

# FATIMA

## 1HCY21 Result Review: BUY Stance Maintained

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FATIMA has announced its 1HCY21 result where it posted a profit after tax of Rs9.3bn (EPS: Rs4.4) as compared to a profit after tax of Rs7.2bn (EPS: Rs3.41) in the same period last year, up by 30.2% YoY.

The gross margin has been dropped to 44% as compared to 61% in SPLY due to an increase in raw material cost.

SG&A expenses have increased by 41.9% YoY to Rs4.4bn as compared to Rs3.1bn during SPLY. Lastly, a decrease in finance cost by 44.6% YoY reinforced the bottom line.

Going forward, we expect the offtake to increase further as a result of improved economic activity, and the government's focus on the agriculture sector. Furthermore, rising fertilizer prices would further reinforce the bottom line of the company in near future.

FATIMA is currently trading at a CY21E P/B of 0.64x which offers a discount of 26% relative to its historical 5-year average of 0.86. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs45 which provides an upside potential of 53%.

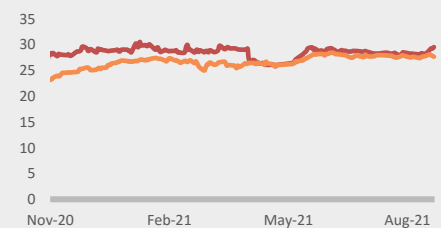
Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Net Sales	25,704	10,400	147.2% ▲	47,308	24,833	90.5% ▲
Cost of Sales	-14,042	-1,796	682.0% ▲	-26,381	-9,648	173.4% ▲
<b>Gross Profit</b>	<b>11,662</b>	<b>8,604</b>	<b>35.5% ▲</b>	<b>20,927</b>	<b>15,185</b>	<b>37.8% ▲</b>
SG&A Expenses	-2,023	-1,443	40.2% ▲	-4,434	-3,125	41.9% ▲
Other Expenses	-700	-528	32.6% ▲	-1,198	-860	39.4% ▲
<b>Operating Profit</b>	<b>8,940</b>	<b>6,634</b>	<b>34.8% ▲</b>	<b>15,295</b>	<b>11,201</b>	<b>36.6% ▲</b>
Other Income	263	827	68.2% ▼	369	1,034	64.4% ▼
Finance Cost	-668	-937	28.7% ▼	-1,211	-2,185	44.6% ▼
Profit Before Taxation	8,536	6,524	30.8% ▲	14,453	10,050	43.8% ▲
Taxation	-2,994	-1,829	63.6% ▲	-5,138	-2,896	77.4% ▲
<b>Profit After Taxation</b>	<b>5,542</b>	<b>4,695</b>	<b>18.1% ▲</b>	<b>9,315</b>	<b>7,154</b>	<b>30.2% ▲</b>
Earnings Per Share	2.64	2.24	18.1% ▲	4.44	3.41	30.2% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	45.4%	82.7%	37.4% ▼	44.2%	61.2%	16.9% ▼
SG&A Expenses to Sales	-7.9%	-13.9%	6.0% ▼	-9.4%	-12.6%	3.2% ▼
Other Income to Sales	1.0%	8.0%	6.9% ▼	0.8%	4.2%	3.4% ▼
Ex. Gain / (Loss) to Sales	-7.9%	-13.9%	6.0% ▼	-9.4%	-12.6%	3.2% ▼
Effective Taxation	-35.1%	-28.0%	7.0% ▲	-35.6%	-28.8%	6.7% ▲
Net Margin	21.6%	45.1%	23.6% ▼	19.7%	28.8%	9.1% ▼

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	FATIMA
TP - Jun 22	45.00
LDCP	29.5
Upside (%)	53
Free Float ('mn)	315
Market Cap. (Rs. 'mn)	61,950

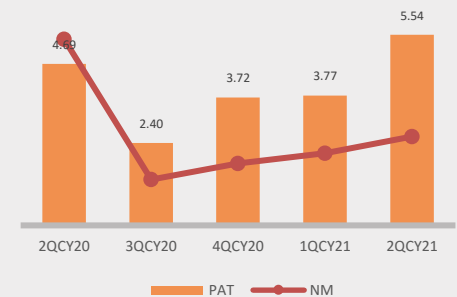
### FATIMA vs KSE 100



### Sales (Rs'bn) vs Gross Margin



### PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	42,396	45,371	51,310	74,964	71,267	89,093	91,424	91,776
Cost of sale	23,701	26,686	25,639	47,065	42,473	54,676	62,422	63,843
<b>Gross profit</b>	<b>18,694</b>	<b>18,686</b>	<b>25,671</b>	<b>27,899</b>	<b>28,795</b>	<b>34,417</b>	<b>29,002</b>	<b>27,933</b>
Selling and promotion expenses	2,725	3,610	3,685	3,800	3,891	5,346	4,800	4,818
Administrative Expenses	1,476	1,737	2,317	2,779	3,369	3,564	3,584	3,598
Other operating expenses	631	914	1,708	1,480	1,678	3,564	2,743	2,753
<b>Operating Profit</b>	<b>13,863</b>	<b>12,424</b>	<b>17,961</b>	<b>19,840</b>	<b>19,858</b>	<b>21,944</b>	<b>17,876</b>	<b>16,764</b>
Other operating income	469	403	652	1,114	3,075	650	667	669
Finance cost	3,236	2,707	1,823	3,761	3,469	1,711	1,606	1,507
Profit before taxation	11,096	10,120	16,790	17,193	19,463	20,883	16,937	15,926
Taxation	1,703	852	4,877	5,123	5,468	6,056	4,912	4,619
<b>Profit after taxation</b>	<b>9,393</b>	<b>9,268</b>	<b>11,914</b>	<b>12,070</b>	<b>13,995</b>	<b>14,827</b>	<b>12,025</b>	<b>11,307</b>
EPS	<b>4.47</b>	<b>4.41</b>	<b>5.67</b>	<b>5.75</b>	<b>6.32</b>	<b>7.06</b>	<b>5.73</b>	<b>5.38</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	33.2%	7.0%	13.1%	46.1%	-4.9%	25.0%	2.6%	0.4%
Cost of sale	65.7%	12.6%	-3.9%	83.6%	-9.8%	28.7%	14.2%	2.3%
<b>Gross profit</b>	<b>6.7%</b>	<b>0.0%</b>	<b>37.4%</b>	<b>8.7%</b>	<b>3.2%</b>	<b>19.5%</b>	<b>-15.7%</b>	<b>-3.7%</b>
Selling and promotion expenses	107.9%	32.5%	2.1%	3.1%	2.4%	37.4%	-10.2%	0.4%
Administrative Expenses	-12.6%	17.7%	33.4%	19.9%	21.2%	5.8%	0.6%	0.4%
Other operating expenses	-26.7%	44.9%	86.9%	-13.3%	13.3%	112.4%	-23.0%	0.4%
<b>Operating Profit</b>	<b>1.5%</b>	<b>-10.4%</b>	<b>44.6%</b>	<b>10.5%</b>	<b>0.1%</b>	<b>10.5%</b>	<b>-18.5%</b>	<b>-6.2%</b>
Other operating income	-96.7%	-14.1%	61.8%	70.8%	175.9%	-78.8%	2.5%	0.4%
Finance cost	23.3%	-16.3%	-32.7%	106.3%	-7.8%	-50.7%	-6.2%	-6.1%
Profit before taxation	-55.9%	-8.8%	65.9%	2.4%	-13.2%	-7.3%	-18.9%	-6.0%
Taxation	-26.6%	-50.0%	472.2%	5.1%	6.7%	-10.8%	-18.9%	-6.0%
<b>Profit after taxation</b>	<b>-58.9%</b>	<b>-1.3%</b>	<b>28.5%</b>	<b>1.3%</b>	<b>16.0%</b>	<b>-5.9%</b>	<b>-18.9%</b>	<b>-6.0%</b>
EPS	<b>-58.9%</b>	<b>-1.3%</b>	<b>28.5%</b>	<b>1.3%</b>	<b>10.0%</b>	<b>-11.7%</b>	<b>-18.9%</b>	<b>-6.0%</b>

Source: ACPL Research, Company Financials

**Key Ratios**

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
GP Margin	%	55.05	44.10	41.18	50.03	37.22	40.40	38.63	31.72	30.44
OP Margin	%	87.33	33.81	28.27	36.28	27.95	30.44	25.36	20.28	19.00
NP Margin	%	71.79	22.16	20.43	23.22	16.10	18.63	16.64	13.15	12.32
ROE	%	50.44	16.41	14.68	17.21	16.01	16.08	16.14	11.95	10.46
ROCE	%	28.05	11.49	10.18	15.14	14.79	13.88	13.72	10.51	9.47
ROA	%	23.06	7.53	7.35	9.69	8.52	8.49	9.00	6.81	6.14

Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Current	x	0.77	1.03	0.93	0.89	0.88	1.03	1.26	1.35	1.45
Acid-test	x	0.22	0.59	0.45	0.39	0.43	0.33	0.49	0.56	0.66
Cash to current liab.	x	0.03	0.31	0.04	0.02	0.01	0.01	0.13	0.22	0.32

Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Inventory Turnover	x	1	1	2	2	3	2	2	2	2
Inventory Days		181	143	58	87	89	116	116	116	116
Receivables Days		6	23	16	18	35	23	23	23	23
Payables Days		258	313	190	257	205	197	220	220	220
Operating Cycle		-71	-146	-117	-152	-81	-57	-81	-81	-81

Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS	Rs.	10.88	4.47	4.41	5.67	5.75	6.32	7.06	5.73	5.38
DPS	Rs.	0.00	3.25	2.25	2.00	2.00	2.50	2.50	2.00	2.00
Div. Yield	%	0.00	0.07	0.05	0.04	0.04	0.05	0.05	0.04	0.04
Dividend Cover	x	0.00	1.38	1.96	2.84	2.87	2.53	2.82	2.86	2.69
BVPS	Rs.	25.64	28.87	31.26	34.66	37.15	41.48	46.04	49.76	53.15
Payout	%	0.00	0.73	0.51	0.35	0.35	0.40	0.40	0.40	0.40
Retention	%	100.00	99.27	99.49	99.65	99.65	99.60	99.60	99.60	99.60
No. of Shares	'mn	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
P/E		2.71	6.60	6.68	5.20	5.13	4.67	4.18	5.15	5.48
Sales per share		15.16	20.19	21.61	24.43	35.70	33.94	42.43	43.54	43.70
P/BV		1.15	1.02	0.94	0.85	0.79	0.71	0.64	0.59	0.56
Price to Sales		1.95	1.46	1.37	1.21	0.83	0.87	0.70	0.68	0.68

Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Debt to Equity	x	0.65	0.62	0.35	0.22	0.37	0.23	0.16	0.11	0.10
L.T. Debt to Equity	x	0.45	0.43	0.32	0.22	0.16	0.10	0.05	0.01	0.00
Interest Cover	x	10.59	4.43	4.74	10.21	5.57	6.25	13.21	11.55	11.57

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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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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