

Industries Qatar Q.P.S.C. (IQCD) - 1Q22 Result Review

Date: 26-Apr-22

Rating

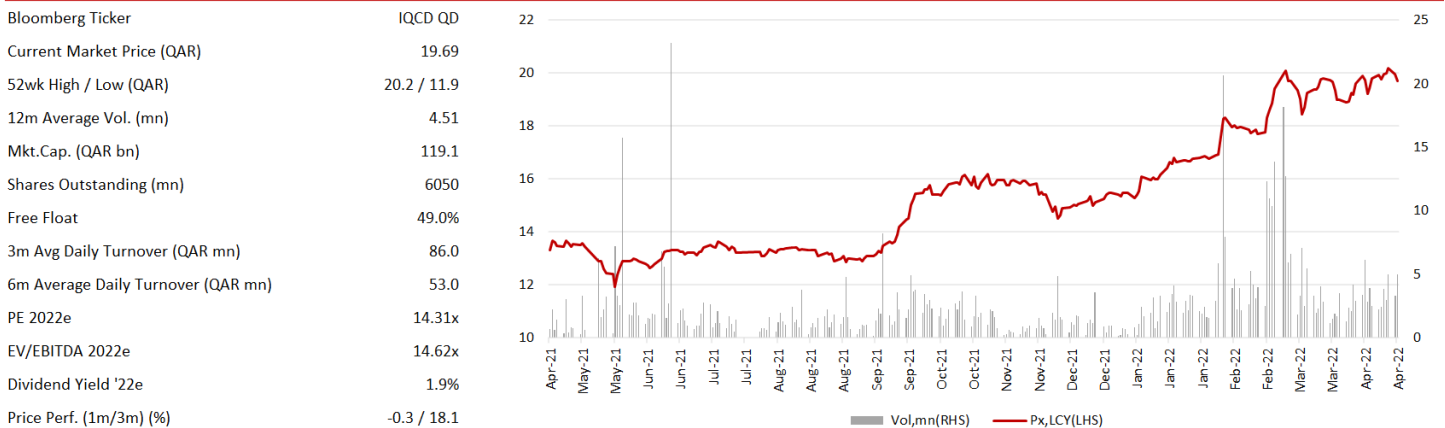
Under Review

Fair Value (QAR): 20.700

Reco. Date:

13-Feb-22

Upside / (Downside): 5.1%



Increase in average selling price drives the topline for steel business

Steel segment revenue in 1Q22 stood at QAR 1,300 mn, up by 5.9% YoY (+33.6% QoQ) underpinned by increase in average selling price by 17.9% YoY induced by increase in demand linked to elevated construction activity and higher raw material costs internationally. However, increase in revenue was partly offset by decline in sales volume by 10.2% YoY led by lower billet sales made during 1Q22. Steel segment's net profit for the quarter stood at QAR 261 mn, up by 0.8% YoY (+200.0% QoQ). The sales volume declined on YoY basis however, increase net profit on QoQ basis is due to restart of one of the previously mothballed DR-2 facility with a larger capacity, while mothballing previously operational DR-1 facility with lower capacity.

Profitability in fertilizer business led by increase in sales volume and average selling price

Fertiliser segment revenue in 1Q22 stood at QAR 3,981 mn, up by 147.0% YoY (+6.2% QoQ) backed by increase in average selling price by 113.2% YoY amid restricted supply from key exporting economies coupled with inflationary pressure and increase in sales volume by 15.9% YoY.

Improved sales volume and average selling price to bode well for petrochemical business

Petrochemical business's profitability was buoyed by improved product prices resulting from firm demand and higher energy prices amid supply deficits coupled with higher production volume as the se fuel additive operations were on a commercial shutdown during 1Q21 however partially offset by lower production volumes from polyethylene facilities.

IQCD reported overall revenue of QAR 5,280.6 mn, up 85.9% YoY (+11.8% QoQ, 27.7% ahead of our estimate) and 12.4% ahead of Bloomberg consensus.

EBITDA margin for 1Q22 stood same at 46%.

Overall utilisation rate improved to 95% during the quarter as against 94% in 1Q21.

Income Statement												
(QAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
Sales	2,839.8	3,214.2	3,392.2	4,722.8	5,280.6	4,135.0	85.9%	11.8%	27.7%	7,399.7	14,169.1	91.5%
COGs	(1,966.1)	(1,968.3)	(1,936.9)	(2,293.5)	(3,217.7)	(2,035.1)	63.7%	40.3%	58.1%	(6,466.2)	(8,164.8)	26.3%
Gross profit	873.7	1,245.9	1,455.4	2,429.3	2,062.9	2,099.9	136.1%	-15.1%	-1.8%	933.5	6,004.3	543.2%
Operating profit	709.8	1,102.2	1,332.2	2,088.7	1,855.8	1,614.6	161.5%	-11.2%	14.9%	417.7	5,232.9	1152.9%
Net Profit	1,443.9	2,074.4	2,100.1	2,471.6	2,703.9	2,091.6	87.3%	9.4%	29.3%	1,843.8	8,090.1	338.8%
Balance Sheet												
(QAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)		FY20	FY21	YoY (%)
Shareholders' Equity	33,252	35,325	37,426	39,510	36,168		8.8%	-8.5%		33,613	39,510	17.5%
Key Ratios												
	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e				FY20	FY21	
Gross profit margin	30.8%	38.8%	42.9%	51.4%	39.1%	50.8%				12.6%	42.4%	
Operating profit margin	25.0%	34.3%	39.3%	44.2%	35.1%	39.0%				5.6%	36.9%	
Net profit margin	50.8%	64.5%	61.9%	52.3%	51.2%	50.6%				24.9%	57.1%	
RoE (annualized)	18.4%	26.5%	25.2%	28.3%	31.8%					5.5%	22.1%	

Source: Financials, Bloomberg, U Capital Research

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

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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