

NCL has announced its 1QFY22 result where it posted a profit after tax of Rs2.2bn (EPS: Rs 9.23) as compared to profit after tax of Rs480mn (EPS: Rs 2.00) in the same period last year, up by 361.6% YoY.

The company has posted a revenue of Rs14.8bn against Rs11.94bn in SPLY, recording a growth of 24% 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 22.4% as compared to 10.7% in SPLY on account of lower input cost. SG&A expenses have increased by 14% YoY to Rs400mn as compared to Rs351mn during SPLY.

Other Income has been decreased by 67% YoY to Rs68mn as compared to Rs206mn during SPLY on account of lower exchange gains. Finance cost has been decreased by 12.3% YoY to Rs403mn as compared to Rs459mn in SPLY.

Lastly, lower effective taxation of 7% as compared to 23.8% during SPLY contributed to the upsurge of the bottom line.

NCL is currently trading at FY22E PE of 1.29x. Furthermore, it is also trading at a FY22E PB of 0.44x which offers a discount of 47% relative to its 5-year average of 0.84x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs70 which provides an upside potential of 61%. Furthermore, the script also provides a dividend yield of 10% which makes the cumulative return of 71%.

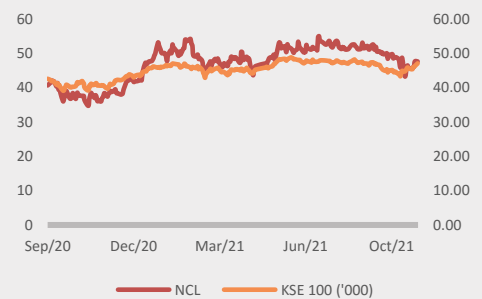
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	14,805	11,940	24.0% ▲	49,284	35,667	38.2% ▲
Cost of Sales	11,496	10,664	7.8% ▲	40,315	31,462	28.1% ▲
Gross Profit	3,309	1,276	159.4% ▲	8,969	4,204	113.3% ▲
SG&A Expenses	400	351	14.0% ▲	1,473	1,193	23.4% ▲
Other Expenses	190	42	353.4% ▲	340	95	258.2% ▲
Other Income	68	206	67.0% ▼	864	454	90.3% ▲
Operating Profit	2,787	1,089	155.9% ▲	8,020	3,370	138.0% ▲
Finance Cost	403	459	12.3% ▼	1,747	2,661	34.3% ▼
Profit Before Taxation	2,385	630	278.4% ▲	6,273	709	784.5% ▲
Taxation	168	150	11.9% ▲	674	444	51.9% ▲
Profit After Taxation	2,217	480	361.6% ▲	5,599	265	2009.8% ▲
Earnings Per Share	9.23	2.00	361.6% ▲	23.32	1.11	2009.8% ▲
Dividend	0.00	0.00	-	5.00	1.00	400.0% ▲
Bonus	0%	0%		0%	0%	
Gross Margin	22.4%	10.7%	11.7% ▲	18.2%	11.8%	6.4% ▲
SG&A Expenses to Sales	2.7%	2.9%	0.2% ▼	3.0%	3.3%	0.4% ▼
Other Expenses to Sales	1.3%	0.4%	0.9% ▲	0.7%	0.3%	0.4% ▲
Other Income to Sales	0.5%	1.7%	1.3% ▼	1.8%	1.3%	0.5% ▲
Effective Taxation	7.0%	23.8%	16.7% ▼	10.7%	62.6%	51.8% ▼
Net Margin	15.0%	4.0%	11.0% ▲	11.4%	0.7%	10.6% ▲

Source: ACPL Research, Company Financials

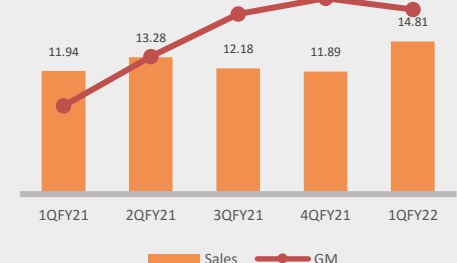
Key Statistics

Symbol	NCL
TP - Jun 22	70.00
LDPC	47.55
Upside / (Downside)	61%
Free Float (mn)	108
Market Cap. (Rs.mn)	11,336

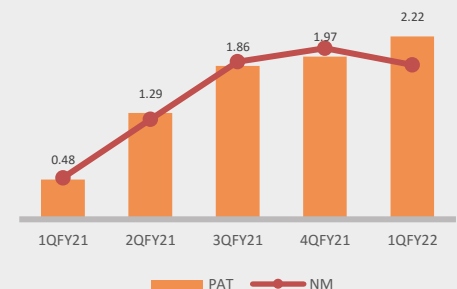
NCL vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	39,338	35,667	49,284	59,021	61,497	64,082	66,782
Cost of sales	- 34,450	- 31,462	- 40,315	- 46,314	- 48,245	- 50,260	- 52,364
Gross profit	4,888	4,204	8,969	12,707	13,252	13,822	14,418
Distribution cost	- 944	- 869	- 1,161	- 1,488	- 1,549	- 1,612	- 1,679
Administrative expenses	- 278	- 324	- 312	- 176	- 183	- 191	- 199
Other operating expenses	- 274	- 95	- 340	- 767	- 799	- 833	- 868
Profit from operations	3,392	2,916	7,156	10,276	10,720	11,185	11,671
Other income	2,454	454	864	781	788	978	978
Finance cost	- 2,178	- 2,661	- 1,747	- 1,518	- 1,384	- 1,287	- 1,194
Profit before income tax	3,668	709	6,273	9,538	10,124	10,875	11,455
Income tax expense	- 501	- 444	- 674	- 715	- 759	- 816	- 859
Profit for the year	3,168	265	5,599	8,823	9,365	10,060	10,596
EPS	13.19	1.11	23.32	36.74	39.00	41.89	44.13
EBITDA	4,319	3,828	8,586	11,730	12,196	12,681	13,186

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	10.62%	-9.33%	38.18%	19.76%	4.19%	4.20%	4.21%
Cost of sales	10.10%	-8.67%	28.14%	14.88%	4.17%	4.18%	4.19%
Gross profit	14.43%	-13.98%	113.33%	41.67%	4.29%	4.30%	4.31%
Distribution cost	3.92%	-7.94%	33.55%	28.20%	4.10%	4.11%	4.11%
Administrative expenses	25.14%	16.58%	-3.80%	-43.56%	4.21%	4.22%	4.23%
Other operating expenses	112.11%	-65.30%	258.24%	125.37%	4.19%	4.20%	4.21%
Profit from operations	12.62%	-14.02%	145.41%	43.59%	4.32%	4.34%	4.35%
Other income	116.85%	-81.50%	90.31%	-9.61%	0.91%	24.04%	0.04%
Finance cost	57.41%	22.19%	-34.34%	-13.09%	-8.84%	-7.01%	-7.22%
Profit before income tax	32.91%	-80.67%	784.54%	52.05%	6.14%	7.42%	5.33%
Income tax expense	26.13%	-11.37%	51.93%	6.09%	6.14%	7.42%	5.33%
Profit for the year	34.04%	-91.62%	2009.84%	57.59%	6.14%	7.42%	5.33%
EPS	34.04%	-91.62%	2009.84%	57.59%	6.14%	7.42%	5.33%
EBITDA		-11.36%	124.27%	36.61%	3.98%	3.98%	3.98%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	12.42	11.79	18.20	21.53	21.55	21.57	21.59
NP Margin	%	8.05	0.74	11.36	14.95	15.23	15.70	15.87
OP Margin	%	8.62	8.18	14.52	17.41	17.43	17.45	17.48
ROE	%	20.65	1.95	31.04	34.39	27.69	23.57	20.35
ROCE	%	17.85	14.79	34.37	37.37	30.51	25.71	22.22
ROA	%	7.28	0.56	12.33	18.63	17.26	16.14	14.93
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.18	1.04	1.09	1.44	1.84	2.29	2.79
Quick	x	0.41	0.25	0.38	0.26	-0.05	0.13	0.35
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2.63	1.76	2.31	2.63	1.81	1.43	1.33
Inventory Days		138.63	207.13	158.11	138.86	201.80	254.99	274.58
Receivables Days		92.87	71.56	65.04	62.22	61.65	61.09	60.56
Payables Days		30.12	51.69	51.69	51.69	51.69	51.69	51.69
Operating Cycle		201.38	227.00	171.45	149.39	211.75	264.39	283.45
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		4.00	1.00	5.00	5.00	5.00	5.00	5.00
Div. Yield	%	8.41	2.10	10.52	10.52	10.52	10.52	10.52
Dividend Cover	x	3.30	1.11	4.66	7.35	7.80	8.38	8.83
Retention	%	69.68	9.52	78.56	86.39	87.18	88.07	88.67
Payout	%	30.32	90.48	21.44	13.61	12.82	11.93	11.33
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	36.74	39.00	41.89	44.13
BVPS		63.88	56.79	75.11	106.86	140.86	177.75	216.88
P/E	x	3.60	43.03	2.04	1.29	1.22	1.13	1.08
Sales per share		163.83	148.54	205.25	245.80	256.11	266.88	278.12
P/BV	x	0.74	0.84	0.63	0.44	0.34	0.27	0.22
P/S	x	0.29	0.32	0.23	0.19	0.19	0.18	0.17
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	1.62	2.13	1.18	0.58	0.39	0.29	0.21
L.T Debt to Equity	x	0.31	0.48	0.25	0.12	0.06	0.04	0.02
Total Debt to Assets	x	0.57	0.61	0.47	0.31	0.25	0.20	0.16
L.T Debt to Assets	x	0.11	0.14	0.10	0.06	0.04	0.02	0.01
Interest Cover	x	1.56	1.10	4.10	6.77	7.74	8.69	9.77

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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SELL	Less than and equal to -5%

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