

Urea Offtake Surged by 43%MoM During Dec'18 amid Lower Base Effect

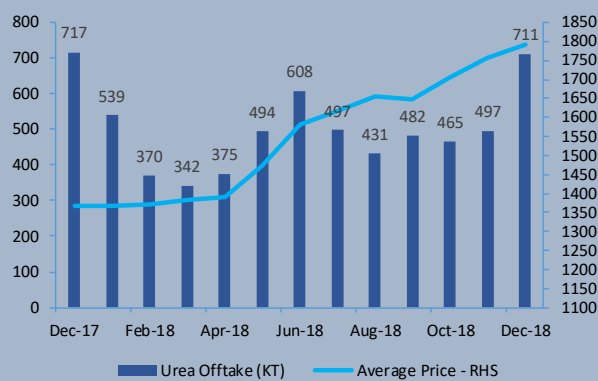
Jan 25, 2019

Industry Offtake

	Dec-18	Nov-18	MoM%	Dec-17	YoY%
UREA	711	497	43%	717	-1%
DAP	189	265	-29%	150	26%
CAN	45	23	92%	102	-56%
NP	30	31	-5%	52	-43%
OTHER	21	37	-42%	10	113%
TOTAL	996	853	17%	1031	-3%

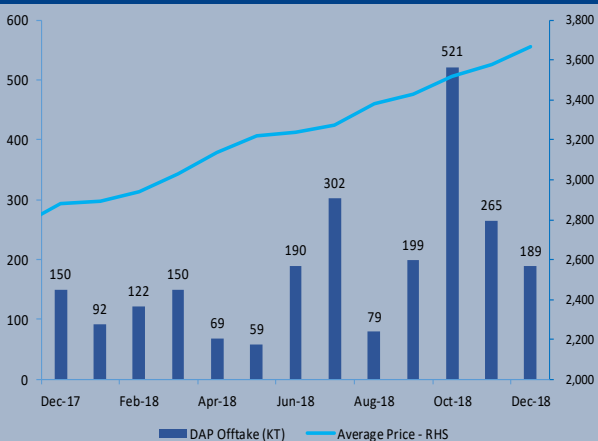
Source: NFDC & WE Research

Urea Offtake and Average Price



Source: NFDC & WE Research

DAP Offtake and Average Price



Source: NFDC & WE Research

- As per latest data released by NFDC for Dec'18, the industry's total fertilizer offtake dropped by 3%YoY (+17%MoM) amid meagre fall in Urea offtake coupled with hefty surge in DAP offtake.
- Urea offtake recorded at 711KT with skimpy fall of 1%YoY as opposed to 717KT SPLY. Whereas; it surged by 43% MoM (497KT in Nov'18) in Dec'2018.
- DAP offtake surged by 26%YoY (-29%MoM) to arrive at 189KT in Dec'18 while CAN & NP offtake depict decline of 56%YoY & 43%YoY to clock in at 45KT and 21KT respectively.
- FFC remains on the top with 37% market share in urea segment while FFBL captured 41% market share in DAP segment.
- Urea Inventory level declined by 29%MoM/48%YoY to clock in at 174KT.
- Urea and DAP prices witnessed 31%YoY/27%YoY hike to arrive at PKR1,793/PKR 3,670 respectively during Dec'18.

Lower Base Effect amid late sowing

Urea offtake registered a growth of 43%MoM (-1%YoY) to clock in at 711KT vs 497KT due to lower base effect amid late sowing during Rabi season last month. On cumulative basis, during CY18 Urea offtake witnessed a meager fall of 1% to arrive at 5,811KT as opposed to 5,861KT SPLY primarily on the back of 31%YoY surge in Urea prices. Moreover, during Dec'18 production elevated by 6%YoY/-3%MoM due to commencement of production from LNG based players (FatimaFert & Agritech). On the other hand, Industry's DAP offtake plunged by 29%MoM (+26%YoY) to arrive at 189KT vs 265KT last month primarily due to lower demand. Cumulatively, DAP offtake declined 6%YoY during CY18 clocking at 2,237KT.

Company Wise Performance

Fauji Fertilizer Company Ltd (FFC) outshined in the industry by grabbing 37% market share of urea in Dec'18 (recorded offtake 260KT, up by 26%MoM), followed by EFERT holding 30% (offtake 212KT, up by 52%MoM), FFBL at 9% (offtake 66KT, up by 56%MoM) and Fatima at 7% with offtake of 60KT. While in DAP segment, FFBL remained in limelight as it captured 41% market share by registering 77KT offtake (+17%YoY/-11%MoM) followed by FFC at 12% with 28KT offtake (-7%YoY/-13%MoM), and EFERT 12% with 22KT (-28%YoY/-73%MoM) during the period under review.

Outlook

Going forward, the volumetric sales may witness a growth in upcoming months on the back of late sowing in Rabi season. Moreover, we believe the impact of GIDC can not be ruled out, if the decision of reduction in GIDC rate and 50% waiver on outstanding dues is materialized while reducing the price of urea per bag by Rs 200 would trigger buying.

Radha Kirshan Khatri
Research Analyst
Tel: 021-32463401
Email: kirshan@we.com.pk

Offtake (KT)

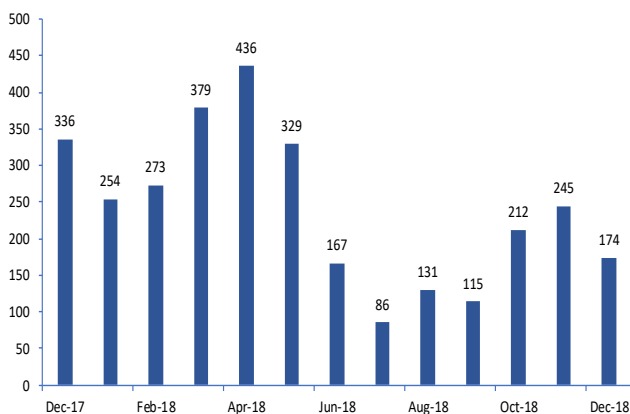
Urea	Dec-18	Nov-18	MoM%	Dec-17	YoY%	12MCY18	12MCY17	YoY
FFC	260	206	26%	365	-29%	2527	2474	2%
FFBL	66	42	56%	70	-6%	562	547	3%
FATIMA	60	34	76%	82	-27%	492	418	18%
EFERT	212	139	52%	187	14%	1994	1802	11%
FATIMA FERT(DHCL)	50	42	18%	5	831%	107	213	-50%
AGL	39	33	20%	4	786%	101	104	-3%
Others	24	0	NM	3	708%	28	303	-91%
TOTAL	711	497	43%	717	-1%	5811	5861	-1%

DAP	Dec-18	Nov-18	MoM%	Dec-17	YoY%	12MCY18	12MCY17	YoY
FFC	28	32	-13%	30	-7%	480	513	-6%
FFBL	77	87	-11%	66	17%	687	831	-17%
FATIMA - DHCL	2	5	-56%	0	624%	26	45	-41%
EFERT	22	82	-73%	31	-28%	602	536	12%
Others	59	59	0%	23	160%	441	452	-3%
Total	189	265	-29%	150	26%	2237	2378	-6%

Source: NFDC & WE Research

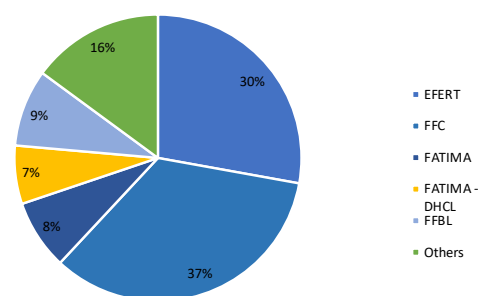
Urea Closing Inventory (KT)

Source: NFDC & WE Research



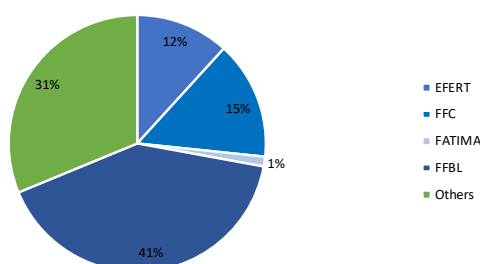
Market Share—Urea Segment

Source: NFDC & WE Research



Market Share—DAP Segment

Source: NFDC & WE Research



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Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

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