COMPANY UPDATE

GATM

A precious gem offering an upside potential of 38%

Equity Research | Textile Composite |Monday, 2 May, 2019

We initiate our coverage on Gul Ahmed Textile Mills Limited (GATM) with a DCF based Dec-19 TP of Rs.70 which provides an upside potential of 29%. A dividend yield of 9%, if incorporated gives a total return of 38%

In spite of challenging macroeconomic conditions the company still managed to grow its revenues and earnings at a 5-year CAGR of 8.43% and 13.86% respectively

Going forward, we expect company's revenues and earnings to grow at a 5-year CAGR of 8.45% and 20.96% respectively as the depreciation of exchange rate and the potential upcoming export package would further enhance the profitability of the company

Industry Overview

The textile industry in Pakistan is the largest manufacturing industry in the country and no doubt it is an explicit example of resistance economy. For years, the textile sector has been the country's backbone as it provides employment and export revenues. The textile sector in Pakistan contributes 57% to the country's exports and ranks as the second largest employment sector in Pakistan. Approximately 40% of direct or indirect labour is attached to this sector.

Pakistan is the 8th largest exporter of textile commodities in Asia and the textile sector contributes 8.5% to the GDP of Pakistan. It is pertinent to mention here that the exports of textile products posted a growth of 12.8 percent YoY to $4.4 billion in 2017-18. The total textile sector exports reached $7.72bn value-wise in July-January 2018 versus $7.2bn in the SPLY, reflecting an increase of 7.18 pc.

In the 1950s, textile manufacturing emerged as a central part of Pakistan's industrialization, shortly the following independence from the British rule in South Asia. In 1974, the Pakistan government established the Cotton Export Corporation of Pakistan (CEC). Between 1947 and 2000, the number of textile mills in Pakistan increased from 3 to 600. In the same time spindles increased from 177,000 to 805 million.

Cotton spinning is perhaps the most important segment in the Pakistan textile industry with 521 units installed and operational, says a report by IRNA news agency. Synthetic fibers prepared with nylon, polyester, acrylic, and polyolefin dominate the market. Three types of filament yarn are also produced in Pakistan. These are acetate rayon yarn, polyester filament yarn, and nylon filament yarn. Textile products manufactured from wool are also famous across the country and they include woolen yarn, acrylic yarn, fabrics, shawls, blankets, and carpets. Artificial silk is also produced in Pakistan. This fiber resembles silk but costs less to produce. There are about 90,000 looms in the country.

The country's textile exports rose by 8% to around $13.5 billion as compared to the last year's figure of around $12.5 billion. This growth is attributable to the policies introduced by the government to boost exports such as tax concessions and rebates, and the depreciation of PKR. The performance of the textile sector is heavily dependent on the local cotton crop which has a 1% share in GDP. Whereas, Pakistan despite being the fourth largest producer of cotton in the world, is currently relying on imported cotton to meet the annual demand of 2.35 million tonnes. Nonetheless, the production of cotton in FY 2017- 18 was up by 11.9% as compared to last year and reached 1.82 million tonnes (11.9 million bales). It is important to note that the cotton plantation area in the country has lost ground to sugar and wheat due to government policies/subsidies to these sectors. Current demand lies somewhere between 14-15 million bales but due to insignificant local produce, cotton is imported.

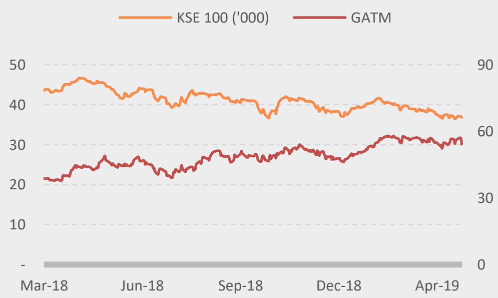
Key Statistics

TP - Dec 19	**69.75**
LDCP	54.21
Upside (%)	28.67
Current Mkt. Cap ('mn)	19,326
KSE Symbol	GATM
Free Float ('mn)	107
Sector P/E	9.6

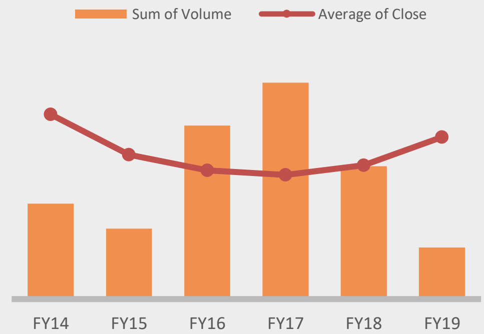
Symbol	**P/E**
NCL	4.45
GATM	9.31
ANL	24.16
FML	14.44
NML	16.42
ILP	10.40
Peer Average	**13.20**
GATM	9.31
Discount (%)	**29.45**

Source: ACPL Research, Company Financials

GATM vs KSE 100 index



Stock Price Yearly Closing



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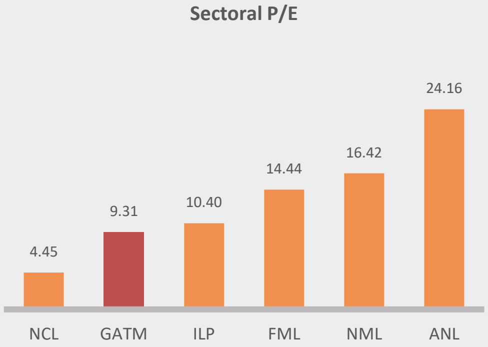
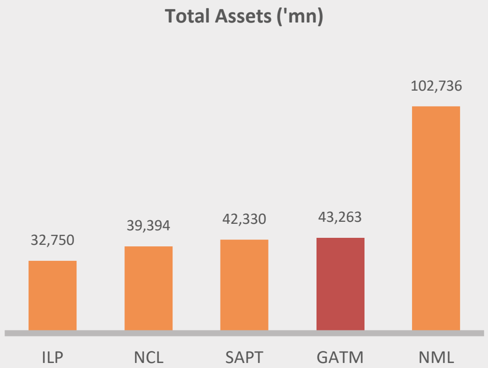
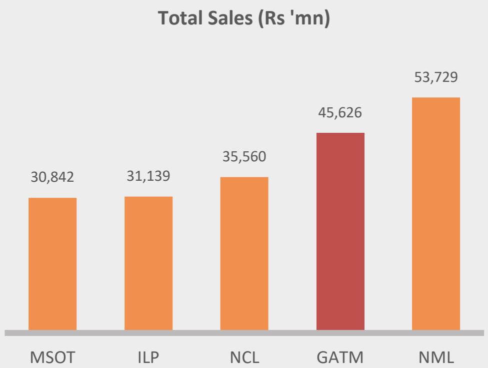
Key Statistics







Sources: ACPL Research, Company Financials, APTMA, PBS, WB

As a result, the export product becomes expensive and loses ground to regional competitors like India and Bangladesh who are making the same products at a much cheaper rate.

In the last 5 years, India's exports have risen by 36% and Bangladesh by 72%. The mindboggling fact is that cotton does not even grow in Bangladesh. They import almost all of their cotton from various countries and 20% of it comes from Pakistan and India. Bangladesh's textile exports are expected to reach 40 billion dollars against the target of 50 billion set by the government. Bangladesh's apparel industry is contributing 84 percent of annual exports with a contribution of over USD 32 billion to the economy and generating employment for almost 4.5 million people.

On the other hand, Indian Textile industry is expected to reach USD 226 billion by 2023. The size of India's textile and apparel market recorded in 2015 was USD 108.5 billion. About 7 percent of industrial output in terms of value, 2 percent of India's GDP and 15 percent of the country's export earnings come from the Indian Textile industry.

India's overall textile exports during FY 2017-18 stood at US$ 39.2 billion and is growing at a 5-year CAGR of 8.7 percent between 2009 and 2023.

Vietnam wasn't even a player in the textile industry back in 2010-11, which has now grown by 120% and is considered a major competitor after China, India, and Bangladesh. Sri Lanka has grown by 24% and on the flip side, Pakistan has declined by 2%.

Almost 26% reduction in the agricultural land area was witnessed. Farmers preferred sugarcane farming instead of cotton.

Furthermore. research has revealed that the worldwide apparel market is predicted to touch US$ 2.6 trillion in 2025 with growth projection at 4%. The major drivers of the growth are developing nations such as India and China. China will be the number one apparel market predicted to touch US$378 billion by 2025 followed by India. It is also said that the growth is mostly because of the rising demand in both local and international markets. No doubt, the Pakistani textile industry is considered as the backbone of the export sector is facing new issues which should be dealt with promptly. The textile industry is crumbling under high energy prices, struck up refunds and tight monetary policy is facing tough competition from India, Bangladesh, Vietnam, Thailand and other states in the foreign market. Therefore, the government should take serious initiatives to safeguard local industry which is the highest foreign exchange earner and the largest urban employment provider. (PakistanEconomist) (International Trade Center) (Textile Today)

Sector Overview

Altogether 59 companies are listed on Pakistan Stock Exchange in the Textile Composite Sector. But for the sake of this study, we'll only be discussing a few when comparing their financial performance with GATM.

The sector has a total Market capitalization of 262 billion rupees and weighs about 2.22% in the KSE-100 index. Amongst the four companies that come under the ambit of KSE-100 index, GATM comes at third with a weight of 0.35%. NML has the highest weight at 1.09%. Therefore, impacts the fluctuation in the index most.

GATM has the lowest Market Capitalization and Earnings per share when compared with its competitors. Also, it has the second lowest profit margin in contrast with its competitors.

Nishat Chunian Limited is the sector leader in terms of sales and total assets and Gul Ahmed Mills limited is right beside it in the second place. Both these companies enjoy the same privileges awarded to the zero-rated export-oriented sector.

GSP Plus Status

The Generalised Scheme of Preferences (GSP) is a mechanism introduced by the European Union to grant non-reciprocal preferential treatment to imports from developing countries without legally violating the obligations of the most favored nation (MFN) status, as per the WTO's norms.

The EU awards this status to those developing countries which qualify for the following criterion: they do not classify as high or upper-middle income countries; their export earnings are below the two percent threshold of EU's total GSP imports; exports from their seven largest sectors exceed 75 percent of their total exports to the EU; and the beneficiary countries should have signed, ratified and implemented 27 international conventions pertaining to social compliance, including human rights, labour rights, environment, and good governance.

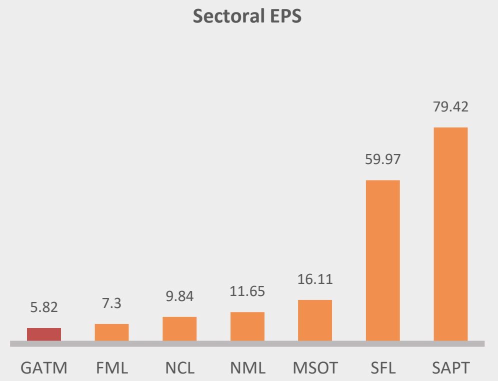
Pakistan had formally applied to be granted the GSP Plus status by the EU. The status was granted in March 2018. The country was previously awarded the GSP Plus status by European parliamentarians in 2013. In the vote, 406 parliamentarians had voted in favour of Pakistan, while 182 had voted against it, out of a total of 780 parliamentarians. At least 192 parliamentarians had not participated in the voting. This approval allowed Pakistan and nine other countries to use this facility from January 1, 2014. The other nine countries were Armenia, Bolivia, Cape Verde, Costa Rica, Ecuador, Georgia, Mongolia, Paraguay, and Peru. These countries can now export to the EU at zero tariffs. For Pakistan, the EU had imposed a duty of around six to seven percent on textile, and about 10 percent on woven and knitted goods, before the GSP Plus status was granted. During the years 2008-17, exports to the EU increased at a rate of about seven to eight percent per annum.

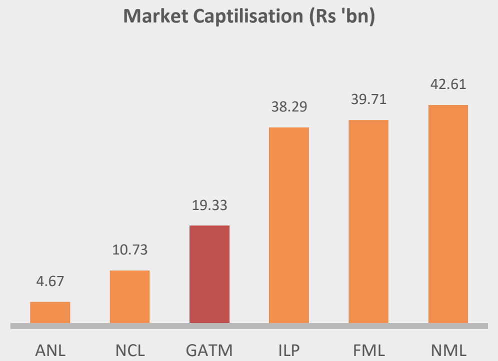
With the inclusion of Pakistan in the GSP Plus, it was expected that Pakistan's exports to the EU would increase by 20 percent or more during the next few years, which meant doubling the total exports to the EU in the next five years. This would have been done by exporting more finished products rather than raw materials.

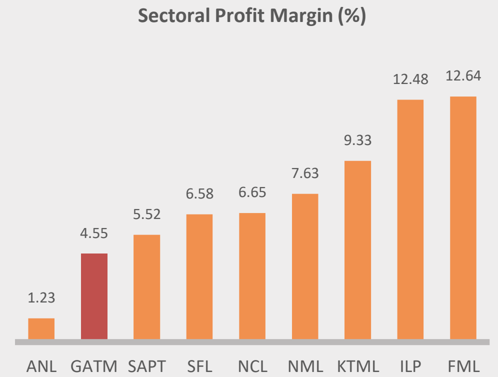
Pakistan's progress in gaining the advantage of the GSP Plus status has not been impressive. Data shows that the increase in exports to the EU during the first half of 2014 was about 12 percent. There has not been much increase after that. The total exports to the EU increased to Rs346 billion in 2008-09. In 2012-13 they reached Rs550 billion, indicating a growth of 12 percent per annum on an average. The exports then increased to Rs706 billion during the year 2013-14, indicating an increase of about 28 percent. However, after this period the growth has not been as positive. Our exports decreased to Rs 698 billion in 2014-15 (a decrease of about 1.3 percent), then marginally increased to Rs705 billion in 2015-16 (an increase of about 1.1 percent).

Pakistan's exports to the EU are generally concentrated in six countries out of 28, the UK, Germany, Spain, Italy, Netherlands, and Belgium. They have accounted for around 80 percent of the total trade to the EU for the last 10 years. This was topped by the UK in 2015-16 when Pakistan's exports to the UK were calculated to be Rs165 billion, followed by Germany, Spain, Italy, Netherlands, and Belgium. Pakistan's exports to these countries were calculated to be Rs119 billion, Rs84 billion, Rs68 billion, Rs67 billion and Rs63 billion. respectively. This shows that Pakistan was unable to diversify its exports to other countries. The product mix of exports also remained the same. On the other hand, if one looks at Pakistan's overall exports, they decreased from Rs2.6 trillion in 2013-14 to Rs2.4 trillion in 2014-15; and further decreased to Rs2.2 trillion in 2015-16. Textile and textile products are the major export products and account for around 65 percent of the total exports, followed by food and beverages.

Key Statistics







Sources: ACPL Research, Company Financials, APTMA, PBS, WB

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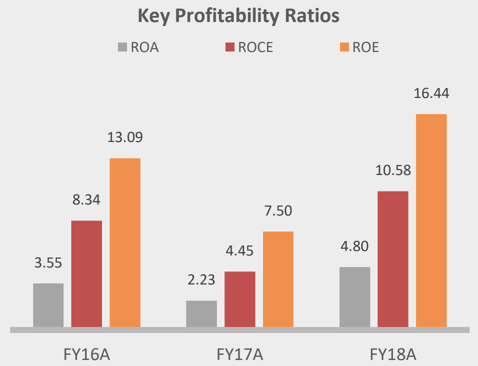
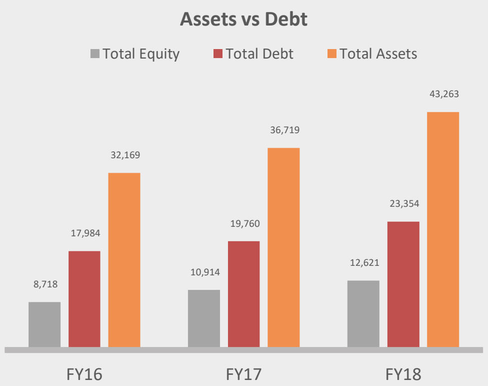
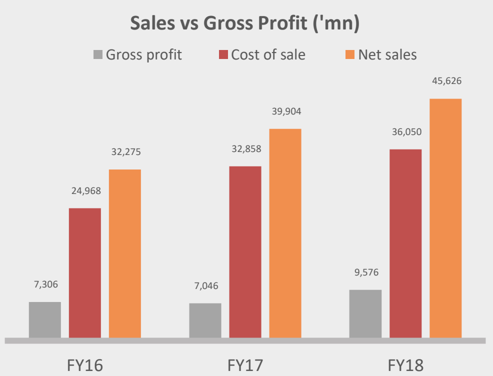






Sources: ACPL Research, Company Financials, APTMA, PBS, WB

In order to fully maximise the GSP Plus status, Pakistan needs to increase its exports to the EU. This can be done in multiple ways. The country can find export markets in other countries of the EU, increase its export of finished products rather than raw materials, diversify the product base for export by introducing new products. raw material supply should be insured in a stable manner with lesser volatility in prices, skilled manpower should be made available to produce good quality products at lower costs.

It is not yet certain as to how BREXIT would affect the future of Pakistan's GSP Plus status. However recently, the ambassador of Poland has assured full support of his country for the continuation of GSP Plus status to Pakistan and said that BREXIT will not affect the trade of Pakistan with EU. Furthermore, UK's trade envoy to Pakistan Atta-ur-Rehman Chishti on his visit to Pakistan told that the UK is committed to maintaining the same levels of preferential access which Pakistan receives under the EU's scheme and legislation in this regard has come into force.

Gul Ahmed Textile Mills Limited has been selling its product to 7 countries in the European Union through its wholly owned sub-subsidiary GTM (Europe) Limited in the United Kingdom (UK), which is a wholly owned subsidiary of another subsidiary Gul Ahmed International Limited. GTM was incorporated on April 17, 2003 and has been operational ever since. GATM sells goods worth approximately 17 billion rupees to these 7 countries i.e. Germany (15%), Italy (5%), Netherlands (5%), United Kingdom (4%), France (3%), Spain (3%) and Sweden (2%).

(ProfitPakistan)

Company Overview

The story of textiles in the subcontinent is the story of Gul Ahmed. The group began trading in textiles in the early 1900s. The group entered in the field of manufacturing with the establishment of Gul Ahmed Textile Mills Limited in the year 1953.

The Company was incorporated on April 1, 1953, in Pakistan as a private company with its liability limited by shares. The Company was converted into a public limited company on January 07, 1955 and got listed on the Karachi Stock Exchange (KSE).

Gul Ahmed Textile Mills is a composite unit – making everything from cotton yarn to finished products. Besides, Gul Ahmed has its own captive power plant comprising of gas engines, gas and steam turbines, and backup diesel engines.

Today, Gul Ahmed Textile Mills Limited stands as the second largest textile composite unit in Pakistan, both in terms of sales and total assets.

Company's product portfolio comprises of Yarn, Fabric, Home Textile, Apparel, and Garments. The Company is a leading exporter of value-added textile products and has contributed approximately 10% in the total bed wear exports of the country.

Almost 60-70% of its sales are export based and major share of export sales comes from the Processing, Home Textile, and Apparel segment. The company uses its foreign subsidiaries in UAE, USA, and UK to market and sell its finished goods.

Group Structure

Gul Ahmed Textile Mills Limited is a subsidiary of Gul Ahmed Holdings (Private) Limited (GAHPL), which as of FY18 owns 67.10% shares of the company. Gul Ahmed Textile Mills Limited has three wholly owned subsidiaries which are engaged in trading of textile related products. Gul Ahmed International Limited (FZC) incorporated in UAE on December 11, 2002. GTM (Europe) Limited incorporated in United Kingdom (UK) on April 17, 2003, is a wholly owned subsidiary of Gul Ahmed International Limited (FZC). GTM USA Corp. and Sky Home Corp., both incorporated in the United States of America (USA) are wholly owned subsidiaries of GTM (Europe) Limited.

Business Segments

The company operates in the following business segments i.e. Spinning, Weaving, Retail and Distribution and Processing, Home Textile and Apparel. All sectors in one way or another contribute towards the company's topline. The Processing, Home Textile and Apparel segment in FY18 contributed approximately 55% towards the company's topline. Sales for the segment in FY18 clocked in at 31 billion, an increase of 15.27% over last year.

Retail and distribution segment came second in line as in FY18 it contributed roughly 27% towards the company's topline. Sales for the segment in FY18 clocked in at 15 billion with a meager increase of 0.39% over last year.

Spinning and Weaving segments have both contributed approximately 14.3% and 2.95% towards the sales with each segment clocking in at 8.2 billion and 1.6 billion rupees in FY18.

Apart from these Gul Ahmed also has an extensive retail network which consists of over 100, well designed and well-equipped retail outlets.

Financial Performance

Looking at the performance of the company in the last five years, we see that GATM has fairly been consistent with its financial performance. Even in the worst of times when the cost of doing business nearly doubled, the company kept its costs in check. In FY16, the company took out huge loans to modernize its old machinery for better efficiency. The loans taken out by the company were issued under the Long-Term Financing Facility (LTFF) scheme of the State Bank of Pakistan (SBP). Under this scheme interest rate were fixed at 6% per annum. The maximum duration of these loans was set to 10 years with a maximum grace period of 2 years.

Company's topline witnessed an increase of 14% in FY18 and clocked in at 45.6 million rupees as compared to 39.9 million rupees in FY17. Gross margin also increased to 21.0% in FY18 from 17.7% in FY17. This increase was directly attributable to the BMR investments that were made by the company in earlier years, which reaped benefits in FY18. The modernization of equipment allowed company to keep its costs down. Secondly, huge devaluation in Pak rupee of approximately 34% since January 2018 has also helped to boost revenue. As almost 60 percent of the revenue is an export based and secondly realization of foreign trade debts resulted in higher exchange gains. Last, but not the least, the vigilance of company's management in buying bulk inventory at cheaper rates significantly helped in keeping the costs down.

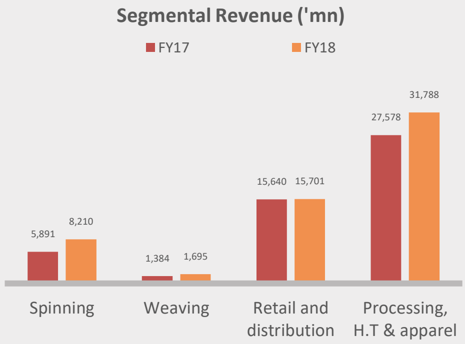
The bottom line of the company in the past five years has grown at a 5-year CAGR rate of 13.86%. Other income in the same period witnessed a 5-year compounded decline of 4.81%. This decline was instigated by two things. Firstly, the company in FY15 received an exclusive dividend payment of 405 million rupees from one of its subsidiaries. Secondly, the exchange gain on export receivable was reclassified to be a part of net sales. As a result, sales increased, and other income reduced.

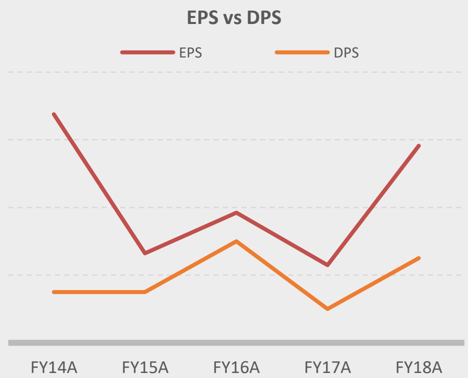
Key Statistics

Pattern of Shareholding

Categories	Shareholders	Shares ('000)	(%)
Individuals	4,667	41,840	11.74
Inv. Comp & Mutual Funds	98	272,276	76.38
Insurance Comp	8	17,000	4.77
Joint Stock Comp	32	13,647	3.83
Modaraba Comp	1	0	-
Financial Institutions	5	1,496	0.42
Foreign Investors	8	9,358	2.63
Charitable Institutions	6	690	0.18
Government Depts.	3	189	0.05
	4,828	**356,496**	**100**

Source: ACPL Research, Company Financials





Sources: ACPL Research, Company Financials, APTMA, PBS, WB

Key Statistics

However, the 5-year compounded annual reduction in the Finance cost of about 4%, on the back of lower interest rates has further strengthened the company's bottom line.

Assets of the company have nearly doubled in the past five years owing to the cheaper loans provided by the government to modernize equipment. On the other hand, gearing has also increased quite significantly as well. In FY18 alone, the company has invested 2,217 million rupees in property plant and equipment. Currently, total debt to equity stands at 1.85x of equity. We expect the gearing of the company to reduce in the next five years as most of the loans taken out by the company will lapse by then. Resultantly, the gearing will reduce to 1.37x of equity in FY22 as compared to 1.85x in FY18.

Considering the Rupee-Dollar subsequent parity and prices of raw material, company heavily invested in building raw material inventories which has increased the total amount of stock-in-trade by over 29% as compared to last year. Therefore, negatively impacting the operating cycle of the company to 165 days as compared to 157 days last year.

As a result of buying excess inventory, buying property plant and equipment and repaying previous loans company ran out of cash and in spite of obtaining 1.27 billion rupees through long term financing the company recorded net cash outflow of 2.94 billion rupees.

Textile Policy

The Textile Policy 2014-19 which is going to expire by end-June 2019 envisaged a strategy to make the textile sector competitive but failed to achieve all its targets. It missed all its objectives including doubling value addition from $1 billion per million cotton bales to $2 billion per million cotton bales; increasing textile exports from $13.1 billion to $26 billion as well as creation of 3 million jobs in five years, facilitating additional investment of $5 billion in machinery and technology; improving fiber mix in favor of non-cotton i.e. 14% to 30%; improving product mix especially in the garment sector from 28% to 45% while also strengthening existing textile firms and establish new ones.

On the contrary, during the policy implementation period, energy cost almost doubled and resultantly over one hundred mills closed down, rendering thousands of people jobless. While, overall exports dropped from $25 billion to $21 billion during this period.

The major reason behind this decline is that textile sector failed to innovate and modernize production owing to systemic inefficiencies, administrative delays, low profitability due to ever-increasing cost of doing business, squeezed profit margins and liquidity crunch due to cash flows soaked up by FBR and State Bank in delayed refund/drawbacks along with tariff and non-tariff barriers on import of raw materials.

According to a notification issued by the Ministry of Energy (Power Division) said the power tariff for industrial consumers had been decreased by Rs3 per kWh 7.5 cent per kWh for five zero-rated industries which include carpet, leather, textile, surgical and sports. The difference will be absorbed by the federal government. In addition to this, the government has also fixed the gas tariff at Rs600 per MMBtu inclusive of all taxes, whilst others pay Rs780 per MMBtu.

However, the government still failed to release refund claims of Rs127.35 billion, from which Rs81.75 billion is linked to the Duty Drawback of Taxes (DDT) and Drawback of Local Taxes and Levies (DLTL). Additionally, refund claims pertaining to customs rebate of Rs10.6 billion and Rs35 billion in sales tax refund are still to be disbursed by the government.

Key Statistics

We believe that this liquidity crunch will be over soon. The government has decided to establish a Refund Settlement Company to refund outstanding tax payments in the shape of promissory notes. This intention of the government was disclosed and approved through the Second Amendment Finance Supplementary Bill. These promissory notes when issued will enable companies to get loans from commercial banks by presenting these as collateral.

(BusinessRecorder)

Future Outlook

Going forward, we strongly believe that this steadfast performance will continue. Sales will proliferate at a 5-year CAGR of 8.45%. Whereas earnings will grow at a 5-year CAGR of 20.96%. This can be backed by the fact that the government is currently developing another Textile Policy. This Textile Policy will the third of its name. Unfortunately, the two aforementioned policies that were developed and formulated before this lacked physical implementation.

Valuation

GATM is currently trading at FY19E and FY20E PE of 5.61x and 5.05x respectively. Furthermore, the script is trading at an FY19E P/B of 1.27x which offers a significant discount of 24% relative to its historical 5-year average of 1.67x. We have a **BUY** stance on the script with a DCF based Dec-19 TP of Rs.70 which provides an upside potential of 29%. Furthermore, it also offers a dividend yield of 9% which makes the total return of 38%.

Key Risks to Valuation

- Appreciation of PKR
- Hike in prices of raw material
- Less than expected growth in demand
- More than expected delay in the payment of refunds by the government

Key Ratios

Profitability Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
GP Margin	%	18.10	18.27	22.64	17.66	20.99	23.20	22.80	22.86	22.82
NP Margin	%	3.74	1.81	3.54	2.05	4.55	6.58	6.68	6.90	7.04
OP Margin	%	8.05	6.35	6.96	4.23	7.27	10.00	9.82	9.85	9.77
ROE	%	18.54	8.44	13.09	7.50	16.44	22.70	22.08	21.26	20.15
ROCE	%	13.32	6.07	8.34	4.45	10.58	57.76	53.52	46.88	39.60
ROA	%	5.09	2.43	3.55	2.23	4.80	8.52	8.72	9.00	9.14

Liquidity Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Current	x	1.06	1.05	1.08	1.11	1.14	0.68	0.69	0.71	0.74
Acid-test	x	0.13	0.16	0.18	0.27	0.26	0.11	0.11	0.11	0.11
Cash to current Liab.	x	0.01	0.01	0.02	0.01	0.02	0.01	0.01	0.01	0.01

Activity Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Average Inventory		11,914	11,599	12,569	13,162	14,307	16,309	17,552	18,430	19,250
Inventory Turnover	x	2	2	2	2	3	2	3	3	3
Inventory Days		161	155	184	146	145	148	145	144	144
Receivables Days		15	21	26	34	46	22	22	22	22
Payables Days		63	49	34	24	25	39	39	39	39
Operating Cycle		113	127	176	157	165	131	128	127	127

Investment Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
EPS		6.75	2.65	3.84	2.30	5.82	9.66	10.73	11.71	12.46
DPS		1.50	1.50	3.00	1.00	2.50	4.70	5.22	5.70	6.07
Div. Yield	%	2.77	2.77	5.53	1.84	4.61	8.68	9.63	10.52	11.19
Dividend Cover		4.50	1.76	1.28	2.30	2.33	2.05	2.05	2.05	2.05
BVPS		36.43	31.37	29.35	30.61	35.40	42.56	48.58	55.07	61.83
Payout	%	22.21	56.66	78.08	43.56	42.95	48.69	48.69	48.69	48.69
Retention	%	77.79	43.34	21.92	56.44	57.05	51.31	51.31	51.31	51.31
No. of Shares	'mn	182.82	228.52	297.08	356.50	356.50	356.50	356.50	356.50	356.50
P/E		8.03	20.48	14.11	23.61	9.31	5.61	5.05	4.63	4.35
Sales per share		180.58	145.96	108.64	111.93	127.98	146.86	160.51	169.60	177.04
P/BV		1.49	1.73	1.85	1.77	1.53	1.27	1.12	0.98	0.88
Price to Sales		0.30	0.37	0.50	0.48	0.42	0.37	0.34	0.32	0.31

Gearing Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Debt to Equity	%	1.62	1.67	2.06	1.81	1.85	2.14	1.88	1.61	1.37
Interest Cover		2.29	1.59	2.47	1.92	3.36	3.82	4.17	4.55	4.95

Source: ACPL Research, Company Financials

Financial Projections

Rupees' millions	FY14	FY15	FY16	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Net sales	33,013	33,355	32,275	39,904	45,626	52,356	57,223	60,461	63,114
Cost of sale	27,037	27,260	24,968	32,858	36,050	40,208	44,174	46,640	48,713
Gross profit	**5,976**	**6,094**	**7,306**	**7,046**	**9,576**	**12,148**	**13,049**	**13,821**	**14,401**
Distribution and admin exp	3,437	4,134	5,076	5,789	6,251	6,667	7,134	7,498	7,780
Other operating expenses	116	185	138	58	208	203	226	219	220
Other operating income	236	343	153	487	199	405	443	468	489
Operating Profit	**2,659**	**2,118**	**2,245**	**1,686**	**3,315**	**5,684**	**6,133**	**6,572**	**6,889**
Finance cost	1,163	1,334	910	877	987	1,293	1,191	1,058	894
Profit before taxation	1,496	783	1,335	809	2,328	4,391	4,942	5,514	5,995
Taxation	261	178	193	-10	253	476	518	559	587
Profit after taxation	**1,235**	**605**	**1,141**	**818**	**2,075**	**3,915**	**4,424**	**4,955**	**5,409**
EPS	**6.75**	**2.65**	**3.84**	**2.30**	**5.82**	**10.98**	**12.41**	**13.90**	**15.17**

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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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

I. Discounted Cash Flow Model
II. Dividend Discount Model
III. Relative Valuation Model
IV. Sum of Parts Valuation

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Sector Rating	Sector Outlook
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