

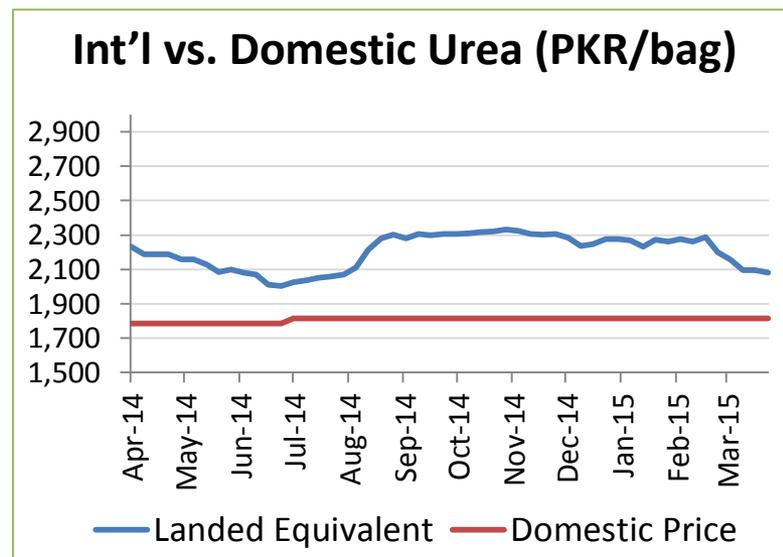


# Analyst Briefing 1Q 2015 Business Results

# UREA MARKET ENVIRONMENT

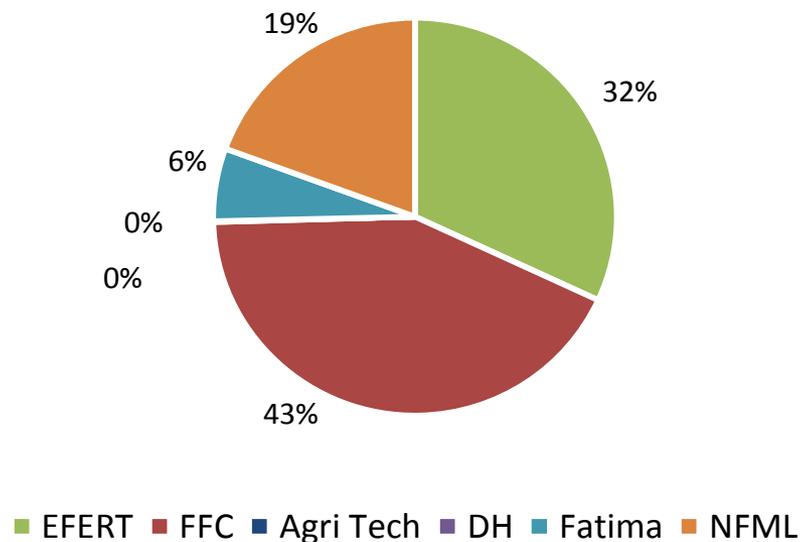
- ❖ Domestic urea production rose by 6.3% vs 1Q 2014; led by better capacity utilization
- ❖ Overall urea sales rose sharply by 9% attributed to the following
  - ❖ Carry over demand of 4Q 2014 (delayed wheat sowing)
  - ❖ Dealer demand in March in anticipation of possible price increases
- ❖ Local prices remained stable at PKR 1,813/bag given stable domestic gas prices
- ❖ Int'l urea prices remained uneventful during January/February followed by a drop in late March
- ❖ The gap between international and domestic urea prices still remains at a comfortable level

Urea Industry (MT)	1Q 2015	1Q 2014	Change
Opening Inventory	0.2	0.3	
Production	1.2	1.1	6%
Imports	0.3	0.3	(2%)
Sales	1.5	1.4	9%
Closing Inventory	0.2	0.4	

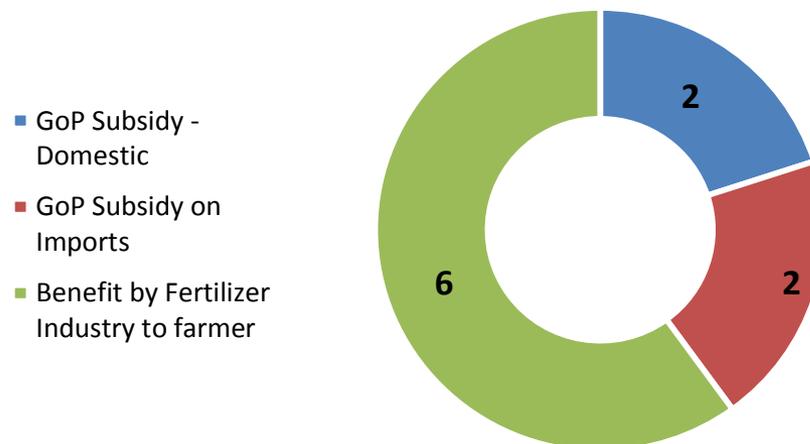


# UREA MARKET ENVIRONMENT

### 1Q 2015\*



### Farmer Subsidy (PKR B)



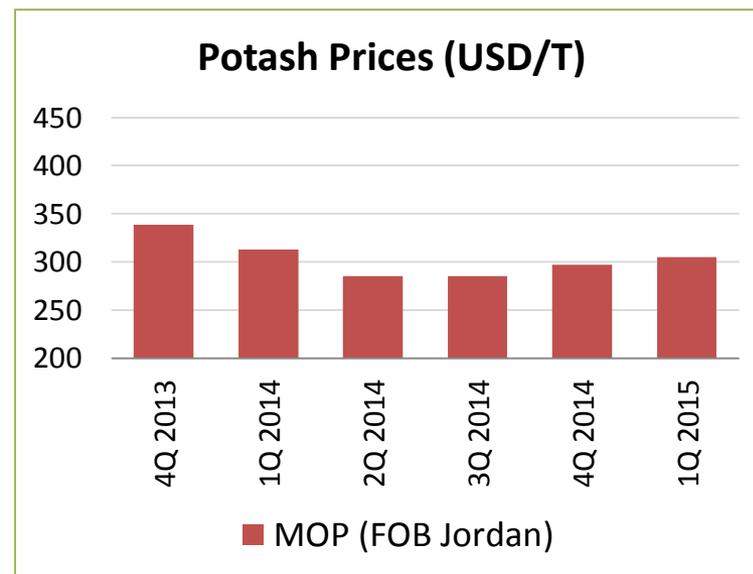
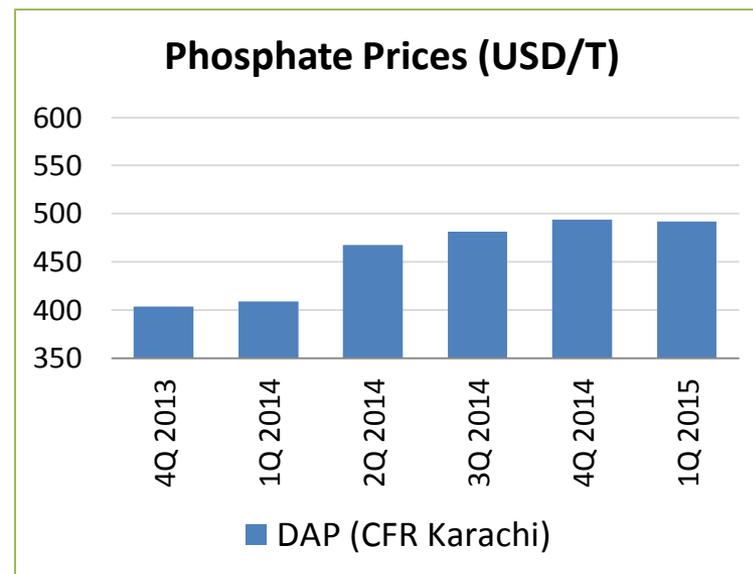
Urea market shares are broadly unchanged from last year

Benefit passed on by local urea producers to the farmers in 1Q 2015 is around PKR 6 B

\*Internal Estimates

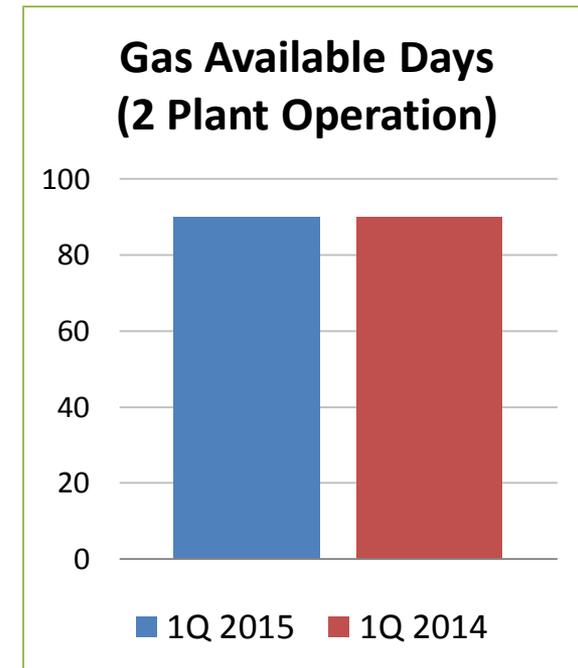
# ZARKHEZ MARKET ENVIRONMENT

- ❖ Total DAP off take marginally shrunk by 1% vs 1Q 2014
- ❖ DAP & MOP pricing remained stable since December 2014
- ❖ The Potash market grew by 6% YoY due to slightly lower prices and direct marketing of MOP in the industry
- ❖ Zarkhez volumes stood at 18 KT vs 19 KT in 1Q 2014 as the company focused on maintaining it as a premium product
- ❖ NP volumes stood at 10 KT vs 7 KT in 1Q 2014 with a focus on maintaining a wide product offering



# GAS UPDATE

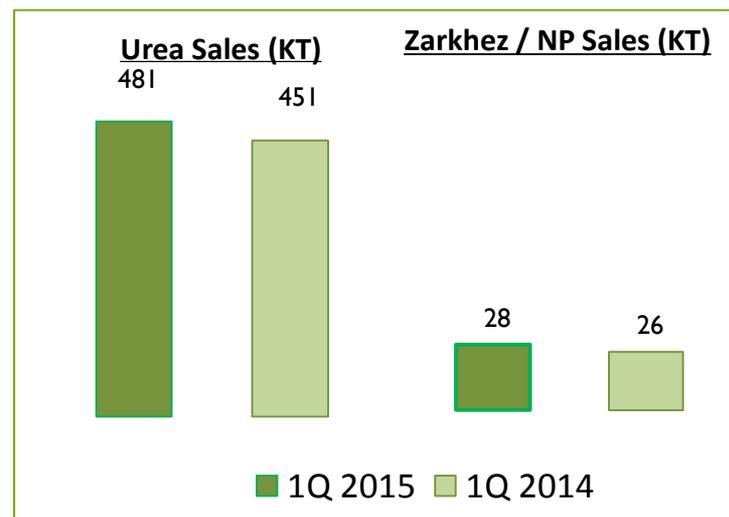
- ❖ Gas for both plants has remained available continuously
- ❖ The company is now receiving concessionary gas for Plant 2 (with effect from March 16, 2015)
- ❖ Implementation of compressors for Guddu is nearly complete and within agreed time frame
- ❖ Maru East has been allocated to Engro and gas uptake to commence in the next few weeks



# BUSINESS HIGHLIGHTS

- ❖ EFERT 1Q 2015 PAT stood at **PKR 3,059 M** vs PKR 1,437 M in 1Q 2014
- ❖ 1Q 2015 urea production was 486 KT (+7% YoY)
- ❖ Better financial performance is attributed to
  - ❖ Higher sales of urea by 30 KT
  - ❖ Concessionary gas pricing
  - ❖ Lower financial charges

Engro Fertilizers (PKR M)	1Q 2015	1Q 2014
Revenue	17,673	14,896
Gross Profit	6,770	5,652
Finance Cost	(1,262)	(2,412)
PAT	3,059	1,437
EPS (PKR)	2.30	1.11



- ❖ At the request of the Government, and without compromising our legal stance on the same, the fertilizer industry agreed to pay GIDC arrears (in installments till June 30, 2015) barring on concessionary gas to the Government. The 1<sup>st</sup> installment of PKR 4.2 Billion was paid in March
- ❖ Subject to shareholder approval, EFERT is expected to complete the DAP business purchase within 2Q 2015
- ❖ With lower than expected prices realized for Rabi crops agri sector outlook is bearish, however this is unlikely to substantially affect domestic urea production and sales
- ❖ Fertilizer Review Committee has proposed import of ~350 KT of urea for the upcoming Kharif season



**Q & A**  
**Thank You**