

AGHA has announced its 1QFY23 result where it posted a profit after tax of Rs153mn (EPS: Rs0.25) as compared to a profit after tax of Rs558mn (EPS: Rs0.92) in the same period last year, down by 72.5% YoY amid a decrease in volumetric sales.

The company has posted a revenue of Rs4.71bn against Rs6.145bn in SPLY, recording a decline of 23.5% YoY. The gross margin has dropped to 21.7% as compared to 23.2% during SPLY amid lower margins.

Furthermore, SG&A expenses went up by 11.6% YoY to 207mn as compared to 186 during SPLY. Moreover, other expenses dropped by 83% to 10mn as compared to 58mn SPLY. Meanwhile, other income has surged by 425% to 83mn as compared to the 16mn during SPLY. Lastly, finance cost increased by 54.8% YoY to Rs697mn while effective taxation dropped to 18.2%.

AGHA is trading at a FY23E P/E of 7.66x. Moreover, the scrip is also trading at FY23E P/B of 0.51x which offers a discount of 31% relative to its historical 3-Year average of 0.74x. We maintain our **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs18 which provides an upside potential of 28%.

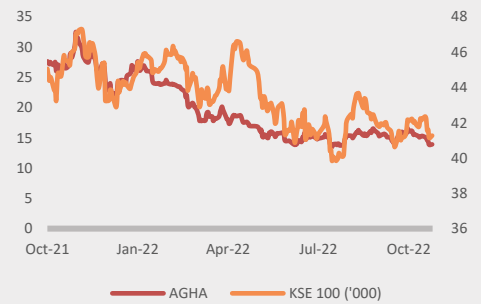
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	4,704	6,145	23.5% ▼	25,648	19,858	29.2% ▲
Cost of Sales	-3,685	-4,718	21.9% ▼	-20,158	-15,356	31.3% ▲
Gross Profit	1,019	1,427	28.6% ▼	5,490	4,503	21.9% ▲
SG&A Expenses	-207	-186	11.6% ▲	-688	-582	18.2% ▲
Other Expenses	-10	-58	83.1% ▼	-681	-197	245.1% ▲
Operating Profit	802	1,184	32.2% ▼	4,121	3,723	10.7% ▲
Other Income	83	16	424.9% ▲	303	239	26.7% ▲
Finance Cost	-697	-450	54.8% ▲	-2,136	-1,409	51.6% ▲
Profit Before Taxation	187	749	75.0% ▼	2,288	2,553	10.4% ▼
Taxation	-34	-191	82.1% ▼	-434	-517	16.2% ▼
Profit After Taxation	153	558	72.5% ▼	1,855	2,036	8.9% ▼
Earnings Per Share	0.25	0.92	72.5% ▼	3.07	3.37	8.9% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0.00		0.00	0.15	
Gross Margin	21.7%	23.2%	1.6% ▼	21.4%	22.7%	1.3% ▼
SG&A Expenses to Sales	-4.4%	-3.0%	1.4% ▲	-2.7%	-2.9%	0.2% ▼
Other Income to Sales	1.8%	0.3%	1.5% ▲	1.2%	1.2%	0.0% ▼
Ex. Gain / (Loss) to Sales	-4.4%	-3.0%	1.4% ▲	-2.7%	-2.9%	0.2% ▼
Effective Taxation	-18.2%	-25.5%	7.3% ▼	-18.9%	-20.3%	1.3% ▼
Net Margin	3.3%	9.1%	5.8% ▼	7.2%	10.3%	3.0% ▼

Source: ACPL Research, Company Financials

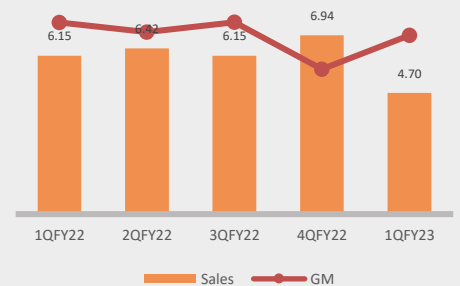
## Key Statistics

Symbol	AGHA
TP - Jun 23	18.00
LDCP	14.13
Upside (%)	28
Free Float ('mn)	151
Market Cap. (Rs.'mn)	8,589

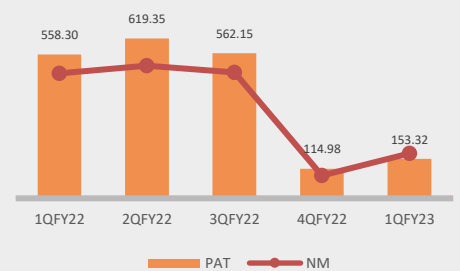
## AGHA vs KSE 100



## 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	22,115	25,556	28,172	30,660
Cost of sale	10,030	15,356	20,158	17,319	19,985	21,819	23,732
<b>Gross profit</b>	<b>3,397</b>	<b>4,503</b>	<b>5,490</b>	<b>4,796</b>	<b>5,570</b>	<b>6,354</b>	<b>6,928</b>
Selling and promotion expenses	213	285	354	610	705	778	846
Administration expenses	270	297	335	363	419	462	503
Other operating expenses	115	197	681	46	54	59	64
<b>Operating Profit</b>	<b>2,799</b>	<b>3,723</b>	<b>4,121</b>	<b>3,777</b>	<b>4,392</b>	<b>5,055</b>	<b>5,515</b>
Other operating income	293	239	303	389	450	496	540
Finance cost	1,703	1,409	2,136	2,788	2,533	2,575	2,024
Profit before taxation	1,390	2,553	2,288	1,378	2,309	2,976	4,030
Taxation	154	517	434	261	437	564	764
<b>Profit after taxation</b>	<b>1,236</b>	<b>2,036</b>	<b>1,855</b>	<b>1,117</b>	<b>1,871</b>	<b>2,412</b>	<b>3,267</b>
EPS	<b>2.04</b>	<b>3.37</b>	<b>3.07</b>	<b>1.85</b>	<b>3.09</b>	<b>3.99</b>	<b>5.40</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	28.1%	47.9%	29.2%	-13.8%	15.6%	10.2%	8.8%
Cost of sale	18.7%	53.1%	31.3%	-14.1%	15.4%	9.2%	8.8%
<b>Gross profit</b>	<b>67.2%</b>	<b>32.6%</b>	<b>21.9%</b>	<b>-12.6%</b>	<b>16.1%</b>	<b>14.1%</b>	<b>9.0%</b>
Selling and promotion expenses	72.7%	33.7%	23.9%	72.6%	15.6%	10.2%	8.8%
Administration expenses	29.6%	10.0%	12.8%	8.4%	15.6%	10.2%	8.8%
Other operating expenses	-373.4%	72.3%	245.1%	-93.2%	15.6%	10.2%	8.8%
<b>Operating Profit</b>	<b>#REF!</b>	<b>33.0%</b>	<b>10.7%</b>	<b>-8.4%</b>	<b>16.3%</b>	<b>15.1%</b>	<b>9.1%</b>
Other operating income	18.0%	-18.3%	26.7%	28.4%	15.6%	10.2%	8.8%
Finance cost	50.1%	-17.2%	51.6%	30.6%	-9.1%	1.6%	-21.4%
Profit before taxation	129.0%	83.8%	-10.4%	-39.8%	67.6%	28.9%	35.4%
Taxation	-195.1%	236.0%	-16.2%	-39.8%	67.6%	28.9%	35.4%
<b>Profit after taxation</b>	<b>60.7%</b>	<b>64.8%</b>	<b>-8.9%</b>	<b>-39.8%</b>	<b>67.6%</b>	<b>28.9%</b>	<b>35.4%</b>
EPS	<b>60.7%</b>	<b>64.8%</b>	<b>-8.9%</b>	<b>-39.8%</b>	<b>67.6%</b>	<b>28.9%</b>	<b>35.4%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	25.30	22.67	21.41	21.69	21.80	22.55	22.60
OP Margin	%	23.03	19.95	17.25	18.84	18.95	19.70	19.75
NP Margin	%	9.20	10.25	7.23	5.05	7.32	8.56	10.65
ROE	%	17.23	18.53	12.58	6.88	10.56	12.15	14.39
ROCE	%	11.35	12.12	11.51	10.26	12.69	15.90	19.12
ROA	%	4.54	6.23	4.82	2.75	4.90	6.91	10.32

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.08	1.28	1.13	1.06	0.82	0.58	0.34
Acid-test	x	0.28	0.35	0.29	0.59	0.31	0.06	-0.14
Cash to current liab.	x	0.00	0.06	0.01	0.32	0.01	-0.26	-0.43

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	0.51	0.71	0.79	0.77	1.15	1.12	1.12
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	1.85	3.09	3.99	5.40
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	27.74	30.84	34.83	40.23
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		6.92	4.20	4.61	7.66	4.57	3.54	2.62
Sales per share		22.20	32.83	42.40	36.56	42.25	46.58	50.69
P/BV		1.05	0.62	0.55	0.51	0.46	0.41	0.35
Price to Sales		0.64	0.43	0.33	0.39	0.33	0.30	0.28

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	2.16	1.39	1.46	0.88	0.83	0.77	0.80
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	1.49	1.91	2.16	2.99

Source: ACPL Research, Company Financials

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
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Sector Rating	Sector Outlook
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Market Weight	Neutral
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