

NCL has announced its 9MFY22 result where it posted a profit after tax of Rs6.74bn (EPS: Rs 28.10) as compared to a profit after tax of Rs3.21bn (EPS: Rs 13.38) in the same period last year, up by 110% YoY.

The company has posted a revenue of Rs47bn against Rs36bn in SPLY, recording a growth of 31% YoY. We note that this growth is attributed to the increase in volumetric growth.

The gross margin has been expanded to 22.3% as compared to 15% in SPLY on account of higher international prices. SG&A expenses have increased by 34% YoY to Rs1.41bn as compared to Rs1.05bn during SPLY.

Other Income has been decreased by 59% YoY to Rs335mn as compared to Rs822mn during SPLY. Finance cost has been increased by 20.2% YoY to Rs1.61bn as compared to Rs1.34bn in SPLY.

NCL is currently trading at FY22E PE of 1.93x. Furthermore, it is also trading at a FY22E PB of 0.51x which offers a discount of 35% relative to its 3-year average of 0.78x. We have a **BUY** stance on the scrip with a DCF-based Dec-22 TP of Rs70 which provides an upside potential of 37%. Furthermore, the scrip also provides a dividend yield of 11% which makes the cumulative return of 48%.

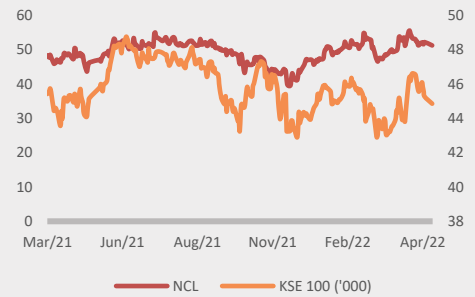
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	16,177	12,179	32.8% ▲	47,212	36,045	31.0% ▲
Cost of Sales	12,642	9,522	32.8% ▲	36,679	30,633	19.7% ▲
Gross Profit	3,535	2,657	33.0% ▲	10,533	5,412	94.6% ▲
SG&A Expenses	502	363	38.5% ▲	1,408	1,050	34.1% ▲
Other Expenses	272	104	160.6% ▲	564	188	200.4% ▲
Other Income	114	274	58.3% ▼	335	822	59.3% ▼
Operating Profit	2,875	2,464	16.7% ▲	8,896	4,996	78.1% ▲
Finance Cost	656	456	44.0% ▲	1,612	1,342	20.2% ▲
Profit Before Taxation	2,219	2,008	10.5% ▲	7,284	3,654	99.3% ▲
Taxation	181	149	21.2% ▲	536	441	21.6% ▲
Profit After Taxation	2,038	1,859	9.6% ▲	6,747	3,213	110.0% ▲
Earnings Per Share	8.49	7.74	9.6% ▲	28.10	13.38	110.0% ▲
Dividend	0.00	0.00	-	3.00	0.00	-
Bonus	0%	0%	-	0%	0%	-
Gross Margin	21.9%	21.8%	0.0% ▲	22.3%	15.0%	7.3% ▲
SG&A Expenses to Sales	3.1%	3.0%	0.1% ▲	3.0%	2.9%	0.1% ▲
Other Expenses to Sales	1.7%	0.9%	0.8% ▲	1.2%	0.5%	0.7% ▲
Other Income to Sales	0.7%	2.2%	1.5% ▼	0.7%	2.3%	1.6% ▼
Effective Taxation	8.1%	7.4%	0.7% ▲	7.4%	12.1%	4.7% ▼
Net Margin	12.6%	15.3%	2.7% ▼	14.3%	8.9%	5.4% ▲

Source: ACPL Research, Company Financials

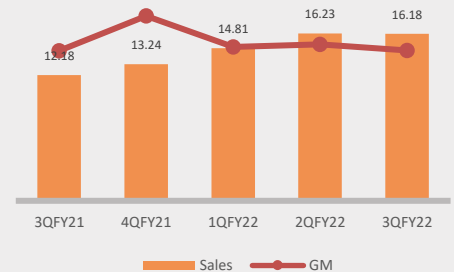
Key Statistics

Symbol	NCL
TP - Dec 22	70.00
LDPC	51.14
Upside / (Downside)	37%
Free Float (mn)	108
Market Cap. (Rs.mn)	11,998

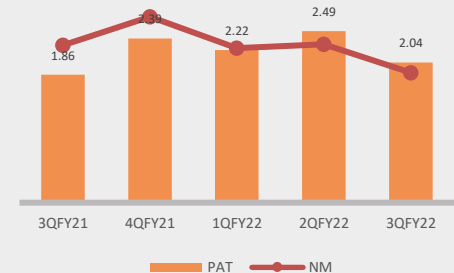
NCL vs KSE 100



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	44,405	52,971	63,079	64,223
Cost of sales	- 34,450	- 31,462	- 40,315	- 34,452	- 42,795	- 52,664	- 53,721
Gross profit	4,888	4,204	8,969	9,953	10,176	10,415	10,503
Distribution cost	- 944	- 869	- 1,161	- 1,102	- 1,299	- 1,531	- 1,560
Administrative expenses	- 278	- 324	- 312	- 160	- 194	- 235	- 239
Other operating expenses	- 274	- 95	- 340	- 422	- 503	- 599	- 610
Profit from operations	3,392	2,916	7,156	8,270	8,180	8,050	8,094
Other income	2,454	454	864	287	301	492	491
Finance cost	- 2,178	- 2,661	- 1,747	- 1,686	- 1,536	- 1,430	- 1,329
Profit before income tax	3,668	709	6,273	6,871	6,945	7,112	7,257
Income tax expense	- 501	- 444	- 674	- 498	- 504	- 516	- 526
Profit for the year	3,168	265	5,599	6,373	6,441	6,596	6,730
EPS	13.19	1.11	23.32	26.54	26.83	27.47	28.03
EBITDA	4,319	3,828	8,316	9,714	9,618	9,482	9,521

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	10.62%	-9.33%	38.18%	-9.90%	19.29%	19.08%	1.81%
Cost of sales	10.10%	-8.67%	28.14%	-14.54%	24.22%	23.06%	2.01%
Gross profit	14.43%	-13.98%	113.33%	10.97%	2.24%	2.35%	0.84%
Distribution cost	3.92%	-7.94%	33.55%	-5.06%	17.87%	17.86%	1.89%
Administrative expenses	25.14%	16.58%	-3.80%	-48.81%	21.64%	21.05%	1.67%
Other operating expenses	112.11%	-65.30%	258.24%	23.91%	19.29%	19.08%	1.81%
Profit from operations	12.62%	-14.02%	145.41%	15.57%	-1.09%	-1.59%	0.54%
Other income	116.85%	-81.50%	90.31%	-66.82%	4.85%	63.56%	-0.04%
Finance cost	57.41%	22.19%	-34.34%	-3.50%	-8.92%	-6.88%	-7.08%
Profit before income tax	32.91%	-80.67%	784.54%	9.53%	1.08%	2.41%	2.03%
Income tax expense	26.13%	-11.37%	51.93%	-26.13%	1.08%	2.41%	2.03%
Profit for the year	34.04%	-91.62%	2009.84%	13.82%	1.08%	2.41%	2.03%
EPS	34.04%	-91.62%	2009.84%	13.82%	1.08%	2.41%	2.03%
EBITDA		-11.36%	117.22%	16.81%	-0.99%	-1.41%	0.41%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	12.42	11.79	18.20	22.42	19.21	16.51	16.35
NP Margin	%	8.05	0.74	11.36	14.35	12.16	10.46	10.48
OP Margin	%	8.62	8.18	14.52	18.62	15.44	12.76	12.60
ROE	%	20.65	1.95	29.47	26.55	22.16	19.26	17.03
ROCE	%	17.85	14.79	27.88	39.88	25.27	17.45	15.63
ROA	%	7.28	0.56	10.81	15.89	12.43	9.94	9.42
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.18	1.04	1.25	1.12	1.72	2.38	2.71
Quick	x	0.41	0.25	0.35	0.09	0.33	0.59	0.83
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2.63	1.76	2.11	2.04	2.30	2.06	1.80
Inventory Days		138.63	207.13	172.94	178.94	158.83	177.58	202.89
Receivables Days		92.87	71.56	65.28	66.93	64.23	61.99	61.78
Payables Days		30.12	51.69	37.06	51.69	51.69	51.69	51.69
Operating Cycle		201.38	227.00	201.15	194.18	171.37	187.88	212.98
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		4.00	1.00	5.00	5.50	6.00	6.00	6.00
Div. Yield	%	7.82	1.96	9.78	10.75	11.73	11.73	11.73
Dividend Cover	x	3.30	1.11	4.66	4.83	4.47	4.58	4.67
Retention	%	69.68	9.52	78.56	79.28	77.63	78.16	78.59
Payout	%	30.32	90.48	21.44	20.72	22.37	21.84	21.41
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	26.54	26.83	27.47	28.03
BVPS		63.88	56.79	79.11	99.96	121.03	142.61	164.63
P/E	x	3.88	46.27	2.19	1.93	1.91	1.86	1.82
Sales per share		163.83	148.54	205.25	184.93	220.60	262.70	267.46
P/BV	x	0.80	0.90	0.65	0.51	0.42	0.36	0.31
P/S	x	0.31	0.34	0.25	0.28	0.23	0.19	0.19
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	1.62	2.13	1.48	0.68	0.50	0.39	0.31
L.T Debt to Equity	x	0.31	0.48	0.48	0.12	0.07	0.04	0.03
Total Debt to Assets	x	0.57	0.61	0.54	0.40	0.28	0.20	0.17
L.T Debt to Assets	x	0.11	0.14	0.18	0.07	0.04	0.02	0.01
Interest Cover	x	1.56	1.10	4.10	4.91	5.33	5.63	6.09

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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