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Sector

Pharmaceuticals

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Symbol: **AGP**
Current Price: **PKR 49.75**
Market Cap (PKR bn): **13.930**
Total Shares (mn): **280.00**
Free Float (mn): **84.00**
52 Week Low: **PKR 46.00**
52 Week High: **PKR 85.99**

AGP Limited (AGP)

In 1HCY23, AGP reported consolidated profit of PKR 732.15 million (EPS of PKR 2.27), which was a decrease compared to the PKR 853.03 million (EPS of PKR 2.82) reported in the same period of the previous year.

Based on Moving Annual Turnover, AGP's consolidated revenue reached PKR 17 billion, with AGP demonstrating a remarkable growth rate of 25%, significantly outpacing the industry's growth rate of 14%.

The cost of sales increased to PKR 3.908 billion in 1HCY23 from PKR 3.507 billion during the same period. Additionally, the Company incurred PKR 39 million in interest costs due to investments in subsidiaries.

Net revenue for the period was reported at PKR 8.09 billion in 1HCY23, compared to PKR 7.124 billion in the same period of the previous year, with exports contributing PKR 800 million to the net revenue this year.

Profit after tax (PAT) margins witnessed a significant decline due to uncontrolled inflation and devaluation, amounting to PKR 341 million. The Company achieved its highest-ever sales of PKR 1.2 billion in January and its highest-ever production of 6.8 million packs in February 2023.

The top products contributing to sales include Rigix (24.7%), Osnate (14.9%), Ceclor (13.2%), Anafortan (6.1%), Spasler (5.3%), and others (35.8%). These top products collectively accounted for 64.2% of the total revenue.

AGP introduced two new brands, with three SKUs in nutraceutical and GI segments in 1HCY23. The top brands in terms of sales for AGP include Azomax (59.8%), Others (31.3%), and Zatofen (8.9%). Azomax crossed the PKR 3 billion mark over the last twelve months.

The pharmaceutical industry experienced a one-off increase in prices in May of 17%-20%. However, DRAP refused to issue an annual CPI increase, and the company is awaiting a court judgment in this regard.

On a standalone basis, the Company reported revenue of PKR 6 billion (a 23% YoY increase) in 1HCY23. Gross profit margins and EBIT margins increased by 44% and 14% YoY, respectively. PAT margins were adjusted for the devaluation impact (PKR 318 million) and international rates (PKR 50.4 million), including finance costs related to a loan taken for equity investment in OBS PK. Adjusted PAT was reported at PKR 852 million in 1HCY23.

The Company acquired Pfizer brands in April 2023, with a 92.5% shareholding. Out of the 17 acquired brands, ten are currently active. The total transaction size was PKR 9.3 billion, with 75% financed through debt and 25% through equity. The impact of the Pfizer acquisition on revenue is expected to become apparent from July onwards this year.

The annual revenue from the Pfizer portfolio was reported at PKR 2.2 billion.

Management attributes the success in strong margins to cost-controlled measures, strong bargaining power with suppliers, and the company's growth trajectory, which helped maintain stable margins.

Going forward, the management anticipates that margins will continue to face pressure. In terms of exports, AGP has started exports to Sri Lanka and Kenya and plans to initiate exports to Yemen and Sudan this year.

Furthermore, the challenges of PKR devaluation and interest rate hikes are expected to persist. However, the management believes that a one-off price increase will partially offset these challenges. The Company is also considering Yuan-based payments and increasing localized vendor sources. Additionally, dividend inflows from subsidiaries will further strengthen the company's cash flow position.

Important Disclosures

Disclaimer: