



# **ANALYST BRIEFING**

9M 2018

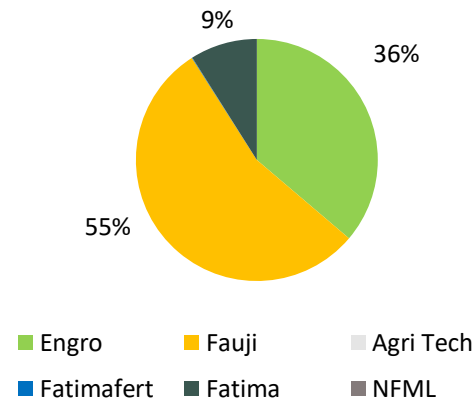
# UREA MARKET ENVIRONMENT



- ▶ Domestic Urea sales for 9M 2018 clocked in at 4,132 KT vs 4,088 KT in 9M 2017 (up ~1%)
- ▶ The Industry also exported 75KT (EFERT share 12KT) in 9M 2018 and vs, 570 KT in 2017
- ▶ EFERT 9M 2018 domestic sales were 1,496 KT, up 22% vs 1,231 KT in 9M 2017
- ▶ EFERT market share stood at 36% vs. 30% in 9M 2017
- ▶ Reasons for higher sales (1) lower industry avails and (2) increased penetration in Punjab
- ▶ Industry urea production during 9M 2018 reduced to 4,096 KT compared to 4,321 KT (5% decline)
- ▶ Lower production is attributable to shutdown of LNG based fertilizer plants due to limited gas avails and unfavorable margins
- ▶ Production for EFERT stood at 1,428 KT vs 1,400 KT in 9M 2017
- ▶ With improved industry sales, lower production and significant exports, industry inventory has depleted to 130 KT compared to 787 KT at the end of nine months last year

Urea Industry (KT)	9M 2018 9M 2017		Change
	9M 2018	9M 2017	
Opening Inv.	260	1,043	
Production	4,096	4,321	
Exports	75	489	(85%)
Sales	4,132	4,088	1%
Closing Inv.	130	787	

**Market Share 9M 2018**



# UREA MARKET ENVIRONMENT-Cont'd



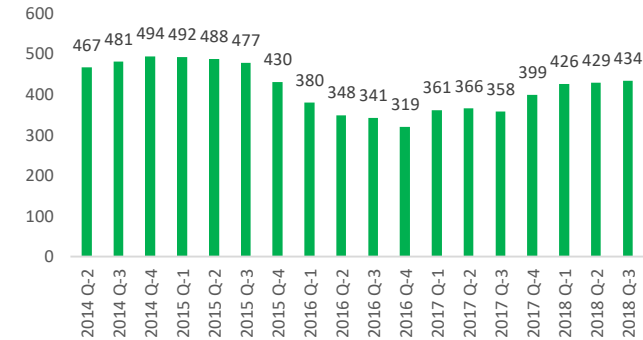
- ▶ On the subject of farmer economics, higher cotton prices throughout the season coupled with good crop yields and rising prices of rice, resulted in increase in farmer earnings as compared to last year. For sugarcane however, despite good crop and production, farmer income decreased primarily because of poor prices of cane
- ▶ Due to recent devaluation rice and cotton prices which trade locally at international parity prices will rise giving boost to farmer productivity
- ▶ OGRA has increased fertilizer industry gas prices by 50% on feed stock and 30% on fuel stock in 3Q
- ▶ Resultantly, MRP of urea has increased to PKR 1,740/bag from PKR 1,610/bag in October
- ▶ International urea price is currently around USD 365/T (landed equivalent PKR 2,850-3,000/bag)
- ▶ Despite significant rise in international Urea prices, the Fertilizer industry continues to transfer benefit to the farmer, which translates to PKR 20 Billion for the year, over and above the feed gas price subsidy

# PHOSPHATES MARKET ENVIRONMENT

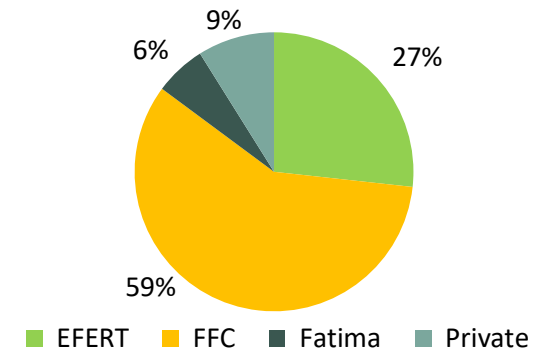


- ▶ 9M 2018 industry sales stood at 1,236 KT vs 1,279 KT SPLY (decline of 3% YoY)
- ▶ Lower industry sales during 9M 2018 was due to abnormally high sales LY, in anticipation of rise in local prices in 4Q 2017
- ▶ Channel has bought adequate inventories in anticipation of price increase and the industry/channel is adequately supplied with phosphates
- ▶ EFERT recorded sales of 327 KT during the period vs 234 KT in 9M 2017
- ▶ EFERT's market share has improved to 27% in 9M 2018 vs. 18% (SPLY) majorly due to induction of new dealers, increased penetration in Punjab and improved DAP avails
- ▶ During 3Q, EFERT relaunched its premium Phosphate brand, Zorawar (10:50), with 7KT sales made during the period
- ▶ On the international front, DAP prices are expected to range between USD 433/T to USD 435/T, with most of Indian demand for Q4 already procured
- ▶ During the quarter, local DAP prices increased by ~PKR 300/B owing to rising international prices and FX pressure

DAP Prices (CFR) USD/t



Market Share 9M 2018

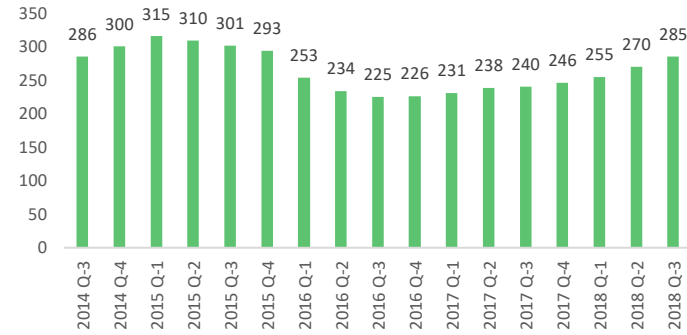


# SPECIALITY FERTILIZER BUSINESS

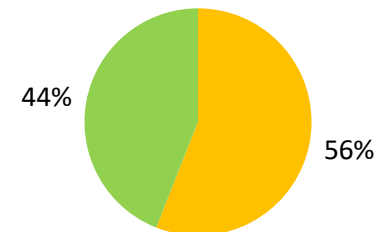


- ▶ Major products of SFB include Zarkhez (NPKs), NP and other specialized products
- ▶ Total sales for SFB stood at 145 KT vs 9M 2017 sales of 103 KT an increase of 41%
- ▶ EFERT's potash market share clocked in at 44% vs. 42% last year as a result of better potash avails this year and application of potash on non-conventional crops.
- ▶ Within total SFB sales, Zarkhez sales stood at 50 KT (up ~11% YoY). MOP/SOP/AS sales stood at 28 KT (up 100% YoY), NP sales were at 43 KT (up 5% YoY)
- ▶ This year, SFB has started marketing 4 new products; Zoron, Power Potash, SSP+Zn and Zabardast Urea. Sales from new products stood at 22 KT
- ▶ New products usage: cotton, orchards, rice, sugarcane and vegetables

Potash Prices (CFR) USD/t



Potash Market Share



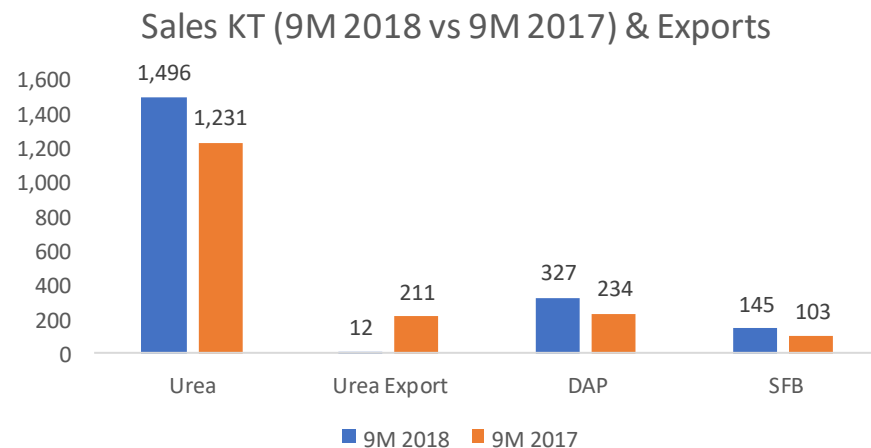
Other EFERT

# BUSINESS HIGHLIGHTS



- ▶ For 9M 2018, EFERT's Profit After Tax (PAT) stood at PKR 12,249 M vs 9M 2017 PAT of PKR 6,924 M
- ▶ Higher profitability was led by
  - ▶ Higher urea and DAP offtake;
  - ▶ Higher domestic prices on the back of reduced inventory levels
  - ▶ One-off tax effects arising out of the Budget announcement of reducing tax rate from 30% in phases to 25%
- ▶ Sales revenue for the Company was PKR 69,979 M for 9M 2018, up 35% as compared to 9M 2017 (PKR 51,970 M)
- ▶ Finance cost was lower at PKR 1,420 M (vs PKR 2,003 M last year) as a result of improved working capital

PKR M	9M 2018	9M 2017
Total Revenue	69,979	51,970
Gross Profit	23,896	14,933
Finance Cost	(1,420)	(2,003)
<b>Profit / (Loss) After Tax</b>	<b>12,249</b>	<b>6,924</b>





# OTHER BUSINESS UPDATES



- ▶ The Company continued to expand its footprint in the Crop Sciences business and earned a revenue of PKR 371 M in YTD 2018 from Crop Science business
- ▶ The Company, in its efforts to improve farmer economics, initiated Pilot phase of Project Rahbar in Rabi Wheat Season 2017/18, where the business aimed to provide end to end inputs and services, including financing to the farmers
- ▶ Business completed the Rabi Wheat season on 1.7K acres in Sindh, while for Rice season, business was able to achieve around 4.7K acres in both Sindh and Punjab combined
- ▶ While the subsidy on sale price of urea has been discontinued, the domestic industry continues to face challenge in the form of prior subsidy receivable and long lead time in its disbursement
- ▶ As an industry, we continue to engage with the Government for streamlining subsidy disbursement mechanism and payment of outstanding dues
- ▶ There is no development on GIDC during the quarter. Total GIDC accrued on non concessionary gas till date is PKR 11.8 B

# OUTLOOK

- ▶ IRSA has projected water avails of 23.1 MAF for upcoming Rabi (38% short vs average system use and 4% lower than last year). This, along with increase in fertilizer prices, is expected to negatively impact fertilizer demand going forward but with the current demand supply dynamics, no significant change in Urea is expected this year
- ▶ DAP demand is expected to decline due to rising exchange rates and increase in phos-acid prices



# THANK YOU

## Q & A