

Earning Review

ILP: 3QFY23 EPS clocked in at Rs10.26

Event

- Interloop Limited (ILP PA) profit clocked in at Rs9.6bn (EPS Rs10.26) in 3QFY23 as compared to profit of Rs2.3bn (EPS Rs2.44) in 3QFY22. This takes 9MFY23 profitability to Rs14.2bn (EPS Rs15.17) compared to Rs7.0bn (EPS Rs7.49) in 9MCY22.
- Result is above our expectation due to higher sales and low cost inventory.

Impact

- Sales of the company rose by 47/39% YoY/QoQ in 3QFY23 despite slowdown in export markets due to rupee depreciation.
- Gross profit inclined by 2.6/3.1x YoY/QoQ and Gross Margins were up by 20.4/30.7ppts YoY/QoQ attributable to lower cost cotton inventory amid steep Rs-US\$ depreciation of 31.7% YoY during the quarter, in our view.
- Admin and Distribution expenses inclined by 20% YoY during the quarter.
- Other expenses were up by 3.0x YoY during 3QFY23.
- Financial charges were up by 86% YoY given higher interest rates.
- Effective Tax rate clocked in at 3.0% YoY during 3QFY23, down 5.1ppt YoY.

Outlook

- We have an “Outperform” stance on the scrip with Dec’23 TP of Rs101 given diversification into denim and apparel, and further hosiery along with other expansion plans. However, near term profitability would be volatile amid slowdown in export markets.

Analyst

Zeeshan Azhar
+92 21 3561 2290-94

zeeshan@fs.com.pk
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Table 1: Interloop Limited - 3QFY23 Financial Highlights

Rs (mn)	3QFY23	3QFY22	YoY	QoQ	9MFY23	9MFY22	YoY
Net sales	31,206	21,259	47%	39%	84,128	60,606	39%
COGS	16,686	15,711	6%	-12%	55,935	44,610	25%
Gross profit	14,520	5,548	162%	308%	28,192	15,996	76%
Admin & Distribution cost	2,482	2,061	20%	11%	7,427	5,623	32%
Other expenses	915	304	201%	NA	1,771	1,279	38%
Profit from Operations	11,124	3,182	250%	738%	18,995	9,093	109%
Other income	93	16	483%	140%	108	41	164%
Financial charges	1,339	719	86%	-5%	3,970	1,590	150%
PBT	9,877	2,479	298%	NA	15,133	7,544	101%
Tax	293	200	47%	-11%	964	547	76%
PAT	9,584	2,279	321%	-2650%	14,169	6,997	103%
EPS	10.26	2.44			15.17	7.49	
DPS	-	-			-	2.0	
Gross Margin	46.5%	26.1%			33.5%	26.4%	
Net Margin	30.7%	10.7%			16.8%	11.5%	
Effective tax rate	3.0%	8.1%			6.4%	7.3%	

Source: PSX, Foundation Research, April 2023

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Recommendations definitions

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