

Fertilizer: Feb-22 Urea offtake clocked in at 527k tons, up 30% YoY

- As per the latest numbers released by the NFDC, industry Urea offtake registered an uptick of 30% YoY to 527k tons in Feb-22. Production on the other hand, increased 19% YoY to ~520k tons. Urea inventory levels increased to 69k in Feb-22 compared to 27k tons in Jan-22, thanks to the arrival of imported urea in the country.
- Within the urea segment, FFC sold 212k tons in Feb-22 followed by EFERT with 170k tons. FFBL and Fatima group offtake clocked in at 39k tons and 75k tons, respectively.
- Industry DAP offtake declined to 55k tons during Feb-22 compared to 88k tons in the same period last year. Company wise data shows that FFBL sold 15k tons, while FFC and EFERT sold 13k tons each, respectively.
- Overall industry's CAN offtake declined by 15% YoY to 70k tons.
- During Feb-22, domestic urea prices averaged at PKR 1,827/bag, up by ~6% YoY. Similarly, DAP prices also continued upward trajectory and increased to PKR 9,347/bag, up ~100% YoY.
- We expect urea offtake to remain elevated at 6.3mn tons during CY22 due to increase in crop supporting prices ahead of the election year. DAP offtake is expected to remain subdued in CY22 due to higher international DAP prices.

Fertilizer Feb-22 Offtake and Inventory ('000) tons

Period	Feb-21	Jan-22	Feb-22	MoM	YoY	2M21	2M22	YoY	Current Inv.
Urea:									
FFC	186	225	212	-6%	14%	407	437	8%	7
EFERT	160	209	170	-19%	6%	508	378	-26%	5
FATIMA	42	100	75	-25%	80%	119	175	48%	5
FFBL	18	33	39	18%	119%	18	73	NM	1
Imported	-	-	-	-	-	-	-	-	50
Industry	406	598	527	-12%	30%	1,055	1,125	7%	69
DAP:									
FFBL	37	62	15	-76%	-60%	54	77	42%	68
FFC	0	6	13	105%	NM	0	19	NM	15
EFERT	5	23	13	-43%	145%	32	36	13%	25
Others	45	21	14	-32%	-68%	84	36	-57%	149
Industry	88	113	55	-51%	-37%	170	168	-1%	259
CAN:									
FATIMA	82	76	70	-8%	-15%	191	146	-24%	2
Industry	82	76	70	-8%	-15%	191	146	-24%	2

Source: NFDC, Akseer Research

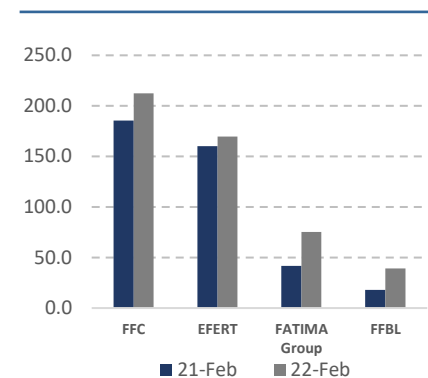
Industry urea offtake up 30% YoY in Feb-22

Industry urea offtake increased 30% YoY to 527k tons in Feb-22 on anticipation of hike in urea price owing to lower inventory levels. This takes cumulative offtake for 2MCY22 to 1.1mn tons, up 7% YoY. During the month, production clocked in at ~520k tons, up 19% YoY on the back of continuous supply of gas to RLNG based plants and FFBL. Urea inventory with the local manufacturers declined to lowest levels of 19k tons. However, some respite came from arrival of imported urea in the country to the tune of 50k tons.

DAP demand declined by 37% YoY to 55k tons in Feb-22

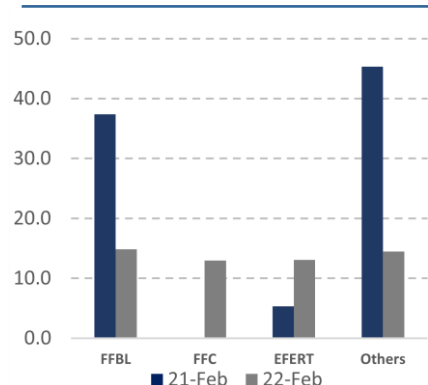
Industry DAP offtake recorded a significant decline of 37% YoY to 55k tons due to higher DAP prices. During Feb-22, DAP price averaged at PKR 9,347/bag, while it is currently trading

Urea offtake in ('000) tons



Source: NFDC, Akseer Research

DAP offtake in ('000) tons



Source: NFDC, Akseer Research

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above PKR 10k/tons in the local market. This is due to higher international DAP prices, currently at USD 950/ton, translating into landed cost of PKR 9,800/bag.

Sector Outlook:

During March-22, fertilizer manufacturers increased urea prices in the range of PKR 80-150/bag due to lower inventory levels. On the other hand, chances of urea production from RLNG based fertilizer plants looks grim due to less availability of LNG in the coming months. We believe, fertilizer manufacturers are in a sweet spot to further hike urea prices ahead of commencement of Kharif season as local urea is still trading at a steep discount of ~72% to international urea price while inventory levels are also on the lower side.

On the other hand, with all time high DAP prices, we believe DAP demand is expected to remain subdued during CY22.

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