



ANALYST BRIEFING

FY 2018

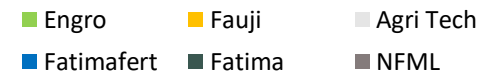
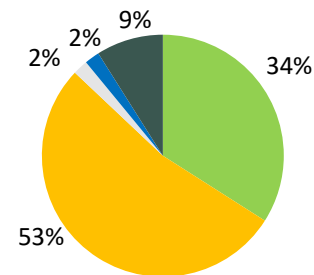
UREA MARKET ENVIRONMENT



- ▶ Urea sales for FY 2018 clocked in at 5,797 KT, almost in line with LY
- ▶ EFERT FY 2018 sales were 1,986 KT, up 14% vs 1,739 KT LY 2017, mainly due to better avails supported by improvement in dealer's spread
- ▶ EFERT market share stood at 34% vs. 30% in 2017
- ▶ Industry urea production for FY 2018 stood at 5,706 KT VS 5,614 KT LY 2017 (2% increase)
- ▶ Higher production is mainly attributable to higher production by EFert
- ▶ LNG based plants added ~200 KT to the industry production similar to last year due to allocation of subsidized LNG by the Government
- ▶ Government also imported 100KT urea in December 2018 to avoid urea shortfall
- ▶ Production for EFERT stood at 1,928 KT vs 1,807 KT for LY 2017
- ▶ On the international front, urea prices are currently at USD ~290/T (PKR 2,500/bag). Local urea prices are currently at PKR 1,740/bag

Urea Industry (KT)	FY 2018		Change
	FY 2018	FY 2017	
Opening Inv.	268	1,043	
Production	5,706	5,614	
Imports	100	-	100%
Exports	75	557	(87%)
Sales	5,797	5,826	1%
Closing Inv.	165	268	

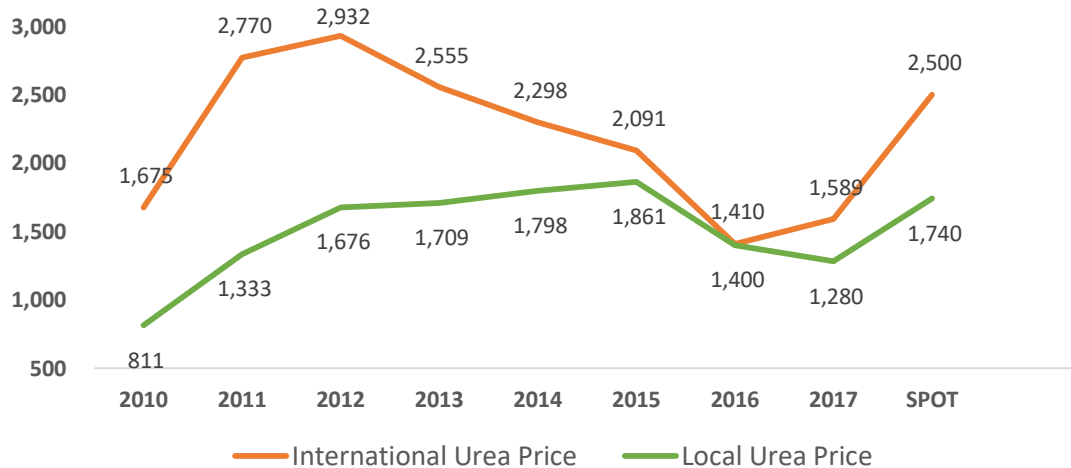
Market Share FY 2018



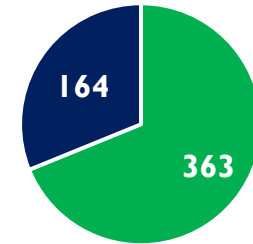
COMPARISON OF LOCAL VS INT PRICE



Despite significant delta vs. international Urea prices, the Fertilizer industry continues to transfer benefit to the farmer, which translates to PKR 20 Billion for the year, over and above the feed gas price subsidy



Subsidy share since 2010



- Benefit passed on by Fertilizer Industry
- GoP Subsidy

- Passed on 2x benefit vs. Government since 2010
- In 2015, price of Urea was around PKR 1,900/bag vs. current price of PKR 1,740/bag

UREA KEY UPDATES

- ▶ Fertilizer industry continues to face challenges in the form of prior **subsidy** despite of the fact that the subsidy given on fertilizers was timely passed on to farmers whereas the government is yet to pay back the subsidy (Industry - PKR 20 B, Efert PKR 6.5 B)

Subsidy ageing	PKR B
Over Two years	2.5
Over 1 year	2.6
Less than 1 year	1.4
Efert Subsidy Receivable	6.5

- ▶ There has been a lot of discussions with the Government over the **settlement of GIDC and past subsidy**
- ▶ The Government has recently taken the following decisions :
 - 50% waiver in GIDC payables for the period Jan 2012 to Dec 2018
 - 50% reduction in prospective GIDC Feed and Fuel rates
 - No GIDC on concessionary gas going forward

The Finance Minister also announced a PKR 200/bag reduction in urea price (following the reduction in GIDC) with which we don't agree because the impact of GIDC is not passed on to the consumers since inception ([GIDC impact slide](#))

UREA: GIDC PASS THROUGH IMPACT



- ▶ The government started levying GIDC on Feed and Fuel gas in Dec 2011. To date, pass through of GIDC to farmers has been as follows:

GIDC Impact	PKR/bag
Feed GIDC (PKR 300/MMBTU * 22.4 Feed Index)	342
Fuel GIDC (PKR 150/MMBTU * 5.6 Feed Index)	43
Total GIDC Impact per bag	385
Urea Price in Dec 2011	1,580
GIDC Impact per bag with GST	385
Price decrease due to reduction in GST (from 16% to 2%)	(191)
Price increase due to non gas costs (salaries, maintenance etc.) – based on 8% (avg. inflation)	148
Price increase due to gas cost other than GIDC	162
Urea Price if all cost is passed on to farmers	2,084
Current Urea Price	1,740
Price hit absorbed by manufacturers (Which is 90% of GIDC imposed)	(344)

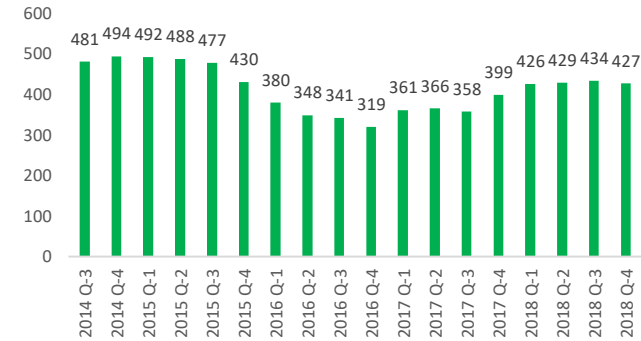
After accounting for other items, 90% of GIDC cost has been absorbed by the industry

PHOSPHATES MARKET ENVIRONMENT

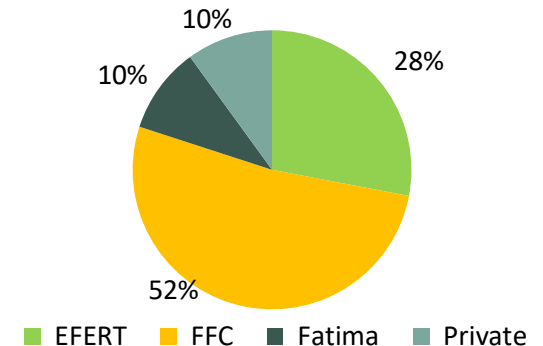


- ▶ FY 2018 industry sales stood at 2,224 KT vs 2,336 KT LY 2017 (5% decline)
- ▶ Lower industry offtake was mainly due to escalating DAP international prices and rupee devaluation
- ▶ EFERT recorded sales of 626 KT during FY 2018 vs 501 KT for FY 2017
- ▶ EFERT's market share has improved to 28% for FY 2018 vs 22% for FY 2017
- ▶ Sales were significantly higher primarily due to focus on product quality and consistency and improvement in channel management especially in Punjab
- ▶ On the International front, DAP prices remained in the range of USD 422-435/T during the year
- ▶ Closing industry inventory stands at 536 KT (sufficient to last 5-6 months based on five year trend) vs. 272 KT in Dec 2017
- ▶ International DAP prices are expected to remain at relatively the same level in 2019. Local demand however, is expected to decline slightly due to rising DAP prices post rupee devaluation

DAP Prices (CFR) USD/t



Market Share FY 2018



SPECIALITY FERTILIZER BUSINESS

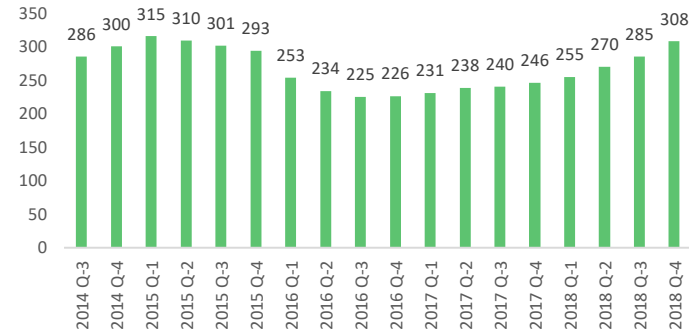


- ▶ Major products of SFB include Zarkhez (Potash based product), NP and other specialized products
- ▶ Total sales for SFB stood at 210 KT vs FY 2017 sales of 147 KT an increase of 43%
- ▶ Within total SFB sales, Zarkhez sales stood at 69 KT (up ~10% YoY), NP sales were at 70 KT (up 19% YoY) and other specialized product sales stood at 36 KT (up 50% YoY)
- ▶ EFERT's potash market share clocked in at 44% vs. 40% LY, on account of better potash avails and application on non-conventional crops
- ▶ The overall potash market increased by 5% to 50 KT in 2018 vs 48 KT in 2017, owing to subsidy by the Punjab government

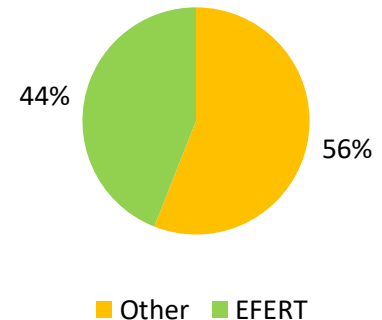
CROP SCIENCE DIVISION AND AGRI BUSINESS SOLUTIONS

- ▶ The Company continued to expand its footprint in the Crop Sciences business (seeds and pesticides) and is evaluating other business opportunities in the local agri space to improve farmer productivity. EFert's Crop Sciences Division earned a revenue of PKR 671 M in 2018 vs PKR 225 M last year

Potash Prices (CFR) USD/t



Potash Market Share



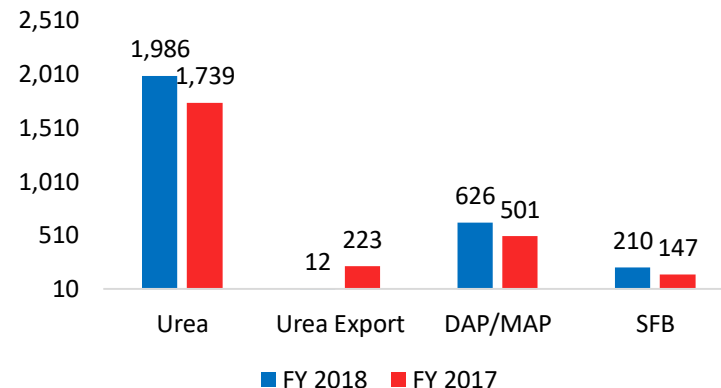
BUSINESS HIGHLIGHTS



- ▶ For FY 2018, EFERT's Profit After Tax (PAT) stood at PKR 17,414 M vs FY 2017 PAT of PKR 11,156 M
- ▶ Higher profitability was led by
 - ▶ Higher urea and DAP offtake;
 - ▶ Higher realized prices; and
 - ▶ One-off tax effects arising out of the Budget announcement of reducing tax rate from 30% in phases to 25%
- ▶ Sales revenue for the Company stood at PKR 109,197 M for FY 2018, up 42% as compared to FY 2017 (PKR 77,129 M)
- ▶ Finance cost was lower at PKR 2,071 M (vs PKR 2,648 M last year) as a result of improved working capital
- ▶ The Board has proposed a final dividend of PKR 3 per share in addition to interim dividend already paid at PKR 8 per share (total dividend: PKR 11 per share, 84% payout vs. competitor payout of 78%)

PKR M	FY 2018	FY 2017
Total Revenue	109,197	77,129
Gross Profit	35,316	23,219
Finance Cost	(2,071)	(2,648)
Profit / (Loss) After Tax	17,414	11,156

Sales KT (FY 2018 vs FY 2017) & Exports



OTHER KEY UPDATES



- ▶ The industry wants to continue protecting the farmer by selling urea at an affordable rate. However, this is only possible with the support of Government by creating an enabling environment
- ▶ The current Government vision to “Provide **smart subsidy** for agricultural inputs to 3 million small farmers (upto 5 Acres)” is commendable and in this regard, the Government of Punjab has already planned a total of PKR 2.5 B to be disbursed in the shape of subsidy scheme on potassic, phosphatic fertilizers and oil/cotton seeds
- ▶ In addition, we have proposed to facilitate the replication of province-wise subsidy in other provinces. Efert has offered assistance in providing the Government with farmer data registration in Sindh which happens to be the major hindrance in subsidy implementation in Sindh
- ▶ As an organization, Efert takes pride in its responsibility to the society. In 2018, EFERT spent approx. PKR 100 million under social investments commitments. The Company has been contributing to the community in the field of education, infrastructure, training & health. For CSR snapshot, refer next slide

CSR SNAPSHOT



PROJECT HUMQADAM

Interest free loans

205 farmers

Less 12.5 acres of land

SCHOOL ADOPTION PROGRAM

13 schools

1,424 students

First girls school

SAHARA CLINIC

9,528 patients treated

8,441 vaccinated

143 HC patients

PAVE

Seed value chain of rice, wheat and vegetables 4,425 total beneficiaries engaged

Including 604 females

ONE MILLION TREE PROJECT

Phase I: 500K trees planted

Phase II: 200 acres being prepared

FREE SNAKE BITE TREATMENT

7,998 patients treat of snake-bite

TECHNICAL TRAINING CENTER

540 current students

2,478 Alumni pool

DAE alumni 384

DISTRICT JAN MUHAMMAD BUGIO

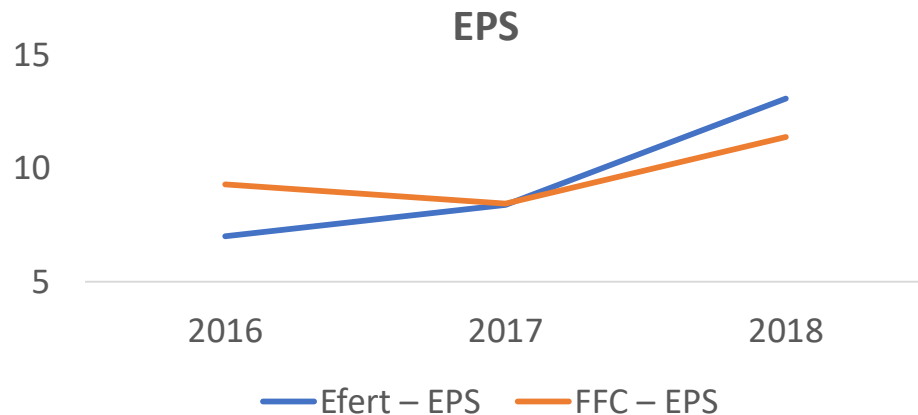
RO center successfully converted into solar power

THANK YOU

Q & A

DIIVIDEND PROFILE

	2018	2017	2016
Efert – EPS	13.04	8.36	6.98
FFC – EPS	11.35	8.42	9.26
Efert – DPS	11.00 (84%)	8.50 (102%)	7.00 (100%)
FFC – DPS	8.85 (78%)	7.00 (83%)	7.90 (85%)



- Efert EPS grew by 86% vs. FFCs EPS of 23%