

GATM

1QFY21 Result Review: BUY Stance Maintained

Equity Research | Textile Composite | Tuesday, 27 October, 2020

GATM has announced its 1QFY21 result where it posted profit after tax of Rs599mn (EPS: Rs1.40) as compared to profit after tax of Rs365mn (EPS: Rs0.85) in same period last year, up by 64.4% YoY.

The company has posted the revenue of Rs19.7bn against Rs14.2bn in SPLY, recording a growth of 38.4% YoY. We note that this growth is attributed to the surge in exports after Covid-19 crises.

Gross margin has been squeezed to 17.9% as compared to 20.5% in SPLY on account of higher input cost.

Operating cost has been declined by 2.3% YoY to Rs1.88bn as compared to Rs1.92bn in SPLY.

Finance cost has been increased by 60.8% YoY to Rs598mn as compared to Rs372mn 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 7.02x. We have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs50 which provides an upside potential of 31%.

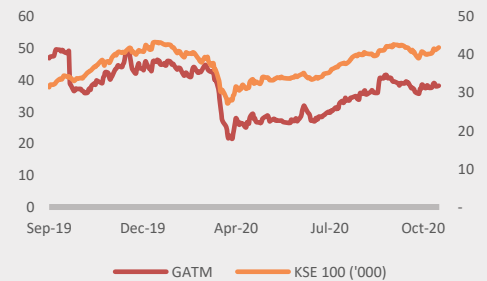
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	19,658	14,202	38.4% ▲	53,941	57,288	5.8% ▼
Cost of Sales	16,135	11,294	42.9% ▲	44,872	45,306	1.0% ▼
Gross Profit	3,523	2,908	21.2% ▲	9,069	11,982	24.3% ▼
Operating Cost	1,884	1,929	2.3% ▼	7,506	7,637	1.7% ▼
Other Income	-200	-78	158.3% ▲	368	1,137	67.7% ▼
Operating Profit	1,439	902	59.6% ▲	1,932	5,482	64.8% ▼
Finance Cost	598	372	60.8% ▲	2,008	1,473	36.3% ▲
Profit Before Taxation	841	530	58.7% ▲	-76	4,008	101.9% ▼
Taxation	241	165	46.2% ▲	403	399	1.0% ▲
Profit After Taxation	599	365	64.4% ▲	-479	3,609	113.3% ▼
Earnings Per Share	1.40	0.85	64.4% ▲	-1.12	8.44	113.3% ▼
Dividend	0.00	0.00		0.00	2.50	
Bonus	0%	0%		0%	20%	
Gross Margin	17.9%	20.5%	2.6% ▼	16.8%	20.9%	4.1% ▼
Operating Cost to Sales	9.6%	13.6%	4.0% ▼	13.9%	13.3%	0.6% ▲
Other Income to Sales	-1.0%	-0.5%	0.5% ▼	0.7%	2.0%	1.3% ▼
Effective Taxation	28.7%	31.2%	2.5% ▼	-529.8%	10.0%	539.8% ▼
Net Margin	3.0%	2.6%	0.5% ▲	-0.9%	6.3%	7.2% ▼

Source: ACPL Research, Company Financials

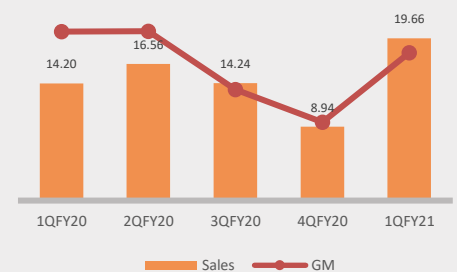
Key Statistics

Symbol	GATM
TP - Jun 21	50.00
LDCP	38.18
Upside / (Downside)	31%
Free Float ('mn)	128
Market Cap. (Rs. 'mn)	16,333

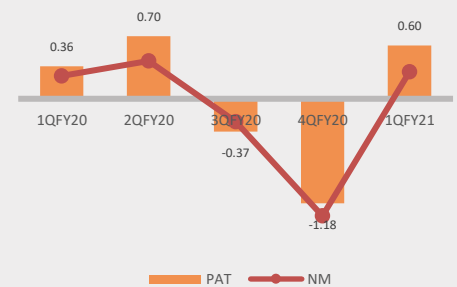
GATM vs KSE 100



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	67,262	72,131	77,552
Cost of sales	27,260	24,968	32,858	36,050	45,306	44,872	54,600	58,041	62,454
Gross profit	6,094	7,306	7,046	9,576	11,982	9,069	12,662	14,090	15,098
SG&A Expenses	4,134	5,076	5,789	6,251	7,326	7,241	7,419	8,119	8,642
Other Expenses	185	138	58	208	312	264	329	353	380
Other Income	343	153	487	199	1,137	368	269	289	310
Profit from operations	2,118	2,245	1,686	3,315	5,482	1,932	5,183	5,906	6,386
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	3,230	4,014	4,599
Income tax expense	178	193	- 10	253	399	403	904	451	517
Profit for the year	605	1,141	818	2,075	3,609	- 479	2,326	3,564	4,083
EPS	1.41	2.67	1.91	4.85	8.44	- 1.12	5.44	8.33	9.54
EBITDA	3,094	3,371	3,267	5,186	7,442	4,103	7,897	8,958	9,741

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%	24.70%	7.24%	7.52%
Cost of sales	0.83%	-8.41%	31.60%	9.71%	25.67%	-0.96%	21.68%	6.30%	7.60%
Gross profit	1.98%	19.89%	-3.56%	35.91%	25.13%	-24.31%	39.61%	11.28%	7.16%
SG&A Expenses	20.31%	22.78%	14.03%	7.99%	17.19%	-1.15%	2.45%	9.44%	6.45%
Other Expenses	59.55%	-25.81%	-57.56%	256.38%	49.86%	-15.26%	24.70%	7.24%	7.52%
Other Income	45.65%	-55.54%	219.49%	-59.25%	472.56%	-67.67%	-26.83%	7.24%	7.52%
Profit from operations	-20.36%	6.02%	-24.89%	96.63%	65.34%	-64.76%	168.31%	13.97%	8.13%
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%	-4343.65%	24.29%	14.57%
Income tax expense	-31.70%	8.24%	-105.00%	-2723.40%	57.54%	1.01%	124.27%	-50.15%	14.57%
Profit for the year	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-585.13%	53.24%	14.57%
EPS	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-585.13%	53.24%	14.57%
EBITDA	-12.08%	8.95%	-3.07%	58.73%	43.50%	-44.87%	92.48%	13.43%	8.74%

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	18.82	19.53	19.47	19.40	19.34
NP Margin	%	1.81	3.54	2.05	4.55	6.30	-0.89	3.46	4.94	5.26	5.60	5.97
OP Margin	%	6.35	6.96	4.23	7.27	9.57	3.58	7.71	8.19	8.23	8.30	8.37
ROE	%	8.44	13.09	7.50	16.44	23.54	-3.43	13.68	17.79	17.32	17.00	16.86
ROCE	%	6.07	8.34	4.45	10.58	14.82	-1.61	-32.71	-75.87	-375.40	136.18	59.64
ROA	%	2.43	3.55	2.23	4.80	6.63	-0.70	4.83	7.00	7.52	8.09	8.75
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	0.33	0.32	0.33	0.36	0.40
Acid-test	x	0.16	0.18	0.27	0.26	0.26	0.17	-0.38	-0.42	-0.46	-0.51	-0.56
Cash to current liab.	x	0.01	0.02	0.01	0.02	0.02	0.01	-0.49	-0.54	-0.59	-0.64	-0.71
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	3	2	2	2	2	2	2	3
Inventory Days		155	184	146	145	190	233	217	218	218	219	105
Receivables Days		21	26	34	46	50	37	35	32	32	32	32
Payables Days		49	34	24	25	39	39	39	39	39	39	39
Operating Cycle		127	176	157	165	201	231	212	211	212	212	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	5.44	8.33	9.54	10.95	12.64
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	%	3.93	7.86	2.62	6.55	6.55	0.00	3.93	3.93	5.24	6.55	7.86
Dividend Cover		0.94	0.89	1.91	1.94	3.37	0.00	3.62	5.55	4.77	4.38	4.21
BVPS		16.76	20.38	25.51	29.50	35.84	32.64	39.74	46.82	55.11	64.40	74.95
Payout	%	106.07	112.44	52.27	51.54	29.63	0.00	27.59	18.01	20.96	22.84	23.74
Retention	%	-6.07	-12.44	47.73	48.46	70.37	100.00	72.41	81.99	79.04	77.16	76.26
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		27.00	14.31	19.96	7.87	4.53	-34.07	7.02	4.58	4.00	3.49	3.02
Sales per share		77.97	75.44	93.28	106.65	133.91	126.09	157.23	168.61	181.28	195.49	211.56
P/BV		2.28	1.87	1.50	1.29	1.07	1.17	0.96	0.82	0.69	0.59	0.51
Price to Sales		0.49	0.51	0.41	0.36	0.29	0.30	0.24	0.23	0.21	0.20	0.18
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	2.91	2.35	1.88	1.47	1.13
Interest Cover	x	1.59	2.47	1.92	3.36	3.72	0.96	2.65	3.12	3.57	4.17	5.09

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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- II. Dividend Discount Model
- 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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