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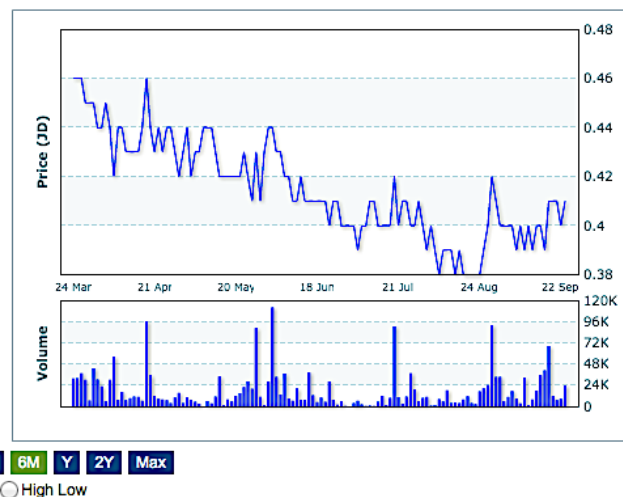


## Intermediate Petrochemicals Industries Co.LTD

Current Price: JOD 0.41  
 Median Share Price from Valuation Methods: JOD 0.659  
 Potential Upside: 60.73%

Performance Indicators 23/09/2014			
Market	Second Market	High Price	0.41
Sector	Chemical Industries	Low Price	0.40
Div	0.00	Change	0.01
P/E	29.73	Value Traded	9,648
Closing Price	0.41	Average Price	0.40
Last Closing	0.40	No. of Transactions	21
Opening Price	0.40	No. of Shares	24,099

### INTERMEDIATE PETROCHEMICALS INDUSTRIES CO. LTD.



## I. Investment Merits

- Significant demand for IPI Products given the uniqueness of the factories and product offerings in the region.
- IPI is dominating the market and possesses around 90% of the market share in Jordan and is exporting to Saudi Arabia, Iraq, Syria, Egypt, Palestine and Turkey.
- The status of the factories shows that they are in very good shape due to the very low production capacity they worked at in the past, in addition to the new 50% of production capacity increases during the past 5 years. Capacity of factories is around 45000 MT/Year.
- IPI can achieve the breakeven point at only 10% of the production capacity, 4000 MT, which means that the business can yield very significant profits if operates at a higher capacity meeting higher demand and sales.
- The Book Value of these factories (7Million JDs) is nearly 1/3 of the cost to establish a similar business with the same capacity nowadays (21Million JDS).
- The only reason of sales limitation is the limited backing it has from Banks. However, IPI has excellent relationships with partner banks at the lowest interest rates available in the country.
- Any new money injected in the company can bring a significant return in profits, which can bring back money invested during the last 7 years, with sales of 50% of its production capacity.
- IPI board, who has many industrial leaders, owns more than 80% of the shares and they do not sell due to their believe in the progress achieved in the past few years and great expected performance that IPI is up to. The illiquidity of the stock has consequently affected the stock price in a negative manner.

## II. Overview About Intermediate Petrochemicals Industries Co. Ltd. (IPI)

Intermediate Petrochemicals Industries Co. Ltd. (IPI) Is a public Share holding company established in 1980. A unique industrial complex in the field of intermediate petrochemical industries was established with the assistance of several international chemical companies who participated in the know-How support at the company's start up. The company started production in 1984 to cover part of the local and surrounding markets needs for the intermediate petrochemicals products and related chemical materials. The company has eight plants (Industrial units) in addition to utilities units , built on a 67000 square meters land including 11000 square meters of covered steel structures , 5000 square meters of concrete buildings and 4800 cubic meters liquid bulk storage tank facilities.

IPI's good understanding of the changing markets needs and trends as well as the highly qualified staff have always been the reason to gain and maintain their customers trust.

## III. History and Time Line

### Period 1: (1985-1992)

- Good Start and Sales
- Production Capacity used: 30%
- Capital is 4M, Profits is 5.7M

### Period 2: (1993-2004)

- Shareholders cashed out Profits
- No enough money to Buy Raw Materials and depended on Banks
- Iraq exports was shut out
- Production Capacity used: 13%
- Losses: 9.9M

### Period 3: (2005-2007)

- New Experienced Board
- Restructuring the company

- Erasing the debts of the banks
- Lack of funds to buy raw materials
- Production capacity used: 8.3%
- Losses: 0.5M

### Period 4: (2008-2010)

- New Experienced MGMT
- New Investor and capital became 7 Millions
- Increasing capacity due to certain demands
- Improving backing from banks, still not enough
- Regaining a major sales and market share locally
- Production capacity used: 12.3%, profits: 0.65M

#### Past 3 years& Next 3 Years Outlook for IPI

##### **Past 3 Years**

- Major improvements in sales and IPI market share: sales didn't yet meet their full expectations due to the turbulence of global economies
- Major improvements in production capacities by installing new lines and re-maintaining most existing lines by applying a preventive maintenance program and improving all infrastructure of the company.
- Management improved situation and relationship with lending institutions due to the improved performance of IPI
- New investor joined IPI and raised the capital
- New penetration in exporting
- Controlled Production Plan, Procurement, and Sales Plans
- Rebuilt new Production/Quality staff

##### **Next 3 Years**

- Starting up the factories that have been stopped due to lack of financial power and funding.
- The restart of the factories will be justified by high demand, their uniqueness, and high potential profit margin. Example: DOP factory that can produce 8000 MT yearly and can be sold out completely to Egypt with an approximate profits of 1 Million/Yr.
- Improve Exporting to Egypt, Palestine, SA, and Syria. This can be done easily.
- Try to add new factories, lines, or products, which can have a high demand due to the change in market needs
- Continue to form strong partnership with major clients, suppliers, and lending institutions

#### **IV. Financial Overview**

Financial Ratios	2012	2011	2010
Turnover Ratio %	52.7	6.11	20.33
Earning Per Share (JD)	0.02	0.01	-0.01
Price Earnings Ratio (Times)	29.18	26.58	-59.58
Price to Book Value (Times)	0.42	0.31	0.41
Gross Margin %	14.17	15.53	13.35
Margin Before Interest and Tax %	6.53	5.78	3.65
Return On Assets %	2.38	1.89	1.38
Return On Equity %	1.45	1.18	-0.69
Debt Ratio %	30.34	26.1	19.69
Equity Ratio %	69.66	73.9	80.31
Interest Coverage Ratio (Times)	1.97	1.86	0.71
Total Assets Turnover (Times)	0.41	0.33	0.38
Fixed Assets Turnover (Times)	1.63	0.54	0.57
Working Capital Turnover (Times)	4.47	2.51	2.77
Current Ratio (Times)	1.3	1.5	1.69
Working Capital (JD)	1,095,616.00	1,494,501.00	1,421,200.00

Source: Amman Stock Exchange

The first thing that one can notice from the financial ratios table is the improvement in the EPS from

2010 which was negative JOD -0.01 to JOD 0.02. The Gross margin has also improved from 2010 to 2012 from 13.35% to 14.17% but it has decreased from 2011 to 2012 from 15.53%. We see an improvement in Return on Assets from 1.38% to 2.38% during to the increase in net income from 2010 to 2012. Return on equity has also increased from 2010 to 2012, from -0.69 to 1.45%. We see an increase in the debt ratio as well, as the sales continued to improve the company was able to secured additional debt. IPI interest coverage ratio which basically indicates if the company is able to cover interest on its outstanding debt has improved significantly from 0.71 to 1.97. Usually an interest coverage ratio of below 1.5 makes the ability of a firm to pay its interest expense questionable. Additionally, as far as Fixed Assets Turnover, the higher the ratio the better. The ratio has increased from 0.57 to 1.63 times. Finally liquidity wise, the current ratio has decreased from 1.69 to 1.3 times, still a ratio above 1 times indicated that the company is able to cover its current liability by its current assets.

## V. Valuation

### Share Price Using P/Book

Average P/Book From Comps	1.72
IPI Book Value /Share	8,160,000
Shares Outstanding	7000000
<b>IPI Share Price Based on P/Book</b>	<b>JOD 2.01</b>

### Share Price Using Relative P/E Valuation

Average P/E from Comps	24.45
IPI's EPS	0.014
<b>IPI Share Price</b>	<b>JOD 0.34</b>

### Share Price Using P/Sales

Average P/Sales From Comps	1.19
IPI Sales	4,896,876
IPI Market Cap	5827282.44
Shares Outstanding	7,000,000
<b>IPI Share Price Based on P/Sales</b>	<b>JOD 0.83</b>

### Share Price Using Medina P/S Value

This valuation method assumes that the stock valuation will revert to its historical mean in terms of Price/Sales Ratio. The reason we use P/S Ratio instead of P/E Ratio or P/B Ratio is because Price/Sales Ratio is independent of profit margin, and can be applied to a broader range of situations

Median P/S Value	=	Total Annual Sales / Shares Outstanding	*	7-Year Median P/S Ratio
	=	Revenue per Share (TTM)	*	7-Year Median P/S Ratio
	=	0.699553714	*	0.83776
<b>Share Price Using Historical P/S</b>	<b>=</b>	<b>JOD 0.586</b>		

The median of the Share Prices obtained from all valuation methods is : JOD 0.659

## Appendix



INTERMEDIATE PETROCHEMICALS  
INDUSTRIES CO. LTD.

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### [Trading information](#)

	2012	2011	2010
Par Value/Share (JD)	1	1	1
Closing Price (JD)	0.5	0.38	0.49
Value Traded (JD)	1,842,134	176,980	954,357
No. of Shares Traded	3,689,250	427,781	1,423,182
No. of Transactions	3,951	731	1,457
No. of Subscribed Shares	7,000,000	7,000,000	7,000,000
Market Capitalization (JD)	3,500,000	2,660,000	3,430,000
Fiscal Year Ended	31/12/2012	31/12/2011	31/12/2010

### [Assets \(JD\)](#)

	2012	2011	2010
Cash on Hand & at Banks	86,312	101,980	201,440
Accounts Receivable,Net	1,021,122	1,343,486	523,716
Notes Receivable	0	0	0
Post Dated Cheques	464,476	244,346	0
Short Term Investments	0	0	0
Inventory	2,922,723	2,586,420	2,663,562



Spare Parts	0	0	0
<a href="#">Total Current Assets</a>	4,691,395	4,490,515	3,479,131
Long Term Investments	19,530	19,406	31,064
Fixed Assets,Net	2,922,723	6,866,457	6,687,875
Lands	0	0	0
Projects in Progress	80,860	104,049	255,859
Total Fixed Assets	3,003,583	6,970,506	6,943,734









Other Assets	4,135,735	0	0
<a href="#">Total Assets</a>	11,850,243	11,480,427	10,453,929

### [Liabilities & Shareholders Equity](#)

#### [Liabilities \(JD\)](#)

	2012	2011	2010
Accounts and Notes Payable	141,307	169,629	300,799
Credit Banks	3,230,999	2,561,529	1,248,610
Short Term Loans	0	0	0
Accrued Part of Long Term Loans	0	0	0
Total Current Liabilities	3,595,779	2,996,014	2,057,931
Long Term Loans & Notes Payable	0	0	0
Corporate Bonds	0	0	0

			
Other Liabilities	0	0	0
<a href="#">Total Liabilities</a>	3,595,779	2,996,014	2,057,931
<a href="#">Shareholders Equity (JD)</a>			
	2012	2011	2010
			
Authorized Capital	7,000,000	7,000,000	7,000,000
<a href="#">Subscribed Capital</a>	7,000,000	7,000,000	7,000,000
Paid in Capital	7,000,000	7,000,000	7,000,000
Compulsory Reserves	57,994	44,049	34,042
Voluntary Reserve	1,009,940	1,099,958	1,166,543
Other Reserves	0	0	0
Issuance Premium	0	0	0
Issuance Discount	0	0	0
			
Treasury Stocks	0	0	0
<a href="#">Proposed Cash Dividends</a>	196,000	350,000	0
Proposed Stock Dividends	0	0	0
Accumulated Change in Fair Value	-9,470	-9,594	2,064
			
			
	0	0	193,349
<a href="#">Total Shareholders Equity</a>	8,254,464	8,484,413	8,395,998
Minority Interest	0	0	0
<a href="#">Total Liabilities &amp; Shareholders Equity</a>	11,850,243	11,480,427	10,453,929
<a href="#">Income Statement (JD)</a>			
	2012	2011	2010
Operating Revenues	4,896,876	3,753,089	3,941,838
Operating Expenses	4,202,758	3,170,317	3,415,627
Gross Profit	694,118	582,772	526,211
General and Administrative Expenses	317,098	336,967	360,337
Selling and Distribution Expenses	77,552	46,524	41,204
Depreciation (Period)	173,492	128,214	117,789
Other Operating Expenses	28,000	18,312	0
Net Operating Income	271,468	180,969	124,670
Other Revenues	48,068	35,809	19,206
Other Expenses	0	0	0
Income Before Interest & Tax	319,536	216,778	143,876
Interest Expenses	162,371	116,705	201,449
Net Income Before Tax	157,165	100,073	-57,573
Income Tax (Period)	19,523	0	0

Income Tax (Previous Years)	17,715	0	0
Universities and Research Train Fees	0	0	0
Board of Directors Remuneration	0	0	0
Net Income	119,927	100,073	-57,573
			
Minority Interest	0	0	0
<a href="#">Net Income Pertains to Shareholders</a>	119,927	100,073	-57,573

[Cash Flow \(JD\)](#)

	2012	2011	2010
Cash Balance (Beginning)	101,980	33,196	877,065
Net Cash Flow from (Used in) Operating Activities	228,313	-1,033,588	1,887,817
Net Cash Flow from (Used in) Investing Activities	-333,604	-136,342	-601,592
Net Cash Flow from (Used in) Financing Activities	89,623	1,238,714	-1,961,850
Cash Balance (Ending)	86,312	101,980	201,440