Nishat Mills Limited (NML) – 1QFY26

Thursday, October 30, 2025

NML reported earnings of PKR 772mn (EPS: PKR 2.20) for 1QFY26, broadly in line with our expectation of PKR 2.08. The company's profitability declined 18% y/y, primarily due to lower other income and higher taxation, despite stable operating performance.

Key Highlights:

- Revenue grew 4% y/y to PKR 45.0bn, driven by steady performance across core textile divisions.
- Gross profit improved 4% y/y to PKR 4.96bn, with gross margins stable around 11%, reflecting efficient cost management despite higher energy costs.
- Distribution expenses rose 3% y/y to PKR 2.18bn, amid elevated freight and export-related costs.
- Administrative expenses increased 11% y/y to PKR 784mn, in line with inflationary pressures.
- Finance cost declined 36% y/y to PKR 1.73bn, likely due to improved cash flow management and lower short-term borrowing.
- Other income dropped 35% y/y to PKR 1.54bn, mainly on reduced dividend and investment income.
- The company recorded effective taxation of 38%, compared to 24% in SPLY, weighing on the bottom line.

Looking ahead, NML's performance is expected to remain steady yet constrained by external cost pressures and volatile export demand. While topline growth appears resilient, margin recovery will depend on managing elevated distribution and administrative expenses. The decline in other income highlights reduced dividend in-flows, suggesting that core operational profitability will need to drive earnings growth in coming quarters. With a gradual easing in borrowing costs and potential improvement in operational expenses, the company could see modest margin support.

Financials (PKR in mn)	1QFY26	1QFY25	Y/Y
Revenue	45,013	43,445	4%
Cost of Sales	(40,057)	(38,691)	4%
Gross Profit	**4,956**	**4,754**	**4%**
Distribution Cost	(2,179)	(2,109)	3%
Administrative Expenses	(784)	(706)	11%
Other Expenses	(5)	(0.8)	453%
Other Income	1,538	2,366	-35%
Finance Cost	(1,729)	(2,709)	-36%
Profit Before Tax	**1,243**	**1,247**	**0%**
Taxation	(470)	(303)	55%
Profit After Tax	**772**	**944**	**-18%**
EPS (PKR)	**2.20**	**2.68**	

Source: Company Financials, HMFS Research

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