

FATIMA

1QCY23 Result Review: BUY Stance Maintained

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FATIMA has announced its 1QCY23 result where it posted a profit after tax of Rs4.33bn (EPS: Rs2.06) as compared to a profit after tax of Rs5.69bn (EPS: Rs2.71) in the same period last year, down by 23.9% YoY amid lower urea takeoff in addition to higher distribution and finance costs.

The company has posted a revenue of Rs33.52bn against Rs29.11bn in SPLY, recording a growth of 15.1% YoY amid an increase in retention prices. The gross margin has improved marginally to 42.2% as compared to 42.1% in SPLY.

SG&A and other expenses have increased by 70.7% YoY to Rs4.37bn and 70.5% to Rs2.15bn respectively. Finance costs surged by 1.40x to Rs1bn owing to higher borrowings coupled with an increase in interest rates. Lastly, the effective taxation increased to 41% as compared to 31.1% in SPLY.

Currently, FATIMA is trading at a CY23E PE of 3.44x. Furthermore, it is also trading at a CY23E P/B of 0.51x which offers a discount of 17% relative to its historical 3-year average of 0.61x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs34 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	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Net Sales	33,519	29,114	15.1% ▲	152,231	112,488	35.3% ▲
Cost of Sales	-19,367	-16,863	14.8% ▲	-100,289	-69,404	44.5% ▲
Gross Profit	14,152	12,251	15.5% ▲	51,943	43,084	20.6% ▲
SG&A Expenses	-4,372	-2,561	70.7% ▲	-13,883	-8,948	55.1% ▲
Other Expenses	-2,154	-1,263	70.5% ▲	-6,337	-4,677	35.5% ▲
Operating Profit	7,626	8,426	9.5% ▼	31,723	29,459	7.7% ▲
Other Income	716	243	194.6% ▲	1,973	733	169.3% ▲
Finance Cost	-1,000	-417	139.9% ▲	-2,930	-2,007	46.0% ▲
Profit Before Taxation	7,343	8,253	11.0% ▼	30,765	28,185	9.2% ▲
Taxation	-3,011	-2,563	17.5% ▲	-16,641	-9,711	71.4% ▲
Profit After Taxation	4,332	5,690	23.9% ▼	14,124	18,474	23.5% ▼
Earnings Per Share	2.06	2.71	23.9% ▼	6.73	8.80	23.5% ▼
Dividend	0.00	0.00		3.50	3.50	-
Bonus	-	-		-	-	
Gross Margin	42.2%	42.1%	0.1% ▲	34.1%	38.3%	4.2% ▼
SG&A Expenses to Sales	-13.0%	-8.8%	4.2% ▲	-9.1%	-8.0%	1.2% ▲
Other Income to Sales	2.1%	0.8%	1.3% ▲	1.3%	0.7%	0.6% ▲
Ex. Gain / (Loss) to Sales	-13.0%	-8.8%	4.2% ▲	-9.1%	-8.0%	1.2% ▲
Effective Taxation	-41.0%	-31.1%	10.0% ▲	-54.1%	-34.5%	19.6% ▲
Net Margin	12.9%	19.5%	6.6% ▼	9.3%	16.4%	7.1% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	FATIMA
TP - Dec 23	34.00
LDCP	28.35
Upside (%)	20
Free Float ('mn)	315
Market Cap. (Rs. 'mn)	59,535

FATIMA vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E	CY27E
Net sales	112,488	152,231	160,240	170,301	182,740	195,561	208,764
Cost of sale	69,404	100,289	110,760	118,678	127,047	136,163	144,771
Gross profit	43,084	51,943	49,479	51,623	55,693	59,398	63,993
Selling and promotion expenses	5,049	7,947	9,807	10,423	11,184	12,751	13,612
Administrative Expenses	3,900	5,936	6,511	6,919	7,425	7,946	8,482
Other operating expenses	4,677	6,337	6,670	7,089	7,607	8,141	8,690
Operating Profit	29,459	31,723	26,491	27,191	29,477	30,560	33,208
Other operating income	952	2,192	3,354	3,569	3,835	4,109	4,391
Finance cost	2,007	2,930	4,033	4,131	4,713	4,571	4,775
Profit before taxation	28,405	30,984	25,813	26,630	28,598	30,098	32,824
Taxation	9,711	16,641	8,518	8,788	9,437	9,932	10,832
Profit after taxation	18,694	14,343	17,295	17,842	19,161	20,166	21,992
EPS	8.80	6.73	8.24	8.50	9.12	9.60	10.47

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E	CY27E
Net sales	57.8%	35.3%	5.3%	6.3%	7.3%	7.0%	6.8%
Cost of sale	63.4%	44.5%	10.4%	7.1%	7.1%	7.2%	6.3%
Gross profit	49.6%	20.6%	-4.7%	4.3%	7.9%	6.7%	7.7%
Selling and promotion expenses	29.8%	57.4%	23.4%	6.3%	7.3%	14.0%	6.8%
Administrative Expenses	15.8%	52.2%	9.7%	6.3%	7.3%	7.0%	6.8%
Other operating expenses	178.8%	35.5%	5.3%	6.3%	7.3%	7.0%	6.8%
Operating Profit	48.3%	7.7%	-16.5%	2.6%	8.4%	3.7%	8.7%
Other operating income	-69.0%	130.3%	53.0%	6.4%	7.4%	7.1%	6.9%
Finance cost	-42.2%	46.0%	37.6%	2.4%	14.1%	-3.0%	4.5%
Profit before taxation	-45.9%	9.1%	-16.7%	3.2%	7.4%	5.2%	9.1%
Taxation	-77.6%	71.4%	-48.8%	3.2%	7.4%	5.2%	9.1%
Profit after taxation	-33.6%	-23.3%	20.6%	3.2%	7.4%	5.2%	9.1%
EPS	-39.2%	-23.5%	22.4%	3.2%	7.4%	5.2%	9.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY21A	CY22A	CY23E	CY24E	CY25E	CY26E	CY27E
GP Margin	%	38.30	34.12	30.88	30.31	30.48	30.37	30.65
OP Margin	%	27.26	22.39	18.63	18.06	18.23	17.73	18.01
NP Margin	%	16.42	9.28	10.79	10.48	10.49	10.31	10.53
ROE	%	19.72	13.63	15.46	14.61	14.38	13.90	13.94
ROCE	%	17.91	16.73	13.14	12.76	12.62	12.07	12.21
ROA	%	10.79	6.93	7.62	7.40	7.26	7.02	7.14

Liquidity Ratios		CY21A	CY22A	CY23E	CY24E	CY25E	CY26E	CY27E
Current	x	1.32	1.28	1.49	1.50	1.54	1.60	1.66
Acid-test	x	0.60	0.54	0.65	0.71	0.81	0.87	0.94
Cash to current liab.	x	0.14	0.03	0.09	0.18	0.30	0.35	0.40

Activity Ratios		CY21A	CY22A	CY23E	CY24E	CY25E	CY26E	CY27E
Inventory Turnover	x	2	2	2	2	2	2	1
Inventory Days		96	118	120	122	124	126	128
Receivables Days		31	55	57	59	61	63	65
Payables Days		202	202	202	202	202	202	202
Operating Cycle		-75	-29	-25	-21	-17	-13	-9

Investment Ratios		CY21A	CY22A	CY23E	CY24E	CY25E	CY26E	CY27E
EPS	Rs.	8.80	6.73	8.24	8.50	9.12	9.60	10.47
DPS	Rs.	3.50	3.50	3.50	3.50	3.50	4.00	4.00
Div. Yield	%	10.29	10.29	10.29	10.29	10.29	11.76	11.76
Dividend Cover	x	2.51	1.92	2.35	2.43	2.61	2.40	2.62
BVPS	Rs.	47.74	50.91	55.65	60.64	66.27	71.87	78.34
Payout	%	39.79	39.79	39.79	39.79	39.79	39.79	39.79
Retention	%	60.21	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		3.22	4.22	3.44	3.34	3.11	2.95	2.71
Sales per share		53.57	72.49	76.30	81.10	87.02	93.12	99.41
P/BV		0.59	0.56	0.51	0.47	0.43	0.39	0.36
Price to Sales		0.53	0.39	0.37	0.35	0.33	0.30	0.29

Gearing Ratios		CY21A	CY22A	CY23E	CY24E	CY25E	CY26E	CY27E
Debt to Equity	x	0.13	0.22	0.17	0.21	0.25	0.25	0.26
L.T. Debt to Equity	x	0.07	0.10	0.04	0.03	0.00	0.00	0.00
Interest Cover	x	15.28	11.63	7.40	7.45	7.07	7.58	7.87

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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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com