

Equity Research | Textile Composite | Thursday, 27 January, 2022

ILP has announced its 1HFY22 result where it posted a profit after tax of Rs4.72bn (EPS: Rs5.25) as compared to profit after tax of Rs2.90bn (EPS: Rs3.23) in the same period last year, up by 62.4% YoY.

The company has posted a revenue of Rs39.35bn against Rs26.26bn in SPLY, recording a growth of 49.8% YoY. We note that this growth is attributed to the surge in textile exports.

The gross margin has been expanded to 26.6% as compared to 24.6% in SPLY on account of improved international prices. SG&A expenses have been increased by 42.9% YoY to Rs3.56bn as compared to Rs2.49bn during SPLY. Finance cost has been increased by 68.7% YoY to Rs872mn as compared to Rs517mn in SPLY. Lastly, effective taxation has been increased to 6.9% as compared to 6.2% during SPLY.

ILP is currently trading at FY22E PE of 7.21x. Further, the scrip is also trading at a FY22E PB of 2.33x, which offers a discount of 33% relative to its 3-Year historical average of 3.50x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 85 which provides an upside potential of 14%. Furthermore, it also offers a dividend yield of 3% which makes the total return of 17%.

Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	20,017	13,353	49.9% ▲	39,347	26,263	49.8% ▲
Cost of Sales	-15,106	-9,995	51.1% ▲	-28,899	-19,796	46.0% ▲
Gross Profit	4,911	3,358	46.3% ▲	10,448	6,466	61.6% ▲
SG&A Expenses	-1,815	-1,242	46.1% ▲	-3,562	-2,492	42.9% ▲
Other Expenses	-395	-228	73.3% ▲	-975	-436	123.5% ▲
Other Income	20	51	60.4% ▼	25	75	66.5% ▼
Operating Profit	2,722	1,939	40.4% ▲	5,937	3,613	64.3% ▲
Finance Cost	-512	-291	75.6% ▲	-872	-517	68.7% ▲
Profit Before Taxation	2,210	1,648	34.1% ▲	5,065	3,097	63.6% ▲
Taxation	-182	-126	45.1% ▲	-347	-192	80.8% ▲
Profit After Taxation	2,028	1,522	33.2% ▲	4,718	2,904	62.4% ▲
Earnings Per Share	2.26	1.69	33.2% ▲	5.25	3.23	62.4% ▲
Dividend	2.00	1.50	33.3% ▲	2.00	1.50	33.3% ▲
Bonus						

Closing Period: 08 Feb 2022 – 10 Feb 2022

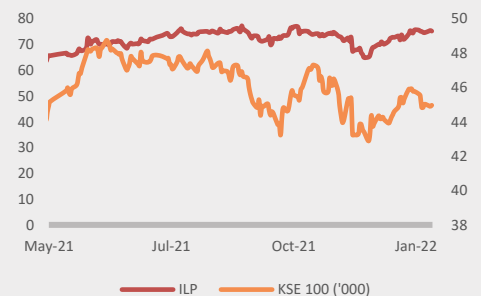
	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Gross Margin	24.5%	25.1%	0.6% ▼	26.6%	24.6%	1.9% ▲
SG&A Expenses to Sales	-9.1%	-9.3%	2.5% ▲	-9.1%	-9.5%	0.4% ▼
Other Expenses to Sales	-2.0%	-1.7%	0.3% ▲	-2.5%	-1.7%	0.8% ▲
Other Income to Sales	0.1%	0.4%	0.3% ▼	0.1%	0.3%	0.2% ▼
Effective Taxation	-8.3%	-7.6%	0.6% ▲	-6.9%	-6.2%	0.7% ▲
Net Margin	10.1%	11.4%	1.3% ▼	12.0%	11.1%	0.9% ▲

Source: ACPL Research, Company Financials

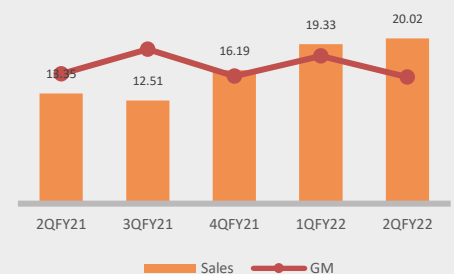
Key Statistics

Symbol	ILP
TP - Dec 22	85.00
LDCP	75.11
Upside / (Downside)	14%
Free Float ('mn)	134
Market Cap. (Rs.'mn)	66,478

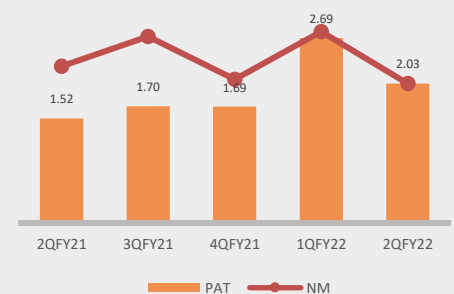
ILP vs KSE 100



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	FY22E	FY23E	FY24E	FY25E
Revenue	37,478	36,303	54,962	78,861	85,313	92,633	101,052
Cost of sales	- 25,524	- 28,439	- 40,750	- 57,956	- 62,795	- 68,321	- 74,723
Gross profit	11,955	7,864	14,212	20,905	22,518	24,312	26,329
Distribution cost	- 2,784	- 2,007	- 2,640	- 3,659	- 3,011	- 3,255	- 3,530
Administrative expenses	- 1,984	- 2,198	- 2,796	- 3,960	- 4,263	- 4,598	- 4,973
Other operating expenses	- 785	- 505	- 919	- 1,774	- 1,920	- 2,084	- 2,274
Profit from operations	6,402	3,154	7,857	11,512	13,324	14,375	15,552
Other income	14	99	163	197	213	232	253
Finance cost	- 996	- 1,137	- 1,147	- 1,562	- 1,369	- 1,180	- 1,052
Profit before income tax	5,421	2,116	6,873	10,147	12,169	13,426	14,753
Income tax expense	- 226	- 319	- 581	- 789	- 1,280	- 1,389	- 1,516
Profit for the year	5,195	1,796	6,292	9,359	10,890	12,037	13,237
EPS	5.98	2.07	7.21	10.42	12.12	13.40	14.73
EBITDA	8,108	5,149	9,393	13,049	14,872	15,935	17,127

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	20.36%	-3.14%	51.40%	43.48%	8.18%	8.58%	9.09%
Cost of sales	16.05%	11.42%	43.29%	42.22%	8.35%	8.80%	9.37%
Gross profit	30.73%	-34.22%	80.73%	47.09%	7.71%	7.97%	8.30%
Distribution cost	5.40%	-27.89%	31.50%	38.61%	-17.71%	8.11%	8.46%
Administrative expenses	24.18%	10.77%	27.22%	41.63%	7.65%	7.86%	8.14%
Other operating expenses	84.41%	-35.69%	82.25%	92.98%	8.18%	8.58%	9.09%
Profit from operations	42.90%	-50.74%	149.11%	46.52%	15.75%	7.88%	8.19%
Other income	57.62%	585.41%	64.56%	21.02%	8.18%	8.58%	9.09%
Finance cost	105.87%	14.21%	0.87%	36.13%	-12.36%	-13.77%	-10.86%
Profit before income tax	35.33%	-60.97%	224.83%	47.65%	19.92%	10.33%	9.88%
Income tax expense	88.59%	41.20%	81.98%	35.67%	62.27%	8.58%	9.09%
Profit for the year	33.69%	-65.42%	250.23%	48.75%	16.36%	10.53%	9.97%
EPS	33.69%	-65.42%	249.11%	44.42%	16.36%	10.53%	9.97%
EBITDA	145.93%	56.19%	184.88%	295.79%	351.06%	383.32%	419.48%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	31.90	21.66	25.86	26.51	26.39	26.25	26.05
NP Margin	%	13.86	4.95	11.45	11.87	12.76	12.99	13.10
OP Margin	%	17.08	8.69	14.30	14.60	15.62	15.52	15.39
ROE	%	29.05	10.40	29.41	32.32	28.79	25.28	22.76
ROCE	%	26.69	11.52	24.29	33.10	32.06	29.33	27.13
ROA	%	12.74	3.96	10.80	14.80	15.92	15.92	15.78
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.27	1.14	1.31	1.36	1.62	1.89	2.20
Quick	x	0.77	0.55	0.80	0.70	0.86	1.07	1.29
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	4.48	3.77	4.17	4.47	3.96	3.96	3.97
Inventory Days		81.54	96.86	87.45	81.73	92.27	92.09	91.86
Receivables Days		99.08	96.68	88.46	83.61	82.77	81.95	81.16
Payables Days		51.15	38.90	45.00	45.00	45.00	45.00	45.00
Operating Cycle		129.47	154.63	130.90	120.34	130.04	129.05	128.02
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		3.00	2.00	2.50	2.00	2.25	2.50	3.00
Div. Yield	%	3.99	2.66	3.33	2.66	3.00	3.33	3.99
Dividend Cover	x	1.99	1.03	2.89	5.21	5.39	5.36	4.91
Retention	%	49.79	3.21	65.34	80.80	81.44	81.34	79.64
Payout	%	50.21	96.79	34.66	19.20	18.56	18.66	20.36
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.90	0.90	0.90
EPS		5.98	2.07	7.21	10.42	12.12	13.40	14.73
BVPS		20.57	19.88	24.53	32.23	42.10	53.00	64.73
P/E	x	12.57	36.35	10.41	7.21	6.20	5.61	5.10
Sales per share		43.11	41.76	63.02	87.78	94.96	103.11	112.48
P/BV	x	3.65	3.78	3.06	2.33	1.78	1.42	1.16
P/S	x	1.74	1.80	1.19	0.86	0.79	0.73	0.67
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.93	1.25	1.42	0.94	0.64	0.46	0.35
L.T Debt to Equity	x	0.27	0.42	0.50	0.29	0.17	0.11	0.07
Total Debt to Assets	x	0.41	0.48	0.52	0.43	0.35	0.29	0.24
L.T Debt to Assets	x	0.12	0.16	0.18	0.13	0.09	0.07	0.05
Interest Cover	x	6.43	2.77	6.85	7.37	9.74	12.18	14.78

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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- 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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Market Weight	Neutral
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