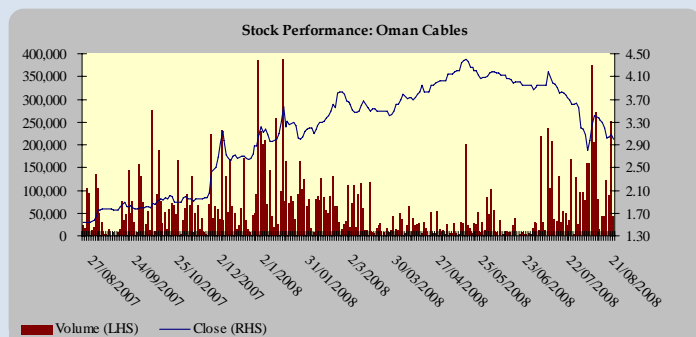


Oman Cables Industry: H1 2008

Company	Oman Cables Ind.
CMP (RO)	2.765
Ticker	OCI
Established	21-Mar-84
Industry	Electrical Equip.
Shares Outstanding (RO 000)	89,700
Market Cap (RO 000)	248,021

Price History



Source: Company Financials, Al Madina Research

Financial Summary

(RO 000)	H1 08	H1 07	% Change
Revenue	156,017	97,554	59.9%
Operating Cost	(135,505)	(87,324)	55.2%
Operating Profit	14,715	7,940	85.3%
Net Profit	11,532	5,195	122.0%
Share Capital	8,970	8,970	0.0%
Shares Equity	42,894	24,747	73.3%
Retained Earnings	27,517	10,746	156.1%
Total Assets	165,354	104,821	57.7%
Basic EPS	0.129	0.058	122.0%
Ann. P/E Ratio (x)	10.8	23.9	-55.0%
OPM (%)	9.4%	8.1%	15.9%
NPM (%)	7.4%	5.3%	38.8%

Source: Company Financials, Al Madina Research

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Preview of H1 2008

Oman Cables Industry has continued its fine performance into the second quarter of 2008 with a revenue achievement of **RO. 84.5 million**, up **75.6%** (y-o-y). The company has achieved a significant increase in its bottom line for the 3-month period to **RO. 7.55 million** (up **138.3%**, y-o-y).

Company & Industry Overview

Oman Cables Industry SAOG (OCI) is an Oman based company engaged in the manufacturing of electrical cables and conductors. It is a manufacturer and exporter of medium voltage and low voltage (LV) electric cables, building wires, instrumentation cables and overhead transmissions line conductors in the Middle East. OCI also owns a stake of 35% in Associated Cables Pvt. Ltd. (ACPL), India.

Due to the heavy emphasis on investment in power based infrastructure both globally and regionally, the demand for cables and related equipment has been robust. At the same time the sector continues to face the pressure from the increasing prices of key raw materials such as Copper and Aluminum. Competition in the region is solid as cable manufacturers continue their efforts to maximize market share.

For the quarter ended 30th June 2008 the company managed to attain higher sales due to a variety of factors such as the higher production capacity coming on stream, the better sales mix as well as entry into the new lucrative export markets. The company has managed to achieve improved margins in the face of increasing raw material prices. The operating margin stood at 11.1% for the period as opposed to 9.5% for the same period last year.

Recent Developments

In line with the company's 51% Joint Venture with Takamul Investment Company (Aluminium rod and conductor plant), the subsidiary of Oman Cables Industry (OCI) namely Oman Aluminium Processing LLC is in final stages of inking a deal with Sohar Aluminium Company for the purchase of liquid aluminium for a period of 10 years. The plant is expected to be operational by the first quarter of 2009.

Income Statement: Oman Cables Ind. (RO 000)	Y 08 E	Y 07 A	Y 06 A	Y 05A
Revenue	336,410	217,445	125,718	60,577
Cost of sales	(297,884)	(192,457)	(109,153)	(52,974)
Gross profit	38,526	24,989	16,565	7,603
Other income	320	445	276	318
Selling and distribution expenses	(2,993)	(2,064)	(1,695)	(1,388)
Administrative expenses	(8,118)	(3,151)	(2,540)	(2,205)
Depreciation & Amortization	(151)	(136)	(123)	(489)
Profit from operations	27,585	20,083	12,484	3,838
Net financing costs	(2,517)	(2,926)	(2,009)	(876)
Excess FV over purchase consid. of associate inv.			342	
Share of results of Associate	220	43	17	
Profit before income tax	25,288	17,200	10,834	2,962
Income tax expense	(3,035)	(2,066)	(1,296)	(357)
Net profit for the year	22,253	15,134	9,537	2,605

Outlook & Recommendations

The Company's move to expand vertically is likely to give it strong footing in the business in the near future. As we stated earlier, with the completion of the Aluminum Rod and Electric Conductor project (which is expected to be operational during the first half of 2009) the company may be in a position of advantage to source its raw material requirements for the Aluminum metal. The company's additional production capacity coming on stream has already begun contributing with strong volume growth from the beginning of 2008. The company has established good reputation for quality, a key proponent for export oriented sales. Going forward management expects the volume growth to be sustained given the greater optimization and efficiency in the production process. The recent softening in key raw material prices may depress margins somewhat. The company actively mitigates the risk of adverse effects from movement in raw material prices via the use of derivatives. Going forward we have also assumed lower margin achievements judging the impact of the increasing regional capacities coming on stream. The company's current capacity is well catered to meet the requirements of the local market given the infrastructure boom. The long term prospects for the company continue to look bright due to positive spillover effects expected from the significant investments in power based infrastructure carried out on a global scale. Recent studies suggest that the countries of the GCC region alone are likely to spend upto US\$. 100 billion over the next decade in an effort to upgrade their respective power generation capacities. This would have strong ramifications for a company like Oman Cables Industry.

We expect Oman Cables to attain revenues to the tune of nearly **RO 336.4 million** in FY 2008, a growth of **54.7%** (y-o-y) with a net profit achievement of **RO. 22.2 million**.

The 2008E P/E works out to be **11.1 times**. Dividend per share is expected to be as high as 60% for year 2008. We recommend investors to **accumulate** the stock for the mid term.

Al Madina Research: Rating Methodology

Rating	Explanation
Buy	Capital gain of >20% to the CMP over the year.
Accumulate	Capital gain in the range of 10%-20% to the CMP over the year.
Hold	Capital gain in the range of 0%-10% to the CMP over the year.
Reduce	Capital likely to depreciate in the range of 0%-10% to the CMP over the year.
Sell	Capital likely to depreciate >10% to the CMP over the year.

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