



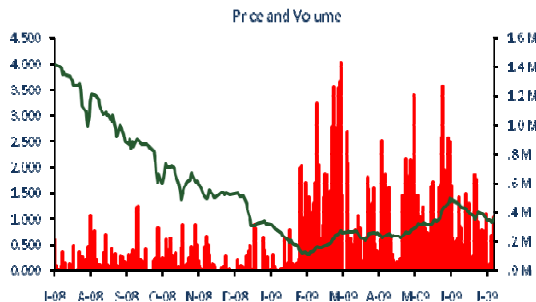
Oman Cables - Earnings Flash

19th July 2009/Q2 FY09

Modest improvement in topline – QoQ

Value Indicators	
Sector	Industry
CMP (RO)	1.100
Face Value (RO)	0.100
Shares O/S (Mn)	89.7
Market Cap (RO 000's)	98,670
EPS- (Ann)	0.022
BV- (Latest)	0.416
P/E- Ann	49.0
PBV- Latest	2.65
Div Yield (%)*	1.8%
* On 2008 cash div of RO 0.020	

- Recovery in copper prices in Q2 '09, as compared to Q1 '09 has helped the company with modest revenue growth. LME copper futures averaged at US\$ 4707 during Q2 '09, 34.7% higher to the average of Q1 '09 (US\$ 3,494). On year on year basis, the LME copper is down by 43.4% (Average for Q2). After this, the company which actively hedges its exposure to copper has gains of RO 2.49 Million (M2M gains through equity)
- Oman Cables has reported Q2 FY09 results with total revenues of RO 38.768 million as against RO 84.540 million earned during the same period of previous year, declining significantly by 54 % (YoY) and increasing marginally by 4% (QoQ). 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. (Data on Tonnage basis not available). Upward movements in copper prices during the year have led to RO 2.49 million hedging gain carried through equity as on 30th June 2009.



Drop in working capital provides comfort

- Fall in raw material prices; predominantly Copper has led to substantial reduction in working capital requirements for the company. Inventories have fallen significantly to RO 19.676 million from RO 56.219 million at the beginning of the year while the trade and other receivables still hover around at RO 41.746 million as against RO 53.341 million at the beginning of the year.
- During the quarter the company has repaid its debt to an extent of RO 18 million and for the first half of the year the company has repaid nearly RO 45 million debt which in turn has reduced the interest cost burden significantly. Interest costs dropped by 34% (YoY) and 48% (QoQ) to RO 517k. We believe moving forward lower working capital requirements add comfort to its net debt position, thereby lowering interest costs.

Profits improve during the quarter

- The gross profit of the company plunged by 71% YoY to RO 3.894 million while the gross profit margin of the company declined by 570 bps (YOY) and has expanded by 670 bps (QoQ) to 10% . The company has not furnished the details of cost sales for 2QFY09.
- Net Profit for the quarter stood at RO 1.956 million as against RO 7.395 million achieved in the corresponding quarter of the previous year, declining thereby 74% YoY. On QoQ basis, profits turned around, as during Q1 '09, the company had reported a loss of RO 950K.

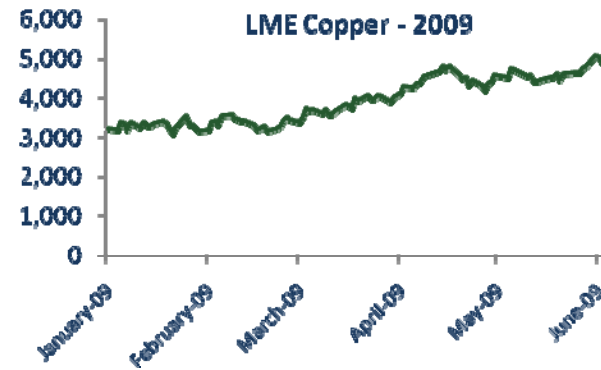
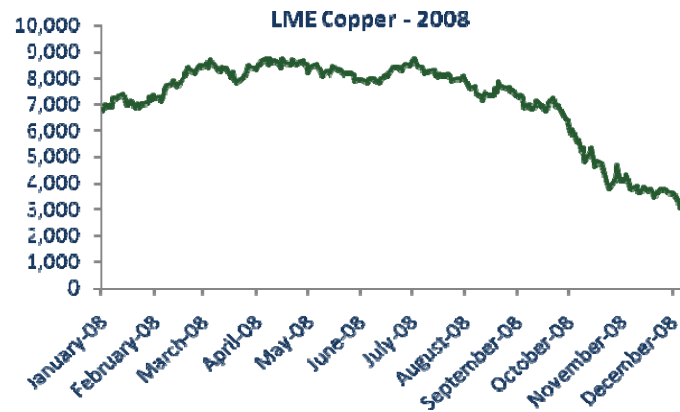
Outlook

- As per the company, it has got satisfactory order book up to the year end and it expects sales volumes to improve in Q3 and Q4 2009.
- Drop in working capital requirement has benefited the company in terms of lower borrowings thereby recuing the interest burden. Though the working capital constraint has eased out, the presence of trade and other receivables remains high.
- The company's JV with Oman Oil – its subsidiary Oman Aluminium Processing Industries LLC (manufacturer of Aluminium Rod and Overhead Line Conductors) is expected to start operations by Q1 2010.
- We have a neutral outlook on the company for the current year due to impact of copper prices during early part of the year. We expect the company to improve its operational performance in subsequent quarters on back of stable copper prices and better sales volumes.

Copper Futures (LME)

Q1 2009 Avg	Q1 2008 Avg	Var (%)	Q2 2009 Avg	Q2 2008 Avg	Var (%)	QoQ (%)	H1 2009 Avg	H1 2008 Avg	Var (%)	Q3 2008 Avg	Q4 2008 Avg
3,494	7,740	-54.9%	4,707	8,323	-43.4%	34.7%	4,091	8,034	-49.1%	7,571	3,735

Source: Bloomberg



Source: Bloomberg; In US\$/tonne

Oman Cables Industry: Earnings Flash-Six Months Ended June 2009											In RO 000's	
Income Statement Highlights	Q1 2008	Q1 2009	Var (%)	Q2 2008	Q2 2009	Var (%)	H1 2008	H1 2009	Var (%)	FY07	FY08	Var (%)
Revenue	71,477	37,206	-47.9%	84,540	38,768	-54.1%	156,017	75,974	-51.3%	217,445	304,377	40.0%
Cost of Sales	64,231	35,993	-44.0%	71,274	34,874	-51.1%	135,505	70,867	-47.7%	192,456	287,735	49.5%
Gross Profit	7,246	1,213	-83.3%	13,266	3,894	-70.6%	20,512	5,107	-75.1%	24,989	16,642	-33.4%
GPM (%)	10.1%	3.3%		15.7%	10.0%		13.1%	6.7%		11.5%	5.5%	
EBIT	5,305	47	-100.1%	9,410	2,611	-72.3%	14,869	2,658	-82.1%	19,639	9,575	-51.2%
EBIT Margin (%)	7.4%	0.1%		11.1%	6.7%		9.5%	3.5%		9.0%	3.1%	
Net Profit	3,983	-950	-123.9%	7,395	1,956	-73.5%	11,532	1,006	-91.3%	15,134	6,132	-59.5%
NPM (%)	5.6%			8.7%	5.0%		7.4%	1.3%		7.0%	2.0%	
Balance Sheet Highlights												
Share Capital							8,970	8,970	0.0%	8,970	8,970	0.0%
Retained Earnings							27,517	20,733	-24.7%	19,573	21,520	9.9%
Cumulative changes in fair values							1,934	2,499	29.2%	-5,102	-4,063	-20.4%
Total Equity							42,894	38,496	-10.3%	27,914	32,232	15.5%
Term Loans							3,750	2,455	-34.5%	4,478	2,956	-34.0%
Bank Borrowings							67,134	32,744	-51.2%	50,231	78,401	56.1%
Trade and Other payables							47,082	14,756	-68.7%	25,800	19,959	-22.6%
Total Current Liability							118,127	49,006	-58.5%	80,412	101,622	26.4%
Total Equity and Liability							165,354	90,669	-45.2%	113,458	137,522	21.2%
Fixed Assets							20,653	23,392	13.3%	20,885	22,051	5.6%
Total non-current assets							23,708	25,794	8.8%	21,528	23,120	7.4%
Inventories							52,870	19,676	-62.8%	35,994	56,219	56.2%
Trade and other receivables							80,814	41,746	-48.3%	50,792	50,000	-1.6%
Cash and bank balances							4,513	2,601	-42.4%	3,455	7,096	105.4%
Total Current Assets							141,646	64,875	-54.2%	91,930	114,402	24.4%
Total Assets							165,354	90,669	-45.2%	113,458	137,522	21.2%
Source: Company Reports; GBCM Research												

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