

Earning Review

AGHA: 4QFY21 EPS clocked in at Rs0.76, up 98% YoY

Event

- Agha Steel Industries Limited (AGHA PA) profitability clocked in at Rs438mn (EPS Rs0.76) in 4QFY21 (up/down by 98/19% YoY) against profit of Rs221mn (EPS Rs0.38) in 4QFY20. This takes FY21 profitability to Rs2,036mn (EPS Rs3.53) as compared to profit of Rs1,236mn (EPS Rs2.14) in FY20. The result is also accompanied with bonus issue of 5%.

Impact

- We attribute increase in company's profitability to (1) better retention prices amid higher volumes and (2) decline in admin/S&D cost.
- In 4QFY21, AGHA sales increased/decreased by 69/19% YoY in 4QFY21.
- Furthermore, AGHA gross margins increased by 1.8/9.5ppt YoY in 4QFY21. We attribute increase in margins to higher rebar retention prices and some accounting adjustment. However, we wait for detailed financials to have clarity on this front.
- AGHA's finance cost increased by 126/33% YoY in 4QFY21.
- Moreover, among other heads company's admin/distribution expenses declined by 75/19% YoY in 4QFY21. Admin expenses declined due to absence of off IPO related expenses.
- To highlight, AGHA's other income decreased/increased by 46/59% YoY/QoQ in 4QFY21.
- Furthermore, company's effective tax rate clocked in at 41.1% in 4QFY21.

Outlook

- We have "Outperform" stance on the scrip. We expect company to benefit from (1) construction package announced by the Government, (2) listed players greater financial muscle as compared to ungraded players, (3) start of price increase cycle, (4) increased public sector spending by the government to uplift economic activity and (5) lower working capital needs.

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Fig 01: AGHA 4QFY21 Financial Highlights (Rs mn)

	4QFY21	4QFY20	YoY	QoQ	FY21	FY20	YoY
Net Sales	4,299	2,542	69%	-19%	19,858	13,427	48%
Cost of Sales	2,985	1,811	65%	-28%	15,356	10,030	53%
Gross Profit	1,313	731	80%	18%	4,503	3,397	33%
Administrative expenses	29	117	-75%	-59%	297	270	10%
S&D expenses	63	79	-19%	-24%	285	213	34%
Other operating charges	32	32	0%	-51%	197	115	72%
Other Income	55	101	-46%	59%	239	293	-18%
EBIT	1,244	604	106%	23%	3,962	3,092	28%
Financial charges	500	221	126%	33%	1,409	1,703	-17%
PBT	744	383	94%	35%	2,553	1,390	84%
Taxation	306	161	89%	3245%	517	154	236%
PAT	438	221	98%	-19%	2,036	1,236	65%
EPS	0.76	0.38			3.53	2.14	
GP Margins	30.6%	28.7%			22.7%	25.3%	
EBIT Margins	28.9%	23.8%			20.0%	23.0%	
NP Margins	10.2%	8.7%			10.3%	9.2%	

Source: PSX, Foundation Research, September 2021

Important disclosures:

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.