

Earning Review

NML: 3QFY22 EPS at Rs9.81, up by 84% YoY

Event

- Nishat Mills Limited (NML PA) announced its 3QFY22 profitability which clocked in at Rs3.4bn (EPS Rs9.81), up by 84/49% YoY/QoQ. This cumulated into 9MFY22 profitability of Rs9.1bn (EPS Rs25.75), up 148% YoY.

Impact

- Topline of the company rose by 71/10% YoY/QoQ to record Rs31.4bn in 3Q given (1) accelerating textile exports of Pakistan (up 25% YoY) amid heightened global economic activity and (2) 11% YoY average Rs-US\$ appreciation in 3QFY22.
- Gross margins increased by 4.4ppt to 17.0% attributable to inventory gains given 72% YoY higher cotton prices during the quarter.
- Other Income (primarily driven by dividend from its strategic investment in associate companies) declined by 7% YoY in 3Q amid lower dividend income from MCB which paid a bumper dividend in 4QCY20 due to Gov't restrictions on dividend payments during COVID.
- Admin and Distribution expenses inclined by 73% YoY given higher sales and elevated transportation costs to port.
- Financial charges were up by 98% YoY during 3Q given (1) higher interest rates and (2) higher debt by 66% YoY amid elevated cotton procurement costs.
- During the quarter, effective tax rate was recorded at 11.3%.

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 - Q3FY22 Financial Highlights

Rs (mn)	Q3FY22	Q3FY21	YoY	QoQ	9MFY22	9MFY21	YoY
Net sales	31,361	18,372	71%	10%	84,253	51,507	64%
COGS	26,020	16,054	62%	5%	70,557	45,415	55%
Gross profit	5,340	2,318	130%	48%	13,696	6,093	125%
Admin & Distribution cost	2,011	1,162	73%	13%	5,390	3,232	67%
Other expenses	201	98	104%	44%	532	273	95%
Profit from Operations	3,129	1,057	196%	85%	7,775	2,588	200%
Other income	1,445	1,557	-7%	-7%	3,989	2,827	41%
Financial charges	685	346	98%	40%	1,462	955	53%
PBT	3,889	2,267	72%	41%	10,302	4,460	131%
Tax	440	396	11%	1%	1,248	815	53%
PAT	3,449	1,871	84%	49%	9,054	3,645	148%
EPS	9.81	5.32			25.75	10.37	
Gross Margin	17.0%	12.6%			16.3%	11.8%	
Net Margin	11.0%	10.2%			10.7%	7.1%	
Effective tax rate	11.3%	17.5%			12.1%	18.3%	

Source: PSX, Foundation Research, April 2022

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Recommendations definitions

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