

AGHA has announced its 1HFY21 result where it posted a profit after tax of Rs1.1bn (EPS: Rs1.84) as compared to a profit after tax of Rs737mn (EPS: Rs1.28) in the same period last year, up by 43.4% YoY.

The company has posted a revenue of Rs10.3bn against Rs7n in SPLY, recording a growth of 46% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices amid revival of construction activities.

The gross margin has been squeezed to 20.2% as compared to 24.3% during SPLY. SG&A expenses went up by 68.2% YoY to Rs185mn as compared to Rs110mn during SPLY.

Furthermore, an increase in the other income by 64.5% YoY and the decrease in the finance cost 45.2% YoY contributed in the up-surge of bottom-line.

MUGHAL is trading at a FY21E P/E of 16.5x. We maintain our **BUY** stance on the scrip with a DCF based Dec-21 TP of Rs 45 which provides an upside potential of 24%.

Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	5,244	3,747	40.0% ▲	10,279	7,042	46.0% ▲
Cost of Sales	-4,275	-2,832	51.0% ▲	-8,201	-5,331	53.8% ▲
Gross Profit	970	915	5.9% ▲	2,078	1,711	21.5% ▲
SG&A Expenses	-170	-105	62.3% ▲	-185	-110	68.2% ▲
Other Expenses	-57	-25	123.3% ▲	-101	-51	98.1% ▲
Operating Profit	742	785	5.4% ▼	1,643	1,449	13.4% ▲
Other Income	121	46	165.7% ▲	150	91	64.5% ▲
Finance Cost	-263	-496	47.0% ▼	-533	-972	45.2% ▼
Profit Before Taxation	601	335	79.5% ▲	1,260	568	121.6% ▲
Taxation	-53	84	162.7% ▼	-202	169	219.9% ▼
Profit After Taxation	548	419	30.7% ▲	1,057	737	43.4% ▲
Earnings Per Share	0.95	0.73	30.7% ▲	1.84	1.28	43.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0.00		0.00	0.00	

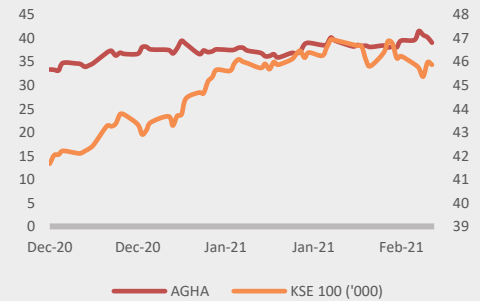
	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Gross Margin	18.5%	24.4%	5.9% ▼	20.2%	24.3%	4.1% ▼
SG&A Expenses to Sales	-3.2%	-2.8%	0.4% ▲	-1.8%	-1.6%	0.2% ▲
Other Income to Sales	2.3%	1.2%	1.1% ▲	1.5%	1.3%	0.2% ▲
Ex. Gain / (Loss) to Sales	-3.2%	-2.8%	0.4% ▲	-1.8%	-1.6%	0.2% ▲
Effective Taxation	-8.8%	25.2%	16.4% ▼	-16.1%	29.7%	13.6% ▼
Net Margin	10.4%	11.2%	0.7% ▼	10.3%	10.5%	0.2% ▼

Source: ACPL Research, Company Financials

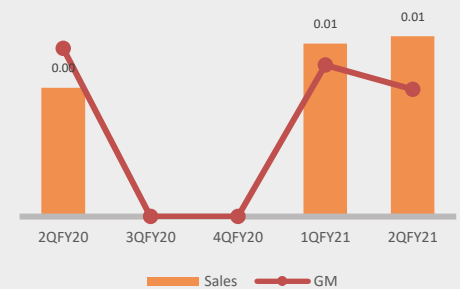
Key Statistics

Symbol	AGHA
TP - Dec 21	45.00
LDCP	36.20
Upside (%)	24
Free Float ('mn)	120
Market Cap. (Rs.'mn)	20,854

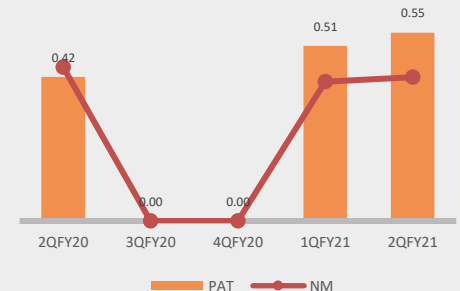
AGHA vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117

Email: fawad@abbasiandcompany.com

Financial Projections

Rupees' millions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Net sales	10,688	10,482	13,427	20,811	26,014	29,916	33,805
Cost of sale	7,995	8,451	10,158	16,607	20,759	23,873	26,977
Gross profit	2,693	2,031	3,269	4,204	5,255	6,043	6,829
Administrative Expenses	180	208	202	302	377	434	490
Selling And Distribution	219	124	153	375	468	538	608
Operating Profit	2,295	1,700	2,914	3,527	4,409	5,071	5,730
Other Income/ (Expense)	-	113	42	277	346	398	449
Finance cost	419	1,135	1,703	2,225	2,635	2,684	2,587
Profit before taxation	1,763	607	1,390	1,579	2,120	2,784	3,593
Taxation	307	-	162	316	424	557	719
Profit after taxation	1,456	769	1,236	1,263	1,696	2,227	2,874
EPS	2.53	1.33	2.14	2.19	2.94	3.87	4.99

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Net sales		-1.9%	28.1%	55.0%	25.0%	15.0%	13.0%
Cost of sale		5.7%	20.2%	63.5%	25.0%	15.0%	13.0%
Gross profit		-24.6%	60.9%	28.6%	25.0%	15.0%	13.0%
Administrative Expenses		15.7%	-2.8%	49.3%	25.0%	15.0%	13.0%
Selling And Distribution		-43.5%	24.0%	144.4%	25.0%	15.0%	13.0%
Operating Profit		-25.9%	71.4%	21.1%	25.0%	15.0%	13.0%
Other Income/ (Expense)		-137.0%	325.9%	55.0%	25.0%	15.0%	13.0%
Finance cost		170.9%	50.1%	30.7%	18.4%	1.9%	-3.6%
Profit before taxation		-65.6%	129.0%	13.6%	34.3%	-31.3%	-29.0%
Taxation		-152.8%	195.1%	105.1%	34.3%	31.3%	29.0%
Profit after taxation		-47.2%	60.7%	2.2%	34.3%	31.3%	29.0%
EPS		-47.2%	60.7%	2.2%	34.3%	31.3%	29.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
GP Margin	%	25.20	19.38	23.66	17.86	22.25	25.14	22.25
OP Margin	%	21.47	16.21	21.70	16.95	16.95	16.95	16.95
NP Margin	%	13.62	7.33	9.20	6.07	6.52	7.45	8.50
ROE	%	26.57	12.43	15.14	9.70	11.52	13.14	14.50
ROCE	%	21.23	13.11	19.77	19.98	27.15	29.81	29.64
ROA	%	7.47	3.14	4.12	3.21	4.05	5.15	6.72

Liquidity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Current	x	1.11	1.20	1.08	1.15	1.14	1.19	1.35
Acid-test	x	0.33	0.32	0.28	0.31	0.34	0.35	0.45
Cash to current liab.	x	0.00	0.02	0.00	0.01	0.03	0.01	0.01

Activity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Inventory Turnover	x	2	1	2	1	2	2	2
Receivables Days		102	117	104	104	104	104	104
Inventory Days		236	335	310	320	300	280	230
Payables Days		24	23	48	28	28	28	28
Operating Cycle		313	429	366	396	396	396	396

Investment Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
EPS	Rs.	2.53	1.33	2.14	2.19	2.94	3.87	4.99
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.	15.16	17.11	22.58	28.56	25.55	29.42	34.41
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	361	361	361	456	576	576	576
P/E		14.32	27.13	16.88	16.51	12.29	9.36	7.26
Sales per share		29.57	29.00	37.15	45.63	45.16	51.93	58.68
P/BV		2.39	2.12	1.60	1.27	1.42	1.23	1.05
Price to Sales		1.22	1.25	0.97	0.79	0.80	0.70	0.62

Gearing Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Debt to Equity	x	2.14	2.59	2.39	1.83	1.64	1.37	0.99
L.T. Debt to Equity	x	0.58	0.91	0.83	0.41	0.14	0.04	0.02
Interest Cover	x	5.21	1.53	1.82	1.71	1.80	2.04	2.39

Source: ACPL Research, Company Financials

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

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

VALUATION METHODOLOGY

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

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore
 Phone: (+92) 42 38302028; Ext 116, 117
 Email: research@abbasiandcompany.com
 web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore
 Phone: (+92) 42 38302028
 Email: info@abbasiandcompany.com
 web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore
 Phone: (+92) 42 37320707
 Email: info@abbasiandcompany.com
 web: www.abbasiandcompany.com