

Foundation Alert

NCL: FY22 Analyst Briefing Takeaways

Event

- Nishat Chunian Limited (NCL PA) held its Analyst Briefing on Friday to discuss FY22 operational and financial results.

Impact

- NCL underwent restructuring during FY22 pursuant to which Nishat Chunian Power Limited (NCPL) ceased to be a subsidiary of NCL. Company also established Nishat Chunian Properties (Private) Limited and T L C Middle East Trading L.L.C as subsidiaries for real estate development and undertaking retail business in the UAE respectively.
- Company's profitability increased by 33% YoY during FY22 on the back of 26% YoY higher sales.
- Spinning revenue was 60% of total revenue. Whereas, weaving and home textile were 12% and 28% of revenue respectively.
- Yarn sales depicted 35% YoY growth in FY22 to Rs37.2bn. Looking deeper, local and export yarn sales increased by 53% and 5% YoY to Rs26.3bn and Rs10.9bn respectively. Capacity utilization of this segment is 98.61%.
- Weaving sales increased by 66% YoY to Rs7.5bn in FY22. Export sales increased by 20.9% YoY in FY22 compared to 30% in FY21. The capacity utilization rate is 74%.
- Home textiles segment remained nearly static with 0.7% growth in sales to Rs17.1bn with exports constituting 91%. Capacity utilization of home textiles segment is 79%.
- Gross margin increased to 20.9% in FY22 versus 18.2% in FY21 and net margins rose to 12.0% in FY22 vs 11.4% in FY21.
- Management stated that company has established a new auto-coro unit and RX300 ring frames and auto-cone machines in spinning segment.
- In the weaving segment, company has installed sectional warping machines and replaced 59 looms with new picanol looms.
- Company is installing solar power plant of 1.6MW for home textile segment. Company is also working on switching to biomass fuels from conventional fossil fuel for steam production.
- In the retail segment, NCL plans to further expand number of retail outlets and B2B model for wider marketability. Company is also establishing online stores in Middle East, Europe and USA.

Outlook

- Company is not in our formal coverage.

Table 1: NCL FY22 - Earnings Review (Rs mn)

	FY22	FY21	YoY
Net Sales	61,988	49,284	26%
COGS	49,014	40,315	22%
Gross Profit	12,974	8,969	45%
Administrative And General Expenses	517	312	66%
Selling and Marketing Expenses	1,705	1,161	47%
Other Income	838	864	-3%
Other operating expense	945	340	177%
EBIT	10,646	8,020	33%
Finance Cost	2,298	1,747	32%
PBT	8,348	6,273	33%
Tax	880	674	30%
Net Profit	7,468	5,599	33%
EPS	31.10	23.32	
Gross Margins	20.9%	18.2%	
Net Margins	12.0%	11.4%	

Source: Company Accounts, Foundation Research, Nov 2022

Fig 1: Sales breakdown by segment

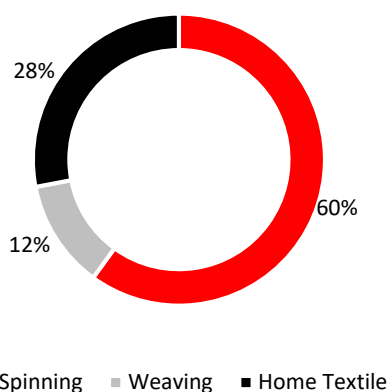
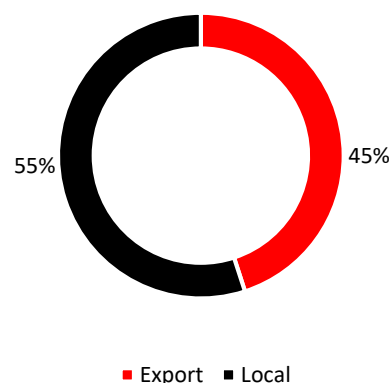


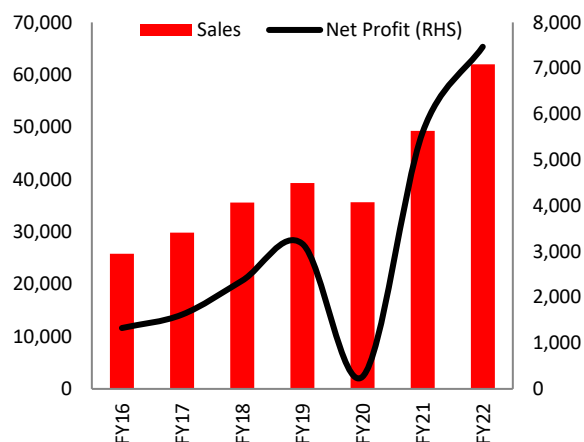
Fig 2: Sales breakdown by market



Source: Company acc, FSL Research, Nov 2022

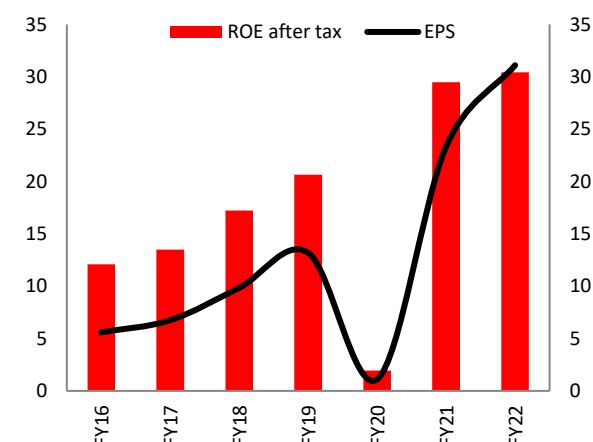
Source: Company acc, FSL Research, Nov 2022

Fig 3: Sales and net profit (Rs bn)



Source: Company acc, FSL Research, Nov 2022

Fig 4: Profitability maintained upward trajectory



Source: Company acc, FSL Research, Nov 2022

Table 2: NCL Key financial and operational ratios (Unconsolidated)

Rs mn		FY16	FY17	FY18	FY19	FY20	FY21	FY22
Sales		25,799	29,816	35,560	39,338	35,667	49,284	61,988
Gross Profit		2,456	2,900	4,271	4,888	4,204	8,969	12,974
PBT		2,643	2,873	4,143	5,846	3,370	8,020	10,646
Net Profit (RHS)		1,329	1,621	2,363	3,168	265	5,599	7,468
Share capital		2,401	2,401	2,401	2,401	2,401	2,401	2,401
Share holders equity		10,987	12,008	13,710	15,338	13,637	18,996	24,543
Fixed assets - net		12,909	15,915	14,585	14,464	18,593	19,268	23,234
Total assets		28,884	34,623	39,394	43,508	47,751	51,770	59,436
RATIOS:								
PROFITABILITY								
GP Margin	%	9.5	9.7	12.0	12.4	11.8	18.2	20.9
PBT Margin	%	10.2	9.6	11.7	14.9	9.4	16.3	17.2
NP Margin	%	5.2	5.4	6.6	8.1	0.7	11.4	12.0
RETURN TO SHAREHOLDERS								
ROE before tax	%	24.1	23.9	30.2	38.1	24.7	42.2	43.4
ROE after tax	%	12.1	13.5	17.2	20.7	1.9	29.5	30.4
EPS	Rs	5.6	6.8	9.8	13.2	1.1	23.3	31.1
Dividend	%	2.5	2.8	4.0	4.0	1.0	5.0	7.0
Sales to fixed assets		2.0	1.9	2.4	2.7	1.9	2.6	2.7
Sales to total assets		0.9	0.9	0.9	0.9	0.7	1.0	1.0
LEVERAGE/VALUATION								
Debt-to-Equity ratio			1.7	1.7	1.6	2.1	1.5	1.2
Book Value per Share		45.8	50.0	57.1	63.9	56.8	79.1	102.2

Source: Company accounts, Foundation Research, November 2022

About the company

Nishat (Chunian) Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange. Its registered office is situated at 31-Q, Gulberg II, Lahore. The Company is engaged in business of spinning, weaving, dyeing, printing, stitching, processing, doubling, sizing, buying, selling and otherwise dealing in yarn, fabrics and made-ups made from raw cotton, synthetic fibre and cloth and to generate, accumulate, distribute, supply and sell electricity and steam. The company is located in Lahore and nearby areas.

Subsidiaries:

- Nishat Chunian Properties (Private) Limited
- Nishat Chunian USA Inc
- Sweave Inc
- T L C Middle East Trading L.L.C

Auditors: Riaz Ahmad & Company

NCL Capacity

Spinning	80.0 mn kgs
Dyeing	54.6 mn mtrs
Weaving	345.6 mn sq yds
Printing	10.8 mn mts
Digital Printing	9.1 mn mts

Source: Company Report, Foundation Research, Nov 2022

Key Personnel

Board of Directors	Mr. Farrukh Ifzal	Chairman
	Mr. Shahzad Saleem	Chief Executive
	Mr. Zain Shahzad	Director
	Mr. Aftab Ahmad Khan	Director
	Mrs. Nadia Bilal	Director
	Mr. Faisal Farid	Director - Independent
	Mr. Muhammad Zahid Khan	Director - Independent
Management	Mr. Shahzad Saleem	Chief Executive Officer
	Mr. Mustaqeem Talish	Chief Financial Officer
	Ms. Samina Aslam	Company Secretary

Source: Company Report, Foundation Research, Nov 2022

Analyst

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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.