APAG Agro Processors & Atmospheric Gases Limited (APAG)

PSX · VANASAPTI

Whether APAG's capacity expansion and export growth can support the fair value implied ahead of its IPO

THE STORY

As you know, we have been looking closely at Agro Processors & Atmospheric Gases Limited (APAG) ahead of its listing. APAG refines and markets edible oils and food products under brands including Soya Supreme, Malta, Taqat, Supremo, Champion and Smart. Its product mix comprises approximately **64% cooking oil, 35% vanaspati/margarine and 1% sauces**, and Soya Supreme contributes around **70% of sales**, reportedly carrying higher margins than the company's other brands. It operates from **2.48 acres** of freehold industrial land with installed capacity of **90,000 MT per annum** for oils and margarine and **5,000 MT** for sauces, and it has received Shariah-compliant certification from AL Hilal Advisor.

On the financials, FY25 sales increased **17.6% YoY to PKR 18.1bn**. PAT rose to **PKR 557mn** from **PKR 213mn** in FY24, and management has also indicated FY25 PAT of **PKR 601mn**, corresponding to a net margin of approximately **3%**. In 9MFY26, PAT reached **PKR 602mn**, already exceeding full-year FY25 earnings. Gross margin improved to **15.93%** from 14.35%, while net margin increased to **3.80%** from 3.08%.

On the IPO itself, APAG intends to raise **PKR 1,857.59mn** at a floor price of **PKR 32.00 per share**. The issue comprises **58.05mn shares**, representing **15%** of post-IPO capital. Approximately **PKR 1,402.51mn** of this will fund capex to increase capacity by 30,000 MT to **120,000 MT** annually, and the remaining **PKR 455.08mn** will support working capital, with **PKR 187mn** earmarked for raw-material procurement and **PKR 268.13mn** for marketing expansion into Punjab, KPK and Gilgit-Baltistan.

On exports, we note export sales of approximately **PKR 1.5bn** in FY25, around **12%** of total sales, with key markets in Afghanistan, Qatar, UAE and the wider MENA region, and European exports planned for 1QFY27. These exports are primarily vanaspati and margarine under the Taqat and Champion brands. Afghanistan exports receive advance USD payments with 2-3 week delivery, and management estimates export margins at **12-15%**, noting LC retirement discounts of **PKR 1-1.5** on advance remittances. The company has also supplied institutional clients including the Pakistan Navy (a **PKR 300mn** tender) and the Army, plus UN aid programmes with US payments over the past three years.

On tax and imports, APAG operates under the Export Facilitation Scheme with duty exemptions on exports; export turnover is taxed at **1.25%**, while local operations face **29%** corporate tax plus **8%** super tax, with an estimated **2%** tax saving post-finance bill. As a manufacturer, it can also adjust the **2%** advance income tax paid at the import stage.

THE NUMBERS

FY25 sales growth
17.6% YoY to PKR 18.1bn

FY25 PAT
PKR 557mn
vs PKR 213mn in FY24

Management-indicated FY25 PAT
PKR 601mn
net margin approximately 3%

9MFY26 PAT
PKR 602mn
already exceeds full-year FY25 earnings

IPO raise
PKR 1,857.59mn
floor price PKR 32.00 per share

THE STORY (CONT.)

On cost structure, raw material costs represent **88-90%** of sales, with oil imported primarily from Malaysia and Indonesia at **USD 1,000-1,200** per metric tonne. Capacity utilisation was **47.8%** in FY26, and the planned BMR initiative aims to increase throughput from **120 to 150-160 tonnes per hour**, improving fixed-cost absorption. On energy, APAG plans biomass installation, solar expansion and economiser installation to reduce energy costs and SSGC gas dependency; gas prices have declined approximately **10%** on lower RLNG prices, with the pricing structure at **80% SSGC and 20% variable**.

For context on the industry, edible-oil consumption grew **17.3% YoY to 4.89mn MT** in FY25, per-capita consumption increased to **20.3 kg** from 17.6 kg, imports accounted for **72.3%** of consumption with local production at **27.2%**, and cottonseed represents **74.2%** of domestic oilseed production.

On valuation, applying a forward P/E range of **13.0x-18.0x** to our estimated forward earnings, we arrive at an indicative fair value of approximately **PKR 39.1 per share**. As you'd expect, this is our read of where the earnings and multiple case lands, not an instruction on where to transact.

THE NUMBERS (CONT.)

IPO issue size
58.05mn shares
15% of post-IPO capital

CAPEX allocation from IPO proceeds
PKR 1,402.51mn
capacity from 90,000 MT to 120,000 MT annually

Indicative fair value
approximately PKR 39.1 per share
forward P/E range 13.0x-18.0x

WHAT WE ARE WATCHING

- The BMR initiative to raise throughput from 120 to 150-160 tonnes per hour and its effect on fixed-cost absorption given 47.8% capacity utilisation in FY26
- Progress on the capacity expansion from 90,000 MT to 120,000 MT annually funded by IPO proceeds
- The planned European export launch in 1QFY27 alongside existing Afghanistan, Qatar, UAE and MENA markets
- Energy initiatives (biomass, solar, economiser installation) intended to reduce SSGC gas dependency and costs
- Whether the estimated 2% tax saving post-finance bill materialises alongside the Export Facilitation Scheme benefits

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Capacity utilisation

Capacity utilisation measures how much of a factory's total possible output is actually being used, expressed as a percentage of installed capacity. A company running well below full capacity has room to grow sales without needing new plant investment, which can improve profitability as fixed costs like rent, depreciation and salaries get spread over more units produced. Investors watch this figure alongside expansion plans to judge whether new capacity is being added ahead of demand or in response to it.

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Forward P/E and fair value

A forward price-to-earnings (P/E) multiple values a company by comparing its share price to expected future earnings rather than past results. Analysts often apply a range of multiples, reflecting a band of possible outcomes, to estimated future earnings per share to arrive at an indicative fair value. This is a way of framing what the market might reasonably pay for a business given its growth and risk profile; it is one input among several that investors weigh, not a directive on when or at what price to transact.