

GATM has announced its 1HFY22 result where it posted a profit after tax of Rs3.356bn (EPS: Rs5.44) as compared to profit after tax of Rs1.766bn (EPS: Rs2.86) in the same period last year, up by 90% YoY.

The company has posted a revenue of Rs46bn against Rs41.5bn in SPLY, recording a growth of 12.8% YoY. We note that this growth is attributed to the surge in exports.

The gross margin has been decreased to 16.7% as compared to 18.2% in SPLY on account of higher input cost.

The operating cost has been decreased by 41.7% YoY to Rs2.59bn as compared to Rs4.45bn in SPLY. Finance cost has been increased by 1% YoY to Rs1.169mn as compared to Rs1.158mn in SPLY on account of the higher interest rate.

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 FY22E PE of 4.17x. Further, the scrip is also trading at FY22E PB of 1.07x which offers a discount of 43% relative to its 3-year historical average of 1.87x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs60 which provides an upside potential of 30%.

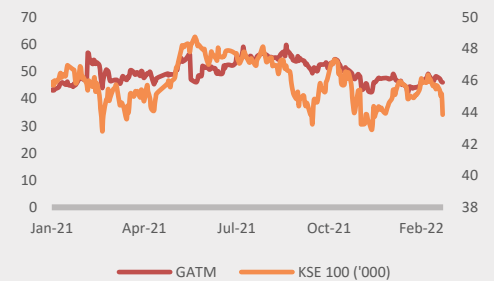
Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	26,417	21,937	20.4% ▲	46,926	41,596	12.8% ▲
Cost of Sales	22,002	17,877	23.1% ▲	39,073	34,012	14.9% ▲
Gross Profit	4,415	4,060	8.7% ▲	7,853	7,584	3.5% ▲
Operating Cost	1,262	2,571	50.9% ▼	2,596	4,455	41.7% ▼
Other Income	103	634	116.3% ▼	91	433	79.1% ▼
Operating Profit	3,257	2,123	53.4% ▲	5,348	3,562	50.1% ▲
Finance Cost	689	560	23.1% ▲	1,169	1,158	1.0% ▲
Profit Before Taxation	2,567	1,563	64.2% ▲	4,179	2,404	73.8% ▲
Taxation	427	396	7.7% ▲	823	638	29.0% ▲
Profit After Taxation	2,140	1,167	83.4% ▲	3,356	1,766	90.0% ▲
Earnings Per Share	3.47	1.89	83.4% ▲	5.44	2.86	90.0% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0.00	0%	
Gross Margin	16.7%	18.5%	1.8% ▼	16.7%	18.2%	1.5% ▼
Operating Cost to Sales	4.8%	11.7%	6.9% ▼	5.5%	10.7%	5.2% ▼
Other Income to Sales	0.4%	2.9%	2.5% ▼	0.2%	1.0%	0.8% ▼
Effective Taxation	16.6%	25.3%	8.7% ▼	19.7%	26.5%	6.8% ▼
Net Margin	8.1%	5.3%	2.8% ▲	7.2%	4.2%	2.9% ▲

Source: ACPL Research, Company Financials

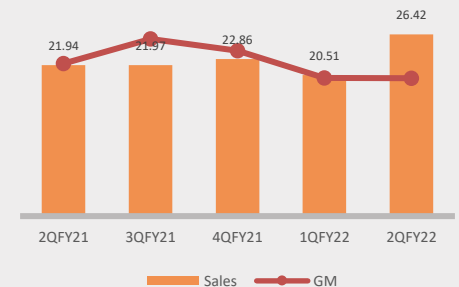
Key Statistics

Symbol	GATM
TP - Dec 22	60.00
LDCP	46.25
Upside / (Downside)	30%
Free Float ('mn)	154
Market Cap. (Rs. 'mn)	28,523

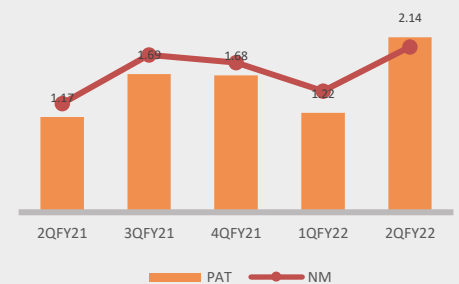
GATM vs KSE 100



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	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E
Revenue	57,288	53,941	86,424	94,203	98,913	103,858	109,051
Cost of sales	45,306	44,872	69,542	78,188	84,076	88,280	92,694
Gross profit	11,982	9,069	16,883	16,014	14,837	15,579	16,358
SG&A Expenses	7,326	7,241	8,726	4,239	4,451	4,674	4,907
Other Expenses	312	264	582	942	742	779	818
Other Income	1,137	368	884	188	198	208	218
Profit from operations	5,482	1,932	8,458	11,022	9,842	10,334	10,851
Finance cost	1,473	2,008	2,341	2,533	2,368	2,192	1,973
Profit before income tax	4,008	- 76	6,117	8,488	7,474	8,142	8,878
Income tax expense	399	403	984	1,655	1,457	1,588	1,731
Profit for the year	3,609	- 479	5,133	6,833	6,017	6,554	7,147
EPS	5.85	- 0.78	8.32	11.08	9.76	10.63	11.59
EBITDA	7,442	4,103	11,195	14,078	13,221	14,005	14,786

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY22E	FY23E
Revenue	25.56%	-5.84%	60.22%	9.00%	5.00%	5.00%	5.00%
Cost of sales	25.67%	-0.96%	54.98%	12.43%	7.53%	5.00%	5.00%
Gross profit	25.13%	-24.31%	86.15%	-5.14%	-7.35%	5.00%	5.00%
SG&A Expenses	17.19%	-1.15%	20.51%	-51.42%	5.00%	5.00%	5.00%
Other Expenses	49.86%	-15.26%	120.24%	61.90%	-21.25%	5.00%	5.00%
Other Income	472.56%	-67.67%	140.35%	-78.68%	5.00%	5.00%	5.00%
Profit from operations	65.34%	-64.76%	337.91%	30.30%	-10.71%	5.00%	5.00%
Finance cost	49.27%	36.26%	16.61%	8.22%	-6.55%	-7.43%	-10.00%
Profit before income tax	72.16%	-101.90%	-8137.34%	38.76%	-11.95%	8.94%	9.04%
Income tax expense	57.54%	1.01%	144.13%	68.13%	-11.95%	8.94%	9.04%
Profit for the year	73.94%	-113.28%	-1170.77%	33.12%	-11.95%	8.94%	9.04%
EPS	73.94%	-113.28%	-1170.77%	33.12%	-11.95%	8.94%	9.04%
EBITDA		-44.87%	172.85%	25.76%	-6.08%	5.93%	5.57%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	20.92	16.81	19.53	17.00	15.00	15.00	15.00
NP Margin	%	6.30	-0.89	5.94	7.25	6.08	6.31	6.55
OP Margin	%	9.57	3.58	9.79	11.70	9.95	9.95	9.95
ROE	%	25.86	-3.43	27.47	25.53	18.80	17.34	16.18
ROCE	%	14.82	-1.61	12.18	36.18	25.26	22.21	19.77
ROA	%	6.63	-0.70	5.73	9.89	8.15	8.34	8.52
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.16	1.02	1.10	0.69	0.73	0.78	0.87
Acid-test	x	0.26	0.17	0.27	-0.18	-0.20	-0.20	-0.19
Cash to current liab.	x	0.02	0.01	0.01	-0.39	-0.43	-0.45	-0.46
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	2	2	2	3
Inventory Days		190	231	172	168	166	166	140
Receivables Days		50	37	61	43	43	43	43
Payables Days		39	39	39	39	39	39	39
Operating Cycle		201	229	194	172	170	170	144
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS		5.85	-0.78	8.32	11.08	9.76	10.63	11.59
DPS		2.50	0.00	0.00	1.50	1.50	1.50	1.50
Div. Yield	%	5.41	0.00	0.00	3.24	3.24	3.24	3.24
Dividend Cover		2.34	0.00	0.00	7.39	6.50	7.09	7.73
BVPS		22.63	22.64	30.30	43.40	51.90	61.28	71.62
Payout	%	42.72	0.00	0.00	13.54	15.37	14.11	12.94
Retention	%	57.28	100.00	100.00	86.46	84.63	85.89	87.06
No. of Shares	'mn	616.72	616.72	616.72	616.72	616.72	616.72	616.72
P/E		7.90	N/A	5.56	4.17	4.74	4.35	3.99
Sales per share		92.89	87.46	140.14	152.75	160.39	168.41	176.83
P/BV		2.04	2.04	1.53	1.07	0.89	0.75	0.65
Price to Sales		0.50	0.53	0.33	0.30	0.29	0.27	0.26
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	2.08	2.82	2.69	1.79	1.37	1.04	0.77
Interest Cover	x	3.72	0.96	3.61	4.35	4.16	4.71	5.50

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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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