

NCL has announced its annual result where it posted profit after tax of Rs265mn (EPS: Rs1.11) in FY20 as compared to profit after tax of Rs3.2bn (EPS: Rs13.19) in same period last year, down by 91.6% YoY.

The company has posted the revenue of Rs36bn against Rs39bn in SPLY, recording a negative growth of 9.3% YoY. We note that this negative growth is attributed to the closure of international borders amid Covid-19 crises.

Gross margin has been squeezed to 11.8% in FY20 as compared to 12.4% in FY19 on account of higher input cost. SG&A expenses have decreased by 2.4% YoY to Rs1.19bn as compared to Rs1.22bn during SPLY.

Other Income has significantly been reduced by 81.5% YoY to Rs454mn as compared to Rs2.5bn during SPLY on account of lower exchange gains and lower dividend from NCPL.

Finance cost has been increased by 22% YoY to Rs2.7bn as compared to Rs2.2bn in SPLY on account of higher working capital requirement. Lastly, higher effective taxation of 62.6% as compared to 13.7% during SPLY caused the bottom line to plunge.

Going forward, we expect a turnaround in company's financial performance amid ease in global lockdowns. However, the inability of NCPL to pay dividends would likely hinder the overall profitability of the company. NCL is currently trading at FY21E PE of 12.63x. We upgrade our stance to **HOLD** the script with a DCF based Jun-21 TP of Rs42 which provides an upside potential of 5%.

Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	5,641	10,087	44.1% ▼	35,667	39,338	9.3% ▼
Cost of Sales	5,084	9,000	43.5% ▼	31,462	34,450	8.7% ▼
Gross Profit	557	1,087	48.7% ▼	4,204	4,888	14.0% ▼
SG&A Expenses	263	305	13.9% ▼	1,193	1,222	2.4% ▼
Other Expenses	-185	143	228.8% ▼	95	274	65.3% ▼
Other Income	137	887	84.6% ▼	454	2,454	81.5% ▼
Operating Profit	616	1,526	59.6% ▼	3,370	5,846	42.4% ▼
Finance Cost	627	661	5.0% ▼	2,661	2,178	22.2% ▲
Profit Before Taxation	-11	865	101.3% ▼	709	3,668	80.7% ▼
Taxation	76	138	45.4% ▼	444	501	11.4% ▼
Profit After Taxation	-87	727	111.9% ▼	265	3,168	91.6% ▼
Earnings Per Share	-0.36	3.03	111.9% ▼	1.11	13.19	91.6% ▼
Dividend	1.00	2.50		1.00	4.00	
Bonus	0%	0%		0%	0%	

Closing Period: 21 Oct 20 - 28 Oct 20

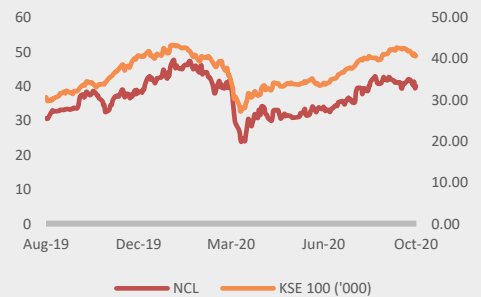
Gross Margin	9.9%	10.8%	0.9% ▼	11.8%	12.4%	0.6% ▼
SG&A Expenses to Sales	4.7%	3.0%	1.6% ▲	3.3%	3.1%	0.2% ▲
Other Expenses to Sales	-3.3%	1.4%	4.7% ▼	0.3%	0.7%	0.4% ▼
Other Income to Sales	2.4%	8.8%	6.4% ▼	1.3%	6.2%	5.0% ▼
Effective Taxation	-686.6%	16.0%	702.6% ▼	62.6%	13.7%	48.9% ▲
Net Margin	-1.5%	7.2%	8.7% ▼	0.7%	8.1%	7.3% ▼

Source: ACPL Research, Company Financials

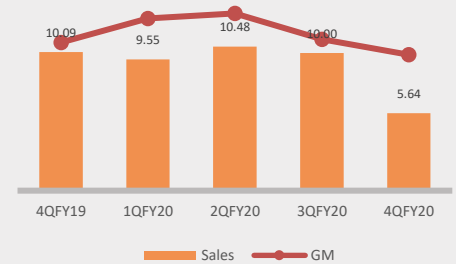
Key Statistics

Symbol	NCL
TP - Jun 21	42.00
LDCP	39.98
Upside / (Downside)	5%
Free Float (mn)	108
Market Cap. (Rs.mn)	9,600

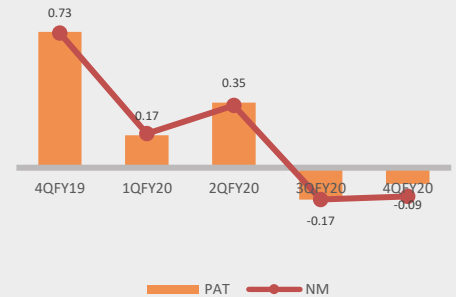
NCL vs KSE 100



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	37,264	39,801	41,834
Cost of sales	- 21,824	- 23,344	- 26,916	- 31,289	- 34,450	- 31,462	- 32,586	- 34,808	- 36,585
Gross profit	1,957	2,456	2,900	4,271	4,888	4,204	4,678	4,993	5,248
Distribution cost	- 680	- 738	- 714	- 908	- 944	- 869	- 903	- 976	- 1,026
Administrative expenses	- 179	- 169	- 235	- 222	- 278	- 324	- 325	- 348	- 366
Other operating expenses	- 81	- 96	- 200	- 129	- 274	- 95	- 186	- 199	- 209
Profit from operations	1,017	1,452	1,751	3,012	3,392	2,916	3,264	3,470	3,647
Other income	1,481	1,191	1,122	1,132	2,454	454	163	447	544
Finance cost	- 1,354	- 1,030	- 1,095	- 1,383	- 2,178	- 2,661	- 2,357	- 2,265	- 2,193
Profit before income tax	1,143	1,613	1,779	2,760	3,668	709	1,071	1,653	1,998
Income tax expense	- 343	- 284	- 157	- 397	- 501	- 444	- 310	- 479	- 580
Profit for the year	800	1,329	1,621	2,363	3,168	265	760	1,174	1,419
EPS	3.33	5.53	6.75	9.84	13.19	1.11	3.17	4.89	5.91
EBITDA	1,776	2,240	2,575	4,015	4,319	3,867	4,172	4,339	4,480

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%	4.48%	6.81%	5.11%
Cost of sales	1.89%	6.96%	15.30%	16.25%	10.10%	-8.67%	3.57%	6.82%	5.11%
Gross profit	41.73%	25.49%	18.09%	47.30%	14.43%	-13.98%	11.28%	6.72%	5.12%
Distribution cost	2.15%	8.58%	-3.34%	27.31%	3.92%	-7.94%	3.94%	8.01%	5.18%
Administrative expenses	15.72%	-5.65%	39.33%	-5.61%	25.14%	16.58%	0.28%	7.13%	5.12%
Other operating expenses	11.54%	18.88%	107.25%	-35.40%	112.11%	-65.30%	95.67%	6.81%	5.11%
Profit from operations	108.51%	42.80%	20.60%	72.00%	12.62%	-14.02%	11.93%	6.32%	5.10%
Other income	-18.44%	-19.57%	-5.74%	0.84%	116.85%	-81.50%	-64.03%	174.00%	21.68%
Finance cost	-1.56%	-23.95%	6.32%	26.37%	57.41%	22.19%	-11.43%	-3.91%	-3.15%
Profit before income tax	23.26%	41.08%	10.27%	55.18%	32.91%	-80.67%	50.96%	54.43%	20.88%
Income tax expense	106.21%	-17.12%	-44.65%	152.37%	26.13%	-11.37%	-30.05%	54.43%	20.88%
Profit for the year	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	186.43%	54.43%	20.88%
EPS	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	186.43%	54.43%	20.88%
EBITDA	61.30%	26.14%	14.97%	55.91%	7.57%	-10.48%	7.89%	4.01%	3.25%

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	12.55	12.54	12.55
NP Margin	%	3.37	5.15	5.44	6.65	8.05	0.74	2.04	2.95	3.39
OP Margin	%	4.28	5.63	5.87	8.47	8.62	8.18	8.76	8.72	8.72
ROE	%	8.03	12.09	13.50	17.24	20.65	1.73	4.84	7.18	8.27
ROCE	%	7.90	11.11	10.74	16.31	17.85	16.21	18.70	19.96	20.39
ROA	%	2.97	4.60	4.68	6.00	7.28	0.65	1.87	2.90	3.48
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.05	1.01	1.02	1.19	1.18	1.20	1.19	1.21	1.25
Quick	x	0.52	0.46	0.43	0.56	0.41	0.62	0.59	0.57	0.57
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	3.35	3.63	3.47	3.28	2.63	2.41	3.10	3.14	3.12
Inventory Days		109.01	100.67	105.15	111.39	138.63	151.19	117.93	116.17	117.09
Receivables Days		96.53	102.91	95.13	119.55	92.87	96.29	94.72	92.48	90.88
Payables Days		21.39	30.84	20.36	26.11	30.12	30.12	30.12	30.12	30.12
Operating Cycle		184.15	172.74	179.92	204.83	201.38	217.36	182.53	178.53	177.85
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	%	3.75	6.25	6.88	10.01	10.01	2.50	4.38	5.63	6.25
Dividend Cover	x	2.22	2.21	2.46	2.46	3.30	1.11	1.81	2.17	2.36
Retention	%	55.00	54.82	59.27	59.35	69.68	9.52	44.72	53.97	57.69
Payout	%	45.00	45.18	40.73	40.65	30.32	90.48	55.28	46.03	42.31
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	3.17	4.89	5.91
BVPS		41.52	45.76	50.01	57.10	63.88	63.98	65.40	68.04	71.45
P/E	x	11.99	7.22	5.92	4.06	3.03	36.18	12.63	8.18	6.77
Sales per share		99.04	107.44	124.17	148.09	163.83	148.54	155.19	165.76	174.22
P/BV	x	0.96	0.87	0.80	0.70	0.63	0.62	0.61	0.59	0.56
P/S	x	0.40	0.37	0.32	0.27	0.24	0.27	0.26	0.24	0.23
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	1.50	1.40	1.29	1.19
L.T Debt to Equity	x	0.47	0.33	0.47	0.45	0.31	0.25	0.19	0.13	0.08
Total Debt to Assets	x	0.58	0.55	0.60	0.59	0.57	0.56	0.54	0.52	0.50
L.T Debt to Assets	x	0.18	0.13	0.16	0.16	0.11	0.09	0.07	0.05	0.03
Interest Cover	x	0.75	1.41	1.60	2.18	1.56	1.10	1.38	1.53	1.66

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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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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