

Analyst Briefing

9M 2015



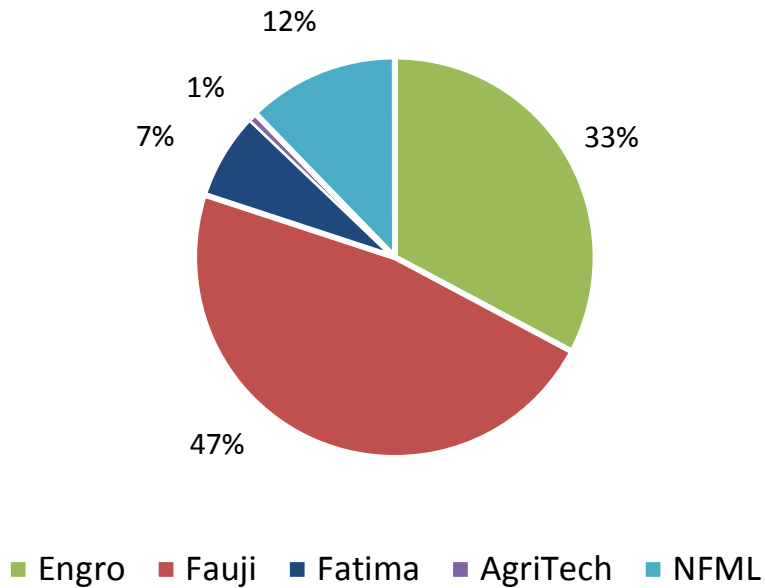
UREA MARKET ENVIRONMENT

- ❖ OGRA notified increase in gas prices effective September 1, 2015
 - ❖ Feed Gas PKR 500/MMBTU from PKR 423/MMBTU
 - ❖ Fuel Gas PKR 750/MMBTU from PKR 638/MMBTU
- ❖ All manufacturers increased urea prices by PKR 160/bag bringing the per bag price to PKR 2,020 (MRP)
- ❖ Uncertainty on gas & urea prices continue, affecting sales.
- ❖ A possible scenario is that feed gas price will be reversed and some portion of fuel price will be absorbed by urea manufacturers
- ❖ Industry sales in 3Q 2015 were down 30% vs last year due to poor crop economics and uncertainty on urea price
- ❖ TCP's last tender was at USD 290/ton
- ❖ Domestic urea production rose by 8% vs 9M 2014; led by better capacity utilization of plants on Mari Network

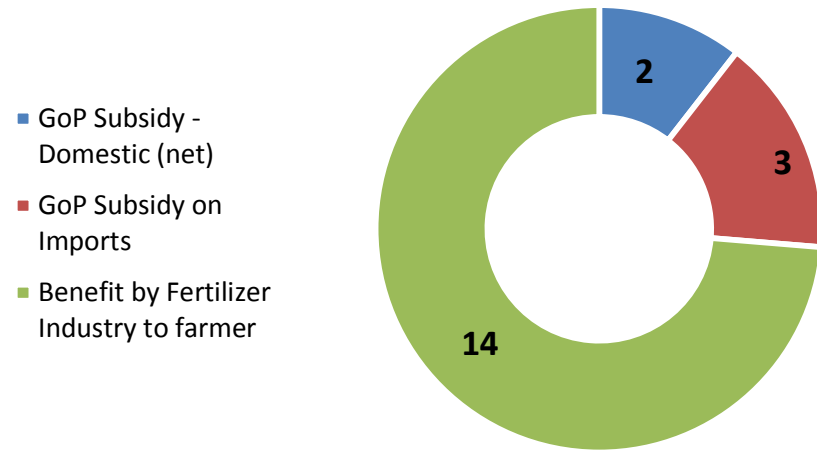
Urea Industry (MT)	9M 2015	9M 2014	Change
Opening Inventory	0.2	0.3	
Production	3.9	3.6	8%
Imports	0.6	0.4	
Sales	3.9	4.1	(4%)
Closing Inventory	0.7	0.2	

UREA MARKET ENVIRONMENT

9M 2015*



Farmer Benefit (PKR B)



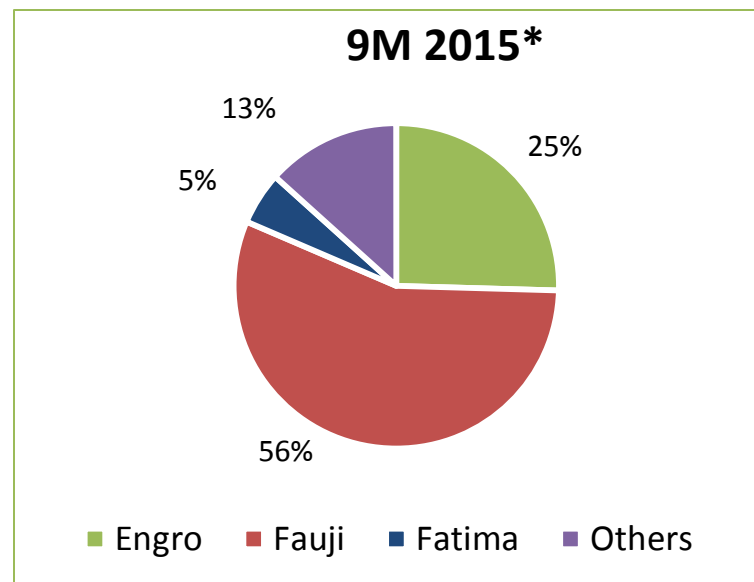
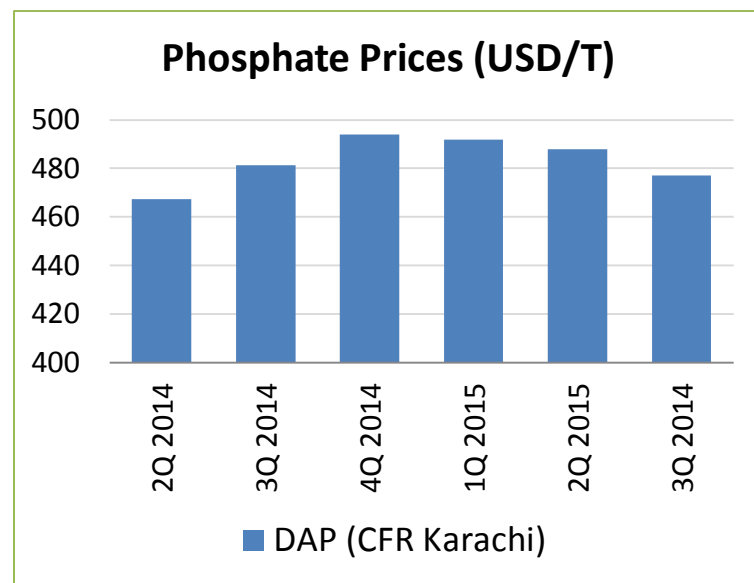
Urea market shares are broadly unchanged from last year

Benefit passed on by local urea producers to the farmers in 9M 2015 is PKR ~14 B

* Source: NFDC Reports / Company Estimates

PHOSPHATES MARKET ENVIRONMENT

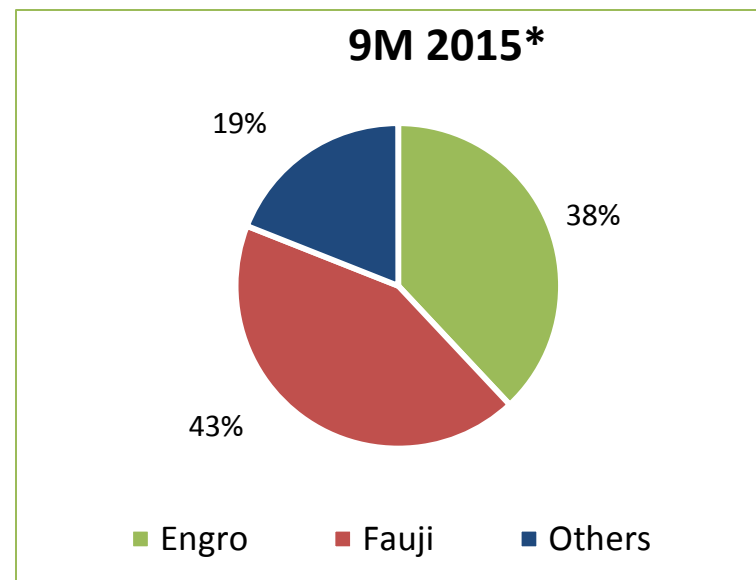
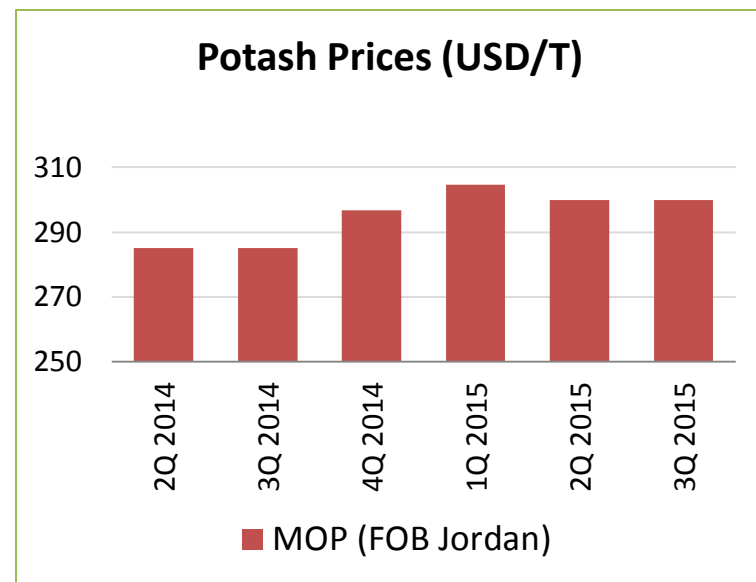
- ❖ Total DAP off take fell by 21% vs 9M 2014 as the industry awaited the implementation of the announced subsidy
- ❖ The government has notified subsidy for Phosphate based fertilizers on October 15, 2015
- ❖ The subsidy amounts to PKR 500 / bag of DAP
- ❖ EFERT imported 241 KT of DAP during the 9M 2015 and recorded sales of 137 KT of which 32KT was sold during 3Q
- ❖ International DAP prices (CFR Karachi) have started softening. Weak demand from major buyers (India & Brazil) is likely to keep downward pressure on prices



* Source: Company Estimates Security Analyst Briefing 9M 2015

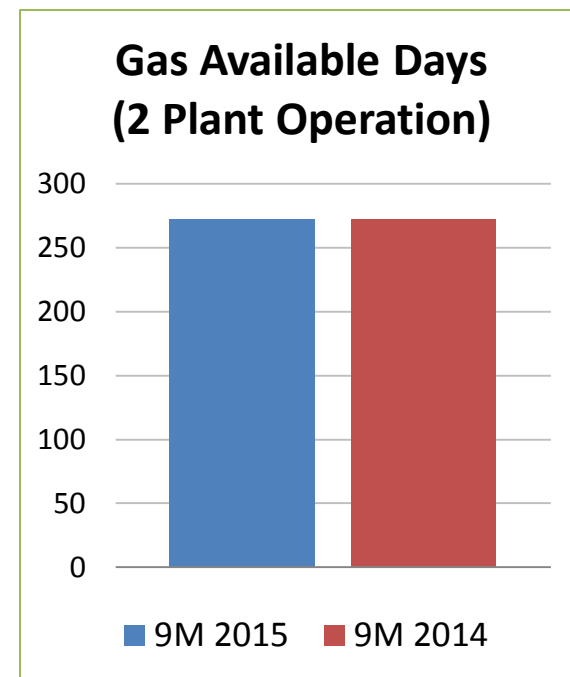
ZARKHEZ MARKET ENVIRONMENT

- ❖ The Potash market fell by 12% as there was confusion that expected subsidy would extend to Potash as well
- ❖ The Phosphate subsidy announced by the government post period end amounts to PKR 217/bag for NP and PKR 163 to 250/bag for Zarkhez, based on Phosphate content
- ❖ Zarkhez volumes stood at 39 KT vs 46 KT in 9M 2014
- ❖ NP volumes stood at 40 KT vs 29 KT in 9M 2014
- ❖ International MOP pricing has remained stable since December 2014



GAS UPDATE

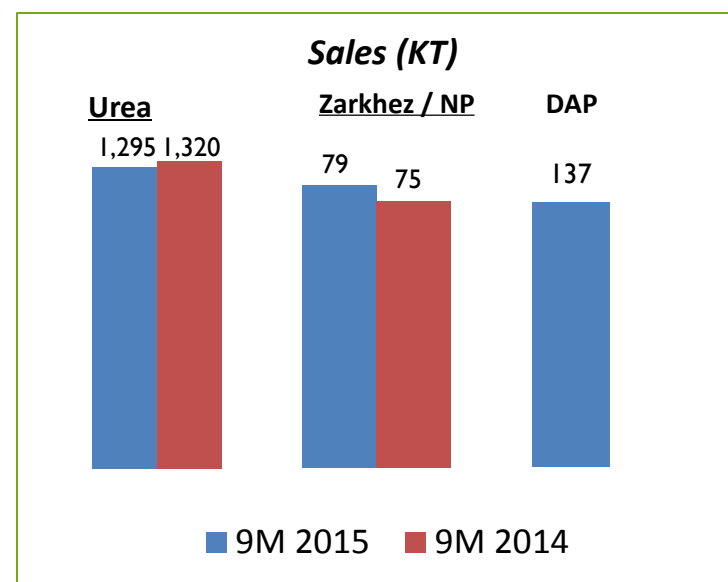
- ❖ Gas for both plants has remained available continuously and is likely to remain so until 31st December 2015
- ❖ Subsequent to the enactment of the GIDC Act 2015, the company has started paying GIDC on current billing excluding concessionary gas
- ❖ The Company has also obtained a stay order against GIDC applicability on concessionary gas and therefore no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant
- ❖ GIDC on concessionary gas is in direct contravention with the Fertilizer Policy and our Gas supply contracts on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity
- ❖ Despite obtaining stay orders against retrospective GIDC, on the request of the government, and without compromising on the legal standing, the company has paid the complete accrued GIDC amount of PKR 15.2 B on non-concessionary gas



BUSINESS HIGHLIGHTS

- ❖ EFERT 3Q 2015 standalone PAT stood at **PKR 2.8 B** vs PKR 2.1 B in 3Q 2014
- ❖ EFERT 9M 2015 standalone PAT stood at **PKR 9.9 B** vs PKR 5.5 B in 9M 2014
- ❖ The company has announced interim cash dividend of PKR 1.5 per share, taking the cumulative interim dividend to PKR 3.0 per share for 2015
- ❖ 3Q 2015 urea production stood at 522 KT, 8% higher than last year, while 9M 2015 production stood at 1,472 KT, 11% higher than last year
- ❖ 3Q 2015 urea sales took a hit, in line with industry environment with sales falling by 25% to 361 KT. 9M urea sales however were 1,295 KT lower by 2%
- ❖ Better financial performance is attributed to
 - ❖ Concessionary gas pricing
 - ❖ Integration of DAP business
 - ❖ Lower financial charges

Engro Fertilizers Standalone (PKR M)	9M 2015	9M 2014
Revenue	51,928	43,692
Gross Profit	20,703	15,915
Finance Cost	(3,560)	(4,962)
PAT	9,905	5,511
EPS (PKR)	7.45	4.24



- ❖ Production is expected to remain stable during the rest of the year given continued availability of gas for both plants
- ❖ The company continues to negotiate with the government for availability of gas for both plants beyond 2015
- ❖ Given current urea demand supply situation, current inventories appear adequate for the upcoming season and the company expects to sell its entire production given resolution of uncertainty on gas / urea prices
- ❖ DAP volumes are expected to rise in the last quarter with the implementation of subsidy and in line with industry seasonality. International DAP prices are also expected to continue softening in the coming months
- ❖ The company continues to explore opportunities both within the country and abroad to expand its business within the Agri Input space



Q & A
Thank You