



الخليجية بادر للأسواق المالية ش.م.ع.
GULF BAADER CAPITAL MARKETS S.A.O.C.

Oman Cables - Earnings Flash

13th Oct 2009/Q3 FY09

Value Indicators

Sector	Industry
CMP (RO)	1.600
Face Value (RO)	0.100
Shares O/S (Mn)	89.7
Market Cap (RO 000's)	143,520
EPS- (Ann)	0.051
BV- (Latest)	0.434
P/E- Ann	31.4
PBV- Latest	3.7
Div Yield (%)*	1.25%

* On 2008 cash div of RO 0.020

Topline declines despite considerable improvement in Copper prices

- Despite a recovery in copper prices in Q3 '09, the revenue during the quarter has declined by 5.6% (QoQ). LME copper futures averaged at US\$ 5,856 during Q3 '09, 24.4% higher to the average of Q2 '09 (US\$ 4707). The hedging gains (M2M gains through equity) during the quarter too declined to RO 490k as against gains of RO 2.49 Million made in Q2 2009.
- For nine months ended 2009, Oman cables reported sales of RO 112.557 million a decrease of 54% YoY. For the quarter the company reported revenue of RO 36.583 million a decrease of 5.6% (QoQ) and 59% (YoY) respectively. This reduction in sales was mainly because of drop in copper prices and lower sales volumes due to subdued global demand in the current scenario.

Improvement in margins drive profit growth

- The gross profit of the company dropped by 58% YoY to RO 4.091 million while the gross profit margin of the company expanded by 40 bps (YoY) and 120 bps (QoQ) to 11.2% . The company has not furnished the details of cost sales for 3QFY09.
- Net Profit for the quarter stood at RO 2.436 million as against RO 6.262 million achieved in the corresponding quarter of the previous year, declining thereby 61% YoY. The company witnessed improvement in its net margins which perked up by 170 bps on a QoQ basis to 6.7%.



Increasing raw material prices to increase working capital requirement

- During the quarter under review the working capital requirements increased marginally as the company's key raw material (Copper) prices increased from the year low of US\$3,070 to US\$6,159. Inventories have increased significantly to RO 27.119 million from RO 19.676 million at the beginning of the quarter while the trade and other receivables still hover around at RO 37.167 million as against RO 53.341 million at the beginning of the year.
- There has been a considerable increase in the term loans during the quarter. Term loans has increased to RO 5.219 million from RO 2.455 million at the beginning of the quarter while the bank borrowings stood at RO 33.500 million. The interest cost declined significantly during the quarter as the company had repaid RO 45 million debts during the first half of the year.

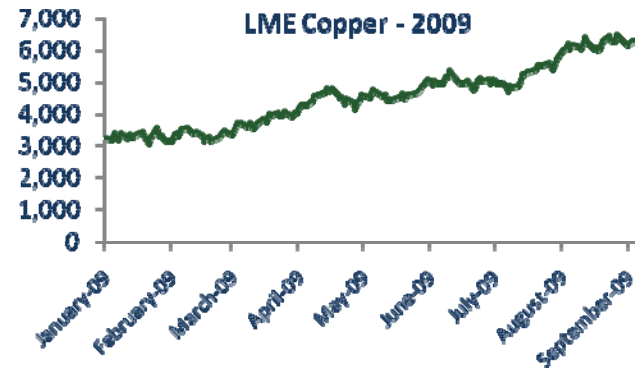
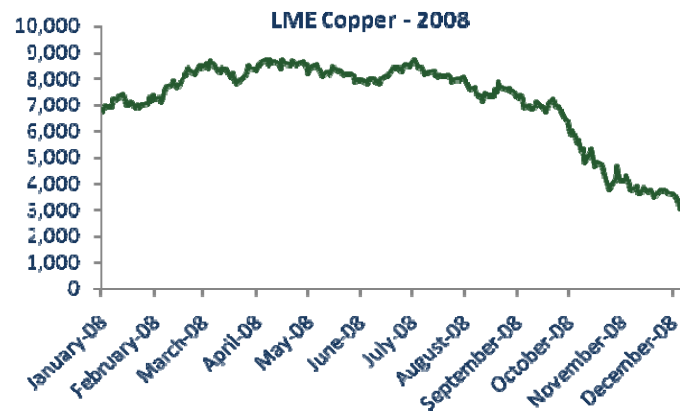
Outlook

- The company is optimistic on the sales trend for the rest of the year. However there is lack of clarity in order book addition for 2010. During August 2009, the company had signed a MOU with Electricity Holding Company (EHC) setting up the foundation on which they would enter into term contracts for the supply of products from the electrical supply industry to the EHC Group companies.
- As per the company report, the production capacity is in line with the expected demand and remains focused on optimizing cost at all levels of the company, ensuring material efficiency and manpower productivity.
- With demand of copper going up coupled with a supply constraint we expect the prices of the copper to remain firm in the short term. At the same time, an increase in the raw material prices is expected to increase the working capital requirement which in turn may end up in WC constraint for the company.
- We reiterate a neutral outlook on the company for the current year due to subdued growth.

Copper Futures (LME)

Q1 2009 Avg	Q1 2008 Avg	Var (%)	Q2 2009 Avg	Q2 2008 Avg	Var (%)	QoQ(%)	Q3 2009 Avg	Q3 2008 Avg	Var (%)	QoQ (%)	Q4 2008
3494.00	7740.00	-55%	4707.00	8323.00	-43%	35%	5856.00	7571.00	-23%	6%	3735.00

Source: Bloomberg



Source: Bloomberg; In US\$/tonne

Oman Cables Industry: Earnings Flash-Nine Months Ended September 2009

Profit & Loss Account

(In RO 000's)	Q1 2008	Q1 2009	Var (%)	Q2 2008	Q2 2009	Var (%)	Q3 2008	Q3 2009	Var (%)	9M 2008	9M 2009	Var (%)
Revenue	71,477	37,206	-47.9%	84,540	38,768	-54.1%	88,923	36,583	-59%	244,940	112,557	-54%
Cost of Sales	64,231	35,993	-44.0%	71,274	34,874	-51.1%	79,279	32,492	-59%	214,784	103,359	-52%
Gross Profit	7,246	1,213	-83.3%	13,266	3,894	-70.6%	9,644	4,091	-58%	30,156	9,198	-69%
GPM (%)	10.1%	3.3%		15.7%	10.0%		10.8%	11.2%		12.3%	8.2%	
Net Profit	3,983	-950	-123.9%	7,395	1,956	-73.5%	6,262	2,436	-61%	17,794	3,442	-81%
NPM (%)	5.6%	-		8.7%	5.0%		7.0%	6.7%		7.3%	3.1%	

Balance Sheet

Share Capital	8,970	8,970	0.0%	8,970	8,970	0.0%	8,970	8,970	0.0%			
Retained Earnings	19,968	18,780	-5.9%	27,517	20,733	-24.7%	33,779	23,189	-31%			
Cumulative changes in FV	5,782	2,444	-57.7%	1,934	2,499	29.2%	-7,911	490	-106.2%			
Total Equity	39,193	35,995	-8.2%	42,894	38,496	-10.3%	39,311	38,926	-1%			
Term Loans	4,048	2,456	-39.3%	3,750	2,455	-34.5%	2,999	5,219	74.0%			
Bank Borrowings	60,354	51,164	-15.2%	67,134	32,744	-51.2%	58,469	33,500	-43%			
Trade & Other payables	30,293	12,254	-59.5%	47,082	14,756	-68.7%	45,270	15,565	-65.6%			
Total Current Liability	93,843	65,119	-30.6%	118,127	49,006	-58.5%	108,352	51,000	-53%			
Total Equity and Liability	137,667	104,282	-24.3%	165,354	90,669	-45.2%	151,245	95,857	-36.6%			
Fixed Assets	20,987	21,981	4.7%	20,653	23,392	13.3%	20,986	24,766	18%			
Total non-current assets	21,887	23,160	5.8%	23,708	25,794	8.8%	24,110	27,333	13.4%			
Inventories	46,644	29,278	-37.2%	52,870	19,676	-62.8%	65,114	27,119	-58%			
Trade Receivables	60,725	46,077	-24.1%	80,814	41,746	-48.3%	57,173	37,167	-35.0%			
Cash and bank balances	6,404	5,045	-21.2%	4,513	2,601	-42.4%	4,848	4,238	-13%			
Total Current Assets	115,780	81,122	-29.9%	141,646	64,875	-54.2%	127,135	68,524	-46.1%			
Total Assets	137,667	104,282	-24.3%	165,354	90,669	-45.2%	151,245	95,857	-37%			

Source: Company, GBCM Research

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