

Pakistan Fertilizer Sector

Urea prices up by Rs50 per bag, Further rise cannot be ruled out

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- As per our channel checks, urea prices are up by Rs50 per bag to Rs1630-1640 per bag, where dealer transfer prices (DTP) of manufacturers is around Rs1,570-1,580 per bag (earlier Rs1,520 per bag). Further price increase cannot be ruled out.
- We had alluded this likely price increase in our recent fertilizer publication dated Jul 3, 2018 titled as ***“Pakistan Fertilizer: Urea inventory at 39 months low in Jun 2018”***. We attribute this rise in urea prices given prevailing low urea inventory levels and seasonal demand pick up due to rice/cotton crop.
- Urea production in Jun 2018 fell by ~6.5% over last year to 465k tons owing to disrupted operations of Agritech Limited (AGL) amid absence of natural gas supply. As compared to May 2018, urea production is expected to rise by ~19% MoM in June, as EFERT’s even plant was closed for few days in May due to its scheduled maintenance/turnaround. Urea inventory in June end is estimated to touch its ~39 months low at 190-200k tons, where last low was witnessed in Feb 2015 at 154k tons.
- Every Rs50/bag increase in urea price has annualized earnings impact of Rs1.46/sh (13%) on Fauji Fertilizer (FFC) and Rs0.94/sh (10%) on Engro Fertilizer (EFERT). For CY18, our updated earnings are Rs11.3/sh for FFC and Rs10.5/sh for EFERT.

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