Offtakes post a mixed trend

- As per the data released by the NFDC, urea offtake for Aug'20 declined 8/5% MoM/YoY to 573K tons. The decline in offtake was led by 52/13% MoM/YoY decline in EFERT's urea offtake, due to exceptional offtakes in previous two months.

- On quarter to date basis, EFERT and FFBL have posted 37/18% YoY increase in offtake, while FFC lagged, with offtakes declining 3%YoY.

- The urea inventory at 308K tons remain at half of its 1HCY20 average and, one third of the FY20's average, hence making a case for Fertz players to increase urea prices in case of dismissal of request to extend GIDC payment timeline.

- DAP offtake for Aug'20 increased 19% MoM and 2.8x YoY to 295K MT, while posting a phenomenal increase of 20% YoY in 8MCY20. FFBL led the pack in 8MCY20, with a 33% YoY increase in DAP offtake.

- Despite an uptick in FFBL’s offtakes, in addition to DAP prices on an uptrend, we advise investors to maintain a cautious stance on the scrip, amid Supreme Court’s verdict of recovery of GIDC payables from the industrials within next 24 months.

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Aug’20 Fertilizer Offtake Snapshot

<table>
<thead>
<tr>
<th></th>
<th>Aug’20</th>
<th>Jul’20</th>
<th>MoM</th>
<th>Aug’19</th>
<th>YoY</th>
<th>8MCY20</th>
<th>8MCY19</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urea offtake (MT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFC</td>
<td>283,078</td>
<td>111,442</td>
<td>154%</td>
<td>233,283</td>
<td>21%</td>
<td>1,665,263</td>
<td>1,591,818</td>
<td>5%</td>
</tr>
<tr>
<td>FFBL</td>
<td>57,204</td>
<td>31,793</td>
<td>80%</td>
<td>43,825</td>
<td>31%</td>
<td>354,441</td>
<td>289,688</td>
<td>22%</td>
</tr>
<tr>
<td>EFERT</td>
<td>161,818</td>
<td>333,810</td>
<td>-52%</td>
<td>186,449</td>
<td>-13%</td>
<td>1,364,996</td>
<td>1,257,892</td>
<td>9%</td>
</tr>
<tr>
<td>FATIMA</td>
<td>50,354</td>
<td>94,997</td>
<td>-47%</td>
<td>40,552</td>
<td>24%</td>
<td>377,121</td>
<td>287,434</td>
<td>31%</td>
</tr>
<tr>
<td>Total urea</td>
<td>573,290</td>
<td>572,042</td>
<td>0%</td>
<td>624,855</td>
<td>-8%</td>
<td>3,816,933</td>
<td>3,966,224</td>
<td>-4%</td>
</tr>
<tr>
<td>Endng Inventory</td>
<td>308,314</td>
<td>334,450</td>
<td>-8%</td>
<td>324,382</td>
<td>-5%</td>
<td>308,314</td>
<td>324,382</td>
<td>-</td>
</tr>
<tr>
<td>DAP offtake (MT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFBL</td>
<td>108,760</td>
<td>104,633</td>
<td>4%</td>
<td>46,691</td>
<td>133%</td>
<td>464,337</td>
<td>348,303</td>
<td>33%</td>
</tr>
<tr>
<td>EFERT</td>
<td>66,483</td>
<td>71,826</td>
<td>-7%</td>
<td>19,157</td>
<td>247%</td>
<td>249,213</td>
<td>241,415</td>
<td>3%</td>
</tr>
<tr>
<td>FFC</td>
<td>57,119</td>
<td>17,441</td>
<td>227%</td>
<td>17,811</td>
<td>221%</td>
<td>135,661</td>
<td>140,388</td>
<td>-18%</td>
</tr>
<tr>
<td>Total DAP</td>
<td>295,012</td>
<td>247,483</td>
<td>19%</td>
<td>105,295</td>
<td>180%</td>
<td>1,144,017</td>
<td>952,915</td>
<td>20%</td>
</tr>
<tr>
<td>Endng Inventory</td>
<td>271,084</td>
<td>417,972</td>
<td>-29%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: NFDC & AKD Research

Urea offtake post a mixed trend in Aug'20: As per the data released by the NFDC, urea offtake for Aug'20 declined 8/5% MoM/YoY to 573K tons. The decline in offtake was led by 52/13% MoM/YoY decline in EFERT’s urea offtake, due to exceptional offtakes in previous two months. On quarter to date basis, EFERT and FFBL have posted 37/18% YoY increase in offtake, while FFC lagged, with offtakes declining 3%YoY. On cumulative basis, urea offtake posted a modest decline of 4% YoY, due to shutdown of RLNG based Fertilizer plants (FatimaFert and Agritech). FATIMA led the pack with 31% YoY increase in urea offtake over 8MCY20, followed by FFBL with 22% YoY higher urea offtake during the period. The urea inventory at 308K tons remain at half of its 1HCY20 average and, one third of the FY20’s average, hence making a case for Fertz players to increase urea prices in case of dismissal of request to extend GIDC payment timeline.

3QCYTD DAP offtake post a significant uptick: DAP offtake for Aug'20 increased 19% MoM and 2.8x YoY to 295K MT, while posting a phenomenal increase of 20% YoY in 8MCY20. On QTD basis, EFERT / FFBL/ FFC posted an increase of 129/ 46 / 31% respectively. DAP prices also witnessed an increase by PKR100-250 per bag in Sep’20, hence the offtake indicate towards pre-buying in anticipation of price hikes. On that note, the international DAP prices are at around PKR3,700 per bag, at par with DAP prices for FFBL and FFC. We therefore see limited room for price hike in local prices unless international DAP price continue their upward trend due to demand supply dynamics.

Investment Perspective: Despite an uptick in FFBL’s offtake for the month, in addition to DAP prices on an uptrend, we advise investors to maintain a cautious stance on the scrip, based on its precarious liquidity situation amid Supreme Court’s verdict of recovery of GIDC payables from the industrials within next 24 months. We continue to prefer FFC from the Fertilizer space, which offers D/Y of 10.9% at last close, as compared to 3 yr PIB rate of 8.3%.
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