FATIMA: 3QCY26 Result Review — Profitability exceed expectations on higher margins

Fatima Fertilizer Company Ltd. (FATIMA) announced its 3QCY26 financial results, reporting consolidated earnings of PkR9.5bn (EPS: PkR4.5), down 21%YoY. Earnings came in higher-than-expectations, mainly due to higher gross margins and lower than anticipated loss on equities portfolio.

- Revenue increased by 2%YoY to PkR63.9bn in 3QCY26 from PkR62.9bn in SPLY, due to 15%/3%YoY increase in Urea/CAN offtakes, and higher prices, however partially offset by 50%YoY decline in NP offtakes.
- Gross margins improved to 43.2% from 35.4% in SPLY, due to higher offtakes and higher mix of nitrogenous nutrients.
- Operating expenses rose 17%YoY to PkR8.3bn, as both distribution and admin cost increased. The increase in distribution cost was due to higher offtakes and higher petroleum prices during the quarter.
- Other income recorded a loss of PkR59mn vs. profit of PkR7.0bn in SPLY, mainly attributed to negative returns on equities during the quarter.
- Finance cost declined by 24%YoY to PkR1.5bn from PkR2.0bn in SPLY, as avg. borrowing declined by 18%YoY.
- Effective tax rate during the quarter increased to 40% from 35% in SPLY, due to lower other income.
- We maintain 'BUY' stance on FATIMA with Dec'26 target price of PkR175/sh. Our outlook stems from i) recovery in nutrient offtakes with improving farm economics, ii) lower gas prices on base plant to support gross margins, and iii) increasing investments in mining, E&P and aviation.

FATIMA: Income Statement (Consolidated)

(PkRmn)	3QCY26	3QCY25	YoY	2QCY26	QoQ	9MCY26	9MCY25	YoY
Sales	63,934	62,899	2%	83,758	-24%	194,545	178,800	9%
COGS	36,297	40,660	-11%	51,773	-30%	116,391	114,623	2%
Gross Profit	27,637	22,239	24%	31,985	-14%	78,154	64,178	22%
Gross Margins	43.2%	35.4%	-	38.2%	-	40.2%	35.9%	-
Opex	8,320	7,098	17%	8,606	-3%	24,176	20,488	18%
Other Income	-59	6,967	n.m	7,267	n.m	4,611	12,695	-64%
Finance Cost	1,519	1,999	-24%	1,786	-15%	5,056	5,906	-14%
PBT	15,894	18,494	-14%	26,962	-41%	48,903	46,066	6%
NPAT	9,519	11,976	-21%	17,202	-45%	29,958	28,911	4%
EPS (PkR)	4.53	5.70		8.19		14.27	13.77	
DPS (PkR)	0.00	0.00	n.m	0.00	n.m	0.00	3.50	-100%

Source: PSX & AKD Research

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