



## Today's Daily

### ■ NML: 2QFY18 Result Preview

Previewing 2QFY18E result for NML, we expect the company to post unconsolidated profit of PkR2,154mn (EPS: PkR6.13) vs. Pk1,909mn (EPS: PKR5.43) in 1QFY17, registering growth of 13%YoY. The growth in earnings is expected to arise from: 1) 9%YoY uptick in topline driven by weaving & garment segments (+16%YoY/+14%YoY growth expected in respective revenues) and 2) GM accretion (+235bpsYoY) due to recovery in low value added product prices. Sequentially, 2QFY18 earnings are likely to see 3x jump primarily on account of higher other income (+3.2xYoY), with dividend income falling in the second quarter.

#### KSE100 - Index

Current	42,919.78
Previous	43,294.95
Chg.	-0.87%

#### Mkt Cap. (PkRbn/US\$bn)

Current	8,923 / 80.70
Previous	8,972 / 81.15
Chg.	-0.55%

#### Daily Turnover (mn)

Current	188.07
Previous	169.71
Chg.	10.8%

### ■ NCL: 2QFY18 Result Preview

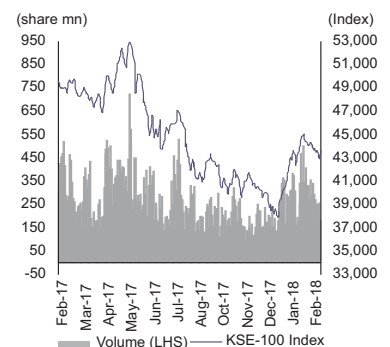
NCL is scheduled to announce its 2QFY18 results on Tuesday (Feb 27'18), where we expect the company to post earnings of PkR260.1mn (EPS: PkR1.08) vs. PkR560.18mn in 2QFY17 (EPS: PkR2.33), down 54%YoY. The expected decline in total earnings is attributable to lower dividend income (likely to go down by 69%YoY) from subsidiary company that made up ~60% of earnings in FY17. This is despite expected recovery in core operations (expected core EPS: PkR0.30 in 2QFY18 vs. LPS: PkR0.15 in 2QFY17) primarily attributable to: 1) robust topline growth (+14%YoY due to expanding retail footprint) and 2) GM margin recovery (+80bps on the back of increase in yarn prices).

#### Value Traded (PkRmn/US\$m)

Current	8,519 / 77.05
Previous	7,789 / 70.44
Chg.	9.4%

## News and Views

- SC yesterday declared former PM Sharif ineligible to continue as president of the PML-N for being a disqualified person declared by a court of law. Further, all his decisions taken in the capacity of a party leader were also declared as null and void.
- FBR yesterday informed a parliamentary committee that it has sought PkR6.12bn for its 49 projects under PSDP for FY19. The committee was informed that there are many ongoing projects of FBR, which had not completed due to the shortage of funds.
- Textile exports witnessed over 7% growth during 7MFY18 due to PM's incentives package and PkR depreciation against the dollar. According to data released by PBS, Pakistan exported textile and clothing products worth US\$7.7bn for 7MFY18 against \$7.2bn SPLY.



**Umer Farooq**  
umer.farooq@akdsecurities.net  
111-253-111 Ext:637

**Important disclosures**, including investment banking relationships and analyst certification at end of this report. AKD Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.



## NML: 2QFY18 Result Preview

Previewing 2QFY18E result for NML, we expect the company to post unconsolidated profit of PkR2,154mn (EPS: PkR6.13) vs. Pk1,909mn (EPS: PkR5.43) in 1QFY17, registering growth of 13%YoY. The growth in earnings is expected to arise from: 1) 9%YoY uptick in topline driven by weaving & garment segments (+16%YoY/+14%YoY growth expected in respective revenues) and 2) GM accretion (+235bpsYoY) due to recovery in low value added product prices. Sequentially, 2QFY18 earnings are likely to see 3x jump primarily on account of higher other income (+3.2xYoY), with dividend income falling in the second quarter. On a cumulative basis, 1HFY18 earnings are anticipated to rest at PkR2,861mn (EPS: PkR8.14), up 12%YoY on back of higher payout from cement subsidiary and improvement in core earnings (core EPS: PkR0.94 in 1HFY18 vs. PkR0.61 in 1HFY17). Correcting 5.6%FYTD, NML now trades at FY19F PE of 9.3x where our Jun'18 TP of PkR169.5/sh offers an upside of 6.2% from current price level. Accumulate!

### NML: Income Statement

(PkrMn)	2QFY18E	2QFY17	YoY	1QFY18	QoQ	1HFY18	1HFY17	YoY
Net Sales	14,124	13,012	9%	12,278	15%	26,402	24,004	10%
Cost of Sales	12,425	11,752	6%	10,996	13%	23,421	21,368	10%
Gross Profit	1,699	1,259	35%	1,283	32%	2,982	2,635	13%
GM	12.03%	9.68%	235	10.45%	158	11.29%	10.98%	32
S&A	1,002	898	12%	852	18%	1,854	1,720	8%
Operating profit	697	362	93%	431	62%	1,128	915	23%
Other op. exp	76	110	-31%	34	128%	110	154	-29%
Finance cost	231	218	6%	216	7%	446	421	6%
Other Income	2,145	2,113	2%	668	221%	2,812	2,595	8%
PBT	2,535	2,146	18%	849	199%	3,384	2,935	15%
Tax	380	237	60%	142	168%	522	384	36%
NPAT	2,154	1,909	13%	707	205%	2,861	2,551	12%
EPS (Pkr)	6.13	5.43	13%	2.01	205%	8.14	7.25	12%
EPS-Core (Pkr)	0.64	0.02	-	0.30	-	0.94	0.61	-
EPS-Non-Core (Pkr)	5.49	5.41	-	1.71	-	7.20	6.64	-

Source: Co. Report & AKD Research

## NCL: 2QFY18 Result Preview

NCL is scheduled to announce its 2QFY18 results on Tuesday (Feb 27'18), where we expect the company to post earnings of PkR260.1mn (EPS: PkR1.08) vs. PkR560.18mn in 2QFY17 (EPS: PkR2.33), down 54%YoY. The expected decline in total earnings is attributable to lower dividend income (likely to go down by 69%YoY) from subsidiary company that made up ~60% of earnings in FY17. This is despite expected recovery in core operations (expected core EPS: PkR0.30 in 2QFY18 vs. LPS: PkR0.15 in 2QFY17) primarily attributable to: 1) robust topline growth (+14%YoY due to expanding retail footprint)



and 2) GM margin recovery (+80bps on the back of increase in yarn prices). On a cumulative basis, 1HFY18 earnings are expected to clock in at PkR165mn vs. PkR1,125mn in 1HFY17, down 85%YoY. Losing 17% since announcement of export package in Oct'17, we feel that NCL has largely priced in fundamental deterioration. At current price levels, the stock is now trading at an attractive FY19F P/E(x) of 5.04 (vs. historic 3 yr. P/E(x) 10.48), where our SOTP based TP of PkR69.92/sh offers 38% upside. Buy!

### NCL: Income Statement

(PkRmn)	2QFY18E	2QFY17	YoY	1QFY18	QoQ	1HFY18	1HFY17	YoY
Net Sales	8,603	7,553	14%	8,368	3%	16,971	14,450	17%
Cost of Sales	7,849	6,952	13%	7,837	0%	15,686	13,053	20%
Gross Profit	754	601	25%	531	42%	1,285	1,397	-8%
GM	8.76%	7.96%	80	6.35%	241	7.57%	9.67%	(209)
S&A	272	224	22%	255	7%	527	454	16%
Operating profit	482	377	28%	276	74%	758	943	-20%
Other op. exp	47	81	-42%	5	-	52	116	-55%
Finance cost	312	266	17%	308	2%	620	493	26%
Other Income	208	663	-69%	19	-	227	1,028	-78%
PBT	331	693	-52%	(18)	-	313	1,361	-77%
Tax	70	133	-47%	77	-9%	148	236	-37%
NPAT	260	560	-54%	(95)	-	165	1,125	-85%
EPS (PkR)	1.08	2.33	-54%	(0.40)	-	0.69	4.68	-85%
EPS -Core (PkR)	0.30	(0.15)	-	(0.47)	-	(0.16)	0.83	-
EPS-Non-Core (PkR)	0.78	2.48	-	0.07	-	0.85	3.85	-78%

Source: Co. Report & AKD Research



## Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

### Stock Ratings

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. A rating system which uses similar terms such as Buy, Accumulate, Neutral, Reduce and Sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances (such as the investors existing holdings or investment objectives) and other considerations. Please see our table below for ratings definitions which are based on price returns.

#### *Rating Definitions*

Buy	≥ 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



### **Analyst Certification of Independence**

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

### **Disclosure of Interest Area**

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

### **Regional Disclosures (Outside Pakistan)**

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.