

## Industries Qatar Q.P.S.C. (IQCD) - 4Q23 Result Review

Analyst: Neetika Gupta

### Previous Recommendation:

Accumulate

Target Price (QAR):

15.00

### Previous Reco. & Date:

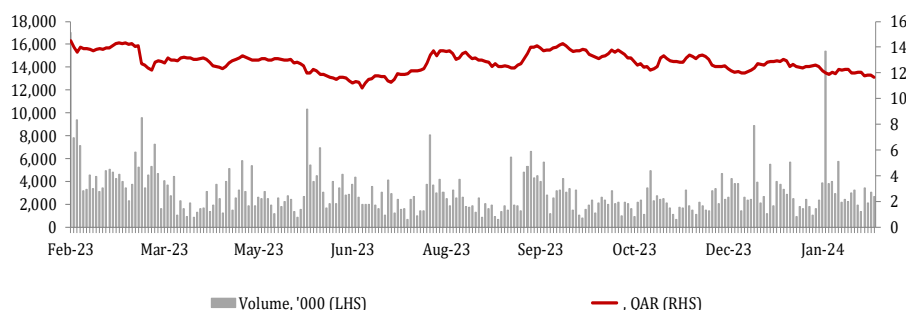
TP: QAR 15 per share; Accumulate on 10-September-2022

Upside / (Downside):

28.5%

Date: 11-02-2024

Bloomberg Ticker	IQCD QD
Current Market Price (QAR)	11.7
52wk High / Low (QAR)	14.9/10.8
12m Average Vol. (mn)	2,720.1
Mkt.Cap. (USD/QAR bn)	19,063/70,604
Shares Outstanding (mn)	6,050.0
Free Float (%)	25%
3m Avg Daily Turnover (QAR mn)	36,299.2
6m Average Daily Turnover (QAR mn)	34,985.9
P/E'24e (x)	13.9x
EV/EBITDA'24e (x)	12.5x
Dividend Yield '24e (%)	5.0%
Price Perf. (1m/3m) (%)	-6.7%/-9.4%



### Revenue decreases 33% YoY for 4Q23, largely in line with UCapital estimates.

The company reported 4Q23 revenue of QAR 2,808mn (-33% YoY and -1% QoQ) largely in line with U-Capital estimate of QAR 2,954mn and Bloomberg consensus of QAR 2,978mn. The significant decline compared to the previous year is attributed to the sharp decrease in prices for Urea and Ammonia in 2023 compared to 2022. For FY23, revenue stood at QAR 11,744mn reflecting a 38% decrease compared to previous year.

### Gross and Operating margins decrease significantly in 4Q23.

The company's gross profit for 4Q23 amounted to QAR 650mn (-47% YoY and -17% QoQ) missing our estimated QAR 738mn. This deviation vs our estimate is attributed to reduced revenue and increased feedstock costs. The operating profit for 4Q23 stood at QAR 406mn (-60% YoY and -31% QoQ) falling short of our estimate QAR 547mn and Bloomberg consensus of QAR 930mn. The significant miss vs our estimate is due to higher-than-expected general and administrative expenses (14% YoY and 24% QoQ) and higher-than-expected selling and general expenses (6% YoY and 35% QoQ). For FY23, operating profit stood at QAR 1,708mn, reflecting a 68% decline compared to FY22.

### Net income improves 18% QoQ for 4Q23 – ahead of Bloomberg consensus and UCapital estimate.

The company reported a net income of QAR 1,427mn (-19% YoY and 18% QoQ) for the quarter, ahead of Bloomberg consensus of QAR 1,165mn and U-Capital estimate of QAR 983mn. The variance from our estimate and the notable QoQ increase in net profit are attributable to a substantial increase in contributions from the petrochemical joint ventures (Qatar Petrochemical Company and Qatar Fuel Additives Company Limited), which experienced a 56% YoY and 244% QoQ growth for 4Q23. Moreover, the group experienced a significant rise in the reversal of impairment losses on investments in associates during 4Q23, coupled with an increase in income from bank deposits driven by high interest rates during the same period further adding to the growth of net income.

### Maintain target price.

IQCD is a significant player engaged in the Fertilizer, Petrochemical, and Steel industries. We expect that both the fertilizer and petrochemical industries will encounter challenges until the first half of 2024 due to global economic concerns, including possibility of recession, prolonged high-interest rates, slow recovery in China, the ongoing conflict in West Asia, and the Red Sea crises. These factors may lead to an increase in feedstock costs, thereby impacting margins. However, we anticipate stability in these sectors post 1H-24, with favourable pricing trends and steady demand for fertilizers and petrochemical products, particularly from Asia, which could result in improved margins for the group post-1H-24. Therefore, considering this situation, we are maintaining an **Accumulate** rating on the stock.

### Valuation.

IQCD is currently trading at a 2024e P/E ratio of 13.9x, compared to the historical average 1-year forward P/E of 14.9x. Furthermore, the stock is valued at an EV/EBITDA multiple of 12.5x, based on the FY24 estimate, compared to the historical average of 15.5x.

Income Statement												
(QAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	4,170	3,467	2,635	2,834	2,808	2,954	-33%	-1%	-5%	18,794	11,744	-38%
Gross Profit (Loss)	1,225	713	383	782	650	738	-47%	-17%	-12%	6,122	2,528	-59%
Operating Profit (Loss)	1,010	532	184	585	406	547	-60%	-31%	-26%	5,374	1,708	-68%
Net Profit/(loss)	1,769	1,166	922	1,205	1,427	983	-19%	18%	45%	8,815	4,720	-46%
Balance Sheet												
(QAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Shareholders' Equity	42,003	36,524	37,445	38,652	39,959	39,339	-5%	3%	2%	42,003	39,959	-5%
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Gross Margin	29%	21%	15%	28%	23%	25%				33%	22%	
Operating Profit Margin	24%	15%	7%	21%	14%	19%				29%	15%	
Net Profit Margin	42%	34%	35%	43%	51%	33%				47%	40%	
Return on Equity (RoE)	17%	13%	10%	12%	14%	10%				84%	47%	

Source: Financials, Bloomberg, U Capital Research

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

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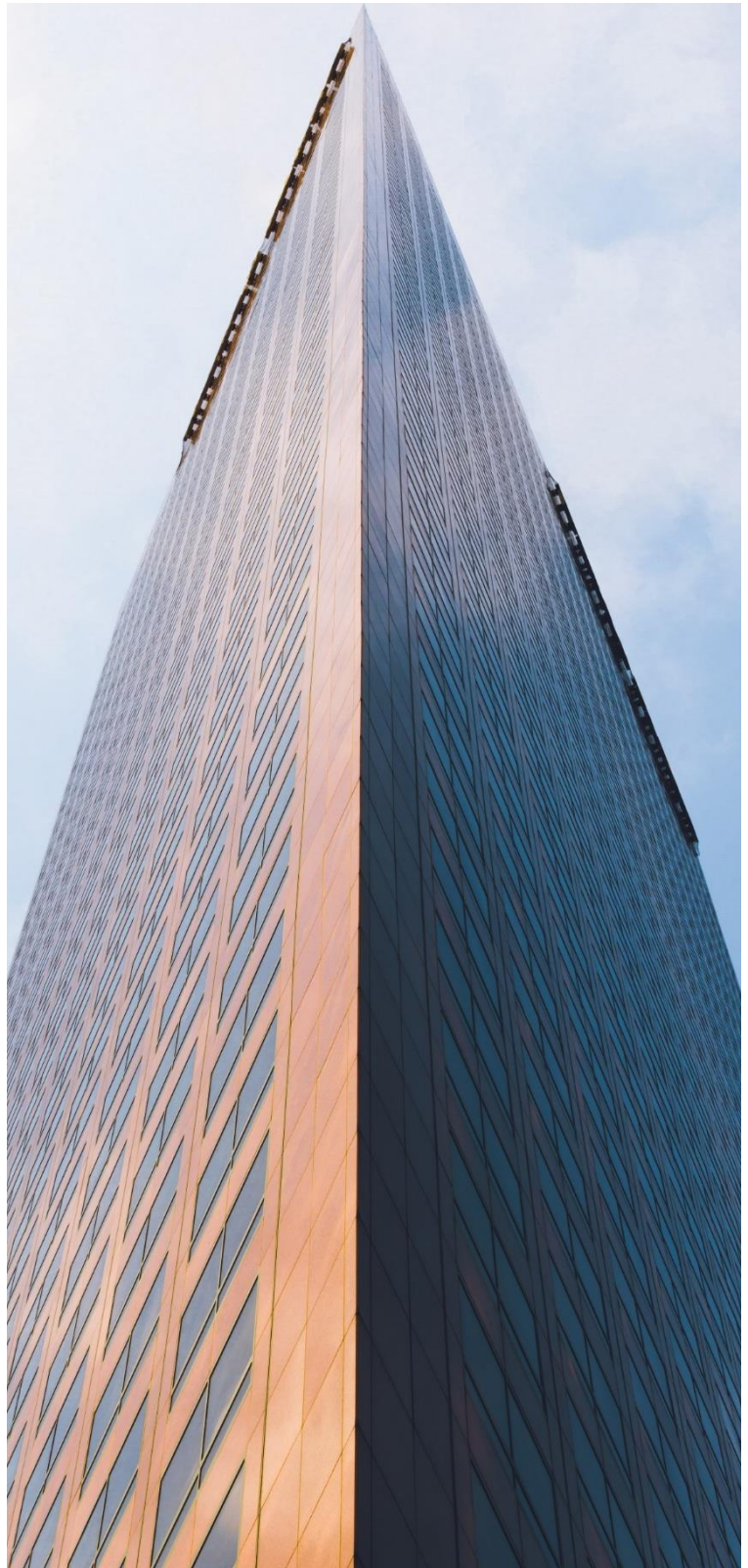
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## Recommendation

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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