

## Galfar Engineering and Contracting Co.

Analyst: Ayisha Zia

### Previous Recommendation: Accumulate

Previous Reco. & Date:

TP: OMR 0.125 per share; Accumulate on 30-Jun-2022

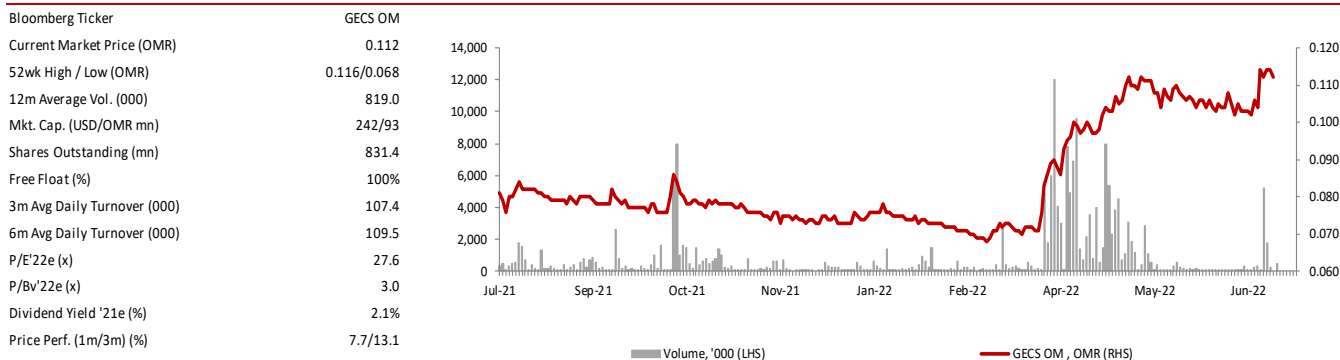
Target Price (OMR):

0.125

Upside / (Downside):

11.4%

Date: 14-07-2022



### Revenue decreased by 22% YoY, largely in-line with our expectation

Galfar Engineering has reported a revenue of OMR 41.1mn for 2Q22, which was 5% less than our estimate. The revenue de-grew by 22% YoY, but has shown a sequential 10% growth.

### Total expenses, down by 23% YoY, better than our estimates

The company has shown improvement in controlling its expenses, better than our expectation. The total expenses in 2Q22 stood at OMR 40.3mn vs our expectation of OMR 43.4mn. In terms of YoY performance, the total expenses de-grew by 23%.

### Net profit beats estimate

The company's net profit in 2Q22 stood at OMR 0.7mn, due to cut down of its expenses in this quarter. We were expecting the company to report a slight negative bottom-line in this quarter amounting to -OMR 0.2mn.

### Maintaining our "Accumulate" rating

The company's bottom-line is showing signs of improvement due to restructuring initiatives taken by the management. Going forward, we believe the company should perform well and show improvement in margins as indicated in our initiation note. However, we are maintaining our target price and rating on the stock due to a bit uncertain macro environment prevailing in the market, related to rising inflation and a gloomy hint towards recession scenario.

Income Statement												
(OMR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)	1H21	1H22
Sales/Revenue	51.5	52.3	42.0	42.1	37.5	41.1	43.2	-22%	10%	-5%	103.8	78.5
Expenses	50.0	52.5	42.2	42.0	37.4	40.3	43.4	-23%	8%	-7%	102.4	77.7
Net Profit (Loss) after tax	1.5	(0.1)	(0.2)	0.1	0.1	0.7	(0.2)	NA	NA	NA	1.4	0.8
Balance Sheet												
(OMR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)		
Shareholders' Equity	22.4	22.3	22.1	22.2	22.2	NA	22.0	NA	NA	NA		
Key Ratios												
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e					
Net Profit Margin	19.7%	-0.4%	0.2%	0.2%	0.2%	1.8%	-0.6%					
Return on Equity (RoE)	4.2%	-3.1%	1.8%	1.2%	1.2%	NA	-4.5%					
Annualized EPS (OMR)	0.021	-0.002	-0.002	0.001	0.001	NA	-0.003					
BVPS (OMR)	0.07	0.07	0.07	0.07	0.07	NA	0.07					
TTM P/E (x)						NA						

Source: Financials, MSX, Bloomberg, U Capital Research

For our earlier report on the sector, please [click here](#).

## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%



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