

ILP has announced its 1HFY21 result where it posted profit after tax of Rs2.9bn (EPS: Rs3.34) as compared to profit after tax of Rs1.5bn (EPS: Rs1.76) in same period last year, up by 89.7% YoY.

The company has posted the revenue of Rs26bn against Rs19bn in SPLY, recording a growth of 36.6% YoY. We note that this growth is attributed to the commencement of denim plant and revival of exports post Covid-19.

Gross margin has been expanded to 24.6% as compared to 23.4% in SPLY on account of improved international prices. SG&A expenses have been increased by 14.7% YoY to Rs2.5bn as compared to Rs2.2bn during SPLY.

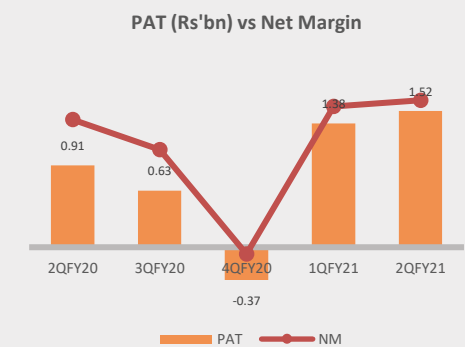
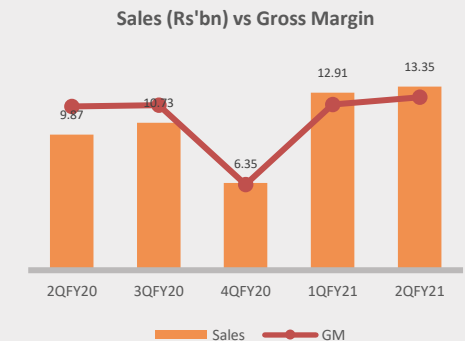
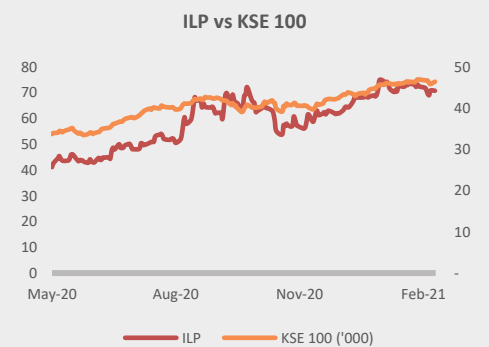
Finance cost has been increased by 9% YoY to Rs517mn as compared to Rs474mn in SPLY on account of higher working capital requirement.

Lastly, lower effective taxation of 6.2% as compared to 8.8% during SPLY contributed to the upsurge of the bottom line.

ILP is currently trading at FY21E PE of 11.44x. Furthermore, the company is also trading at FY21E of 2.94x which offers a discount of 36% relative to its 3-year average of 4.59x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs80 which provides an upside potential of 13%. Furthermore, it also offers a dividend yield of 3% which makes the total return of 16%.

## Key Statistics

Symbol	ILP
TP - Dec 21	80.00
LDGP	70.69
Upside / (Downside)	13%
Free Float ('mn)	130
Market Cap. (Rs.'mn)	61,458



Sources: ACPL Research, Company Financials

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Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	13,353	9,868	35.3% ▲	26,263	19,225	36.6% ▲
Cost of Sales	-9,995	-7,516	33.0% ▲	-19,796	-14,725	34.4% ▲
<b>Gross Profit</b>	<b>3,358</b>	<b>2,352</b>	<b>42.8% ▲</b>	<b>6,466</b>	<b>4,499</b>	<b>43.7% ▲</b>
SG&A Expenses	-1,242	-933	33.1% ▲	-2,492	-2,173	14.7% ▲
Other Expenses	-228	-180	26.6% ▲	-436	-234	86.7% ▲
Other Income	51	56	7.6% ▼	75	60	24.3% ▲
<b>Operating Profit</b>	<b>1,939</b>	<b>1,295</b>	<b>49.8% ▲</b>	<b>3,613</b>	<b>2,153</b>	<b>67.8% ▲</b>
Finance Cost	-291	-306	4.8% ▼	-517	-474	9.0% ▲
Profit Before Taxation	1,648	989	66.7% ▲	3,097	1,679	84.5% ▲
Taxation	-126	-76	64.4% ▲	-192	-147	30.3% ▲
<b>Profit After Taxation</b>	<b>1,522</b>	<b>912</b>	<b>66.8% ▲</b>	<b>2,904</b>	<b>1,531</b>	<b>89.7% ▲</b>
Earnings Per Share	1.75	1.05	66.8% ▲	3.34	1.76	89.7% ▲
Dividend	1.50	1.00		1.50	1.00	
Bonus	0%	0%		0%	0%	

Closing Period: 5 Mar 2021 - 12 Mar 2021

	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Gross Margin	25.1%	23.8%	1.3% ▲	24.6%	23.4%	1.2% ▲
SG&A Expenses to Sales	-9.3%	-9.5%	1.6% ▲	-9.5%	-11.3%	1.8% ▼
Other Expenses to Sales	-1.7%	-1.8%	0.1% ▼	-1.7%	-1.2%	0.4% ▲
Other Income to Sales	0.4%	0.6%	0.2% ▼	0.3%	0.3%	0.0% ▼
Effective Taxation	-7.6%	-7.7%	0.1% ▼	-6.2%	-8.8%	2.6% ▼
Net Margin	11.4%	9.2%	2.2% ▲	11.1%	8.0%	3.1% ▲

Source: ACPL Research, Company Financials

## Financial Projections

Rupees' millions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	31,139	37,478	36,303	53,035	59,319	63,407
Cost of sales	- 21,994	- 25,524	- 28,439	- 40,057	- 44,607	- 47,774
<b>Gross profit</b>	<b>9,144</b>	<b>11,955</b>	<b>7,864</b>	<b>12,978</b>	<b>14,712</b>	<b>15,633</b>
Distribution cost	- 2,641	- 2,784	- 2,007	- 2,645	- 2,930	- 3,104
Administrative expenses	- 1,598	- 1,984	- 2,198	- 2,653	- 2,941	- 3,118
Other operating expenses	- 425	- 785	- 505	- 737	- 824	- 881
<b>Profit from operations</b>	<b>4,480</b>	<b>6,402</b>	<b>3,154</b>	<b>6,943</b>	<b>8,016</b>	<b>8,530</b>
Other income	9	14	99	145	162	173
Finance cost	- 484	- 996	- 1,137	- 922	- 877	- 824
<b>Profit before income tax</b>	<b>4,006</b>	<b>5,421</b>	<b>2,116</b>	<b>6,166</b>	<b>7,301</b>	<b>7,878</b>
Income tax expense	- 120	- 226	- 319	- 796	- 890	- 951
<b>Profit for the year</b>	<b>3,886</b>	<b>5,195</b>	<b>1,796</b>	<b>5,370</b>	<b>6,411</b>	<b>6,927</b>
EPS	<b>4.47</b>	<b>5.98</b>	<b>2.07</b>	<b>6.18</b>	<b>7.37</b>	<b>7.97</b>
EBITDA	<b>6,008</b>	<b>8,108</b>	<b>5,149</b>	<b>8,478</b>	<b>9,554</b>	<b>10,077</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	20.36%	-3.14%	46.09%	11.85%	6.89%
Cost of sales	16.05%	11.42%	40.85%	11.36%	7.10%
<b>Gross profit</b>	<b>30.73%</b>	<b>-34.22%</b>	<b>65.03%</b>	<b>13.36%</b>	<b>6.26%</b>
Distribution cost	5.40%	-27.89%	31.78%	10.78%	5.93%
Administrative expenses	24.18%	10.77%	20.69%	10.87%	6.03%
Other operating expenses	84.41%	-35.69%	46.09%	11.85%	6.89%
<b>Profit from operations</b>	<b>42.90%</b>	<b>-50.74%</b>	<b>120.13%</b>	<b>15.46%</b>	<b>6.41%</b>
Other income	57.62%	585.41%	46.09%	11.85%	6.89%
Finance cost	105.87%	14.21%	-18.94%	-4.88%	-5.98%
<b>Profit before income tax</b>	<b>35.33%</b>	<b>-60.97%</b>	<b>191.41%</b>	<b>18.42%</b>	<b>7.91%</b>
Income tax expense	88.59%	41.20%	149.05%	11.85%	6.89%
<b>Profit for the year</b>	<b>33.69%</b>	<b>-65.42%</b>	<b>198.94%</b>	<b>19.39%</b>	<b>8.05%</b>
EPS	<b>33.69%</b>	<b>-65.42%</b>	<b>198.94%</b>	<b>19.39%</b>	<b>8.05%</b>
EBITDA	<b>145.93%</b>	<b>56.19%</b>	<b>157.16%</b>	<b>189.76%</b>	<b>205.64%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	29.37	31.90	21.66	24.47	24.80	24.66
NP Margin	%	12.48	13.86	4.95	10.13	10.81	10.93
OP Margin	%	14.39	17.08	8.69	13.09	13.51	13.45
ROE	%	42.78	29.05	10.40	25.68	25.06	22.67
ROCE	%	33.80	26.69	11.52	23.99	25.37	23.79
ROA	%	11.86	12.74	3.96	12.41	13.61	13.59
Liquidity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	0.86	1.27	1.14	1.32	1.45	1.72
Quick	x	0.52	0.77	0.55	0.42	0.52	0.70
Activity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Inventory Turnover	x	4.29	4.48	3.77	4.14	4.01	3.93
Inventory Days		85.00	81.54	96.86	88.13	91.08	92.79
Receivables Days		114.23	99.08	96.68	89.04	87.28	86.33
Payables Days		45.31	51.15	38.90	45.00	45.00	45.00
Operating Cycle		153.91	129.47	154.63	132.17	133.36	134.12
Investment Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		0.00	3.00	2.00	2.00	2.00	2.25
Div. Yield	%	0.00	4.24	2.83	2.83	2.83	3.18
Dividend Cover	x	0.00	1.99	1.03	3.09	3.69	3.54
Retention	%	100.00	49.79	3.21	67.62	72.88	71.76
Payout	%	0.00	50.21	96.79	32.38	27.12	28.24
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.87	0.87
EPS		4.47	5.98	2.07	6.18	7.37	7.97
BVPS		10.45	20.57	19.88	24.05	29.43	35.14
P/E	x	15.82	11.83	34.21	11.44	9.59	8.87
Sales per share		35.82	43.11	41.76	61.00	68.23	72.93
P/BV	x	6.77	3.44	3.56	2.94	2.40	2.01
P/S	x	1.97	1.64	1.69	1.16	1.04	0.97
Solvency Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	2.03	0.93	1.25	0.75	0.59	0.47
L.T Debt to Equity	x	0.35	0.27	0.42	0.33	0.25	0.18
Total Debt to Assets	x	0.56	0.41	0.48	0.36	0.32	0.28
L.T Debt to Assets	x	0.10	0.12	0.16	0.16	0.13	0.11
Interest Cover	x	9.26	6.43	2.77	7.53	9.14	10.35

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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