

Oman Cables - FY09 Earnings First Cut (CMP- RO 1.552)

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Aftermaths of global economic slowdown, decline in revenue

- Oman Cables has announced its audited results for FY09. The sales revenue during the year declined by 48.9% YoY to RO 155.6 million as compared to RO 304.377 million in FY08. However, the overall sales volume in tonnage basis dropped by 24% YoY. The decline in topline was on account of the lower product demand and subdued copper prices.
- The average price of LME Copper Spot was at USD 5,178 /MT during FY09 as compared to the average price of USD 6,959 /MT in FY08, a decline of 25.6% YoY. While for the full year 2009, the copper prices had increased by 141% to close at USD 7,342 /MT from the levels of USD 3042 /MT during the beginning of 09. During Q4FY09, the copper prices increased by 13.7% on QoQ basis.
- For Q4FY09, the company has reported total revenue of RO 43.043 million as compared to RO 36.583 million in Q3FY09, an increase of 17.7% on QoQ basis.

Demand scenario remains mixed during FY09

- During 2009, the domestic market demand continued to remain strong with the Government emphasis on infrastructure spending. In the same period, the company also saw consolidation of demand across the GCC markets backed by the ongoing projects in the Power, Telecom, Water and Transportation sectors.
- While the demand from the international markets remained subdued on account of dwindling demand across the globe which had forced the customers to reschedule their plans and push back new projects which in turn had resulted in a lower off take of end products.

Marginal growth in PAT, above our estimates

- Oman cables witnessed moderate growth of 8.2% YoY in net profit to RO 6.6 million for FY09 as compared to RO 6.1 million in 2008. This is above our estimates of RO 6.217 million. While the net profit margins improved to 4.26% in 2009 as against 2.01% in 2008. This was achieved on the back of efficient cost management along with reduced overhead costs and lower inventories aligned to market demand.
- For Q4FY09, the company has reported a PAT of RO 3.158 million as compared to RO 2.436 million in Q3FY09, reporting a robust growth of 29.6% on a QoQ basis. This is above our estimates of RO 2.772 million for Q4FY09.
- During FY09, the company has repaid loans worth RO 40.4 million thereby reducing overall financing costs aiding improved margins. As at end of 9MFY09, the total bank borrowings of the company stood at RO 33.50 million as compared to RO 78.401 million at the end of FY08.



Demand outlook remains strong

- During 2009, the company has got the product certification from British Approvals Service for Cables, United Kingdom. This would enable the company to enhance its market share in global markets and also gives access to new markets on a broader global customer base going forward.
- Expects the local market demand to remain strong on the back of continuing infrastructure spending and the company has taken steps to enhance their product mix for further penetration in the domestic market.
- The company foresees a positive growth in the GCC and MENA regions on account of healthy demand which would be driven by key projects such as inter-linking of the Electricity Grid in the GCC region, rail transportation, metro projects, etc.
- Oman Cables subsidiary Oman Aluminium Processing Industries LLC which is into manufacturing Aluminum Rod & Conductors is at advanced stage of completion and is expected to commence its commercial operations in early 2010.
- At the current market price of RO 1.552, the company is trading at a PE (FY09 EPS – 0.074) of 21.09X. The company has proposed 30% cash dividend for FY09 on which the dividend yield works out to 1.9% at the current levels. Though the company is optimistic on the demand outlook for the current fiscal year, we reiterate our **'Neutral'** outlook on the back of lack of clarity in order book addition for 2010.

We would be issuing a detailed note on availability of detailed audited results for FY2009.

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