

SBP mark-up rate facility; positive for NML and NCL

SBP has announced details regarding the payments under 2.5% mark-up rate facility on the outstanding loans of the textile industry under its Export Finance Scheme (EFS) and the 5% mark-up rate support against long term loans availed from Banks/DFIs not covered under the LTFF scheme. The amount of support shall be paid by Banks/DFIs on six monthly basis in March and September each year, with payment for the first period (Sept-Feb) expected to be paid by April 23, 2010.

As per our estimates, Nishat Mills Limited (NML) and Nishat Chunian Limited (NCL) are likely to earn after tax interest savings of Rs0.18 per share and Rs0.54 per share for the current period (Sep 2009-Feb 2010) respectively. Therefore, we have revised our FY10 earnings estimates for NML to Rs5.72 per share (Rs5.54/share previously) and NCL to Rs2.01 per share (Rs1.47/share earlier). Moreover, the amount of the mark-up rate facility/support payable for the period (Mar 2010-Aug 2010) shall be announced separately on receipt of budgetary allocations from the GoP. Hence, any positive news regarding the next round of payments can have an incremental positive earnings impact on the scrips.

We reiterate our 'Buy' call on NML, while we have an 'Accumulate' stance on NCL.

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