

## Qatar National Cement Company (QNCD QD) - 2Q22 Result Review

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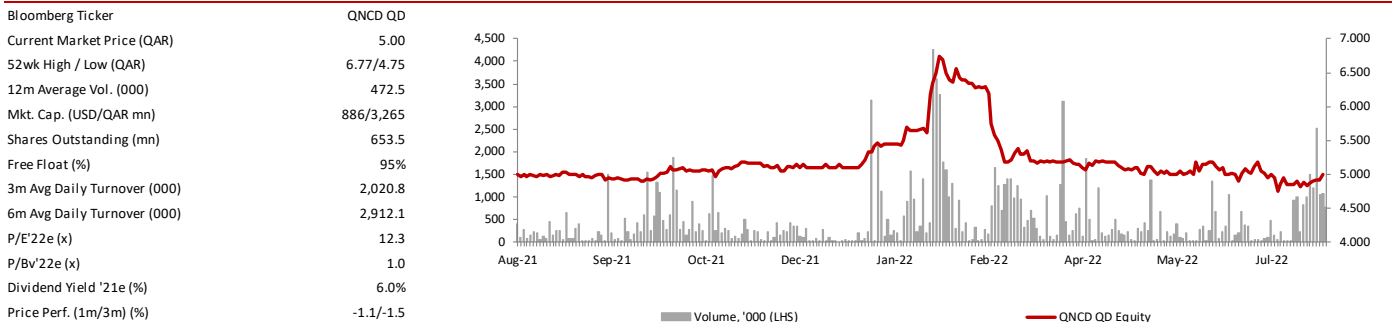
**Previous Recommendation:** Buy

**Target Price (OMR):** 6.30

Previous Reco. & Date: TP: QAR 6.30 per share; Buy on 26-May-2022

Upside / (Downside): 26.2%

Date: 04-08-2022



### Revenue decreased by 1% YoY, however, missed our expectation

QNCD has reported a revenue of QAR 177.7mn for 2Q22, which was 13% below than our estimate. The revenue contracted by 1% YoY and 15% QoQ. The lower revenue is likely due to the lower volume of cement sold in this quarter due to seasonality.

### Margins seen impacted in this quarter

The company's operating profit came at QAR 33.4mn in this quarter, which is far below our expectation by 37%. This is due to the steep fall in the gross margin and operating margin, which stood at 17.4% and 18.8% respectively. The company's gross margin is likely impacted due to rising material costs in the quarter.

### Bottom-line got impacted further led by lower revenues and narrow margins

Troll in the revenue further aggravated by higher input costs and higher administrative expenses, have resulted in the lower net profit amounting to QAR 33.8mn in 2Q22. We expected the net profit to reach at QAR 61.6mn in this quarter.

### Maintaining a "Buy" rating on the stock

Due to the growing construction activities in Qatar and the company's good market positioning, we believe the company's top-line should bounce back sharply in the second half of the year. Also, we believe going forward the company will be able to pass on the rising raw material costs to some extent, however, not fully due to the prices being controlled by the government. We expect QNCD to control its other expenses, which will help the company to improve its operating margins and the bottom-line. Going ahead, the company seems to have good growth prospects underpinned by the slate of construction projects and thus we maintain our buy call in the company with our earlier target price.

Income Statement													
(QAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)	1H21	1H22	YoY (%)
Sales/Revenue	229.8	180.2	197.4	217.0	208.9	177.7	203.0	-1%	-15%	-13%	410.0	386.5	-5.7%
Gross Profit (Loss)	75.9	56.3	73.1	61.4	71.1	31.0	64.3	-45%	-56%	-52%	132.1	102.0	-22.8%
Operating Profit (Loss)	54.4	49.0	62.3	41.5	56.3	33.4	53.3	-32%	-53%	-37%	103.4	89.7	-13.3%
<b>Net Profit (Loss) after tax</b>	<b>70.4</b>	<b>23.9</b>	<b>72.9</b>	<b>57.4</b>	<b>77.4</b>	<b>33.8</b>	<b>61.6</b>	<b>42%</b>	<b>-56%</b>	<b>-45%</b>	<b>94.3</b>	<b>111.2</b>	<b>17.9%</b>
Balance Sheet													
(QAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	2,976.4	2,993.7	3,071.8	3,051.9	2,947.8	2,980.9	3,009.4	0%	1%	-1%			
Key Ratios													
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e						
Gross Profit Margin	-67.0%	37.0%	28.3%	34.0%	34.0%	17.4%	31.7%						
Operating Profit Margin	33.0%	31.6%	19.1%	26.9%	26.9%	18.8%	26.2%						
Net Profit Margin	19.7%	36.9%	26.4%	37.0%	37.0%	19.0%	30.4%						
Return on Equity (RoE)	4.2%	9.7%	7.5%	10.1%	10.5%	4.5%	8.2%						
Annualized EPS (OMR)	0.43	0.15	0.45	0.35	0.47	0.21	0.38						
BVPS (OMR)	4.55	4.58	4.70	4.67	4.51	4.56	4.60						
TTM P/E (x)								14.1					
Current P/BV (x)								3.0					

Source: Financials, MSX, Bloomberg, U Capital Research

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

## 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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