

ISL has announced its 1QFY22 result where it posted profit after tax of Rs2.67bn (EPS: Rs6.13) as compared to a profit after tax of Rs559mn (EPS: Rs1.29) in the same period last year, up by 377% YoY.

The company has posted a revenue of Rs24.5bn against Rs15.7bn in SPLY, recording a growth of 56.3% 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 17.7% as compared to 8.9% during SPLY. SG&A expenses went up by 2.5% YoY to Rs264mn as compared to Rs258mn during SPLY.

Furthermore, effective taxation and finance cost has been decreased by 8.5% YoY and the 32.1% YoY respectively which contributed to the up-surge of bottom-line.

ISL is trading at a FY22E P/E of 2.88x. Moreover, the scrip is also trading at FY22 P/B of 2.46x which offers a discount of 42% relative to its historical 3-year average of 4.25x. We maintain our **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 140 which provides an upside potential of 81%. Further, the scrip also provides a dividend yield of 18% which makes the total return of 99%.

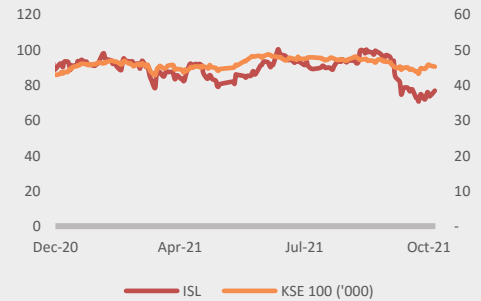
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	24,489	15,666	56.3% ▲	69,796	48,082	45.2% ▲
Cost of Sales	-20,154	-14,275	41.2% ▲	-56,304	-43,869	28.3% ▲
Gross Profit	4,335	1,392	211.5% ▲	13,492	4,213	220.3% ▲
SG&A Expenses	-264	-258	2.5% ▲	-1,425	-1,157	23.1% ▲
Other Expenses	-280	-69	307.1% ▲	-1,277	-334	281.9% ▲
Operating Profit	3,791	1,065	255.9% ▲	10,791	2,721	296.5% ▲
Other Income	6	51	87.9% ▼	316	36	789.1% ▲
Finance Cost	-176	-259	32.1% ▼	-812	-2,315	64.9% ▼
Profit Before Taxation	3,621	857	322.4% ▲	10,295	442	2228.2% ▲
Taxation	-954	-298	219.7% ▲	-2,829	53	5269.7% ▲
Profit After Taxation	2,668	559	377.1% ▲	7,466	495	1408.8% ▲
Earnings Per Share	6.13	1.29	377.1% ▲	17.16	11.84	44.9% ▲
Dividend	0.00	0.00		10.00	3.00	233.3% ▲
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		0.00	0.00	
Gross Margin	17.7%	8.9%	8.8% ▲	19.3%	8.8%	10.6% ▲
SG&A Expenses to Sales	-1.1%	-1.6%	0.6% ▼	-2.0%	-2.4%	0.4% ▼
Other Income to Sales	0.0%	0.3%	0.3% ▼	0.5%	0.1%	0.4% ▲
Ex. Gain / (Loss) to Sales	-1.1%	-1.6%	0.6% ▼	-2.0%	-2.4%	0.4% ▼
Effective Taxation	-26.3%	-34.8%	8.5% ▼	-27.5%	11.9%	15.6% ▲
Net Margin	10.9%	3.6%	7.3% ▲	10.7%	1.0%	9.7% ▲

Source: ACPL Research, Company Financials

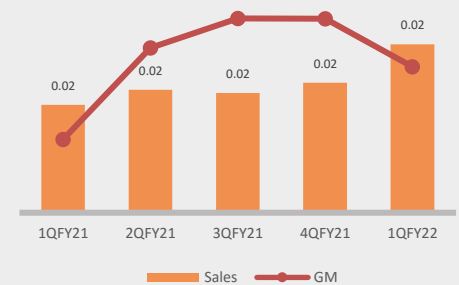
## Key Statistics

Symbol	ISL
TP - Jun 22	140.00
LDCP	77.44
Upside (%)	81
Free Float ('mn)	63
Market Cap. (Rs.'mn)	35,661

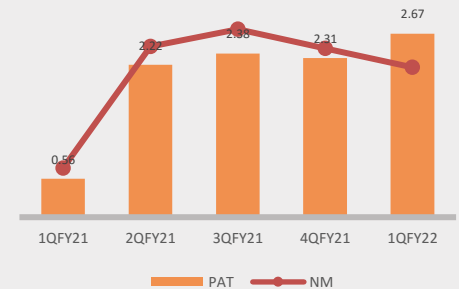
## ISL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

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

Email: nauman@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	55,062	48,082	69,796	118,191	144,609	153,012	159,850
Cost of sale	48,613	43,869	56,304	99,427	123,527	131,120	137,233
<b>Gross profit</b>	<b>6,449</b>	<b>4,213</b>	<b>13,492</b>	<b>18,764</b>	<b>21,082</b>	<b>21,893</b>	<b>22,617</b>
Selling and promotion expenses	702	894	1,063	827	1,012	1,071	1,119
Administration expenses	284	263	362	591	723	765	799
Other operating expenses	534	334	1,277	1,418	1,735	1,836	1,918
<b>Operating Profit</b>	<b>4,929</b>	<b>2,721</b>	<b>10,791</b>	<b>15,927</b>	<b>17,611</b>	<b>18,220</b>	<b>18,781</b>
Other operating income	39	36	316	591	723	765	799
Finance cost	1,289	2,315	812	989	910	901	903
Profit before taxation	<b>3,679</b>	<b>442</b>	<b>10,295</b>	<b>15,529</b>	<b>17,424</b>	<b>18,085</b>	<b>18,677</b>
Taxation	1,015	-	53	2,828	3,821	4,239	4,439
<b>Profit after taxation</b>	<b>2,664</b>	<b>495</b>	<b>7,466</b>	<b>11,708</b>	<b>13,185</b>	<b>13,736</b>	<b>14,238</b>
EPS	<b>6.12</b>	<b>1.14</b>	<b>17.16</b>	<b>26.91</b>	<b>30.31</b>	<b>31.58</b>	<b>32.73</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	15.6%	-12.7%	45.2%	69.3%	22.4%	5.8%	4.5%
Cost of sale	21.4%	-9.8%	28.3%	76.6%	24.2%	6.1%	4.7%
<b>Gross profit</b>	<b>-14.8%</b>	<b>-34.7%</b>	<b>220.3%</b>	<b>39.1%</b>	<b>12.4%</b>	<b>3.8%</b>	<b>3.3%</b>
Selling and promotion expenses	61.6%	27.4%	18.9%	-22.2%	22.4%	5.8%	4.5%
Administration expenses	-0.3%	-7.6%	37.6%	63.5%	22.4%	5.8%	4.5%
Other operating expenses	-19.3%	-37.4%	281.9%	11.1%	22.4%	5.8%	4.5%
<b>Operating Profit</b>	<b>-21.7%</b>	<b>-44.5%</b>	<b>302.9%</b>	<b>48.7%</b>	<b>11.0%</b>	<b>3.6%</b>	<b>3.1%</b>
Other operating income	-73.8%	-9.9%	789.1%	87.1%	22.4%	5.8%	4.5%
Finance cost	139.2%	79.5%	-64.9%	21.8%	-8.0%	-1.0%	0.3%
Profit before taxation	-36.6%	-88.0%	2228.2%	50.8%	12.2%	3.8%	3.3%
Taxation	-29.5%	-105.2%	-5468.8%	35.1%	10.9%	2.6%	2.1%
<b>Profit after taxation</b>	<b>-39.0%</b>	<b>-81.4%</b>	<b>1408.8%</b>	<b>56.8%</b>	<b>12.6%</b>	<b>4.2%</b>	<b>3.7%</b>
EPS	<b>-39.0%</b>	<b>-81.4%</b>	<b>1408.8%</b>	<b>56.8%</b>	<b>12.6%</b>	<b>4.2%</b>	<b>3.7%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	11.71	8.76	19.33	15.88	14.58	14.31	14.15
OP Margin	%	4.84	1.03	10.70	9.91	9.12	8.98	8.91
NP Margin	%	9.02	5.73	15.91	13.98	12.68	12.41	12.25
ROE	%	21.57	3.87	47.24	53.67	47.03	39.51	34.09
ROCE	%	23.13	14.29	43.79	55.73	53.08	46.14	40.28
ROA	%	14.32	2.35	33.41	39.80	31.65	26.90	23.79

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.09	0.94	1.38	1.49	1.59	1.81	2.01
Acid-test	x	0.20	0.22	0.17	0.14	0.20	0.38	0.59

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	3	3	3	4	4	3	3
Inventory Days		110	126	111	111	111	111	111
Receivables Days		6	8	5	5	5	5	5
Payables Days		42	74	43	50	50	50	50
Operating Cycle		74	59	73	66	66	66	66

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	6.12	1.14	17.16	26.91	30.31	31.58	32.73
DPS	Rs.	3.00	0.00	10.00	13.46	15.16	15.79	16.37
Div. Yield	%	3.87	0.00	12.91	17.38	19.57	20.39	21.13
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	56.88	72.03	87.82	104.19
Payout	%	48.98	0.00	58.26	50.00	50.00	50.00	50.00
Retention	%	51.02	100.00	41.74	50.00	50.00	50.00	50.00
No. of Shares	'm	435	435	435	435	435	435	435
P/E	x	12.64	68.07	4.51	2.88	2.55	2.45	2.37
Sales per share		126.58	110.53	160.45	271.70	332.43	351.75	367.47
P/BV		4.73	4.79	3.23	2.46	1.95	1.60	1.35
Price to Sales		0.61	0.70	0.48	0.29	0.23	0.22	0.21

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.36	1.42	0.63	0.47	0.38	0.30	0.28
L.T. Debt to Equity	x	0.57	0.51	0.27	0.14	0.07	0.02	0.01
Interest Cover	x	3.85	1.19	13.68	16.70	20.15	21.07	21.68

Source: ACPL Research, Company Financials

## DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

### VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

### 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

### RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

### RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

### OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

#### 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