

FATIMA

1QCY22 Result Review: BUY Stance Maintained

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FATIMA has announced its 1QCY22 result where it posted a profit after tax of Rs5.69bn (EPS: Rs2.71) as compared to a profit after tax of Rs3.77bn (EPS: Rs1.8) in the same period last year, up by 50.8% YoY.

The company had posted a revenue of Rs29bn against Rs22bn in SPLY, recording a growth of 34.8% YoY amid an increase in demand.

The gross margin has been dropped to 42.1% as compared to 42.9% in SPLY due to an increase in raw material cost.

SG&A expenses have increased by 6.2% YoY to Rs2.56bn as compared to Rs2.41bn during SPLY. Further, a decrease in finance cost and increase in other income by 23.2% and 230.8% YoY reinforced the bottom line.

Going forward we expect that rising fertilizer prices would further reinforce the bottom line of the company. Currently, FATIMA is trading at a CY22E PE of 2.87x. The scrip is currently trading at a CY22E P/B of 0.70x which offers a discount of 25% relative to its historical 3-year average of 0.94. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs55 which provides an upside potential of 41%. Further, the scrip also provides a dividend yield of 10% which makes the total return of 51%.

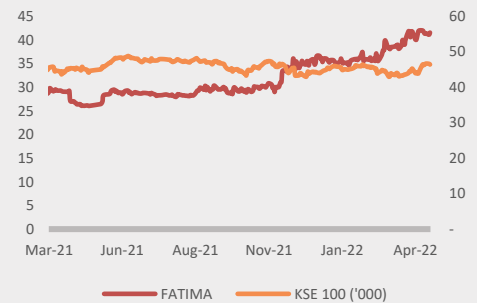
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Net Sales	29,114	21,604	34.8% ▲	112,488	71,267	57.8% ▲
Cost of Sales	-16,863	-12,339	36.7% ▲	-69,404	-42,473	63.4% ▲
Gross Profit	12,251	9,265	32.2% ▲	43,084	28,795	49.6% ▲
SG&A Expenses	-2,561	-2,411	6.2% ▲	-8,948	-7,259	23.3% ▲
Other Expenses	-1,368	-499	174.4% ▲	-4,677	-1,678	178.8% ▲
Operating Profit	8,321	6,354	31.0% ▲	29,459	19,858	48.3% ▲
Other Income	348	105	230.8% ▲	733	2,354	68.9% ▼
Finance Cost	-417	-543	23.2% ▼	-2,007	-3,469	42.2% ▼
Profit Before Taxation	8,253	5,917	39.5% ▲	28,185	18,743	50.4% ▲
Taxation	-2,563	-2,144	19.5% ▲	-9,711	-5,468	77.6% ▲
Profit After Taxation	5,690	3,773	50.8% ▲	18,474	13,275	39.2% ▲
Earnings Per Share	2.71	1.80	50.8% ▲	8.80	6.32	39.2% ▲
Dividend	0.00	0.00	N/A	3.50	2.50	40.0% ▲
Bonus	-	-	-	-	-	-
Gross Margin	42.1%	42.9%	0.8% ▼	38.3%	40.4%	2.1% ▼
SG&A Expenses to Sales	-8.8%	-11.2%	2.4% ▼	-8.0%	-10.2%	2.2% ▼
Other Income to Sales	1.2%	0.5%	0.7% ▲	0.7%	3.3%	2.7% ▼
Ex. Gain / (Loss) to Sales	-8.8%	-11.2%	2.4% ▼	-8.0%	-10.2%	2.2% ▼
Effective Taxation	-31.1%	-36.2%	5.2% ▼	-34.5%	-29.2%	5.3% ▲
Net Margin	19.5%	17.5%	2.1% ▲	16.4%	18.6%	2.2% ▼

Source: ACPL Research, Company Financials

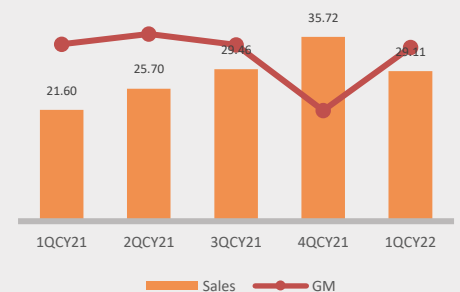
Key Statistics

Symbol	FATIMA
TP - Dec 22	55.00
LDPC	39.15
Upside (%)	41
Free Float ('mn)	315
Market Cap. (Rs. 'mn)	82,026

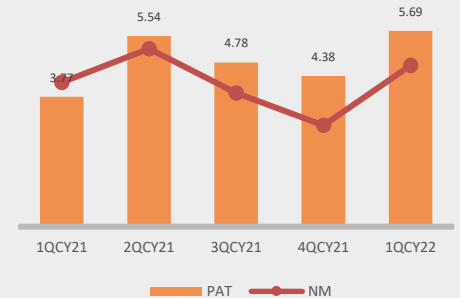
FATIMA vs KSE 100



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	131,835	133,025	134,215	135,405
Cost of sale	47,065	42,473	69,404	74,772	73,133	75,387	77,524
Gross profit	27,899	28,795	43,084	57,063	59,892	58,828	57,881
Selling and promotion expenses	3,800	3,891	5,049	5,917	5,971	6,024	7,786
Administrative Expenses	2,779	3,369	3,900	4,570	4,612	4,653	4,694
Other operating expenses	1,480	1,678	4,677	5,603	5,654	5,704	5,755
Operating Profit	19,840	19,858	29,459	40,973	43,657	42,447	39,647
Other operating income	1,114	3,075	952	1,318	1,330	1,342	1,354
Finance cost	3,761	3,469	2,007	1,920	1,762	1,669	1,590
Profit before taxation	17,193	19,463	28,405	40,371	43,225	42,119	39,410
Taxation	5,123	5,468	9,711	11,708	12,535	12,215	11,429
Profit after taxation	12,070	13,995	18,694	28,664	30,689	29,905	27,981
EPS	5.75	6.32	8.80	13.65	14.61	14.24	13.32

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	46.1%	-4.9%	57.8%	17.2%	0.9%	0.9%	0.9%
Cost of sale	83.6%	-9.8%	63.4%	7.7%	-2.2%	3.1%	2.8%
Gross profit	8.7%	3.2%	49.6%	32.4%	5.0%	-1.8%	-1.6%
Selling and promotion expenses	3.1%	2.4%	29.8%	17.2%	0.9%	0.9%	29.2%
Administrative Expenses	19.9%	21.2%	15.8%	17.2%	0.9%	0.9%	0.9%
Other operating expenses	-13.3%	13.3%	178.8%	19.8%	0.9%	0.9%	0.9%
Operating Profit	10.5%	0.1%	48.3%	39.1%	6.6%	-2.8%	-6.6%
Other operating income	70.8%	175.9%	-69.0%	38.4%	0.9%	0.9%	0.9%
Finance cost	106.3%	-7.8%	-42.2%	-4.3%	-8.2%	-5.3%	-4.7%
Profit before taxation	2.4%	-13.2%	-45.9%	42.1%	7.1%	-2.6%	-6.4%
Taxation	5.1%	6.7%	-77.6%	20.6%	7.1%	-2.6%	-6.4%
Profit after taxation	1.3%	16.0%	-33.6%	53.3%	7.1%	-2.6%	-6.4%
EPS	1.3%	10.0%	-39.2%	55.2%	7.1%	-2.6%	-6.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	37.22	40.40	38.30	43.28	45.02	43.83	42.75
OP Margin	%	27.95	30.44	27.26	32.08	33.82	32.63	30.28
NP Margin	%	16.10	18.63	16.42	21.74	23.07	22.28	20.66
ROE	%	16.01	16.08	19.72	26.34	24.28	20.67	17.27
ROCE	%	14.79	13.88	17.91	22.61	23.02	20.93	18.16
ROA	%	8.52	8.49	10.79	15.33	15.71	14.30	12.39

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.88	1.03	1.32	1.91	2.26	2.56	2.93
Acid-test	x	0.43	0.33	0.60	0.29	0.65	0.96	1.33
Cash to current liab.	x	0.01	0.01	0.14	-0.75	-0.42	-0.08	0.31

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	13.65	14.61	14.24	13.32
DPS	Rs.	2.00	2.50	3.50	5.50	6.00	5.50	5.50
Div. Yield	%	3.63	4.54	6.35	9.99	10.89	9.99	9.99
Dividend Cover	x	2.87	2.53	2.51	2.48	2.44	2.59	2.42
BVPS	Rs.	37.15	41.48	47.74	55.89	64.51	73.25	81.07
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		6.81	6.19	4.45	2.87	2.68	2.75	2.94
Sales per share		35.70	33.94	53.57	62.78	63.35	63.91	64.48
P/BV		1.05	0.94	0.82	0.70	0.61	0.53	0.48
Price to Sales		1.10	1.15	0.73	0.62	0.62	0.61	0.61

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.37	0.23	0.13	0.10	0.08	0.07	0.06
L.T. Debt to Equity	x	0.16	0.10	0.07	0.04	0.03	0.01	0.00
Interest Cover	x	5.57	6.25	15.28	22.03	25.53	26.23	25.78

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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Market Weight	Neutral
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