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NCL — FY26 Analyst Briefing Takeaways

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Nishat Chunian Limited (NCL) held its corporate briefing session today to discuss FY26 financial results and provide insights on the future outlook. Key takeaways from the call are as follows:

- To recall, NCL's NPAT for FY26 stands at PkR1.6bn (EPS: PkR6.7) compared to PkR789mn (EPS: PkR3.3) in SPLY, up 2x YoY, primarily due to gross margin accretion.
- Notably, gross margin expanded to 12.2% vs. 10.3% in SPLY, driven particularly by the spinning segment.
- Company recorded revenue of PkR86.8bn in FY26, up 2%YoY, mainly due to export demand from China. By segment, sales stood at PkR49.7bn in spinning (+2%YoY), PkR15.4bn in weaving (+13%YoY), and PkR21.5bn in home textiles (-6%YoY).
- The sales mix comprises 44% exports, and 56% local sales.
- Demand from China has begun to improve, with 4Q showing signs of recovery after last year's slowdown, as per management.
- The spinning, weaving, and dyeing & printing divisions have annual capacities of 92.9mn kgs of yarn, 366.3mn square metres of fabric, and 61.7mn metres of fabric, with FY26 utilization at 94%/72%/80%, respectively.
- NCL's power mix comprises coal, solar, and gas generation, with the coal-based power plant fulfilling the majority of the company's energy requirements. The company consumes around 300mn electricity units annually.
- According to management, current holding period for cotton inventory is close to 6 months, and the mix of imported and local cotton varies according to requirements.
- Management highlighted that India-EU FTA agreement poses a threat to home textile exports.
- Furthermore, company plans to undertake only BMR initiative with no major capex commitments in the near term.
- The company announced a dividend payout of PkR4/sh for FY26, compared to PkR2/sh in SPLY**,** with management indicating that payouts will rise further as profitability improves.
- Going forward, management expects gross margins of 13% in FY27.
- 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) reduced finance cost amid declining interest rates.

46.2	240.1
Price (PkR/sh)	Shares (mn)
11,086.3	40.1
Market Capitalization (PkRmn)	Market Capitalization (USDmn)
0.481	19.7
3M Avg Turnover (mn)	3M Avg DT Value(PkRmn)

Price Performance

46.2	32.6%	34.6
HIGH	1 Month	LOW
58.2	7.6%	32.0
HIGH	52 Week	LOW

Source: PSX & AKD Research

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Neutral > 0% to < 15% expected total return

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