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Ministry of Petroleum cancels planned IPOs for petrochemical investment projects

By Mohamed Adel

The Ministry of Petroleum and Mineral Resources has reneged on plans to generate capital for petrochemical investment projects through the Egyptian Exchange (EGX).

The projects are yet to be established. Current Prime Minister Sherif Ismail, who was then minister of petroleum, announced in September 2014 that the ministry was considering launching an initial public offering

(IPO) to raise funds for the projects.

An official at the Egyptian Petrochemicals Holding Company (ECHM) told Daily News Egypt that the idea of financing new projects through IPOs was abandoned because it was expected to face low interest from EGX investors.

New petrochemical projects are in need of large investments and as such, IPO will not be insufficient to cover their costs. ECHM has begun negotiations with a number of countries to finance

these projects.

On the other hand Ismail announced in May 2015 the Ministry of Petroleum's plan to list four state-owned petroleum companies on the EGX and launch IPOs for them for capital increases.

In January, presidential spokesperson Alaa Youssef highlighted that launching IPOs for public sector companies is beneficial.

The presidency released a statement after President Abdel Fattah Al-Sisi's meeting with Ismail, Governor of

the Central Bank of Egypt Tarek Amer, Minister of Industry Tarek Qabil, and Minister of Finance Hany Khadry Dimian on Monday.

"The meeting tackled the decline of Egyptian stock market indexes, attributing this to a decline in global stock market indexes," the statement read.

Petrochemical stocks are considered defensive stocks since they attract many investors, institutions, and investment funds due to their retention of high value and high earnings.