

OMAN CEMENT (OCOI) - 2Q21/1H21 Result Review

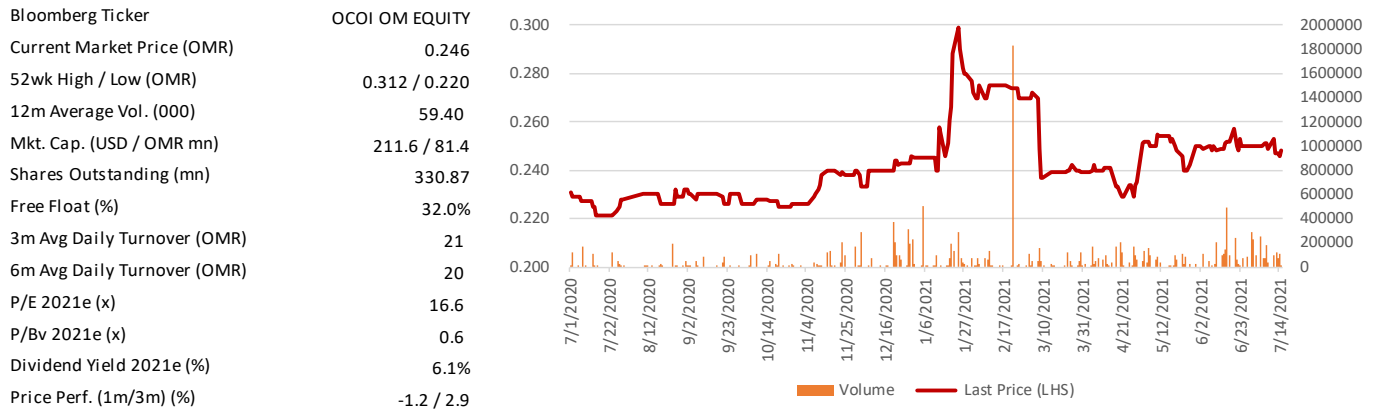
Recommendation:

NR

Check note below

TP (OMR): **NR**

Analyst: Hettish Karmani



Jump in profitability on the back of better cost control in 2Q21

Oman Cement reported net income of OMR 1.2mn compared to OMR 0.75mn in 1Q21 and OMR 0.97mn in 2Q20. U Capital estimated higher income in 2Q21 on QoQ basis but deviation resulted because of better margins reported by the Company in 2Q21. Overall for 1H21, Oman Cement reported net income of OMR 1.98mn compared to OMR 2.10mn in 1H20.

Revenue inline with our estimates

Company reported revenue of OMR 12.2mn for 2Q21 compared to U Capital estimates of OMR 12.1mn. For 1H21, the company reported revenue of OMR 23.9mn lower by 9.2% compared to OMR 26.4mn last year. Lower revenue would be mostly because of cheaper cement coming from neighboring countries affecting the realization prices of the Company.

Net margins improved in 2Q21

Net margins of the Company improved to 10.0% in 2Q21 compared to 6.4% in 1Q21 and 8.0% in 1Q20. Higher margins were a direct result of drop in expenses. Expenses during the quarter were lower on YoY basis by 1.9% and on QoQ basis by 0.7%. Company was working on various measures to contain the cost which would have aided in the margins.

Full year earnings estimated at OMR 4.9mn

Company reported earnings of OMR 5.18mn in 2020 with major boost to earnings coming in 4Q20 on the back of improvement in margins. For 2021, we estimate earnings of OMR 4.9mn, 5% lower than reported in 2020. Lower earnings would be largely because of lower realization prices.

Income Statement

(OMR mn)	2Q20	1Q21	2Q21	2Q21e	YoY	QoQ	2020	2021e	YoY
Revenue	12,159	11,764	12,233	12,100	0.6%	4.0%	51,209	47,624	-7.0%
Expenses	(11,016)	(10,889)	(10,807)	(11,090)	-1.9%	-0.7%	(44,758)	(41,848)	-6.5%
Profit Before Tax	1,143	875	1,426	1,010	24.8%	62.9%	6,451	5,776	-10.5%
Taxation	(167)	(119)	(198)	(152)	18.8%	66.7%	(1,268)	(866)	-31.7%
Profit After Tax	976	756	1,228	859	25.8%	62.3%	5,183	4,909	-5.3%

Key Ratios

	1Q20	4Q20	1Q21	1Q21e	2020	2021e
Expense to Revenue Ratio	-90.6%	-92.6%	-88.3%	-91.7%	-87.4%	-87.9%
Net Margin	8.0%	6.4%	10.0%	7.1%	10.1%	10.3%

Source: Company Reports, MSM, U Capital Research

Date: 15 July 2021

NR - Not Rated: U Capital is currently advising Oman Cement and hence we have not rated the Company.

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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