

Earning Review

NML: 1QFY22 EPS at Rs9.36, up by 248% YoY

Event

- Nishat Mills Limited (NML PA) announced its 1QFY22 profitability which clocked in at Rs3.3bn (EPS Rs9.36), up by 248/44% YoY/QoQ.

Impact

- Topline of the company rose by 53/22% YoY/QoQ to record Rs24.4bn in 1Q given accelerating textile exports of Pakistan (up 27% YoY) amid heightened global economic activity despite 1.6% YoY average Rs-US\$ appreciation.
- Gross margins increased by 8.0ppts to 19.5% attributable to inventory gain given 56% 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 47% YoY in 4Q due to cash dividend from MCB which did not declare dividend last year due to SBP restriction amid COVID.
- Admin and Distribution expenses inclined by 61% YoY given higher sales.
- Financial charges were down marginally by 3% YoY during 1Q.
- During the quarter, effective tax rate was recorded at 10.2%.

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 - Q1FY22 Financial Highlights

Rs (mn)	Q1FY22	Q1FY21	YoY	QoQ
Net sales	24,392	15,979	53%	22%
COGS	19,647	14,153	39%	18%
Gross profit	4,745	1,826	160%	47%
Admin & Distribution cost	1,595	990	61%	32%
Other expenses	192	79	144%	226%
Profit from Operations	2,958	757	291%	51%
Other income	993	674	47%	8%
Financial charges	289	299	-3%	5%
PBT	3,663	1,132	223%	40%
Tax	372	186	100%	12%
PAT	3,291	946	248%	44%
EPS	9.36	2.69		
Gross Margin	19.5%	11.4%		
Net Margin	13.5%	5.9%		
Effective tax rate	10.2%	16.4%		

Source: PSX, Foundation Research, October 2021

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Important disclosures:

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Recommendations definitions

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