

Equity Research | Textile Composite | Wednesday, 15 September, 2021

ILP has announced its FY21 result where it posted a profit after tax of Rs6.29bn (EPS: Rs7.21) as compared to profit after tax of Rs1.80bn (EPS: Rs2.06) in the same period last year, up by 250% YoY.

The company has posted a revenue of Rs54.96bn against Rs36.30bn in SPLY, recording a growth of 51.4% YoY. We note that this growth is attributed to the commencement of the denim plant and the revival of exports post Covid-19.

The gross margin has been expanded to 25.9% as compared to 21.7% in SPLY on account of improved international prices. SG&A expenses have been increased by 29.3% YoY to Rs5.4bn as compared to Rs4.2bn during SPLY.

Finance cost has been increased by 0.9% YoY to Rs1.15bn as compared to Rs1.14bn in SPLY. Lastly, lower effective taxation of 8.5% as compared to 15.5% during SPLY contributed to the upsurge of the bottom line.

ILP is currently trading at FY22E PE of 9.37x. We have a **HOLD** stance on the script with a DCF based Jun-22 TP of Rs 80 which provides an upside potential of 7%. Furthermore, it also offers a dividend yield of 3% which makes the total return of 10%.

Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	16,193	6,351	155.0% ▲	54,962	36,303	51.4% ▲
Cost of Sales	-12,191	-5,559	119.3% ▲	-40,750	-28,439	43.3% ▲
Gross Profit	4,003	791	405.8% ▲	14,212	7,864	80.7% ▲
SG&A Expenses	-1,547	-818	89.0% ▲	-5,436	-4,205	29.3% ▲
Other Expenses	-270	55	594.1% ▼	-919	-505	82.3% ▲
Other Income	70	-24	386.6% ▲	163	99	64.6% ▲
Operating Profit	2,255	3	66067.7% ▲	8,020	3,253	146.5% ▲
Finance Cost	-330	-279	18.2% ▲	-1,147	-1,137	0.9% ▲
Profit Before Taxation	1,925	-276	598.4% ▲	6,873	2,116	224.8% ▲
Taxation	-235	-90	160.8% ▲	-581	-319	82.0% ▲
Profit After Taxation	1,690	-366	362.2% ▲	6,292	1,796	250.2% ▲
Earnings Per Share	1.94	-0.42	362.2% ▲	7.21	2.06	250.2% ▲
Dividend	1.00	1.00		2.50	2.00	25.0% ▲
Bonus	3%	0%	100.0% ▲	3%	0%	100.0% ▲

Closing Period: Oct-08-2021 TO Oct-15-2021

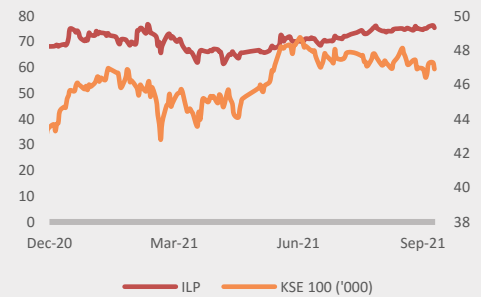
	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Gross Margin	24.7%	12.5%	12.3% ▲	25.9%	21.7%	4.2% ▲
SG&A Expenses to Sales	-9.6%	-12.9%	25.9% ▲	-9.9%	-11.6%	1.7% ▼
Other Expenses to Sales	-1.7%	0.9%	0.8% ▲	-1.7%	-1.4%	0.3% ▲
Other Income to Sales	0.4%	-0.4%	0.8% ▲	0.3%	0.3%	0.0% ▲
Effective Taxation	-12.2%	32.7%	20.5% ▼	-8.5%	-15.1%	6.6% ▼
Net Margin	10.4%	-5.8%	4.7% ▲	11.4%	4.9%	6.5% ▲

Source: ACPL Research, Company Financials

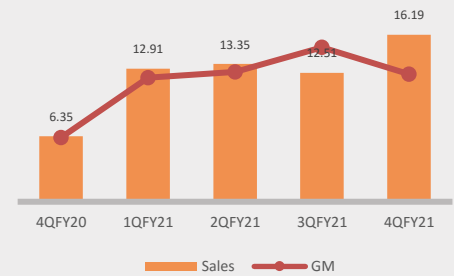
Key Statistics

Symbol	ILP
TP - Jun 22	80.00
LDCP	74.70
Upside / (Downside)	7%
Free Float ('mn)	130
Market Cap. (Rs.'mn)	65,448

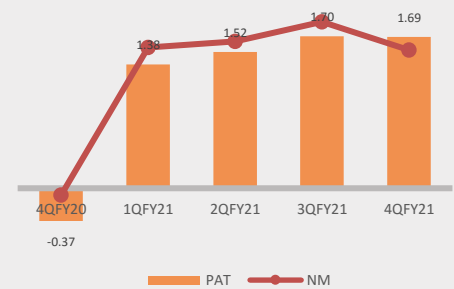
ILP vs KSE 100



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	FY21A	FY22E	FY23E
Revenue	31,139	37,478	36,303	54,962	64,855	70,368
Cost of sales	- 21,994	- 25,524	- 28,439	- 40,750	- 48,406	- 52,610
Gross profit	9,144	11,955	7,864	14,212	16,449	17,758
Distribution cost	- 2,641	- 2,784	- 2,007	- 2,640	- 3,220	- 3,470
Administrative expenses	- 1,598	- 1,984	- 2,198	- 2,796	- 3,231	- 3,484
Other operating expenses	- 425	- 785	- 505	- 919	- 1,083	- 1,175
Profit from operations	4,480	6,402	3,154	7,857	8,914	9,629
Other income	9	14	99	163	279	303
Finance cost	- 484	- 996	- 1,137	- 1,147	- 1,254	- 1,216
Profit before income tax	4,006	5,421	2,116	6,873	7,940	8,715
Income tax expense	- 120	- 226	- 319	- 581	- 973	- 1,056
Profit for the year	3,886	5,195	1,796	6,292	6,967	7,659
EPS	4.47	5.98	2.07	7.21	7.99	8.81
EBITDA	6,008	8,108	5,149	9,393	10,452	11,176

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	20.36%	-3.14%	51.40%	18.00%	8.50%
Cost of sales	16.05%	11.42%	43.29%	18.79%	8.69%
Gross profit	30.73%	-34.22%	80.73%	15.74%	7.96%
Distribution cost	5.40%	-27.89%	31.50%	22.00%	7.74%
Administrative expenses	24.18%	10.77%	27.22%	15.56%	7.83%
Other operating expenses	84.41%	-35.69%	82.25%	17.79%	8.50%
Profit from operations	42.90%	-50.74%	149.11%	13.46%	8.01%
Other income	57.62%	585.41%	64.56%	71.18%	8.50%
Finance cost	105.87%	14.21%	0.87%	9.30%	-2.97%
Profit before income tax	35.33%	-60.97%	224.83%	15.52%	9.76%
Income tax expense	88.59%	41.20%	81.98%	67.36%	8.50%
Profit for the year	33.69%	-65.42%	250.23%	10.73%	9.94%
EPS	33.69%	-65.42%	249.11%	10.73%	10.29%
EBITDA	145.93%	56.19%	184.88%	217.01%	238.97%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	%	29.37	31.90	21.66	25.86	25.36	25.24
NP Margin	%	12.48	13.86	4.95	11.45	10.74	10.88
OP Margin	%	14.39	17.08	8.69	14.30	13.75	13.68
ROE	%	42.78	29.05	10.40	29.41	26.18	23.70
ROCE	%	33.80	26.69	11.52	26.92	27.84	26.30
ROA	%	11.86	12.74	3.96	14.43	11.72	12.01
Liquidity Ratios		FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	x	0.86	1.27	1.14	1.33	1.27	1.43
Quick	x	0.52	0.77	0.55	0.42	0.70	0.80
Activity Ratios		FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Inventory Turnover	x	4.29	4.48	3.77	4.17	4.13	3.96
Inventory Days		85.00	81.54	96.86	87.45	88.38	92.14
Receivables Days		114.23	99.08	96.68	88.46	86.02	84.96
Payables Days		45.31	51.15	38.90	45.00	45.00	45.00
Operating Cycle		153.91	129.47	154.63	130.90	129.40	132.09
Investment Ratios		FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
DPS		0.00	3.00	2.00	2.50	2.00	2.25
Div. Yield	%	0.00	4.01	2.67	3.34	2.67	3.01
Dividend Cover	x	0.00	1.99	1.03	2.89	3.99	3.92
Retention	%	100.00	49.79	3.21	65.34	74.96	74.46
Payout	%	0.00	50.21	96.79	34.66	25.04	25.54
No. of Shares	('m)	0.87	0.87	0.87	0.87	0.87	0.87
EPS		4.47	5.98	2.07	7.21	7.99	8.81
BVPS		10.45	20.57	19.88	24.53	30.51	37.17
P/E	x	16.75	12.53	36.23	10.38	9.37	8.50
Sales per share		35.82	43.11	41.76	63.02	74.36	80.94
P/BV	x	7.17	3.64	3.77	3.05	2.45	2.01
P/S	x	2.09	1.74	1.79	1.19	1.01	0.93
Solvency Ratios		FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Total Debt to Equity	x	2.03	0.93	1.25	0.73	1.00	0.80
L.T Debt to Equity	x	0.35	0.27	0.42	0.32	0.24	0.17
Total Debt to Assets	x	0.56	0.41	0.48	0.36	0.45	0.41
L.T Debt to Assets	x	0.10	0.12	0.16	0.16	0.11	0.09
Interest Cover	x	9.26	6.43	2.77	6.85	7.11	7.92

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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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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