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ISL has announced its 1HFY22 result where it posted profit after tax of Rs4.22bn (EPS: Rs9.71) as compared to a profit after tax of Rs2.77bn (EPS: Rs6.38) in the same period last year, up by 52.3% YoY.

The company has posted a revenue of Rs43.29bn against Rs33.51bn in SPLY, recording a growth of 29.2% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has been expanded to 16.7% as compared to 14.8% during SPLY. SG&A expenses went up by 11.4% YoY to Rs561mn as compared to Rs504mn during SPLY.

Furthermore, effective taxation and finance cost has been increased by 19.8% YoY and 24.3% YoY respectively.

ISL is trading at a FY22E P/E of 3.35x. Moreover, the scrip is also trading at FY22 P/B of 1.89x which offers a discount of 39% relative to its historical 3-year average of 3.08x. We maintain our **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 100 which provides an upside potential of 43%. Further, the scrip also provides a dividend yield of 15% which makes the total return of 61%.

Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	18,805	17,849	5.4% ▲	43,294	33,516	29.2% ▲
Cost of Sales	-15,930	-14,285	11.5% ▲	-36,084	-28,560	26.3% ▲
Gross Profit	2,875	3,564	19.3% ▼	7,211	4,956	45.5% ▲
SG&A Expenses	-297	-246	20.6% ▲	-561	-504	11.4% ▲
Other Expenses	-305	-287	6.2% ▲	-585	-356	64.3% ▲
Operating Profit	2,273	3,031	25.0% ▼	6,064	4,096	48.0% ▲
Other Income	147	258	43.3% ▼	153	310	50.6% ▼
Finance Cost	-368	-179	105.9% ▲	-544	-438	24.3% ▲
Profit Before Taxation	2,051	3,110	34.1% ▼	5,672	3,968	43.0% ▲
Taxation	-495	-895	44.7% ▼	-2,829	-1,193	337.0% ▼
Profit After Taxation	1,556	2,215	29.8% ▼	4,224	2,774	52.3% ▲
Earnings Per Share	3.58	5.09	29.8% ▼	9.71	6.38	52.3% ▲
Dividend	2.00	3.00	33.3% ▼	2.00	3.00	33.3% ▼
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		0.00	0.00	

Closing Period: 15 Feb 2022 – 17 Feb 2022

Gross Margin	15.3%	20.0%	4.7% ▼	16.7%	14.8%	1.9% ▲
SG&A Expenses to Sales	-1.6%	-1.4%	0.2% ▲	-1.3%	-1.5%	0.2% ▼
Other Income to Sales	0.8%	1.4%	0.7% ▼	0.4%	0.9%	0.6% ▼
Ex. Gain / (Loss) to Sales	-1.6%	-1.4%	0.2% ▲	-1.3%	-1.5%	0.2% ▼
Effective Taxation	-24.1%	-28.8%	4.6% ▼	-49.9%	-30.1%	19.8% ▲
Net Margin	8.3%	12.4%	4.1% ▼	9.8%	8.3%	1.5% ▲

Source: ACPL Research, Company Financials

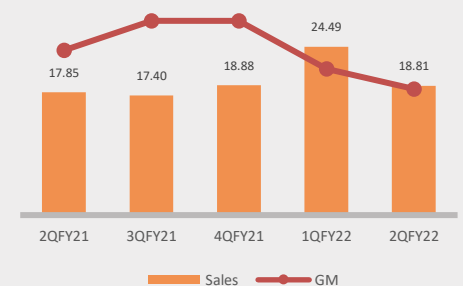
Key Statistics

Symbol	ISL
TP - Jun 22	100.00
LDCP	69.79
Upside (%)	43
Free Float ('mn)	152
Market Cap. (Rs.'mn)	29,710

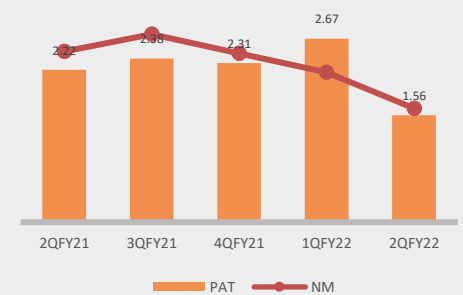
ISL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	55,062	48,082	69,796	84,137	93,951	110,689	117,467
Cost of sale	48,613	43,869	56,304	68,736	78,534	94,698	100,646
Gross profit	6,449	4,213	13,492	15,401	15,417	15,992	16,821
Selling and promotion expenses	702	894	1,063	782	940	1,218	1,527
Administration expenses	284	263	362	320	357	421	587
Other operating expenses	534	334	1,277	1,262	1,409	1,660	1,645
Operating Profit	4,929	2,721	10,791	13,036	12,712	12,693	13,062
Other operating income	39	36	316	294	329	387	411
Finance cost	1,289	2,315	812	1,323	1,368	1,335	1,272
Profit before taxation	3,679	442	10,295	12,008	11,672	11,745	12,201
Taxation	1,015	-	53	2,828	2,955	2,840	2,900
Profit after taxation	2,664	495	7,466	9,053	8,833	8,921	9,301
EPS	6.12	1.14	17.16	20.81	20.30	20.51	21.38

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	15.6%	-12.7%	45.2%	20.5%	11.7%	17.8%	6.1%
Cost of sale	21.4%	-9.8%	28.3%	22.1%	14.3%	20.6%	6.3%
Gross profit	-14.8%	-34.7%	220.3%	14.1%	0.1%	3.7%	5.2%
Selling and promotion expenses	61.6%	27.4%	18.9%	-26.4%	20.1%	29.6%	25.4%
Administration expenses	-0.3%	-7.6%	37.6%	-11.6%	11.7%	17.8%	39.6%
Other operating expenses	-19.3%	-37.4%	281.9%	-1.1%	11.7%	17.8%	-1.0%
Operating Profit	-21.7%	-44.5%	302.9%	20.0%	-2.2%	0.3%	3.0%
Other operating income	-73.8%	-9.9%	789.1%	-6.8%	11.7%	17.8%	6.1%
Finance cost	139.2%	79.5%	-64.9%	63.0%	3.4%	-2.4%	-4.7%
Profit before taxation	-36.6%	-88.0%	2228.2%	16.6%	-2.8%	0.6%	3.9%
Taxation	-29.5%	-105.2%	-5468.8%	4.5%	-3.9%	-0.5%	2.7%
Profit after taxation	-39.0%	-81.4%	1408.8%	21.2%	-2.4%	1.0%	4.3%
EPS	-39.0%	-81.4%	1408.8%	21.2%	-2.4%	1.0%	4.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	11.71	8.76	19.33	18.30	16.41	14.45	14.32
OP Margin	%	4.84	1.03	10.70	10.76	9.40	8.06	7.92
NP Margin	%	9.02	5.73	15.91	15.84	13.88	11.82	11.47
ROE	%	21.57	3.87	47.24	42.80	34.47	29.68	26.87
ROCE	%	23.13	14.29	43.79	47.09	42.02	37.12	33.49
ROA	%	14.32	2.35	33.41	35.47	28.03	23.71	21.09

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.09	0.94	1.38	1.56	1.63	1.78	1.94
Acid-test	x	0.20	0.22	0.17	0.58	0.66	0.70	0.87

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	3	3	3	4	4	4	4
Inventory Days		110	126	111	90	90	90	90
Receivables Days		6	8	5	3	3	3	3
Payables Days		42	74	43	40	40	40	40
Operating Cycle		74	59	73	53	53	53	53

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	6.12	1.14	17.16	20.81	20.30	20.51	21.38
DPS	Rs.	3.00	0.00	10.00	10.50	10.00	10.50	10.50
Div. Yield	%	4.30	0.00	14.33	15.05	14.33	15.05	15.05
Dividend Cover	x	2.04	#DIV/0!	1.72	2.00	2.00	2.00	2.00
BVPS	Rs.	29.61	29.25	43.42	53.83	63.98	74.23	84.92
Payout	%	48.98	0.00	58.26	50.45	49.25	51.20	49.11
Retention	%	51.02	100.00	41.74	49.55	50.75	48.80	50.89
No. of Shares	'm	435	435	435	435	435	435	435
P/E	x	11.39	61.35	4.07	3.35	3.44	3.40	3.26
Sales per share		126.58	110.53	160.45	193.42	215.98	254.46	270.04
P/BV		3.43	3.47	2.34	1.89	1.59	1.37	1.20
Price to Sales		0.55	0.63	0.43	0.36	0.32	0.27	0.26

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.36	1.42	0.63	0.50	0.42	0.36	0.34
L.T. Debt to Equity	x	0.57	0.51	0.27	0.15	0.08	0.02	0.01
Interest Cover	x	3.85	1.19	13.68	10.07	9.53	9.80	10.59

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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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