



ANALYST BRIEFING

Full Year 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)
- ▶ However, due to uncertainty regarding urea prices post announcement of farmer package by the government, fertilizer manufacturers absorbed the impact of the gas price for 4Q in the form of discounts and price guarantees
- ▶ On the back of strong 4Q, industry sales recovered for FY 2015 and were down by just 1% vs last year. The decline is mainly due to poor crop economics and the uncertainty on urea price which prevailed at the start of 4Q
- ▶ Domestic urea production rose by 8% vs FY 2014; led by better capacity utilization of plants on Mari Network and LNG availability

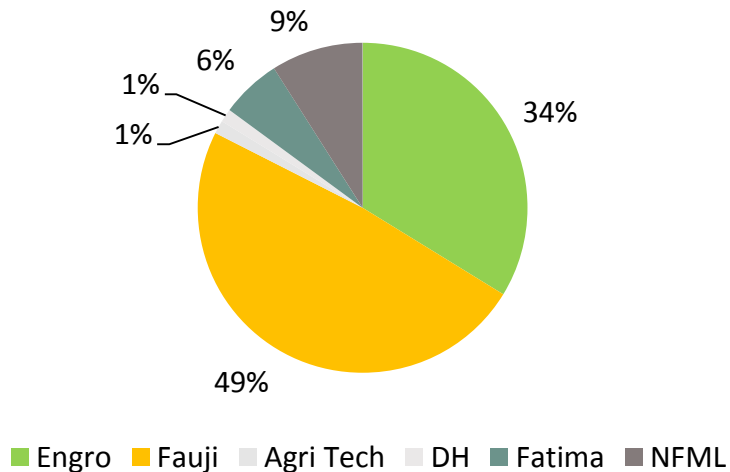
Urea Industry (MT)	FY 2015	FY 2014	Change
Opening Inventory	0.2	0.3	
Production	5.3	4.9	8%
Imports	0.6	0.7	
Sales	5.6	5.6	(1%)
Closing Inventory	0.5	0.2	

Source: Company Estimates

UREA MARKET ENVIRONMENT

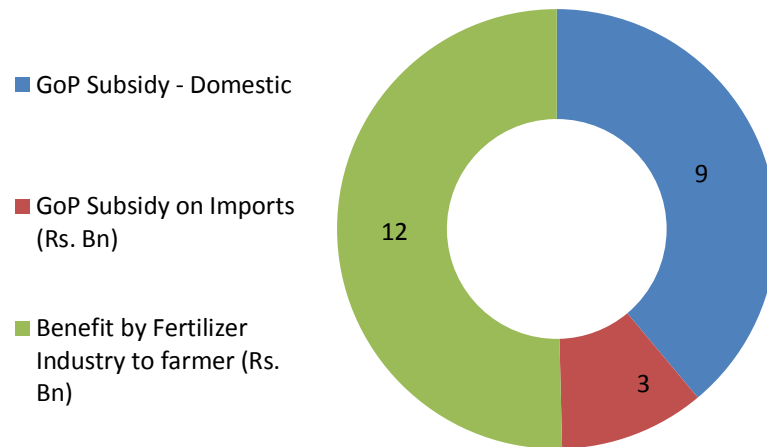


FY 2015



Engro managed to increase its Urea market share to 34% from 32% last year

Farmer Benefit (PKR B)



Benefit passed on by local urea producers to the farmers in FY 2015 is PKR ~12 B

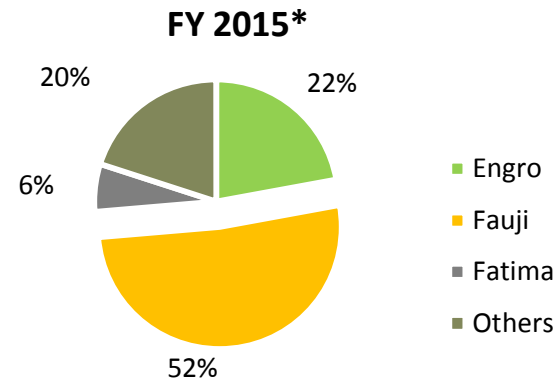
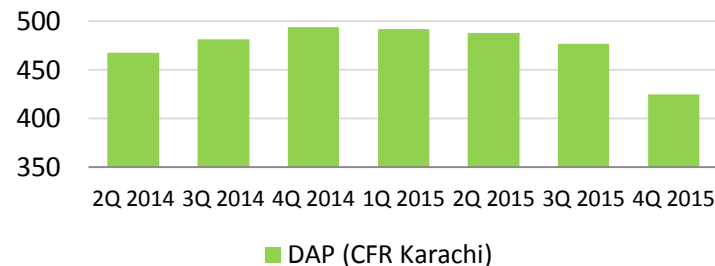
Source: Company Estimates

PHOSPHATES MARKET ENVIRONMENT



- ▶ Local industry sales increased by 5% vs. last year to 1,768KT, primarily due to the implementation of subsidy in 4Q
- ▶ However, this compared unfavourably to an average industry growth of 6% over the last 5 years (despite the impetus from the PKR 500/Bag subsidy), due to low crop economics for cotton and rice, which resulted in lower phosphates application vs. last year
- ▶ EFERT imported 461 KT of DAP during 2015 and recorded sales of 391 KT, of which 240 KT were sold in 4Q
- ▶ DAP prices declined by USD 50/Ton during 4Q to USD 400/Ton (CFR Pakistan). During the year 2015 prices fell by USD 90/T
- ▶ Poor farmer demand and high domestic stocks have resulted in lower demand from major centers (particularly India and Brazil).

Phosphate Prices (USD/T)



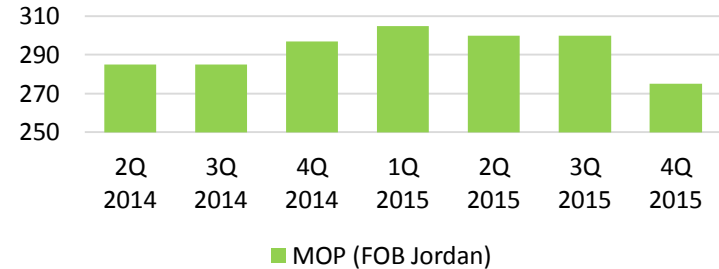
* Source: Company Estimates

ZARKHEZ MARKET ENVIRONMENT



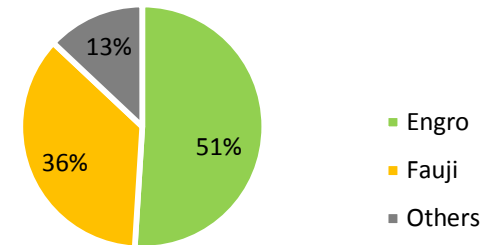
- ▶ Potash industry in 2015 declined by 16% YoY due to poor crop economics which shifted farmer attention from potash based fertilizers
- ▶ However, the market share of Zarkhez increased to 51% (42% in 2014) contributing to a lower than industry decline in actual sales volumes
- ▶ Zarkhez volumes stood at 66 KT vs 69 KT in 2014
- ▶ E-NP sales were 67 KT (including 22KT sale of imported NP) vs. 57 KT in 2014
- ▶ ZBU continued to penetrate the NP industry with NP 18:18 sales which stood at 28 KT vs 11 KT in 2014

Potash Prices (USD/T)



■ MOP (FOB Jordan)

FY 2015



* Source: Company Estimates

GAS UPDATE



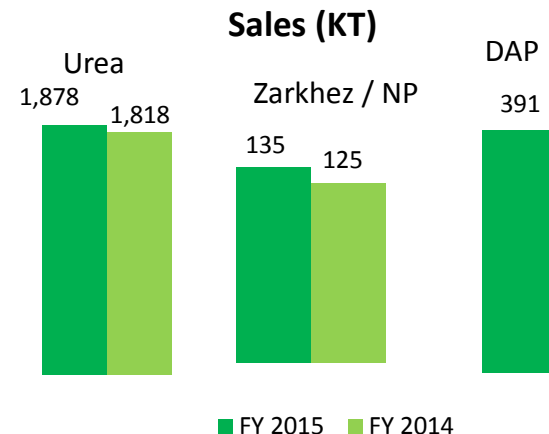
- ▶ Gas for both plants likely to continue in 1Q 2016. Further with more gas being available in the Mari network there is a fair probability that gas will continue beyond 1Q 2016
- ▶ Subsequent to the enactment of the GIDC Act 2015, the company has started paying GIDC on current billing excluding concessionary 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 4Q 2015 standalone PAT stood at PKR 5.1 B vs PKR 2.7 B in 4Q 2014
- ▶ EFERT FY 2015 standalone PAT stood at PKR 15 B vs PKR 8.2 B in 2014; Consolidated PAT for 2015 stood at PKR 14.8 B
- ▶ The company has announced final cash dividend of PKR 3.0 per share, taking the cumulative interim dividend to PKR 6.0 per share for 2015
- ▶ 4Q 2015 urea production stood at 495 KT, 2% higher than last year, while FY 2015 production stood at a record 1,968 KT, 8% higher than last year
- ▶ 4Q 2015 urea sales hit a record of 583 KT increasing by 17%. FY 2015 urea sales increased by 3% to 1,878
- ▶ Better financial performance is attributed to
 - ▶ Concessionary gas pricing
 - ▶ Integration of DAP business
 - ▶ Lower financial charges

Engro Fertilizers Standalone (PKR M)	FY 2015	FY 2014
Revenue	87,615	61,425
Gross Profit	32,180	22,603
Finance Cost	(4,588)	(6,625)
PAT	15,027	8,208
EPS (PKR)	11.3	6.3



OUTLOOK



- ▶ Production is expected to remain stable 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
- ▶ Considering the dismal farmer economics and the global commodity meltdown, fertilizers manufacturers have sufficient inventories to meet upcoming demand
- ▶ The company continues to explore opportunities both within the country and abroad to expand its business within the Agri Input space

THANK YOU

Q & A