

## Earning Review

### AGHA: 1QFY22 EPS clocked in at Rs0.97, up 10% YoY

#### Event

- Agha Steel Industries Limited (AGHA PA) profitability clocked in at Rs558mn (EPS Rs0.97) in 1QFY22 (up by 10/27% YoY/QoQ) against profit of Rs509mn (EPS Rs0.88) in 1QFY21.
- The result is in line with our expectations.

#### Impact

- We attribute increase in company's profitability to (1) better retention prices amid higher volumes and (2) decline in admin cost.
- In 1QFY22, AGHA sales increased by 22/43% YoY/QoQ due to multiple price hikes during the quarter amid higher volumes.
- Furthermore, AGHA gross margins increased/decreased by 1.2/7.3ppt YoY/QoQ in 1QFY22. We attribute increase in margins to higher rebar retention prices and better volumes. To highlight, on sequential basis decline in margins is attributable to one off adjustments booked in 4QFY22.
- AGHA's finance cost increased by 67% YoY in 1QFY21 due to increase in debt levels of the company.
- Moreover, among other heads, company's admin/distribution cost decreased/increased by 17/48% YoY in 1QFY22. Company distribution cost increased due to higher volumes and increased fuel cost.
- To highlight, AGHA's other income declined by 45/71% YoY/QoQ in 1QFY22, we wait for management clarity on this front.
- Furthermore, company's effective tax rate clocked in at 25.5% in 1QFY22.

#### 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 1QFY22 Key Financial Highlights (Rs mn)

	1QFY22	1QFY21	YoY	QoQ
Net Sales	6,145	5,034	22%	43%
Cost of Sales	4,718	3,926	20%	58%
<b>Gross Profit</b>	<b>1,427</b>	<b>1,108</b>	<b>29%</b>	<b>9%</b>
Administrative expenses	73	88	-17%	149%
S&D expenses	113	76	48%	78%
Other operating charges	58	44	33%	83%
Other Income	16	29	-45%	-71%
<b>EBIT</b>	<b>1,199</b>	<b>929</b>	<b>29%</b>	<b>-10%</b>
Financial charges	450	270	67%	-10%
PBT	749	659	14%	1%
Taxation	191	150	28%	-38%
<b>PAT</b>	<b>558</b>	<b>509</b>	<b>10%</b>	<b>27%</b>
EPS	0.97	0.88	10%	27%
GP Margins	23.2%	22.0%		
EBIT Margins	19.5%	18.5%		
NP Margins	9.1%	10.1%		

Source: PSX, Foundation Research, October 2021

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#### Recommendations definitions

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