Day Break

Tuesday, 31 October 2017

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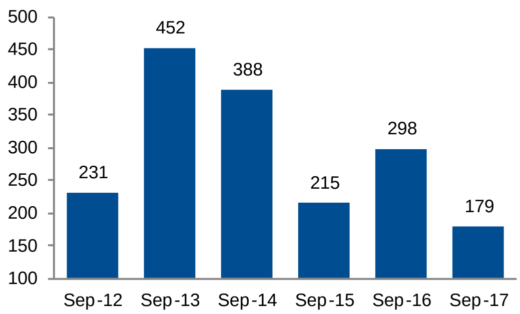
Sector Update

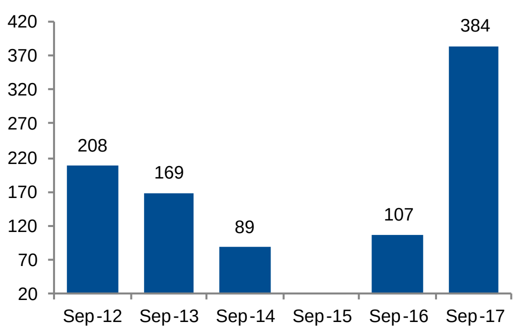
UREA/DAP Offtake (Ktons)

	Sep-17	YoY	3QCY17	YoY
Urea	179	-40%	1,467	-11%
DAP	384	260%	750	70%

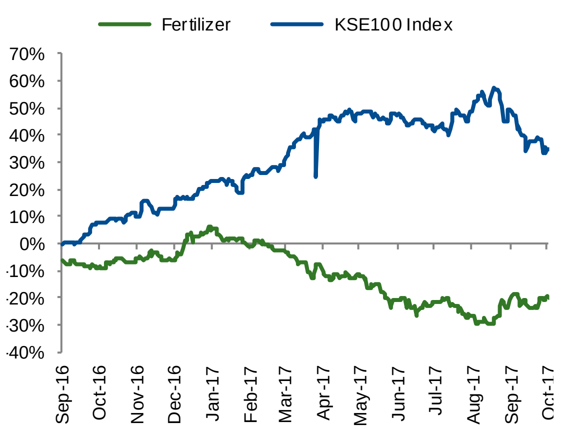
Urea Industry Offtake (Ktons)



DAP Industry Offtake (Ktons)



Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Fertilizer

SEP-17: Lower Urea sales volume; DAP preparing for the offtake

- As per latest available NFDC data for the month of Sep-17, total Urea offtake decreased by 5.3xMoM to 179ktons (excluding exports of 124ktons) on the back of aggressive purchasing done by the dealers during last month, Aug-17.
- The total exports during 9MCY17 ended at 444ktons, with third quarter witnessing major exports of 335ktons
- For DAP, seasonal sales took an upward trajectory by 5xMoM to 384ktons, resulting in cumulative sales of 750ktons during the quarter, up by +70%YoY.
- We expect domestic Urea offtake to pick up at the start of the season. Following this, local industry can cater for the rising demand given inventory level of 0.7mtons and sufficient capacity to produce.

Sep-17: Urea offtake depressed by 5xMoM to 179ktons

As per latest available NFDC data for the month of Sep-17, total urea offtake decreased by 5.3xMoM to 179ktons (excluding exports of 124ktons) owing to high base effect in the last month, Aug-17. As a result, cumulative sales for 3QCY17 now stand at 1.5mtons, down by 7%YoY, bringing total offtake for 9MCY17 to 4.2m tons (+20%YoY). The prime contributor to industry offtake was FFC, reporting at 1.6m tons (+3%YoY), followed by EFERT, witnessing an upsurge of +27%YoY to 1.2m tons. FFBL also followed the trail, up by +11%YoY to 344ktons.

Urea exports to subside

The total exports during 9MCY17 ended at 444ktons, with third quarter witnessing major exports of 335ktons. As per our analysis, EFERT exported major quantity at 208ktons followed by FFC at 147ktons during the nine month period.

….while demand for DAP shoots up at the start of Rabi season

For DAP, seasonal sales took an upward trajectory by 5xMoM to 384ktons, resulting in cumulative sales of 750ktons during the quarter, up by +70%YoY. As a result, total offtake for the 9MCY17 jumped up by +44%YoY to 1.3m tons. Company wise, FFBL led the offtake for the nine months period by +38%YoY to 426ktons, followed by FFC at 337ktons (+7.5x YoY) with EFERT reporting at 306ktons (+30%YoY).

Outlook

We expect domestic urea offtake to pick up at the start of the season. Following this, local industry can cater for the rising demand given inventory level of 0.7mtons and sufficient capacity to produce. On export front, local players can manage to flush off majority urea export order by end of Oct-17, thus meeting 600ktons target. However, upcoming winter season will keep overall domestic production level rather disruptive, effecting supply side situation. In case of DAP, we expect offtake to continue with this momentum owing to start of Rabi season and subsequent wheat production.

Exhibit:

Company wise off-take

000'Tons	Sep-17	Aug-17	MoM	YoY	3QCY17	3QCY16	YoY	9MCY17	YoY
FFC									
Urea	51	377	-86%	-55%	566	656	-14%	1,651	3%
Dap	165	12	13x	8487%	249	15	15x	337	6.5x
EFERT									
Urea	64	338	-81%	-12%	477	495	-4%	1,296	27%
Dap	55	22	147%	104%	211	114	84%	306	30%
Np & Npk	7	10	-32%	-48%	33	31	9%	96	39%
FFBL									
Urea	25	78	-68%	66%	145	156	-7%	344	11%
Dap	84	21	305%	236%	162	141	15%	426	38%
FATIMA									
Urea	0.2	50	-100%	-100%	70.40	149.88	-53%	299	34%
Np	87	77	13%	-26%	240	362	-34%	756	-39%
Can	16	56	-72%	-65%	120	127	-6%	405	59%
FATIMA (dhcl)									
Urea	0.02	7.04	-100%	-100%	12.18	91.39	-87%	198	63%
Total									
Urea	179	949	-81%	-40%	1,467	1,649	-11%	4,168	20%
Dap	384	83	363%	259%	750	440	70%	1,340	44%
Np & Npk	32	58	-45%	24%	146	132	11%	398	5%
Can	34	56	-40%	-43%	144	173	-16%	535	47%

Source: NFDC,IGI Research

Exhibit:

Product

000'Tons	Sep-17	Aug-17	MoM	YoY	3QCY17	3QCY16	YoY	9MCY17	YoY
UREA									
Production	433	515	-16%	-16%	1,449	1,550	-7%	4,310	-4%
Offtake	179	949	-81%	-40%	1,467	1,649	-11%	4,168	20%
Export	124	119	4%	n.m.	335	-	n.m.	444	n.m.
Import	-	-	n.m.	n.m.	-	-	n.m.	-	n.m.
Est. Inventory	732	600	n.m.	-53%	-	-	-	-	n.m.
DAP									
Production	74	74	0%	6%	218	208	4%	599	4%
Offtake	384	83	363%	259%	750	440	70%	1,340	44%
Export	-	-		0%	-	-	n.m.	-	n.m.
Import	147	131	n.m.	n.m.	581	134	333%	996	247%
Est. Inventory	359	509	n.m.	-19%	-	-	-	-	n.m.

Source: NFDC,IGI Research

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