

January 28, 2010

## RAYSUT CEMENT (RAYC.OM)

- Raysut Cement reported total revenue of RO 89.3 million for FY2009, flat compared to FY2008, and 2% higher than our forecast of RO 87.5 million.
- Unavailability of information on EBITDA restricts us to run any comparison with our 2009 EBITDA/EBITDA margin forecasts; however we estimate the EBITDA for 2009 to be 6% - 7% lower than our expectations. We had expected the EBITDA margin to be almost flat at 39.7% during 2009 compared to 2008.
- Net profit grew marginally by 5.1% to RO 28.5 million in 2009 compared to RO 27.1 million in 2008. This was 1.4% higher than our 2009 expectation of RO 28.1 million. The preliminary results released do not have any information on sales volume and cement prices.
- We view these results in line with our expectations and hence would be issuing an update only after the 1Q2010 results. However, a brief note incorporating the management views and the key operating figures (cement sales volume, average cement price, EBITDA margins) for 2009 will be issued before the next update.
- In our last update dated 14th December, 2009, we had a Sell recommendation on Raysut Cement. Contrary to our expectation, the stock has appreciated by 7.2% since then and currently trades at RO 1.590, which is 19% higher than our fair value of RO 1.336. We reiterate our Sell recommendation as Raysut currently trades at an EV per ton of USD 302 (second most expensive cement stock in our regional peer basket), a 36% premium compared to our regional peer average. The company also trades at a 16% premium compared to Oman Cement though we feel both companies are very comparable in terms of scalability of operations, market share and efficiency parameters.

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### Related Research

- Raysut Cement Update - 14 December 2009
- Raysut Cement Initiation of Coverage - 17 June 2009

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