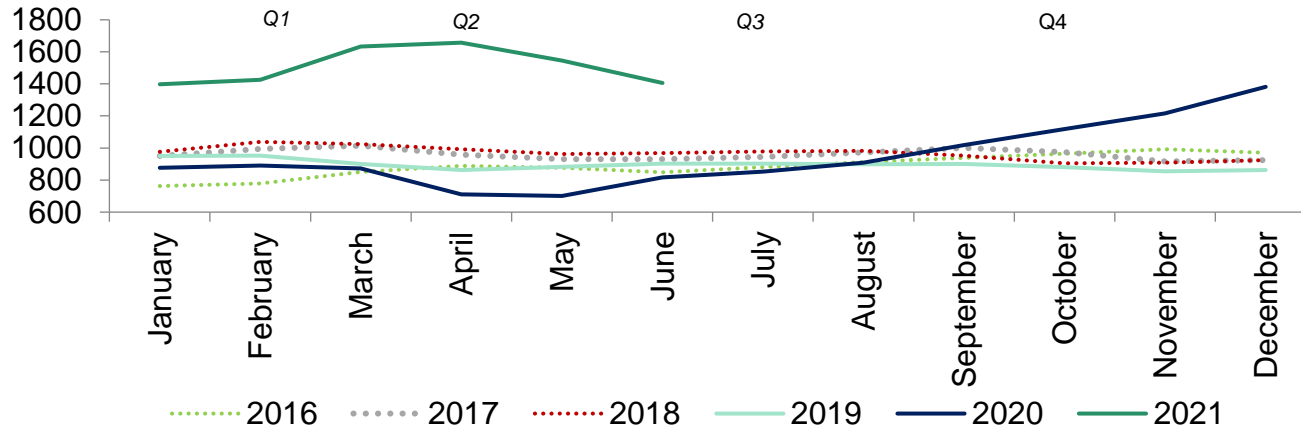
The Company also exported 2KT of Caustic Liquid & 0.8KT of Caustic Flakes in 1H 2021



International Business Context

International PVC Price

USD/Ton

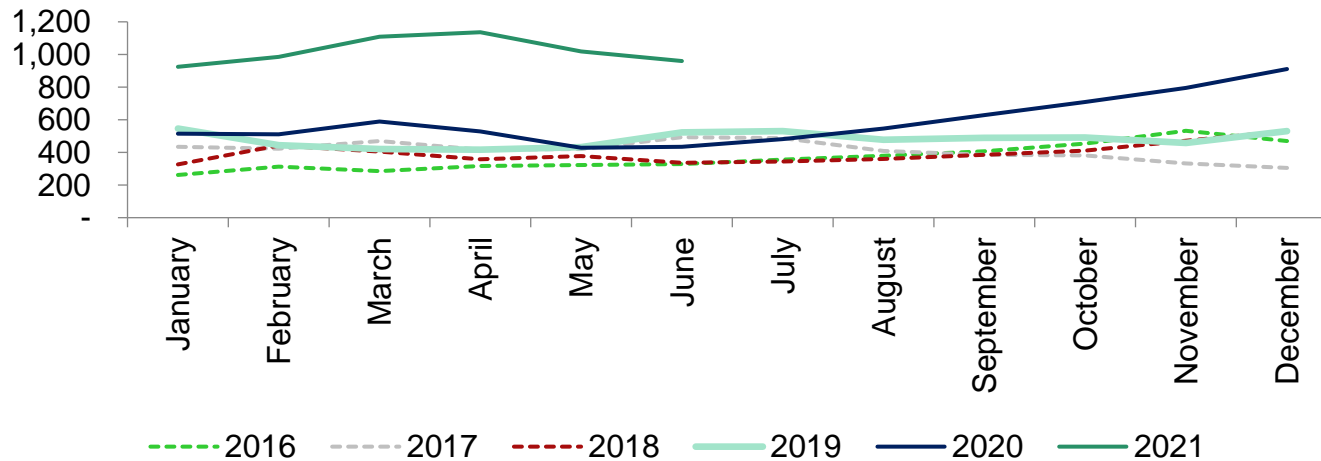


PVC international prices declined this quarter because of;

- ✓ COVID related lockdowns in India & other Asian regions
- ✓ Monsoon season in India
- ✓ Plants that came back online after a heavy turnaround season

PVC – Ethylene Core Delta

USD/Ton



Ethylene prices increased initially on account of gain in crude prices. However, prices started to decline with the rise of COVID-19 infections in Asia weighing on the downstream market

The PVC price trajectory resulted in decline of core delta



Performance vs 1H 2020

PKR million

	1H 2021	1H 2020
Total revenue	30,496	12,874
Profit after tax	7,265	223
EPS Basic (PKR/Share)	7.99	0.24
EPS Diluted (PKR/Share)	6.01	0.24

- ❖ EPCL announced commercial operations of the new VCM DBN capacity on 25th June 2021
- ❖ The increase in profit is mainly attributable to:
 - Higher volumetric sales due to expansion capacity coming online
 - Efficient plant operations
 - Historically high international PVC prices

* In accordance with IFRS 9, the Company also recorded unwinding of GIDC (PAT impact – PKR 117 M)



Outlook

- PVC prices will remain range-bound, with increasing demand from India, China and high exports from US as major plants resume operations post force majeure / turnaround declared in Feb 2021
- Ethylene prices are expected to decline due as new capacities come online. However, price decline will be off-set by high crude prices
- Caustic market outlook remains heavily dependent on textile orders which will be influenced by COVID-19 cases in US and Europe
- The Company has decided to shelve LABSA project, which was earlier put on hold due to COVID
- Work on Efficiency projects and Hydrogen Peroxide remain as per schedule despite the uncertain circumstances posed due to pandemic
- Our Plant is currently undergoing a turnaround, however, EPCL is maintaining sufficient inventory to cater to demand
- Ensuring safe operations amid the fourth COVID wave and maintaining market share will be key focus area for next quarter



THANK YOU

