

## Foundation Alert

### ILP: Analyst Briefing Takeaways

#### Event

- Interloop Limited (ILP PA) held its Analyst Briefing today to discuss 1QFY23/FY22 financial results and outlook of the company. Following are the key takeaways of the briefing.

#### Impact

- Company's sales inclined by 65% YoY and profitability increased to Rs13.76/sh, up by 96% YoY, during FY22 given strong global economic growth.
- Company's sales are 53% to North America, 32% to Europe, 7% to Asia and 8% to domestic customers. The company has a diversified client base with a mix of brands (Nike, Adidas, Puma, Boss, Guess, Levi's, etc) and retailers (Target, Tesco, H&M, etc).
- Gross margin increased to 28.7% in FY22 versus 25.9% in FY21 and net margins also increased to 13.6% in FY22 vs 11.5% in FY21.
- During FY22, hosiery segment utilization rate is 84% whereas spinning, dyeing and denim utilization is 88/88/77%.
- ILP has low leverage as evidenced by gearing ratio of 35% and current ratio of 1.3 as of Jun'30, 22.
- Apparel project of US\$100mn is underway with civil works in progress and all machinery has been ordered. It is expected to achieve COD in 4QFY23.
- Management disclosed that FY23 sales target is US\$500mn. They expect some slowdown in sales in coming quarters given build-up of inventory amid economic slowdown in major export markets of US and Europe. Management stated that their diversified client base would allow them to weather the downturn as consumers tend to shift to low end retailers which are also clients of the company.
- Company expects that decline in cotton price would have to be passed on to clients who are keenly aware and sensitive to it.
- Company's power mix is currently 36% gas, 61% grid and 3% solar amid lower availability of gas. Last year power mix was 52% gas, 30% grid, 6% FO and 12% solar.

#### 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.

Table 1: Interloop Limited - 1QFY23 and FY22 Financial Highlights

Rs (mn)	1QFY23	1QFY22	YoY	QoQ	FY22	FY21	YoY
Net sales	30,463	19,330	58%	1%	90,894	54,962	65%
COGS	20,347	13,793	48%	1%	64,828	40,750	59%
<b>Gross profit</b>	<b>10,116</b>	<b>5,537</b>	<b>83%</b>	<b>0%</b>	<b>26,066</b>	<b>14,212</b>	<b>83%</b>
Admin & Distribution cost	2,717	1,747	56%	11%	8,064	5,436	48%
Other expenses	899	580	55%	4%	2,143	919	133%
<b>Profit from Operations</b>	<b>6,500</b>	<b>3,210</b>	<b>102%</b>	<b>-4%</b>	<b>15,859</b>	<b>7,857</b>	<b>102%</b>
Other income	22	5	360%	35%	57	163	-65%
Financial charges	1,217	360	238%	35%	2,493	1,147	117%
PBT	5,305	2,855	86%	-10%	13,423	6,873	95%
Tax	343	165	108%	-34%	1,064	581	83%
<b>PAT</b>	<b>4,961</b>	<b>2,690</b>	<b>84%</b>	<b>-7%</b>	<b>12,359</b>	<b>6,292</b>	<b>96%</b>
EPS	5.52	2.99			13.76	7.00	
DPS	-	-			4.00	2.5	
Gross Margin	33.2%	28.6%			28.7%	25.9%	
Net Margin	16.3%	13.9%			13.6%	11.4%	
Effective tax rate	6.5%	5.8%			7.9%	8.5%	

Source: PSX, Foundation Research, Nov 2022

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**Acronyms**

Bn	billion
CY	Calendar Year

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**Recommendations definitions**

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