

# Fertilizer Sector Update

Friday, October 21, 2022

## DAP Sales boosted by delayed sowing

### UREA:

NFDC data for the month of September'22 showed that the urea market for the month deteriorated compared to the preceding month as a result of low-base effect. Urea sales remained flat recording a decline of 8% dipping to 44kt during the month under review.

The major contributor to the Urea market was Fauji Fertilizer that saw an increase in the market share by 9% to 40% from 31% in August'22. While recording a slight decline, Urea offtake declined by 6.3% M/M, EFERT managed to sustain its market share at 32% during the month of September'22. On the other hand, FFBL and Fatima exhibited a negative growth witnessing a decline in their market share to 7% and 14%, respectively.

### DAP:

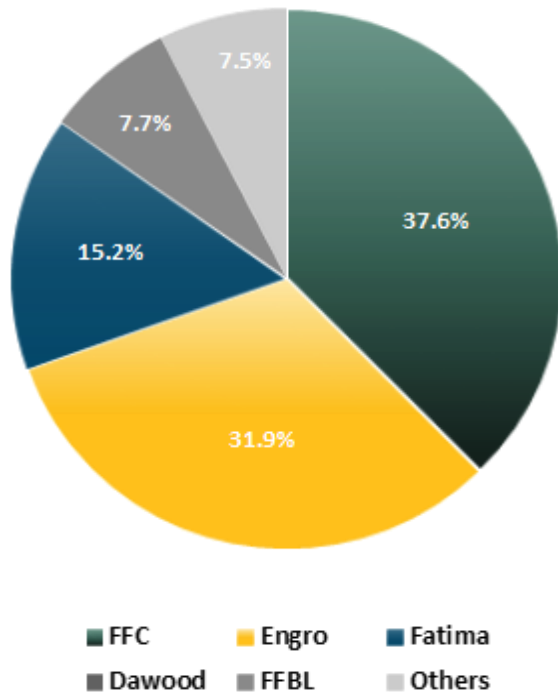
DAP offtake increased by 140.9% M/M from 26kt to 63kt due to a decrease in price by 1.3%. The demand for DAP is expected to increase by the start of the Rabi season on anticipation of low prices and the expectation that flood waters are to recede amidst a delayed start to the sowing season.

Major Fertilizer companies witnessed a rise in DAP offtake with an increase in market share of FFC from 5% in Aug'22 to 9% in Sept'22. Therefore EFERT and FFBL saw a slight decline in their market share of approximately 1% each down to 31% and 30%, respectively.

	52-Week High	52-Week Low	Current
FFC	126.89	97.59	102.56
FFBL	27.34	19.20	19.41
EFERT	101.01	70.13	81.78
FATIMA	42.18	28.95	37.04

Source: PSX &amp; HMFS Research

### Urea Market Share—9M CY22



Source: NFDC &amp; HMFS Research

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	Sep-22	Sep-21	Y/Y	Aug-22	M/M
<b>Off-take (kt)</b>					
Urea	508	487	4%	552	-8%
DAP	63	221	-72%	26	141%
<b>Retail price (PKR/bag)</b>					
Urea	2,425	1,805	34%	2,424	0%
DAP	12,532	6,491	93%	12,698	-1%

Source: NFDC &amp; HMFS Research

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### Future Outlook:

Overall, the fertilizer industry is expected to sustain some losses as the off-take in 9MCY22 of major products cumulatively have displayed a downtick of 18%Y/Y in contrast to SPLY. Moving-forward, while the prices of Urea are likely to remain stable DAP prices are expected to normalize, on account of downward trend in international prices.

For the immediate term, the demand for fertilizers is expected to remain strained. However, thereafter, we expect offtakes to improve as the waterlogged land becomes cultivable.

	9MCY22	9MCY21	Y/Y
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### Off take (kt)

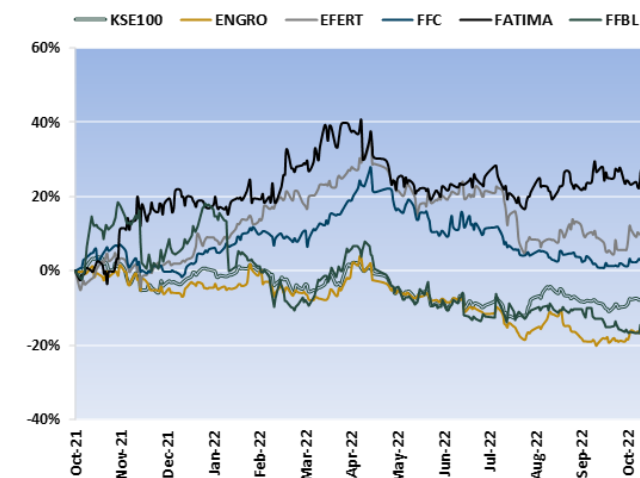
Urea	4,770	4,656	2%
DAP	739	1,202	-39%

### Retail price/bag

Urea	2,167	1,753	24%
DAP	10,520	5,424	94%

Source: NFDC &amp; HMFS Research

### Price Performance Relative to KSE-100



Source: PSX &amp; HMFS Research

### Urea Industry Volumetric Position

Urea	Sep-22	Sep-21	Y/Y	Aug-22	M/M
Opening Inventory	195	187	4%	205	-5%
Production	531	417	27%	541	-2%
Imports	103	-	0%	-	0%
Off-take	508	487	4%	552	-8%
Closing inventory	294	116	153%	196	50%

Source: NFDC &amp; HMFS Research

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- Relative Valuation (P/E, P/B, P/S etc.)
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<i>SELL</i>	<i>More than 15% Downside</i>

Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report

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Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes