

Industry

BUY: TP @ 0.626

Valuation Summary (TTM)

Price (RO)	0.516
PER (x)	12.1
P/Book (x)	2.8
P/Sales (x)	2.9
EV/Sales (x)	2.0
Free Float (%)	61%
Shares O/S (mn)	55
YTD Return (%)	135%
Beta	0.5

(mn)	OMR	USD
Market Cap	28	74
Enterprise value	27	70

Price performance (%)	1M	3M	12M
AMCI	-3%	23%	152%
MSX 30 Index	3%	2%	15%
MSX Industrial index	-1%	6%	55%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (RO ,000)	0.10	0.13	0.11
Avg Daily Volume (,000)	298	266	253

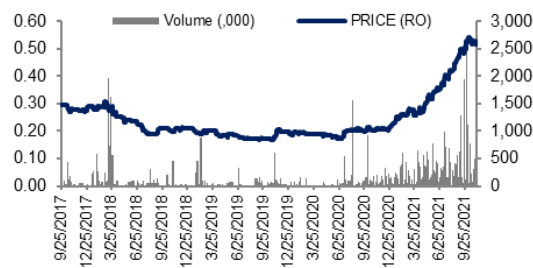
52 week	High	Low	CTL*
Price (RO)	0.546	0.201	156.7

* CTL is % change in CMP to 52wk low

Major shareholders	
Al Anwar investments	23.7%
Masoud Humaid Malik Al Harthy	14.9%
Others	61.4%

Other details	
Exchange	MSX
Sector	Industry
Index weight (%)	NA

Key ratios	2018	2019	2020
EPS (RO)	0.022	0.018	0.028
BVPS (RO)	0.174	0.175	0.405
DPS (RO)	0.018	0.015	0.020
Payout ratio (%)	80	83	71



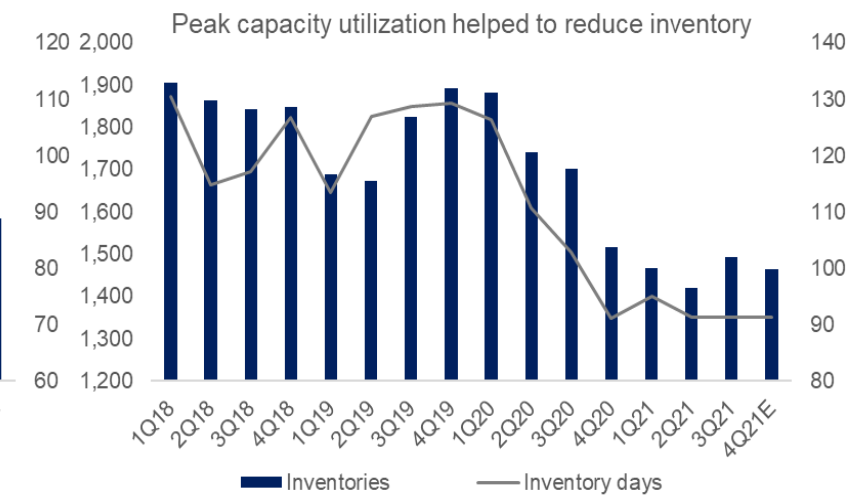
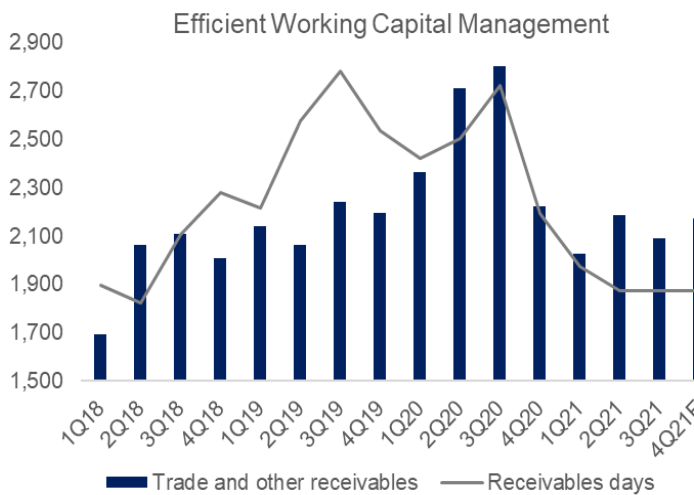
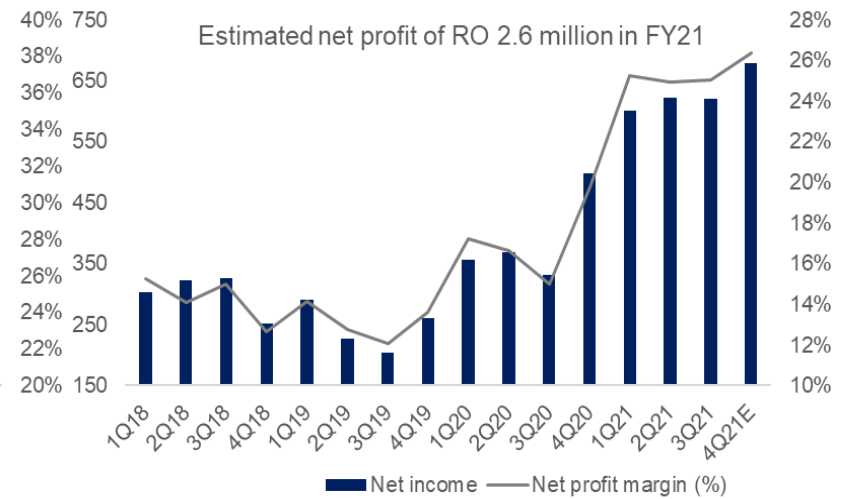
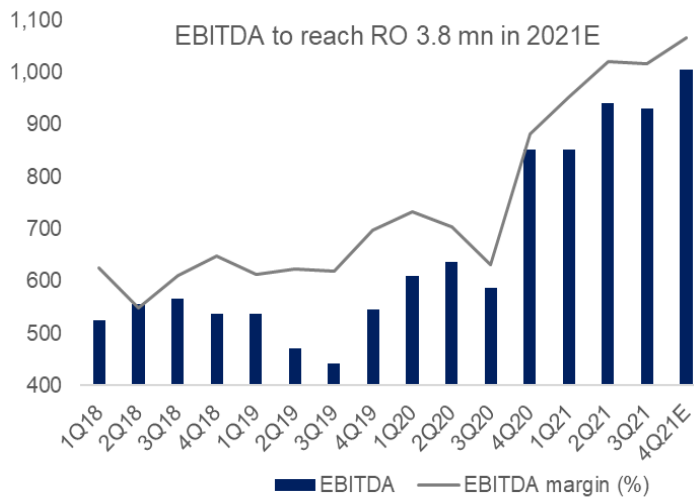
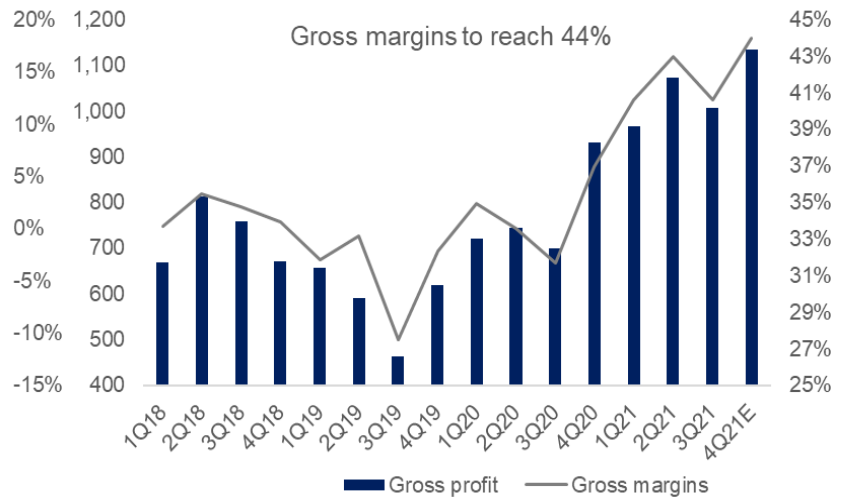
Al Maha Ceramics SAOG

Inline revenue and profits: Al Maha Ceramics (AMCI) reported 3Q21 revenue of RO 2.47 million as compared to RO 2.20 million in 3Q20 and RO 2.49 million in 2Q21. This translates to y/y growth of +12% and q/q decline of 1%. 9M21 revenue came at RO 7.35 million, as compared to RO 6.48 million a year ago, registering growth of 13%. The revenue was stable q/q basis, supported by improved demand from the regional markets and stable sales realization. AMCI showed a consistent performance in all the three quarters of FY21 despite tighter movement restrictions and lock down measures witnessed during 3Q21. Continued demand growth from GCC housing segment coupled with UAE's introduction of anti-dumping duties on products imported from China and India has helped the regional ceramic manufactures in registering sales volume and revenue over the last two years. The reduced competition from cheap imports have helped the companies to maintain plant capacity utilization at peak levels throughout the year.

Profit margins continue to expand YoY: AMCI's 9M21 gross profit grew by 41% to RO 3.0 million as compared to RO 2.2 million a year ago. 3M21 gross profit came at RO 1.0 million, +44% y/y and -6% q/q. AMCI has been consistently maintaining its gross profit at around RO 1.0 million during the previous 3 quarters. Implementation of cost reduction strategies and process improvements helped the company to reduce wastage and improve on product yield, thereby achieve better GP margins during the course of this year. We attribute the marginal decline in GP margin during 3Q21 to higher raw material costs. We believe that the company has still room for improvement in GP margins on account of firmer selling prices in its export markets. However, in the local market, the company is not allowed to increase the prices significantly, which remains an overhang for significant margin expansion.

Profitability growth continues; Successful acquisition of Al Hael Ceramic potential trigger for rerating: AMCI reported 9M21 net income of RO 1.8 million, +79% compared to RO 1.0 million in 9M20. 3Q21 net income of RO 615K was stable on a sequential basis, while it is +86% on a y/y basis. The results came largely in line with our estimates, and we remain positive on the growth front. We believe that a successful acquisition of Al Hael Ceramics will be the next trigger for rerating of the company's profile and outlook. The management has indicated that the process is at strategic decision-making stage. We expect an outcome during 4Q21.

Cheap valuations; maintain Buy with 12M TP of RO 0.626: AMCI shares are trading at FY21E EV/EBITDA of 6.6x, P/E of 11.3x, and P/B of 2.5x. Despite the expansion plans, we believe that the high cash flow accumulation would support the company in maintaining historical levels of payout ratios going forward. We assume 75% payout ratio for 2021, which leads to potential dividend yield of 6.7% in March 2022. We see that AMCI shares are trading at discounted valuations compared to its peers. We believe that AMCI shares would warrant a major rerating after successful acquisition of Al Hael Ceramics. We maintain our BUY rating and target price of RO 0.626/Share, offering upside potential of 21% from current levels.



Income Statement	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Revenue	1,983	4,273	6,454	8,437	2,059	3,841	5,528	7,440	2,065	4,282	6,489	9,010	2,381	4,876	7,445	10,144
Cost of sales	1,314	2,793	4,216	5,526	1,402	2,594	3,817	5,111	1,344	2,816	4,324	5,913	1,414	2,836	4,301	5,812
Gross profit	668	1,480	2,239	2,911	656	1,247	1,711	2,329	721	1,465	2,165	3,097	967	2,039	3,144	4,331
Admin & General expenses	137	282	441	628	150	294	372	489	119	276	402	540	155	320	494	681
Selling & distribution expenses	192	421	633	835	159	340	482	652	220	374	567	717	109	274	422	581
Other income	21	-30	-24	27	16	29	34	54	6	16	30	46	9	17	20	39
Operating profit	361	747	1,141	1,476	363	643	891	1,242	389	832	1,226	1,885	712	1,462	2,247	3,108
Investment income	4	6	6	-3	15	15	15	2	0	0	0	-46	0	0	0	0
Finance cost	2	18	28	34	1	13	22	55	5	14	19	44	2	19	29	43
Profit before tax	364	736	1,118	1,439	377	645	884	1,190	384	818	1,207	1,794	711	1,442	2,218	3,065
Taxation	61	110	166	236	57	98	133	178	58	123	181	270	107	216	333	460
Profit after tax	303	625	952	1,203	321	548	751	1,011	326	695	1,026	1,524	604	1,226	1,885	2,605
Depreciation	163	332	505	708	187	378	573	767	195	388	580	772	191	383	574	765

Balance Sheet







PPE	8,484	8,556	8,382	8,217	8,035	7,868	7,820	7,648	7,467	7,278	7,086	6,907	6,720	6,537	6,346	6,155
Investment in property	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225
RoU Assets	0	0	0	0	0	0	0	492	492	467	454	464	464	656	656	656
Total non-current assets	8,709	8,781	8,607	8,442	8,260	8,093	8,045	8,365	8,183	7,970	7,765	7,596	7,409	7,418	7,227	7,035
Inventories	1,906	1,864	1,842	1,847	1,688	1,673	1,825	1,893	1,881	1,741	1,701	1,515	1,467	1,419	1,486	1,533
Trade and other receivables	1,694	2,063	2,106	2,009	2,140	2,064	2,242	2,196	2,365	2,712	2,804	2,221	2,026	2,184	2,168	2,276
Investments	188	190	189	181	196	0	0	0	0	0	0	0	0	0	0	0
Cash and equivalents	1,675	271	285	391	186	838	84	350	242	482	335	1,752	1,454	2,038	3,015	3,898
Total current assets	5,463	4,387	4,422	4,427	4,210	4,575	4,151	4,438	4,488	4,935	4,840	5,488	4,947	5,641	6,669	7,707
Total assets	14,172	13,168	13,030	12,869	12,470	12,668	12,195	12,803	12,671	12,905	12,605	13,084	12,357	13,059	13,895	14,742
Non current portion of lease liabilities	0	0	0	0	0	0	0	416	416	396	385	424	424	614	614	614
Employees EOSB	232	335	242	244	245	237	244	252	246	257	262	261	259	267	267	267
Deferred tax liability	345	232	342	358	358	358	358	349	349	349	349	320	320	320	320	320
Total non current liabilities	577	567	584	602	603	595	602	1,017	1,011	1,001	996	1,004	1,002	1,200	1,200	1,200
Current portion of lease liabilities	0	0	0	0	0	0	0	86	86	86	86	60	60	67	67	67
Bank borrowings	1,500	1,100	700	80	950	1,250	700	500	0	600	0	0	0	0	0	0
Trade and other payables	3,440	2,524	2,441	2,413	2,007	1,686	1,553	1,411	1,459	1,559	1,722	1,421	1,357	1,315	1,375	1,375
Income tax payable	0	0	0	222	0	0	0	188	188	188	0	300	300	216	333	460
Total current liabilities	4,940	3,624	3,141	2,715	2,957	2,936	2,253	2,185	1,733	2,433	1,808	1,780	1,716	1,598	1,775	1,902
Total liabilities	5,517	4,190	3,725	3,317	3,560	3,531	2,855	3,202	2,744	3,435	2,804	2,784	2,718	2,799	2,975	3,102
Share capital	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Share premium	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88
Legal reserve	1,476	1,476	1,476	1,596	1,596	1,596	1,596	1,698	1,698	1,698	1,698	1,833	1,833	1,833	1,833	1,833
Retained earnings	1,591	1,913	2,240	2,367	1,725	1,952	2,156	2,315	2,641	2,185	2,516	2,878	2,217	2,839	3,498	4,219
Total equity	8,655	8,978	9,304	9,552	8,910	9,137	9,341	9,601	9,927	9,471	9,801	10,300	9,639	10,261	10,920	11,640
Total equity & liabilities	14,172	13,168	13,030	12,869	12,470	12,668	12,195	12,803	12,671	12,905	12,605	13,084	12,357	13,059	13,895	14,742

Ratio Analysis	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Valuation												
Price	0.200	0.180	0.171	0.179	0.196	0.174	0.201	0.205	0.258	0.368	0.536	0.516
Price change (q/q)	NM	-10%	-5%	5%	9%	-11%	16%	2%	26%	43%	46%	-4%
PE	8.6	9.0	9.4	9.7	8.3	6.9	8.1	7.4	5.9	8.3	12.0	11.3
Price/Book	1.2	1.1	1.0	1.0	1.1	1.0	1.1	1.1	1.5	2.0	2.7	2.5
Dividend Yield	8.8%	9.7%	10.2%	8.4%	7.7%	8.6%	7.5%	11.2%	8.9%	6.3%	4.3%	6.7%
EV/EBITDA	5.9	5.2	5.0	5.1	4.0	3.6	4.0	3.6	3.4	4.9	7.2	6.6
EV	11,764	10,312	10,021	10,081	10,624	9,774	10,806	9,583	12,795	18,269	26,852	24,549
EBITDA	537	470	443	545	609	636	587	851	851	941	931	1,004
Market Cap	11,000	9,900	9,405	9,845	10,780	9,570	11,055	11,275	14,190	20,240	29,480	28,380
Per share												
EPS	0.006	0.010	0.014	0.018	0.006	0.013	0.019	0.028	0.011	0.022	0.033	0.046
DPS				0.015				0.023				0.034
BVPS	0.16	0.17	0.17	0.17	0.18	0.17	0.18	0.19	0.18	0.19	0.20	0.21
Liquidity												
Cash Ratio	0.1	0.3	0.0	0.2	0.1	0.2	0.2	1.0	0.8	1.3	1.4	2.1
Current Ratio	1.4	1.6	1.8	2.0	2.6	2.0	2.7	3.1	2.9	3.5	3.5	4.0
Quick Ratio	0.9	1.0	1.0	1.2	1.5	1.3	1.7	2.2	2.0	2.6	2.7	3.2
Cash Cycle												
Inventory Turnover	1.3	1.4	1.4	1.4	1.4	1.2	1.1	1.0	1.1	1.0	1.0	1.0
Accounts Payable Turnover	1.6	1.5	1.3	1.1	1.1	1.0	1.1	1.0	1.0	0.9	0.9	0.9
Receivables Turnover	1.0	1.2	1.3	1.2	1.1	1.1	1.2	1.0	0.9	0.8	0.8	0.8
Inventory Days	113	127	129	129	126	111	103	91	95	91	91	91
Payable Days	142	139	119	103	96	92	98	89	88	84	84	84
Receivable Days	91	106	115	104	99	103	112	90	80	76	76	76
Cash Cycle	62	94	124	131	130	122	117	92	87	83	83	83
Returns Ratio												
ROA	3%	4%	6%	8%	3%	5%	8%	12%	5%	9%	13%	17%
ROE	4%	6%	8%	11%	3%	7%	10%	15%	6%	12%	17%	22%
DUPONT Analysis												
Total Asset to Equity	1.40	1.39	1.31	1.33	1.28	1.36	1.29	1.27	1.28	1.27	1.29	1.26
Net Income/Sales	0.156	0.143	0.136	0.136	0.158	0.162	0.158	0.169	0.254	0.251	0.250	0.254
Sales/Total Assets	0.17	0.30	0.45	0.58	0.16	0.33	0.51	0.69	0.19	0.37	0.53	0.68
Dupont ROE	4%	6%	8%	11%	3%	7%	10%	15%	6%	12%	17%	22%
Profitability Ratio												
Gross Margins	31.9%	32.5%	30.9%	31.3%	34.9%	34.2%	33.4%	34.4%	40.6%	41.8%	41.4%	42.1%
Gross Margins QoQ	33.7%	35.4%	34.8%	33.9%	31.9%	33.1%	27.5%	32.3%	34.9%	33.6%	31.7%	37.0%
EBITDA Margins	17.6%	16.7%	16.1%	16.7%	18.8%	19.4%	18.9%	20.9%	29.9%	30.0%	29.9%	30.4%
EBIT Margins	17.6%	16.7%	16.1%	16.7%	18.8%	19.4%	18.9%	20.9%	29.9%	30.0%	29.9%	30.4%
PBT Margins	18.3%	16.8%	16.0%	16.0%	18.6%	19.1%	18.6%	19.9%	29.8%	29.6%	29.5%	29.9%
Net Margins	15.6%	14.3%	13.6%	13.6%	15.8%	16.2%	15.8%	16.9%	25.4%	25.1%	25.0%	25.4%
Effective Tax Rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Leverage												
Total Debt	950	1,250	700	586	86	686	86	60	60	67	60	67
Net Debt	764	412	616	236	(156)	204	(249)	(1,692)	(1,395)	(1,971)	(2,628)	(3,831)
Total Capital	9,674	9,549	9,957	9,836	9,771	9,674	9,552	8,608	8,244	8,290	8,248	7,725
Debt/total Capital	10%	13%	7%	6%	1%	7%	1%	1%	1%	1%	1%	1%
Debt to Total Assets ratio	8%	10%	6%	5%	1%	5%	1%	0%	0%	1%	0%	0%
Debt/Equity	11%	14%	7%	5%	0%	6%	0%	0%	0%	0%	0%	0%
Avg.Accounts Payable	4,014	1,686	1,035	941	2,918	1,559	1,148	947	2,713	1,315	1,233	920
Avg Inventory	3,377	1,673	1,217	1,262	3,762	1,741	1,134	1,010	2,933	1,419	1,031	975
Avg recivables	4,279	2,064	1,494	1,464	4,731	2,712	1,869	1,481	4,052	2,184	1,680	1,448
Asset Turnover	0.17	0.30	0.45	0.58	0.16	0.33	0.51	0.69	0.19	0.37	0.53	0.68
Working Capital to Sales	61%	43%	34%	30%	133%	58%	47%	41%	136%	83%	66%	57%
Shares Outstanding ('000)	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000

Key Contacts

Research Team	Contact Address
Joice Mathew Sr. Manager - Research Email: joice@usoman.com Tel: +968 2476 3311	Majid Mohammed Redha Lawati Associate - Research Email: majid@usoman.com Tel: +968 2476 3335
	PB 2566, PC 112 Ruwi, Muscat Tel: +968 2476 3300

Rating Criteria and Definitions

Rating	Rating Definitions
	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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