

Flash Note

Thursday, August 10, 2023



Chemical

Engro Polymer & Chemicals Limited (EPCL)

Earnings: Engro Polymer & Chemicals Limited (EPCL) announced its 2Q'23 result. For the period, the Company reported consolidated earnings of PKR 1.6bn (EPS PKR 1.72), down by 33%/y/y, compared to last year same period an earnings of PKR 2.3bn (EPS PKR 2.57). This brings total profitability for 1HCY23 to PKR 2.8bn (EPS PKR 3.03), down by 61%/y/y.

Dividend/Payout: The Company announced cash dividend of PKR 1.5/share along with the result bringing total cash payout for 1HCY23 to PKR 2.5/share.

Operating Performance: During 2Q'23, company's net sales fell by 15%/y/y owing to lower PVC prices. Moreover, gross profit margin compressed to 29% compared to 34% last year same period, on account of reduced PVC margins, and higher gas price. Administrative cost jumped by +20%/y/y and Selling & Distribution costs increased by +4%/y/y. Finance cost increased by +2.1x/y/y amid higher interest rate. Tax charge clocked in at PKR 1.9bn or +54% effectively lower when compared to 2Q'22 charge of +58%.

Exhibit: Engro Polymer & Chemicals Limited (EPCL)								
in PKRbn								
Period end (DEC)	2q'23	2Q'22	y/y	1Q'23	q/q	1HCY23	1HCY22	y/y
Net Sales	19.0	22.3	-15%	18.0	6%	37.0	45.4	-18%
Cost of Sales	13.6	14.7	-8%	14.4	-6%	28.0	30.2	-7%
Gross Profit	5.5	7.5	-28%	3.6	52%	9.0	15.2	-40%
Gross Profit margin	29%	34%		20%		24%	33%	
Admin	0.3	0.3	20%	0.3	20%	0.6	0.5	20%
Selling & Dist.	0.1	0.1	4%	0.1	-2%	0.3	0.3	-1%
EBIT	5.0	6.3	-21%	2.8	74%	7.8	13.1	-40%
EBIT margin	26%	28%		16%		21%	29%	
Finance Cost	1.6	0.7	110%	1.2	33%	2.7	1.4	101%
Profit before tax	3.4	5.5	-38%	1.7	103%	5.1	11.8	-57%
Tax	1.9	3.2	-42%	0.5	278%	2.3	4.7	-50%
Effective tax rate	54%	58%		29%		46%	40%	
Profit after tax	1.6	2.3	-33%	1.2	31%	2.8	7.1	-61%
Net Margins	8%	10%		7%		7%	16%	
EPS	1.72	2.57		1.31		3.03	7.76	
DPS	1.50	2.50		1.00		2.50	7.50	

Source: Company Accounts, IGI Research No. of Shares: 908.9mn.

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