

AGP has announced its 1HCY22 result where it posted profit after tax of Rs741mn (EPS: Rs2.65) as compared to profit after tax of Rs772mn (EPS: Rs2.76) in the same period last year, down by 4.0% YoY due to higher effective taxation.

The company has posted a revenue of Rs4.899bn against Rs3.647bn in SPLY, recording a growth of 34.3% YoY. We note that this surge is attributed to the increase in local volumetric sales and exports to Afghanistan.

The gross margin has been decreased to 52.7% as compared to 53.8% during SPLY on account of higher input cost related to devaluation of rupee, domestic inflation and logistical cost.

SG&A expenses have been increased by 44.8% YoY to Rs1359mn as compared to Rs938mn during SPLY. Finance cost has been decreased by 19.2% YoY to Rs43mn as compared to Rs53mn during SPLY.

Lastly, the effective taxation has been increased to 34.9% as compared to 17.8% during SPLY.

AGP is currently trading at CY22E PE of 15.35x. Further, the scrip is also trading at CY22E PB of 2.23x which offers a discount of 18% relative to its 3-year historical average of 2.73. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs100 which provides an upside potential of 24%. Furthermore, it also offers a dividend yield of 3% which makes a total return of 27%.

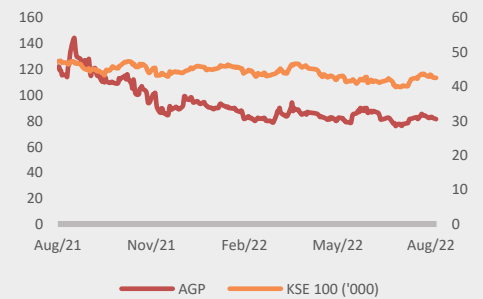
Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Net Sales	3,463	2,005	72.7% ▲	5,962	3,647	63.5% ▲
Cost of Sales	-1,679	970	273.2% ▼	-2,924	1,686	273.4% ▼
Gross Profit	1,784	1,036	72.2% ▲	3,038	1,961	54.9% ▲
SG&A Expenses	1,013	514	97.3% ▲	-1,647	938	275.5% ▼
Other Expenses	77	40	93.8% ▲	-140	71	297.3% ▼
Operating Profit	694	483	43.9% ▲	1,251	951	31.5% ▲
Other Income	19	18	4.4% ▲	38	41	6.8% ▼
Finance Cost	119	23	426.1% ▲	-134	53	354.4% ▼
Profit Before Taxation	594	478	24.2% ▲	1,155	940	22.9% ▲
Taxation	354	89	295.9% ▲	-465	168	377.5% ▼
Profit After Taxation	240	389	38.3% ▼	690	772	10.7% ▼
Earnings Per Share	0.86	1.39	38.3% ▼	2.46	2.76	10.7% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	55.3%	51.6%	3.6% ▲	52.7%	53.8%	1.1% ▼
SG&A Expenses to Sales	30.2%	25.6%	4.6% ▲	27.7%	25.7%	2.0% ▲
Other Expenses to Sales	3.2%	2.0%	1.2% ▲	2.8%	2.0%	0.8% ▲
Other Income to Sales	3.3%	0.9%	2.4% ▲	2.0%	1.2%	0.8% ▲
Effective Taxation	49.6%	18.7%	30.9% ▲	34.9%	17.8%	17.1% ▲
Net Margin	12.1%	19.4%	7.3% ▼	15.1%	21.2%	6.0% ▼

Source: ACPL Research, Company Financials

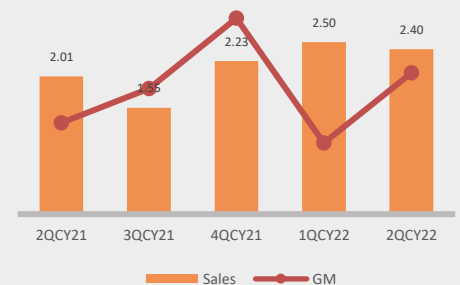
Key Statistics

Symbol	AGP
TP - Jun 23	100
LDCP	81
Upside	24%
Free Float (mn)	84
Market Cap. (Rs.mn)	22,710

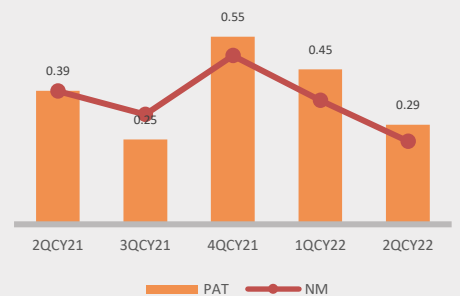
AGP vs KSE 100



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	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	6,253	6,946	7,420	9,807	10,987	12,317	13,818
Cost of sale	2,594	3,086	3,303	4,641	5,200	5,830	6,540
Gross profit	3,659	3,861	4,117	5,165	5,787	6,487	7,278
Administration expenses	158	227	391	393	441	494	554
Marketing and selling expenses	1,294	1,404	1,615	2,327	2,607	2,923	3,279
Other operating expenses	167	183	157	279	313	351	394
Operating Profit	2,040	2,047	1,955	2,165	2,426	2,720	3,051
Other operating income	11	32	46	197	221	248	278
Finance cost	227	152	89	91	219	230	241
Profit before taxation	1,825	1,927	1,911	2,271	2,428	2,738	3,088
Taxation	378	339	346	794	486	548	618
Profit after taxation	1,446	1,587	1,565	1,478	1,942	2,190	2,470
EPS	5.17	5.67	5.59	5.28	6.94	7.82	8.82

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	16.2%	11.1%	6.8%	32.2%	12.0%	12.1%	12.2%
Cost of sale	10.8%	19.0%	7.0%	40.5%	12.0%	12.1%	12.2%
Gross profit	20.3%	5.5%	6.6%	25.4%	12.0%	12.1%	12.2%
Administration expenses	24.1%	43.6%	72.4%	0.6%	12.0%	12.1%	12.2%
Marketing and selling expenses	12.2%	8.5%	15.0%	44.1%	12.0%	12.1%	12.2%
Other operating expenses	10.2%	9.7%	-14.2%	77.8%	12.0%	12.1%	12.2%
Operating Profit	26.8%	0.3%	-4.5%	10.8%	12.0%	12.1%	12.2%
Other operating income	-33.6%	180.4%	46.0%	327.4%	12.0%	12.1%	12.2%
Finance cost	13.5%	-33.1%	-41.2%	2.1%	140.3%	4.8%	4.8%
Profit before taxation	28.0%	5.6%	-0.8%	18.8%	6.9%	12.8%	12.8%
Taxation	72.8%	-10.3%	2.1%	129.0%	-38.8%	12.8%	12.8%
Profit after taxation	19.9%	9.8%	-1.4%	-5.6%	31.4%	12.8%	12.8%
EPS	19.9%	9.8%	-1.4%	-5.6%	31.4%	12.8%	12.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	58.52	55.58	55.49	52.67	52.67	52.67	52.67
NP Margin	%	23.13	22.85	21.09	15.07	17.68	17.78	17.88
OP Margin	%	32.63	29.47	26.34	22.08	22.08	22.08	22.08
ROE	%	19.38	19.33	16.48	14.52	17.22	17.54	17.85
ROCE	%	17.53	18.28	16.22	14.27	17.05	17.39	17.72
ROA	%	15.06	15.58	13.97	11.45	12.62	12.23	11.92
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	1.64	1.71	1.65	3.28	3.49	4.15	4.77
Acid-test	x	1.14	1.25	1.34	1.96	1.58	1.58	1.58
Cash to current liab.	x	0.09	0.25	0.21	1.19	1.81	2.46	3.08
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		143	140	121	121	121	121	121
Receivables Days		33	39	40	34	32	32	32
Payables Days		119	99	118	130	130	130	130
Operating Cycle		56	80	44	25	23	23	23
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	5.17	5.67	5.59	5.28	6.94	7.82	8.82
DPS	Rs.	3.25	2.00	2.50	2.25	3.00	3.50	4.00
Div. Yield	%	4.01	2.47	3.09	2.78	3.70	4.32	4.94
Dividend Cover	x	1.59	2.83	2.24	2.35	2.31	2.23	2.21
BVPS	Rs.	26.65	29.32	33.91	36.34	40.27	44.59	49.42
Payout	%	62.92	35.28	44.73	42.64	43.25	44.75	45.33
Retention	%	37.08	64.72	55.27	57.36	56.75	55.25	54.67
No. of Shares	mn	280	280	280	280	280	280	280
P/E		15.68	14.29	14.49	15.35	11.68	10.36	9.18
Sales per share		22.33	24.81	26.50	35.02	39.24	43.99	49.35
P/BV		3.04	2.76	2.39	2.23	2.01	1.82	1.64
Price to Sales		4.51	4.06	3.80	2.88	2.57	2.29	2.04
Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	21.64	12.97	10.41	1.08	0.31	0.23	0.16
Interest Cover	x	8.99	13.48	21.89	23.75	11.07	11.85	12.68

Source: ACPL Research, Company Financials

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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

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- II. Dividend Discount Model
- III. Relative Valuation Model
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