

The performance of engro corporation limited



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Engro Corporation limited is mainly known as a fertilizer producer and supplier in the Pakistan but currently operating in many other areas as well. In fertilizers, as a core product, the company offers nitrogenous, phosphate, blended fertilizers, and micro nutrients, such as zinc sulphate. Through its subsidiaries, company also operates in chemical terminal and storage, PVC resin manufacturing and marketing, industrial control and automation businesses, dairy food and power generation businesses. The company was previously known as Engro Chemical Pakistan Limited but in result of being converted into a holding company structure company has changed its name to Engro Corporation Limited in January 2010 and now the company has become Pakistan's largest conglomerate being involved in the businesses from fertilizer manufacturing to food production and power generation. The volum of sales in 2009 was almost Rs32000 million (USD 450m) and total fixed assets are about Rs94000 million (USD 1300m). Engro Corporation Limited was established in Pakistan in 1965 as a subsidiary of Exxon ltd (USA).

BUSINESSES OF THE COMPANY

Company engages in different products within different subsidiaries called,

Engro Fertilizers Limited

Engro Foods Limited

Engro Polymer [HYPERLINK " http://engro. com/our-businesses/engro-polymer-chemicals-limited/"](http://engro.com/our-businesses/engro-polymer-chemicals-limited/)&[HYPERLINK " http://engro. com/our-businesses/engro-polymer-chemicals-limited/"](http://engro.com/our-businesses/engro-polymer-chemicals-limited/) Chemicals Limited

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Engro Powergen Limited

Engro EXIMP Private Limited

Engro Vopak Terminal Limited

Avanceon Limited

HISTORY

In 1957, the search for oil by Pak Stanvac, an Esso/Mobil joint venture led to the discovery of the Mari Gas field near Daharki – a small, remote area in Upper Sindh province at the time. Esso proposed the establishment of a urea plant in that area which led to a fertilizer plant agreement signed in 1964. In the subsequent year, Esso Pakistan Fertilizer Company Limited was incorporated, with 75% of the shares owned by Esso and 25% by the general public.

The construction of a urea plant commenced at Daharki in 1966 and production began in 1968. At US \$43 million with an annual production capacity of 173, 000 tons, it was the single largest foreign investment by a multinational corporation in Pakistan at the time.

A full-fledged marketing organization was established which undertook agronomic programs to educate the farmers of Pakistan. As the nation's first fertilizer brand, Engro (then Esso) helped modernize traditional farming practices to boost farm yields, directly impacting the quality of life not only for farmers and their families, but for the nation at large. As a result of these efforts, consumption of fertilizers increased in Pakistan, paving the way for

the Company's branded urea called " Engro", an acronym for " Energy for Growth".

As part of an international name change program, Esso became Exxon in 1978 and the Company was renamed Exxon Chemical Pakistan Limited. The Company continued to prosper as it relentlessly pursued productivity gains and strived to attain professional excellence.

In 1991, Exxon decided to divest its fertilizer business on a global basis. The employees of Exxon Chemical Pakistan Limited, in partnership with leading international and local financial institutions, bought out Exxon's 75% equity. This was at the time and perhaps still is the most successful employee buy-out in the corporate history of Pakistan. Renamed as Engro Chemical Pakistan Limited, the Company has gone from strength to strength, reflected in its consistent financial performance, growth of the core fertilizer business, and diversification into other businesses.

Along the way, a major milestone in plant capacity upgrade coincided with the employee led buy-out; innovatively optimizing our resources, Engro relocated fertilizer manufacturing plants from the UK and US to its Daharki plant site - an international first.

Engro Chemical Pakistan Limited then started a journey of venturing into other sectors including foods, energy, industrial control and automation, PVC resin manufacturing and marketing, and chemical terminal and storage.

In 2009 plans were announced of demerging the fertilizer business into an independent operating company. The expansion and growth in the company

necessitated a change in the way the company operated and conducted business. Keeping in view the operations of multi category businesses, expansion strategy and growth vision, the management decided that the various businesses would be better served if the Company was converted to a holding company. As a result it was decided to demerge the fertilizer business and establish a holding company structure to manage the affairs of various businesses.

Engro Fertilizers Limited was incorporated in June 2009 to manage the fertilizer business post demerger. The demerger required the approval of the High Court of Sindh, which was granted on December 9, 2009 after obtaining the requisite approvals from the creditors and shareholders of the Company. The demerger became effective from January 1, 2010. Consequently, all fertilizer business assets and liabilities have been transferred to Engro Fertilizers Limited against the issue of shares to the Company.

To reflect the change in the scope of mandate and scale of operations, Engro Chemical Pakistan Limited has been renamed as ' Engro Corporation Limited' with effect from January 1, 2010. Engro Corp, as the holding company is responsible for the long term vision of the company, overseeing the performance of the subsidiaries and affiliates.

OVERVIEW OF THE PAST LEADERSHIP

Mr. Zaffar A. Khan

President Xef Executive Officer, 1997-2004

Mr. S. R. Mirza

President&CEO 1988 – 1997

Mr. H. I. Kazmi

President, 1981-1988

Mr. J. E. Brewer

President, 1977-1981

Mr. A. H. Connellee

President, 1974-1977

Mr. George B. Sweeney

President, 1972-1974

Mr. Selby Harney

President, 1969-1972

Mr. M. C. Fuqua

President 1965-1969

(Above leadership structure does not include the present leadership and the purpose to picturise these leaders is only to describe the international involvement in the history of the organization)

VISION

To become the premier Pakistani enterprise with a global reach.

MISSION

In order to create values for its Stakeholders Company's mission is to grow its business in profitable, ethical and sustainable way . Growth and

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sustainability are basic targets of the mission. Well conducting in the areas of allocating capital for different projects, managing talent, developing leadership, guiding the HR policies, public relationing, marketing its products and services and taking the corporative social responsibility etc are the key factors to be involved with. These areas of responsibility, in fact, provide the base to set a mission. And achieving the mission is then, providing a track to reach the organization's vision.

THE ENVIRONMENTAL SCAN

Asteriois G Kefalas in his book, Global business strategy: A system approach, explains that how and why an environment is concerned to a nature of business and business organization.

THE MACROENVIRONMENT

Macro environment is actually a big picture of the surrounding environment in which a business and organization operates. Understanding the macro environment of a country or the world requires understanding the relationship between humans and their natural habitat. The resources and the carrying capacities of the natural habitat affect both the quantitative aspects (such as population volume and growth rates) and the cultural aspects (such as social, political, and economic behaviours) of human life.

MICROENVIRONMENT

The microenvironment has been defined as a particular organization's external business environment. Studying the micro business environment helps manager to set the organization's objectives by matching the

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organization's internal strengths and weaknesses with the uncontrollable probabilities within that specific business environment.

Engro Corporation limited operates in that part of the world where dramatic and unexpected changes are always expected that requires the organization's analysts and managers to keep an extreme eye on what's going on. Here i am going to present different analysis to help understand the environment in which Engro corporation exist.

PESTLE

Pestle analysis categorically involves the factors which are directly concerned to the macro environment and they are Political, economical, social, technological, legal and ecological.

POLITICAL

Pakistan is currently suffering from political turmoil. On one hand where it is struggling against the issue of terrorism which involves the international community and international politics on the other hand it's facing internal political instability. Because of the continuous military interference into government and politics the Political forces, in the past, have not had enough chance to practice fundamental democratic values. In result both political forces and the people of Pakistan have not yet been able to achieve the political maturity which can be seen in the western, American and other democracy dominant societies. The overall situation is further resulting into the empowerment of unreliable and corrupt executives who are usually responsible of making economic and social policies. That is why Pakistan is

not achieving required economic and social goals yet. The policy makers usually involve in taking kick backs and turning policies into their personal interest, after 9/11 the war against terror has put a great impact on Pakistan and is actually resulting into the destruction of peace of the country. International communities and investors are hesitating to invest in Pakistan. Even though the tax policy, employment laws, environmental regulations, trade restrictions and tariff regulations have been formulated but implementation on these policies is not being conducted in mannered way. Also there is a need of brining new economic and agriculture reforms. Especialy the agriculture tax reforms where the per unit land tax price has been a big issue over the times. Employment laws have been formulated according to the international standards but child labour issue needs to be addressed on war grounds. Being a member of WTO Pakistan supports the free market and free trade ideology but in fact no such " free market" is in practice in the modern world. Every country has some trade barriers to protect local industry, so does Pakistan. An anti dumping duty ordinance is in place to protect local industry that also encourages local industrialists to invest further. The tariff rates and policies are being reviewed over the time. Having all these positive indications Pakistan still needs to modernize the trade and industrial sectors by developing transparent policies. In the current time the civil society of Pakistan seems to be awakening to break the political and feudal status quo that will help Pakistan, in future, to develop a civilized political culture.

When we analyze the Engro Corporation having the above environment in backgrounds and beyond we need to give considerable attention to the

Engro's internal strengths and weaknesses. Here i would talk about Engros's internal strengths in comparison of that particular environment. On one hand Engro has tried to keep away from being politically attached to that atmosphere and has concentrated properly on its business which has helped it to become not polluted professional organization. On the other hand Engro has been complying with the country's law and cultural values. Because of the strong internal culture and commercialism company has strengthen itself to compete with various kinds of political circumstances.

ECONOMICAL

Pakistan's economic growth rate is currently 5.5% which was 8% once in 2005 but huge shortage of electricity and political instability has affected the growth rate. Economic growth of Pakistan can be seen through gross domestic purchasing power parity, which was estimated to be \$454.2 billion in 2008. Official exchange rate was approximately \$160.9 billion, while real growth rate in 2008 GDP of Pakistan, as per statistical data was found to be 4.7 percent. GDP per capita income was \$2,600 in 2008. Interest rates are slightly high in Pakistan because of IMF conditional bailout programme and were rose by 15% in 2009. purchasing power of Pakistanis has been shaken up by 13% of inflation rate. Wage rates, minimum wages and 60 hours per week working time in manufacturing sector and 48 hours in service sectors are very suitable for large and international businesses. High percentage of unemployment is resulting to be suitable for cheap labour provision but it increases the inflation rate that affects business directly on the other hand. Country's cost of living is lower comparing to developed countries. Engro Corporation is directly affected by these factors. Engro has tried to take <https://assignbuster.com/the-performance-of-engro-corporation-limited/>

benefit from availability of cheap labour but interest rates are putting a negative effect on engro's internal economy because it has financing relations with most banks in Pakistan also with some international banks like HSBC, Barclays etc . Inflation rate is also affecting engro especially engro foods which involves direct relation with public purchasing power on broad levels. On the other side the global economy is facing a downturn in recent times. The economic recession has rolled largest economies in the world. Engro needs to have a deep look on this factor in order to develop strategies for international perspective.

SOCIAL

Pakistan is an agricultural country, 70% population living in rural areas, 98% population is Muslim. 42% population under 15 years of age only 4% over 64 years of age . 2% per year population growth rate, 65% literacy rate. The geographic area of country is known to be one of oldest civilizations in the world. But because of poor economic condition the awareness about health consciousness, safety and global warming has not been very significant but now the awareness ratio on these issues is rising rapidly in the society.

Increasing literacy rate especially in IT and engineering sectors have changed the career attitudes in the country. A strong business and industry culture is developing itself influencing by different factors. Engro Corporation is directly serving to 96%of the country's population. A large portion is covered by engro fertilizer. Engro foods is taking health consciousness into the consideration for its product development. Engro is building Pakistan's first green power house to tackle the global warming issue. International health and safety standards have been achieved by Engro within all its

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industries especially in chemical industry. Providing employment on large scale Engro has shared the change in career attitudes.

TECHNOLOGICAL

In the modern age technology is advancing and improving every day. These advances are not only influencing corporate businesses but equally influencing the societies as a whole by bringing the change into social behaviours. On the corporate level as the organizations adopting the horizontal and vertical integrating method, Getting as more as possible technological strength is a powerful weapon to achieve the corporative integrity. Pakistan as a developing country needs technological advancement in every sector of economy ranging from electricity generation, road construction, port and airport developments, data base structuring, information technology railway, food industry, oil and gas sector, logistics and many more. Government is privatizing and out sourcing mega projects and multi industry sectors to save costs and to gain financial balance. Especially in oil and energy sectors Pakistan needs huge investments. These requirements and circumstances are actually a massive potential market for the organizations which have well-built technological resources. Engro takes advantage from this availability and has offered in sourcing to the government in multi sectors like currently working on a power house project with the collaboration of government. The project is called " Thar coal power project" which is spouse to produce 1200MW electricity for the country using coal reserves.

ENVIRONMENTAL

Being a developing country Pakistan is considered to be one of those countries where the ecological and environmental aspect needs special concentration. Pakistan has six metropolitan cities which have heavy industry manufacturing textile, leather products, fertilizers, steel goods etc. Most of the country's vehicles run on diesel and petrol. Small level industry like brick making and small steel melting units leave a big amount of carbondyoxide in the air. Clean drinking water is also a big issue in the country. Handling and recycling wastage from manufacturing sector is most critical aspect of the ecological concerns in Pakistan. On the other hand diseases due to dirty water and improper food are also a challenge for the country. All above issues are influencing Pakistan both economically and socially. But on the same time there is a huge potential for investments from eco friendly organizations to compete against these challenges.

Implementation on environmental regulations is on high demand from the global society as well. Engro being part in this environment is playing its role by internally implementing the related laws and standards like , process safety, workforce safety, workplace health, food safety, risk assessment, and environmental performance. In the field engro is building Pakistan's first green power house in Sindh province and looks ahead for many other projects.

LEGAL

Having been developed with in business laws and taxation laws according to the international standard legal situations in Pakistan are at satisfactory level. Recent business legislations have helped the country to be suitable for international investments. No restrictions on joint ventures and revision of

tax ordinance 2001-2002 are the latest achievements towards investment friendly society. But overall small tax " base" and unsatisfactory tax collection system along with economic and political situations present a negative impact on country's economy. Also implementation on import/export laws concerning duty and custom tax is significantly lacking. But now as the modern educated youth is entering into the country's judicial and legislative institutions the overall circumstances are getting better and better. Also the awareness about economic globalization in the general population is increasing day by day that will soon reflect into the more betterment of legislation and legalization circumstances. To protect the local fertilizer industry government has passed a law of imposing anti-dumping duty on fertilizer's import and has allowed the industry to import fertilizer plant equipments without paying any tax . Beyond the facility of taxation policy and joint venture legalization in Pakistan Engro has taken a step of being part of an international business joint venture that is called " Avanceon" Advanced Automation LP, a leading provider of technology solutions to manufacturers In north US, Innovative Automation & Engineering, FZ, a leading Dubai based engineering & system integration company serving Middle East and African Oil & Gas, Water, Waste Water, Infrastructure, and Manufacturing industries; and Engro Innovative Automation Pvt. Ltd., a global provider of industrial automation and engineering support products and services announced a joint venture under the name of AVANCEON.

PORTE FIVE ANALYSIS