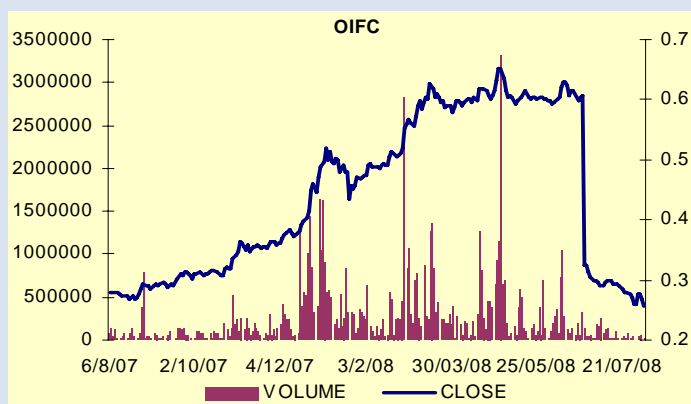


## Oman Investment &amp; Finance: Q1 2009

Name	Oman Inv. & Finance Co.
CMP (RO)	0.266
Ticker	OIFC
Exchange	MSM
Established	Dec-79
Industry	Misc. Fin. Services
Shares outstanding (000)	90,000
Market Cap. (RO '000)	23,940

## Price History



## Financial Summary

(RO '000)	Q1 '09	Q1'08	% Change
Revenues	5,222	1,989	162.6%
Admin. & Gen Exp	1,296	1,190	8.9%
Invest. Income	(18)	6	-420.7%
Net profit	659	597	10.4%
Share Capital	9,000	5,000	80.0%
Retained Earnings	854	4,263	-80.0%
Total Equity	11,520	11,280	2.1%
Total Assets	32,506	38,985	-16.6%
EPS (Annual )	0.029	0.048	-38.7%
P/E Ratio	9.1	5.6	63.1%
OPM	15.8%	36.0%	-56.3%
NPM	12.6%	30.0%	-58.0%

Source: Company Financials, Al Madina Research

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## Preview of Q1 2009

For the quarter ended June 30<sup>th</sup> 2008, Oman Investment & Finance Company has reported net profits of RO. 658.9K, growth of 10.4% over the same period last year (RO. 597.04 K). Top line growth has seen fairly solid at RO. 5.2 million up 163% over the year last year. This growth is mainly due to the additional revenues from the sale of prepaid cards (Oman Mobile Co.).

## Company &amp; Industry Overview

With its headquarters in Muscat, Oman Investment & Finance Co (SAOG) was established on 1<sup>st</sup> December 1979. The company is a joint stock firm involved in billing services for electricity supplies including collection of payment on behalf of the Ministry of Health, Electricity and Water (MHEW) and Wastewater. Other than that the company also engages in printing bills and collecting payments for Fixed line, Global system for Mobile Communications (GSM) and Internet services from private customers on behalf of Oman Telecommunications Co (SAOG) and Oman Mobile Co (SAOC). Revenue on the above services is earned on a commission basis. The company's network is spread throughout the country via 43 branches.

For the three months ended 30<sup>th</sup> June 2008, the company's aggregate revenues have witnessed solid growth of 162.6% to RO. 5.22 million from RO 1.98 million. The bulk increase in revenues is due to the contribution from the sale of Oman Mobile prepaid cards. This activity earned the company a net income of RO. 55.4K for the quarter. The main operating income is earned from engaging in billing activities on behalf of Telecom and Utility companies. Apart from the sale of Oman Mobile pre-paid cards/starter kits as per its two year agreement, the company also ventured into an agreement with Oman Qatar Investment Company to market insurance products. These steps have been taken by the company to diversify its revenue streams. The company has also augmented its equity market investment portfolio during the quarter (on MSM and GCC markets) again as part of its pursuits to diversify the income stream and make optimum utilization of available assets.

Operating income rose by 3.6% (y-o-y) aided by a significant 59.3% increase in commission for Internet/ADSL/MPLS services and 18.5% increase in commission for landline services. The new contract with Omantel carries a higher commission rate of 3.9% (up from 3.5%). Growth in income has been impeded partly due to the lower commission earned for Electricity billing in line with the new contractual terms with Muscat Electricity Distribution Company.

Oman Inv. & Fin. Co (SAOG) Quarterly Income Statement	Jun-08 Q1 '09	Mar-08 Yr '08	Jun-07 Q1 '08	Mar-07 Yr '07	Jun-06 Q1 '07	Mar-06 Yr '06	Jun-05 Q1 '06
Revenue	5,222,192	8,678,120	1,988,581	7,558,239	1,884,854	7,075,181	1,605,973
Cost of Sale of Prepaid Cards	(3,105,910)	(400,819)	-	-	-	-	-
Admin & General Expenses	(1,296,386)	(5,311,165)	(1,190,025)	(5,186,225)	(1,151,449)	(5,151,419)	(1,174,341)
Provision for impaired debts	(53,323)	(582,112)	(118,552)	(403,740)	(166,351)	(631,796)	(136,465)
Realisation against debts written off	56,099	152,029	36,167	247,800	36,414	236,703	-
<b>Operating profit</b>	<b>822,672</b>	<b>2,536,053</b>	<b>716,171</b>	<b>2,216,074</b>	<b>603,468</b>	<b>1,528,669</b>	<b>295,167</b>
Other income	14,249	85,911	35,840	7,160	2,110	19,176	14,804
Investment income	(17,898)	49,723	5,581	21,530	1,997	9,908	8,518
Net finance costs	(74,257)	(63,131)	(83,221)	3,018	(87,692)	(46,035)	(85,919)
Director's Remuneration	-	(82,000)	-	(75,000)	-	(50,000)	-
<b>Profit before tax</b>	<b>744,766</b>	<b>2,526,556</b>	<b>674,371</b>	<b>2,172,782</b>	<b>519,883</b>	<b>1,461,718</b>	<b>232,570</b>
Taxation	(85,772)	(299,587)	(77,325)	(259,553)	(58,786)	(167,413)	(24,309)
<b>Profit After Tax</b>	<b>658,994</b>	<b>2,226,969</b>	<b>597,046</b>	<b>1,913,229</b>	<b>461,097</b>	<b>1,294,305</b>	<b>208,261</b>

Source: Company Financials & Al Madina Research

## Outlook & Recommendations

For the year ending 31st March 2009, we expect OIFC to achieve a promising performance with total revenues of around **RO. 20.99 million** (incl. of Oman Mobile deal), a growth of **142%** over the year earlier. The revenues have been assumed to increase taking into account the increasing volumes of telecom billing and the Oman Mobile contract. Overall we expect the expenses to increase marginally whereby the operating income of the company is estimated at **RO. 3.21 million**, a margin of 15.3%. We also anticipate higher income in 2009 from the company's capital market investments. We have worked out a net profit estimate at **RO. 2.79 million** for the year. The net margin works out at 13.3%.

Billing volumes for the telecom services is expected to remain healthy for the coming year judging by the growth in subscriber base and usage (mobile, internet). We remain positive on the business model of OIFC (i.e. its long term factoring contracts in telecom/water & electricity services) which set high levels of top line stability. The company has signed all its major contracts and does not expect any new tendering exercise for the next two years. The branch network is likely to increase for the coming year with a new branch at Muttrah High Street. The company has already been taking the necessary measures to diversify its revenue base & achieve further income growth. These include the master dealership for prepaid card distribution with Oman Mobile (2 yrs), the Qatar Oman Insurance deal and increased capital market investments. We believe these moves would augur well for the company's future.

The equity capital of the company has increased via the 80% in stock dividends awarded during the previous year. At the new capital the stock reflects a 2009E forward P/E of **8.6 times**. We assign a **buy** recommendation to the stock for the short to mid term.

Oman Inv. & Fin. Co (SAOG) Income Statement (RO)	March-10 Yr 2010E	March-09 Yr 2009E	March-08 Yr 2008	March-07 Yr 2007	March-06 Yr 2006
Revenue	23,027,611	20,996,852	8,678,120	7,558,239	7,075,181
Cost of Sale of Prepaid Cards	(13,483,763)	(11,932,534)	(400,819)	-	-
Staff costs	(3,170,902)	(3,057,142)	(2,898,550)	(2,764,181)	(2,870,730)
Depreciation	(153,816)	(149,866)	(142,321)	(174,723)	(230,063)
Other operating costs	(2,371,844)	(2,330,651)	(2,270,294)	(2,247,321)	(2,050,626)
Provision for impaired debts	(465,666)	(469,858)	(582,112)	(403,740)	(631,796)
Realisation against debts written off	161,272	158,110	152,029	247,800	236,703
<b>Operating profit</b>	<b>3,542,892</b>	<b>3,214,911</b>	<b>2,536,053</b>	<b>2,216,074</b>	<b>1,528,669</b>
Profit on Sale of P,P&E	18,000	24,000	84,471	720	13,866
Misc. Income	1,400	1,200	1,440	1,440	5,310
Rev. of Excess Prov.	0	0	0	5,000	-
Dividend Income	19,541	17,706	2,236	2,203	1,346
Unrealised gain (loss) on available-for-sale investments	72,822	75,754	7,857	19,327	8,562
Realised gain on disposal of available-for-sale investments	12,851	10,595	39,630	-	0
Interest Expense	(87,582)	(85,031)	(81,761)	(23,703)	(57,855)
Interest Income	10,442	10,992	18,630	26,721	11,820
Directors' remuneration	(100,000)	(90,000)	(82,000)	(75,000)	(50,000)
<b>Profit before tax</b>	<b>3,490,365</b>	<b>3,180,127</b>	<b>2,526,556</b>	<b>2,172,782</b>	<b>1,461,718</b>
Taxation	(422,844)	(382,435)	(299,587)	(259,553)	(167,413)
<b>Profit for the year</b>	<b>3,067,521</b>	<b>2,797,692</b>	<b>2,226,969</b>	<b>1,913,229</b>	<b>1,294,305</b>

Oman Inv. & Fin. Co (SAOG)	Mar-10	Mar-09	Mar-08	Mar-07	Mar-06
Balance Sheet (RO)	Yr 2010E	Yr 2009E	Yr 2008	Yr 2007	Yr 2006
<b>Assets</b>					
<b>Non- Current Assets</b>					
Property and Equipment	1,191,865	1,210,682	1,240,548	825,639	981,022
Deffered tax asset	177,741	181,741	185,741	195,000	186,000
<b>Total non-current assets</b>	<b>1,369,606</b>	<b>1,392,423</b>	<b>1,426,289</b>	<b>1,020,639</b>	<b>1,167,022</b>
<b>Current asset</b>					
Inventories	5,618,235	5,188,058	367,950		
Trade receivable	22,187,872	21,799,362	27,802,236	27,647,907	26,616,089
Other Receivables	365,416	332,196	276,830	94,971	84,943
Investment	558,302	571,153	51,589	62,101	42,774
Bank balances and cash	4,502,706	2,770,340	1,920,971	4,135,629	3,770,380
<b>Total current assets</b>	<b>33,232,530</b>	<b>30,661,108</b>	<b>30,419,576</b>	<b>31,940,608</b>	<b>30,514,186</b>
<b>Total Assets</b>	<b>34,602,136</b>	<b>32,053,531</b>	<b>31,845,865</b>	<b>32,961,247</b>	<b>31,681,208</b>
<b>Equity and Liabilities</b>					
<b>Capital and Reseves</b>					
Share capital	9,000,000	9,000,000	5,000,000	5,000,000	5,000,000
Legal Reserve	2,253,188	1,946,436	1,666,667	1,666,667	1,666,667
General Resesrve	630,000	630,000	350,000	350,000	350,000
Retained Earnings	3,043,788	2,083,019	3,845,097	3,618,128	2,704,899
<b>Total Equity</b>	<b>14,926,977</b>	<b>13,659,456</b>	<b>10,861,764</b>	<b>10,634,795</b>	<b>9,721,566</b>
<b>Non- current liabilities</b>					
Employees' end of srvice benefits	275,428	280,428	273,428	272,626	314,285
<b>Current Liabilities</b>					
Trade payables	15,579,233	14,432,635	17,180,862	18,767,909	18,727,434
Other Payables	3,401,655	3,302,577	3,237,821	3,017,396	2,670,923
Taxation	418,844	378,435	291,990	268,521	247,000
<b>Total Liabilities</b>	<b>19,675,160</b>	<b>18,394,075</b>	<b>20,984,101</b>	<b>22,326,452</b>	<b>21,959,642</b>
<b>Total Equity and Liabilities</b>	<b>34,602,136</b>	<b>32,053,531</b>	<b>31,845,865</b>	<b>32,961,247</b>	<b>31,681,208</b>

### Al Madina Research: Rating Methodology

Rating	Explanation
Buy	Capital gain of >20% to the CMP over the year.
Accumulate	Capital gain in the range of 10%-20% to the CMP over the year.
Hold	Capital gain in the range of 0%-10% to the CMP over the year.
Reduce	Capital likely to depreciate in the range of 0%-10% to the CMP over the year.
Sell	Capital likely to depreciate >10% to the CMP over the year.

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