

Equity Research | Textile Composite | Tuesday, 14 February, 2023

ILP has announced its 2QFY23 result where it posted a loss after tax of Rs0.376bn (LPS: Rs0.40) as compared to a profit after tax of Rs2.03bn (EPS: Rs2.17) in the same period last year, down by 118.5% YoY amid squeezed gross margin.

The company has posted a revenue of Rs22.46bn against Rs20.02bn in SPLY, recording a growth of 12.2% YoY. We note that this growth is attributed to government policies targeting value addition in the textile sector.

The gross margin has plunged to 15.8% as compared to 24.5% in SPLY amid higher gas and electric utilities rates. SG&A expenses and finance cost have increased by 22.8% YoY and 176.2% YoY respectively. Lastly, effective taxation has been increased to 12.8% as compared to 6.9% during SPLY.

ILP is currently trading at FY23E PE of 4.89x. Furthermore, the scrip is trading at FY23E PB of 1.27 which provides a discount of 43% with respect to its 3-year historical average of 2.23. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs61 which provides an upside potential of 19%. Furthermore, it also offers a dividend yield of 4% which makes the total return 23%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	22,459	20,017	12.2% ▲	52,922	39,347	34.5% ▲
Cost of Sales	-18,902	-15,106	25.1% ▲	-39,250	-28,899	35.8% ▲
Gross Profit	3,557	4,911	27.6% ▼	13,672	10,448	30.9% ▲
SG&A Expenses	-2,228	-1,815	22.8% ▲	-4,945	-3,562	38.8% ▲
Other Expenses	-1	-395	99.6% ▼	-900	-975	7.6% ▼
Other Income	39	20	90.8% ▲	61	25	141.3% ▲
Operating Profit	1,366	2,722	49.8% ▼	7,888	5,937	32.9% ▲
Finance Cost	-1,414	-512	176.2% ▲	-2,631	-872	201.9% ▲
Profit Before Taxation	-48	2,210	102.2% ▼	5,257	5,065	3.8% ▲
Taxation	-328	-182	79.8% ▲	-671	-347	93.2% ▲
Profit After Taxation	-376	2,028	118.5% ▼	4,585	4,718	2.8% ▼
Earnings Per Share	-0.40	2.17	118.5% ▼	4.91	5.05	2.8% ▼
Dividend	0.00	2.00	100.0% ▼	0.00	2.00	100.0% ▼
Bonus	0%	0%		0%	0%	

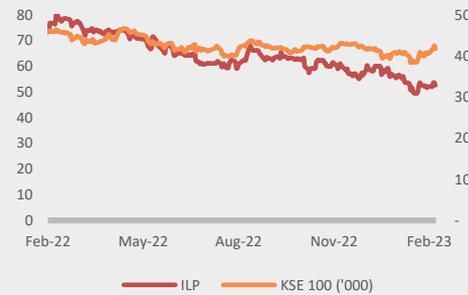
Gross Margin	15.8%	24.5%	8.7% ▼	25.8%	26.6%	0.7% ▼
SG&A Expenses to Sales	-9.9%	-9.1%	9.4% ▼	-9.3%	-9.1%	0.3% ▲
Other Expenses to Sales	0.0%	-2.0%	2.0% ▼	-1.7%	-2.5%	0.8% ▼
Other Income to Sales	0.2%	0.1%	0.1% ▲	0.1%	0.1%	0.1% ▲
Effective Taxation	685.2%	-8.3%	677.0% ▲	-12.8%	-6.9%	5.9% ▲
Net Margin	-1.7%	10.1%	8.5% ▼	8.7%	12.0%	3.3% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	ILP
TP - Dec 23	61.00
LDCP	51.2
Upside / (Downside)	19%
Free Float ('mn)	140
Market Cap. (Rs.'mn)	49,004

ILP vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	36,303	54,962	90,894	105,821	124,344	152,843	182,291
Cost of sales	- 28,439	- 40,750	- 64,828	- 78,015	- 88,847	#####	#####
Gross profit	7,864	14,212	26,066	27,806	35,497	43,097	51,447
Distribution cost	- 2,007	- 2,640	- 3,382	- 3,896	- 5,977	- 7,461	- 9,054
Administrative expenses	- 2,198	- 2,796	- 4,681	- 6,089	- 7,121	- 8,658	- 10,475
Other operating expenses	- 505	- 919	- 2,143	- 1,799	- 2,114	- 2,598	- 3,099
Profit from operations	3,154	7,857	15,859	16,022	20,286	24,379	28,820
Other income	99	163	57	116	137	168	201
Finance cost	- 1,137	- 1,147	- 2,493	- 5,148	- 5,324	- 5,726	- 6,253
Profit before income tax	2,116	6,873	13,423	10,991	15,099	18,821	22,767
Income tax expense	- 319	- 581	- 1,064	- 1,217	- 1,865	- 2,293	- 2,734
Profit for the year	1,796	6,292	12,359	9,774	13,234	16,528	20,033
EPS	1.92	6.73	13.23	10.46	14.16	17.69	21.44
EBITDA	5,149	10,155	18,681	18,853	23,697	28,347	33,324

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-3.14%	51.40%	65.38%	16.42%	17.50%	22.92%	19.27%
Cost of sales	11.42%	43.29%	59.09%	20.34%	13.88%	23.52%	19.22%
Gross profit	-34.22%	80.73%	83.41%	6.68%	27.66%	21.41%	19.38%
Distribution cost	-27.89%	31.50%	28.13%	15.20%	53.39%	24.85%	21.34%
Administrative expenses	10.77%	27.22%	67.42%	30.06%	16.95%	21.59%	20.99%
Other operating expenses	-35.69%	82.25%	133.11%	-16.07%	17.50%	22.92%	19.27%
Profit from operations	-50.74%	149.11%	101.85%	1.03%	26.61%	20.18%	18.22%
Other income	585.41%	64.56%	-64.94%	103.78%	17.50%	22.92%	19.27%
Finance cost	14.21%	0.87%	117.34%	106.51%	3.41%	7.56%	9.20%
Profit before income tax	-60.97%	224.83%	95.31%	-18.12%	37.38%	24.65%	20.97%
Income tax expense	41.20%	81.98%	83.04%	14.38%	53.27%	22.92%	19.27%
Profit for the year	-65.42%	250.23%	96.45%	-20.92%	35.40%	24.89%	21.21%
EPS	-65.42%	250.23%	96.45%	-20.92%	35.40%	24.89%	21.21%
EBITDA	56.19%	208.01%	466.61%	471.83%	618.76%	760%	911%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	21.66	25.86	28.68	26.28	28.55	28.20	28.22
NP Margin	%	4.95	11.45	13.60	9.24	10.64	10.81	10.99
OP Margin	%	8.69	14.30	17.45	15.14	16.31	15.95	15.81
ROE	%	10.40	30.67	41.28	25.88	27.37	26.84	25.82
ROCE	%	11.52	24.03	32.05	34.73	40.63	43.33	44.59
ROA	%	3.96	10.37	12.83	9.73	11.20	11.52	11.63
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.14	1.22	1.30	1.18	1.12	1.10	1.11
Quick	x	0.55	0.72	0.71	0.64	0.65	0.65	0.75
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	3.77	4.06	3.77	3.27	3.54	3.82	4.19
Inventory Days		96.86	89.96	96.89	111.53	103.23	95.61	87.15
Receivables Days		96.68	128.71	131.83	106.48	103.24	95.09	93.46
Payables Days		38.90	49.73	51.15	47.25	47.25	47.25	47.25
Operating Cycle		154.63	168.94	177.57	170.76	159.22	143.45	133.36
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		2.00	2.50	4.00	2.00	3.00	3.50	4.50
Div. Yield	%	3.91	4.88	7.81	3.91	5.86	6.84	8.79
Dividend Cover	x	0.96	2.69	3.31	5.23	4.72	5.05	4.76
Retention	%	-4.02	62.88	69.76	80.88	78.82	80.22	79.01
Payout	%	104.02	37.12	30.24	19.12	21.18	19.78	20.99
No. of Shares	('m)	934.30	934.30	934.30	934.30	934.30	934.30	934.30
EPS		1.92	6.73	13.23	10.46	14.16	17.69	21.44
BVPS		18.49	21.96	32.05	40.41	51.75	65.90	83.05
P/E	x	26.63	7.60	3.87	4.89	3.61	2.89	2.39
Sales per share		38.86	58.83	97.29	113.26	133.09	163.59	195.11
P/BV	x	2.77	2.33	1.60	1.27	0.99	0.78	0.62
P/S	x	1.32	0.87	0.53	0.45	0.38	0.31	0.26
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	1.25	1.48	1.72	1.50	1.41	1.35	1.28
L.T Debt to Equity	x	0.42	0.52	0.55	0.39	0.28	0.20	0.14
Total Debt to Assets	x	0.48	0.50	0.53	0.57	0.58	0.58	0.58
L.T Debt to Assets	x	0.16	0.18	0.17	0.15	0.11	0.08	0.06
Interest Cover	x	2.77	6.85	6.36	3.11	3.81	4.26	4.61

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
- IV. Sum of Parts Valuation

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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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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com