

April 21, 2010

RAYSUT CEMENT (RAYC.OM)

12-Month Fair Value: Under Review

Last Close (21 April, 2010): RO 1.566

Recommendation: Under Review - Risk Level: Under Review

- Raysut Cement (Raysut) reported 31.8% drop in revenue to RO 16.3 million in 1Q2009 compared to the same period last year. This decline was mainly due to a 38% drop in domestic revenue. Domestic cement volumes decreased significantly by 35.2% to 380 thousand tons during 1Q2010, which, according to management, was due to increased competition from cheap cement imports from the UAE. Domestic cement prices were down 4.3% to RO 30.1 per ton during the quarter. On the export front, revenue was down 11% to RO 4.9 million in 1Q2010 mainly due to a 25% decrease in sales volume.
- Raysut reported EBITDA of RO 7.7 million in 1Q2010, down 14.5% y-o-y. This was in line with our forecast of RO 7.6 million. EBITDA margins expanded significantly to 47.2% in 1Q2010 compared to 37.6% in 1Q2009 mainly due to notable drop in cement imports. The company imported cement worth RO 6.45 million in 1Q2009 compared to negligible cement imports of RO 0.4 million in 1Q2010. Amidst competition from UAE players, we expect domestic cement prices to decrease further as the year progresses thus hurting margins.
- Profit before tax (PBT) for the company was down 13.1% to RO 6.8 million in 1Q2010 compared to RO 7.8 million in 1Q2009.
- These results were more or less in line with our expectations at the EBITDA level, however we are skeptical about revenue growth for the year. We maintain our “under review” recommendation on the stock due to the ongoing negotiations/bidding process for the acquisition of the UAE based “Star Cement” (refer to analyst comment dated 08 February, 2010). When further clarity is made on that matter we would issue an update on the company.

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Related Research

- Raysut Cement Analyst Comment - 08 February 2010
- Raysut Cement Analyst Comment - 28 January 2010
- Raysut Cement Analyst Comment - 25 October 2009
- Raysut Cement Update - 14 December 2009

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK		HIGH RISK		
1	2	3	4	5

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