

NCL has announced its 1HFY22 result where it posted a profit after tax of Rs4.709bn (EPS: Rs 19.61) as compared to profit after tax of Rs1.768bn (EPS: Rs 7.36) in the same period last year, up by 166.4% YoY.

The company has posted a revenue of Rs31.035bn against Rs25.215bn in SPLY, recording a growth of 23% YoY. We note that this growth is attributed to the revival of exports amid ease in international lockdowns.

The gross margin has been expanded to 22.5% as compared to 13.8% in SPLY on account of higher international prices. SG&A expenses have increased by 18.9% YoY to Rs906mn as compared to Rs762mn during SPLY.

Other Income has been increased by 57% YoY to Rs864mn as compared to Rs551mn during SPLY. Finance cost has been decreased by 15.8% YoY to Rs956mn as compared to Rs1135mn in SPLY.

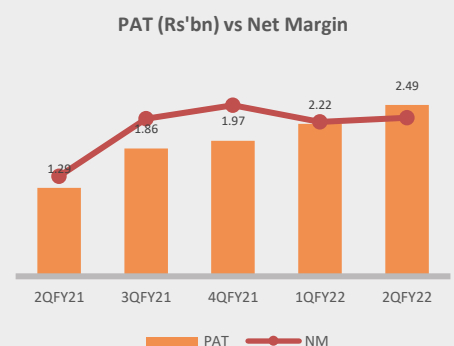
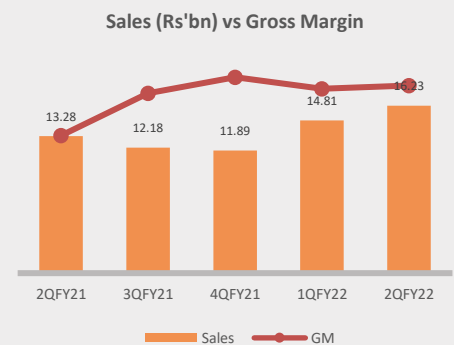
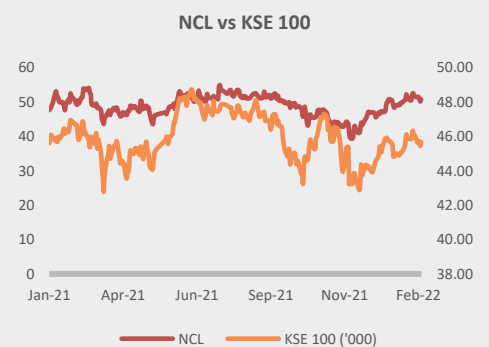
NCL is currently trading at FY22E PE of 1.28x. Furthermore, it is also trading at a FY22E PB of 0.47x which offers a discount of 41% relative to its 5-year average of 0.79x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs75 which provides an upside potential of 45%. Furthermore, the scrip also provides a dividend yield of 16% which makes the cumulative return of 61%.

Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	16,229	13,275	22.3% ▲	31,035	25,215	23.1% ▲
Cost of Sales	12,540	11,062	13.4% ▲	24,036	21,726	10.6% ▲
Gross Profit	3,689	2,214	66.6% ▲	6,998	3,489	100.6% ▲
SG&A Expenses	506	412	23.0% ▲	906	762	18.9% ▲
Other Expenses	102	41	145.8% ▲	292	83	250.2% ▲
Other Income	153	345	55.7% ▼	864	551	56.7% ▲
Operating Profit	3,233	2,106	53.6% ▲	6,021	3,195	88.4% ▲
Finance Cost	553	676	18.1% ▼	956	1,135	15.8% ▼
Profit Before Taxation	2,680	1,430	87.4% ▲	5,065	2,060	145.8% ▲
Taxation	188	142	32.0% ▲	355	292	21.7% ▲
Profit After Taxation	2,492	1,288	93.5% ▲	4,709	1,768	166.4% ▲
Earnings Per Share	10.38	5.36	93.5% ▲	19.61	7.36	166.4% ▲
Dividend	3.00	0.00	-	3.00	0.00	-
Bonus	0%	0%	-	0%	0%	-
Gross Margin	22.7%	16.7%	6.1% ▲	22.5%	13.8%	8.7% ▲
SG&A Expenses to Sales	3.1%	3.1%	0.0% ▲	2.9%	3.0%	0.1% ▼
Other Expenses to Sales	0.6%	0.3%	0.3% ▲	0.9%	0.3%	0.6% ▲
Other Income to Sales	0.9%	2.6%	1.7% ▼	2.8%	2.2%	0.6% ▲
Effective Taxation	7.0%	10.0%	2.9% ▼	7.0%	14.2%	7.2% ▼
Net Margin	15.4%	9.7%	5.7% ▲	15.2%	7.0%	8.2% ▲

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	NCL
TP - Jun 22	75.00
LDCP	51.89
Upside / (Downside)	45%
Free Float (mn)	108
Market Cap. (Rs.mn)	12,460



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	39,338	35,667	49,284	61,559	64,260	67,085	70,040
Cost of sales	- 34,450	- 31,462	- 40,315	- 47,482	- 52,411	- 56,864	- 59,391
<b>Gross profit</b>	<b>4,888</b>	<b>4,204</b>	<b>8,969</b>	<b>14,078</b>	<b>11,849</b>	<b>10,221</b>	<b>10,649</b>
Distribution cost	- 944	- 869	- 1,161	- 1,540	- 1,606	- 1,675	- 1,748
Administrative expenses	- 278	- 324	- 312	- 230	- 240	- 251	- 262
Other operating expenses	- 274	- 95	- 340	- 585	- 610	- 637	- 665
<b>Profit from operations</b>	<b>3,392</b>	<b>2,916</b>	<b>7,156</b>	<b>11,723</b>	<b>9,392</b>	<b>7,658</b>	<b>7,973</b>
Other income	2,454	454	864	447	457	647	647
Finance cost	- 2,178	- 2,661	- 1,747	- 1,686	- 1,536	- 1,430	- 1,329
<b>Profit before income tax</b>	<b>3,668</b>	<b>709</b>	<b>6,273</b>	<b>10,484</b>	<b>8,314</b>	<b>6,875</b>	<b>7,292</b>
Income tax expense	- 501	- 444	- 674	- 760	- 603	- 498	- 529
<b>Profit for the year</b>	<b>3,168</b>	<b>265</b>	<b>5,599</b>	<b>9,724</b>	<b>7,711</b>	<b>6,376</b>	<b>6,763</b>
EPS	<b>13.19</b>	<b>1.11</b>	<b>23.32</b>	<b>40.50</b>	<b>32.11</b>	<b>26.55</b>	<b>28.17</b>
EBITDA	<b>4,319</b>	<b>3,828</b>	<b>8,316</b>	<b>13,167</b>	<b>10,830</b>	<b>9,090</b>	<b>9,400</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	10.62%	-9.33%	38.18%	24.91%	4.39%	4.40%	4.40%
Cost of sales	10.10%	-8.67%	28.14%	17.78%	10.38%	8.50%	4.44%
<b>Gross profit</b>	<b>14.43%</b>	<b>-13.98%</b>	<b>113.33%</b>	<b>56.96%</b>	<b>-15.83%</b>	<b>-13.74%</b>	<b>4.18%</b>
Distribution cost	3.92%	-7.94%	33.55%	32.73%	4.29%	4.29%	4.30%
Administrative expenses	25.14%	16.58%	-3.80%	-26.40%	4.56%	4.56%	4.57%
Other operating expenses	112.11%	-65.30%	258.24%	71.78%	4.39%	4.40%	4.40%
<b>Profit from operations</b>	<b>12.62%</b>	<b>-14.02%</b>	<b>145.41%</b>	<b>63.81%</b>	<b>-19.88%</b>	<b>-18.47%</b>	<b>4.12%</b>
Other income	116.85%	-81.50%	90.31%	-48.22%	2.25%	41.43%	0.07%
Finance cost	57.41%	22.19%	-34.34%	-3.50%	-8.92%	-6.88%	-7.08%
<b>Profit before income tax</b>	<b>32.91%</b>	<b>-80.67%</b>	<b>784.54%</b>	<b>67.13%</b>	<b>-20.70%</b>	<b>-17.31%</b>	<b>6.07%</b>
Income tax expense	26.13%	-11.37%	51.93%	12.72%	-20.70%	-17.31%	6.07%
<b>Profit for the year</b>	<b>34.04%</b>	<b>-91.62%</b>	<b>2009.84%</b>	<b>73.68%</b>	<b>-20.70%</b>	<b>-17.31%</b>	<b>6.07%</b>
EPS	<b>34.04%</b>	<b>-91.62%</b>	<b>2009.84%</b>	<b>73.68%</b>	<b>-20.70%</b>	<b>-17.31%</b>	<b>6.07%</b>
EBITDA		<b>-11.36%</b>	<b>117.22%</b>	<b>58.33%</b>	<b>-17.75%</b>	<b>-16.07%</b>	<b>3.41%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	12.42	11.79	18.20	22.87	18.44	15.24	15.20
NP Margin	%	8.05	0.74	11.36	15.80	12.00	9.50	9.66
OP Margin	%	8.62	8.18	14.52	19.04	14.62	11.41	11.38
ROE	%	20.65	1.95	29.47	36.51	23.59	16.91	15.72
ROCE	%	17.85	14.79	27.88	37.34	22.21	14.57	13.45
ROA	%	7.28	0.56	10.81	18.48	12.22	8.69	8.48
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.18	1.04	1.25	1.61	2.15	2.65	3.01
Quick	x	0.41	0.25	0.35	0.32	0.56	0.77	1.01
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2.63	1.76	2.11	2.39	2.18	1.94	1.82
Inventory Days		138.63	207.13	172.94	152.46	167.15	187.67	200.55
Receivables Days		92.87	71.56	65.28	62.28	61.77	61.28	60.82
Payables Days		30.12	51.69	37.06	51.69	51.69	51.69	51.69
Operating Cycle		201.38	227.00	201.15	163.05	177.23	197.26	209.68
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		4.00	1.00	5.00	8.50	7.00	5.50	6.00
Div. Yield	%	7.71	1.93	9.64	16.38	13.49	10.60	11.56
Dividend Cover	x	3.30	1.11	4.66	4.76	4.59	4.83	4.69
Retention	%	69.68	9.52	78.56	79.01	78.20	79.29	78.70
Payout	%	30.32	90.48	21.44	20.99	21.80	20.71	21.30
No. of Shares	('m)	240.12	240.12	240.12	240.12	240.12	240.12	240.12
EPS		13.19	1.11	23.32	40.50	32.11	26.55	28.17
BVPS		63.88	56.79	79.11	110.92	136.15	157.01	179.14
P/E	x	3.93	46.95	2.23	1.28	1.62	1.95	1.84
Sales per share		163.83	148.54	205.25	256.37	267.62	279.38	291.69
P/BV	x	0.81	0.91	0.66	0.47	0.38	0.33	0.29
P/S	x	0.32	0.35	0.25	0.20	0.19	0.19	0.18
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	1.62	2.13	1.48	0.61	0.45	0.36	0.29
L.T Debt to Equity	x	0.31	0.48	0.48	0.11	0.06	0.04	0.02
Total Debt to Assets	x	0.57	0.61	0.54	0.31	0.23	0.18	0.16
L.T Debt to Assets	x	0.11	0.14	0.18	0.06	0.03	0.02	0.01
Interest Cover	x	1.56	1.10	4.10	6.95	6.12	5.36	6.00

Source: ACPL Research, Company Financials

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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