

# Flash Note

Tuesday, 15 October 2019

## Chemical

### Engro Polymer & Chemicals (EPCL)

#### Earnings for the 3QCY19 increased by +17%YoY to PKR 1.40/share; surprise dividend of PKR 0.6/share

- Engro Polymer & Chemicals (EPCL) announced its financial results for 3QCY19 with consolidated earnings clocking in at PKR 1.3bn (EPS: PKR 1.40) as compared to PKR 1.08bn (EPS: PKR 1.19) in the same period last year. On a cumulative basis, for 9MCY19 earnings have dropped by 27% YoY to PKR 2.81bn (EPS: PKR 3.10).
- The company announced a cash dividend of PKR 0.6/share for the 3QCY19.
- Net sales for the quarter increased by +10%YoY to PKR 9.2bn owing to increase in local PVC prices despite 7%YoY decrease in international PVC prices. This is likely due to 28%YoY PKR depreciation against USD. Moreover, addition of caustic flakes (sold at a premium price) in the portfolio have also fueled up the topline in our view.
- Gross margins decreased by 200bpsYoY to 24%, owing to 53% increase in local gas prices while healthy PVC core delta (47% YoY at 470 USD/ton) failed to absorb the impact.
- Major respite to earnings came from decrease in operating expenses by 88%YoY to PKR 17mn.
- Finance cost increased by +3.0xYoY to PKR 461mn during 3QCY19 owing to high interest rates.
- Effective tax rate for the period stood at 26% during 3QCY19 as against 30% in the same period last year.

#### EPCL: 3QCY19 Result Highlights (Consolidated)

Period End Dec- PKRmn	3QCY19	3QCY18	YoY	9MCY19	9MCY18	YoY
Net Sales	9,234	8,422	10%	27,834	25,524	9%
Gross Profit	2,242	2,240	0%	6,481	6,800	-5%
Selling / Dist.	79	307	-74%	478	995	-52%
Other Op. Income	273	128	2.1x	707	610	16%
EBIT	2,203	1,717	28%	5,001	5,409	-8%
Finance Cost	472	153	3.1x	1,200	452	2.7x
Profit before tax	1,731	1,564	11%	3,801	4,957	-23%
Taxation	461	483	-4%	990	1,102	-10%
Profit after tax	1,270	1,082	17%	2,812	3,856	-27%
EPS	1.40	1.19		3.10	4.26	
DPS	0.6			0.6		

#### Key Ratios

Gross Profit Margins	24.3%	26.6%	23.3%	26.6%
Ebit Margins	23.9%	20.4%	18.0%	21.2%
Effective Tax Rate	26.6%	30.8%	26.0%	22.2%

Source: IGI Research, Company Financials, PSX

No. of shares: 909mn

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