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EPCL: 2QCY26 Result Review — Profitability came in on one-off gains

AKD Securities Limited

Engro Polymer & Chemicals Ltd. (EPCL) announced its 2QCY26 financial results, wherein the company reported profitability of PkR1.3bn (EPS: PkR1.0) compared to a loss of PkR2.4bn (LPS: PkR2.6) in SPLY. Notably, bottom line stayed positive for second consecutive quarter, primarily driven by higher other income due to remeasurement gains on SIDC provision, tax reversal and improved core-delta margins. The result came in above our expectations due to tax reversal.

- Company’s revenue decreased by 14%YoY at PkR17.1bn, due to lower offtakes amid rising prices and maintenance shutdown of 21 days.
- Gross margins improved to 11.9% during the quarter from 0.2% in SPLY, mainly due to 27%YoY increase in avg PVC-Ethylene core margins to US$349/ton.
- Operating expenses declined by 9%YoY to PkR1.3bn from PkR1.4bn in SPLY.
- Other income increased by 33x YoY to PkR1.7bn, attributable to remeasurement gains on SIDC provision following expected settlement agreement.
- Finance cost surged 28%YoY to PkR1.9bn, mainly due to 31%YoY increase in avg. borrowings.
- Tax reversal came in at PkR95mn vs PkR27mn in SPLY, attributable to DTL adjustments.
- We maintain our ‘SELL’ stance on EPCL as higher energy prices and lower core margins are likely to keep profitability under pressure. Our Dec’26 target price for EPCL is PkR28/sh.

EPCL: Income Statement (Consolidated)

PkRmn	2QCY26	2QCY25	YoY	1QCY26	QoQ	1HCY26	1HCY25	YoY
Sales	17,075	19,744	-14%	22,182	-23%	39,257	37,611	4%
COGS	15,039	19,706	-24%	19,639	-23%	34,678	36,269	-4%
Gross Profit	2,036	38	53x	2,543	-20%	4,580	1,341	3x
Gross margins	11.9%	0.2%		11.5%		11.7%	3.6%	
Opex	1,259	1,382	-9%	939	34%	1,259	1,382	-9%
Other Income	1,746	52	33x	421	4x	2,167	214	10x
Finance Cost	1,907	1,490	28%	1,783	7%	3,690	2,993	23%
Taxation	-95	-27	4x	41	n.m	-53	12	n.m
NPAT/LAT	1,257	-2,406	n.m	371	3x	1,628	-3,230	n.m
EPS/(LPS) -Diluted	1.0	(2.6)	n.m	0.3	3x	1.8	(3.6)	n.m
DPS (PkR)	0.0	0.0	n.m	0.0	n.m	0.0	0.0	n.m

Source: PSX & AKD Research

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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