

ICI: 1QFY22 consolidated EPS clocked in at PKR 39, up 2.7x YoY

- ICI announced its 1QFY22 results today, reporting a consolidated EPS of PKR 39.00, up 2.7x YoY as compared to PKR 10.66 in same period last year. The result was above our expectations and the major variation came from higher than estimated gross margins and one-off gain of PKR 1.8bn.
- ICI's 1QFY22 sales increased 48% YoY to PKR 21.5bn. The exponential increase in net sales can be attributable to revenue contribution from NutriCo Pakistan (Private) Limited and PSF segment owing to rise in PSF prices.
- Gross margins during the quarter increased 3pps YoY to 22.4%. On sequential basis, gross margin expanded 1.9pps QoQ, indicating improvement in operational efficiency during the period.
- Other charges during the quarter increased to PKR 304mn, primarily owing to exchange loss of PKR 129mn recognised in 1QFY22.
- Finance cost during the period declined 23% YoY to PKR 218mn on the back of significant decline in the company's debt.
- Moreover, the company booked one-off gain of PKR 1.8bn (PKR 20.00/share) due to remeasurement of previously held equity interest in NutriCo Pakistan.
- We maintain our 'BUY' stance on ICI, our June-22 price target (PT) of PKR 967/share, indicates an upside of 21% along with a dividend yield of 4.0%.

Key Data

PSX Ticker	ICI
Target Price (PKR)	967
Current Price (PKR)	800
Upside/(Downside) (%)	+ 21%
Dividend Yield (%)	4.0%
Total Return (%)	+ 25%
12-month High (PKR)	945
12-month Low (PKR)	672
Outstanding Shares (mn)	92
Market Cap (PKR mn)	73,885
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	1QFY21	1QFY22	YoY
Net Sales	14,465	21,468	48%
Cost of Sales	11,655	16,659	43%
Gross Profit	2,811	4,810	71%
Distri. & Admin. Exp.	1,354	1,748	29%
Other Income	46	77	67%
Other Charges	129	304	1.4x
Finance Cost	284	218	-23%
Share of Profit from Associate	103	-	Na
Gain on remeasurement	-	1,847	Na
Profit Before Tax	1,193	4,464	2.7x
Taxation	307	729	1.4x
Net Income	886	3,735	3.2x
NCI	99	(133)	-2.4x
Attributable to parent	985	3,602	2.7x
EPS	10.66	39.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios - Consolidated

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24
EPS	27.34	28.14	60.30	61.13	58.22	66.92
EPS Growth	-23%	3%	114%	1%	-5%	15%
DPS	9.00	16.00	40.00	32.00	29.00	33.50
PER	29.3	28.4	13.3	13.1	13.7	12.0
Dividend Yield	1.1%	2.0%	5.0%	4.0%	3.6%	4.2%
EV/EBITDA	12.0	10.5	7.8	6.8	6.4	5.1
P/B	3.6	3.4	2.9	2.6	2.3	2.0
ROE	12.1%	11.8%	21.9%	19.6%	16.5%	16.7%

Source: Company Accounts, Akseer Research

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Valuation Basis

Our PT for ICI Pakistan Limited (ICI) has been computed using Free cash flow to equity (FCFE) method. We have used a risk free rate of 11%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on Jun-22 PT of PKR 969/share. Our price target indicates an upside of 24% along with a dividend yield of 4.1%. Our investment case is based on 1) healthy contribution from Soda Ash business, 2) contribution from company's Morinaga project, 3) growth in Life sciences and chemical divisions and 4) improved profitability from PSF segment.

Risks

Key risks to our investment thesis include 1) Supply glut in global Soda Ash market, 2) Deterioration of PSF margins, 3) fluctuation in exchange rate, 4) Lower than expected growth in Life Sciences and Chemicals business and 5) Lower than expected profitability from Morinaga project.

Company Description

ICI is engaged in the manufacture of polyester staple fibre, POY chips, soda ash, specialty chemicals, sodium bicarbonate and polyurethanes; marketing of seeds, toll manufactured and imported pharmaceuticals and animal health products; and merchandising of general chemicals and manufacturing of master batch. The Company's registered office is situated at 5 West Wharf, Karachi.

Financial Highlights - ICI

Income Statement (PKR mn) - Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	59,382	55,256	64,766	93,436	103,413	115,177
Cost of sales	49,637	44,241	50,184	74,522	83,335	92,313
Gross Profit	9,745	11,015	14,582	18,914	20,078	22,864
SG & A	4,802	5,397	6,537	9,038	10,072	11,357
Operating Profit	4,943	5,618	8,045	9,876	10,007	11,507
Other income	131	163	232	217	222	228
Other charges	711	730	614	597	585	672
Finance cost	1,486	1,891	929	1,110	1,466	1,573
Profit from Associate	526	431	527	-	-	-
Profit before tax	3,404	3,591	7,261	8,386	8,178	9,490
Taxation	867	1,158	2,032	2,346	2,288	2,656
Profit after tax	2,537	2,433	5,229	6,039	5,890	6,834
NCI	(11)	166	341	(393)	(513)	(654)
Attributable to parent	2,525	2,599	5,569	5,646	5,377	6,180

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) - Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	26,857	26,403	26,553	31,461	33,234	31,366
Other LT assets	1,974	1,677	1,634	2,403	3,173	3,943
Non-Current Assets	28,831	28,399	28,421	34,013	36,471	35,309
Current assets	19,898	19,372	21,321	29,854	34,577	43,611
Total Assets	48,729	47,771	49,742	63,867	71,049	78,920
Non-Current liabilities	11,205	10,481	7,015	12,187	12,787	13,363
Current liabilities	16,733	15,297	17,327	22,812	25,680	28,594
Total Liabilities	27,939	25,778	24,343	34,999	38,467	41,958
Equity	20,790	21,992	25,399	28,868	32,581	36,963
Total Equity & liabilities	48,729	47,771	49,742	63,867	71,049	78,920

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) - Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	2,525	2,599	5,569	5,646	5,377	6,180
Non-cash Charges	2,712	2,807	2,915	2,986	3,203	3,367
Operating Cash flows	4,048	7,457	8,346	7,607	10,025	11,471
FCFF	(350)	6,067	6,033	598	6,190	11,169
Net borrowings	1,962	(3,264)	(3,487)	9,590	1,713	1,707
FCFE	505	1,522	1,878	9,388	6,847	11,743
Net change in cash	(1,263)	126	(285)	7,211	5,184	9,944
Closing cash	424	550	265	7,476	12,659	22,603

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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