

ISL has announced its FY22 result where it posted profit after tax of Rs5.41bn (EPS: Rs12.44) as compared to a profit after tax of Rs7.47bn (EPS: Rs17.16) in the same period last year, down by 27.5% YoY.

The company has posted a revenue of Rs91.42bn against Rs69.80bn in SPLY, recording a growth of 31% YoY. We note that this growth is attributed to the higher retention prices.

The gross margin has plunged to 13.5% as compared to 19.3% during SPLY amid higher HRC prices and depreciation of PKR. SG&A expenses went up by 37% YoY to Rs1.95bn as compared to Rs1.43bn during SPLY.

Furthermore, effective taxation has been increased to 32.4% as compared to 27.5% SPLY. Lastly, finance costs increased by 62.9% YoY amounting to 1.32bn as compared to 812mn SPLY.

ISL is trading at a FY23E P/E of 6.49x. Moreover, the scrip is also trading at FY23 P/B of 1.49x which offers a discount of 39% relative to its historical 3-year average of 2.43x. We maintain our **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs 80 which provides an upside potential of 35%. Further, the scrip also provides a dividend yield of 8% which makes the total return of 43%.

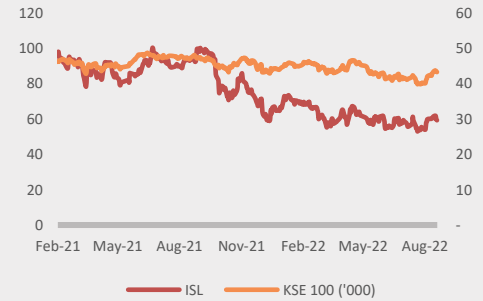
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	20,866	18,878	10.5% ▲	91,424	69,796	31.0% ▲
Cost of Sales	-17,999	-14,439	24.7% ▲	-79,042	-56,304	40.4% ▲
Gross Profit	2,867	4,439	35.4% ▼	12,381	13,492	8.2% ▼
SG&A Expenses	-969	-533	81.9% ▲	-1,951	-1,425	37.0% ▲
Other Expenses	-552	-667	17.2% ▼	-1,308	-1,277	2.4% ▲
Operating Profit	1,346	3,239	58.5% ▼	9,122	10,791	15.5% ▼
Other Income	26	-49	154.0% ▼	201	316	36.4% ▼
Finance Cost	-417	-216	93.0% ▲	-1,323	-812	62.9% ▲
Profit Before Taxation	955	2,975	67.9% ▼	8,001	10,295	22.3% ▼
Taxation	-898	-660	36.0% ▲	-2,589	-2,828	191.5% ▼
Profit After Taxation	57	2,314	97.5% ▼	5,412	7,466	27.5% ▼
Earnings Per Share	0.13	5.32	97.5% ▼	12.44	17.16	27.5% ▼
Dividend	4.50	7.00	N/A	6.50	10.00	35.0% ▼
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		0.00	0.00	
Closing Period: Sep 21, 2022 - Sep 29, 2022						
Gross Margin	13.7%	23.5%	9.8% ▼	13.5%	19.3%	5.8% ▼
SG&A Expenses to Sales	-4.6%	-2.8%	1.8% ▲	-2.1%	-2.0%	0.1% ▲
Other Income to Sales	0.1%	-0.3%	0.4% ▲	0.2%	0.5%	0.2% ▼
Ex. Gain / (Loss) to Sales	-4.6%	-2.8%	1.8% ▲	-2.1%	-2.0%	0.1% ▲
Effective Taxation	-94.0%	-22.2%	71.8% ▲	-32.4%	-27.5%	4.9% ▲
Net Margin	0.3%	12.3%	12.0% ▼	5.9%	10.7%	4.8% ▼

Source: ACPL Research, Company Financials

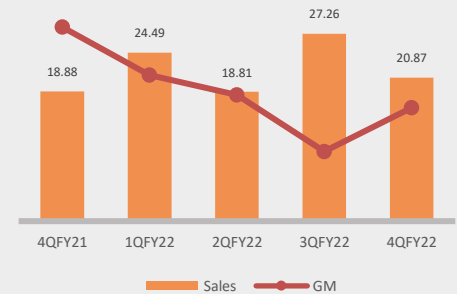
Key Statistics

Symbol	ISL
TP - Jun 23	80.00
LDGP	59.28
Upside (%)	35
Free Float ('mn)	152
Market Cap. (Rs.'mn)	25,600

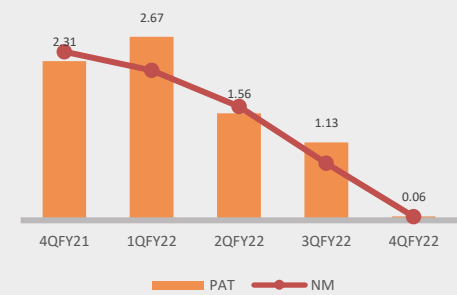
ISL vs KSE 100



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
Net sales	55,062	48,082	69,796	91,424	98,704	110,280	122,736
Cost of sale	48,613	43,869	56,304	79,042	85,885	97,370	109,032
Gross profit	6,449	4,213	13,492	12,381	12,819	12,910	13,704
Selling and promotion expenses	702	894	1,063	1,612	2,961	2,016	2,244
Administration expenses	284	263	362	340	474	529	614
Other operating expenses	534	334	1,277	1,308	2,468	1,959	2,180
Operating Profit	4,929	2,721	10,791	9,122	6,917	8,406	8,666
Other operating income	39	36	316	201	234	261	291
Finance cost	1,289	2,315	812	1,323	1,654	1,664	1,644
Profit before taxation	3,679	442	10,295	8,001	5,496	7,004	7,313
Taxation	1,015	-	53	2,828	2,589	1,915	1,976
Profit after taxation	2,664	495	7,466	5,412	3,976	5,089	5,337
EPS	6.12	1.14	17.16	12.44	9.14	11.70	12.27

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	15.6%	-12.7%	45.2%	31.0%	8.0%	11.7%	11.3%
Cost of sale	21.4%	-9.8%	28.3%	40.4%	8.7%	13.4%	12.0%
Gross profit	-14.8%	-34.7%	220.3%	-8.2%	3.5%	0.7%	6.1%
Selling and promotion expenses	61.6%	27.4%	18.9%	51.6%	83.7%	-31.9%	11.3%
Administration expenses	-0.3%	-7.6%	37.6%	-6.0%	39.4%	11.7%	15.9%
Other operating expenses	-19.3%	-37.4%	281.9%	2.4%	88.7%	-20.6%	11.3%
Operating Profit	-21.7%	-44.5%	302.9%	-16.1%	-23.3%	21.2%	3.3%
Other operating income	-73.8%	-9.9%	789.1%	-36.4%	16.4%	11.7%	11.3%
Finance cost	139.2%	79.5%	-64.9%	62.9%	25.1%	0.6%	-1.2%
Profit before taxation	-36.6%	-88.0%	2228.2%	-22.3%	-31.3%	27.4%	4.4%
Taxation	-29.5%	-105.2%	-5468.8%	-8.5%	-41.3%	26.0%	3.2%
Profit after taxation	-39.0%	-81.4%	1408.8%	-27.5%	-26.5%	28.0%	4.9%
EPS	-39.0%	-81.4%	1408.8%	-27.5%	-26.5%	28.0%	4.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	11.71	8.76	19.33	13.54	12.99	11.71	11.17
OP Margin	%	4.84	1.03	10.70	5.92	4.03	4.61	4.35
NP Margin	%	9.02	5.73	15.91	10.20	7.24	7.86	7.30
ROE	%	21.57	3.87	47.24	26.82	17.73	20.70	19.71
ROCE	%	23.13	14.29	43.79	35.36	26.90	30.15	28.31
ROA	%	14.32	2.35	33.41	22.02	14.12	16.18	14.93

Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.09	0.94	1.38	1.45	1.42	1.52	1.60
Acid-test	x	0.20	0.22	0.17	0.39	0.41	0.42	0.48

Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory Turnover	x	3	3	3	4	4	5	5
Inventory Days		110	126	111	85	85	85	85
Receivables Days		6	8	5	3	3	3	3
Payables Days		42	74	43	35	35	35	35
Operating Cycle		74	59	73	53	53	53	53

Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	Rs.	6.12	1.14	17.16	12.44	9.14	11.70	12.27
DPS	Rs.	3.00	0.00	10.00	6.50	5.00	6.00	6.50
Div. Yield	%	5.06	0.00	16.87	10.96	8.43	10.12	10.96
Dividend Cover	x	2.04	#DIV/0!	1.72	1.91	1.91	1.91	1.91
BVPS	Rs.	29.61	29.25	43.42	49.36	53.73	59.31	65.17
Payout	%	48.98	0.00	58.26	52.24	54.70	51.29	52.98
Retention	%	51.02	100.00	41.74	47.76	45.30	48.71	47.02
No. of Shares	'm	435	435	435	435	435	435	435
P/E	x	9.68	52.11	3.45	4.76	6.49	5.07	4.83
Sales per share		126.58	110.53	160.45	210.17	226.91	253.52	282.15
P/BV		2.71	2.74	1.85	1.63	1.49	1.35	1.23
Price to Sales		0.47	0.54	0.37	0.28	0.26	0.23	0.21

Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	1.36	1.42	0.63	0.55	0.51	0.45	0.45
L.T. Debt to Equity	x	0.57	0.51	0.27	0.17	0.10	0.02	0.01
Interest Cover	x	3.85	1.19	13.68	7.05	4.32	5.21	5.45

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
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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