

Earning Review

ILP: 3QFY22 EPS clocked in at Rs2.54, up 34% YoY

Event

- Interloop Limited (ILP PA) profitability clocked in at Rs2.3bn (EPS Rs2.54) in 3QFY22, up 34/12% YoY/QoQ, as compared to Rs1.7bn (EPS Rs1.89) in 3QFY21. This cumulates into profitability of Rs7.0bn (EPS Rs7.79) in 9MFY22 vs Rs4.6bn (EPS Rs5.12) in 9MFY21.
- The result is in line with our expectation.

Impact

- Topline of the company rose by 70/6% YoY/QoQ in 3QFY22 given (1) accelerating global economic recovery and (2) avg. Rs-US\$ depreciation of 11.0% YoY during the quarter.
- Gross margins decreased by 3.8ppts YoY to 26.1% attributable to procurement of cotton at higher prices (domestic/international up by 72/69% YoY) during 3QFY22 despite benefit of Rs-US\$ depreciation.
- Admin and Distribution expenses inclined by 48% YoY given higher sales during the quarter.
- Other expenses increased by 43% YoY during 2QFY22.
- Financial charges were up by 139% YoY given (1) higher interest rates (avg. policy rate of 9.8% in 3QFY22, up 2.8ppts YoY) and (2) higher debt requirement (Rs46.3bn, up 72% YoY, as of Dec'31, 2021) to finance purchase of costlier cotton.
- During the quarter, effective tax rate was recorded at 8.1%.

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

Zeeshan Azhar
+92 21 3561 2290-94

zeeshan@fs.com.pk
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Table 1: Interloop Limited - 3QFY22 Financial Highlights

Rs (mn)	3QFY22	3QFY21	YoY	QoQ	9MFY22	9MFY21	YoY
Net sales	21,259	12,507	70%	6%	60,606	38,769	56%
COGS	15,711	8,763	79%	4%	44,610	28,559	56%
Gross profit	5,548	3,743	48%	13%	15,996	10,210	57%
Admin & Distribution cost	2,061	1,397	48%	14%	5,623	3,889	45%
Other expenses	304	213	43%	-23%	1,279	649	97%
Profit from Operations	3,182	2,133	49%	18%	9,093	5,672	60%
Other income	16	18	-13%	-22%	41	93	-56%
Financial charges	719	301	139%	40%	1,590	817	95%
PBT	2,479	1,851	34%	12%	7,544	4,948	52%
Tax	200	154	30%	10%	547	346	58%
PAT	2,279	1,697	34%	12%	6,997	4,601	52%
EPS	2.54	1.89			7.79	5.12	
DPS	0.0	0.0			2.0	1.5	
Gross Margin	26.1%	29.9%			26.4%	26.3%	
Net Margin	10.7%	13.6%			11.5%	11.9%	
Effective tax rate	8.1%	8.3%			7.3%	7.0%	

Source: PSX, Foundation Research, April 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.