

AGHA has announced its 1HFY23 result where it posted a profit after tax of Rs402mn (EPS: Rs0.66) as compared to a profit after tax of Rs1,178mn (EPS: Rs1.95) in the same period last year, down by 65.9% YoY amid a decrease in volumetric sales.

The company has posted a revenue of Rs9.76bn against Rs12.57bn in SPLY, recording a decline of 22.3% YoY. The gross margin has slightly improved to 23% as compared to 22.6% during SPLY.

Furthermore, SG&A expenses came down by 12.9% YoY to 345mn as compared to 396 during SPLY. Moreover, other expenses dropped by 85.3% to 62mn as compared to 419mn SPLY. Meanwhile, other income has surged by 106.9% to Rs283mn as compared to the Rs137mn during SPLY. Lastly, finance cost increased by 102.8% YoY to Rs1.51bn while effective taxation surged to 34.5%.

AGHA is trading at a FY23E P/E of 8.72x. Moreover, the scrip is also trading at FY23E P/B of 0.42x which offers a discount of 30% relative to its historical 3-Year average of 0.60x. We maintain our **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs14 which provides an upside potential of 23%.

| Rupees' millions | 2QFY23 | 2QFY22 | YoY | 1HFY23 | 1HFY22 | YoY |
|----------------------------|--------|--------|----------|--------|--------|----------|
| Net Sales | 5,059 | 6,422 | 21.2% ▼ | 9,763 | 12,568 | 22.3% ▼ |
| Cost of Sales | -3,830 | -5,006 | 23.5% ▼ | -7,515 | -9,724 | 22.7% ▼ |
| Gross Profit | 1,229 | 1,416 | 13.2% ▼ | 2,248 | 2,844 | 21.0% ▼ |
| SG&A Expenses | -138 | -210 | 34.5% ▼ | -345 | -396 | 12.9% ▼ |
| Other Expenses | -52 | -361 | 85.7% ▼ | -62 | -419 | 85.3% ▼ |
| Operating Profit | 1,039 | 845 | 23.0% ▲ | 1,841 | 2,028 | 9.2% ▼ |
| Other Income | 200 | 121 | 65.6% ▲ | 283 | 137 | 106.9% ▲ |
| Finance Cost | -813 | -294 | 176.3% ▲ | -1,510 | -745 | 102.8% ▲ |
| Profit Before Taxation | 426 | 671 | 36.5% ▼ | 614 | 1,420 | 56.8% ▼ |
| Taxation | -177 | -52 | 241.6% ▲ | -212 | -243 | 12.8% ▼ |
| Profit After Taxation | 249 | 619 | 59.8% ▼ | 402 | 1,178 | 65.9% ▼ |
| Earnings Per Share | 0.41 | 1.02 | 59.8% ▼ | 0.66 | 1.95 | 65.9% ▼ |
| Dividend | 0.00 | 0.00 | | 0.00 | 0.00 | |
| Bonus | 0.00 | 0.00 | | 0.00 | 0.00 | |
| Gross Margin | 24.3% | 22.1% | 2.2% ▲ | 23.0% | 22.6% | 0.4% ▲ |
| SG&A Expenses to Sales | -2.7% | -3.3% | 0.6% ▼ | -3.5% | -3.2% | 0.4% ▲ |
| Other Income to Sales | 4.0% | 1.9% | 2.1% ▲ | 2.9% | 1.1% | 1.8% ▲ |
| Ex. Gain / (Loss) to Sales | -2.7% | -3.3% | 0.6% ▼ | -3.5% | -3.2% | 0.4% ▲ |
| Effective Taxation | -41.6% | -7.7% | 33.9% ▲ | -34.5% | -17.1% | 17.4% ▲ |
| Net Margin | 4.9% | 9.6% | 4.7% ▼ | 4.1% | 9.4% | 5.3% ▼ |

Source: ACPL Research, Company Financials

Key Statistics

| Symbol | AGHA |
|----------------------|-------|
| TP - Dec 23 | 14.00 |
| LDPC | 11.49 |
| Upside (%) | 23 |
| Free Float ('mn) | 151 |
| Market Cap. (Rs.'mn) | 6,810 |

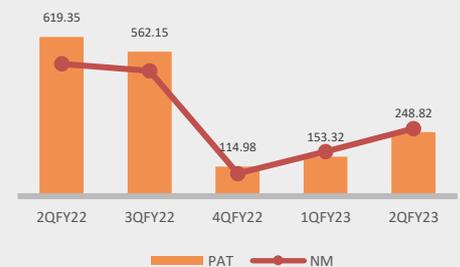
AGHA vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

| Rupees' millions | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 13,427 | 19,858 | 25,648 | 19,551 | 23,661 | 28,068 | 31,049 |
| Cost of sale | 10,030 | 15,356 | 20,158 | 15,045 | 18,210 | 21,450 | 23,828 |
| Gross profit | 3,397 | 4,503 | 5,490 | 4,506 | 5,450 | 6,618 | 7,221 |
| Selling and promotion expenses | 213 | 285 | 354 | 393 | 476 | 564 | 624 |
| Administration expenses | 270 | 297 | 335 | 297 | 360 | 427 | 472 |
| Other operating expenses | 115 | 197 | 681 | 123 | 149 | 177 | 196 |
| Operating Profit | 2,799 | 3,723 | 4,121 | 3,692 | 4,466 | 5,450 | 5,929 |
| Other operating income | 293 | 239 | 303 | 567 | 686 | 814 | 900 |
| Finance cost | 1,703 | 1,409 | 2,136 | 3,051 | 2,796 | 2,683 | 2,112 |
| Profit before taxation | 1,390 | 2,553 | 2,288 | 1,208 | 2,357 | 3,581 | 4,718 |
| Taxation | 154 | 517 | 434 | 411 | 801 | 1,217 | 1,604 |
| Profit after taxation | 1,236 | 2,036 | 1,855 | 797 | 1,555 | 2,363 | 3,114 |
| EPS | 2.04 | 3.37 | 3.07 | 1.32 | 2.57 | 3.91 | 5.15 |

Source: ACPL Research, Company Financials

Horizontal Analysis

| | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|--------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| Net sales | 28.1% | 47.9% | 29.2% | -23.8% | 21.0% | 18.6% | 10.6% |
| Cost of sale | 18.7% | 53.1% | 31.3% | -25.4% | 21.0% | 17.8% | 11.1% |
| Gross profit | 67.2% | 32.6% | 21.9% | -17.9% | 21.0% | 21.4% | 9.1% |
| Selling and promotion expenses | 72.7% | 33.7% | 23.9% | 11.1% | 21.0% | 18.6% | 10.6% |
| Administration expenses | 29.6% | 10.0% | 12.8% | -11.2% | 21.0% | 18.6% | 10.6% |
| Other operating expenses | -373.4% | 72.3% | 245.1% | -81.9% | 21.0% | 18.6% | 10.6% |
| Operating Profit | #REF! | 33.0% | 10.7% | -10.4% | 21.0% | 22.0% | 8.8% |
| Other operating income | 18.0% | -18.3% | 26.7% | 87.0% | 21.0% | 18.6% | 10.6% |
| Finance cost | 50.1% | -17.2% | 51.6% | 42.9% | -8.4% | -4.0% | -21.3% |
| Profit before taxation | 129.0% | 83.8% | -10.4% | -47.2% | 95.1% | 51.9% | 31.8% |
| Taxation | -195.1% | 236.0% | -16.2% | -5.3% | 95.1% | 51.9% | 31.8% |
| Profit after taxation | 60.7% | 64.8% | -8.9% | -57.0% | 95.1% | 51.9% | 31.8% |
| EPS | 60.7% | 64.8% | -8.9% | -57.0% | 95.1% | 51.9% | 31.8% |

Source: ACPL Research, Company Financials

Key Ratios

| Profitability Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|----------------------|---|-------|-------|-------|-------|-------|-------|-------|
| GP Margin | % | 25.30 | 22.67 | 21.41 | 23.05 | 23.04 | 23.58 | 23.26 |
| OP Margin | % | 23.03 | 19.95 | 17.25 | 21.79 | 21.78 | 22.32 | 22.00 |
| NP Margin | % | 9.20 | 10.25 | 7.23 | 4.08 | 6.57 | 8.42 | 10.03 |
| ROE | % | 17.23 | 18.53 | 12.58 | 4.96 | 9.02 | 12.31 | 14.19 |
| ROCE | % | 11.35 | 12.12 | 11.51 | 10.59 | 13.81 | 18.39 | 22.12 |
| ROA | % | 4.54 | 6.23 | 4.82 | 1.98 | 4.17 | 6.94 | 10.08 |

| Liquidity Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|-----------------------|---|-------|-------|-------|-------|-------|-------|-------|
| Current | x | 1.08 | 1.28 | 1.13 | 1.00 | 0.75 | 0.53 | 0.30 |
| Acid-test | x | 0.28 | 0.35 | 0.29 | 0.67 | 0.37 | 0.11 | -0.09 |
| Cash to current liab. | x | 0.00 | 0.06 | 0.01 | 0.44 | 0.12 | -0.17 | -0.36 |

| Activity Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|--------------------|---|-------|-------|-------|-------|-------|-------|-------|
| Inventory Turnover | x | 0.51 | 0.71 | 0.79 | 0.75 | 1.42 | 1.41 | 1.37 |
| Receivables Days | | 381 | 267 | 100 | 100 | 100 | 100 | 100 |
| Inventory Days | | 104 | 74 | 15 | 15 | 15 | 15 | 15 |
| Payables Days | | 49 | 24 | 25 | 25 | 25 | 25 | 25 |
| Operating Cycle | | 437 | 317 | 90 | 90 | 90 | 90 | 90 |

| Investment Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|-------------------|-----|--------|--------|--------|--------|--------|--------|--------|
| EPS | Rs. | 2.04 | 3.37 | 3.07 | 1.32 | 2.57 | 3.91 | 5.15 |
| 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. | 13.49 | 22.83 | 25.90 | 27.22 | 29.79 | 33.70 | 38.84 |
| 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 | | 5.62 | 3.41 | 3.75 | 8.72 | 4.47 | 2.94 | 2.23 |
| Sales per share | | 22.20 | 32.83 | 42.40 | 32.32 | 39.12 | 46.40 | 51.33 |
| P/BV | | 0.85 | 0.50 | 0.44 | 0.42 | 0.39 | 0.34 | 0.30 |
| Price to Sales | | 0.52 | 0.35 | 0.27 | 0.36 | 0.29 | 0.25 | 0.22 |

| Gearing Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|---------------------|---|-------|-------|-------|-------|-------|-------|-------|
| Debt to Equity | x | 2.16 | 1.39 | 1.46 | 0.94 | 0.90 | 0.84 | 0.87 |
| L.T. Debt to Equity | x | 0.69 | 0.68 | 0.56 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest Cover | x | 1.82 | 2.81 | 2.07 | 1.40 | 1.84 | 2.33 | 3.23 |

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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- 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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