

GATM has announced its 3QFY20 result where it posted profit after tax of Rs700mn (EPS: Rs1.64) in 9MFY20 as compared to profit after tax of Rs2.7bn (EPS: Rs6.31) in same period last year, down by 74.1% YoY.

The company has posted the revenue of Rs45bn against Rs40.2bn in SPLY, recording a growth of 11.9% YoY. We note that this growth is attributed to the increase in volumetric growth due to currency devaluation.

Gross margin has been squeezed to 18.3% in 9MFY20 as compared to 22.7% in 9MFY19 on account of higher input cost.

Despite increase of 7.6% YoY in the operating cost to Rs6bn in 9MFY20 as compared to Rs5.6bn in SPLY, the operating cost to sales ratio has been declined to 13.4% as compared to 13.9% during SPLY. Other income has been declined by 24.4% YoY to Rs328mn as compared to Rs433mn during SPLY on account of exchange losses.

Finance cost has been increased by 45.2% YoY to Rs1.4bn in 9MFY20 as compared to Rs985mn in SPLY on account of higher working capital requirement and higher interest rate. Lastly, higher effective taxation of 36.2% as compared to 9.5% during SPLY caused the bottom line to plunge despite growth in revenues.

Going forward, we expect a tough time ahead during CY20 as most of the foreign buyers have cancelled or delayed the orders owing to lockdowns on the back of COVID-19 outbreak. GATM is currently trading at FY21E PE of 7.56x. We downgrade our stance to **SELL** the script with a DCF based Jun-21 TP of Rs23 which provides a downside potential of 13%.

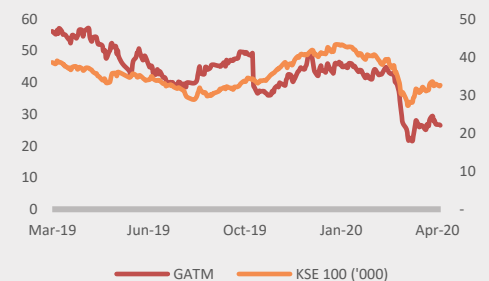
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	14,238	13,739	3.6% ▲	45,005	40,207	11.9% ▲
Cost of Sales	12,325	10,628	16.0% ▲	36,784	31,079	18.4% ▲
Gross Profit	1,913	3,111	38.5% ▼	8,221	9,128	9.9% ▼
Operating Cost	1,989	1,977	0.6% ▲	6,022	5,597	7.6% ▲
Other Income	352	109	223.2% ▲	328	433	24.4% ▼
Operating Profit	276	1,242	77.8% ▼	2,527	3,965	36.3% ▼
Finance Cost	507	393	29.0% ▲	1,430	985	45.2% ▲
Profit Before Taxation	-231	849	127.2% ▼	1,096	2,980	63.2% ▼
Taxation	139	204	32.1% ▼	397	283	40.4% ▲
Profit After Taxation	-370	645	157.3% ▼	700	2,697	74.1% ▼
Earnings Per Share	-0.86	1.51	157.3% ▼	1.64	6.31	74.1% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	13.4%	22.6%	9.2% ▼	18.3%	22.7%	4.4% ▼
Operating Cost to Sales	14.0%	14.4%	0.4% ▼	13.4%	13.9%	0.5% ▼
Other Income to Sales	2.5%	0.8%	1.7% ▲	0.7%	1.1%	0.3% ▼
Effective Taxation	-60.0%	24.1%	84.0% ▼	36.2%	9.5%	26.7% ▲
Net Margin	-2.6%	4.7%	7.3% ▼	1.6%	6.7%	5.2% ▼

Source: ACPL Research, Company Financials

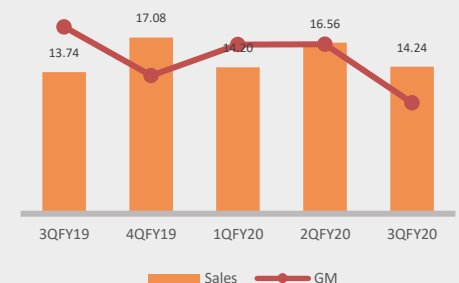
## Key Statistics

Symbol	GATM
TP - Jun 21	23.00
LDGP	26.41
Upside / (Downside)	-13%
Free Float ('mn)	128
Market Cap. (Rs. 'mn)	11,298

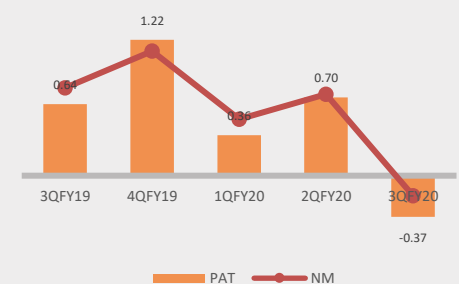
## GATM vs KSE 100



## 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	FY20E	FY21E	FY22E	FY23E
Revenue	33,355	32,275	39,904	45,626	57,288	49,866	52,580	54,748	57,022
Cost of sales	27,260	24,968	32,858	36,050	45,306	40,693	42,112	43,428	45,261
<b>Gross profit</b>	<b>6,094</b>	<b>7,306</b>	<b>7,046</b>	<b>9,576</b>	<b>11,982</b>	<b>9,173</b>	<b>10,468</b>	<b>11,320</b>	<b>11,762</b>
SG&A Expenses	4,134	5,076	5,789	6,251	7,326	6,530	7,072	7,368	7,679
Other Expenses	185	138	58	208	312	-	-	-	-
Other Income	343	153	487	199	1,137	349	158	164	171
<b>Profit from operations</b>	<b>2,118</b>	<b>2,245</b>	<b>1,686</b>	<b>3,315</b>	<b>5,482</b>	<b>2,992</b>	<b>3,554</b>	<b>4,116</b>	<b>4,254</b>
Finance cost	1,334	910	877	987	1,473	1,843	1,831	1,772	1,677
<b>Profit before income tax</b>	<b>783</b>	<b>1,335</b>	<b>809</b>	<b>2,328</b>	<b>4,008</b>	<b>1,149</b>	<b>1,723</b>	<b>2,344</b>	<b>2,577</b>
Income tax expense	178	193	-	10	253	345	228	310	341
<b>Profit for the year</b>	<b>605</b>	<b>1,141</b>	<b>818</b>	<b>2,075</b>	<b>3,609</b>	<b>804</b>	<b>1,495</b>	<b>2,034</b>	<b>2,236</b>
EPS	1.41	2.67	1.91	4.85	8.44	1.88	3.49	4.75	5.23
EBITDA	3,094	3,371	3,267	5,186	7,442	4,785	5,687	6,556	6,971

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Revenue	1.04%	-3.24%	23.64%	14.34%	25.56%	-12.95%	5.44%	4.12%	4.15%
Cost of sales	0.83%	-8.41%	31.60%	9.71%	25.67%	-10.18%	3.49%	3.12%	4.22%
<b>Gross profit</b>	<b>1.98%</b>	<b>19.89%</b>	<b>-3.56%</b>	<b>35.91%</b>	<b>25.13%</b>	<b>-23.44%</b>	<b>14.12%</b>	<b>8.14%</b>	<b>3.90%</b>
SG&A Expenses	20.31%	22.78%	14.03%	7.99%	17.19%	-10.86%	8.29%	4.19%	4.22%
Other Expenses	59.55%	-25.81%	-57.56%	256.38%	49.86%	-100.00%	0.00%	0.00%	0.00%
Other Income	45.65%	-55.54%	219.49%	-59.25%	472.56%	-69.30%	-54.81%	4.12%	4.15%
<b>Profit from operations</b>	<b>-20.36%</b>	<b>6.02%</b>	<b>-24.89%</b>	<b>96.63%</b>	<b>65.34%</b>	<b>-45.42%</b>	<b>18.79%</b>	<b>15.80%</b>	<b>3.36%</b>
Finance cost	14.74%	-31.76%	-3.63%	12.50%	49.27%	25.10%	-0.65%	-3.24%	-5.36%
<b>Profit before income tax</b>	<b>-47.64%</b>	<b>70.36%</b>	<b>-39.40%</b>	<b>187.90%</b>	<b>72.16%</b>	<b>-71.34%</b>	<b>49.97%</b>	<b>36.05%</b>	<b>9.95%</b>
Income tax expense	-31.70%	8.24%	-105.00%	-2723.40%	57.54%	-13.67%	-33.85%	36.05%	9.95%
<b>Profit for the year</b>	<b>-51.01%</b>	<b>88.68%</b>	<b>-28.30%</b>	<b>153.53%</b>	<b>73.94%</b>	<b>-77.72%</b>	<b>85.90%</b>	<b>36.05%</b>	<b>9.95%</b>
EPS	-51.01%	88.68%	-28.30%	153.53%	73.94%	-77.72%	85.90%	36.05%	9.95%
EBITDA	-12.08%	8.95%	-3.07%	58.73%	43.50%	-35.70%	18.86%	15.28%	6.34%

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	18.40	19.91	20.68	20.63	20.57	20.52
NP Margin	%	1.81	3.54	2.05	4.55	6.30	1.61	2.84	3.71	3.92	4.14	4.42
OP Margin	%	6.35	6.96	4.23	7.27	9.57	6.00	6.76	7.52	7.46	7.40	7.34
ROE	%	8.44	13.09	7.50	16.44	23.54	5.04	8.66	10.75	10.83	10.91	11.08
ROCE	%	6.07	8.34	4.45	10.58	14.82	-33.97	-64.01	-146.33	921.94	96.55	48.81
ROA	%	2.43	3.55	2.23	4.80	6.63	1.77	3.21	4.30	4.67	5.10	5.64
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	0.49	0.44	0.39	0.36	0.33	0.31
Acid-test	x	0.16	0.18	0.27	0.26	0.26	-0.03	-0.08	-0.14	-0.21	-0.28	-0.36
Cash to current liab.	x	0.01	0.02	0.01	0.02	0.02	-0.14	-0.20	-0.26	-0.33	-0.41	-0.51
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Average Inventory		11,599	12,569	13,162	14,307	20,282	19,529	20,174	20,916	21,802	22,733	11,605
Inventory Turnover	x	2	2	2	3	2	2	2	2	2	2	4
Inventory Days		155	184	146	145	163	175	175	176	176	176	86
Receivables Days		21	26	34	46	50	34	37	36	36	37	37
Payables Days		49	34	24	25	39	39	39	39	39	39	39
Operating Cycle		127	176	157	165	174	170	173	173	173	173	83
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
EPS		1.41	2.67	1.91	4.85	8.44	1.88	3.49	4.75	5.23	5.76	6.40
DPS		1.50	3.00	1.00	2.50	2.50	0.56	1.04	1.41	1.55	1.71	1.90
Div. Yield	%	5.68	11.36	3.79	9.47	9.47	2.11	3.92	5.33	5.86	6.46	7.18
Dividend Cover		0.94	0.89	1.91	1.94	3.37	3.37	3.37	3.37	3.37	3.37	3.37
BVPS		16.76	20.38	25.51	29.50	35.84	37.31	40.34	44.23	48.28	52.75	57.72
Payout	%	106.07	112.44	52.27	51.54	29.63	29.63	29.63	29.63	29.63	29.63	29.63
Retention	%	-6.07	-12.44	47.73	48.46	70.37	70.37	70.37	70.37	70.37	70.37	70.37
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		18.68	9.90	13.80	5.44	3.13	14.05	7.56	5.55	5.05	4.59	4.13
Sales per share		77.97	75.44	93.28	106.65	133.91	116.57	122.91	127.98	133.29	138.87	144.72
P/BV		1.58	1.30	1.04	0.90	0.74	0.71	0.65	0.60	0.55	0.50	0.46
Price to Sales		0.34	0.35	0.28	0.25	0.20	0.23	0.21	0.21	0.20	0.19	0.18
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	2.88	2.62	2.29	1.97	1.66	1.35
Interest Cover	x	1.59	2.47	1.92	3.36	3.72	1.62	1.94	2.32	2.54	2.82	3.26

Source: ACPL Research, Company Financials

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

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