

Earning Review

EPCL: 3QCY21 EPS clocked in at Rs2.58, DPS Rs3.0

Event

- Engro Polymer & Chemicals Limited (EPCL PA) profitability clocked in at Rs3.1bn (Diluted EPS Rs2.58) in 3QCY21 against Rs1.9bn (Diluted EPS Rs1.54) in 3QCY20. This cumulates into 9MCY21 profitability of Rs10.4bn (Diluted EPS Rs8.61) versus Rs2.0bn (Diluted EPS Rs1.69) in 9MCY20.
- The Company also announced a dividend of Rs3.0/sh for ordinary shareholders and Rs0.3/sh for preference shareholders for the quarter.

Impact

- The company's profitability increased by 67% YoY in 3QCY21 on the back of (1) 71% YoY increase in PVC-Ethylene margins (avg. margin of US\$839/ton during 3QCY21) and (2) 6% YoY decline in gas prices due to removal of GIDC. Support to profitability also came from EPCL's expansion of 100K tons which came online from March 2021 and has increased PVC capacity to 295K tons.
- Distribution/Admin expenses declined/inclined by 6/3% YoY during 3QCY21.
- Other expenses increased by 682% YoY during 2Q due to higher WWF and WPPF given higher profitability.
- Other income was up by 68% YoY during 3QCY21 given 62% YoY increase in cash and ST investment.
- Finance cost showed an incline of 7% YoY during 3QCY21.

Outlook

- Current record high PVC-Ethylene Int'l margin and increased production due to expansion bodes well for the company's future profitability. PVC-Ethylene Int'l margin is still well above long term average level with expectation that the margin would decline from these levels as PVC global supply shortage eases going forward.

Fig 1: EPCL - 3QCY21 Financial Highlights

Rs (mn)	3QCY21	3QCY20	YoY	QoQ	9MCY21	9MCY20	YoY
Net sales	18,826	10,057	87%	27%	49,321	22,932	115%
Gross profit	5,241	3,217	63%	0%	16,695	5,123	226%
Distribution & marketing expenses	79	85	-6%	9%	227	176	29%
Administrative expenses	126	122	3%	-26%	462	369	25%
Other Expenses	788	101	682%	41%	1,470	740	99%
Other Income	376	223	68%	23%	964	840	15%
Finance cost	487	454	7%	-5%	1,401	1,821	-23%
PBT	4,138	2,679	54%	-2%	14,099	2,858	393%
PAT	3,119	1,868	67%	-1%	10,409	2,048	408%
EPS - Basic	3.43	2.05			11.45	2.25	
EPS - Diluted	2.58	1.54			8.61	1.69	
DPS - Ordinary	3.00	-			10.80	-	
DPS - Preference	0.30	-			0.84	-	
Gross Margin	27.8%	32.0%			33.8%	22.3%	
Net Margin	16.6%	18.6%			21.1%	8.9%	
Effective Tax Rate	24.6%	30.3%			26.2%	28.4%	

Source: PSX, Company Accounts, Foundation Research, October 2021

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Important disclosures:

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.