

Market Data

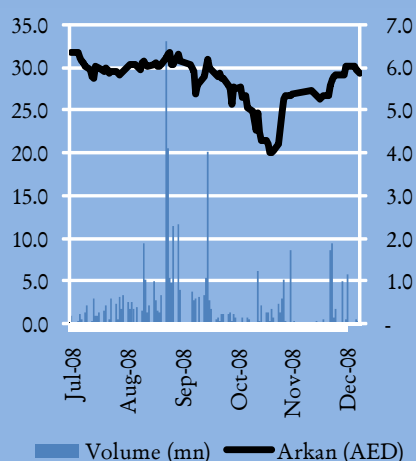
Bloomberg Code:	ARKANUH
Reuters:	ARKAN.AD
CMP (30 July 2009):	AED4.03
O/S (mn):	1,750.0
Market Cap (AEDmn):	7,052.0
Market Cap (US\$mn):	1920.0
Price/EPS 2009e (x):	37.0
Price/Bv 2009e (x):	3.4

Price Performance

1-Yr

High (AED):	8.93
Low (AED):	3.25
Average Volume (000):	1,684

Share Price Performance



Source: Zawya

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Arkan Building Materials Co. – 1H/2009 Review

- Arkan Building Materials Company (ARKAN) announced 1H-2009 net loss of AED34.0mn (LPS: AED0.02), 127% decline as compared to profit of AED128.1mn (EPS: AED0.07) in 1H-2008. The Company was able to post profit of AED57.1mn in 2Q-2009 as compared to a loss of AED91.2mn in 1Q-2009.
- Drop in the income trickled from the top line as ARKAN was not able to roll out much cement volumes during the period as compared to the one reported in the same period last year. However, the decline was to some extent supported by increase in revenue of Company's block factory. On the other hand during 1H-2009, ARKAN wrote down inventory worth of AED50.2mn and also wrote off cost worth AED69.2mn for Arkan Industrial Park.

ARKAN Interim Results

(AED mn)	1H-2008	1H-2009	% Change
Sales Revenue	487.2	362.4	-26%
Cost of Sales	327.8	271.1	-17%
Gross Profit	159.5	91.3	-43%
Operating Profit	126.0	61.0	-52%
Net Profit / Loss	128.1	(34.0)	-127%
EPS / LPS (AED)	0.07	(0.02)	-127%
Assets	2,303.4	2,680.3	16%
Gross Margin (%)	32.7%	25.2%	

Source: ADX & Zawya

- ARKAN's cement factory revenue was down 13.6% from AED173.7mn to AED152.9mn in 1H-2009. While revenue of Company's Block factory rose from AED26.9mn to AED50.2mn in 1H-2009. During 1H-2009, ARKAN reported gross profit of AED91.3mn (Gross Margins: 25.2%) as compared to AED159.5mn (32.7%) in 1H-2008. The gross profit of cement factory declined by 22% to AED81.2mn while the same of block factory increased by 158% to AED24.7mn.
- ARKAN acquired loan of AED827.9mn for the new cement factory in 1H-2009. Of the total loan acquired 50% is for the long term maturing in 2013 while the rest are short term loan with maturity in 2009 & 2010. All the loans have been acquired at EIBOR+ margin (0.8% - 4%).
- In 1H-2009, Company's Al Mafraq Block Factory commenced commercial production. While construction of Al Ain Cement Factory is progressing and the factory is expected to commence commissioning in the fourth quarter of this year. There has been no further provisions in respect of inventory of Steel Rebars, hence we expect ARKAN's core business of cement and blocks to post promising results for 2009.

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