



Value Indicators

Sector	Industry
CMP (RO)	0.805
Face Value (RO)	0.100
Shares O/S (Mn)	33.220
Market Cap (RO 000's)	26,742
EPS- (FY09E)	0.092
BV- (Latest)	0.328
P/E- (FY09E)	8.8x
PBV- Latest	2.4x
Div Yield (%)*	2.5

* On 2008 cash div of RO 0.020

Majan Glass-Scaling up the ladder

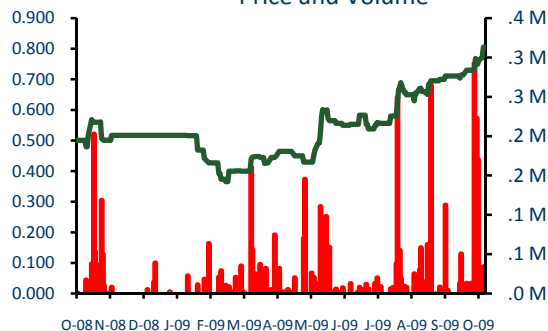
Unabated Realization boosts topline

- Majan Glass posted results for 9M 2009 with revenues declining by 6% to RO 7.779 million (YoY) primarily on the back of lower sales volume due to rebuild work of 150TPD Furnace which the company undertook during the first quarter of the current fiscal year.
- The company surpassed our estimation on realization of RO 150/tonne and continued to maintain its net realization levels at ~RO 168/tonne for quarter ended September 2009, increasing thereby 19% on YoY basis, despite reduction in sales volume. This was achieved on the back of enhanced product mix and introduction of value added products.
- During 3QFY09, the company posted revenue of RO 2.816 million increasing marginally by 2% as against RO 2.770 million achieved during the previous year. On QoQ basis, the overall revenue declined by 8.5% mainly on account of marginal drop in sales volume (decrease of 5.5% QoQ). During the quarter, the production volume of the company had increased to c. 18,067 tonnes of glass containers, an increase of 5% YoY.

High Margins prevail on lower operating expenses

- The total operating expenditure for the quarter dipped moderately by 8% (YoY) to RO 1.601 million. The decline in the operating expenses is attributed to the presence of low raw material prices.
- The company witnessed a substantial increase in the gross profit during the quarter by 19% to RO 1.215 million. On QoQ basis the company reported a drop in gross profit by 13% as there was a moderate increase in the raw material prices. The gross profit margins expanded by 620bps YoY and contracted by 230 bps on QoQ basis to 43.1%.
- The admin & general expenses for the quarter increased by 39% YoY to RO 280k from RO 202k. Interest expenses have dropped significantly by 43% YoY to RO 7K.

Price and Volume



- Profit after tax (PAT) of RO 2.233 Million for the 9MFY09 has outstripped our 2009 annual estimation of RO 2.296 million. PAT for the quarter stood at RO 820k increasing by 28% (YoY), which was much ahead of our expectations. The PAT margins grew by 590 bps to 29.1% from 23.2% during the previous year of the corresponding quarter.

Organic expansion leads company into growth trajectory

- The installation of ACL printing machine during 2008 has resulted in the increase of sales, both in terms of quantity and revenue. In line with its strategy towards the introduction of value added products, the company is in the process of installation of an additional ACL printing machine. The company expects this facility to be operational by end of October 2009.
- The company also commissioned the fifth line with capacity of 14K MTPA during the year which has enhanced the total installed capacity to 86,000 MTPA.
- Currently the company is evaluating for putting up a third furnace with a capacity to produce 200MT of glass per day.

Outlook:

- The company's strategy on better product mix has yielded fruits, which have led to massive realization improvement.
- On the realization front we have maintained a conservative approach (RO 155/tonne) for estimating the future revenue of the company, though the company has achieved RO 168/tonne (avg of last three quarters).
- We believe that the commencement of production from new line (Fifth line) commissioned with capacity of 14K MTPA along with the introduction of new ACL printing machine is expected to drive earnings growth in a significant way going forward. We also believe that the gross margins of the company to remain healthy on the back of decline in the raw material prices, a key component of operating expenditure.
- We believe the addition of new capacity (200MT-which is under feasibility study) is almost set to double the existing capacity and is sure to act as a catalyst, as this will bolster the revenue as well as the earnings growth of the company going forward.
- On the back of better product mix, improvised realization and introduction of value added products along with sustainable order book we expect the company to post a strong sales growth moving ahead. For FY09E the company is expected to post Net Profit of RO 2.860 Million. At the current market price of RO 0.805, the stock is trading at a PE of 8.8x (FY09E) and PBV 2.4X which looks attractive at current levels. We reiterate our **'BUY'** ratings on the stock with a revised DCF based target price of RO 1.013.

Financial Highlights:

In RO 000's

Period Ended	1QFY08 Mar(3m)	1QFY09 Mar(3m)	% chg.	2QFY08 Jun(3m)	2QFY09 Jun(3m)	% chg.	3QFY08 Sep(3m)	3QFY09 Sep(3m)	% chg.	9MFY08	9MFY09	% chg.
Sales	2,531	1,886	-25%	2,996	3,077	3%	2,770	2,816	2%	8,297	7,779	-6%
Total Expenditure	1,629	1,205	-26%	1,991	1,679	-16%	1,747	1,601	-8%	5,367	4,485	-16%
Gross Profit	902	681	-25%	1,005	1,398	39%	1,023	1,215	19%	2,930	3,294	12%
GPM (%)	35.6%	36.1%		33.5%	45.4%		36.9%	43.1%		35.3%	42.3%	
Admin & gen exps	203	211	4%	183	270	48%	202	280	39%	588	761	30%
PBIDT	699	470	-33%	822	1,128	37%	821	935	14%	2,342	2,533	8%
OPM (%)	27.6%	24.9%		27.4%	36.7%		29.6%	33.2%		28.2%	32.6%	
Depreciation	4	2	-50%	2	5	150%	3	4	32%	9	11	22%
Other Income	10	45	350%	10	3	-70%	30	20	-33%	50	68	36%
EBIT	705	513	-27%	830	1,126	36%	848	951	12%	2,383	2,590	9%
EBIT (%)	27.9%	27.2%		27.7%	36.6%		30.6%	33.8%		28.7%	33.3%	
Interest	22	18	-18%	26	31	19%	13	7	-43%	61	56	-7%
PBT	683	495	-28%	804	1,095	36%	835	943	13%	2,322	2,533	9%
Deferment of income				(120)			(120)	0		(240)		
Tax	0	59		177	118	-33%	73	123	69%	250	300	20%
PAT	683	436	-36%	507	977	93%	642	820	28%	1,832	2,233	22%
PAT Margin (%)	27.0%	23.1%		16.9%	31.8%		23.2%	29.1%		22.1%	28.7%	

Particulars	Mar-08	Mar-09	Var (%)	Jun-08	Jun-09	Var (%)	Sep-08	Sep-09	Var (%)	9MFY08	9MFY09	Var (%)
Production MT	16,675	10,260	-38%	17,783	18,185	2%	17,277	18,067	5%	51,735	46,512	-10%
Sales MT	18,054	11,572	-36%	21,845	17,877	-18%	18,755	16,885	-10%	58,654	46,334	-21%
Realization (in RO)	140.2	163.0	16%	137.1	172.1	25%	147.7	166.8	13%	141.5	167.9	19%

Source: Company Reports; GBCM Research

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