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Oman Cement Co

Revenue decline: OCOI reported its 1Q24 total income at RO 18.8mn, a decline of 3.9% YoY, and a sequential increase of 1.3%. Apart from revenue from operations, the total income reported by the company included other income, interest income, and income from associates. We estimate the company achieved operating revenue of RO 17.8mn, in line with our estimate of RO 18mn. We assume the company had net finance income of RO 600K during 1Q24. We note that the company distributed RO 40mn as cash dividends at the end of March 2024, which will result in a significant reduction in interest income going forward.

Expenses decline 11.5% YoY: The total expenses for 1Q24 stood at RO 14.8mn (vs. 16.7mn in 1Q23, a decline of 11.5% YoY). We believe this is on the back of improved operating efficiencies and lower interest costs YoY. The 1Q23 interest cost stood at RO 0.4mn, when the company's policy was to gain from interest arbitrage. In 4Q23, the interest cost was negligible and we believe interest expenses would remain lower in the coming quarters. The company's net profit margin increased to 17.9% in 1Q24 (vs. 19% in 3Q23 and -7.6% due to one off in 4Q23), points to the early signs of improvements in profitability. The reported 1Q24 net profit of RO 3.4mn was below out estimates of RO 3.6mn.

Maintain outlook and target price: Operationally, the company performance was better than previous quarter, which was marred by one-offs. Supported by the announcement of special dividend, share price witnessed roller coaster ride in March, rising to RO 0.596 and reverting to 0.360 ex-dividend. We retain our NEUTRAL rating on the stock with target price of RO 0.334.

in RO mn	1Q24	1Q23	YoY	4Q23	QoQ	2023	2022	YoY
Revenues	18.8	19.5	-3.9%	18.5	1.3%	72.5	69.8	3.9%
Total Expenses	14.8	16.7	-11.5%	20.1	-26.3%	65.5	63.8	2.7%
PBT	4.0	2.8	42.2%	-1.6	-351.6%	7.0	6.0	17.0%
Taxation	0.6	0.4	50.1%	-0.2	-352.2%	1.0	0.9	8.0%
PAT	3.4	2.4	40.9%	-1.3	-351.5%	6.0	5.0	18.7%
NPM%	17.9%	12.2%		-7.2%		8.3%	7.2%	
Effective tax rate	14.9%	14.2%		14.9%		14.5%	15.7%	

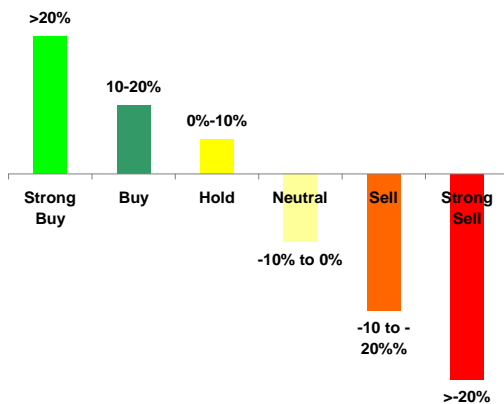
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Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	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%
Buy	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%
Hold	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%
Neutral	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%
Sell	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%
Strong Sell	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%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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