

AGHA has announced its 1QFY22 result where it posted profit after tax of Rs558mn (EPS: Rs0.92) as compared to a profit after tax of Rs509mn (EPS: Rs0.84) in the same period last year, up by 9.6% YoY.

The company has posted a revenue of Rs6.15bn against Rs5.03bn in SPLY, recording a growth of 22% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has been increased to 23.2% as compared to 22.0% during SPLY. SG&A expenses went up by 13% YoY to Rs186mn as compared to Rs164mn during SPLY. Furthermore, other income has been declined by 45.4% YoY to Rs16mn as compared to Rs29mn as compared to SPLY. Lastly, finance cost has been increased by 66.6% YoY to Rs450mn as compared to Rs270mn during SPLY.

AGHA is trading at a FY22E P/E of 7.77x. Moreover, the script is also trading at FY22E P/B of 1.08x which offers a discount of 48% relative to its historical 3-Year average of 2.07x. We maintain our **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 40 which provides an upside potential of 40%.

| Rupees' millions | 1QFY22 | 1QFY21 | YoY | FY21 | FY20 | YoY |
|------------------------|--------|--------|---------|---------|---------|----------|
| Net Sales | 6,145 | 5,034 | 22.1% ▲ | 19,858 | 13,427 | 47.9% ▲ |
| Cost of Sales | -4,718 | -3,926 | 20.2% ▲ | -15,356 | -10,158 | 51.2% ▲ |
| Gross Profit | 1,427 | 1,108 | 28.8% ▲ | 4,503 | 3,269 | 37.7% ▲ |
| SG&A Expenses | -186 | -164 | 13.0% ▲ | -582 | -355 | 63.8% ▲ |
| Other Expenses | -58 | -44 | 32.6% ▲ | -197 | -115 | 72.3% ▲ |
| Operating Profit | 1,184 | 900 | 31.5% ▲ | 3,723 | 2,799 | 33.0% ▲ |
| Other Income | 16 | 29 | 45.4% ▼ | 239 | 293 | 18.3% ▼ |
| Finance Cost | -450 | -270 | 66.6% ▲ | -1,409 | -1,703 | 17.2% ▼ |
| Profit Before Taxation | 749 | 659 | 13.7% ▲ | 2,553 | 1,390 | 83.8% ▲ |
| Taxation | -191 | -150 | 27.6% ▲ | -517 | -154 | 436.0% ▼ |
| Profit After Taxation | 558 | 509 | 9.6% ▲ | 2,036 | 1,236 | 64.8% ▲ |
| Earnings Per Share | 0.92 | 0.84 | 9.6% ▲ | 3.37 | 2.04 | 64.8% ▲ |
| Dividend | 0.00 | 0.00 | | 0.00 | 0.00 | |
| Bonus | 0.00 | 0.00 | | 15.00% | 0.00 | |

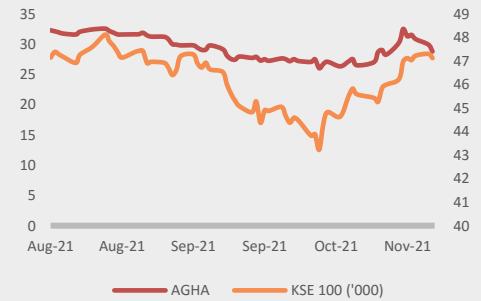
| | | | | | | |
|----------------------------|--------|--------|--------|--------|--------|--------|
| Gross Margin | 23.2% | 22.0% | 1.2% ▲ | 22.7% | 24.3% | 1.7% ▼ |
| SG&A Expenses to Sales | -3.0% | -3.3% | 0.2% ▼ | -2.9% | -2.6% | 0.3% ▲ |
| Other Income to Sales | 0.3% | 0.6% | 0.3% ▼ | 1.2% | 2.2% | 1.0% ▼ |
| Ex. Gain / (Loss) to Sales | -3.0% | -3.3% | 0.2% ▼ | -2.9% | -2.6% | 0.3% ▲ |
| Effective Taxation | -25.5% | -22.7% | 2.8% ▲ | -20.3% | -11.1% | 9.2% ▲ |
| Net Margin | 9.1% | 10.1% | 1.0% ▼ | 10.3% | 9.2% | 1.1% ▲ |

Source: ACPL Research, Company Financials

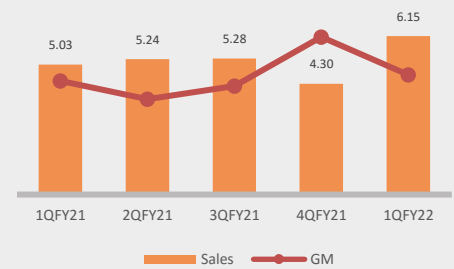
Key Statistics

| Symbol | AGHA |
|----------------------|--------|
| TP - Jun 22 | 40.00 |
| LDCP | 28.58 |
| Upside (%) | 40 |
| Free Float ('mn) | 144 |
| Market Cap. (Rs.'mn) | 17,239 |

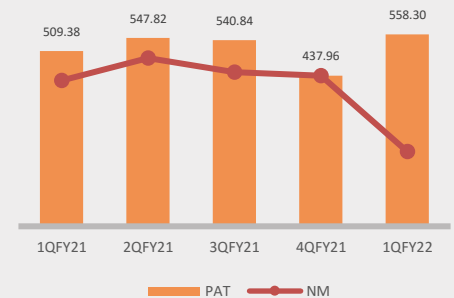
AGHA vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

| Rupees' millions | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 10,482 | 13,427 | 19,858 | 25,694 | 30,513 | 33,452 | 36,609 |
| Cost of sale | 8,451 | 10,030 | 15,356 | 19,692 | 23,568 | 26,664 | 29,194 |
| Gross profit | 2,031 | 3,397 | 4,503 | 6,003 | 6,945 | 6,788 | 7,414 |
| Selling and promotion expenses | 124 | 213 | 285 | 450 | 534 | 585 | 641 |
| Administration expenses | 208 | 270 | 297 | 283 | 336 | 368 | 403 |
| Other operating expenses | - 42 | 115 | 197 | 231 | 275 | 301 | 329 |
| Operating Profit | 1,741 | 2,799 | 3,723 | 5,039 | 5,801 | 5,533 | 6,042 |
| Other operating income | - | 293 | 239 | 64 | 76 | 84 | 92 |
| Finance cost | 1,135 | 1,703 | 1,409 | 1,949 | 1,768 | 1,353 | 939 |
| Profit before taxation | 607 | 1,390 | 2,553 | 3,154 | 4,109 | 4,264 | 5,195 |
| Taxation | - 162 | 154 | 517 | 915 | 1,192 | 1,236 | 1,506 |
| Profit after taxation | 769 | 1,236 | 2,036 | 2,239 | 2,917 | 3,027 | 3,688 |
| EPS | 1.27 | 2.04 | 3.37 | 3.70 | 4.82 | 5.00 | 6.10 |

Source: ACPL Research, Company Financials

Horizontal Analysis

| | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 38.7% | 28.1% | 47.9% | 29.4% | 18.8% | 9.6% | 9.4% |
| Cost of sale | 42.2% | 18.7% | 53.1% | 28.2% | 19.7% | 13.1% | 9.5% |
| Gross profit | 14.1% | 67.2% | 32.6% | 33.3% | 15.7% | -2.3% | 9.2% |
| Selling and promotion expenses | -18.2% | 72.7% | 33.7% | 57.5% | 18.8% | 9.6% | 9.4% |
| Administration expenses | 17.2% | 29.6% | 10.0% | -4.8% | 18.8% | 9.6% | 9.4% |
| Other operating expenses | 9.9% | -373.4% | 72.3% | 17.2% | 18.8% | 9.6% | 9.4% |
| Operating Profit | 17.6% | 60.7% | 33.0% | 35.4% | 15.1% | -4.6% | 9.2% |
| Other operating income | -17.5% | 18.0% | -18.3% | -73.2% | 18.8% | 9.6% | 9.4% |
| Finance cost | 42.3% | 50.1% | -17.2% | 38.4% | -9.3% | -23.5% | -30.7% |
| Profit before taxation | 8.3% | 129.0% | 83.8% | 23.5% | 30.3% | 3.8% | 21.8% |
| Taxation | 16.3% | -195.1% | 236.0% | 76.8% | 30.3% | 3.8% | 21.8% |
| Profit after taxation | 6.4% | 60.7% | 64.8% | 10.0% | 30.3% | 3.8% | 21.8% |
| EPS | 6.4% | 60.7% | 64.8% | 10.0% | 30.3% | 3.8% | 21.8% |

Source: ACPL Research, Company Financials

Key Ratios

| Profitability Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|----------------------|---|-------|-------|-------|-------|-------|-------|-------|
| GP Margin | % | 19.38 | 25.30 | 22.67 | 23.36 | 22.76 | 20.29 | 20.25 |
| OP Margin | % | 16.61 | 23.03 | 19.95 | 19.86 | 19.26 | 16.79 | 16.75 |
| NP Margin | % | 7.33 | 9.20 | 10.25 | 8.72 | 9.56 | 9.05 | 10.07 |
| ROE | % | 13.18 | 17.23 | 18.53 | 15.00 | 16.66 | 14.78 | 15.47 |
| ROCE | % | 7.92 | 11.35 | 12.12 | 15.50 | 18.51 | 16.46 | 16.93 |
| ROA | % | 3.49 | 4.54 | 6.23 | 6.80 | 9.19 | 8.87 | 10.18 |

| Liquidity Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|-----------------------|---|-------|-------|-------|-------|-------|-------|-------|
| Current | x | 1.20 | 1.08 | 1.28 | 0.87 | 0.92 | 0.92 | 0.92 |
| Acid-test | x | 0.32 | 0.28 | 0.35 | 0.38 | 0.39 | 0.39 | 0.38 |
| Cash to current liab. | x | 0.02 | 0.00 | 0.06 | 0.06 | 0.06 | 0.05 | 0.05 |

| Activity Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|--------------------|---|-------|-------|-------|-------|-------|-------|-------|
| Inventory Turnover | x | 0.57 | 0.51 | 0.71 | 1.11 | 1.66 | 1.61 | 1.59 |
| Receivables Days | | 389 | 381 | 267 | 100 | 100 | 100 | 100 |
| Inventory Days | | 117 | 104 | 74 | 15 | 15 | 15 | 15 |
| Payables Days | | 23 | 49 | 24 | 25 | 25 | 25 | 25 |
| Operating Cycle | | 483 | 437 | 317 | 90 | 90 | 90 | 90 |

| Investment Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|-------------------|-----|--------|--------|--------|--------|--------|--------|--------|
| EPS | Rs. | 1.27 | 2.04 | 3.37 | 3.70 | 4.82 | 5.00 | 6.10 |
| DPS | Rs. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Div. Yield | % | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend Cover | x | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS | Rs. | 10.22 | 13.49 | 22.83 | 26.53 | 31.36 | 36.36 | 42.46 |
| Payout | % | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retention | % | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| No. of Shares | 'mn | 605 | 605 | 605 | 605 | 605 | 605 | 605 |
| P/E | | 22.63 | 14.08 | 8.54 | 7.77 | 5.96 | 5.75 | 4.72 |
| Sales per share | | 17.33 | 22.20 | 32.83 | 42.48 | 50.44 | 55.30 | 60.52 |
| P/BV | | 2.81 | 2.13 | 1.26 | 1.08 | 0.92 | 0.79 | 0.68 |
| Price to Sales | | 1.66 | 1.30 | 0.88 | 0.68 | 0.57 | 0.52 | 0.48 |

| Gearing Ratios | | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E |
|---------------------|---|-------|-------|-------|-------|-------|-------|-------|
| Debt to Equity | x | 2.58 | 2.16 | 1.39 | 0.73 | 0.65 | 0.59 | 0.54 |
| L.T. Debt to Equity | x | 0.94 | 0.69 | 0.68 | 0.11 | 0.07 | 0.04 | 0.02 |
| Interest Cover | x | 1.53 | 1.82 | 2.81 | 2.62 | 3.32 | 4.15 | 6.53 |

Source: ACPL Research, Company Financials

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DEFINITION OF TERMS

| | | | | | |
|-------------|---------------------------|-------------|-----------------------------|-------------|------------------------|
| TP | Target Price | CAGR | Compound Annual Growth Rate | FCF | Free Cash Flows |
| FCFE | Free Cash Flows to Equity | FCFF | Free Cash Flows to Firm | DCF | Discounted Cash Flows |
| PE | Price to Earnings Ratio | PB | Price to Book Ratio | BVPS | Book Value Per Share |
| EPS | Earnings Per Share | DPS | Dividend Per Share | ROE | Return of Equity |
| ROA | Return on Assets | SOTP | Sum of the Parts | LDCP | Last Day Closing Price |

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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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|--------------|----------------------------|
| BUY | Greater than 15% |
| HOLD | Between -5% to 15% |
| SELL | Less than and equal to -5% |

| Sector Rating | Sector Outlook |
|---------------|----------------|
| Overweight | Positive |
| Market Weight | Neutral |
| Underweight | Negative |

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