

AGP has announced its 1QCY23 result where it posted profit after tax of Rs325mn (EPS: Rs1.16) as compared to profit after tax of Rs450mn (EPS: Rs1.61) in the same period last year, down by 27.8% YoY an increase in API prices in addition to other operating expenses.

The company has posted a revenue of Rs3.16bn against Rs2.50bn in SPLY, recording a growth of 26.7% YoY. We note that this surge is attributed to the increase in local volumetric sales.

The gross margin has decreased to 46.4% as compared to 50.2% during SPLY on account of higher input costs related to devaluation of rupee, domestic inflation and logistical cost.

SG&A expenses have increased by 42.2% YoY to Rs901mn as compared to Rs634mn during SPLY. Finance cost has increased by 1.1x YoY to Rs31mn as compared to Rs15mn during SPLY. Lastly, the effective taxation has increased to 20% as compared to 19.7% during SPLY.

AGP is currently trading at CY23E PE of 12x. Further, the scrip is also trading at CY23E PB of 1.41x which offers a discount of 16% relative to its 3-year historical average of 1.68. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs70 which provides an upside potential of 26%. Furthermore, it also offers a dividend yield of 3% which makes a total return of 29%.

Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Net Sales	3,165	2,499	26.7% ▲	10,262	7,420	38.3% ▲
Cost of Sales	1,695	1,245	36.2% ▲	5,039	3,303	52.6% ▲
<b>Gross Profit</b>	<b>1,470</b>	<b>1,254</b>	<b>17.2% ▲</b>	<b>5,223</b>	<b>4,117</b>	<b>26.8% ▲</b>
SG&A Expenses	901	634	42.2% ▲	2,958	2,005	47.5% ▲
Other Expenses	145	63	128.8% ▲	238	157	51.2% ▲
<b>Operating Profit</b>	<b>423</b>	<b>557</b>	<b>24.0% ▼</b>	<b>2,027</b>	<b>1,955</b>	<b>3.7% ▲</b>
Other Income	14	19	24.8% ▼	131	46	183.3% ▲
Finance Cost	31	15	110.0% ▲	136	89	52.5% ▲
Profit Before Taxation	407	561	27.5% ▼	2,021	1,911	5.8% ▲
Taxation	81	111	26.5% ▼	593	346	71.2% ▲
<b>Profit After Taxation</b>	<b>325</b>	<b>450</b>	<b>27.8% ▼</b>	<b>1,428</b>	<b>1,565</b>	<b>8.7% ▼</b>
<b>Earnings Per Share</b>	<b>1.16</b>	<b>1.61</b>	<b>27.8% ▼</b>	<b>5.10</b>	<b>5.59</b>	<b>8.7% ▼</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>	-	<b>2.00</b>	<b>2.50</b>	<b>20.0% ▼</b>
<b>Bonus</b>	<b>0%</b>	<b>0%</b>		<b>0%</b>	<b>0%</b>	
Gross Margin	46.4%	50.2%	3.7% ▼	50.9%	55.5%	4.6% ▼
SG&A Expenses to Sales	28.5%	25.4%	3.1% ▲	28.8%	27.0%	1.8% ▲
Other Expenses to Sales	4.6%	2.5%	2.0% ▲	2.3%	2.1%	0.2% ▲
Other Income to Sales	0.5%	0.8%	0.3% ▼	1.3%	0.6%	0.7% ▲
Effective Taxation	20.0%	19.7%	0.3% ▲	29.4%	18.1%	11.2% ▲
Net Margin	10.3%	18.0%	7.7% ▼	13.9%	21.1%	7.2% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	AGP
TP - Dec 23	70
LDCP	55.46
Upside	26%
Free Float (mn)	84
Market Cap. (Rs.mn)	15,529

## AGP vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	6,946	7,420	10,262	12,660	13,951	15,388	16,990
Cost of sale	3,086	3,303	5,039	6,782	7,162	7,637	8,093
<b>Gross profit</b>	<b>3,861</b>	<b>4,117</b>	<b>5,223</b>	<b>5,879</b>	<b>6,789</b>	<b>7,751</b>	<b>8,898</b>
Administration expenses	227	391	407	486	607	670	740
Marketing and selling expenses	1,404	1,615	2,552	3,120	3,453	3,809	4,206
Other operating expenses	183	157	238	581	400	441	487
<b>Operating Profit</b>	<b>2,047</b>	<b>1,955</b>	<b>2,027</b>	<b>1,692</b>	<b>2,328</b>	<b>2,831</b>	<b>3,465</b>
Other operating income	32	46	131	58	121	133	147
Finance cost	152	89	136	132	128	121	23
Profit before taxation	1,927	1,911	2,021	1,619	2,321	2,843	3,589
Taxation	339	346	593	324	465	569	719
<b>Profit after taxation</b>	<b>1,587</b>	<b>1,565</b>	<b>1,428</b>	<b>1,294</b>	<b>1,856</b>	<b>2,274</b>	<b>2,871</b>
EPS	5.67	5.59	5.10	4.62	6.63	8.12	10.25

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	11.1%	6.8%	38.3%	23.4%	10.2%	10.3%	10.4%
Cost of sale	19.0%	7.0%	52.6%	34.6%	5.6%	6.6%	6.0%
<b>Gross profit</b>	<b>5.5%</b>	<b>6.6%</b>	<b>26.8%</b>	<b>12.6%</b>	<b>15.5%</b>	<b>14.2%</b>	<b>14.8%</b>
Administration expenses	43.6%	72.4%	4.1%	19.4%	25.1%	10.3%	10.4%
Marketing and selling expenses	8.5%	15.0%	58.0%	22.3%	10.7%	10.3%	10.4%
Other operating expenses	9.7%	-14.2%	51.2%	144.3%	-31.2%	10.3%	10.4%
<b>Operating Profit</b>	<b>0.3%</b>	<b>-4.5%</b>	<b>3.7%</b>	<b>-16.5%</b>	<b>37.6%</b>	<b>21.6%</b>	<b>22.4%</b>
Other operating income	180.4%	46.0%	183.3%	-55.7%	108.5%	10.3%	10.4%
Finance cost	-33.1%	-41.2%	52.5%	-3.2%	-3.0%	-5.4%	-81.1%
Profit before taxation	5.6%	-0.8%	5.8%	-19.9%	43.4%	22.5%	26.3%
Taxation	-10.3%	2.1%	71.2%	-45.4%	43.4%	22.5%	26.3%
<b>Profit after taxation</b>	<b>9.8%</b>	<b>-1.4%</b>	<b>-8.7%</b>	<b>-9.4%</b>	<b>43.4%</b>	<b>22.5%</b>	<b>26.3%</b>
EPS	9.8%	-1.4%	-8.7%	-9.4%	43.4%	22.5%	26.3%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
GP Margin	%	55.58	55.49	50.89	46.43	48.66	50.37	52.37
NP Margin	%	22.85	21.09	13.92	10.22	13.31	14.78	16.90
OP Margin	%	29.47	26.34	19.75	13.37	16.69	18.40	20.40
ROE	%	19.33	16.48	13.97	11.77	15.27	16.82	18.80
ROCE	%	18.28	16.23	13.74	9.83	13.44	15.50	18.04
ROA	%	15.58	13.97	11.13	8.53	10.67	11.61	12.80
Liquidity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Current	x	1.71	1.65	1.50	1.98	2.06	2.35	3.09
Acid-test	x	1.25	1.34	1.25	1.32	1.14	1.14	1.27
Cash to current liab.	x	0.25	0.21	0.06	0.45	0.75	1.04	1.62
Activity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		140	121	136	136	136	136	136
Receivables Days		39	40	48	46	43	43	43
Payables Days		99	118	117	125	133	141	149
Operating Cycle		80	44	67	56	46	38	30
Investment Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	5.67	5.59	5.10	4.62	6.63	8.12	10.25
DPS	Rs.	2.00	2.50	2.00	1.75	2.50	3.25	4.00
Div. Yield	%	3.61	4.51	3.61	3.16	4.51	5.86	7.21
Dividend Cover	x	2.83	2.24	2.55	2.64	2.65	2.50	2.56
BVPS	Rs.	29.32	33.91	36.51	39.28	43.41	48.28	54.53
Payout	%	35.28	44.73	39.21	37.85	37.71	40.03	39.02
Retention	%	64.72	55.27	60.79	62.15	62.29	59.97	60.98
No. of Shares	mn	280	280	280	280	280	280	280
P/E		9.78	9.92	10.87	12.00	8.37	6.83	5.41
Sales per share		24.81	26.50	36.65	45.21	49.82	54.96	60.68
P/BV		1.89	1.64	1.52	1.41	1.28	1.15	1.02
Price to Sales		2.82	2.64	1.91	1.55	1.40	1.27	1.15
Gearing Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	12.97	5.62	0.94	23.16	16.77	11.31	3.34
Interest Cover	x	13.48	21.89	14.89	12.85	18.21	23.41	151.73

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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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
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