

AGP has announced its 9MCY22 result where it posted profit after tax of Rs981mn (EPS: Rs3.5) as compared to profit after tax of Rs1,019mn (EPS: Rs3.64) in the same period last year, down by 3.8% YoY due to higher effective taxation.

The company has posted a revenue of Rs7.22bn against Rs5.20bn in SPLY, recording a growth of 38.9% YoY. We note that this surge is attributed to the increase in local volumetric sales.

The gross margin has been decreased to 51.4% as compared to 53.9% 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 46.7% YoY to Rs2.11bn as compared to Rs1.44bn during SPLY. Finance cost has increased by 15.3% YoY to Rs84mn as compared to Rs73mn during SPLY.

Lastly, the effective taxation has been increased to 31.5% as compared to 17.1% during SPLY.

AGP is currently trading at CY23E PE of 12.26x. Further, the scrip is also trading at CY23E PB of 1.97x which offers a discount of 17% relative to its 3-year historical average of 2.38. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs90 which provides an upside potential of 15%. Furthermore, it also offers a dividend yield of 3.5% which makes a total return of 18.5%.

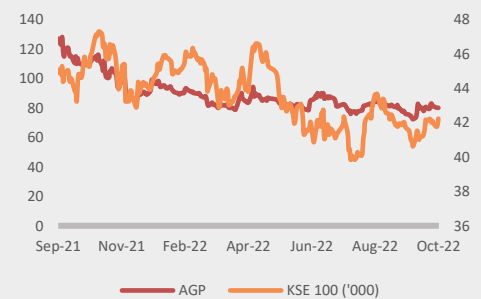
Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Net Sales	2,319	1,547	49.8% ▲	7,218	5,195	38.9% ▲
Cost of Sales	1,191	710	67.9% ▲	3,510	2,396	46.5% ▲
<b>Gross Profit</b>	<b>1,127</b>	<b>838</b>	<b>34.6% ▲</b>	<b>3,708</b>	<b>2,799</b>	<b>32.5% ▲</b>
SG&A Expenses	748	498	50.4% ▲	2,107	1,436	46.7% ▲
Other Expenses	62	37	65.6% ▲	202	101	100.2% ▲
<b>Operating Profit</b>	<b>317</b>	<b>303</b>	<b>4.7% ▲</b>	<b>1,399</b>	<b>1,262</b>	<b>10.9% ▲</b>
Other Income	18	7	134.9% ▲	116	41	184.2% ▲
Finance Cost	41	20	106.0% ▲	84	73	15.3% ▲
Profit Before Taxation	293	290	1.1% ▲	1,431	1,230	16.4% ▲
Taxation	59	43	38.1% ▲	450	211	113.8% ▲
<b>Profit After Taxation</b>	<b>234</b>	<b>247</b>	<b>5.3% ▼</b>	<b>981</b>	<b>1,019</b>	<b>3.8% ▼</b>
<b>Earnings Per Share</b>	<b>0.83</b>	<b>0.88</b>	<b>5.3% ▼</b>	<b>3.50</b>	<b>3.64</b>	<b>3.8% ▼</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	
<b>Bonus</b>	<b>0%</b>	<b>0%</b>		<b>0%</b>	<b>0%</b>	
Gross Margin	48.6%	54.1%	5.5% ▼	51.4%	53.9%	2.5% ▼
SG&A Expenses to Sales	32.3%	32.2%	0.1% ▲	29.2%	27.6%	1.5% ▲
Other Expenses to Sales	2.7%	2.4%	0.3% ▲	2.8%	1.9%	0.9% ▲
Other Income to Sales	0.8%	0.5%	0.3% ▲	1.6%	0.8%	0.8% ▲
Effective Taxation	20.3%	14.9%	5.4% ▲	31.5%	17.1%	14.3% ▲
<b>Net Margin</b>	<b>10.1%</b>	<b>16.0%</b>	<b>5.9% ▼</b>	<b>13.6%</b>	<b>19.6%</b>	<b>6.0% ▼</b>

Source: ACPL Research, Company Financials

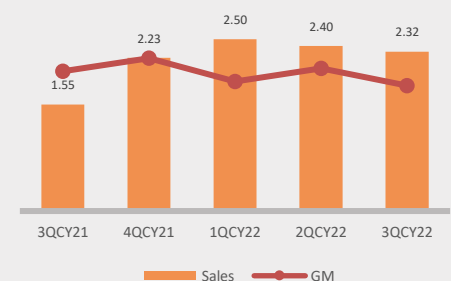
## Key Statistics

Symbol	AGP
TP - Jun 23	90
LDCP	78.22
Upside	15%
Free Float (mn)	84
Market Cap. (Rs.mn)	22,400

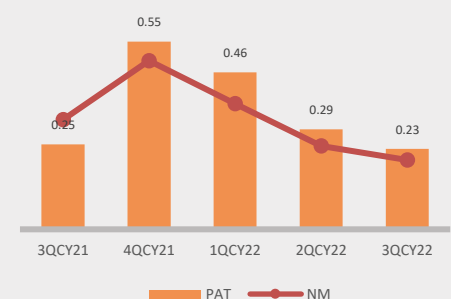
## AGP vs KSE 100



## 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	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	6,946	7,420	9,685	10,847	12,156	13,632	15,299
Cost of sale	3,086	3,303	4,710	5,143	5,764	6,464	7,254
<b>Gross profit</b>	<b>3,861</b>	<b>4,117</b>	<b>4,975</b>	<b>5,704</b>	<b>6,392</b>	<b>7,169</b>	<b>8,045</b>
Administration expenses	227	391	388	435	487	547	613
Marketing and selling expenses	1,404	1,615	2,421	2,712	3,039	3,408	3,825
Other operating expenses	183	157	276	309	346	389	436
<b>Operating Profit</b>	<b>2,047</b>	<b>1,955</b>	<b>1,889</b>	<b>2,248</b>	<b>2,519</b>	<b>2,825</b>	<b>3,171</b>
Other operating income	32	46	155	174	194	218	245
Finance cost	152	89	112	220	230	241	252
Profit before taxation	1,927	1,911	1,933	2,202	2,484	2,802	3,164
Taxation	339	346	608	416	469	529	597
<b>Profit after taxation</b>	<b>1,587</b>	<b>1,565</b>	<b>1,324</b>	<b>1,786</b>	<b>2,015</b>	<b>2,273</b>	<b>2,566</b>
EPS	5.67	5.59	4.73	6.38	7.20	8.12	9.17

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	11.1%	6.8%	30.5%	12.0%	12.1%	12.1%	12.2%
Cost of sale	19.0%	7.0%	42.6%	9.2%	12.1%	12.1%	12.2%
<b>Gross profit</b>	<b>5.5%</b>	<b>6.6%</b>	<b>20.8%</b>	<b>14.6%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.2%</b>
Administration expenses	43.6%	72.4%	-0.6%	12.0%	12.1%	12.1%	12.2%
Marketing and selling expenses	8.5%	15.0%	49.9%	12.0%	12.1%	12.1%	12.2%
Other operating expenses	9.7%	-14.2%	75.6%	12.0%	12.1%	12.1%	12.2%
<b>Operating Profit</b>	<b>0.3%</b>	<b>-4.5%</b>	<b>-3.3%</b>	<b>19.0%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.2%</b>
Other operating income	180.4%	46.0%	236.0%	12.0%	12.1%	12.1%	12.2%
Finance cost	-33.1%	-41.2%	25.2%	96.5%	4.8%	4.8%	4.4%
Profit before taxation	5.6%	-0.8%	1.1%	13.9%	12.8%	12.8%	12.9%
Taxation	-10.3%	2.1%	75.5%	-31.6%	12.8%	12.8%	12.9%
<b>Profit after taxation</b>	<b>9.8%</b>	<b>-1.4%</b>	<b>-15.4%</b>	<b>34.9%</b>	<b>12.8%</b>	<b>12.8%</b>	<b>12.9%</b>
EPS	9.8%	-1.4%	-15.4%	34.9%	12.8%	12.8%	12.9%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	55.58	55.49	51.37	52.59	52.59	52.59	52.59
NP Margin	%	22.85	21.09	13.68	16.47	16.57	16.67	16.78
OP Margin	%	29.47	26.34	19.51	20.73	20.73	20.73	20.73
ROE	%	19.33	16.48	13.13	16.08	16.50	16.92	17.25
ROCE	%	18.28	16.22	12.89	15.92	16.35	16.79	17.13
ROA	%	15.58	13.97	10.38	11.82	11.58	11.36	11.18
Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	1.71	1.65	3.15	3.27	3.92	4.48	5.03
Acid-test	x	1.25	1.34	1.97	1.54	1.58	1.58	1.59
Cash to current liab.	x	0.25	0.21	1.05	1.63	2.24	2.80	3.34
Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		140	121	121	121	121	121	121
Receivables Days		39	40	34	32	32	32	32
Payables Days		99	118	130	130	130	130	130
Operating Cycle		80	44	25	23	23	23	23
Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	5.67	5.59	4.73	6.38	7.20	8.12	9.17
DPS	Rs.	2.00	2.50	2.00	2.75	3.25	3.75	4.00
Div. Yield	%	2.56	3.20	2.56	3.52	4.15	4.79	5.11
Dividend Cover	x	2.83	2.24	2.37	2.32	2.21	2.16	2.29
BVPS	Rs.	29.32	33.91	36.04	39.67	43.61	47.98	53.15
Payout	%	35.28	44.73	42.28	43.11	45.17	46.19	43.64
Retention	%	64.72	55.27	57.72	56.89	54.83	53.81	56.36
No. of Shares	mn	280	280	280	280	280	280	280
P/E		13.80	14.00	16.54	12.26	10.87	9.63	8.53
Sales per share		24.81	26.50	34.59	38.74	43.41	48.69	54.64
P/BV		2.67	2.31	2.17	1.97	1.79	1.63	1.47
Price to Sales		3.64	3.40	2.61	2.33	2.08	1.85	1.65
Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	12.97	10.41	1.09	0.31	0.23	0.17	0.07
Interest Cover	x	13.48	21.89	16.90	10.24	10.95	11.72	12.60

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

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Market Weight	Neutral
Underweight	Negative

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