



**ANALYST BRIEFING – 3Q 2013**  
**OCTOBER 25, 2013**

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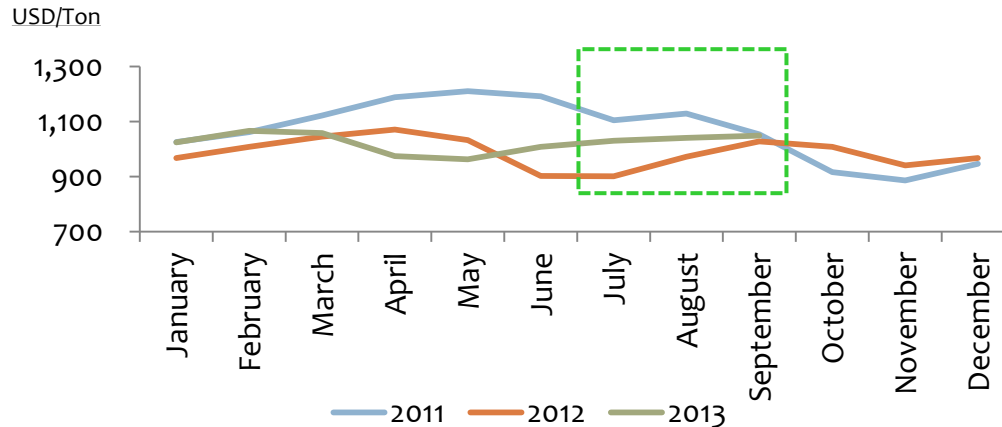
# Summary – 3Q 2013

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- In 3Q 2013, company recorded a Revenue of PKR 6,105 Mn as compared to PKR 6,077 Mn in 3Q 2012
- Company posted a Profit After Tax (PAT) of PKR 127 Mn in the 3Q 2013 as against Profit After Tax of PKR 24 Mn in 3Q 2012
- Rise in profitability can be attributed to the following factors
  - Higher PVC and Caustic margins
  - Higher sales volumes of Caustic
- Company has been successful in streamlining its VCM operations and recorded highest ever VCM production in 9M 2013
- Successful completion of Hot Water Charging Project, adding PVC capacity by 6 KT per annum taking the total PVC capacity to 156 KT

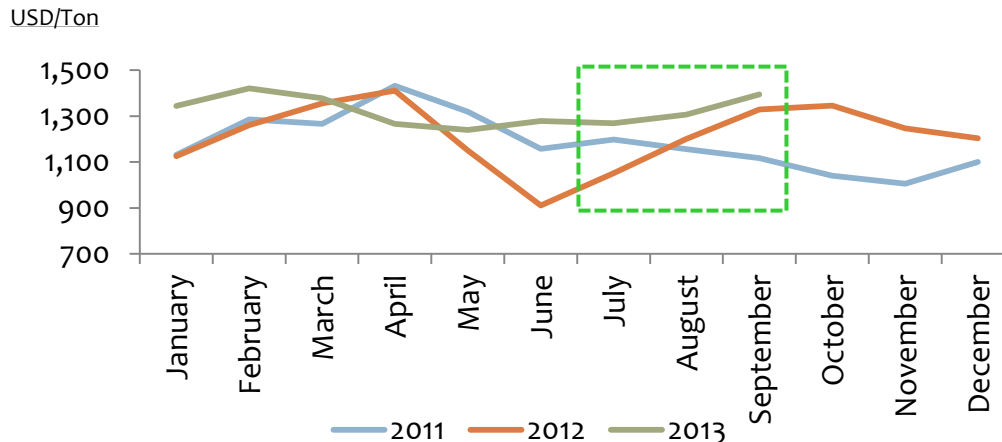
# International Business Context

- International PVC Price



- International PVC prices maintained an upward trend in 3Q 2013. The increase in prices was primarily cost push which was also permitted by demand scenario

- International Ethylene Price trend



- Ethylene prices remained robust in 3Q due to routine maintenance at major ethylene crackers. Ethylene prices are expected to stabilize in 4Q 2013 as ethylene crackers resume supply end October

# Production Highlights

Volume (MT)	Q3 2013	Q3 2012	9M 2013	9M 2012
PVC	35.4	36.8	105.6	106.9
VCM	40.1	41.3	124.1	108.0
EDC	29.9	29.2	85.5	84.4
Caustic	29.6	28.1	84.5	81.1
Hypo	5.6	4.6	16.4	14.5

- Company witnessed smooth operations in Q3 2013, VCM plant operations have been streamlined and recorded highest ever production of VCM plant operations in any 9 months of operations endorsing its production capability. VCM production marginally lower in 3Q as plant took a turnaround for decoking
- Stable VCM operations enabled the company to produce PVC by entirely using in house VCM in 9M 2013 and VCM production is enough to supply for the recent capacity debottlenecking of PVC

# Sales Analysis

Volume (MT)	Q3 2013	Q3 2012
PVC		
Local	35.5	37.4
Export	-	7.7
VCM	2.9	8.7
Caustic Soda	24.9	22.1

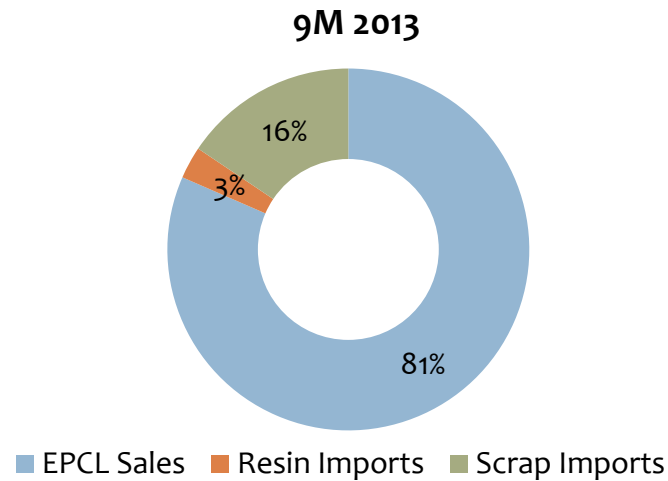
Prices (USD/MT)	Q3 2013	Q3 2012
PVC Base Price	1,058	957
Ethylene Weighted Avg. Price	1,271	1,120

EPCL Margins	Q3 2013	Q3 2012
PVC (\$/Ton)	405	319
Caustic (Rs/Ton)	25,429	18,993

- PVC volumetric sales declined by 5% as compared to 3Q 2012. In 3Q 2012, prices of PVC showed a sharp increase internationally which encouraged inventory buildup by local costumers
- Caustic volumetric sales posted an increase of 13% YoY, due to robust demand by local costumers and spill over effect from 2Q 2013 i.e. order placed in 2Q 2013 but dispatched and recognized in 3Q 2013
- PVC international prices maintained an upward trend in 3Q 2013 and EPCL average base price for 3Q stood at \$1,058.
- On the margins front, company enjoyed healthy margins on both PVC and Caustic. PVC margins were supported by prices while caustic margins were strong due to savings on transport cost and efficient sales mix

# Market Analysis - PVC

- Market Share\*



- Developments

- Purchase contract signed with major PVC customer which resulted in reduction in PVC imports and helped EPCL gain market share
- EPCL efforts resulted in new/stricter regulations for PVC scrap import in Trade policy 2013. Despite the policy, Scrap containers were reportedly released from the Lahore dry port as a stay order was issued against implementation of New Import policy order 2013

# Financial Highlights

- Company posted strong financial performance in 3Q 2013 as compared to 3Q 2012

PKR Million	Q3 2013	Q3 2012
Total Revenue	6,105	6,077
Contribution Margin	2,106	1,607
Profit After Tax	127	24

- Variance as compared to 2012 was witnessed on account of:
  - Higher margins for PVC and Caustic
  - Higher sales volume for Caustic
  - Higher FX losses due to sharp PKR/USD decline in 3Q 2013

# Future Outlook

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- Domestic demand of PVC and Caustic are expected to remain stable during 4Q 2013. however the profitability will depend on the dynamics of international margins in vinyl chain.
- After completion of first phase of PVC debottlenecking, company added 6 KT of PVC p.a, company is now initiating a second phase of debottlenecking which would further enhance the PVC capacity by 15 KT p.a.
- Enhancement of capacity will enable the company to covert its surplus VCM into PVC resulting in higher margins



Thank You