



NCL: 3QFY26 Result Review — Earning surge on margins expansion



AKD Securities Limited

Nishat Chunia Ltd. (NCL) announced its 3QFY26 results, reporting a profit of PkR642mn (EPS: PkR2.7), up 33%YoY compared to PkR481mn (EPS: PkR2.0) in SPLY. Result came in higher than our expectation due to higher-than-anticipated sales and gross margins.

- Revenue declined by 7%YoY to PkR21.7bn in 3QFY26 compared to PkR23.4bn in SPLY, possibly due to decline in domestic spinning sales. However, exports growth is expected to partially offset the said decline.
- Gross margins improved to 13.0% vs. 10.5% in SPLY, mainly due to easing cotton prices and energy tariffs.
- Operating expenses increased by 11%YoY to PkR626mn, on the back of higher export volumes.
- Finance cost increased by 27%YoY to PkR1.2bn compared to PkR975mn in SPLY, as 31%YoY increase in avg. borrowings outweigh the impact of easing interest rates.
- Effective tax rate stood at 32% compared to 39%/106% in SPLY/2QFY26, as low-profitability in first-half triggered minimum turnover tax.
- 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	3QFY26	3QFY25	YoY	2QFY26	QoQ	9MFY26	9MFY25	YoY
Sales	21,749	23,427	-7%	20,306	7%	64,972	67,394	-4%
COGS	18,914	20,976	-10%	17,910	6%	57,140	60,419	-5%
Gross Profit	2,835	2,451	16%	2,397	18%	7,832	6,975	12%
Gross Margins	13.0%	10.5%	-	11.8%	-	12.1%	10.4%	-
Opex	626	562	11%	631	-1%	1,906	1,828	4%
Other Income	112	42	165%	112	0%	333	451	-26%
Finance Cost	1,241	975	27%	1,392	-11%	3,832	3,737	3%
PBT	938	788	19%	372	152%	2,119	1,604	32%
Taxation	296	307	-3%	394	-25%	977	858	14%
ETR	32%	39%	-	106%	-	46%	53%	-
NPAT	642	481	33%	-22	-3019%	1,142	747	53%
EPS	2.67	2.00	-	-0.09	-	4.76	3.11	-
DPS	0.00	0.00	n.m.	1.00	-100%	1.00	1.00	0%

Source: PSX & AKD Research

Usama Rauf

usama.rauf@akdsl.com

+92-21-111253111 EXT:634

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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.)

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Buy > 15% expected total return
Neutral > 0% to < 15% expected total return
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AKD Securities Limited
602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com