JS Research Beep

Pakistan Chemical Sector

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JS Global Capital Limited

ARPL: Corporate analyst briefing takeaways

Archroma Pakistan Limited (ARPL) conducted its corporate briefing today to discuss 9MSY26 performance and outlook. To recall, the company reported earnings of Rs1.3bn in 9MSY26, up 47% YoY, translating into an EPS of Rs38.86/sh. We present key highlights from the session.

- ARPL reported a topline of Rs22.46bn in 9MSY26, up 4% YoY, largely supported by market share gains across its textile and packaging segments as per management.

- Gross margins recovered to 27% from 24% YoY. The company attributed this to Super Systems-led cost savings and greater renewable energy usage; management noted margins are gradually normalizing toward pre-2024 levels, having been squeezed in 2023-2024 by political instability and Chinese dumping post US anti-dumping duties.

- The management views Super Systems (cost-efficiency solutions) as ARPL's biggest market share opportunity over the next 2-3 years, helping cost-sensitive customers, particularly paints and paper, cut water, energy, heat and steam usage.

- The management expects 5-7% sales growth going forward, supported by a sharpened focus on specialty products and dyes.

- Textiles, with their 12 segments, remain the core segment at ~90% of the portfolio, with management seeing the strongest growth potential in denim, aided by Pakistan's favorable cotton base, and activewear, even as formal-wear demand continues to soften. The remaining 10% is from their rapidly growing packaging sector with 6 segments.

- Management flagged a shift in the competitive landscape over the past 1-2 years, with global buyers increasingly diversifying their supplier base across geographies; while this has shrunk average order sizes, management sees it as a structural opportunity for Pakistan's export-oriented textile industry.

- ARPL's market share across local segments has increased over the past two years, supported by rising customer awareness and growing adoption from local brands as the buyer spectrum evolves.

- Raw-material prices still remain the key risk, given the company's exposure to petrochemical-linked inputs and imported monomers

Bloomberg Code: APRL PA
Market Price: Rs430.22
Market Cap: Rs15bn, US$54mn
1-yr ADTO: 0.02mn shrs**,** Rs8.4mn, US$0.03mn
1-yr High / Low: Rs473.52 / 327.43
Estimated free float: 8.6mn shares (25%)

ARPL: Key Statistics

(Rs mn)	SY24	SY25	9MSY26
Sales	**24,773**	**27,407**	**22,468**
YoY Growth	-17%	11%	4%
Gross Margin	18%	24%	27%
PAT	**(546)**	**1,177**	**1,343**
YoY Growth	NM	NM	47%
EPS (Rs)	(15.87)	34.05	38.86
DPS (Rs)	0.00	30.00	0.00
P/E (x)	NM	12.36	8.30
DY	0%	7%	0%

Source: Company accounts, JS Research
SY24 & SY25 multiples calculated on average prices

sourced largely from China, while elevated freight, insurance and fuel costs continue to pressure the broader supply chain.

- Despite no dividend this quarter, management remains committed to its annual historical 80-90% payout policy, excluding an acquisition year in 2023 and the subsequent loss-making year in 2024. They attribute sustaining these high payout ratios to continued improvement in net working capital, with the company reporting no fresh loans or financing in the recent period; trade payables also remain entirely interest-free.

- Finance costs decreased to Rs252mn, down significantly by 39% YoY from Rs416mn, helped by lower inventory requirements, tighter working-capital planning, and access to subsidized export refinancing at ~3-4%.

- Renewable energy currently supplies ~40% of Jamshoro's and ~100% of Landhi's power requirements and management noted that grid electricity is now cheaper than before, hence they are evaluating further investment in the space.

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