

ILP has announced its FY20 result where it posted profit after tax of Rs1.8bn (EPS: Rs2.07) as compared to profit after tax of Rs5.2bn (EPS: Rs5.98) in same period last year, down by 65.4% YoY.

The company has posted the revenue of Rs36bn against Rs37bn in SPLY, recording a negative growth of 3.1% YoY. We note that this negative growth is attributed to the closure of international borders amid Covid-19 crises.

Gross margin has been squeezed to 21.7% in FY20 as compared to 31.9% in FY19 on account of higher input cost.

SG&A expenses have decreased by 11.8% YoY to Rs4.2bn as compared to Rs4.8bn during SPLY.

Finance cost has been increased by 14.2% YoY to Rs1.1bn as compared to Rs996mn in SPLY on account of higher working capital requirement.

Lastly, higher effective taxation of 15.1% as compared to 4.2% during SPLY caused the bottom line to plunge.

Going forward, we expect a turnaround in company's financial performance as the denim plant has started its commercial production amid ease in global lockdowns. ILP is currently trading at FY21E PE of 9.63x. We upgrade our stance to **HOLD** the script with a DCF based Jun-21 TP of Rs70 which provides an upside potential of 13%.

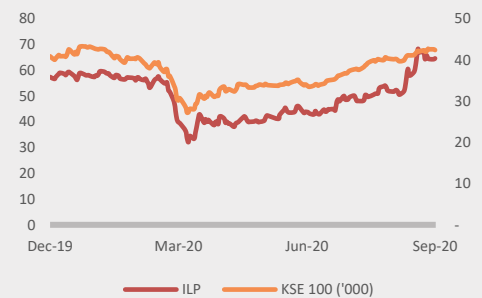
Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	6,351	10,751	40.9% ▼	36,303	37,478	3.1% ▼
Cost of Sales	-5,559	-6,852	18.9% ▼	-28,439	-25,524	11.4% ▲
Gross Profit	791	3,899	79.7% ▼	7,864	11,955	34.2% ▼
SG&A Expenses	-818	-1,352	39.4% ▼	-4,205	-4,768	11.8% ▼
Other Expenses	55	-462	111.9% ▼	-505	-785	35.7% ▼
Other Income	-24	11	325.1% ▼	99	14	585.4% ▲
Operating Profit	3	2,097	99.8% ▼	3,253	6,417	49.3% ▼
Finance Cost	-279	-156	79.0% ▲	-1,137	-996	14.2% ▲
Profit Before Taxation	-276	1,941	114.2% ▼	2,116	5,421	61.0% ▼
Taxation	-90	-57	57.4% ▲	-319	-226	41.2% ▲
Profit After Taxation	-366	1,884	119.4% ▼	1,796	5,195	65.4% ▼
Earnings Per Share	-0.42	2.17	119.4% ▼	2.07	5.98	65.4% ▼
Dividend	1.00	1.75		2.00	1.75	
Bonus	0%	0%		0%	0%	
Closing Period: 8 Oct 2020 - 15 Oct 2020						
Gross Margin	12.5%	36.3%	23.8% ▼	21.7%	31.9%	10.2% ▼
SG&A Expenses to Sales	-12.9%	-12.6%	2.5% ▼	-11.6%	-12.7%	1.1% ▼
Other Expenses to Sales	0.9%	-4.3%	3.4% ▼	-1.4%	-2.1%	0.7% ▼
Other Income to Sales	-0.4%	0.1%	0.5% ▼	0.3%	0.0%	0.2% ▲
Effective Taxation	32.7%	-2.9%	29.7% ▲	-15.1%	-4.2%	10.9% ▲
Net Margin	-5.8%	17.5%	11.8% ▼	4.9%	13.9%	8.9% ▼

Source: ACPL Research, Company Financials

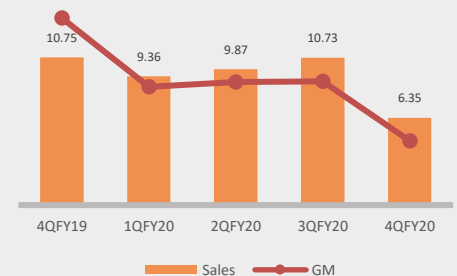
Key Statistics

Symbol	ILP
TP - Jun 21	70.00
LDCP	62.02
Upside / (Downside)	13%
Free Float ('mn)	130
Market Cap. (Rs.'mn)	53,920

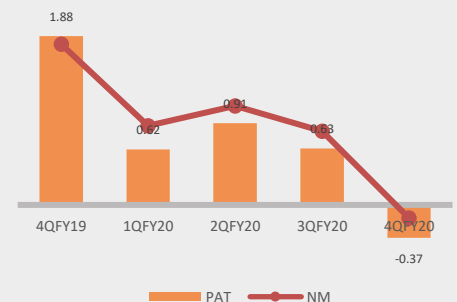
ILP vs KSE 100



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	42,602	46,901	49,412
Cost of sales	- 21,994	- 25,524	- 28,439	- 30,247	- 33,078	- 34,861
Gross profit	9,144	11,955	7,864	12,354	13,823	14,552
Distribution cost	- 2,641	- 2,784	- 2,007	- 2,320	- 2,552	- 2,682
Administrative expenses	- 1,598	- 1,984	- 2,198	- 2,308	- 2,541	- 2,677
Other operating expenses	- 425	- 785	- 505	- 592	- 652	- 687
Profit from operations	4,480	6,402	3,154	7,135	8,078	8,506
Other income	9	14	99	116	128	135
Finance cost	- 484	- 996	- 1,137	- 1,013	- 934	- 874
Profit before income tax	4,006	5,421	2,116	6,238	7,272	7,767
Income tax expense	- 120	- 226	- 319	- 639	- 704	- 741
Profit for the year	3,886	5,195	1,796	5,599	6,569	7,025
EPS	4.47	5.98	2.07	6.44	7.56	8.08
EBITDA	6,008	8,108	4,358	8,646	9,855	10,302

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	20.36%	-3.14%	17.35%	10.09%	5.35%
Cost of sales	16.05%	11.42%	6.36%	9.36%	5.39%
Gross profit	30.73%	-34.22%	57.11%	11.89%	5.27%
Distribution cost	5.40%	-27.89%	15.56%	10.02%	5.09%
Administrative expenses	24.18%	10.77%	5.01%	10.10%	5.36%
Other operating expenses	84.41%	-35.69%	17.35%	10.09%	5.35%
Profit from operations	42.90%	-50.74%	126.21%	13.23%	5.29%
Other income	57.62%	585.41%	17.35%	10.09%	5.35%
Finance cost	105.87%	14.21%	-10.91%	-7.82%	-6.42%
Profit before income tax	35.33%	-60.97%	194.82%	16.59%	6.79%
Income tax expense	88.59%	41.20%	100.05%	10.09%	5.35%
Profit for the year	33.69%	-65.42%	211.67%	17.33%	6.95%
EPS	33.69%	-65.42%	211.67%	17.33%	6.95%
EBITDA	145.93%	32.18%	162.25%	198.90%	212.45%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	29.37	31.90	21.66	29.00	29.47	29.45
NP Margin	%	12.48	13.86	4.95	13.14	14.01	14.22
OP Margin	%	14.39	17.08	8.69	16.75	17.22	17.21
ROE	%	42.78	29.05	10.01	25.69	24.67	22.16
ROCE	%	33.80	26.69	16.88	54.41	104.01	385.41
ROA	%	11.86	12.74	4.33	15.62	21.59	27.97
Liquidity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	0.86	1.27	0.81	0.39	0.13	-0.12
Quick	x	0.52	0.77	0.40	-0.05	-0.34	-0.62
Activity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	4.29	4.48	4.28	4.19	4.24	4.17
Inventory Days		85.00	81.54	85.24	87.16	86.00	87.55
Receivables Days		114.23	99.08	99.68	96.82	95.31	94.55
Payables Days		45.31	51.15	51.15	51.15	51.15	51.15
Operating Cycle		153.91	129.47	133.77	132.83	130.16	130.94
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	4.84	3.22	3.22	3.22	3.63
Dividend Cover	x	0.00	1.99	1.03	3.22	3.78	3.59
Retention	%	100.00	49.79	3.21	68.94	73.53	72.16
Payout	%	0.00	50.21	96.79	31.06	26.47	27.84
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.87	0.87
EPS		4.47	5.98	2.07	6.44	7.56	8.08
BVPS		10.45	20.57	20.63	25.07	30.63	36.46
P/E	x	13.88	10.38	30.02	9.63	8.21	7.68
Sales per share		35.82	43.11	41.76	49.00	53.95	56.83
P/BV	x	5.94	3.02	3.01	2.47	2.02	1.70
P/S	x	1.73	1.44	1.49	1.27	1.15	1.09
Solvency Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Total Debt to Equity	x	2.03	0.93	1.20	0.94	0.75	0.62
L.T Debt to Equity	x	0.35	0.27	0.22	0.14	0.09	0.07
Total Debt to Assets	x	0.56	0.41	0.52	0.57	0.65	0.79
L.T Debt to Assets	x	0.10	0.12	0.10	0.08	0.08	0.09
Interest Cover	x	9.26	6.43	2.77	7.04	8.65	9.73

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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SELL	Less than and equal to -5%

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