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SPEL - FY26 Analyst Briefing Takeaways

AKD Securities Limited

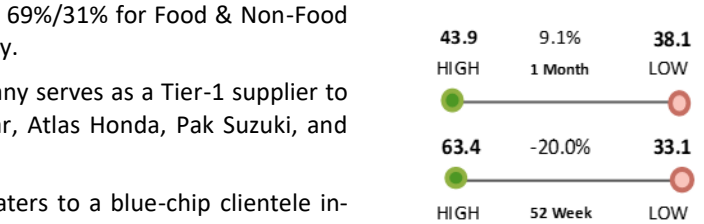
SPEL Ltd. (SPEL) held its analyst briefing yesterday to discuss FY26 results and future outlook of the company. Following are the key takeaways:

- To recall, company posted a topline of PkR9.4bn in FY26, compared to PkR9.6bn in the SPLY, down 2.3%YoY on account of lower domestic consumer demand.
- Company reported earnings of PkR1.1bn (EPS: PkR6.0) in FY26, down 9%YoY vs. PkR1.3bn (EPS: PkR6.6) in the SPLY, driven by lower sales and margin contraction.
- Gross margins settled at 26.3% in FY26 compared to 26.9% in SPLY.
- Management informed that raw material costs inflated to PkR1,500-1,600 per ton from PkR1,100 per ton due to 2-3x rise in freight costs amid geopolitical tensions.
- To mitigate the supply chain risk from Middle East, management has switched to alternative options in U.S., Europe and South Korea.
- Earnings for 1QFY27 showed recovery by a 37%YoY increase to PkR357.4mn (EPS: PkR1.9) vs. PkR261.6mn (EPS: PkR1.4) in the SPLY, driven by an expansion in gross margins to 26.2% (25.8% SPLY) on YoY basis.
- As a technology-intensive plastic engineering firm, company manufactures over 900 products across multiple variants, primarily focusing on food and non-food packaging alongside Tier-1 automotive components such as door trims, door handles, steering wheels, garnishes, grills, and spinner knobs.
- Segment-wise, 80% of revenue historically came from the Food & Personal Care packaging segment, with Automotive segment accounting for 20%; however, the dynamics have now shifted to 69%/31% for Food & Non-Food packaging and Automotive parts, respectively.
- Within the automotive part industry, company serves as a Tier-1 supplier to such big clients as Indus Motors, Honda Car, Atlas Honda, Pak Suzuki, and Millat Tractors.
- Within the FMCG segment, the company caters to a blue-chip clientele including Unilever, Nestlé, Pepsi, Colgate-Palmolive, Pakistan Tobacco Company, KFC, Subway, and Baskin Robbins.
- Management apprised that the company has setup a new plant (currently in testing phase) in Rahim Yar Khan as per its agreement with Unilever to supply specialized shampoo pumps.
- Company operates a notable solar footprint across its manufacturing plants in Lahore, Rahim Yar Khan, and Karachi, with an active capacity of 4.5MW.
- The company exports a variety of auto parts, primarily to high-value markets in Europe and the USA.
- Management informed that plant utilization stays volatile throughout the year with utilization nearing 95-98% in summers and contracting to 35-40% in winter due to seasonal FMCG demand, mainly beverages, yogurts and cold water.
- Management is hopeful that increased localization requirements in the upcoming auto policy is expected to bring sales from Chinese players as well.
- Company has plans to expand into Pharmaceutical packaging going forward.
- This scrip is not under our formal coverage.

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43.9	199.7
Price (PkR/sh)	Shares (mn)
8,758.4	31.7
Market Capitalization (PkRmn)	Market Capitalization (USDmn)
0.357	16.5
3M Avg Turnover (mn)	3M Avg DT Value(PkRmn)

Price Performance



Source: PSX & AKD Research

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Neutral > 0% to < 15% expected total return
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