Engro Polymer & Chemicals Limited

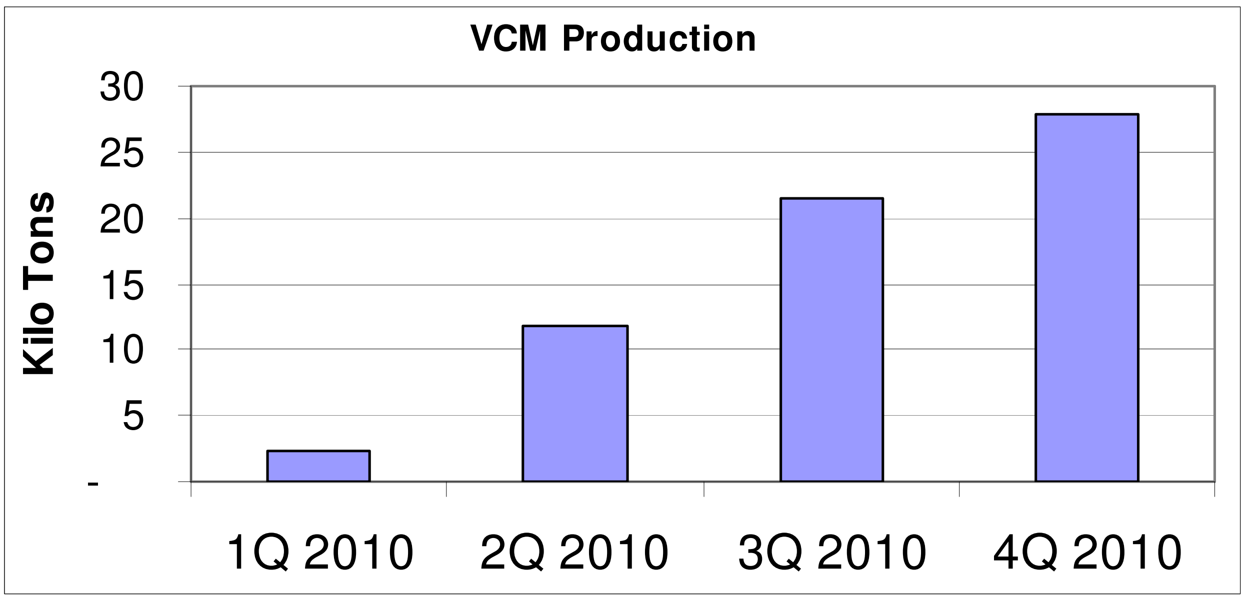
Analyst Briefing

4Q & YTD December 2010 Business Results

February 14, 2011

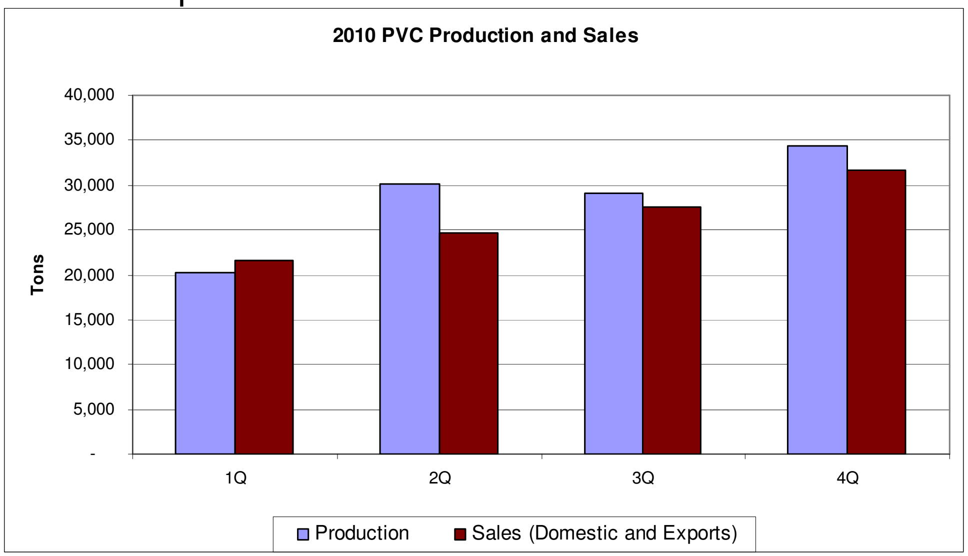
VCM Plant Highlights

- Commercial operations achieved on September 30, 2010.
- Thereafter, the Plant operated continuously till January 3, 2011 when a planned maintenance outage was taken.
- 28 KT VCM produced in 4Q 2010 as compared to 36 KT YTD September 2010.
- Operating rate of 75% in 4Q as compared to 32% YTD September 2010.
- The Plant was restarted on January 18, 2011 and is operating since then at a rate lower than capacity.
- Another turnaround planned in 1H 2011 after which operating rate is expected to reach full capacity.



PVC Highlights

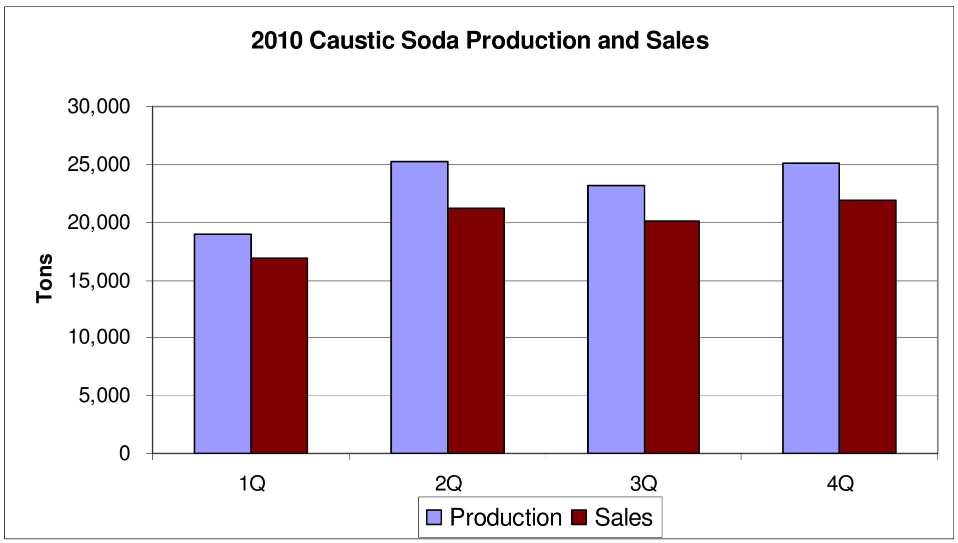
- 34 KT PVC produced in 4Q 2010 (Operating rate of 91% vis-à-vis 71% YTD September 2010).
- PVC domestic market grew by 8% in 2010.
- PVC domestic demand in 4Q 2010 slowed down due to:
  - Reduced Government Sector spending, and
  - Liquidity crunch due to Floods
- 9 KT PVC was exported during 4Q at a netback of $240/ton in the wake of lower domestic demand.
- PVC Resin and Scrap imports took place due to lower EPCL PVC production in 1H 2010.
- EPCL's PVC – VCM margin increased to $438/ton in 4Q 2010 vis-à-vis $277/ton YTD September 2010 due to higher in-house VCM production.



Caustic Soda & EDC Highlights

Caustic Soda

- 25 KT Caustic Soda produced in 4Q 2010 (Operating rate of 94% vis-à-vis 86% YTD September 2010).
- EPCL continued to be the major player in the South market.
- All production (net of in–house consumption) was sold.
- Major customers for EPCL Caustic Soda (by sales volume) in 2010 were:
  - Textile sector (56%)
  - Soap and Detergents Sector (22%)
  - Water Treatment and other Sector (22%)



Sodium Hypo Chlorite

- 5 KT Sodium Hypo Chlorite was produced and sold in 4Q 2010

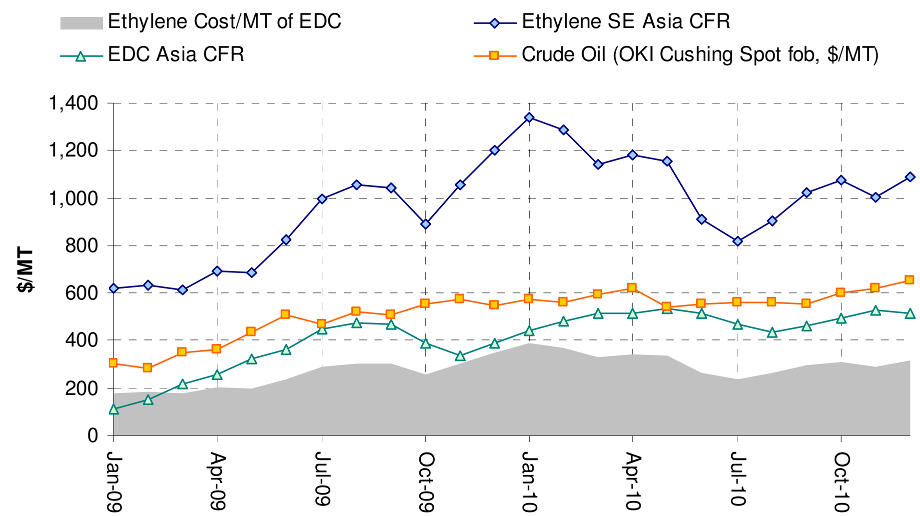
EDC

- 26 KT EDC was produced during 4Q (Operating rate of 82% vis-à-vis 74% YTD September 2010)
- 4 KT EDC was exported at a netback of $90/ton during 4Q (Rest was used for in–house VCM production)

International Prices – 2010 Overview

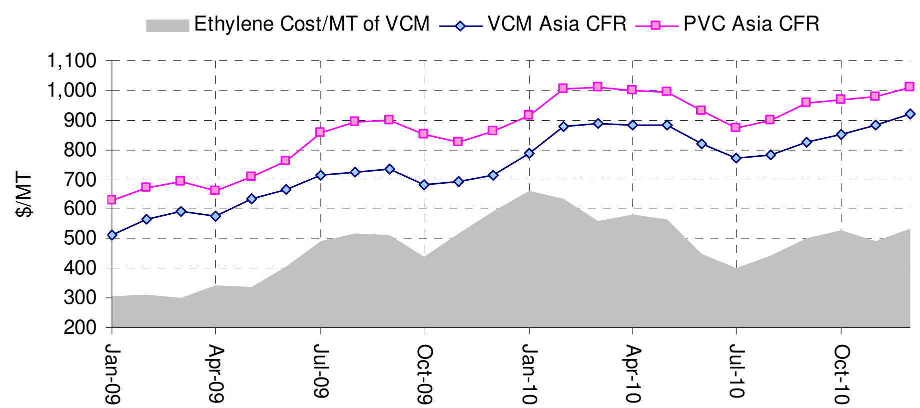
Ethylene

- 1H'10, new capacities & unplanned downstream outages in SEA and Middle East
- 2H'10, prices rise
  - – Better ethylene netbacks in Europe
  - – Unplanned FPC outage in Taiwan
  - – China's naphtha shortage



VCM

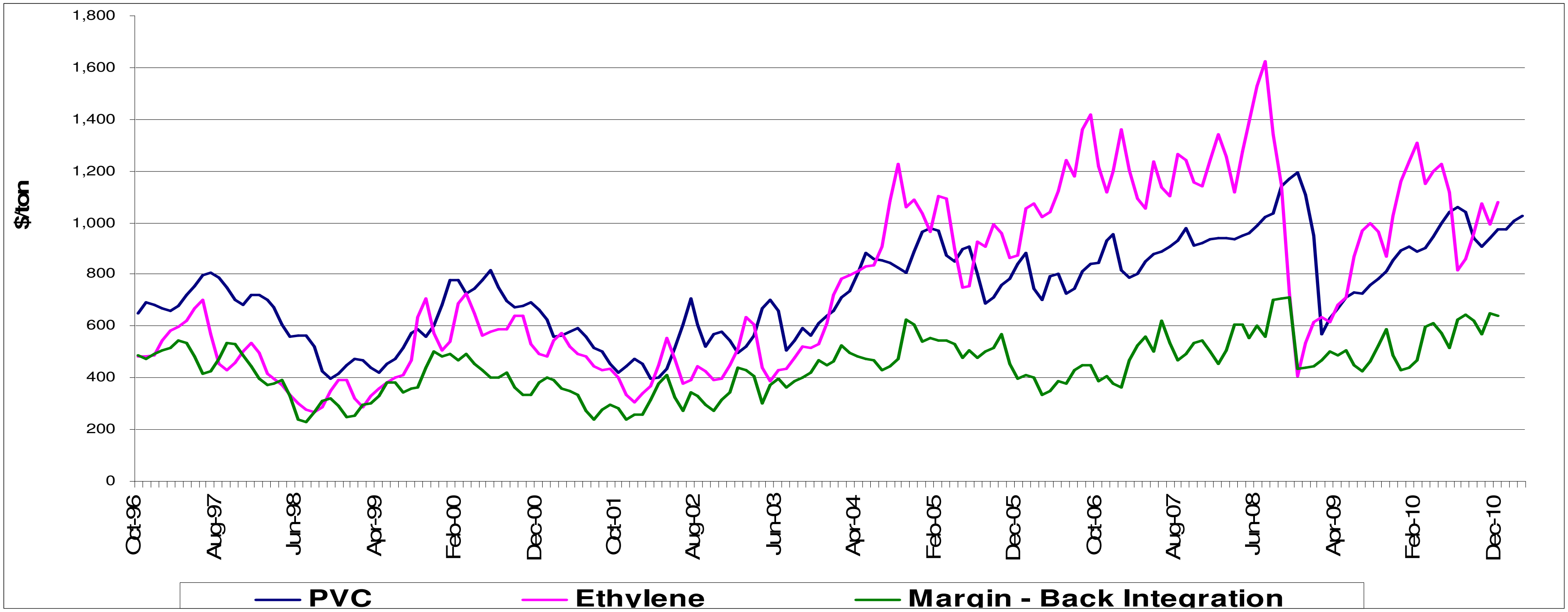
- PVC-VCM price differential below $100 in Nov-Dec
  - – VCM became more cost-effective than carbide



PVC

- 1H'10, initial seasonal pick in demand followed by falling feedstock costs and influx of US product
- 2H'10, prices recover
  - – Seasonal lift in demand
  - – Chinese supply shortage; power rationing
  - – Rising ethylene feedstock costs

Back Integration & Historical PVC-Ethylene Delta



Moving Averages ($/ton)	Project Assumptions	5 yr	3 yr	1 yr	Oct-10	Nov-10	Dec-10
PVC	750	901	922	988	976	1,008	1,028
Ethylene	800	1,085	1,023	1,085	1,075	995	1,080
NaOH C&F	246	350	377	383	378	385	399
Domestic Margin	468	508	545	579	567	648	638

Operating Highlights 2010

		2010			2009	
		YTD September	4Q	YTD December	4Q	YTD December
Production:						
PVC	**KT**	80	34	**114**	24	**116**
VCM	**KT**	36	28	**64**	6	**6**
EDC	**KT**	70	26	**96**	19	**35**
Caustic Soda	**KT**	68	25	**93**	19	**33**
Sales:						
PVC Domestic	**KT**	74	23	**97**	26	**119**
PVC Export	**KT**	-	9	**9**	1	**10**
Caustic Domestic	**KT**	58	22	**80**	17	**27**
EDC Export	**KT**	33	4	**37**	14	**30**
EPCL PVC-VCM Margin	**$/ton**	277	438	**315**	251	**219**
International PVC-VCM Margin	**$/ton**	124	106	**119**	164	**161**
Contribution Margin	**Rs. M**	2,164	1,243	**3,407**	535	**1,954**
PAT	**Rs. M**	(762)	(8)	**(770)**	(175)	**(194)**

Financial Highlights – 4Q 2010 vs. 4Q 2009

	Quarter ended Dec. 31, 2010	Quarter ended Dec. 31, 2009 (Restated)	Remarks
Net Sales	4,061,080	3,418,185	(1.) DOMESTIC PVC SALES: 23 KT of PVC sold at $1,134/ton as compared to 26 KT at $1,016/ton last year. (2.) PVC EXPORTS: 9 KT of PVC exports were made in as compared to 1 KT last year (3.) EDC EXPORTS: 4KT of EDC was exported as compared to 14KT last year (4.) DOMESTIC CAUSTIC SALES: 22KT of Caustic Soda was sold at Rs.30,811/ton as compared to 17KT at Rs.26,224/ton last year. (5.) POWER SUPPLY: There were no power sales to KESC whereas 0.6MW of power was sold to Engro's Fertilizer's Zarkhez Plant. (6.) The weighted average exchange rate increased from Rs. 84.3/$ last year to Rs. 86.7/$ contributing further to the growth in revenue.
Cost of goods sold	(3,439,878)	(3,030,438)	PVC production during 4Q 2010 was 34KT vs. 24KT in 4Q 2009. Wtd. avg. VCM cost was $696/ton in 4Q 2010 vs. $764/ton in 4Q 2009. Besides this, 25 KT of caustic and 26KT of EDC was also produced. Wtd. avg gas cost increased to Rs.382.37/mmbtu vs. Rs.324.30/mmbtu last year.
Gross Profit	**621,202**	**387,747**	
Distribution & marketing expenses	(188,421)	(147,346)	
Administrative expenses	(82,802)	(72,519)	
Other operating Income / (Expense)	43,281	(63,382)	
Operating profit / (loss)	**393,260**	**104,500**	
Finance Costs	(403,911)	(261,547)	Increase is due to interest being charged on P&L for loans obtained to finance project cost. This consists of a $60 M loan from IFC and a Rs.8.95 Billion loan from local syndicate of banks. While the project was being constructed in 2009, the related interest was being capitalized.
Loss before taxation	**(10,651)**	**(157,047)**	
Taxation	2,771	(18,028)	
Loss after taxation	**(7,880)**	**(175,075)**	

Financial Highlights – YTD Dec. 2010 vs. YTD Dec. 2009

Rs. Thousand	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009 (Restated)	Remarks
Net Sales	14,618,594	11,632,775	(1.) DOMESTIC PVC SALES: 97KT of PVC sold at $1,110/ton as compared to 119KT at $903/tons last year. (2.) PVC EXPORTS: 9 KT of PVC were made at FOB price of $997/ton as compared to 10KT at FOB price of $631/ton last year. (3.) EDC EXPORTS: 37KT of EDC was exported in YTD December 2010 as compared to 30KT last year. (4.) DOMESTIC CAUSTIC SALES: 80KT of Caustic Soda was sold at Rs.30,443/ton compared to 27KT at Rs.26,379/ton in comparable period last year. (5.) POWER SUPPLY: 2MW of power was sold to KESC during the period in addition to supply to Engro Fertilizer's Zarkhez Plant. (6.) The weighted average exchange rate increased from Rs. 82.14/$ in 2009 to Rs. 85.99/$ in 2010 contributing further to the growth in revenue.
Cost of goods sold	(13,314,604)	(10,418,592)	PVC production was 114 KT vs. 116 KT in 2009. Wtd avg VCM cost increased to $795/ton vs. $684/ton last year. 93KT of Caustic and 96KT of EDC was also produced. Fuel & power cost increased due to higher gas consumption as Company's 60 MW Power Plant commenced commercial operations from Aug 1, 2009. Additionally, wtd avg gas cost increased to Rs. 382.37/mmbtu vs. 324.3/mmbtu last year. There was an increase in storage & handling cost due to handling charges of Ethylene while deprecation cost increased as additional plants have come online as compared to same period last year.
Gross Profit	**1,303,990**	**1,214,183**	
Distribution & marketing expenses	(642,782)	(483,814)	
Administrative expenses	(312,526)	(205,742)	
Other operating Income / (Expense)	(134,315)	(115,589)	
Operating profit / (loss)	**214,367**	**409,038**	
Finance Costs	(1,438,988)	(606,175)	Increase is due to interest being charged on P&L for loans obtained to finance project cost. This consists of a $60 M loan from IFC and a Rs.8.95 Billion loan from local syndicate of banks. While the project was being constructed in 2009, the related interest was being capitalized.
Loss before taxation	**(1,224,621)**	**(197,137)**	
Taxation	454,340	3,441	
Loss after taxation	**(770,281)**	**(193,696)**	

Note: VCM plant related fixed costs and financial charges were capitalized till June 2010 and March 2010, respectively. No costs were capitalized in 2H 2010.

Business Outlook

- PVC domestic demand is expected to be stable to strong in 2011 due to:
  - + Reconstruction activities in flood affected areas
  - + Demand from agricultural sector
  - + Pipe exports to Afghanistan.
  - – Limited Government spending in other areas
  - – Power load shedding and gas supply curtailment

- Caustic Soda demand is expected to remain strong and the Company is expected to sell capacity (net of in – house Caustic consumption)

- PVC prices are currently in the range of $1,050 per ton and the margins are better than last year. However, high oil prices and new capacity buildups will continue to affect PVC and Ethylene prices.

- EPCL’s profitability is expected to benefit from the improved VCM plant operations, however, full benefits of the integrated complex will depend on achieving design production from the VCM plant.

Thank You

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