

NCL has announced its 1QFY21 result where it posted profit after tax of Rs480mn (EPS: Rs2) as compared to profit after tax of Rs173mn (EPS: Rs0.72) in same period last year, up by 177% YoY.

The company has posted the revenue of Rs11.9bn against Rs9.5bn in SPLY, recording a growth of 25% YoY. We note that this growth is attributed to the revival of exports amid ease in international lockdowns.

Gross margin has been squeezed to 10.7% as compared to 12.5% in SPLY on account of higher input cost. SG&A expenses have increased by 15% YoY to Rs351mn as compared to Rs305mn during SPLY.

Other Income has significantly been increased by 133% YoY to Rs206mn as compared to Rs89mn during SPLY on account of higher exchange gains.

Finance cost has been decreased by 25.8% YoY to Rs459mn as compared to Rs619mn in SPLY on account of lower working capital requirement.

Lastly, lower effective taxation of 23.8% as compared to 40.9% during SPLY contributed to the upsurge of the bottom line.

NCL is currently trading at FY21E PE of 4.42x. Furthermore, it is also trading at a FY21E PB of 0.58x which offers a discount of 19% relative to its 5-year average of 0.72x. We have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs48 which provides an upside potential of 30%.

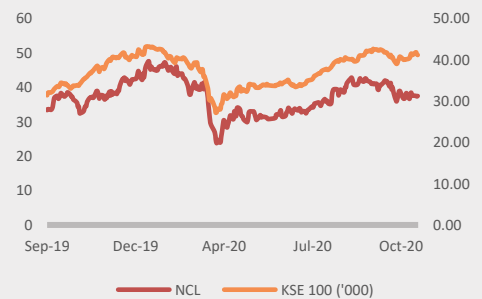
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	11,940	9,549	25.0% ▲	35,667	39,338	9.3% ▼
Cost of Sales	10,664	8,353	27.7% ▲	31,462	34,450	8.7% ▼
Gross Profit	1,276	1,196	6.7% ▲	4,204	4,888	14.0% ▼
SG&A Expenses	351	305	15.0% ▲	1,193	1,222	2.4% ▼
Other Expenses	42	67	37.7% ▼	95	274	65.3% ▼
Other Income	206	89	133.1% ▲	454	2,454	81.5% ▼
Operating Profit	1,089	912	19.4% ▲	3,370	5,846	42.4% ▼
Finance Cost	459	619	25.8% ▼	2,661	2,178	22.2% ▲
Profit Before Taxation	630	293	115.1% ▲	709	3,668	80.7% ▼
Taxation	150	120	25.2% ▲	444	501	11.4% ▼
Profit After Taxation	480	173	177.2% ▲	265	3,168	91.6% ▼
Earnings Per Share	2.00	0.72	177.2% ▲	1.11	13.19	91.6% ▼
Dividend	0.00	0.00		1.00	4.00	
Bonus	0%	0%		0%	0%	
Gross Margin	10.7%	12.5%	1.8% ▼	11.8%	12.4%	0.6% ▼
SG&A Expenses to Sales	2.9%	3.2%	0.3% ▼	3.3%	3.1%	0.2% ▲
Other Expenses to Sales	0.4%	0.7%	0.4% ▼	0.3%	0.7%	0.4% ▼
Other Income to Sales	1.7%	0.9%	0.8% ▲	1.3%	6.2%	5.0% ▼
Effective Taxation	23.8%	40.9%	17.1% ▼	62.6%	13.7%	48.9% ▲
Net Margin	4.0%	1.8%	2.2% ▲	0.7%	8.1%	7.3% ▼

Source: ACPL Research, Company Financials

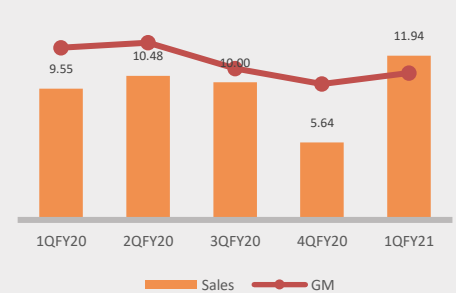
Key Statistics

Symbol	NCL
TP - Jun 21	48.00
LDCP	37.00
Upside / (Downside)	30%
Free Float (mn)	108
Market Cap. (Rs.mn)	8,884

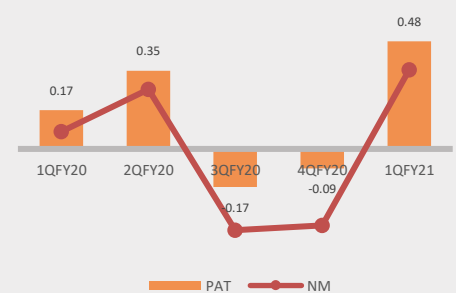
NCL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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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	57,987	64,911	71,760
Cost of sales	- 21,824	- 23,344	- 26,916	- 31,289	- 34,450	- 31,462	- 51,476	- 57,607	- 63,628
Gross profit	1,957	2,456	2,900	4,271	4,888	4,204	6,511	7,304	8,131
Distribution cost	- 680	- 738	- 714	- 908	- 944	- 869	- 1,464	- 1,632	- 1,779
Administrative expenses	- 179	- 169	- 235	- 222	- 278	- 324	- 378	- 423	- 467
Other operating expenses	- 81	- 96	- 200	- 129	- 274	- 95	- 289	- 324	- 358
Profit from operations	1,017	1,452	1,751	3,012	3,392	2,916	4,380	4,925	5,527
Other income	1,481	1,191	1,122	1,132	2,454	454	1,221	1,453	1,548
Finance cost	- 1,354	- 1,030	- 1,095	- 1,383	- 2,178	- 2,661	- 2,767	- 2,680	- 2,619
Profit before income tax	1,143	1,613	1,779	2,760	3,668	709	2,833	3,698	4,456
Income tax expense	- 343	- 284	- 157	- 397	- 501	- 444	- 822	- 1,072	- 1,292
Profit for the year	800	1,329	1,621	2,363	3,168	265	2,012	2,626	3,164
EPS	3.33	5.53	6.75	9.84	13.19	1.11	8.38	10.94	13.18
EBITDA	1,776	2,240	2,575	4,015	4,319	3,828	5,810	6,379	7,003

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%	62.58%	11.94%	10.55%
Cost of sales	1.89%	6.96%	15.30%	16.25%	10.10%	-8.67%	63.61%	11.91%	10.45%
Gross profit	41.73%	25.49%	18.09%	47.30%	14.43%	-13.98%	54.86%	12.18%	11.33%
Distribution cost	2.15%	8.58%	-3.34%	27.31%	3.92%	-7.94%	68.48%	11.46%	9.00%
Administrative expenses	15.72%	-5.65%	39.33%	-5.61%	25.14%	16.58%	16.51%	11.89%	10.52%
Other operating expenses	11.54%	18.88%	107.25%	-35.40%	112.11%	-65.30%	204.48%	11.94%	10.55%
Profit from operations	108.51%	42.80%	20.60%	72.00%	12.62%	-14.02%	50.19%	12.46%	12.22%
Other income	-18.44%	-19.57%	-5.74%	0.84%	116.85%	-81.50%	168.90%	19.03%	6.50%
Finance cost	-1.56%	-23.95%	6.32%	26.37%	57.41%	22.19%	4.00%	-3.15%	-2.28%
Profit before income tax	23.26%	41.08%	10.27%	55.18%	32.91%	-80.67%	299.48%	30.54%	20.49%
Income tax expense	106.21%	-17.12%	-44.65%	152.37%	26.13%	-11.37%	85.12%	30.54%	20.49%
Profit for the year	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	658.01%	30.54%	20.49%
EPS	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	658.01%	30.54%	20.49%
EBITDA	61.30%	26.14%	14.97%	55.91%	7.57%	-11.36%	51.75%	9.81%	9.78%

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	11.23	11.25	11.33
NP Margin	%	3.37	5.15	5.44	6.65	8.05	0.74	3.47	4.05	4.41
OP Margin	%	4.28	5.63	5.87	8.47	8.62	8.18	7.55	7.59	7.70
ROE	%	8.03	12.09	13.50	17.24	20.65	1.95	13.21	15.17	15.92
ROCE	%	7.90	11.11	10.74	16.31	17.85	14.79	24.31	25.72	26.08
ROA	%	2.97	4.60	4.68	6.00	7.28	0.56	4.04	5.12	5.88
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	0.98	1.01	1.07
Quick	x	0.52	0.46	0.43	0.56	0.41	0.25	0.28	0.23	0.21
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	2.64	2.85	2.83
Inventory Days		109.01	100.67	105.15	111.39	138.63	207.13	138.49	128.05	128.84
Receivables Days		96.53	102.91	95.13	119.55	92.87	71.56	62.48	60.93	59.69
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	149.27	137.28	136.84
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	%	4.05	6.76	7.43	10.81	10.81	2.70	4.73	6.08	6.76
Dividend Cover	x	2.22	2.21	2.46	2.46	3.30	1.11	4.79	4.86	5.27
Retention	%	55.00	54.82	59.27	59.35	69.68	9.52	79.11	79.42	81.03
Payout	%	45.00	45.18	40.73	40.65	30.32	90.48	20.89	20.58	18.97
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	8.38	10.94	13.18
BVPS		41.52	45.76	50.01	57.10	63.88	56.79	63.42	72.11	82.78
P/E	x	11.10	6.69	5.48	3.76	2.80	33.48	4.42	3.38	2.81
Sales per share		99.04	107.44	124.17	148.09	163.83	148.54	241.49	270.33	298.85
P/BV	x	0.89	0.81	0.74	0.65	0.58	0.65	0.58	0.51	0.45
P/S	x	0.37	0.34	0.30	0.25	0.23	0.25	0.15	0.14	0.12
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	1.77	1.48	1.24
L.T Debt to Equity	x	0.47	0.33	0.47	0.45	0.31	0.48	0.29	0.17	0.10
Total Debt to Assets	x	0.58	0.55	0.60	0.59	0.57	0.61	0.54	0.50	0.46
L.T Debt to Assets	x	0.18	0.13	0.16	0.16	0.11	0.14	0.09	0.06	0.04
Interest Cover	x	0.75	1.41	1.60	2.18	1.56	1.10	1.58	1.84	2.11

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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