

## Demand Slump Masks Strong Cumulative Rabi Performance; Urea Surpluses Persist

### Overview

Metric	Value	Change
Jan-26 Urea Offtake	218K tonnes	-51.1% Y/Y
Jan-26 DAP Offtake	39K tonnes	-35.8% Y/Y
Rabi Oct-Jan Urea (Cum.)	2,744K tonnes	+12.0% Y/Y
Rabi Oct-Jan DAP (Cum.)	583K tonnes	-23.1% Y/Y
Total Nutrient Offtake (Jan)	151K tonnes	-48.0% Y/Y
Urea Closing Stock (Jan)	602K tonnes	~2.8x monthly demand
Avg. Urea Price (Sona)	Rs. 4,357/50kg bag	+1.3% M/M
Avg. DAP Price	Rs. 14,360/50kg bag	-1.6% M/M

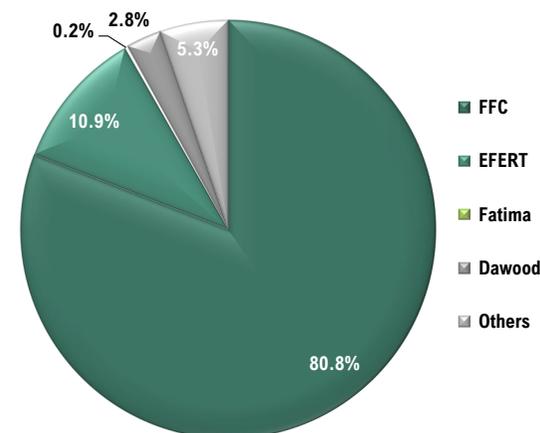
Source: NFDC & HMFS Research

January's sharp offtake declines — while jarring on a standalone basis — should be contextualised against the unusually strong frontloading seen in Oct–Dec 2025, which inflated the base. Cumulative Rabi urea offtake of 2,744K tonnes is running 12% ahead of last season, a constructive signal for fertilizer companies' top lines. The structural concern remains DAP demand destruction, now down 23% on a Rabi cumulative basis, likely reflecting farmer affordability pressures and substitution toward cheaper nitrogen sources. We believe elevated closing urea stocks (~602K tonnes) cap near-term upside on pricing but support volume visibility into Kharif.

### Fertilizer Demand

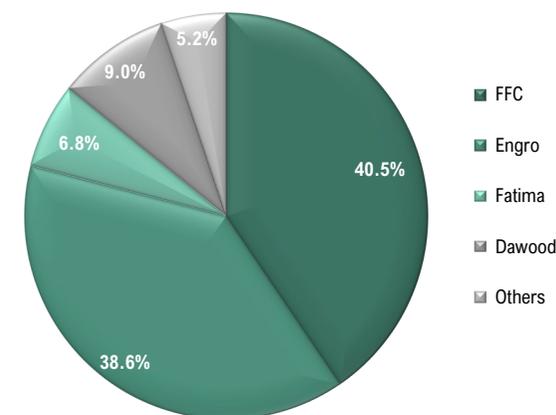
In product terms, urea offtake of 218K tonnes was down 51.1% Y/Y and DAP at 39K tonnes declined 35.8% Y/Y. Both miss comfortably on any historical comparison, though we flag that the January 2025 base was itself elevated relative to seasonal norms.

UREA Market Share - Jan 2026



Source: NFDC, HMFS Research

UREA Market Share - Rabi Season (Oct-Jan)



Source: NFDC, HMFS Research

## Demand Slump Masks Strong Cumulative Rabi Performance; Urea Surpluses Persist

The province-level breakdown is instructive. Punjab — the dominant market — recorded a 50.5% Y/Y decline in urea offtake to 141K tonnes, while Sindh fell even more sharply at 61.5% to 44K tonnes. KP showed relative resilience, declining only 11.6%. AJK/GB was effectively washed out (down 94% Y/Y to just 0.3K tonnes). For DAP, Punjab offtake dropped 37% and Balochistan by 70%, underscoring weak demand at the farm level across nearly all geographies.

### Cumulative Rabi Season Performance

On a cumulative Rabi basis (Oct–Jan), the picture is far more nuanced. Total nutrient offtake reached 1,909K tonnes, up 1.9% Y/Y, driven by nitrogen (+8.6%) and potash (+14.1%). Phosphate continues to underperform, contracting 20.5% — a trend we attribute to high DAP prices (domestic retail at PKR 14,360/bag, up ~19% vs. Jan-25) eroding fertilizer affordability, particularly in price-sensitive provinces.

Urea's cumulative performance is the standout: 2,744K tonnes, 12% above the comparable prior-year period. This reflects strong oct-dec purchasing — likely driven by anticipatory buying ahead of the wheat season — though January's sharp deceleration suggests the pull-forward has now largely unwound.

### Fertilizer Supply

Domestic fertilizer production during January 2026 totalled 744K tonnes. Urea output of 541K tonnes was largely in line with recent run-rates, with EFERT and FFC together accounting for approximately 77% of monthly urea production. Fatima Fertilizer and PAFL contributed the balance.

Total urea availability during January stood at 825K tonnes (284K opening + 541K production), against offtake of only 218K tonnes, resulting in a closing balance of 602K tonnes — a substantial buffer. For DAP, availability of 319K tonnes (219K opening + 71K imports + 29K domestic production) comfortably covered offtake of 39K tonnes, leaving closing stock at 279K tonnes.

No urea imports were recorded during the month, consistent with domestic production fully satisfying demand. DAP import activity totalled 71K tonnes, primarily via EFERT (20K tonnes) and FFC (42K tonnes).

Company-wise Urea: Production, Offtake & Stock Position (January 2026, Tonnes)

Urea	Opening	Production	Total Availability	Offtake	Closing Balance
EFERT	53,248	208,974	262,222	23,684	234,092
FFC	56,961	208,654	265,615	176,211	89,435
FATIMA	133,915	42,221	176,136	427	185,938

Source: NFDC & HMFS Research



## Demand Slump Masks Strong Cumulative Rabi Performance; Urea Surpluses Persist

Fauji Fertilizer recorded the highest offtake of the three major market shareholders ( FFC, EFERT, FATIMA) at 176,211 tonnes — nearly the entirety of its total availability of 265,615 tonnes — leaving a lean closing stock of 89,435 tonnes (approximately 0.5x its monthly production). This suggests FFC's distribution network and dealer relationships remain competitive, and that channel inventory is being turned over efficiently.

EFERT, meanwhile, produced at near-identical volumes (208,974 tonnes) but recorded offtake of only 23,684 tonnes, resulting in a closing balance of 234,092 tonnes (1.1x production). This is the highest absolute closing stock among the three majors. While this reflects in part EFERT's role as a price-setter that may hold inventory rather than discount, it does create working capital drag.

Fatima presents the most concerning picture: an opening stock of 133,915 tonnes — the largest of any producer — combined with production of 42,221 tonnes yielded total availability of 176,136 tonnes, against offtake of just 427 tonnes. The resulting closing balance of 185,938 tonnes implies essentially zero commercial clearance during the month, a situation that warrants monitoring closely for any downstream pricing pressure or channel financing stress.

### Outlook

Urea volume outlook is constructive on a full-season basis. Rabi Oct–Jan cumulative offtake is tracking 12% ahead of last year. We expect this to normalize as Feb–Mar demand catches up with the seasonal planting cycle.

EFERT continues to demonstrate both production scale and inventory discipline, running the highest production volumes while maintaining a manageable closing stock of 234,092 tonnes.

FFC warrants close attention on two fronts. As the sole domestic DAP producer, it faces a structurally weak phosphate demand environment — cumulative Rabi DAP offtake is down 23% Y/Y and January offtake of 39K tonnes was the lowest in at least four years. More positively, on the urea side, FFC produced 208,654 tonnes in January and its closing stock of 89,435 tonnes (prilled + granular combined) is manageable relative to its monthly run-rate.

Urea pricing remains a headwind. Domestic prices are ~3-4% below year-ago levels, and the ample stock overhang (~602K tonnes as of January-end) is likely to keep retail prices capped through the rest of Rabi. However, the absence of any import requirement reduces margin pressure from the supply side.

DAP demand destruction is a persistent concern. Cumulative Rabi DAP offtake is down 23%, and retail prices at PKR 14,360/bag remain elevated on a Y/Y basis. Companies (primarily FFC) with higher DAP exposure may face volume risk through the season; the benefit is a somewhat more supportive price environment relative to last year.

This research report is for information purposes only and does not constitute nor is it intended as an offer or solicitation for the purchase or sale of securities or other financial instruments. Neither the information contained in this research report, nor any future information made available with the subject matter contained herein will form the basis of any contract. Information and opinions contained herein have been compiled or arrived at by Habib Metropolitan Financial Services (HMFS) from publicly available information and sources that HMFS believed to be reliable. Whilst every care has been taken in preparing this research report, no research analyst, director, officer, employee, agent or adviser of any member of HMFS gives or makes any representation, warranty or undertaking, whether express or implied, and accepts no responsibility or liability as to the reliability, accuracy or completeness of the information set out in this research report. Any responsibility or liability for any information contained herein is expressly disclaimed. All information contained herein is subject to change at any time without notice. No member of HMFS has an obligation to update, modify or amend this research report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Furthermore, past performance is not indicative of future results.

The investments and strategies discussed herein may not be suitable for all investors or any particular class of investor. Investors should make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives when investing. Investors should consult their independent advisors if they have any doubts as to the applicability to their business or investment objectives of the information and the strategies discussed herein. This research report is being furnished to certain persons as permitted by applicable law, and accordingly may not be reproduced or circulated to any other person without the prior written consent of a member of HMFS. This research report may not be relied upon by any retail customers or person to whom this research report may not be provided by law. Unauthorized use or disclosure of this research report is strictly prohibited. Members of HMFS and/or their respective principals, directors, officers, and employees and their families may own, have positions or affect transactions in the securities or financial instruments referred herein or in the investments of any issuers discussed herein, may engage in securities transactions in a manner inconsistent with the research contained in this research report and with respect to securities or financial instruments covered by this research report, may sell to or buy from customers on a principal basis and may serve or act as director, placement agent, advisor or lender, or make a market in, or may have been a manager or a co-manager of the most recent public offering in respect of any investments or issuers of such securities or financial instruments referenced in this research report or may perform any other investment banking or other services for, or solicit investment banking or other business from any company mentioned in this research report. Investing in Pakistan involves a high degree of risk and many persons, physical and legal, may be restricted from dealing in the securities market of Pakistan. Investors should perform their own due diligence before investing. No part of the compensation of the authors of this research report was, is or will be directly or indirectly related to the specific recommendations or views contained in the research report. By accepting this research report, you agree to be bound by the foregoing limitations.

HMFS and / or any of its affiliates, which operate outside Pakistan, do and seek to do business with the company(s) covered in this research document. Investors should consider this research report as only a single factor in making their investment decision. HMFS prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer/company prior to the publication of a research report containing such rating, recommendation or investment thesis. Furthermore, it is stated that the research analyst (s) or their close relatives have neither served as a director/officer in the past 3 years nor have received any compensation from the subject company in the past 12 months. Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, research analysts currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company. The research analyst(s) also certifies that any spouse(s) or dependents (if relevant) do not hold a beneficial interest in the securities that are subject of this report.

HMFS endeavors to make all reasonable efforts to disseminate its publication to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

#### HMFS Stock Ratings System

Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. HMFS uses a three-tier rating system: i) Buy, ii) Hold and iii) Sell with our rating being based on total stock returns. A table presenting HMFS' rating definitions is given below:

#### Valuation Methodology

To arrive at our fair value estimates, HMFS uses different valuation methodologies including but not limited to:

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

#### HMFS RATING GUIDE

<b>BUY</b>	More than 15% Upside
<b>HOLD</b>	Between 15% Upside & 15% Downside
<b>SELL</b>	More than 15% Downside

**Note:** All fair value estimates are for a twelve-month time horizon unless specified otherwise in the report  
Upside/Downside represents the difference between the stated "Fair Value" & the prevailing "Market Price"  
Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes