

## EPCL 9MCY26 Corporate Briefing Takeaways

Oct 27, 2026

Engro Polymer & Chemicals Limited held its corporate briefing today to discuss the financial results of 9MCY26 and future outlook of the company. Key highlights of the briefing are follows:

- To recall in 9MCY26 EPCL PAT came in at PKR 0.3bn versus a PKR 3.5bn loss in SPLY, with EPS at PKR 0.35 (SPLY: loss of PKR 3.80/share).
- Management attributed the 3Q margin compression mainly to inventory costing. Higher-priced ethylene bought in 2Q flowed into 3Q COGS on a weighted average basis, while PVC prices bottomed in July. A missed EDC cargo forced the plant to run on low load in August, raising conversion costs, and domestic freight was also higher QoQ. Management does not expect a similar inventory impact in 4Q.
- On the global PVC market, South Asia CFR prices bottomed in July (US\$744/ton) and recovered to US\$881/ton by September, driven by higher ethylene costs (above US\$1,000/ton on scarce naphtha and lower cracker operating rates). Core delta improved to US\$328/ton in 3Q from US\$273/ton in 2Q.
- PVC volumes rose 4% YoY in 9M to 182kT (SPLY: 174kT), with unprecedented sales in 3Q supported by the housing stimulus and a lower than anticipated flood impact. The domestic market stands at 242kT YTD vs 225kT last year and is expected to cross 250kT this year. PVC and VCM production rose to 176kT (SPLY: 160kT) and 170kT (SPLY: 162kT). Provisional anti dumping duties imposed on US and Indonesian imports for four months from July have curtailed imports from those regions.
- Segment wise, PVC contributed 80% of revenue, chlor-alkali 17% (19% in SPLY) and HPO 3% (1% in SPLY). PAT by segment was PKR 616mn for chlor-alkali/others (SPLY: PKR 1,288mn), a loss of PKR 172mn for HPO (SPLY: loss of PKR 665mn) and a loss of PKR 130mn for PVC (SPLY: loss of PKR 4,075mn). Management said PVC carries most of the shared costs given its 80% revenue share, and that higher PVC prices, volumes and core delta drove the PKR 3bn YoY improvement in the bottom line.
- Chlor alkali: caustic sales remained steady, with EPCL holding 25% market share and selling primarily in the south. Global caustic prices are back to pre war levels (below US\$400/ton), limiting export opportunities. Power makes up 75-80% of caustic costs, so the levy revision helped.
- HPO sold 18kT YTD with revenue of PKR 0.8-1bn, and posted its highest monthly sales and production in 3Q. The Bangladesh gas crisis curtailed local production and pushed import prices above US\$400/ton, which supports local pricing. Management sees Bangladesh import pressure as a risk and continues to engage regulators on fair competition (anti-dumping/countervailing measures where applicable).

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- Captive gas levy was cut after the March formula revision (average vs peak grid tariff), from PKR 1,406/MMBtu in January to PKR 323-520/MMBtu since. From July the levy is billed at the 20% cap per law. September's levy is expected at PKR 500/MMBtu or lower, and will be known once NEPRA notifies the FCA at end October. EPCL has secured a stay on levy payments in the Islamabad High Court and is also contesting the levy in the Sindh High Court.
- Average captive power cost was PKR 38/kWh YTD, but management guided to PKR 34-35/kWh when 1Q is excluded. A 2MW solar project was commissioned in August.
- On grid power, the board approved project covers shifting 28MW (caustic production) to the grid, targeted for completion by 1Q2027, with annualized savings of PKR 2.5-4bn. Management clarified that moving the full load to the grid (a figure of 54MW by July 2027 was cited in the news) is not yet board approved and is still being evaluated. Power is the first priority before any capacity expansion discussions.
- On raw materials, geopolitical disruptions continue to affect ethylene and EDC supply chains, but cargoes are secured for the rest of the year and no inventory concerns are expected. Management expects PVC prices to remain stable for the next month or so, with lower PVC prices remaining the key risk to core delta.
- On the potential acquisition of EPCL by Lotte Chemical, management did not provide an update and stated that the matter falls within the ambit of Engro Holdings. As per management's current understanding, the share purchase agreement was signed last month and the transaction is expected to conclude in 1Q or 2Q2027.