

Earning Review

EPCL: 1QCY22 EPS clocked in at Rs3.91, DPS Rs5.0

Event

- Engro Polymer & Chemicals Limited (EPCL PA) profitability clocked in at Rs4.7 bn (Diluted EPS Rs3.91) in 1QCY22 against Rs4.1bn (Diluted EPS Rs3.43) in 1QCY21.
- The Company also announced an interim dividend of Rs5.0/sh for ordinary shareholders and Rs0.37/sh for preference shareholders for the quarter.

Impact

- The company's profitability increased by 14% YoY in 1QCY22 on the back of (1) 48% YoY higher sales given greater capacity amid curtailment of imports and higher premium on PVC sales due to accelerating construction activity, and (2) average ~11% YoY depreciation of Rs-US\$ exchange rate despite 4% YoY decline in PVC-Ethylene margins (avg. margin of US\$814/ton during 1QCY22).
- Distribution/Admin expenses inclined by 102/35% YoY during 1QCY22 and were up only 1/2% sequentially.
- Other expenses increased by 587% YoY during 1Q due to higher WWF and WPPF amid higher profitability.
- Other income was up by 51% YoY during 1QCY22 on the back of higher interest rates (up by 2.8ppt YoY).
- Finance cost showed an incline of 51% YoY during 1Q given higher interest rates.
- Company has announced that the Rs2.2bn oxygen based VCM project which was announced in Nov'18 has now been commissioned. Company also announced that its Board of Directors has approved US\$4mn CAPEX for conducting Basic Engineering followed by a Front End Engineering Design (FEED) study in relation to de-bottlenecking its VCM production facility to 300KT per annum.

Outlook

- PVC-Ethylene Int'l margin is expected to decline from current levels as (1) ethylene price is expected to remain elevated amid higher crude oil prices and demand from other ethylene derivatives and (2) PVC global supply shortage eases going forward which bodes negatively for EPCL profitability.

Analyst

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Fig 1: EPCL - 1QCY22 Financial Highlights

Rs (mn)	1QCY22	1QCY21	YoY	QoQ
Net sales	23,127	15,671	48%	12%
Gross profit	7,664	6,236	23%	4%
Distribution & marketing expenses	150	74	102%	1%
Administrative expenses	224	166	35%	2%
Other Expenses	843	123	587%	-5%
Other Income	425	282	51%	24%
Finance cost	606	403	51%	21%
PBT	6,266	5,751	9%	6%
PAT	4,721	4,147	14%	1%
EPS - Basic	5.19	4.56		
EPS - Diluted	3.91	3.43		
DPS - Ordinary	5.00	0.80		
DPS - Preference	0.37	0.27		
Gross Margin	66.9%	39.8%		
Net Margin	20.4%	26.5%		
Effective Tax Rate	24.7%	27.9%		

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

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