

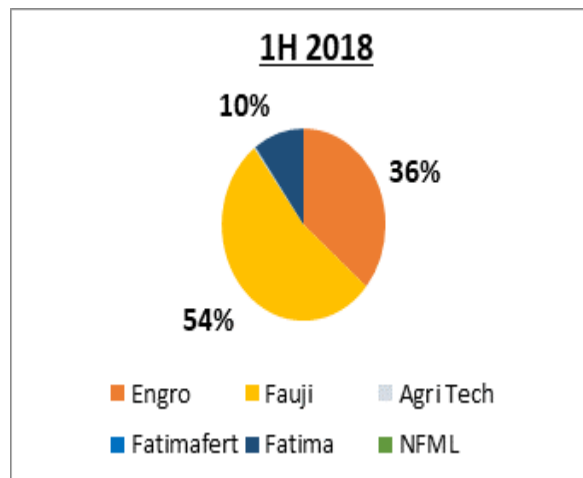
ANALYST BRIEFING

1H 2018

UREA MARKET ENVIRONMENT

- ▶ Domestic Urea sales clocked in at 2,738 KT vs 2,673 KT in 1H 2017 (up ~2%). Higher offtake was witnessed in anticipation of price increase
- ▶ Domestic urea prices are currently PKR 1,610/bag, which includes revision due to subsidy elimination, previous price cuts and other cost increases due to rupee devaluation and inflation
- ▶ Channel has bought adequate inventories in anticipation of price increase and the industry/channel is adequately supplied with urea
- ▶ The Industry also exported 75KT (EFERT share 12KT) in 1H 2018 and has now exported its entire quota of 635KT (EFERT share 235KT), approved since 2017
- ▶ Industry production for period stood at 2,658 KT vs 2,889 KT in 1H 2017, down 8%.
- ▶ Production was lower as FatimaFert (-118 KT) and Agritech (-62KT) were not operational due to no gas avails/negative margins
- ▶ EFERT 1H 2018 sales were 994KT, up 25% vs 793 KT in 1H 2017. Higher sales were primarily due to induction of new dealers, increased penetration in Punjab and lower industry avails
- ▶ Production for EFERT stood at 931 KT vs 943 KT in 1H 2017
- ▶ EFERT market share stood in line with our share of industry avails at 36% vs. 1H 2017 market share of 31%
- ▶ International urea price is currently around USD 290/T (landed equivalent PKR 2,100/bag)

Urea Industry (KT)	1H 2018		Change
	1H 2018	1H 2017	
Opening Inv.	260	1,043	
Production	2,658	2,889	
Exports	75	123	(39%)
Sales	2,738	2,673	2%
Closing Inv.	95	1,113	

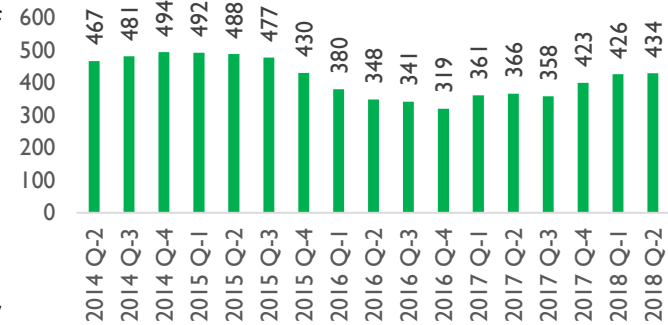


PHOSPHATES MARKET ENVIRONMENT

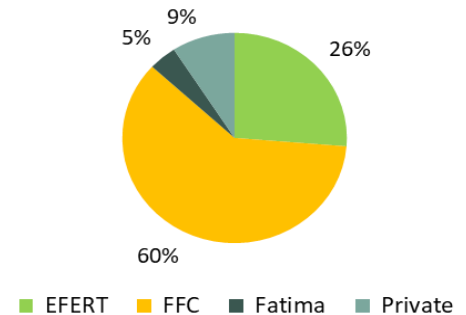


- ▶ 1H 2018 industry sales stood at 653 KT vs 586 KT SPLY (growth of 11% YoY)
- ▶ Higher industry sales were witnessed due to pre-buying in anticipation of rising international prices
- ▶ Channel has bought adequate inventories in anticipation of price increase and the industry/channel is adequately supplied with phosphates
- ▶ EFERT recorded sales of 174 KT during the period vs 95 KT in 1H 2017
- ▶ EFERT's market share has improved to 26% in 1H 2018 vs. 16% (SPLY) majorly due to induction of new dealers, increased penetration in Punjab and improved DAP avails
- ▶ Private importers did not import in 1H 2018 due to rising international prices
- ▶ DAP international prices have picked up from an average of USD 423/T at the start of 2018 to ~USD 434/T currently, largely due to a surge in Phos Acid prices (from USD678/T to USD 758/T).

DAP Prices (CFR) USD/T



1H 2018

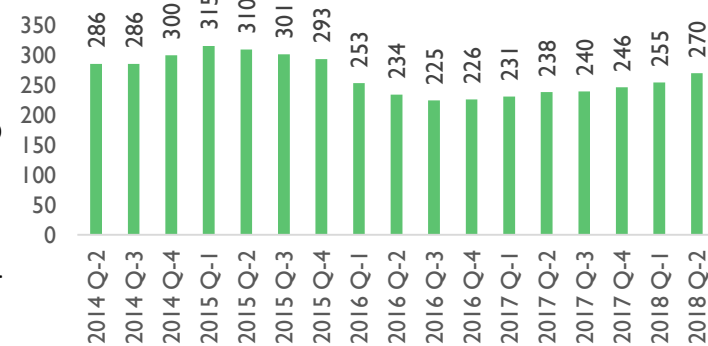


SPECIALITY FERTILIZER BUSINESS

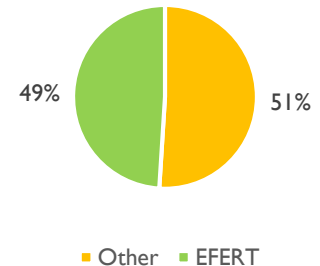


- ▶ Major products of SFB include Zarkhez (NPKs), NP and other specialized products
- ▶ Total sales for SFB stood at 81 KT vs 1H 2017 sales of 64 KT
- ▶ EFERT's potash market share clocked in at 49% vs. 36% last year due to better avails
- ▶ Within total SFB sales, Zarkhez sales stood at 29 KT (up ~4% YoY). MOP/SOP/AS sales stood at 14 KT (up 133% YoY), NP sales were at 28 KT (down 10% YoY).
- ▶ This year, SFB has started marketing 4 new products; Zoron, Power Potash, SSP+Zn and Zabardast Urea. Sales from new products stood at 10 KT
- ▶ New products usage: cotton, orchards, rice, sugarcane and vegetables

Potash Prices (CFR) USD/T



Potash Market Shares

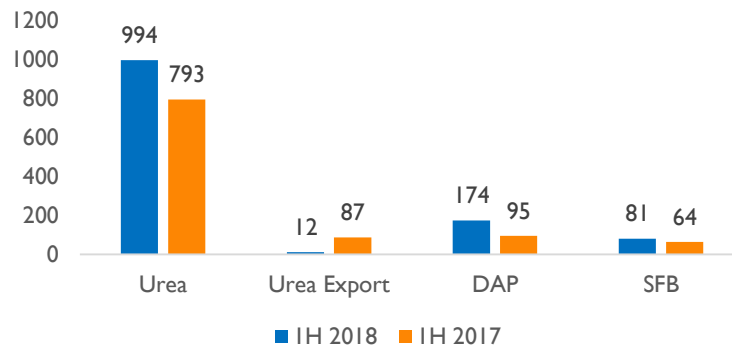


BUSINESS HIGHLIGHTS

- ▶ For 1H 2018, EFERT's Profit After Tax (PAT) for 1H 2018 stood at PKR 7,149 M vs 1H 2017 PAT of PKR 4,116 M
- ▶ Higher profitability was led by higher sales volume, higher DTP, higher FTR margin (DAP) and lower financial charges due to improved working capital and repayment of loans
- ▶ Sales revenue for the Company was PKR 41,116 M for 1H 2018, up 51% as compared to 1H 2017 (PKR 27,311 M)
- ▶ Finance cost was lower at PKR 886 M (vs PKR 1,309 M SPLY) as a result of improved working capital and repayment of loans
- ▶ During the quarter, one time credit (deferred tax) is recorded of PKR ~1 B due to reduction in tax rate from 30% in 2017 phases to 25% in 2022. However, the effective tax rate is the same (before and after adjustment) due to other tax adjustments

PKR M	1H 2018	1H 2017
Total Revenue	41,116	27,311
Gross Profit	14,020	8,769
Finance Cost	(886)	(1,309)
Profit / (Loss) After Tax	7,149	4,116

Sales KT (1H 2018 vs 1H 2017) & Exports



UPDATES & OUTLOOK



- ▶ The disbursement of subsidy remains a major area of concern for the fertilizer industry, with EFERT's receivable at PKR 6.5 B and overall industry's receivable at PKR 19.6 B. We continue to engage with the Government for the release of our remaining amount, and are contemplating legal action to recover the pending disbursement
- ▶ There is no development on GIDC during the quarter. Total GIDC accrued on non concessionary gas till date is PKR 10.3 B
- ▶ South Sindh is mostly affected due to water shortage. Recent rains in Punjab have provided some relief to the farmers. However, water shortage is still a concern going forward and may impact domestic fertilizer market
- ▶ Local urea demand for 2018 is expected to clock in at 5.6 MT vs 5.8 MT in 2017, primarily due to expected water shortage in kharif season
- ▶ International DAP prices have increased in the month of July due to higher Indian Phos Acid contract prices, we expect prices to oscillate between current levels.
- ▶ Local DAP demand is expected to clock in around 1.8-1.9 MT due to rising prices, water shortage and suppressed farmer economics

THANK YOU

Q & A

