

Urea Offtake Surged by 5.6% YoY in Jan-23

Wednesday, 1 March, 2023



UREA Price Per Bag (Rs.)

Jan/23	Dec/22	Change	% Change
2,691	2,512	▲ 179	▲ 7%

DAP Price Per Bag (Rs.)

Jan/23	Dec/22	Change	% Change
9,724	9,571	▲ 153	▲ 2%

NP Price Per Bag (Rs.)

Jan/23	Dec/22	Change	% Change
5,577	5,295	▲ 282	▲ 5%

CAN Price Per Bag (Rs.)

Jan/23	Dec/22	Change	% Change
2,390	2,325	▲ 65	▲ 3%

Urea offtake has increased by 5.6% YoY in Jan-23 and clocked at 631K tons as compared to 598K tons SPLY. Cumulatively, Urea offtake witnessed a growth of 4.3% YoY in CY22. Furthermore, DAP offtake has decreased by 15% YoY during Jan-23 and clocked at 96K tons as compared to 113K tons in SPLY. Meanwhile, cumulative DAP offtake has decreased by 36% in CY22.

Company-wise, FFC, FFBL, and FATIMA witnessed a decline of 4.1%, 83.4%, and 49.9% respectively in Urea offtake in Jan-23 as compared to SPLY, whereas EFERT observed an improvement of 3.2% YoY. Cumulatively, FFBL and FATIMA showed a growth of 8.2% and 25.2% while FFC and EFERT witnessed a decline of 1.4% and 15.7% respectively in Urea offtake in CY22. Furthermore, cumulative DAP offtake for FFC, FFBL, and EFERT decreased by 63.3%, 17.7%, and 11.2% respectively in CY22.

Though post floods, the agricultural activity has started to resume, going forward, we expect the demand of the sector to remain dicey in coming months owing to post-floods liquidity challenges suffered by the farmers in addition to higher prices of fertilizers. With the discontinuation of subsidized RLNG and the imposition of GIDC and super tax in addition to devaluation of rupee and surge in finance cost, the margins of the fertilizer companies are expected to remain tight. Moreover, to reduce fiscal deficit, the government may consider reducing or rationalizing subsidies on the agriculture.

Industry (000' Tons)	Jan/23	Jan/22	YoY	Dec/22	MoM	CY22	CY21	YoY
Urea	631	598	5.6% ▲	833	24.2% ▼	6,616	6,343	4.3% ▲
DAP	96	113	15.0% ▼	158	39.2% ▼	1,204	1,881	36.0% ▼
NP	64	48	32.4% ▲	145	55.7% ▼	741	845	12.3% ▼
CAN	67	76	12.4% ▼	143	53.5% ▼	868	908	4.4% ▼
Urea (000' Tons)								
FFC	216	225	4.1% ▼	223	3.0% ▼	2,461	2,495	1.4% ▼
FFBL	6	33	83.4% ▼	55	90.0% ▼	523	483	8.2% ▲
EFERT	215	209	3.2% ▲	221	2.3% ▼	1,935	2,296	15.7% ▼
FATIMA Group	45	90	49.9% ▼	147	69.4% ▼	984	786	25.2% ▲
DAP (000' Tons)								
FFC	9	6	45.5% ▲	2	487.2% ▲	70	192	63.3% ▼
FFBL	54	62	13.2% ▼	112	51.9% ▼	661	804	17.7% ▼
EFERT	22	23	5.7% ▼	31	30.6% ▼	264	297	11.2% ▼

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

Muhammad Salman
Phone: (+92) 42 38302028
Ext: 116
Email: salman@abbasiandcompany.com

HEAD OFFICE

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