

NCL has announced its FY21 result where it posted a profit after tax of Rs5.6bn (EPS: Rs 23.32) as compared to profit after tax of Rs265mn (EPS: Rs 1.11) in the same period last year, up by 2009.8% YoY.

The company has posted a revenue of Rs49bn against Rs36bn in SPLY, recording a growth of 38% 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 18.2% as compared to 11.8% in SPLY on account of lower input cost. SG&A expenses have increased by 23.4% YoY to Rs1.5bn as compared to Rs1.2mn during SPLY.

Other Income has been increased by 90% YoY to Rs864mn as compared to Rs454mn during SPLY on account of higher exchange gains. Finance cost has been decreased by 34.3% YoY to Rs1.7bn as compared to Rs2.7bn in SPLY.

Lastly, lower effective taxation of 10.7% as compared to 62.6% during SPLY contributed to the upsurge of the bottom line.

NCL is currently trading at FY22E PE of 1.80x. Furthermore, it is also trading at a FY22E PB of 0.49x which offers a discount of 44% relative to its 5-year average of 0.88x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs70 which provides an upside potential of 41%. Furthermore, the script also provides a dividend yield of 5% which makes the cumulative return of 46%.

Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	11,890	5,641	110.8% ▲	49,284	35,667	38.2% ▲
Cost of Sales	9,067	5,084	78.4% ▲	40,315	31,462	28.1% ▲
Gross Profit	2,823	557	406.4% ▲	8,969	4,204	113.3% ▲
SG&A Expenses	348	263	32.4% ▲	1,473	1,193	23.4% ▲
Other Expenses	153	-185	182.7% ▲	340	95	258.2% ▲
Other Income	39	137	71.5% ▼	864	454	90.3% ▲
Operating Profit	2,361	616	283.2% ▲	8,020	3,370	138.0% ▲
Finance Cost	157	627	75.0% ▼	1,747	2,661	34.3% ▼
Profit Before Taxation	2,205	-11	20116.8% ▲	6,273	709	784.5% ▲
Taxation	233	76	208.2% ▲	674	444	51.9% ▲
Profit After Taxation	1,972	-87	2375.8% ▲	5,599	265	2009.8% ▲
Earnings Per Share	8.21	-0.36	2375.8% ▲	23.32	1.11	2009.8% ▲
Dividend	5.00	1.00	400.0% ▲	5.00	1.00	400.0% ▲
Bonus	0%	0%		0%	0%	

Closing Period: 21 Oct 2021 – 28 Oct 2021

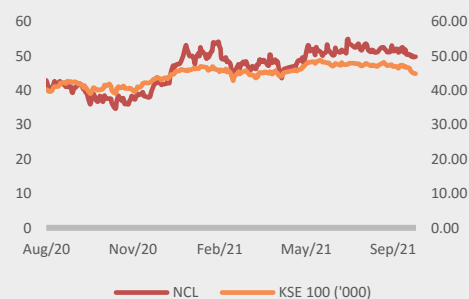
	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Gross Margin	23.7%	9.9%	13.9% ▲	18.2%	11.8%	6.4% ▲
SG&A Expenses to Sales	2.9%	4.7%	1.7% ▼	3.0%	3.3%	0.4% ▼
Other Expenses to Sales	1.3%	-3.3%	4.6% ▲	0.7%	0.3%	0.4% ▲
Other Income to Sales	0.3%	2.4%	2.1% ▼	1.8%	1.3%	0.5% ▲
Effective Taxation	10.6%	-686.6%	697.1% ▲	10.7%	62.6%	51.8% ▼
Net Margin	16.6%	-1.5%	18.1% ▲	11.4%	0.7%	10.6% ▲

Source: ACPL Research, Company Financials

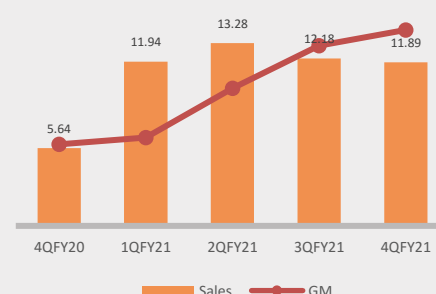
Key Statistics

Symbol	NCL
TP - Jun 22	70.00
LDCP	49.76
Upside / (Downside)	41%
Free Float (mn)	108
Market Cap. (Rs.mn)	11,948

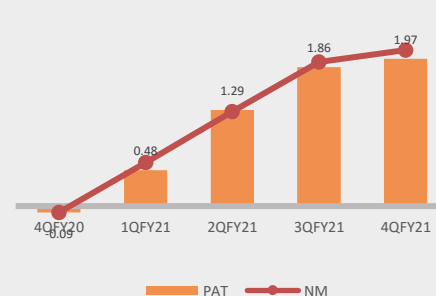
NCL vs KSE 100



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	FY21A	FY22E	FY23E
Revenue	23,780	25,799	29,816	35,560	39,338	35,667	49,284	48,632	51,176
Cost of sales	- 21,824	- 23,344	- 26,916	- 31,289	- 34,450	- 31,462	- 40,315	- 39,545	- 41,610
Gross profit	1,957	2,456	2,900	4,271	4,888	4,204	8,969	9,087	9,566
Distribution cost	- 680	- 738	- 714	- 908	- 944	- 869	- 1,161	- 955	- 1,008
Administrative expenses	- 179	- 169	- 235	- 222	- 278	- 324	- 312	- 290	- 306
Other operating expenses	- 81	- 96	- 200	- 129	- 274	- 95	- 340	- 336	- 354
Profit from operations	1,017	1,452	1,751	3,012	3,392	2,916	7,156	7,506	7,899
Other income	1,481	1,191	1,122	1,132	2,454	454	864	1,449	1,543
Finance cost	- 1,354	- 1,030	- 1,095	- 1,383	- 2,178	- 2,661	- 1,747	- 1,499	- 1,374
Profit before income tax	1,143	1,613	1,779	2,760	3,668	709	6,273	7,456	8,067
Income tax expense	- 343	- 284	- 157	- 397	- 501	- 444	- 674	- 801	- 867
Profit for the year	800	1,329	1,621	2,363	3,168	265	5,599	6,654	7,200
EPS	3.33	5.53	6.75	9.84	13.19	1.11	23.32	27.71	29.99
EBITDA	1,776	2,240	2,575	4,015	4,319	3,828	8,586	8,960	9,375

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	4.30%	8.49%	15.57%	19.27%	10.62%	-9.33%	38.18%	-1.32%	5.23%
Cost of sales	1.89%	6.96%	15.30%	16.25%	10.10%	-8.67%	28.14%	-1.91%	5.22%
Gross profit	41.73%	25.49%	18.09%	47.30%	14.43%	-13.98%	113.33%	1.31%	5.27%
Distribution cost	2.15%	8.58%	-3.34%	27.31%	3.92%	-7.94%	33.55%	-17.73%	5.56%
Administrative expenses	15.72%	-5.65%	39.33%	-5.61%	25.14%	16.58%	-3.80%	-6.96%	5.36%
Other operating expenses	11.54%	18.88%	107.25%	-35.40%	112.11%	-65.30%	258.24%	-1.32%	5.23%
Profit from operations	108.51%	42.80%	20.60%	72.00%	12.62%	-14.02%	145.41%	4.89%	5.24%
Other income	-18.44%	-19.57%	-5.74%	0.84%	116.85%	-81.50%	90.31%	67.74%	6.45%
Finance cost	-1.56%	-23.95%	6.32%	26.37%	57.41%	22.19%	-34.34%	-14.17%	-8.34%
Profit before income tax	23.26%	41.08%	10.27%	55.18%	32.91%	-80.67%	784.54%	18.85%	8.20%
Income tax expense	106.21%	-17.12%	-44.65%	152.37%	26.13%	-11.37%	51.93%	18.85%	8.20%
Profit for the year	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	2009.84%	18.85%	8.20%
EPS	5.14%	66.01%	22.02%	45.75%	34.04%	-91.62%	2009.84%	18.85%	8.20%
EBITDA	61.30%	26.14%	14.97%	55.91%	7.57%	-11.36%	124.27%	4.36%	4.63%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	%	8.23	9.52	9.73	12.01	12.42	11.79	18.20	18.69	18.69
NP Margin	%	3.37	5.15	5.44	6.65	8.05	0.74	11.36	13.68	14.07
OP Margin	%	4.28	5.63	5.87	8.47	8.62	8.18	14.52	15.43	15.44
ROE	%	8.03	12.09	13.50	17.24	20.65	1.95	31.04	27.55	23.42
ROCE	%	7.90	11.11	10.74	16.31	17.85	14.79	34.37	28.89	24.64
ROA	%	2.97	4.60	4.68	6.00	7.28	0.56	12.33	14.83	14.33
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	x	1.05	1.01	1.02	1.19	1.18	1.04	1.09	1.38	1.72
Quick	x	0.52	0.46	0.43	0.56	0.41	0.25	0.38	0.32	0.43
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Inventory Turnover	x	3.35	3.63	3.47	3.28	2.63	1.76	2.31	2.45	2.20
Inventory Days		109.01	100.67	105.15	111.39	138.63	207.13	158.11	148.94	166.03
Receivables Days		96.53	102.91	95.13	119.55	92.87	71.56	65.04	65.27	64.41
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	171.45	162.51	178.75
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
DPS		1.50	2.50	2.75	4.00	4.00	1.00	5.00	2.25	2.50
Div. Yield	%	3.01	5.02	5.53	8.04	8.04	2.01	10.05	4.52	5.02
Dividend Cover	x	2.22	2.21	2.46	2.46	3.30	1.11	4.66	12.32	11.99
Retention	%	55.00	54.82	59.27	59.35	69.68	9.52	78.56	91.88	91.66
Payout	%	45.00	45.18	40.73	40.65	30.32	90.48	21.44	8.12	8.34
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	23.32	27.71	29.99
BVPS		41.52	45.76	50.01	57.10	63.88	56.79	75.11	100.57	128.06
P/E	x	14.93	8.99	7.37	5.06	3.77	45.03	2.13	1.80	1.66
Sales per share		99.04	107.44	124.17	148.09	163.83	148.54	205.25	202.53	213.13
P/BV	x	1.20	1.09	1.00	0.87	0.78	0.88	0.66	0.49	0.39
P/S	x	0.50	0.46	0.40	0.34	0.30	0.33	0.24	0.25	0.23
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Total Debt to Equity	x	1.56	1.44	1.74	1.69	1.62	2.13	1.18	0.61	0.43
L.T Debt to Equity	x	0.47	0.33	0.47	0.45	0.31	0.48	0.25	0.12	0.07
Total Debt to Assets	x	0.58	0.55	0.60	0.59	0.57	0.61	0.47	0.33	0.26
L.T Debt to Assets	x	0.18	0.13	0.16	0.16	0.11	0.14	0.10	0.07	0.04
Interest Cover	x	0.75	1.41	1.60	2.18	1.56	1.10	4.10	5.01	5.75

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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Market Weight	Neutral
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