

# FATIMA

## 9MCY22 Result Review: BUY Stance Maintained

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FATIMA has announced its 9MCY22 result where it posted a profit after tax of Rs9.90bn (EPS: Rs4.71) as compared to a profit after tax of Rs14.10bn (EPS: Rs6.71) in the same period last year, down by 29.8% YoY amid super tax adjustment.

The company had posted a revenue of Rs98.92bn against Rs76.77bn in SPLY, recording a growth of 28.9% YoY amid an increase in retention prices.

The gross margin has dropped to 41.6% as compared to 43.6% in SPLY due to an increase in input cost and depreciation of PKR.

SG&A expenses have increased by 36.2% YoY to Rs9.56bn as compared to Rs7.02bn during SPLY. Further, the effective taxation increased to 61.9% as compared to the 37.3% SPLY.

Going forward we expect that rising fertilizer prices would reinforce the bottom line of the company. Currently, FATIMA is trading at a CY23E PE of 3.28x. Furthermore, it is also trading at a CY23E P/B of 0.63x which offers a discount of 20% relative to its historical 3-year average of 0.79. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs50 which provides an upside potential of 38%. Further, the scrip also provides a dividend yield of 9% which makes the total return of 47%.

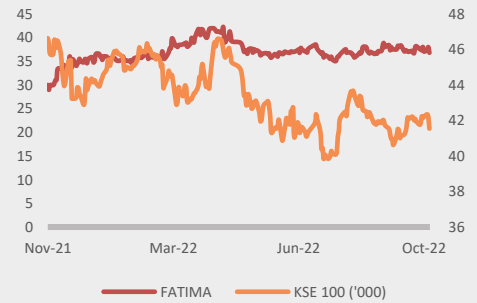
Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Net Sales	36,637	29,462	24.4% ▲	98,920	76,770	28.9% ▲
Cost of Sales	-23,762	-16,881	40.8% ▲	-57,743	-43,262	33.5% ▲
<b>Gross Profit</b>	<b>12,875</b>	<b>12,581</b>	<b>2.3% ▲</b>	<b>41,178</b>	<b>33,508</b>	<b>22.9% ▲</b>
SG&A Expenses	-3,745	-2,585	44.9% ▲	-9,556	-7,019	36.2% ▲
Other Expenses	-1,671	-1,650	1.3% ▲	-4,850	-2,848	70.3% ▲
<b>Operating Profit</b>	<b>7,459</b>	<b>8,346</b>	<b>10.6% ▼</b>	<b>26,772</b>	<b>23,641</b>	<b>13.2% ▲</b>
Other Income	441	258	71.0% ▲	1,137	626	81.4% ▲
Finance Cost	-740	-565	31.0% ▲	-1,915	-1,776	7.8% ▲
Profit Before Taxation	7,159	8,039	10.9% ▼	25,994	22,491	15.6% ▲
Taxation	-3,107	-3,262	4.8% ▼	-16,095	-8,400	91.6% ▲
<b>Profit After Taxation</b>	<b>4,053</b>	<b>4,777</b>	<b>15.2% ▼</b>	<b>9,899</b>	<b>14,092</b>	<b>29.8% ▼</b>
Earnings Per Share	1.93	2.27	15.2% ▼	4.71	6.71	29.8% ▼
Dividend	0.00	0.00	-	0.00	0.00	-
Bonus	-	-	-	-	-	-
Gross Margin	35.1%	42.7%	7.6% ▼	41.6%	43.6%	2.0% ▼
SG&A Expenses to Sales	-10.2%	-8.8%	1.4% ▲	-9.7%	-9.1%	0.5% ▲
Other Income to Sales	1.2%	0.9%	0.3% ▲	1.1%	0.8%	0.3% ▲
Ex. Gain / (Loss) to Sales	-10.2%	-8.8%	1.4% ▲	-9.7%	-9.1%	0.5% ▲
Effective Taxation	-43.4%	-40.6%	2.8% ▲	-61.9%	-37.3%	24.6% ▲
Net Margin	11.1%	16.2%	5.2% ▼	10.0%	18.4%	8.3% ▼

Source: ACPL Research, Company Financials

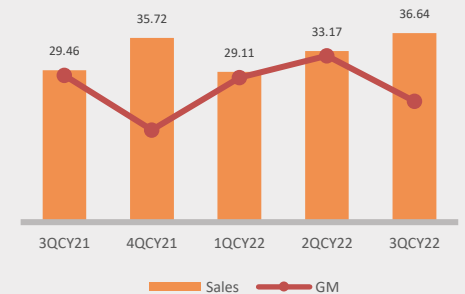
### Key Statistics

Symbol	FATIMA
TP - Jun 23	50.00
LDCP	36.79
Upside (%)	38
Free Float ('mn)	315
Market Cap. (Rs. 'mn)	76,335

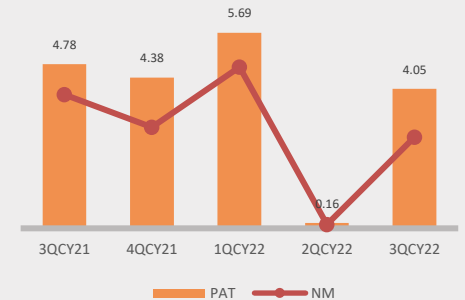
### FATIMA vs KSE 100



### 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	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	71,267	112,488	133,942	137,684	142,296	147,014	151,839
Cost of sale	42,473	69,404	76,924	81,498	85,121	89,176	92,994
<b>Gross profit</b>	<b>28,795</b>	<b>43,084</b>	<b>57,017</b>	<b>56,186</b>	<b>57,175</b>	<b>57,838</b>	<b>58,845</b>
Selling and promotion expenses	3,891	5,049	7,112	7,309	7,554	7,805	8,061
Administrative Expenses	3,369	3,900	5,760	5,920	6,119	6,322	6,529
Other operating expenses	1,678	4,677	6,563	6,747	6,972	7,204	7,440
<b>Operating Profit</b>	<b>19,858</b>	<b>29,459</b>	<b>37,582</b>	<b>36,209</b>	<b>36,530</b>	<b>36,508</b>	<b>36,815</b>
Other operating income	3,075	952	1,513	1,555	1,608	1,661	1,715
Finance cost	3,469	2,007	2,508	2,615	2,995	3,758	3,945
Profit before taxation	19,463	28,405	36,587	35,150	35,142	34,411	34,585
Taxation	5,468	9,711	22,655	11,599	11,597	11,356	11,413
<b>Profit after taxation</b>	<b>13,995</b>	<b>18,694</b>	<b>13,933</b>	<b>23,550</b>	<b>23,545</b>	<b>23,056</b>	<b>23,172</b>
EPS	<b>6.32</b>	<b>8.80</b>	<b>6.63</b>	<b>11.21</b>	<b>11.21</b>	<b>10.98</b>	<b>11.03</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	-4.9%	57.8%	19.1%	2.8%	3.3%	3.3%	3.3%
Cost of sale	-9.8%	63.4%	10.8%	5.9%	4.4%	4.8%	4.3%
<b>Gross profit</b>	<b>3.2%</b>	<b>49.6%</b>	<b>32.3%</b>	<b>-1.5%</b>	<b>1.8%</b>	<b>1.2%</b>	<b>1.7%</b>
Selling and promotion expenses	2.4%	29.8%	40.9%	2.8%	3.3%	3.3%	3.3%
Administrative Expenses	21.2%	15.8%	47.7%	2.8%	3.3%	3.3%	3.3%
Other operating expenses	13.3%	178.8%	40.3%	2.8%	3.3%	3.3%	3.3%
<b>Operating Profit</b>	<b>0.1%</b>	<b>48.3%</b>	<b>27.6%</b>	<b>-3.7%</b>	<b>0.9%</b>	<b>-0.1%</b>	<b>0.8%</b>
Other operating income	175.9%	-69.0%	58.9%	2.8%	3.4%	3.3%	3.3%
Finance cost	-7.8%	-42.2%	25.0%	4.3%	14.5%	25.5%	5.0%
Profit before taxation	-13.2%	-45.9%	28.8%	-3.9%	0.0%	-2.1%	0.5%
Taxation	6.7%	-77.6%	133.3%	-48.8%	0.0%	-2.1%	0.5%
<b>Profit after taxation</b>	<b>16.0%</b>	<b>-33.6%</b>	<b>-25.5%</b>	<b>69.0%</b>	<b>0.0%</b>	<b>-2.1%</b>	<b>0.5%</b>
EPS	<b>10.0%</b>	<b>-39.2%</b>	<b>-24.6%</b>	<b>69.0%</b>	<b>0.0%</b>	<b>-2.1%</b>	<b>0.5%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	40.40	38.30	42.57	40.81	40.18	39.34	38.76
OP Margin	%	30.44	27.26	29.19	27.43	26.80	25.96	25.38
NP Margin	%	18.63	16.42	10.40	17.10	16.55	15.68	15.26
ROE	%	16.08	19.72	13.32	20.30	18.10	16.02	14.70
ROCE	%	13.88	17.91	20.57	18.59	17.31	15.72	14.49
ROA	%	8.49	10.79	7.33	11.59	10.69	9.50	8.72

Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	1.03	1.32	1.51	1.60	1.67	1.74	1.85
Acid-test	x	0.33	0.60	0.70	0.83	0.95	1.10	1.22
Cash to current liab.	x	0.01	0.14	0.14	0.30	0.45	0.64	0.76

Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	2	2	2	2	2	2	2
Inventory Days		116	96	96	98	100	102	104
Receivables Days		23	31	31	33	35	37	39
Payables Days		197	202	202	202	202	202	202
Operating Cycle		-57	-75	-75	-71	-67	-63	-59

Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	6.32	8.80	6.63	11.21	11.21	10.98	11.03
DPS	Rs.	2.50	3.50	2.50	4.50	4.50	4.50	4.50
Div. Yield	%	4.92	6.89	4.92	8.86	8.86	8.86	8.86
Dividend Cover	x	2.53	2.51	2.65	2.49	2.49	2.44	2.45
BVPS	Rs.	41.48	47.74	51.88	58.59	65.31	71.78	78.32
Payout	%	39.55	39.79	39.79	39.79	39.79	39.79	39.79
Retention	%	60.45	60.21	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		5.82	4.18	5.55	3.28	3.28	3.35	3.33
Sales per share		33.94	53.57	63.78	65.56	67.76	70.01	72.30
P/BV		0.89	0.77	0.71	0.63	0.56	0.51	0.47
Price to Sales		1.08	0.69	0.58	0.56	0.54	0.53	0.51

Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	0.23	0.13	0.14	0.15	0.18	0.22	0.22
L.T. Debt to Equity	x	0.10	0.07	0.05	0.03	0.02	0.00	0.00
Interest Cover	x	6.25	15.28	15.59	14.44	12.73	10.16	9.77

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

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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