

## PAKISTAN Textiles & Steel

# MARKET VISTA

REP-019

## 1HFY19: NML, NCL & ASTL Result Previews

**NML:** Previewing 2QFY19E result (scheduled today) for NML, we expect the company to post an unconsolidated profit of PkR2,014mn (EPS: PkR5.73) vs. PkR1,961mn (EPS: PkR5.58) in 2QFY18, marginally up 3%YoY. Core textile earnings are likely to jump 53%YoY (core EPS: PkR1.76 in 2QFY19E vs. PkR1.15 in 2QFY18), underpinned by i) double-digit topline growth (+20%YoY), and ii) gross margin accretion (277bpsYoY). On the flip side, portfolio income – that comprises ~60% of the before-tax earnings – is estimated to decline 25%YoY, where lower pay-out from cement and power subsidiaries is the key culprit. On a cumulative basis, 1HFY19E earnings are expected to move up 13%YoY to PkR3,008mn (EPS: PkR8.56) vs. PkR2,668mn (EPS: PkR7.59) in 1HFY18, where headline earnings growth primarily emanates from broad-based improvement in core textile business (core EPS: PkR3.76 in 1HFY19E vs. PkR1.81 in 1HFY18).

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### NML: 2QFY19 Income Statement

(PKR mn)	2QFY19E	2QFY18	YoY	1QFY19	QoQ	1HFY19E	1HFY18	YoY
Net Sales	15,906	13,241	20%	14,298	11%	30,204	25,520	18%
Cost of Sales	13,911	11,947	16%	12,496	11%	26,407	22,943	15%
Gross Profit	1,995	1,294	54%	1,801	11%	3,797	2,577	47%
GM	12.54%	9.77%	277	12.60%	(5)	12.57%	10.10%	247
S&A	974	842	16%	896	9%	1,870	1,694	10%
Operating profit	1,021	452	126%	906	13%	1,926	883	118%
Other op. exp	58	102	-43%	57	3%	115	136	-15%
Finance cost	273	235	16%	212	28%	485	451	8%
Other Income	1,548	2,077	-25%	511	203%	2,059	2,745	-25%
PBT	2,237	2,192	2%	1,148	95%	3,385	3,041	11%
Tax	224	231	-3%	153	46%	377	373	1%
<b>NPAT</b>	<b>2,014</b>	<b>1,961</b>	<b>3%</b>	<b>995</b>	<b>102%</b>	<b>3,008</b>	<b>2,668</b>	<b>13%</b>
<b>EPS (PKR)</b>	<b>5.73</b>	<b>5.58</b>	<b>-</b>	<b>2.83</b>	<b>-</b>	<b>8.56</b>	<b>7.59</b>	<b>13%</b>

Source: Company Report &amp; AKD Research

**NCL:** NCL is scheduled to announce 2QFY19 results tomorrow (Feb 27'19), where we expect the company to record NPAT of PkR1,080mn (EPS: PkR4.49) vs. PkR587mn (EPS: PkR2.44) in 2QFY18, up 84%YoY. The steep jump in earnings is a function of i) improved core earnings (core EPS: PkR2.05 in 2QFY19 vs. PkR0.82 in 2QFY18), ii) higher payout from subsidiary (PkR1.5/sh in 2QFY19 vs. PkR1/sh in 2QFY18), and iii) one-offs in the form of exchange gain and gain from the sale of entertainment business (EPS impact: PkR0.92). Sequentially, core earnings however are likely to normalize (core EPS: PkR2.05 in 2QFY19 vs. PkR2.88 in 1QFY18) as a result of narrowing yarn-cotton spread. On a cumulative basis, 1HFY19E earnings are estimated to rise 3.9xYoY to PkR1,931mn (EPS: PkR8.04) vs. PkR492mn (EPS: PkR2.05) in 1HFY18. Factors such as improvement in core textile business, higher payout from subsidiary and one-offs (i.e exchange gain & capital gain from entertainment business) drive earnings higher in 1HFY19.

### NCL: 2QFY19 Income Statement

(PKR mn)	2QFY19E	2QFY18	YoY	1QFY19	QoQ	1HFY19E	1HFY18	YoY
Net Sales	9,513	8,469	12%	9,227	3.1%	18,739	16,837	11%
Cost of Sales	8,258	7,615	8%	7,740	7%	15,998	15,452	4%
Gross Profit	1,254	854	47%	1,487	-16%	2,742	1,385	98%
GM	13.18%	10.08%	310	16.12%	(294)	14.63%	8.23%	640
S&A	317	281	13%	307	3%	624	536	16%
Operating profit	937	573	64%	1,180	-21%	2,117	849	149%
Other op. exp	19	19	0%	48	-61%	67	24	177%
Finance cost	415	330	25%	377	10%	791	638	24%
Other Income	692	460	50%	188	267%	880	479	84%
PBT	1,196	683	75%	943	27%	2,139	666	221%
Tax	116	96	21%	92	27%	208	174	20%
<b>NPAT</b>	<b>1,080</b>	<b>587</b>	<b>84%</b>	<b>852</b>	<b>27%</b>	<b>1,931</b>	<b>492</b>	<b>292%</b>
<b>EPS (PKR)</b>	<b>4.49</b>	<b>2.44</b>	<b>-</b>	<b>3.55</b>	<b>-</b>	<b>8.04</b>	<b>2.05</b>	<b>-</b>

Source: Company Report &amp; AKD Research



**AKD Securities Limited**

**ASTL:** ASTL is scheduled to announce 2QFY19 results tomorrow (Feb 27'19), where we expect the company to post NPAT of Pkr399mn (EPS: Pkr1.34) vs. Pkr329mn in 2QFY18 (EPS: Pkr1.11), up 21%YoY. The earnings growth is primarily a function of topline growth (76%YoY) which comes from higher prices and volumes (i.e. additional units from Dhabeji line). However, margins at a gross level are likely to remain under stress (GM: 16.2% in 2QFY19 vs. 18.54% in 2QFY18) due to escalating cost pressures and lower capacity utilization at new Dhabeji line. On a sequential basis, 1QFY19 earnings are likely to remain flat (-2%QoQ), as the incremental earning from volumes (+3%QoQ) and margin accretion (+84bpsQoQ) will be offset by the higher financing cost (+42% QoQ). Cumulatively, 1HFY19E earnings are likely to jump 54%YoY to Pkr807mn (EPS: Pkr2.72), where incremental earnings are primarily emanating from higher volumes as a result of capacity additions.

#### ASTL: 2QFY19 Income Statement

(PKR mn)	2QFY19E	2QFY18	YoY	1QFY19	QoQ	1HFY19E	1HFY18	YoY
Net Sales	6,205	3,532	76%	5,922	5%	12,127	6,238	94%
Cost of Sales	(5,202)	(2,877)	81%	(5,014)	4%	(10,216)	(5,073)	101%
Gross Profit	1,004	655	53%	908	10%	1,912	1,165	64%
GM	16.17%	18.54%	(237)	15.33%	84	15.76%	18.67%	(291)
Distribution cost	(171)	(80)	113%	(156)	9%	(327)	(136)	141%
Admin cost	(118)	(83)	42%	(109)	8%	(227)	(184)	23%
OPEX	(31)	(31)	1%	(36)	-15%	(67)	(49)	36%
Finance cost	(296)	(110)	169%	(209)	42%	(504)	(207)	144%
Other Income	23	0	-	23	-	45	0	-
PBT	411	351	17%	421	-2%	831	589	41%
Taxes	(12)	(23)	-48%	(12)	-2%	(24)	(65)	-63%
Net Income	399	329	21%	409	-2%	807	524	54%
EPS (Pkr)	1.34	1.11		1.38		2.72	1.76	54%

Source: Company Report & AKD Research

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Neutral	> 13% to < 19% expected total return
Sell	< 13% expected total return (Rf: 13%)

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