صنـاعـات قـطـر
Industries Qatar

Company:	**Industries Qatar**
Conference Title:	**Industries Qatar (IQCD) 1Q-22 Results Conference Call**
Speakers from IQCD:	1. Mr. Abdulla Yaqoob Al-Hay, Assistant Manager Financial Operations, Privatized Companies Affairs, QatarEnergy 2. Mr. Riaz Khan, Head of Investor Relations and Communications, QatarEnergy 3. Mohammed Saffan, Sr. Financial Management Analyst
Moderator:	Bobby Sarkar, Head of Research – QNB Financial Services
Date:	**Tuesday, 26 April 2022**
Conference Time:	**12:00 Doha Time**

Operator: Good day, and welcome to the Industries Qatar Q1 2022 Results Conference Call. Today's conference is being recorded. At this time, I'd like to turn the call over to Bobby Sarkar. Please go ahead, sir.

Bobby Sarkar [QNBFS]: Thank you. Hi. Hello, everyone. This is Bobby Sarkar, Head of Research at QNB Financial Services. I want to welcome everyone to Industries Qatar's First Quarter 2022 Results Conference Call. So on this call from Qatar Energy's Privatised Companies Affairs Group; we have Mohammed Al-Sulaiti, who is the Manager in Privatized Companies Affairs. We have Abdullah Al-Hay who's Assistant Manager in financial operations, and we have Riaz Khan, who is the Head of Investor Relations and Communications. So we will conduct this conference with First Management, reviewing the company's results, followed by a Q&A. I would like to turn the call over now to Riaz. Riaz, please go ahead.

Riaz Khan [IQ]: Thank you Bobby. Good afternoon and thank you all for joining us. Hope you all are doing great.

Before we go into the business and performance updates of IQ, I would like to mention that this call is purely for the investors of IQ and no media representatives should be attending this call.

Moreover, please note that this call is subject to IQ's disclaimer statements as detailed on slide no. 2 of the IR deck.

Moving on to the call, on 25th April, yesterday, IQ published its results for the three-month period ended 31st of March 2022, and today in this call, we will go through these results and provide you an update on key financial and operational highlights.

Today on this call, along with me, I have:

1- Abdulla Al-Hay, Assistant Manager, Financial Operations; and
2- Mohammed Saffan, Sr. Financial Management Analyst

We have structured our call as follows:

- At first, I will provide you with a quick insight on IQ's ownership structure, competitive advantages and overall governance structure;
- Secondly, Abdulla will brief you on IQ's key operational and financial performance matrix;

- Later, I will provide you with an update on the latest segmental performance;
- And finally, we will open the floor for Q&A session.

To start with, as detailed on slide 5, the ownership structure of IQ comprises of QatarEnergy with 51% stake and the rest is in the free float held by various domestic and international corporates and individuals.

IQ is credit rated by S&P's with A+ and Moody's with A1 credit rating, with a stable outlook. QatarEnergy, being the main shareholder of IQ provides most of the head office functions through a service-level agreement. The operations of IQ group companies are independently managed by its respective Board of Directors, along with senior management team.

In terms of competitive strengths, as detailed on slide 8, the Group is well positioned with several competitive advantages it possesses strategically, operationally, as well as, financially. These strengths include:

- an efficient and well maintained asset base;
- a qualified and highly trained workforce;
- assured supply of feedstock and competitively priced energy contracts;
- lower operating cost;
- a dedicated marketing team in form of Muntajat, to market the Group's petrochemicals and fertilizer products; and
- most importantly a well experienced senior management team.

As detailed on slide 10, from competitive positioning perspective, IQ ranks among top tier companies within the regional downstream space, across most of the matrices.

In terms of the Governance structure of IQ, you may refer to slides 48 and 49 of the IR deck, which covers various aspects of IQ's code of corporate governance in detail.

I will now hand over to Abdulla.

Abdulla Yaqoob Al-Hay [IQ]: Thank you Riaz. Good afternoon and thank you all for joining us.

Starting with macroeconomic environment which remained uneven during the first three months of 2022, where demand for most of the downstream products slightly inched downward, as buyers remained cautious hoping for lower prices after reaching its peak last year. Also, seasonal effects weighed on most of the commodities' demand, mainly during early parts of the year.

On the other hand, specifically during later part of 1Q-22, supply side was affected amid Russia-Ukraine conflict enforcing sharp rise in energy prices.

Moving on to the financial performance for the first three-months of 2022, as detailed on slide no. 16 of the IR Deck, the Group reported a net profit of QR 2.7 billion as compared to a net profit QR 1.5 billion for the same period of last, and report a growth of 87%,

Group's improved financial performance on a year-on-year basis was largely attributable to the improved product prices, which on an average inclined by 55%, and translated into an increase of QR 2.8 billion in Group's bottom line earnings, as you can see on slide 17.

Sales volumes increased by 9% versus first quarter of 2021, primarily driven by higher plant operating rates, leading to improved production volumes and contributed QR 409 million positively to the current period's bottom-line earnings versus the first quarter of 2021.

The overall growth in selling prices and sales volumes led to an overall growth in revenues for the Group, which increased by 69% during the first three months of 2022, to reach QR 7.1 billion.

As detailed on slide 15, the Group's production levels were up on last year, by 5%. Growth in production volumes was mainly driven by multiple factors including the Group's recent decision to restart one of the previously mothballed DR-2 facility with a larger capacity, while mothballing previously operational DR-1 facility having a lower capacity. Additionally, the Group had higher number of operating days during 1Q-22 compared to 1Q-21, as there were relatively lower number of planned and unplanned shutdowns reported during the current period.

Moving on to **quarter-on-quarter performance**, compared to the fourth quarter of 2021, Group revenue and net profit improved, mainly linked to better sales volumes due to higher production, together with additional sales volumes from Qafco on account of timing of shipments carried forward from the fourth quarter of 2021.

Sales volumes increased by 25% on a quarter-on-quarter basis. On the contrary, product prices declined during first quarter of 2022 by 5% versus the fourth quarter of 2021, amid volatile macro trends.

Our robust business models and the strength of our global supply chain continued to leverage our resilience and provided flexibility to our operations, whereas, our continued positioning of being a low cost operator ensured our competitive edge.

Moreover, as detailed on slide 19, IQ's EBITDA margins continued to remain robust. Also, we continued to build our strong financial position with improved cash flow generation capabilities, and the Group generated QR 2.6 billion in terms of free cash flows during the current period, as detailed on slide 18.

I will now hand over to Riaz, to cover the segmental performance.

Riaz Khan [IQ]: Thank you Abdulla.

I will start with Petrochemicals segment.

As detailed on slide 25, performance of petchems segment improved with a net profit of QR 673 million for the current period, with an increase 11% versus the same period last year. This increase was primarily linked to improved product prices owing to better macroeconomic dynamics

The performance of the segment was also aided by higher production volumes as the segment's fuel additive operations were on a commercial shutdown during the first quarter of 2021. This was partially offset by slightly lower production volumes from polyethylene facilities.

Segment's blended product prices rose by 18% on a year-on-year basis, while sales volumes increased by 13%. Segmental revenue for the period reached QR 1.8 billion, with an improvement of 33% versus the same period of last year.

As detailed on slide 26, segment's EBITDA margins continued to remain strong. In terms of segment revenue by geography, as detailed on slide 27, Asia remains a main market for PE and MTBE, whereas, Indian sub-continent remains a key market for Methanol and PE.

Moving on to fertilizers segment, as detailed on slide 31, the segment reported a net profit of QR 1.7 billion for the current financial period, with an increase of 194% versus same period last year. This increase was mainly driven by growth in revenues which increased by 147%, to reach QR 4.0 billion.

Selling prices improved by 113% versus same period last year, while, sales volumes increased by 16%. On the other hand, production volumes remained flat versus last year.

As detailed on slide 32, segment's EBITDA margins continued to remain robust. In terms of segment revenue by geography, as detailed on slide 33, North and South Americas remain main market for fertilizers, along with, Indian sub-continent and Asia.

Now, let's discuss steel segment and you may refer to slides 35 till 40.

Steel segment reported a revenue of QR 1.3 billion, and net profit of QR 261 million, moderately up by 6% and 1% versus 1Q-21, respectively.

On overall basis, segmental revenue was up by 6% mainly on the back of increasing selling prices which increased by 18% on a year-on-year basis. The growth in selling prices was partially offset by a decline in sales volumes which declined by 10%.

As stated earlier, starting from this year the segment restarted DR-2 facility, as against DR-1 which was operational until the end of 2021. DR-2 has a production capacity of 1,500k MT's per annum compared to DR-1 that has an annual capacity of 800k MT's per annum. Switch in mothballing of facilities would provide an opportunity of approximately 400k MT's of DR per annum to be sold directly in the market.

Moving onto slide 38, segment's EBITDA margins continued to remain robust following the mothballing decision.

Now we will open the floor for the Q&A Session.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question at this time, please signal by pressing star one on your telephone keypad.

Bobby Sarkar [QNB FS]: Hi, this is Bobby Sarkar again. While we are waiting for questions from other analysts and investors, maybe I can get started with a couple of my own. On fertilizers, I just had a question that given the trajectory of prices that I see in the first quarter and considering that you had shipments delayed or pushed forward from the fourth quarter to the first quarter, I would have thought you would have had stronger sequential urea price realizations in the first quarter versus the fourth quarter. But I see that it's actually down 14% quarter-over-quarter. So can you please let us know why your realization actually went down in the first quarter versus the fourth quarter? And if you can share what the outlook is for urea in the near term?

And then secondly, for steel, I see the swapping of DR2 versus DR1, could you let us know what is the rationale behind this and when we can start seeing DR sales hit your top and bottom lines? And then finally again on steel, given that we are seeing the - we're anticipating the World Cup in November, December, would you expect like a general slowdown in construction in Qatar toward the second half of this year? And how will that impact your steel business? Thank you so much.

Mohammed Saffan [IQ]: To start with first question, the urea prices increased significantly during the fourth quarter. But the buyers pulled back or remained cautious during the first of quarter of 2022 because the prices have reached a kind of very high level. So the prices have pulled back during early parts of January and first half of February. But then the prices started to increase since the conflict between Ukraine and Russia in March. The overall impact on fertilizer prices for the Q1 was lower than overall pricing levels during Q4 of previous year.

Coming back to the question on steel, the rationale for moving into DR2, there are a couple of reasons. The reason number one, DR2, the market looks better, there is demand for DR. Number two, there is a shortage of scrap in the market. So if we operate only the DR1 facility, we cannot operate the steel melt shop at 100% capacity. In order to balance that so we opened the DR2 that produces 1.5 million metric tons of DR, without requiring steel scrap. So you use 1.1 million MT of DR for billet production and the balance 400,000 MT of DR, you directly sell in the market where there is a demand in the region for that as well.

The third question about the demand following the World Cup that everybody knows we will find buyers in the regional or international market for any excess volumes which could not be sold in the domestic market. And this is something we did in the last year as well.

Bobby Sarkar [QNB FS]: Yeah. Thanks, Saffan. That's clear. Just to follow-up on the fertilizers. Is this the carrying forward of the higher price inventory responsible for the significant decline in EBITDA margins from the fourth quarter to the first quarter? I see from 68% to 50%. Or is there something else going on there? Thank you.

Mohammed Saffan [IQ]: Basically, it's a function prices which were very high during Q4 and your feedstock price that has an element linked to your product prices also. Moreover, you carried forward part of your inventory, which has been priced at high-priced feedstock as well. So when it moved to Q1-22, obviously it had an impact as well and has an impact on EBITDA margin.

Bobby Sarkar [QNB FS]: Okay. All right. Great. Thanks. Operator, can we open it up for outside calls, please? Thank you.

Operator: Sure. Now, our first telephone - question from Faisal Al Azmeh from Goldman Sachs. Please go ahead.

Faisal Al Azmeh [Goldman Sachs]: Yes. Hi. And thanks for the opportunity to ask questions. Maybe just to follow up on the steel switch in operation. Just how should we think about margins going forward? Has the impact from the transition been realized in terms of the impact on margins? And how should we think about the actual sellable volumes from the transition when we think about the next few quarters? Have you reached what you need to reach in terms of production and volume sold? So that's my first question. Or should we still see some form of higher impact in Q2? Would you have higher overhead costs by any chance because of that transition as well? So that's my question on the steel segment.

Just following up on the fertilizer one as well, just to get a better sense of how should we think about Q2, so obviously, you've had also prices increase quite meaningfully in March. And I guess the question that I have is probably I'm assuming from a seasonality perspective, you'll have more volume sold into Q2. If prices fall again or normalize lower in the second quarter, will you have another margin compression or should we expect margins to improve from here on into the second quarter? That's my second question. And then just maybe finally, just on the expansion or the QAFCO 7 if you have any update on that, that would be helpful. Thank you.

Mohammed Saffan [IQ]:	Faisal, to answer your question, I'll go back start from your steel question. Now Steel DR2, basically it was started on January 7th, the week before our official launch start date. So we started before the planned restart. Now there were a couple of shipments that were included in the Q1 results. So basically, the annual capacity, the additional sales volumes would be around 400,000 metric tons. So part of those already sold as part of Q1-22. So we expect to achieve the full budget for the year if everything goes as expected. And your question with are we going to include any significant overhead increase for this? We don't think so because the facility was kept on warm status. So operating or restarting a warm status facility, you don't incur large operating costs to restart those facilities. Then the other thing is this facility, DR2 facility, is a newer facility compared to DR1 facility. It also has a capacity to produce a product called HBI, which is a little better product than DRI and it can be sold at a slightly better margin and it could be transported easily also and give you little better margin as well. So that will give you a slightly better margin. In terms of margin management, DR2 will provide slightly better margin. Part of the shipments' revenue has been recognized in Q1. The only thing is that is different, originally when we were running DR1, we were planning to use a mix of scrap plus DRI. But here in DR2 facility the use of scrap has been reduced, because of the scrap shortage. So for DR2 when it's moving into - from DR to EF for the steel melt shop, the use of scrap has reduced and replaced by use of more DR. So that is to answer your question related to steel operations. To answer your question about the fertilizer, during Q1-22 we had an operating cost impact because we were holding high-priced inventory coming from Q4-21. Q1-22 prices were also lower versus Q4-21, while we sold most of the inventory in Q1-22 which was carried forward from Q4-21. If you look at the sales volume of fertilizer, fertilizer volume sold in Q1-22 were high. If you remove the inventory impact of Q4-21, the volumes of Q1-22 remained relatively the same. Given that we do not maintain any significant inventory levels, going forward, any large price movement coming from the previous quarters may not have an impact. On overall basis, historic margins at IQ level remains relatively strong compared to the regional peers.
Safan:	Now on QAFCO 7, as of now as per the latest information we have, we are on track as per the initial announcement we made. Any updates, we will announce you - make an announcement no sooner we get a firm decision from the board.
Faisal Al Azmeh:	If you don't mind me asking just a follow-up question or an additional question, just when looking at your petrochemicals business - and we're just trying to get a sense of how the EBITDA has kind of been moving. But when you look at Q1 numbers and you compare it to Q3 of last year, in terms of the average level of product prices, it's higher on the petrochemical side for both the polymers and methanol and MTBE. And when you look at volumes as well, they're higher across the board, but then your EBITDA is pretty much flat with Q3. I mean, is there an impact on the feedstock cost that's driven by global energy prices that we need to factor in, and that's why the margin movement is relatively muted? Or is the feedstock pricing mechanism largely linked to the end product? And why hasn't margins improved when you compare them to Q3?
Safan:	It is also the same concept of place. The feedstock prices are linked to the same basis like fertilizer. You have a base and indexation to end product prices. In this case, it is indexed to the LDPE price. So when the price of goods goes high, you have - the operating cost increases. So it's - and also depending on the basket size, how big your LDPE sales volume. So in Q3 last year, probably there could have been more LDPE sales compared to more LLDPE sales. So depending on how big the basket is, your composition might change and the overall margins could change.
Faisal Al Azmeh:	Thank you.
Operator:	The next question comes from Alex Comer from JP Morgan.
Alex Comer [JP Morgan]:	Hi, guys. I don't want to sort of dwell on this, but just to go back to this margin issue in the fertilizer business, which you've you said is down to, you know, the stock moves, obviously, there was a big working capital release as well. So I assume that that's related to that as well. But you've also just mentioned about the linkage between feedstock prices and then selling prices. So maybe you could help us out here because obviously what we're trying to ascertain

is how much gearing you have to raising and selling prices. Is that what we need to think in here or is it more than that? And can you confirm that the margins in the fertilizer business are - they're much more dependent on this stocking issue than the feedstock issue? That's the first question.

The second question is, I notice a very sort of significant change in your sales patterns in the fertilizer business from sort of North America towards Asia. Just wondering, what brought that about - to South America as well, what brought that switch from the Americas to Asia and how is that impacted your end selling prices? Thanks.

Abdulla Yaqoob Al-Hay [IQ]: Yes, Alex. This is Abdallah. Related to the margin, as just highlighted by Saffan, that we have an element that linked to the final product price. The formulas are based on the basis of the average year-to-date of sales price of end-products. So the average for the first quarter is much higher than the average for the full year. So this is why you see the impact on the feedstock is higher from the last year. This is an additional point to what Saffan already highlighted. Related to your second part for the geographic sales, basically, we are targeting always a better margins. So this is an arbitrage opportunity where we see a better margin in certain regions. So we targeted that region. And of course, it will impact positively to our - in our performance.

Saffan [IQ]: Muntajat always, look at the sales blend which has forward sales or the spot sales. So if they find the spots are better in some other markets, they always can move shipments based on arbitrage opportunities. So that's why this time probably the sales have moved towards Asia.

Alex Comer [JP Morgan]: To just - back to this margin issue. So when we're looking at the gas price increase from a feedstock perspective based on the selling prices, you're saying that the quarterly move in the gas price, for instance, in the fertilizer business in Q1 2022 is based on the difference between the selling price in Q1 2022 and Q1 2021. Because obviously there wasn't a big increase in - well, in fact, the urea price went down from Q4 to Q1. And so the question is, did the gas price in your feedstock move up or down versus the Q4 position?

Riaz Khan [IQ]: Hi, Alex. Riaz here. So first you need to understand that how the end product pricing effects on the feedstock price. We take year-to-date average of the urea price for calculating the effect of end-product prices on the feedstock cost. So in the last year, the urea prices started to jump significantly only from the Q4. So last year's year-to-date average of the urea prices were significantly lower compared to the current year's year-end prices of urea. Hence, the average urea prices came up very high until 31st of March 2022 versus previous quarter. And that is actually affecting the feedstock cost and product indexation.

Alex Comer [JP Morgan]: Okay. All right. Thanks for your help, guys.

Operator: Shashank Lanka from Bank of America. Please go ahead.

Sashank Lanka [BofA]: Yes. Thank you very much for the presentation and the opportunity to ask questions. Just on the fertilizer segment, when I look at your average prices for the quarter, I think you mentioned around $670 per ton in Q1. We normally track our Bloomberg tickers, but, I mean, the average I see is about $800, $820. So I'm trying to understand the reason for such a big difference because we also saw this in the last quarter and this was not something that was seen previously. So can you give us some guidance on what's driving that? Are we seeing the wrong ticker for your company?

Riaz-ur-Rehman Khan [IQ]:	Shashank, you need to note one point that the Bloomberg prices are firstly are based on the market reports. We heavily caveat ourselves that when you look at the Bloomberg numbers, obviously you will see our discord. But the discord is not that significant. And the direction will remain the same. Either it's balanced, either it's bearish or it's bullish. But in terms of matching the exact numbers, let's say we are reporting an average selling price for the fertilizer business of $695/MT. So that's $695/MT cannot be 100% matching to the average of the Bloomberg because these are the prices which have actually been realized from the market. And by the way, if you go on slide number 34. You will see the breakdown between the urea and ammonia also because the price at the segmental level, you see it on here includes both the products. And then we are bifurcating those products on slide 34 by showing you urea and ammonia separately. But again, in all the cases, we cannot say that there is a 100% match between the Bloomberg prices and the prices, which is getting realized by actual commercial transactions. Indeed, the directions will be same, the trends will be same but actually realized prices for sure will be different.
Mohammed Saffan [IQ]:	And one more thing, when they report the prices, it could be, say, for example, a particular ticker, for example, Black Sea or Arabian Gulf. You know, our prices are basically the blended number that comes to us. Our price is a basket of prices that is realized at QAFCO.
Sashank Lanka [BofA]:	Okay. Okay. So basically, the pricing mechanism has not changed, which is what you did in the past. It's been the same.
Mohammed Saffan [IQ]:	Basically, the realized price FOB realized price booked in QAFCO's financials.
Sashank Lanka [BofA]:	Okay. And the second question I had was on the steel business, this DR2 unit, which you started, you said you're mixing lesser scrap to produce steel. But I was just wondering, how is that going to impact your margins? I mean, buying scrap in the market is cheaper than increasing operating rates DR2, right? Is that understanding correct?
Mohammed Saffan [IQ]:	But the point is, you know, the now the steel scrap is becoming less available. And number two, the second point is, if you operate DR1, the EF5 plant, the same melt shop, party will become less underutilized. So you're not going to operate the EF5 plant at 100%, which means there will be additional fixed costs, which cannot be absorbed into the operations. Hence, you'll be producing less pellets. End of the day, if you produce less pellets, you will be producing less rebars. Hence, your overall production will be reduced, which means your unit cost will be higher and your overall profitability will be lower. Now by moving into DR2, you are doing two good things. One is you are producing 1.5 million metric tons of DR, out of that, 1.1 million goes into EF5, the remaining 400,000 DR is sold. And the other point is that with 1.1 million DR you can continue to produce your rebar. And within the DR2, you can produce HBI also. As I mentioned earlier, the HBI is a higher quality steel product, which could get some better margins.
Sashank Lanka [BofA]:	Okay. Thank you for that. Thank you very much.
Operator:	Anoop Fernandez, SICO, please go ahead.
Anoop Fernandez [SICO]:	Yeah. Hey, thank you. The first question is on - again, on the margins and the gas cost at your fertilizer. So just to understand, is the base price in the formula, is it a fixed price like a $2 to $1.5 or whatever? Or is it the price at the end of the previous year? And secondly, is the variable component the average for the quarter, or is it a moving average through the course of the year? So basically, the price in September would be the average between - the average urea price between Jan of 2022 and the September of 2022. Or does it move on a quarterly basis?

Mohammed Saffan [IQ]:	The base price is a fixed price, a number, as you said. It could be a particular dollar number. And the indexation is a year-to-date number based on the end product price. For the fertilizer, it's urea price.
Anoop Fernandez [SICO]:	So any guidance on where the weightage is higher, is it on the base price, or is it on the variable side in the formula? Without giving us any numbers which you cannot share.
Riaz-ur-Rehman Khan [IQ]:	I think that really depends on which side of the graph you are standing. So in case of a high price environment, obviously the variable chunk can play a part. But in case of a low price environment, the fixed position will play a part. So that's very basic view point mathematically.
Anoop Fernandez [SICO]:	Okay. Just a question on the steel as well. You've mentioned the shortage of scrap. You know, could you please give us some sense of what is really driving the shortages? Is it a macro question? What is driving the shortages? Is something that you're seeing only now or is it something that's been brewing for some time? Any color on that?
Mohammed Saffan [IQ]:	So generally, what is scrap? You know, old buildings, the vehicles that have been used, have been reused, so the scrap are coming from those. So now it is coming to a natural maturity. So with that, the availability of scrap is getting reduced.
Anoop Fernandez [SICO]:	So this is locally sourced scrap. It is not imported, right?
Mohammed Saffan [IQ]:	Yeah. Obviously, locally sourced scrap.
Anoop Fernandez [SICO]:	Okay. Okay. Thank you.
Operator:	Leszek Baranski. Millennium. Please go ahead.
Leszek Baranski [Millennium]:	Hello. I would like to ask a few questions about the recognition of revenues and inventories. So because in some cases you send your products - let's focus on fertilizers. So in some cases, you send your fertilizers closer, let's say, to India. In other cases, you send it to South America. So when do you recognize the revenues? When you load the product on the ship or when product arrives?
Mohammed Saffan [IQ]:	It depends on the Incoterms. There are FOBs and there are CIFs as well. So some shipments are recognized no sooner it's loaded to the ship, some shipments are recognized no sooner it's reached the customer. So depending on the Incoterms, the shipment is on FOB, shipment is on CIF.
Leszek Baranski [Millennium]:	Okay. And on average, so is there like a big difference that most of your contacts are on delivered basis or FOB basis or it varies from quarter to quarter?
Mohammed Saffan [IQ]:	To my understanding, most of them are on a FOB, majority of them are on a for me.
Leszek Baranski [Millennium]:	Okay. So there is no big gap between the contract prices and unloading. Okay.
Mohammed Saffan [IQ]:	Pretty much of the risk is passed on to the counterparty because we don't take the shipping risk in most cases.
Leszek Baranski [Millennium]:	Okay. Okay. Understood. And regarding inventories, you mentioned that in fertilizer business, usually, you don't have big inventories. So there were inventories end of 4Q, you sold it in 1Q. But when I look at your financial statement, financial statement is consolidated. So it does not have only fertilizers, it has got other segments as well. So it always shows some inventories. So is it true that fertilizer inventories -
Mohammed Saffan [IQ]:	This is raw materials and are spare parts, not only the finished goods. But you see in the inventory, you have iron oxide pellets. That's a big amount. You need those items to produce the finished goods.
Leszek Baranski [Millennium]:	Yes. Okay. So basically, should I assume that in fertilizer segment, usually end of the quarter, there is no much of finished products left in inventories?

Mohammed Saffan [IQ]:	Yeah. Usually, you don't have you might have -
Leszek Baranski [Millennium]:	Okay, understood. So such situation which happened between 4Q and 1Q it's unusual. Or happens sometimes, but not, not very often.
Mohammed Saffan [IQ]:	It was a one-off.
Leszek Baranski [Millennium]:	Okay, understood. And coming back to 1Q because there were plenty of questions about pricing and so on. In 1Q I saw that prices were extremely volatile, so they were collapsing in February and then they went up a little bit in March. So maybe it could be some part of explanation that actually because prices were so volatile and Bloomberg is not showing you a weighted average of these prices weighted with volumes, so I guess that a lot of customers they wanted to buy at the lower end of this volatility. And I saw this Indian tender, for example, it was finalized at the lower end rather than higher end. So maybe it could be some explanation why, in fact, IQ prices were lower. But I assume that hypothetically, if we assume that in the second or third quarter, if prices are more stable, let's assume that average will be $800, hypothetically, then we should assume that Muntajat should realize prices close to average prices. Is that correct?
Mohammed Saffan [IQ]:	Again, depends on to which geography it is sold and which basket of prices you use. Basically, as I said, there are different benchmarks. Say, for example, if it is delivered to the USA, and as one of the investors asked, so this time the shipments were mostly sold to Asia compared to the USA or the Far East. So depending on which market, depending on how the prices are realized, it could change. But again, we have a - Muntajat itself does some benchmarking analysis. Their price realizations are generally above the benchmarks. As you said, probably if the timing of benchmarks are in line with Muntajat, they should align.
Operator:	Thank you. That's all the time I had for questions today. With this, I'd like to hand the call back over to Bobby for closing remarks. Bobby, over to you.
Bobby Sarkar [QNBFS]:	Thank you. I want to thank Abdulla, Riaz, and Saffan for taking the time to answer our questions. There were a lot of questions this time and we'll - I guess we'll pick these up next quarter. Thanks, everyone. Thank you.
Abdulla Yaqoob Al-Hay [IQ]:	Thank you.
Operator:	This concludes today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.