

Earning Review

AGHA: 2QFY23 EPS clocked in at Rs0.41, down 60% YoY

Event

- Agha Steel Industries Limited (AGHA PA) profitability clocked in at Rs249mn (EPS Rs0.41) in 2QFY23 (down/up 60/62% YoY/QoQ) against profit of Rs619mn (EPS Rs1.02) in 2QFY22. This takes 1HFY23 profitability to Rs402mn (EPS Rs0.66, down 66% YoY) as compared to profit of Rs1,178mn (EPS Rs1.95) in 1HFY22.

Impact

- We attribute decrease in company's profitability to (1) lower volumetric sales given slowdown in demand from private sector projects amid record floods, (2) elevated energy cost due to increase in electricity prices, (3) higher finance costs and (4) increased effective tax rate.
- In 2QFY23, AGHA sales decreased by 21% YoY due to lower volumetric sales. However, on sequential basis ASTL sales increased by 8% QoQ due to recovery in volumes as prices remained on lower side.
- Furthermore, AGHA gross margins increased by 2.2ppt YoY in 2QFY23 to 24.3%. We attribute increase in margins to efficient use of scrap mix.
- AGHA's finance cost increased by 176/17% YoY/QoQ in 2QFY23 due to higher working capital requirement amid increase in KIBOR.
- Moreover, among other heads, company's admin/distribution charges decreased by 24/42% YoY in 2QFY23.
- Furthermore, company's effective tax rate clocked in at 41.6% in 2QFY23.

Outlook

- Company profitability would remain under pressure due to (1) slowdown in economic activity amid record floods, (2) curtailment of development spending due to swelling fiscal imbalances and (3) restricted volumetric growth due to continuous delay in expansion project.

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Fig 01: AGHA 2QFY23 Financial Highlights (Rs mn)

	2QFY23	2QFY22	YoY	QoQ	1HFY23	1HFY22	YoY
Net Sales	5,059	6,422	-21%	8%	9,763	12,568	-22%
Cost of Sales	3,830	5,006	-23%	4%	7,515	9,724	-23%
Gross Profit	1,229	1,416	-13%	21%	2,248	2,844	-21%
Administrative expenses	66	87	-24%	-14%	143	160	-11%
S&D expenses	72	123	-42%	-45%	202	236	-14%
Other operating charges	52	361	-86%	425%	62	419	-85%
Other Income	200	121	66%	142%	283	137	107%
EBIT	1,239	966	28%	40%	2,124	2,165	-2%
Financial charges	813	294	176%	17%	1,510	745	103%
PBT	426	671	-37%	127%	614	1,420	-57%
Taxation	177	52	242%	420%	212	243	-13%
PAT	249	619	-60%	62%	402	1,178	-66%
EPS	0.41	1.02			0.66	1.95	
GP Margins	24.3%	22.1%			23.0%	22.6%	
EBIT Margins	24.5%	15.0%			21.8%	17.2%	
NP Margins	4.9%	9.6%			4.1%	9.4%	

Source: PSX, Foundation Research, February 2023

Important disclosures:

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