



engro polymer & chemicals

Analyst Briefing – Q1 2024





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Agenda

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	2	Key Drivers
	3	Business Updates
	4	Looking Forward
	5	Q&A





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Key Highlights



Key Highlights

Financial Highlights



Revenue
PKR **17** Bn
↓ 8% vs LY



Profitability
PKR **(0.9)** Bn
↓ 176% vs LY



LPS
PKR **(1.2)**
↓ vs. 193 vs LY



Exports
↓ \$M **2.1**
vs. 65% LY

Scale



Market Capitalization
PKR **41** Bn



Total Employees
707



Tax Contribution
PKR **2.8** Bn



Total Assets
PKR **89** Bn



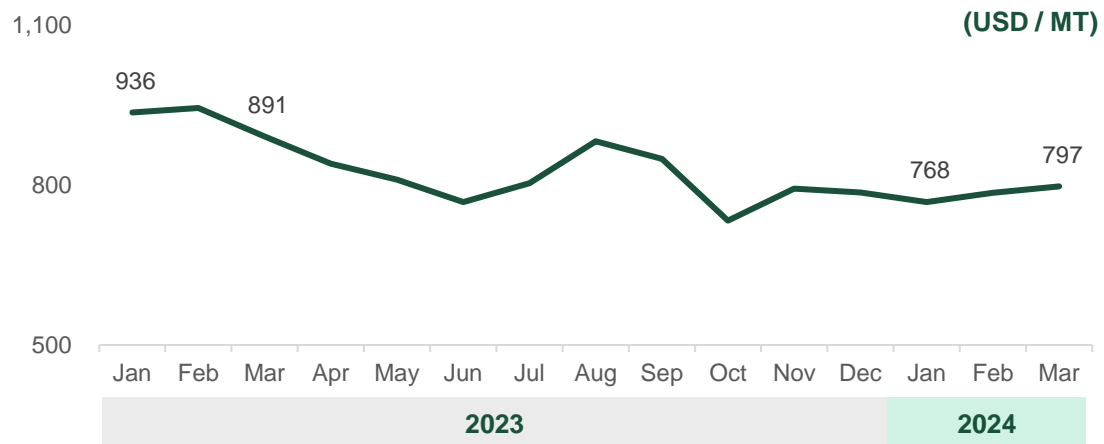
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Key Drivers



Key Drivers

International PVC Prices



Highlights

- The global PVC market remained under pressure on account of oversupply, geo-political turmoil and high volatility in international energy prices.
- The prolonged winter season further dampened demand especially in mainland China, where construction activity remained lackluster and downstream demand remained weak during Lunar New Year holidays.
- Export volumes from China remain above three-year average, with India being the major market for Chinese PVC.
- During the quarter, logistics and raw material costs were two major factors impacting the market.

Core Delta



Highlights

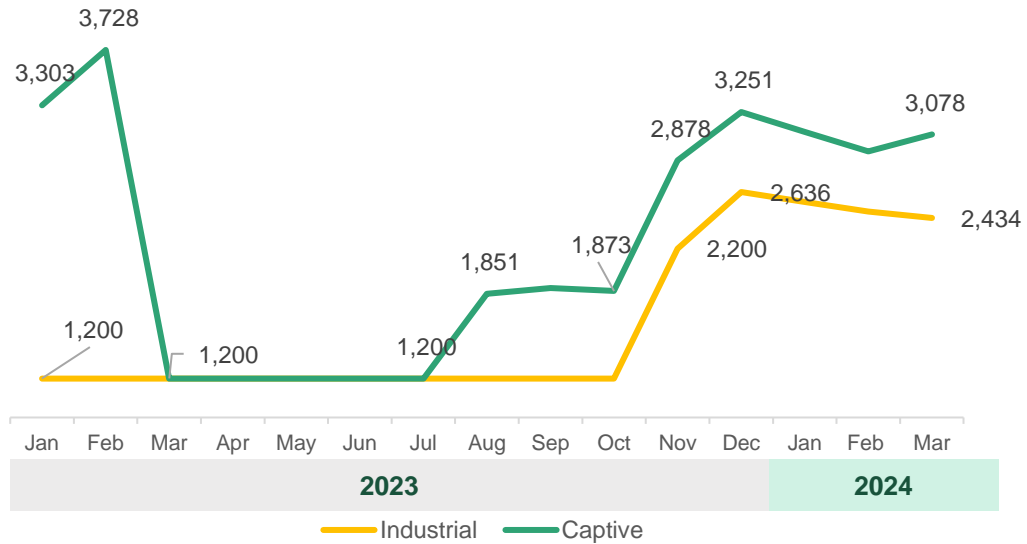
- During the quarter, ethylene prices were volatile due to instability in the global oil and gas prices along with supply tightness.
- Bullish sentiment prevailed since mid-January with Ethylene prices rising from \$ 875 / MT to \$1,050 / MT in the quarter.
- In Asia, spot supply from regional producers remained tight and deep-sea cargoes from the United States and the Middle East were limited given the ongoing logistical issues in the Panama Canal and the Red Sea.
- Operating rates of steam crackers also remained low during the quarter.



Key Drivers

Gas Cost

(PKR / MMBtu)



Highlights

- Gas availability at competitive prices remains a key challenge for the Company.
- Gas rates fluctuated throughout the quarter. During the quarter we received gas at 40% RLNG nomination.
- Captive gas prices increased to PKR 2,750 / MMBtu whereas industrial gas rates slightly decreased from PKR 2,200 to 2,150 / MMBtu in Mar 2024



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Business Updates

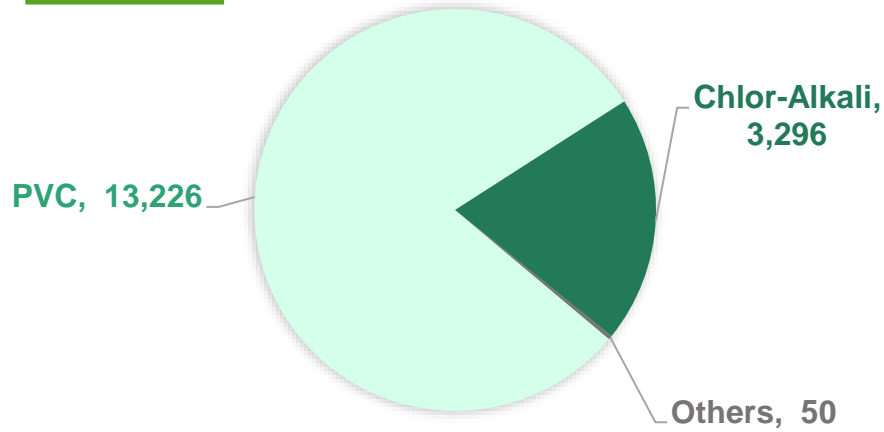


Segment Wise Performance

PKR Mn

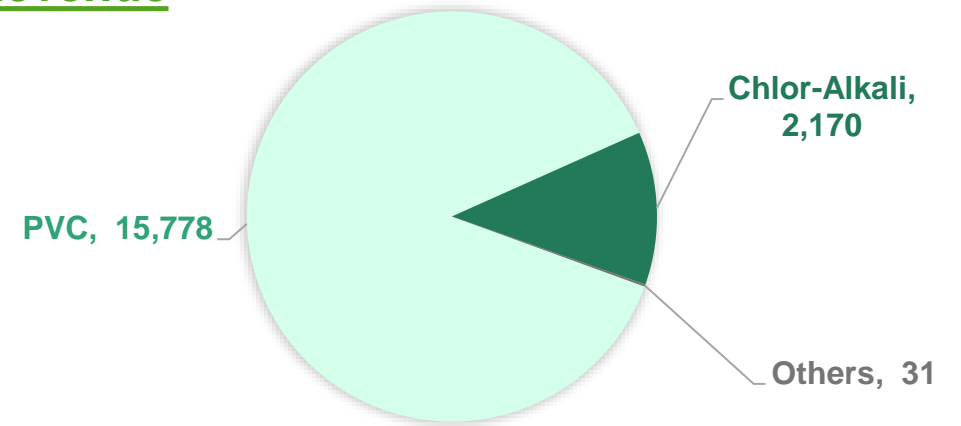
Q1 2024

Revenue

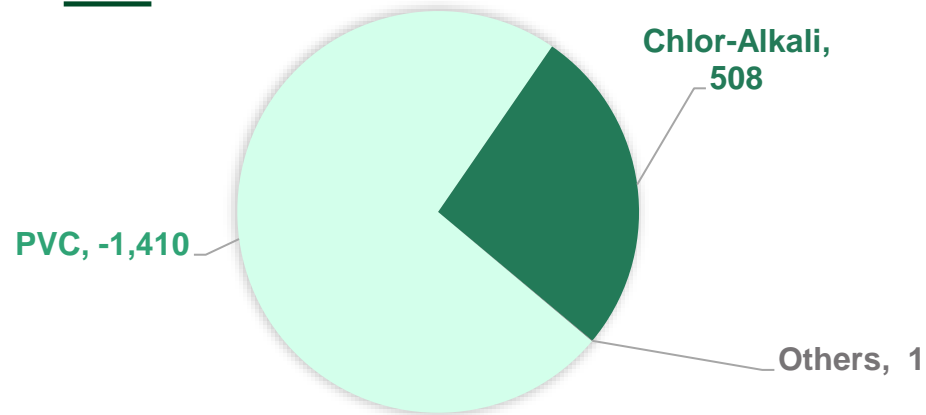


Q1 2023

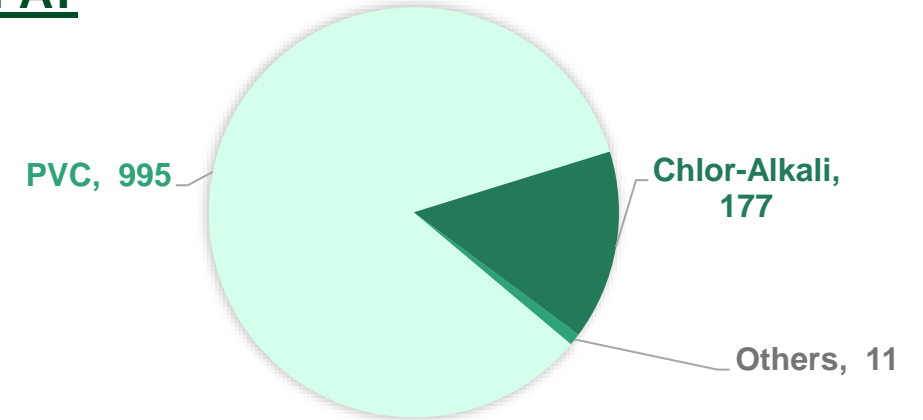
Revenue



PAT



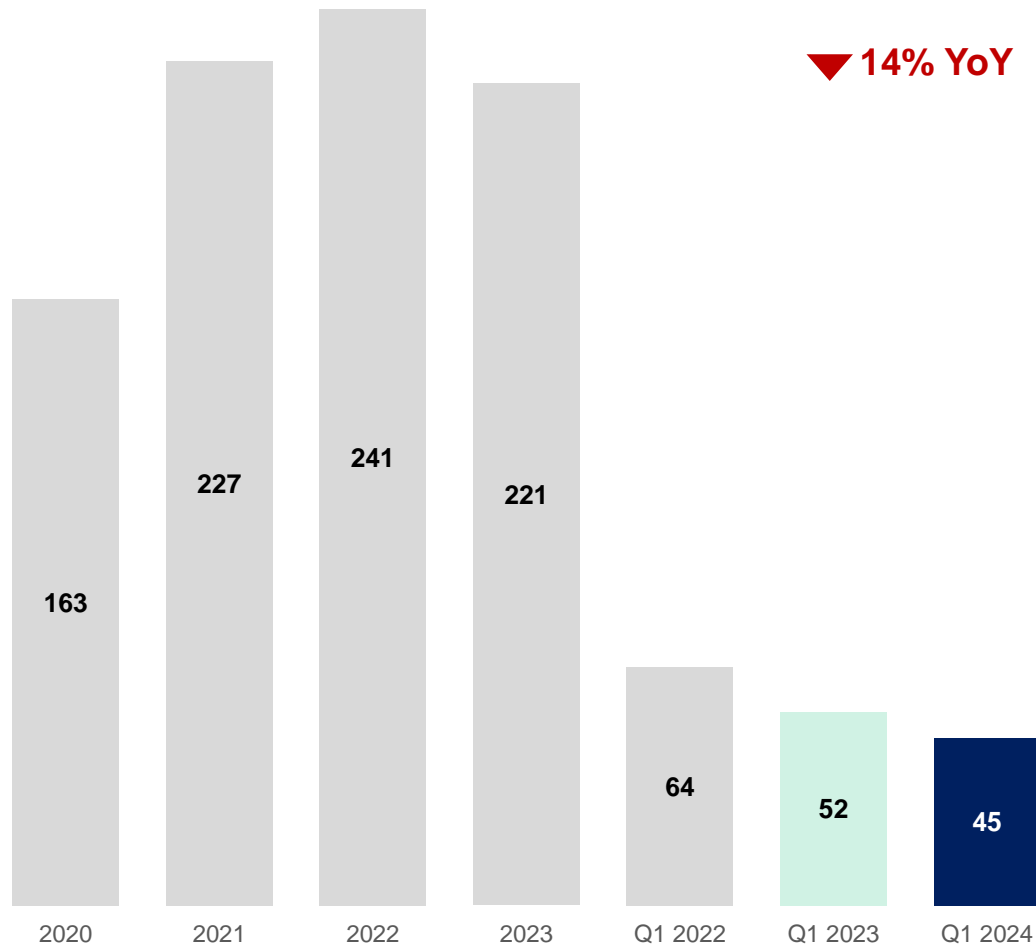
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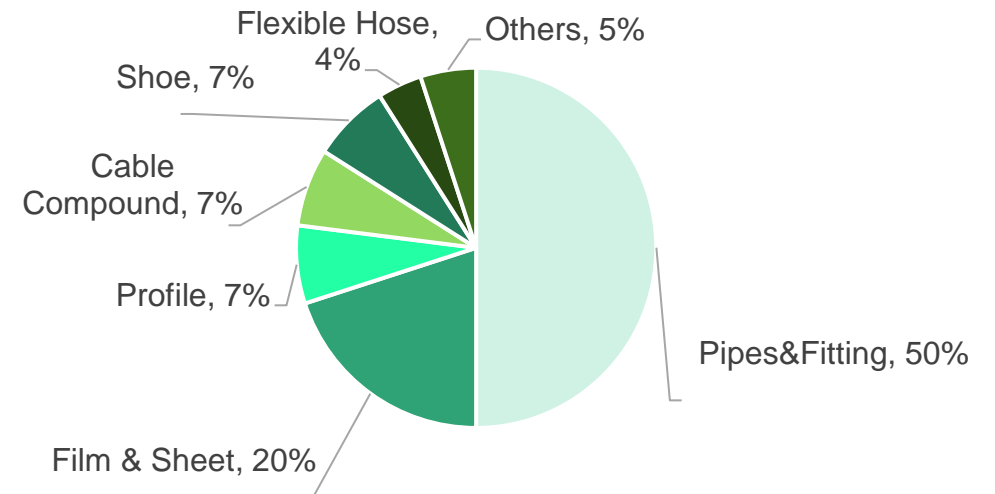
Business Updates - PVC

PVC Sales Volumes (kT)



Highlights

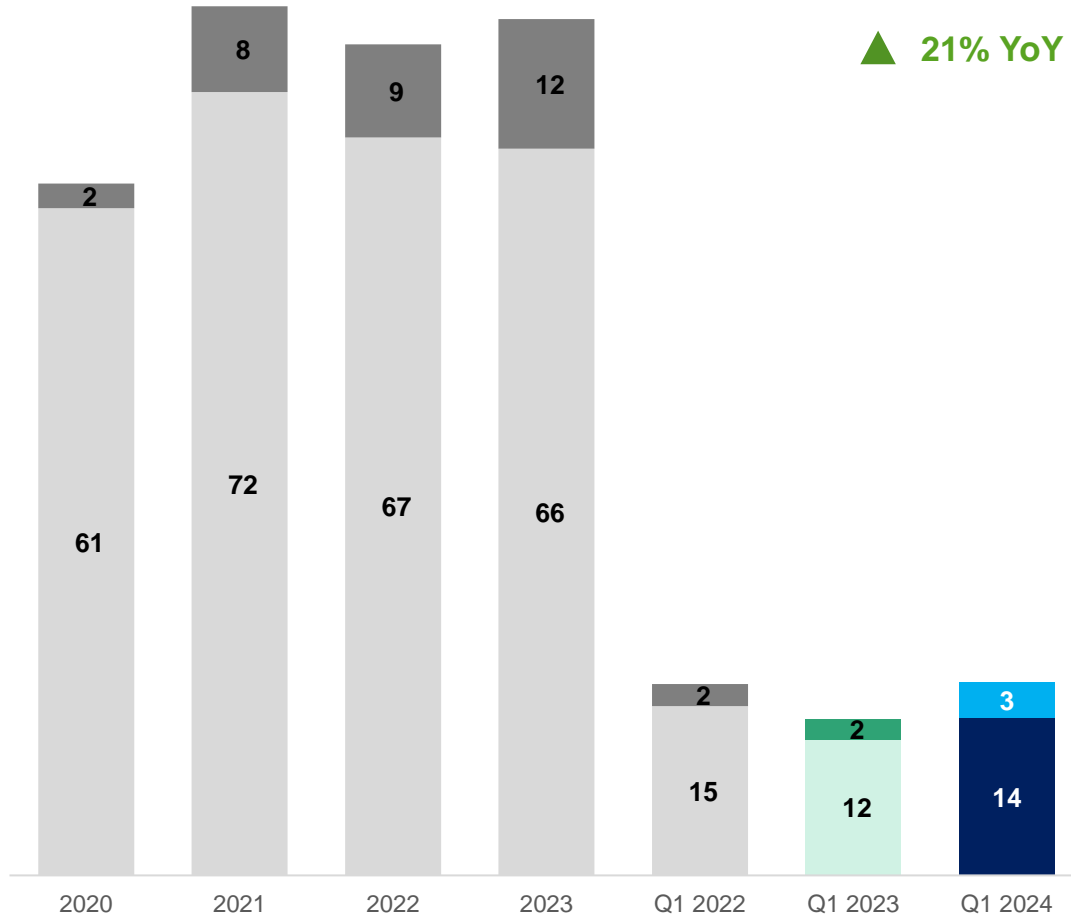
- PVC domestic downstream demand remained subdued marred by political uncertainty, non-conducive business environment, high inflation, rising energy and fuel costs, and prolonged winter.
- Construction activity remained slow with cement sales declining by 13% YoY.
- Rising steel prices, coupled with high financing costs and availability of new housing inventory further dampened downstream demand.
- Despite these headwinds, the Company was able to support the market by ensuring product availability and implementing various incentives to boost market confidence





Business Updates – Chlor Alkali

Chlor Alkali Sales Volumes (kT)



Highlights

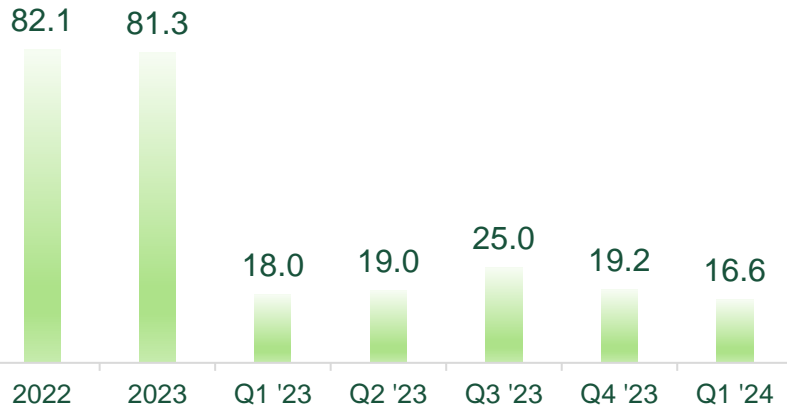
- International caustic soda prices remained low in the first half of the quarter before seeing a surge in prices in February, on the back of limited supply as plants went offline due to Lunar New Year and firm freight rates.
- The caustic soda export market remained quiet as traders followed the demand cycle after the holidays.
- While the domestic textile sector has been struggling due to high energy prices and inflation, dampening local caustic demand in textile woven sector. Demand for caustic in export-oriented denim sector saw an increase in the latter half of the quarter.
- As international prices declined, domestic margins turned more attractive. Despite that we maintained presence in the export market to enable inflow of valuable FX into the country
- Supply to domestic Export Oriented Units maintained at 78%

Consolidated Performance Q1 2024 vs Q1 2023



Revenue

▼8% YoY

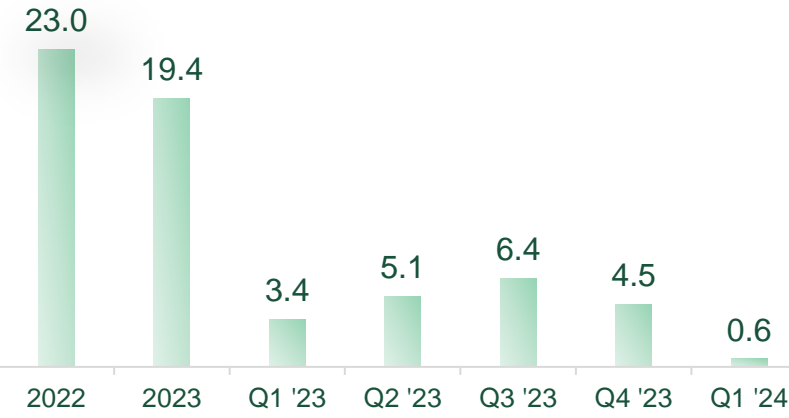


- Revenue declined 8% on YoY basis on the back of lower international PVC prices and slower domestic PVC market, partially offset by higher caustic domestic sales.



EBITDA

▼82% YoY

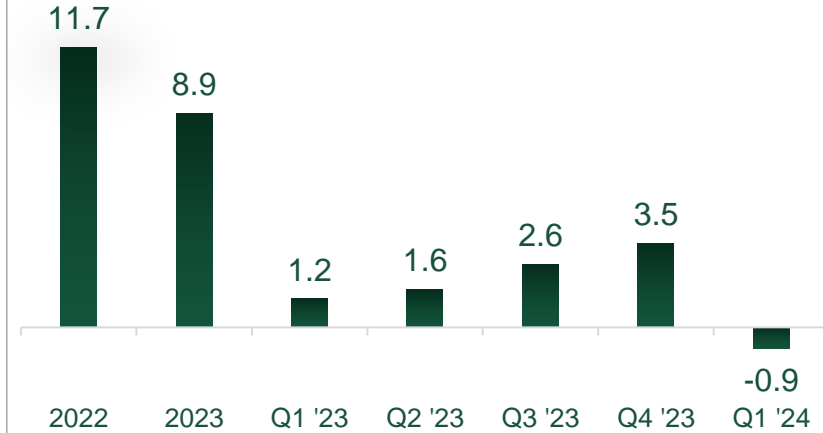


- Decline in EBITDA vs the preceding year is primarily due to lower core delta and inflationary pressures.



PAT

▼176% YoY



- In addition to slower domestic sales, budgetary and macro economic headwinds also had an adverse impact on profitability.








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Looking Forward



Looking forward

Key Areas	Outlook
 <p>Safety</p>	<ul style="list-style-type: none"> • Key focus on ensuring safe and sustainable operations and completing on-going projects. • Make substantial progress on process safety transformation, showcasing our continuous drive for safety excellence.
 <p>PVC</p>	<ul style="list-style-type: none"> • In 2024, while oversupply and weak demand might suggest International PVC price will decline, narrow producer margins will limit further price cuts. • Domestically we expect construction sector demand to rebound post-eid • Ethylene prices are expected to remain bullish, on the back of higher crude oil price expectations and supply constraints • Geopolitical tensions in the Red Sea could further tighten supply, offering additional support for price increases. The second half holds potential for margin improvement as demand strengthens.
 <p>Caustic</p>	<ul style="list-style-type: none"> • The Chlor-Alkali industry in the local market is primarily influenced by energy costs. Affordable energy cost will remain a challenge for Chlor-Alkali industry. • The domestic demand outlook is positive, determined by factors such as the recovery in the Large-Scale Manufacturing Sector and the government's increased focus on textile exports.
 <p>Gas Price</p>	<ul style="list-style-type: none"> • Given depletion of indigenous gas reserves, availability of gas at competitive rates will remain a challenge. • The company aims to explore various alternate power solutions at competitive rates.
 <p>Projects</p>	<ul style="list-style-type: none"> • The Company continues to work towards executing its Hydrogen Peroxide & High Temperature Direct Chlorination projects with COD in 2024.



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Q&A



THANK YOU

