

FATIMA

9MCY21 Result Review: BUY Stance Maintained

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FATIMA has announced its 9MCY21 result where it posted a profit after tax of Rs14.09bn (EPS: Rs6.71) as compared to a profit after tax of Rs9.56bn (EPS: Rs4.55) in the same period last year, up by 47.5% YoY.

The gross margin has been dropped to 43.6% as compared to 46.0% in SPLY due to an increase in raw material cost.

SG&A expenses have increased by 35.4% YoY to Rs7.02bn as compared to Rs5.19bn during SPLY. Further, a decrease in finance cost by 38.8% YoY reinforced the bottom line.

Lastly, other income has also been reduced by 59.8% YoY to Rs626mn as compared to Rs1.56bn 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 CY21E PE of 3.29x. The scrip is currently trading at a CY21E P/B of 0.62x which offers a discount of 18% relative to its historical 2-year average of 0.75. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs45 which provides an upside potential of 55%. Further, the scrip also provides a dividend yield of 6% which makes the total return of 61%.

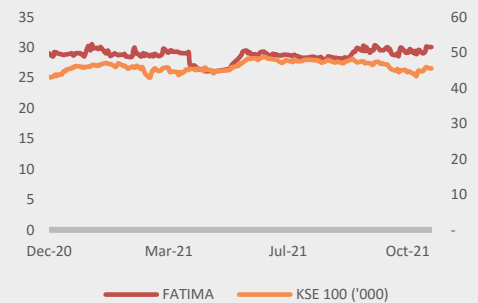
Rupees' millions	3QCY21	3QCY20	YoY	9MCY21	9MCY20	YoY
Net Sales	29,462	21,616	36.3% ▲	76,770	46,448	65.3% ▲
Cost of Sales	-16,881	-15,426	9.4% ▲	-43,262	-25,074	72.5% ▲
Gross Profit	12,581	6,190	103.3% ▲	33,508	21,375	56.8% ▲
SG&A Expenses	-2,585	-2,060	25.5% ▲	-7,019	-5,185	35.4% ▲
Other Expenses	-1,650	-360	358.9% ▲	-2,848	-1,219	133.6% ▲
Operating Profit	8,346	3,770	121.4% ▲	23,641	14,970	57.9% ▲
Other Income	258	526	50.9% ▼	626	1,560	59.8% ▼
Finance Cost	-565	-716	21.1% ▼	-1,776	-2,902	38.8% ▼
Profit Before Taxation	8,039	3,579	124.6% ▲	22,491	13,629	65.0% ▲
Taxation	-3,262	-1,178	177.0% ▲	-8,400	-4,073	106.2% ▲
Profit After Taxation	4,777	2,402	98.9% ▲	14,092	9,555	47.5% ▲
Earnings Per Share	2.27	1.14	98.9% ▲	6.71	4.55	47.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	42.7%	28.6%	14.1% ▲	43.6%	46.0%	2.4% ▼
SG&A Expenses to Sales	-8.8%	-9.5%	0.8% ▼	-9.1%	-11.2%	2.0% ▼
Other Income to Sales	0.9%	2.4%	1.6% ▼	0.8%	3.4%	2.5% ▼
Ex. Gain / (Loss) to Sales	-8.8%	-9.5%	0.8% ▼	-9.1%	-11.2%	2.0% ▼
Effective Taxation	-40.6%	-32.9%	7.7% ▲	-37.3%	-29.9%	7.5% ▲
Net Margin	16.2%	11.1%	5.1% ▲	18.4%	20.6%	2.2% ▼

Source: ACPL Research, Company Financials

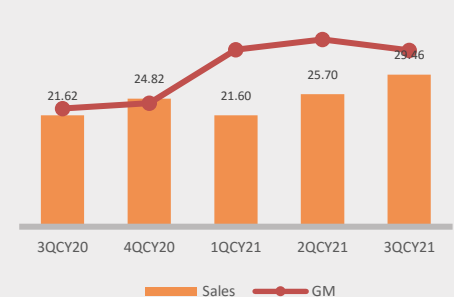
Key Statistics

Symbol	FATIMA
TP - Jun 22	45.00
LDCP	29.25
Upside (%)	55
Free Float ('mn)	315
Market Cap. (Rs. 'mn)	61,845

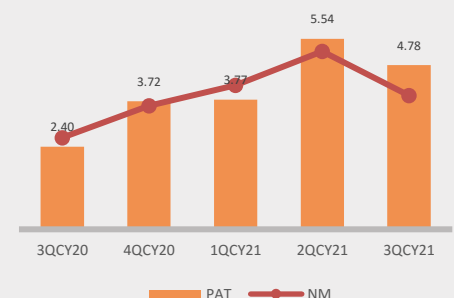
FATIMA vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

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

Email: nauman@abbasiandcompany.com

Financial Projections

Rupees' millions	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	74,964	71,267	103,339	113,717	118,190	121,349	122,991
Cost of sale	47,065	42,473	61,618	72,657	76,304	79,093	81,010
Gross profit	27,899	28,795	41,720	41,060	41,886	42,255	41,981
Selling and promotion expenses	3,800	3,891	6,200	5,970	6,205	6,371	7,072
Administrative Expenses	2,779	3,369	4,134	4,458	4,633	4,757	4,821
Other operating expenses	1,480	1,678	4,134	3,412	3,546	3,640	3,690
Operating Profit	19,840	19,858	27,253	27,221	27,503	27,487	26,398
Other operating income	1,114	3,075	750	823	854	876	888
Finance cost	3,761	3,469	1,711	1,606	1,507	1,490	1,490
Profit before taxation	17,193	19,463	26,292	26,438	26,849	26,873	25,796
Taxation	5,123	5,468	7,625	7,667	7,786	7,793	7,481
Profit after taxation	12,070	13,995	18,667	18,771	19,063	19,080	18,315
EPS	5.75	6.32	8.89	8.94	9.08	9.09	8.72

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	46.1%	-4.9%	45.0%	10.0%	3.9%	2.7%	1.4%
Cost of sale	83.6%	-9.8%	45.1%	17.9%	5.0%	3.7%	2.4%
Gross profit	8.7%	3.2%	44.9%	-1.6%	2.0%	0.9%	-0.6%
Selling and promotion expenses	3.1%	2.4%	59.4%	-3.7%	3.9%	2.7%	11.0%
Administrative Expenses	19.9%	21.2%	22.7%	7.8%	3.9%	2.7%	1.4%
Other operating expenses	-13.3%	13.3%	146.4%	-17.5%	3.9%	2.7%	1.4%
Operating Profit	10.5%	0.1%	37.2%	-0.1%	1.0%	-0.1%	-4.0%
Other operating income	70.8%	175.9%	-75.6%	9.7%	3.8%	2.6%	1.3%
Finance cost	106.3%	-7.8%	-50.7%	-6.2%	-6.1%	-1.1%	0.0%
Profit before taxation	2.4%	-13.2%	-35.1%	0.6%	1.6%	0.1%	-4.0%
Taxation	5.1%	6.7%	-39.4%	0.6%	1.6%	0.1%	-4.0%
Profit after taxation	1.3%	16.0%	-33.4%	0.6%	1.6%	0.1%	-4.0%
EPS	1.3%	10.0%	-40.6%	0.6%	1.6%	0.1%	-4.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	37.22	40.40	40.37	36.11	35.44	34.82	34.13
OP Margin	%	27.95	30.44	27.10	24.66	23.99	23.37	22.19
NP Margin	%	16.10	18.63	18.06	16.51	16.13	15.72	14.89
ROE	%	16.01	16.08	19.90	17.41	15.56	13.89	12.06
ROCE	%	14.79	13.88	16.94	15.45	14.37	13.38	12.06
ROA	%	8.52	8.49	11.29	10.34	9.66	9.00	8.10

Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Current	x	0.88	1.03	1.37	1.58	1.83	2.07	2.29
Acid-test	x	0.43	0.33	0.25	0.43	0.67	0.90	1.13
Cash to current liab.	x	0.01	0.01	-0.48	-0.29	-0.05	0.19	0.42

Activity Ratios		CY19A	CY20A	CY21E	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	CY21E	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	5.75	6.32	8.89	8.94	9.08	9.09	8.72
DPS	Rs.	2.00	2.50	2.50	2.00	2.00	2.00	2.00
Div. Yield	%	4.42	5.53	5.53	4.42	4.42	4.42	4.42
Dividend Cover	x	2.87	2.53	3.56	4.47	4.54	4.54	4.36
BVPS	Rs.	37.15	41.48	47.87	54.81	61.88	68.97	75.69
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		5.09	4.63	3.29	3.27	3.22	3.22	3.35
Sales per share		35.70	33.94	49.21	54.15	56.28	57.79	58.57
P/BV		0.79	0.71	0.61	0.53	0.47	0.42	0.39
Price to Sales		0.82	0.86	0.59	0.54	0.52	0.51	0.50

Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.37	0.23	0.15	0.10	0.08	0.08	0.07
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	16.37	17.47	18.81	19.03	18.32

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

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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

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com