

NCL has announced its 9MFY21 result where it posted profit after tax of Rs3.6bn (EPS: Rs 15.11) as compared to profit after tax of Rs352mn (EPS: Rs 1.47) in same period last year, up by 930.5% YoY.

The company has posted the revenue of Rs37.4bn against Rs30bn in SPLY, recording a growth of 24.5% YoY. We note that this growth is attributed to the revival of exports amid ease in international lockdowns.

Gross margin has been expanded to 16.4% as compared to 12.1% in SPLY on account of lower input cost. SG&A expenses have increased by 20.9% YoY to Rs1.1bn as compared to Rs931mn during SPLY.

Other Income has been increased by 160% YoY to Rs825mn as compared to Rs317mn during SPLY on account of higher exchange gains.

Finance cost has been decreased by 21.8% YoY to Rs1.6bn as compared to Rs2bn in SPLY on account of lower working capital requirement.

Lastly, lower effective taxation of 10.8% as compared to 51.1% during SPLY contributed to the upsurge of the bottom line.

NCL is currently trading at FY21E PE of 2.22x. Furthermore, it is also trading at a FY21E PB of 0.61x which offers a discount of 32% relative to its 5-year average of 0.61x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs90 which provides an upside potential of 94%.

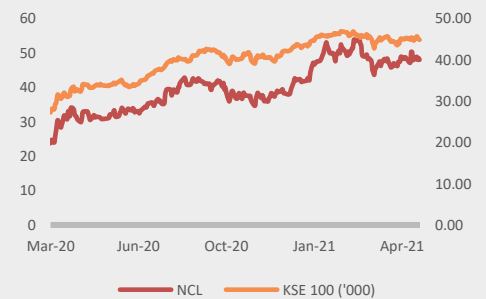
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	12,179	9,998	21.8% ▲	37,394	30,026	24.5% ▲
Cost of Sales	9,522	8,897	7.0% ▲	31,247	26,379	18.5% ▲
Gross Profit	2,657	1,101	141.3% ▲	6,147	3,647	68.5% ▲
SG&A Expenses	363	291	24.6% ▲	1,125	931	20.9% ▲
Other Expenses	104	208	49.8% ▼	188	280	32.9% ▼
Other Income	274	98	180.0% ▲	825	317	160.0% ▲
Operating Profit	2,464	700	251.8% ▲	5,659	2,754	105.5% ▲
Finance Cost	456	757	39.8% ▼	1,590	2,034	21.8% ▼
Profit Before Taxation	2,008	-56	3662.5% ▲	4,069	720	464.9% ▲
Taxation	149	114	31.0% ▲	441	368	19.8% ▲
Profit After Taxation	1,859	-170	1192.5% ▲	3,627	352	930.5% ▲
Earnings Per Share	7.74	-0.71	1192.5% ▲	15.11	1.47	930.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	21.8%	11.0%	10.8% ▲	16.4%	12.1%	4.3% ▲
SG&A Expenses to Sales	3.0%	2.9%	0.1% ▲	3.0%	3.1%	0.1% ▼
Other Expenses to Sales	0.9%	2.1%	1.2% ▼	0.5%	0.9%	0.4% ▼
Other Income to Sales	2.2%	1.0%	1.3% ▲	2.2%	1.1%	1.1% ▲
Effective Taxation	7.4%	-201.9%	209.3% ▲	10.8%	51.1%	40.3% ▼
Net Margin	15.3%	-1.7%	17.0% ▲	9.7%	1.2%	8.5% ▲

Source: ACPL Research, Company Financials

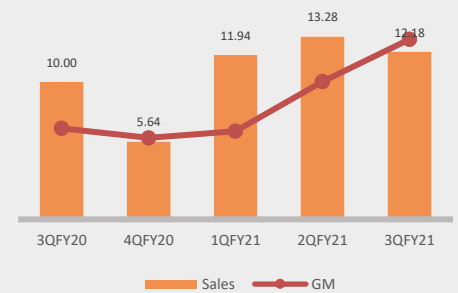
Key Statistics

Symbol	NCL
TP - Dec 21	90.00
LDGP	46.50
Upside / (Downside)	94%
Free Float (mn)	108
Market Cap. (Rs.mn)	11,166

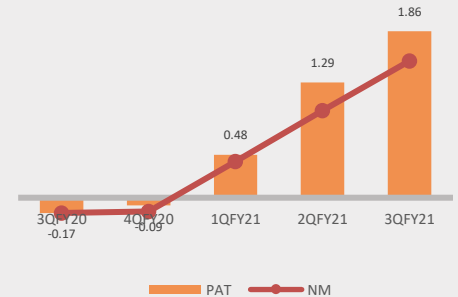
NCL vs KSE 100



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	51,552	58,001	64,505
Cost of sales	- 21,824	- 23,344	- 26,916	- 31,289	- 34,450	- 31,462	- 43,278	- 48,678	- 54,092
Gross profit	1,957	2,456	2,900	4,271	4,888	4,204	8,274	9,323	10,413
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	6,571	7,414	8,312
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	5,647	6,808	7,860
Income tax expense	- 343	- 284	- 157	- 397	- 501	- 444	- 613	- 738	- 852
Profit for the year	800	1,329	1,621	2,363	3,168	265	5,035	6,070	7,007
EPS	3.33	5.53	6.75	9.84	13.19	1.11	20.97	25.28	29.18
EBITDA	1,776	2,240	2,575	4,015	4,319	3,828	8,001	8,868	9,788

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%	37.55%	12.48%	11.12%
Gross profit	41.73%	25.49%	18.09%	47.30%	14.43%	-13.98%	96.79%	12.68%	11.69%
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%	125.34%	12.83%	12.10%
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%	696.32%	20.55%	15.45%
Income tax expense	106.21%	-17.12%	-44.65%	152.37%	26.13%	-11.37%	38.01%	20.55%	15.45%
Profit for the year	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	1797.34%	20.55%	15.45%
EPS	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	1797.34%	20.55%	15.45%
EBITDA	61.30%	26.14%	14.97%	55.91%	7.57%	-11.36%	108.99%	10.84%	10.37%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	8.23	9.52	9.73	12.01	12.42	11.79	16.05	16.07	16.14
NP Margin	%	3.37	5.15	5.44	6.65	8.05	0.74	9.77	10.46	10.86
OP Margin	%	4.28	5.63	5.87	8.47	8.62	8.18	12.75	12.78	12.89
ROE	%	8.03	12.09	13.50	17.24	20.65	1.95	27.59	25.52	23.21
ROCE	%	7.90	11.11	10.74	16.31	17.85	14.79	31.23	28.94	26.38
ROA	%	2.97	4.60	4.68	6.00	7.28	0.56	10.93	11.93	12.27
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	1.05	1.01	1.02	1.19	1.18	1.04	1.10	1.27	1.49
Quick	x	0.52	0.46	0.43	0.56	0.41	0.25	0.34	0.43	0.56
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Inventory Turnover	x	3.35	3.63	3.47	3.28	2.63	1.76	2.40	2.86	2.84
Inventory Days		109.01	100.67	105.15	111.39	138.63	207.13	151.91	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	164.51	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	%	3.23	5.38	5.91	8.60	8.60	2.15	3.76	4.84	5.38
Dividend Cover	x	2.22	2.21	2.46	2.46	3.30	1.11	11.98	11.23	11.67
Retention	%	55.00	54.82	59.27	59.35	69.68	9.52	91.65	91.10	91.43
Payout	%	45.00	45.18	40.73	40.65	30.32	90.48	8.35	8.90	8.57
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	20.97	25.28	29.18
BVPS		41.52	45.76	50.01	57.10	63.88	56.79	76.01	99.04	125.72
P/E	x	13.95	8.40	6.89	4.72	3.52	42.08	2.22	1.84	1.59
Sales per share		99.04	107.44	124.17	148.09	163.83	148.54	214.69	241.55	268.64
P/BV	x	1.12	1.02	0.93	0.81	0.73	0.82	0.61	0.47	0.37
P/S	x	0.47	0.43	0.37	0.31	0.28	0.31	0.22	0.19	0.17
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	1.56	1.44	1.74	1.69	1.62	2.13	1.17	0.84	0.63
L.T Debt to Equity	x	0.47	0.33	0.47	0.45	0.31	0.48	0.24	0.13	0.07
Total Debt to Assets	x	0.58	0.55	0.60	0.59	0.57	0.61	0.46	0.39	0.33
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	3.07	3.60	4.16

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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