

NCL has announced its FY22 result where it posted a profit after tax of Rs7.468bn (EPS: Rs 31.10) as compared to a profit after tax of Rs5.60bn (EPS: Rs 23.32) in the same period last year, up by 33.4% YoY.

The company has posted a revenue of Rs62bn against Rs49bn in SPLY, recording a growth of 25.8% YoY. We note that this growth is attributed to the increase in volumetric growth.

The gross margin has been expanded to 20.9% as compared to 18.2% in SPLY on account of higher international prices. SG&A expenses have increased by 50.9% YoY to Rs2.22bn as compared to Rs1.47bn during SPLY.

Other Income has dropped by 3% YoY to Rs838mn as compared to Rs864mn during SPLY. Finance cost has been increased by 31.5% YoY to Rs2.29bn as compared to Rs1.75bn in SPLY.

NCL is currently trading at FY23E PE of 1.5x. Furthermore, it is also trading at a FY23E PB of 0.31x which offers a discount of 35% relative to its 3-year average of 0.47x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs55 which provides an upside potential of 59%. Furthermore, the scrip also provides a dividend yield of 14% which makes the cumulative return of 73%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	14,776	13,239	11.6% ▲	61,988	49,284	25.8% ▲
Cost of Sales	12,335	9,681	27.4% ▲	49,014	40,315	21.6% ▲
Gross Profit	2,441	3,558	31.4% ▼	12,974	8,969	44.7% ▲
SG&A Expenses	814	423	92.6% ▲	2,222	1,473	50.9% ▲
Other Expenses	381	153	149.3% ▲	945	340	177.5% ▲
Other Income	503	42	1102.7% ▲	838	864	3.0% ▼
Operating Profit	1,750	3,024	42.1% ▼	10,646	8,020	32.7% ▲
Finance Cost	686	405	69.2% ▲	2,298	1,747	31.5% ▲
Profit Before Taxation	1,064	2,619	59.4% ▼	8,348	6,273	33.1% ▲
Taxation	343	233	47.2% ▲	880	674	30.5% ▲
Profit After Taxation	721	2,386	69.8% ▼	7,468	5,599	33.4% ▲
Earnings Per Share	3.00	9.93	69.8% ▼	31.10	23.32	33.4% ▲
Dividend	4.00	5.00	20.0% ▼	7.00	5.00	40.0% ▲
Bonus	0%	0%		0%	0%	

Closing Period; 21 Oct, 2022 - 27 Oct, 2022

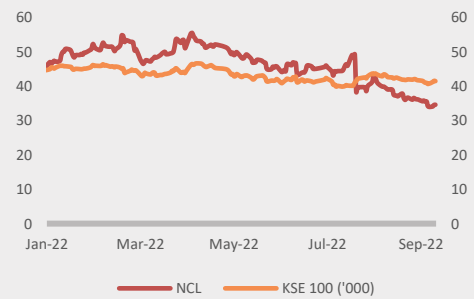
	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Gross Margin	16.5%	26.9%	10.4% ▼	20.9%	18.2%	2.7% ▲
SG&A Expenses to Sales	5.5%	3.2%	2.3% ▲	3.6%	3.0%	0.6% ▲
Other Expenses to Sales	2.6%	1.2%	1.4% ▲	1.5%	0.7%	0.8% ▲
Other Income to Sales	3.4%	0.3%	3.1% ▲	1.4%	1.8%	0.4% ▼
Effective Taxation	32.3%	8.9%	23.4% ▲	10.5%	10.7%	0.2% ▼
Net Margin	4.9%	18.0%	13.1% ▼	12.0%	11.4%	0.7% ▲

Source: ACPL Research, Company Financials

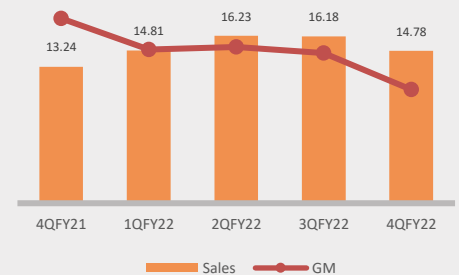
## Key Statistics

Symbol	NCL
TP - Jun 23	55.00
LDPC	34.57
Upside / (Downside)	59%
Free Float (mn)	108
Market Cap. (Rs.mn)	8,704

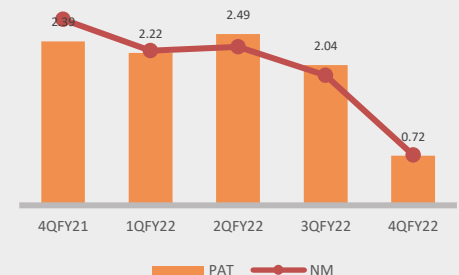
## NCL vs KSE 100



## 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	FY22A	FY23E	FY24E	FY25E
Revenue	39,338	35,667	49,284	61,988	70,463	76,407	78,728
Cost of sales	- 34,450	- 31,462	- 40,315	- 49,014	- 57,559	- 62,262	- 64,127
<b>Gross profit</b>	<b>4,888</b>	<b>4,204</b>	<b>8,969</b>	<b>12,974</b>	<b>12,904</b>	<b>14,145</b>	<b>14,601</b>
Distribution cost	- 944	- 869	- 1,161	- 1,705	- 2,150	- 2,333	- 2,405
Administrative expenses	- 278	- 324	- 312	- 517	- 561	- 607	- 625
Other operating expenses	- 274	- 95	- 340	- 945	- 1,074	- 1,164	- 1,200
<b>Profit from operations</b>	<b>3,392</b>	<b>2,916</b>	<b>7,156</b>	<b>9,808</b>	<b>9,120</b>	<b>10,041</b>	<b>10,372</b>
Other income	2,454	454	864	838	220	222	222
Finance cost	- 2,178	- 2,661	- 1,747	- 2,298	- 3,169	- 2,982	- 2,803
<b>Profit before income tax</b>	<b>3,668</b>	<b>709</b>	<b>6,273</b>	<b>8,348</b>	<b>6,171</b>	<b>7,281</b>	<b>7,791</b>
Income tax expense	- 501	- 444	- 674	- 880	- 650	- 767	- 821
<b>Profit for the year</b>	<b>3,168</b>	<b>265</b>	<b>5,599</b>	<b>7,468</b>	<b>5,520</b>	<b>6,514</b>	<b>6,970</b>
EPS	<b>13.19</b>	<b>1.11</b>	<b>23.32</b>	<b>31.10</b>	<b>22.99</b>	<b>27.13</b>	<b>29.03</b>
EBITDA	<b>4,319</b>	<b>3,828</b>	<b>8,316</b>	<b>11,252</b>	<b>10,558</b>	<b>11,473</b>	<b>11,799</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	10.62%	-9.33%	38.18%	25.78%	13.67%	8.44%	3.04%
Cost of sales	10.10%	-8.67%	28.14%	21.58%	17.43%	8.17%	3.00%
<b>Gross profit</b>	<b>14.43%</b>	<b>-13.98%</b>	<b>113.33%</b>	<b>44.65%</b>	<b>-0.54%</b>	<b>9.62%</b>	<b>3.22%</b>
Distribution cost	3.92%	-7.94%	33.55%	46.93%	26.07%	8.53%	3.06%
Administrative expenses	25.14%	16.58%	-3.80%	65.62%	8.51%	8.21%	2.98%
Other operating expenses	112.11%	-65.30%	258.24%	177.47%	13.67%	8.44%	3.04%
<b>Profit from operations</b>	<b>12.62%</b>	<b>-14.02%</b>	<b>145.41%</b>	<b>37.05%</b>	<b>-7.01%</b>	<b>10.10%</b>	<b>3.29%</b>
Other income	116.85%	-81.50%	90.31%	-3.02%	-73.76%	1.13%	0.03%
Finance cost	57.41%	22.19%	-34.34%	31.52%	37.94%	-5.91%	-6.00%
<b>Profit before income tax</b>	<b>32.91%</b>	<b>-80.67%</b>	<b>784.54%</b>	<b>33.07%</b>	<b>-26.08%</b>	<b>18.00%</b>	<b>7.00%</b>
Income tax expense	26.13%	-11.37%	51.93%	30.45%	-26.08%	18.00%	7.00%
<b>Profit for the year</b>	<b>34.04%</b>	<b>-91.62%</b>	<b>2009.84%</b>	<b>33.39%</b>	<b>-26.08%</b>	<b>18.00%</b>	<b>7.00%</b>
EPS	<b>34.04%</b>	<b>-91.62%</b>	<b>2009.84%</b>	<b>33.39%</b>	<b>-26.08%</b>	<b>18.00%</b>	<b>7.00%</b>
EBITDA		<b>-11.36%</b>	<b>117.22%</b>	<b>35.30%</b>	<b>-6.17%</b>	<b>8.67%</b>	<b>2.84%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	12.42	11.79	18.20	20.93	18.31	18.51	18.55
NP Margin	%	8.05	0.74	11.36	12.05	7.83	8.53	8.85
OP Margin	%	8.62	8.18	14.52	15.82	12.94	13.14	13.17
ROE	%	20.65	1.95	29.47	32.60	20.31	20.21	18.52
ROCE	%	17.85	14.79	27.88	25.31	17.54	16.59	14.60
ROA	%	7.28	0.56	10.81	12.41	7.51	7.94	7.56
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.18	1.04	1.25	1.95	2.65	3.04	3.59
Quick	x	0.41	0.25	0.35	0.35	0.63	0.87	1.21
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory Turnover	x	2.63	1.76	2.11	2.31	2.07	1.90	1.85
Inventory Days		138.63	207.13	172.94	157.82	176.64	192.45	197.09
Receivables Days		92.87	71.56	65.28	76.96	75.52	74.70	84.42
Payables Days		30.12	51.69	37.06	51.69	51.69	51.69	51.69
Operating Cycle		201.38	227.00	201.15	183.09	200.47	215.46	229.82
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
DPS		4.00	1.00	5.00	7.00	5.00	6.00	6.50
Div. Yield	%	11.57	2.89	14.46	20.25	14.46	17.36	18.80
Dividend Cover	x	3.30	1.11	4.66	4.44	4.60	4.52	4.47
Retention	%	69.68	9.52	78.56	77.49	78.25	77.88	77.61
Payout	%	30.32	90.48	21.44	22.51	21.75	22.12	22.39
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	31.10	22.99	27.13	29.03
BVPS		63.88	56.79	79.11	95.40	113.22	134.24	156.73
P/E	x	2.62	31.28	1.48	1.11	1.50	1.27	1.19
Sales per share		163.83	148.54	205.25	258.16	293.45	318.21	327.87
P/BV	x	0.54	0.61	0.44	0.36	0.31	0.26	0.22
P/S	x	0.21	0.23	0.17	0.13	0.12	0.11	0.11
Solvency Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Total Debt to Equity	x	1.62	2.13	1.48	0.71	0.54	0.42	0.33
L.T Debt to Equity	x	0.31	0.48	0.48	0.13	0.08	0.05	0.03
Total Debt to Assets	x	0.57	0.61	0.54	0.27	0.20	0.16	0.13
L.T Debt to Assets	x	0.11	0.14	0.18	0.05	0.03	0.02	0.01
Interest Cover	x	1.56	1.10	4.10	4.27	2.88	3.37	3.70

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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