

Dynea Pakistan Limited - A Structural Re-rating Opportunity

We present a buy recommendation on Dynea Pakistan Limited (PSX: DYNO), as the stock is trades at a P/E of ~6.08x (FY26E EPS: PKR 49), reflecting a notable discount to the sector average of ~8.4x. This valuation gap highlights potential for multiple re-rating as earnings visibility improves. Based on earnings-based valuation, we derive a fair value of PKR 390/share by FY27, implying meaningful upside from current levels in addition to dividend yield of ~6%.

The investment thesis is underpinned by the company’s transition towards renewable energy, expected margin expansion, and increasing focus on export market penetration, all of which are likely to support sustained earnings growth going forward.

Company Overview

Dynea Pakistan Limited operates as a leading manufacturer of specialized resins and moulding compounds in Pakistan. Established in 1982 as a joint venture, the company has since transitioned into an independent, publicly listed entity on the Pakistan Stock Exchange, building a strong foothold in the domestic chemicals and materials segment.

The company operates through two strategically located manufacturing facilities in Hub (Balochistan) and Gadoon Amazai (KPK), enabling efficient coverage of both southern and northern industrial zones. Operationally, Dynea’s business is segmented into two core divisions: the Moulding Compound Division, which constitutes the majority of revenues, and the Resin Division, supporting a diversified product base.

Dynea’s product portfolio serves as a critical input for a range of downstream consumer and industrial applications. Its moulding compounds, including urea and melamine formaldehyde, are widely used in the production of crockery, electrical fittings, and packaging components. The resin segment, based on formaldehyde, caters primarily to the wood-based industry—supporting MDF, particle board, and plywood manufacturing. Additionally, the company produces glazing powders, which enhance durability and finish in melamine tableware, reinforcing its positioning across value-added applications.

Dynea Pakistan Limited

Symbol	DYNO
Bloomberg Code	DYNO PA
Current Price	299.96
Mkt Cap (PKR Mn)	5,661.00
Mkt Cap (USD Mn)	20.14
No Of Shares (In Mn)	18.87
52 Weeks High	353.30
52 Weeks Low	184.50
Avg Volume (52 Weeks)	19,550.99
Avg Value	5,464,306.77

Source: PSX, HMFS Research

P/E Comparison

Company Name	FY26E
Wah Nobel Chemicals Ltd	6.6
Descon Oxychem Ltd	8.1
Ghani Chemical Industires Ltd	8.12
Sardar Chemical Industries Ltd	8.2
Berger Paints Pakistan Ltd	8.7
Ittehad Chemicals Ltd	10.6
Nimir Industrial Chemicals Ltd	11.1
Dynea Pakistan Ltd	6.08

Source: Zakheera, HMFS Research

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Earnings Profile: Recovery Gaining Traction Amid Valuation Gap

DYNO reported FY25 EPS of PKR 45.97 (down 27% y/y), primarily reflecting margin compression driven by elevated input costs and relatively subdued downstream demand. However, the earnings trajectory has begun to recover, with 1HFY26 EPS of ~PKR 29.3, indicating improving operational momentum. Looking ahead, while input cost volatility—amid the prevailing geopolitical environment—may exert some pressure on margins in the latter part of the year, demand fundamentals are expected to remain largely stable. Consequently, we estimate FY26 EPS at ~PKR 49 (up ~6.5% y/y), supporting a recovery-led earnings outlook.

The company also maintains strong cash flow generation, evidenced by a 1HFY26 dividend of PKR 6.25/share, with the final dividend expected at ~PKR 10/share, thereby reinforcing its shareholder return profile.

Core Insight: Segmental Dynamics Driving Earnings Resilience

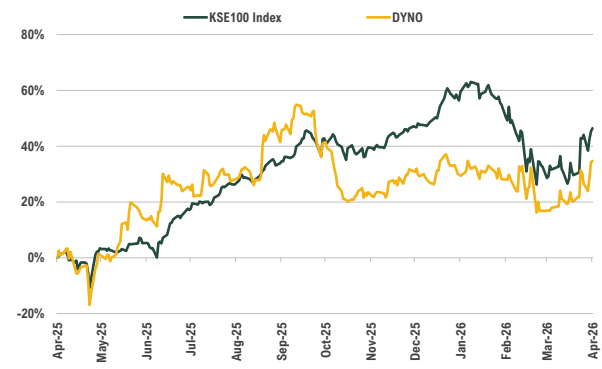
DYNO’s earnings profile is shaped by its dual-segment structure, with each segment exhibiting distinct demand and pricing characteristics under the same macro environment.

The Moulding Compound division remains the primary profit driver, supported by a concentrated yet captive customer base—largely the Rawalpindi crockery cluster. This segment benefits from strong pricing power, allowing the company to pass on methanol (primary raw material) cost fluctuations and sustain margins despite input volatility.

In contrast, the Resin division is more exposed to external pressures, with demand linked to construction-related industries such as plywood and MDF. The segment operates as a price-taker, facing competition from lower-cost imports and cyclical demand tied to interest rates and real estate activity, resulting in comparatively weaker margins.

Overall, DYNO’s earnings resilience stems from this segmental mix, where the stability of the Moulding business offsets cyclical in the Resin segment, providing a natural hedge against macro-driven cost and demand shocks.

Relative Performance



Source: PSX, HMFS Research

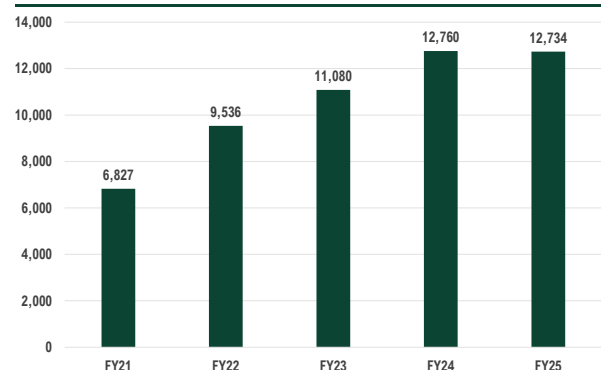
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Sales Mix & Export Strategy

DYNO remains largely domestically driven, with exports contributing only ~4.7% of total sales in 1HFY26. Export exposure is highly concentrated, with ~78% directed toward Afghanistan, leaving volumes susceptible to geopolitical and border-related disruptions in the near term.

That said, the company has initiated expansion into UAE and Kenya, providing early-stage diversification and gradually reducing reliance on a single export corridor. Despite potential volatility in external markets, DYNO’s core revenue base remains anchored in domestic demand, offering relative stability and enabling the company to pivot sales focus toward local markets when export channels face constraints.

Sales (PKR Mn)



Source: Zakheera, HMFS Research

Strategic Energy Independence (The "Green" Hedge)

One of Dynea’s most significant growth and cost-saving drivers is its aggressive shift toward renewable energy. This shields the company from the volatile industrial power tariffs in Pakistan:

- **Wind Power Expansion:** In late 2025, the Board approved an expansion of the planned wind energy project at the Hub plant from 1.1MW to 2.5MW. This project is designed to achieve better economies of scale and significantly reduce reliance on the national grid.
- **Solar Integration:** The company has already successfully commissioned solar energy systems at both the Gadoon (KPK) and Hub (Balochistan) factories, which are already contributing to lower operating costs and improved net margins.

Near Debt-Free Capital Structure Supporting Financial Stability

A Debt-to-Equity (D/E) ratio of ~0.01 reflects Dynea Pakistan Limited’s near debt-free capital structure, positioning the company in a structurally strong financial stance within the local market. This minimal leverage significantly reduces exposure to interest rate volatility, particularly during periods of monetary tightening, where financing costs typically place pressure on leveraged peers’ profitability.

Sector wise comparison of D/E ratio

Company Name	D/E FY25
Biafo Industries Ltd	0.17
Data Agro Ltd	0.95
Descon Oxychem Ltd	0.06
Dynea Pakistan Ltd	0.01
Ghani Chemical Industries Ltd	0.51
Ittehad Chemicals Ltd	0.53
Lucky Core Industries Ltd	0.45
Leiner Pak Gelatine Ltd	0.41
Nimir Industrial Chemicals Ltd	1.87
Nimir Resins Ltd	0.62
Sardar Chemical Industries Ltd	0.09
Sitara Chemical Industries Ltd	0.96

Source: Zakheera, HMFS Research

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The absence of material debt obligations enhances financial flexibility, allowing internally generated cash flows to be deployed toward strategic initiatives, including renewable energy expansion, without the constraint of principal repayments or interest servicing. From an investor standpoint, this translates into lower financial risk, improved earnings quality, and a higher proportion of distributable profits, thereby strengthening both dividend sustainability and long-term return potential.

Risk to Valuations:

- PKR volatility and macroeconomic instability.
- Raw material price hike and supply disruptions.
- Regulatory shifts and policy changes, particularly in energy tariffs and chemical manufacturing.
- Geopolitical instability and trade barriers in key export markets.

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Income Statement (PKR Mn)	FY24A	FY25A	FY26E	FY27F
Net sales	12,760	12,734	12,612	12,864
Cost of sales	(9,899)	(10,482)	(10,615)	(10,774)
Gross profit	2,861	2,252	1,999	2,090
Selling/distribution expenses	(355)	(468)	(371)	(370)
Administrative expenses	(349)	(397)	(308)	(314)
Operating profit	2,157	1,386	1,319	1,406
Depreciation & amortisation	198	232	232	230
EBITDA	2,355	1,619	1,551	1,636
Financial charges	(34)	(33)	(35)	(34)
Other income	144	132	162	160
Other charges	(362)	(63)	(152)	(157)
Profit before tax	1,904	1,423	1,526	1,605
Taxation	(713)	(555)	(595)	(626)
Profit after tax	1,192	868	931	979
EPS	63	46	49	52

Source: Company Financials, Zakheera, HMFS Research

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Valuation Methodology

To arrive at our fair value estimates, HMFS uses different valuation methodologies including but not limited to:

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

HMFS RATING GUIDE

BUY	More than 15% Upside
HOLD	Between 15% Upside & 15% Downside
SELL	More than 15% Downside

Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report
Upside/Downside represents the difference between the stated “Fair Value” & the prevailing “Market Price”
Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes