IRPC Public Co Ltd (IRPC TB) - BUY, Price Bt4.22, TP Bt5.10

Results Comment

Chak Reungsinpinya | Email: chak.reu@thanachartsec.co.th

3Q21 a strong beat

- IRPC reported 3Q21 net profit of Bt2.16bn (EPS Bt0.11/sh). Excluding extra items, we estimate normalized profit to be Bt1.23bn (norm EPS Bt0.06/sh), down more than 50% q-q. Still, it was much stronger than we had anticipated due to petrochemical margins. BUY.
- Integrated GIM: Market GIM was $12.4/bbl, down from $15.7/bbl in 2Q21. Total intake was 191kbd, decreasing from 194kbd in the previous quarter likely due to weaker local demand for oil products.
- Petroleum: Petroleum GRM was $5.0/bbl vs $7.16/bbl in 2Q21. GRM was broken down into refining GRM of $1.8/bbl and lube contribution of $3.2/bbl. These were both weaker q-q on higher crude premium and lower base oil spread, respectively.
- Petrochemical: Petchem contribution was $6.26/bbl (2Q21: $7.35/bbl) split roughly equally between olefin and aromatics. These were higher than expected especially on olefin side where we had expected a much steeper drop q-q due to PP spread compression.
- Non-operating items include Bt2.7bn inventory gain, Bt1.24bn losses from financial derivatives and oil hedging, and Bt262m FX loss.
- Our view: We expect result in 4Q21F to be much stronger q-q driven by higher PP spread and crack spreads for most oil products. BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	43,330	46,693	53,650	62,003	67,017
Gross profit	**1,781**	**2,297**	**3,723**	**5,973**	**4,618**
SG&A	1,565	2,308	1,775	1,877	1,879
Operating profit	216	(10)	1,949	4,096	2,739
EBITDA	**2,414**	**2,166**	**4,064**	**6,242**	**4,810**
Other income	206	(89)	247	535	473
Other expense	128	(734)	(458)	990	1,242
Interest expense	455	499	444	441	431
Profit before tax	**(161)**	**135**	**2,210**	**3,200**	**1,539**
Income tax	365	365	972	600	460
Equity & invest. income	90	127	156	186	157
Minority interests	(3)	(8)	(10)	(10)	(6)
Extraordinary items	1,995	1,720	4,199	1,799	925
Net profit	**1,556**	**1,608**	**5,581**	**4,574**	**2,155**
Normalized profit	**(439)**	**(112)**	**1,383**	**2,776**	**1,230**
EPS (Bt)	0.08	0.08	0.27	0.22	0.11
Normalized EPS (Bt)	(0.02)	(0.01)	0.07	0.14	0.06

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	8	55	84	216,968	217,647
Gross profit	**(23)**	**159**	**104**	**13,709**	**14,388**
SG&A	0	20	80	6,951	6,812
Operating profit	(33)	1,165	130	6,758	7,576
EBITDA	**(23)**	**99**	**96**	**15,768**	**16,861**
Other income	(12)	129	57	2,220	2,226
Other expense	25	868	na	0	0
Interest expense	(2)	(5)	60	2,196	2,343
Profit before tax	**(52)**	**na**	**102**	**6,781**	**7,459**
Income tax	(23)	26	150	1,356	1,492
Equity & invest. income	(16)	74	154	324	330
Minority interests	na	na	98	(27)	(27)
Extraordinary items	(49)	(54)	na	0	0
Net profit	**(53)**	**39**	**215**	**5,721**	**6,271**
Normalized profit	**(56)**	**na**	**94**	**5,721**	**6,271**
EPS (Bt)	(53)	39	215	0.28	0.31
Normalized EPS (Bt)	(56)	na	94	0.28	0.31

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	15,414	8,851	4,498	11,745	12,620
A/C receivable	8,250	9,626	10,149	13,936	14,737
Inventory	22,040	21,169	26,993	32,030	33,327
Other current assets	3,167	3,725	3,638	3,771	2,850
Investment	8,742	8,684	8,838	8,922	9,074
Fixed assets	116,798	114,551	112,811	111,159	109,664
Other assets	7,096	6,885	5,793	5,226	5,361
Total assets	**181,507**	**173,491**	**172,720**	**186,789**	**187,632**
S-T debt	18,333	13,335	17,035	7,538	9,524
A/C payable	26,969	23,983	17,569	26,942	25,882
Other current liabilities	5,530	6,741	6,149	6,629	7,856
L-T debt	51,214	48,597	46,985	56,034	54,016
Other liabilities	5,316	5,169	4,951	4,982	5,163
Minority interest	131	140	150	209	215
Shareholders' equity	**74,013**	**75,526**	**79,882**	**84,455**	**84,976**
Working capital	3,321	6,812	19,573	19,024	22,182
Total debt	69,547	61,931	64,020	63,572	63,541
Net debt	**54,133**	**53,080**	**59,522**	**51,827**	**50,921**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(27.9)	(16.3)	9.7	74.5	54.7
Operating profit growth	na	na	na	na	1,165.3
EBITDA growth	55.1	na	na	na	99.2
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	4.1	4.9	6.9	9.6	6.9
Operating margin	0.5	(0.0)	3.6	6.6	4.1
EBITDA margin	5.6	4.6	7.6	10.1	7.2
Norm net margin	(1.0)	(0.2)	2.6	4.5	1.8
D/E (x)	0.9	0.8	0.8	0.8	0.7
Net D/E (x)	0.7	0.7	0.7	0.6	0.6
Interest coverage (x)	5.3	4.3	9.2	14.1	11.2
Interest rate	2.7	3.0	2.8	2.8	2.7
Effective tax rate	(227.3)	270.5	44.0	18.8	29.9
ROA	(1.0)	(0.3)	3.2	6.2	2.6
ROE	(2.4)	(0.6)	7.1	13.5	5.8

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 143 Derivative Warrants which are ACE16C2111A, ACE16C2201A, ACE16C2202A, ADVA16C2110A, ADVA16C2201A, ADVA16C2202A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2112A, AOT16C2202A, BAM16C2110A, BAM16C2112A, BANP16C2110A, BANP16C2112A, BANP16C2201A, BANP16C2202A, BBL16C2201A, BCH16C2111A, BCH16C2111B, BCH16C2201A, BCH16C2203A, BCPG16C2111A, BEC16C2202A, BGRI16C2110A, BGRI16C2112A, CBG16C2201A, CBG16C2202A, CHG16C2111A, CHG16C2112A, CHG16C2202A, COM716C2110A, COM716C2112A, CPAL16C2111A, CPAL16C2112A, CPF16C2112A, CPN16C2202A, DELT16C2112A, DELT16C2202A, DOHO16C2111A, DOHO16C2112A, DOHO16C2202A, DTAC16C2112A, EA16C2110A, EA16C2201A, EGCO16C2110A, ESSO16C2202A, GLOB16C2201A, GLOB16C2203A, GPSC16C2110A, GPSC16C2201A, GPSC16C2201B, GULF16C2112A, GULF16C2202A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IRPC16C2110A, IRPC16C2112A, IVL16C2110A, IVL16C2111A, IVL16C2202A, JAS16C2202A, JMAR16C2111A, JMAR16C2201A, JMAR16C2202A, JMT16C2110A, JMT16C2201A, KBAN16C2111A, KBAN16C2111B, KBAN16C2201A, KBAN16C2202A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, KTC16C2202A, LH16C2202A, MAJO16C2201A, MEGA16C2112A, MINT16C2112A, MTC16C2112A, MTC16C2202A, OR16C2112A, OR16C2202A, PTG16C2201A, PTG16C2202A, PTG16C2203A, PTL16C2201A, PTL16C2202A, PTL16C2202B, PTT16C2112A, PTT16C2201A, PTTE16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RBF16C2202A, RS16C2112A, RS16C2201A, S5016C2112A, S5016C2112A, S5016C2112B, S5016C2112C, S5016P2112C, S5016P2112A, S5016P2112B, S5016C2203A, S5016P2203A, S5016C2112D, S5016P2112D, SAWA16C2112A, SAWA16C2202A, SCB16C2111A, SCB16C2112A, SCB16C2201A, SCB16C2202A, SCC16C2112A, SCGP16C2202A, SCGP16C2201A, SPAL16C2202A, SPRC16C2201A, STA16C2112A, STA16C2201A, STEC16C2110A, STEC16C2201A, STGT16C2111A, STGT16C2202A, SYNE16C2202A, TASC16C2201A, TOP16C2112A, TOP16C2202A, TRUE16C2202A, TU16C2110A, TU16C2111A, TU16C2202A, WHA16C2202A (underlying securities are ACE, ADVANC, AEONTS, AMATA, AOT, BAM, BANPU, BBL, BCH, BCPG, BEC, BGRIM, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MAJOR, MEGA, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SPALI, SPRC, SET50, STA, STEC, STGT, SYNTEC, TASCO, TOP, TRUE, TU, WHA) . Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)