

Industries Qatar Q.P.S.C. (IQCD) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Accumulate

Previous Reco. & Date:

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

Target Price (QAR):

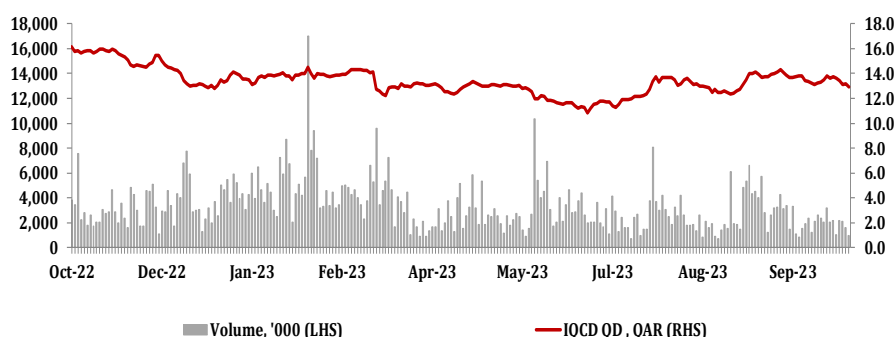
15.00

Upside / (Downside):

16.4%

Date: 25-10-2023

Bloomberg Ticker	IQCD QD
Current Market Price (QAR)	12.890
52wk High / Low (QAR)	16.47/10.8
12m Average Vol. (mn)	3,338.2
Mkt.Cap. (QAR bn)	80,204/77,985
Shares Outstanding (mn)	6,050.0
Free Float (%)	25%
3m Avg Daily Turnover (QAR mn)	35,468.6
6m Average Daily Turnover (QAR mn)	35,441.8
P/E'23e (x)	17.3x
EV/EBITDA'23e (x)	20.8x
Dividend Yield '23e (%)	5.0%
Price Perf. (1m/3m) (%)	-8.5%/4.5%



Revenue improves 8% QoQ, largely in line with UCapital estimates.

The company reported Q3'23 revenue of QAR 2,834mn (-33% YoY and 8% QoQ) largely in line with our UCapital estimate of QAR 3,025mn. The QoQ increase in revenue is mainly due to better sales volumes and recovery in the fertilizer pricing driven by relatively better supply-demand dynamics.

Gross and Operating profits increase significantly beating estimates.

The company's gross profit and operating profit for the quarter were QAR 782mn and QAR 585mn, beating our estimates significantly. On a YoY basis both gross and operating profit witnessed a decline amid the sharp decline in product prices in 2023 compared to 2022. However, on a QoQ basis, gross profit increased 104% and operating profit increased 218%. This is likely driven by better-than-expected performance from the fertilizer segment as prices improved considerably and EBITDA margins for fertilizer segment increased to 48% in Q3'23 vs 31% in Q2'23.

Net income improves 31% QoQ, beats UCapital estimate.

The company reported a net income of QAR 1,205mn for the quarter, beating our estimated QAR 1,073mn. This is likely due to better revenue and higher-than-expected margins (gross margin: 28% vs 18% expected and operating margin: 21% vs 13% expected).

Maintain target price.

We expect that the petrochemical industry will face challenges until the first half of 2024 due to global economic concerns such as recession, prolonged high interest rates, slow recovery in China, and the ongoing conflict in West Asia. However, we anticipate stability in the sector beyond the first half of 2024 and expect favourable pricing trends to increase revenue after that period. Additionally, 43% of the group's revenue comes from fertilizers, and with prices improving due to better supply-demand dynamics, we anticipate better contributions from this segment throughout the rest of FY'23 and the first half of FY'24. Therefore, we are maintaining our target price at QAR 15 per share and upholding our 'Accumulate' rating for the stock.

Valuation.

IQCD is currently trading at a 2023e P/E ratio of 17.3x, compared to the historical average 1-year forward P/E of 12.9x. Furthermore, the stock is valued at an EV/EBITDA multiple of 20.8x, based on our FY23 estimate, compared to the historical average of 13.5x.

Income Statement												
(QAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	4,212	4,170	3,467	2,635	2,834	3,025	-33%	8%	-6%	14,624	8,936	-39%
Gross Profit (Loss)	954	1,225	713	383	782	544	-18%	104%	44%	4,897	1,877	-62%
Operating Profit (Loss)	784	1,010	532	184	585	399	-25%	218%	47%	4,364	1,302	-70%
Net Profit attributable to shareholder	1,614	1,769	1,166	922	1,205	1,073	-25%	31%	12%	7,046	3,293	-53%
Balance Sheet												
(QAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Shareholders' Equity	40,515	42,003	36,524	37,445	38,652	38,517	-5%	3%	0%	40,515	38,652	-5%
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Gross Margin	23%	29%	21%	15%	28%	18%						
Operating Profit Margin	19%	24%	15%	7%	21%	13%						
Net Profit Margin	38%	42%	34%	35%	43%	35%						
Return on Equity (RoE)	16%	17%	13%	10%	12%	11%						

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


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

Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harhi

 +968 2494 9024


 ahlam.harhi@u-capital.net

Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

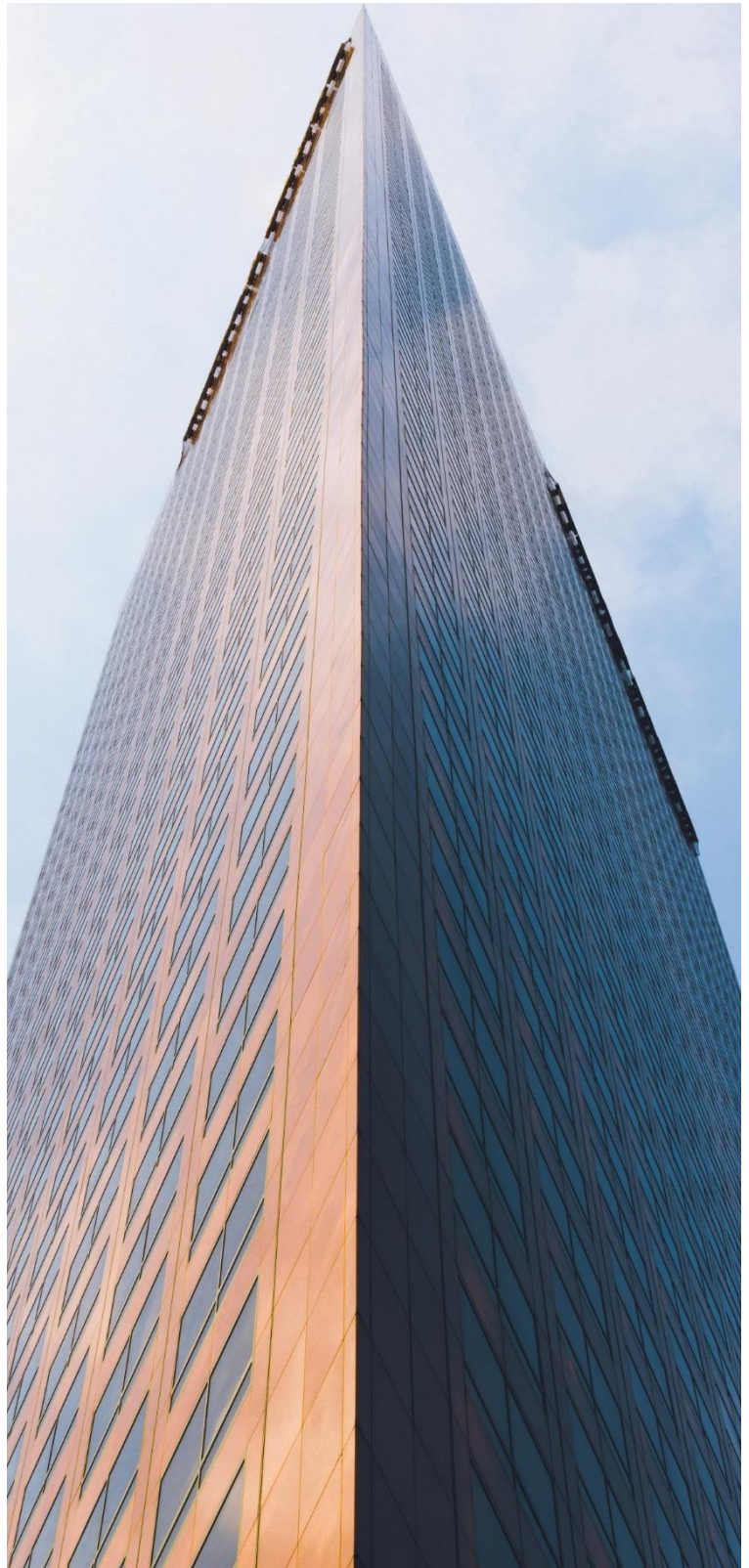
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: **www.u-capital.net**



Recommendation

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

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.