

ILP has announced its 9MFY21 result where it posted profit after tax of Rs4.6bn (EPS: Rs5.29) as compared to profit after tax of Rs2.2bn (EPS: Rs2.49) in same period last year, up by 112.8% YoY.

The company has posted the revenue of Rs38.8bn against Rs29.9bn in SPLY, recording a growth of 29.4% YoY. We note that this growth is attributed to the commencement of denim plant and revival of exports post Covid-19.

Gross margin has been expanded to 26.3% as compared to 23.6% in SPLY on account of improved international prices. SG&A expenses have been increased by 14.8% YoY to Rs3.9bn as compared to Rs3.4bn during SPLY.

Finance cost has been decreased by 4.8% YoY to Rs817mn as compared to Rs858mn in SPLY. Lastly, lower effective taxation of 7% as compared to 9.6% during SPLY contributed to the upsurge of the bottom line.

ILP is currently trading at FY21E PE of 9.02x. Furthermore, the company is also trading at FY21E of 2.61x which offers a discount of 39% relative to its 3-year average of 4.25x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs80 which provides an upside potential of 22%. Furthermore, it also offers a dividend yield of 3% which makes the total return of 25%.

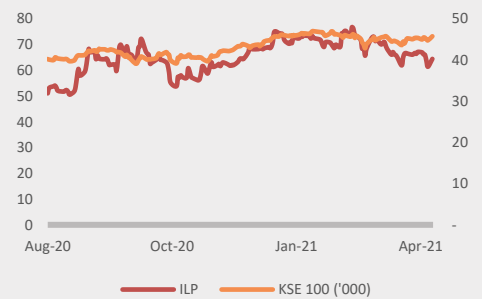
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	12,507	10,727	16.6% ▲	38,769	29,952	29.4% ▲
Cost of Sales	-8,763	-8,155	7.5% ▲	-28,559	-22,880	24.8% ▲
Gross Profit	3,743	2,573	45.5% ▲	10,210	7,072	44.4% ▲
SG&A Expenses	-1,397	-1,214	15.1% ▲	-3,889	-3,387	14.8% ▲
Other Expenses	-213	-326	34.7% ▼	-649	-559	16.1% ▲
Other Income	18	63	71.0% ▼	93	123	24.4% ▼
Operating Profit	2,152	1,097	96.2% ▲	5,765	3,250	77.4% ▲
Finance Cost	-301	-384	21.7% ▼	-817	-858	4.8% ▼
Profit Before Taxation	1,851	713	159.7% ▲	4,948	2,391	106.9% ▲
Taxation	-154	-82	88.3% ▲	-346	-229	51.0% ▲
Profit After Taxation	1,697	631	169.0% ▲	4,601	2,162	112.8% ▲
Earnings Per Share	1.95	0.73	169.0% ▲	5.29	2.49	112.8% ▲
Dividend	0.00	0.00		1.50	1.00	
Bonus	0%	0%		0%	0%	
Gross Margin	29.9%	24.0%	5.9% ▲	26.3%	23.6%	2.7% ▲
SG&A Expenses to Sales	-11.2%	-11.3%	1.3% ▲	-10.0%	-11.3%	1.3% ▼
Other Expenses to Sales	-1.7%	-3.0%	1.3% ▼	-1.7%	-1.9%	0.2% ▼
Other Income to Sales	0.1%	0.6%	0.4% ▼	0.2%	0.4%	0.2% ▼
Effective Taxation	-8.3%	-11.5%	3.2% ▼	-7.0%	-9.6%	2.6% ▼
Net Margin	13.6%	5.9%	7.7% ▲	11.9%	7.2%	4.7% ▲

Source: ACPL Research, Company Financials

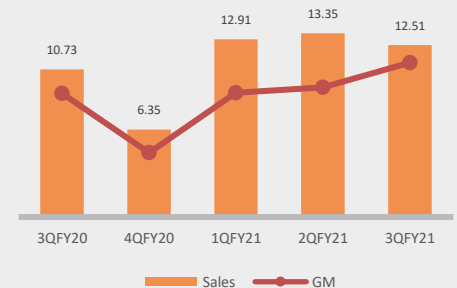
Key Statistics

Symbol	ILP
TP - Dec 21	80.00
LDCP	65.50
Upside / (Downside)	22%
Free Float ('mn)	130
Market Cap. (Rs.'mn)	56,946

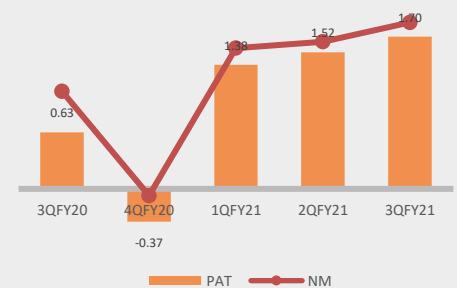
ILP vs KSE 100



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	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	31,139	37,478	36,303	51,534	57,668	61,674
Cost of sales	- 21,994	- 25,524	- 28,439	- 37,799	- 42,123	- 45,165
Gross profit	9,144	11,955	7,864	13,735	15,545	16,509
Distribution cost	- 2,641	- 2,784	- 2,007	- 2,565	- 2,842	- 3,012
Administrative expenses	- 1,598	- 1,984	- 2,198	- 2,573	- 2,853	- 3,026
Other operating expenses	- 425	- 785	- 505	- 716	- 801	- 857
Profit from operations	4,480	6,402	3,154	7,881	9,049	9,614
Other income	9	14	99	124	138	148
Finance cost	- 484	- 996	- 1,137	- 922	- 877	- 824
Profit before income tax	4,006	5,421	2,116	7,083	8,310	8,938
Income tax expense	- 120	- 226	- 319	- 773	- 865	- 925
Profit for the year	3,886	5,195	1,796	6,310	7,445	8,013
EPS	4.47	5.98	2.07	7.26	8.56	9.22
EBITDA	6,008	8,108	5,149	9,417	10,586	11,161

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	20.36%	-3.14%	41.96%	11.90%	6.95%
Cost of sales	16.05%	11.42%	32.91%	11.44%	7.22%
Gross profit	30.73%	-34.22%	74.67%	13.18%	6.20%
Distribution cost	5.40%	-27.89%	27.79%	10.81%	5.95%
Administrative expenses	24.18%	10.77%	17.05%	10.90%	6.06%
Other operating expenses	84.41%	-35.69%	41.96%	11.90%	6.95%
Profit from operations	42.90%	-50.74%	149.89%	14.81%	6.25%
Other income	57.62%	585.41%	24.93%	11.90%	6.95%
Finance cost	105.87%	14.21%	-18.94%	-4.88%	-5.98%
Profit before income tax	35.33%	-60.97%	234.78%	17.32%	7.55%
Income tax expense	88.59%	41.20%	142.00%	11.90%	6.95%
Profit for the year	33.69%	-65.42%	251.27%	17.98%	7.62%
EPS	33.69%	-65.42%	251.27%	17.98%	7.62%
EBITDA	145.93%	56.19%	185.62%	221.08%	238.52%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	29.37	31.90	21.66	26.65	26.96	26.77
NP Margin	%	12.48	13.86	4.95	12.24	12.91	12.99
OP Margin	%	14.39	17.08	8.69	15.29	15.69	15.59
ROE	%	42.78	29.05	10.40	28.88	27.02	23.84
ROCE	%	33.80	26.69	11.52	26.38	26.96	24.71
ROA	%	11.86	12.74	3.96	14.37	15.27	14.92
Liquidity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	0.86	1.27	1.14	1.39	1.59	1.94
Quick	x	0.52	0.77	0.55	0.52	0.69	0.96
Activity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Inventory Turnover	x	4.29	4.48	3.77	4.03	4.01	3.94
Inventory Days		85.00	81.54	96.86	90.53	91.05	92.74
Receivables Days		114.23	99.08	96.68	89.52	87.71	86.72
Payables Days		45.31	51.15	38.90	45.00	45.00	45.00
Operating Cycle		153.91	129.47	154.63	135.05	133.75	134.46
Investment Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		0.00	3.00	2.00	2.00	2.00	2.25
Div. Yield	%	0.00	4.58	3.05	3.05	3.05	3.44
Dividend Cover	x	0.00	1.99	1.03	3.63	4.28	4.10
Retention	%	100.00	49.79	3.21	72.45	76.65	75.59
Payout	%	0.00	50.21	96.79	27.55	23.35	24.41
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.87	0.87
EPS		4.47	5.98	2.07	7.26	8.56	9.22
BVPS		10.45	20.57	19.88	25.13	31.70	38.66
P/E	x	14.65	10.96	31.70	9.02	7.65	7.11
Sales per share		35.82	43.11	41.76	59.28	66.33	70.94
P/BV	x	6.27	3.18	3.30	2.61	2.07	1.69
P/S	x	1.83	1.52	1.57	1.11	0.99	0.92
Solvency Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	2.03	0.93	1.25	0.72	0.55	0.43
L.T Debt to Equity	x	0.35	0.27	0.42	0.31	0.23	0.17
Total Debt to Assets	x	0.56	0.41	0.48	0.36	0.31	0.27
L.T Debt to Assets	x	0.10	0.12	0.16	0.16	0.13	0.10
Interest Cover	x	9.26	6.43	2.77	8.55	10.32	11.66

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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