

ILP has announced its 3QFY20 result where it posted profit after tax of Rs2.2bn (EPS: Rs2.49) in 9MFY20 as compared to profit after tax of Rs3.3bn (EPS: Rs3.81) in same period last year, down by 34.7% YoY.

The company has posted the revenue of Rs30bn against Rs26.7bn in SPLY, recording a growth of 12.1% YoY. We note that this growth is attributed to the increase in volumetric growth due to currency devaluation.

Gross margin has been squeezed to 23.6% in 9MFY20 as compared to 30.1% in 9MFY19 on account of higher input cost.

SG&A expenses have decreased by 0.9% YoY to Rs3.38bn in 9MFY20 as compared to Rs3.41bn during SPLY.

Finance cost has been increased by 2.2% YoY to Rs858mn in 9MFY20 as compared to Rs840mn in SPLY on account of higher working capital requirement.

Lastly, higher effective taxation of 9.6% as compared to 4.9% during SPLY caused the bottom line to plunge despite growth in revenues.

Going forward, we expect a tough time ahead during CY20 as most of the foreign buyers have cancelled or delayed the orders owing to lockdowns on the back of COVID-19 outbreak. ILP is currently trading at FY21E PE of 12.27x. We downgrade our stance to **SELL** the script with a DCF based Jun-21 TP of Rs35 which provides a downside potential of 15%.

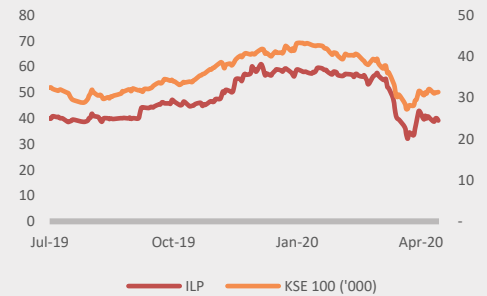
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	10,727	8,794	22.0% ▲	29,952	26,727	12.1% ▲
Cost of Sales	-8,155	-6,321	29.0% ▲	-22,880	-18,672	22.5% ▲
Gross Profit	2,573	2,473	4.0% ▲	7,072	8,055	12.2% ▼
SG&A Expenses	-1,214	-1,066	13.9% ▲	-3,387	-3,416	0.9% ▼
Other Expenses	-326	63	620.3% ▼	-559	-323	73.2% ▲
Other Income	63	0	-	123	4	3287.2% ▲
Operating Profit	1,097	1,470	25.4% ▼	3,250	4,320	24.8% ▼
Finance Cost	-384	-310	24.0% ▲	-858	-840	2.2% ▲
Profit Before Taxation	713	1,160	38.5% ▼	2,391	3,480	31.3% ▼
Taxation	-82	-51	61.5% ▲	-229	-169	35.7% ▲
Profit After Taxation	631	1,109	43.1% ▼	2,162	3,311	34.7% ▼
Earnings Per Share	0.73	1.28	43.1% ▼	2.49	3.81	34.7% ▼
Dividend	0.00	0.00	-	1.00	0.00	-
Bonus	0%	0%	-	0%	0%	-
Gross Margin	24.0%	28.1%	4.1% ▼	23.6%	30.1%	6.5% ▼
SG&A Expenses to Sales	-11.3%	-12.1%	0.8% ▼	-11.3%	-12.8%	1.5% ▼
Other Expenses to Sales	-3.0%	0.7%	2.3% ▲	-1.9%	-1.2%	0.7% ▲
Other Income to Sales	0.6%	0.0%	0.6% ▲	0.4%	0.0%	0.4% ▲
Effective Taxation	-11.5%	-4.4%	7.1% ▲	-9.6%	-4.9%	4.7% ▲
Net Margin	5.9%	12.6%	6.7% ▼	7.2%	12.4%	5.2% ▼

Source: ACPL Research, Company Financials

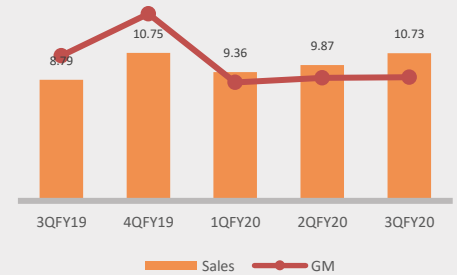
Key Statistics

Symbol	ILP
TP - Jun 21	35.00
LDGP	41.22
Upside / (Downside)	-15%
Free Float ('mn)	130
Market Cap. (Rs.'mn)	35,837

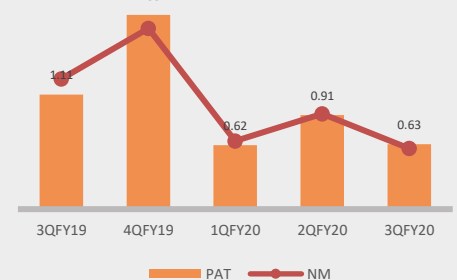
ILP vs KSE 100



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	34,315	35,368	36,454	38,416
Cost of sales	- 21,994	- 25,524	- 26,353	- 26,745	- 27,384	- 28,861
Gross profit	9,144	11,955	7,963	8,623	9,070	9,555
Distribution cost	- 2,641	- 2,784	- 1,859	- 1,915	- 1,972	- 2,073
Administrative expenses	- 1,598	- 1,984	- 1,950	- 1,908	- 1,967	- 2,073
Other operating expenses	- 425	- 785	- 642	- 661	- 682	- 718
Profit from operations	4,480	6,402	3,512	4,139	4,449	4,691
Other income	9	14	137	141	146	154
Finance cost	- 484	- 996	- 1,085	- 1,006	- 925	- 865
Profit before income tax	4,006	5,421	2,565	3,275	3,670	3,979
Income tax expense	- 120	- 226	- 343	- 354	- 365	- 384
Profit for the year	3,886	5,195	2,221	2,921	3,305	3,595
EPS	4.47	5.98	2.56	3.36	3.80	4.14
EBITDA	6,008	8,108	4,716	5,651	6,225	6,487

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20E	FY21E	FY22E	FY23E
Revenue	20.36%	-8.44%	3.07%	3.07%	5.38%
Cost of sales	16.05%	3.25%	1.49%	2.39%	5.39%
Gross profit	30.73%	-33.39%	8.30%	5.18%	5.34%
Distribution cost	5.40%	-33.22%	3.00%	3.02%	5.09%
Administrative expenses	24.18%	-1.72%	-2.14%	3.07%	5.39%
Other operating expenses	84.41%	-18.21%	3.07%	3.07%	5.38%
Profit from operations	42.90%	-45.15%	17.86%	7.49%	5.43%
Other income	57.62%	850.30%	3.07%	3.07%	5.38%
Finance cost	105.87%	8.93%	-7.25%	-8.03%	-6.53%
Profit before income tax	35.33%	-52.69%	27.68%	12.07%	8.44%
Income tax expense	88.59%	51.69%	3.07%	3.07%	5.38%
Profit for the year	33.69%	-57.24%	31.48%	13.16%	8.78%
EPS	33.69%	-57.24%	31.48%	13.16%	8.78%
EBITDA	145.93%	43.04%	71.39%	88.82%	96.74%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	29.37	31.90	23.20	24.38	24.88	24.87
NP Margin	%	12.48	13.86	6.47	8.26	9.07	9.36
OP Margin	%	14.39	17.08	10.23	11.70	12.20	12.21
ROE	%	42.78	29.05	11.68	14.31	15.04	15.22
ROCE	%	33.80	26.69	18.14	28.94	47.82	114.10
ROA	%	11.86	12.74	5.31	7.99	10.61	13.73
Liquidity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	0.86	1.27	0.84	0.43	0.17	-0.07
Quick	x	0.52	0.77	0.45	0.03	-0.24	-0.50
Activity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	4.29	4.48	4.13	4.09	4.11	4.17
Inventory Days		85.00	81.54	88.43	89.18	88.79	87.54
Receivables Days		114.23	99.08	100.80	100.20	99.60	98.62
Payables Days		45.31	51.15	51.15	51.15	51.15	51.15
Operating Cycle		153.91	129.47	138.08	138.23	137.25	135.01
Investment Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
DPS		0.00	3.00	1.25	1.75	2.00	2.25
Div. Yield	%	0.00	7.28	3.03	4.25	4.85	5.46
Dividend Cover	x	0.00	1.99	2.04	1.92	1.90	1.84
Retention	%	100.00	49.79	51.08	47.91	47.39	45.59
Payout	%	0.00	50.21	48.92	52.09	52.61	54.41
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.87	0.87
EPS		4.47	5.98	2.56	3.36	3.80	4.14
BVPS		10.45	20.57	21.87	23.48	25.28	27.17
P/E	x	9.22	6.90	16.13	12.27	10.84	9.97
Sales per share		35.82	43.11	39.47	40.68	41.93	44.19
P/BV	x	3.95	2.00	1.88	1.76	1.63	1.52
P/S	x	1.15	0.96	1.04	1.01	0.98	0.93
Solvency Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Total Debt to Equity	x	2.03	0.93	1.13	1.01	0.91	0.84
L.T Debt to Equity	x	0.35	0.27	0.21	0.15	0.11	0.09
Total Debt to Assets	x	0.56	0.41	0.52	0.56	0.64	0.75
L.T Debt to Assets	x	0.10	0.12	0.09	0.08	0.07	0.08
Interest Cover	x	9.26	6.43	3.24	4.11	4.81	5.42

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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SELL	Less than and equal to -5%

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