

Foundation Alert

EPCL: 9MCY26 Analyst Briefing Takeaways

Event

- Engro Polymer and Chemicals (EPCL PA) held its 9MCY26 analyst briefing today to discuss financial/operational performance and outlook of the company.

Impact

- Management highlighted that revenue increased 13% YoY to PKR 65.3Bn during 9MCY26 (consolidated) due to higher PVC prices, increased sales volumes and higher revenue from Hydrogen Peroxide. Cost of sales rose 11% on higher raw material costs, partly offset by energy index savings, lifting gross profit 50% YoY. Other income surged 10.8x due to remeasurement gain on SIDC and higher short-term investments, while finance cost rose 28% on higher long-term borrowings with KIBOR broadly stable. Tax reversed into a credit due to prior year income u/s 65E (TY2025) and the impact of super tax reduction from 10% to 8% on deferred tax liability. Overall, the business posted a profit of PKR 0.3Bn (EPS PKR 0.35) vs a loss of PKR 3.5Bn (LPS PKR 3.80) in 9MCY25.
- On a standalone basis, EPCL posted a loss of PKR 1.3Bn (LPS PKR 1.45) in 3QCY26 against a profit of PKR 1.2Bn in 2QCY26 and a loss of PKR 9Mn in 3QCY25, despite revenue rising 29/53% YoY/QoQ to PKR 25.5Bn. Gross margin collapsed to 2.0% from 12.5% in SPLY as profitability was weighed down by inventory losses, with average ethylene prices falling 18% QoQ during the quarter. Finance cost rose 39% YoY to PKR 2.0Bn, partially cushioned by higher other income of PKR 545Mn and a tax credit.
- PVC prices (CFR South Asia) bottomed out at \$744/ton in July before recovering to \$881/ton in September, driven by higher feedstock costs, after peaking at \$949/ton in March following the start of the US-Iran war. Operating rates of Chinese carbide-based and US-based producers stayed stagnant through the quarter. India set a minimum import price which held up imports at customs, pushing buyers towards local suppliers, and has since opened a countervailing duty investigation on Chinese PVC.
- Ethylene prices rose above \$1,000/ton due to scarce naphtha and reduced operating rates of ethylene crackers. However, PVC prices rose more than feedstock, increasing core delta to an average of \$328/ton in 3Q from \$273/ton in 2Q (Jul/Aug/Sep: \$325/326/333 per ton).
- In March 2026, GoP corrected the captive gas levy formula (now based on average rate vs peak rate), resulting in levy reduction from PKR 1,406/mmbtu in January to PKR 341/mmbtu in May. However, the levy has increased since then to PKR 520/mmbtu as per the latest billed month, taking total captive gas cost to ~PKR 4,020/mmbtu (September not billed yet). EPCL has secured a stay on levy payments from the Islamabad High Court, commissioned a 2 MW solar project in August 2026, and is evaluating grid power as a viable option alongside renewable initiatives.
- PVC sales reached 182KT in 9MCY26, up 4% YoY, with unprecedented sales recorded in 3Q due to the housing stimulus and a lower than anticipated flood impact. 3QCY26 PVC sales stood at ~71KT, up 18% YoY versus ~60KT in 3QCY25 (derived from 9M and 1H volumes). PVC/VCM production clocked in at 176/170KT in 9MCY26 vs 160/162KT in 9MCY25.
- Following EPCL's application, provisional anti-dumping duties have been imposed on PVC imports from the US and Indonesia for 4 months from July, curtailing imports from these regions. Pipes and fittings remained the largest buyer of PVC with 60% share, followed by Film & Sheet at 13% and Wires & Cables at 9%.
- PVC contributed 80% of 9MCY26 revenue, followed by Chlor-Alkali at 17% and HPO at 3%. Segment-wise, PVC losses narrowed sharply to PKR 130Mn in 9MCY26 from PKR 4.1Bn in 9MCY25, while Chlor-Alkali/Others posted a profit of PKR 616Mn (9MCY25: PKR 1.3Bn) and HPO losses fell to PKR 172Mn (9MCY25: PKR 665Mn).
- Caustic soda sales remained steady in 3Q, supported by stable demand from key industries and a well-balanced domestic supply environment. Revision of the underlying captive gas levy formula provided some

cost relief. Globally, caustic prices have returned to pre-war levels as Northeast Asian producers (excluding China) cut operating rates to around 70%, limiting export opportunities at current prices.

- EPCL continued to strengthen its position in the local HPO market, achieving its highest monthly sales and production in 3Q. Company sold 18KT of HPO in 3Q and contributed PKR 0.8-1.0Bn to the topline. The gas crisis in Bangladesh curtailed local production and exports there, driving import prices above \$400/ton and supporting domestic pricing. However, import pressure from Bangladesh continues to weigh on HPO commercials, and the company is engaging regulators to ensure a level playing field.
- Domestic PVC demand is expected to remain robust, supported by infrastructure and construction activity and government measures to stimulate the housing sector. Management flagged that any decline in PVC prices would impact core delta, while reduced levy on captive gas is expected to ease pressure on caustic margins.
- Management highlighted that primary benefit of the acquisition of EPCL by Noventra (Formerly Lotte Chemical Pakistan Limited) would be energy cost savings estimated at PKR 2.5-4.0Bn annually from CY27 on switching from gas to grid electricity (24MW). Minor benefit is also expected to accrue from reduction in shared services.
- Key risks highlighted include geopolitical disruption in the ethylene and EDC supply chain amid feedstock unavailability and shipping disruptions (EPCL is covered on raw material inventory), and the impact of inflation, policy rate and exchange rate on its cost structure, with the company actively reviewing its dollar liabilities. EPCL continues to focus on cash conversion through working capital discipline, cost optimization and strategic financing.

Table 1: EPCL – 3QCY26 Financial Highlights

PKR Mn	3QCY26	3QCY25	YoY	QoQ	9MCY26	9MCY25	YoY
Net sales	25,459	19,680	29%	53%	63,944	57,079	12%
Cost of sales	24,941	17,210	45%	70%	58,877	53,187	11%
Gross profit	518	2,470	-79%	-73%	5,067	3,892	30%
S&D expenses	194	208	-7%	22%	518	487	6%
Administrative expenses	497	505	-2%	6%	1,391	1,412	-1%
Operating profit	-173	1,757	NA	NA	3,157	1,993	58%
Financial charges	1,975	1,421	39%	4%	5,639	4,420	28%
Other income	545	55	888%	-69%	2,719	569	378%
Other charges	60	241	-75%	1%	263	753	-65%
Profit before tax	-1,663	150	NA	NA	-26	-2,611	NA
Tax	-347	159	NA	NA	-425	222	NA
Profit after tax	-1,315	-9	NA	NA	399	-2,833	NA
EPS - Basic	-1.45	-0.01			0.44	-3.12	
EPS - Diluted	-1.45	-0.01			0.33	-3.12	
DPS	0.0	0.0			0.0	0.0	
Gross Margin	2.0%	12.5%			7.9%	6.8%	
Net Margin	-5.2%	0.0%			0.6%	-5.0%	
Effective Tax Rate	NA	NA			NA	NA	

Source: PSX, Foundation Research, October 2026

Analyst

Zeeshan Azhar
+92 21 3561 2290-94

zeeshan@fs.com.pk
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Expected return from 0% to +15%	Neutral.
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