

AGP has announced its 1QCY21 result where it posted profit after tax of Rs384mn (EPS: Rs1.37) as compared to profit after tax of Rs435mbn (EPS: Rs1.55) in same period last year, down by 11.8% YoY.

The company has posted the revenue of Rs1.6bn against Rs1.8bn in SPLY, recording a negative growth of 6.5% YoY. We note that this decline is attributed to the decrease in volumetric sales.

Gross margin has been increased to 56.3% as compared to 55.3% during SPLY on account of lower input cost.

SG&A expenses have been increased by 32.7% YoY to Rs425mn as compared to Rs320mn during SPLY.

Finance cost has been decreased by 37.1% YoY to Rs30mn as compared to Rs48mn during SPLY on account of lower interest rate.

Lastly, the effective taxation has been decreased to 16.9% as compared to 20.1% during SPLY.

AGP is currently trading at CY20E PE of 19.62x. We have a **BUY** stance on the scrip with a DCF based Dec-21 TP of Rs120 which provides a downside potential of 11%. Furthermore, it also offers a dividend yield of 4% which makes a total return of 15%.

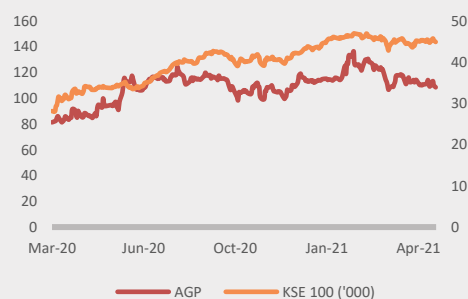
| Rupees' millions | 1QCY21 | 1QCY20 | YoY | CY20 | CY19 | YoY |
|------------------------------|-------------|-------------|----------------|--------------|--------------|---------------|
| Net Sales | 1,642 | 1,756 | 6.5% ▼ | 6,946 | 6,253 | 11.1% ▲ |
| Cost of Sales | 717 | 785 | 8.6% ▼ | 3,086 | 2,594 | 19.0% ▲ |
| Gross Profit | 925 | 972 | 4.8% ▼ | 3,861 | 3,659 | 5.5% ▲ |
| SG&A Expenses | 425 | 320 | 32.7% ▲ | 1,404 | 1,294 | 8.5% ▲ |
| Other Expenses | 35 | 65 | 47.2% ▼ | 183 | 167 | 9.7% ▲ |
| Operating Profit | 466 | 586 | 20.5% ▼ | 2,047 | 2,040 | 0.3% ▲ |
| Other Income | 26 | 6 | 346.7% ▲ | 32 | 11 | 180.4% ▲ |
| Finance Cost | 30 | 48 | 37.1% ▼ | 152 | 227 | 33.1% ▼ |
| Profit Before Taxation | 462 | 544 | 15.2% ▼ | 1,927 | 1,825 | 5.6% ▲ |
| Taxation | 78 | 110 | 28.7% ▼ | 339 | 378 | 10.3% ▼ |
| Profit After Taxation | 384 | 435 | 11.8% ▼ | 1,587 | 1,446 | 9.8% ▲ |
| Earnings Per Share | 1.37 | 1.55 | 11.8% ▼ | 5.67 | 5.17 | 9.8% ▲ |
| Dividend | 0.00 | 0.00 | | 2.00 | 3.25 | |
| Bonus | 0% | 0% | | 0% | 0% | |
| Gross Margin | 56.3% | 55.3% | 1.0% ▲ | 55.6% | 58.5% | 2.9% ▼ |
| SG&A Expenses to Sales | 25.9% | 18.2% | 7.7% ▲ | 20.2% | 20.7% | 0.5% ▼ |
| Other Expenses to Sales | 2.1% | 3.7% | 1.6% ▼ | 2.6% | 2.7% | 0.0% ▼ |
| Other Income to Sales | 1.6% | 0.3% | 1.3% ▲ | 0.5% | 0.2% | 0.3% ▲ |
| Effective Taxation | 16.9% | 20.1% | 3.2% ▼ | 17.6% | 20.7% | 3.1% ▼ |
| Net Margin | 23.4% | 24.8% | 1.4% ▼ | 22.9% | 23.1% | 0.3% ▼ |

Source: ACPL Research, Company Financials

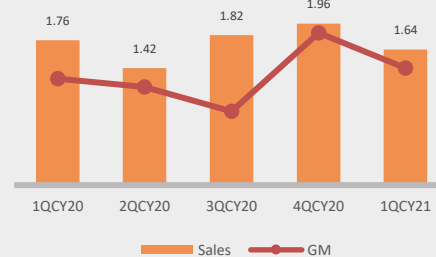
Key Statistics

| Symbol | AGP |
|---------------------|--------|
| TP - Dec 21 | 120.00 |
| LDCP | 108.00 |
| Upside | 11% |
| Free Float (mn) | 84 |
| Market Cap. (Rs.mn) | 30,240 |

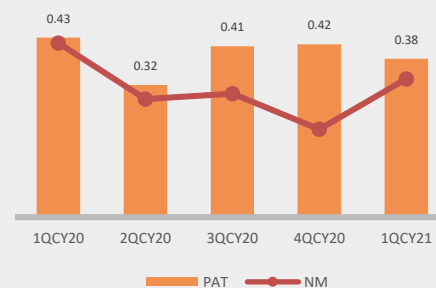
AGP vs KSE 100



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 | CY20A | CY21E | CY22E | CY23E |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 3,748 | 4,206 | 4,725 | 5,382 | 6,253 | 6,946 | 6,535 | 7,188 | 7,907 |
| Cost of sale | 1,586 | 1,746 | 1,851 | 2,341 | 2,594 | 3,086 | 2,856 | 3,141 | 3,455 |
| Gross profit | 2,162 | 2,460 | 2,874 | 3,041 | 3,659 | 3,861 | 3,679 | 4,047 | 4,452 |
| Administration expenses | 126 | 109 | 134 | 127 | 158 | 227 | 304 | 334 | 368 |
| Marketing and selling expenses | 698 | 763 | 1,050 | 1,153 | 1,294 | 1,404 | 1,385 | 1,524 | 1,676 |
| Other operating expenses | 69 | 102 | 100 | 152 | 167 | 183 | 117 | 129 | 142 |
| Operating Profit | 1,269 | 1,487 | 1,591 | 1,609 | 2,040 | 2,047 | 1,873 | 2,060 | 2,266 |
| Other operating income | 20 | 42 | 20 | 17 | 11 | 32 | 103 | 114 | 125 |
| Finance cost | 515 | 361 | 277 | 200 | 227 | 152 | 90 | 34 | 9 |
| Profit before taxation | 773 | 1,168 | 1,333 | 1,426 | 1,825 | 1,927 | 1,886 | 2,139 | 2,383 |
| Taxation | 130 | 81 | 100 | 219 | 378 | 339 | 345 | 391 | 436 |
| Profit after taxation | 643 | 1,087 | 1,234 | 1,207 | 1,446 | 1,587 | 1,541 | 1,748 | 1,947 |
| EPS | 2.30 | 3.88 | 4.41 | 4.31 | 5.17 | 5.67 | 5.50 | 6.24 | 6.95 |

Source: ACPL Research, Company Financials

Horizontal Analysis

| | CY15A | CY16A | CY17A | CY18A | CY19A | CY20A | CY21E | CY22E | CY23E |
|--------------------------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
| Net sales | 0.0% | 12.2% | 12.3% | 13.9% | 16.2% | 11.1% | -5.9% | 10.0% | 10.0% |
| Cost of sale | 0.0% | 10.1% | 6.0% | 26.5% | 10.8% | 19.0% | -7.5% | 10.0% | 10.0% |
| Gross profit | 0.0% | 13.8% | 16.8% | 5.8% | 20.3% | 5.5% | -4.7% | 10.0% | 10.0% |
| Administration expenses | 0.0% | -13.3% | 23.2% | -5.1% | 24.1% | 43.6% | 34.0% | 10.0% | 10.0% |
| Marketing and selling expenses | 0.0% | 9.2% | 37.6% | 9.9% | 12.2% | 8.5% | -1.3% | 10.0% | 10.0% |
| Other operating expenses | 0.0% | 46.8% | -1.9% | 52.1% | 10.2% | 9.7% | -36.1% | 10.0% | 10.0% |
| Operating Profit | 0.0% | 17.2% | 7.0% | 1.1% | 26.8% | 0.3% | -8.5% | 10.0% | 10.0% |
| Other operating income | 0.0% | 112.8% | -53.6% | -13.0% | -33.6% | 180.4% | 226.9% | 10.0% | 10.0% |
| Finance cost | 0.0% | -30.0% | -23.3% | -27.8% | 13.5% | -33.1% | -40.9% | -61.7% | -75.2% |
| Profit before taxation | 0.0% | 51.1% | 14.2% | 6.9% | 28.0% | 5.6% | -2.1% | 13.4% | 11.4% |
| Taxation | 0.0% | -37.7% | 23.2% | 119.9% | 72.8% | -10.3% | 1.8% | 13.4% | 11.4% |
| Profit after taxation | 0.0% | 69.0% | 13.5% | -2.2% | 19.9% | 9.8% | -2.9% | 13.4% | 11.4% |
| EPS | 0.0% | 69.0% | 13.5% | -2.2% | 19.9% | 9.8% | -2.9% | 13.4% | 11.4% |

Source: ACPL Research, Company Financials

Key Ratios

| Profitability Ratios | | CY15A | CY16A | CY17A | CY18A | CY19A | CY20A | CY21E | CY22E | CY23E |
|-----------------------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| GP Margin | % | 57.68 | 58.49 | 60.83 | 56.50 | 58.52 | 55.58 | 56.30 | 56.30 | 56.30 |
| NP Margin | % | 17.17 | 25.85 | 26.11 | 22.42 | 23.13 | 22.85 | 23.58 | 24.32 | 24.62 |
| OP Margin | % | 33.85 | 35.35 | 33.67 | 29.89 | 32.63 | 29.47 | 28.66 | 28.66 | 28.66 |
| ROE | % | 20.17 | 25.42 | 22.39 | 18.95 | 19.38 | 18.76 | 17.08 | 17.85 | 18.33 |
| ROCE | % | 9.81 | 16.64 | 17.08 | 15.84 | 17.53 | 18.12 | 16.95 | 17.72 | 18.21 |
| ROA | % | 7.70 | 12.77 | 14.47 | 13.46 | 15.06 | 0.64 | 0.61 | 0.69 | 0.76 |
| Liquidity Ratios | | CY15A | CY16A | CY17A | CY18A | CY19A | CY20A | CY21E | CY22E | CY23E |
| Current | x | 0.86 | 0.86 | 1.27 | 1.39 | 1.64 | 179.79 | 195.44 | 260.05 | 238.71 |
| Acid-test | x | 0.39 | 0.43 | 0.87 | 0.95 | 1.14 | 1.32 | 1.33 | 1.93 | 1.94 |
| Cash to current liab. | x | 0.37 | 0.25 | 0.02 | 0.02 | 0.09 | 178.03 | 193.65 | 257.49 | 236.19 |
| Activity Ratios | | CY15A | CY16A | CY17A | CY18A | CY19A | CY20A | 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 | 30 | 32 | 32 |
| Payables Days | | 98 | 137 | 158 | 103 | 119 | 119 | 119 | 119 | 119 |
| Operating Cycle | | 26 | 2 | 12 | 56 | 56 | 56 | 53 | 56 | 56 |
| Investment Ratios | | CY15A | CY16A | CY17A | CY18A | CY19A | CY20A | CY21E | CY22E | CY23E |
| EPS | Rs. | 2.30 | 3.88 | 4.41 | 4.31 | 5.17 | 5.67 | 5.50 | 6.24 | 6.95 |
| DPS | Rs. | 0.00 | 0.00 | 0.00 | 1.25 | 3.25 | 2.00 | 3.50 | 3.50 | 4.00 |
| Div. Yield | % | 0.00 | 0.00 | 0.00 | 1.16 | 3.01 | 1.85 | 3.24 | 3.24 | 3.70 |
| Dividend Cover | x | n/a | n/a | n/a | 3.45 | 1.59 | 2.83 | 1.57 | 1.78 | 1.74 |
| BVPS | Rs. | 11.39 | 15.28 | 19.68 | 22.74 | 26.65 | 30.22 | 32.22 | 34.97 | 37.92 |
| Payout | % | 0.00 | 0.00 | 0.00 | 29.00 | 62.92 | 35.28 | 63.59 | 56.07 | 57.54 |
| Retention | % | 100.00 | 100.00 | 100.00 | 71.00 | 37.08 | 64.72 | 36.41 | 43.93 | 42.46 |
| No. of Shares | '000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 |
| P/E | | 47.00 | 27.82 | 24.51 | 25.06 | 20.91 | 19.05 | 19.62 | 17.30 | 15.54 |
| Sales per share | | 13.39 | 15.02 | 16.87 | 19.22 | 22.33 | 24.81 | 23.34 | 25.67 | 28.24 |
| P/BV | | 9.48 | 7.07 | 5.49 | 4.75 | 4.05 | 3.57 | 3.35 | 3.09 | 2.85 |
| Price to Sales | | 8.94 | 7.97 | 7.09 | 6.23 | 5.36 | 4.82 | 5.13 | 4.66 | 4.24 |
| Gearing Ratios | | CY15A | CY16A | CY17A | CY18A | CY19E | CY20A | CY21E | CY22E | CY23E |
| Debt to Equity | x | 0.00 | 0.00 | 0.48 | 0.34 | 0.23 | 0.14 | 0.05 | 0.00 | 0.00 |
| Interest Cover | x | 2.46 | 4.12 | 5.75 | 8.05 | 8.99 | 13.48 | 20.87 | 59.88 | 265.23 |

Source: ACPL Research, Company Financials

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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 |

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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|--------------|----------------------------|
| 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 |

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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