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AGHA has announced its 4QFY22 result where it posted a profit after tax of Rs115mn (EPS: Rs0.19) as compared to a profit after tax of Rs438mn (EPS: Rs0.72) in the same period last year, down by 73.7% YoY amid a decrease in volumetric sales as well as an increase in effective taxation.

The company has posted a revenue of Rs6.93bn against Rs4.30bn in SPLY, recording a growth of 61.3% YoY. The gross margin has squeezed to 17.6% as compared to 30.6% during SPLY amid lower margins despite an increase in domestic steel prices.

Furthermore, SG&A and other expenses went up by 90.2% YoY and 535.2% YoY respectively during SPLY. Moreover, finance cost increased by 45.5% YoY to Rs727mn while effective taxation increased to 44.7% due to the imposition of super tax by the government.

AGHA is trading at a FY23E P/E of 4.94x. Moreover, the scrip is also trading at FY23E P/B of 0.52x which offers a discount of 34% relative to its historical 3-Year average of 0.79x. We maintain our **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs20 which provides an upside potential of 31%.

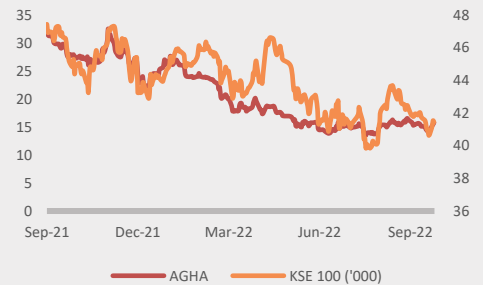
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	6,935	4,299	61.3% ▲	25,648	19,858	29.2% ▲
Cost of Sales	-5,717	-2,985	91.5% ▲	-20,158	-15,356	31.3% ▲
<b>Gross Profit</b>	<b>1,218</b>	<b>1,313</b>	<b>7.3% ▼</b>	<b>5,490</b>	<b>4,503</b>	<b>21.9% ▲</b>
SG&A Expenses	-176	-93	90.2% ▲	-688	-582	18.2% ▲
Other Expenses	-203	-32	535.2% ▲	-681	-197	245.1% ▲
<b>Operating Profit</b>	<b>839</b>	<b>1,189</b>	<b>29.4% ▼</b>	<b>4,121</b>	<b>3,723</b>	<b>10.7% ▲</b>
Other Income	96	55	74.7% ▲	303	239	26.7% ▲
Finance Cost	-727	-500	45.5% ▲	-2,136	-1,409	51.6% ▲
Profit Before Taxation	208	744	72.0% ▼	2,288	2,553	10.4% ▼
Taxation	-93	-306	69.6% ▼	-434	-517	16.2% ▼
<b>Profit After Taxation</b>	<b>115</b>	<b>438</b>	<b>73.7% ▼</b>	<b>1,855</b>	<b>2,036</b>	<b>8.9% ▼</b>
Earnings Per Share	0.19	0.72	73.7% ▼	3.07	3.37	8.9% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0.15		0.00	0.15	
Gross Margin	17.6%	30.6%	13.0% ▼	21.4%	22.7%	1.3% ▼
SG&A Expenses to Sales	-2.5%	-2.2%	0.4% ▲	-2.7%	-2.9%	0.2% ▼
Other Income to Sales	1.4%	1.3%	0.1% ▲	1.2%	1.2%	0.0% ▼
Ex. Gain / (Loss) to Sales	-2.5%	-2.2%	0.4% ▲	-2.7%	-2.9%	0.2% ▼
Effective Taxation	-44.7%	-41.1%	3.6% ▲	-18.9%	-20.3%	1.3% ▼
Net Margin	1.7%	10.2%	8.5% ▼	7.2%	10.3%	3.0% ▼

Source: ACPL Research, Company Financials

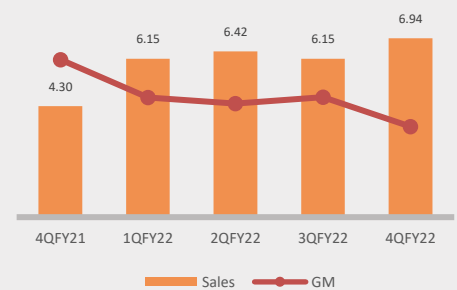
## Key Statistics

Symbol	AGHA
TP - Jun 23	20.00
LDPC	15.20
Upside (%)	31
Free Float ('mn)	151
Market Cap. (Rs.'mn)	9,206

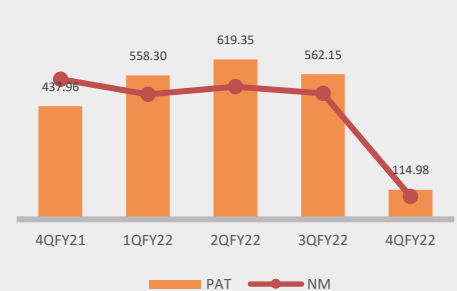
## AGHA vs KSE 100



## Sales (Rs'mn) vs Gross Margin



## PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	10,482	13,427	19,858	25,648	31,635	33,944	36,388
Cost of sale	8,451	10,030	15,356	20,158	24,948	26,535	28,200
<b>Gross profit</b>	<b>2,031</b>	<b>3,397</b>	<b>4,503</b>	<b>5,490</b>	<b>6,687</b>	<b>7,409</b>	<b>8,189</b>
Selling and promotion expenses	124	213	285	354	436	468	502
Administration expenses	208	270	297	335	413	443	475
Other operating expenses	- 42	115	197	681	840	901	966
<b>Operating Profit</b>	<b>1,741</b>	<b>2,799</b>	<b>3,723</b>	<b>4,121</b>	<b>4,998</b>	<b>5,597</b>	<b>6,246</b>
Other operating income	-	293	239	303	374	401	430
Finance cost	1,135	1,703	1,409	2,136	2,595	2,596	2,414
Profit before taxation	607	1,390	2,553	2,288	2,777	3,403	4,263
Taxation	- 162	154	517	434	916	1,123	1,407
<b>Profit after taxation</b>	<b>769</b>	<b>1,236</b>	<b>2,036</b>	<b>1,855</b>	<b>1,861</b>	<b>2,280</b>	<b>2,856</b>
EPS	<b>1.27</b>	<b>2.04</b>	<b>3.37</b>	<b>3.07</b>	<b>3.08</b>	<b>3.77</b>	<b>4.72</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	38.7%	28.1%	47.9%	29.2%	23.3%	7.3%	7.2%
Cost of sale	42.2%	18.7%	53.1%	31.3%	23.8%	6.4%	6.3%
<b>Gross profit</b>	<b>14.1%</b>	<b>67.2%</b>	<b>32.6%</b>	<b>21.9%</b>	<b>21.8%</b>	<b>10.8%</b>	<b>10.5%</b>
Selling and promotion expenses	-18.2%	72.7%	33.7%	23.9%	23.3%	7.3%	7.2%
Administration expenses	17.2%	29.6%	10.0%	12.8%	23.3%	7.3%	7.2%
Other operating expenses	9.9%	-373.4%	72.3%	245.1%	23.3%	7.3%	7.2%
<b>Operating Profit</b>	<b>17.6%</b>	<b>60.7%</b>	<b>33.0%</b>	<b>10.7%</b>	<b>21.3%</b>	<b>12.0%</b>	<b>11.6%</b>
Other operating income	-17.5%	18.0%	-18.3%	26.7%	23.3%	7.3%	7.2%
Finance cost	42.3%	50.1%	-17.2%	51.6%	21.5%	0.0%	-7.0%
Profit before taxation	8.3%	129.0%	83.8%	-10.4%	21.3%	22.5%	25.3%
Taxation	16.3%	-195.1%	236.0%	-16.2%	111.3%	22.5%	25.3%
<b>Profit after taxation</b>	<b>6.4%</b>	<b>60.7%</b>	<b>64.8%</b>	<b>-8.9%</b>	<b>0.3%</b>	<b>22.5%</b>	<b>25.3%</b>
EPS	<b>6.4%</b>	<b>60.7%</b>	<b>64.8%</b>	<b>-8.9%</b>	<b>0.3%</b>	<b>22.5%</b>	<b>25.3%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	19.38	25.30	22.67	21.41	21.14	21.83	22.50
OP Margin	%	16.61	23.03	19.95	17.25	16.98	17.67	18.35
NP Margin	%	7.33	9.20	10.25	7.23	5.88	6.72	7.85
ROE	%	13.18	17.23	18.53	12.58	11.21	12.21	13.45
ROCE	%	7.92	11.35	12.12	13.51	17.49	18.88	20.52
ROA	%	3.49	4.54	6.23	5.67	6.06	7.18	8.78

Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.20	1.08	1.28	0.75	0.66	0.59	0.51
Acid-test	x	0.32	0.28	0.35	0.13	0.03	0.01	-0.03
Cash to current liab.	x	0.02	0.00	0.06	-0.24	-0.35	-0.34	-0.35

Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory Turnover	x	0.57	0.51	0.71	0.98	1.19	1.11	1.11
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	FY22A	FY23E	FY24E	FY25E
EPS	Rs.	1.27	2.04	3.37	3.07	3.08	3.77	4.72
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	25.90	28.97	32.74	37.46
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		11.96	7.44	4.52	4.96	4.94	4.03	3.22
Sales per share		17.33	22.20	32.83	42.40	52.30	56.12	60.16
P/BV		1.49	1.13	0.67	0.59	0.52	0.46	0.41
Price to Sales		0.88	0.68	0.46	0.36	0.29	0.27	0.25

Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	2.58	2.16	1.39	0.83	0.88	0.90	0.92
L.T. Debt to Equity	x	0.94	0.69	0.68	0.08	0.07	0.04	0.02
Interest Cover	x	1.53	1.82	2.81	2.07	2.07	2.31	2.77

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
- IV. Sum of Parts Valuation

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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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