

12<sup>th</sup> May, 2009

## Q1 2009 - Update

Table 1: Highlights

MSM Ticker	MHAS
Date Established	Jul-04
Sector	Oil Marketing
CMP (RO)	7.146
52-wk high/low	19.200/7.200
YTD Performance	-36.8%
YTD Traded Volume	363,138
Market Cap. (RO 000)	49,307
Shares Outstanding (000)	6,900

Figure 1: Price History



Table 2: Financial Summary

(RO 000)	Q1 09	Q1 08	% Change
Revenue	37,782	51,755	-27.0%
Direct Costs	-33,535	-46,571	-28.0%
Profit before Tax	1,427	2,501	-42.9%
Net Profit	1,259	2,196	-42.7%
Share Capital	6,900	6,000	15.0%
Share Equity	27,585	22,636	21.9%
Retained Earnings	17,219	13,470	27.8%
Total Assets	46,623	46,650	-0.1%
Basic EPS	0.182	0.366	-50.1%
P/E Ratio (x)	9.8	4.9	100.6%
GPM (%)	10.5%	10.9%	-3.8%
NPM (%)	3.8%	3.9%	-2.3%

## Preview of Q1 2009

- Aggregate sales for three months ended 31<sup>st</sup> March 2009 note 27.0% decline (y-o-y) to RO. 37.78 million from RO. 51.75 million same time last year.
  - Sales decline of nearly Ro. 14 million (y-o-y) on grounds of presence of Quota System, discontinuation of fuel consumption by certain commercial clients and decline in Aviation business.
  - Quota System in place for diesel fuel sale to stations in the border areas amended to be on monthly basis for 2009. Resultant impact has been the decline in Diesel Retail sales in Q1 2009.
  - Retail business, mainly 'Super' fuel category notes improvement in Q1 2009 owing largely to increase in the company's network presence.
  - Ministry of Commerce & Industry (MOCI) issues Ministerial Decision No. 8/2009 pertaining to licensing fees of companies working in field of purchasing, storage, transportation, marketing & selling of petroleum products. Decision involves levying a charge of Bz. 4 for every RO. 1 in annual revenues. Decision makes licensing fees variable as opposed to previous fixed structure.
  - Gross profit notes 18.0% decline to RO. 4.24 million over RO. 5.18 million as of Q1 2008 (y-o-y). Admin/Distribution expenses note 6% increase (y-o-y). Operating Margins decline to 3.7% for Q1 2009 (y-o-y). Margins note improvement on Q-o-Q basis.
  - The net income for the period stands at RO. 1.26 million, a decline of 42.7% (y-o-y) over RO. 2.19 million recorded in Q1 2008.
- ### Outlook & Recommendation
- Company likely to pursue further development in Retail segment via site additions.
  - Competition likely to remain severe for the short term given the regional economic slowdown.
  - Aggregate sales expected to reach RO. 153.1 million for year 2009, an decrease of 20.0%, y-o-y. Bottom line likely to decline 36.2% (y-o-y) for year 2009 to RO. 4.69 million.
  - We assign **Hold** recommendation to the stock for the short term with 2009 target price of **RO. 7.815/share**.

## Financial Overview

Sales note marked decline

Monthly Diesel fuel quota system proves 'heavy'

The company reported a decline in revenues in Q1 2009 to the tune of nearly RO. 13.9 million (y-o-y) to RO. 37.7 million. Sales decline stands at 8.0% on a q-o-q basis as highlighted in Table 3 below. While effects of the economic slowdown seem to have played some role in the current performance, the decline in sales has also been attributed to numerous other factors. In part, diesel sales have witnessed a decline for the quarter due to the Quota System which is now in effect on a monthly basis for fuel stations operating in the border areas. The Commercial Segment has also suffered a setback with loss of volumes on discontinuation of use by certain clients. The Aviation segment also seems to be reeling under the pressure of the sharp decline in prices of International Aviation fuel. On a positive note, partial Retail segment growth was nonetheless reported by the company for its 'Super' grade fuel largely an effect of the recent increase in its station network.

**Table 3: Quarterly Income Summary (RO 000)**

	Q1 09A	Q1 08A	Growth (y-o-y)	Q4 08A	Growth (q-o-q)
Sales	37782	51,755	-27.0%	41,085	-8.0%
Gross Profit	4,247	5,184	-18.1%	4,826	-12.0%
Gross Margin (%)	11.2%	10.0%		11.7%	
Net Income	1,259	2,196	-42.7%	1,169	7.7%
Net Margin (%)	3.3%	4.2%		2.8%	

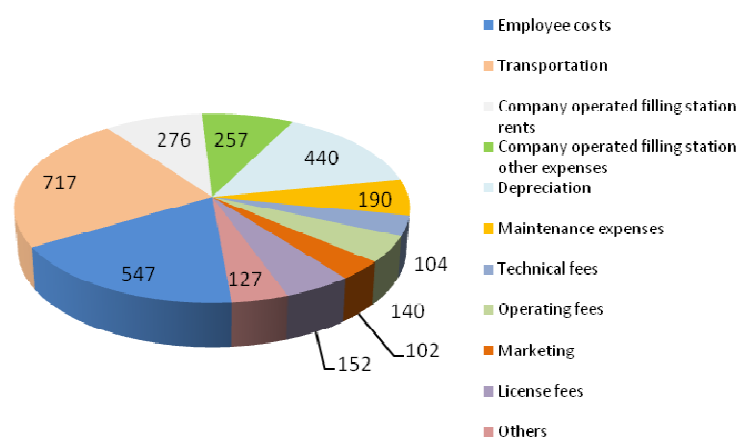
(Source: Company Financials, Al Madina Research)

Costs, a key focus area

Direct costs, as reported under Cost of Sales have undergone a 27.9% decline (y-o-y) to RO. 33.53 million as of Q1 2009. Declining costs seem to be a result of both the decline in overall sales as well as possible improvement in efficiency.

On the other hand, Admin. & Distribution expenses have risen for the period in question (Q1 2009) by 6.23% (y-o-y) to RO. 3.05 million. The increase comes primarily from the higher license fees and depreciation expense.

**Figure 2: Classification of Admin. & Distribution Expenses (RO 000, Q1 2009)**



(Source: Company Financials, Al Madina Research)

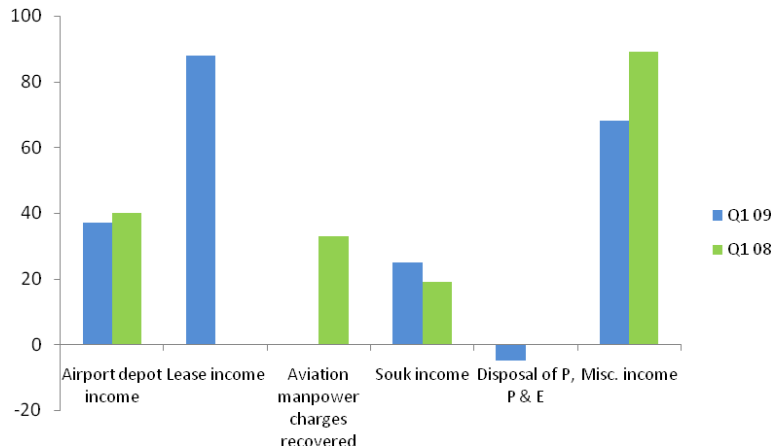
Among the Admin. & Distribution expenses, transportation and employee costs form the prime constituents at 23.5% and 17.9% respectively.

Rental income flows through...

**Other income at the company stood higher for the period at RO. 213K (Q1 08: RO. 181K).** The company has accounted for RO. 88K in additional income during the period in the form of lease income from the rental of part of its office space in its new head office. Income from management of the Muscat International Airport depot stood at RO. 37K.

**Figure 3: Other Income (RO 000)**

Company in 3-yr agreement involving partial lease of office space at new head office.

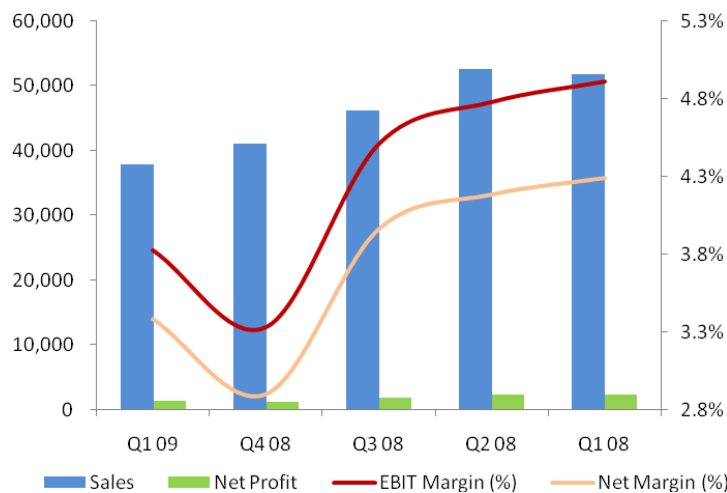


Source: Company Financials, Al Madina Research

Profits shrink...

**Overall economic slowdown coupled with Quota system application cause visible dent in profitability.** The bottom line for the recent quarter ended 31<sup>st</sup> March 2009 stood prominently lower at RO. 1.26 million, a 42.7% drop (y-o-y) from the corresponding period last year (Q1 2008: RO. 2.19 million). The decline is a reflection of the numerous factors mentioned above (i.e. sales decline). On the other hand, margins at the operating level, though under strain have seen some improvement on a Q-o-Q basis. The EBIT margin for Q1 2009 stood at 3.8% visibly lower to 4.9% the year earlier but moderate better than Q4 2008. Net margins also follow a similar trend.

**Figure 4: Sales/Profits (RO 000) vs. Margins (%)**



Source: Company Financials, Al Madina Research

## Balance Sheet gaining strength

**Table 4: Condensed Balance Sheet (RO 000)**

	3M 09	Yr 08	Chg. (%)	3M 08	Chg. (%)
<b>Total non-current assets</b>	<b>19,537</b>	<b>19,382</b>	<b>0.8%</b>	<b>17,290</b>	<b>13.0%</b>
% composition (of Total Assets)	42.2%	41.6%		36.1%	
Inventories	3,647	2,775	31.4%	2,409	51.4%
% composition (of Total Assets)	7.9%	6.0%		5.0%	
Receivables and prepayments	14,975	17,719	-15.5%	17,581	-14.8%
% composition (of Total Assets)	32.3%	38.0%		36.7%	
Cash at bank and in hand	8,139	6,747	20.6%	10,650	-23.6%
% composition (of Total Assets)	17.6%	14.5%		22.2%	
<b>Total current assets</b>	<b>26,761</b>	<b>27,241</b>	<b>-1.8%</b>	<b>30,640</b>	<b>-12.7%</b>
% composition (of Total Assets)	57.8%	58.4%		63.9%	
<b>Total assets</b>	<b>46,298</b>	<b>46,623</b>	<b>-0.7%</b>	<b>47,930</b>	<b>-3.4%</b>
<b>Total non-current liabilities</b>	<b>110</b>	<b>105</b>	<b>4.9%</b>	<b>292</b>	<b>-62.3%</b>
% composition (of Total Liabilities)	0.5%	0.6%		1.1%	
Payables and accruals	17,344	17,934	-3.3%	22,190	-21.8%
% composition (of Total Liabilities)	83.0%	94.2%		87.0%	
<b>Total current liabilities</b>	<b>20,794</b>	<b>18,934</b>	<b>9.8%</b>	<b>25,206</b>	<b>-17.5%</b>
% composition (of Total Liabilities)	99.5%	99.4%		98.9%	
<b>Total liabilities</b>	<b>20,904</b>	<b>19,038</b>	<b>9.8%</b>	<b>25,498</b>	<b>-18.0%</b>
% composition (of Total Assets)	45.2%	40.8%		53.2%	
Share capital	6,900	6,900	0.0%	6,900	0.0%
% composition (of Total Equity)	27.2%	25.0%		30.8%	
Retained earnings	15,028	17,219	-12.7%	12,146	23.7%
% composition (of Total Equity)	59.2%	62.4%		54.1%	
<b>Total equity</b>	<b>25,394</b>	<b>27,585</b>	<b>-7.9%</b>	<b>22,432</b>	<b>13.2%</b>
% composition (of Total Assets)	54.8%	59.2%		46.8%	
<b>Total equity and liabilities</b>	<b>46,298</b>	<b>46,623</b>	<b>-0.7%</b>	<b>47,930</b>	<b>-3.4%</b>

(Source: Company Financials, Al Madina Research)

For the 3M ended 31<sup>st</sup> March 2009, the company's aggregate assets stand at RO. 46.3 million, down marginally by 0.7% over the 2008 year end figure and 3.4% on a Y-o-Y basis. Among assets, fixed assets (comprising P,P &E) account for the bulk at RO. 19.5 million. The increase noted Y-o-Y is on account of capital expenditure in relevance of new fuel stations. Total Receivables have noted a 15.5% decline over year 2008 end to RO. 14.97 million. These account for 32.3% of total assets. Inventories comprise 7.9% of assets at RO. 3.64 million. The cash balance stands sound at RO. 8.1 million or 17.6% of aggregate assets.

Total liabilities for the period stand at RO. 20.90 million, up 9.8% compared to the year ending 2008. Trade & other payables have noted a 3.3% decline for the current year upto 31<sup>st</sup> March 2009 to RO. 17.34 million. Total shareholder's equity stands at RO. 25.39 million for the period.

## Outlook

### Short Term presents challenges

We believe the short term is likely to pose challenges for Al Maha Petroleum Products Marketing Co. (SAOG) given the uncertainty surrounding the overall economy. As we mentioned in our earlier reports, the Omani economy may well see growth rates dipping given the repercussions of private investment activity. Some stability continues to be exercised nonetheless given the investment commitment out forward by the Government of Oman.

For year 2009, we expect the company to achieve revenues to the tune of RO. 153.1 million

*Competition likely to remain severe going forward.*

a 20.0% decline (y-o-y) on the previous year achievement of RO. 191.6 million. The decline is partly in anticipation of the impact of monthly diesel fuel quota system which is in play for fuel stations in the border areas. As for divisional level performance, we believe the Retail division may be the only growth segment at the company. Growth would partly be a feature of the aggressive site addition pursuits followed recently by the company. It is expected that the company would continue looking at Retail station additions in 2009. The Commercial segment may come under some pressure in 2009 given the recent discontinuation of use by certain clients plus the increasing competition. Decline in volumes from the Aviation division also seems imminent in 2009 owing to further possible declines in International aviation fuel prices (affecting competitiveness).

Keeping the slowdown in mind coupled with increasing competition, we believe margins are likely to see erosion in the short term. We expect the company to earn a bottom line of RO. 4.69 million in 2009 a decline of 36.2% over the previous year achievement. The net margin is expected to curtail to nearly 3.1%. This works out a per share earnings of Bz. 680, at a forward P/E of 10.5 times. The dividend based on past payout ratios is estimated at Bz. 350/share, a yield of 4.9% on the current market price.

*Cost effectiveness to prove key in 2009.*

#### The mid to long term

The Oil Marketing sector is likely to note improvement in the mid to long term owing to the expected gradual improvement in macro economic conditions in Oman. In the long run, with the improving economy prospects look bright particularly for the Commercial and Aviation segments. For the company in particular, we believe long term prospects for the Aviation segment to be bright in light of the infrastructure development initiatives undertaken at the country's major airports. This move along with Tourism initiatives could likely improve the country's prospects as a preferred fuelling destination among international airlines thereby increasing throughput. At the same time the Government has also announced the development of several regional airports in several cities/towns which would also hold promise for Aviation business. The Commercial segment may also witness better business volumes as improving liquidity and economic conditions may again foster better private investment activity with development focused around several key non-oil sectors such as Tourism, Real Estate and Manufacturing.

As a result of this, we continue to project improvement in the performance of the company particularly in years 2010/2011 with increased throughput and profitability.

### Valuation

#### Discounted Cash Flow to Equity (DCF)

We have carried out a valuation exercise on Al Maha Petroleum Products Marketing Co. SAOG using the Discounted Cash Flow to Equity (DCF) method based on forecasted financials (2009E-2013E). Our choice of the valuation method is based on the fact that the company is debt-free. For the analysis we have arrived at a Cost of Equity (COE) at 10.2%. The Beta we use is 0.74 derived via regression analysis. The risk free rate ( $r_f$ ) and risk premium is taken at 5% and 7% respectively. We attain a terminal growth rate of nearly 1.8% as part of closure to the valuation.

Based on our working the fair value per share for Al Maha Petroleum Products Marketing Co. SAOG (Group) for the year 2009 works out to nearly **RO. 8.297/share**.

**Table 5: DCF Exercise, Al Maha Petroleum**

Present Value of FCF (RO 000)	14,379
Present Value of Terminal Value (RO 000)	39,880
Init. Equity. Value (RO 000)	54,259
Adjustments	2,988
Value of Equity (RO 000)	57,247
No. of Shares (000)	6,900
<b>Fair Value/Share (RO)</b>	<b>8.297</b>

**Table 6: Valuation Sensitivity Analysis**

		Terminal growth rate (%)		
		1.5%	1.8%	2.5%
COE (%)	8.0%	10.575	10.988	12.116
	9.0%	9.220	9.557	10.319
	<b>10.2%</b>	8.185	<b>8.297</b>	9.003
	11.0%	7.369	7.608	7.998
	12.0%	6.710	6.916	7.205

### Peer Group: Oil Marketing

For the year 2008, the sector's aggregate revenue stood at RO. 688.07 million. For Q1 2009, revenues stood at RO. 144.0 million, lower to RO. 166.4 achieved the same time last year. In terms of profitability, the aggregate sector net profit stood at RO. 5.2 million for the three months ended 31<sup>st</sup> March 2009. The average sector P/E (on TTM basis) stands at 10.4 times.

**Table 7: Peer Group, Oil Marketing Sector**

Company	CMP (RO)	Mkt. Cap. (RO 000)	Sales (RO 000)		Net Income (RO 000)		EPS (RO)			BV/S (RO)		P/E (x)		P/BV (x)		Div. Yld (%)
			2008	Q1 09	2008	Q1 09	2008	Q1 09	TTM	2008	Q1 09	2008	TTM	2008	2008	
Al Maha	7.146	49,307	191,658	37,782	7,349	1,259	1.065	0.182	0.929	3.998	3.680	6.7	7.7	1.8	7.00%	
Oman Oil Mktg.	0.942	60,759	170,049	37,795	6,323	1,085	0.098	0.017	0.082	0.326	0.308	9.6	11.4	2.9	3.72%	
Shell Oman Mktg.	1.503	150,300	326,367	68,519	12,504	2,870	0.125	0.029	0.123	0.268	0.182	12.0	12.2	5.6	7.65%	
<b>Total</b>		260,366	688,073	144,096	26,176	5,214										
<b>Average</b>		86,789	229,358	48,032	8,725	1,738	0.429	0.076		1.531	1.390	<b>9.4</b>	<b>10.4</b>	<b>3.4</b>	<b>6.1%</b>	

(Source: Company Financials, Al Madina Research), \*CMP as of 12th May 2009.

Using the current sector average P/E of 10.4, we derive a value for the stock (per share) of Al Maha Petroleum Products Marketing Co. SAOG at **RO. 7.095/share** based on the Relative Valuation technique. Based on a weighted average of the DCF technique and the Relative Valuation method we arrive at our target fair value price of **RO. 7.815/share** for the year 2009.

### Recommendation

The per share fair value price of **RO. 7.815** represents an upside of nearly **9.4%** on the current market price of RO. 7.146/share. While exercising confidence on the performance of the company especially over the long term horizon, we remain cautious on prospects for the short term. We thus change our rating on the stock to **Hold** for the short to mid-term. For the long term, we maintain a **Buy** rating on the stock.

## Appendix: Financials/Company Profile

**Table 8: Income Statement**

(RO 000)	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Revenue	123,497	174,795	191,658	153,172	163,452	174,945	185,955	196,545
Cost of sales	-109,665	-155,715	-171,531	-136,400	-145,799	-156,400	-166,708	-176,694
<b>Gross profit</b>	<b>13,832</b>	<b>19,081</b>	<b>20,127</b>	<b>16,772</b>	<b>17,653</b>	<b>18,544</b>	<b>19,246</b>	<b>19,851</b>
Other income	661	405	616	763	603	617	680	800
Share of (loss) profit of operational venture	-108	50	75	100	100	100	100	100
Depreciation	-1,196	-1,415	-1,590	-1,810	-2,001	-2,175	-2,333	-2,429
Selling & administration expenses	-6,613	-7,637	-7,749	-7,467	-7,686	-7,829	-8,003	-8,251
Distribution expenses	-1,932	-2,743	-3,125	-3,099	-3,168	-3,254	-3,422	-3,557
<b>Result from operating activities</b>	<b>4,604</b>	<b>7,717</b>	<b>8,349</b>	<b>5,254</b>	<b>5,498</b>	<b>6,000</b>	<b>6,266</b>	<b>6,511</b>
Finance income	144	167	64	70	81	85	116	151
Finance charges	-108	-77	-57					
<b>Profit before income tax</b>	<b>4,640</b>	<b>7,808</b>	<b>8,357</b>	<b>5,324</b>	<b>5,578</b>	<b>6,085</b>	<b>6,382</b>	<b>6,663</b>
Income tax expense	-552	-945	-1,008	-635	-666	-727	-762	-796
<b>Net profit for the year</b>	<b>4,088</b>	<b>6,863</b>	<b>7,349</b>	<b>4,689</b>	<b>4,913</b>	<b>5,358</b>	<b>5,619</b>	<b>5,867</b>

(Source: Company Financials, Al Madina Research)

**Table 9: Balance Sheet**

(RO '000)	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
<b>Assets</b>								
Property, plant and equipment	11,752	16,324	19,382	21,263	22,655	23,473	24,133	24,497
<b>Total non-Current Assets</b>	<b>11,752</b>	<b>16,324</b>	<b>19,382</b>	<b>21,263</b>	<b>22,655</b>	<b>23,473</b>	<b>24,133</b>	<b>24,497</b>
Inventories	2,005	1,583	2,775	3,327	4,050	4,469	4,631	4,776
Receivables and prepayments	13,478	17,245	17,719	13,817	15,138	16,144	17,082	17,964
Deposits	4,000	2,500	3,000	3,125	2,351	3,555	5,117	6,769
Cash at bank and in hand	2,894	8,998	3,747	3,063	3,269	3,499	3,719.09	3,931
Due from operational venture								
<b>Total Current Assets</b>	<b>22,378</b>	<b>30,326</b>	<b>27,241</b>	<b>23,332</b>	<b>24,808</b>	<b>27,667</b>	<b>30,549</b>	<b>33,439</b>
<b>Total Assets</b>	<b>34,130</b>	<b>46,650</b>	<b>46,623</b>	<b>44,595</b>	<b>47,464</b>	<b>51,140</b>	<b>54,682</b>	<b>57,936</b>
<b>Shareholder's Equity</b>								
Share capital	6,000	6,000	6,900	6,900	6,900	6,900	6,900	6,900
Legal reserve	1,889	2,000	2,300	2,300	2,300	2,300	2,300	2,300
Special reserve	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166
Retained earnings	9,118	13,470	17,219	18,458	20,956	23,899	26,758	29,520
<b>Total Equity</b>	<b>18,173</b>	<b>22,636</b>	<b>27,585</b>	<b>28,824</b>	<b>31,321</b>	<b>34,265</b>	<b>37,124</b>	<b>39,886</b>
<b>Liabilities</b>								
Interest-bearing loan	924	308						
Employees' end of service benefits	106	126	105	89	73	76	78	84
<b>Total non-Current Liabilities</b>	<b>1,030</b>	<b>434</b>	<b>105</b>	<b>89</b>	<b>73</b>	<b>76</b>	<b>78</b>	<b>84</b>
Interest-bearing loan	616	616						
Income tax payable	552	932	999	635	666	727	762	796
Payables and accruals	13,759	22,033	17,934	15,047	15,403	16,073	16,718	17,171
<b>Total Current Liabilities</b>	<b>14,927</b>	<b>23,580</b>	<b>18,934</b>	<b>15,682</b>	<b>16,069</b>	<b>16,799</b>	<b>17,481</b>	<b>17,967</b>
<b>Total liabilities</b>	<b>15,957</b>	<b>24,014</b>	<b>19,038</b>	<b>15,772</b>	<b>16,142</b>	<b>16,875</b>	<b>17,558</b>	<b>18,051</b>
<b>Total Equity and Liabilities</b>	<b>34,130</b>	<b>46,650</b>	<b>46,623</b>	<b>44,595</b>	<b>47,464</b>	<b>51,140</b>	<b>54,682</b>	<b>57,936</b>

(Source: Company Financials, Al Madina Research)

## Appendix: Financials/Company Profile

**Table 10: Cash Flow Statement**

(RO 000)	2007	2008	2009E	2010E	2011E	2012E	2013E
<b>Profit before income tax</b>	<b>7,808</b>	<b>8,357</b>	<b>5,324</b>	<b>5,578</b>	<b>6,085</b>	<b>6,382</b>	<b>6,663</b>
Adjustments for:							
Depreciation	1,415	1,590	1,810	2,001	2,175	2,333	2,429
Provision for employees' end of service benefits	30	35	50	55	80	85	95
Loss on disposal of property, plant and equipment	23	5	5	4	3	3	2
Net finance income	-91	-8	-70	-81	-85	-116	-151
<b>Operating profit before working capital changes</b>	<b>9,186</b>	<b>9,978</b>	<b>7,119</b>	<b>7,557</b>	<b>8,258</b>	<b>8,686</b>	<b>9,038</b>
Changes in inventories	422	-1,192	-552	-723	-419	-162	-145
Changes in receivables and prepayments	-3,767	-475	3,903	-1,321	-1,006	-938	-881
Changes in payables and accruals	8,273	-4,098	-2,888	356	670	646	452
<b>Cash from operations</b>	<b>14,115</b>	<b>4,214</b>	<b>7,582</b>	<b>5,869</b>	<b>7,503</b>	<b>8,231</b>	<b>8,464</b>
Interest paid	-77	-57	0	0	0	0	0
Employees' end of service benefits paid	-10	-56	-65	-71	-77	-83	-89
Income tax paid	-565	-940	-999	-635	-666	-727	-762
<b>Net cash from operating activities</b>	<b>13,463</b>	<b>3,160.9</b>	<b>6,518</b>	<b>5,163</b>	<b>6,760</b>	<b>7,422</b>	<b>7,613</b>
<b>Cash flows from investing activities</b>							
Interest received	167	64	70	81	85	116	151
Acquisitions of property, plant and equipment	-6,012	-4,655	-3,700	-3,400	-3,000	-3,000	-2,800
Proceeds from disposals (P,P&E)	1	3	4	4	5	5	5
Surplus Investments	1,500	-500	-125	774	-1,204	-1,562	-1,652
<b>Net cash used in investing activities</b>	<b>-4,344</b>	<b>-5,088</b>	<b>-3,752</b>	<b>-2,542</b>	<b>-4,115</b>	<b>-4,441</b>	<b>-4,296</b>
<b>Cash flow from financing activities</b>							
Long term loan repaid	-616	-924	0				
Dividends paid	-2,400	-2,400	-3,450	-2,415	-2,415	-2,760	-3,105
<b>Net cash used in financing activities</b>	<b>-3,016</b>	<b>-3,324</b>	<b>-3,450</b>	<b>-2,415</b>	<b>-2,415</b>	<b>-2,760</b>	<b>-3,105</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>6,103</b>	<b>-5,251</b>	<b>-684</b>	<b>206</b>	<b>230</b>	<b>220</b>	<b>212</b>
Cash and cash equivalents at the beginning of the year	2,894	8,998	3,747	3,063	3,269	3,499	3,719
<b>Cash and cash equivalents at the end of the year</b>	<b>8,998</b>	<b>3,747</b>	<b>3,063</b>	<b>3,269</b>	<b>3,499</b>	<b>3,719</b>	<b>3,931</b>

(Source: Company Financials, Al Madina Research)

## Appendix: Financials/Company Profile

**Table 11: Ratio Analysis**

	2013E	2012E	2011E	2010E	2009E	2008	2007	2006
<b>Valuation</b>								
EPS (RO)	0.850	0.814	0.777	0.712	0.680	1.065	1.144	0.681
BV/S (RO)	5.78	5.38	4.97	4.54	4.18	4.00	3.77	3.03
SPS (RO)	28.48	26.95	25.35	23.69	22.20	27.78	29.13	20.58
P/E (x)	8.4	8.8	9.2	10.0	10.5	6.7	6.2	10.5
PBV (x)	1.2	1.3	1.4	1.6	1.7	1.8	1.9	2.4
P/SPS (x)	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3
Div. (Cash)	0.45	0.45	0.40	0.35	0.35	0.50	0.40	0.40
Div. Stock)	-	-	-	-	-	-	0.15	-
Div. Yld (%)	6.3%	6.3%	5.6%	4.9%	4.9%	7.0%	5.6%	5.6%
Payout (%)	52.9%	55.3%	51.5%	49.2%	51.5%	46.9%	35.0%	58.7%
<b>Profitability</b>								
Gross Margin (%)	10.1%	10.4%	10.6%	10.8%	11.0%	10.5%	10.9%	11.2%
NPM (%)	3.0%	3.0%	3.1%	3.0%	3.1%	3.8%	3.9%	3.3%
EBITDA (%)	4.1%	4.2%	4.3%	4.2%	4.1%	4.8%	5.0%	4.3%
Return on Beginning Equity (% ROBE)	15.8%	16.4%	17.1%	17.0%	17.0%	32.5%	37.8%	25.3%
Return on Average Equity (% ROAE)	15.2%	15.7%	16.3%	16.3%	16.6%	29.3%	33.6%	23.8%
Return on Beginning Assets (% ROBA)	10.7%	11.0%	11.3%	11.0%	10.1%	15.8%	20.1%	13.7%
Return on Average Assets (% ROAA)	10.4%	10.6%	10.9%	10.7%	10.3%	15.8%	17.0%	12.8%
Return on Capital (% ROC)	14.7%	15.1%	15.6%	15.7%	16.3%	0.27	29.5%	21.2%
<b>Turnover Ratios</b>								
Asset Turnover (x)	3.39	3.40	3.42	3.44	3.43	4.11	3.75	3.62
PPE Turnover (x)	8.02	7.71	7.45	7.21	7.20	9.89	10.71	10.51
A/c Recv. Turnover (x)	11.2	11.2	11.2	11.3	9.7	11.4	11.4	10.8
A/c Pay. Turnover (x)	10.4	10.2	9.9	9.6	8.3	9.0	8.7	8.9
Inventory Turnover (x)	37.6	36.6	36.7	39.5	44.7	82.1	86.8	73.7
Days in Receivables	32.5	32.6	32.6	32.3	37.6	32.1	32.1	33.9
Days in Inventories	9.7	10.0	9.9	9.2	8.2	4.4	4.2	5.0
Days in Payables	35.0	35.9	36.7	38.1	44.1	40.8	41.9	41.0
Cash Conversion Cycle	7.3	6.7	5.8	3.4	1.6	-4.3	-5.6	-2.1
<b>Liquidity/Leverage Ratios</b>								
Current Ratio (x)	1.86	1.75	1.65	1.54	1.49	1.44	1.29	1.50
Quick Ratio (x)	1.60	1.48	1.38	1.29	1.28	1.29	1.20	1.36
Liabilities/Equity (x)	0.45	0.47	0.49	0.52	0.55	0.69	1.06	0.88
Debt/Equity (x)	-	-	-	-	-	-	0.04	0.08
Debt/Capital (x)	-	-	-	-	-	-	0.04	0.08
Interest Coverage	7.16	6.58	5.76	3.40	1.59	-4.20	-5.53	-2.08
CFO/Total Liabilities (x)	0.42	0.42	0.40	0.32	0.41	0.17	0.56	0.20
NI/CFO	0.77	0.76	0.79	0.95	0.72	2.33	0.51	1.30
<b>Value Drivers</b>								
Net margin	3.0%	3.0%	3.1%	3.0%	3.1%	3.8%	3.9%	3.3%
*Asset Turnover (Beg)	3.59	3.64	3.69	3.67	3.29	4.11	5.12	4.13
= Return on Beginning Assets	10.7%	11.0%	11.3%	11.0%	10.1%	15.8%	20.1%	13.7%
* Financial leverage	1.47	1.49	1.52	1.55	1.69	2.06	1.88	1.85
= Return on Beginning Equity	15.8%	16.4%	17.1%	17.0%	17.0%	32.5%	37.8%	25.3%

(Source: Company Financials, Al Madina Research)

### **Appendix: Financials/Company Profile**

Al Maha Petroleum Products Marketing Company SAOG (“the company”) was established by a Royal Decree issued in the year 1993.

The company is involved in the marketing and sale of a variety of fuels (Gasoline, Diesel, Jet A-1) and lubricants to the Retail, Commercial and Aviation segments in the local market. The company boasts a fuel network of 156 stations also owning a fleet of nearly 67 fuel tankers.

Prior to this the company was the marketing/distribution arm of the Oman Refinery Company. In September 1999 this marketing arm was separated to form an independent LLC company. In the same year Al Maha Petroleum signed a partnership with ABS Lubricants of Abu Dhabi to manage the newly instituted company with a 35% shareholding. A final transformation was made to a joint stock company in the year 2004, following the decision of the Ministry of Oil & Gas and the Central Bank of Oman to divest their 65% stake in the company by offering 60% to the public via an IPO and 5% to ABS Lubricants. Abu Dhabi's ABS Lubricants owns 40% of the company's equity till date.

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### **Al Madina Research: Rating Methodology**

Rating	Explanation
Buy	Capital gain of >20% to the CMP.
Accumulate	Capital gain in the range of 10%-20% to the CMP.
Hold	Capital gain in the range of 0%-10% to the CMP.
Reduce	Capital depreciation in the range of 0%-10% to the CMP.
Sell	Capital depreciation of >10% to the CMP.
Time Horizon	Explanation
Short Term	Period of upto one (1) year from date of recommendation.
Mid Term	Period of 1-3 years from date of recommendation.
Long Term	Period of >3 years from date of recommendation.

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