

Earning Review

NML: 4QFY21 EPS at Rs6.48, up by 285% YoY, DPS Rs4.0

Event

- Nishat Mills Limited (NML PA) announced its 4QFY21 profitability which clocked in at Rs2,278mn (EPS Rs6.48), up by 285/22% YoY/QoQ. This takes FY21 profitability to Rs5.9bn (EPS Rs16.84) compared to Rs3.5bn (EPS Rs9.97) in FY20.
- The result was accompanied with a final cash dividend of Rs4.0/sh.

Impact

- Topline of the company rose by 84%/8% YoY/QoQ in 4Q given (1) low base effect due to COVID lockdown last year and (2) the accelerating economic recovery despite 6.2% YoY average Rs-US\$ appreciation.
- Gross margins increased by 4.4ppts to 16.2% attributable to (1) lower gas prices and (2) inventory gain given 39% YoY higher cotton prices during the quarter.
- Other Income (the mainstay of its profitability and primarily driven by dividend from its strategic investment in associate companies) increased by 34% YoY in 4Q due to cash dividend payout from PKGP and LPL.
- Admin and Distribution expenses inclined by 38% YoY given higher sales.
- Further respite to company's profitability came from lower financial charges which were down by 28% YoY given lower interest rate.
- During the quarter, effective tax rate was recorded at 12.8%.

Outlook

- We are positive on the scrip given (1) strong growth prospects in readymade garments segment and (2) company's investment in BMR to maintain market share in spinning, weaving and home textile segments.

Fig 1: Nishat Mills - 4QFY21 Financial Highlights

Rs (mn)	Q4FY21	Q4FY20	YoY	QoQ	FY21	FY20	YoY
Net sales	19,924	10,852	84%	8%	71,431	60,904	17%
COGS	16,699	9,575	74%	4%	62,113	53,628	16%
Gross profit	3,225	1,277	152%	39%	9,318	7,276	28%
Admin & Distribution cost	1,205	871	38%	4%	4,437	4,114	8%
Other expenses	59	(69)	na	-40%	332	213	56%
Profit from Operations	1,961	476	312%	86%	4,549	2,949	54%
Other income	923	690	34%	-41%	3,750	3,032	24%
Financial charges	274	383	-28%	-21%	1,229	1,502	-18%
PBT	2,611	783	233%	15%	7,071	4,479	58%
Tax	333	192	73%	-16%	1,148	973	18%
PAT	2,278	591	285%	22%	5,922	3,506	69%
EPS	6.48	1.68			16.84	9.97	
DPS	4.00	4.00			4.00	4.00	
Gross Margin	16.2%	11.8%			13.0%	11.9%	
Net Margin	11.4%	5.4%			8.3%	5.8%	
Effective tax rate	12.8%	24.5%			16.2%	21.7%	

Source: Company Accounts, PSX, Foundation Research, September 2021

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.