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AGP has announced its 3QCY20 result where it posted profit after tax of Rs1.2bn (EPS: Rs4.17) in 9M CY20 as compared to profit after tax of Rs1.1bn (EPS: Rs3.80) in same period last year, up by 9.9% YoY.

The company has posted the revenue of Rs5bn against Rs4.6bn in SPLY, recording a growth of 9.2% YoY. We note that this growth is attributed to the increase in volumetric sales.

Gross margin has been squeezed to 53.9% as compared to 57.9% during SPLY on account of higher input cost.

SG&A expenses have been decreased by 4.7% YoY to Rs884mn as compared to Rs927mn during SPLY.

Finance cost has been decreased by 26.9% YoY to Rs122mn as compared to Rs166mn during SPLY on account of lower interest rate.

Lastly, the effective taxation has been decreased to 17.4% as compared to 19.3% during SPLY.

AGP is currently trading at CY20E PE of 18.36x. Furthermore, it is also trading at CY20E PB of 3.78x which provides a discount of 39% relative to its 5-year average of 6.21x. We suggest our investors to **BUY** the scrip on dips with a DCF based Jun-21 TP of Rs125 which provides an upside potential of 15%. It also offers a dividend yield of 3% which makes the total return of 18%.

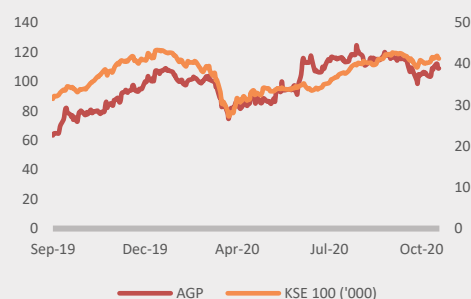
Rupees' millions	3QCY20	3QCY19	YoY	9M CY20	9M CY19	YoY
Net Sales	1,818	1,402	29.7% ▲	4,991	4,571	9.2% ▲
Cost of Sales	870	603	44.2% ▲	2,299	1,926	19.4% ▲
<b>Gross Profit</b>	<b>948</b>	<b>798</b>	<b>18.7% ▲</b>	<b>2,692</b>	<b>2,645</b>	<b>1.8% ▲</b>
SG&A Expenses	399	312	28.2% ▲	884	927	4.7% ▼
Other Expenses	35	27	27.1% ▲	148	129	15.2% ▲
<b>Operating Profit</b>	<b>514</b>	<b>460</b>	<b>11.8% ▲</b>	<b>1,517</b>	<b>1,476</b>	<b>2.8% ▲</b>
Other Income	9	3	189.2% ▲	19	9	126.2% ▲
Finance Cost	32	59	45.9% ▼	122	166	26.9% ▼
Profit Before Taxation	490	403	21.6% ▲	1,414	1,318	7.3% ▲
Taxation	76	83	7.9% ▼	246	254	3.5% ▼
<b>Profit After Taxation</b>	<b>414</b>	<b>321</b>	<b>29.1% ▲</b>	<b>1,169</b>	<b>1,064</b>	<b>9.9% ▲</b>
Earnings Per Share	1.48	1.15	29.1% ▲	4.17	3.80	9.9% ▲
Dividend	1.00	0.00		1.00	1.25	
Bonus	0%	0%		0%	0%	
Closing Period: 13 Nov 20 - 20 Nov 20						
Gross Margin	52.1%	57.0%	4.8% ▼	53.9%	57.9%	3.9% ▼
SG&A Expenses to Sales	22.0%	22.2%	0.3% ▼	17.7%	20.3%	2.6% ▼
Other Expenses to Sales	1.9%	2.0%	0.0% ▼	3.0%	2.8%	0.2% ▲
Other Income to Sales	0.5%	0.2%	0.3% ▲	0.4%	0.2%	0.2% ▲
Effective Taxation	15.5%	20.5%	5.0% ▼	17.4%	19.3%	1.9% ▼
Net Margin	22.8%	22.9%	0.1% ▼	23.4%	23.3%	0.1% ▲

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	AGP
TP - Jun 21	125.00
LDCP	108.78
Upside	15%
Free Float (mn)	84
Market Cap. (Rs.mn)	30,458

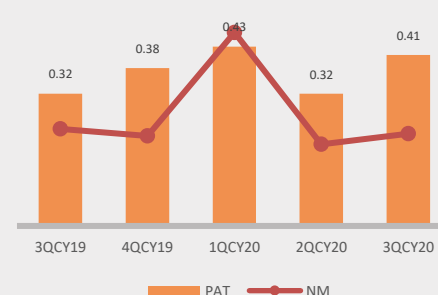
## AGP vs KSE 100



## 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	CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Net sales	3,748	4,206	4,725	5,382	6,253	6,879	7,704	8,628	9,664
Cost of sale	1,586	1,746	1,851	2,341	2,594	3,164	3,544	3,969	4,445
<b>Gross profit</b>	<b>2,162</b>	<b>2,460</b>	<b>2,874</b>	<b>3,041</b>	<b>3,659</b>	<b>3,714</b>	<b>4,160</b>	<b>4,659</b>	<b>5,218</b>
Administration expenses	126	109	134	127	158	199	223	250	280
Marketing and selling expenses	698	763	1,050	1,153	1,294	1,101	1,233	1,381	1,546
Other operating expenses	69	102	100	152	167	199	223	250	280
<b>Operating Profit</b>	<b>1,269</b>	<b>1,487</b>	<b>1,591</b>	<b>1,609</b>	<b>2,040</b>	<b>2,215</b>	<b>2,481</b>	<b>2,778</b>	<b>3,112</b>
Other operating income	20	42	20	17	11	23	25	28	32
Finance cost	515	361	277	200	227	145	90	34	9
Profit before taxation	773	1,168	1,333	1,426	1,825	2,093	2,416	2,772	3,135
Taxation	130	81	100	219	378	434	501	575	650
<b>Profit after taxation</b>	<b>643</b>	<b>1,087</b>	<b>1,234</b>	<b>1,207</b>	<b>1,446</b>	<b>1,659</b>	<b>1,915</b>	<b>2,198</b>	<b>2,485</b>
EPS	<b>2.30</b>	<b>3.88</b>	<b>4.41</b>	<b>4.31</b>	<b>5.17</b>	<b>5.92</b>	<b>6.84</b>	<b>7.85</b>	<b>8.88</b>

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%	10.0%	12.0%	12.0%	12.0%
Cost of sale	0.0%	10.1%	6.0%	26.5%	10.8%	22.0%	12.0%	12.0%	12.0%
<b>Gross profit</b>	<b>0.0%</b>	<b>13.8%</b>	<b>16.8%</b>	<b>5.8%</b>	<b>20.3%</b>	<b>1.5%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>
Administration expenses	0.0%	-13.3%	23.2%	-5.1%	24.1%	26.4%	12.0%	12.0%	12.0%
Marketing and selling expenses	0.0%	9.2%	37.6%	9.9%	12.2%	-14.9%	12.0%	12.0%	12.0%
Other operating expenses	0.0%	46.8%	-1.9%	52.1%	10.2%	19.5%	12.0%	12.0%	12.0%
<b>Operating Profit</b>	<b>0.0%</b>	<b>17.2%</b>	<b>7.0%</b>	<b>1.1%</b>	<b>26.8%</b>	<b>8.6%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>
Other operating income	0.0%	112.8%	-53.6%	-13.0%	-33.6%	101.5%	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%	14.7%	15.5%	14.7%	13.1%
Taxation	0.0%	-37.7%	23.2%	119.9%	72.8%	14.7%	15.5%	14.7%	13.1%
<b>Profit after taxation</b>	<b>0.0%</b>	<b>69.0%</b>	<b>13.5%</b>	<b>-2.2%</b>	<b>19.9%</b>	<b>14.7%</b>	<b>15.5%</b>	<b>14.7%</b>	<b>13.1%</b>
EPS	<b>0.0%</b>	<b>69.0%</b>	<b>13.5%</b>	<b>-2.2%</b>	<b>19.9%</b>	<b>14.7%</b>	<b>15.5%</b>	<b>14.7%</b>	<b>13.1%</b>

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	54.00	54.00	54.00	54.00
NP Margin	%	17.17	25.85	26.11	22.42	23.13	24.11	24.86	25.47	25.71
OP Margin	%	33.85	35.35	33.67	29.89	32.63	32.20	32.20	32.20	32.20
ROE	%	20.17	25.42	22.39	18.95	19.38	20.27	21.01	21.26	21.24
ROCE	%	9.81	16.64	17.08	15.84	17.53	19.55	20.84	21.12	21.11
ROA	%	7.70	12.77	14.47	13.46	15.06	0.66	0.76	0.86	0.97
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Current	x	0.86	0.86	1.27	1.39	1.64	179.84	191.89	211.12	190.76
Acid-test	x	0.39	0.43	0.87	0.95	1.14	1.34	1.59	1.94	1.95
Cash to current liab.	x	0.37	0.25	0.02	0.02	0.09	178.06	189.82	208.64	188.31
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	5.92	6.84	7.85	8.88
DPS	Rs.	0.00	0.00	0.00	1.25	3.25	3.25	3.50	3.50	4.00
Div. Yield	%	0.00	0.00	0.00	1.15	2.99	2.99	3.22	3.22	3.68
Dividend Cover	x	n/a	n/a	n/a	3.45	1.59	1.82	1.95	2.24	2.22
BVPS	Rs.	11.39	15.28	19.68	22.74	26.65	29.22	32.56	36.91	41.79
Payout	%	0.00	0.00	0.00	29.00	62.92	54.86	51.17	44.60	45.07
Retention	%	100.00	100.00	100.00	71.00	37.08	45.14	48.83	55.40	54.93
No. of Shares	'000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
P/E		47.34	28.02	24.68	25.24	21.06	18.36	15.90	13.86	12.26
Sales per share		13.39	15.02	16.87	19.22	22.33	24.57	27.51	30.82	34.51
P/BV		9.55	7.12	5.53	4.78	4.08	3.72	3.34	2.95	2.60
Price to Sales		9.32	8.31	7.40	6.49	5.59	5.08	4.54	4.05	3.62
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	15.27	27.65	80.76	364.21

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
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
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