

Earning Review

AGHA: 2QFY22 EPS clocked in at Rs1.02, up 13% YoY

Event

- Agha Steel Industries Limited (AGHA PA) profitability clocked in at Rs619mn (EPS Rs1.02) in 2QFY22 (up by 13/11% YoY/QoQ) against profit of Rs548mn (EPS Rs0.91) in 2QFY21. This takes 1HFY22 profitability to Rs1.2bn (EPS of Rs1.95) as compared to profit of Rs1.1bn (EPS of Rs1.75) in 1HFY21.

Impact

- We attribute increase in company's profitability to (1) better retention prices due to multiple price hikes and (2) lower effective tax rate.
- In 2QFY22, AGHA sales increased by 22/5% YoY/QoQ due to multiple price hikes during the quarter by the company in order to pass on the impact of higher scrap prices amid rupee depreciation.
- Furthermore, AGHA gross margins increased/decreased by 3.6/1.2ppt YoY/QoQ in 2QFY22 to 22.1%. We attribute increase in margins to higher rebar retention prices as volumetric growth remained restricted. To highlight, on sequential basis margins declined by 1.2ppt QoQ in 2QFY22 due to higher scrap price, in our view.
- AGHA's finance cost increased by 12% YoY in 2QFY22. However, on sequential basis company's finance cost declined by 35% QoQ.
- Moreover, among other heads, company's admin/distribution cost decreased/increased by 19/99% YoY/QoQ in 2QFY22. Company distribution cost increased due to higher fuel cost.
- Furthermore, company's effective tax rate clocked in at 7.7% in 2QFY22.

Outlook

- We have "Outperform" stance on the scrip. We expect company to benefit from (1) listed players greater financial muscle as compared to ungraded players, (2) favorable Gov't policies for construction sector, (3) continuous increase in consumer housing finance and (4) increased demand from public sector given pre-election spending.

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Fig 01: AGHA 2QFY22 Key Financial Highlights (Rs mn)

	2QFY22	2QFY21	YoY	QoQ	1HFY22	1HFY21	YoY
Net Sales	6,422	5,244	22%	5%	12,568	10,279	22%
Cost of Sales	5,006	4,275	17%	6%	9,724	8,201	19%
Gross Profit	1,416	970	46%	-1%	2,844	2,078	37%
Administrative expenses	87	108	-19%	20%	160	196	-18%
S&D expenses	123	62	99%	9%	236	138	71%
Other operating charges	361	57	537%	520%	419	101	317%
Other Income	121	121	0%	669%	137	150	-9%
EBIT	966	863	12%	-25%	2,248	1,873	20%
Financial charges	294	263	12%	-35%	745	533	40%
PBT	671	601	12%	-10%	1,420	1,260	13%
Taxation	52	53	-2%	-73%	243	202	20%
PAT	619	548	13%	11%	1,178	1,057	11%
EPS	1.02	0.91			1.95	1.75	
GP Margins	22.1%	18.5%			22.6%	20.2%	
EBIT Margins	15.0%	16.5%			17.9%	18.2%	
NP Margins	9.6%	10.4%			9.4%	10.3%	

Source: PSX, Foundation Research, February 2022

Important disclosures:

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Recommendations definitions

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