

## Fertilizer Offtake plummeted 32%YoY during Nov'18 amid Rising Prices and Slowdown in Demand

Dec 24, 2018

### Industry Offtake

	Nov-18	Oct-18	MoM%	Nov-17	YoY%
UREA	497	465	7%	602	-17%
DAP	265	521	-49%	502	-47%
CAN	23	35	-33%	61	-62%
NP	31	47	-33%	57	-45%
OTHER	37	40	-8%	37	1%
<b>TOTAL</b>	<b>853</b>	<b>1109</b>	<b>-23%</b>	<b>1258</b>	<b>-32%</b>

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 Nov'18, the industry's total fertilizer offtake plummeted 32%YoY/23%MoM.
- Urea offtake recorded at 497KT down by 17%YoY as opposed to 602KT in SPLY. Whereas it surged by 7% MoM (465KT in Oct'18) in Nov'2018.
- DAP offtake plunged 47%YoY/49%MoM to arrive at 265KT in Nov'18 while CAN & NP offtake depict decline of 62%YoY & 45%YoY to clock in at 23KT and 31KT respectively.
- Production of Urea elevated by 26%YoY, on the back of commencement of production from LNG based players (FatimaFert & Agritech).
- FFC remains in limelight with 41% of market share in urea segment while FFBL captured 33% market share in DAP segment.
- Urea Inventory level improved by 15%MoM to clock in at 245KT.
- Urea and DAP prices witnessed 31%YoY/29%YoY hike to arrive at PKR1,758/PKR 3,581 respectively during Nov'18.

Urea offtake plummeted 17%YoY (+7%MoM) clocking at 497KT during Nov'18 on the back of slowdown in demand amid rising urea prices (31% YoY/3%MoM) and possibly late sowing during Rabi season. On cumulative basis, urea offtake registered a marginal decline of 1%YoY during 11MCY18 clocking at 5,100KT as opposed to 5,144KT SPLY. Moreover, during Oct'18 production elevated by 26%/YoY due to commencement of production from LNG based players (FatimaFert & Agritech). On the other hand, Industry DAP offtake plunged by 47%YoY/49%YoY to arrive at 265KT due to high base effect. Cumulatively, DAP offtake declined 6%YoY during 11MCY18 clocking at 1,262KT.

### Company Wise Performance

Fauji Fertilizer Company Ltd (FFC) outshined in the industry by grabbing 41% market share of urea in Nov'18 (recorded offtake 206KT, down by 24%YoY), followed by EFERT holding 28% (offtake 139KT, down by 3%YoY), FFBL at 9% (offtake 42KT, down by 49%) and Fatima - DHCL at 9% with offtake of 42KT. While in DAP segment, FFBL remained in limelight as it captured 33% market share by registering 87KT offtake (down by 55%YoY) followed by EFERT at 31% with 82KT offtake (Down by 33%YoY), FFC 12% with 32KT (down by 49% YoY) period under review.

### Inventory Level Likely to Improve

As per NFDC, Urea inventory closes at 245KT, improved by 15% MoM (-52% YoY) primarily due to resumption of production from LNG based players (FatimaFert & Agritech) as opposed to 212KT last month (506KT SPLY).

Going forward, we expect inventory levels to improve on the back of 1) re-commencement of production from LNG based Players 2) Materialization of 100KT urea import.

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

## Offtake (KT)

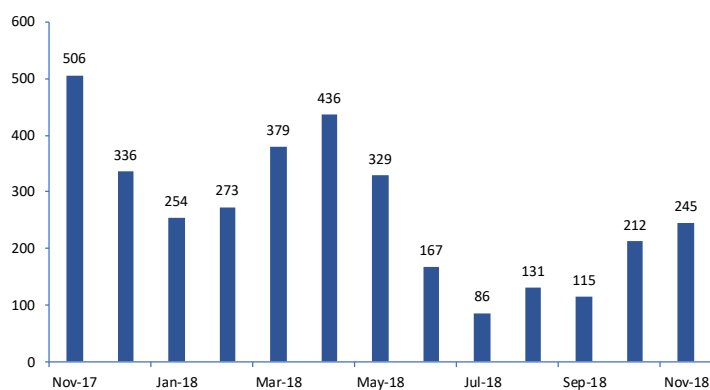
Urea	Nov-18	Oct-18	MoM%	Nov-17	YoY%	11MCY18	11MCY17	YoY
FFC	206	206	0%	272	-24%	2268	2110	7%
FFBL	42	42	0%	83	-49%	496	476	4%
FATIMA	34	38	-11%	32	7%	432	335	29%
EFERT	139	143	-3%	195	-28%	1782	1615	10%
FATIMA FERT(DHCL)	42	14	194%	8	414%	57	207	-73%
AGL	33	20	62%	2	1506%	61	100	-39%
Others	0	0	NM	10	-99%	4	300	-99%
<b>TOTAL</b>	<b>497</b>	<b>465</b>	<b>7%</b>	<b>602</b>	<b>-17%</b>	<b>5100</b>	<b>5144</b>	<b>-1%</b>

DAP	Nov-18	Oct-18	MoM%	Nov-17	YoY%	11MCY18	11MCY17	YoY
FFC	32	119	-73%	63	-49%	452	483	-6%
FFBL	87	103	-16%	194	-55%	609	765	-20%
FATIMA - DHCL	5	3	97%	3	76%	24	45	-46%
EFERT	82	178	-54%	122	-33%	580	505	15%
Others	59	118	-50%	120	-51%	382	430	-11%
<b>Total</b>	<b>265</b>	<b>521</b>	<b>-49%</b>	<b>502</b>	<b>-47%</b>	<b>2048</b>	<b>2228</b>	<b>-8%</b>

Source: NFDC & WE Research

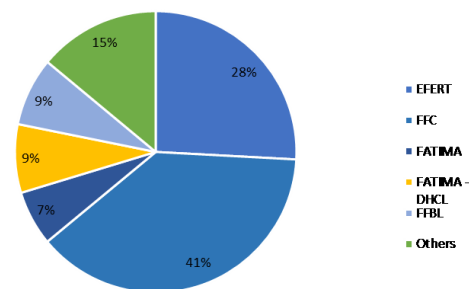
## Urea Closing Inventory (KT)

Source: NFDC & WE Research



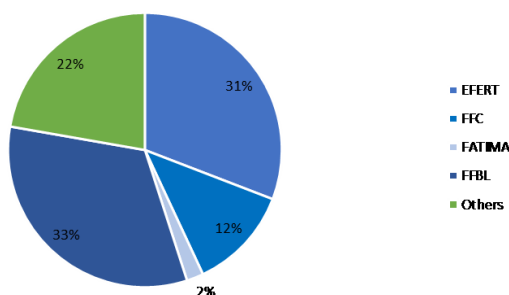
## Market Share—Urea Segment

Source: NFDC & WE Research



## Market Share—DAP Segment

Source: NFDC & WE Research



### Analyst Certificate:

The Research Report is prepared by the research analyst at WE Financial Services Ltd. It includes analysis and views of our research team that precisely reflects the personal views and opinions of the analysts about the subject security(ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security(ies). The views expressed in this report are unbiased and independent opinions of the Research Analyst which accurately reflect his/her personal views about all of the subject companies/securities and no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

### Disclaimer:

The Report is purely for information purposes and the opinions expressed in the Report are our current opinions as of the date of the Report and may be subject to change from time to time without notice. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by WE Financial Services Ltd. and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. The information provided in the Report is from publicly available data, which we believe, are reliable.

This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, WE Financial Services Ltd. does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. WE Financial Services Ltd. reserves the right to make modifications and alterations to this statement as may be required from time to time. However, WE Financial Services Ltd. is under no obligation to update or keep the information current. WE Financial Services Ltd. is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult his or her own advisors to determine the merits and risks of such investment. WE Financial Services Ltd. or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

### Stock Ratings

WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as December 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Potential to target price	
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)

### Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

**Disclaimer:** This document has been prepared by Research analysts at WE Financial Services Ltd.