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UNITED SECURITIES LLC.

United Securities LLC

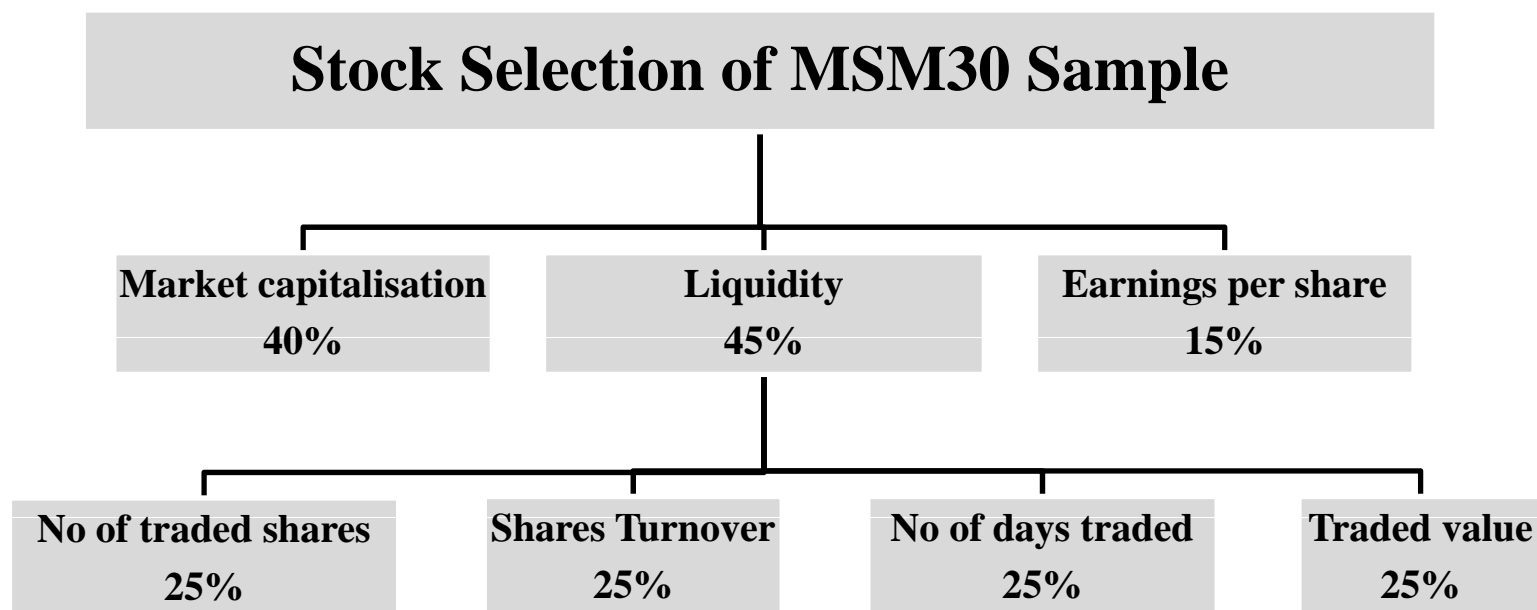
Investment Research

MSM30 Index changes

08 June, 2009

MSM30 Index moving to Free Float adjusted market capitalisation based index

- MSM30 index is moving to free float adjusted market capitalization based index with effect from 01 July, 2009.
- The index would be covering 30 companies that are listed in the regular market of MSM and are highly capitalized in terms of its free float.
- A single company representation is capped at a maximum of 10% weight in the Index, instead of the current 20%.
- This is expected to ensure wider representation of smaller companies in the index.



Free float calculation

- The following shares of the company are not included in calculating the free float market capitalization
- **Founders shares** of companies that have not published at least two consecutive balance sheets
- **Government direct holding**
- **Strategic holding:** An entity that holds more than 10% of the company capital is considered as a strategic holding
- **Locked in shares:** Shares that are not available for trading in the market in normal course

Exclusions from the index

Company	Current weight	MCap as on 25 th May 2009	Sector
Dhofar Insurance Company	1.48%	62,800	Services & Insurance
Oman oil marketing company	1.27%	53,535	Services & Insurance
Dhofar Cattle Feeds	0.57%	22,470	Industry
AES Barka	1.37%	54,400	Services & Insurance
Oman Chlorine	0.57%	23,701	Industry
Total	5.26%	216906	

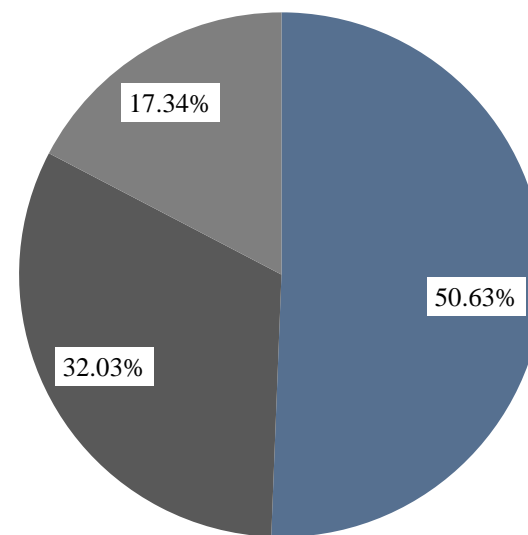
New inclusions to the index

Company	Proposed weight	Free float Mcap	Sector
Bank Dhofar	8.58%	165,366	Banking & Investment
United Finance	0.96%	21,313	Banking & Investment
OIFC	0.63%	12,252	Banking & Investment
Oman Fisheries	0.52%	9,624	Services & Insurance
Voltamp Energy	0.56%	10,954	Industry
Total	11.25%	219,509	

Proposed weight distribution of MSM30 Index

Sector	Current Weight	Proposed Weight	Change
Banking and Investment Sector	46.44%	50.63%	4.19%
Services and Insurance Sector	34.49%	32.03%	-2.46%
Industry Sector	19.08%	17.34%	-1.74%

Proposed Weight



■ Banking and Investment Sector ■ Services and Insurance Sector
■ Industry Sector

MSM30 Index components – Banking & Investment Sector

Company	Free Float Factor	Capping Coefficient*	Cap adj FF Mcap* (RO ,000)	Proposed Weight*
Bank Muscat	53.16%	0.44	193,113	10.00%
Oman International bank	69.20%	1	179,469	9.24%
National Bank of Oman	49.18%	1	175,449	9.22%
Bank Dhofar	46.12%	1	165,366	8.58%
Bank Sohar	64.55%	1	98,111	5.10%
Ahli Bank	47.39%	1	56,907	2.92%
OMINVEST	62.49%	1	47,869	2.51%
Oman & Emirates	86.60%	1	24,170	1.23%
United Finance	54.25%	1	21,313	0.96%
ONIC	39.16%	1	20,328	0.68%
OIFC	55.34%	1	12,252	0.63%
Al Anwar holding	44.73%	1	10,109	0.53%
Transgulf Investments	97.46%	1	8,833	0.47%
Total			1,013,287	50.63%

MSM30 Index components – Industry Sector

Company	Free Float Factor	Capping Coefficient*	Cap adj FF Mcap* (RO ,000)	Proposed Weight *
Raysut Cement	60.55%	1	142,902	7.40%
Oman Cement	48.64%	1	89,803	4.62%
Oman Cables	39.92%	1	33,124	1.69%
Oman Flour Mills	48.13%	1	30,778	1.58%
Al Anwar ceramics	50.50%	1	18,532	0.96%
Al Jazeera Steels	37.35%	1	12,595	0.68%
Voltamp Energy	49.79%	1	10,954	0.56%
Al Hassan Engg	37.06%	1	6,383	0.33%
Construction Materials	21.41%	1	2,002	0.11%
Total			347,074	17.34%

MSM30 Index components – Services & Insurance Sector

Company	Free Float Factor	Capping Coefficient*	Cap adj FF Mcap * (RO ,000)	Proposed Weight*
Omantel	29.28%	0.682	193,979	10.00%
Renaissance Services	69.11%	1	123,014	6.47%
Galfar Engineering	84.23%	1	155,400	5.60%
Shell Oman	57.14%	1	85,883	4.19%
Al Maha Petroleum	59.11%	1	27,203	1.39%
Port Services	55.99%	1	23,998	1.23%
Al Jazeera Services	76.51%	1	22,052	0.63%
Oman Fisheries	74.75%	1	9,624	0.52%
Total			641,154	32.03%

* Capping coefficient, weight and free float market capitalisation are based on price of the shares as on 25th May 2009. These parameters would be depending on the price of respective shares. The final weight and capping coefficient would depend on the closing price as on 30th June, 2009

MSM30 major weight losers

Company	Proposed weight	Current weight	Change
Bank Muscat	10.00%	19.79%	-9.79%
Omantel	10.00%	16.69%	-6.69%
Dhofar Insurance Company*	0.00%	0.0148	-1.48%
AES Barka*	0.00%	0.0137	-1.37%
Oman oil marketing company*	0.00%	0.0127	-1.27%
Oman Cables	1.69%	2.83%	-1.14%
Dhofar Cattle Feeds*	0.00%	0.57%	-0.57%
Oman Chlorine*	0.00%	0.57%	-0.57%
ONIC	0.68%	1.24%	-0.56%
Al Jazeera Steels	0.68%	1.12%	-0.44%
Al Hassan Engg	0.33%	0.47%	-0.14%
Construction Materials	0.11%	0.23%	-0.12%
Oman Cement	4.62%	4.70%	-0.08%
Al Anwar holding	0.53%	0.55%	-0.02%

* Exclusions from the index

MSM30 major weight gainers

Company	Proposed weight	Current weight	Change
Bank Dhofar #	8.58%	0.00%	8.58%
Oman International bank	9.24%	6.16%	3.08%
Galfar Engineering	5.60%	3.13%	2.47%
Renaissance Services	6.47%	4.38%	2.09%
Bank Sohar	5.10%	3.86%	1.24%
United Finance #	0.96%	0.00%	0.96%
Oman & Emirates	1.23%	0.40%	0.83%
OIFC #	0.63%	0.00%	0.63%
Raysut Cement	7.40%	6.81%	0.59%
National Bank of Oman	9.22%	8.64%	0.58%
Voltamp Energy #	0.56%	0.00%	0.56%
Shell Oman	4.19%	3.64%	0.55%
Oman Fisheries #	0.52%	0.00%	0.52%

Proposed inclusions to the index

Impact Analysis: Market Cap coverage

- The market capitalisation coverage of the new index as on 25th May 2009 is almost 80% of the aggregate market capitalisation of companies listed in MSM as against a coverage of 75.83% for the current index as on the same date. The new index has more coverage of the market and should reflect the market sentiments in a better manner.

Market Cap Coverage of MSM30 Index		
	Proposed Index (RO ,000)	Current Index (RO ,000)
Index Market Capitalisation	4,622,502	4,384,215
Aggregate Market Cap	5,781,090	5,781,090
Coverage of aggregate	79.96%	75.84%

Impact Analysis: Valuation comparison

	Proposed Index	Current Index	Unweighted Market Aggregate
PER FY2008	9.42	8.91	12.97
PER TTM	9.31	8.44	16.46
Price to Book Value	1.78	1.72	1.65

Price Earnings Ratio is calculated based on the current market capitalisation divided by the total earnings of companies including negative earnings during the period

- As a result of decrease in weight adjusted earnings of the Index companies and an increase in market capitalisation, the proposed MSM30 index is poised to show relatively higher valuations as against the current benchmark.
- The decision of MSM to consider EPS as a criteria for companies to be included in the Index has caused non profitable companies not forming a part of the Index. The fall in earnings during fourth quarter of 2008 have caused the valuations of non index companies to go up, thereby pushing the overall market valuations to higher levels.
- In terms of price to Book Value, the proposed free float capitalisation based index is set to show a marginal increase only. The increase in market cap is neutralised by the presence of highly capitalised companies such as Bank Dhofar.

Sector Indices

- The three sector index components would also be changing on 1st of June, 2009.
- The sector index also would be converted to a free float market capitalisation based index.
- Each sector index would be consisting of 10 shares each from respective sectors
- Each individual component in the sector index would be having an equal weight of 10%

Sector Index Components

	Banking & Investment Sector Index
1	Al Anwar Holding
2	Bank Dhofar
3	Bank Muscat
4	Bank Sohar
5	National bank of Oman
6	Oman & Emirates (OM)
7	Oman international bank
8	OIFC
9	OMINVEST
10	ONIC Holding

	Industry Sector Index
1	Al Anwar Ceramics
2	Al jazeera Steel products
3	Construction Materials
4	Al Hassan Engg
5	Oman Cables
6	Oman Chlorine
7	Oman Cement
8	Oman Flour Mills
9	Raysut Cement
10	Voltamp Energy

Sector Index Components (Contd.)

	Services & Insurance Sector Index
1	Al Jazeera Services
2	Galfar Engineering
3	Al maha Petroleum
4	Oman Fisheries
5	Oman Oil Marketing
6	Omantel
7	Port Services Corporation
8	Renaissance Services
9	Sohar Power
10	Shell Oman marketing



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