

**Index Reshuffled**

The revamp of the MSM 30 Index came in effect from the 2nd July 2006, with 10 stocks out of the 30 stocks reshuffled across the three key sector indices. The 10 exiting stocks paved the way for the new entrants of the MSM 30 Index.

New MSM 30 Constituents by sectors - A Snapshot

Among the sector indices, Industry sector witnessed a reshuffle of four stocks compared to the Banking & Investment and the Services & Insurance sector that witnessed a reshuffle of three stocks each.

Banking & Investments	Industry	Services & Insurance
<i>Constant</i>	<i>Constant</i>	<i>Constant</i>
Bank Muscat	Oman Cement	Oman Telecommunication
National Bank of Oman	Raysut Cement	Shell Oman Marketing
Oman International Bank	Oman Chlorine	Port Services
Ominvest	Oman Flour Mills	Al Jazeera Services
ONIC Holding	Oman Textile Holding	AES barka
DIIDIC	Al Khaleej Polypropylene	Al Maha Petroleum
Oman & Emirates		Renaissance Services
<i>Exit</i>	<i>Exit</i>	<i>Exit</i>
Alliance Housing Bank	Al Jazeera Tube Mills	Salalah Port
OIFC	Dhofar Cattle Feed	Dhofar Insurance
A' Sharqiya Holding	Al Anwar Holding	United Power
	Oman Chromite	
<i>Entry</i>	<i>Entry</i>	<i>Entry</i>
Bank Dhofar	Oman Cables	Oman Oil Marketing
Gulf Investment Services	Al Anwar Ceramic Tiles	Majan College
Transgulf Investment Holding	Al Hassan Engineering	Dhofar Power
	Majan Glass	

Insurance sector makes an exit while Port Services sector sheds weight

Dhofar Insurance, the only stock representing the Insurance sector has been replaced by Majan College. The weightage of the Port services sector has reduced from 3.66% to 1.07% resulting from the exit of Salalah Port.

Oil marketing sector gathers proportion

With the inclusion of Oman Oil Marketing in the Services & Insurance sector, the weight of the sector as a whole has increased by 1.28% to 5.85% as depicted below.

Before Reconstitution representation	Post Reconstitution representation
Shell Oman Marketing	Shell Oman Marketing
Al Maha Petroleum	Al Maha Petroleum
	Oman Oil Marketing
4.57%	5.85%

Brokerage gets a footing

Gulf Investment Services, representing the brokerage sector made a re-entry with a weightage of 0.29% replacing Oman Investment and Finance Company while Transgulf Investment Holding with a weightage of 0.20% replaced A' Sharqiya Investment Holding.

New index is more liquid

The exclusion of preference shares in the calculation of the MSM Index 30 market capitalization has resulted in increased representation of liquid shares compared to the earlier computation that included preference shares. In addition, five of the new entrants including Bank Dhofar, Al Anwar Ceramics, Majan Glass, Oman Oil Marketing and Majan College have split the nominal value of the shares to RO 0.100 as against the exiting constituents that include only three companies with a nominal value of RO 0.100. We believe, this factor will play a dominant role towards improving the overall liquidity. However, total market capitalization after reconstitution stood lower RO 4.484 billion compared to RO 4.534 billion prior to reconstitution (excluding bonds).

***Index P/E reduces post reconstitution***

The new index also carries higher earnings as compared to its earlier variant. Though the difference is marginal, the new index P/E now stands at 10.49x the annualized Q1'06 earnings vis-à-vis 10.53x. Excluding the companies that witnessed losses, annualized profits of the new index constituents stands at RO 4.480 million higher than the previous index mix.

New index sector weights

	Before Reconstitution	Post Reconstitution
Banking	40.67%	43.40%
Holding	7.30%	7.42%
Brokerage	0.00%	0.29%
Investment - Others	0.24%	0.00%
Banking & Investment Sector	48.19	51.11
Cement	10.99%	10.65%
Industry - Others	3.03%	3.99%
Industry sector	14.02%	14.64%
Telecommunication	20.69%	20.50%
Insurance	1.73%	0.00%
Power	3.39%	3.08%
Oil Marketing	4.57%	5.84%
Port & Shipping	3.66%	1.07%
Services -Others	3.75%	3.75%
Services & Insurance sector	37.79%	34.24%
Total	100.0%	100.0%

Source : MSM Website; US Research

Research

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