

## EPCL... Ascending delta

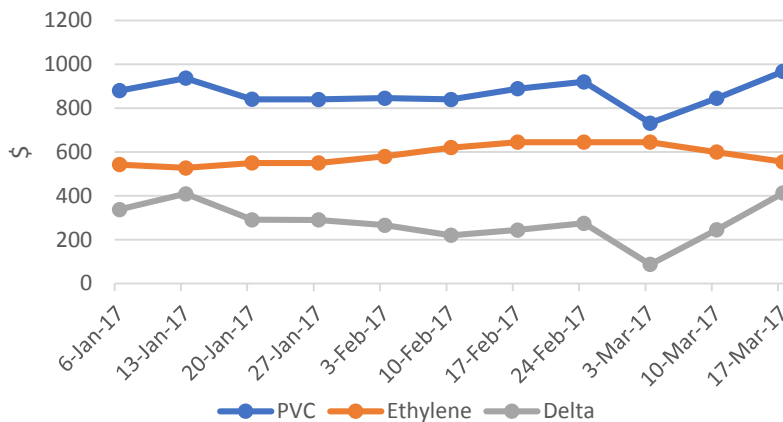
- The company has shown growth in the earnings in 4QCY16, which is in line with our expectations as mentioned in our report, dated Dec 14, 2016.
- The company is raising PKR 3bn through issue of preference shares. The reason of issues is to partially pay the outstanding loans.
- EPCL is the only local manufacturer of PVC, in case of anti-dumping on PVC; EPCL will be able to take massive market share.
- PVC production of 172 KT was highest ever. The demand of PVC continues to rise in light of increase in PVC pipes demand during construction boom in the country.
- The PVC - Ethylene has shown positive trend around the previous year. A continued impressive PVC - Ethylene delta will enable company to post positive results in the future. Refer to the chart below that shows an ascending delta.

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<b>Ticker</b>	<b>EPCL</b>
<b>Bloomberg</b>	<b>EPCL PA</b>
<b>Price</b>	<b>24.63</b>
<b>52 weeks high (03/03/17)</b>	<b>28.1</b>
<b>52 weeks low (06/24/16)</b>	<b>8.2</b>
<b>Market Cap</b>	<b>16.53bn</b>

Source: SCS Research

PVC - Ethylene Delta



Source: Bloomberg, SCS Research

EPCL reported 4QCY16 earnings of Re0.99/sh ostensibly given increase in delta as per company books. We expect similar happenings in ongoing 1QCY17.

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