

## PAKISTAN



## Fertilizer offtake for May'21

## Product wise offtake

	May'21	YoY	MoM	5MCY21	YoY
UREA	501	109%	62%	2,208	47%
DAP	173	185%	279%	533	26%
NP	38	24%	-60%	313	40%
CAN	80	297%	14%	397	76%
NPK	4	47%	61%	40	37%

## Company wise offtake

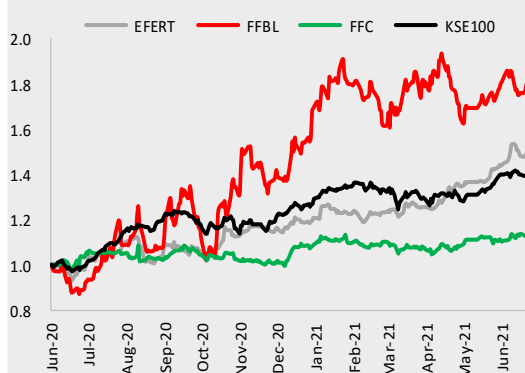
UREA	May'21	YoY	MoM	5MCY21	YoY
FFC	183	62%	45%	884	8%
FFBL	58	203%	56%	166	47%
EFERT	200	95%	82%	912	154%
FATIMA	48	1405%	88%	219	23%

## DAP

FFC	30	366%	398%	64	110%
FFBL	69	201%	214%	207	6%
EFERT	27	148%	867%	84	12%

Source: NFDC, Foundation Research, June 2021

## FSL Fertilizer universe V/S KSE100 Index



Source: Bloomberg, Foundation Research, June 2021

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Monday, June 28, 2021

## Pakistan Fertilizer

## Strong Agronomics uplifted demand

## Event

▪ Start of rice sowing and strong agronomics given better prices for wheat, sugarcane and maize crops resulted in higher offtake of major fertilizer products. We attribute higher offtake to (1) rice sowing across the country, (2) increase in Urea offtake due to inventory buildup by dealers, (3) increase in demand of NP/CAN due to better vegetable prices amid start of production by Pak-Arab plant, and (4) better pricing for major cash crops. Furthermore, Urea/DAP/NP/CAN/NPK offtake increased by 109/185/24/297/47% YoY in May'21.

## Impact

▪ **Sowing of cash crops and expected price hike uplifted offtake:** Domestic Urea offtake increased by 109/62% YoY/MoM in May'21 due to inventory build-up by dealers given expected change in taxes in FY22 budget. However, higher demand from sowing of cash crops across the country further supported the increased offtake. To highlight, domestic Urea prices increased by 1.8% YoY in May'21 and Urea inventory stood at 0.61mn ton at the end of May'21.

▪ Furthermore, DAP offtake increased by 185/279% YoY/MoM in May'21 due to inventory build-up by dealers given continuous increase in international DAP prices and expected increase in taxes in FY22 budget. To highlight, domestic DAP prices increased by 46% YoY in May'21.

▪ Among other nutrients, NP/CAN offtake increased by 24/297% YoY in May'21 due to better vegetable prices amid constrained supply. Furthermore, resumption of production by Pak Arab fertilizers also provided further support to higher NP/CAN overtake (NP/CAN up 40/76% YoY in 5MCY21).

▪ **FFC outperformed peers in DAP offtake:** FFC Urea offtake increased by 62/45% YoY/MoM in May'21, while FFC DAP offtake increased by 366/398% YoY/MoM in May'21. We attribute higher offtake to sowing of cash crops across the country and expected increase in fertilizer prices post FY22 budget announcement. Furthermore, FFC market share of Urea/DAP offtake decreased/increased by YoY 10.7/6.8ppt to 36.5/17.4% in May'21.

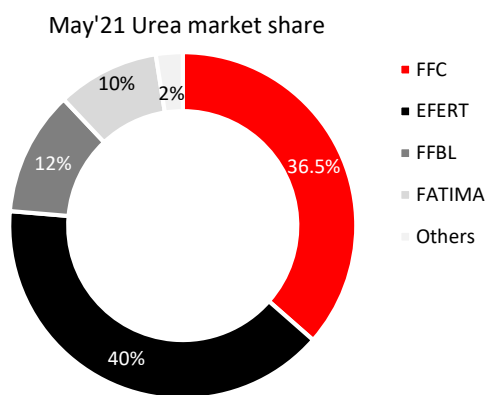
▪ **Higher production allowed FFBL to increase market share in Urea/DAP market:** FFBL market share of Urea/DAP increased by 3.6/2.2ppt YoY in May'21. Furthermore, FFBL Urea/DAP offtake increased by 203/201% YoY in May'21. However, on sequential basis Urea/DAP offtake increased by 56/214% MoM in May'21. To highlight, FFBL DAP market share ↓ by 7.6ppt YoY in 5MCY21.

▪ **EFERT Urea production second highest in company's history:** EFERT Urea offtake increased by 95/82% YoY/MoM in May'21 due to large carry forward inventory by the company and recovery in production. Moreover, due to aforementioned factors EFERT Urea market share increased by 17.5ppt YoY to 41.3% in 5MCY21. Furthermore, EFERT DAP offtake increased by 148/867% YoY/MoM in May'21.

## Outlook

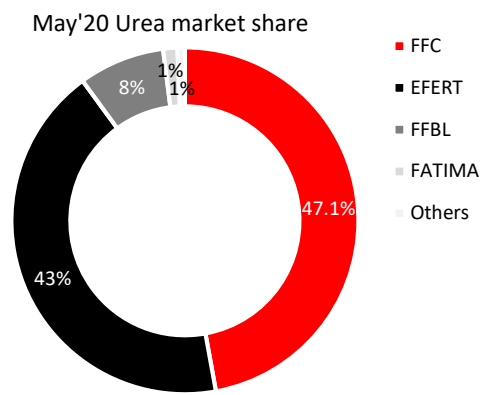
▪ We have an "Outperform" stance on the sector given government's efforts for food security amid better pricing of wheat, sugar cane and maize. Moreover, payment of GIDC in 48 monthly installments along with likely adjustment of payable amount against Sales tax and subsidy receivables would ease cash flow concerns of EFERT and FFBL.

Fig 1: FFC market share declined in Apr'21...



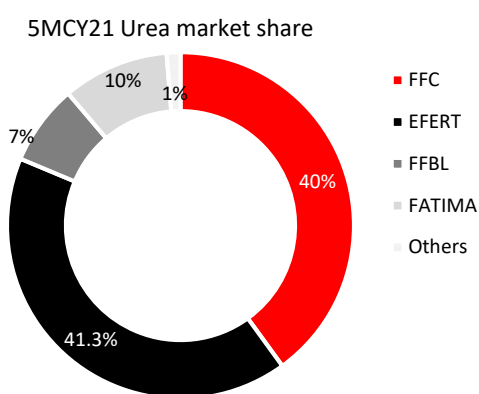
Source: NFDC, Foundation Research, June 2021

Fig 2: ...as RLNG based production gained momentum



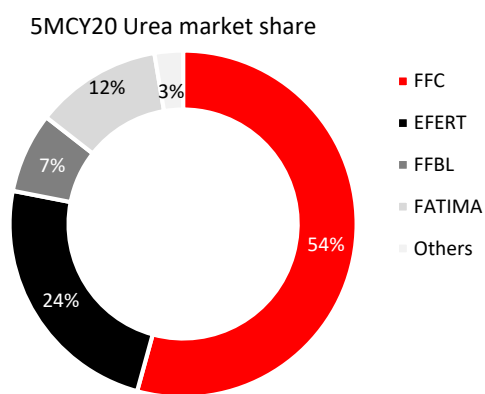
Source: NFDC, Foundation Research, June 2021

Fig 3: FFC lost significant market share in 5MCY21..



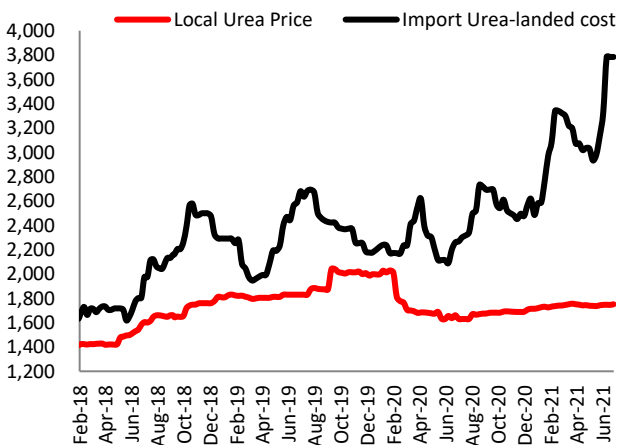
Source: NFDC, Foundation Research, June 2021

Fig 4: ...to EFERT due to large carry forward inventory



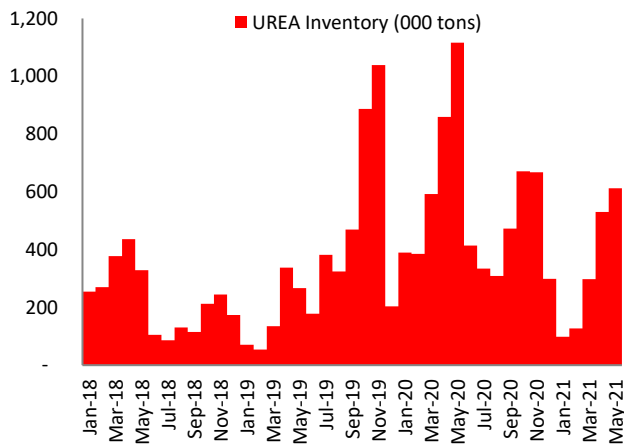
Source: NFDC, Foundation Research, June 2021

Fig 5: Gap widen between local and Int price (Rs/bag)



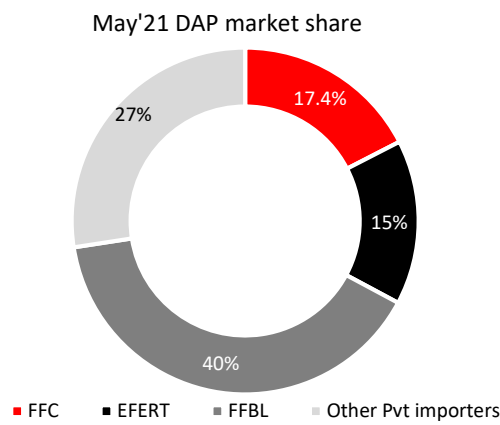
Source: PBS, Bloomberg, FSL Research, June 2021

Fig 6: Sowing of cash crops to ease inventory levels



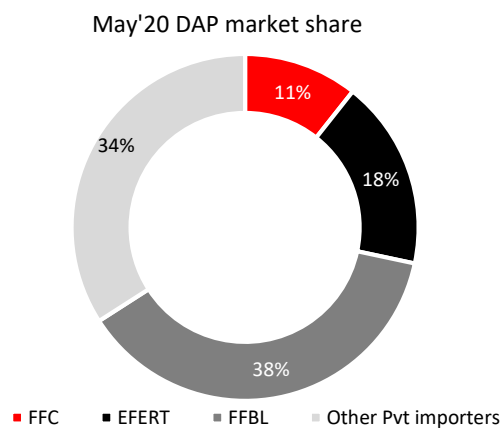
Source: NFDC, Foundation Research, June 2021

Fig 7: Lower DAP imports by FFC and EFERT....



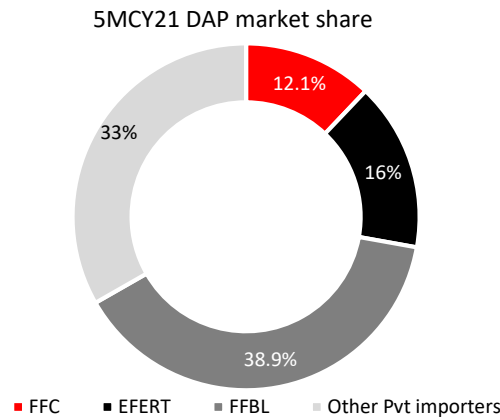
Source: NFDC, Foundation Research, June 2021

Fig 8:.....allowed private traders to ↑ market share



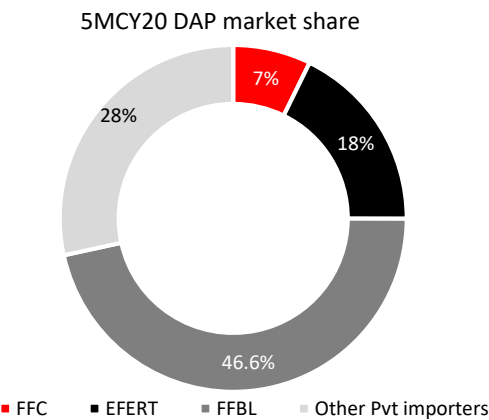
Source: NFDC, Foundation Research, June 2021

Fig 9: FFBL share declined due to lower inventory



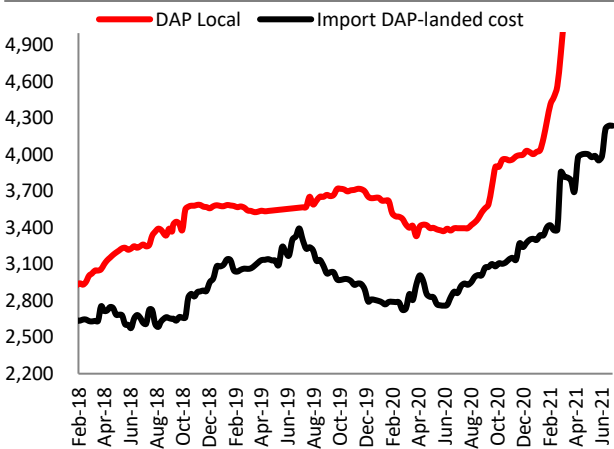
Source: NFDC, Foundation Research, June 2021

Fig 10: ...compared to CY20



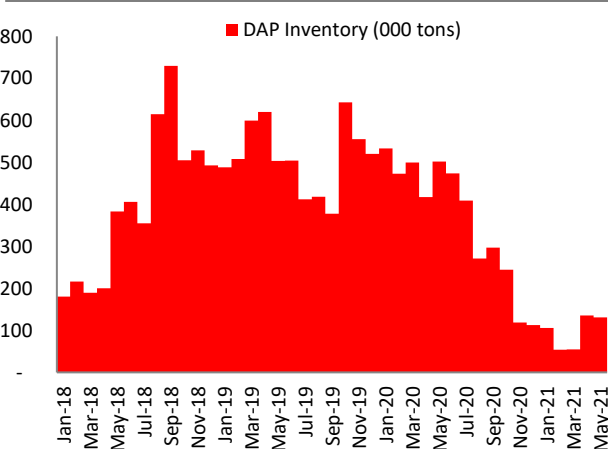
Source: NFDC, Foundation Research, June 2021

Fig 11: DAP prices on the rise (Rs/bag)



Source: PBS, Bloomberg, FSL Research, June 2021

Fig 12: DAP inventory falls below buffer level



Source: NFDC, Foundation Research, June 2021

Abbreviations

CY	Calendar Year
DAP	Di-ammonium Phosphate
GIDC	Gas Infrastructure Development Cess
YoY	Year-on-year
QoQ	Quarter-on-Quarter

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.