

Earning Review

EPCL: 4QCY21 EPS clocked in at Rs3.88, DPS Rs5.5

Event

- Engro Polymer & Chemicals Limited (EPCL PA) profitability clocked in at Rs4.7 bn (Diluted EPS Rs3.88) in 4QCY21 against Rs3.7bn (Diluted EPS Rs3.03) in 4QCY20. This cumulates into CY21 profitability of Rs15.1bn (Diluted EPS Rs12.49) versus Rs5.7bn (Diluted EPS Rs4.72) in CY20.
- The Company also announced a final dividend of Rs5.5/sh for ordinary shareholders and Rs0.27/sh for preference shareholders for the quarter, taking full year payout to Rs16.3/sh for ordinary shareholders and Rs1.11 for preference shareholders.

Impact

- The company's profitability increased by 28% YoY in 4QCY21 on the back of (1) 58% YoY increase in PVC-Ethylene margins (avg. margin of US\$1,084/ton during 4QCY21), (2) higher sales volumes given greater capacity and (3) average 7.9% YoY depreciation of Rs-US\$ exchange rate despite lower premium dragging profitability.
- Distribution/Admin expenses inclined by 121/22% YoY during 4QCY21.
- Other expenses increased by 821% YoY during 4Q due to higher WWF and WPPF given higher profitability.
- Other income was up by 40% YoY during 4QCY21 given 105% YoY increase in cash and ST investment.
- Finance cost showed an incline of 35% YoY during 4QCY21 given higher interest rates.

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 - 4QCY21 Financial Highlights

Rs (mn)	4QCY21	4QCY20	YoY	QoQ	CY21	CY20	YoY
Net sales	20,699	12,400	67%	10%	70,020	35,331	98%
Gross profit	7,341	5,826	26%	40%	24,035	10,949	120%
Distribution & marketing expenses	149	67	121%	88%	376	243	55%
Administrative expenses	221	181	22%	75%	683	550	24%
Other Expenses	884	96	821%	12%	2,354	836	182%
Other Income	344	246	40%	-9%	1,308	1,087	20%
Finance cost	501	370	35%	3%	1,902	2,191	-13%
PBT	5,930	5,358	11%	43%	20,028	8,216	144%
PAT	4,694	3,664	28%	50%	15,103	5,712	164%
EPS - Basic	5.16	4.03			16.61	6.28	
EPS - Diluted	3.88	3.03			12.49	4.72	
DPS - Ordinary	5.50	1.25			16.30	1.25	
DPS - Preference	0.27	0.04			1.11	0.04	
Gross Margin	35.5%	47.0%			34.3%	31.0%	
Net Margin	22.7%	29.6%			21.6%	16.2%	
Effective Tax Rate	20.8%	31.6%			24.6%	30.5%	

Source: PSX, Company Accounts, Foundation Research, February 2022

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Important disclosures:

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Recommendations definitions

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