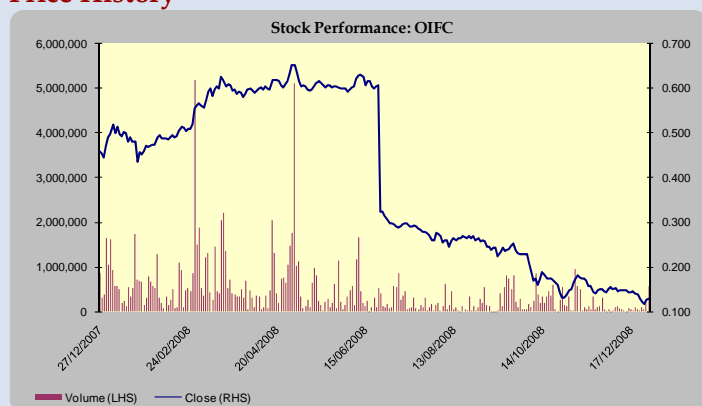


Oman Investment & Finance Co. SAOG: H1 2009

Name	Oman Inv. & Finance Co.
CMP (RO)	0.131
Ticker	OIFC
Exchange	MSM
Established	Dec-79
Industry	Misc. Fin. Services
Shares outstanding (000)	90,000
Market Cap. (RO'000)	11,790

Price History



Financial Summary

(RO'000)	H2 2009	H2 2008	% Change
Revenues	13,187	4,196	214%
Admin. & Gen Exp.	-2,607	-2,358	11%
Invest. & Other Income	-97	63	-253%
Net Profit	1,182	1,194	-1%
Share Capital	9,000	5,000	180%
Retained Earnings	1,377	2,812	49%
Total Equity	12,043	9,828	123%
Total Assets	34,118	37,738	90%
EPS	0.013	0.024	-45%
P/E Ratio	5.0	2.7	82%
BV/S	0.134	0.197	-32%
NPM	9%	28%	-68%

Source: Company Financials, Al Madina Research

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Review of H1 2009

OIFC has accomplished aggregate revenues of RO 13.0 million during the six months ended 30th September 2008, a growth of 207.4% (y-o-y). The hefty increase is mainly factoring in the inclusion of revenues from the new Oman Mobile contract. The bottom line for the period stood at RO 1.18 million marginally lower to RO 1.19 million achieved during the corresponding six months of last year.

Company & Industry Overview

Oman Investment & Finance Co., Ltd. SAOG provides debt collection and factoring services in Oman. It engages in billing and collection of electricity, water, and wastewater charges on behalf of the Ministry of Housing, Electricity, and Water; Muscat Electricity Distribution Company SAOC; other government departments; and companies. The company also involves in collection, bill printing and provision of other services to private customers on behalf of the Oman Telecommunications Company SAOG. OIFC also engages in the re-sale of prepaid GSM, telephone and internet cards.

Oman Investment & Finance Co. has a three year, OR 6.1 million contract for electricity meter reading, billing and payment collection services. The contract starts from the beginning of 2008. Likewise the company has a 5-year meter reading, billing 7 collection contract for water charges with the Ministry of Housing, Electricity, and Water valid till September 2011. The company, under a contract with Oman Mobile, also distributes 'HAYYAK' prepaid cards and starter kits through its network of 44 branches. OIFC has already added a new branch in Muttrah to meet the high demand for its services.

The operating revenues of the company, from core billing and collection activities have remained quite flat for the period at RO. 4.21 million. The telecom segment recorded a sound 18% growth in income for the company aided strongly by the increase in billing volumes on Internet and ADSL. At the same time however, commission from the Utility segment stood 22% lower, a sizeable amount mirroring mainly the new conditions set for the electricity billing contract. Revenues from the sale of prepaid cards soared to RO. 8.98 million. The most recent concluded quarter ended 30th September 2008 saw a significant improvement in card sales over the previous quarter in the same year. The company's investments in the local equity market were adversely impacted during the period due to the dismal performance of the exchange given the ongoing global financial turmoil. The MSM underwent a 15.9% decline in value in the six months

ended 30th September 2008. The company had made some fresh investments on the bourse early this year. Despite realizing some profits the overall impact has been burdensome for the company as it recorded RO. 164.8K in unrealized losses for the period. Among expenses, the company has witnessed a decline in finance charges and provisioning for doubtful debts. Admin. costs however have soared by 10.6% over the period (y-o-y). The cost on sales on the sale of prepaid cards stood at RO. 8.8 million for the period, earning the company a net contribution of RO. 170K from the said activity.

Outlook & Recommendations

Going forward we exercise confidence in the company's ability to maintain stability in its topline aided by the contract based collection & factoring business. With the earliest expiring contract as far as June 2010, the company's topline seems to portray good visibility for the near future. At the same time, while we believe that a further downside potential does exist in the company's listed equity investments for the current year, the extra loss (i.e. Sep 08 onwards) may not be significant in value terms. As of 30th September 2008, the overall investment portfolio stands at just 1.8% of aggregate assets. Further losses on such investments may be also be partly compensated by the net realized contribution from the sale of prepaid cards (i.e. diversification).

For the current year ending 31st March 2009, we expect OIFC to achieve **RO. 30.8 million** in aggregate revenues comprising of billing & collection business and the sale of pre-paid cards. The net income is expected to reach **RO. 2.45 million**. At the current market price the forward P/E works out to nearly **4.8 times**. We allocate a **buy** recommendation to the stock for the mid term.

Oman Inv. & Fin. Co (SAOG)	March-10	March-09	March-08	March-07	March-06	March-05
Income Statement (RO)	Yr 2010E	Yr 2009E	Yr 2008	Yr 2007	Yr 2006	Yr 2005
Revenue	33,263,803	30,865,884	8,678,120	7,558,239	7,075,181	7,087,609
Cost of Sale of Prepaid Cards	-23,920,385	-21,833,978	-400,819			
Staff costs	-3,203,304	-3,106,651	-2,898,550	-2,764,181	-2,870,730	-2,633,477
Depreciation	-158,430	-153,782	-142,321	-174,723	-230,063	-203,104
Other operating costs	-2,532,041	-2,444,887	-2,270,294	-2,247,321	-2,050,626	-1,869,461
Provision for impaired debts	-473,836	-505,417	-582,112	-403,740	-631,796	-801,245
Realisation against debts written off	236,934	234,125	152,029	247,800	236,703	107,787
Operating profit	3,212,742	3,055,294	2,536,053	2,216,074	1,528,669	1,688,109
Profit on Sale of P,P&E	18,000	24,000	84,471	720	13,866	4,229
Misc. Income	1,400	1,200	1,440	1,440	5,310	1,150
Rev. of Excess Prov.	0	0	0	5,000		
Dividend Income	26,240	34,365	2,236	2,203	1,346	1,109
Unrealised gain (loss) on available-for-sale investments	20,372	-225,573	7,857	19,327	8,562	5,885
Realised gain on disposal of available-for-sale investments	5,752	47,959	39,630		0	
Interest Expense	-64,158	-67,535	-81,761	-23,703	-57,855	-36,945
Interest Income	4,248	4,471	18,630	26,721	11,820	9,240
Directors' remuneration	-100,000	-90,000	-82,000	-75,000	-50,000	-78,000
Profit before tax	3,124,596	2,784,182	2,526,556	2,172,782	1,461,718	1,594,777
Taxation	-378,952	-337,318	-299,587	-259,553	-167,413	17,000
Profit for the year	2,745,645	2,446,864	2,226,969	1,913,229	1,294,305	1,611,777

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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