CHASE SECURITIES

CORPORATE BRIEFING NOTES

16 Oct 2026

STOCK SNAPSHOT

Symbol	SEPL
Price	PKR 132.00
Market cap	PKR 7,821mn
Shares	59.25mn
Free float	23.70mn
52W high	PKR 223.25
52W low	PKR 128.05

SECTOR

Paper, Board & Packaging

Muhammad Zohair

SEPL PSX · PAPER & BOARD

Security Papers Limited

FY26 PAT	4QFY26 PAT	NET SALES	GROSS MARGIN
PKR 907mn	PKR 276mn	PKR 7.3bn	22%
▼ 40% YoY	▼ 35% YoY	▼ 7% YoY	▼ 6pp YoY

KEY TAKEAWAYS

FY26: lower sales and gross margin; contractual margin reset to 24%

Net sales were **7%** lower at **PKR 7.3bn** and gross margin was **22%** vs **28%** in **FY25**. Profit after tax was **PKR 907mn** vs **PKR 1,524mn**. Management noted the contractual margin with PSPC was revised to **24%** from **28%**. Under the contractual arrangement, PSPC also reimburses the depreciation charge on BMR capital investments through annual cost billing.

EARNINGS

- SEPL reported earnings per share of **PKR 9.06** for **FY26**, compared to earnings per share of **PKR 3.96** in **FY25**. In **4QFY26**, the company reported earnings per share of **PKR 2.65**, compared to **PKR 1.88** in the SPLY.

PRICING MECHANISM

- SEPL operates under a structured cost plus pricing mechanism with PSPC. All actual manufacturing input costs, including imported specialty cotton pulp, chemicals, security threads and utility tariffs, are fully passed on to the customer.
- The contractual margin was reduced from **28%** to **24%** following renegotiations with the customer based on updated industry pricing benchmarks.
- PSPC also reimburses the depreciation charge on BMR capital investments through annual cost billing.

OPERATIONS

- Management confirmed the successful completion and commissioning of its PM2 BMR project on **30 September**.
- The pulp preparation section remains outdated and has yet to undergo major modernisation.

REVENUE MIX

- Banknote paper accounted for **92%** of total revenue, compared with **93%** in the SPLY.



Banknote paper share of revenue

CAPACITY & ENERGY

- Existing plant capacity is fully utilised; debottlenecking within the current facility could unlock an additional **10–15%** capacity.
- The **350 kW** solar installation generates annual energy cost savings of **PKR 12–14mn**, with an estimated payback period of **2–3 years**.

BANKNOTES

- The State Bank of Pakistan has finalised the new banknote designs and formally submitted them to the Federal Cabinet for approval.
- Management dismissed market speculation regarding a potential shift to plastic or polymer currency in Pakistan.

Financial highlights

PKR mn	FY25	FY26	YoY	4QFY25	4QFY26	YoY
Net sales	**7,871**	**7,306**	**-7%**	**2,045**	**1,991**	**-3%**
Cost of sales	-5,667	-5,721	1%	-1,441	-1,571	9%
Gross profit	**2,204**	**1,585**	**-28%**	**605**	**419**	**-31%**
Gross margin	*28%*	*22%*		*30%*	*21%*	
Administrative	-497	-522	5%	-117	-112	-4%
Operating profit	**1,706**	**1,063**	**-38%**	**488**	**307**	**-37%**
Depreciation & amortisation	254	287	13%	66	74	12%
EBITDA	**1,960**	**1,350**	**-31%**	**553**	**381**	**-31%**
Financial charges	-3	-7	133%	-2	0	n/a
Other income	916	688	-25%	206	185	-10%
Other charges	-205	-146	-29%	-67	-53	-21%
Profit before tax	**2,414**	**1,598**	**-34%**	**624**	**439**	**-30%**
Taxation	-890	-691	-22%	-201	-163	-19%
Profit after tax	**1,524**	**907**	**-40%**	**423**	**276**	**-35%**
Net margin	*19%*	*12%*		*21%*	*14%*	
EPS (PKR)	**25.72**	**15.31**		**7.14**	**4.65**	
DPS (PKR)	11.50	9.00		9.00	9.00	

Source: Company accounts, Chase Research

IMPORTANT DISCLOSURES

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