

Earning Review

EPCL: 1QCY23 EPS clocked in at Rs0.98, DPS Rs1.0

Event

- Engro Polymer & Chemicals Limited (EPCL PA) profitability clocked in at Rs1.2bn (Diluted EPS Rs0.98) in 1QCY23 against Rs4.7bn (Diluted EPS Rs3.91) in 1QCY22.
- The Company also announced an interim dividend of Rs1.0/sh for ordinary shareholders. Furthermore, company announced dividend of Rs0.5/sh for preference shareholders for the quarter.

Impact

- The company's profitability decreased by 75% YoY in 1QCY23 on the back of (1) 47% YoY lower PVC-Ethylene margin (avg. margin of US\$433/ton during 1QCY23), (2) company decision to purchase RLNG at OGRA notified prices from Nov'29, 2022 to Feb'28, 2023 as opposed to lower cost system gas due to its unavailability and (3) 93% YoY higher finance cost despite ~31.7% YoY depreciation of average Rs-US\$ exchange rate.
- Distribution expenses declined by 5% YoY during 1QCY23 and were down 17% sequentially due to 19%/22% YoY/QoQ decline in volumetric sales.
- Admin expenses were up 22%/24% YoY/QoQ in 1QCY23.
- Other expenses/other income decreased/increased by 9/3% YoY during 1QCY23.
- Finance cost showed an incline of 93% YoY during 1Q given higher interest rates.
- Effective Tax Rate was recorded at 29% during 1QCY23.

Outlook

- PVC-Ethylene Int'l margin is expected to remain range bound as PVC prices have declined from highs of CY21/CY22 amid easing of global supply shortages which bodes negatively for EPCL profitability.

Analyst

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Fig 1: EPCL - 1QCY23 Financial Highlights

Rs (mn)	1QCY23	1QCY22	YoY	QoQ
Net sales	17,978	23,127	-22%	-9%
Gross profit	3,591	7,665	-53%	12%
Distribution & marketing expenses	142	150	-5%	-17%
Administrative expenses	274	224	22%	24%
Other Expenses	764	843	-9%	155%
Other Income	438	425	3%	216%
Finance cost	1,170	606	93%	32%
PBT	1,678	6,266	-73%	-6%
PAT	1,189	4,721	-75%	-50%
EPS - Basic	1.31	5.19		
EPS - Diluted	0.98	3.91		
DPS - Ordinary	1.00	5.00		
DPS - Preference	0.50	0.37		
Gross Margin	20.0%	33.1%		
Net Margin	6.6%	20.4%		
Effective Tax Rate	29.1%	24.7%		

Source: PSX, Company Accounts, Foundation Research, April 2023

Important disclosures:

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Recommendations definitions

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