

October 22, 2007

Sector
Power Cables

CMP
RO 1.945

Face Value
100 Baizas

Equity Capital
RO 8.97MN

Market cap
RO174MN

MSM Index
7876

Oman Cable Industry SAOG

BUY

Revenues Quarterly sales grew year on year due to additional volumes from the new line and partly due to rebuilding activity in the country post Gonu. Volumes were lower in the second quarter due to loss of sales in the month of June on account of the cyclone Gonu, which disrupted the economic activity in the country. The sales (RO 3mn) that could not be booked in the second quarter due to Gonu spilled over to the third quarter thus improving the sales run rate. Revenue for the Q3FY07 at RO57.5mn was higher by 60% yoy and 20% qoq. The increase over the period has been driven by volume growth, as average copper prices have increased at a much slower rate of 3.5% yoy and 4.3% qoq.

Gross margins Copper prices were stable during the third quarter, 4.3% qoq increase in Q3 as against a 23.4% qoq increase in Q2. Therefore GP margins were stable at 12% in Q3, though much lower than the 18% margin witnessed in Q3FY06. The decline is not representative in a business driven by conversion margins. The company does not disclose volume data, which restricts a detailed analysis. Interest costs are higher yoy due to higher working capital availed by the company to fund its growing business volumes.

Expansion The new line has aided volume growth this year therefore the current sales run rate should continue going forward. In addition, the company is further planning a capacity expansion, which should ensure growth visibility beyond 2008.

Estimates revised The profit growth of 23% yoy was partly aided by other income of RO793k for the quarter. We have revised our sales estimates for the year upwards by 8% mainly to account for better than expected sales in Q3, accordingly our profit estimate has been revised upwards to RO13.5mn up 15% or 8% adjusting for the unaccounted other income in Q3. Our interest and depreciation charges have also been scaled up in line with trend in total debt and continuing capex, however higher volumes would make up for the increase here.

FY08 expectations -Higher volumes- stable margins We have revised our profit estimate for FY07 to RO13.5mn. As mentioned earlier we expect FY07 results to be volume driven and margins lower on a yoy basis. Further we expect the company to report profits of RO16mn in 2008. The demand will be driven by construction sector buoyancy in the region. However capacity ramp up in the region by big players like Saudi Cables could increase competition while bidding for cross border contracts.

Valuations and Recommendation At the current price of RO1.945 the stock is trading at 13.3x and 11.2x FY07 and FY08 earnings respectively. We maintain our long-term positive outlook on the company's business. We retain our BUY recommendation.

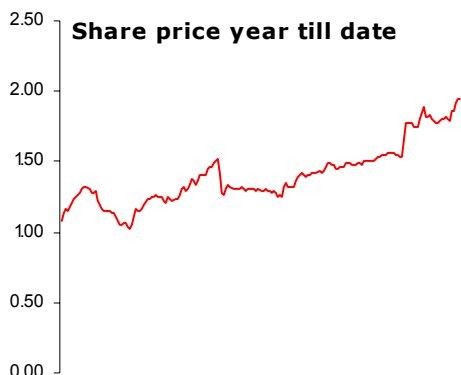
Key Data

RO `000	2005	2006	2007E	2008E
Revenues	60,577	125,718	201,090	231,254
EBITDA	4,835	13,866	20,129	23,101
PAT	2,605	9,541	13,179	15,647
EBIT%	6.3%	10.0%	9.1%	9.1%
EBITDA%	7.9%	11.0%	10.0%	10.0%
PAT%	4.3%	7.6%	6.6%	6.8%
ROE%	24.3%	69.2%	48.9%	36.7%
ROCE%	14.6%	26.0%	25.2%	23.1%
EPS (RO)	0.029	0.106	0.147	0.174
PE (x)	0.0	18.3	13.3	11.2
BV (RO)	0.12	0.15	0.30	0.48
P/B	0.0	12.7	6.5	4.1
EV/EBITDA		15.8	11.1	9.3

Sagar Patel (SagarP@bankmuscat.com) Tel: (968) 2476 8207

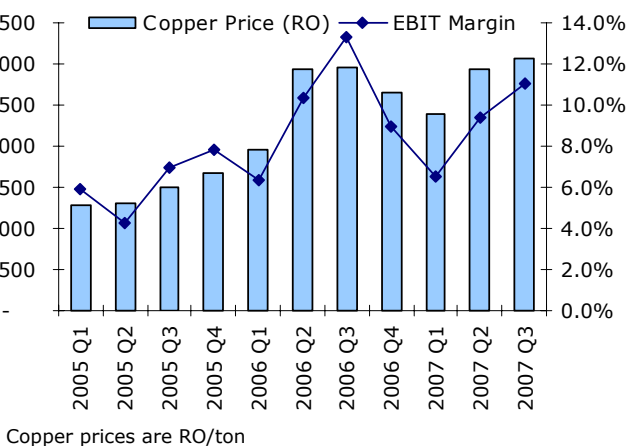
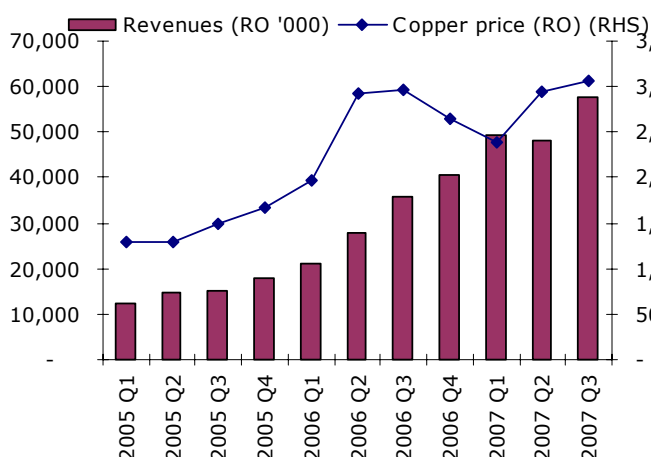
Investment Banking Division
Equity Research

October 2007



Quarterly statement

RO '000	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	yoy chg	Qoq chg
Revenues	21,224	28,011	35,968	40,515	49,404	48,150	57,570	60%	20%
Other Income	31	56	22	167	39	35	793	3505%	2166%
Cost of Sales	18,859	23,734	29,511	36,777	44,921	42,403	50,644	72%	19%
Administrative Expenses	937	1,289	1,549	523	1,259	1,235	1,384	-11%	12%
Depreciation	111	142	159	(242)	33	35	--		
Total Operating Expense	19,876	25,109	31,197	36,891	46,174	43,638	51,235	64%	17%
EBIT	1,348	2,902	4,771	3,624	3,230	4,512	6,335		
EBIT %	6.4%	10.4%	13.3%	8.9%	6.5%	9.4%	11.0%		
Financing Costs	(332)	(472)	(572)	(884)	(927)	(941)	(789)	38%	-16%
Investment Income	18	28	278	18	0	42	(42)	-115%	-200%
Interest Income	--	--	--	92	--	--	--		
Net Income Before Taxes	1,034	2,458	4,477	2,850	2,303	3,613	5,504	23%	52%
Tax	124	295	537	340	276	432	663	23%	53%
Net Income After Taxes	910	2,163	3,940	2,510	2,027	3,181	4,841	23%	52%
Sh. in Affiliate result	--	--	--	17	--	(13)	20		
Net Income	910	2,163	3,940	2,527	2,027	3,168	4,861	23%	53%



Copper prices are RO/ton

Income Statement

OMR '000	FY04	FY05	FY06	FY07E	FY08E
Revenues	36,002	60,577	125,718	201,090	231,254
Other operating income	48	317	276	900	250
Total net revenues	36,050	60,894	125,994	201,990	231,504
EBITDA	2,839	4,835	13,866	20,129	23,101
Interest	478	984	2,260	3,376	3,371
D & A	870	997	1,220	1,801	1,953
PBT	1,555	2,962	10,837	14,973	17,777
Current tax	186	357	1,296	1,793	2,130
PAT	1,369	2,605	9,541	13,179	15,647

Balance Sheet

OMR '000	FY04	FY05	FY06	FY07	FY08
Equity Capital	2,990	2,990	8,970	8,970	8,970
Net worth	8,406	10,708	13,790	26,969	42,617
Total debt	8,614	24,103	47,682	56,182	56,182
Deferred tax	366	356	460	460	460
Total Capital Employed	17,386	35,167	61,932	83,611	99,259
Net Fixed Assets	10,137	11,897	16,760	22,652	22,699
Investments	2,129	2,141	152	152.0	152.0
Inv in associates	-	-	359	359.0	359.0
Net Current Assets	5,120	21,129	44,661	60,449	76,049
Total Assets	17,386	35,167	61,932	83,611	99,259

Cash Flow Statement

OMR '000	FY04	FY05	FY06	FY07	FY08
PAT	1,369	2,605	9,541	13,179	15,647
Depreciation	870	997	1,220	1,801	1,953
Less non operating inc.	64	108	451	20	-
Chg in WC	(1,524)	(15,175)	(21,389)	(12,186)	(7,798)
Operating cash flow	676	(11,691)	(10,975)	2,774	9,803
Investing cash flow	(3,269)	(2,661)	(4,002)	(7,672)	(2,000)
Financing cash flow	557	15,186	17,120	8,500	-
Change in cash	(2,036)	834	2,143	3,602	7,803
Beg. cash balance	2,260	224	1,058	3,201	6,803
End cash balance	224	1,058	3,201	6,803	14,605

BankMuscat Research			
Sanju Shishodia	Head - Research	SanjuS@bankmuscat.com	968 2476 8204
Kaushik Chaudhury	Construction, Real Estate & Banking	Kaushik@bankmuscat.com	968 2476 7167
Sagar Patel	Cement, Ports, Oil Marketing, Telecom, Services	SagarP@bankmuscat.com	968 2476 8207
Aliya Balushi	Research Associate	AliyaBL@bankmuscat.com	968 2476 7186
Ibrahim Moosa	Research Associate	IbrahimM@bankmuscat.com	968 2476 7158
BankMuscat Brokerage			
Jayesh Shah	Head - Brokerage	JayeshS@bankmuscat.com	968 2476 8218
Sami Abu Al Ruz		samir@bankmuscat.com	968 24768217
Kunal Damle		KunalD@bankmuscat.com	968 2476 8043
Rohit Goyal		RohitG@bankmuscat.com	968 2476 7141
Faisal Raisi		FaisalR@bankmuscat.com	968 2476 8953
Younis Balushi		YounisAb@bankmuscat.com	968 2476 8065
Ali Al Moosa		Alialm@bankmuscat.com	968 2476 8076
Hussain Ali Al Lawati		Hlawati@bankmuscat.com	968 2476 8220

Disclaimer

This report is not directed to, or intended to or use by, any person or entity who is a citizen of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject BankMuscat (SAOG) to any registration or licensing requirements within such jurisdiction.

This report is provided for information purposes only. The report is based on information generally available and is deemed reliable but no assurance is given as to its accuracy or completeness. BankMuscat (SAOG) is not accountable for any decision based on the contents of this report. The investor will indemnify BankMuscat and its directors, officers, employees and staff against any loss or damage or other liabilities (including costs), which they may suffer as a result of reliance on such reports. Neither the information nor the opinions contained are to be construed as an offer to buy and sell securities mentioned above. This report is not to be relied upon in substitution for the exercise of independent judgment. Investors should judge the suitability of the securities to their needs.

BankMuscat makes no representation that the preparation or distribution of this report is in compliance with the legal requirements or regulations of any jurisdiction, and it disclaims all liability in case the preparation or distribution of this report is found to be non-compliant with any such legal requirements or regulations.

BankMuscat (SAOG), may to the extent permitted by law, participate or invest in financing transactions with the issuer(s) of these securities referred to in this report, perform services for or solicit business from such issuers, and/or have position or effect transactions in the securities or option thereon. In addition, it may make markets in the securities mentioned in the material presented in the report. BankMuscat (SAOG) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or the research or analysis on which they are based, before the material is published. BankMuscat (SAOG) may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of any or all of the companies mentioned in this report.