

**Interloop Limited**  
**Hosiery Plant 5 Operating at Full Capacity****Textile Composite****Hosiery Plant 5**

As per the material information notice circulated at the PSX today, the management of Interloop Limited (ILP) announced that the hosiery plant 5 which had recently started its production, is now operating at full utilization. The company further stated that it is unable to meet the order requirement of customers, despite addition of hosiery plant 5. In order to capture the huge demand, the management is now planning to change the timeline of hosiery plant 6 from FY25 to one year earlier in FY24. The board also agreed with the proposal and advised management to come up with a plan regarding arrangement of financing requirement either by bringing foreign investment or by further issuance of shares through right issue.

**Company's Vision 2025: Apparel Project**

Furthermore, company disclosed capital outlay of apparel project which is expected at USD 100mn whereby it is going to start civil works soon. To meet the financing requirement, the company obtained a PKR 5.0bn LTFF loan while rest of the financing will be managed through internal cash generation.

**Recommendation:**

We believe earlier than expected addition of hosiery plant 6 will increase revenue of the company by PKR ~14bn and will contribute PKR ~1.8bn in profit after tax (translating into earning per share of PKR 1.98). This will also help achieve targets for Vision 2025 within planned timeline. Hence, we have a 'BUY' call on the stock with a Dec'22 target price of 92.7/share.

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Arif Habib Limited (AHL) uses three rating categories, depending upon return from current market price, with Target period as Dec 2022 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

\* Upside for Power Generation Companies is upside plus dividend yield.

### Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

### Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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