



## Pakistan Fertilizer Sector

**Urea sales to rise by 51% YoY in Apr 2018; Urea prices up Rs100/bag**

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# Urea sales to rise by 51% YoY in Apr 2018; Urea prices up by Rs100/bag

- During Apr 2018, urea offtake is likely to post growth of 51% YoY to 377k tons due to early procurement by dealers/farmers in wake of its short supply and anticipation of rise in urea prices, as talks on removal of urea subsidy were hovering around in the said month.
- Lower supply of urea was due to closure of few plants. Moreover, government is mulling to respond to this situation by importing urea around 300-600k tons. To note, government has also projected urea imports amount of Rs5bn (~130-150k tons based on current landed cost) in its latest federal budget of FY19.
- Among companies, Fauji Fertilizer Bin Qasim (FFBL)'s urea sales is expected to clock in at 37k tons, up by 80% YoY followed by Fauji Fertilizer Company (FFC) +61% YoY to 160k tons and Engro Fertilizer (EFERT) +25% YoY to 115k tons.
- As per our channel checks, local urea prices are up by Rs80-100/bag to Rs1,480-1500/bag, as cash subsidy on urea (Rs100/bag) was removed by the Govt. We estimate this will improve cash flows of the manufacturers as subsidy amount payment was being delayed by the Govt. Further, lower sales tax will take effect from July 2018. However, we wait for further clarity from management, whether lower sales tax benefit will be retained by the manufacturers or passed to the consumers. Moreover, DAP prices went up by Rs75/bag to Rs3,252 per bag in the start of May 2018 owing to currency devaluation and increase in Phosphoric acid price.

Pakistan Urea Expected Off-take in April 2018					
'000 tons	Apr-18	Mar-18	MoM	Apr-17	YoY
FFC	160	193	-17%	99	61%
EFERT	115	90	28%	92	25%
FATIMA	35	12	198%	26	37%
FFBL	37	47	-22%	21	80%
<b>Total Urea</b>	<b>377</b>	<b>342</b>	<b>10%</b>	<b>250</b>	<b>51%</b>

Source: Topline Research

Pakistan Urea Expected Off-take in 4M2018			
'000 tons	4M2017	4M2018	YoY
FFC	476	733	54%
EFERT	361	612	69%
FATIMA	125	121	-3%
FFBL	58	124	114%
<b>Total Urea</b>	<b>1,112</b>	<b>1,628</b>	<b>46%</b>

Source: Topline Research

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