

AGP has announced its 9M CY21 result where it posted profit after tax of Rs1.11bn (EPS: Rs3.98) as compared to profit after tax of Rs1.17bn (EPS: Rs4.17) in the same period last year, down by 4.7% YoY.

The company has posted a revenue of Rs5.94bn against Rs4.99bn in SPLY, recording a growth of 19% YoY. We note that this surge is attributed to the increase in volumetric sales.

The gross margin has been decreased to 53.6% as compared to 53.9% during SPLY on account of higher input cost.

SG&A expenses have been increased by 39.9% YoY to Rs1.24bn as compared to Rs884mn during SPLY.

Finance cost has been increased by 1.1% YoY to Rs123mn as compared to Rs122mn during SPLY on account of the higher working capital requirements.

Lastly, the effective taxation has been increased to 18.3% as compared to 17.4% during SPLY.

AGP is currently trading at CY21E PE of 14.87x. Further, the scrip is also trading at CY21E PB of 3.27x which offers a discount of 17% relative to its 2-year historical average of 17%. We have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs130 which provides an upside potential of 16%. Furthermore, it also offers a dividend yield of 3% which makes a total return of 19%.

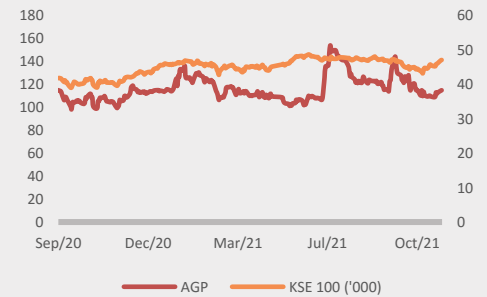
Rupees' millions	3QCY21	3QCY20	YoY	9M CY21	9M CY20	YoY
Net Sales	2,293	1,818	26.1% ▲	5,940	4,991	19.0% ▲
Cost of Sales	1,069	870	23.0% ▲	2,756	2,299	19.9% ▲
Gross Profit	1,224	948	29.1% ▲	3,184	2,692	18.3% ▲
SG&A Expenses	626	399	56.7% ▲	1,237	884	39.9% ▲
Other Expenses	53	35	53.7% ▲	128	148	13.9% ▼
Operating Profit	544	514	5.9% ▲	1,492	1,517	1.6% ▼
Other Income	13	9	48.1% ▲	57	19	192.1% ▲
Finance Cost	70	32	119.7% ▲	123	122	1.1% ▲
Profit Before Taxation	486	490	0.8% ▼	1,426	1,414	0.8% ▲
Taxation	93	76	21.9% ▲	260	246	6.0% ▲
Profit After Taxation	342	414	17.4% ▼	1,114	1,169	4.7% ▼
Earnings Per Share	1.22	1.48	17.4% ▼	3.98	4.17	4.7% ▼
Dividend	0.00	1.00		0.00	1.00	
Bonus	0%	0%		0%	0%	
Gross Margin	53.4%	52.1%	1.2% ▲	53.6%	53.9%	0.3% ▼
SG&A Expenses to Sales	27.3%	22.0%	5.3% ▲	20.8%	17.7%	3.1% ▲
Other Expenses to Sales	2.3%	1.9%	0.4% ▲	2.1%	3.0%	0.8% ▼
Other Income to Sales	0.6%	0.5%	0.1% ▲	1.0%	0.4%	0.6% ▲
Effective Taxation	19.1%	15.5%	3.5% ▲	18.3%	17.4%	0.9% ▲
Net Margin	14.9%	22.8%	7.9% ▼	18.8%	23.4%	4.7% ▼

Source: ACPL Research, Company Financials

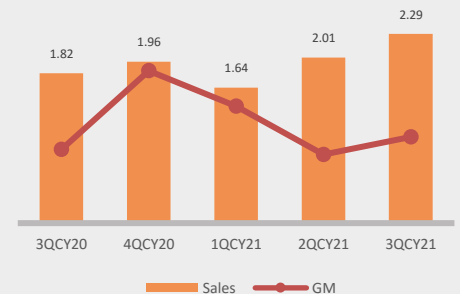
Key Statistics

Symbol	AGP
TP - Jun 22	130.00
LDCP	111.99
Upside	16%
Free Float (mn)	84
Market Cap. (Rs.mn)	31,668

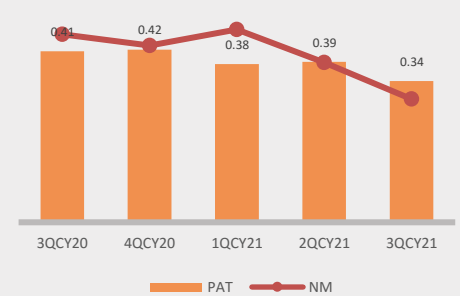
AGP vs KSE 100



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	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	6,253	6,946	9,630	8,185	10,641	13,833	17,984
Cost of sale	2,594	3,086	4,449	3,782	4,916	6,391	8,308
Gross profit	3,659	3,861	5,181	4,404	5,725	7,442	9,675
Administration expenses	158	227	448	430	559	726	944
Marketing and selling expenses	1,294	1,404	2,042	1,735	2,256	2,933	3,813
Other operating expenses	167	183	172	184	239	311	405
Operating Profit	2,040	2,047	2,519	2,055	2,671	3,472	4,514
Other operating income	11	32	152	78	101	131	171
Finance cost	227	152	90	166	218	229	240
Profit before taxation	1,825	1,927	2,582	1,966	2,554	3,375	4,445
Taxation	378	339	472	360	467	618	813
Profit after taxation	1,446	1,587	2,109	1,607	2,086	2,757	3,631
EPS	5.17	5.67	7.53	5.74	7.45	9.85	12.97

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	16.2%	11.1%	38.6%	-15.0%	30.0%	30.0%	30.0%
Cost of sale	10.8%	19.0%	44.2%	-15.0%	30.0%	30.0%	30.0%
Gross profit	20.3%	5.5%	34.2%	-15.0%	30.0%	30.0%	30.0%
Administration expenses	24.1%	43.6%	97.5%	-4.0%	30.0%	30.0%	30.0%
Marketing and selling expenses	12.2%	8.5%	45.4%	-15.0%	30.0%	30.0%	30.0%
Other operating expenses	10.2%	9.7%	-5.9%	6.8%	30.0%	30.0%	30.0%
Operating Profit	26.8%	0.3%	23.1%	-18.4%	30.0%	30.0%	30.0%
Other operating income	-33.6%	180.4%	381.7%	-48.9%	30.0%	30.0%	30.0%
Finance cost	13.5%	-33.1%	-40.9%	84.9%	31.6%	4.8%	4.8%
Profit before taxation	28.0%	5.6%	34.0%	-23.8%	29.9%	32.2%	31.7%
Taxation	72.8%	-10.3%	39.3%	-23.8%	29.9%	32.2%	31.7%
Profit after taxation	19.9%	9.8%	32.9%	-23.8%	29.9%	32.2%	31.7%
EPS	19.9%	9.8%	32.9%	-23.8%	29.9%	32.2%	31.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	58.52	55.58	53.80	53.80	53.80	53.80	53.80
NP Margin	%	23.13	22.85	21.90	19.63	19.61	19.93	20.19
OP Margin	%	32.63	29.47	26.16	25.10	25.10	25.10	25.10
ROE	%	19.38	18.76	21.99	15.10	17.15	19.20	20.83
ROCE	%	17.53	18.12	21.83	15.00	17.05	19.11	20.75
ROA	%	15.06	0.64	0.84	0.63	0.81	1.06	1.37
Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Current	x	1.64	179.79	195.80	100.92	119.37	93.18	72.99
Acid-test	x	1.14	1.32	2.04	1.21	1.85	1.85	1.86
Cash to current liab.	x	0.09	178.03	193.24	99.27	116.92	90.76	70.62
Activity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	3	3	2	2	2	2
Inventory Days		143	143	143	200	200	200	200
Receivables Days		33	32	35	37	45	45	45
Payables Days		119	119	119	200	200	200	200
Operating Cycle		56	56	59	37	45	45	45
Investment Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	5.17	5.67	7.53	5.74	7.45	9.85	12.97
DPS	Rs.	3.25	2.00	3.50	2.00	2.00	2.00	2.00
Div. Yield	%	2.90	1.79	3.13	1.79	1.79	1.79	1.79
Dividend Cover	x	1.59	2.83	2.15	2.87	3.73	4.92	6.48
BVPS	Rs.	26.65	30.22	34.25	37.99	43.44	51.29	62.26
Payout	%	62.92	35.28	46.46	34.86	26.84	20.31	15.42
Retention	%	37.08	64.72	53.54	65.14	73.16	79.69	84.58
No. of Shares	mn	280	280	280	280	280	280	280
P/E		21.68	19.75	14.87	19.52	15.03	11.37	8.63
Sales per share		22.33	24.81	34.39	29.23	38.00	49.41	64.23
P/BV		4.20	3.71	3.27	2.95	2.58	2.18	1.80
Price to Sales		5.80	5.22	3.77	4.43	3.41	2.62	2.02
Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.23	0.14	0.05	0.00	0.00	0.00	0.00
Interest Cover	x	8.99	13.48	28.08	12.38	12.23	15.17	18.82

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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- III. Relative Valuation Model
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SELL	Less than and equal to -5%

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