

ANALYST BRIEFING

FY 2019

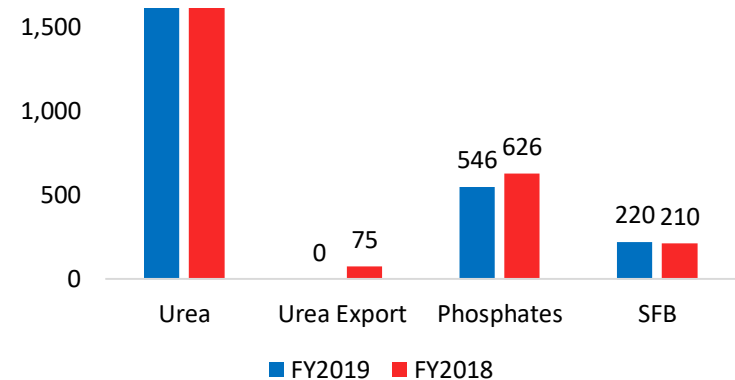
BUSINESS HIGHLIGHTS



- ▶ For FY 2019, EFERT's Profit After Tax (PAT) stood at **PKR 16,871 M** vs FY 2018 PAT of **PKR 17,414 M**
- ▶ Lower profitability was due to:
 - ▶ One-off tax impact of higher future Corporate Tax rates introduced via the Finance Act, 2019.
- ▶ The GMs clocked in at **33%** in FY 2019 vs **32%** last year
- ▶ Finance cost was higher at **PKR 3,887 M** (vs PKR 2,071 M last year) as a result of higher policy rates.

PKR M	FY 2019	FY 2018
Total Revenue	121,355	109,197
Gross Profit	39,540	35,316
Finance Cost	(3,887)	(2,071)
Profit / (Loss) After Tax	16,871	17,414

Sales KT (2019 vs 2018) & Exports



UREA MARKET ENVIRONMENT

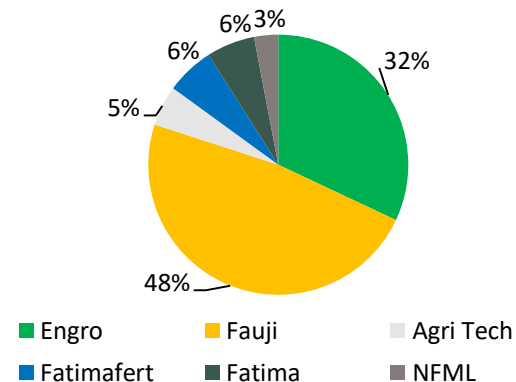


- ▶ Urea industry sales for FY 2019 clocked in at 6,183 KT, up by 7% vs SPLY due to pre-buying in anticipation of increase in urea prices post the news of gas price hike. Channel inventory est. at ~ 400 KT at year end
- ▶ EFERT market share stood at 32% vs. 34% in FY 2018 in line with avails share. EFERT FY 2019 sales were **1,958 KT**, down 1% vs 1,986 KT LY
- ▶ In December 2019, EFERT captured market share of 34% vs avails share of 32% despite industry inventory overhand crossing 1Mn Tons
- ▶ Industry urea production for FY 2019 stood at **6,144** KT VS 5,706 KT SPLY. LNG based plants added ~**760** KT to the industry production
- ▶ On the international front, urea prices are currently at USD 260/T (Landed eqv. of PKR 2,360/bag) . Local urea prices are currently at PKR 1830/bag for EFERT and PKR 1,690/B for FFC.

Urea Industry (KT)

	FY 2019	FY 2018
Opening Inv.	183	260
Production	6,144	5,717
Imports	100	105
Exports	-	75
Sales	6,183	5,802
Closing Inv.	209	174

Market Share FY 2019

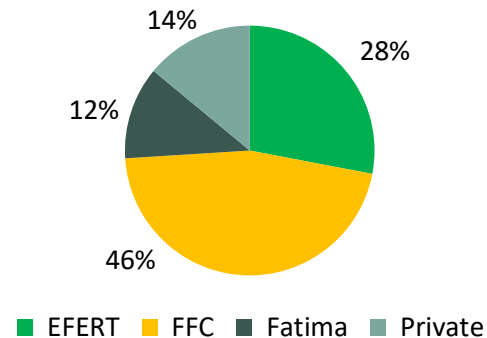


PHOSPHATES MARKET ENVIRONMENT



- ▶ FY 2019 industry sales stood at 2,021 KT vs 2,224 KT in FY 2018 (down 9%). Lower industry offtake was due to increased prevalent prices in FY2019; and poor farm economics especially in cotton crop where output decreased by around 20%
- ▶ EFERT maintained market share clocked at 28% in a declining industry. EFERT's strategy to maximize margins impacted sale volumes vs LY. Sales of 546 KT during FY 2019 vs 626 KT in FY 2018.
- ▶ Industry inventory stands at **600 KT vs. 509 KT** in December 2018
- ▶ International DAP prices dropped from a high of USD 422/T in Jan 2019 to USD 329/T by Dec 2019 although almost all imports in Q4 2019 were contracted in the range of USD 325/T – 335/T due to orders being placed by the end of Sep 2019.

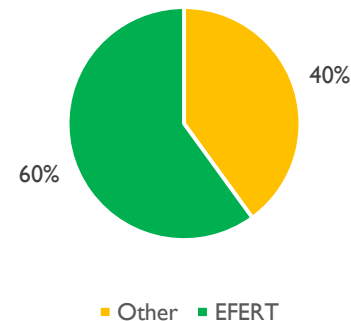
Phosphates Market Share FY 2019



SFB MARKET ENVIRONMENT

- ▶ Total sales for SFB stood at 220 KT vs sales of 210 KT in 2018, an increase of 5%
- ▶ EFERT managed to significantly increase market share in a shrinking market. Market share clocked in at 60% vs. 44% in SPLY on account of competitive pricing vs private importers
- ▶ The overall potash market stood at 44 KT in FY 2019 vs 51 KT in FY 2018 due to higher prevalent prices during the year

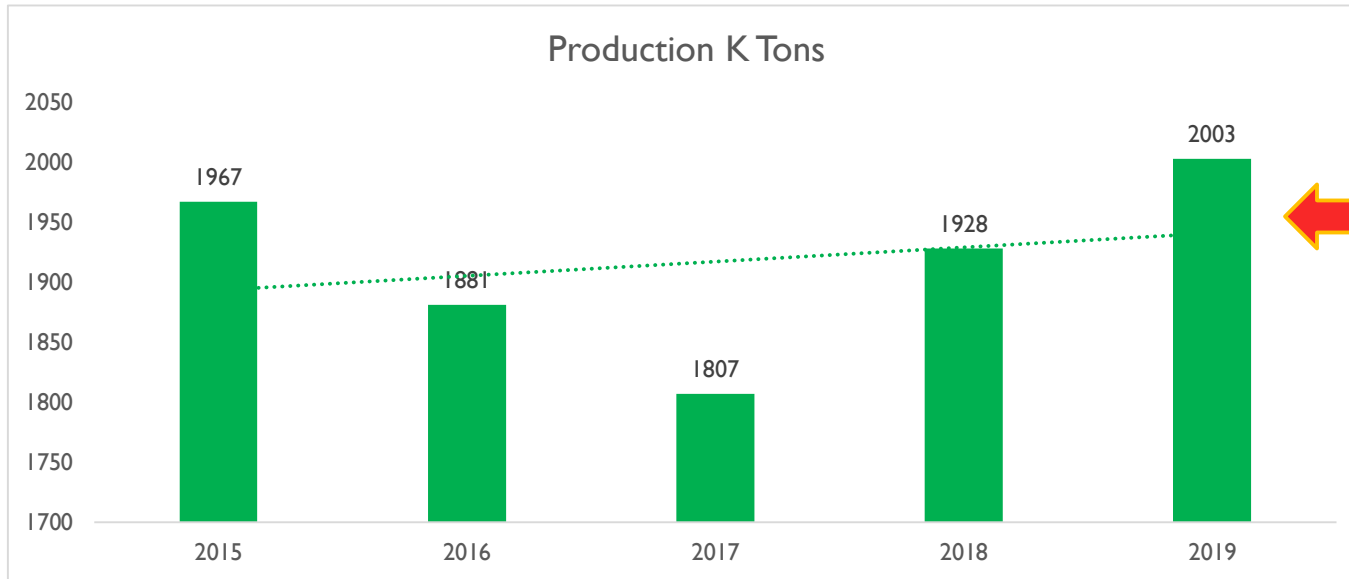
Potash Market Shares



Plant Efficiencies Enabled Historic Production



Plant load improvements coupled with higher gas avails have led to higher production



EFert's production this year is the highest in last 5 years despite **2** turnarounds during the year

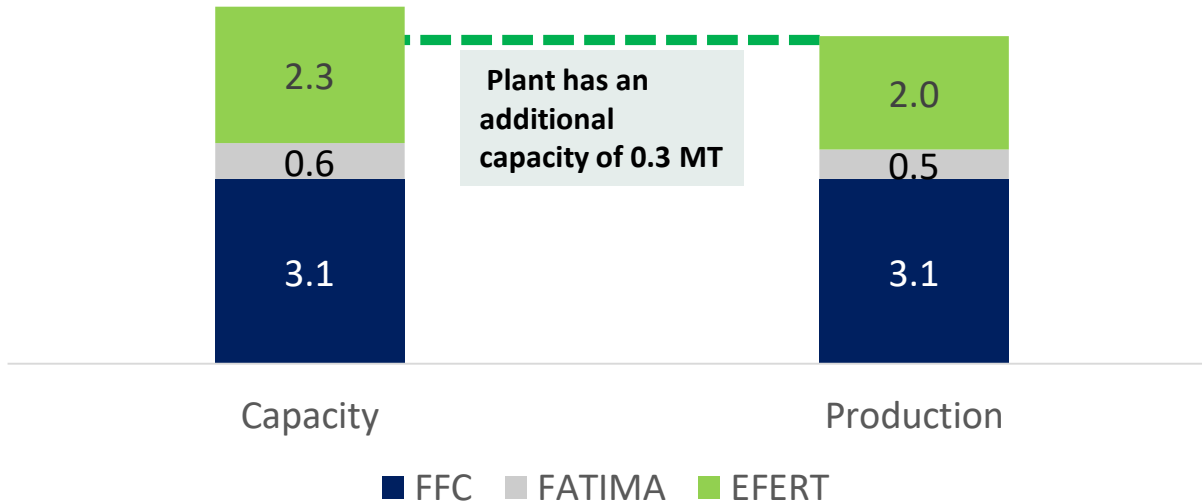
Lowest Plant Site TRIR of 0.03



Low Utilization at Base Plant

Lower gas avails have led to lower capacity utilization but ample capacity available

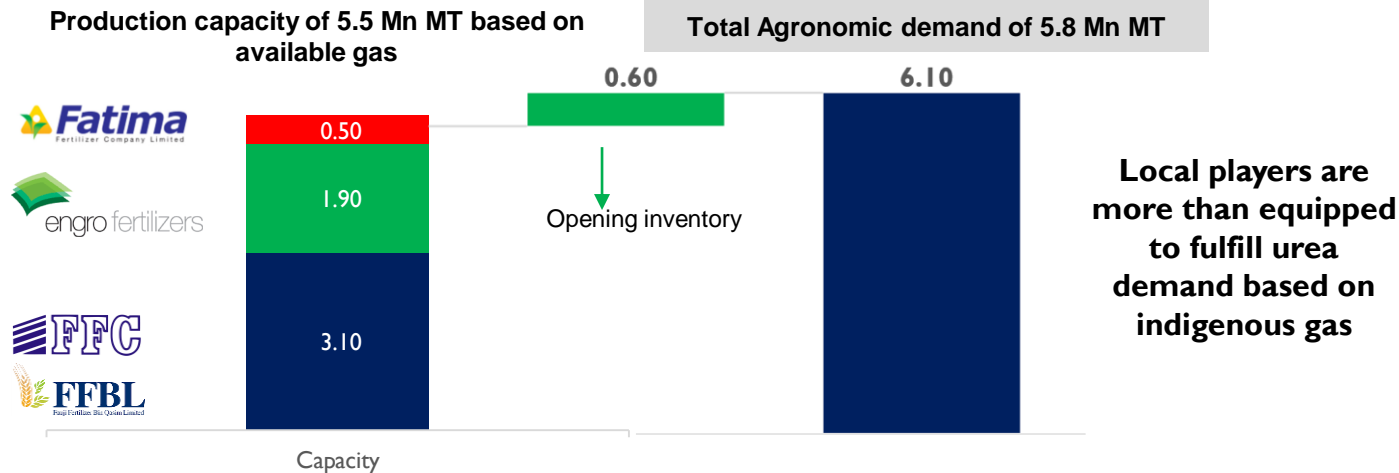
Capacity vs Production



Sufficient capacity available to cater the demand in Pakistan provided Efert can produce incremental urea at **best efficiency index** eliminating the need for imported urea and imported gas for urea production

Indigenous gas-based Urea supply sufficient to meet demand

- Agronomic demand for urea is expected to be around **5.8Mn MT** in 2020 in line with the last 5 year average
- Opening inventory with industry in 2020: **~200KT**
- Estimated channel inventory at start of the year: **~400KT**
- This implies that local plants operating on indigenous gas with capacity of **5.5 Mn MT** will be able to fulfill the demand for the year

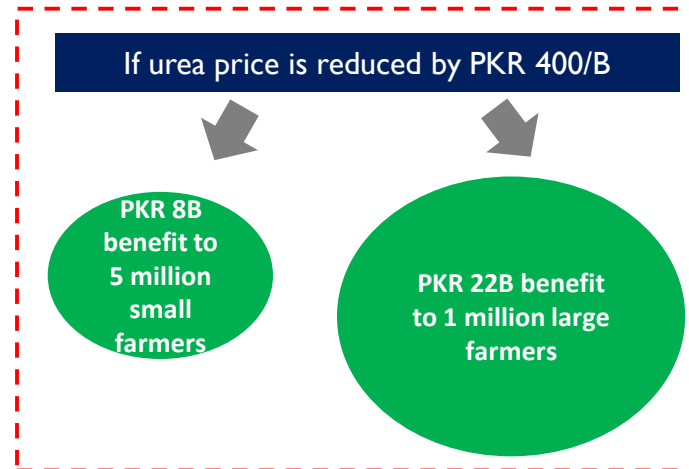
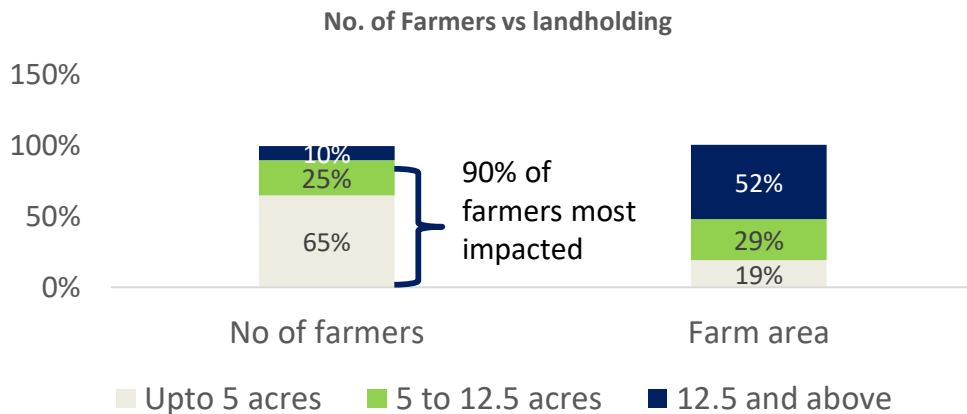


Across the board price reduction serves the interests of Large Zamindars

Uneven farm demographics allow large farmers to benefit from singular policy framework

90% of the farmers have a land holding size of less than 12.5 acres

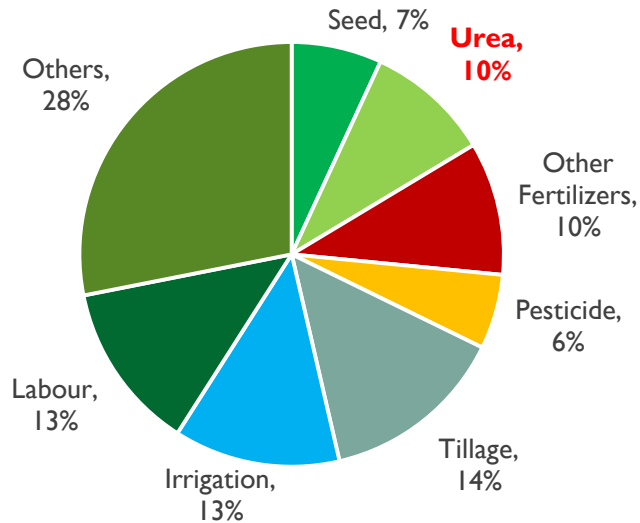
52% of the farm area is held by remaining 10% of the rich land lords



There is a need for a more focused strategy (targeted subsidy) to address wellbeing of small farmers

Decrease in Urea prices alone cannot guarantee better farm economics

Urea only constitutes ~10% of total farmer input cost



Holistic Policy framework should be based on:

- **Balanced fertilizers usage** can enhance wheat productivity by 35% and maize productivity by 40%
- **The targeted subsidy program** introduced by the Punjab government has led to increase in the use of these farm nutrients by 56 percent

Improving farmer economics will take a far more holistic policy framework, like one which was presented in National Finance Inclusion Strategy

Awards & Recognition



- ▶ **Annual Environmental Excellence Award** by “National Forum of Environment & Health” on environmental performance and Million Tree Plantation.
- ▶ **Annual Fire Safety Excellence Award** by “Fire Protection Association of Pakistan” for exhibiting excellence in fire prevention & safety.
- ▶ **Gold Medal Awarded at IFA** - Annual Strategic Forum, in light of our performance regarding IFA’s “Protect & Sustain standard” and HSE & energy benchmarks
- ▶ Zarkhez plant recognized as the **Best Green Office** across Pakistan by **WWF**
- ▶ National Safety Council (NSC) USA, recognized Engro Fertilizers as a **breeding ground / nursery** for emerging safety leaders
- ▶ Engro Fertilizer won in “**Top 25 Companies of the year**” award for 2017 and 2018 in the PSX Awards
- ▶ 2nd position for the **Best Corporate Report** in the Chemical sector in August 2019
- ▶ Merit Certificate for **Best Corporate Report** by **South Asian Federation of Accountants (SAFA)**
- ▶ **Our flagship PAVE** project won two regional accolades in Taipei, Taiwan and Melbourne, Australia.
- ▶ We also won 6 awards at the **Global diversity and inclusion benchmarks (GDIB)** Awards for 2019 highlighting our efforts to make the workplace truly inclusive

THANK YOU

Q & A



