

FATIMA

1HCY22 Result Review: BUY Stance Maintained

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FATIMA has announced its 1HCY22 result where it posted a profit after tax of Rs5.85bn (EPS: Rs2.78) as compared to a profit after tax of Rs9.31bn (EPS: Rs4.4) in the same period last year, down by 37.2% YoY amid super tax adjustment.

The company had posted a revenue of Rs62bn against Rs47bn in SPLY, recording a growth of 31.7% YoY amid an increase in demand.

The gross margin has slightly improved to 45.4% as compared to 44.2% in SPLY due to an increase in fertilizers prices.

SG&A expenses have increased by 31.1% YoY to Rs5.81bn as compared to Rs4.43bn during SPLY. Further, the effective taxation increased to 69.0% as compared to the 35.6% SPLY amid the imposition of super tax by the government.

Going forward we expect that rising fertilizer prices would reinforce the bottom line of the company. Currently, FATIMA is trading at a CY22E PE of 4.78x. Furthermore, it is also trading at a CY22E P/B of 0.70x which offers a discount of 20% relative to its historical 3-year average of 0.88. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs45 which provides an upside potential of 23%. Further, the scrip also provides a dividend yield of 11% which makes the total return of 34%.

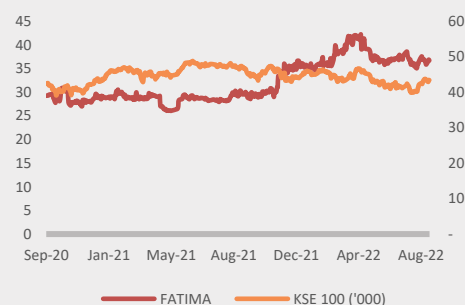
Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Net Sales	33,170	25,704	29.0% ▲	62,284	47,308	31.7% ▲
Cost of Sales	-17,117	-14,042	21.9% ▲	-33,981	-26,381	28.8% ▲
Gross Profit	16,052	11,662	37.6% ▲	28,303	20,927	35.2% ▲
SG&A Expenses	-3,250	-2,023	60.7% ▲	-5,811	-4,434	31.1% ▲
Other Expenses	-1,915	-700	173.8% ▲	-3,178	-1,198	165.3% ▲
Operating Profit	10,887	8,940	21.8% ▲	19,314	15,295	26.3% ▲
Other Income	453	263	71.8% ▲	696	369	88.7% ▲
Finance Cost	-758	-668	13.4% ▲	-1,175	-1,211	3.0% ▼
Profit Before Taxation	10,582	8,536	24.0% ▲	18,835	14,453	30.3% ▲
Taxation	-10,426	-2,994	248.3% ▲	-12,989	-5,138	152.8% ▲
Profit After Taxation	156	5,542	97.2% ▼	5,846	9,315	37.2% ▼
Earnings Per Share	0.07	2.64	97.2% ▼	2.78	4.44	37.2% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	48.4%	45.4%	3.0% ▲	45.4%	44.2%	1.2% ▲
SG&A Expenses to Sales	-9.8%	-7.9%	1.9% ▲	-9.3%	-9.4%	0.0% ▼
Other Income to Sales	1.4%	1.0%	0.3% ▲	1.1%	0.8%	0.3% ▲
Ex. Gain / (Loss) to Sales	-9.8%	-7.9%	1.9% ▲	-9.3%	-9.4%	0.0% ▼
Effective Taxation	-98.5%	-35.1%	63.5% ▲	-69.0%	-35.6%	33.4% ▲
Net Margin	0.5%	21.6%	21.1% ▼	9.4%	19.7%	10.3% ▼

Source: ACPL Research, Company Financials

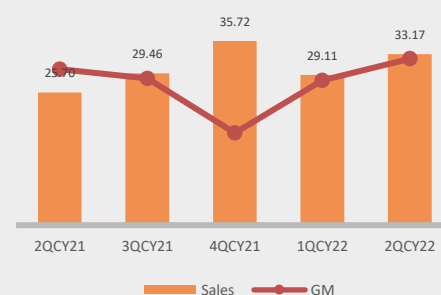
Key Statistics

Symbol	FATIMA
TP - Jun 23	45.00
LDCP	36.65
Upside (%)	23
Free Float ('mn)	315
Market Cap. (Rs. 'mn)	76,902

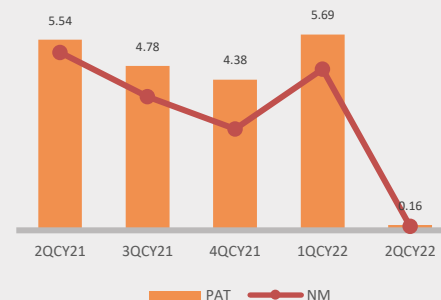
FATIMA vs KSE 100



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	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	74,964	71,267	112,488	127,881	133,661	138,663	143,821
Cost of sale	47,065	42,473	69,404	73,865	75,544	79,363	83,639
Gross profit	27,899	28,795	43,084	54,016	58,117	59,300	60,183
Selling and promotion expenses	3,800	3,891	5,049	6,586	7,139	7,406	7,682
Administrative Expenses	2,779	3,369	3,900	5,842	6,106	6,334	6,570
Other operating expenses	1,480	1,678	4,677	5,755	6,015	6,240	6,472
Operating Profit	19,840	19,858	29,459	35,834	38,857	39,319	39,459
Other operating income	1,114	3,075	952	1,406	1,470	1,525	1,582
Finance cost	3,761	3,469	2,007	2,269	2,005	1,803	1,662
Profit before taxation	17,193	19,463	28,405	34,971	38,322	39,042	39,379
Taxation	5,123	5,468	9,711	18,885	12,646	12,884	12,995
Profit after taxation	12,070	13,995	18,694	16,087	25,676	26,158	26,384
EPS	5.75	6.32	8.80	7.66	12.23	12.46	12.56

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	46.1%	-4.9%	57.8%	13.7%	4.5%	3.7%	3.7%
Cost of sale	83.6%	-9.8%	63.4%	6.4%	2.3%	5.1%	5.4%
Gross profit	8.7%	3.2%	49.6%	25.4%	7.6%	2.0%	1.5%
Selling and promotion expenses	3.1%	2.4%	29.8%	30.4%	8.4%	3.7%	3.7%
Administrative Expenses	19.9%	21.2%	15.8%	49.8%	4.5%	3.7%	3.7%
Other operating expenses	-13.3%	13.3%	178.8%	23.0%	4.5%	3.7%	3.7%
Operating Profit	10.5%	0.1%	48.3%	21.6%	8.4%	1.2%	0.4%
Other operating income	70.8%	175.9%	-69.0%	47.7%	4.5%	3.7%	3.7%
Finance cost	106.3%	-7.8%	-42.2%	13.1%	-11.7%	-10.1%	-7.8%
Profit before taxation	2.4%	-13.2%	-45.9%	23.1%	9.6%	1.9%	0.9%
Taxation	5.1%	6.7%	-77.6%	94.5%	-33.0%	1.9%	0.9%
Profit after taxation	1.3%	16.0%	-33.6%	-13.9%	59.6%	1.9%	0.9%
EPS	1.3%	10.0%	-39.2%	-12.9%	59.6%	1.9%	0.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	37.22	40.40	38.30	42.24	43.48	42.77	41.85
OP Margin	%	27.95	30.44	27.26	29.12	30.17	29.46	28.54
NP Margin	%	16.10	18.63	16.42	12.58	19.21	18.86	18.34
ROE	%	16.01	16.08	19.72	15.30	21.83	19.66	17.73
ROCE	%	14.79	13.88	17.91	20.33	21.57	20.53	19.12
ROA	%	8.52	8.49	10.79	8.78	13.74	13.15	12.29

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.88	1.03	1.32	1.73	1.97	2.20	2.52
Acid-test	x	0.43	0.33	0.60	0.12	0.36	0.59	0.91
Cash to current liab.	x	0.01	0.01	0.14	-0.90	-0.68	-0.45	-0.12

Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	2	2	2	1	1	1
Inventory Days		89	116	140	150	150	150	150
Receivables Days		35	23	38	40	40	40	40
Payables Days		205	197	180	150	150	150	150
Operating Cycle		-81	-57	-2	40	40	40	40

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	5.75	6.32	8.80	7.66	12.23	12.46	12.56
DPS	Rs.	2.00	2.50	3.50	3.00	5.00	5.00	5.00
Div. Yield	%	4.37	5.46	7.65	6.56	10.93	10.93	10.93
Dividend Cover	x	2.87	2.53	2.51	2.55	2.45	2.49	2.51
BVPS	Rs.	37.15	41.48	47.74	52.40	59.63	67.09	74.65
Payout	%	34.80	39.55	39.79	39.79	39.79	39.79	39.79
Retention	%	65.20	60.45	60.21	60.21	60.21	60.21	60.21
No. of Shares	'mn	2,100	2,100	2,100	2,100	2,100	2,100	2,100
P/E		6.38	5.80	4.17	4.78	3.00	2.94	2.92
Sales per share		35.70	33.94	53.57	60.90	63.65	66.03	68.49
P/BV		0.99	0.88	0.77	0.70	0.61	0.55	0.49
Price to Sales		1.03	1.08	0.68	0.60	0.58	0.56	0.54

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.37	0.23	0.13	0.11	0.09	0.08	0.06
L.T. Debt to Equity	x	0.16	0.10	0.07	0.05	0.03	0.02	0.00
Interest Cover	x	5.57	6.25	15.28	16.41	20.12	22.66	24.70

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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HOLD	Between -5% to 15%
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