

# Earning Review

## EPCL: 3QCY22 EPS clocked in at Rs1.89, DPS Rs2.5

### Event

- Engro Polymer & Chemicals Limited (EPCL PA) profitability clocked in at Rs2.3bn (Diluted EPS Rs1.89) in 3QCY22 against Rs3.1bn (Diluted EPS Rs2.58) in 3QCY21. This cumulated into profitability of Rs9.3bn (Diluted EPS Rs7.73) in 9MCY22 compared to Rs10.4bn (Diluted EPS Rs8.61) in 9MCY21.
- The Company also announced an interim dividend of Rs2.5/sh for ordinary shareholders taking 9MCY22 payout to Rs10.0/sh. Furthermore, company announced dividend of Rs0.48/sh for preference shareholders for the quarter which took 9MCY22 preference dividend to Rs1.22/sh.

### Impact

- The company's profitability decreased by 27% YoY in 3QCY22 on the back of (1) 46% YoY lower PVC-Ethylene margin (avg. margin of US\$457/ton during 3QCY22) despite ~26.3% YoY depreciation of average Rs-US\$ exchange rate, (2) higher other expenses and (3) higher finance cost.
- Distribution/Admin expenses inclined by 63/126% YoY during 3QCY22 and were up 10/4% sequentially.
- Other expenses increased by 30% YoY during 3Q due to higher FX losses, in our view.
- Other income was up by 24% YoY during 3QCY22 on the back of higher interest rates (up by 7.9ppts YoY).
- Finance cost showed an incline of 75% YoY during 3Q given higher interest rates.
- Effective Tax Rate was recorded at 27.5% during 3Q, up by 2.9ppt YoY, due to imposition of 4% super tax.

### Outlook

- PVC-Ethylene Int'l margin is expected to stay at current suppressed levels as (1) ethylene price tracks higher crude oil prices and (2) PVC global supply shortage has eased which bodes negatively for EPCL profitability.

### Analyst

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Fig 1: EPCL - 3QCY22 Financial Highlights

Rs (mn)	3QCY22	3QCY21	YoY	QoQ	9MCY22	9MCY21	YoY
Net sales	16,904	18,826	-10%	-24%	62,308	49,321	26%
<b>Gross profit</b>	<b>4,973</b>	<b>5,241</b>	<b>-5%</b>	<b>-34%</b>	<b>20,165</b>	<b>16,737</b>	<b>20%</b>
Distribution & marketing expenses	129	79	63%	10%	398	227	75%
Administrative expenses	285	126	126%	4%	784	553	42%
Other Expenses	1,025	788	30%	-20%	3,152	1,422	122%
Other Income	466	376	24%	13%	1,303	964	35%
Finance cost	853	487	75%	15%	2,199	1,401	57%
PBT	3,146	4,138	-24%	-43%	14,930	14,099	6%
<b>PAT</b>	<b>2,281</b>	<b>3,119</b>	<b>-27%</b>	<b>-2%</b>	<b>9,341</b>	<b>10,409</b>	<b>-10%</b>
EPS - Basic	2.51	3.43			10.28	11.45	
EPS - Diluted	1.89	2.58			7.73	8.61	
DPS - Ordinary	2.50	3.00			10.00	10.80	
DPS - Preference	0.48	0.30			1.22	0.84	
Gross Margin	29.4%	27.8%			32.4%	33.9%	
Net Margin	13.5%	16.6%			15.0%	21.1%	
Effective Tax Rate	27.5%	24.6%			37.4%	26.2%	

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

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**Recommendations definitions**

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