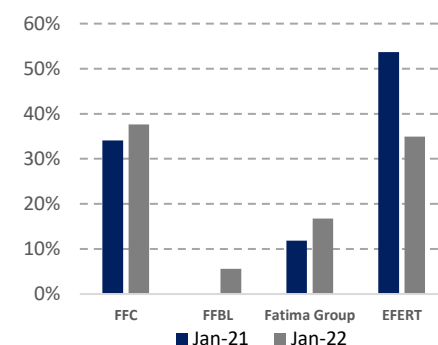


Fertilizer: Jan-22 Urea offtake clocked in at 598k tons, inventory declined to lowest levels since CY08

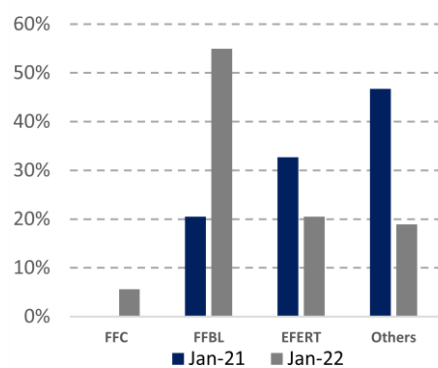
- As per NFDC, industry Urea offtake clocked in at 598k tons, down 8% YoY in Jan-22. Production increased to 556k tons, up 12% YoY. Urea inventory levels declined to their lowest since CY08 and stood at 27k tons.
- FFC remained the market leader in urea segment with 225k tons, followed by EFERT with 209k tons sales.
- Industry DAP offtake remained 113k tons during Jan-22, up 37% YoY. Company wise data showed that FFBL sold 62k tons, while FFC and EFERT sold DAP quantity of 6k tons and 23k tons, respectively.
- Overall industry's CAN offtake declined by 30% YoY to 76k tons.
- During Jan-22, domestic urea prices averaged at PKR 1,844/bag up by ~8% YoY. Similarly, DAP prices also continued upward trajectory and increased to PKR 9,237/bag, up ~1.2x YoY.
- We expect urea offtake to remain elevated at 6.3mn tons during CY22 due to increase in crop supporting prices ahead of the election year. DAP offtake is expected to normalize in CY22 after declining by 13% in CY21 following expected decline in international DAP prices.

Urea Market Share



Source: NFDC, Akseer Research

DAP Market Share



Source: NFDC, Akseer Research

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

Period	Jan-21	Dec-21	Jan-22	MoM	YoY	Current Inv.
Urea:						
FFC	221	232	225	-3%	2%	16
EFERT	348	189	209	10%	-40%	4
FATIMA	77	98	100	2%	31%	5
FFBL	0	31	33	6%	NM	1
Industry	649	599	598	0%	-8%	27
DAP:						
FFBL	17	77	62	-20%	2.7x	13
FFC	0	5	6	36%	NM	28
EFERT	27	10	23	1.6x	-14%	25
Others	38	25	21	-14%	-44%	162
Industry	82	117	113	-3%	37%	228
CAN:						
FATIMA	109	77	76	-1%	-30%	3
Industry	109	77	76	-1%	-30%	3

Source: NFDC, Akseer Research

Industry urea offtake down 8% YoY in Jan-22

Industry urea offtake declined 8% YoY to 598k tons in Jan-22 due to high base effect. During the month, production clocked in at 565k tons, up 14% YoY due to higher gas availability. Urea inventory levels declined to their lowest since CY08 and stood at 27K tons, down 72%/61%, YoY/MoM. In order to improve urea supply, government has allowed uninterrupted gas supply to RLNG based fertilizer plants till March-22. Moreover, import of 50k tons urea from China is also expected to increase the urea inventory levels.

DAP demand remained elevated during Jan-22

Industry DAP offtake increased by 37% YoY to 113k tons despite exorbitant increase in the DAP prices by ~1.2x YoY to PKR 9,237/bag. The elevated DAP offtake would offset the concern

Muhammad Atif
muhammad.atif@akseerresearch.com

for expected decline in Wheat output. The prices of DAP in international market remained elevated at USD 858/ton, translating into landed cost of PKR 9,000/ton.

Sector Outlook:

In light of supply shortage and low inventory levels, fertilizer companies are in better position to increase urea prices amid higher demand. Going forward, cost pressure on the back of potential hike in gas prices (due to Weighted Average Cost of Gas bill), will also be passed on to consumers as local urea prices are still at steep discount of 80% to international prices.

Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

Research Dissemination Policy

The JV endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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.net