

ILP has announced its 9MFY22 result where it posted a profit after tax of Rs6.997bn (EPS: Rs7.79) as compared to a profit after tax of Rs4.601bn (EPS: Rs5.12) in the same period last year, up by 52.1% YoY.

The company has posted a revenue of Rs60.606bn against Rs38.769bn in SPLY, recording a growth of 56.3% YoY. We note that this growth is attributed to the surge in textile exports.

The gross margin has slightly improved to 26.4% as compared to 26.3% in SPLY. SG&A expenses have been increased by 44.6% YoY to Rs5.623bn as compared to Rs3.889bn during SPLY. Finance cost has been increased by 94.6% YoY to Rs1,590mn as compared to Rs817mn in SPLY. Lastly, effective taxation has been increased to 7.3% as compared to 7% during SPLY.

ILP is currently trading at FY22E PE of 6.86x. Further, the scrip is also trading at a FY22E PB of 2.27x, which offers a discount of 34% relative to its 3-Year historical average of 3.45x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 85 which provides an upside potential of 18.3%. Furthermore, it also offers a dividend yield of 3% which makes the total return of 21%.

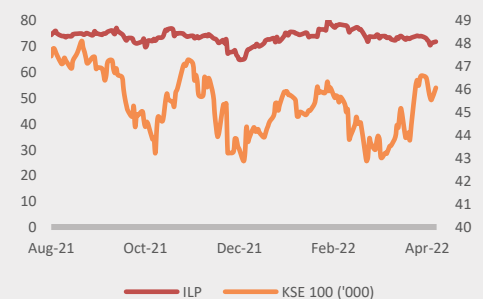
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	21,259	12,507	70.0% ▲	60,606	38,769	56.3% ▲
Cost of Sales	-15,711	-8,763	79.3% ▲	-44,610	-28,559	56.2% ▲
<b>Gross Profit</b>	<b>5,548</b>	<b>3,743</b>	<b>48.2% ▲</b>	<b>15,996</b>	<b>10,210</b>	<b>56.7% ▲</b>
SG&A Expenses	-2,061	-1,397	47.5% ▲	-5,623	-3,889	44.6% ▲
Other Expenses	-304	-213	43.0% ▲	-1,279	-649	97.1% ▲
Other Income	16	18	12.6% ▼	41	93	56.0% ▼
<b>Operating Profit</b>	<b>3,198</b>	<b>2,152</b>	<b>48.6% ▲</b>	<b>9,134</b>	<b>5,765</b>	<b>58.5% ▲</b>
Finance Cost	-719	-301	139.2% ▲	-1,590	-817	94.6% ▲
Profit Before Taxation	2,479	1,851	33.9% ▲	7,544	4,948	52.5% ▲
Taxation	-200	-154	29.6% ▲	-547	-346	58.0% ▲
<b>Profit After Taxation</b>	<b>2,279</b>	<b>1,697</b>	<b>34.3% ▲</b>	<b>6,997</b>	<b>4,601</b>	<b>52.1% ▲</b>
<b>Earnings Per Share</b>	<b>2.54</b>	<b>1.89</b>	<b>34.3% ▲</b>	<b>7.79</b>	<b>5.12</b>	<b>52.1% ▲</b>
<b>Dividend</b>				<b>2.00</b>	<b>1.50</b>	<b>33.3% ▲</b>
<b>Bonus</b>						
Gross Margin	26.1%	29.9%	3.8% ▼	26.4%	26.3%	0.1% ▲
SG&A Expenses to Sales	-9.7%	-11.2%	13.2% ▲	-9.3%	-10.0%	0.8% ▼
Other Expenses to Sales	-1.4%	-1.7%	0.3% ▼	-2.1%	-1.7%	0.4% ▲
Other Income to Sales	0.1%	0.1%	0.1% ▼	0.1%	0.2%	0.2% ▼
Effective Taxation	-8.1%	-8.3%	0.3% ▼	-7.3%	-7.0%	0.3% ▲
Net Margin	10.7%	13.6%	2.8% ▼	11.5%	11.9%	0.3% ▼

Source: ACPL Research, Company Financials

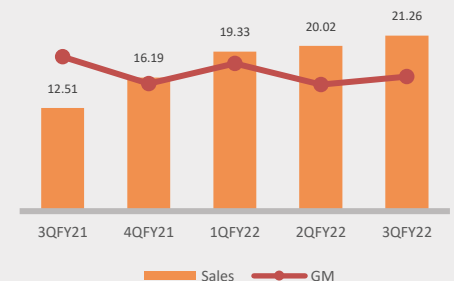
## Key Statistics

Symbol	ILP
TP - Dec 22	85.00
LDCP	71.89
Upside / (Downside)	18%
Free Float ('mn)	135
Market Cap. (Rs.'mn)	65,131

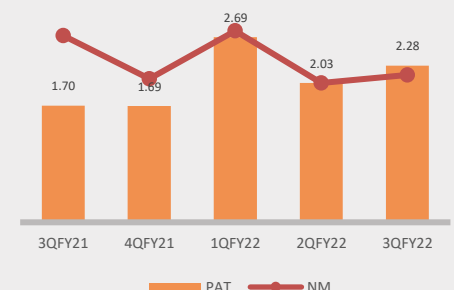
## ILP vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	37,478	36,303	54,962	80,998	87,593	95,067	103,649
Cost of sales	- 25,524	- 28,439	- 40,750	- 59,547	- 64,492	- 70,131	- 76,654
<b>Gross profit</b>	<b>11,955</b>	<b>7,864</b>	<b>14,212</b>	<b>21,451</b>	<b>23,101</b>	<b>24,935</b>	<b>26,995</b>
Distribution cost	- 2,784	- 2,007	- 2,640	- 3,309	- 3,088	- 3,338	- 3,619
Administrative expenses	- 1,984	- 2,198	- 2,796	- 4,064	- 4,373	- 4,716	- 5,099
Other operating expenses	- 785	- 505	- 919	- 1,822	- 1,971	- 2,139	- 2,332
<b>Profit from operations</b>	<b>6,402</b>	<b>3,154</b>	<b>7,857</b>	<b>12,256</b>	<b>13,669</b>	<b>14,742</b>	<b>15,945</b>
Other income	14	99	163	81	88	95	104
Finance cost	- 996	- 1,137	- 1,147	- 1,842	- 1,635	- 1,434	- 1,294
<b>Profit before income tax</b>	<b>5,421</b>	<b>2,116</b>	<b>6,873</b>	<b>10,495</b>	<b>12,121</b>	<b>13,403</b>	<b>14,754</b>
Income tax expense	- 226	- 319	- 581	- 810	- 1,314	- 1,426	- 1,555
<b>Profit for the year</b>	<b>5,195</b>	<b>1,796</b>	<b>6,292</b>	<b>9,685</b>	<b>10,807</b>	<b>11,977</b>	<b>13,199</b>
EPS	<b>5.98</b>	<b>2.07</b>	<b>7.21</b>	<b>10.78</b>	<b>12.03</b>	<b>13.33</b>	<b>14.69</b>
EBITDA	<b>8,108</b>	<b>5,149</b>	<b>9,393</b>	<b>13,793</b>	<b>15,216</b>	<b>16,303</b>	<b>17,520</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	20.36%	-3.14%	51.40%	47.37%	8.14%	8.53%	9.03%
Cost of sales	16.05%	11.42%	43.29%	46.13%	8.30%	8.74%	9.30%
<b>Gross profit</b>	<b>30.73%</b>	<b>-34.22%</b>	<b>80.73%</b>	<b>50.93%</b>	<b>7.69%</b>	<b>7.94%</b>	<b>8.26%</b>
Distribution cost	5.40%	-27.89%	31.50%	25.37%	-6.68%	8.08%	8.42%
Administrative expenses	24.18%	10.77%	27.22%	45.32%	7.63%	7.84%	8.11%
Other operating expenses	84.41%	-35.69%	82.25%	98.20%	8.14%	8.53%	9.03%
<b>Profit from operations</b>	<b>42.90%</b>	<b>-50.74%</b>	<b>149.11%</b>	<b>55.99%</b>	<b>11.53%</b>	<b>7.86%</b>	<b>8.16%</b>
Other income	57.62%	585.41%	64.56%	-50.28%	8.14%	8.53%	9.03%
Finance cost	105.87%	14.21%	0.87%	60.56%	-11.20%	-12.29%	-9.76%
<b>Profit before income tax</b>	<b>35.33%</b>	<b>-60.97%</b>	<b>224.83%</b>	<b>52.70%</b>	<b>15.49%</b>	<b>10.58%</b>	<b>10.08%</b>
Income tax expense	88.59%	41.20%	81.98%	39.34%	62.21%	8.53%	9.03%
<b>Profit for the year</b>	<b>33.69%</b>	<b>-65.42%</b>	<b>250.23%</b>	<b>53.94%</b>	<b>11.58%</b>	<b>10.83%</b>	<b>10.21%</b>
EPS	<b>33.69%</b>	<b>-65.42%</b>	<b>249.11%</b>	<b>49.45%</b>	<b>11.58%</b>	<b>10.83%</b>	<b>10.21%</b>
EBITDA	<b>145.93%</b>	<b>56.19%</b>	<b>184.88%</b>	<b>318.36%</b>	<b>361.50%</b>	<b>394.47%</b>	<b>431.39%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	31.90	21.66	25.86	26.48	26.37	26.23	26.04
NP Margin	%	13.86	4.95	11.45	11.96	12.34	12.60	12.73
OP Margin	%	17.08	8.69	14.30	15.13	15.60	15.51	15.38
ROE	%	29.05	10.40	29.41	33.08	28.39	25.06	22.64
ROCE	%	26.69	11.52	24.29	35.20	33.13	30.47	28.25
ROA	%	12.74	3.96	10.80	13.39	14.09	14.39	14.53
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.27	1.14	1.31	1.27	1.46	1.67	1.90
Quick	x	0.77	0.55	0.80	0.76	0.87	1.02	1.18
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	4.48	3.77	4.17	4.52	3.95	3.96	3.97
Inventory Days		81.54	96.86	87.45	80.83	92.29	92.11	91.89
Receivables Days		99.08	96.68	88.46	83.32	82.50	81.71	80.95
Payables Days		51.15	38.90	45.00	45.00	45.00	45.00	45.00
Operating Cycle		129.47	154.63	130.90	119.14	129.79	128.83	127.83
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	%	4.05	2.70	3.38	2.70	3.04	3.38	4.05
Dividend Cover	x	1.99	1.03	2.89	5.39	5.35	5.33	4.90
Retention	%	49.79	3.21	65.34	81.45	81.30	81.25	79.58
Payout	%	50.21	96.79	34.66	18.55	18.70	18.75	20.42
No. of Shares	('m)	869.40	869.40	869.40	872.20	898.36	898.36	898.36
EPS		5.98	2.07	7.21	10.78	12.03	13.33	14.69
BVPS		20.57	19.88	24.53	32.59	42.37	53.20	64.90
P/E	x	12.38	35.81	10.26	6.86	6.15	5.55	5.04
Sales per share		43.11	41.76	63.02	90.16	97.50	105.82	115.38
P/BV	x	3.60	3.72	3.02	2.27	1.75	1.39	1.14
P/S	x	1.72	1.77	1.17	0.82	0.76	0.70	0.64
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.93	1.25	1.42	1.23	0.86	0.63	0.48
L.T Debt to Equity	x	0.27	0.42	0.50	0.29	0.17	0.11	0.07
Total Debt to Assets	x	0.41	0.48	0.52	0.50	0.42	0.36	0.31
L.T Debt to Assets	x	0.12	0.16	0.18	0.12	0.08	0.06	0.05
Interest Cover	x	6.43	2.77	6.85	6.65	8.36	10.28	12.32

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	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
Underweight	Negative

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#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com