



الخليجية بادر للأسواق المال ش.م.ع.م
Gulf Baader Capital Markets S.A.O.C.



MSM 30 Index Cos - FY2010 Earnings Preview

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Gulf Baader Capital Markets (GBCM) Research

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Foot Notes:

MSM 30 Index constituents as at end of FY2010. Earnings projections of the Investment holding companies have been excluded in our estimates. For companies with different year ending (Mar, June), we have taken the earnings data for the Jan to Dec 2010 period.

Omani Equities



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FY2010 Earnings Preview - Revenue to show a marginal growth, PAT to grow by 6.6% YoY...

- ✓ GBCM Research estimates, the total revenue of MSM 30 Index (*Excluding Inv. Holding Cos*) is estimated at RO 2.413 billion, reporting a marginal growth of 1.1% on a YoY basis.
- ✓ While, MSM 30 Index Earnings (*Excluding Inv. Holding Cos*) is estimated at RO 441.974 million, reporting an increase of 6.6% on a YoY basis lead by strong earnings growth in Banking Sector.
- ✓ However, Q4FY10 estimated earnings of MSM 30 companies stood at RO 117.413 million, reporting a growth of about 106.6% on a YoY basis (*Lower base seen in Q4FY09 earnings on back of higher provisioning by banks and disappointing numbers from Industrial and Services sector majors*).
- ✓ While the Q4FY10E Earnings is estimated to increase by about 12.5% on a sequential basis, which is an encouraging sign.

Sectoral trend for FY10...

- ✓ The total income of Banking sector is estimated at RO 505.41 million, an increase of 8.1% on a YoY basis, while FY10 earnings of the sector stood at RO 208.015 million, gaining by a stronger 31.4% on a YoY basis
- ✓ Total revenue of Industry sector is estimated at RO 870.354 million, a decline of 5.4% YoY, while the net profit of the sector is expected to decline by 8.4% YoY to RO 77.772 million.
- ✓ Services sector is expected to report marginal total income growth of about 3.8% YoY to RO 1,037.584 million, while earnings to decline by 8.9% on a YoY basis to RO 156.187 million

MSM 30 Index (Ex. Inv. Holding) - In RO 000's	Total Revenue			Net Profit		
	FY10E	FY09	YoY (%)	FY10E	FY09	YoY (%)
Banking & Inv. Sector						
National Bank of Oman	80,831	81,867	-1.3%	30,933	21,105	46.6%
Oman International Bank	40,342	43,056	-6.3%	17,438	21,522	-19.0%
Bank Muscat **	252,877	230,545	9.7%	100,874	73,718	36.8%
Ahli Bank	25,650	17,897	43.3%	14,044	8,541	64.4%
Bank Sohar	35,415	29,131	21.6%	11,227	8,022	40.0%
Bank Dhofar	70,295	65,029	8.1%	33,499	25,393	31.9%
Banking & Inv. Sector Earnings - Aggregate	505,410	467,525	8.1%	208,015	158,301	31.4%
Industry Sector						
Al Anwar Ceramic	17,783	15,887	11.9%	5,482	4,941	11.0%
Al Jazeera Steel	62,702	39,967	56.9%	2,009	(774)	359.5%
Galfar Engineering	356,525	415,955	-14.3%	6,526	4,176	56.3%
National Alum. Products	21,642	21,136	2.4%	2,111	2,538	-16.8%
Al Hassan Engineering	55,294	54,273	1.9%	2,700	2,672	1.0%
Oman Cable	186,724	155,603	20.0%	8,048	6,625	21.5%
Oman Cement ~~	49,366	68,284	-27.7%	20,089	24,232	-17.1%
Oman Flour Mills ^^	49,409	47,029	5.1%	6,537	9,819	-33.4%
Raysut Cement ##	57,737	89,346	-35.4%	21,727	28,682	-24.3%
Voltamp transformers	13,171	12,433	5.9%	2,544	1,954	30.2%
Industry Sector Earnings - Aggregate	870,354	919,913	-5.4%	77,772	84,865	-8.4%
Services Sector						
Oman Fisheries	10,325	12,416	-16.8%	875	1,458	-40.0%
Oman Investment & Finance	23,069	20,811	10.8%	2,941	3,096	-5.0%
Omantel ***	410,622	412,297	-0.4%	108,182	125,233	-13.6%
Renaissance Serv	263,781	247,590	6.5%	27,278	25,085	8.7%
Shell Oman Mrkt	320,090	298,400	7.3%	14,901	13,021	14.4%
Al Jazeera Serv	9,698	8,549	13.4%	2,010	3,474	-42.1%
Services Sector Earnings - Aggregate	1,037,584	1,000,063	3.8%	156,187	171,367	-8.9%
MSM 30 Index (Ex. Inv. Holding) Earnings - Aggregate	2,413,348	2,387,501	1.1%	441,974	414,533	6.6%

Source: Company Reports, GBCM Research Estimates

** FY10E figures of Bank Muscat does not consider for Dubai World Provisioning; Bank Muscat FY09 figures includes extraordinary gain (HDFC) of RO 53.2 Million and provision for credit losses amounting to RO 40.2 million during Q2FY09

~~ FY10E figures of Oman Cement excludes one off Income of RO 6.45 million (Post-tax) from Govt. Compensation;

FY10E figures excludes one of income of RO 1.590 million from Gov. compensation

^^ Oman Flour Mills , OIFC, Oman Fisheries (Jan-Dec period) ; *** Omantel Q1 2009 includes Insurance Claim settlement of RO 3.641 million

Banking & Inv. Sector

Company	Closing (RO)	Current Rating	Net Profit (In RO 000s)			Comment
			FY10E	FY09	YoY (%)	
National Bank of Oman	0.355	Accumulate	30,933	21,105	46.6%	Stronger Operating numbers and recoveries to aid in PAT
Oman International Bank	0.278	Neutral	17,438	21,522	-19.0%	Margins to remain under pressure, higher provisions to impact
Bank Muscat **	0.975	Accumulate	100,874	73,718	36.8%	Stronger Operating numbers and recoveries to aid in PAT
Ahli Bank	0.292	Accumulate	14,044	8,541	64.4%	Robust Credit addition to aid in maintaining growth
Bank Sohar	0.201	Accumulate	11,227	8,022	40.0%	Net interest income to moderate, higher provisions
Bank Dhofar	0.741	Neutral	33,499	25,393	31.9%	Stable growth to continue
Banking & Inv. Sector – Aggregate			208,015	158,301	31.4%	

Source: Company Reports, GBCM Research, closing as of 2-Jan-2011

** FY10 figures of Bank Muscat does not consider for Dubai World Provisioning; FY09 figures includes gain (HDFC) of RO 53.2 Million and provision for credit losses of RO 40.2 million during Q2FY09

Preview on Banking & Inv. Sector...

Banking sector credit addition improved during Q3FY10 with an increase of RO 400 million, we expect the credit addition to remain on a higher note during Q4FY10 (*GBCM Research estimates overall Q4FY10 credit addition of about RO 250 million*).

On back of improved credit addition and maintaining lower costs, we expect the interest margin to remain stable sequentially.

Expects the fee income of Bank Muscat to improve during the quarter, Provisioning levels to remain at normal levels.

Though we expect the operating expenses of the banks to remain on the higher side, the earnings growth for the banks increase on back of low provisioning and incremental recoveries. Overall provisioning level of the sector is expected to remain low.

FY10E Earnings of Banking sector is estimated to increase by 31.4% on a YoY basis to RO 208.015 million.

Industry Sector

Company	Closing (RO)	Current Rating	Net Profit (In RO 000s)			Comment
			FY10E	FY09	YoY (%)	
Al Anwar Ceramic	0.347	Accumulate	5,482	4,941	11.0%	Full capacity utilization continues, Earnings to remain strong
Al Jazeera Steel	0.300	Neutral	2,009	(774)	359.5%	Marginal growth to be seen on a QoQ basis
Galfar Engineering	0.565	Neutral	6,526	4,176	56.3%	Improving Margins on completion of Muscat expressway
National Alum. Products	0.545	Neutral	2,111	2,538	-16.8%	PAT to be in line with the previous quarter
Al Hassan Engineering	0.488	Accumulate	2,700	2,672	1.0%	Expects strong growth during the last quarter
Oman Cable	1.189	Neutral	8,048	6,625	21.5%	Capacity utilization continue to remain low
Oman Cement ~~~	0.639	Accumulate	20,089	24,232	-17.1%	Volumes and realization continue to remain under pressure
Oman Flour Mills	0.639	Neutral	6,537	9,819	-33.4%	Sales to improve on Seasonal demand and festivals
Raysut Cement ##	1.245	Neutral	21,727	28,682	-24.3%	Volumes to remain low, realization under pressure
Voltamp transformers	0.658	Neutral	2,544	1,954	30.2%	Performance expected to improve on a QoQ basis
Industry - Aggregate			77,772	84,865	-8.4%	

Source: Company Reports, GBCM Research, closing as of 2-Jan-2011

~~ FY10E figures of Oman Cement excludes one off Income of RO 6.45 million (Post-tax) from Govt. Compensation
FY10E figures of Raysut Cement excludes one of income of RO 1.590 million from Govt. compensation

Preview on Industry Sector...

Expects the longer holidays seen in Oman during Q4FY10 to show impact on the Earnings of the Industrial counters. Overall FY10E Industrial sector earnings is estimated to decline about 8.4% on a YoY basis.

Al Anwar Ceramics is expected to keep its earnings intact on a sequentially basis with the continuance of full capacity utilization.

The commodity players continue to operate under lower capacity utilization levels owing to lower export demand. We expect the commodity majors to show stabilizing quarterly earnings on a sequentially basis.

Earnings of Galfar is expected to improve on anticipation of margin improvement with the completion in Muscat Expressway project. Al Hassan Engineering is expected to report strong performance during the last quarter.

Cement Sector expects to see volume pressure continuing, the effect of price cut to be reflected in lower earnings.

Services Sector

Company	Closing (RO)	Current Rating	Net Profit (In RO 000s)			Comment
			FY10E	FY09	YoY (%)	
Oman Fisheries	0.112	Not Rated	875	1,458	-40.0%	Earnings to show muted growth
Oman Investment & Finance	0.233	Not Rated	2,941	3,096	-5.0%	Decline in PAT on back of competition, lower revenues
Omantel ##	1.280	Accumulate	108,182	125,233	-13.6%	Earnings to show improvement during last quarter
Renaissance Services	1.140	Accumulate	27,278	25,085	8.7%	Strong growth to continue, Expects improved FY11
Shell Oman Marketing	2.247	Accumulate	14,901	13,021	14.4%	Improving demand, while cost reduction continues
Al Jazeera Services	0.204	Not Rated	2,010	3,474	-42.1%	Quarterly earnings to show marginal growth
Services Aggregate			156,187	171,367	-8.9%	

Source: Company Reports, GBCM Research, closing as of 2-Jan-2011

##Omantel Q1 2009 includes Insurance Claim settlement of RO 3.641 million;
OIFC, Oman Fisheries (Jan-Dec period data)

Preview on Services Sector...

Oil marketing sector is expected to continue the earnings momentum owing to improving retail and commercial demand. On back of the cost initiatives, we anticipate the margins to improve. Shell Oman marketing expects to show earnings growth of 14.4% YoY

Renaissance Services expects to show robust earnings growth sequentially with the revival in its Engineering segment, higher contribution from Contract services business and Marine segment. Renaissance to report FY10 PAT growth of 8.7% YoY

Omantel is expected to show improved earnings during Q4 on back of festival season and also being the Data and Voice provider for the Muscat Asian Beach Games. PAT of Omantel expects to decline by 13.6% YoY on back of lowering interconnection income and reduced tariffs.

OIFC, Oman Fisheries and Al Jazeera Services expect to report Q4FY10 earnings more in line with the previous quarter.

Outlook for FY2011 - Earnings driven growth...

Government Spending Remains strong, Corporate Earnings growth to follow with a lag...

- ✓ During the eighth five year plan (2011-2015), the Government has committed towards spending about RO 30 billion in current and investment expenditure which is expected to trigger private sector investments thereby enhancing corporate earnings with a lag.
- ✓ Government estimates the nominal GDP growth rate in Oman to average about 6% during 8th five year plan period. While Non Oil GDP (nominal) is expected to report an average growth of 10% during the same period, which is a progressive sign.
- ✓ On back of Government commitment towards Infrastructure spending, we expect the Oman Banking Sector credit addition to be about 12% during FY2011. **Banking Sector** continue to be our favorable sectoral pick for 2011E.
- ✓ Anticipated asset growth during the current fiscal year to be the trigger for medium term growth. We would remain Overweight on Banking Sector.
- ✓ Focus on **stock specific opportunities in Industrial and Services Sector**.
 - ✓ Economic Recovery signs to aid in improving exports demand and higher capacity utilization among industries.
 - ✓ Long term calls can be taken on the Capacity expansion stories in Industry Sector.
 - ✓ Engineering and Cement sector could be the direct beneficiaries of Government spending.
- ✓ Oil Marketing sector is expected to continue its earnings growth momentum and could be a complimentary sector for long term investors.
- ✓ With the increase in earnings of MSM listed corporates during FY10E, we expect the dividend payout to remain stronger for the current year. Services sector companies continue to provide attractive dividend yields.
- ✓ GBCM Research expects the MSM performance in short to medium term to look for triggers in the form of improved liquidity (*new fund allocations by institutions*) along with the announcement of FY10 corporate earnings.

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