

GATM

1HFY21 Result Review: BUY Stance Maintained

Equity Research | Textile Composite | Thursday, 25 February, 2021

GATM has announced its 1HFY21 result where it posted profit after tax of Rs1.8bn (EPS: Rs4.13) as compared to profit after tax of Rs1.1bn (EPS: Rs2.5) in same period last year, up by 65.2% YoY.

The company has posted the revenue of Rs41.6bn against Rs30.8bn in SPLY, recording a growth of 35.2% YoY. We note that this growth is attributed to the surge in exports after Covid-19 crises.

Gross margin has been squeezed to 18.2% as compared to 20.5% in SPLY on account of higher input cost. Operating cost has been increased by 10.5% YoY to Rs4.5bn as compared to Rs4bn in SPLY. Finance cost has been increased by 25.5% YoY to Rs1.2bn as compared to Rs923mn in SPLY on account of higher working capital requirement.

Going forward, we expect the company to continue its growth momentum as Pakistan's textiles exports have witnessed a surge amid ease in global lockdowns. GATM is currently trading at FY21E PE of 6.92x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs65 which provides an upside potential of 20%.

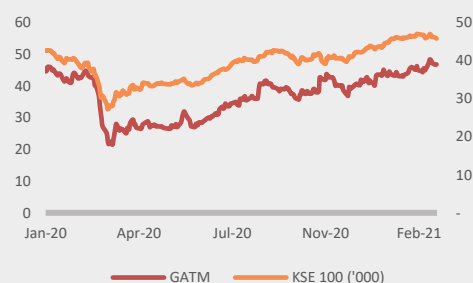
Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	21,937	16,565	32.4% ▲	41,596	30,767	35.2% ▲
Cost of Sales	17,877	13,166	35.8% ▲	34,012	24,459	39.1% ▲
Gross Profit	4,060	3,399	19.4% ▲	7,584	6,307	20.2% ▲
Operating Cost	2,571	2,104	22.2% ▲	4,455	4,033	10.5% ▲
Other Income	634	54	1083.8% ▲	433	-24	1900.3% ▼
Operating Profit	2,123	1,349	57.4% ▲	3,562	2,250	58.3% ▲
Finance Cost	560	551	1.6% ▲	1,158	923	25.5% ▲
Profit Before Taxation	1,563	798	95.9% ▲	2,404	1,328	81.1% ▲
Taxation	396	93	325.6% ▲	638	258	146.9% ▲
Profit After Taxation	1,167	705	65.6% ▲	1,766	1,069	65.2% ▲
Earnings Per Share	2.73	1.65	65.6% ▲	4.13	2.50	65.2% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	18.5%	20.5%	2.0% ▼	18.2%	20.5%	2.3% ▼
Operating Cost to Sales	11.7%	12.7%	1.0% ▼	10.7%	13.1%	2.4% ▼
Other Income to Sales	2.9%	0.3%	2.6% ▲	1.0%	-0.1%	1.1% ▲
Effective Taxation	25.3%	11.7%	13.7% ▲	26.5%	19.5%	7.1% ▲
Net Margin	5.3%	4.3%	1.1% ▲	4.2%	3.5%	0.8% ▲

Source: ACPL Research, Company Financials

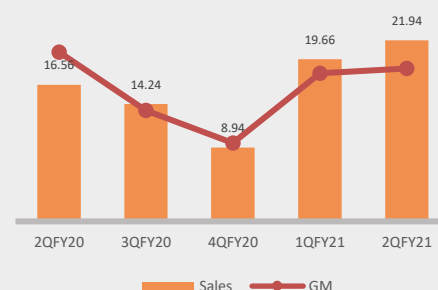
Key Statistics

Symbol	GATM
TP - Dec 21	65.00
LDCP	54.00
Upside / (Downside)	20%
Free Float ('mn)	128
Market Cap. (Rs. 'mn)	23,101

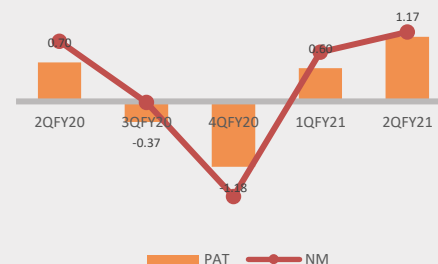
GATM vs KSE 100



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	83,424	89,152	95,481
Cost of sales	27,260	24,968	32,858	36,050	45,306	44,872	67,970	72,039	77,201
Gross profit	6,094	7,306	7,046	9,576	11,982	9,069	15,454	17,113	18,280
SG&A Expenses	4,134	5,076	5,789	6,251	7,326	7,241	8,831	9,710	10,332
Other Expenses	185	138	58	208	312	264	868	927	993
Other Income	343	153	487	199	1,137	368	834	892	955
Profit from operations	2,118	2,245	1,686	3,315	5,482	1,932	6,590	7,367	7,909
Finance cost	1,334	910	877	987	1,473	2,008	1,953	1,892	1,787
Profit before income tax	783	1,335	809	2,328	4,008	- 76	4,637	5,475	6,122
Income tax expense	178	193	- 10	253	399	403	1,298	615	688
Profit for the year	605	1,141	818	2,075	3,609	- 479	3,339	4,860	5,435
EPS	1.41	2.67	1.91	4.85	8.44	- 1.12	7.80	11.36	12.70
EBITDA	3,094	3,371	3,267	5,186	7,442	4,103	9,304	10,419	11,264

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%	54.66%	6.87%	7.10%
Cost of sales	0.83%	-8.41%	31.60%	9.71%	25.67%	-0.96%	51.48%	5.99%	7.17%
Gross profit	1.98%	19.89%	-3.56%	35.91%	25.13%	-24.31%	70.40%	10.73%	6.82%
SG&A Expenses	20.31%	22.78%	14.03%	7.99%	17.19%	-1.15%	21.95%	9.95%	6.41%
Other Expenses	59.55%	-25.81%	-57.56%	256.38%	49.86%	-15.26%	228.40%	6.87%	7.10%
Other Income	45.65%	-55.54%	219.49%	-59.25%	472.56%	-67.67%	126.89%	6.87%	7.10%
Profit from operations	-20.36%	6.02%	-24.89%	96.63%	65.34%	-64.76%	241.17%	11.80%	7.36%
Finance cost	14.74%	-31.76%	-3.63%	12.50%	49.27%	36.26%	-2.74%	-3.10%	-5.54%
Profit before income tax	-47.64%	70.36%	-39.40%	187.90%	72.16%	-101.90%	-6192.65%	18.07%	11.81%
Income tax expense	-31.70%	8.24%	-105.00%	-2723.40%	57.54%	1.01%	221.99%	-52.64%	11.81%
Profit for the year	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-796.51%	45.57%	11.81%
EPS	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-796.51%	45.57%	11.81%
EBITDA	-12.08%	8.95%	-3.07%	58.73%	43.50%	-44.87%	126.78%	11.98%	8.11%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
GP Margin	%	18.27	22.64	17.66	20.99	20.92	16.81	18.52	19.20	19.15	19.10	19.05
NP Margin	%	1.81	3.54	2.05	4.55	6.30	-0.89	4.00	5.45	5.69	5.94	6.23
OP Margin	%	6.35	6.96	4.23	7.27	9.57	3.58	7.90	8.26	8.28	8.32	8.36
ROE	%	8.44	13.09	7.50	16.44	23.54	-3.43	18.53	21.76	19.95	18.68	17.81
ROCE	%	6.07	8.34	4.45	10.58	14.82	-1.61	-54.76	-203.65	211.09	71.59	44.06
ROA	%	2.43	3.55	2.23	4.80	6.63	-0.70	6.33	8.53	8.77	9.07	9.45
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
Current	x	1.05	1.08	1.11	1.14	1.16	1.02	0.38	0.40	0.44	0.49	0.56
Acid-test	x	0.16	0.18	0.27	0.26	0.26	0.17	-0.42	-0.44	-0.46	-0.48	-0.50
Cash to current liab.	x	0.01	0.02	0.01	0.02	0.02	0.01	-0.55	-0.57	-0.60	-0.63	-0.67
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	3	2	1	2	2	2	2	3
Inventory Days		155	184	146	145	190	264	216	218	218	218	105
Receivables Days		21	26	34	46	50	37	38	32	32	32	32
Payables Days		49	34	24	25	39	39	39	39	39	39	39
Operating Cycle		127	176	157	165	201	262	215	211	211	211	98
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	7.80	11.36	12.70	14.24	16.08
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	%	2.78	5.56	1.85	4.63	4.63	0.00	2.78	2.78	3.70	4.63	5.56
Dividend Cover		0.94	0.89	1.91	1.94	3.37	0.00	5.20	7.57	6.35	5.70	5.36
BVPS		16.76	20.38	25.51	29.50	35.84	32.64	42.11	52.22	63.68	76.25	90.24
Payout	%	106.07	112.44	52.27	51.54	29.63	0.00	19.22	13.20	15.74	17.55	18.66
Retention	%	-6.07	-12.44	47.73	48.46	70.37	100.00	80.78	86.80	84.26	82.45	81.34
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		38.19	20.24	28.23	11.13	6.40	-48.19	6.92	4.75	4.25	3.79	3.36
Sales per share		77.97	75.44	93.28	106.65	133.91	126.09	195.01	208.40	223.19	239.64	258.07
P/BV		3.22	2.65	2.12	1.83	1.51	1.65	1.28	1.03	0.85	0.71	0.60
Price to Sales		0.69	0.72	0.58	0.51	0.40	0.43	0.28	0.26	0.24	0.23	0.21
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.67	2.06	1.81	1.85	1.89	2.82	2.74	2.11	1.62	1.24	0.93
Interest Cover	x	1.59	2.47	1.92	3.36	3.72	0.96	3.37	3.89	4.43	5.13	6.21

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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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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