

# Earning Review

## ILP: 1QFY22 EPS at Rs3.08, up by 95% YoY

### Event

- Interloop Limited (ILP PA) announced its 1QFY22 profitability which clocked in at Rs2.7bn (EPS Rs3.08), up by 95/27% YoY/QoQ.

### Impact

- Topline of the company rose by 50/26% YoY/QoQ in 1QFY22 given accelerating global economic recovery despite 1.6% YoY average Rs-US\$ appreciation.
- Gross margins increased by 4.6ppts to 28.6% attributable to inventory gain given 56% YoY higher cotton prices during the quarter.
- Admin and Distribution expenses inclined by 40% YoY given higher sales.
- Other expenses increased by 2.8x YoY during 1QFY22. We await clarity from the company on this front.
- Financial charges were up by 60% YoY given higher debt requirement to finance purchase of costlier cotton.
- During the quarter, effective tax rate was recorded at 5.8%.

### Outlook

- With expansion into apparel and plans for further investments of US\$300mn over next 5 years, we believe ILP is well positioned for further improvement in profitability. We have an “Outperform” stance on the scrip with Jun-22 TP of Rs97.4/sh.

**Table 1: Interloop Limited - 1QFY22 Financial Highlights**

Rs (mn)	1QFY22	1QFY21	YoY	QoQ
Net sales	19,330	12,910	50%	26%
COGS	13,793	9,801	41%	23%
<b>Gross profit</b>	<b>5,537</b>	<b>3,109</b>	<b>78%</b>	<b>34%</b>
Admin & Distribution cost	1,747	1,250	40%	41%
Other expenses	580	209	178%	152%
<b>Profit from Operations</b>	<b>3,210</b>	<b>1,650</b>	<b>94%</b>	<b>20%</b>
Other income	5	24	-80%	135%
Financial charges	360	225	60%	5%
PBT	2,855	1,449	97%	23%
Tax	165	66	148%	-25%
<b>PAT</b>	<b>2,690</b>	<b>1,382</b>	<b>95%</b>	<b>27%</b>
EPS	3.08	1.58		
DPS				
Gross Margin	28.6%	24.1%		
Net Margin	13.9%	10.7%		
Effective tax rate	5.8%	4.6%		

Source: PSX, 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.