

Raysut Cement Company (RCCI) - 1Q24 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

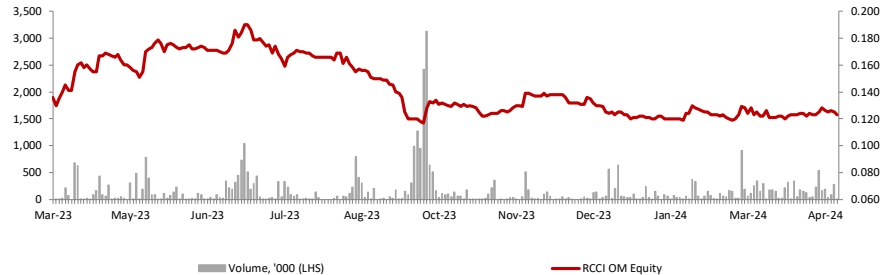
Previous Reco. & Date: TP: OMR 0.151 per share; Hold on 11-Sep-2023

Target Price (OMR): UR

Upside / (Downside): -

Date: 17-Apr-2024

Bloomberg Ticker	RCCI OM
Current Market Price (OMR)	0.125
52wk High / Low (OMR)	0.194/0.117
12m Average Vol. ('000)	159.5
Mkt. Cap. (USD/OMR mn)	63.9/24.6
Shares Outstanding (mn)	200.0
Free Float (%)	59%
3m Avg Daily Turnover ('000)	16.8
6m Avg Daily Turnover ('000)	13.3
P/E'24e (x)	38.7
EV/EBITDA'24e (x)	5.4
Dividend Yield '24e (%)	0.0%
Price Perf. (1m/3m) (%)	1.6/2.5



Revenue decreased by 3% YoY, in line with our expectations

For 1Q24, Raysut reported a YoY decline of 3% in its revenue to reach OMR 17.5mn, which was in line with our estimates of OMR 16.9mn. Revenue increased by 7% QoQ basis.

Net loss broadened on QoQ basis

Total expenses came in at OMR 20.3mn in 1Q24 against OMR 17.9mn in 4Q23. While net loss increased to OMR 2.7mn in 1Q24 as compared to a net loss of OMR 1.7mn in 4Q23. For 1Q24, the total expenses as percentage of revenue increased to 116% against 103% in 1Q23. As a result, the company reported a net loss of OMR 2.7mn in 1Q24 against net loss of OMR 0.9mn in 1Q23.

Maintain Hold rating

The company has been reporting losses due to its low utilization rate and operational inefficiencies. As part of its Turnaround strategy 2024-2028, the company is focussing on few pillars, such as sales growth, optimizations of operations, organization restructuring, cost optimization, maximize utilization, and minimize financial cost through financial restructuring. With some big projects coming up in the Northern Oman, the company intent to leverage its capacity and market leadership in the region to tap this anticipated demand. Raysut is also planning to expand its operations into East Africa. While we welcome the initial color on the turnaround strategy as described by the management, we would be keen to understand the timelines for the same. The company is currently operating under a 5-year plan and as per the management, it is expected to return to profitability by 4Q24 or 1Q25.

Income Statement										
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Sales/Revenue	18.4	18.0	15.5	15.8	16.2	17.5	16.9	-3%	7%	4%
Expenses	(25.6)	(18.5)	(16.6)	(17.3)	(17.9)	(20.3)	(16.8)	-10%	-14%	-20%
Net Profit (Loss) before tax	(6.7)	(0.7)	(0.9)	(1.6)	(1.7)	(2.7)	0.03	NM	-54%	NM
Net Profit (Loss) after tax	(6.7)	(0.9)	(0.9)	(1.6)	(1.7)	(2.7)	0.04	NM	-55%	NM
Balance Sheet										
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Shareholders' Equity	16.3	22.9	16.3	15.4	11.1	8.4	11.1	-63%	-24%	-24%
Key Ratios										
	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e			
Net Profit Margin	-36.3%	-4.8%	-5.7%	-10.2%	-10.6%	-15.4%	0.2%			
Return on Equity (RoE)	-163.9%	-15.0%	-21.7%	-41.8%	-62.2%	-127.4%	1.3%			
Annualized EPS (OMR)	-0.13	-1.71	-0.13	-0.02	-0.04	-0.05	0.00			
BVPS (OMR)	0.08	0.11	0.08	0.08	0.06	0.04	0.06			

Source: Financials, MSX, Bloomberg, U Capital Research


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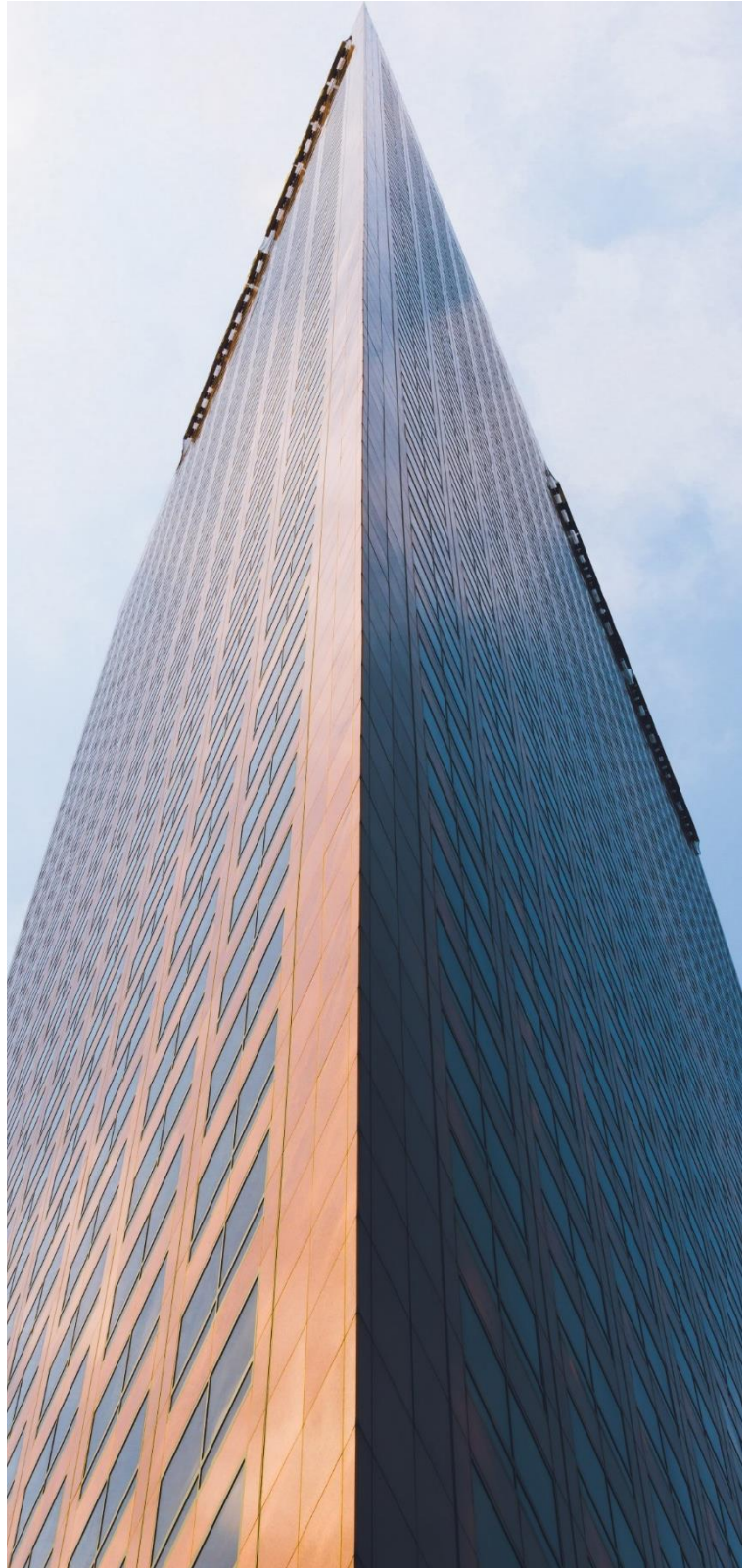
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Recommendation

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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