

22nd June, 2009

Q1 2009 - Update

Table 1: Highlights

MSM Ticker	SOMS
Date Established	Jun-97
Sector	Oil Marketing
CMP (RO)	1.878
52-wk high/low	2.33/1.45
YTD Performance	4.87%
YTD Traded Volume	4,430,541
Market Cap. (RO 000)	187,800
Shares Outstanding (000)	100,000

Figure 1: Price History

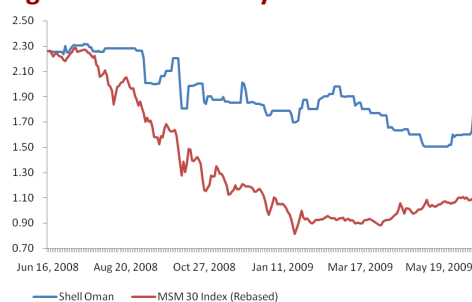


Table 2: Financial Summary

(RO 000)	Q1 09	Q1 08	% Change
Revenue	68,519	73,388	-6.6%
Direct Costs	61,257	66,189	-7.5%
Profit before Tax	3,261	3,487	-6.5%
Net Profit	2,870	3,062	-6.3%
Share Capital	10,000	10,000	0.0%
Share Equity	18,189	17,377	4.7%
Retained Earnings	4,602	3,790	21.4%
Total Assets	56,209	59,724	-5.9%
Basic EPS	0.029	0.031	-6.3%
P/E Ratio (x)	16.4	15.3	6.7%
GPM (%)	10.6%	9.8%	
NPM (%)	4.2%	4.2%	

Preview of Q1 2009

- Aggregate sales for three months ended 31st March 2009 note 6.6% decline (y-o-y) to RO. 68.52 million from RO. 73.38 million same time last year.
- Retail business category notes improvement in Q1 2009 with volume growth of 3.0%. Retail station network stands at 132 for the period. Moderate volume growth of 4.0% (y-o-y) also recorded for Commercial business segment.
- 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 0.87% increase to RO. 7.26 million over RO. 7.19 million as of Q1 2008 (y-o-y) despite sales decline. Admin/Distrib. expenses note 9.7% increase (y-o-y). Operating Margins decline to 4.5% for Q1 2009.
- The net income for the period stands at RO. 2.87 million, a decline of 6.27% (y-o-y) over RO. 3.06 million recorded in Q1 2008.

Outlook & Recommendation

- Company likely to pursue further development in Retail segment via site additions. 3 new sites under development.
- Competition likely to remain severe for the short term given the regional economic slowdown.
- Aggregate sales expected to reach RO. 301.1 million for year 2009, an decrease of 7.7%, y-o-y. Bottom line likely to decline 8.1% (y-o-y) for year 2009 to RO. 11.48 million.
- We assign **Hold** recommendation to the stock for the short term with 2009 target price of RO. 2.015/share.

Operational Review

The company's Retail Division continues to achieve growth amidst the economic slowdown. The division volumes exceed those of Q1 2008 by nearly 3.0%. The company's continual approach to quality and excellence has gone a long way in maintaining its position. The total site network stands at 132 for the period. Volumes have also noted mild improvement at the company's Commercial Segment. Performance of the Aviation segment has been exceptional during the period with 19% in volume increase (y-o-y) arising out of the extensive supply to major airlines landing at the country's major airports. The company has an exclusive fuel supply contract with Oman Air. The Lubricants Segment was the worst affected during the period with reported volume contraction of nearly 35% (y-o-y). Sales have been affected owing to the overall lower demand due to the regional slowdown.

Aviation Segment announces fine growth.

Financial Review

Sales moderate marginally

The company reported a minor decline in revenues in Q1 2009 to the tune of nearly RO. 4.87 million (y-o-y) to RO. 68.5 million. Sales decline stands at 6.6% on a y-o-y basis as opposed to 12.5% on a q-o-q basis. The effects of the economic slowdown seem to have played some role in the current performance of the company primarily on the Retail and Commercial Segments. Sales decline seems to stem primarily from the Lubricants segment which is an export oriented segment for the company.

Table 3: Quarterly Income Summary (RO 000)

	Q1 09A	Q1 08A	% chg. (y-o-y)	Q4 08A	% chg. (y-o-y)
Sales	68,519	73,388	-6.6%	78,316	-12.5%
Gross Profit	7,262	7,199	0.9%	7,325	-0.9%
Gross Margin (%)	10.6%	9.8%		9.4%	
Net Income	2,870	3,062	-6.3%	2,780	3.2%
Net Margin (%)	4.2%	4.2%		3.5%	

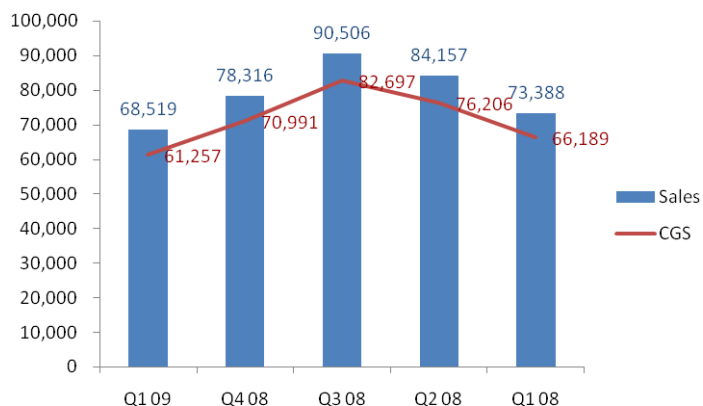
Source: Company Financials, Al Madina Research

Costs, a key focus area

Direct costs, as reported under Cost of Sales have undergone a 7.45% decline (y-o-y) to RO. 61.26 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 9.7% (y-o-y) to RO. 3.31 million.

Figure 2: Sales vs. Cost of Sales (RO 000, Quarterly)

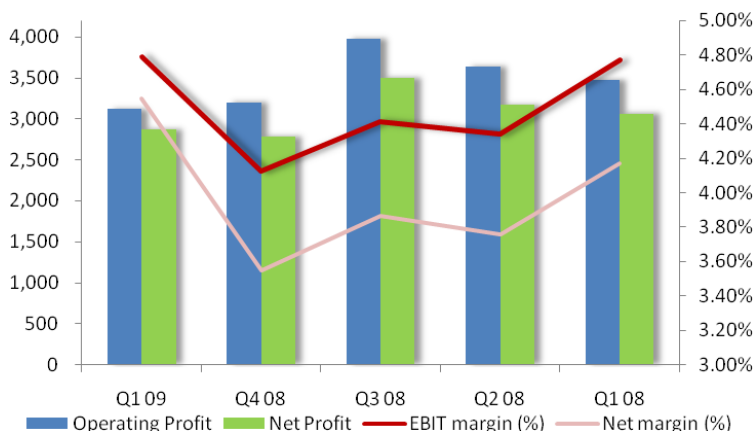


Source: Company Financials, Al Madina Research

Profits shrink...

Profitability has moderated for the current quarter in question. The bottom line for the recent quarter ended 31st March 2009 stood lower at RO. 2.87 million, a 6.3% drop (y-o-y) from the corresponding period last year (Q1 2008: RO. 3.06 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 flattish are well in line on a Y-o-Y basis. The EBIT margin for Q1 2009 stood at 4.79% in line with 4.77% the year earlier but moderately better than Q4 2008. Q1 2009 margin improvement is primarily so due to the higher level of interest income earned. Net margins also follow a similar trend.

Figure 3: Sales/Profits (RO 000) vs. Margins (%)



Interest income boosts margins in Q1 09.

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. (%)
Property, Plant and Equipment	16,026	15,980	0.3%	13,274	20.7%
Total non current Assets	16,113	16,070	0.3%	13,402	20.2%
Inventories	11,889	12,000	-0.9%	12,606	-5.7%
Receivables & Prepayments	18,682	20,341	-8.2%	25,307	-26.2%
Cash at Bank & in hand	9,525	9,992	-4.7%	8,409	13.3%
Total Current Assets	40,096	42,333	-5.3%	46,322	-13.4%
Total Assets	56,209	58,403	-3.8%	59,274	-5.2%
Short term Loan	10,000	0	-	9,000	11.1%
Payable & Accruals	26,632	28,908	-7.9%	32,002	-16.8%
Total Liabilities	38,020	31,584	20.4%	42,347	-10.2%
Share Capital	10,000	10,000	0.0%	10,000	0.0%
Retained Earnings	4,602	13,232	-65.2%	3,790	21.4%
Total Shareholders' equity	18,189	26,819	-32.2%	17,377	4.7%
Total Liabilities and Equity	56,209	58,403	-3.8%	59,724	-5.9%

Source: Company Financials, Al Madina Research

For the 3M ended 31st March 2009, the company's aggregate assets stand at RO. 56.2 million, down marginally by 3.8% over the 2008 year end figure and 5.2% on a Y-o-Y basis. Among assets, fixed assets (comprising P,P &E) account for the bulk at RO. 16.0 million. The increase noted Y-o-Y is mainly on account of capital expenditure in relevance of new fuel stations. Total Receivables have noted a 8.2% decline over year 2008 end to RO. 18.68 million. These account for 33.2% of total assets. Inventories comprise 21.2% of assets at RO. 11.88 million. The cash balance stands sound at RO. 9.5 million or 16.9% of aggregate assets.

Total liabilities for the period stand at RO. 38.02 million, up 20.4% compared to the year ending 2008. Trade & other payables have noted a 7.9% decline for the current year upto 31st March 2009 to RO. 26.63 million. The company has also obtained a short term loan of RO. 10.0 million during the period. Total shareholder's equity stands at RO. 18.18 million for the period.

Outlook

Short Term

We believe the ongoing economic slowdown may have some bearing on Shell Oman Marketing Co. (SAOG) for the short term. As mentioned earlier, the Omani Economy is expected to see a decline in growth rate for 2009 given the repercussions of private investment activity and lower Hydrocarbon prices. Some stability continues to be exercised nonetheless given the investment commitment put forward by the Government of Oman.

For year 2009, we expect the company to achieve revenues to the tune of RO. 301.1 million as per our Base case scenario, a 7.8% decline (y-o-y) on the previous year achievement of RO. 326.3 million. As for divisional level performance is concerned, we believe the Retail Division may see flatness in growth for the year 2009. The company has expressed its intent to continue its investment program focusing on Retail station additions in 2009. Growth is likely to feature from the Aviation segment in 2009. The company's major client, Oman Air is on a route expansion spree. The Commercial segment may also be under pressure in 2009 given the slowdown effects of the overall economy. The Lubricants business is likely to suffer in 2009 with drop in inland sales and lower demand from export markets.

As per our base case scenario we expect the company to earn a bottom line of RO. 11.48 million in 2009 a decline of 8.1% over the previous year achievement. The net margin is expected to curtail to nearly 3.81%. This works out a per share earnings of Bz. 115, at a forward P/E of 16.3 times. The dividend based on past payout ratios is estimated at Bz. 105/share, a yield of 5.6% on the current market price.

We have also devised a Pessimistic scenario for the company for year 2009 with lower revenue and margin expectations over our Base case scenario. The scenario looks at performance given a more sluggish level of improvement during the rest of the year. Under the Pessimistic case the revenue and net income is expected to reach RO. 289.0 million and RO. 10.7 million respectively for the year 2009. The EPS works out to Bz. 107, a forward P/E of 17.5 times at the current market price.

Table 5: Performance Scenarios, Year 2009

	Pessimistic	% chg. (Y-o-Y)	Base Case	% chg. (Y-o-Y)
Revenue	289,034	-11.4%	301,181	-7.7%
Gross profit	28,204	-6.9%	30,413	0.4%
GPM (%)	9.76%		10.10%	
Operating profit	12,122	-15.1%	13,007	-8.9%
OPM (%)	4.19%		4.32%	
Profit After Tax	10,709	-14.4%	11,487	-8.1%
NPM (%)	3.70%		3.81%	
EPS	0.107		0.115	
P/E	17.5		16.3	

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.

Competition likely to remain severe going forward.

In the long run, with the improving economy prospects look bright particularly for the Commercial and Aviation segments. For Shell Oman Marketing in particular, we see long term prospects for the Aviation segment to be bright in light of the infrastructure development initiatives undertaken at the country's major airports and the company's exiting dominant position in the segment. This move along with Tourism initiatives could likely improve the country's prospects as a preferred fuelling destination among International Airlines thereby increasing volume 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. We also project a gradual revival in the Lubricants business.

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 Shell Oman Marketing Co. SAOG using the Discounted Cash Flow to Equity (DCF) method based on forecasted financials (2009E-2013E). For the analysis we have arrived at a Cost of Equity (COE) at 8.15%. The Beta we use is 0.45 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 2.0% as part of closure to the valuation.

Based on our working the fair value per share for Shell Oman Marketing Co. SAOG for the year 2009 works out to nearly **RO. 2.269/share**.

Table 6: DCF Exercise, Shell Oman Marketing

	2009	2010	2011	2012	2013
Net Income (adj.)	11,221	12,514	13,685	14,732	15,695
Depreciation & Ammortization	3,363	3,604	3,886	4,143	4,373
Capex	6,020	5,448	4,903	4,609	4,471
Working Capital	342	-1,127	-879	-1,009	-827
FCFE	8,906	9,543	11,789	13,258	14,769
Total Discounted Cash Flows	40,179				
PV of Terminal Value	179,049				
Init. Equity Value	219,228				
Adjustments	7,656				
Value of Equity	226,884				
No. of Shares	100,000				
Fair Value/Share (RO)	2.269				

Table 7: Valuation Sensitivity Analysis

COE (%)	Terminal growth rate (%)			
	1.50%	2.00%	2.50%	3.00%
6.00%	3.138	3.483	3.926	4.516
7.00%	2.569	2.788	3.056	3.391
8.15%	2.126	2.269	2.437	2.637
9.00%	1.886	1.995	2.120	2.266
10.00%	1.666	1.747	1.840	1.946

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 31st March 2009. The average sector P/E (on TTM basis) stands at 13.5 times.

Table 8: 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	2008	2008
Al Maha	9.146	63,107	191,658	37,782	7,349	1,259	1.065	0.182	0.929	3.998	3.680	8.6	9.8	2.3	5.47%		
Oman Oil Mktg.	0.962	62,049	170,049	37,795	6,323	1,085	0.098	0.017	0.082	0.326	0.308	9.8	11.7	2.9	3.64%		
Shell Oman Mktg.	1.878	187,800	326,367	68,519	12,504	2,870	0.125	0.029	0.123	0.268	0.182	15.0	15.3	7.0	6.12%		
Total		312,956	688,073	144,096	26,176	5,214											
Average		104,319	229,358	48,032	8,725	1,738	0.429	0.076	0.378	1.531	1.390	12.7	13.5	5.2	5.5%		

Source: Company Financials, Al Madina Research, *CMP as of 21st June 2009.

Using the current sector average P/E of 13.5, we derive a value for the stock (per share) of Shell Oman Marketing Co. SAOG at **RO. 1.545/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. 2.015/share** for the year 2009.

Recommendation

The per share fair value price of **RO. 2.015** represents an upside of nearly **7.3%** on the current market price of RO. 1.878/share. While exercising confidence on the performance of the company especially over the mid to long term horizon, we remain cautious on prospects for the short term. We thus give a **Hold** to the stock for the short term. For the mid-term, we give an **Accumulate** rating on the stock.

Appendix: Financials/Company Profile

Table 9: Income Statement

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Revenue	183,510	226,489	247,854	326,367	301,181	334,958	367,342	398,047	426,871
Cost of sales (excl. dep)	-164,073	-203,459	-221,492	-296,083	-270,768	-301,971	-331,754	-360,034	-386,652
Gross profit	19,437	23,030	26,362	30,284	30,413	32,987	35,588	38,014	40,220
Distribution & Admin. Expenses	-8,600	-10,358	-11,159	-13,141	-14,032	-14,993	-15,976	-16,921	-17,788
Depreciation charges	-2,381	-2,403	-2,519	-2,837	-3,363	-3,604	-3,886	-4,143	-4,373
Amortization	-147	-147	-89	-23	-11				
Operating profit	8,309	10,122	12,595	14,283	13,007	14,390	15,726	16,949	18,059
Net Financing Income (Expense)	56	42	-61	-71	47	90	73	79	68
Profit before taxation	8,365	10,164	12,534	14,212	13,054	14,480	15,799	17,028	18,127
Taxation	-907	-1,244	-1,472	-1,708	-1,567	-1,738	-1,895	-2,043	-2,174
Profit After Tax	7,458	8,920	11,062	12,504	11,487	12,742	13,904	14,985	15,953

Source: Company Financials, Al Madina Research

Table 10: Balance Sheet

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Property, plant and equipment	10,145	11,498	13,223	15,980	18,602	20,411	21,378	21,788	21,821
Intangible assets	259	112	34	11	0	0	0	0	0
Deferred tax assets	868	415	107	79	58	43	32	23	17
Total non current Assets	11,272	12,025	13,364	16,070	18,660	20,454	21,410	21,812	21,839
Inventories	5,444	16,329	13,710	12,000	11,143	12,079	12,909	13,612	14,268
Receivables & Prepayments	15,095	19,098	22,738	20,341	16,193	17,266	18,459	19,705	20,823
Cash at Bank & in hand	11,695	5,884	9,157	9,992	7,656	7,205	8,036	8,830	9,582
Total Current Assets	32,234	41,311	45,605	42,333	34,991	36,550	39,404	42,148	44,673
Total Assets	43,506	53,336	58,969	58,403	53,651	57,004	60,813	63,959	66,512
Bank Overdrafts	0	0	413	0					
Short term Loan		2,000	4,000	0	0	0	0	0	0
Income Tax Payable	537	792	1,165	1,680	1,546	1,723	1,884	2,034	2,168
Payable & Accruals	20,710	26,808	27,542	29,391	24,728	25,610	26,754	27,695	28,641
Provisions	426	483	534	513	571	622	722	792	812
Total Liabilities	21,673	30,083	33,654	31,584	26,845	27,955	29,360	30,521	31,620
Share Capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Legal Reserve	3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587
Retained Earnings	8,246	9,666	11,728	13,232	13,219	15,462	17,866	19,851	21,304
Total Shareholders' equity	21,833	23,253	25,315	26,819	26,806	29,049	31,453	33,438	34,891
Total Liabilities and Equity	43,506	53,336	58,969	58,403	53,651	57,004	60,813	63,959	66,512

Source: Company Financials, Al Madina Research

Appendix: Financials/Company Profile

Table 11: Cash Flow Statement

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
<i>Operating Activities</i>									
Profit before Income Tax	8,365	10,164	12,534	14,212	13,054	14,480	15,799	17,028	18,127
Adjustments for:									
Depreciation	2,381	2,403	2,519	2,837	3,363	3,604	3,886	4,143	4,373
Amortisation	147	147	89	23	11				
Provision for Employee Retention Scheme		71	59	97	98	76	85	60	35
Provision for environmental liability	122	21	21	-55	120	135	180	185	175
Profit (Loss) on disposal of P,P&E		19	-50	-99	-40	-55	-50	-50	-45
Interest Income	-107	-158	-142	-100	-304	-260	-248	-287	-292
Interest Expense	51	116	203	171	257	170	175	208	225
Operating profit before working capital changes	10,959	12,783	15,233	17,086	16,559	18,150	19,827	21,288	22,597
Inventories	-1,325	-10,885	2,619	1,710	857	-936	-830	-703	-656
Receivables & Prepayments	-4,474	-4,003	-3,639	2,397	4,148	-1,073	-1,194	-1,246	-1,118
Payable & Accruals	11,007	6,098	734	1,849	-4,663	883	1,144	941	946
Cash From Operations	16,167	3,993	14,947	23,042	16,902	17,023	18,948	20,279	21,770
Interest Paid	-51	-116	-203	-171	-257	-170	-175	-208	-225
Environmental liability paid	-100	-35	-29	-63	-160	-160	-165	-175	-190
Income taxes paid	-266	-536	-792	-1,165	-1,680	-1,546	-1,723	-1,884	-2,034
Net Cash from operating activities	15,750	3,306	13,923	21,643	14,805	15,147	16,885	18,012	19,320
<i>Investing Activities</i>									
Purchasing P, P& E and Intangible Assets	-2,769	-3,777	-4,295	-5,626	-6,020	-5,448	-4,903	-4,609	-4,471
Proceeds from disposal of Property, Plant & Eqp.	14	2	90	131	75	90	100	105	110
Interest Income	107	158	142	100	304	260	248	287	292
Net cash used in Investing Activities	-2,648	-3,617	-4,063	-5,395	-5,641	-5,098	-4,555	-4,217	-4,068
<i>Financing Activities</i>									
Dividends paid	-5,300	-7,500	-9,000	-11,000	-11,500	-10,500	-11,500	-13,000	-14,500
Short term loan		2,000	2,000	-4,000					
Net cash used in financing activities	-5,300	-5,500	-7,000	-15,000	-11,500	-10,500	-11,500	-13,000	-14,500
Inc. (Dec.) in Cash & Cash Equivalents	7,802	-5,811	2,860	1,248	-2,336	-451	830	795	752
Beg. Cash & Cash Equivalents	3,893	11,695	5,884	8,744	9,992	7,656	7,205	8,036	8,830
End. Cash & Cash Equivalents	11,695	5,884	8,744	9,992	7,656	7,205	8,036	8,830	9,582

Source: Company Financials, Al Madina Research

Appendix: Financials/Company Profile

Table 12: Ratio Analysis

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Valuation									
EPS (RO)	0.075	0.089	0.111	0.125	0.115	0.127	0.139	0.150	0.160
BV/S (RO)	0.218	0.233	0.253	0.268	0.268	0.290	0.315	0.334	0.349
SPS (RO)	1.835	2.265	2.479	3.264	3.012	3.350	3.673	3.980	4.269
P/E (x)	25.2	21.1	17.0	15.0	16.3	14.7	13.5	12.5	11.8
PBV (x)	8.6	8.1	7.4	7.0	7.0	6.5	6.0	5.6	5.4
P/SPS (x)	1.0	0.8	0.8	0.6	0.6	0.6	0.5	0.5	0.4
Div. (Cash)	0.075	0.09	0.110	0.115	0.105	0.115	0.130	0.145	0.155
Div. Stock)									
Div. Yld (%)	4.0%	4.8%	5.9%	6.1%	5.6%	6.1%	6.9%	7.7%	8.3%
Payout (%)	100.6%	100.9%	99.4%	92.0%	91.4%	90.3%	93.5%	96.8%	97.2%
Profitability									
Gross Margin (%)	10.6%	10.2%	10.6%	9.3%	10.1%	9.8%	9.7%	9.6%	9.4%
NPM (%)	4.1%	3.9%	4.5%	3.8%	3.8%	3.8%	3.8%	3.8%	3.7%
EBITDA (%)	6.0%	5.7%	6.2%	5.3%	5.5%	5.4%	5.4%	5.4%	5.3%
Return on Beginning Equity (% ROBE)	37.9%	40.9%	47.6%	49.4%	42.8%	47.5%	47.9%	47.6%	47.7%
Return on Average Equity (% ROAE)	35.9%	39.6%	45.6%	48.0%	42.8%	45.6%	46.0%	46.2%	46.7%
Return on Beginning Assets (% ROBA)	24.8%	20.5%	20.7%	21.2%	19.7%	23.8%	24.4%	24.6%	24.9%
Return on Average Assets (% ROAA)									
Return on Capital (% ROC)									
Turnover Ratios									
Asset Turnover (x)	16.3	18.8	18.5	20.3	16.1	16.4	17.2	18.2	19.5
PPE Turnover (x)	18.1	19.7	18.7	20.4	16.2	16.4	17.2	18.3	19.6
A/c Recv. Turnover (x)	14.3	13.2	11.8	15.2	16.5	20.0	20.6	20.9	21.1
A/c Pay. Turnover (x)	10.8	8.6	8.2	10.4	10.0	12.0	12.7	13.2	13.7
Inventory Turnover (x)	34.3	18.7	14.7	23.0	23.4	26.0	26.6	27.2	27.7
Days in Receivables	25.6	27.6	30.8	24.1	22.1	18.2	17.7	17.5	17.3
Days in Inventories	10.6	19.5	24.8	15.8	15.6	14.0	13.7	13.4	13.2
Days in Payables	33.8	42.6	44.8	35.1	36.5	30.4	28.8	27.6	26.6
Cash Conversion Cycle	2.4	4.5	10.8	4.8	1.3	1.8	2.7	3.3	3.9
Liquidity/Leverage Ratios									
Current Ratio (x)	1.49	1.37	1.36	1.34	1.30	1.31	1.34	1.38	1.41
Quick Ratio (x)	1.24	0.83	0.95	0.96	0.89	0.88	0.90	0.93	0.96
Liabilities/Equity (x)	0.99	1.29	1.33	1.18	1.00	0.96	0.93	0.91	0.91
Debt/Equity (x)	0.00	0.09	0.17	-	-	-	-	-	-
Debt/Capital (x)	0.00	0.08	0.15	-	-	-	-	-	-
Interest Coverage	165.0	88.6	62.7	84.1	51.9	86.1	91.3	82.9	81.7
CFO/Total Liabilities (x)	0.72	0.11	0.41	0.69	0.55	0.54	0.58	0.59	0.61
NI/CFO	0.48	2.70	0.79	0.58	0.78	0.84	0.82	0.83	0.83
Value Drivers									
Net margin	4.1%	3.9%	4.5%	3.8%	3.8%	3.8%	3.8%	3.8%	3.7%
*Asset Turnover (Beg)	6.11	5.21	4.65	5.53	5.16	6.24	6.44	6.55	6.67
= Return on Beginning Assets	24.8%	20.5%	20.7%	21.2%	19.7%	23.8%	24.4%	24.6%	24.9%
* Financial leverage	1.53	1.99	2.29	2.33	2.18	2.00	1.96	1.93	1.91
= Return on Beginning Equity	37.9%	40.9%	47.6%	49.4%	42.8%	47.5%	47.9%	47.6%	47.7%

Source: Company Financials, Al Madina Research

Appendix: Financials/Company Profile

Shell Oman Marketing Company SAOG (SOM) is an Oman-based joint stock company primarily involved in the marketing and sale (distribution) of a wide range of petroleum products and blending of lubricants. Shell's existence in Oman dates back to as early as 1958 when the Royal Dutch Shell plc was given trading rights to setup operations. Then in 1970, a marketing franchise was granted to Shell for its retail business. A lubricant blending plant was also successfully constructed by the company in 1985. In the year 1997 the company went public as Shell Oman Marketing Company (SAOG) by floating 40% of its capital. The company today has a paid up capital of RO. 10 million (US\$. 23 million).

The Company operates a large well equipped petroleum fuel storage facility at Mina al Fahal in Muscat. Constant supply of refined fuels is obtained from the Oman Refineries & Petrochemicals Co. LLC. The company's range of products and services extend to several classes of customers characterized under Retail, Commercial and Aviation divisions. The company also operates a network of convenience stores under the brand name of 'Select' throughout the Sultanate of Oman.

The Retail division of the company comprises mainly the service stations which offer fuels and lubricants to motorists. As of March 2009 the company operated a vast network of 132 service stations. Other services also include car wash facilities and service centers. The company runs an extensive fuel card system (launched in 1997) providing convenient payment options and regular rewards to its customers. The Commercial division provides customized services and supply of fuels & lubricants to cater to the individual needs of corporate clients in industries such as logistics and construction. The Aviation division provides contract based supply of fuel (Jet A-1) to the various airlines operating mainly at the country's major airports in Seeb and Salalah. The Lubricants (which cater within Retail and Commercial divisions) manufactured at the company's blending plant are sold in both the local and export market.

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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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