

AGP has announced its 1HCY21 result where it posted profit after tax of Rs772Mn (EPS: Rs2.76) as compared to profit after tax of Rs755mbn (EPS: Rs2.70) in the same period last year, up by 2.3% YoY.

The company has posted a revenue of Rs3.65bn against Rs3.18bn in SPLY, recording a positive growth of 14.9% YoY. We note that this increase is attributed to the increase in volumetric sales. The gross margin has been decreased to 53.8% as compared to 55% during SPLY on account of higher input cost.

SG&A expenses have been increased by 4.5% YoY to Rs770mn as compared to Rs528mn during SPLY. Finance cost has been decreased by 41.2% YoY to Rs53mn as compared to Rs90mn during SPLY on account of the lower interest rate. Lastly, the effective taxation has been decreased to 17.8% as compared to 18.3% during SPLY.

Going forward, we expect that the recent acquisition of the portfolio of 22 Pharma product brands from Sandoz AG will add significant value to the top line of the company. The script is currently trading at CY21E PE of 16.33x. We have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs140 which provides an upside potential of 14%. Further, the scrip also provides a dividend yield of 2.85% which makes the total return of 17%.

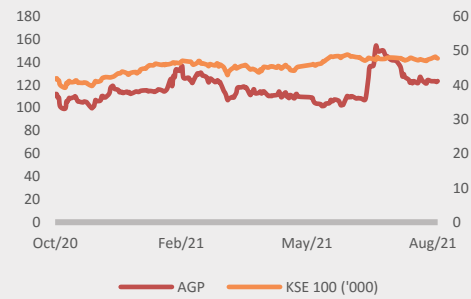
Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Net Sales	2,005	1,417	41.5% ▲	3,647	3,174	14.9% ▲
Cost of Sales	970	645	50.4% ▲	1,686	1,429	18.0% ▲
Gross Profit	1,036	773	34.0% ▲	1,961	1,744	12.4% ▲
SG&A Expenses	514	308	66.7% ▲	770	528	46.0% ▲
Other Expenses	40	48	17.4% ▼	74	113	34.6% ▼
Operating Profit	483	417	15.8% ▲	948	1,003	5.4% ▼
Other Income	18	5	259.0% ▲	44	11	305.8% ▲
Finance Cost	23	42	45.8% ▼	53	90	41.2% ▼
Profit Before Taxation	478	380	25.9% ▲	940	924	1.7% ▲
Taxation	89	60	49.5% ▲	168	169	1.1% ▼
Profit After Taxation	389	320	21.4% ▲	772	755	2.3% ▲
Earnings Per Share	1.39	1.14	21.4% ▲	2.76	2.70	2.3% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	51.6%	54.5%	2.9% ▼	53.8%	55.0%	1.2% ▼
SG&A Expenses to Sales	25.6%	21.7%	3.9% ▲	21.1%	16.6%	4.5% ▲
Other Expenses to Sales	2.0%	3.4%	1.4% ▼	2.0%	3.6%	1.5% ▼
Other Income to Sales	0.9%	0.4%	0.6% ▲	1.2%	0.3%	0.9% ▲
Effective Taxation	18.7%	15.7%	3.0% ▲	17.8%	18.3%	0.5% ▼
Net Margin	19.4%	22.6%	3.2% ▼	21.2%	23.8%	2.6% ▼

Source: ACPL Research, Company Financials

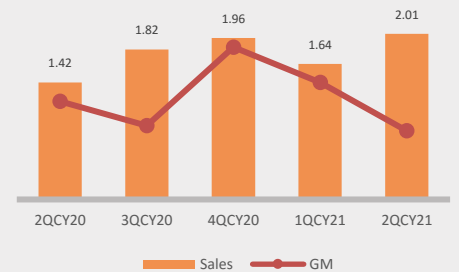
Key Statistics

Symbol	AGP
TP - Jun 22	140.00
LDPCP	123.00
Upside	14.00%
Free Float (mn)	84
Market Cap. (Rs.mn)	34,440

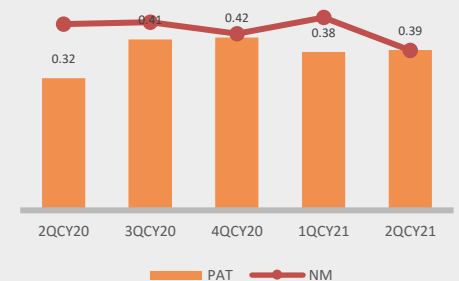
AGP vs KSE 100



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	7,773	8,939	10,279
Cost of sale	1,586	1,746	1,851	2,341	2,594	3,086	3,591	4,130	4,749
Gross profit	2,162	2,460	2,874	3,041	3,659	3,861	4,182	4,809	5,530
Administration expenses	126	109	134	127	158	227	361	416	478
Marketing and selling expenses	698	763	1,050	1,153	1,294	1,404	1,648	1,895	2,179
Other operating expenses	69	102	100	152	167	183	139	160	184
Operating Profit	1,269	1,487	1,591	1,609	2,040	2,047	2,033	2,338	2,689
Other operating income	20	42	20	17	11	32	123	141	162
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	2,066	2,445	2,843
Taxation	130	81	100	219	378	339	378	447	520
Profit after taxation	643	1,087	1,234	1,207	1,446	1,587	1,688	1,998	2,323
EPS	2.30	3.88	4.41	4.31	5.17	5.67	6.03	7.13	8.30

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%	11.9%	15.0%	15.0%
Cost of sale	0.0%	10.1%	6.0%	26.5%	10.8%	19.0%	16.4%	15.0%	15.0%
Gross profit	0.0%	13.8%	16.8%	5.8%	20.3%	5.5%	8.3%	15.0%	15.0%
Administration expenses	0.0%	-13.3%	23.2%	-5.1%	24.1%	43.6%	59.4%	15.0%	15.0%
Marketing and selling expenses	0.0%	9.2%	37.6%	9.9%	12.2%	8.5%	17.4%	15.0%	15.0%
Other operating expenses	0.0%	46.8%	-1.9%	52.1%	10.2%	9.7%	-24.0%	15.0%	15.0%
Operating Profit	0.0%	17.2%	7.0%	1.1%	26.8%	0.3%	-0.7%	15.0%	15.0%
Other operating income	0.0%	112.8%	-53.6%	-13.0%	-33.6%	180.4%	288.8%	15.0%	15.0%
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%	7.3%	18.3%	16.3%
Taxation	0.0%	-37.7%	23.2%	119.9%	72.8%	-10.3%	11.5%	18.3%	16.3%
Profit after taxation	0.0%	69.0%	13.5%	-2.2%	19.9%	9.8%	6.4%	18.3%	16.3%
EPS	0.0%	69.0%	13.5%	-2.2%	19.9%	9.8%	6.4%	18.3%	16.3%

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	53.80	53.80	53.80
NP Margin	%	17.17	25.85	26.11	22.42	23.13	22.85	21.72	22.35	22.60
OP Margin	%	33.85	35.35	33.67	29.89	32.63	29.47	26.16	26.16	26.16
ROE	%	20.17	25.42	22.39	18.95	19.38	18.76	18.41	19.61	20.39
ROCE	%	9.81	16.64	17.08	15.84	17.53	18.12	18.27	19.47	20.27
ROA	%	7.70	12.77	14.47	13.46	15.06	0.64	0.67	0.79	0.91
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	195.56	207.97	182.97
Acid-test	x	0.39	0.43	0.87	0.95	1.14	1.32	1.64	1.99	2.00
Cash to current liab.	x	0.37	0.25	0.02	0.02	0.09	178.03	193.43	205.44	180.49
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	32	33	33
Payables Days		98	137	158	103	119	119	119	119	119
Operating Cycle		26	2	12	56	56	56	56	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	6.03	7.13	8.30
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	1.02	2.64	1.63	2.85	2.85	3.25
Dividend Cover	x	n/a	n/a	n/a	3.45	1.59	2.83	1.72	2.04	2.07
BVPS	Rs.	11.39	15.28	19.68	22.74	26.65	30.22	32.75	36.38	40.68
Payout	%	0.00	0.00	0.00	29.00	62.92	35.28	58.05	49.06	48.22
Retention	%	100.00	100.00	100.00	71.00	37.08	64.72	41.95	50.94	51.78
No. of Shares	'000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
P/E		53.53	31.68	27.91	28.54	23.81	21.70	20.40	17.24	14.83
Sales per share		13.39	15.02	16.87	19.22	22.33	24.81	27.76	31.92	36.71
P/BV		10.80	8.05	6.25	5.41	4.61	4.07	3.76	3.38	3.02
Price to Sales		8.23	7.34	6.53	5.73	4.93	4.44	3.97	3.45	3.00
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	22.66	67.97	314.74

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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SELL	Less than and equal to -5%

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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