

NCL has announced its 1HFY21 result where it posted profit after tax of Rs1.8bn (EPS: Rs7.36) as compared to profit after tax of Rs522mn (EPS: Rs2.17) in same period last year, up by 238.6% YoY.

The company has posted the revenue of Rs25.2bn against Rs20bn in SPLY, recording a growth of 25.9% YoY. We note that this growth is attributed to the revival of exports amid ease in international lockdowns.

Gross margin has been increased to 13.8% as compared to 12.7% in SPLY on account of lower input cost. SG&A expenses have increased by 19.2% YoY to Rs762mn as compared to Rs640mn during SPLY. Other Income has been increased by 151% YoY to Rs551mn as compared to Rs220mn during SPLY on account of higher exchange gains.

Finance cost has been decreased by 11.1% YoY to Rs1.1bn as compared to Rs1.3bn in SPLY. Lastly, lower effective taxation of 14.2% as compared to 32.8% during SPLY contributed to the upsurge of the bottom line.

NCL is currently trading at FY21E PE of 3.48x. Furthermore, it is also trading at a FY21E PB of 0.74x which offers a discount of 27% relative to its 5-year average of 1.01x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 63 which provides an upside potential of 21%.

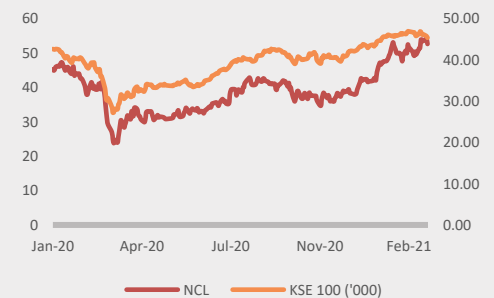
Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	13,275	10,479	26.7% ▲	25,215	20,028	25.9% ▲
Cost of Sales	11,062	9,129	21.2% ▲	21,726	17,482	24.3% ▲
Gross Profit	2,214	1,350	64.0% ▲	3,489	2,546	37.1% ▲
SG&A Expenses	412	335	23.0% ▲	762	640	19.2% ▲
Other Expenses	41	5	750.2% ▲	83	72	15.5% ▲
Other Income	345	131	163.2% ▲	551	220	151.1% ▲
Operating Profit	2,106	1,142	84.5% ▲	3,195	2,053	55.6% ▲
Finance Cost	676	658	2.7% ▲	1,135	1,277	11.1% ▼
Profit Before Taxation	1,430	484	195.7% ▲	2,060	777	165.3% ▲
Taxation	142	135	5.6% ▲	292	254	14.8% ▲
Profit After Taxation	1,288	349	269.0% ▲	1,768	522	238.6% ▲
Earnings Per Share	5.36	1.45	269.0% ▲	7.36	2.17	238.6% ▲
Dividend	0.00	0.00		1.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	16.7%	12.9%	3.8% ▲	13.8%	12.7%	1.1% ▲
SG&A Expenses to Sales	3.1%	3.2%	0.1% ▼	3.0%	3.2%	0.2% ▼
Other Expenses to Sales	0.3%	0.0%	0.3% ▲	0.3%	0.4%	0.0% ▼
Other Income to Sales	2.6%	1.3%	1.3% ▲	2.2%	1.1%	1.1% ▲
Effective Taxation	10.0%	27.9%	17.9% ▼	14.2%	32.8%	18.6% ▼
Net Margin	9.7%	3.3%	6.4% ▲	7.0%	2.6%	4.4% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	NCL
TP - Dec 21	63.00
LDCP	52.00
Upside / (Downside)	21%
Free Float (mn)	108
Market Cap. (Rs.mn)	12,486

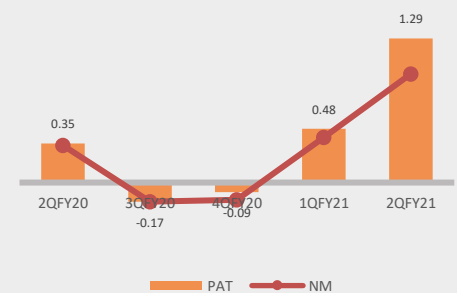
NCL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117

Email: fawad@abbasiandcompany.com

Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	23,780	25,799	29,816	35,560	39,338	35,667	51,552	58,001	64,505
Cost of sales	- 21,824	- 23,344	- 26,916	- 31,289	- 34,450	- 31,462	- 44,744	- 50,328	- 55,927
Gross profit	1,957	2,456	2,900	4,271	4,888	4,204	6,807	7,673	8,577
Distribution cost	- 680	- 738	- 714	- 908	- 944	- 869	- 1,196	- 1,339	- 1,468
Administrative expenses	- 179	- 169	- 235	- 222	- 278	- 324	- 336	- 378	- 420
Other operating expenses	- 81	- 96	- 200	- 129	- 274	- 95	- 170	- 191	- 213
Profit from operations	1,017	1,452	1,751	3,012	3,392	2,916	5,105	5,764	6,476
Other income	1,481	1,191	1,122	1,132	2,454	454	1,219	1,452	1,546
Finance cost	- 1,354	- 1,030	- 1,095	- 1,383	- 2,178	- 2,661	- 2,143	- 2,058	- 1,998
Profit before income tax	1,143	1,613	1,779	2,760	3,668	709	4,181	5,158	6,024
Income tax expense	- 343	- 284	- 157	- 397	- 501	- 444	- 593	- 731	- 854
Profit for the year	800	1,329	1,621	2,363	3,168	265	3,588	4,427	5,170
EPS	3.33	5.53	6.75	9.84	13.19	1.11	14.94	18.44	21.53
EBITDA	1,776	2,240	2,575	4,015	4,319	3,828	6,535	7,218	7,952

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	4.30%	8.49%	15.57%	19.27%	10.62%	-9.33%	44.54%	12.51%	11.21%
Cost of sales	1.89%	6.96%	15.30%	16.25%	10.10%	-8.67%	42.22%	12.48%	11.13%
Gross profit	41.73%	25.49%	18.09%	47.30%	14.43%	-13.98%	61.91%	12.71%	11.79%
Distribution cost	2.15%	8.58%	-3.34%	27.31%	3.92%	-7.94%	37.67%	11.92%	9.62%
Administrative expenses	15.72%	-5.65%	39.33%	-5.61%	25.14%	16.58%	3.68%	12.44%	11.17%
Other operating expenses	11.54%	18.88%	107.25%	-35.40%	112.11%	-65.30%	79.01%	12.51%	11.21%
Profit from operations	108.51%	42.80%	20.60%	72.00%	12.62%	-14.02%	75.06%	12.92%	12.35%
Other income	-18.44%	-19.57%	-5.74%	0.84%	116.85%	-81.50%	168.56%	19.05%	6.50%
Finance cost	-1.56%	-23.95%	6.32%	26.37%	57.41%	22.19%	-19.47%	-3.97%	-2.92%
Profit before income tax	23.26%	41.08%	10.27%	55.18%	32.91%	-80.67%	489.56%	23.36%	16.80%
Income tax expense	106.21%	-17.12%	-44.65%	152.37%	26.13%	-11.37%	33.59%	23.36%	16.80%
Profit for the year	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	1252.18%	23.36%	16.80%
EPS	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	1252.18%	23.36%	16.80%
EBITDA	61.30%	26.14%	14.97%	55.91%	7.57%	-11.36%	70.69%	10.46%	10.17%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	8.23	9.52	9.73	12.01	12.42	11.79	13.21	13.23	13.30
NP Margin	%	3.37	5.15	5.44	6.65	8.05	0.74	6.96	7.63	8.02
OP Margin	%	4.28	5.63	5.87	8.47	8.62	8.18	9.90	9.94	10.04
ROE	%	8.03	12.09	13.50	17.24	20.65	1.95	21.35	21.39	20.47
ROCE	%	7.90	11.11	10.74	16.31	17.85	14.79	26.06	25.59	24.37
ROA	%	2.97	4.60	4.68	6.00	7.28	0.56	8.01	9.22	9.86
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.05	1.01	1.02	1.19	1.18	1.04	1.04	1.14	1.29
Quick	x	0.52	0.46	0.43	0.56	0.41	0.25	0.27	0.28	0.35
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	3.35	3.63	3.47	3.28	2.63	1.76	2.45	2.86	2.84
Inventory Days		109.01	100.67	105.15	111.39	138.63	207.13	149.15	127.74	128.47
Receivables Days		96.53	102.91	95.13	119.55	92.87	71.56	64.29	62.47	61.01
Payables Days		21.39	30.84	20.36	26.11	30.12	51.69	51.69	51.69	51.69
Operating Cycle		184.15	172.74	179.92	204.83	201.38	227.00	161.74	138.52	137.79
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		1.50	2.50	2.75	4.00	4.00	1.00	1.75	2.25	2.50
Div. Yield	%	2.88	4.81	5.29	7.69	7.69	1.92	3.37	4.33	4.81
Dividend Cover	x	2.22	2.21	2.46	2.46	3.30	1.11	8.54	8.19	8.61
Retention	%	55.00	54.82	59.27	59.35	69.68	9.52	88.29	87.80	88.39
Payout	%	45.00	45.18	40.73	40.65	30.32	90.48	11.71	12.20	11.61
No. of Shares	('m)	240.12	240.12	240.12	240.12	240.12	240.12	240.12	240.12	240.12
EPS		3.33	5.53	6.75	9.84	13.19	1.11	14.94	18.44	21.53
BVPS		41.52	45.76	50.01	57.10	63.88	56.79	69.99	86.17	105.21
P/E	x	15.60	9.40	7.70	5.28	3.94	47.05	3.48	2.82	2.42
Sales per share		99.04	107.44	124.17	148.09	163.83	148.54	214.69	241.55	268.64
P/BV	x	1.25	1.14	1.04	0.91	0.81	0.92	0.74	0.60	0.49
P/S	x	0.53	0.48	0.42	0.35	0.32	0.35	0.24	0.22	0.19
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Total Debt to Equity	x	1.56	1.44	1.74	1.69	1.62	2.13	1.27	0.96	0.75
L.T Debt to Equity	x	0.47	0.33	0.47	0.45	0.31	0.48	0.27	0.14	0.08
Total Debt to Assets	x	0.58	0.55	0.60	0.59	0.57	0.61	0.48	0.41	0.36
L.T Debt to Assets	x	0.18	0.13	0.16	0.16	0.11	0.14	0.10	0.06	0.04
Interest Cover	x	0.75	1.41	1.60	2.18	1.56	1.10	2.38	2.80	3.24

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com