PAKISTAN
FERTILIZER

March 18, 2026

REP-019

MARKET VISTA

Nutrients supply to remain comfortable despite gas supply risks

Usama Rauf
usama.rauf@akdsl.com
111-253-111 Ext:634

- **Nitrogenous nutrient offtakes declined in Feb'26, with urea and CAN volumes both falling by 28%YoY.**
- **DAP sales rose 2.5x YoY to 102k tons during Feb'26. Similarly, sales of NP and NPK rose by 2.2x/83%YoY, respectively.**
- **We expect industry urea output to remain sufficient to meet local demand despite input disruptions to RLNG-based plants and FFBL amid Middle East tensions.**
- **We maintain our overweight stance on the sector due to stable earning outlook and higher dividend yields, with FFC and ENGROH as our preferred picks.**

Nitrogenous nutrient offtakes declined: Urea sales in Feb'26 dropped by 28%YoY to 251k tons, primarily due to higher channel inventory amid advance procurement by farmers in Dec'25, incentivized by heavy discounts by companies to ease inventories. Meanwhile, offtakes during Rabi season (Oct-Feb) improved 7%YoY to 3.0mn tons, led by i) discount offerings, ii) improved farm economics, and iii) availability of interest free loans by Punjab govt.

DAP sales rose 2.5x YoY to 102k tons during Feb'26 compared to 40k tons in SPLY, due to i) potential dealer stock-up in anticipation of rising prices amid hike in int'l prices in last week of Feb, and ii) a low base in SPLY. Similarly, sales of NP and NPK rose by 2x/83%YoY, respectively, while CAN offtakes declined by 28%YoY.

RLNG disruptions unlikely to impact nutrient availability: Fertilizer sector would not be impacted by RLNG supply disruptions, as only AGL and FATIMA (Sheikhupura) plants rely on RLNG. Meanwhile, FFC's Port Qasim plant faces reduced gas supply, but even with assumption of non-supply to these plants for the remaining CY26, the sector is still expected to produce over 5.9mn tons of urea, as no major turnarounds of indigenous gas run plants are scheduled during the ongoing calendar year. This combined with the year-starting industry inventory of 0.3mn tons and channel inventory of 0.6–0.7mn tons, would be sufficient to comfortably meet domestic demand for the year.

FFC dominates market share: FFC's urea sales fell by 9%YoY to 142k tons, outperforming the industry's 28%YoY decline, supported by i) lower channel inventory of SONA brand, ii) better pricing, and iii) higher retail penetration through SONA centres. Consequently, market share rose to 57% from 45% in SPLY. Meanwhile, DAP sales rose 2x YoY to 57k tons, taking DAP market share to 55% from 62% in SPLY.

EFERT and FATIMA's channel inventory led to lower offtakes: EFERT's urea sales declined 30% YoY in Feb'26 to 66k tons (vs. 94k tons in SPLY), while FATIMA's urea offtakes fell sharply by 69% YoY to 21k tons. The weakness was primarily driven by elevated channel inventories of both particular brands, as dealers had stocked up in Dec'25 at discounted prices. Consequently, EFERT's and FATIMA urea inventory increased by 31%/72% YoY to 368k/289k tons as of month-end, inventory share of 47%/37%, respectively. On the phosphatic side, EFERT's DAP sales rose 4x YoY to 15k tons, while FATIMA's NP offtakes doubled YoY to 96k tons. In contrast, FATIMA's CAN offtakes declined 28%YoY during the month.

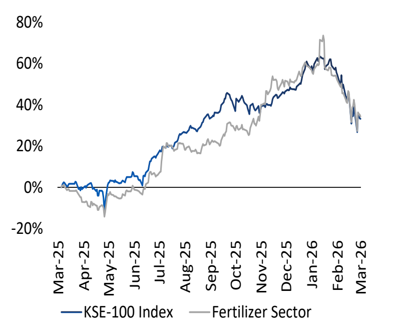
Investment perspective: Looking forward, disruption in RLNG supply amid ME conflict would ease industry inventory levels, leading alleviate pricing pressure on urea and reduce working capital requirements of companies. Meanwhile, we expect urea demand for CY26 to remain supported at ~6.4–6.5mn tons, supported by improving farmers' income and ongoing corporate farming initiatives. However, offtakes may remain under pressure in the near term due to stocked channel inventory. We maintain an overweight stance on the fertilizer sector, underpinned by a stable demand outlook, consistent earnings, and robust cash flows translating into attractive dividend yields. Our preferred picks in the sector are FFC and ENGROH, with Dec'26 target price of PkR801/sh and PkR351/sh, respectively.

AKD Fertilizer Universe Valuation

	Stance	TP (Dec'26)	PE (CY26)	D/Y (CY26)
FFC	BUY	801	7.4	10.1%
EFERT	BUY	264	9.5	10.2%
FATIMA	BUY	175	5.5	7.3%
ENGROH	BUY	351	5.3	3.7%

Source: PSX & AKD Research

KSE100 vs. Fertilizer sector performance



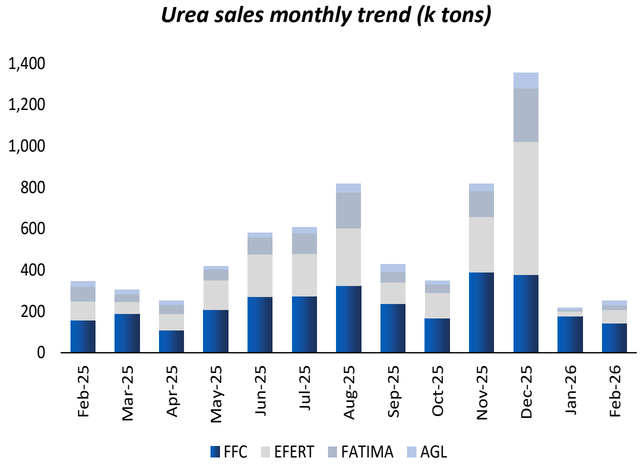
Source: PSX & AKD Research

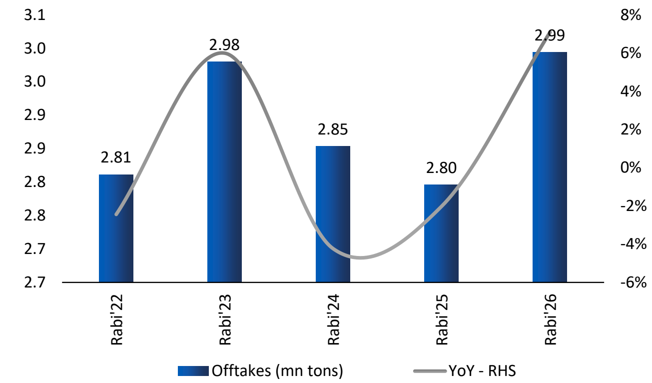
AKD Securities Limited

Urea offtakes declined, leading to increased inventory levels

Urea offtakes dropped due to advance procurement in Dec'25

*...while Rabi season offtakes witnessed upward trend**

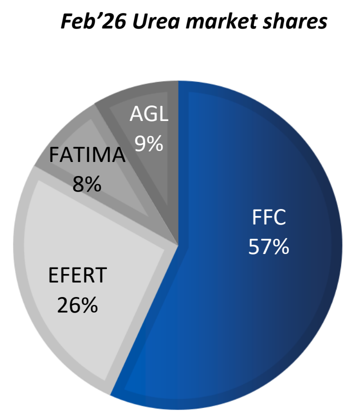


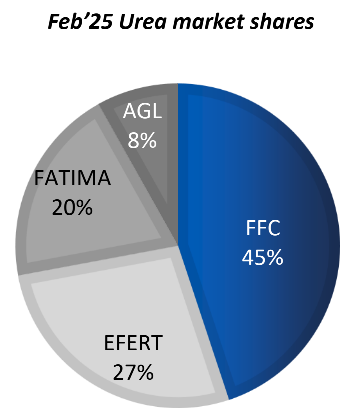


*Oct-Feb

FFC continues to dominate market share

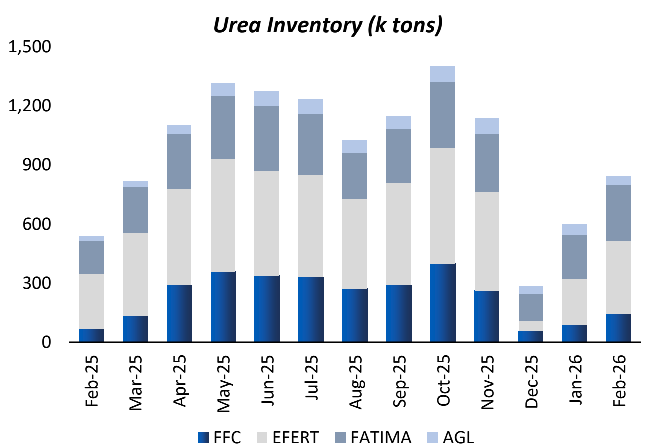
...while FATIMA had higher share in SPLY due competitive pricing

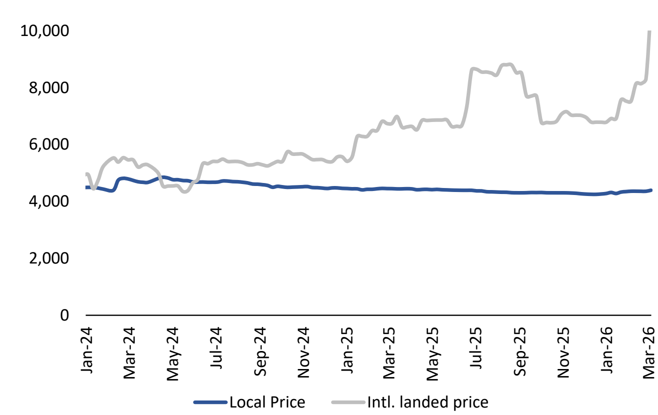




Inventory levels rises again as offtakes dip

...while delta widens amid rising Int'l prices on ME conflict

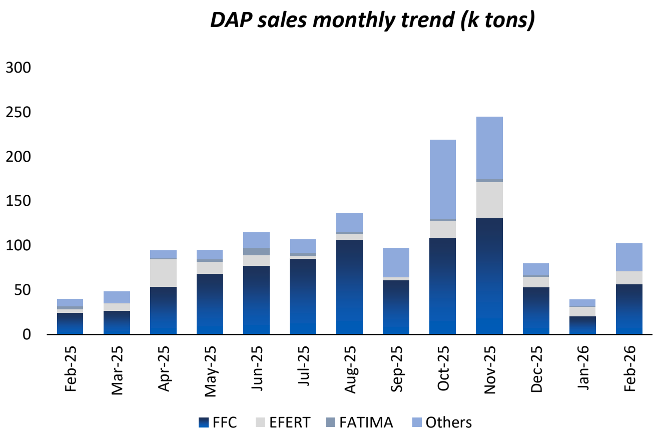




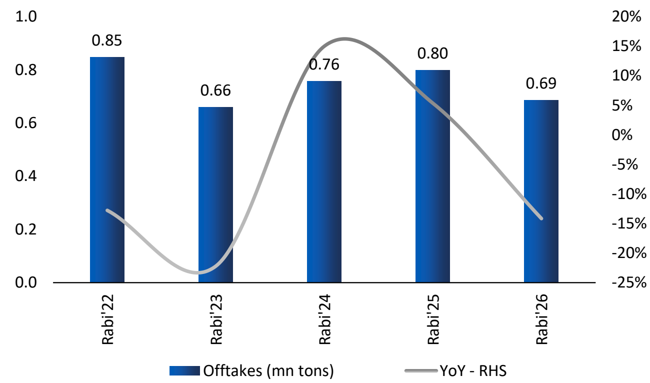
Source: NFDC, PBS, Bloomberg & AKD Research

DAP sales improved as Kharif sowing is about to arrive

DAP demand improved amid low base of SPLY

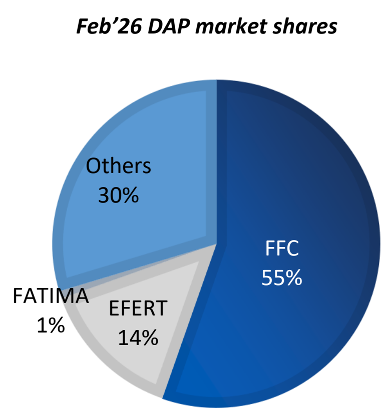


*While relative season sales remain lower YoY**

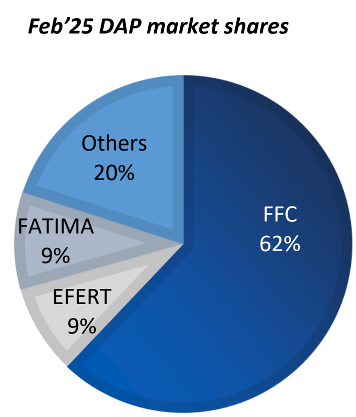


*Oct-Feb

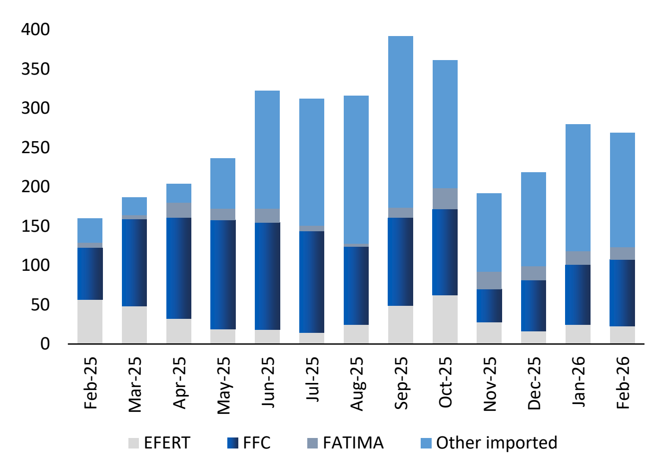
EFERT regains its market share position



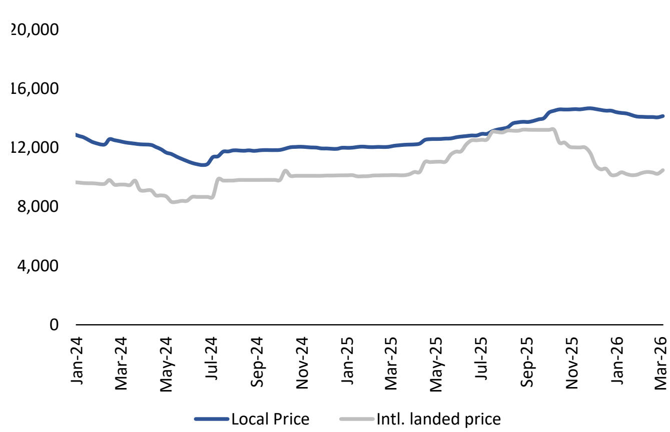
...as sales stood lower in SPLY due to lower imports



DAP inventory increased due to higher imports



...as, Int. DAP prices started rising amid ME conflict



Source: NFDC, PBS, Bloomberg & AKD Research

Feb'26 Fertilizer Offtake Snapshot

k Tons	Feb-26	Feb-25	YoY	Jan-26	MoM	Rabi'26*	Rabi'25*	YoY
UREA								
FFC	142	156	-9%	176	-19%	1,252	1,189	5%
EFERT	66	94	-30%	24	3x	1,124	906	24%
FATIMA	21	69	-69%	7	3x	455	505	-10%
AGL	21	28	-24%	12	84%	163	197	-17%
TOTAL	**251**	**347**	**-28%**	**218**	**15%**	**2,994**	**2,796**	**7%**
DAP								
FFC	57	25	2x	20	3x	370	442	-16%
EFERT	15	3	4x	11	31%	97	127	-24%
FATIMA	1	4	-80%	0	87%	8	20	-61%
Others	30	8	4x	8	4x	210	209	0%
TOTAL	**102**	**40**	**3x**	**39**	**3x**	**685**	**798**	**-14%**
NP								
EFERT	1	2	-53%	0	61x	13	11	19%
FATIMA	95	42	2x	26	4x	363	371	-2%
TOTAL	**96**	**44**	**2x**	**26**	**4x**	**375**	**382**	**-2%**
NPK								
EFERT	8	4	83%	1	7x	14	16	-11%
TOTAL	**8**	**4**	**83%**	**1**	**7x**	**14**	**16**	**-11%**
CAN								
FATIMA	48	66	-28%	25	90%	451	344	31%
TOTAL	**48**	**66**	**-28%**	**25**	**90%**	**451**	**344**	**31%**

*Oct-Feb

Source: NFDC & AKD Research

Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

Stock Ratings

Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances and other considerations. AKDS uses a three tier rating system: i) Buy, ii) Neutral and iii) Sell with total returns (capital upside + dividend yield) benchmarked against the expected one year forward floating (variable) risk free rate (10yr PIB) plus risk premium.

Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

New Rating Definitions

BUY	> 15% expected total return
NEUTRAL	> 0% to < 15% expected total return
SELL	< 0% expected total return

Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Regional Disclosures (Outside Pakistan)

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.

For the United States

Compliance Notice.

This research report prepared by AKD Securities Limited is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker & Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker & Co, LLC in the US shall be borne by Decker & Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if AKD Securities Limited or Decker & Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker & Co, LLC and AKD Securities Limited are permitted to provide research material concerning investment to you under relevant applicable legislations and regulations.

AKD Securities Limited

602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com