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ISL has announced its 9MFY22 result where it posted profit after tax of Rs5.35bn (EPS: Rs12.31) as compared to a profit after tax of Rs5.15bn (EPS: Rs11.84 in the same period last year, up by 3.9% YoY.

The company has posted a revenue of Rs70.56bn against Rs50.92bn in SPLY, recording a growth of 38.6% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has been plunged to 13.5% as compared to 17.8% during SPLY amid higher raw material cost. SG&A expenses went up by 10.1% YoY to Rs982mn as compared to Rs892mn during SPLY.

Furthermore, effective taxation and finance cost has been increased by 10.5% YoY and 52% YoY respectively.

ISL is trading at a FY22E P/E of 4.01x. Moreover, the scrip is also trading at FY22 P/B of 1.74x which offers a discount of 36% relative to its historical 3-year average of 2.72x. We maintain our **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 90 which provides an upside potential of 39%. Further, the scrip also provides a dividend yield of 12% which makes the total return of 51%.

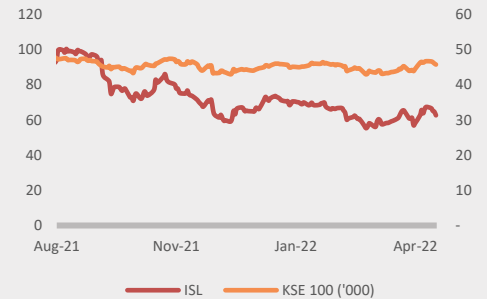
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	27,263	17,402	56.7% ▲	70,557	50,918	38.6% ▲
Cost of Sales	-24,959	-13,305	87.6% ▲	-61,043	-41,865	45.8% ▲
Gross Profit	2,304	4,097	43.8% ▼	9,514	9,053	5.1% ▲
SG&A Expenses	-421	-388	8.5% ▲	-982	-892	10.1% ▲
Other Expenses	-170	-253	32.9% ▼	-755	-609	23.9% ▲
Operating Profit	1,713	3,456	50.4% ▼	7,777	7,552	3.0% ▲
Other Income	22	55	59.9% ▼	175	364	52.0% ▼
Finance Cost	-361	-158	128.6% ▲	-906	-596	52.0% ▲
Profit Before Taxation	1,374	3,352	59.0% ▼	7,046	7,320	3.7% ▼
Taxation	-242	-974	75.2% ▼	-2,829	-2,168	230.5% ▼
Profit After Taxation	1,132	2,378	52.4% ▼	5,355	5,152	3.9% ▲
Earnings Per Share	2.60	5.47	52.4% ▼	12.31	11.84	3.9% ▲
Dividend	0.00	0.00	N/A	2.00	3.00	33.3% ▼
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		0.00	0.00	
Gross Margin	8.4%	23.5%	15.1% ▼	13.5%	17.8%	4.3% ▼
SG&A Expenses to Sales	-1.5%	-2.2%	0.7% ▼	-1.4%	-1.8%	0.4% ▼
Other Income to Sales	0.1%	0.3%	0.2% ▼	0.2%	0.7%	0.5% ▼
Ex. Gain / (Loss) to Sales	-1.5%	-2.2%	0.7% ▼	-1.4%	-1.8%	0.4% ▼
Effective Taxation	-17.6%	-29.1%	11.4% ▼	-40.1%	-29.6%	10.5% ▲
Net Margin	4.2%	13.7%	9.5% ▼	7.6%	10.1%	2.5% ▼

Source: ACPL Research, Company Financials

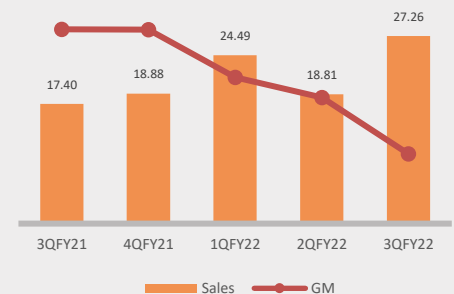
Key Statistics

Symbol	ISL
TP - Jun 22	90.00
LDPC	64.51
Upside (%)	39
Free Float ('mn)	152
Market Cap. (Rs.'mn)	27,187

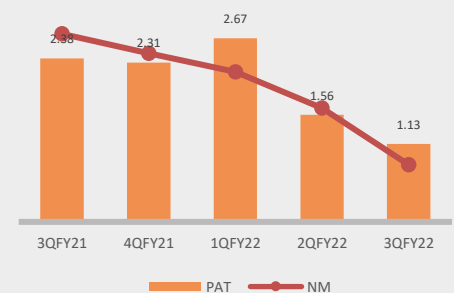
ISL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	55,062	48,082	69,796	93,515	115,432	130,719	119,480
Cost of sale	48,613	43,869	56,304	81,074	102,377	117,085	104,930
Gross profit	6,449	4,213	13,492	12,441	13,055	13,634	14,550
Selling and promotion expenses	702	894	1,063	870	1,154	1,438	1,553
Administration expenses	284	263	362	355	439	497	597
Other operating expenses	534	334	1,277	935	1,154	1,307	1,673
Operating Profit	4,929	2,721	10,791	10,281	10,308	10,392	10,727
Other operating income	39	36	316	327	404	458	418
Finance cost	1,289	2,315	812	1,323	1,368	1,335	1,272
Profit before taxation	3,679	442	10,295	9,285	9,344	9,514	9,873
Taxation	1,015	-	53	2,828	2,285	2,273	2,347
Profit after taxation	2,664	495	7,466	7,000	7,071	7,226	7,526
EPS	6.12	1.14	17.16	16.09	16.25	16.61	17.30

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	15.6%	-12.7%	45.2%	34.0%	23.4%	13.2%	-8.6%
Cost of sale	21.4%	-9.8%	28.3%	44.0%	26.3%	14.4%	-10.4%
Gross profit	-14.8%	-34.7%	220.3%	-7.8%	4.9%	4.4%	6.7%
Selling and promotion expenses	61.6%	27.4%	18.9%	-18.2%	32.7%	24.6%	8.0%
Administration expenses	-0.3%	-7.6%	37.6%	-1.7%	23.4%	13.2%	20.3%
Other operating expenses	-19.3%	-37.4%	281.9%	-26.8%	23.4%	13.2%	28.0%
Operating Profit	-21.7%	-44.5%	302.9%	-4.5%	1.0%	1.3%	2.7%
Other operating income	-73.8%	-9.9%	789.1%	3.6%	23.4%	13.2%	-8.6%
Finance cost	139.2%	79.5%	-64.9%	63.0%	3.4%	-2.4%	-4.7%
Profit before taxation	-36.6%	-88.0%	2228.2%	-9.8%	0.6%	1.8%	3.8%
Taxation	-29.5%	-105.2%	-5468.8%	-19.2%	-0.5%	0.7%	2.6%
Profit after taxation	-39.0%	-81.4%	1408.8%	-6.2%	1.0%	2.2%	4.2%
EPS	-39.0%	-81.4%	1408.8%	-6.2%	1.0%	2.2%	4.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	11.71	8.76	19.33	13.30	11.31	10.43	12.18
OP Margin	%	4.84	1.03	10.70	7.49	6.13	5.53	6.30
NP Margin	%	9.02	5.73	15.91	11.34	9.28	8.30	9.33
ROE	%	21.57	3.87	47.24	33.92	29.27	26.06	23.96
ROCE	%	23.13	14.29	43.79	38.88	36.77	33.40	30.46
ROA	%	14.32	2.35	33.41	27.85	22.98	19.89	18.43

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.09	0.94	1.38	1.50	1.51	1.63	1.83
Acid-test	x	0.20	0.22	0.17	0.42	0.38	0.42	0.72

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	3	3	3	5	5	5	4
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	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	6.12	1.14	17.16	16.09	16.25	16.61	17.30
DPS	Rs.	3.00	0.00	10.00	8.00	8.00	8.50	8.50
Div. Yield	%	4.65	0.00	15.50	12.40	12.40	13.18	13.18
Dividend Cover	x	2.04	N/A	1.72	2.00	2.00	2.00	2.00
BVPS	Rs.	29.61	29.25	43.42	51.47	59.59	67.90	76.55
Payout	%	48.98	0.00	58.26	49.71	49.22	51.17	49.13
Retention	%	51.02	100.00	41.74	50.29	50.78	48.83	50.87
No. of Shares	'm	435	435	435	435	435	435	435
P/E	x	10.53	56.71	3.76	4.01	3.97	3.88	3.73
Sales per share		126.58	110.53	160.45	214.98	265.36	300.50	274.67
P/BV		3.03	3.06	2.06	1.74	1.50	1.32	1.17
Price to Sales		0.51	0.58	0.40	0.30	0.24	0.21	0.23

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.36	1.42	0.63	0.52	0.46	0.39	0.38
L.T. Debt to Equity	x	0.57	0.51	0.27	0.16	0.09	0.02	0.01
Interest Cover	x	3.85	1.19	13.68	8.02	7.83	8.13	8.76

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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