

Pakistan Fertilizers

May'23 Urea offtakes up by 10% YoY

In May'23, urea offtakes clocked in at ~459kt, up by 10% YoY. The upward movement in urea offtakes is mainly attributable to higher offtakes by FFC and FATIMA amid normalized supply post price hike. To note, both companies raised urea prices by PKR125/bag w.e.f 16th May'23. Similarly, on MoM basis, urea offtakes increased by 12%. Whereas, DAP sales witnessed a decline of 30% YoY to clock in at ~66kt vs. ~94kt in SPLY led by higher prices of DAP, up by 11% YoY (NFDC), while DAP offtakes increased by 30% MoM. To note, DAP prices in international market have reached at US\$520/ton down by 58% from its peak of US\$1,240/ton in May'22. This decrease in prices is now evident in the local market as well, with Sona and FFC DAP prices recently dropping by PKR1,280/bag w.e.f 1st Jun'23 similarly Sarsabz DAP & Efert DAP prices declined by PKR1,266/bag & PKR1,256/bag, respectively w.e.f 15th Jun'23 & 19th Jun'23. Furthermore, NP & CAN offtakes clocked in at ~83kt & 77kt witnessing an increase of 20% & 49% YoY, respectively. While, NPK offtakes posted a decline of 87% YoY to clock in at 0.57kt.

NFDC proposed imports of 200kt urea to secure availability in the market during current kharif and upcoming rabi season. Moreover, they have also proposed that RLNG based urea manufacturing plants shall remain operational during 2023, to ensure availability and price stability in domestic market.

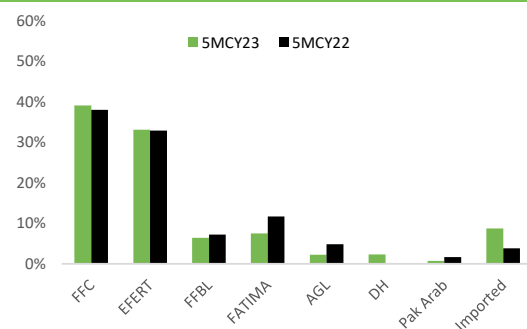
Urea offtakes witnessed increase of 10% YoY in May'23

During May'23, urea offtakes witnessed an increase of 10% YoY which is mainly attributable to higher offtakes by FFC and FATIMA. EFERT offtakes declined by 22% & 25%, YoY/MoM respectively to clock in at 117kt amid 23 days base plant shut down for unscheduled maintenance. On the flipside, FFC's offtakes during the month clocked in at 208kt vs. 134kt in SPLY up by 16%/55% YoY/MoM. Similarly, FATIMA witnessed an increase of 15%/28% YoY/MoM. Furthermore, after decision to operate RLNG based plants on indigenous gas, FATIMA fert and AGL posted urea offtakes of 34kt and 27kt, respectively. We believe that continued operations of these plants will create ample supply to cater demand in rest of the Kharif season as evident from an increase in urea inventory by 15% to clock in at 277kt during the month vs. 242kt in preceding month.

DAP offtakes posted decline of 30% YoY

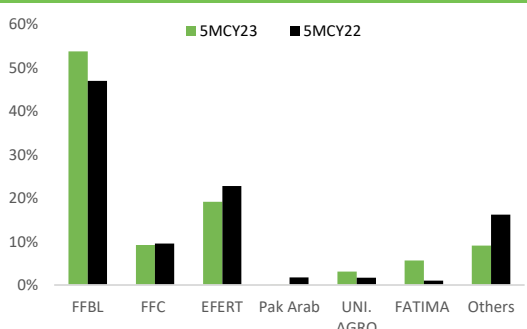
During May'23, DAP offtakes clocked in at 66kt vs. 94kt in SPLY, recording a decline of 30% YoY. International DAP prices were averaged around ~US\$552/ton in May'23, down by 53% YoY from US\$1,182/ton in SPLY. However, most impact of lower international prices is offset by PKR devaluation in the country, therefore, local prices are hovering around PKR10,152/bag (NFDC), up by 5% as compared to SPLY. Whereas on MoM basis DAP offtakes increased by 30%. FFBL's DAP offtakes clocked in at ~39kt during the month, down by 29% YoY, whereas on MoM, offtakes improved by 41%.

Urea Market Share



Source: NFDC, Insight Research

DAP Market Share



Source: NFDC, Insight Research

Urea Inventory (Tons) May-23 Apr-23 MoM

Company	May-23	Apr-23	MoM
FFC	102,712	97,151	6%
EFERT	105,637	85,178	24%
FFBL	3,177	8,226	-61%
FATIMA	46,289	37,893	22%
Other	19,209	13,259	45%
Total	277,024	241,707	15%

Source: NFDC & Insight Research

DAP Inventory (Tons) May-23 Apr-23 MoM

Company	May-23	Apr-23	MoM
FFC	44,299	53,177	-17%
EFERT	25,670	7,642	236%
FFBL	176,889	141,727	25%
FATIMA	39,011	38,086	2%
Other	46,680	44,752	4%
Total	332,549	285,384	17%

Source: NFDC & Insight Research

Tons	May-23	May-22	Apr-23	YoY	MoM	5MCY22	5MCY23	YoY
UREA								
FFC	208,043	178,768	133,793	16%	55%	992,259	972,859	-2%
EFERT	117,051	151,031	157,061	-22%	-25%	857,259	824,726	-4%
FFBL	34,242	38,010	37,341	-10%	-8%	188,064	159,439	-15%
FATIMA	31,948	27,794	24,967	15%	28%	304,158	186,361	-39%
AGL	26,675	16,976	23,378	57%	14%	125,495	55,431	-56%
DH	34,096	-	20,303	NM	68%	-	56,539	NM
Pak Arab	6,793	4,676	7,340	45%	-7%	42,347	18,249	-57%
Imported	239	265	4,114	-10%	-94%	100,463	217,048	116%
TOTAL	459,087	417,520	408,297	10%	12%	2,610,045	2,490,652	-5%
DAP								
FFBL	39,113	54,924	27,662	-29%	41%	204,939	194,235	-5%
FFC	8,878	14,001	968	-37%	817%	41,905	33,274	-21%
EFERT	13,356	15,865	10,882	-16%	23%	99,399	69,253	-30%
Pak Arab	-	427	-	NM	NM	7,830	10	NM
UNI. AGRO	513	183	4,540	180%	-89%	7,331	11,162	52%
FATIMA	305	564	152	-46%	101%	4,539	20,566	353%
Others	3,785	8,419	6,560	-55%	-42%	70,922	32,905	-54%
TOTAL	65,950	94,383	50,764	-30%	30%	436,865	361,405	-17%
NP								
Pak Arab	36,433	32,628	22,095	12%	65%	112,529	127,282	13%
EFERT	5,254	7,739	1,528	-32%	244%	30,531	25,458	-17%
FATIMA	41,166	28,719	24,787	43%	66%	147,231	174,982	19%
TOTAL	82,853	69,086	48,410	20%	71%	290,291	327,722	13%
NPK								
EFERT	571	4,514	2,015	-87%	-72%	30,103	21,767	-28%
TOTAL	571	4,514	2,015	-87%	-72%	30,103	21,767	-28%
CAN								
Pak Arab	33,770	27,228	32,855	24%	3%	144,539	99,419	-31%
FATIMA	43,022	24,163	29,093	78%	48%	178,911	202,800	13%
TOTAL	76,792	51,391	61,948	49%	24%	323,450	302,219	-7%

Source: NFDC & Insight Research

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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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