

## **Gul Ahmed Textile Mills Limited (GATM)**

### **Corporate Briefing Notes**

Gul Ahmed Textile Mills Limited (GATM) held its corporate briefing session to discuss the financial results for 9MFY23 and its future roadmap.

### **Key Highlights**

- To recall, GATM reported an unconsolidated sales of PKR80bn in 9MFY23 as compared to PKR68bn in SPLY. While on a consolidated basis, total sales clocked in at PKR99.8bn against PKR83bn in 9MFY22.
- The company's gross profit for the same period reached PKR11bn, reflecting a gross margin of 13.6%, respectively. The consolidated gross profit stood at PKR19bn, down 1.2% YoY compared to PKR19.1bn last year.
- The operating profit was reported at PKR6.7bn in 9MFY23. The overall operating profit was reported at PKR8.6bn, down 8.1% YoY compared to PKR9.3bn in the same period last year.
- The export sales culminated at PKR52.6bn (65.4% of total sales) in 9MFY23, while imports stood at PKR29.5bn during the same period.
- The export mix consisted of Home Textile (85%), Apparel (13%) and others (2%) during the noted period.
- Finance cost also increased to PKR3.2bn, constituting 4.0% of total sales. The overall finance costs stood at PKR4.4bn compared to PKR1.95bn during 9MFY22.
- The company announced bonus shares of 20% in the third quarter ending in March'23, along with an EPS of PKR4.27/sh during 9MFY23.
- Despite import restrictions and challenges with the opening of letters of credit (LC), the company managed to purchase 52% of total purchases from local sources by exploring local alternatives during the period.
- In terms of sustainability, the company imported 62% of sustainable raw materials in the said period. Moreover, 71% of the total steam is generated by WHRB (waste heat recovery boilers).

- The commitment to achieving Zero Liquid Discharge by 2027 has led the company to install wastewater recycling capacity, which can recycle 60% of total process effluents. Additionally, 200 tons per month are being recycled at the in-house waste recycling plant.
- Management emphasized on the reduction of short-term debt (subsidized lines of exports), which has already been reduced by PKR8bn and is planned to be further reduced by PKR7bn each in the upcoming two quarters. The total short-term debt reduction target is PKR21bn in the next two years. This target will be achieved by discounting bills and limiting expansion plans over the same year.

### Future Outlook

- Going-forward, GATM management is evaluating the GCC countries for increasing textile exports as these economies are growing rapidly. Discussing the rebound in export demand, management linked the recovery to worldwide inflationary pressures and government export policies. The management anticipates a return to normal demand after the second half of FY24. The company also expects promising cotton production this year.

**Important Disclosures**

**Disclaimer:** This report has been prepared by Chase Securities Pakistan (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation or any offer to buy. While reasonable care has been taken to ensure that the information contained in this report is not untrue or misleading at the time of its publication, Chase Securities makes no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Chase Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report Chase Securities as a firm may have business relationships, including investment banking relationships with the companies referred to in this report This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report and Chase Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents At the same time, it should be noted that investments in capital markets are also subject to market risks This report may not be reproduced, distributed or published by any recipient for any purpose.

**Analyst certification:** The research analyst for this report certifies that 1.all of the views expressed in this report accurately reflect her personal views about the subject and 2.no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.