

Fatima Fertilizer Company Limited (FATIMA)

An emerging conglomerate

Monday, January 19, 2026

Initiating coverage with a BUY

We initiate our coverage on Fatima Fertilizer Company Limited (FATIMA), a leading player in Pakistan's fertilizer space, with a **BUY** rating. Our **Dec26 target price of PKR 230.36/Sh** implies an **upside potential of 42%** from the last closing price with **dividend yield of 6%**, leading to total return of **48%**. This bullish outlook is driven by our forecast of a robust five-year forward earning CAGR of 11%, fueled by demand recovery of fertilizer following better farm economics and smoother gas supply. At present, FATIMA's stock is trading at highly attractive valuations, with a CY26F PE ratio of 6.6x and a CY27F PE of 6.0x, making it an undervalued as compared to industry peers' average PE of 10.2x in CY26F and 9.3x in CY27F.

Dominant market position in specialized fertilizer

Fatima holds a dominant position in specialized fertilizers as the sole producer of Calcium Ammonium Nitrate (CAN) and the leading manufacturer of Nitro Phosphate (NP), benefiting from high entry barriers and strong pricing power. This specialty leadership is complemented by a **17% market share in urea**, providing scale, demand stability, and diversified earnings, together underpinning a compelling thesis.

Resolution of Gas supply with smother gas supply guarantee

The government's recent approval of gas allocation for Fatima's Sheikhupura plant ensures a stable and reliable gas supply, significantly reducing reliance on expensive RLNG. This development is expected to materially support plant utilization and operational efficiency. In addition, the company's Sadiqabad plant benefits from a long-term gas agreement with the Mari network, securing gas at a highly competitive rate of PkR 580/mmbtu, well below Sui rates, further enhancing cost competitiveness and margin resilience.

Strategic diversification beyond core fertilizer business

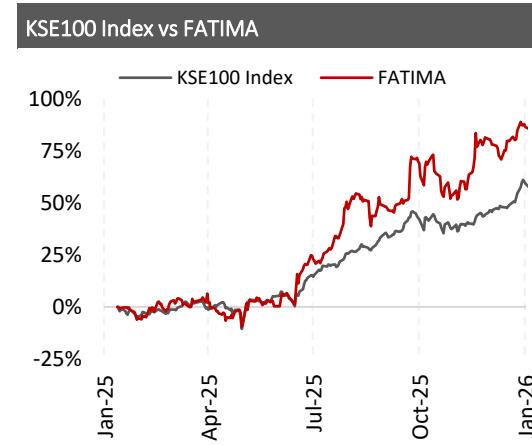
The company's management is pursuing an aggressive diversification strategy, expanding into large-scale manufacturing and strategic sectors including oil & gas exploration, mining, and energy. Most notably, FATIMA (as part of a consortium) emerged as a successful bidder for the privatization of Pakistan International Airlines (PIA). These initiatives are expected to meaningfully diversify the earnings base, strengthening its long-term investment case.

Valuation

Our valuation of FATIMA utilizes a blended approach, assigning 50% weight to discounted cash flow (DCF) methodology and 50% to multiple-based valuation, resulting in a Dec26 target price of PkR 230.36/sh. This implies a total return potential of 48% from its last close. Our key assumptions include a five-year adjusted beta of 0.88, a risk-free rate of 11.0%, and an equity risk premium of 6.0%, leading to a cost of equity of 16.3%.

FATIMA investment overview	
KATS Code	FATIMA
Bloomberg Code	FATIMA PA
Market Price	PkR 162.15
Target Price	PkR 230.36
Upside	42%
1-Yr High/ Low	PkR 165.0/70.0
Free float	15%
Share outstanding (mn)	2,100

Source: PSX, BMA Research



Source: PSX, BMA Research

Ajeet Kumar
 Research Analyst
BMA Capital Management Ltd.
 E-mail: ajeet.kumar@bmacapital.com
 Tel: 111-262-111 Ext. 2056

Valuation Parameters	
Growth Rate	2.55%
Risk Free Rate	11.0%
Beta	0.88
Equity Risk Premium	6.00%
CAPM	16.3%

Source: PSX, BMA Research

The stock currently trades at forward P/E multiples of 6.6x for CY26f and 6.0x for CY27f, which we consider undervalued compared to the company's growth potential and its industry peers' average PE of 10.0x, reflecting a 54% discount. This compelling valuation, alongside our projected earnings growth, supports our **BUY** recommendation, providing investors significant upside potential.

PKR mn	CY26f	CY27f	CY28f	CY29f	CY30f
Profit After Tax	48,188	53,224	58,068	59,357	61,574
Depreciation & Amortization	10,220	10,619	11,040	11,510	12,016
Interest (1-Tax)	5,127	3,770	3,662	3,635	3,630
CAPEX	(5,612)	(5,954)	(6,335)	(6,759)	(7,234)
WC	18,749	(2,927)	(4,744)	(2,818)	(3,500)
FCFF	76,673	58,732	61,691	64,925	66,486
Discount Factor	1.00	0.87	0.75	0.65	0.57
Discounted Cashflows	66,865	50,893	46,536	42,545	37,729
PV of Future Cashflows	177,830				
PV of Terminal Value	305,741				
Equity Values	485,619				
Outstanding Shares	2,100				
DCF Based Price (PKR/Sh.)	231.25				
PE Based Price (PKR/Sh.)	229.47				
Blended TP (PKR/Sh.)	230.36				

Source: PSX, Company Accounts, BMA Research

Key Multiples,		CY24a	CY25e	CY26f	CY27f	CY28f
EPS	PKR	17.33	20.92	22.95	25.34	27.65
DPS	PKR	7.00	7.00	9.00	10.00	11.00
P/E	x	4.52	7.26	6.62	6.00	5.50
ROE	%	25%	25%	24%	23%	22%
ROA	%	11%	12%	13%	14%	14%

Source: Company Accounts, BMA Research

Dominant market position in specialized fertilizer

Fatima Fertilizer is anchored in its dominant position in specialty fertilizers, where it operates in near-monopolistic market structures, complemented by a meaningful presence in urea. This unique portfolio mix delivers pricing power, earnings resilience, and downside protection across fertilizer cycles.

Fatima is the only large-scale commercial producer of Calcium Ammonium Nitrate (CAN) in Pakistan and the largest manufacturer of Nitro Phosphate (NP), with installed capacities of 870kT for CAN and 665kT for NP. High capital requirements create formidable entry barriers, effectively insulating these segments from new competition.

This specialty leadership enables Fatima to mitigate the inherent volatility and regulatory risk associated with urea, where pricing is often subject to government intervention. Instead, the company captures superior margins and demand stability from complex fertilizers, particularly under its well-established "Sarsabz" brand, where substitution economics strongly favor its products.

CAN as a Urea Substitute

CAN offers a cost-effective alternative to urea with only marginally lower nitrogen content. Over the past decade, CAN has consistently retailed at a PkR 250–300 per bag discount to urea, making it an attractive option during periods of elevated urea prices or supply tightness. As a result, Fatima fulfills Pakistan's CAN demand, with the commodity contributing approximately 24% of CY25e revenues, underpinned by strong pricing power and minimal competitive pressure.

Fatima is the sole producer and supplier of CAN in Pakistan, exercising complete market dominance with a 100% market share. Expected offtake for CY25 is projected to reach 956k MT, reflecting strong and sustained demand.

NP as a Substitute for DAP

NP serves as a lower-cost alternative to Di-Ammonium Phosphate (DAP), a heavily import-dependent fertilizer. Historically, the price gap between NP and DAP averaged PKR 2,200 per bag but has widened materially to PKR 4,000 per bag over the past three years amid rising global phos-rock prices and currency depreciation. In an environment where farm input costs are , NP has emerged as a structurally preferred choice for farmers. Fatima meets more than 90% of national NP demand, with NP accounting for approximately 41% of total revenue in CY25e, making it the company's largest and most profitable product line.

Diversification through scaled urea presence

Complementing its specialty fertilizer dominance, Fatima maintains a solid position in urea, accounting for significant 31% of sales in CY25e. Its nitrogen market share increased to 26.9% in 2025 from 22.3% previously, placing the company firmly among Pakistan's top-tier fertilizer producers alongside Fauji Fertilizer and Engro Fertilizers.

In CY25, Fatima sold 1.14mn MT of urea, capturing approximately 17% market share out of a total industry offtake of 6.71mn MT. This marks an increase from 14% last year, highlighting the company's growing footprint in the urea market.

Secured Gas Availability: A Structural Positive for Fatima Fertilizer

Fatima Fertilizer has achieved a major structural de-risking of its operations through recent government-approved gas allocations, significantly strengthening its long-term cost competitiveness, supply reliability, and earnings visibility.

In January 2026, the government **approved the allocation of 68 mmcfd of raw gas** (equivalent to 52mmcf/d of processed gas) from Mari Energies' Ghazij and Shawal reservoirs for Fatima's Sheikhupura plant. This development is strategically important as it meaningfully reduces reliance on expensive and volatile RLNG, ensuring a more stable and uninterrupted gas supply. As a result, the risk of production disruptions is resolved, while input cost predictability improves.

Fatima's flagship Sadiqabad plant already enjoys a strong cost advantage, sourcing gas from HRL (Mari) at a **discounted rate of PkR 580/mmbtu**, well below industry averages. The plant benefits from a dedicated allocation of 110 mmcfd, reinforcing its position as one of the lowest-cost producers in the sector. Meanwhile, Pak Arab Fertilizers (a Fatima group company) procures gas through Sui and Mari under the PP-12 agreement, also with dedicated allocations.

Although the newly allocated gas for Sheikhupura is priced at a higher level of around PKR 1,597/mmbtu, it remains a strategically superior alternative to RLNG. More importantly, it secures long-term gas availability, shielding the company from RLNG price volatility, supply uncertainty, and potential cross-subsidy burdens historically borne by consumers.

With all plants now having dedicated gas allocations, a key overhang related to fuel availability and elevated RLNG costs is effectively removed. Improved gas security is expected to support higher and more consistent utilization rates. This, in turn, should translate into higher production volumes, stronger topline growth, and improved operating leverage over the medium to long term.

Overall, the strengthened gas supply framework meaningfully enhances Fatima Fertilizer's earnings stability, margin sustainability, and investment appeal, making it a compelling long-term play within Pakistan's fertilizer sector.

Strategic Diversification Beyond Core Fertilizer Business

Fatima Fertilizer is steadily evolving beyond its core fertilizer operations into a diversified industrial platform, reducing earnings cyclical while creating meaningful long-term optionality. In 2025, the company approved the acquisition of Fatima Petroleum, marking a strategic entry into Pakistan's upstream energy sector. Through this vehicle, **Fatima has secured a 25% non-operating interest** in the Peshawar Block (KP) and additional exposure across multiple onshore and offshore exploration assets through joint ventures with Mari Energies, Turkish Petroleum Overseas Company (TPOC), and Orient Petroleum. These investments provide leveraged upside to domestic oil and gas discoveries while limiting capital and execution risk.

Complementing its energy exposure, **Fatima Fertilizer holds a 33.33% stake in National Resources (Pvt.) Limited**, a copper-gold mining venture with active operations in Baluchistan and a growing pipeline of exploration opportunities. Given rising global demand for critical minerals, this stake adds long-duration commodity optionality that is largely uncorrelated with fertilizer cycles.

In addition, Fatima's participation in the **PkR 135bn acquisition of a 75% stake** in PIA in December 2025, as part of an Arif Habib-led consortium, reflects a selective approach to value-accrue corporate opportunities. While non-core, a successful turnaround could unlock substantial upside and further diversify the group's earnings base. Overall, Fatima's diversification strategy remains measured and capital disciplined, preserving the fertilizer business as the primary cash-flow engine while embedding energy, mining, and turnaround optionality that strengthens earnings resilience and enhances the company's long-term investment appeal.

Robust Financial Performance and Growth Outlook

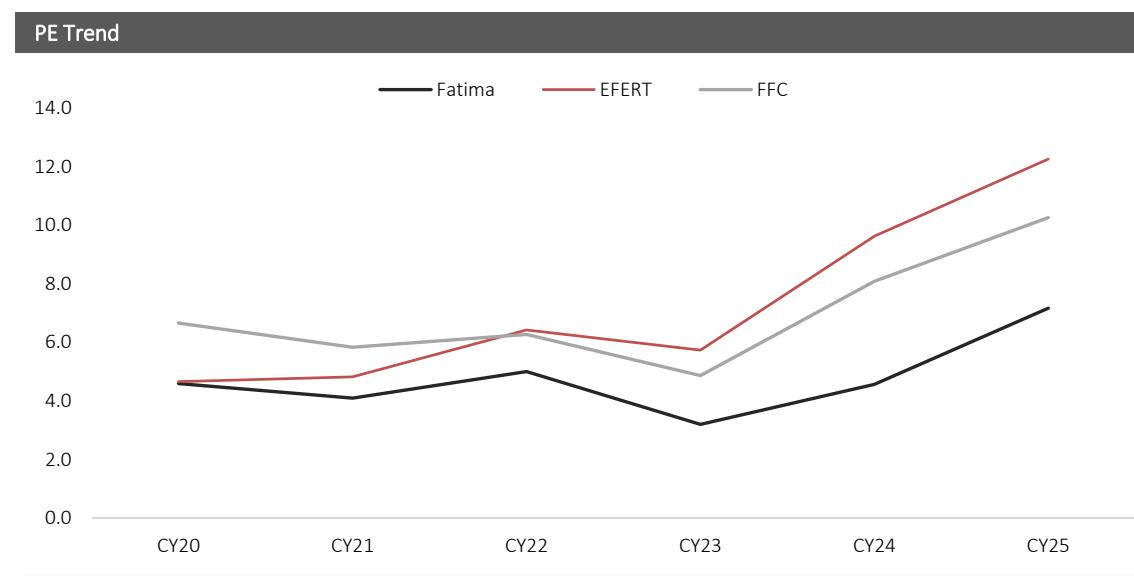
Urea offtakes rebounded strongly in 2025, with industry production remaining resilient despite ongoing input cost pressures. Looking ahead, we anticipate a more pronounced recovery and an improved CY26 outlook, underpinned by continued government fertilizer subsidies and steadily rising agricultural demand driven by improving farm economics.

Profitability is projected to rise by 23% in CY25, with EPS reaching PKR 21.20, up from PKR 17.33 last year. This growth is fueled by stronger investment income and robust sales momentum in urea and CAN, which increased by 21% and 41%, respectively, despite a challenging demand environment. Supported by a solid balance sheet, low leverage relative to peers, and a strong liquidity position with PkR 79bn in cash and short-term investments, the company remains well positioned to sustain attractive dividends while funding future expansion initiatives.

Attractive Valuation Relative to Peers

Fatima is currently trading at an attractive P/E of 7.2x, at a meaningful discount to peers such as Fauji Fertilizer at 10.5x and Engro Fertilizers at 12.1x, highlighting substantial valuation headroom. As gas supply challenges ease, Fatima's dominant position in specialty fertilizers, ongoing diversification initiatives, superior balance sheet strength, and improving earnings trajectory collectively strengthen the investment case. These factors support a clear re-rating potential, suggesting the stock warrants valuation parity with industry peers, thereby offering compelling upside for investors.

Additional metrics support undervaluation: PB ratio 1.1x and enterprise value multiples are below sector averages, with market cap crossing USD 1bn in 2025, signaling investor confidence in long-term value creation.



Key Risks:

- Volatile demand of specialized products like; CAN and NP
- Exchange rate risk
- New venture like; PIA not boding well for overall business
- Gas availability risk still pending on Pak Arab plant
- Farm economic crisis resurface following any mismanagement

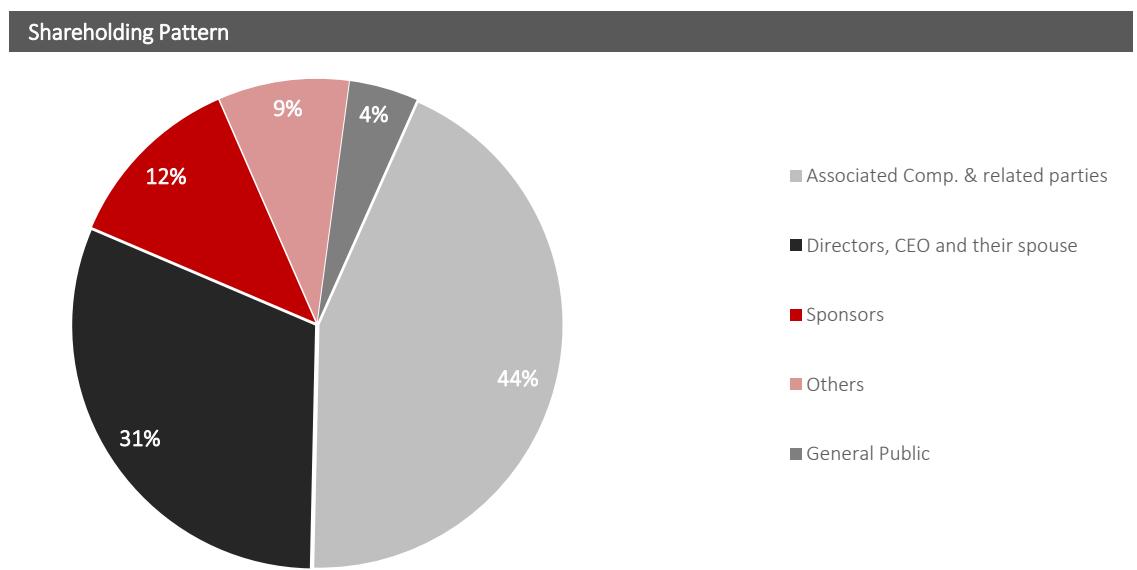
About Company

Fatima Fertilizer Company Limited was incorporated in Pakistan on December 24, 2003, as a public company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals.

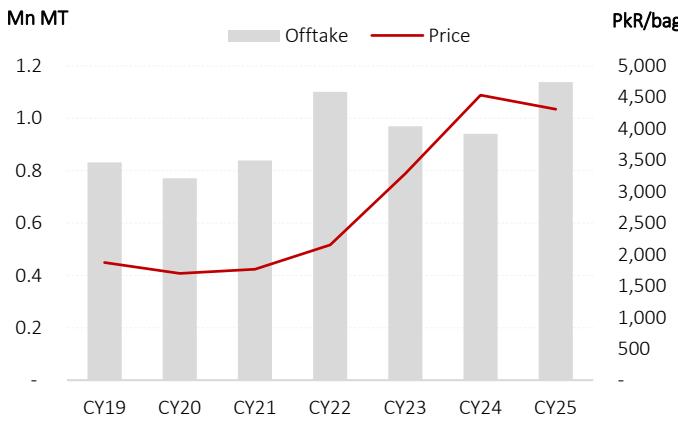
Company has three plants located in Sadiqabad, Sheikhupura and Multan, with combine production capacity of 2,571.5k tons of fertilizer. Fatima is the sole producer of CAN with annual capacity of 870k tons and also manufactures Urea and NP with capacity of 1,037k tons and 665k tons respectively.

Shareholding Patterns:

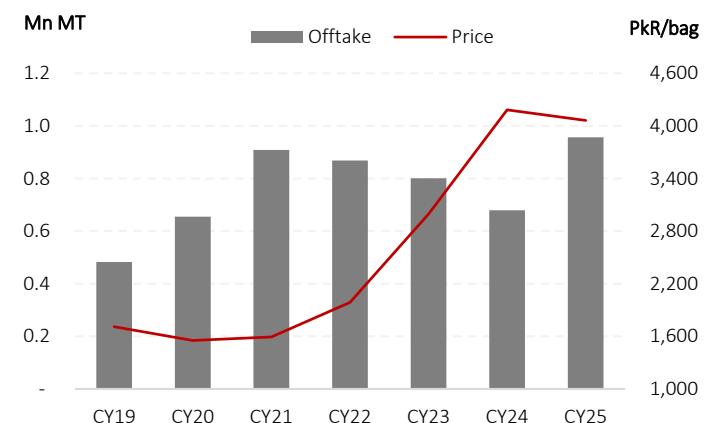
Fatima have 11,652 shareholders holding 2,100 million shares outstanding. According to the latest shareholder pattern available, associated companies and related parties hold 43.68 percent of total shares, Chairman, CEO and Directors hold 31% and remaining shares are held by sponsors, public, insurance companies, Mutual funds, NBFC, foreign companies and others.



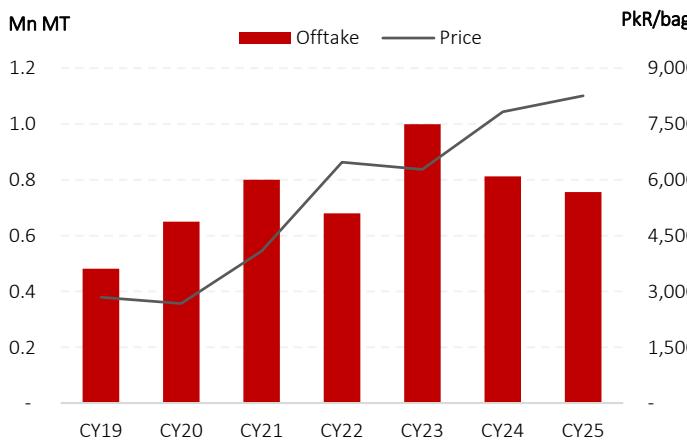
Source: Company Accounts, BMA Research

Urea Offtake & Price


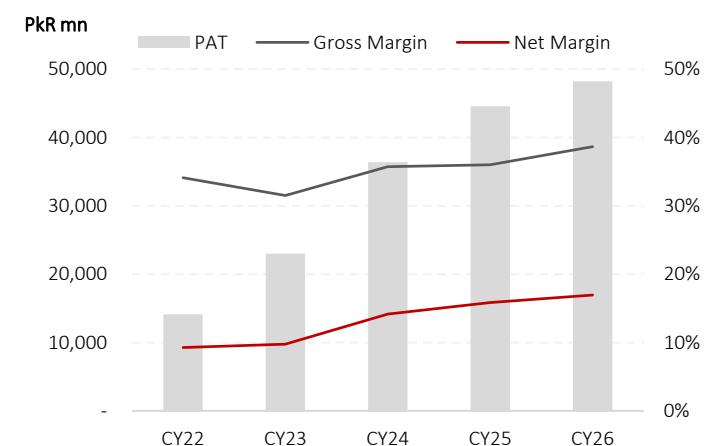
Source: NFDC, BMA Research

CAN Offtake & Price


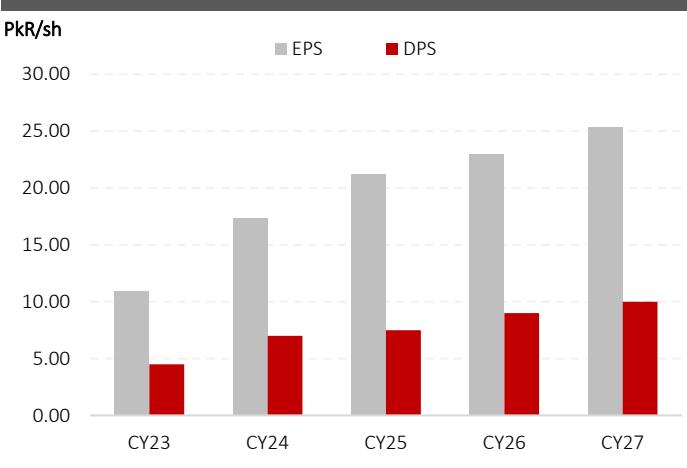
Source: NFDC, BMA Research

NP Offtake & Price


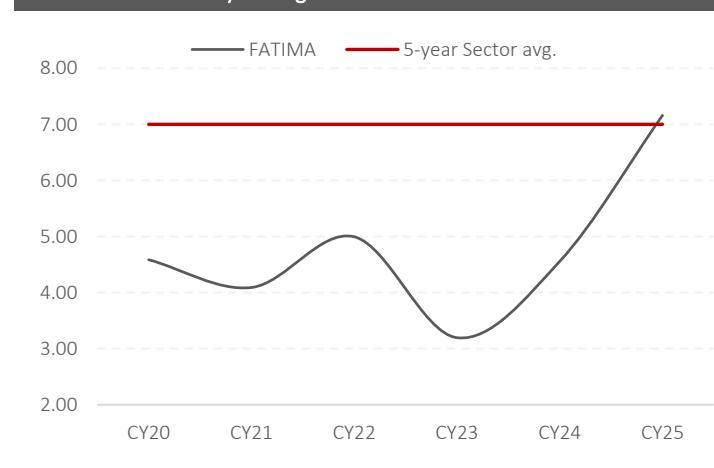
Source: NFDC, BMA Research

PAT, GM & NM


Source: Company Accounts, BMA Research

EPS vs DPS


Source: Company Accounts, BMA Research

Fatima PE vs Industry Average


Source: Bloomberg, PSX, BMA Research

Fatima Fertilizer Company Limited (FATIMA) - Financial Projections

Income Statement	CY24A	CY25e	CY26f	CY27f	CY28f
Net Sales	256,920	280,439	284,173	292,453	301,329
Cost of Sales	165,103	180,294	174,232	177,143	181,531
Gross Profit	91,817	100,145	109,941	115,310	119,797
Administrative Expenses	10,437	11,824	11,073	11,396	11,741
Distribution cost	14,407	18,827	17,050	17,547	18,080
Other Income	12,502	16,636	13,673	16,354	20,932
Other Charges	10,773	7,396	11,367	11,698	12,053
Finance Cost	5,083	7,969	5,127	3,771	3,662
Profit before taxation	62,834	70,697	78,997	87,252	95,193
Taxation	26,439	26,761	30,809	34,028	37,125
Profit After Taxation	36,395	43,937	48,188	53,224	58,068
EPS	17.33	20.92	22.95	25.34	27.65
DPS	7.00	7.50	9.00	10.00	11.00
Balance Sheet	CY24A	AY25e	CY26f	CY27f	CY28f
Non-Current Asset	160,628	123,071	118,463	113,798	109,092
Current Asset	156,261	248,153	238,598	275,391	312,211
Total Assets	316,889	371,224	357,061	389,189	421,303
Equity	144,169	172,356	201,644	233,868	268,835
Non-Current Liabilities	75,656	36,457	34,234	33,645	33,430
Current Liabilities	97,064	162,411	121,183	121,676	119,038
Total Equity & Liabilities	316,889	371,224	357,061	389,189	421,303
Ratios	CY24A	CY25e	CY26f	CY27f	CY28f
Gross Margin	36%	36%	39%	39%	40%
EBIT Margin	20%	19%	23%	24%	25%
Net Margin	14%	16%	17%	18%	19%
ROE	25%	25%	24%	23%	22%
ROA	11%	12%	13%	14%	14%
P/E	4.52	7.26	6.62	6.00	5.50
Dividend Yield	9%	5%	6%	7%	7%
DPS	7.00	7.50	9.00	10.00	11.00

Source: Company Accounts, PSX, BMA Research

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Old rating system

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)