

FATIMA

CY21 Result Review: BUY Stance Maintained

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FATIMA has announced its CY21 result where it posted a profit after tax of Rs18.47bn (EPS: Rs8.80) as compared to a profit after tax of Rs13.27bn (EPS: Rs6.32) in the same period last year, up by 39.2% YoY.

The gross margin has been dropped to 38.3% as compared to 40.4% in SPLY due to an increase in raw material cost.

SG&A expenses have increased by 23.3% YoY to Rs8.95bn as compared to Rs7.26bn during SPLY. Further, a decrease in finance cost by 42.2% YoY reinforced the bottom line.

Lastly, other income has also been reduced by 68.9% YoY to Rs733mn as compared to Rs2.35bn during SPLY.

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 3.50x. The scrip is currently trading at a CY22E P/B of 0.78x which offers a discount of 23% relative to its historical 3-year average of 1.01. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs50 which provides an upside potential of 20%. Further, the scrip also provides a dividend yield of 10% which makes the total return of 30%.

Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Net Sales	35,718	24,819	43.9% ▲	112,488	71,267	57.8% ▲
Cost of Sales	-26,142	-17,399	50.2% ▲	-69,404	-42,473	63.4% ▲
Gross Profit	9,577	7,420	29.1% ▲	43,084	28,795	49.6% ▲
SG&A Expenses	-1,930	-2,074	7.0% ▼	-8,948	-7,259	23.3% ▲
Other Expenses	-1,829	-458	299.0% ▲	-4,677	-1,678	178.8% ▲
Operating Profit	5,818	4,887	19.0% ▲	29,459	19,858	48.3% ▲
Other Income	106	794	86.6% ▼	733	2,354	68.9% ▼
Finance Cost	-231	-568	59.3% ▼	-2,007	-3,469	42.2% ▼
Profit Before Taxation	5,694	5,114	11.3% ▲	28,185	18,743	50.4% ▲
Taxation	-1,311	-1,395	6.0% ▼	-9,711	-5,468	77.6% ▲
Profit After Taxation	4,383	3,719	17.8% ▲	18,474	13,275	39.2% ▲
Earnings Per Share	2.09	1.77	17.8% ▲	8.80	6.32	39.2% ▲
Dividend	3.50	2.50	40.0% ▲	3.50	2.50	40.0% ▲
Bonus	-	-	-	-	-	-

Closing Period: 23 April 2022 - 29 April 2022

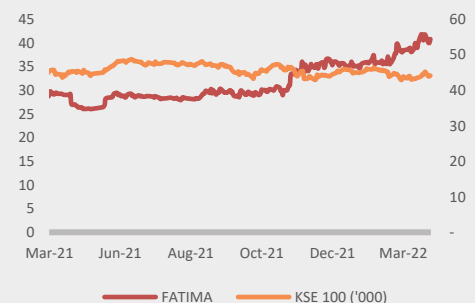
	26.8%	29.9%	3.1% ▼	38.3%	40.4%	2.1% ▼
Gross Margin						
SG&A Expenses to Sales	-5.4%	-8.4%	3.0% ▼	-8.0%	-10.2%	2.2% ▼
Other Income to Sales	0.3%	3.2%	2.9% ▼	0.7%	3.3%	2.7% ▼
Ex. Gain / (Loss) to Sales	-5.4%	-8.4%	3.0% ▼	-8.0%	-10.2%	2.2% ▼
Effective Taxation	-23.0%	-27.3%	4.2% ▼	-34.5%	-29.2%	5.3% ▲
Net Margin	12.3%	15.0%	2.7% ▼	16.4%	18.6%	2.2% ▼

Source: ACPL Research, Company Financials

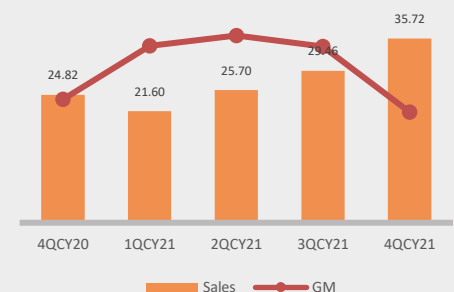
Key Statistics

Symbol	FATIMA
TP - Dec 22	50.00
LDCP	41.69
Upside (%)	20
Free Float ('mn)	315
Market Cap. (Rs. 'mn)	87,549

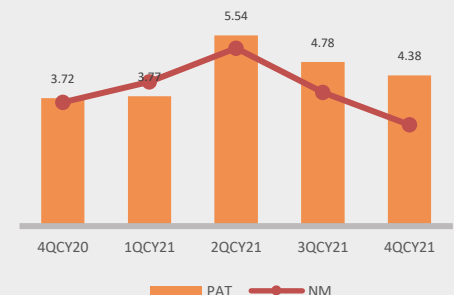
FATIMA vs KSE 100



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	125,133	130,003	133,518	135,204
Cost of sale	47,065	42,473	69,404	74,305	79,004	82,501	84,722
Gross profit	27,899	28,795	43,084	50,828	50,999	51,017	50,482
Selling and promotion expenses	3,800	3,891	5,049	6,569	6,825	7,010	7,774
Administrative Expenses	2,779	3,369	3,900	4,905	5,096	5,234	5,300
Other operating expenses	1,480	1,678	4,677	3,754	3,900	4,006	4,056
Operating Profit	19,840	19,858	29,459	35,599	35,178	34,767	33,352
Other operating income	1,114	3,075	952	1,251	1,300	1,335	1,352
Finance cost	3,761	3,469	2,007	1,649	1,601	1,662	1,748
Profit before taxation	17,193	19,463	28,405	35,201	34,876	34,441	32,956
Taxation	5,123	5,468	9,711	10,208	10,114	9,988	9,557
Profit after taxation	12,070	13,995	18,694	24,992	24,762	24,453	23,399
EPS	5.75	6.32	8.80	11.90	11.79	11.64	11.14

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	46.1%	-4.9%	57.8%	11.2%	3.9%	2.7%	1.3%
Cost of sale	83.6%	-9.8%	63.4%	7.1%	6.3%	4.4%	2.7%
Gross profit	8.7%	3.2%	49.6%	18.0%	0.3%	0.0%	-1.0%
Selling and promotion expenses	3.1%	2.4%	29.8%	30.1%	3.9%	2.7%	10.9%
Administrative Expenses	19.9%	21.2%	15.8%	25.8%	3.9%	2.7%	1.3%
Other operating expenses	-13.3%	13.3%	178.8%	-19.7%	3.9%	2.7%	1.3%
Operating Profit	10.5%	0.1%	48.3%	20.8%	-1.2%	-1.2%	-4.1%
Other operating income	70.8%	175.9%	-69.0%	31.4%	3.9%	2.7%	1.3%
Finance cost	106.3%	-7.8%	-42.2%	-17.8%	-2.9%	3.8%	5.2%
Profit before taxation	2.4%	-13.2%	-45.9%	23.9%	-0.9%	-1.2%	-4.3%
Taxation	5.1%	6.7%	-77.6%	5.1%	-0.9%	-1.2%	-4.3%
Profit after taxation	1.3%	16.0%	-33.6%	33.7%	-0.9%	-1.2%	-4.3%
EPS	1.3%	10.0%	-39.2%	35.3%	-0.9%	-1.2%	-4.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	37.22	40.40	38.30	40.62	39.23	38.21	37.34
OP Margin	%	27.95	30.44	27.26	29.45	28.06	27.04	25.67
NP Margin	%	16.10	18.63	16.42	19.97	19.05	18.31	17.31
ROE	%	16.01	16.08	19.94	23.70	20.57	18.04	15.60
ROCE	%	14.79	13.88	18.47	20.27	18.52	16.94	15.19
ROA	%	8.52	8.49	11.12	13.75	12.57	11.47	10.24

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	0.88	1.03	1.29	1.52	1.76	1.97	2.15
Acid-test	x	0.43	0.33	0.15	0.37	0.61	0.84	1.04
Cash to current liab.	x	0.01	0.01	-0.58	-0.39	-0.15	0.10	0.32

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

Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	5.75	6.32	8.80	11.90	11.79	11.64	11.14
DPS	Rs.	2.00	2.50	3.50	5.00	4.50	4.50	4.50
Div. Yield	%	3.89	4.86	6.80	9.72	8.75	8.75	8.75
Dividend Cover	x	2.87	2.53	2.51	2.38	2.62	2.59	2.48
BVPS	Rs.	37.15	41.48	46.77	53.68	60.97	68.11	74.75
Payout	%	34.80	39.55	40.00	40.00	40.00	40.00	40.00
Retention	%	65.20	60.45	60.00	60.00	60.00	60.00	60.00
No. of Shares	'mn	2,100	2,100	2,100	2,100	2,100	2,100	2,100
P/E		7.25	6.60	4.74	3.50	3.54	3.58	3.74
Sales per share		35.70	33.94	53.57	59.59	61.91	63.58	64.38
P/BV		1.12	1.01	0.89	0.78	0.68	0.61	0.56
Price to Sales		1.17	1.23	0.78	0.70	0.67	0.66	0.65

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.37	0.23	0.15	0.11	0.09	0.09	0.09
L.T. Debt to Equity	x	0.16	0.10	0.05	0.01	0.00	0.00	0.00
Interest Cover	x	5.57	6.25	15.28	22.34	22.78	21.73	19.86

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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