

ILP has announced its 1QFY22 result where it posted a profit after tax of Rs2.69bn (EPS: Rs2.99) as compared to profit after tax of Rs1.38bn (EPS: Rs1.54) in the same period last year, up by 94.6% YoY.

The company has posted a revenue of Rs19.33bn against Rs12.91bn in SPLY, recording a growth of 49.7% YoY. We note that this growth is attributed to the commencement of the denim plant and the revival of exports post Covid-19.

The gross margin has been expanded to 28.6% as compared to 24.1% in SPLY on account of improved international prices. SG&A expenses have been increased by 39.7% YoY to Rs1.7bn as compared to Rs1.3bn during SPLY.

Finance cost has been increased by 59.8% YoY to Rs360mn as compared to Rs225mn in SPLY. Lastly, higher effective taxation of 5.8% as compared to 4.6% during SPLY.

ILP is currently trading at FY22E PE of 6.78x. Further, the script is also trading at a FY22E PB of 2.28x, which offers a discount of 35% relative to its 3-Year historical average of 3.49x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 85 which provides an upside potential of 17%. Furthermore, it also offers a dividend yield of 3% which makes the total return of 20%.

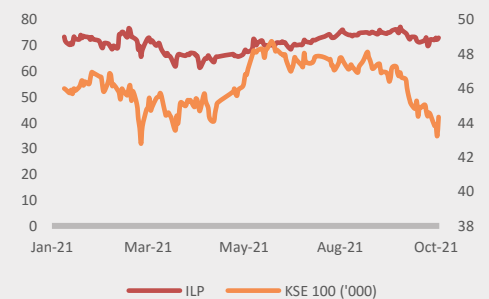
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	19,330	12,910	49.7% ▲	54,962	36,303	51.4% ▲
Cost of Sales	-13,793	-9,801	40.7% ▲	-40,750	-28,439	43.3% ▲
Gross Profit	5,537	3,109	78.1% ▲	14,212	7,864	80.7% ▲
SG&A Expenses	-1,747	-1,250	39.7% ▲	-5,436	-4,205	29.3% ▲
Other Expenses	-580	-209	178.2% ▲	-919	-505	82.3% ▲
Other Income	5	24	80.0% ▼	163	99	64.6% ▲
Operating Profit	3,215	1,674	92.1% ▲	8,020	3,253	146.5% ▲
Finance Cost	-360	-225	59.8% ▲	-1,147	-1,137	0.9% ▲
Profit Before Taxation	2,855	1,449	97.1% ▲	6,873	2,116	224.8% ▲
Taxation	-165	-66	148.3% ▲	-581	-319	82.0% ▲
Profit After Taxation	2,690	1,382	94.6% ▲	6,292	1,796	250.2% ▲
Earnings Per Share	2.99	1.54	94.6% ▲	7.00	2.06	240.0% ▲
Dividend				2.50	2.00	25.0% ▲
Bonus						
Gross Margin	28.6%	24.1%	4.6% ▲	25.9%	21.7%	4.2% ▲
SG&A Expenses to Sales	-9.0%	-9.7%	6.7% ▲	-9.9%	-11.6%	1.7% ▼
Other Expenses to Sales	-3.0%	-1.6%	1.4% ▲	-1.7%	-1.4%	0.3% ▲
Other Income to Sales	0.0%	0.2%	0.2% ▼	0.3%	0.3%	0.0% ▲
Effective Taxation	-5.8%	-4.6%	1.2% ▲	-8.5%	-15.1%	6.6% ▼
Net Margin	13.9%	10.7%	3.2% ▲	11.4%	4.9%	6.5% ▲

Source: ACPL Research, Company Financials

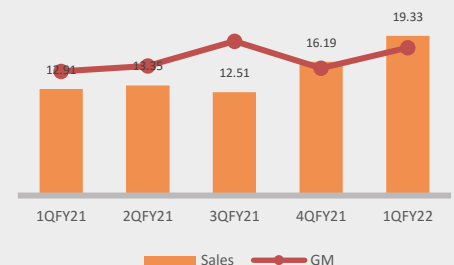
Key Statistics

Symbol	ILP
TP - Jun 22	85.00
LDCP	72.93
Upside / (Downside)	17%
Free Float ('mn)	135
Market Cap. (Rs.'mn)	66,029

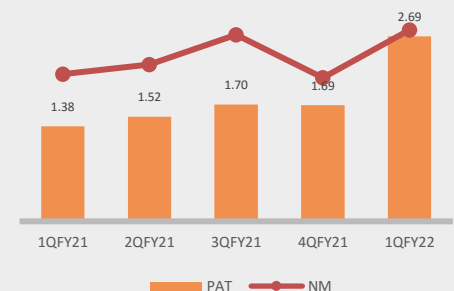
ILP vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	37,478	36,303	54,962	76,602	82,932	90,123	98,406
Cost of sales	- 25,524	- 28,439	- 40,750	- 54,415	- 59,037	- 64,333	- 70,490
Gross profit	11,955	7,864	14,212	22,187	23,894	25,790	27,916
Distribution cost	- 2,784	- 2,007	- 2,640	- 3,339	- 3,596	- 3,882	- 4,202
Administrative expenses	- 1,984	- 2,198	- 2,796	- 4,166	- 4,484	- 4,835	- 5,227
Other operating expenses	- 785	- 505	- 919	- 2,681	- 2,903	- 3,154	- 3,444
Profit from operations	6,402	3,154	7,857	12,001	12,912	13,919	15,043
Other income	14	99	163	329	357	388	423
Finance cost	- 996	- 1,137	- 1,147	- 1,254	- 1,216	- 1,174	- 1,157
Profit before income tax	5,421	2,116	6,873	11,077	12,052	13,132	14,309
Income tax expense	- 226	- 319	- 581	- 1,149	- 1,244	- 1,352	- 1,476
Profit for the year	5,195	1,796	6,292	9,928	10,808	11,780	12,833
EPS	5.98	2.07	7.21	11.05	12.03	13.11	14.29
EBITDA	8,108	5,149	9,393	13,538	14,459	15,479	16,618

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	20.36%	-3.14%	51.40%	39.37%	8.26%	8.67%	9.19%
Cost of sales	16.05%	11.42%	43.29%	33.53%	8.49%	8.97%	9.57%
Gross profit	30.73%	-34.22%	80.73%	56.11%	7.69%	7.93%	8.24%
Distribution cost	5.40%	-27.89%	31.50%	26.49%	7.71%	7.94%	8.24%
Administrative expenses	24.18%	10.77%	27.22%	49.00%	7.63%	7.83%	8.10%
Other operating expenses	84.41%	-35.69%	82.25%	191.59%	8.26%	8.67%	9.19%
Profit from operations	42.90%	-50.74%	149.11%	52.74%	7.59%	7.80%	8.08%
Other income	57.62%	585.41%	64.56%	102.19%	8.26%	8.67%	9.19%
Finance cost	105.87%	14.21%	0.87%	9.30%	-2.97%	-3.49%	-1.46%
Profit before income tax	35.33%	-60.97%	224.83%	61.17%	8.80%	8.97%	8.96%
Income tax expense	88.59%	41.20%	81.98%	97.67%	8.26%	8.67%	9.19%
Profit for the year	33.69%	-65.42%	250.23%	57.79%	8.86%	9.00%	8.94%
EPS	33.69%	-65.42%	249.11%	53.20%	8.86%	9.00%	8.94%
EBITDA	145.93%	56.19%	184.88%	310.63%	338.54%	369.49%	404.04%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	31.90	21.66	25.86	28.96	28.81	28.62	28.37
NP Margin	%	13.86	4.95	11.45	12.96	13.03	13.07	13.04
OP Margin	%	17.08	8.69	14.30	15.67	15.57	15.44	15.29
ROE	%	29.05	10.40	29.41	33.63	28.21	24.62	22.13
ROCE	%	26.69	11.52	26.92	34.36	30.30	27.44	25.29
ROA	%	12.74	3.96	14.43	15.74	15.32	14.85	14.45
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.27	1.14	1.33	1.36	1.63	1.89	2.16
Quick	x	0.77	0.55	0.42	0.74	0.95	1.17	1.39
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	4.48	3.77	4.17	4.35	3.96	3.97	3.98
Inventory Days		81.54	96.86	87.45	83.92	92.22	92.02	91.78
Receivables Days		99.08	96.68	88.46	83.94	83.06	82.22	81.40
Payables Days		51.15	38.90	45.00	45.00	45.00	45.00	45.00
Operating Cycle		129.47	154.63	130.90	122.86	130.28	129.24	128.18
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		3.00	2.00	2.50	2.00	2.25	2.50	3.00
Div. Yield	%	4.11	2.74	3.43	2.74	3.09	3.43	4.11
Dividend Cover	x	1.99	1.03	2.89	5.53	5.35	5.25	4.76
Retention	%	49.79	3.21	65.34	81.90	81.30	80.94	79.00
Payout	%	50.21	96.79	34.66	18.10	18.70	19.06	21.00
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.90	0.90	0.90
EPS		5.98	2.07	7.21	11.05	12.03	13.11	14.29
BVPS		20.57	19.88	24.53	32.86	42.64	53.26	64.54
P/E	x	12.21	35.30	10.11	6.60	6.06	5.56	5.11
Sales per share		43.11	41.76	63.02	85.27	92.31	100.32	109.54
P/BV	x	3.55	3.67	2.97	2.22	1.71	1.37	1.13
P/S	x	1.69	1.75	1.16	0.86	0.79	0.73	0.67
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.93	1.25	0.73	0.90	0.68	0.54	0.44
L.T Debt to Equity	x	0.27	0.42	0.32	0.21	0.15	0.11	0.09
Total Debt to Assets	x	0.41	0.48	0.36	0.42	0.37	0.32	0.29
L.T Debt to Assets	x	0.12	0.16	0.16	0.10	0.08	0.07	0.06
Interest Cover	x	6.43	2.77	6.85	9.57	10.61	11.86	13.00

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

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