

ILP has announced its 2QFY20 result where it posted profit after tax of Rs1.5bn (EPS: Rs1.76) in 6MFY20 as compared to profit after tax of Rs2.2bn (EPS: Rs2.53) in same period last year, down by 30.5% YoY.

The company has posted the revenue of Rs19.2bn against Rs17.9bn in SPLY, recording a growth of 7.2% YoY. We note that this growth is attributed to the increase in volumetric growth due to currency devaluation.

Gross margin has been squeezed to 23.4% in 6MFY20 as compared to 31.1% in 6MFY19 on account of higher input cost.

SG&A expenses have decreased by 7.5% YoY to Rs2.2bn in 6MFY20 as compared to Rs2.4bn during SPLY.

Finance cost has been decreased by 10.6% YoY to Rs474mn in 6MFY20 as compared to Rs530mn in SPLY on account of lower working capital requirement.

Lastly, higher effective taxation of 8.8% as compared to 5.1% during SPLY caused the bottom line to plunge despite growth in revenues.

ILP is currently trading at FY20E PE of 14.2x. We have a **HOLD** stance on the script with a DCF based Dec-20 TP of Rs60 which provides an upside potential of 5%. Furthermore, it also offers a dividend yield of 4% which makes a total return of 9%.

Rupees' millions	2QFY20	2QFY19	YoY	6MFY20	6MFY19	YoY
Net Sales	9,868	9,220	7.0% ▲	19,225	17,933	7.2% ▲
Cost of Sales	-7,516	-6,111	23.0% ▲	-14,725	-12,351	19.2% ▲
Gross Profit	2,352	3,109	24.4% ▼	4,499	5,583	19.4% ▼
SG&A Expenses	-933	-1,126	17.1% ▼	-2,173	-2,351	7.5% ▼
Other Expenses	-180	-323	44.4% ▼	-234	-385	39.4% ▼
Other Income	56	4	1457.5% ▲	60	4	1555.5% ▲
Operating Profit	1,295	1,664	22.2% ▼	2,153	2,850	24.5% ▼
Finance Cost	-306	-314	2.6% ▼	-474	-530	10.6% ▼
Profit Before Taxation	989	1,350	26.7% ▼	1,679	2,320	27.6% ▼
Taxation	-76	-31	148.5% ▲	-147	-118	24.7% ▲
Profit After Taxation	912	1,319	30.8% ▼	1,531	2,202	30.5% ▼
Earnings Per Share	1.05	1.52	30.8% ▼	1.76	2.53	30.5% ▼
Dividend	1.00	0.00		1.00	0.00	
Bonus	0%	0%		0%	0%	

	Closing Period: 3 Mar 20 - 10 Mar 20					
	23.8%	33.7%	9.9% ▼	23.4%	31.1%	7.7% ▼
Gross Margin	23.8%	33.7%	9.9% ▼	23.4%	31.1%	7.7% ▼
SG&A Expenses to Sales	-9.5%	-12.2%	2.8% ▼	-11.3%	-13.1%	1.8% ▼
Other Expenses to Sales	-1.8%	-3.5%	1.7% ▼	-1.2%	-2.1%	0.9% ▼
Other Income to Sales	0.6%	0.0%	0.5% ▲	0.3%	0.0%	0.3% ▲
Effective Taxation	-7.7%	-2.3%	5.5% ▲	-8.8%	-5.1%	3.7% ▲
Net Margin	9.2%	14.3%	5.1% ▼	8.0%	12.3%	4.3% ▼

Source: ACPL Research, Company Financials

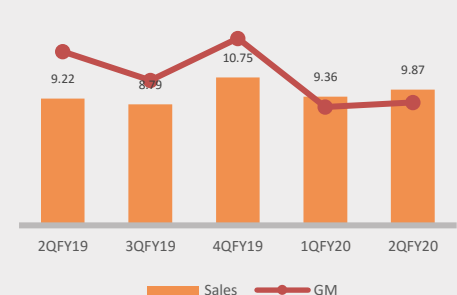
Key Statistics

Symbol	ILP
TP - Dec 20	60.00
LDCP	57.07
Upside (%)	5.13
Free Float ('mn)	130
Market Cap. (Rs.'mn)	49,617

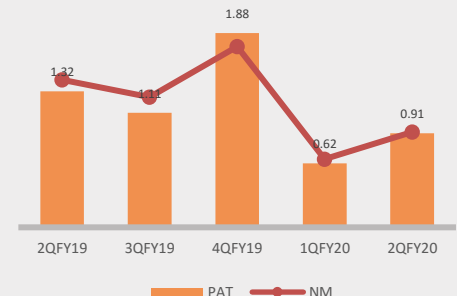
ILP vs KSE 100



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	FY20E	FY21E	FY22E	FY23E
Revenue	31,139	37,478	39,191	41,312	43,603	46,099
Cost of sales	- 21,994	- 25,524	- 29,638	- 31,134	- 31,463	- 33,281
Gross profit	9,144	11,955	9,553	10,178	12,140	12,818
Distribution cost	- 2,641	- 2,784	- 2,159	- 2,268	- 2,385	- 2,508
Administrative expenses	- 1,598	- 1,984	- 2,249	- 2,263	- 2,388	- 2,525
Other operating expenses	- 425	- 785	- 470	- 496	- 523	- 553
Profit from operations	4,480	6,402	4,675	5,151	6,844	7,231
Other income	9	14	118	124	131	138
Finance cost	- 484	- 996	- 911	- 832	- 755	- 695
Profit before income tax	4,006	5,421	3,881	4,442	6,220	6,675
Income tax expense	- 120	- 226	- 392	- 413	- 436	- 461
Profit for the year	3,886	5,195	3,489	4,029	5,784	6,214
EPS	4.47	5.98	4.01	4.63	6.65	7.15
EBITDA	6,008	8,108	5,879	6,663	8,620	9,027

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20E	FY21E	FY22E	FY23E
Revenue	20.36%	4.57%	5.41%	5.55%	5.72%
Cost of sales	16.05%	16.12%	5.05%	1.05%	5.78%
Gross profit	30.73%	-20.09%	6.54%	19.28%	5.58%
Distribution cost	5.40%	-22.45%	5.08%	5.13%	5.18%
Administrative expenses	24.18%	13.37%	0.59%	5.55%	5.73%
Other operating expenses	84.41%	-40.05%	5.41%	5.55%	5.72%
Profit from operations	42.90%	-26.98%	10.19%	32.87%	5.66%
Other income	57.62%	#####	5.41%	5.55%	5.72%
Finance cost	105.87%	-8.46%	-8.66%	-9.31%	-7.95%
Profit before income tax	35.33%	-28.41%	14.47%	40.01%	7.31%
Income tax expense	88.59%	73.25%	5.41%	5.55%	5.72%
Profit for the year	33.69%	-32.84%	15.49%	43.54%	7.43%
EPS	33.69%	-32.84%	15.49%	43.54%	7.43%
EBITDA	145.93%	78.30%	102.08%	161.46%	173.80%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	29.37	31.90	24.38	24.64	27.84	27.81
NP Margin	%	12.48	13.86	8.90	9.75	13.26	13.48
OP Margin	%	14.39	17.08	11.93	12.47	15.70	15.69
ROE	%	42.78	29.05	17.77	18.75	23.87	23.05
ROCE	%	33.80	26.69	24.82	38.91	97.30	1756.37
ROA	%	11.86	12.74	9.71	13.33	24.50	36.05
Liquidity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	0.86	1.27	0.76	0.19	-0.23	-0.63
Quick	x	0.52	0.77	0.19	-0.41	-0.85	-1.28
Activity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	4.29	4.48	4.37	4.16	4.08	4.18
Inventory Days		85.00	81.54	83.61	87.68	89.37	87.39
Receivables Days		114.23	99.08	98.26	97.34	96.44	95.57
Payables Days		45.31	51.15	51.15	51.15	51.15	51.15
Operating Cycle		153.91	129.47	130.71	133.87	134.67	131.81
Investment Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
DPS		0.00	3.00	2.00	2.50	3.50	4.00
Div. Yield	%	0.00	5.26	3.50	4.38	6.13	7.01
Dividend Cover	x	#DIV/0!	1.99	2.01	1.85	1.90	1.79
Retention	%	100.00	49.79	50.16	46.06	47.39	44.03
Payout	%	0.00	50.21	49.84	53.94	52.61	55.97
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.87	0.87
EPS		4.47	5.98	4.01	4.63	6.65	7.15
BVPS		10.45	20.57	22.58	24.71	27.87	31.01
P/E	x	12.77	9.55	14.22	12.31	8.58	7.98
Sales per share		35.82	43.11	45.08	47.52	50.15	53.02
P/BV	x	5.46	2.78	2.53	2.31	2.05	1.84
P/S	x	1.59	1.32	1.27	1.20	1.14	1.08
Solvency Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Total Debt to Equity	x	2.03	0.93	0.80	0.69	0.58	0.51
L.T Debt to Equity	x	0.35	0.27	0.20	0.14	0.10	0.08
Total Debt to Assets	x	0.56	0.41	0.44	0.49	0.60	0.80
L.T Debt to Assets	x	0.10	0.12	0.11	0.10	0.10	0.12
Interest Cover	x	9.26	6.43	5.13	6.19	9.07	10.41

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%

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Market Weight	Neutral
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