

ILP has announced its 1QFY23 result where it posted a profit after tax of Rs4.96bn (Diluted EPS: Rs5.31) as compared to a profit after tax of Rs2.69bn (Diluted EPS: Rs2.88) in the same period last year, up by 84.4% YoY amid higher volumetric sales.

The company has posted a revenue of Rs30.46bn against Rs19.33bn in SPLY, recording a growth of 57.6% YoY. We note that this growth is attributed to government policies targeting value addition in the textile sector.

The gross margin has improved to 33.2% as compared to 28.6% in SPLY amid government subsidies regarding gas and electric utilities on concessionary rates. SG&A expenses and finance cost have increased by 55.5% YoY and 238% YoY respectively. Lastly, effective taxation has been increased to 6.5% as compared to 5.8% during SPLY.

Going forward, ILP is currently trading at FY23E PE of 2.78x. Furthermore, the scrip is trading at FY23E PB of 1.24 which provides a discount of 54% with respect to its 3-year historical average of 2.71. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs75 which provides an upside potential of 21%. Furthermore, it also offers a dividend yield of 7% which makes the total return 28%.

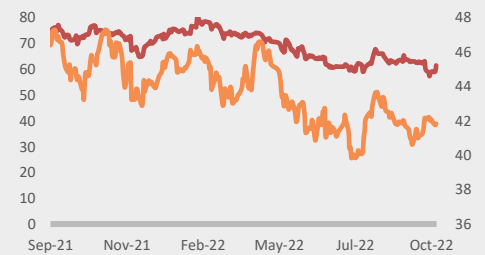
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	30,463	19,330	57.6% ▲	90,894	54,962	65.4% ▲
Cost of Sales	-20,347	-13,793	47.5% ▲	-64,828	-40,750	59.1% ▲
Gross Profit	10,116	5,537	82.7% ▲	26,066	14,212	83.4% ▲
SG&A Expenses	-2,717	-1,747	55.5% ▲	-8,064	-5,436	48.3% ▲
Other Expenses	-899	-580	54.9% ▲	-2,143	-919	133.1% ▲
Other Income	22	5	360.2% ▲	57	163	64.9% ▼
Operating Profit	6,522	3,215	102.9% ▲	15,916	8,020	98.5% ▲
Finance Cost	-1,217	-360	238.4% ▲	-2,493	-1,147	117.3% ▲
Profit Before Taxation	5,305	2,855	85.8% ▲	13,423	6,873	95.3% ▲
Taxation	-343	-165	108.1% ▲	-1,064	-581	83.0% ▲
Profit After Taxation	4,961	2,690	84.4% ▲	12,359	6,292	96.4% ▲
Earnings Per Share	5.31	2.88	84.4% ▲	13.23	6.73	96.4% ▲
Dividend	0.00	0.00		4.00	2.50	60.0% ▲
Bonus	0%	0%		4%	0%	
Gross Margin	33.2%	28.6%	4.6% ▲	28.7%	25.9%	2.8% ▲
SG&A Expenses to Sales	-8.9%	-9.0%	1.3% ▲	-8.9%	-9.9%	1.0% ▼
Other Expenses to Sales	-3.0%	-3.0%	0.1% ▼	-2.4%	-1.7%	0.7% ▲
Other Income to Sales	0.1%	0.0%	0.0% ▲	0.1%	0.3%	0.2% ▼
Effective Taxation	-6.5%	-5.8%	0.7% ▲	-7.9%	-8.5%	0.5% ▼
Net Margin	16.3%	13.9%	2.4% ▲	13.6%	11.4%	2.2% ▲

Source: ACPL Research, Company Financials

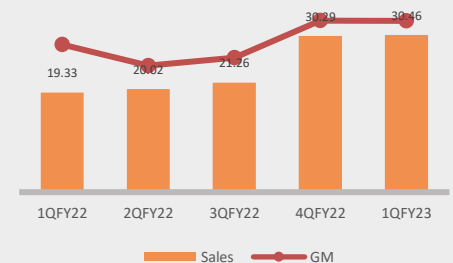
Key Statistics

Symbol	ILP
TP - Jun 23	75.00
LDCP	62.1
Upside / (Downside)	21%
Free Float ('mn)	140
Market Cap. (Rs.'mn)	57,926

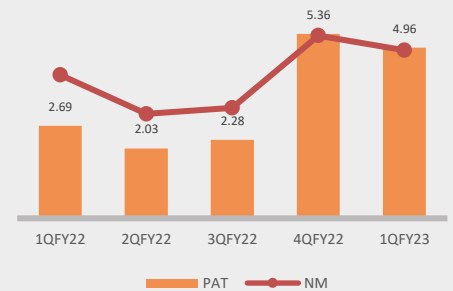
ILP vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	36,303	54,962	90,894	121,513	163,949	204,461	244,114
Cost of sales	- 28,439	- 40,750	- 64,828	- 81,067	-115,217	-144,960	-173,153
Gross profit	7,864	14,212	26,066	40,445	48,732	59,501	70,962
Distribution cost	- 2,007	- 2,640	- 3,382	- 4,684	- 7,925	- 10,024	- 12,172
Administrative expenses	- 2,198	- 2,796	- 4,681	- 6,260	- 8,434	- 10,309	- 12,498
Other operating expenses	- 505	- 919	- 2,143	- 3,402	- 4,591	- 5,725	- 6,835
Profit from operations	3,154	7,857	15,859	26,099	27,782	33,443	39,457
Other income	99	163	57	85	115	143	171
Finance cost	- 1,137	- 1,147	- 2,493	- 3,905	- 3,993	- 4,200	- 4,476
Profit before income tax	2,116	6,873	13,423	22,278	23,904	29,387	35,152
Income tax expense	- 319	- 581	- 1,064	- 1,397	- 2,459	- 3,067	- 3,662
Profit for the year	1,796	6,292	12,359	20,881	21,445	26,320	31,490
EPS	1.92	6.73	13.23	22.35	22.95	28.17	33.70
EBITDA	5,149	10,155	18,681	28,930	31,194	37,411	43,962

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-3.14%	51.40%	65.38%	33.69%	34.92%	24.71%	19.39%
Cost of sales	11.42%	43.29%	59.09%	25.05%	42.12%	25.82%	19.45%
Gross profit	-34.22%	80.73%	83.41%	55.16%	20.49%	22.10%	19.26%
Distribution cost	-27.89%	31.50%	28.13%	38.49%	69.20%	26.49%	21.43%
Administrative expenses	10.77%	27.22%	67.42%	33.72%	34.72%	22.23%	21.23%
Other operating expenses	-35.69%	82.25%	133.11%	58.74%	34.92%	24.71%	19.39%
Profit from operations	-50.74%	149.11%	101.85%	64.56%	6.45%	20.38%	17.98%
Other income	585.41%	64.56%	-64.94%	48.91%	34.92%	24.71%	19.39%
Finance cost	14.21%	0.87%	117.34%	56.65%	2.24%	5.18%	6.59%
Profit before income tax	-60.97%	224.83%	95.31%	65.97%	7.30%	22.94%	19.62%
Income tax expense	41.20%	81.98%	83.04%	31.34%	75.99%	24.71%	19.39%
Profit for the year	-65.42%	250.23%	96.45%	68.95%	2.70%	22.73%	19.64%
EPS	-65.42%	250.23%	96.45%	68.95%	2.70%	22.73%	19.64%
EBITDA	56.19%	208.01%	466.61%	777.45%	846.12%	1035%	1233%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	21.66	25.86	28.68	33.28	29.72	29.10	29.07
NP Margin	%	4.95	11.45	13.60	17.18	13.08	12.87	12.90
OP Margin	%	8.69	14.30	17.45	21.48	16.95	16.36	16.16
ROE	%	10.40	30.67	41.28	44.77	33.61	31.02	28.61
ROCE	%	11.52	24.03	32.05	46.48	40.80	39.88	38.09
ROA	%	3.96	10.37	12.83	19.45	15.86	15.51	15.04
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.14	1.22	1.30	1.39	1.39	1.42	1.48
Quick	x	0.55	0.72	0.71	0.79	0.78	0.82	0.99
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	3.77	4.06	3.77	3.33	3.92	3.85	4.19
Inventory Days		96.86	89.96	96.89	109.49	93.22	94.83	87.07
Receivables Days		96.68	128.71	131.83	104.60	100.24	92.54	91.32
Payables Days		38.90	49.73	51.15	47.25	47.25	47.25	47.25
Operating Cycle		154.63	168.94	177.57	166.84	146.21	140.12	131.13
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		2.00	2.50	4.00	4.50	4.50	5.50	6.50
Div. Yield	%	3.22	4.03	6.44	7.25	7.25	8.86	10.47
Dividend Cover	x	0.96	2.69	3.31	4.97	5.10	5.12	5.19
Retention	%	-4.02	62.88	69.76	79.87	80.39	80.48	80.71
Payout	%	104.02	37.12	30.24	20.13	19.61	19.52	19.29
No. of Shares	('m)	934.30	934.30	934.30	934.30	934.30	934.30	934.30
EPS		1.92	6.73	13.23	22.35	22.95	28.17	33.70
BVPS		18.49	21.96	32.05	49.93	68.29	90.82	117.79
P/E	x	32.30	9.22	4.69	2.78	2.71	2.20	1.84
Sales per share		38.86	58.83	97.29	130.06	175.48	218.84	261.28
P/BV	x	3.36	2.83	1.94	1.24	0.91	0.68	0.53
P/S	x	1.60	1.06	0.64	0.48	0.35	0.28	0.24
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	1.25	1.48	1.72	1.14	0.99	0.91	0.84
L.T Debt to Equity	x	0.42	0.52	0.55	0.32	0.21	0.14	0.10
Total Debt to Assets	x	0.48	0.50	0.53	0.50	0.47	0.45	0.44
L.T Debt to Assets	x	0.16	0.18	0.17	0.14	0.10	0.07	0.05
Interest Cover	x	2.77	6.85	6.36	6.68	6.96	7.96	8.82

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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SELL	Less than and equal to -5%

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