

Equity Research | Engineering | Thursday, 28 April, 2022

AGHA has announced its 9MFY22 result where it posted profit after tax of Rs1.74bn (EPS: Rs2.88) as compared to a profit after tax of Rs1.598mn (EPS: Rs2.64) in the same period last year, up by 8.9% YoY.

The company has posted a revenue of Rs18.713bn against Rs15.559bn in SPLY, recording a growth of 20.3% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has increased to 22.8% as compared to 20.7% during SPLY. SG&A decreased by 2.3% YoY to Rs512mn as compared to Rs524mn during SPLY. Furthermore, other income has been increased by 12.3% YoY to Rs207mn as compared to Rs184mn SPLY. Lastly, finance cost has been increased by 55% YoY to Rs1,408mn as compared to Rs909mn during SPLY.

AGHA is trading at a FY22E P/E of 3.94x. Moreover, the scrip is also trading at FY22E P/B of 0.62x which offers a discount of 49% relative to its historical 3-Year average of 1.22x. We maintain our **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 24 which provides an upside potential of 42%.

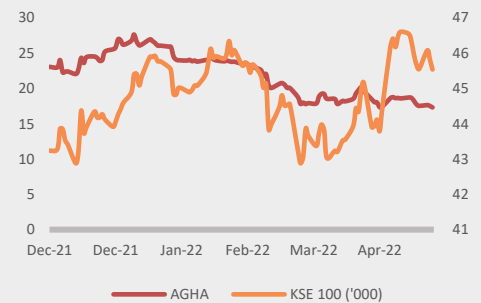
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	6,145	5,281	16.4% ▲	18,713	15,559	20.3% ▲
Cost of Sales	-4,717	-4,135	14.1% ▲	-14,441	-12,336	17.1% ▲
Gross Profit	1,429	1,146	24.7% ▲	4,272	3,224	32.5% ▲
SG&A Expenses	-116	-189	38.8% ▼	-512	-524	2.3% ▼
Other Expenses	-59	-65	8.8% ▼	-479	-165	189.2% ▲
Operating Profit	1,254	891	40.6% ▲	3,282	2,534	29.5% ▲
Other Income	70	35	103.9% ▲	207	184	12.3% ▲
Finance Cost	-664	-376	76.6% ▲	-1,408	-909	55.0% ▲
Profit Before Taxation	660	550	20.0% ▲	2,080	1,810	15.0% ▲
Taxation	-98	-9	972.2% ▲	-341	-212	61.0% ▲
Profit After Taxation	562	541	4.0% ▲	1,740	1,598	8.9% ▲
Earnings Per Share	0.93	0.89	4.0% ▲	2.88	2.64	8.9% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0.00		0.00	0.00	
Gross Margin	23.2%	21.7%	1.6% ▲	22.8%	20.7%	2.1% ▲
SG&A Expenses to Sales	-1.9%	-3.6%	1.7% ▼	-2.7%	-3.4%	0.6% ▼
Other Income to Sales	1.1%	0.7%	0.5% ▲	1.1%	1.2%	0.1% ▼
Ex. Gain / (Loss) to Sales	-1.9%	-3.6%	1.7% ▼	-2.7%	-3.4%	0.6% ▼
Effective Taxation	-14.8%	-1.7%	13.2% ▲	-16.4%	-11.7%	4.7% ▲
Net Margin	9.1%	10.2%	1.1% ▼	9.3%	10.3%	1.0% ▼

Source: ACPL Research, Company Financials

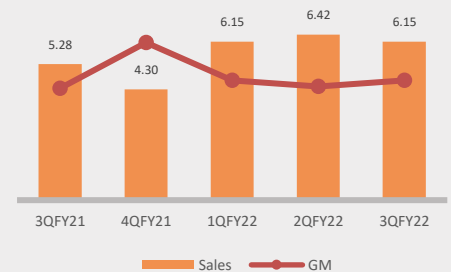
Key Statistics

Symbol	AGHA
TP - Dec 22	24.00
LDPC	16.96
Upside (%)	42
Free Float ('mn)	151
Market Cap. (Rs.'mn)	10,259

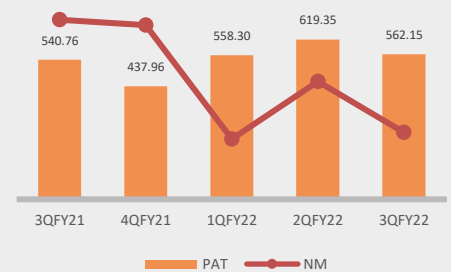
AGHA vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	10,482	13,427	19,858	25,299	30,064	32,981	36,114
Cost of sale	8,451	10,030	15,356	19,438	23,393	26,523	29,095
Gross profit	2,031	3,397	4,503	5,861	6,671	6,458	7,019
Selling and promotion expenses	124	213	285	382	454	498	545
Administration expenses	208	270	297	316	376	412	451
Other operating expenses	- 42	115	197	648	770	844	925
Operating Profit	1,741	2,799	3,723	4,515	5,072	4,703	5,098
Other operating income	-	293	239	278	331	363	397
Finance cost	1,135	1,703	1,409	1,693	1,693	1,123	555
Profit before taxation	607	1,390	2,553	3,100	3,710	3,942	4,940
Taxation	- 162	154	517	496	594	631	790
Profit after taxation	769	1,236	2,036	2,604	3,116	3,312	4,150
EPS	1.27	2.04	3.37	4.31	5.15	5.47	6.86

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	38.7%	28.1%	47.9%	27.4%	18.8%	9.7%	9.5%
Cost of sale	42.2%	18.7%	53.1%	26.6%	20.3%	13.4%	9.7%
Gross profit	14.1%	67.2%	32.6%	30.2%	13.8%	-3.2%	8.7%
Selling and promotion expenses	-18.2%	72.7%	33.7%	33.8%	18.8%	9.7%	9.5%
Administration expenses	17.2%	29.6%	10.0%	6.6%	18.8%	9.7%	9.5%
Other operating expenses	9.9%	-373.4%	72.3%	228.1%	18.8%	9.7%	9.5%
Operating Profit	17.6%	60.7%	33.0%	21.3%	12.3%	-7.3%	8.4%
Other operating income	-17.5%	18.0%	-18.3%	16.3%	18.8%	9.7%	9.5%
Finance cost	42.3%	50.1%	-17.2%	20.2%	0.0%	-33.6%	-50.6%
Profit before taxation	8.3%	129.0%	83.8%	21.4%	19.7%	6.3%	25.3%
Taxation	16.3%	-195.1%	236.0%	-4.1%	19.7%	6.3%	25.3%
Profit after taxation	6.4%	60.7%	64.8%	27.9%	19.7%	6.3%	25.3%
EPS	6.4%	60.7%	64.8%	27.9%	19.7%	6.3%	25.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	19.38	25.30	22.67	23.17	22.19	19.58	19.44
OP Margin	%	16.61	23.03	19.95	18.95	17.97	15.36	15.22
NP Margin	%	7.33	9.20	10.25	10.29	10.37	10.04	11.49
ROE	%	13.18	17.23	18.53	17.23	17.34	15.63	16.65
ROCE	%	7.92	11.35	12.12	13.69	14.85	12.85	13.07
ROA	%	3.49	4.54	6.23	7.44	8.57	8.40	9.87

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.20	1.08	1.28	1.07	1.22	1.35	1.44
Acid-test	x	0.32	0.28	0.35	0.30	0.34	0.37	0.39
Cash to current liab.	x	0.02	0.00	0.06	0.06	0.05	0.06	0.06

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	0.57	0.51	0.71	1.10	1.66	1.62	1.59
Receivables Days		389	381	267	100	100	100	100
Inventory Days		117	104	74	15	15	15	15
Payables Days		23	49	24	25	25	25	25
Operating Cycle		483	437	317	90	90	90	90

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	1.27	2.04	3.37	4.31	5.15	5.47	6.86
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.	10.22	13.49	22.83	27.14	32.29	37.76	44.63
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		13.35	8.30	5.04	3.94	3.29	3.10	2.47
Sales per share		17.33	22.20	32.83	41.83	49.70	54.52	59.70
P/BV		1.66	1.26	0.74	0.62	0.53	0.45	0.38
Price to Sales		0.98	0.76	0.52	0.41	0.34	0.31	0.28

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	2.58	2.16	1.39	0.79	0.61	0.48	0.39
L.T. Debt to Equity	x	0.94	0.69	0.68	0.07	0.04	0.02	0.00
Interest Cover	x	1.53	1.82	2.81	2.83	3.19	4.51	9.91

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