

Flash Note

Friday, 21 April 2017



Securities

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Fertilizer

FATIMA: Earnings clocked in at PKR 1.08/share for 1QCY17, up by +102%YoY

- Fatima Fertilizer Company Ltd. (FATIMA) announced its financial result for 1QCY17 with earnings clocking at PKR 2.27bn (EPS PKR 1.08), up by +102%YoY as compared to PKR 1.12bn (EPS PKR 0.54) in the same period last year.
- During 1QCY17, net sales increased by +54%YoY to PKR 8.26bn as compared to PKR 5.35bn reported in same period last year, on the back of higher volumetric sales.
- Gross margins improved by 176bps to 54.6% on the back of higher sales of NP (contribute higher margins).
- Finance cost declined by 22%YoY to PKR 497mn while Distribution expenses augmented by +2.1xYoY to PKR 720mn in 1QCY17 as compared to PKR 342mn in the corresponding period last year.

Recommendation

We recommend **“BUY”** call on FATIMA with our Dec-17 target price of PKR 42/share, offering +23.5% upside from its last closing. The company is currently trading at a CY17E P/E of 7.3x and dividend yield of 9.5%.

Exhibit:

FATIMA Financial Highlights

PKRmn (Period end=Dec)	1QCY17	1QCY16	YoY	4QCY16	QoQ
Net Sales	8,259	5,348	54%	10,769	-23%
Gross Profit	4,508	2,825	60%	5,932	-24%
Mkting. / Dist. Cost	720	342	111%	826	-13%
Other Op. Income	174	154	13%	170	2%
Finance Cost	497	636	-22%	815	-39%
Pre-Tax Profits	2,906	1,652	76%	4,072	-29%
Profit After Tax	2,274	1,125	102%	3,412	-33%
EPS (PKR)	1.08	0.54	102%	1.62	
DPS (PKR)	-	-		2.00	
KEY RATIOS					
Gross Profit Margins	54.6%	52.8%		55.1%	
EBIT Margins	41.2%	42.8%		45.4%	
Effective tax rate	21.8%	31.9%		16.2%	

Source: IGI Research, Company Financials

No. of shares 2,100.0

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

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