

Foundation Alert

ICI: FY21 Analyst Briefing Takeaways

Event

- ICI Pakistan Limited (ICI PA) held its Analyst briefing today to discuss its financial/operational performance for FY21 and future outlook of the company. Following are the key takeaways of the briefing:

Impact

- ICI witnessed record profitability in FY21 given robust growth across all business segment as economic growth accelerated. Polyester segment recorded highest growth of 26 and 288% in Sales and EBIT. Sales of Soda Ash/Pharma/Chemical and Agri/Animal Health/Nutrico Morinaga increased by 7/14/8/31/120% whereas EBIT increased by 8/14/17/58/-195% across these segments. Company's 5yr CAGR of revenue and net profit is 11/16%.
- Company's volumes of Soda Ash increased by 6.2% YoY to 396KT. Company also exported record 32.8KT (up 51% YoY) of Soda Ash to Afghanistan, UAE, Bangladesh, Sri Lanka and Tanzania. Market share of ICI is 63% of Soda Ash market. Olympia Chemical's market share is 32% and imports are 5%.
- Soda Ash capacity is projected to increase by 75KT in Jun'22 and 60KT in Dec'22 taking total capacity to 560KT from 425KT.
- Polyester Fiber volumes increased by 27% YoY to 138KT in FY21 (capacity utilization at 113%) given robust growth in textile exports during FY21. Market share of ICI in this segment is 22%. Ibrahim Fibres market share is 48%, Rupali 4% and imports 26%.
- Company is also setting up a recycled PET plant of 16KT which expected to come online by Jun'22. Company plans to focus on exports growth going forward.
- Company launched 6 news products in the Pharma division during FY21 and produced a total of 69mn units. Company climbed 2 places to rank as number 19 in Pakistan based on Pharma sales.
- In the Animal Health division, ICI plans to focus on (1) opportunities in largest segments for scaling up and (2) further localization of manufacturing to improve margins/profitability.
- In the Chemicals division, Masterbatches (paint dyes) captured 7% of market share in its 2nd year of operations.
- Company holds 51% stake in Nutrico Morinaga which manufactures infant food/nutrition (capacity 12KT). Company holds 40% stake in Nutrico Pakistan which trades in imported products. ICI plans to merge these two companies and hold a 51% stake in the new merged entity. Company's market share of this segment is 11% compared to 78% of market leader Nestle.
- Company is currently undertaking expansions worth Rs13bn with (1) Soda Ash 135KTPA expansion costing Rs11bn, (2) Nutrico Morinaga 4th tranche of Rs0.8bn and (3) Recycled PET project of Rs 0.9bn.

Outlook

- Company is not under formal coverage.

Fig 1: ICI - 4QFY21 Consolidated Key Financial Highlights

Rs (mn)	4QFY21	4QFY20	YoY	3QFY21	QoQ	FY21	FY20	YoY
Net sales	16,681	10,711	56%	17,682	-6%	64,766	55,256	17%
COGS	13,257	8,765	51%	13,222	0%	50,184	44,241	13%
Gross profit	3,424	1,945	76%	4,460	-23%	14,582	11,015	32%
Distribution & marketing expenses	1,291	859	50%	1,195	8%	4,588	3,763	22%
Administrative expenses	538	509	6%	572	-6%	1,949	1,635	19%
Other Expenses	164	72	129%	169	-3%	614	730	-16%
Other Income	185	137	34%	220	-16%	758	594	28%
Finance cost	234	448	-48%	188	25%	929	1,891	-51%
PBT	1,381	195	608%	2,557	-46%	7,261	3,591	102%
Tax	471	79	494%	673	-30%	2,032	1,158	75%
PAT	911	116	687%	1,884	-52%	5,229	2,433	115%
Non controlling interests	-80	233		-78		-341	166	
PAT att to parent shareholders	990	215		1,962		5,569	2,599	
EPS@92.36mn sh	10.72	2.33		21.24		60.30	28.14	
DPS	20.00	5.00		0.00		40.00	16.00	
Gross Margin	20.5%	18.2%		25.2%		22.5%	19.9%	
Net Margin	5.5%	1.1%		10.7%		8.1%	4.4%	
Effective Tax Rate	34.1%	40.7%		26.3%		28.0%	32.3%	

Source: Company Accounts, Foundation Research, October 2021

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Recommendations definitions

If

Expected return >+10%

Outperform.

Expected return from -10% to +10%

Neutral.

Expected return <-10%

Underperform.