

Earning Review

ILP: 1QFY23 EPS clocked in at Rs5.52, up 84% YoY

Event

- Interloop Limited (ILP PA) profitability clocked in at Rs5.0bn (EPS Rs5.52) in 1QFY23, up/down 84/7% YoY/QoQ, as compared to Rs2.7bn (EPS Rs2.99) in 1QFY23.

Impact

- Topline of the company rose by 58/1% YoY/QoQ in 1QFY23 given (1) accelerating global economic recovery, (2) avg. Rs-US\$ depreciation of 25.3% YoY during the quarter and (3) ramp up of new hoisery line.
- Gross margins increased by 4.6ppts YoY to 33.2% attributable to inventory gains on cotton during 1QFY23 and benefit of Rs-US\$ depreciation.
- Admin and Distribution expenses inclined by 56% YoY given higher sales during the quarter.
- Other expenses increased by 55% YoY during 1QFY23.
- Financial charges were up by 238% YoY given (1) higher interest rates (LTFF/EFS rates of 10/10% in 1QFY23, up 4/7ppts YoY) and (2) higher debt requirement (Rs51.4bn, up 69% YoY, as of Jun'30, 2022) to finance purchase of costlier cotton (domestic/international up by 46/24% YoY).
- During the quarter, effective tax rate was recorded at 6.5%.

Outlook

- With expansion into apparels, ramp up of recently installed denim plant and plans for further investments of US\$300mn till FY26, we believe ILP is well positioned for further improvement in profitability. We have an "Outperform" stance on the scrip.

Analyst

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Table 1: Interloop Limited - 1QFY23 Financial Highlights

Rs (mn)	1QFY23	1QFY22	YoY	QoQ
Net sales	30,463	19,330	58%	1%
COGS	20,347	13,793	48%	1%
Gross profit	10,116	5,537	83%	0%
Admin & Distribution cost	2,717	1,747	56%	11%
Other expenses	899	580	55%	4%
Profit from Operations	6,500	3,210	102%	-4%
Other income	22	5	360%	35%
Financial charges	1,217	360	238%	35%
PBT	5,305	2,855	86%	-10%
Tax	343	165	108%	-34%
PAT	4,961	2,690	84%	-7%
EPS	5.52	2.99		
DPS	-	-		
Gross Margin	33.2%	28.6%		
Net Margin	16.3%	13.9%		
Effective tax rate	6.5%	5.8%		

Source: PSX, Foundation Research, Oct 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.