

Oman Cement Company (OCOI) - 3Q23 Result Review

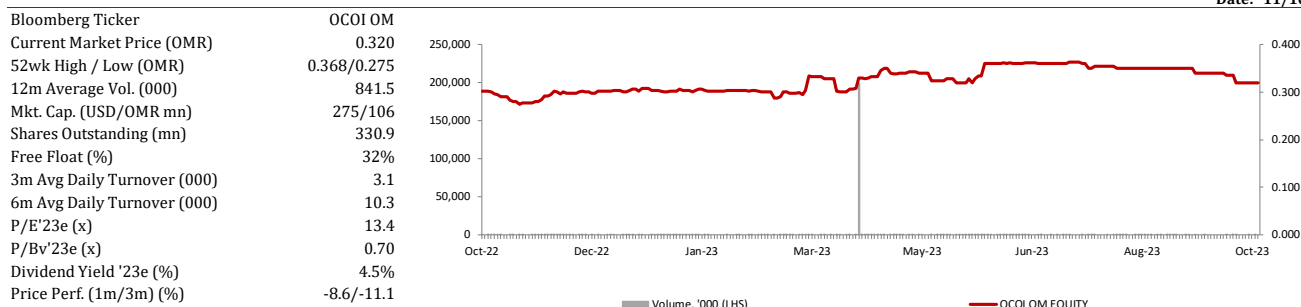
Analyst: Neetika Gupta

Previous Recommendation: Accumulate

Previous Reco. & Date: TP: OMR 0.395 per share; Accumulate on 11-Sep-2023

Target Price (OMR): 0.395
Upside / (Downside): 23.4%

Date: 11/10/2023



Revenue increased by 27% YoY, beats our estimates

OCOI has reported revenue of OMR 20.1mn for 3Q23, beats our estimates by 8%. The revenue grew by 27% YoY mainly due to an increase in domestic cement sales. During the first three quarters of 2023, the company reported an increment of 4% in its revenue on YoY basis.

Total expenses increased by 15% YoY, however, bottom line rose by 116%

The company's expenses grew by 15% YoY to OMR 16.4mn in 3Q23, however, the proportion of the total expenses to the revenue have gone down to 81% compared to 90% in 3Q22. This is likely due to a better cost management during 3Q23 and thus it has also come below our estimate of OMR 16.7mn. Net income increased to OMR 3.2mn compared to OMR 1.5mn in 3Q22 which also beat our forecast of OMR 1.7mn in 3Q23. For the first three quarters of 2023, net income grew by 59% YoY.

Maintaining an accumulate rating

We are maintaining the target price of OMR 0.395 with an upside of 23% backed by the robust domestic demand. Further, the company's capacity expansion and stable growth in realizations is expected to provide better revenue growth in the future.

Valuation

Oman Cement is trading at 2023e P/E of 13.4x, representing a 10% premium compared to the historical average 1-year forward P/E of 12.2x. Additionally, P/Bv multiple of 0.70x, based on our FY23 estimate, represents 6.9% premium compared to the historical average 1-year forward P/Bv of 0.65x.

Income Statement													
(OMR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	17.0	15.9	17.2	17.9	16.0	20.1	18.7	27%	26%	8%	51.8	54.1	4.4%
Expenses	14.3	14.2	16.6	15.1	14.0	16.4	16.7	15%	18%	-2%	46.4	45.5	-2.0%
Net Profit (Loss) before tax	2.7	1.7	0.6	2.8	2.1	3.7	2.0	125%	80%	82%	5.4	8.6	60.2%
Net Profit (Loss) after tax	2.3	1.5	0.4	2.4	1.8	3.2	1.7	116%	76%	82%	4.6	7.4	58.6%
Balance Sheet													
(OMR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	147.9	149.4	149.8	148.8	150.6	153.8	152.4	3%	2%	1%			
Key Ratios													
	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Net Profit Margin	13.4%	9.2%	2.3%	13.4%	11.2%	15.7%	9.3%						
Return on Equity (RoE)	6.1%	3.9%	1.1%	6.4%	4.8%	8.2%	4.6%						
Annualized EPS (OMR)	0.03	0.02	0.00	0.03	0.02	0.04	0.02						
BVPS (OMR)	0.45	0.45	0.45	0.45	0.46	0.46	0.46						
TTM P/E (x)						13.7							

Source: Financials, MSX, Bloomberg, U Capital Research


For our earlier report, please [click here](#).


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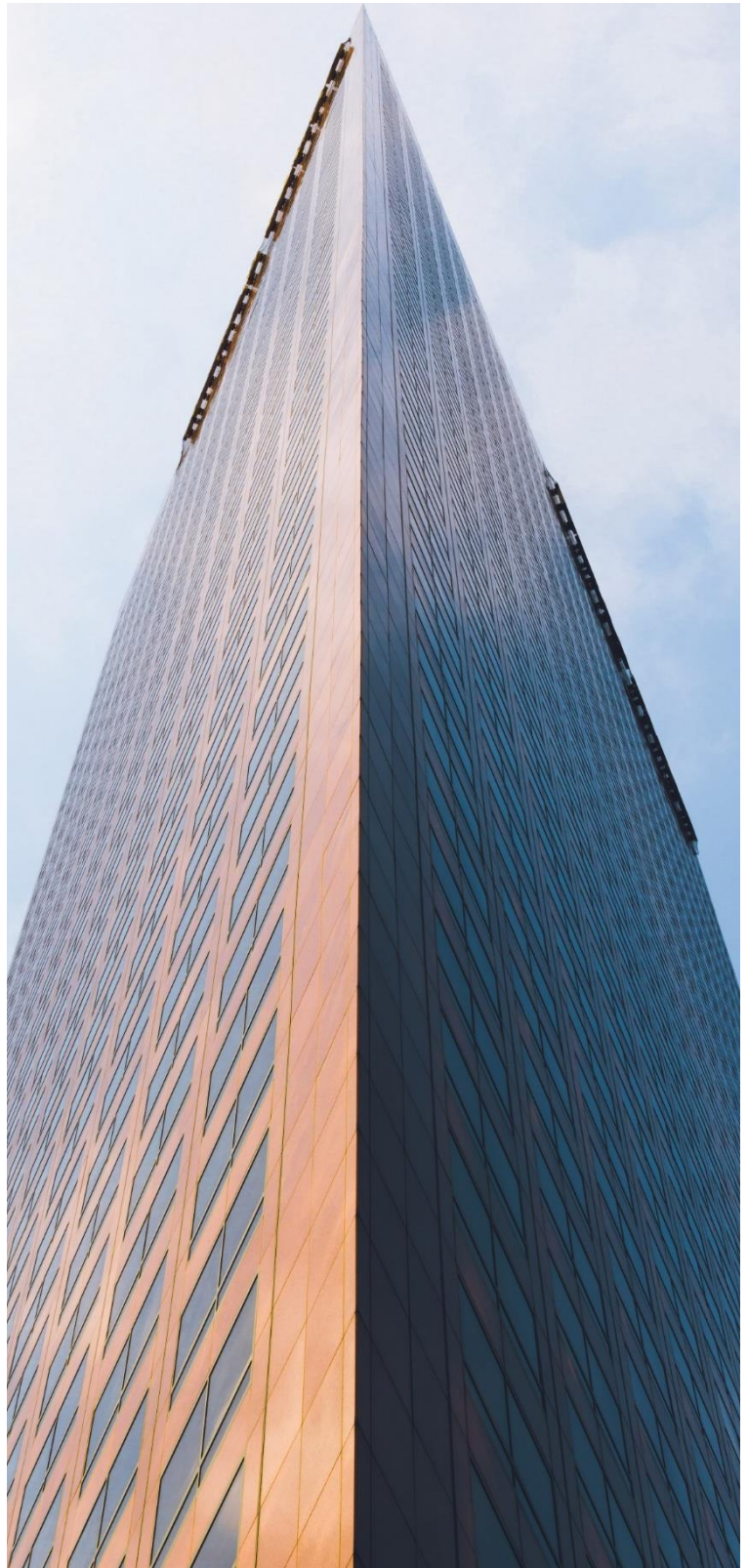
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Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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