



engro polymer & chemicals

ANALYST BRIEFING – 2Q & 1H 2015



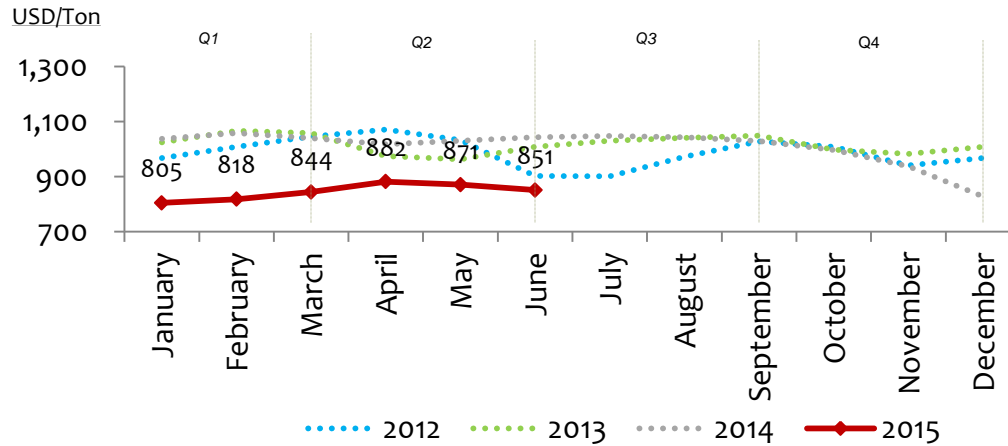
Summary

- In 2Q 2015, the Company achieved a revenue of Rs 5,716 Mn as against Rs. 6,536 Mn in 2Q 2014
- The Company posted a loss after tax of Rs. 326 Mn as against a loss after tax of Rs. 24 Mn in 2Q 2014
- The loss per share for 2Q stood at Rs 0.49 as compared to a loss per share Rs 0.04 in the same period last year
- Variance as compared to 2Q 2014 was witnessed on account of:
 - Reduced margins due to narrow PVC- Ethylene core delta, imposition of duty on primary raw material and higher gas prices which was marginally offset by an increase in PVC sales
 - Low margins due to higher gas prices, and lower caustic sales volume

International Business Context

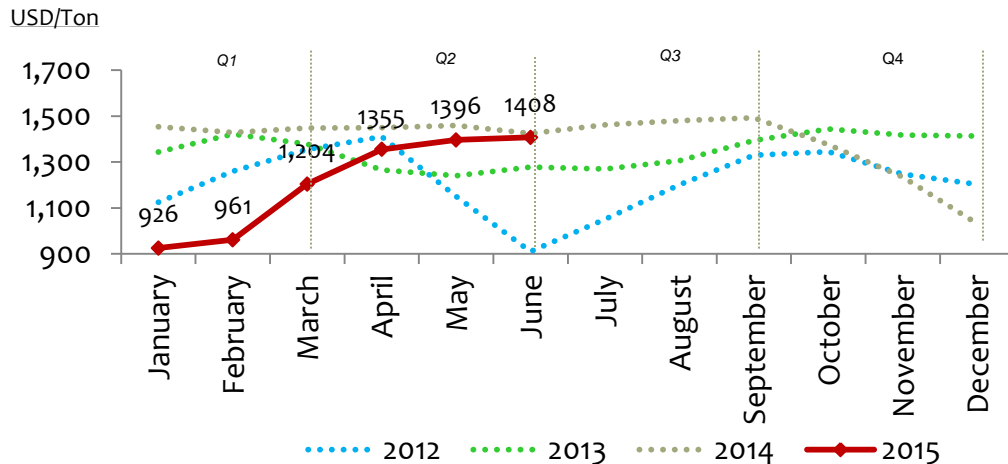


• International PVC Price



- During 2Q, PVC prices posted only marginal increase despite a sharp cost push pressure from ethylene

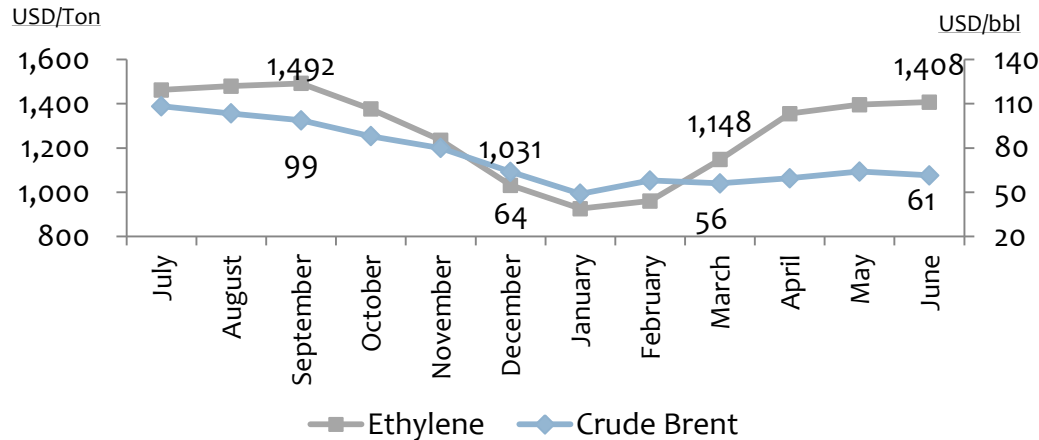
• International Ethylene Price



- Ethylene prices witnessed sharp surge during the quarter on account of supply tightness due to regional turnarounds
- Ethylene prices rationalized towards the end of 2Q and prices demonstrated a downward trend

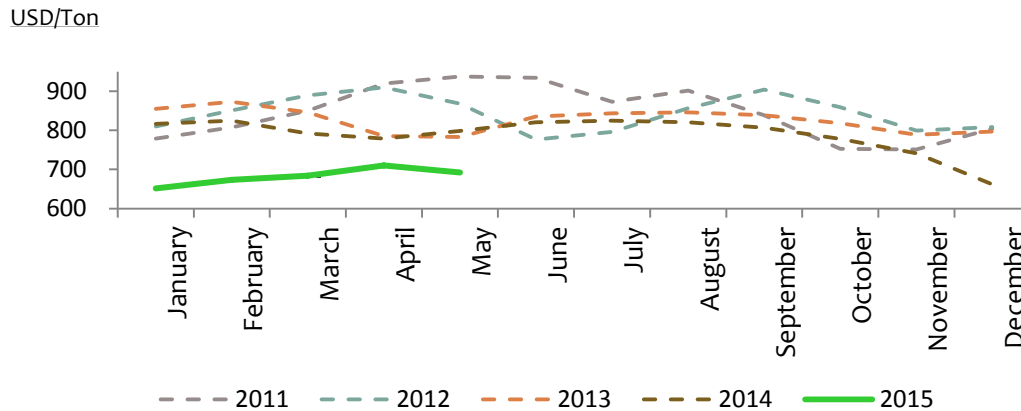
Ethylene, Crude oil and PVC

- Analysis of ethylene and crude oil prices



- Ethylene and oil prices decoupled in 2Q and Ethylene prices did not follow the oil price trend on account of supply constraint.
- EPCL's requirement had to be met through spot bookings which resulted in a sharp increase in prices

- PVC- Ethylene Core Delta



- Sharp increase in ethylene prices with stable PVC, eroded vinyl chain margins
- During the quarter, several ethylene derivatives witnessed negative margins

Domestic Market Overview

PVC

- Domestic market remained strong in 2Q 2015
 - During the quarter, the Company posted a 56% volumetric growth on YoY basis and secured a market share of 89%
 - Volumetric growth was led by strong demand from construction & govt. projects and conversion of end users from scrap to resin
 - Unfavorable PVC-Ethylene Core delta limited its ability to generate economic value

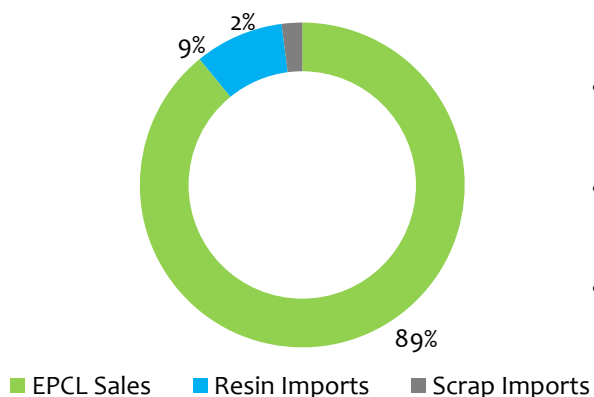
Caustic

- Domestic caustic market remained stable in 2Q 2015:
 - On a YTD basis, EPCL sales remained at par with 2014. Minor operational issues at the chlor alkali plant in 2Q marginally reduced product availability.
 - Chlorine Derivatives (Hypochlorite & HCL) sales remained in line with last year

Highlights – Vinyls

	2Q 2015	2Q 2014	1H 2015	1H 2014
PVC production (KT)	38	35	79	68
VCM production (KT)	39	35	80	68
PVC Sales in (KT)				
Local	39	38	80	63
Export	1	3	15	8

PVC Domestic Market Share *



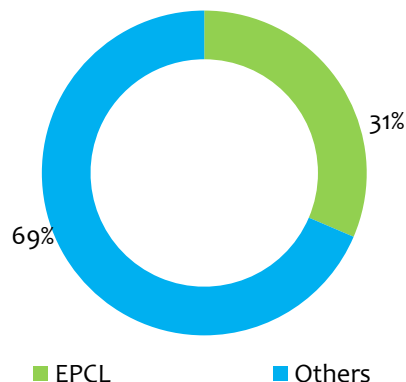
- PVC domestic sales remained strong due to robust demand from construction sector & govt. projects
- In 2Q 2015, the Company secured market share of 89% as against 81% in 2Q 2014
- Scrap imports remained limited on Quarterly and YTD basis, the phenomenon further enabled the Company to dominate market landscape
- Production of PVC and VCM remained strong, during the quarter 38 KT of PVC was produced

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

Highlights – Caustic & Allied

	2Q 2015	2Q 2014	1H 2015	1H 2014
Caustic Production (KT)	26	30	52	56
Caustic Sales Volume (KT)	22	25	46	46
Caustic Price (Rs./MT)	48,369	49,323	48,729	50,298
Hypo Sales (KT)	5	5	8	9
HCL Sales in (KT)	5	3	9	8

Caustic Domestic Market Share *



- Domestic caustic market remained stable during the period
- On a YTD basis EPCL sales remained at par with 2014 however, volume growth achieved in 1Q was offset by lower sales in 2Q. Volume loss in 2Q was due to minor operational issues at the chlor alkali plant in 2Q which reduced plant load
- Chlorine Derivatives (Hypochlorite & HCL) sales remained in line with last year
- In 2Q 2015, the Company's market share dropped to 31% due to turnaround.

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

Financial Highlights

- Financial Performance

PKR Million	2Q 2015	2Q 2014	1H 2015	1H 2014
Total Revenue	5,716	6,536	12,417	11,903
Contribution Margin	1,340	1,690	2,963	3,175
EBITDA	205	560	720	1,211
Profit/(Loss) Before Tax	(399)	(49)	(524)	209
Profit/(Loss) After Tax	(326)	(25)	(433)	123

- Variance as compared to 2Q 2014 was witnessed on account of:
 - Reduced margins due to narrow PVC- Ethylene core delta, imposition of duty on primary raw material and higher gas prices which was marginally offset by an increase in PVC sales
 - Low margins due to higher gas prices, and lower caustic sales volume

Outlook for 3Q

- PVC – Ethylene core delta is likely to rationalize as ethylene supply resumes post cracker turnarounds
- Domestic demand of Caustic Soda is expected to remain stable, however, domestic prices may remain under pressure. Market development efforts are likely to bring additional growth in the upcoming quarters
- Any significant increase in gas price will have an adverse impact on profitability
- Duty reduction on Ethylene to min. slab of 2% versus 5% will reduce cost of raw material

Thank You