

ILP has announced its FY22 result where it posted a profit after tax of Rs12.36bn (Diluted EPS: Rs13.23) as compared to a profit after tax of Rs6.29bn (Diluted EPS: Rs6.73) in the same period last year, up by 96.4% YoY amid higher export orders.

The company has posted a revenue of Rs90.89bn against Rs54.96bn in SPLY, recording a growth of 65.4% YoY. We note that this growth is attributed to the government policies targeting value addition of the textile sector.

The gross margin has improved to 28.7% as compared to 25.9% in SPLY amid government subsidies regarding gas and electric utilities on concessionary rates. SG&A expenses and finance cost have increased by 48.3% YoY and 117.3% YoY respectively. Lastly, effective taxation has been decreased to 7.9% as compared to 8.5% during SPLY.

Going forward, we expect the profit of company to decline amid a reduction in export orders as well as high cost of raw material due to imported cotton since heavy rainfall and floods have severely damaged the local production of cotton crop. ILP is currently trading at FY23E PE of 5.87x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs75 which provides an upside potential of 19%. Furthermore, it also offers a dividend yield of 4% which makes the total return of 23%.

| Rupees' millions             | 4QFY22        | 4QFY21       | YoY             | FY22          | FY21          | YoY            |
|------------------------------|---------------|--------------|-----------------|---------------|---------------|----------------|
| Net Sales                    | 30,288        | 16,193       | 87.0% ▲         | 90,894        | 54,962        | 65.4% ▲        |
| Cost of Sales                | -20,218       | -12,191      | 65.8% ▲         | -64,828       | -40,750       | 59.1% ▲        |
| <b>Gross Profit</b>          | <b>10,070</b> | <b>4,003</b> | <b>151.6% ▲</b> | <b>26,066</b> | <b>14,212</b> | <b>83.4% ▲</b> |
| SG&A Expenses                | -2,440        | -1,547       | 57.8% ▲         | -8,064        | -5,436        | 48.3% ▲        |
| Other Expenses               | -864          | -270         | 219.5% ▲        | -2,143        | -919          | 133.1% ▲       |
| Other Income                 | 16            | 70           | 76.9% ▼         | 57            | 163           | 64.9% ▼        |
| <b>Operating Profit</b>      | <b>6,782</b>  | <b>2,255</b> | <b>200.8% ▲</b> | <b>15,916</b> | <b>8,020</b>  | <b>98.5% ▲</b> |
| Finance Cost                 | -902          | -330         | 173.6% ▲        | -2,493        | -1,147        | 117.3% ▲       |
| Profit Before Taxation       | 5,879         | 1,925        | 205.4% ▲        | 13,423        | 6,873         | 95.3% ▲        |
| Taxation                     | -517          | -235         | 120.0% ▲        | -1,064        | -581          | 83.0% ▲        |
| <b>Profit After Taxation</b> | <b>5,363</b>  | <b>1,690</b> | <b>217.3% ▲</b> | <b>12,359</b> | <b>6,292</b>  | <b>96.4% ▲</b> |
| Earnings Per Share           | 5.74          | 1.81         | 217.3% ▲        | 13.23         | 6.73          | 96.4% ▲        |
| Dividend                     | 2.00          | 1.00         | 100.0% ▲        | 4.00          | 2.50          | 60.0% ▲        |
| Bonus                        | 4%            | 0%           |                 | 4%            | 0%            |                |

Closing Period: Oct 11, 2022 to Oct 18, 2022

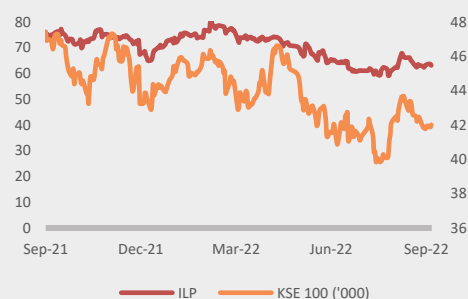
| Gross Margin            | 33.2% | 24.7%  | 8.5% ▲  | 28.7% | 25.9% | 2.8% ▲ |
|-------------------------|-------|--------|---------|-------|-------|--------|
| SG&A Expenses to Sales  | -8.1% | -9.6%  | 15.7% ▲ | -8.9% | -9.9% | 1.0% ▼ |
| Other Expenses to Sales | -2.9% | -1.7%  | 1.2% ▲  | -2.4% | -1.7% | 0.7% ▲ |
| Other Income to Sales   | 0.1%  | 0.4%   | 0.4% ▼  | 0.1%  | 0.3%  | 0.2% ▼ |
| Effective Taxation      | -8.8% | -12.2% | 3.4% ▼  | -7.9% | -8.5% | 0.5% ▼ |
| Net Margin              | 17.7% | 10.4%  | 7.3% ▲  | 13.6% | 11.4% | 2.2% ▲ |

Source: ACPL Research, Company Financials

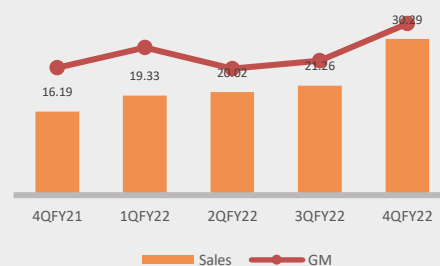
## Key Statistics

| Symbol               | ILP    |
|----------------------|--------|
| TP - Jun 23          | 75.00  |
| LDGP                 | 63.39  |
| Upside / (Downside)  | 19%    |
| Free Float ('mn)     | 135    |
| Market Cap. (Rs.'mn) | 56,947 |

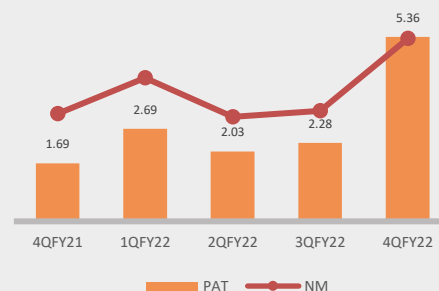
## ILP vs KSE 100



## 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         | FY22A         | FY23E         | FY24E         | FY25E         |
|---------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                         | 37,478        | 36,303       | 54,962        | 90,894        | 101,894       | 128,052       | 158,558       |
| Cost of sales                   | - 25,524      | - 28,439     | - 40,750      | - 64,828      | - 74,179      | - 93,144      | - 115,564     |
| <b>Gross profit</b>             | <b>11,955</b> | <b>7,864</b> | <b>14,212</b> | <b>26,066</b> | <b>27,715</b> | <b>34,907</b> | <b>42,995</b> |
| Distribution cost               | - 2,784       | - 2,007      | - 2,640       | - 3,382       | - 3,747       | - 5,174       | - 6,541       |
| Administrative expenses         | - 1,984       | - 2,198      | - 2,796       | - 4,681       | - 5,874       | - 7,482       | - 9,382       |
| Other operating expenses        | - 785         | - 505        | - 919         | - 2,143       | - 3,413       | - 4,290       | - 5,312       |
| <b>Profit from operations</b>   | <b>6,402</b>  | <b>3,154</b> | <b>7,857</b>  | <b>15,859</b> | <b>14,680</b> | <b>17,961</b> | <b>21,760</b> |
| Other income                    | 14            | 99           | 163           | 57            | 143           | 179           | 222           |
| Finance cost                    | - 996         | - 1,137      | - 1,147       | - 2,493       | - 3,587       | - 3,895       | - 4,530       |
| <b>Profit before income tax</b> | <b>5,421</b>  | <b>2,116</b> | <b>6,873</b>  | <b>13,423</b> | <b>11,236</b> | <b>14,246</b> | <b>17,451</b> |
| Income tax expense              | - 226         | - 319        | - 581         | - 1,064       | - 1,528       | - 1,921       | - 2,378       |
| <b>Profit for the year</b>      | <b>5,195</b>  | <b>1,796</b> | <b>6,292</b>  | <b>12,359</b> | <b>9,707</b>  | <b>12,325</b> | <b>15,073</b> |
| EPS                             | <b>5.98</b>   | <b>2.07</b>  | <b>7.21</b>   | <b>13.76</b>  | <b>10.81</b>  | <b>13.72</b>  | <b>16.78</b>  |
| EBITDA                          | <b>8,108</b>  | <b>5,149</b> | <b>9,393</b>  | <b>17,397</b> | <b>16,227</b> | <b>19,522</b> | <b>23,352</b> |

Source: ACPL Research, Company Financials

## Horizontal Analysis

|                                 | FY19A          | FY20A          | FY21A          | FY22A          | FY23E          | FY24E          | FY25E          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue                         | 20.36%         | -3.14%         | 51.40%         | 65.38%         | 12.10%         | 25.67%         | 23.82%         |
| Cost of sales                   | 16.05%         | 11.42%         | 43.29%         | 59.09%         | 14.42%         | 25.57%         | 24.07%         |
| <b>Gross profit</b>             | <b>30.73%</b>  | <b>-34.22%</b> | <b>80.73%</b>  | <b>83.41%</b>  | <b>6.33%</b>   | <b>25.95%</b>  | <b>23.17%</b>  |
| Distribution cost               | 5.40%          | -27.89%        | 31.50%         | 28.13%         | 10.80%         | 38.08%         | 26.42%         |
| Administrative expenses         | 24.18%         | 10.77%         | 27.22%         | 67.42%         | 25.48%         | 27.37%         | 25.39%         |
| Other operating expenses        | 84.41%         | -35.69%        | 82.25%         | 133.11%        | 59.26%         | 25.67%         | 23.82%         |
| <b>Profit from operations</b>   | <b>42.90%</b>  | <b>-50.74%</b> | <b>149.11%</b> | <b>101.85%</b> | <b>-7.43%</b>  | <b>22.35%</b>  | <b>21.15%</b>  |
| Other income                    | 57.62%         | 585.41%        | 64.56%         | -64.94%        | 149.71%        | 25.67%         | 23.82%         |
| Finance cost                    | 105.87%        | 14.21%         | 0.87%          | 117.34%        | 43.90%         | 8.58%          | 16.32%         |
| <b>Profit before income tax</b> | <b>35.33%</b>  | <b>-60.97%</b> | <b>224.83%</b> | <b>95.31%</b>  | <b>-16.30%</b> | <b>26.79%</b>  | <b>22.50%</b>  |
| Income tax expense              | 88.59%         | 41.20%         | 81.98%         | 83.04%         | 43.65%         | 25.67%         | 23.82%         |
| <b>Profit for the year</b>      | <b>33.69%</b>  | <b>-65.42%</b> | <b>250.23%</b> | <b>96.45%</b>  | <b>-21.46%</b> | <b>26.97%</b>  | <b>22.30%</b>  |
| EPS                             | <b>33.69%</b>  | <b>-65.42%</b> | <b>249.11%</b> | <b>90.72%</b>  | <b>-21.46%</b> | <b>26.97%</b>  | <b>22.30%</b>  |
| EBITDA                          | <b>145.93%</b> | <b>56.19%</b>  | <b>184.88%</b> | <b>427.65%</b> | <b>392.18%</b> | <b>492.11%</b> | <b>608.28%</b> |

Source: ACPL Research, Company Financials

## Key Ratios

| Profitability Ratios |      | FY19A  | FY20A  | FY21A  | FY22A  | FY23E  | FY24E  | FY25E  |
|----------------------|------|--------|--------|--------|--------|--------|--------|--------|
| GP Margin            | %    | 31.90  | 21.66  | 25.86  | 28.68  | 27.20  | 27.26  | 27.12  |
| NP Margin            | %    | 13.86  | 4.95   | 11.45  | 13.60  | 9.53   | 9.62   | 9.51   |
| OP Margin            | %    | 17.08  | 8.69   | 14.30  | 17.45  | 14.41  | 14.03  | 13.72  |
| ROE                  | %    | 29.05  | 10.40  | 29.41  | 40.98  | 25.65  | 25.72  | 25.00  |
| ROCE                 | %    | 26.69  | 11.52  | 24.29  | 45.25  | 38.19  | 41.33  | 43.40  |
| ROA                  | %    | 12.74  | 3.96   | 10.80  | 16.88  | 8.25   | 8.46   | 8.29   |
| Liquidity Ratios     |      | FY19A  | FY20A  | FY21A  | FY22A  | FY23E  | FY24E  | FY25E  |
| Current              | x    | 1.27   | 1.14   | 1.31   | 1.27   | 1.17   | 1.18   | 1.18   |
| Quick                | x    | 0.77   | 0.55   | 0.80   | 0.72   | 0.87   | 0.88   | 0.90   |
| Activity Ratios      |      | FY19A  | FY20A  | FY21A  | FY22A  | FY23E  | FY24E  | FY25E  |
| Inventory Turnover   | x    | 4.48   | 3.77   | 4.17   | 4.67   | 4.06   | 4.23   | 4.21   |
| Inventory Days       |      | 81.54  | 96.86  | 87.45  | 78.15  | 89.92  | 86.20  | 86.66  |
| Receivables Days     |      | 99.08  | 96.68  | 88.46  | 82.14  | 81.09  | 79.33  | 78.01  |
| Payables Days        |      | 51.15  | 38.90  | 45.00  | 45.00  | 45.00  | 45.00  | 45.00  |
| Operating Cycle      |      | 129.47 | 154.63 | 130.90 | 115.29 | 126.01 | 120.53 | 119.67 |
| Investment Ratios    |      | FY19A  | FY20A  | FY21A  | FY22A  | FY23E  | FY24E  | FY25E  |
| DPS                  |      | 3.00   | 2.00   | 2.50   | 4.00   | 2.25   | 2.50   | 3.00   |
| Div. Yield           | %    | 4.73   | 3.16   | 3.94   | 6.31   | 3.55   | 3.94   | 4.73   |
| Dividend Cover       | x    | 1.99   | 1.03   | 2.89   | 3.44   | 4.80   | 5.49   | 5.59   |
| Retention            | %    | 49.79  | 3.21   | 65.34  | 70.93  | 79.18  | 81.78  | 82.12  |
| Payout               | %    | 50.21  | 96.79  | 34.66  | 29.07  | 20.82  | 18.22  | 17.88  |
| 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   | 13.76  | 10.81  | 13.72  | 16.78  |
| BVPS                 |      | 20.57  | 19.88  | 24.53  | 33.57  | 42.12  | 53.34  | 67.12  |
| P/E                  | x    | 10.61  | 30.68  | 8.79   | 4.61   | 5.87   | 4.62   | 3.78   |
| Sales per share      |      | 43.11  | 41.76  | 63.02  | 101.18 | 113.42 | 142.54 | 176.50 |
| P/BV                 | x    | 3.08   | 3.19   | 2.58   | 1.89   | 1.50   | 1.19   | 0.94   |
| P/S                  | x    | 1.47   | 1.52   | 1.01   | 0.63   | 0.56   | 0.44   | 0.36   |
| Solvency Ratios      |      | FY19A  | FY20A  | FY21A  | FY22A  | FY23E  | FY24E  | FY25E  |
| Total Debt to Equity | x    | 0.93   | 1.25   | 1.42   | 1.19   | 1.99   | 1.97   | 1.99   |
| L.T Debt to Equity   | x    | 0.27   | 0.42   | 0.50   | 0.28   | 0.17   | 0.11   | 0.07   |
| Total Debt to Assets | x    | 0.41   | 0.48   | 0.52   | 0.49   | 0.64   | 0.65   | 0.66   |
| L.T Debt to Assets   | x    | 0.12   | 0.16   | 0.18   | 0.12   | 0.06   | 0.04   | 0.02   |
| Interest Cover       | x    | 6.43   | 2.77   | 6.85   | 6.36   | 4.09   | 4.61   | 4.80   |

Source: ACPL Research, Company Financials

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### DEFINITION OF TERMS

|             |                           |             |                             |             |                        |
|-------------|---------------------------|-------------|-----------------------------|-------------|------------------------|
| <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 |

### VALUATION METHODOLOGY

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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