

GATM has announced its 9MFY21 result where it posted profit after tax of Rs3.5bn (EPS: Rs8.08) as compared to profit after tax of Rs700mn (EPS: Rs1.64) in same period last year, up by 394% YoY.

The company has posted the revenue of Rs63.7bn against Rs45bn in SPLY, recording a growth of 41.2% YoY. We note that this growth is attributed to the surge in exports.

Gross margin has been increased to 19.4% as compared to 18.3% in SPLY on account of lower input cost.

Operating cost has been increased by 13.1% YoY to Rs6.8bn as compared to Rs6bn in SPLY. Other income has also been increased by 62.1% YoY to Rs6.8bn in 9MFY21.

Finance cost has been increased by 8.2% YoY to Rs1.5bn as compared to Rs1.4bn 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 5.21x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs60 which provides an upside potential of 20%.

Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	21,972	14,238	54.3% ▲	63,567	45,005	41.2% ▲
Cost of Sales	17,255	12,325	40.0% ▲	51,267	36,784	39.4% ▲
Gross Profit	4,717	1,913	146.5% ▲	12,300	8,221	49.6% ▲
Operating Cost	2,358	1,989	18.6% ▲	6,813	6,022	13.1% ▲
Other Income	98	352	72.1% ▼	531	328	62.1% ▲
Operating Profit	2,457	276	789.8% ▲	6,018	2,527	138.2% ▲
Finance Cost	389	507	23.3% ▼	1,547	1,430	8.2% ▲
Profit Before Taxation	2,068	-231	994.5% ▼	4,471	1,096	307.8% ▲
Taxation	376	139	171.1% ▲	1,014	397	155.4% ▲
Profit After Taxation	1,692	-370	557.5% ▼	3,458	700	394.3% ▲
Earnings Per Share	3.95	-0.86	557.5% ▼	8.08	1.64	394.3% ▲
Dividend	1.00	0.00		1.00	0.00	
Bonus	20%	0%		20%	0%	

Closing Period: 12 May 2021 - 25 May 2021

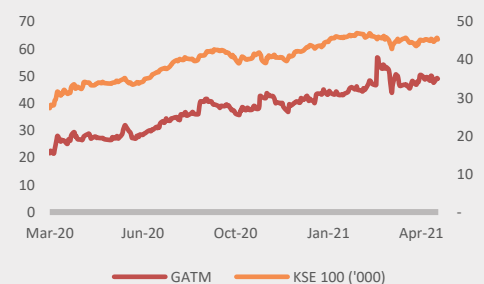
	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Gross Margin	21.5%	13.4%	8.0% ▲	19.4%	18.3%	1.1% ▲
Operating Cost to Sales	10.7%	14.0%	3.2% ▼	10.7%	13.4%	2.7% ▼
Other Income to Sales	0.4%	2.5%	2.0% ▼	0.8%	0.7%	0.1% ▲
Effective Taxation	18.2%	-60.0%	78.2% ▲	22.7%	36.2%	13.5% ▼
Net Margin	7.7%	-2.6%	10.3% ▲	5.4%	1.6%	3.9% ▲

Source: ACPL Research, Company Financials

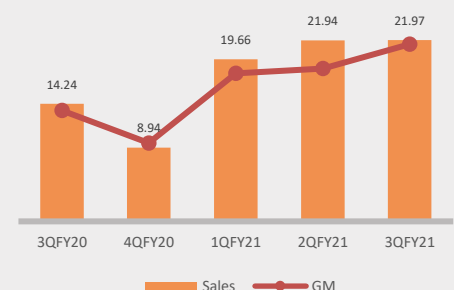
Key Statistics

Symbol	GATM
TP - Dec 21	60.00
LDCP	50.00
Upside / (Downside)	20%
Free Float ('mn)	128
Market Cap. (Rs. 'mn)	21,390

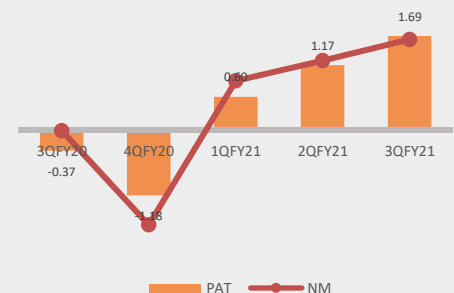
GATM vs KSE 100



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	84,671	90,569	97,097
Cost of sales	27,260	24,968	32,858	36,050	45,306	44,872	68,363	73,170	78,491
Gross profit	6,094	7,306	7,046	9,576	11,982	9,069	16,308	17,399	18,606
SG&A Expenses	4,134	5,076	5,789	6,251	7,326	7,241	9,016	9,900	10,541
Other Expenses	185	138	58	208	312	264	711	761	816
Other Income	343	153	487	199	1,137	368	677	725	777
Profit from operations	2,118	2,245	1,686	3,315	5,482	1,932	7,258	7,463	8,026
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	5,305	5,571	6,239
Income tax expense	178	193	- 10	253	399	403	1,203	626	701
Profit for the year	605	1,141	818	2,075	3,609	- 479	4,103	4,945	5,538
EPS	1.41	2.67	1.91	4.85	8.44	- 1.12	9.59	11.56	12.95
EBITDA	3,094	3,371	3,267	5,186	7,442	4,103	9,973	10,515	11,381

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%	56.97%	6.97%	7.21%
Cost of sales	0.83%	-8.41%	31.60%	9.71%	25.67%	-0.96%	52.35%	7.03%	7.27%
Gross profit	1.98%	19.89%	-3.56%	35.91%	25.13%	-24.31%	79.81%	6.69%	6.94%
SG&A Expenses	20.31%	22.78%	14.03%	7.99%	17.19%	-1.15%	24.50%	9.80%	6.48%
Other Expenses	59.55%	-25.81%	-57.56%	256.38%	49.86%	-15.26%	169.21%	6.97%	7.21%
Other Income	45.65%	-55.54%	219.49%	-59.25%	472.56%	-67.67%	84.23%	6.97%	7.21%
Profit from operations	-20.36%	6.02%	-24.89%	96.63%	65.34%	-64.76%	275.76%	2.83%	7.54%
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%	-7070.51%	5.01%	11.98%
Income tax expense	-31.70%	8.24%	-105.00%	-2723.40%	57.54%	1.01%	198.21%	-47.97%	11.98%
Profit for the year	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-955.89%	20.54%	11.98%
EPS	-51.01%	88.68%	-28.30%	153.53%	73.94%	-113.28%	-955.89%	20.54%	11.98%
EBITDA	-12.08%	8.95%	-3.07%	58.73%	43.50%	-44.87%	143.06%	5.44%	8.24%

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	19.26	19.21	19.16	19.12	19.07
NP Margin	%	1.81	3.54	2.05	4.55	6.30	-0.89	4.85	5.46	5.70	5.96	6.25
OP Margin	%	6.35	6.96	4.23	7.27	9.57	3.58	8.57	8.24	8.27	8.31	8.36
ROE	%	8.44	13.09	7.50	16.44	23.54	-3.43	21.85	21.33	19.64	18.46	17.65
ROCE	%	6.07	8.34	4.45	10.58	14.82	-1.61	-76.93	-321.63	157.02	64.85	41.75
ROA	%	2.43	3.55	2.23	4.80	6.63	-0.70	7.66	8.51	8.76	9.06	9.44
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	0.40	0.42	0.46	0.51	0.59
Acid-test	x	0.16	0.18	0.27	0.26	0.26	0.17	-0.41	-0.43	-0.45	-0.47	-0.49
Cash to current liab.	x	0.01	0.02	0.01	0.02	0.02	0.01	-0.54	-0.56	-0.59	-0.62	-0.66
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	265	217	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	263	216	211	211	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	9.59	11.56	12.95	14.54	16.43
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	%	3.00	6.00	2.00	5.00	5.00	0.00	3.00	3.00	4.00	5.00	6.00
Dividend Cover		0.94	0.89	1.91	1.94	3.37	0.00	6.39	7.71	6.47	5.82	5.48
BVPS		16.76	20.38	25.51	29.50	35.84	32.64	43.90	54.21	65.90	78.77	93.12
Payout	%	106.07	112.44	52.27	51.54	29.63	0.00	15.64	12.98	15.45	17.20	18.25
Retention	%	-6.07	-12.44	47.73	48.46	70.37	100.00	84.36	87.02	84.55	82.80	81.75
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		35.36	18.74	26.14	10.31	5.93	-44.62	5.21	4.33	3.86	3.44	3.04
Sales per share		77.97	75.44	93.28	106.65	133.91	126.09	197.92	211.71	226.97	243.98	263.07
P/BV		2.98	2.45	1.96	1.69	1.39	1.53	1.14	0.92	0.76	0.63	0.54
Price to Sales		0.64	0.66	0.54	0.47	0.37	0.40	0.25	0.24	0.22	0.20	0.19
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	2.63	2.03	1.57	1.20	0.91
Interest Cover	x	1.59	2.47	1.92	3.36	3.72	0.96	3.72	3.94	4.49	5.21	6.32

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

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