

Earning Review

NML: 2QFY22 EPS at Rs6.58, up by 180% YoY

Event

- Nishat Mills Limited (NML PA) announced its 2QFY22 profitability which clocked in at Rs2.3bn (EPS Rs6.58), up/down by 180/30% YoY/QoQ. This cumulated into 1HFY22 profitability of Rs5.6bn (EPS Rs15.94), up 216% YoY.

Impact

- Topline of the company rose by 66/17% YoY/QoQ to record Rs28.5bn in 2Q given (1) accelerating textile exports of Pakistan (up 25% YoY) amid heightened global economic activity and (2) 7.9% YoY average Rs-US\$ appreciation in 2QFY22.
- Gross margins increased by 1.3ppt to 12.7% attributable to inventory gains given 66% 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 2.6x YoY in 2Q due to higher cash dividend from DGKC and MCB (which did not declare dividend in third quarter last year due to SBP restriction amid COVID).
- Admin and Distribution expenses inclined by 65% YoY given higher sales and elevated transportation costs to port.
- Financial charges were up by 57% YoY during 2Q given higher debt by 45% YoY amid elevated cotton procurement costs.
- During the quarter, effective tax rate was recorded at 15.9%.

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 - Q2FY22 Financial Highlights

Rs (mn)	Q2FY22	Q2FY21	YoY	QoQ	FY21	FY20	YoY
Net sales	28,500	17,157	66%	17%	52,892	33,136	60%
COGS	24,889	15,207	64%	27%	44,536	29,361	52%
Gross profit	3,611	1,949	85%	-24%	8,356	3,775	121%
Admin & Distribution cost	1,784	1,079	65%	12%	3,379	2,069	63%
Other expenses	139	96	45%	-27%	331	175	90%
Profit from Operations	1,687	774	118%	-43%	4,646	1,531	203%
Other income	1,551	596	160%	56%	2,544	1,270	100%
Financial charges	488	310	57%	69%	777	609	27%
PBT	2,751	1,060	159%	-25%	6,413	2,193	193%
Tax	436	233	87%	17%	808	419	93%
PAT	2,315	827	180%	-30%	5,605	1,774	216%
EPS	6.58	2.35			15.94	5.04	
Gross Margin	12.7%	11.4%			15.8%	11.4%	
Net Margin	8.1%	4.8%			10.6%	5.4%	
Effective tax rate	15.9%	22.0%			12.6%	19.1%	

Source: PSX, Foundation Research, February 2022

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Recommendations definitions

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