

Earning Review

ILP: 2QFY22 EPS clocked in at Rs2.26, DPS Rs2.0

Event

- Interloop Limited (ILP PA) profitability clocked in at Rs2.0bn (EPS Rs2.26) in 2QFY22, up/down 33/25% YoY/QoQ) as compared to Rs1.5bn (EPS Rs1.69) in 2QFY21. This cumulates into profitability of Rs4.7bn (EPS Rs5.25) in 1HFY22 vs Rs2.9bn (EPS Rs3.23) in 1HFY21.
- The result is accompanied with an interim dividend of Rs2.0/sh.
- The result is in line with our expectation.

Impact

- Topline of the company rose by 50/4% YoY/QoQ in 2QFY22 given (1) accelerating global economic recovery and (2) avg. Rs-US\$ depreciation of 7.9% YoY during the quarter.
- Gross margins decreased by 0.6ppts YoY to 24.5% attributable to procurement of cotton at higher prices (domestic/international up by 65/56% YoY) during 2QFY22 despite benefit of Rs-US\$ depreciation.
- Admin and Distribution expenses inclined by 46% YoY given higher sales during the quarter.
- Other expenses increased by 73% YoY during 2QFY22.
- Financial charges were up by 76% YoY given (1) higher interest rates (avg. policy rate of 8.6% in 2QFY22, up 1.6ppts YoY) and (2) higher debt requirement (Rs23.9bn, up 45% YoY, as of Sept'30, 2021) to finance purchase of costlier cotton.
- During the quarter, effective tax rate was recorded at 8.3%.

Outlook

- With expansion into apparels, ramp up of recently installed denim plant and plans for further investments of US\$300mn over the next 5 years, we believe ILP is well positioned for further improvement in profitability. We have an "Outperform" stance on the scrip with Dec-22 TP of Rs104.8/sh.

Analyst

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Table 1: Interloop Limited - 2QFY22 Financial Highlights

Rs (mn)	2QFY22	2QFY21	YoY	QoQ	1HFY22	1HFY21	YoY
Net sales	20,017	13,353	50%	4%	39,347	26,263	50%
COGS	15,106	9,995	51%	10%	28,899	19,796	46%
Gross profit	4,911	3,358	46%	-11%	10,448	6,466	62%
Admin & Distribution cost	1,815	1,242	46%	4%	3,562	2,492	43%
Other expenses	395	228	73%	-32%	975	436	123%
Profit from Operations	2,701	1,888	43%	-16%	5,912	3,538	67%
Other income	20	51	-60%	333%	25	75	-67%
Financial charges	512	291	76%	42%	872	517	69%
PBT	2,210	1,648	34%	-23%	5,065	3,097	64%
Tax	182	126	45%	11%	347	192	81%
PAT	2,028	1,522	33%	-25%	4,718	2,904	62%
EPS	2.26	1.69			5.25	3.23	
DPS	2.0	1.5			2.0	1.5	
Gross Margin	24.5%	25.1%			26.6%	24.6%	
Net Margin	10.1%	11.4%			12.0%	11.1%	
Effective tax rate	8.3%	7.6%			6.9%	6.2%	

Source: PSX, Foundation Research, January 2022

Important disclosures:

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.