

# AHL Brief Note: Textile Composite

## Interloop Limited (ILP)

### Analyst Briefing Takeaways

Arif Habib Limited hosted ILP's analyst briefing session today, during which the ILP's management discussed the FY24 results and offered valuable insights into the companies forthcoming strategy. Here are the key highlights from the session.

#### Brief Takeaways:

- **Revenue split:** On a region wise basis, the major revenue came from the USA (50%) followed by Europe and UK(39%) and Asia & others (11%).
- **Sales growth:** Achieved a CAGR of 44% since 2020. FY26 revenue target is USD 700mn, while FY25 topline is expected at USD 650mn (revised down from USD 670mn due to reduced orders from two customers).
- **Client concentration:** Top 3 clients account for 50% of total revenue.
- **Power costs:** The company's energy mix is tilted toward gas for cost efficiency, with gas costing PKR 30/unit compared to WAPDA at PKR 36/unit.
- **Gross margins:** Declined in 1QFY25 due to PKR appreciation, higher wages (+20%), and ramp-up costs associated with Apparel plant.
- **Hosiery Plant VI:** Expansion is ongoing and expected to complete by 1QFY26.
- **Capacity utilization in FY24:** Hosiery (82%), Denim (88%), Apparel (44%), Yarn Dyeing (77%) and Spinning (92%)
- **Expansion to China:** The acquisition of Top Circle has enabled the company to expand its manufacturing footprint to China.
- **Product pricing:** Average FY24 pricing for hosiery is USD 6.1/dozen, while denim is priced above USD 10/piece.
- **Inventory:** Average holding cost of inventory is PKR 18,500/maund.
- **Cotton sourcing:** By end of FY25, 60% of cotton will be sourced locally, with the remaining 40% imported.
- **Sales tax impact:** Local cotton supply is now subject to 18% sales tax, negatively impacting the cash flow cycle as the tax is only reclaimable after exports.
- **Solar energy:** The company is in the process of commissioning additional solar of 12.4 MW taking the total capacity of solar to 25MW

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