

## Industry

## Al Anwar Ceramic Tiles

### BUY: TP @ 0.191

#### Valuation Summary (TTM)

Price (RO)	0.165
Potential Upside	16%
PER (x)	27.5
P/Book (x)	1.3
P/Sales (x)	2.2
EV/Sales (x)	2.3
EV/EBITDA (x)	5.2
Dividend Yield (%)	4.8
Free Float (%)	51%
Shares O/S (mn)	296
YTD Return (%)	-2%
Beta	0.9

(mn)	OMR	USD
Market Cap	49	127
Enterprise value	41	106

Price performance (%)	1M	3M	12M
AACT	-9%	7%	-42%
MSM30 Index	0%	7%	10%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (RO ,000)	73	83	53
Avg Daily Volume (,000)	466	498	314

52 week	High	Low	CTL*
Price (RO)	0.302	0.139	18.7

\* CTL is % change in CMP to 52wk low

#### Major shareholders

Al Jazeera Services	37.0%
Public Authority for Social Insurance	6.1%
MOD Pension Fund	5.7%
Others	51.2%

#### Other details

Exchange	MSM
Sector	Industry
Index weight (%)	1.27

Key ratios	2014	2015	2016
EPS (RO)	0.033	0.022	0.006
BVPS (RO)	0.140	0.140	0.127
DPS (RO)	0.017	0.020	#N/A/N/A
Payout ratio (%)	51	91	0

Regional demand for ceramic products has started to decline in 2H16 due to the lower oil price and lack of government spending. Intense price competition from Indian tile manufacturers along new capacity addition has led to a supply overhang which has worsened the situation. In addition to that, ceramic producers are also facing cost pressures due to the easing of government subsidies, thereby adding pressure on the bottom line.

Timely capacity addition along with lucrative local and GCC market demand has led AACT to grow by 10 year CAGR of 15% to RO 27.4 million in 2015. However, last year, AACT posted a first drop in revenue on a yearly basis since 2006 and the lowest net income in a decade owing to weakness of its main export market Saudi Arabia amid rising competition in the region. Saudi Arabia remains a challenging market for AACT due to 1) delays in collecting receivables adversely affecting working capital 2) highly competitive market and 3) slower investment cycle due to prevailing lower oil prices. The company is overly dependent on Saudi since most of the expansion was undertaken targeting the largest market in the GCC. Currently, exports to Saudi Arabia constitute around 35% of the overall sales and 25% of the overall receivables.

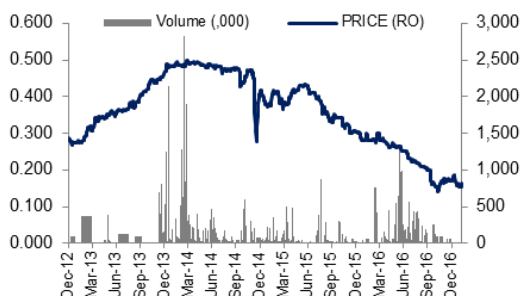
As a result, AACT is looking to diversify its export markets by entering new markets such as Africa, Jordan, and Yemen which are assured by secured payment. This could potentially counterweigh for the weaker operating environment in Saudi Arabia. However, we do not anticipate any near term improvement in operating margins since the contribution from these markets are not expected to be significant. The company would like to increase its footprint in Yemen once the situation improves and looks forward to capitalize on the massive reconstruction plans required by the country in the long run. Unlike the deterioration of the macro sentiment witnessed in Saudi market, the management believes that the demand for ceramic has been adequate in UAE and Oman due to better institutional and retail buyers respectively.

Cheap ceramic imports from India selling at a competitive price has been a major threat for the regional ceramic companies over the last two years which led to an excess supply in the GCC region as well as adding pressure on the realization. At present, management anticipates that the realization level in the region is near the bottom levels, however the prospects of price improvement would be unlikely in the near term due to intense competition.

Currently, AACT's production lines are running at 80% utilization, leading us to assume that the company wouldn't be considering further capacity expansions in the near future. The weak macro environment and severe competition faced by the company in Saudi further supports this argument.

**Foray into new markets:** Given the sluggishness in some of the key markets, AACT is trying to explore opportunities in new markets such as Jordan and Africa, where realization levels are much higher than the markets it currently serves. Such a strategy should help the company to maintain its capacity utilization levels at higher levels. We estimate any meaningful results from these efforts to be visible only by 2018, and our models assume 10% revenue contribution from these markets in 2018.

**Disappointing 2016; Cut target price by 13% and downgrade to BUY with potential upside of 19%:** AACT reported revenue of RO 21.5 million, registering decline of 22% compared to previous year as a result of lower realization levels in Saudi. Increase in energy and freight cost along with lower capacity utilization resulted in operating profits declining by 57% to RO 3.0 million. Net income of RO 1.7 million was 74% lower than 2015 profit of RO 6.5 million due to investment provisions of RO 1.3 million. We estimate AACT to report FY17e and FY18e earnings of RO 3.2 million and RO 3.6 million respectively as a result of slow improvements in the general macro conditions and contribution from new export markets. Our blended DCF-Relative valuation resulted in fair value of RO 0.191 for the shares, implying an upside of 16% from the current prices, and hence we have a BUY rating on the stock.



**AACT's weighted DCF-Relative valuation shows a reduced upside potential of 16% from current levels, hence downgrade to "BUY" rating**

We used a multi valuation approach to see possible implications on AACT's intrinsic value. The blended valuation approach is in line with the company risk and modeled for a forecasted period to see the inherent stub value. The weights assigned for blended valuation are at 60% for DCF (FCFE), 20% for PER based valuation and 20% for Terminal EV/EBITDA method. The blended fair value is RO 0.191, 13% lower than our earlier target price of RO 0.216, and hence downgrade the stock to BUY from our earlier recommendation of STRONG BUY.

**# 1: DCF Valuation shows an upside of 21%: Valuation at RO 0.199**

We used FCFE method using Bear-Base-Bull approach and modeled our valuation assumptions using different terminal growth rates and multi capex and revenue assumptions. We have arrived at fair value of 0.199 for the stock, an upside of 24% using base case DCF. The DCF method was applied for forecasted FCF through 2015-2019E. However, 2019E being a terminal year in our valuation provides a normal value due to the bleak macro outlook. We have increased the cost of equity of our valuation to 9.5%, which was derived using risk free rate of 4.5%, risk premium of 5.5%, and 2-Year weekly beta of 0.9.

DCF value of RO 0.199 possess upside potential of 21%

**Figure:1 Discounted cash flow method assumptions and valuation assumptions**

Discounted Cash Flow (FCFE)	2015	2016E	2017E	2018E	2019E	FCFE Valuation Assumptions	
Net Income	6,513	1,700	3,201	3,615	3,976	Cost of equity	9.5%
Net Adjustments in WC, CAPEX and D&A	(3,370)	8,998	776	930	(692)	Terminal Growth rate	1.0%
FCFE	3,143	10,698	3,976	4,544	3,284	Risk free rate	4.5%
PV of FCFE	3,143	10,380	3,524	3,679	2,429	Market Return	10.0%
Terminal Value					39,156	Market Risk Premium	5.5%
PV of Terminal Value					28,960	2 Yr Daily Adj.Beta	0.90
Value of the firm					48,973	Shares O/S	296,220
Add: Cash and Investments					10,113	Stock price (RO)	0.165
Value of equity					59,086	Potential Upside	21%
<b>Value per Share</b>					<b>0.199</b>	Cash & Investments	10,113

Source: US Research

The Terminal growth rate and Cost of Equity Sensitivity to valuation range tends to decrease an average of 2.5% on an increase of +50 Bps in cost of equity assumptions. The valuation range increases by 2% on +25 bps increase in Terminal growth rate.

**Figure:2 Sensitivity Analysis-Cost of Equity and Terminal growth rate**

		Terminal Growth Rate								
		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Cost of Equity	7.5%	0.211	0.215	0.219	0.224	0.229	0.235	0.240	0.247	0.254
	8.5%	0.198	0.201	0.205	0.208	0.212	0.216	0.221	0.225	0.230
	9.5%	0.188	0.191	0.194	0.196	0.199	0.203	0.206	0.210	0.214
	10.0%	0.184	0.186	0.188	0.191	0.194	0.197	0.200	0.203	0.206
	11.0%	0.176	0.178	0.180	0.182	0.185	0.187	0.189	0.192	0.195
	12.0%	0.170	0.172	0.173	0.175	0.177	0.179	0.181	0.183	0.185

Source: US Research

**#2: Terminal EV/EBITDA Exit Multiple method also shows upside potential of 18%; Valuation at RO 0.190**

We valued AACT using an Exit Multiple based Terminal EV/EBITDA method and arrived at a value of RO 0.190.

**Figure:3 Terminal EBITDA exit multiple method**

**Terminal EBITDA exit multiple method resulted in upside potential of 16%**

Terminal Value		Terminal Value	
Terminal Year EBITDA	6,259	FCF (2018E)	4,544
Exit Multiple	5	Perpetual Growth Rate	1.0%
Terminal Value	31,297	Terminal Value	39,156
Discount Factor	0.81	Discount Factor	0.81
PV of Terminal Value	25,339	PV of Terminal Value	28,960
% of Enterprise Value	55%	% of Enterprise Value	62%
<b>Enterprise Value</b>	<b>46,065</b>	<b>Enterprise Value</b>	<b>46,543</b>
2016 Adjusted EBITDA	4,677	2016E Adjusted EBITDA	4,677
Implied EV/ 2016E EBITDA	9.9x	Implied EV/ 2017 EBITDA	10x
Implied Share Price		Implied Share Price	
Enterprise Value	46,065	Enterprise Value	46,543
Add: Cash and Equivalents (2016)	1,535	Add: Cash and Equivalents (2016)	1,535
Add: Current and Non Current Investments (2016)	8,578	Add: Current and Non Current Investments (2016)	8,578
<b>Implied Equity Value</b>	<b>56,179</b>	<b>Implied Equity Value</b>	<b>56,657</b>
Shares Outstanding	296,220	Shares Outstanding	296,220
<b>Implied Share Price</b>	<b>0.190</b>	<b>Implied Share Price</b>	<b>0.191</b>

Source: US Research

**Figure:4 DCF-Relative valuation blended fair value of RO 0.191**

Valuation Method	Price	Weight	Upside
Discounted Cash Flow Method	0.199	60%	21%
PER Valuation @ 14x 2018E EPS	0.167	20%	1%
Terminal EV/EBITDA @ 5x 2018E EBITDA	0.190	20%	15%
<b>Weighted share price</b>	<b>0.191</b>	<b>100%</b>	<b>16%</b>
<b>Current Share Price</b>	<b>0.165</b>		
<b>Expected change in price</b>	<b>16%</b>		

Source: US Research

**Risks to our rating:**

Potential risk to our estimates include 1) Failure to get sales traction in new markets 2) Oil prices remaining at lower levels for a sustained period of time 3) Delayed project execution of government infrastructure projects 4) Failure to maintain the low cost structure.

Financial year ended Dec 31	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Revenue	8,050	8,774	11,870	15,887	17,056	18,602	22,454	26,408	28,778	27,443	21,471	22,996	26,560
<b>Total Revenue</b>	<b>8,050</b>	<b>8,774</b>	<b>11,870</b>	<b>15,887</b>	<b>17,056</b>	<b>18,602</b>	<b>22,454</b>	<b>26,408</b>	<b>28,778</b>	<b>27,443</b>	<b>21,471</b>	<b>22,996</b>	<b>26,560</b>
Cost of raw materials and consumables	(2,360)	(2,514)	(3,272)	(4,162)	(4,442)	(5,018)	(6,111)	(6,783)	(6,983)	(6,874)	(5,378)	(5,714)	(6,547)
Fuel and electricity	(468)	(515)	(625)	(991)	(1,093)	(1,198)	(1,544)	(1,848)	(1,853)	(2,466)	(3,006)	(2,989)	(3,453)
Direct Salaries	(468)	(520)	(683)	(953)	(969)	(1,159)	(1,403)	(1,686)	(1,930)	(1,986)	(1,718)	(1,863)	(2,151)
Depreciation	(628)	(637)	(698)	(1,024)	(1,043)	(1,091)	(1,408)	(1,654)	(1,831)	(1,887)	(1,503)	(1,679)	(1,939)
Repairs and maintenance	(439)	(463)	(594)	(746)	(725)	(820)	(943)	(1,060)	(1,164)	(1,121)	(859)	(943)	(1,089)
Other factory overheads	(48)	(48)	(63)	(61)	(61)	(61)	(69)	(85)	(90)	(93)	(66)	(94)	(108)
<b>GROSS PROFIT</b>	<b>3,619</b>	<b>4,027</b>	<b>5,935</b>	<b>7,950</b>	<b>8,723</b>	<b>9,226</b>	<b>10,975</b>	<b>13,216</b>	<b>14,878</b>	<b>13,016</b>	<b>8,941</b>	<b>9,714</b>	<b>11,273</b>
Indirect Salaries	(533)	(630)	(871)	(1,008)	(1,172)	(1,334)	(1,673)	(1,897)	(2,174)	(2,187)	(2,147)	(2,334)	(2,696)
Indirect Depreciation	(533)	(57)	(76)	(90)	(114)	(129)	(153)	(175)	(173)	(199)	(146)	(191)	(221)
Outward Freight charges	(783)	(606)	(557)	(801)	(982)	(1,166)	(1,451)	(2,033)	(2,417)	(2,822)	(2,791)	(3,024)	(3,493)
Advertisement expenses	(108)	(194)	(204)	(212)	(375)	(289)	(355)	(435)	(576)	(236)	(274)	(247)	(264)
Travelling expenses	(84)	(88)	(87)	(98)	(104)	(82)	(117)	(159)	(176)	(154)	(143)	(112)	(120)
Others	(166)	(186)	(214)	(220)	(299)	(275)	(302)	(396)	(414)	(428)	(412)	(354)	(379)
<b>OPERATING PROFIT</b>	<b>1,412</b>	<b>2,266</b>	<b>3,926</b>	<b>5,522</b>	<b>5,677</b>	<b>5,951</b>	<b>6,925</b>	<b>8,122</b>	<b>8,947</b>	<b>6,990</b>	<b>3,027</b>	<b>3,452</b>	<b>4,100</b>
Finance Income / (cost)	(66)	(13)	(24)	(18)	(15)	(11)	(16)	(18)	(35)	(35)	(35)	(35)	(35)
Other income	0	96	80	110	368	571	484	850	2,139	439	-1,061	349	188
<b>PROFIT BEFORE TAXATION</b>	<b>1,346</b>	<b>2,349</b>	<b>3,982</b>	<b>5,613</b>	<b>6,030</b>	<b>6,510</b>	<b>7,393</b>	<b>8,954</b>	<b>11,051</b>	<b>7,395</b>	<b>1,932</b>	<b>3,766</b>	<b>4,252</b>
Taxation	0	(33)	(414)	(671)	(697)	(762)	(896)	(1,069)	(1,285)	(881)	(232)	(565)	(638)
<b>PROFIT FOR THE YEAR</b>	<b>1,346</b>	<b>2,316</b>	<b>3,568</b>	<b>4,942</b>	<b>5,333</b>	<b>5,748</b>	<b>6,497</b>	<b>7,885</b>	<b>9,766</b>	<b>6,513</b>	<b>1,700</b>	<b>3,201</b>	<b>3,615</b>
PER	36.3	21.1	13.7	9.9	9.2	8.5	7.5	6.2	5.0	7.5	28.8	15.3	13.5
Basic EPS (RO)	0.005	0.008	0.012	0.017	0.018	0.019	0.022	0.027	0.033	0.022	0.006	0.011	0.012
No of shares (in 000's)	296,220	296,220	296,220	296,220	296,220	296,220	296,220	296,220	296,220	296,220	296,220	296,220	296,220
EBITDA	1,851	2,960	4,700	6,636	6,834	7,170	8,486	9,951	10,952	9,075	4,677	5,321	6,259
DPS	0.000	0.000	0.000	0.000	0.000	0.003	0.010	0.010	0.016	0.021	0.006	0.010	0.011
Payout Ratio	0%	0%	0%	0%	0%	14%	45%	39%	48%	95%	98%	90%	90%
EV/EBITDA	26.4	16.5	10.4	7.3	7.0	6.5	5.6	4.7	4.3	5.3	10.1	8.4	6.7
Financial year ended Dec 31	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
<b>Balance sheet</b>													
Inventories	1,615	1,415	2,164	2,198	2,227	2,295	3,262	3,060	4,805	3,946	3,759	4,250	4,586
Trade & other receivables	2,405	2,194	2,767	3,668	3,672	4,375	5,304	6,259	8,437	8,815	6,871	8,049	7,968
Investments	103	3,425	108	4,571	6,382	5,650	0	4,550	5,000	8,591	2,407	1,237	1,708
Cash and bank balances	811	589	1,278	1,212	1,365	2,261	1,370	2,054	1,923	449	1,535	4,220	6,672
<b>Total Current Assets</b>	<b>4,934</b>	<b>7,623</b>	<b>6,318</b>	<b>11,648</b>	<b>13,647</b>	<b>14,582</b>	<b>9,936</b>	<b>15,923</b>	<b>20,165</b>	<b>21,800</b>	<b>14,572</b>	<b>17,756</b>	<b>20,934</b>
Property, Plant and equipment	6,615	6,233	11,341	10,793	10,256	15,170	17,252	20,182	21,415	20,493	19,309	18,332	17,213
Long Term Investments	0	74	23	34	3,687	3,412	9,578	8,073	6,436	4,653	9,000	8,726	7,671
<b>Non Current Assets</b>	<b>6,615</b>	<b>6,308</b>	<b>11,364</b>	<b>10,827</b>	<b>13,942</b>	<b>18,583</b>	<b>26,830</b>	<b>28,254</b>	<b>27,851</b>	<b>25,146</b>	<b>28,309</b>	<b>27,058</b>	<b>24,884</b>
<b>Total Assets</b>	<b>11,549</b>	<b>13,930</b>	<b>17,682</b>	<b>22,475</b>	<b>27,589</b>	<b>33,165</b>	<b>36,766</b>	<b>44,177</b>	<b>48,016</b>	<b>46,946</b>	<b>42,881</b>	<b>44,814</b>	<b>45,817</b>
Borrowings	308	308	308	308	308	0	0	0	0	0	0	0	0
Trade and other payables	1,000	1,256	2,405	2,172	2,042	2,976	2,734	4,904	3,882	2,989	2,668	2,808	3,154
Taxation	0	0	342	617	735	813	829	1,080	1,215	845	845	845	845
<b>Total Current Liabilities</b>	<b>1,308</b>	<b>1,564</b>	<b>3,055</b>	<b>3,097</b>	<b>3,085</b>	<b>3,788</b>	<b>3,564</b>	<b>5,985</b>	<b>5,097</b>	<b>3,834</b>	<b>3,513</b>	<b>3,653</b>	<b>3,999</b>
Borrowings	1,233	925	617	308	0	0	0	0	0	0	0	0	0
End of service benefits & Others	103	145	202	254	319	392	581	832	1,079	1,259	1,439	1,619	1,800
Deferred Tax Liability	184	217	289	344	316	258	317	307	378	415	415	415	415
<b>Non Current liabilities</b>	<b>1,520</b>	<b>1,287</b>	<b>1,107</b>	<b>906</b>	<b>634</b>	<b>650</b>	<b>898</b>	<b>1,139</b>	<b>1,457</b>	<b>1,674</b>	<b>1,854</b>	<b>2,034</b>	<b>2,214</b>
Share Capital	5,738	7,173	8,607	11,189	16,224	19,469	20,443	23,509	24,684	29,621	29,621	29,621	29,621
Legal Reserve	768	1,000	1,357	1,851	2,384	2,959	3,608	4,397	5,374	6,027	6,197	6,517	6,879
Fair value reserve	0	42	-9	3	69	-10	-8	-78	-734	-1,123	-824	-746	-1,003
Retained earnings	2,215	2,864	3,564	5,429	5,192	6,308	8,262	9,226	12,138	6,913	2,519	3,733	4,106
<b>Shareholders equity</b>	<b>8,721</b>	<b>11,079</b>	<b>13,519</b>	<b>18,472</b>	<b>23,869</b>	<b>28,727</b>	<b>32,305</b>	<b>37,054</b>	<b>41,462</b>	<b>41,438</b>	<b>37,514</b>	<b>39,127</b>	<b>39,604</b>
Cashflow	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
<b>FCF I</b>	<b>2,181</b>	<b>3,864</b>	<b>4,349</b>	<b>5,354</b>	<b>6,484</b>	<b>7,178</b>	<b>6,242</b>	<b>10,850</b>	<b>5,250</b>	<b>7,746</b>	<b>6,033</b>	<b>3,827</b>	<b>5,810</b>
<b>FCF II</b>	<b>1,930</b>	<b>3,559</b>	<b>(1,315)</b>	<b>4,623</b>	<b>3,109</b>	<b>2,026</b>	<b>2,046</b>	<b>2,924</b>	<b>3,938</b>	<b>4,353</b>	<b>7,013</b>	<b>4,353</b>	<b>5,334</b>
Dividends paid	0	0	0	0	0	(811)	(2,920)	(3,066)	(4,702)	(6,171)	(5,924)	-1,666	-2,881
<b>FCF III</b>	<b>1,930</b>	<b>3,559</b>	<b>(1,315)</b>	<b>4,623</b>	<b>3,109</b>	<b>1,215</b>	<b>(875)</b>	<b>(142)</b>	<b>(764)</b>	<b>(1,818)</b>	<b>1,088</b>	<b>2,687</b>	<b>2,453</b>

Ratio Analysis	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E	2018E
<b>Valuation</b>												
PE	21.1	13.7	9.9	9.2	8.5	7.5	6.2	5.0	7.5	28.8	15.3	13.5
PEG	NM	0.3	0.3	1.2	1.1	0.6	0.3	0.2	-0.2	-0.4	0.2	1.0
Price/Book	4.4	3.6	2.6	2.0	1.7	1.5	1.3	1.2	1.2	1.3	1.2	1.2
Price/Sales	5.6	4.1	3.1	2.9	2.6	2.2	1.9	1.7	1.8	2.3	2.1	1.8
Dividend Yield	0%	2%	0%	0%	2%	6%	6%	10%	13%	12%	3%	6%
Price/CashFlow	12.6	11.2	9.1	7.5	6.8	7.8	4.5	9.3	6.3	8.1	12.8	8.4
EV/EBITDA	26.4	16.5	10.3	7.3	6.9	6.6	5.5	4.7	4.4	5.2	9.5	7.9
EV/EBIT	21.6	12.4	8.8	8.5	7.9	6.9	5.8	5.2	6.9	15.6	12.9	10.3
EV/Sales	5.6	4.1	3.1	2.8	2.5	2.1	1.8	1.6	1.8	2.2	1.9	1.6
EV	48,876	48,831	48,589	48,128	46,923	47,506	46,822	46,953	48,427	47,341	44,656	42,205
Market Cap	48,876	48,876	48,876	48,876	48,876	48,876	48,876	48,876	48,876	48,876	48,876	48,876
<b>Per share</b>												
EPS	0.008	0.012	0.017	0.018	0.019	0.022	0.027	0.033	0.022	0.006	0.011	0.012
DPS	0.000	0.004	0.000	0.000	0.003	0.010	0.010	0.016	0.021	0.020	0.006	0.010
BVPS	0.037	0.046	0.062	0.081	0.097	0.109	0.125	0.140	0.140	0.127	0.132	0.134
<b>Capex</b>												
Capex/Sales	4%	48%	5%	5%	33%	16%	18%	11%	4%	4%	4%	4%
Capex/Depreciation	47%	733%	67%	67%	505%	234%	260%	162%	57%	52%	49%	49%
<b>Liquidity</b>												
Cash Ratio	0.4	0.4	0.4	0.4	0.6	0.4	0.3	0.4	0.1	0.4	1.2	1.7
Current Ratio	4.9	2.1	3.8	4.4	3.8	2.8	2.7	4.0	5.7	4.1	4.9	5.2
Quick Ratio	4.0	1.4	3.1	3.7	3.2	1.9	2.1	3.0	4.7	3.1	3.7	4.1
<b>Cash Cycle</b>												
Inventory Turnover	3.1	3.3	3.6	3.8	4.1	4.1	4.2	3.5	3.3	3.3	3.3	3.5
Accounts Payable Turnover	4.0	3.7	3.5	4.0	3.8	4.4	3.4	3.6	3.9	4.4	5.0	5.2
Receivables Turnover	4.0	4.3	4.3	4.6	4.3	4.2	4.2	3.4	3.1	3.1	2.9	3.3
Inventory Days	116	110	100	97	88	88	87	103	111	112	110	105
Payable Days	91	100	105	92	97	84	107	102	92	84	73	70
Receivable Days	91	85	84	79	86	86	87	107	117	117	128	110
Cash Cycle	117	95	80	84	77	91	67	108	136	145	165	145
<b>Risk Ratio</b>												
Pay out Ratio	0%	30%	0%	0%	14%	45%	39%	48%	95%	349%	52%	80%
Net Interest Cover	1%	1%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%
Net Debt/EBITDA	22%	-8%	-9%	-15%	-32%	-16%	-21%	-18%	-5%	-33%	-79%	-107%
<b>Returns Ratio</b>												
ROA	17%	20%	22%	19%	17%	18%	18%	20%	14%	4%	7%	8%
ROE	21%	26%	27%	22%	20%	20%	21%	24%	16%	5%	8%	9%
ROIC	18%	27%	29%	23%	21%	21%	22%	22%	17%	8%	9%	10%
<b>DUPONT Analysis</b>												
Total Asset to Equity	1.26	1.31	1.22	1.16	1.15	1.14	1.19	1.16	1.13	1.14	1.15	1.16
Net Income/Sales	0.26	0.30	0.31	0.31	0.31	0.29	0.30	0.34	0.24	0.08	0.14	0.14
Sales/Total Assets	0.63	0.67	0.71	0.62	0.56	0.61	0.60	0.60	0.58	0.50	0.51	0.58
Dupont ROE	<b>21%</b>	<b>26%</b>	<b>27%</b>	<b>22%</b>	<b>20%</b>	<b>20%</b>	<b>21%</b>	<b>24%</b>	<b>16%</b>	<b>5%</b>	<b>8%</b>	<b>9%</b>
<b>Cash Flow Ratio's</b>												
Cashflow to Revenue	0.44	0.37	0.34	0.38	0.39	0.28	0.41	0.18	0.28	0.28	0.17	0.22
Cashflow to EBITDA	1.31	0.93	0.81	0.95	1.00	0.74	1.09	0.48	0.85	1.29	0.72	0.93
Cash return on assets	0.28	0.25	0.24	0.24	0.22	0.17	0.25	0.11	0.16	0.14	0.09	0.13
Cash return on equity	0.35	0.32	0.29	0.27	0.25	0.19	0.29	0.13	0.19	0.16	0.10	0.15
<b>Profitability Ratio</b>												
Gross Margins	46%	50%	50%	51%	50%	49%	50%	51.7%	47.4%	41.6%	42%	42%
EBITDA Margins	34%	40%	42%	40%	39%	38%	38%	38.1%	33.1%	21.8%	23%	24%
EBIT Margins	26%	33%	35%	33%	32%	31%	31%	31.1%	25.5%	14.1%	15%	15%
PBT Margins	27%	34%	35%	35%	35%	33%	34%	38.4%	26.9%	9.0%	16%	16%
Net Margins	26%	30%	31%	31%	31%	29%	30%	33.9%	23.7%	7.9%	14%	14%
Effective Tax Rate	1%	10%	12%	12%	12%	12%	12%	12%	12%	12%	15%	15%



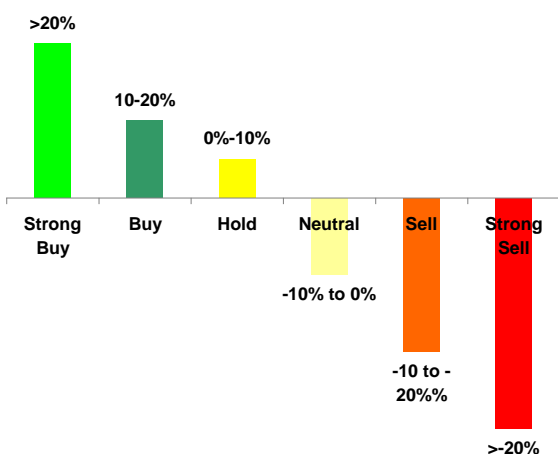
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### Rating Criteria and Definitions

#### Rating



#### Rating Definitions

<b>Strong Buy</b>	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
<b>Buy</b>	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
<b>Hold</b>	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
<b>Neutral</b>	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
<b>Sell</b>	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
<b>Strong Sell</b>	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
<b>Not rated</b>	This recommendation used for stocks which does not form part of Coverage Universe

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