



## NCL: 2QFY26 Result Review — Earning turns red due to higher finance cost & taxation



AKD Securities Limited

**Nishat Chunian Ltd. (NCL) announced its 2QFY26 results, reporting loss of PkR22mn (LPS: PkR0.1) compared to profitability of PkR231mn (EPS: PkR1.0) in SPLY. Result was against our expectations due to higher-than-anticipated finance cost and taxation. Along with the result, company announced half-yearly dividend of PkR1.0/sh.**

- Revenue declined by 2%YoY to PkR20.3bn in 2QFY26 compared to PkR20.7bn in SPLY, possibly due to decline in domestic spinning sales. However, exports growth is expected to partially offset the said decline.
- Gross margins slightly improved to 11.8% vs. 11.5% in SPLY, mainly due to easing cotton and energy cost.
- Operating expenses increased by 2%YoY to PkR631mn, led by increase in admin expenses.
- Finance cost increased by 7%YoY to PkR1.4bn compared to PkR1.3bn in SPLY, as 33%YoY increase in outstanding borrowings outweigh the impact of easing interest rates.
- Effective tax rate stood at 106% compared to 53%/35% in SPLY/2QFY25, as minimum turnover tax kicked-in due to lower profitability.
- We maintain our 'BUY' stance on NCL with a Dec'26 target price of PkR84/sh. Our stance is supported by: (i) expected improvement in company's exports, (ii) easing input prices supporting margins, and (iii) easing finance cost amid declining interest rates.

### NCL: Income Statement

PkRmn	2QFY26	2QFY25	YoY	1QFY26	QoQ	1HFY26	1HFY25	YoY
Sales	20,306	20,666	-2%	22,917	-11%	43,223	43,967	-2%
COGS	17,910	18,291	-2%	20,316	-12%	38,226	39,443	-3%
Gross Profit	2,397	2,375	1%	2,601	-8%	4,997	4,524	10%
Gross Margins	11.8%	11.5%	-	11.3%	-	11.6%	10.3%	-
Opex	631	618	2%	649	-3%	1,280	1,266	1%
Other Income	112	94	19%	109	3%	221	409	-46%
Finance Cost	1,392	1,297	7%	1,198	16%	2,590	2,762	-6%
PBT	372	489	-24%	810	-54%	1,181	817	45%
Taxation	394	259	52%	287	37%	681	551	24%
ETR	106%	53%	-	35%	-	58%	67%	-
NPAT	-22	231	n.m	522	n.m	500	266	88%
EPS/-LPS	-0.09	0.96	-	2.18	-	2.08	1.11	-
DPS	1.00	1.00	0%	0.00	n.m.	1.00	1.00	0%

Source: PSX &amp; AKD Research

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## Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

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

## New Rating Definitions

Buy > 15% expected total return  
Neutral > 0% to < 15% expected total return  
Sell < 0% expected total return

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