

ILP has announced its 1QFY21 result where it posted profit after tax of Rs1.4bn (EPS: Rs1.59) as compared to profit after tax of Rs619mn (EPS: Rs0.71) in same period last year, up by 123.3% YoY.

The company has posted the revenue of Rs12.9bn against Rs9.4bn in SPLY, recording a growth of 38% YoY. We note that this growth is attributed to the commencement of denim plant.

Gross margin has been expanded to 24.1% as compared to 23% in SPLY on account of improved international prices.

SG&A expenses have slightly been increased by 0.8% YoY to Rs1.25bn as compared to Rs1.24bn during SPLY.

Finance cost has been increased by 34% YoY to Rs225mn as compared to Rs168mn in SPLY on account of higher working capital requirement.

Lastly, lower effective taxation of 4.6% as compared to 10.3% during SPLY contributed to the upsurge of the bottom line.

ILP is currently trading at FY21E PE of 10.11x. Furthermore, the company is also trading at FY21E of 2.49x which offers a discount of 49% relative to its 3-year average of 5.65x. We have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs70 which provides an upside potential of 19%.

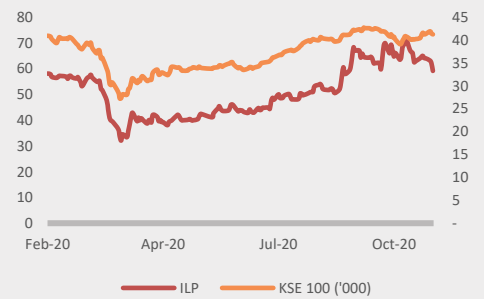
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	12,910	9,356	38.0% ▲	36,303	37,478	3.1% ▼
Cost of Sales	-9,801	-7,209	36.0% ▲	-28,439	-25,524	11.4% ▲
Gross Profit	3,109	2,148	44.8% ▲	7,864	11,955	34.2% ▼
SG&A Expenses	-1,250	-1,240	0.8% ▲	-4,205	-4,768	11.8% ▼
Other Expenses	-209	-54	287.3% ▲	-505	-785	35.7% ▼
Other Income	24	5	406.4% ▲	99	14	585.4% ▲
Operating Profit	1,674	858	95.1% ▲	3,253	6,417	49.3% ▼
Finance Cost	-225	-168	34.0% ▲	-1,137	-996	14.2% ▲
Profit Before Taxation	1,449	690	110.0% ▲	2,116	5,421	61.0% ▼
Taxation	-66	-71	6.3% ▼	-319	-226	41.2% ▲
Profit After Taxation	1,382	619	123.3% ▲	1,796	5,195	65.4% ▼
Earnings Per Share	1.59	0.71	123.3% ▲	2.07	5.98	65.4% ▼
Dividend	0.00	0.00		2.00	1.75	
Bonus	0%	0%		0%	0%	
Gross Margin	24.1%	23.0%	1.1% ▲	21.7%	31.9%	10.2% ▼
SG&A Expenses to Sales	-9.7%	-13.3%	27.0% ▲	-11.6%	-12.7%	1.1% ▼
Other Expenses to Sales	-1.6%	-0.6%	1.0% ▲	-1.4%	-2.1%	0.7% ▼
Other Income to Sales	0.2%	0.0%	0.1% ▲	0.3%	0.0%	0.2% ▲
Effective Taxation	-4.6%	-10.3%	5.7% ▼	-15.1%	-4.2%	10.9% ▲
Net Margin	10.7%	6.6%	4.1% ▲	4.9%	13.9%	8.9% ▼

Source: ACPL Research, Company Financials

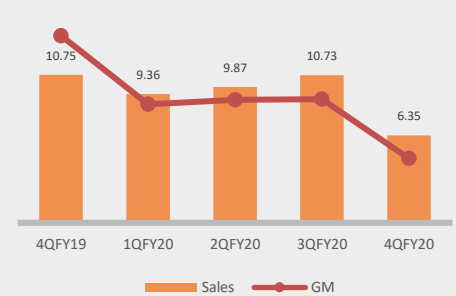
Key Statistics

Symbol	ILP
TP - Jun 21	70.00
LDCP	59.00
Upside / (Downside)	19%
Free Float ('mn)	130
Market Cap. (Rs.'mn)	51,295

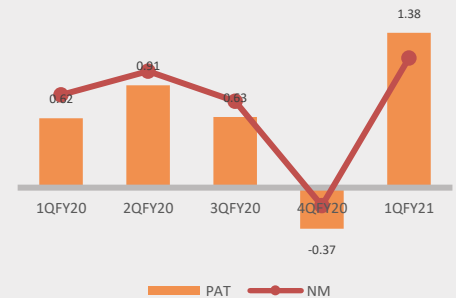
ILP vs KSE 100



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	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	31,139	37,478	36,303	50,635	56,678	60,635
Cost of sales	- 21,994	- 25,524	- 28,439	- 38,273	- 42,645	- 45,713
Gross profit	9,144	11,955	7,864	12,361	14,034	14,922
Distribution cost	- 2,641	- 2,784	- 2,007	- 2,517	- 2,790	- 2,956
Administrative expenses	- 1,598	- 1,984	- 2,198	- 2,525	- 2,800	- 2,970
Other operating expenses	- 425	- 785	- 505	- 704	- 788	- 843
Profit from operations	4,480	6,402	3,154	6,616	7,656	8,152
Other income	9	14	99	138	155	165
Finance cost	- 484	- 996	- 1,137	- 922	- 877	- 824
Profit before income tax	4,006	5,421	2,116	5,832	6,934	7,493
Income tax expense	- 120	- 226	- 319	- 760	- 850	- 910
Profit for the year	3,886	5,195	1,796	5,073	6,084	6,584
EPS	4.47	5.98	2.07	5.83	7.00	7.57
EBITDA	6,008	8,108	5,149	8,151	9,194	9,699

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	20.36%	-3.14%	39.48%	11.94%	6.98%
Cost of sales	16.05%	11.42%	34.58%	11.42%	7.20%
Gross profit	30.73%	-34.22%	57.19%	13.53%	6.33%
Distribution cost	5.40%	-27.89%	25.40%	10.82%	5.97%
Administrative expenses	24.18%	10.77%	14.87%	10.91%	6.08%
Other operating expenses	84.41%	-35.69%	39.48%	11.94%	6.98%
Profit from operations	42.90%	-50.74%	109.76%	15.73%	6.48%
Other income	57.62%	585.41%	39.48%	11.94%	6.98%
Finance cost	105.87%	14.21%	-18.94%	-4.88%	-5.98%
Profit before income tax	35.33%	-60.97%	175.64%	18.90%	8.06%
Income tax expense	88.59%	41.20%	137.77%	11.94%	6.98%
Profit for the year	33.69%	-65.42%	182.38%	19.94%	8.21%
EPS	33.69%	-65.42%	182.38%	19.94%	8.21%
EBITDA	145.93%	56.19%	147.24%	178.86%	194.19%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	29.37	31.90	21.66	24.41	24.76	24.61
NP Margin	%	12.48	13.86	4.95	10.02	10.73	10.86
OP Margin	%	14.39	17.08	8.69	13.07	13.51	13.44
ROE	%	42.78	29.05	10.40	24.61	24.38	22.25
ROCE	%	33.80	26.69	11.52	23.10	24.72	23.37
ROA	%	11.86	12.74	3.96	12.05	13.37	13.44
Liquidity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	0.86	1.27	1.14	1.32	1.43	1.71
Quick	x	0.52	0.77	0.55	0.40	0.49	0.66
Activity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Inventory Turnover	x	4.29	4.48	3.77	4.06	4.01	3.94
Inventory Days		85.00	81.54	96.86	90.00	91.05	92.75
Receivables Days		114.23	99.08	96.68	89.82	87.97	86.96
Payables Days		45.31	51.15	38.90	38.90	38.90	38.90
Operating Cycle		153.91	129.47	154.63	140.92	140.12	140.81
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	5.08	3.39	3.39	3.39	3.81
Dividend Cover	x	0.00	1.99	1.03	2.92	3.50	3.37
Retention	%	100.00	49.79	3.21	65.72	71.42	70.29
Payout	%	0.00	50.21	96.79	34.28	28.58	29.71
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.87	0.87
EPS		4.47	5.98	2.07	5.83	7.00	7.57
BVPS		10.45	20.57	19.88	23.71	28.71	34.03
P/E	x	13.20	9.87	28.55	10.11	8.43	7.79
Sales per share		35.82	43.11	41.76	58.24	65.19	69.74
P/BV	x	5.65	2.87	2.97	2.49	2.06	1.73
P/S	x	1.65	1.37	1.41	1.01	0.91	0.85
Solvency Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	2.03	0.93	1.25	0.76	0.60	0.49
L.T Debt to Equity	x	0.35	0.27	0.42	0.33	0.25	0.19
Total Debt to Assets	x	0.56	0.41	0.48	0.37	0.33	0.29
L.T Debt to Assets	x	0.10	0.12	0.16	0.16	0.14	0.11
Interest Cover	x	9.26	6.43	2.77	7.18	8.73	9.89

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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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