

Pakistan Fertilizers

Offtakes up by 2% YoY, led by imported urea offtakes

In Jan'23, urea offtakes clocked in at ~631kt, up by 6% YoY, the uptick in urea offtakes is mainly led by sales of imported nutrient during the month. However, on MoM basis, urea offtakes declined by 24%, owing to lower production from RLNG-based plants due to unavailability of gas. Furthermore, DAP sales posted a decline of 15% YoY to clock in at ~96kt vs. ~113kt in SPLY due to higher prices of DAP and substitution of farmers to cheap nutrient. To note, average DAP prices during the month were ~PKR9,724 as compared to ~PKR7,859 in SPLY. On MoM basis, DAP offtakes declined by 39% due to seasonal impact. Similarly, NP and CAN offtakes clocked in at 64kt & 67kt, respectively, witnessing decline of 56% & 54% MoM.

We believe that phosphatic fertilizers offtakes after showing recovery in Rabi season are expected to remain muted. However, to achieve steady demand, fertilizer manufacturers are implementing strategies to increase offtakes of phosphatic fertilizers along with urea sales.

Urea offtakes posted growth of 6% YoY in Jan'23

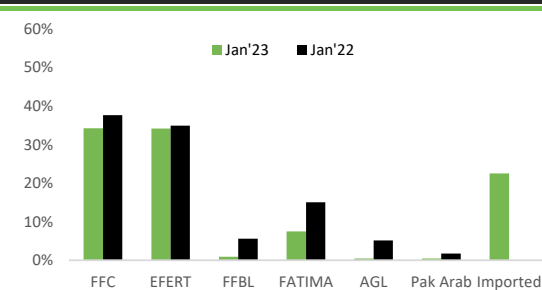
During Jan'23, urea offtakes witnessed an increase of 6% YoY which is mainly attributable to imported offtakes which clocked in at ~142kt. EFERT's offtakes increased by 3% YoY to clock in at 215kt due to highest ever monthly production of 203kt achieved after successful BMR of base plant. On the flipside, FFC's offtakes during the month clocked in at 216kt vs. 225kt in SPLY, down by 4% YoY. Furthermore, FATIMA, AGL & PAKARAB witnessed decline of 48%, 91% & 72% YoY, respectively. Urea closing inventory clocked in at 101kt, down by 59% MoM due to lower production led by unavailability of gas to RLNG plants. To note, in listed universe FFC holds highest inventory levels of urea of ~20kt till Jan'23.

DAP offtakes continued to post muted offtakes

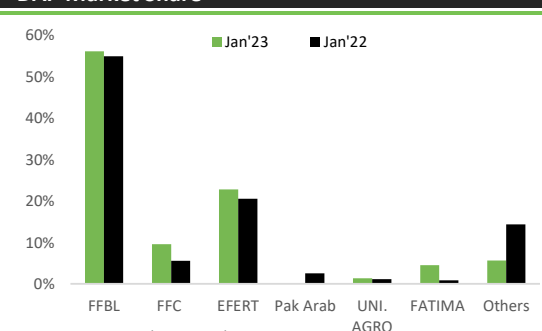
During Jan'23, DAP offtakes clocked in at 96kt vs. 113kt in SPLY, recording a decline of 15% YoY. The decline in offtakes is attributable to seasonal impact and elevated DAP prices internationally along with Pak rupee depreciation against greenback. To note, average international prices was US\$650 in Jan'23 vs. US\$810 in SPLY, down by 20%. However, the impact is offset by PKR depreciation by 33% over the year. FFBL's DAP offtakes clocked in at ~54kt during the month, down by 13%/52% YoY/MoM. FFBL carries DAP inventory of ~346kt at the end of Jan'23.

Investment thesis

We continue our liking for the sector due to stable demand dynamics, attractive payout ratio and decent pricing power. Our top picks of the sectors are EFERT and FFC.

Urea Market Share


Source: NFDC, Insight Research

DAP Market Share


Source: NFDC, Insight Research

Urea Inventory (Tons)	Jan-23	Dec-22	MoM
FFC	19,930	12,724	57%
EFERT	20	15,102	NM
FFBL	-	1,140	NM
FATIMA	732	1,424	-49%
Other	80,616	218,664	-63%
Total	101,298	249,054	-59%

Source: NFDC & Insight Research

DAP Inventory (Tons)	Jan-23	Dec-22	MoM
FFC	68,382	77,738	-12%
EFERT	13,989	35,826	-61%
FFBL	132,067	186,796	-29%
FATIMA	57,184	63,045	-9%
Other	74,678	72,363	3%
Total	346,300	435,768	-21%

Source: NFDC & Insight Research

Fertilizers Offtake

January, 2023



Tons	Jan-23	Jan-22	Dec-22	YoY	MoM
UREA					
FFC	215,805	225,073	222,519	-4%	-3%
EFERT	215,414	208,732	220,501	3%	-2%
FFBL	5,510	33,224	54,833	-83%	-90%
FATIMA	47,054	89,677	146,754	-48%	-68%
AGL	2,630	30,560	30,890	-91%	-91%
Pak Arab	2,896	10,528	9,829	-72%	-71%
Imported	141,967	-	147,879	NM	-4%
TOTAL	631,276	597,794	833,205	6%	-24%
DAP					
FFBL	53,816	62,001	111,920	-13%	-52%
FFC	9,190	6,314	1,565	46%	487%
EFERT	21,837	23,152	31,447	-6%	-31%
Pak Arab	10	2,898	21	NM	-52%
UNI. AGRO	1,257	1,246	256	1%	391%
FATIMA	4,348	999	5,479	335%	-21%
Others	5,388	16,213	6,831	-67%	-21%
TOTAL	95,846	112,823	157,519	-15%	-39%
NP					
Pak Arab	23,294	9,581	61,825	143%	-62%
EFERT	8,154	11,306	12,157	-28%	-33%
FATIMA	32,637	27,523	70,558	19%	-54%
TOTAL	64,085	48,410	144,540	32%	-56%
NPK					
EFERT	3,639	5,681	157	-36%	NM
TOTAL	3,639	5,681	157	-36%	NM
CAN					
Pak Arab	23,040	29,413	80,333	-22%	-71%
FATIMA	43,569	46,599	62,974	-7%	-31%
TOTAL	66,609	76,012	143,307	-12%	-54%

Source: NFDC & Insight Research

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- Discounted cash flow (DCF)
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Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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