

Urea Offtake increased by 11.1% YoY in Sep-23

Wednesday, 18 October, 2023



UREA Price Per Bag (Rs.)

| Sep/23 | Aug/23 | Change | % Change |
|--------|--------|--------|----------|
| 3,755 | 3,561 | ▲ 194 | ▲ 5% |

DAP Price Per Bag (Rs.)

| Sep/23 | Aug/23 | Change | % Change |
|--------|--------|--------|----------|
| 12,054 | 10,689 | ▲ 1365 | ▲ 13% |

NP Price Per Bag (Rs.)

| Sep/23 | Aug/23 | Change | % Change |
|--------|--------|--------|----------|
| 6,811 | 5,934 | ▲ 877 | ▲ 15% |

CAN Price Per Bag (Rs.)

| Sep/23 | Aug/23 | Change | % Change |
|--------|--------|--------|----------|
| 3,342 | 3,185 | ▲ 157 | ▲ 5% |

Urea offtake has experienced an increase of 11.1% YoY in Sep-23 and clocked at 564K tons as compared to 508K tons in SPLY. Cumulatively Urea offtake recorded a substantial growth of 21.1% YoY. Furthermore, DAP offtake in September 2023 saw a staggering increase of 68.7% YoY, reaching 106k tons. Meanwhile, cumulative DAP offtake has soared by 209% in 1QFY24.

Company-wise, FFC and EFERT witnessed a surge of 13.7% and 19.3%, respectively, in Urea offtake in Sep-23 as compared to SPLY, whereas FFBL and FATIMA observed a decline of 41.3% and 14.4%, respectively, YoY. Cumulatively, FFC and EFERT showed a significant growth of 27.5% and 63.1%, while FFBL and FATIMA witnessed a decline of 31% and 40%, respectively, in Urea offtake in 1QFY24. Furthermore, cumulative DAP offtake for FFC, FFBL, EFERT, and FATIMA saw a staggering increase of 284.3%, 395.5%, 58.6% and 1602.2%, respectively, in 1QFY24.

Looking ahead to the Rabi season 2023-2024, it is anticipated that there will be sustained high demand for Urea fertilizer due to increasing demand for food items. Additionally, an expected deficit in Urea supply is on the horizon. Furthermore, a hike in gas prices is anticipated, which will lead to an increase in the cost of urea production. This additional cost is expected to be passed on to the end consumer, resulting in a rise in fertilizer prices.

| Industry (000' Tons) | Sep/23 | Sep/22 | YoY | Aug/23 | MoM | 1QFY23 | 1QFY22 | YoY |
|-------------------------|--------|--------|----------|--------|---------|--------|--------|----------|
| Urea | 564 | 508 | 11.1% ▲ | 650 | 13.2% ▼ | 1,844 | 1,523 | 21.1% ▲ |
| DAP | 106 | 63 | 68.7% ▲ | 263 | 59.8% ▼ | 481 | 156 | 209.0% ▲ |
| NP | 67 | 33 | 106.2% ▲ | 267 | 74.8% ▼ | 393 | 121 | 225.0% ▲ |
| CAN | 76 | 41 | 83.5% ▲ | 77 | 0.9% ▼ | 227 | 194 | 16.6% ▲ |
| Urea (000' Tons) | | | | | | | | |
| FFC | 228 | 201 | 13.7% ▲ | 236 | 3.3% ▼ | 664 | 521 | 27.5% ▲ |
| FFBL | 21 | 36 | 41.3% ▼ | 13 | 60.3% ▲ | 73 | 106 | 31.0% ▼ |
| EFERT | 195 | 164 | 19.3% ▲ | 231 | 15.6% ▼ | 692 | 425 | 63.1% ▲ |
| FATIMA Group | 59 | 69 | 14.4% ▼ | 51 | 15.0% ▲ | 149 | 248 | 40.0% ▼ |
| DAP (000' Tons) | | | | | | | | |
| FFC | 0.4 | 6 | 93.2% ▼ | 15 | 97.5% ▼ | 28 | 7 | 284.3% ▲ |
| FFBL | 76 | 19 | 301.6% ▲ | 197 | 61.5% ▼ | 345 | 70 | 395.5% ▲ |
| EFERT | 22 | 19 | 17.1% ▲ | 32 | 30.2% ▼ | 81 | 51 | 58.6% ▲ |

Source: NFDC

DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months. All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever.

VALIDITY OF THE PUBLICATION OR REPORT

The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

| | | | | | |
|-------------|---------------------------|-------------|-------------------------|-------------|-------------------------|
| TP | Target Price | DDM | Dividend Discount Model | FCF | Free Cash Flows |
| FCFE | Free Cash Flows to Equity | FCFF | Free Cash Flows to Firm | DCF | Discounted Cash Flows |
| PE | Price to Earnings Ratio | PB | Price to Book Ratio | BVPS | Book Value Per Share |
| EPS | Earnings Per Share | DPS | Dividend Per Share | ROE | Return of Equity |
| ROA | Return on Assets | SOTP | Sum of the Parts | JPB | Justified Price to Book |

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

| Stock Rating | Expected Total Return |
|--------------|----------------------------|
| BUY | Greater than 15% |
| HOLD | Between -5% to 15% |
| SELL | Less than and equal to -5% |

| Sector Rating | Sector Outlook |
|---------------|----------------|
| Overweight | Positive |
| Market Weight | Neutral |
| Underweight | Negative |

RESEARCH ANALYST

Haroon Abdul Razzaq
Phone: (+92) 42 38302028
Ext: 116
Email: haroon@abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore
Phone: (+92) 42 38302028
Email: support@abbasiandcompany.com
web: www.abbasiandcompany.com