

Fatima Fertilizer Company Limited

KATS: FATIMA
Bloomberg: FATIMA PA

Price: PKR 34
Fair Value: PKR 46

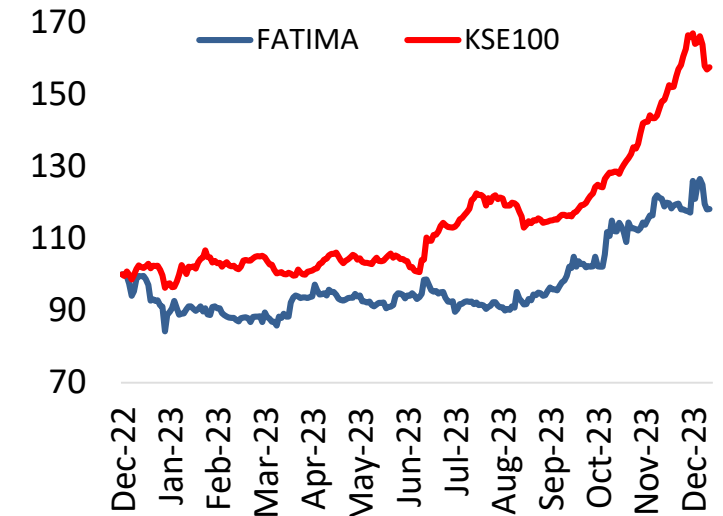
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Corporate Briefing Session 3QCY23 – Key Takeaways

22 December 2023

- **3QCY23 results.** EPS: PKR 3.69 (EPS: PKR 0.59 in 2QCY23)
- **NP production is reliant on the CAN plant.** As per the management, while the CAN plant can operate independently, the NP plant, given its reliance on the by-product of CAN, cannot function independently.
- **Diversification to keep payout low.** The company is strategically pursuing diversification by investing in agriculture and various other sectors. In the agriculture sector, it plans to engage in corporate farming as part of the Green Revolution Pakistan initiative. In addition, the company has secured shareholder approval and endorsement of PKR 7.66 BN for investments in Real Estate Investment Trusts (RIETs), and is exploring opportunities in the mining sector under the SIFC. FATIMA's commitment to diversification is expected to keep its payout ratio lower, compared to its competitors.
- **Gas rate disclosure.** FATIMA operates three fertilizer manufacturing plants, with its primary facility situated in Sadiqabad, receiving gas from Mari under the Fertilizer Policy 2001 (with a feed rate of PKR 580/mmbtu and a fuel rate of PKR 1580/mmbtu). Meanwhile, its Sheikupura plant, commonly known as FatimaFert, is supplied with both feed and fuel gas at the Ogra-approved rate of PKR 1,239/mmbtu. Lastly, its Multan plant, commonly referred to as PakArab, receives gas from Mari under blended rates, where ~70% is supplied under Petroleum Policy 12 (current rate of USD 5.6/mmbtu), and the remaining portion is provided under the Fertilizer Policy 2001.
- **GSA renewal expected.** Management is positive about the renewal of the Gas Sale Agreement (GSA) after its expiry in Jun-24, under the Fertilizer Policy 2001.

Total Return Comparison;



Source: Zakheera, Optimus Research

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Earnings Snapshot

PKR MN	3QCY23	2QCY23	1QCY23	4QCY22	3QCY22	Q/Q	Y/Y	9MCY23	9MCY22	Y/Y
Sales	76,162	46,777	33,519	53,311	36,637	63%	108%	156,457	98,921	58%
Cost of Sales	(53,560)	(32,495)	(19,367)	(42,546)	(23,762)	65%	125%	(105,422)	(57,742)	83%
Gross profit	22,602	14,282	14,152	10,765	12,875	58%	76%	51,035	41,179	24%
Distribution Cost	(3,751)	(2,020)	(2,459)	(2,696)	(1,925)	86%	95%	(8,230)	(5,251)	57%
Admin cost	(1,909)	(1,548)	(1,912)	(1,598)	(1,820)	23%	5%	(5,369)	(4,305)	25%
Operating profit	16,942	10,714	9,780	6,471	9,130	58%	86%	37,436	31,623	18%
Other Expenses	(2,207)	(987)	(2,154)	(1,487)	(1,671)	124%	32%	(5,348)	(4,849)	10%
Other Losses	(117)	(173)	(87)	(87)	(93)	-33%	25%	(377)	(297)	27%
Other Income	1,432	715	800	980	556	100%	157%	2,948	1,431	106%
Finance Costs	(1,059)	(1,514)	(1,000)	(1,015)	(740)	-30%	43%	(3,572)	(1,915)	87%
Share of profit/loss from associates	(7)	3	3	(71)	(23)	NM	-70%	(1)	2	NM
Profit Before Tax	14,985	8,758	7,343	4,791	7,159	71%	109%	31,085	25,994	20%
Taxation	(7,226)	(7,509)	(3,011)	(552)	(3,105)	-4%	133%	(17,746)	(16,094)	10%
Profit After Tax	7,758	1,250	4,332	4,239	4,054	521%	91%	13,339	9,900	35%
EPS	3.69	0.59	2.06	2.02	1.93			6.35	4.72	
DPS	-	1.75	-	3.50	-			1.75	-	
Gross Margins	30%	31%	42%	20%	35%			33%	42%	
Net Margins	10%	3%	13%	8%	11%			9%	10%	
Effective Tax Rate	48%	86%	41%	12%	43%			57%	62%	

Source: Company Accounts, Optimus Research

Analyst Certification

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