

GATM has announced its annual result where it posted loss after tax of Rs479mn (LPS: Rs1.12) in FY20 as compared to profit after tax of Rs3.6bn (EPS: Rs8.44) in same period last year, down by 133.3% YoY.

The company has posted the revenue of Rs54bn against Rs57bn in SPLY, recording a negative growth of 5.8% YoY. We note that this negative growth is attributed to the closure of international borders amid Covid-19 crises.

Gross margin has been squeezed to 16.8% in FY20 as compared to 20.9% in FY19 on account of higher input cost.

Operating cost has been declined by 1.8% YoY to Rs7.5bn in FY20 as compared to Rs7.6bn in SPLY.

Other income has massively been declined by 67.7% YoY to Rs368mn as compared to Rs1.1bn during SPLY on account of exchange losses.

Finance cost has been increased by 36.3% YoY to Rs2bn in FY20 as compared to Rs1.5bn in SPLY on account of higher working capital requirement.

Going forward, we expect a turnaround in company's financial performance as Pakistan's textiles exports have witnessed a surge amid ease in global lockdowns. GATM is currently trading at FY21E PE of 12.72x. We upgrade our stance to **BUY** the script with a DCF based Jun-21 TP of Rs58 which provides an upside potential of 48%.

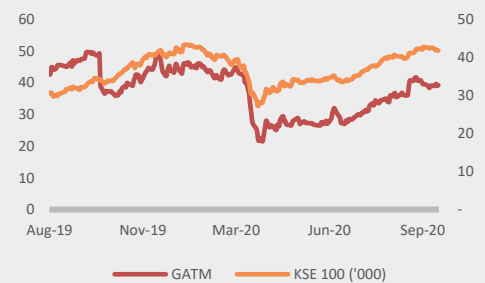
Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	8,936	17,081	47.7% ▼	53,941	57,288	5.8% ▼
Cost of Sales	8,087	14,227	43.2% ▼	44,872	45,306	1.0% ▼
Gross Profit	849	2,854	70.3% ▼	9,069	11,982	24.3% ▼
Operating Cost	1,484	2,041	27.3% ▼	7,506	7,637	1.7% ▼
Other Income	40	704	94.3% ▼	368	1,137	67.7% ▼
Operating Profit	-595	1,517	139.2% ▼	1,932	5,482	64.8% ▼
Finance Cost	578	489	18.2% ▲	2,008	1,473	36.3% ▲
Profit Before Taxation	-1,173	1,029	214.0% ▼	-76	4,008	101.9% ▼
Taxation	6	117	94.5% ▼	403	399	1.0% ▲
Profit After Taxation	-1,179	912	229.3% ▼	-479	3,609	113.3% ▼
Earnings Per Share	-2.76	2.13	229.3% ▼	-1.12	8.44	113.3% ▼
Dividend	0.00	2.50		0.00	2.50	
Bonus	0%	20%		0%	20%	
Gross Margin	9.5%	16.7%	7.2% ▼	16.8%	20.9%	4.1% ▼
Operating Cost to Sales	16.6%	11.9%	4.7% ▲	13.9%	13.3%	0.6% ▲
Other Income to Sales	0.4%	4.1%	3.7% ▼	0.7%	2.0%	1.3% ▼
Effective Taxation	-0.5%	11.3%	11.9% ▼	-529.8%	10.0%	539.8% ▼
Net Margin	-13.2%	5.3%	18.5% ▼	-0.9%	6.3%	7.2% ▼

Source: ACPL Research, Company Financials

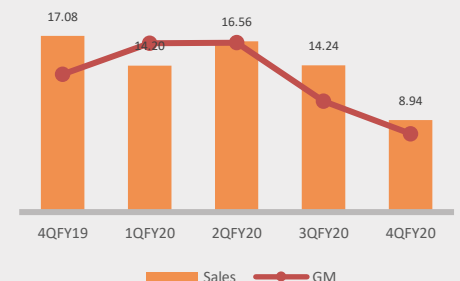
Key Statistics

Symbol	GATM
TP - Jun 21	58.00
LDCP	39.16
Upside / (Downside)	48%
Free Float ('mn)	128
Market Cap. (Rs. 'mn)	16,752

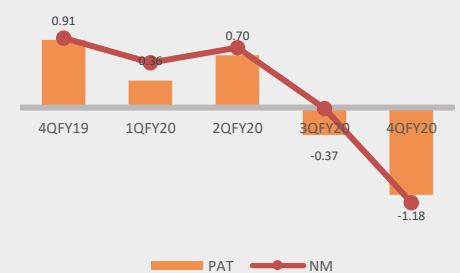
GATM vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	33,355	32,275	39,904	45,626	57,288	53,941	52,580	54,748	57,022
Cost of sales	27,260	24,968	32,858	36,050	45,306	44,872	42,112	43,428	45,261
Gross profit	6,094	7,306	7,046	9,576	11,982	9,069	10,468	11,320	11,762
SG&A Expenses	4,134	5,076	5,789	6,251	7,326	7,241	7,072	7,368	7,679
Other Expenses	185	138	58	208	312	264	258	268	279
Other Income	343	153	487	199	1,137	368	210	219	228
Profit from operations	2,118	2,245	1,686	3,315	5,482	1,932	3,349	3,902	4,032
Finance cost	1,334	910	877	987	1,473	2,008	1,831	1,772	1,677
Profit before income tax	783	1,335	809	2,328	4,008	- 76	1,518	2,131	2,355
Income tax expense	178	193	- 10	253	399	403	201	282	312
Profit for the year	605	1,141	818	2,075	3,609	- 479	1,317	1,849	2,043
EPS	1.41	2.67	1.91	4.85	8.44	- 1.12	3.08	4.32	4.78
EBITDA	3,094	3,371	3,267	5,186	7,442	3,724	5,482	6,343	6,749

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	1.04%	-3.24%	23.64%	14.34%	25.56%	-5.84%	-2.52%	4.12%	4.15%
Cost of sales	0.83%	-8.41%	31.60%	9.71%	25.67%	-0.96%	-6.15%	3.12%	4.22%
Gross profit	1.98%	19.89%	-3.56%	35.91%	25.13%	-24.31%	15.42%	8.14%	3.90%
SG&A Expenses	20.31%	22.78%	14.03%	7.99%	17.19%	-1.15%	-2.35%	4.19%	4.22%
Other Expenses	59.55%	-25.81%	-57.56%	256.38%	49.86%	-15.26%	-2.52%	4.12%	4.15%
Other Income	45.65%	-55.54%	219.49%	-59.25%	472.56%	-67.67%	-42.80%	4.12%	4.15%
Profit from operations	-20.36%	6.02%	-24.89%	96.63%	65.34%	-64.76%	73.39%	16.52%	3.31%
Finance cost	14.74%	-31.76%	-3.63%	12.50%	49.27%	36.26%	-8.79%	-3.24%	-5.36%
Profit before income tax	-47.64%	70.36%	-39.40%	187.90%	72.16%	-101.90%	-2094.36%	40.36%	10.53%
Income tax expense	-31.70%	8.24%	-105.00%	-2723.40%	57.54%	1.01%	-50.19%	40.36%	10.53%
Profit for the year	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-374.76%	40.36%	10.53%
EPS	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-374.76%	40.36%	10.53%
EBITDA	-12.08%	8.95%	-3.07%	58.73%	43.50%	-49.95%	47.20%	15.69%	6.41%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
GP Margin	%	18.27	22.64	17.66	20.99	20.92	16.81	19.91	20.68	20.63	20.57	20.52
NP Margin	%	1.81	3.54	2.05	4.55	6.30	-0.89	2.50	3.38	3.58	3.81	4.08
OP Margin	%	6.35	6.96	4.23	7.27	9.57	3.58	6.37	7.13	7.07	7.01	6.95
ROE	%	8.44	13.09	7.50	16.44	23.54	-3.27	8.24	10.68	10.86	11.11	11.48
ROCE	%	6.07	8.34	4.45	10.58	14.82	13.13	-36.60	-61.55	-128.00	646.52	86.77
ROA	%	2.43	3.55	2.23	4.80	6.63	-1.06	2.91	4.05	4.44	4.91	5.51
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Current	x	1.05	1.08	1.11	1.14	1.16	0.47	0.41	0.36	0.32	0.29	0.25
Acid-test	x	0.16	0.18	0.27	0.26	0.26	-0.08	-0.11	-0.18	-0.24	-0.33	-0.42
Cash to current liab.	x	0.01	0.02	0.01	0.02	0.02	-0.20	-0.22	-0.29	-0.37	-0.46	-0.57
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	3	2	2	2	2	2	2	4
Inventory Days		155	184	146	145	171	167	175	176	176	176	86
Receivables Days		21	26	34	46	50	36	36	36	36	37	37
Payables Days		49	34	24	25	39	39	39	39	39	39	39
Operating Cycle		127	176	157	165	182	164	171	173	173	173	83
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
EPS		1.41	2.67	1.91	4.85	8.44	-1.12	3.08	4.32	4.78	5.29	5.91
DPS		1.50	3.00	1.00	2.50	2.50	0.00	1.50	1.50	2.00	2.50	3.00
Div. Yield	%	3.83	7.66	2.55	6.38	6.38	0.00	3.83	3.83	5.11	6.38	7.66
Dividend Cover		0.94	0.89	1.91	1.94	3.37	0.00	2.05	2.88	2.39	2.11	1.97
BVPS		16.76	20.38	25.51	29.50	35.84	34.31	37.38	40.46	43.98	47.60	51.42
Payout	%	106.07	112.44	52.27	51.54	29.63	0.00	48.72	34.71	41.87	47.29	50.80
Retention	%	-6.07	-12.44	47.73	48.46	70.37	100.00	51.28	65.29	58.13	52.71	49.20
No. of Shares	'mn	427.79	427.79	427.79	427.79	427.79	427.79	427.79	427.79	427.79	427.79	427.79
P/E		27.69	14.68	20.47	8.07	4.64	-34.95	12.72	9.06	8.20	7.41	6.63
Sales per share		77.97	75.44	93.28	106.65	133.91	126.09	122.91	127.98	133.29	138.87	144.72
P/BV		2.34	1.92	1.53	1.33	1.09	1.14	1.05	0.97	0.89	0.82	0.76
Price to Sales		0.50	0.52	0.42	0.37	0.29	0.31	0.32	0.31	0.29	0.28	0.27
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.67	2.06	1.81	1.85	1.89	3.13	2.83	2.50	2.16	1.83	1.51
Interest Cover	x	1.59	2.47	1.92	3.36	3.72	0.96	1.83	2.20	2.40	2.67	3.09

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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