

GATM has announced its FY22 result where it posted a profit after tax of Rs8.86bn (Diluted EPS: Rs14.37) as compared to a profit after tax of Rs4.425bn (Diluted EPS: Rs7.17) in the same period last year, up by 100.3% YoY amid a surge in exports.

The company has posted a revenue of Rs100.26bn against Rs78.77bn in SPLY, recording a growth of 27.3% YoY. The gross margin has increased to 17.3% as compared to 16.3% during SPLY.

The operating cost has decreased by 19.1% YoY to Rs5.04bn as compared to Rs6.22bn in SPLY. Finance cost has been increased by 37.3% YoY to Rs2.67bn as compared to Rs1.94bn in SPLY on account of the higher interest rate.

Going forward, we expect the profit of the company to decline amid the high cost of materials due to imported cotton since heavy rainfall and floods have severely damaged the local production of cotton crop. GATM is currently trading at FY23E PE of 2.77x. Further, the scrip is also trading at FY23E PB of 0.52x which offers a discount of 46% relative to its 3-year historical average of 0.97x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs40 which provides an upside potential of 38%.

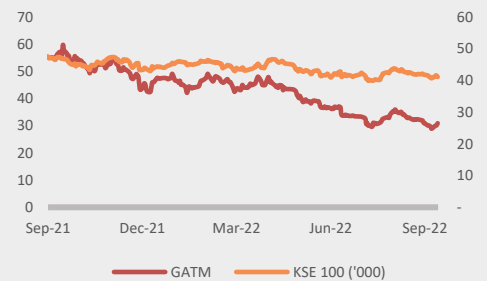
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	28,212	22,298	26.5% ▲	100,257	78,774	27.3% ▲
Cost of Sales	24,579	19,727	24.6% ▲	82,889	65,905	25.8% ▲
<b>Gross Profit</b>	<b>3,634</b>	<b>2,571</b>	<b>41.3% ▲</b>	<b>17,368</b>	<b>12,869</b>	<b>35.0% ▲</b>
Operating Cost	795	35	2169.0% ▲	5,038	6,224	19.1% ▼
Other Income	779	-16	4790.3% ▲	809	861	6.0% ▼
<b>Operating Profit</b>	<b>5,207</b>	<b>2,590</b>	<b>101.0% ▲</b>	<b>13,138</b>	<b>7,506</b>	<b>75.0% ▲</b>
Finance Cost	670	630	6.2% ▲	2,669	1,944	37.3% ▲
Profit Before Taxation	4,538	1,960	131.5% ▲	10,469	5,562	88.2% ▲
Taxation	312	89	252.3% ▲	1,607	1,137	41.3% ▲
<b>Profit After Taxation</b>	<b>4,226</b>	<b>1,871</b>	<b>125.8% ▲</b>	<b>8,862</b>	<b>4,425</b>	<b>100.3% ▲</b>
Earnings Per Share	6.85	3.03	125.8% ▲	14.37	7.17	100.3% ▲
Dividend	0.00	0.00		0.00	1.00	
Bonus	0%	0%		0.00	20%	
Gross Margin	12.9%	11.5%	1.3% ▲	17.3%	16.3%	1.0% ▲
Operating Cost to Sales	-2.8%	-0.2%	2.7% ▼	5.0%	7.9%	2.9% ▼
Other Income to Sales	2.8%	-0.1%	2.8% ▲	0.8%	1.1%	0.3% ▼
Effective Taxation	6.9%	4.5%	2.4% ▲	15.4%	20.4%	5.1% ▼
Net Margin	15.0%	8.4%	6.6% ▲	8.8%	5.6%	3.2% ▲

Source: ACPL Research, Company Financials

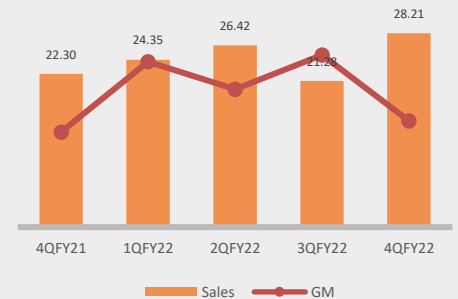
## Key Statistics

Symbol	GATM
TP - Jun 23	40.00
LDPCP	29.25
Upside / (Downside)	38%
Free Float ('mn)	154
Market Cap. (Rs. 'mn)	18,569

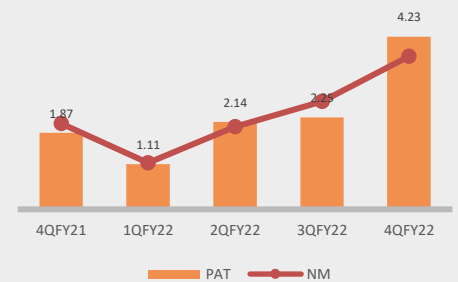
## GATM vs KSE 100



## 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	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	57,288	53,941	78,774	100,257	104,574	115,031	126,534
Cost of sales	45,306	44,872	65,905	82,889	83,659	92,025	101,227
<b>Gross profit</b>	<b>11,982</b>	<b>9,069</b>	<b>12,869</b>	<b>17,368</b>	<b>20,915</b>	<b>23,006</b>	<b>25,307</b>
SG&A Expenses	7,326	7,241	5,705	4,178	8,657	9,522	10,474
Other Expenses	312	264	519	860	629	692	761
Other Income	1,137	368	861	809	844	928	1,021
<b>Profit from operations</b>	<b>5,482</b>	<b>1,932</b>	<b>7,506</b>	<b>13,138</b>	<b>12,473</b>	<b>13,720</b>	<b>15,092</b>
Finance cost	1,473	2,008	1,944	2,669	2,766	2,842	2,925
<b>Profit before income tax</b>	<b>4,008</b>	<b>- 76</b>	<b>5,562</b>	<b>10,469</b>	<b>9,707</b>	<b>10,878</b>	<b>12,167</b>
Income tax expense	399	403	1,137	1,607	3,203	3,590	4,015
<b>Profit for the year</b>	<b>3,609</b>	<b>- 479</b>	<b>4,425</b>	<b>8,862</b>	<b>6,504</b>	<b>7,288</b>	<b>8,152</b>
EPS	<b>5.85</b>	<b>- 0.78</b>	<b>7.17</b>	<b>14.37</b>	<b>10.55</b>	<b>11.82</b>	<b>13.22</b>
EBITDA	<b>7,442</b>	<b>4,103</b>	<b>10,242</b>	<b>16,194</b>	<b>15,852</b>	<b>17,392</b>	<b>19,027</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY22E	FY23E
Revenue	25.56%	-5.84%	46.04%	27.27%	4.31%	10.00%	10.00%
Cost of sales	25.67%	-0.96%	46.88%	25.77%	0.93%	10.00%	10.00%
<b>Gross profit</b>	<b>25.13%</b>	<b>-24.31%</b>	<b>41.89%</b>	<b>34.96%</b>	<b>20.42%</b>	<b>10.00%</b>	<b>10.00%</b>
SG&A Expenses	17.19%	-1.15%	-21.22%	-26.75%	107.18%	10.00%	10.00%
Other Expenses	49.86%	-15.26%	96.49%	65.74%	-26.90%	10.00%	10.00%
Other Income	472.56%	-67.67%	134.14%	-6.02%	4.31%	10.00%	10.00%
<b>Profit from operations</b>	<b>65.34%</b>	<b>-64.76%</b>	<b>288.59%</b>	<b>75.04%</b>	<b>-5.06%</b>	<b>10.00%</b>	<b>10.00%</b>
Finance cost	49.27%	36.26%	-3.17%	37.31%	3.63%	2.75%	2.92%
<b>Profit before income tax</b>	<b>72.16%</b>	<b>-101.90%</b>	<b>-7407.37%</b>	<b>88.22%</b>	<b>-7.28%</b>	<b>12.07%</b>	<b>11.85%</b>
Income tax expense	57.54%	1.01%	182.02%	41.30%	99.34%	12.07%	11.85%
<b>Profit for the year</b>	<b>73.94%</b>	<b>-113.28%</b>	<b>-1023.00%</b>	<b>100.28%</b>	<b>-26.61%</b>	<b>12.07%</b>	<b>11.85%</b>
EPS	<b>73.94%</b>	<b>-113.28%</b>	<b>-1023.00%</b>	<b>100.28%</b>	<b>-26.61%</b>	<b>12.07%</b>	<b>11.85%</b>
EBITDA		<b>-44.87%</b>	<b>149.63%</b>	<b>58.11%</b>	<b>-2.11%</b>	<b>9.71%</b>	<b>9.40%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	20.92	16.81	16.34	17.32	20.00	20.00	20.00
NP Margin	%	6.30	-0.89	5.62	8.84	6.22	6.34	6.44
OP Margin	%	9.57	3.58	9.53	13.10	11.93	11.93	11.93
ROE	%	25.86	-3.43	23.68	31.55	18.80	17.40	16.30
ROCE	%	14.82	-1.61	10.50	43.95	25.06	22.42	20.40
ROA	%	6.63	-0.70	4.94	11.57	7.60	7.45	7.29
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.16	1.02	1.10	0.75	0.81	0.88	0.96
Acid-test	x	0.26	0.17	0.27	-0.10	0.00	0.08	0.17
Cash to current liab.	x	0.02	0.01	0.01	-0.32	-0.21	-0.13	-0.04
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	2	2	2	2
Inventory Days		190	231	193	172	180	180	171
Receivables Days		50	50	37	65	50	44	46
Payables Days		39	39	39	39	39	39	39
Operating Cycle		201	229	219	183	185	186	178
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS		5.85	-0.78	7.17	14.37	10.55	11.82	13.22
DPS		2.50	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	8.55	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover		2.34	0.00	0.00	0.00	0.00	0.00	0.00
BVPS		22.63	22.64	30.30	45.54	56.08	67.90	81.12
Payout	%	42.72	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	57.28	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	'mn	616.72	616.72	616.72	616.72	616.72	616.72	616.72
P/E		5.00	N/A	4.08	2.04	2.77	2.48	2.21
Sales per share		92.89	87.46	127.73	162.57	169.57	186.52	205.17
P/BV		1.29	1.29	0.97	0.64	0.52	0.43	0.36
Price to Sales		0.31	0.33	0.23	0.18	0.17	0.16	0.14
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY25E
Debt to Equity	x	2.08	2.82	2.69	1.86	1.52	1.28	1.10
Interest Cover	x	3.72	0.96	3.86	4.92	4.51	4.83	5.16

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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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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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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