

Equity Research | Pharmaceuticals | Thursday, 30 April, 2020

AGP has announced its 1QCY20 result where it posted profit after tax of Rs435mn (EPS: Rs1.55) as compared to profit after tax of Rs425mn (EPS: Rs1.52) in same period last year, up by 2.2% YoY.

The company has posted the revenue of Rs1.8bn against Rs1.6bn in SPLY, recording a growth of 9% YoY. We note that this growth is attributed to the increase in volumetric growth and medicine prices.

Gross margin has been squeezed to 55.3% in 1QCY20 as compared to 57.9% in 1QCY19 on account of higher input cost.

SG&A expenses have been decreased by 5.6% YoY to Rs320mn as compared to Rs339mn during SPLY.

Finance cost has been decreased by 10.9% YoY to Rs48mn in 1QCY20 as compared to Rs54mn in SPLY.

Lastly, the effective taxation has been increased to 20.1% as compared to 15.3% during SPLY.

AGP is currently trading at CY20E PE of 13.60x. Furthermore, it is also trading at a CY20E PB of 2.98x which offers a discount of 39% relative to its historical 5-year average of 4.91x. We maintain our **BUY** stance on the script with a DCF based Jun-21 TP of Rs110 which provides an upside potential of 28%.

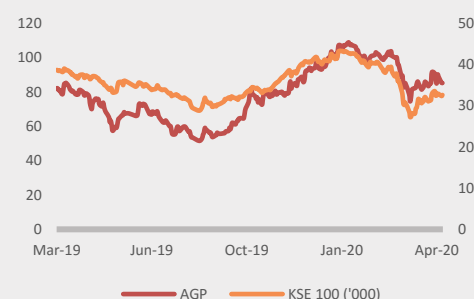
Rupees' millions	1QCY20	1QCY19	YoY	CY19	CY18	YoY
Net Sales	1,756	1,611	9.0% ▲	6,253	5,382	16.2% ▲
Cost of Sales	785	678	15.6% ▲	2,594	2,341	10.8% ▲
Gross Profit	972	933	4.2% ▲	3,659	3,041	20.3% ▲
SG&A Expenses	320	339	5.6% ▼	1,294	1,153	12.2% ▲
Other Expenses	65	41	57.9% ▲	167	152	10.2% ▲
Operating Profit	586	552	6.2% ▲	2,040	1,609	26.8% ▲
Other Income	6	4	66.1% ▲	11	17	33.6% ▼
Finance Cost	48	54	10.9% ▼	227	200	13.5% ▲
Profit Before Taxation	544	502	8.4% ▲	1,825	1,426	28.0% ▲
Taxation	110	77	42.8% ▲	378	219	72.8% ▲
Profit After Taxation	435	425	2.2% ▲	1,446	1,207	19.9% ▲
Earnings Per Share	1.55	1.52	2.2% ▲	5.17	4.31	19.9% ▲
Dividend	0.00	0.00		3.25	1.25	
Bonus	0%	0%		0%	0%	
Gross Margin	55.3%	57.9%	2.6% ▼	58.5%	56.5%	2.0% ▲
SG&A Expenses to Sales	18.2%	21.0%	2.8% ▼	20.7%	21.4%	0.7% ▼
Other Expenses to Sales	3.7%	2.6%	1.2% ▲	2.7%	2.8%	0.1% ▼
Other Income to Sales	0.3%	0.2%	0.1% ▲	0.2%	0.3%	0.1% ▼
Effective Taxation	20.1%	15.3%	4.8% ▲	20.7%	15.4%	5.4% ▲
Net Margin	24.8%	26.4%	1.6% ▼	23.1%	22.4%	0.7% ▲

Source: ACPL Research, Company Financials

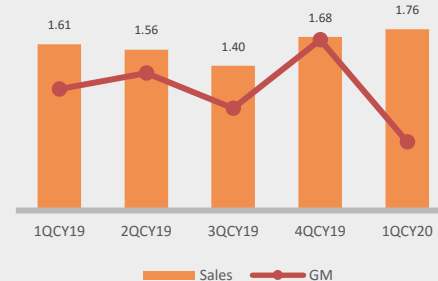
Key Statistics

Symbol	AGP
TP - Jun 21	110.00
LDGP	86.04
Upside	28%
Free Float (mn)	84
Market Cap. (Rs.mn)	24,091

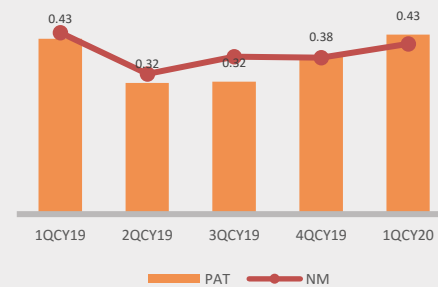
AGP vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) 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	CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Net sales	3,748	4,206	4,725	5,382	6,253	7,066	7,914	8,864	9,927
Cost of sale	1,586	1,746	1,851	2,341	2,594	3,159	3,538	3,962	4,438
Gross profit	2,162	2,460	2,874	3,041	3,659	3,908	4,376	4,902	5,490
Administration expenses	126	109	134	127	158	175	195	219	245
Marketing and selling expenses	698	763	1,050	1,153	1,294	1,113	1,246	1,396	1,564
Other operating expenses	69	102	100	152	167	264	295	331	370
Operating Profit	1,269	1,487	1,591	1,609	2,040	2,357	2,639	2,956	3,311
Other operating income	20	42	20	17	11	23	26	29	33
Finance cost	515	361	277	200	227	145	90	34	9
Profit before taxation	773	1,168	1,333	1,426	1,825	2,235	2,576	2,951	3,335
Taxation	130	81	100	219	378	463	534	612	692
Profit after taxation	643	1,087	1,234	1,207	1,446	1,771	2,042	2,339	2,643
EPS	2.30	3.88	4.41	4.31	5.17	6.33	7.29	8.35	9.44

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Net sales	0.0%	12.2%	12.3%	13.9%	16.2%	13.0%	12.0%	12.0%	12.0%
Cost of sale	0.0%	10.1%	6.0%	26.5%	10.8%	21.8%	12.0%	12.0%	12.0%
Gross profit	0.0%	13.8%	16.8%	5.8%	20.3%	6.8%	12.0%	12.0%	12.0%
Administration expenses	0.0%	-13.3%	23.2%	-5.1%	24.1%	10.6%	12.0%	12.0%	12.0%
Marketing and selling expenses	0.0%	9.2%	37.6%	9.9%	12.2%	-14.0%	12.0%	12.0%	12.0%
Other operating expenses	0.0%	46.8%	-1.9%	52.1%	10.2%	57.9%	12.0%	12.0%	12.0%
Operating Profit	0.0%	17.2%	7.0%	1.1%	26.8%	15.5%	12.0%	12.0%	12.0%
Other operating income	0.0%	112.8%	-53.6%	-13.0%	-33.6%	107.0%	12.0%	12.0%	12.0%
Finance cost	0.0%	-30.0%	-23.3%	-27.8%	13.5%	-36.1%	-38.1%	-61.7%	-75.2%
Profit before taxation	0.0%	51.1%	14.2%	6.9%	28.0%	22.5%	15.3%	14.6%	13.0%
Taxation	0.0%	-37.7%	23.2%	119.9%	72.8%	22.5%	15.3%	14.6%	13.0%
Profit after taxation	0.0%	69.0%	13.5%	-2.2%	19.9%	22.5%	15.3%	14.6%	13.0%
EPS	0.0%	69.0%	13.5%	-2.2%	19.9%	22.5%	15.3%	14.6%	13.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
GP Margin	%	57.68	58.49	60.83	56.50	58.52	55.30	55.30	55.30	55.30
NP Margin	%	17.17	25.85	26.11	22.42	23.13	25.07	25.80	26.39	26.63
OP Margin	%	33.85	35.35	33.67	29.89	32.63	33.35	33.35	33.35	33.35
ROE	%	20.17	25.42	22.39	18.95	19.38	21.89	23.07	24.08	24.71
ROCE	%	9.81	16.64	17.08	15.84	17.53	21.11	22.89	23.90	24.55
ROA	%	7.70	12.77	14.47	13.46	15.06	0.71	0.81	0.92	1.03
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Current	x	0.86	0.86	1.27	1.39	1.64	179.92	192.35	211.81	191.50
Acid-test	x	0.39	0.43	0.87	0.95	1.14	1.35	1.61	1.96	1.96
Cash to current liab.	x	0.37	0.25	0.02	0.02	0.09	178.13	190.27	209.31	189.04
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Inventory Turnover	x	4	3	3	3	3	3	3	3	3
Inventory Days		97	107	132	124	143	143	143	143	143
Receivables Days		27	32	38	35	33	32	32	32	32
Payables Days		98	137	158	103	119	119	119	119	119
Operating Cycle		26	2	12	56	56	56	56	56	56
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
EPS	Rs.	2.30	3.88	4.41	4.31	5.17	6.33	7.29	8.35	9.44
DPS	Rs.	0.00	0.00	0.00	1.25	3.25	3.98	4.59	5.26	5.94
Div. Yield	%	0.00	0.00	0.00	1.45	3.78	4.63	5.33	6.11	6.90
Dividend Cover	x	n/a	n/a	n/a	3.45	1.59	1.59	1.59	1.59	1.59
BVPS	Rs.	11.39	15.28	19.68	22.74	26.65	28.90	31.60	34.70	38.20
Payout	%	0.00	0.00	0.00	29.00	62.92	62.92	62.92	62.92	62.92
Retention	%	100.00	100.00	100.00	71.00	37.08	37.08	37.08	37.08	37.08
No. of Shares	'000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
P/E		37.45	22.16	19.52	19.96	16.66	13.60	11.80	10.30	9.11
Sales per share		13.39	15.02	16.87	19.22	22.33	25.24	28.26	31.66	35.46
P/BV		7.55	5.63	4.37	3.78	3.23	2.98	2.72	2.48	2.25
Price to Sales		8.24	7.34	6.53	5.74	4.94	4.37	3.90	3.48	3.11
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Debt to Equity	x	0.16	0.09	0.03	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	2.46	4.12	5.75	8.05	8.99	16.25	29.42	85.93	387.50

Source: ACPL Research, Company Financials

DISCLAIMER

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