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Al Maha Financial Services LLC

Initiating Coverage on Voltamp Energy SAOG



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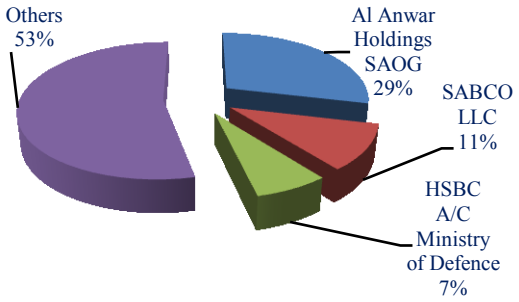
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Target Price: RO 0.596 **Rating: Accumulate**

MSM Ticker	VOES
Current Market Price	0.539
Face Value (RO)	0.100
52-wk High / Low (RO)	0.712/ 0.400
52-wk High / Low (dt.)	29-09-2009 / 07-06-2010
Equity Capital (RO. mn)	5.5
Market Cap. (RO. mn)	29.65

Share Holding Pattern as on 30 June '10



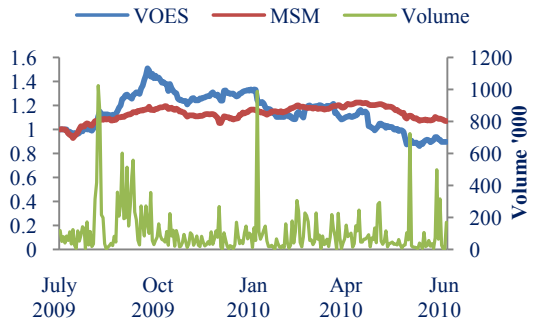
Ratios

	FY08	FY09	FY10E	FY11E
P/E	10.3	14.20	11.37	11.84
P/BV	1.56	2.10	1.89	1.75
Dividend Yield	7.8%	5.6%	4.4%	4.2%
EV/EBITDA	6.82	13.08	9.38	8.68
RoE	15.6%	14.8%	16.6%	14.8%
RoA	11.3%	10.2%	14.5%	9.3%

Relative Performance (%)

	MSM 30	VOES	VOES over MSM
1 Month	1%	15%	14%
3 Month	-6%	10%	16%
6 Month	-6%	3%	9%
12 Month	17%	38%	21%

Movement of VOES v/s MSM 30 Index



Key Positives

- ***Infrastructure spending and the Investments to fuel growth in the Power sector***
- ***Demand for transformers to increase with the Power Sector growth at 12-15%***
- ***Limited Competition, enjoys large entry barriers***
- ***Dominant market leader in the transformer segment enjoying 60% of the market share in the Sultanate***
- ***Profitability to improve on prudent internal cost control measures and better cash management***
- ***Demand to be powered by strong capacity expansion plan***

Risks & Concerns

- ***Fluctuations in Copper, Steel and Oil prices can impact raw material costs, thereby affecting the bottom line***
- ***Threat of dumping from UAE is a concern***
- ***Any unforeseen delay in the capacity expansion or breakdown may affect the profitability***

Outlook & Recommendation

We maintain a positive outlook on Power sector growth story of Voltamp Energy SAOG in the long term.

At current market price of RO 0.539, the stock is trading at a P/E of 11.37x of FY 10 forward earnings. We have arrived at a target price of RO 0.596 based on our weighted average valuation matrix. We are bullish on the stock and recommend accumulate rating with 11% upside from the current price in 9 to 12 months.

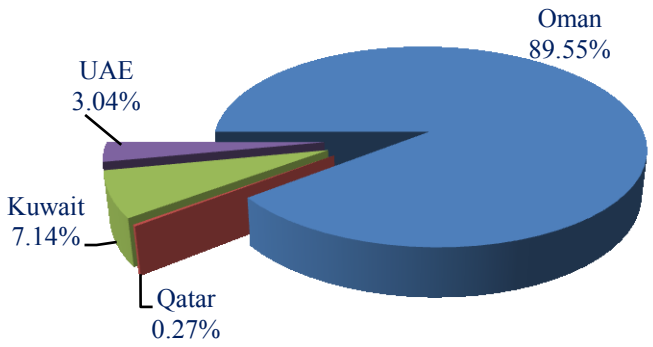
Financials

	FY 08	FY 09	FY 10E	FY 11E
Revenue	13,474,961	12,433,494	14,349,739	19,196,398
Cost of sales	9,501,451	8,861,651	9,865,657	13,900,742
Gross Profit Margin	29%	29%	31%	28%
EBITDA Margin	18%	16%	19%	15%
Net Profit Margin	15%	16%	18%	13%
EPS	0.045	0.044	0.047	0.046
BVPS	0.288	0.297	0.285	0.307

Voltamp Energy SAOG - A Snapshot

Voltamp Energy SAOG, established in 1987 is the flagship company of the Al Anwar Group. The Company originally registered as a limited liability entity was converted to a joint stock company with effect from 6 August 2008. Voltamp is primarily engaged in the design, engineering, manufacture, assembling, marketing and maintenance of transformers, low voltage switchgears. The Company currently is a market leader in transformer segment with 60% share. Voltamp Energy mainly caters to Oil and Gas sector and Utility Sector. The Company's major clients include Larsen & Turbo Limited, Schlumberger, Galfar Engineering and Contracting, Dubai Electricity & Water Authority, Qatar General Electricity & Water Corporation and Majan Electricity Company.

Geographic Segments



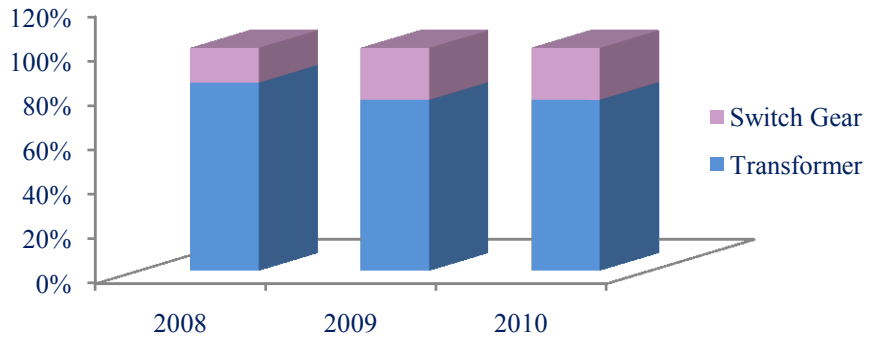
Source: Company Reports & Al Maha Financial

Voltamp Energy presently derives the lion's share of its revenue from the local market. The Company is currently focusing to expand its customer base in the wider MENA region, with a primary focus on the GCC markets, including Kingdom of Saudi Arabia, Kuwait, United Arab Emirates and Yemen.

Product Portfolio

- ***Transformers***
  - Distribution transformers
  - Power Transformers
  - Earthing transformers
  - Special transformers with multi-tap construction
- ***Switchgears***
  - Custom Built Panels
  - Capacitor bank Panels
  - Automatic Power Factor Correction Panels

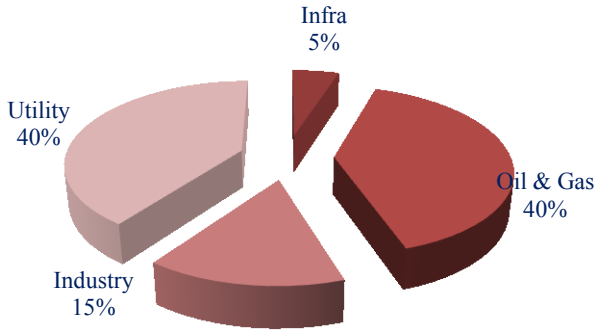
Product Mix by Revenue



Source: Company Reports & Al Maha Financial

Voltamp generates about 85% revenue through transformer segment and the remaining 15% through LV switchgears and panels.

Customer base



Source: Voltamp Energy & Al Maha Financial

The company enjoys the advantage of maintaining its major client base of 80% in the dominant sectors Oil and Gas and Utility in the Sultanate.

Subsidiaries and Associates

Voltamp Energy has two subsidiaries.

- **Voltamp Transformers Oman LLC** : Established in 1991 in collaboration with Babcock Transformers UK, VTO is a certified ISO 9001company that specializes in a range of power, distribution and speciality transformers. VTO has a state of the art manufacturing facility located in the Rusayl Industrial Estate where it currently manufacturers transformers with capacities ranging from 50 KVA to 30 MVA, 33 KV Classes.

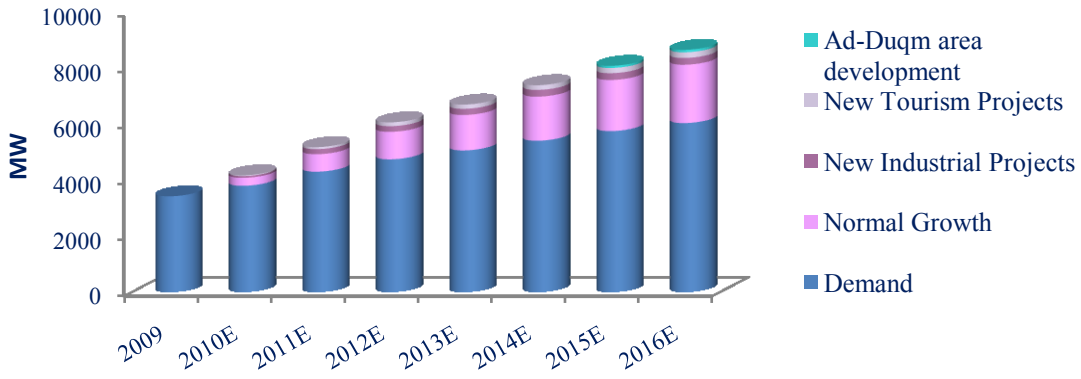
- **Voltamp Power LLC**: Voltamp Power LLC is a 100% subsidiary of Voltamp Energy. Voltamp Energy is in the process of setting up one of the largest plants for manufacturing power transformers in the region through this subsidiary Company. The proposed facility will have a transformer manufacturing capacity of 4,500 MVA.

Investment Theme

Clear visibility in the Energy sector growth

GCC region is witnessing increasing demand for power as a result of the rapidly developing infrastructure and the demand is expected to continue with the increasing industrialization and population. The Industrial projects carried out with participation of foreign companies like General Electric, L&T in the power projects, are likely to strengthen the demand for power and distribution transformers in the region. The total demand for power has grown about 13% in 2009 and going forward, it is expected to grow at 12 to 15%. The maximum power demand in the Main Interconnected Systems in the Sultanate is expected to grow from 3,424 MW in 2009 to 6,043 MW by 2016, which translates to an average increase of around 8.5% or 374 MW per year. As a result the power sector revenues in the Sultanate are set to wetness a proportional growth from the present levels of RO 25-30 million.

Power Demand - Oman



Source: OPWP & Al Maha Financial

Potential gainer from the Government's continuing support to Power Sector

Subsidies and financial grants to electricity companies totaled RO 163.2 million in 2009, underscoring the government's continuing support for the Sultanate's rapidly expanding power sector. Subsidy payouts have been on the increase as the government helps distribution companies meet part a generous part of the cost of supplying electricity to consumers around the country. Subsidies account for over a third of the cost of supplying electricity to consumers in the Main Interconnected System, serving more than half a million customers, as per the regulator for the Sultanate's power and related water sector. The Authority has projected a subsidy payout totaling RO 132.4 million in 2010 to the three licensed electricity suppliers catering to the Main Interconnected System (MIS).

The derived demand of electrical paraphernalia for the transmission and distribution from the energy sector growth supported by the government subsidies is expected to give a boost to electrical equipment makers like Voltamp Energy.

Capacity Expansion to shore up growth

Voltamp Energy is going ahead with the recently announced a Capacity expansion plan in Sohar to cater the increasing demand for transformers. The new project will expand the company's product range by offering power transformers which will cater the local demand as well as the wider Middle East and North Africa (MENA) region. The new plant will manufacture large transformers up to 315 MVA in 132 KV classes which will enable them to take order of higher ratings.

Voltamp will be investing RO11 million for setting up one of the largest plants for manufacturing power transformers in the GCC through its 100% subsidiary company Voltamp Power LLC. The company will be using use half of its parent's cash reserve of RO8 million to part-fund the project while the balance funding of RO7 million would be met by bank financing. The proposed facility, spread over 80,000 square meters inside the Sohar Industrial Estate, will have a transformer manufacturing capacity of 4,500 megavolt ampere (MVA). The orders for procuring the major equipments have already been placed and the new project is expected to commence production from the first quarter of 2011. The transformers will be manufactured under license from Taiwan's Tatun Company, which also has the right and the option to pick up 20 per cent stake in Voltamp Power at a later stage. The new facility is expected to achieve 100% capacity in the fourth year of operations. Total capacity of the Company with this expansion is expected to be 6000 MVA. The new plant will produce large transformers up to 315 MVA in 132 KV class which will enable Voltamp to take order of higher ratings.

We estimate a steady improvement in the capacity utilization rate over the first four years of operations reaching around 80% by 2014 with the improving economic conditions and the increasing demand. The added capacity will help Voltamp Energy to tap the opportunities from the strong growth in the power transformer market with the diversification of its product portfolio.

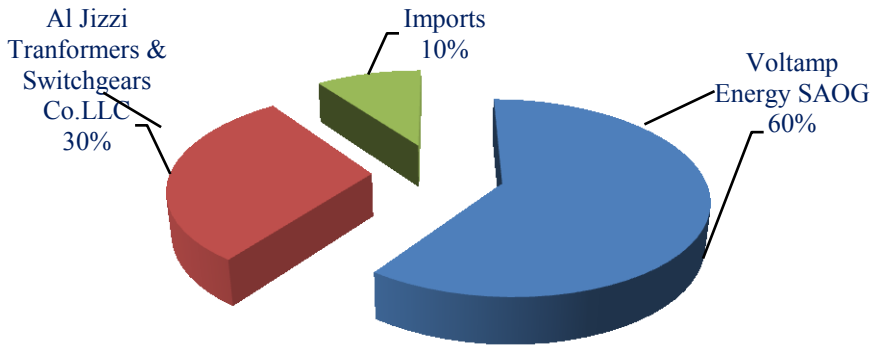
Strategic location, an added advantage…

Voltamp Energy will enjoy advantage of the proximity to the Sohar Port, which will help in the import of raw materials and export of the transformers and give the Company an edge on transportation cost and delivery time.

Dominant Market leader in the Transformer Segment

Voltamp Energy shares the space with Al- Jizzi Transformers & Switch Gear LLC in the local transformer market. The Company remains as the market leader enjoying 60% of the market pie. With the increasing demand for power, we expect an increase in number of players in the local market in the coming years. Stringent quality norms adhered by the Company in order to achieve high standards of quality in its products & services and the big names client base has helped Voltamp to maintain its market share.

Market Share by Revenue



Source: Voltamp Energy , Al Maha Financial

Clean Balance Sheet after the stake sale in VMCQ

Voltamp Energy has divested its entire stake (765,000 shares representing 51% equity) in its loss making Qatari subsidiary, Voltamp Manufacturing Company WLL, (VMCQ) in the financial year 2009. The Company had accumulated losses of QR 8,537,578 incurred by the Qatari facility over the past two years, resulting in the erosion of t its capital by 57 per cent. Voltamp's clean balance sheet after the write off of losses in VMCQ is expected to support for its expansion and growth.

Positive Macro Economic Factors

Infra spending to increase power demand

The increase in the infrastructure investments in the 2010 budget continues to reflect government's long term policy objectives aimed at improving public infrastructure within the framework of the Seventh Five –Year Development Plan (2006-2010). The increasing expenditure related to oil and gas production and infrastructure is expected rise in demand for power and in turn fosters the demand for power equipments including transformers.

Rising Housing Demand to boost power consumption

Demand flow is expected to increase from the housing and real estate market in Oman which contribute 5% to GDP. During the period 2003-07, around 196000 plots were distributed to Omanis against which only 37000 building permits have been issued. This leaves about 160000 plots awaiting potential developments pointing to the increase in power consumption.

Oman to witness Budgetary Surplus

With the indications of global economic recovery, average crude oil prices have been assumed at US $ 50 per barrel in the 2010 budget. The total expenditure for the year is estimated to be RO 7.18 bn against revenue of RO 6.38 bn, posting a fiscal deficit of RO 800 mn. However, currently the oil prices are hovering at around $75 per barrel; assuming the oil prices to stabilize at $70 per barrel, we expect a budgetary surplus during the year. This will encourage government to take up infrastructure and development at a faster pace thereby increasing the demand for power.

Risks and Concerns

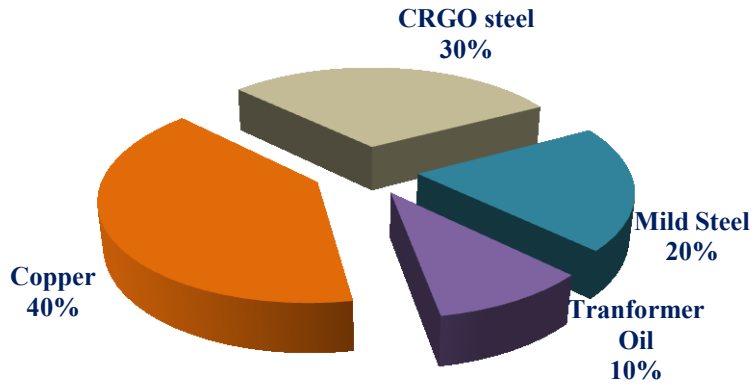
Threat of Dumping from UAE

The dumping by the UAE manufacturers in the Oman market at cheaper prices which just cover their direct cost can lead to pricing pressures and thus contraction of margins for the local players like Voltamp Energy.

Fluctuations in raw material costs

Profitability in transformer industry is a function of critical factors such as design of the transformer with optimum utilization of raw materials and the efficient working capital management. Raw materials constitute 60-70% of the net sales in the industry. The volatility in the prices of the major raw materials such as copper, CRGO, transformer oil and steel can directly impact the bottom-line of Transformer manufacturers.

Break up of Raw Materials by Value

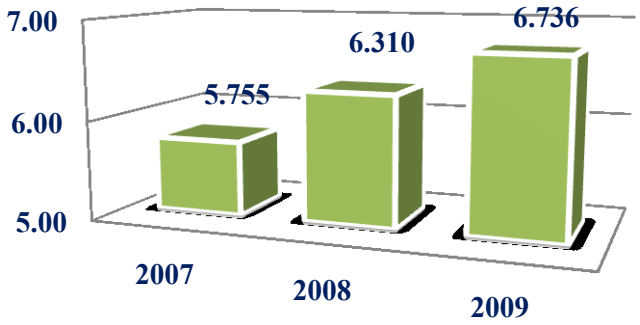


Source: Voltamp Energy, Al Maha Financial

Performance Overview - Voltamp Energy SAOG

Steady Z scores

We have carried out a Z-Score Analysis to ascertain the financial strength of Voltamp Energy. The steadily increasing Z scores above 5 during the previous three consecutive years based on the published financials indicate Voltamp Energy's financial stability and limited probability of financial risks.



Source: Al Maha Financial

We have used the following five ratios weighted by coefficients for the computation of Z score of Voltamp Energy. As model is a linear combination of five different ratios, as a single measure is unlikely to predict the financial strength of the firm and also does not cover the scope of entire activities of the firm.

- **Working Capital to Total Assets** measures the liquid assets in relation to the size of the company.
- **Retained Earnings to Total Assets** measures the profitability which indicates the company's age and earning power.
- **Earnings Before Interest and Taxes to Total Assets** indicates the operational efficiency apart from tax and leverage.
- **Market Value of Equity to Book Value of Total Liabilities** adds market dimension that can show stock price fluctuation.
- **Sales to Total Assets** measures of a firm's efficiency in managing its assets in relation to the revenue generated

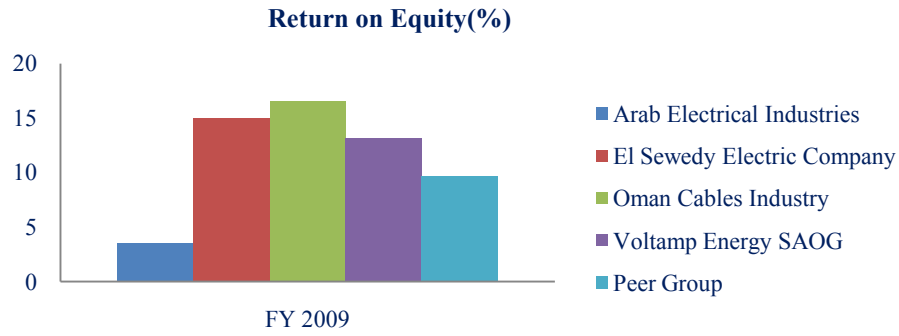
The Interpretation

Z-SCORE	Interpretation
Above 3.0	***The company is safe based on the financial figures***
Between 2.7 and 2.99	On Alert. This zone is an area where one should exercise caution.
Between 1.8 and 2.7	Probability of Financial embarrassment is very high.
Below 1.80	Good chances of the company going bankrupt.

Well Positioned among the peers in the region

Voltamp maintains better operational efficiency in the profitability terms of returns and margins compared to the peer companies with similar business models in the GCC region.

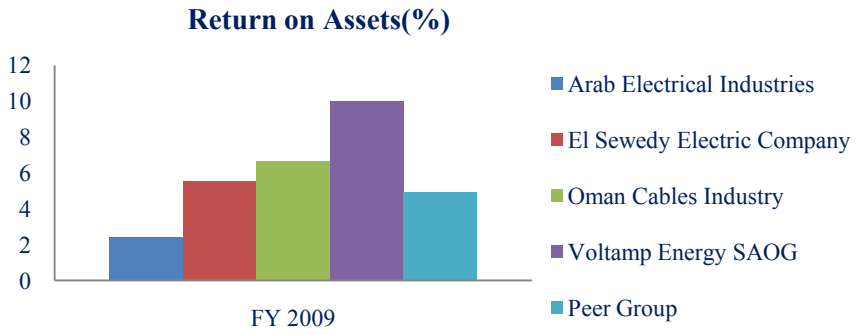
Return on Equity



Source: Zawya, Al Maha Financial

Higher compared to the peer average.

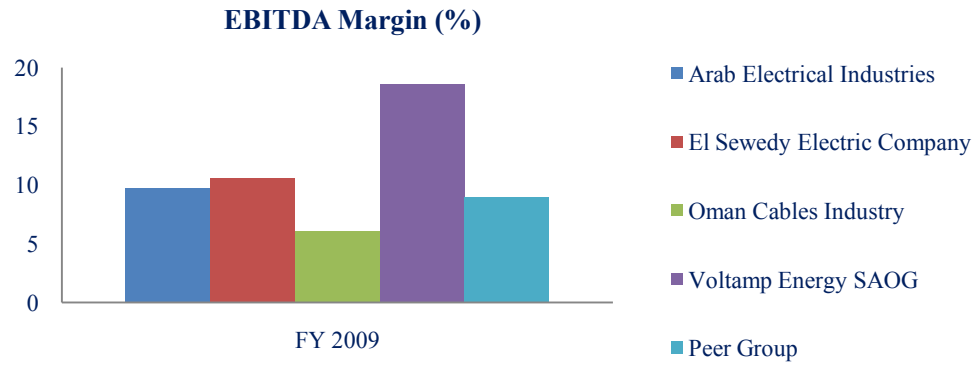
Return on Assets



Source: Zawya, Al Maha Financial

Highest among the peers

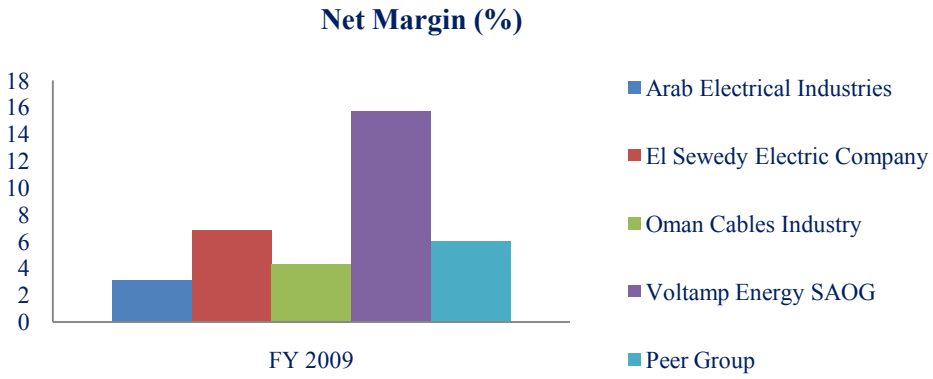
EBITDA Margin



Source: Zawya, Al Maha Financial

Highest EBITDA margin among the group.

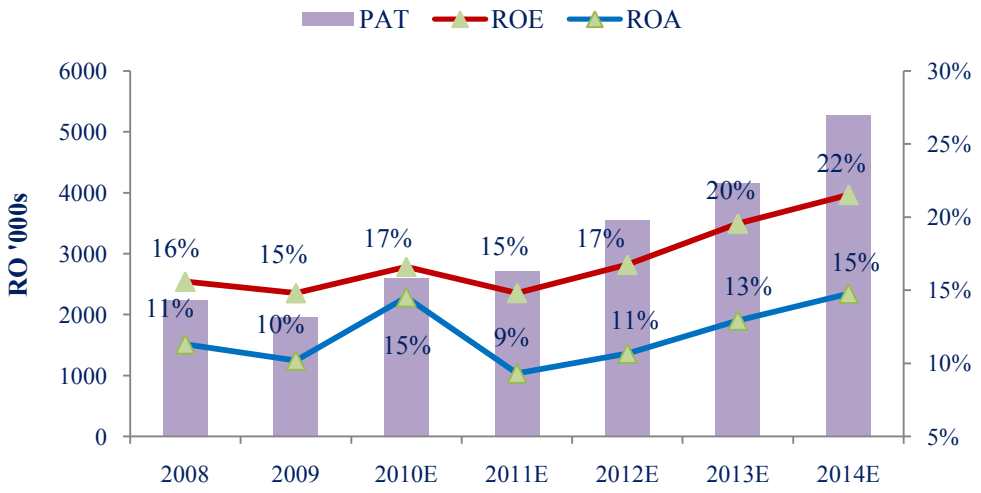
Net Profit Margin



Source: Zawya, Al Maha Financial

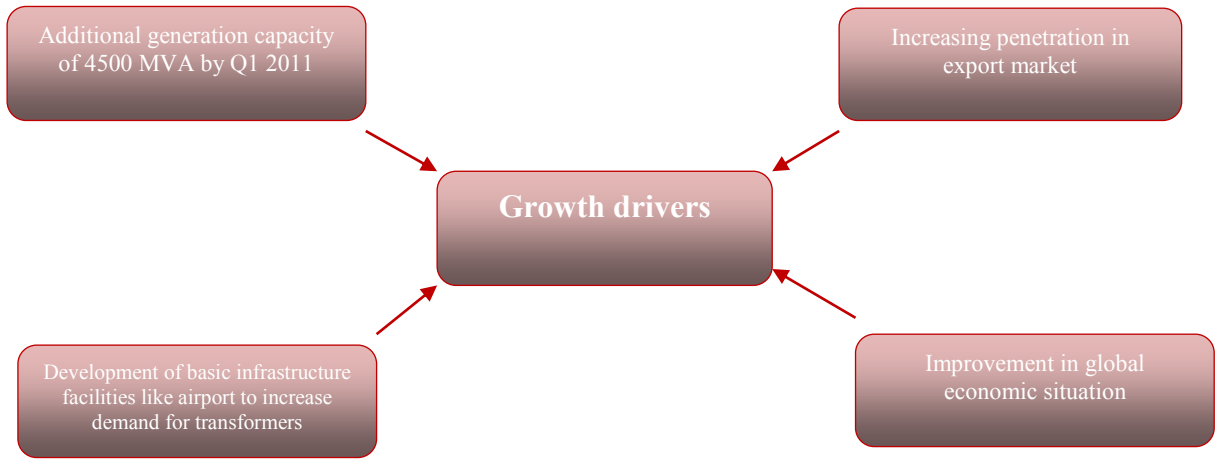
Voltamp Energy enjoys the highest net profit margin among the peers.

Stable growth ahead



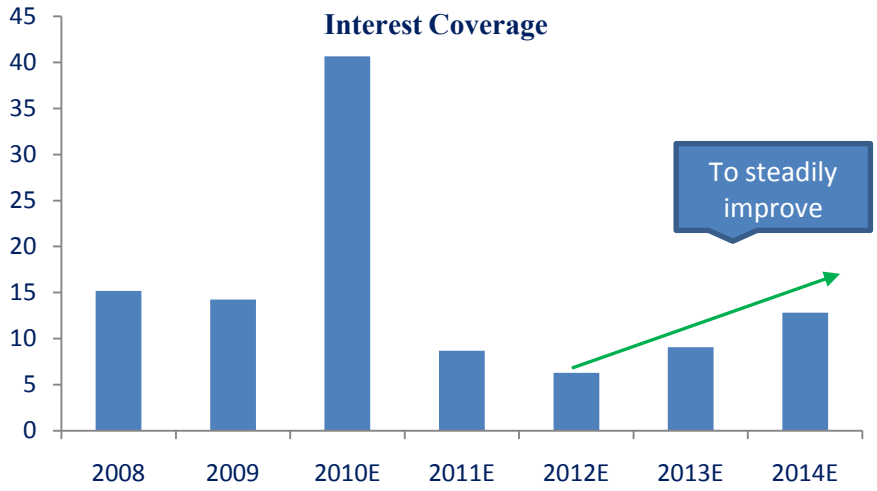
We expect the net profit of Voltamp Energy to grow at a CAGR of 22% over the next four years backed by the added capacity and the increasing demand. The returns are expected to peak followed by a dip in 2011 due to the capacity expansion.

Growth Matrix



Solvency levels to sustain

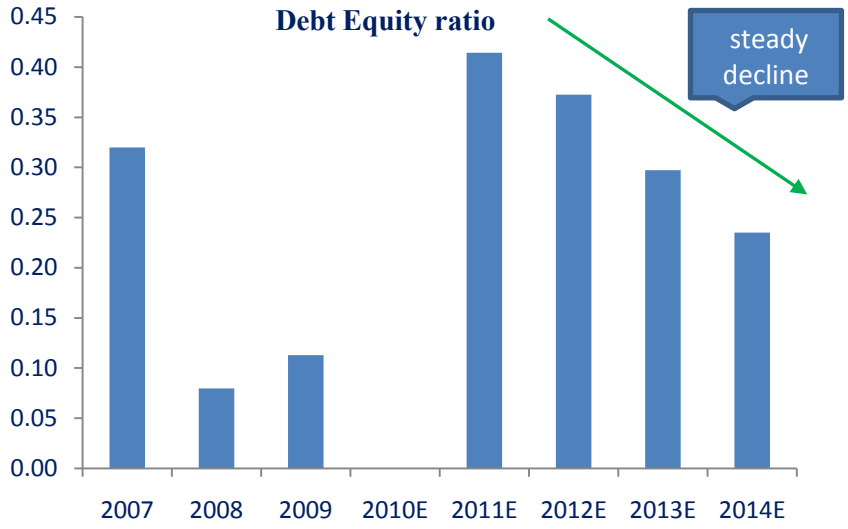
Voltamp Energy has shown steady solvency levels with the improving interest coverage. The Company will be availing a credit facility of RO 7 million next year for financing its capacity expansion and the repayment is expected to start after two years. We expect the Company to continue the same levels of coverage after 2015 with the new capacity becoming completely operational.



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Source: Al Maha Financial

Voltamp is relatively less leveraged with the current Debt Equity ratio of 0.1. However the leverage will be increasing with the expansion on track and going forward we expect the company to get back to present leverage levels.

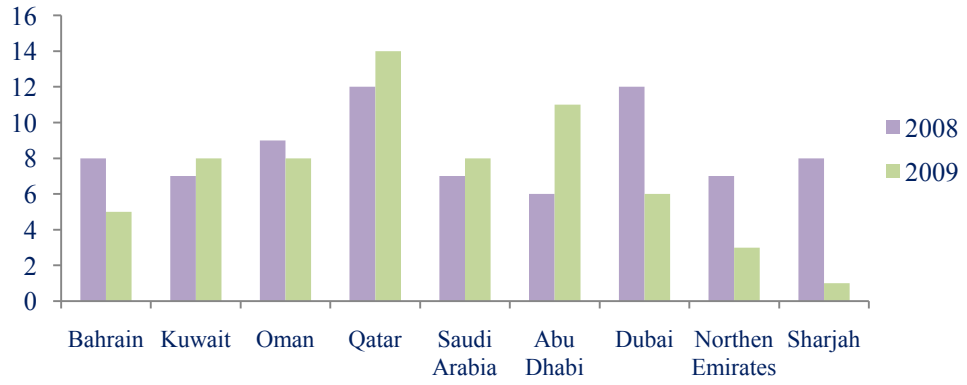


GCC Power Sector on the Growth Trajectory…

Power sector in the Middle East region has been growing steadily for past few years and has been attracting international players for investments in generation, transmission and distribution of electricity. Increasing residential subscribers, rapid industrialization, government subsidies are among the prime factors pushing the electricity demand in the region and thus, resulting in a promising electricity sector with huge future growth potentials. The demand for power in the MENA region is huge and expected to double by 2030.

Energy demand in the GCC region has continued to increase backed by the rising infrastructural needs and industrialization. According to the regional electricity network that services four GCC countries including Qatar, Bahrain, Kuwait and Saudi Arabia, an additional 55,000MW of power will be produced in 2015. There is currently $125.3 bn worth of power generation, transmission and distribution projects under way in the GCC. Regional capacity stands at 75,000MW and is anticipated that power demand in the region will grow 9.5% annually.

Peak Power Demand Growth (%)

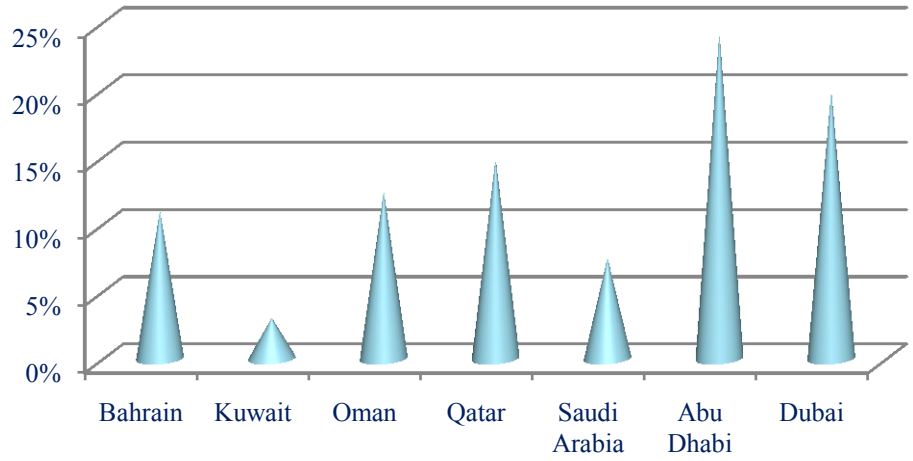


Source: MEED & Al Maha Financial

The governments in this region have liberalized their Power Sector policies and are currently in the process of formulating privatization strategies. The privatization of the Power Sector will not only strengthen their power generation infrastructure, but also an efficient management of transmission and distribution will provide desired balance between power demand-supply mechanisms.

Investment in new generation capacity is not only enough to meet the rising usage, but also to build country's reserve margin. Industry norm is to keep 10-15% of the capacity. This helps the countries to cope with unexpected increase in demand. Currently Saudi Arabia, one of the largest power consumers has a cushion of only 7.4% of the capacity as the reserve margin.

GCC Power Reserve Margin



Industry Structure - Transformers: Porter's Five Forces Model

Threat of New Entrants

Barriers to Entry
- Huge Investment
- Technology
- No product differentiation
- Capacity augmented in large increments

Bargaining Power of Suppliers
- Limited
- Majority of the raw materials are exchange traded
- Price decided by market forces of demand & supply

Industry Rivalry
- Limited
- Oligopoly market
- Competition from UAE

Bargaining Power of Buyers
- Limited
- Availability of Cheaper Products from UAE
- Low Switching cost

Threat of Substitutes
- No substitutes available

Threat of New Entrants
Threat of new entrants is very low due to presence of large entry barriers. Manufacturing transformers require huge capital investment which acts as an entry barrier. Other entry barriers capacities have to be increased in huge volumes and the technology have to be upgraded which requires tie ups with foreign firms, more automation is required, and the product cannot be differentiated.

Threat of Substitutes
Transformers cannot be substituted by any other product. Hence, the threat from substitutes remains very low.

Bargaining Power of Suppliers
Bargaining power of suppliers remains limited as about 70% of the raw materials are exchange traded commodities; hence price is decided by market forces of demand and supply. Therefore it limits the bargaining of suppliers to only 30% of the raw material imported like CRGO steel which is available only with handful of global manufacturers like Thyssen, Nippon, Corus, and Kawasaki Steel.

Bargaining Power of Buyers
Buyers enjoy a bargain to extent of cheap Products available from UAE market. Switching cost remaining low gives buyers some scope for bargaining.

Industry Rivalry
Transformer industry is an oligopoly market with a few sellers present. The competition mainly comes from UAE who dump into the local markets leading to a price war.

Oman Power Sector – At a Glance

Oman represents the fastest growing power sector in the entire Middle East region. Rapidly growing economy and increasing residential demand have fueled the growth of the power sector in the country. The developments in the Oman electricity sector are expected to augment in coming times, with the electricity production and consumption expected to grow at CAGR of around 14.0% and 13.7% respectively during 2010-2013.

The maximum power demand in the Main Interconnected System is expected to grow from 3,424 MW in 2009 to 6,043 MW by 2016, an average increase of around 8.5% or 374 MW per year. Under "high case" assumptions, MIS demands grow an additional 3% per year to reach 7,315 MW.

In 2008, Oman found itself in the unusual of having to import gas from UAE to meet its domestic requirements. It is said that the current power projects are not sufficient to meet the demand coming up.

Additional Energy Generation Required



Source: OPWP & Al Maha Financial

Valuation

We have used the following valuation methodologies to arrive at the fair value of Voltamp Energy.

- Economic Profit Model
- Dividend Discount Model
- Enterprise Value to EBITDA Multiple
- Relative Price to Book Multiple
- Relative Price to Earnings Multiple

Economic Profit Model (EPM)

We have calculated the enterprise value of Voltamp Energy as the sum of the invested capital and the present value of the economic profits created each year. The economic value created by the company equals the spread between Return on Invested Capital and the cost of capital times the Invested capital. We expect Voltamp to maintain its level of operating profits on its invested capital.

We have used the following base data in our valuation exercise.

Beta (2 Year)	0.82
Risk Free Rate (Yield on 5 year CBO Bonds)	4.00%
Risk Premium	6.00%
Cost of Equity	**8.90%**
Cost of Debt	6.5%
Tax Rate	12%
Debt/Total Capital	1%
Equity/Total Capital	99%
Weighted Average Cost of Capital	**8.89%**

Economic Profit Model	2008	2009	2010E	2011E	2012E	2013E	2014E
Adjusted Operating Profit	2,221,057	1,641,639	2,052,911	1,746,107	2,571,792	3,558,494	4,589,958
Tax Expense	(337,641)	(319,499)	(292,760)	(368,858)	(483,909)	(570,910)	(722,337)
Net Operating Profit Less Tax	1,883,416	1,322,140	1,760,151	1,377,250	2,087,883	2,987,584	3,867,621
Invested Capital							
Non-Cash Current Assets	8,905,866	8,438,426	9,397,502	12,571,530	15,763,097	19,502,902	23,447,332
Non Debt Current Liabilities	(2,069,730)	(2,169,338)	(2,152,461)	(2,879,460)	(3,610,476)	(4,467,063)	(5,370,519)
Net Operating Working Capital	6,836,136	6,269,088	7,245,041	9,692,070	12,152,622	15,035,839	18,076,813
PPE	1,963,329	2,207,277	4,313,929	9,858,470	9,294,163	8,784,245	8,327,079
Other Long-Term Assets	342,389	343,142	341,140	341,140	341,140	341,140	341,140
Total Invested Capital	9,141,854	8,819,507	11,900,109	19,891,681	21,787,925	24,161,224	26,745,032
ROIC	**20.60%**	**14.46%**	**16.99%**	**8.66%**	**10.02%**	**13.00%**	**15.20%**
Capital Charge	812,292	783,650	1,057,375	1,767,459	1,935,949	2,146,826	2,376,408
Economic Profit	**1071124**	**509848**	**714800**	**(26327)**	**225434**	**897326**	**1524489**
Continuing Value			26,370,443				
Value of operations			28,492,150				
Cash & Investments			6,798,990				
Enterprice Value			35,291,140				
Less:Debt			154,639				
Equity Value			35,136,501				
Equity Value Per share			**0.639**				

We have estimated the Equity value of Voltamp Energy at RO 35.136 Million, which implies to a per share value of Ro 0.639.

Dividend Discount Model (DDM)

We find the dividend policy of the company attractive as the company has made a pay out of above 80% in the first two years after its listing. We expect the company to maintain a dividend payout of 50% in the stable growth period.

Assumptions - Sustainable growth	
Sustainable RoE	15%
Sustainable Growth	3%
Dividend Payout	50%
Ploughed Back	50%

Dividend Discount Model (DDM)	2008	2009	2010E	2011E	2012E	2013E	2014E
Dividend	0.035	0.035	0.024	0.025	0.032	0.038	0.048
Cost of Equity			8.90%	8.90%	8.90%	8.90%	8.90%
Discount Factor			0.918	0.843	0.774	0.711	0.653
Discounted Cash Flows			0.022	0.021	0.025	0.027	0.031
Primary Value			0.126				
Terminal Value			0.840				
Discounted Terminal Value			0.549				
Equity Value per Share			**0.675**				

We have arrived at a fair value of RO 0.675 for Voltamp using the Dividend Discount Model.

Relative Valuation

We have carried out a comparative analysis of the peer companies across the geographies to ascertain the median benchmark multiples for arriving at the fair value of Voltamp Energy. Our Relative valuation matrix includes Enterprise Value to EBITDA Multiple, Relative Price to Book and Relative Price to Earnings Multiples.

Company	Country	PE (TTM)	PBV	EV/EBITDA
Voltamp Energy	Oman	11.98	2.05	9.40
El Nasr Transformers and Electrical	Egypt	11.61	2.74	15.05
Voltamp Transformers	India	11.68	2.75	7.06
Arab Electrical Industries	Jordan	10.22	1.89	8.32
El Sewedy Electric Company	Egypt	15.95	0.56	8.28
Group Average		12.29	2.00	9.62
Group Median		**11.68**	**2.05**	**8.32**

source : Zawya,Al Maha Research

Enterprise Value to EBITDA	2008	2009	2010E	2011E	2012E	2013E	2014E
EV/EBIDTA	6.8249	13.0756	9.3814	8.6822	6.5982	5.1122	4.1312
Peer Group Median			8.32				
EBITDA(2010E)			2,664,906				
Enterprise Value			22,172,016				
Less: Net Debt			(4,644,351)				
Equity Value			26,816,367				
Number of Shares			55,000,000				
Equity Value Per share			**0.488**				

Relative Price to Book	2008	2009	2010E	2011E	2012E	2013E	2014E
Price to Book	1.56	2.10	1.89	1.75	1.58	1.38	1.20
Peer Group Median			2.05				
Book Value per Share (2010E)			0.285				
Equity Value Per share			**0.585**				

Relative Price to Earnings	2008	2009	2010E	2011E	2012E	2013E	2014E
Price to Earnings	10.03	14.20	11.37	11.84	9.42	7.08	5.60
Peer Group Median			11.68				
Earnings per Share (2010E)			0.047				
Equity Value Per share			**0.554**				

We have arrived at the per share values based on the one year forward EBITDA, Earnings and the Book value.

Weighted Average Valuation Matrix:

In our weighted average matrix, we have assigned relatively higher weight to the valuation methodologies EPM and EV/EBITDA, which are based on the operating cash flow approach.

Valuation Method	Weights	Fair Value
Economic Profit Model	25%	0.640
Dividend Discount Model	25%	0.670
Enterprise Value to EBITDA multiple	20%	0.488
Relative Price to Book Value Multiple	15%	0.585
Relative Price to Earnings Multiple	15%	0.554
Weighted Average Fair Value	100%	**0.596**
Current Market Price		0.539
Up side		**11%**

Recommendation

We maintain a positive outlook on the Power sector growth story of Voltamp Energy SAOG in the long term and have arrived at a target price of RO 0.596 based on our weighted average valuation matrix. We are bullish on the stock and assign "Accumulate" rating with an upside of 11% from the current price of RO 0.539 in 9 to 12 months.

Financial Statements & Ratios

Income Statement

	2008	2009	2010E	2011E	2012E	2013E	2014E
Revenue	**13,474,961**	**12,433,494**	**14,349,739**	**19,196,398**	**24,069,837**	**29,780,421**	**35,803,463**
Cost of sales	9,501,451	8,861,651	9865657	13900742	17239354	21235266	25452123
Gross Profit	**3,973,510**	**3,571,843**	**4,484,082**	**5,295,656**	**6,830,483**	**8,545,155**	**10,351,340**
Fair value (loss) gain on investment	(45,453)	(1,262)	(4,855)	3000	3000	3000	2000
Other income	146,469	141,985	167,892	230,357	288,838	372,255	465,445
Selling, administrative and general expenses	1,613,286	1,665,538	1,982,213	2,649,467	3,333,336	4,030,037	4,767,164
Profit from operations	**2,461,240**	**2,047,028**	**2,664,906**	**2,879,546**	**3,788,985**	**4,890,374**	**6,051,621**
Finance Cost	152,902	125,253	54,490	227,500	455,000	434,318	394,835
Interest Income	73,627	351,294	290,353	194,268	243,587	301,527	362,689
Profit before tax	2,381,965	2,273,069	2,900,768	2,846,313	3,577,572	4,757,583	6,019,476
Taxation	337,641	319,499	292,760	341,558	429,309	570,910	722,337
Net Profit	2,044,324	1,953,570	2,608,008	2,504,756	3,148,263	4,186,673	5,297,139
Profit attributable to Equity Shareholders	**2,243,804**	**2,197,114**	**2,608,008**	**2,504,756**	**3,148,263**	**4,186,673**	**5,297,139**
Non Controlling Interest	(199,480)	(243,544)					
	2,044,324	**1,953,570**	**2,608,008**	**2,504,756**	**3,148,263**	**4,186,673**	**5,297,139**

Balance Sheet

	2008	2009	2010E	2011E	2012E	2013E	2014E
Assets							
Non Current Assets							
Property plant & Equipment	1,963,329	2,207,277	4,313,929	9,858,470	9,294,163	8,784,245	8,327,079
Investment	201,249	202,002	200,000	200,000	200,000	200,000	200,000
Technology Transfer Fee	141,140	141,140	141,140	141,140	141,140	141,140	141,140
Deferred Tax Asset	28,882	30,986	30,986	30,986	30,986	30,986	30,986
Total Non Current Assets	**2,334,600**	**2,581,405**	**4,686,055**	**10,230,596**	**9,666,289**	**9,156,371**	**8,699,205**
Current Assets							
Inventories	3,391,974	3,169,174	3,657,606	4,892,971	6,135,162	7,590,733	9,125,947
Trade & other receivables	5,513,892	5,269,252	5,739,896	7,678,559	9,627,935	11,912,168	14,321,385
Amount due from related parties	1,485	18,987	-	-	-	-	-
Deposit with leasing & finance company	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Cash in hands & at banks	6,848,121	6,110,560	1,882,286	2,091,467	2,091,108	1,693,987	1,735,469
Total Current Assets	**15,755,472**	**16,567,973**	**13,279,788**	**16,662,997**	**19,854,205**	**23,196,888**	**27,182,801**
TOTAL ASSETS	**18,090,072**	**19,149,378**	**17,965,843**	**26,893,593**	**29,520,495**	**32,353,260**	**35,882,006**
Equity & Liabilities							
Equity							
Share capital	5,000,000	5,000,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Share Premium	6,286,345	6,286,345	5,786,345	5,786,345	5,786,345	5,786,345	5,786,345
Legal Reserve	874,898	1,079,763	1,340,564	1,591,039	1,905,866	2,324,533	2,854,247
Retained Earnings	2,231,177	2,473,426	3,070,633	4,020,909	5,601,968	7,795,842	10,469,931
Total Equity	**14,392,420**	**14,839,534**	**15,697,542**	**16,898,294**	**18,794,179**	**21,406,720**	**24,610,522**
Non Controlling Interest	371,321	335,341	-	-	-	-	-
Total Equity and Non Controlling Interest	**14,763,741**	**15,174,875**	**15,697,542**	**16,898,294**	**18,794,179**	**21,406,720**	**24,610,522**
Liabilities							
Non current Liabilities							
Long Term Loan	785,476	789,906	-	7,000,000	7,000,000	6,363,636	5,785,124
End of service benefits	104,469	115,840	115,840	115,840	115,840	115,840	115,840
Total	889,945	905,746	115,840	7,115,840	7,115,840	6,479,476	5,900,964
Current Liabilities							
Trade & other payables	2,069,730	2,169,338	2,152,461	2,879,460	3,610,476	4,467,063	5,370,519
Bank Borrowing	327,531	728,738	-	-	-	-	-
Amount due to related parties	6,397	12,700	-	-	-	-	-
Current portion of long term loan	32,728	157,981	-				
Total	2,436,386	3,068,757	2,152,461	2,879,460	3,610,476	4,467,063	5,370,519
Total Liabilities	3,326,331	3,974,503	2,268,301	9,995,300	10,726,316	10,946,540	11,271,483
TOTAL LIABILITIES & EQUITY	**18,090,072**	**19,149,378**	**17,965,843**	**26,893,593**	**29,520,495**	**32,353,260**	**35,882,006**

Ratios

	2008	2009	2010E	2011E	2012E	2013E	2014E
Per Share							
Earnings per Share	0.045	0.044	0.047	0.046	0.057	0.076	0.096
Cash Earnings per Share	0.048	0.049	0.056	0.062	0.074	0.094	0.114
Book value per Share	0.288	0.297	0.285	0.307	0.342	0.389	0.447
Dividend per Share	0.035	0.035	0.024	0.023	0.029	0.038	0.048
Dividend Yield	7.8%	5.6%	4.4%	4.2%	5%	7%	9%
Valuation							
P/E	10.03	14.20	11.37	11.84	9.42	7.08	5.60
P/BV	1.56	2.10	1.89	1.75	1.58	1.38	1.20
Price/ Sales	1.67	2.51	2.07	1.54	1.23	1.00	0.83
EV/EBIDTA	6.82	13.08	9.38	8.68	6.60	5.11	4.13
Profitability							
Gross Profit Margin	29.5%	28.7%	31.2%	27.6%	28.4%	28.7%	28.9%
EBITDA Margin	18.3%	16.5%	18.6%	15.0%	15.7%	16.4%	16.9%
Net Profit Margin	15.2%	15.7%	18.2%	13.0%	13.1%	14.1%	14.8%
Return on Networth	15.6%	14.8%	16.6%	14.8%	16.8%	19.6%	21.5%
Return on Capital Employed	13.1%	8.9%	12.3%	6.8%	9.4%	12.1%	14.3%
Return on Assets	11.3%	10.2%	14.5%	9.2%	10.5%	12.8%	14.6%
Liquidity and Solvency							
Current ratio	6.75	6.42	2.83	1.65	2.11	2.57	3.16
Total Debt /Equity	0.08	0.11	0.00	0.41	0.37	0.30	0.24
Interest Coverage	15.19	14.23	40.67	8.70	6.29	9.06	12.81
Velocity							
Debtors Turnover (days)	121.43	158.28	140.01	127.57	131.22	132.00	133.72
Inventory Turnover(days)	126.40	151.60	143.51	129.86	133.36	134.15	135.90
Creditors Turnover (days)	50.29	62.22	54.96	47.84	49.21	49.50	50.14
Cash Conversion Cycle	197.54	247.65	228.56	209.59	215.37	216.66	219.47

Al Maha Rating System

Al Maha uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage.

"Buy": Our target price is more than 15% above the current share price, and we expect the share price to reach the target on a 9-12 month time horizon.

"**Accumulate":** We expect the share price to settle at a level between 15% above the current share price and 5% below the current share price on a 9-12 month time horizon.

"Neutral": Our target price is upto 5% above the current share price, and we expect the share price to reach the target on a 9-12 month time horizon.

Definitions:

"**Time horizon":** Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.



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