

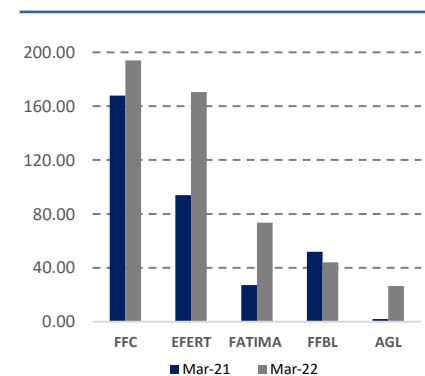
Fertilizer Sector Offtake Update

Pakistan Research

Fertilizer: March-22 Urea offtake clocked in at 509k tons, up 48% YoY

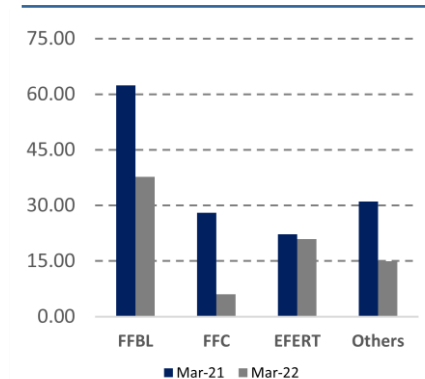
- As per the data released by NFDC, Urea offtake increased by 48% YoY to 509k tons, while DAP offtake fell to 80k tons vs 144k tons in the SPLY. For 1QCY22, Urea offtake exhibit an increase of 17% YoY to 1.6mn tons, while DAP offtake plunged to 247k tons, witnessing a decline of 21% YoY.
- Within urea segment, FFC sold 194k tons in March-22 followed by EFERT with 171k tons. FFBL and Fatima offtake clocked in at 44k tons and 74k tons, while AGL urea sales number stood at 27k tons in March-22.
- On the other hand, FFBL DAP offtake stood at 38k tons, while FFC and EFERT offtake clocked in at 6k tons and 21k tons.
- Overall industry's CAN offtake increased by 24% YoY to 69k tons.
- During March-22, domestic urea prices averaged at PKR 1,855/bag, up by ~8% YoY. Similarly, DAP prices also continued their upward trend and increased to PKR 9,304/bag, up ~96% YoY.
- We expect urea offtake to remain elevated at ~6.3mn tons during CY22 due to improving agro-economics and probable cross-border movement in wake of higher delta between international and domestic prices. DAP offtake is expected to remain dull in CY22 for being costlier.

Urea offtake in ('000) tons



Source: NFDC, Akseer Research

DAP offtake in ('000) tons



Source: NFDC, Akseer Research

Fertilizer March-22 Offtake and Inventory ('000) tons

Period	Mar-21	Feb-22	Mar-22	MoM	YoY	1QCY21	1QCY22	YoY	Current Inv.
Urea:									
FFC	168	212	194	-9%	16%	575	631	10%	35
EFERT	94	170	171	0%	81%	602	549	-9%	30
FATIMA	27	75	74	-2%	170%	146	249	71%	23
FFBL	52	39	44	12%	-15%	70	117	67%	5
AGL	2	30	27	-12%	NM	5	87	NM	7
Imported	-	-	-	-	-	-	-	-	100
Industry	343	527	509	-3%	48%	1,398	1,633	17%	200
DAP:									
FFBL	62	15	38	154%	-40%	117	115	-2%	108
FFC	28	13	6	-53%	-78%	28	25	-10%	14
EFERT	22	13	21	60%	-6%	54	57	5%	20
Others	31	14	15	3%	-52%	115	51	-56%	135
Industry	144	55	80	44%	-45%	314	248	-21%	276
CAN:									
FATIMA Group	56	70	69	-2%	24%	247	215	-13%	5
Industry	56	70	69	-2%	24%	247	215	-13%	5

Source: NFDC, Akseer Research

Industry urea offtake up 48% YoY in March-22:

Industry urea offtake increased 48% YoY to 527k tons in March-22 due to prebuying for the coming Kharif season and probable cross-border movement due to domestic Urea being available at steep discount of ~80% from international prices. This takes cumulative offtake for 1QCY22 to 1.6mn tons, up 17% YoY. With the arrival of 50k tons of imported urea, urea inventory levels has reached to 200k tons as of March-22.

Muhammad Atif
Muhammad.atif@alphacapital.com.pk

DAP demand declined by 45% YoY to 80k tons in March-22:

Industry DAP offtake recorded a significant decline of 45% YoY to 80k tons due to higher DAP prices. During March-22, DAP price averaged at PKR 9,327/bag, while it is currently trading above PKR 10k/tons in the local market. For 1QCY22, DAP offtake declined 21% YoY to 247k tons due to elevated international DAP prices. International DAP prices averaged at USD 900/ton during 1QCY22, translating into landed cost of PKR ~9,800/bag.

Sector Outlook:

Urea inventory has started building up with 200k tons at March-22 end, however current inventory levels are still down 32% YoY. RLNG based plants are put on hold due to unavailability of gas, which would further decline the monthly production by around 70-75k tons. With the increasing demand and lower inventory level, fertilizer manufacturers increased urea prices by PKR 100/bag in April. The planned BMR of EFERTs old plant during 2HCY22 would further exacerbate the urea supply/demand situation in the country. We believe, fertilizer manufacturers would further hike urea prices as local urea is still trading at a steep discount of ~80% to international urea while inventory levels are also on the lower side.

On the other hand, DAP demand is expected to remain constrained during CY22, with all time high DAP prices.

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Contact Details**Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal
T: +92-21-34320359 -60
E: info@akseerresearch.com

Alpha Capital (Pvt) Limited

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH
Society, Block 7 & 8, Near Virtual University, Karachi
T: +92-21-38694242
E: info@alfaadhi.pk