engrofertilizers

Analyst Briefing
9M 2014
Business Results

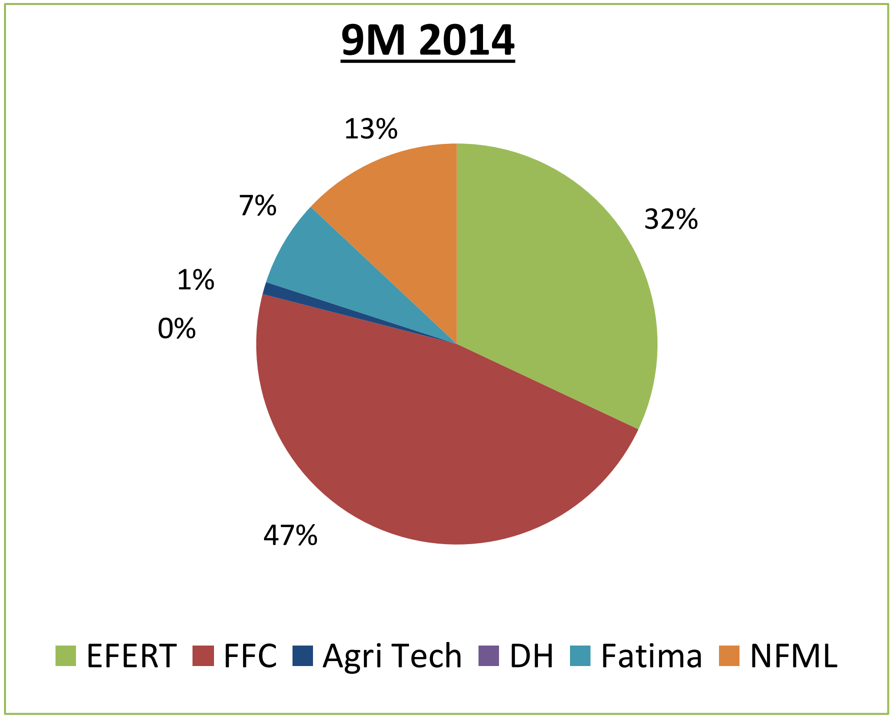
Urea Market Environment

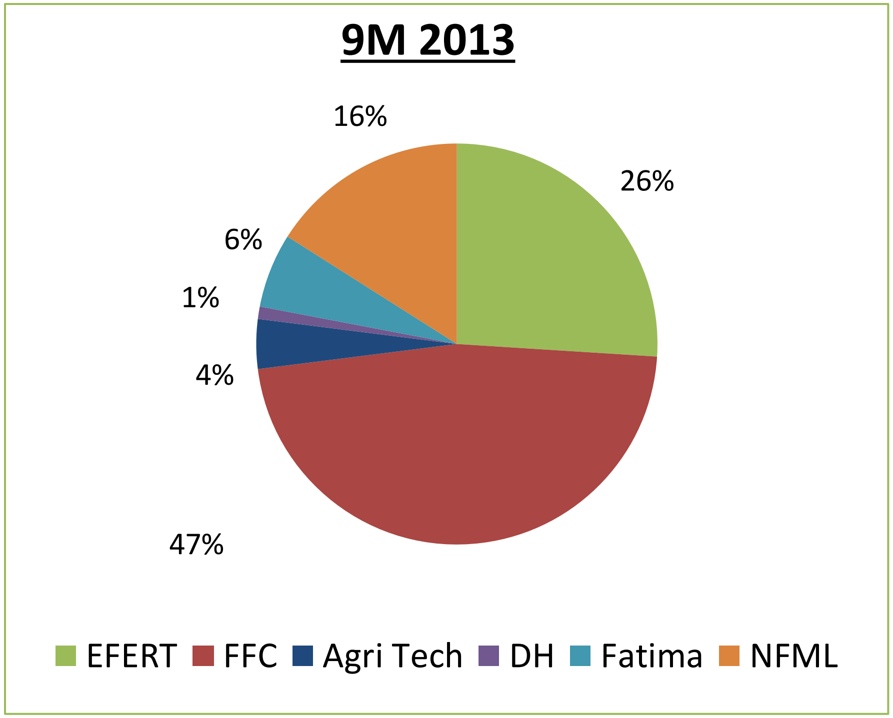
- Domestic urea production rose by 1.7% on a YoY basis in 9M 2014; led by better gas supply
- Overall urea sales slipped by 2.3% YoY in 9M 2014. 2Q was the weak demand period on account of:
  - GoP price enforcement which led to temporary dealer uncertainty on no/low dealer margins
  - Slight delay in wheat harvest limited window for early BT cotton sowing
- Industry sales recovered in 3Q and were 3.5% higher YoY indicating minimal impact of flooding
- Limited domestic production and delayed imports have placed the market in a tight supply situation and imports are crucial to meet Rabi demand
  - Total urea availability 194 KT as at Sep 2014 end
  - Branded urea availability 64 KT as at Sep 2014 end

Urea Industry (MT)	9M 2014	9M 2013
Opening Inventory	0.3	0.4
Production	3.6	3.5
Imports	0.4	0.4
Sales	4.1	4.2
Closing Inventory	0.2	0.2

Urea Industry (MT)	3Q 2014	3Q 2013
Opening Inventory	0.5	0.2
Production	1.3	1.3
Imports	0	0.2
Sales	1.5	1.5
Closing Inventory	0.2	0.2

UREA MARKET ENVIRONMENT

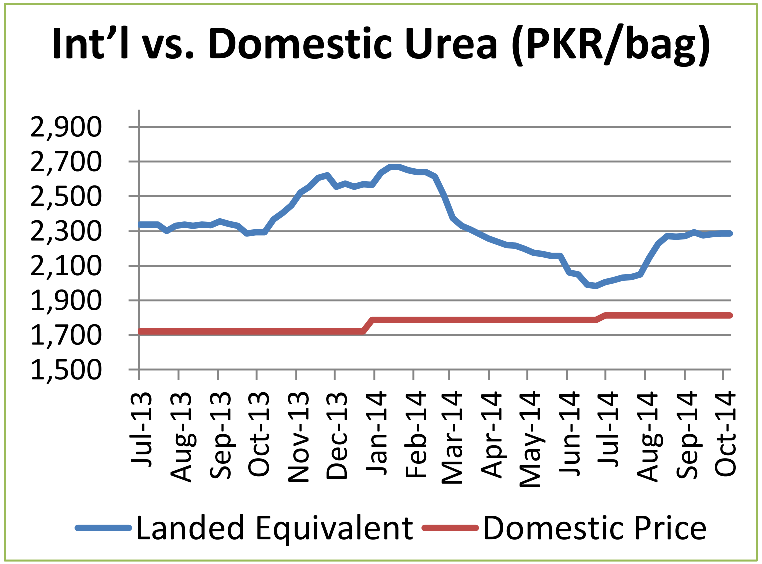


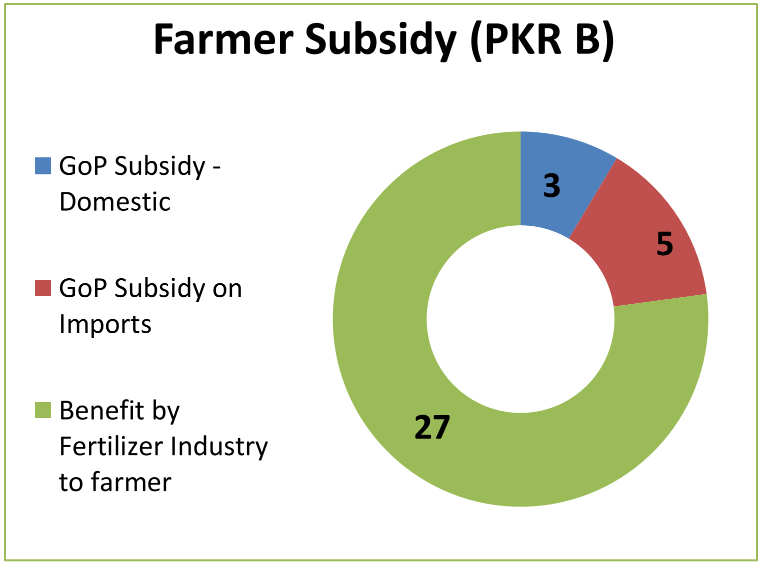


- Market share of imported urea fell amid higher domestic production and farmer/dealer preference for branded urea
- With branded urea inventories nearly depleted, change in market shares mirror changing gas supplies to different players

Urea Market Environment

- Int'l urea prices (benchmark China) averaged USD 323/ton (CFR Karachi) in 9M 2014, equivalent to local cost of PKR 2,300/bag (inclusive of ancillary charges) vs local average price of PKR 1,796/bag
- Current China price, CFR Karachi stands at USD 319/ton vs a recent low of USD 282/ton in Jun 14
- Local prices are now PKR 1,813/bag after PKR 25/bag hike effective July 03, 2014
- Recent recovery in international prices is on account of calls from Chinese Fertilizer Association not to sell below cost
- International Urea market sentiment is also effected by recent disturbances in Ukraine which may soon stop affecting the markets
- Benefit passed on by local urea producers to the farmers in 9M 2014 is around PKR 27 B





ZARKHEZ MARKET ENVIRONMENT

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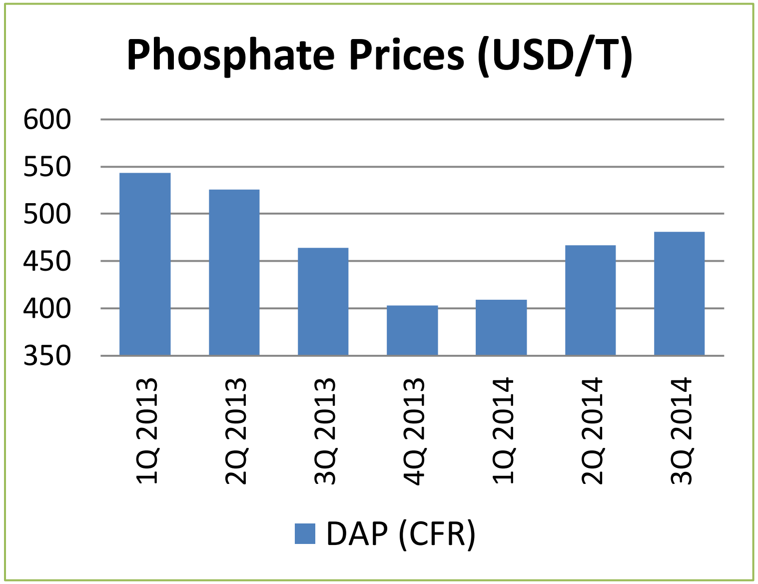
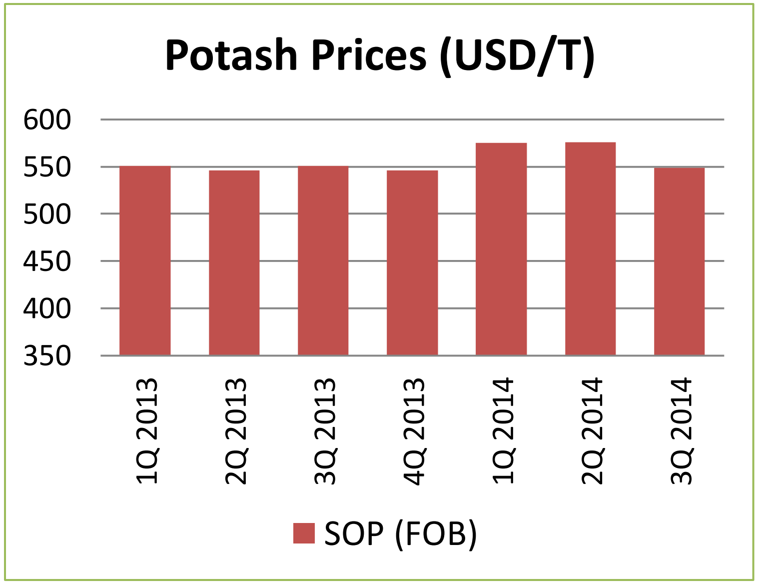
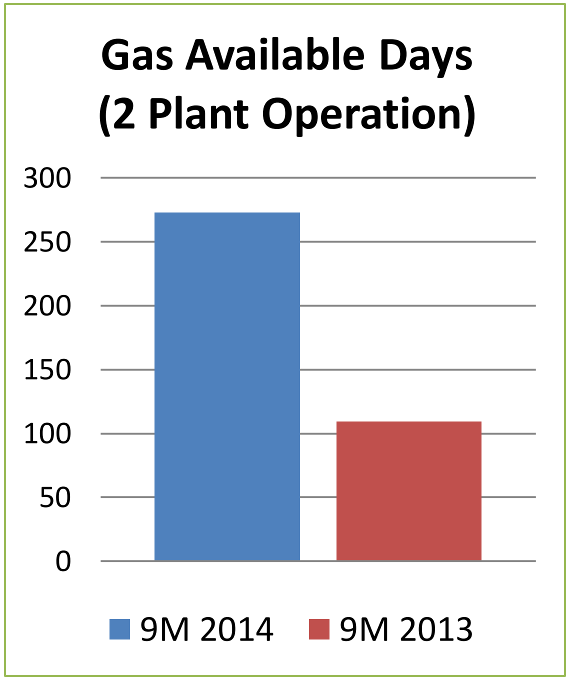
- In 9M 2014 international DAP prices averaged USD 453/Ton (CFR Karachi), 11.4% lower YoY. SOP prices averaged USD 567/ton (FOB), 3.3% higher YoY
- The domestic DAP market grew by 5% in 9M 2014 while the Potash market grew 39%
- PKR 14 B subsidy on phosphate and potash fertilizers (PKR 400/bag for DAP and SOP) announced by the government in Finance Bill 2014 seems unlikely to be implemented by the year end
- Given upcoming peak season and subdued dealer purchases earlier in the year, industry is expecting to rebound in 4Q





Gas Update

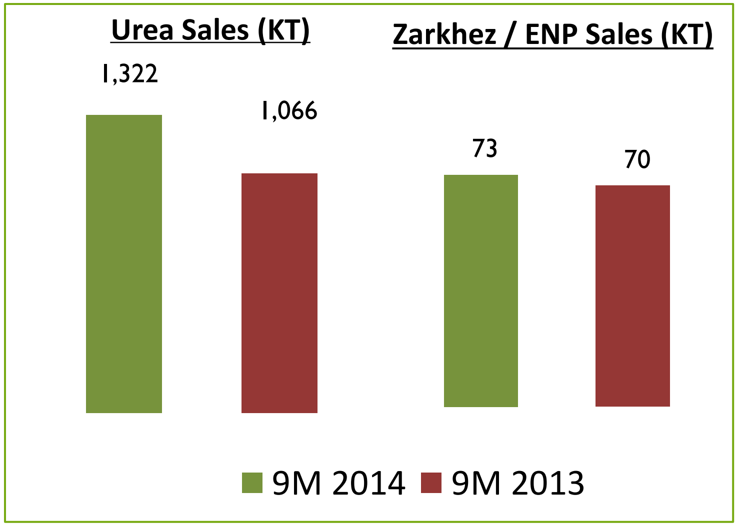
- Both plants are operating since July 2013 due to availability of gas from Guddu
- Gas supply from SNGPL meanwhile was reduced in May 2014 due to diversion to the power sector and is expected to remain at current levels through winter months in 4Q
- Substantial progress has been made by the company on attainting its contractual obligation of feed gas pricing at 70 cents for Enven
- Implementation is expected shortly where EFert awaits endorsement from SNGPL Board & OGRA
- Fuel GIDC rate was hiked by PKR50/MMBTU to PKR 150/MMBTU (effective July 1, 2014)
- In Aug 14, the Supreme Court deemed the GIDC Act 2011 as unconstitutional. Subsequently, the government appealed the decision and also re-imposed GIDC under a Presidential Ordinance. Legal re-course by the industry is underway
- There has been no progress on Long Term Gas / KPD Allocation to fertilizer sector



Business Highlights

- TRIR remained at a low of 0.15 against a target of 0.26 for the 3Q
- Engro Fertilizer Ltd 9M 2014 PAT stood at **PKR 5,511 M** vs PKR 3,234 M in 9M 2013
- In 3Q 2014, PAT rose to **PKR 2,136 M** vs PKR 1,938 M in 2Q 2014 and PKR 1,808 M in the corresponding quarter last year
- Profitability led by higher production/sales and lower financial cost, partly offset by higher gas cost
- 9M 2014 urea production was 1,332 KT (+25% YoY) due to continuous operation of both urea plants
- 9M 2014 urea sales were 24% higher on a YoY basis at 1,322 KT which increased the company's urea market share to 32% (from 26% a year prior)
- EFert launched a new grade of NP 18:18 which has so far gotten an encouraging response

Engro Fertilizers	9M 2014	9M 2013
Revenue (PKR B)	43.8	34.5
EBITDA (PKR B)	15.9	15.7
PAT (PKR B)	5.5	3.2
EPS (PKR)	4.24	2.77



FINANCIAL HIGHLIGHTS

Financials (PKR M)	9M 2014	9M 2013
Sales (KT)	1,322	1,066
Revenue	43,692	34,422
COGS	(27,777)	(19,579)
Gross Profit	15,915	14,843
SG&A	(3,601)	(2,912)
Financial/Other Charges	(5,797)	(7,744)
Other Income	1,655	612
Profit Before Tax	8,173	4,799
Income Tax	(2,662)	(1,566)
Profit After Tax	5,511	3,234
EPS (PKR)	4.24	2.77

- Lower urea margin due to incomplete pass through of GIDC hike (Dec 2013) resulting in lower Gross Profit per ton
- Significant decrease in Financial Charges due to debt repayment
- Higher Other Income due to improved liquidity

OUTLOOK

- The company is working towards implementation of 70 cents gas pricing and expects results of the same shortly
- Continuation of temporary gas allocation of 60 MMSCFD from Mari is uncertain however we are making all attempts to have it continue flowing as long as possible
- The company has met its lenders covenant of repayment of 33% of Senior Debt (outstanding as at June 2012) prior to dividend repayment in the quarter under review
- Local urea demand is expected to remain stable vis-à-vis 2013 because of stable commodity prices and agricultural output
- Imported urea stocks have lowered after significant sales in 3Q. Imports of ~100 KT in the pipeline for 4Q are likely to be insufficient requiring further imports or additional gas supplies to domestic producers to ensure demand is met
- Given low stocks of branded urea and anticipated gas shortages, supply situation in 4Q is likely to remain tight
- The Company will attempt to maximize its production in the upcoming quarter, to help in covering the expected urea shortfall in Rabi and fulfill farmer demand.


Q & A
Thank You