



Catch-Up Has Just begun, Raising TP

- **Product-pricing momentum to buoy earnings; valuation still at a peer discount**
- **We believe fears around steel and fertilizer end market exposure and pricey multiple are overblown**
- **We rate IQ shares Overweight; raising TP to QAR150/share from QAR125/share**

We see pricing momentum evolving in Industries Qatar's (IQ) main product areas: ethylene and ethylene derivatives, ammonia and urea, and methanol. We expect pricing for a basket of the main commodities produced at IQ to be up sequentially on average by 12% in 4Q10. This pricing momentum, in our view, should lead to robust 4Q10 earnings. We forecast a 4Q10 net income of QAR1.7bn: an 18% q-o-q improvement and an impressive 61% y-o-y improvement.

IQ shares, in our view, have been unjustly penalized through the course of this year. Despite the company's recent share price appreciation we remind investors that IQ shares have only appreciated 26% since hitting their May 2010 lows. This stacks up unfavorably against IQ's main comparables: Yara International (QAFCO proxy), which appreciated 67% during the same time period, Westlake Chemical (QAPCO proxy), which has experienced 71% gains, and Methanex (QAFAC proxy), whose shares have logged over 40% gains. We expect IQ shares to play catch up with the share-price performance of its main comparables.

Market misconceptions related to IQ's steel segment being only exposed to the Qatari domestic market, capacity growth at IQ being only within its steel segment, IQ's urea exports mainly being directed to the rice-farming biased Chinese market, and IQ shares looking rich on a multiple-valuation basis all seem overblown. Our SOTP-based valuation analysis assigns a QAR150 TP to IQ shares, which may be conservative in the current commodity-pricing environment.

Key Indicators (QAR)

	2009	2010e	2011e	2012e	2013e
Net Profit	4,875	5,743	6,328	7,812	8,690
EPS	8.9	10.4	11.5	14.2	15.8
EPS Growth	-33%	18%	10%	23%	11%
PE	14.1	12.0	10.8	8.8	7.9

Source: Company data, AlembicHC

Overweight

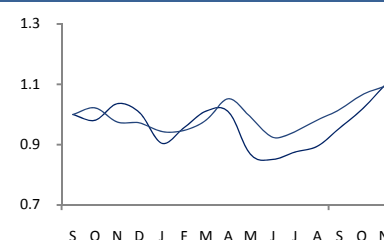
Target Price (QAR)	150
Current Price (QAR)	125
Potential Return	21%

Bloomberg	IQCD QD
Reuters	IQCD.QA

MCap (QARm)	68,540
MCap (USDm)	18,857
Free Float	30%
Daily Volume (USDm)	10
Foreign Own. Limit	7.5%
Foreign Ownership	6.4%

Note: All prices as of 8 November 2010

Price Performance



10 November 2010

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Pricing and Earnings Momentum Evolving

High energy prices coupled with supply/demand tightness on the back of planned and unplanned outages, decelerating capacity growth, and improving demand have led to an uptick in pricing for the main commodities produced by IQ. A basket of its main commodities, according to our forecasts, should experience an average 12% in pricing gains sequentially in 4Q10 (see table below). Particularly noteworthy is the price appreciation we forecast in IQ's core products ammonia, ethylene, and urea.

Quarterly Product Pricing for IQ's Main Products (USD/Ton)

	1Q10	2Q10	3Q10	4Q10e	Change from 3Q10
Ammonia	358	312	357	410	15%
Ethylene	1,107	988	893	1,075	20%
HDPE	1,342	1,335	1,222	1,247	2%
LDPE	1,525	1,535	1,490	1,527	2%
LLDPE	1,340	1,332	1,225	1,267	3%
Methanol	355	322	315	412	31%
Steel	530	643	583	595	2%
Urea	296	238	298	355	19%
Average					12%

Source: CMAI, AlembicHC

Rising product pricing and relatively flat raw-material costs should result in substantial earnings momentum in 4Q10. In the table on the next page we attempt to evaluate the net income change in 4Q10 at IQ stemming from the previously mentioned pricing variances. We highlight the following points relating to this analysis:

- (1) According to our estimates the basket of commodities used in this analysis accounts for over 90% of IQ's overall earnings.
- (2) We are conservatively assuming 90% operating rates for these products.
- (3) We are using reported 3Q10 revenue and COGS numbers as the basis of this analysis. To evaluate 4Q10 revenue we layer on the impact of pricing changes onto the 3Q10 revenue number and carry out a similar exercise with the COGS number.
- (4) Other costs like SG&A and finance charges are kept flat with 3Q10 levels.
- (5) Interest and other income have also been kept flat with 3Q10 levels.
- (6) We are conservatively assuming flat steel earnings with 3Q10 levels despite a slight increase in steel pricing.
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4Q10 Earnings Analysis (QARm)

	Quarterly Capacity (M Tons)	Op. Rate	Sold Externally	Price Change (USD/Ton)	Revenue/Cost Impact (QARm)
Ammonia	0.5	90%	17%	53	15
Ethylene	0.2	90%	26%	182	28
LDPE	0.1	90%	100%	37	12
LLDPE	0.1	90%	100%	42	10
Methanol	0.3	90%	80%	97	63
Urea	0.7	90%	100%	57	133
3Q10 Revenue					3,033
Implied 4Q10 Revenue				3,294	
3Q10 COGS					1,572
Implied 4Q10 COGS					1,572
Gross Profit					1,722
SG&A					(157)
Interest, Other Income				119	
Income Before Zakat					1,685
Net Income					1,685
EPS					3.06

Source: CMAI, Corporate reports, AlembicHC

Based on this analysis we forecast a 4Q10 net income of QAR1.69bn – an 18% q-o-q improvement and an impressive 61% y-o-y improvement.

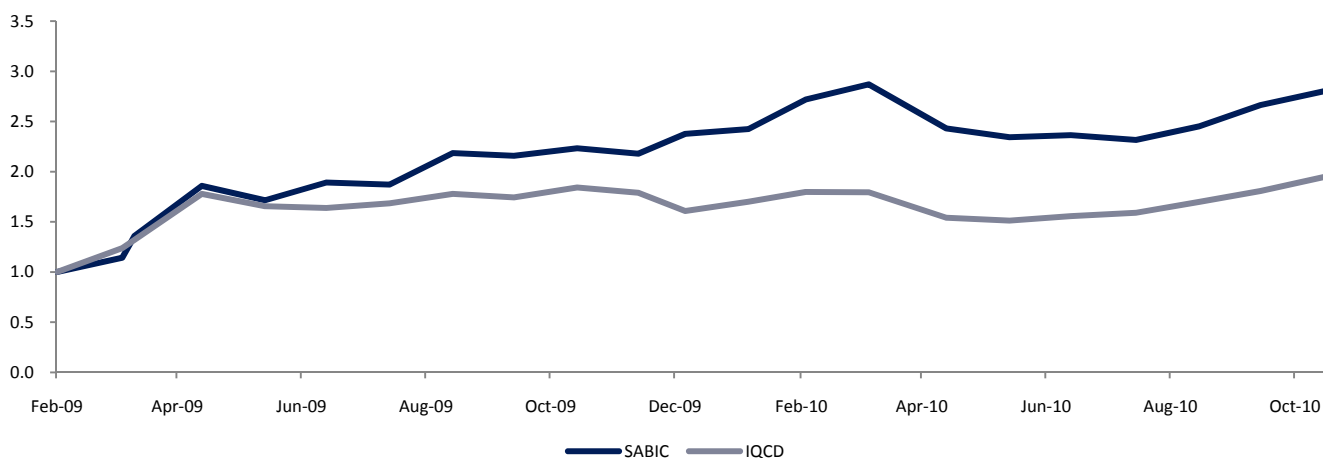
Share Price Catch-Up Has a Ways to Go

IQ is the second-largest component of the DSM index behind Qatar National Bank. Not surprisingly, the negative sentiment directed towards the DSM index had also weighed on IQ's share performance until recently.

Historically, IQ's share price performance has been tightly correlated with SABIC's performance, which would make sense keeping in mind the similar product portfolios and production economics at the two companies. One could actually argue that IQ's profitability profile is superior to SABIC's since it does not have any assets in cost-disadvantaged geographies. However, this relationship broke through the course of 2009 (see the chart on the next page) with IQ shares underperforming SABIC by around 80% since May 2009. We believe much of this underperformance is unwarranted and expect IQ's share price performance to catch up with SABIC as the earnings momentum we expect at the company unfolds.



Indexed Relative Performance of IQCD and SABIC



Source: Bloomberg, AlembicHC

Taking this analysis one step further we created a proprietary AlembicHC IQ share-price performance index. To create this index we looked at the share-price performance of Methanex (QAFAC proxy), Westlake Chemical (QAPCO proxy), and Yara International (QAFCO proxy) and assigned weights to the share-price performance of these companies in line with IQCD's earnings contribution from each of its equivalent segments. The chart below tracks IQ's share-price performance relative to this index. The underperformance of over 50% is clear from the chart and again unwarranted, in our view.

Indexed Relative Performance of IQCD and AlembicHC IQ Share Performance Index



Source: Bloomberg, AlembicHC



Addressing Widely Held Misconceptions

IQ shares, in our view, have been unjustly penalized through the course of this year. Despite the company's recent share-price appreciation we remind investors that IQ shares have only appreciated 26% since hitting their May 2010 lows. This stacks up unfavorably against IQ's main comparables: Yara International (QAFCO proxy), which appreciated 67% during the same time period, Westlake Chemical (QAPCO proxy), which has experienced 71% gains, and Methanex (QAFAC proxy), whose shares have logged over 40% gains. We believe there are three widely-held misconceptions about IQ that may have put downward pressure on its share price and should wither away as the imminent earnings momentum we are forecasting kicks into gear.

Steel Segment Exposure

The IQ bears consistently point to IQ's high revenue exposure to the lower-margin steel segment, all incremental capacity growth coming from steel, and the domestic nature of steel sales to a small Qatari market as a source of concern. We believe all three concerns are overblown.

First and foremost, while steel represents around 30% of overall company revenue its share of earnings contribution is only around 15%, making earnings movements in petrochemicals, fertilizers, and fuel additives far more important to the overall profitability of the company. Second, we believe the market is unfairly assuming that all incremental capacity growth at IQ will come from the steel segment. We remind investors that between 2009 and 2013 over 60% of all budgeted growth capital expenditure has been earmarked for the fertilizer and petrochemical segment. Finally, we believe there is a misconception that IQ only sells steel into the domestic Qatari market and with the large capacity additions the company has planned it may flood the market with capacity, thus putting downward pressure on margins. Again, we beg to differ on this point. In the company's latest financial disclosures it provided data that made it clear that it only sells around 40% of its steel production into the Qatari market while the remainder is sold to other GCC countries. Even if steel demand grew at 5% pa this would be enough to absorb the entire current and planned steel capacity at IQ.

High Fertilizer Export Dependence on Chinese Rice Farmers

We have recently heard the argument that despite rallying corn and wheat prices IQ may not fully benefit from the recent crop price rally as the vast majority of its urea output is sold to China where the main crop is rice – prices for which have not rallied alongside corn and wheat. Again, we believe this to be a misconception. First, urea prices tend to be global rather than local – if urea prices in the US rise in tandem with improving corn farmer economics in the country this is sure to have an impact on global urea prices. Second, in IQ's recently-released data sheet the company disclosed that only 36% of its overall urea output is exported to Asia while 22% goes to North America, 10% to South Africa, and 7% to Australia – a far more balanced export slate than widely believed.



Multiple Confusion

IQ bears have often pointed to us that the company's shares seem fair to overvalued on a P/E and EV/EBITDA multiple basis. In the table below we compare IQ's multiples using both AlembicHC and consensus estimates with component companies in the AlembicHC IQ index. While on a P/E basis IQ looks cheap based on both consensus and AlembicHC estimates, on an EV/EBITDA basis IQ shares appear pricey. We believe using EV/EBITDA when comparing IQ with Western companies is inappropriate – IQ essentially pays no taxes while its peer group taxes range between 26% and 35%. If we were to scrape away taxes and compare these companies on an EV/EBIDA basis IQ looks cheap both on AlembicHC and consensus estimates.

Earnings Multiple Comparison

	P/E		EV/EBITDA		EV/EBIDA	
	2010e	2011e	2010e	2011e	2010e	2011e
MEOH	30.2	10.4	12.5	6.0	16.9	8.2
WLK	15.7	16.2	6.5	6.6	10.0	10.1
Yara	15.2	11.8	9.0	8.6	12.5	12.0
AlembicHC IQ Index	17.2	13.3	8.5	7.5	12.1	10.8
IQCD Multiple Using AlembicHC Estimates	12.0	10.8	8.9	6.9	8.9	6.9
IQCD Multiple Using Consensus Estimates	13.7	11.3	10.4	8.3	10.4	8.3
AlembicHC IQ EPS/EBITDA/EBIDA	10.4	11.5	6,000	7,829	6,000	7,829
Implied IQ Price at Index Multiple	179	153	97	115	136	162
Potential Return	44%	23%	-22%	-8%	9%	30%

Source: Bloomberg, Corporate reports, AlembicHC

Raising EPS Estimates

Stemming from a recent rally in commodity chemical prices we are raising our 2010 EPS estimates for IQ. We raised our 2010 EPS estimate to QAR10.44 from QAR10.15. Our 2011 and out-year numbers remain unchanged but may prove to be conservative if the current petrochemical and fertilizer pricing strength continues through 2011.

Valuation: Raising TP

IQ is essentially a holding company operating in four separate businesses lines: fertilizers, petrochemicals, steel, and methanol. For each there are established global peers with trading histories and consensus estimates that one can use to derive a SOTP for IQ.

The major shortcoming of a SOTP analysis often lies in that there is no such thing as a perfect peer group. This is all the more true in the case of IQ, which is unique in terms of its profitability profile with average EBITDA margins of 52% over the last four years.

For QAPCO, we believe the true comparables are those using ethane gas as their primary feedstock and amongst them Middle Eastern producers such as SABIC, Sahara, and Saudi International Petrochemicals (SIPCHEM) represent the most direct peer group. However,



we do not have consensus estimates for Sahara and SIPCHEM and are forced to use SABIC to arrive at a median forward multiple.

For QASCO we believe peer group companies should be of a similar size in terms of steel capacity and should not be integrated into iron ore. The companies within our group (see table below) all source their iron ore requirements from the open market. For QAFCO, we used a peer group of global fertilizer majors, keeping in mind that none have a cost advantage or profitability profile that compares to QAFCO. For QAFAC we use Methanex, SIPCHEM, and China Blue as peers.

Business Units Peer-Group Identification

Segment	Company	One Year Forward P/E
QAPCO	SABIC	12.07
	Sahara Petrochemicals	11.31
	Saudi International Petchem	11.19
	Westlake Chemical	14.82
	Mean	12.35
QASCO	POSCO	7.98
	Nippon Steel Corporation	11.50
	Baoshan Iron and Steel Ltd	9.06
	JSW Steel Ltd	10.49
	Ruukki Group Oyj	17.00
	SSAB AB	18.08
	Mean	12.35
QAFCO	Yara	11.85
	SAFCO	13.23
	Mosaic	18.87
	Arab Potash	19.39
	Potash	16.79
	Agrium	12.71
	Israel Chemicals	14.78
	Mean	15.38
QAFAC	Methanex	10.38
	China Blue Chemical Ltd	13.95
	Saudi International Petchem	11.19
	Mean	11.84

Source: Bloomberg, AlembicHC

The table on the next page details our SOTP analysis for IQ using the peer groups identified earlier and applicable premiums based on the cost advantage versus the group. It is worth noting that despite having a far superior profitability profile at QAFCO, QAPCO, and QAFAC relative to peers we are conservatively not assigning a premium multiple to any of these segments, suggesting there may be further potential return relative to this valuation methodology.



SOTP Valuation

Division	% Share of IQ	AlembicHC Estimates	Premium/(Discount)	New Multiple
QAFCO	75%	15.4	0%	15.4
QASCO	100%	12.4	0%	12.4
QAPCO	80%	12.3	0%	12.3
QAFAC	50%	11.8	0%	11.8
Consolidated Peer Group One Yr Fwd P/E		13.3		
Number of Shares		550		
Alembic 2011e EPS		11.50		
Price/Share of IQ		150		

Source: Company reports, AlembicHC

Our SOTP analysis yields a valuation of QAR150/share, which is our revised 12-month TP versus our earlier TP of QAR125/share, which was based on 2010 multiples. To be prudent we are purposely not using an EV/EBIDA-based SOTP valuation, which, as stated earlier, would generate a QAR162/share TP.

Under our research model, our ratings are determined on the basis of the potential total return to our TP (including dividend yields) in relation to a flat or zero return rate. This translates into a Neutral band of 0% to 20% around the share price. For IQ, our 12-month TP of QAR150/share suggests a potential total return of 21%, which puts it above the Neutral band. Thus, we rate IQ shares Overweight.

Risks

Downside risks to our Overweight rating on IQ shares include:

Energy Price Correction

A sharp correction in global energy prices, particularly in the price of crude oil, represents what we view as the biggest risk to our Overweight rating on IQ shares. We are factoring in longer-term crude oil price forecasts of about USD60/bbl and running our earnings models for QAFCO, QAPCO, and QAFAC off of that estimate.

The cost structure for marginal producers of fertilizers and petrochemicals is linked to crude oil, with global prices for these products reflecting medium- to longer-term movements in the oil price. For producers such as IQ, whose feedstock is based on fixed-price gas, a higher price of crude implies that the cost differential goes straight through to benefit margins. Any sharp decline in global crude prices would impact the cost advantage that IQ has over its competitors and reduce its margins.

Cyclicality

The four components of IQ are all commodity companies, with earnings that are inherently cyclical and driven by industry operating rates and supply/demand fundamentals. While we argue that the cycles for each business are different – ranging from food supply to construction demand – and inherently provide a degree of offset, there is no denying that earnings are linked to global GDP growth. A severe downturn in global GDP growth, notably in China, which has formed a major engine of the global demand story over the past few years, represents a key risk for the company, we believe.



Income Statement (QARm)

	2006	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Consolidated Net Sales	7,778	9,326	14,743	9,657	11,773	12,915	14,472	15,175	15,433
Cost of Sales (Ex Dep.)	3,567	3,995	7,413	5,757	5,920	5,186	5,321	5,253	5,224
Gross Profit	4,211	5,331	7,331	3,900	5,853	7,729	9,152	9,922	10,208
SG&A Expense	414	456	593	577	663	710	796	835	849
SG&A/Sales	5.3%	4.9%	4.0%	6.0%	5.6%	5.5%	5.5%	5.5%	5.5%
D&A Expense	525	399	0	0	0	810	830	830	830
Unusual Charges			(31)	1,166	0				
Operating Income	3,273	4,475	6,706	4,488	5,190	6,208	7,525	8,257	8,529
Interest (Ex Interest Income)	(44)	(80)	(144)	(100)	(142)	(538)	(529)	(529)	(529)
Equity in (Loss) Earnings from Associates	20	52	270	30	286	140	190	190	190
Equity in (Loss) Earnings of Investments	10	245	319	381	0	10	5	10	10
Other Income (Inc Interest Income)	364	292	126	204	406	508	621	762	931
Income Before Taxes	3,622	4,985	7,277	5,003	5,740	6,328	7,812	8,690	9,130
Provision for Taxes (Benefit)		0	0	0	0	0	0	0	0
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%
Minority Interest/Other (Expense)	3	1	1	(128)	3				
Net Income	3,620	4,983	7,276	4,875	5,743	6,328	7,812	8,690	9,130
EPS Recurring	7.24	9.97	13.23	8.86	10.44	11.50	14.20	15.80	16.60
Number of Shares (Diluted)	500.0	500.0	550.0	550.0	550.0	550.0	550.0	550.0	550.0
Dividend/Share	3.18	4.55	8.00	5.00	5.22	5.75	7.10	7.90	8.30
EBITDA									
EBITDA	4,322	5,274	7,167	5,013	6,000	7,829	9,186	9,917	10,190
EBITDA Margin	55.6%	56.6%	48.6%	51.9%	51.0%	60.6%	63.5%	65.4%	66.0%
EBITDA/Share	8.64	10.55	13.03	9.11	10.91	14.23	16.70	18.03	18.53
EBIT									
EBIT	3,273	4,475	6,706	4,488	5,190	6,208	7,525	8,257	8,529
EBIT Margin	42.1%	48.0%	45.5%	46.5%	44.1%	48.1%	52.0%	54.4%	55.3%
EBIT/Share	6.55	8.95	12.19	8.16	9.44	11.29	13.68	15.01	15.51
Productivity									
Number of Employees	3,398	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Sales per Employee ('000)	2,289	2,743	4,336	2,840	3,463	3,798	4,257	4,463	4,539
EBITDA per Employee ('000)	1,272	1,551	2,108	1,474	1,765	2,303	2,702	2,917	2,997
EBIT per Employee ('000)	963	1,316	1,972	1,320	1,526	1,826	2,213	2,428	2,509
EBIT per lb (c/lb)	9.7	13.1	14.0	9.0	8.4	9.4	10.7	11.8	12.2

Source: Corporate Reports, AlembicHC Estimates



Cash Flow Statement (QARm)

	2006	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Operating Activities									
Net Income	3,620	4,983	7,277	4,878	5,743	6,328	7,812	8,690	9,130
Depreciation, Amortization	525	399	461	525	0	810	830	830	830
Goodwill Written Off			31						
Provision of EOSB	40	65	59	42					
Prov. for Doubtful Debt, Obsolescence	3		335	13					
Gain on Reval. of Invest. Property	(107)	(30)	24	(6)					
Loss (Profit) on Disposal of Invest.	3	(115)	(24)	(0)					
Income from Associates	(20)	(52)	(270)	(30)					
Finance Charges	44		(306)	(501)					
Loss (Gain) on Sale of Assets	2	1	4	3					
(Inc.) Dec. in Accounts Receivable	(346)	(213)	42	(155)	(43)	(152)	(208)	(94)	(34)
(Inc.) Dec. in Inventories	(122)	(231)	(1,482)	1,105	(315)	210	(39)	19	8
Inc. (Dec.) in Accounts Payable	476	1,295	(539)	(630)	575	(210)	39	(19)	(8)
Other Assets and Liabilities			38	(987)	260	0	0	0	0
Payments Toward EOSB	(17)	(30)	(35)	(40)					
Net Cash Provided by Operating Act.	4,099	6,073	5,614	4,216	6,220	6,986	8,435	9,426	9,926
Financing Activities									
Payments on LT Debt		1,275			0	0	0	0	0
Net Movement of Loans	554	1,275	2,595	(39)					
Dividends Paid	(1,750)	(2,500)	(2,000)	(4,400)	(2,871)	(3,164)	(3,906)	(4,345)	(4,565)
Other	(45)	(2)	(1)	1,165					
Net Cash Used in Fin. Activities	(1,242)	47	594	(3,274)	(2,871)	(3,164)	(3,906)	(4,345)	(4,565)
Investing Activities									
CAPEX	(2,107)	(463)	(222)	(981)	(2,500)	(1,937)	(2,171)	(2,276)	(2,315)
Acquisitions of Invest., Other Assets	(68)	(830)	(161)	(133)	0	0	0	0	0
Contr. and Advances to Affiliates		3							
Distr. from Affiliates in Excess of Earnings	5	(2,068)	2	84					
Movement in Proj. Under Development	(53)	0	(2,911)	(3,849)					
Proceeds from Sale of Assets + Invest.	43	56	(31)	(34)					
Move. in Deposits Maturing in 90 Days	(229)	(1,008)	(1,002)	2,515					
Proceeds from Sales of ST Invest.			83	2					
Other	(2)	(1)	306	357					
Net Cash Used in Investing Activities	(2,411)	(4,310)	(3,936)	(2,038)	(2,500)	(1,937)	(2,171)	(2,276)	(2,315)
Inc. (Dec.) in Cash, Equivalents									
Net Inc. (Dec.) in Cash, Cash Equiv.	446	1,811	2,272	(1,096)	849	1,885	2,358	2,805	3,046
Cash at Beginning of Period	3,950	4,626	6,437	8,709	7,613	8,462	10,347	12,704	15,510
Cash at End of Period	4,626	6,437	8,709	7,613	8,462	10,347	12,704	15,510	18,556
Sources and Uses of Cash (QR/Share)									
Operating Cash Flow	8.20	12.15	10.21	7.67	11.31	12.70	15.34	17.14	18.05
CAPEX	(4.21)	(0.93)	(0.40)	(1.78)	(4.55)	(3.52)	(3.95)	(4.14)	(4.21)
Distributable Cash	3.98	11.22	9.80	5.88	6.76	9.18	11.39	13.00	13.84
Cash Flow Ratios									
Working Capital Incr./Sales Change	-0.6%	-55.0%	36.5%	6.3%	-10.3%	13.3%	13.3%	13.3%	13.3%
CAPEX/Sales	27.1%	5.0%	1.5%	10.2%	21.2%	15.0%	15.0%	15.0%	15.0%
Depreciation/Sales	6.7%	4.3%	3.1%	5.4%	0.0%	6.3%	5.7%	5.5%	5.4%
Dividend Payout Ratio	48.3%	50.2%	27.5%	90.3%	50.0%	50.0%	50.0%	50.0%	50.0%

Source: Company reports, AlembicHC



Balance Sheet (QARm)

	2006	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Assets									
Bank Balances, Cash	4,626	6,171	9,566	5,834	8,462	10,347	12,704	15,510	18,556
Accounts Receivable	1,150	1,267	1,298	1,527	1,570	1,722	1,930	2,023	2,058
Inventories	1,142	1,373	2,521	1,377	1,691	1,482	1,520	1,501	1,493
Due from Related Parties	543	639	566	492	492	492	492	492	492
Investments Held for Trading	27	103	125	131	131	131	131	131	131
Total Current Assets	7,489	9,553	14,076	9,360	12,346	14,173	16,777	19,656	22,729
Property, Plant, Equipment, Net	6,386	6,364	6,138	8,115	10,615	11,742	13,082	14,528	16,013
Investment in Associates	359	1,171	1,487	1,412	1,412	1,412	1,412	1,412	1,412
Investments Available for Sale	294	453	248	289	289	289	289	289	289
Intangible Assets	72	72	72	96	96	96	96	96	96
Investment Property	118	148	124	197	197	197	197	197	197
Goodwill		104	119	134					
Other Assets	163	2,276	5,186	7,519	7,519	7,519	7,519	7,519	7,519
Total Assets	14,880	20,142	27,450	27,121	32,473	35,427	39,371	43,697	48,254
Liabilities									
Current Portion of LT Debt	205	1,084	2,668	307	307	307	307	307	307
Accounts Payable	1,067	2,019	1,367	1,117	1,691	1,482	1,520	1,501	1,493
Due to Related Party	422	746	858	478	478	478	478	478	478
Other Accrued Liabilities			166	28	28	28	28	28	28
Total Current Liabilities	1,695	3,849	5,059	1,930	2,505	2,295	2,333	2,314	2,306
LT Debt	1,962	2,358	3,369	5,692	5,692	5,692	5,692	5,692	5,692
Other Liabilities, Deferred Credits		103	590	260					
Provision for Employees EOSB	160	154	177	180	180	180	180	180	180
Total Liabilities	3,816	6,464	9,195	8,061	8,376	8,166	8,205	8,185	8,177
Minority Interest	12	11	11	13	13	13	13	13	13
Shareholder Equity:	11,052	13,667	18,243	19,047	21,919	25,082	28,988	33,333	37,898
Total Liability, Shareholder Equity	14,880	20,142	27,450	27,121	32,473	35,427	39,371	43,697	48,254
Financial Leverage Analysis									
Net Debt	(2,459)	(2,730)	(3,529)	165	(2,463)	(4,348)	(6,706)	(9,511)	(12,557)
Net Debt/(Net Debt+Equity)	18%	17%	16%	-1%	10%	15%	19%	22%	25%
LTD/(LTD + Equity)	15%	15%	16%	23%	21%	18%	16%	15%	13%
Total Debt/EBITDA	0.5	0.7	0.8	1.2	1.0	0.8	0.7	0.6	0.6
EBITDA/Interest Expense	97.8	66.0	49.9	50.3	42.1	14.5	17.4	18.7	19.3
Working Capital Analysis									
Working Capital	5,793	5,705	9,016	7,430	9,841	11,878	14,443	17,342	20,423
Current Ratio	4.4	2.5	2.8	4.8	4.9	6.2	7.2	8.5	9.9
Trade Working Capital Turnover	6.3	10.1	9.6	4.6	7.0	7.8	7.9	7.7	7.6
Accounts Receivable Turnover	6.8	7.4	11.4	6.3	7.5	7.5	7.5	7.5	7.5
Inventory Turnover	3.3	3.2	3.8	3.0	3.5	3.5	3.5	3.5	3.5
Accounts Payable Turnover	3.3	2.0	5.4	5.2	3.5	3.5	3.5	3.5	3.5
Return on Capital									
ROC	30.0%	32.9%	35.0%	19.7%	21.1%	21.6%	23.6%	23.3%	22.0%
ROE	35.9%	41.0%	46.5%	26.7%	28.7%	29.2%	30.9%	29.6%	27.1%
ROA	27.2%	28.9%	31.2%	18.2%	19.8%	20.2%	22.3%	22.2%	21.0%

Source: Company reports, AlembicHC Estimates



Rating Scale

Recommendation	Potential Return
Overweight	Greater than 20%
Neutral	0% to 20%
Underweight	Less than 0%

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