VIS
Credit Rating Company Limited

RATING REPORT

NISHAT (CHUNIAN) LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	August 27, 2026		July 30, 2025	

Shareholding (5% or More)	Other Information
Shahzad Saleem – 36.56%	Incorporated in 1990
Zain Shahzad – 11.52%	Public Listed Company
	Chief Executive: Mr. Zain Shahzad
	External Auditor: Riaz Ahmad & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings incorporate the medium business risk profile of Pakistan's textile sector, characterized by economic cyclicality, intense competition, and exposure to fluctuations in domestic and international demand. The ratings also take into account NCL's established market position, vertically integrated operations, healthy capacity utilization, and presence in export markets through its own subsidiaries. The financial risk profile remains constrained by an elevated capitalization profile and weak debt coverage, with DSCR remaining below 1.0x. However, profitability has shown recovery during 9MFY26, supported by growth in weaving and home textile segments, resulting in higher margins.

Going forward, with BMR plans largely completed, no significant capex is expected, limiting any need for further long-term debt, supporting stability in capitalization indicators. Sustained profitability, improvement in debt service coverage, and gradual deleveraging of balance sheet will remain key considerations from a ratings perspective.

Company Profile

Nishat (Chunian) Limited ('NCL' or 'the Company') is a Public Listed Company (PSX: NCL) incorporated in Pakistan in 1990 as a small spinning unit. NCL is now the major players in the country's textile sector, involved in spinning, weaving, dyeing, printing, stitching, and processing of yarns, fabrics, and made-ups from raw cotton, synthetic fibers, and cloth. The processes are integrated, and a captive power plant ensures an uninterrupted power supply to all units.

In 2016, the Company ventured into the local retail sector by launching The Linen Company, offering premium home-textile and bedding products through eight retail outlets in four major cities. During the year Company has also entered the women apparel segment through its retail brand 'Loome' under the Linen Company.

NCL has three operational sites located across Kasur and Raiwind with a total workforce of over 7000 employees. The registered office of the Company is situated at Gulbery II, Lahore.

Management and Governance

CHAIRMAN/CEO PROFILE

Mr. Shahzad Saleem is the Chairman of the Company and previously served as the CEO. He has over 30 years of professional experience in the relevant industry. He holds an MBA degree from Lahore University of Management Sciences (LUMS)

Mr. Zain Shahzad is the son of Mr. Shahzad Saleem and serves as the Chief Executive Officer of NCL. He is an experienced business professional with over a decade of expertise in retail and e-commerce. As founder of The Linen Company, he has led the brand's international expansion across multiple markets. He holds an MBA from Kellogg School of Management and brings expertise in operations, finance, and marketing. He also serves as a Board Director at Saleem Memorial Hospital.

BOARD & SENIOR MANAGEMENT

Following the exchange of shares between Mr. Shahzad Saleem and Nishat Mills Limited (NML), NCL is now a family-owned company, with majority shareholding concentrated among key members of the sponsoring family. Accordingly, the Board of Directors also comprises representatives of the sponsoring family who are seasoned professionals with extensive industry experience. The Board consists of seven directors, including two independent directors, three non-executive directors, and two executive directors. The Board comprises four male and three female directors, providing diverse representation. The Board is supported by an Audit Committee and HR & Remuneration Committee.

The financial accounts of the Company are audited by 'Riaz Ahmad & Company Chartered Accountants' who appear in the category A of SBP list of Auditors. The auditor has issued an unqualified opinion on FY25 accounts.

Business Risk

INDUSTRY UPDATE

Pakistan's textile exports rose to USD 17.8bn in FY25, marking a 7.4% increase from FY24, with monthly peaks averaging around USD 1.6–1.7bn. FY26, while showing signs of stabilization, including a high of ~USD 1.74bn in January 2026, remain volatile, with recent months dipping to around USD 1.3bn. This uneven recovery reflects sensitivity to global demand, inventory adjustments in key markets, and pricing pressures. The challenges of 2025, particularly high energy costs, tight liquidity amid high interest rates, and currency volatility, forced widespread efficiency gains, including greater reliance on renewable energy, operational rationalization, and stricter working capital discipline, resulting in a leaner and more resilient industry structure. Structurally, the sector continues to shift toward higher value-added segments such as knitwear and garments, reducing reliance on low-margin yarn and grey cloth exports and improving margin profiles. At the same time, sustainability has become a key competitive factor, with increased investment in renewable energy, water recycling, and traceability systems to meet stringent international buyer requirements. However, constraints persist in the form of high interest rates, energy cost pressures, reliance on imported cotton, and freight volatility. Overall, the industry outlook remains cautiously optimistic, supported by gradual demand recovery and strategic repositioning toward value-added and compliant exports, though growth is expected to remain measured rather than linear.

Operational Performance

The Company's core business continues to comprise the production and sale of yarn, with the spinning segment operating at near-full capacity. During FY25 and 9MFY26, capacity utilization remained healthy across all major operating segments, reflecting stable production levels. The Company also continues to undertake routine BMR to maintain operational efficiency and capacity. Accordingly, significant capex of around PKR 5.1bn was incurred during 9MFY26 (FY25: PKR 995mn), primarily towards replacement of compressors and Autocoro machines in the spinning segment.

Capacity Utilization	FY23	FY24	FY25	9MFY26
Spinning				
Number of Spindles installed	223,428	223,428	223,162	215,988
Number of Spindles Worked	200,850	211,484	209,761	209,977
Number of Rotors installed	2,880	2,880	2,880	5,040
Number of Rotors Worked	2,566	2,839	2,799	4,964
Capacity after conversion into 20/1 count (Mn kgs)	81	84.5	91.7	65.6
Actual Production (million kgs)	79.9	83.3	90.3	64.6
Capacity Utilization	**99%**	**99%**	**99%**	**99%**
Weaving				
Number of Looms Installed	379	379	379	407
Number of Looms Worked	365	379	379	407
Capacity After conversion into 50 picks-Sq. Yards (millions)	345.6	345.6	345.6	345.6
Actual Production (millions sq. yards)	242.6	248.4	276.6	202.5
Capacity Utilization	**84%**	**85%**	**80%**	**84%**
Power Plant				
Number of Engines Installed	19	19	14	14
Number of Engines Worked	19	19	14	14
46 MW Coal Power Plant Installed	1	1	1	1
46 MW Coal Power Plant Worked	1	1	1	1
Solar Panel	1	1	1	1
Solar Panel	1	1	1	1
Generation Capacity (MWh)	739,993	741,367	618,620	459,418
Actual Generation (MWh)	167,522	327,531	326,415	217,041
Capacity Utilization	**23%**	**44%**	**53%**	**47%**
Dyeing				
Number of Thermosol Dyeing Machines	1	1	1	1
Number of Stentor Machines	5	5	5	5
Capacity (million meters)	43.2	43.2	43.2	32.4
Actual Processing of Fabrics (million meters)	26.2	34.4	37	32.4
Capacity Utilization	**61%**	**80%**	**86%**	**100%**
Printing				
Number of Printing Machines	1	1	1	1
Capacity (million meters)	10.8	10.8	10.8	8.1
Actual Processing (million meters)	6.3	9.8	9	6
Capacity Utilization	**58%**	**91%**	**83%**	**74%**
Digital Printing				
Number of Printing Machines	5	5	5	5
Capacity (million meters)	9.1	9.1	9.1	8.1
Actual Processing of Fabrics (million meters)	2.2	3.6	3.8	3.2
Capacity Utilization	**25%**	**40%**	**42%**	**40%**
Stitching unit with undeterminable capacity				

Subsidiaries:

To facilitate export sales, particularly in made-ups and home textile products, the Company has established a presence through its own subsidiaries. TLC Middle East Trading LLC, an e-commerce subsidiary, supports NCL's export sales through the Amazon e-commerce platform. In addition to its online operations, the subsidiary has inaugurated a new physical retail store in Sharjah, UAE, further strengthening its market presence.

Nishat Chunian USA Inc. has been established primarily to liaise with NCL's marketing department and provide access to market information and other related services for the Company's marketing activities in the USA, including the import and distribution of home textile products to local retailers in USA. The subsidiary further owns Sweave Inc., incorporated in New York, USA, which is engaged in the sale of home textile products to customers across several countries mainly US & UK, through e-commerce channels.

NCL also owns Nishat Chunian Properties (Pvt.) Limited, incorporated in 2022 with the principal business of marketing and developing real estate, including developed and undeveloped land, housing and commercial projects, markets, and multistoried buildings. However, as of June 2026, the Company has announced its decision to wind up the subsidiary, in a strategic move to focus on their core business of textiles.

PROFITABILITY

During FY25, the Company reported a topline of PKR 85.4bn (FY24: PKR 88.8bn), reflecting a modest decline of 3.9%, primarily due to shifting demand between local and export sales in the spinning segment, while weaving and home textile segments recorded moderate growth. The spinning segment was impacted by lower export sales amid intense regional competition and pricing pressure. Exports, which accounted for 37% of total sales (FY24: 43%), primarily comprised made-ups (FY25: 50%; FY24: 41%) and yarn (FY25: 26%; FY24: 41%). Export prices declined across product categories during FY25 amid heightened competitive pressures, exerting pressure on margins. Exports were primarily directed towards Asia, particularly China and Bangladesh, and Europe. Sales of made-ups and home textile products to international markets are largely facilitated through the Company's own subsidiaries.

Meanwhile, local sales which constitute the larger portion of total sales, remained concentrated in yarn, accounting for 74% of local sales (FY24: 75%), followed by grey cloth at 20% (FY24: 18%). Overall client concentration is considered moderate with top 10 customers' share remaining around 25-30% of total revenue.

Given the above events the gross margin lowered to 10.3% (FY24: 12.3%) during FY25. The bottom line, however, remained supported by other income, primarily comprising exchange gains and income on derivative instruments, which contributed 87% of net income (FY24: 125%). Moreover, finance cost declined by 38% amid lower interest rates. As a result, PBT margin improved to 2.2% (FY24: 1.4%). However, a higher effective tax rate kept net margin subdued at 0.9% (FY24: 0.8%).

Performance during 9MFY26 indicates a recovery, with topline reaching PKR 64.9bn albiet remaining lower by 3.4% from same period last year, while full-year FY26 sales are estimated at around PKR 88.9bn, supported by growth in weaving and home textile segments. Gross margin also recovered to 12.1% during 9MFY26, higher than last year due to better souricng strategy and higher margins across all segments. Consequently, net margin improved to 1.8%.

Financial Risk

CAPITAL STRUCTURE

As of FY25, the Company's total borrowings increased by 17% YoY to PKR 47.1bn (FY24: PKR 40.3bn), primarily due to higher utilization of short-term debt, including export refinancing and running finance facilities, amid slower inventory turnover and elevated working capital requirements. Accordingly, gearing and leverage increased moderately to 2.15x and 2.49x, respectively (FY24: 1.89x and 2.22x). Debt levels increased further during 9MFY26, primarily to fund higher capital expenditure related to BMR, resulting in gearing and leverage rising to 2.43x and 2.85x, respectively.

The capitalization profile has remained leveraged over the years, reflecting debt-funded BMR initiatives and limited growth in the equity base. Equity declined moderately over the years from PKR 24.5bn in FY22 to PKR 22.6bn as of 9MFY26, due to loss in FY22 and limited growth in retained earnings vis-a-vis dividend payouts. Going forward, with BMR largely completed, no significant capex is expected by the management, limiting any need for further long-term debt.

DEBT COVERAGE & LIQUIDITY

Company's liquidity profile is considered adequate with a current ratio of over 1.0x however, slowdown in inventory turnover during the period has extended cash conversion cycle back to around 170-190 days. Funds from operations (FFO) declined moderately to PKR 1.4bn in FY25 (FY24: PKR 1.6bn), primarily due to subdued profitability. Consequently, debt coverage remained weak, with DSCR below 1.0x at 0.91x (FY24: 0.88x). While annualized FFO showed recovery to PKR 3bn during 9MFY26 given better profitability, high debt levels kept debt coverage metrics constrained with DSCR just closely reaching 1.0x.

FINANCIAL SUMMARY *(amounts in PKR millions)* *Appendix I*

BALANCE SHEET	FY21 A	FY22 A	FY23 A	FY24 A	FY25 A	9MFY26 (M)
Fixed Assets	17,224	22,596	23,673	23,922	22,868	26,556
Long term Investments	1,887	510	510	510	510	510
Stock-in-Trade	18,214	21,177	23,554	24,525	30,715	35,233
Trade debts	6,782	7,741	11,410	11,142	12,587	14,271
Loans & Advances	3,270	1,869	4,070	3,965	4,356	2,808
Other receivables	1,753	1,522	3,590	2,296	2,441	3,690
Short term investments	157	59	80	151	454	461
Cash & bank balance	273	209	279	61	102	161
Total Assets	51,770	59,436	69,846	68,803	76,558	86,954
Long-term debt (inc. current portion)	9,269	15,835	14,745	13,338	10,896	12,998
Short-term debt	18,898	12,944	27,882	27,056	36,263	41,948
Total debt	28,167	28,779	42,626	40,394	47,158	54,946
Trade & Other payables	4,094	4,554	4,223	5,076	6,373	8,321
Total Liabilities	32,774	34,892	49,138	47,404	54,609	64,343
Paid-Up Capital	2,401	2,401	2,401	2,401	2,401	2,401
Reserves	16,595	22,142	18,307	18,999	19,548	20,209
Total Equity	18,996	24,543	20,708	21,400	21,949	22,611

INCOME STATEMENT	FY21 A	FY22 A	FY23 A	FY24 A	FY25 A	9MFY26 (M)
Net Sales	49,284	61,988	67,629	88,880	85,427	64,972
Gross Profit	8,969	12,974	6,589	10,909	8,833	7,832
Operating Profit	7,497	10,752	4,474	8,272	6,469	5,926
Finance Costs	(1,747)	(2,298)	(5,419)	(7,754)	(4,829)	(3,832)
Profit Before Tax	6,273	8,348	(87)	1,244	1,858	2,119
Profit After Tax	5,599	7,468	(999)	692	789	1,142

RATIO ANALYSIS	FY21 A	FY22 A	FY23 A	FY24 A	FY25 A	9MFY26 (M)
Gross Margin (%)	18.2%	20.9%	9.7%	12.3%	10.3%	12.1%
Operating Margin (%)	15.2%	17.3%	6.6%	9.3%	7.6%	9.1%
Net Margin (%)	11.4%	12.0%	-1.5%	0.8%	0.9%	1.8%
Funds from Operation (FFO)*	6,598	9,107	814	1,622	1,414	3,076
FFO to Total Debt* (x)	0.23	0.32	0.02	0.04	0.03	0.06
FFO to Long Term Debt* (x)	0.71	0.58	0.06	0.12	0.13	0.24
Gearing (x)	1.48	1.17	2.06	1.89	2.15	2.43
Leverage (x)	1.73	1.42	2.37	2.22	2.49	2.85
Debt Servicing Coverage Ratio* (x)	1.87	2.37	0.71	0.88	0.91	0.99
Current Ratio (x)	1.25	1.67	1.27	1.21	1.15	1.11
(Stock in trade + trade debts) / STD (x)	1.32	2.23	1.25	1.32	1.19	1.18
Return on Average Assets* (%)	10.8%	13.4%	-1.5%	1.0%	1.1%	1.9%
Return on Average Equity* (%)	29.5%	34.3%	-4.4%	3.3%	3.6%	6.8%
Cash Conversion Cycle (days)*	178	169	177	137	170	189

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES	**Appendix II**
Name of Rated Entity	Nishat Chunian Limited
Sector	Textile
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action
RATING TYPE: ENTITY				
27-08-2026	A-	A2	Stable	Reaffirmed
30-07-2025	A-	A2	Stable	Reaffirmed
05-07-2025	A-	A2	Stable	Reaffirmed
08-06-2023	A-	A2	Stable	Downgrade
02-06-2022	A	A2	Stable	Maintained
26-02-2021	A	A2	Positive	Initial

Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
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Due Diligence Meetings Conducted

S.No.	Name	Designation	Date
1.	Mr. Muhammad Umer Qureshi	Company Secretary	31-July-26
2.	Mr. Asad Khalid	Senior Manager Finance	
3.	Mr. Khawaja Omer Atif	Deputy Manager Finance	