

## FATIMA - EPS below our expectation owing to low margins

**FATIMA just announced their 3QCY23 results, posting a standalone PAT of PkR7.5bn (EPS: PkR3.58/sh) vs. PAT of PkR4.4bn (EPS: PkR2.10/sh) in the SPLY. On a QoQ basis, the company posted a 5.1x hike in earnings, due to higher topline propelled by better offtakes and prices. Total 9MCY23 EPS came in at PkR6.02/sh, against PkR4.88/sh earned during 9MCY22. The company has not paid out any dividends this quarter.**

- Revenues rose significantly QoQ to PkR75.5bn vs PkR46.8bn (↑61.4%) in 2QCY23 and PkR37.4bn in 3QCY22 (↑101.9%YoY), on the back of higher retention prices and healthy offtakes, especially owing to continued operations of DH (Sheikhupura plant) consistently this year.
- Gross margins clocked-in at 29.3% against 30.5% in 2QCY23, which we opine is due to the higher cost of the DH plant run on LNG and Pak Arab plant run on PP-12 prices. Gas prices for the Sadiqabad plant remained unchanged during the quarter.
- Finance cost dropped by 34.2% QoQ which we expect is owing to a drawdown of total debt (Long term liabilities were reduced in 2QCY23). Furthermore, other income increased by 100.0%QoQ owing to better cash balances on improved working capital management, in our opinion.
- Effective taxation came in at 48.8% (higher than our expectation) vs. 85.7% last quarter, where the impact was due to the retrospective imposition of supertax. We are awaiting full disclosures for further clarity.

### FATIMA: Income Statement

(PkRmn)	3QCY23	2QCY23	QoQ	3QCY22	YoY	9MCY23	9MCY22	YoY
Net Sales	75,483	46,777	61.4%	37,383	101.9%	159,460	99,666	60.0%
Cost of Sales	-53,338	-32,495	64.1%	-24,155	120.8%	-109,028	-58,136	87.5%
Gross Profit	22,145	14,282	55.1%	13,228	67.4%	50,432	41,531	21.4%
Gross Margins	29.3%	30.5%	-	35.4%	-	31.6%	41.7%	-
Selling & Dist. Exp.	-3,727	-2,021	84.4%	-1,954	90.7%	-8,237	-5,281	56.0%
Admin Exp.	-1,891	-1,548	22.2%	-1,853	2.1%	-5,375	-4,337	23.9%
Operating Profit	16,527	10,713	54.3%	9,421	75.4%	36,821	31,913	15.4%
Finance Cost	-996	-1,514	-34.2%	-908	9.7%	-3,657	-2,083	75.6%
Other Exp.	-2,164	-987	-319.3%	-1,755	23.3%	-5,307	-4,933	7.6%
Other Income	1,432	716	100.0%	429	233.8%	2,611	1,304	100.2%
Profit/Loss Before Tax	14,675	8,758	67.6%	7,050	108.2%	30,091	25,884	16.3%
Tax	-7,155	-7,509	-4.7%	-2,639	171.1%	-17,444	-15,627	11.6%
Profit/Loss After Tax	7,520	1,249	502.1%	4,411	70.5%	12,647	10,257	23.3%
EPS/LPS	3.58	0.59	506.8%	2.1	70.5%	6.02	4.88	23.4%
DPS	-	1.75	-	-	-	1.75	-	-
Effective Tax Rate	48.8%	85.7%	-	37.4%	-	58.0%	60.4%	-

Source: Company Report & AKD Research

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