SEPL: FY26 Corporate Briefing Takeaways

Flashnote: Security Papers Limited (SEPL) Corporate Briefing Takeaways

Friday, October 16, 2026

- SEPL's financial performance during FY26 remained under pressure, with net sales declining by ~7%YoY to ~PKR 7.3Bn from ~PKR 7.9Bn in FY25, while sales volumes fell by ~6%YoY to 3,597 tons. Gross profit declined by ~28%YoY to ~PKR 1.6Bn, with gross margin contracting to 22% in FY26 from 28% in FY25. Consequently, profit after taxation fell by ~41%YoY to ~PKR 907Mn, while EPS declined to PKR 15.31 from PKR 25.72, respectively.
- The Company's revenue remains concentrated in a single customer, Pakistan Security Printing Corporation (Private) Limited (PSPC), with sales made against customer indents. Banknote paper accounted for 92% of total revenue in FY26 compared to 93% in FY25, while all sales were generated within Pakistan.
- The ongoing plant upgrade project remains on track and is expected to enable SEPL to manufacture banknote paper with advanced security features in line with the new currency note series announced by the State Bank of Pakistan (SBP). However, management highlighted geopolitical risks, including potential impacts on energy prices, freight costs, insurance premiums and the availability of critical raw materials.
- Additionally, the management stated that their BMR project became operational on 30 September 2026.
- Furthermore, SEPL's total assets increased to ~PKR 12.1Bn as of June 2026 from ~PKR 11.4Bn in June 2025, while fixed assets, including CWIP, rose to ~PKR 4.5Bn from ~PKR 2.0Bn. Break-up value per share improved to PKR 158.26 from PKR 151.90. However, the current ratio declined to 2.10x from 2.73x, while the quick ratio fell to 1.65x from 2.11x.
- Management remains cautiously optimistic, supported by the Company's financial strength and operational stability. Key risks include geopolitical uncertainty, water shortages, extended plant shutdowns, dependence on a single customer and potential supply chain disruptions.

Important Disclosures

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Important Disclosures

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To arrive at our period end target prices, TSL uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: https://jamapunji.pk/

Frequently Used Acronyms

TP	Target Price	**DCF**	Discounted Cash Flow	**FCF**	Free Cash Flows
FCFE	Free Cash Flows to Equity	**FCFF**	Free Cash Flows to Firm	**DDM**	Dividend Discount Model
SOTP	Sum of the Parts	**P/E**	Price to Earnings ratio	**P/BVPS**	Price to Book ratio
P/S	Price to Sales	**EVA**	Economic Valued Added	**BVPS**	Book Value per Share
EPS	Earnings per Share	**DPS**	Dividend per Share	**DY**	Dividend Yield
ROE	Return on Equity	**ROA**	Return on Assets	**JPB**	Justified Price to Book

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