

OHI - RO 0.310

MSM – 6532.16

02 February 2010

### Key Figures

(RO ,000)

	FY2008	FY 2009	1H 2010
Total Revenue	88,988	110,763	52,121
Operating Profit	7,778	6,019	2,991
Net Profit	6,953	1,243	3,300

### Balance Sheet

(RO ,000)

	FY2008	FY 2009	1H 2010
Total Assets	90,717	116,607	112,086
Liabilities	57,078	82,496	74,563
Equity	31,977	32,752	36,052

### Valuation

	FY2008	FY 2009	FY 2010E
PER	4.49	24.94	5.17
P / BV	0.92	0.95	0.95
Market Price RO		0.310	
Shares OS (Nos)		110,000,000	
Market cap RO		34,100,000	

### Relative Performance

	OHI	MSM	Banking
1 month	-1.97%	-0.76%	-3.83%
6 months	30.70%	11.43%	18.11%
12 months	39.25%	35.82%	64.02%
Reuters		OHI.OM	
Bloomberg		OHHI OM	

### Shareholding Pattern

%

MH & Partners Investment Company	24.81%
International Investment Company	20.06%
Others	55.13%

OHI is a diversified business group that operates through its various subsidiaries and associates. During 1H2010 the subsidiaries showed resilience to the global economic slowdown and showed quick recovery from the slow down during CY 2009. This coupled with encouraging investment income generated helped the group in reporting good profits. The company has made significant investments in the hospitality, tourism and real estate sector in the country, which we believe has the potential to yield positive results in the medium term.

Investment in the financial services sector has undergone some erosion because of the economic slowdown, but we feel that the companies that OHI have invested have the potential to rise quickly once the sector recovery happens.

The subsidiaries of OHI are operating in most of the high growth sectors such as oil and gas, energy, telecommunications, information technology and retail. We believe that these subsidiaries would remain to be cash generating companies while new ventures would pave the way for reaping benefits of high growth industries.

The group, through an associate company has a land bank of about 129,000 sq. mtrs prime land at Qurum. It was visualized to redevelop this land into a residential cum commercial development. Given the advent of the global financial crisis, this project is being reconfigured. Once completed, we believe that this project can contribute meaningfully to the group's financial performance.

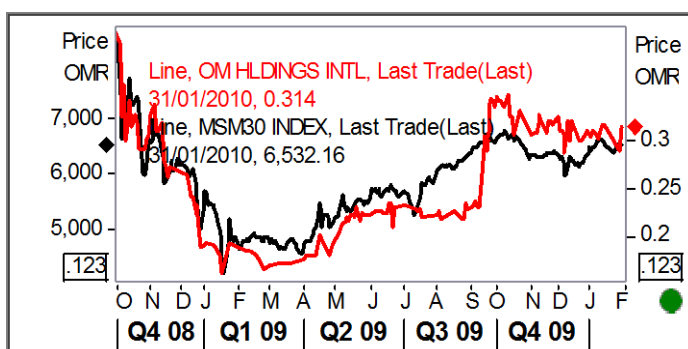
### Risks

A prolonged slowdown in economic activities in the region can adversely affect the group's investment plans and operations of its subsidiaries in a negative manner.

The planned Qaryat Qurum project is still in the early stages of execution. Delays in project execution or lower than anticipated demand for the products offered by the project can result in idle capacities and thereby affect negatively on the anticipated returns from the project.

### Valuation

The business model company offers are very stable and provide long term outlook. The subsidiaries of the company are showing good organic growth. At current market prices the company's shares are trading at a discount to its latest reported book value and 5.17x its FY2010e earnings. We believe that the prices do not reflect the true earnings potential. We are optimistic about the profitability of the company's businesses and recommend the shares for value investors who are looking for long term capital growth.



Oman Holding International is a diversified company operating through its subsidiaries that are represented in the various sectors of the economy in the sultanate of Oman. The company has diversified further into the hospitality sector and the Omani financial services sector.

Despite the turbulent economic conditions during CY2009, OHI posted relatively attractive financial results compared to its peer group companies. The profits for Financial Year ended March 31, 2009 was at RO 1.24 million as against RO 6.95 million recorded previous year. This profit was generated after absorbing a significant loss in the trading portfolio of the company. The construction subsidiary of the group is handling General Building & EPC Building work for Sohar Aromatics and the Barka-II power and desalination plant, amongst others.

OHI group has economic interest in the following sectors:

- Energy & Infrastructure Group
- Information Technology
- Telecommunications
- Construction
- Marine
- Services
- Real Estate
- Hospitality
- Retail Electronics
- Financial Services

The slump in the economic environment during the previous 18 months had some negative impact on the businesses of marine, hospitality, retail electronics and real estate sectors. However, those involved in the energy, telecommunications, information technology and civil construction were able to perform better during 1H2010.

OHI's subsidiaries have developed a reputation for being a major player in their respective sectors. It has a long history of owning and operating successful businesses in the Oman economic environment. It has developed successful and beneficial partnerships with its stake holders that should provide adequate room to grow by taking advantage of the opportunities available in the economic environment prevailing in the country.

The government has announced long term projects that should provide opportunities to develop businesses that are sustainable over the medium term. Apart from the traditional businesses which are expected to grow in line with economic growth, we expect the investments made in the

real estate sector, hospitality sector and the financial services sector to generate handsome returns in the medium to long term.

The total carrying value of OHI's subsidiaries are more than RO 10 million.

Name of subsidiary	OHI Holding	Carrying value (RO)	Principal activities
Advertising and Publicity Co	100%	575,485	Design and advertising agents
Douglas OHI	51%	431,458	Construction activity
Eihab Travels	100%	140,000	Travel and holiday business
Falcon Air Services & Transport Co.	100%	240,000	Logistic services
International Information Technology Co.	100%	500,000	Information Technology Products and services
OHI Marine	100%	2,019,367	Marine related activities
OHI Petroleum and Energy Services	100%	1,903,969	Oilfield supply and services
Overseas Projects and Equipment Co.	100%	696,780	Oilfield supply and services
OHI Telecommunications Company	100%	2,429,684	Trading in telecommunication equipment
Qatar Project Group International	65%	13,881	Information Technology Products and services
Sunrise Travel and Tourism	100%	9,348	Travel and related business
Travel & Allied Services	100%	820,000	Vehicle rental services
Oman International Electronics	100%	900,000	Trading in electronics items
<b>Total carrying value of subsidiaries</b>		<b>10,679,972</b>	

Majority of these subsidiaries are operating in the growth sectors of the economy and can be classified as cash cows in their own respective sectors.

The carrying value of company's associates as in their books as on 30<sup>th</sup> September 2009 are given in the following table.

Company name	OHI Holding	Carrying value (RO)	Principal activities
Computer Stationery Industry SAOG	31%	984,050	Printing industry
Group 4 Falk	51%	244,263	Turnkey solutions to security requirements
Steel Tek	50%	22,136	Armouring of vehicles
Drake & Scull International (Oman)	50%	3,399	Electro-mechanical activities
Velosi	50%	718,214	Inspection services for oil and gas equipment
Al Kamil Construction & Services	35%	266,018	Operations and maintenance services for power stations
Gammon International	31%	47,270	Construction activities
03 RP LLC	50%	192,419	Broadcasting business
Al Qurum Properties Co	50%	287,223	Real estate and development of properties
ERN International	50%	125,000	Construction activities
International Events Mgmt Co	50%	75,000	Advertising and event management
United Finance Co SAOG	5%	2,773,667	Vehicle, equipment and other financing activities.
Oman Hotel Tourism Co SAOG	46%	12,427,244	Hospitality business
Business travel Services	50%	135,957	Travel and holiday business
Canadian Energy Services	Under liquidation	68,090	Operation and maintenance of gas pipeline system
Al Najma Hospitality	Under liquidation	1,146,872	Hospitality business
San Spence	Under liquidation	66,148	Electro-mechanical activities
<b>Total of carrying value</b>		<b>19,582,970</b>	

OHI is involved in Omani real estate sector through its 50% associate company Al Qurum Properties LLC. This is a mixed product real estate development company in partnership with ETA Star of UAE. The company is in the process of redevelopment of its first property in Qurum under the brand name "Qarayat Qurum" which visualizes

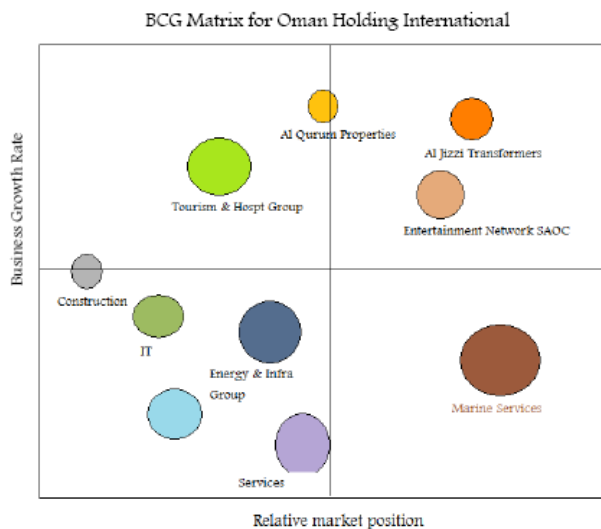
marketing commercial and residential plots. It has received the required regulatory approval. We expect the revenues from this property redevelopment to accrue during the course of CY2010. The lack of experience OHI is having in real estate sector has been mitigated by the introduction of a partner with long and successful track record in the sector.

Al Qurum Properties own 129,000 sq. mtr of commercial land in a prominent location at Qurum. The commercial value of this undeveloped property at current market prices is assumed to be around RO 40mn. This is by applying a conservative market price of RO 300/sq.mtr for Qurum area.

The project of redevelopment of this property is being carried out and is expected to be complete towards end of FY2011. The total value of this project is estimated to be RO 300mn and the company is estimating the project to make profit in the range of RO 60-75 million upon completion. If the company turns successful in completing the redevelopment of the said land, we estimate a very conservative EPS contribution in the range of RO 0.250 – 0.275 over the period from FY2011-2012 from this project.

#### Hospitality Sector – OHTC and Bidiya

Through its acquisition of Oman Hotels & Tourism Company SAOG into the associate company portfolio, OHI is well represented in the hospitality sector. OHTC has five properties in Oman, catering to clientele in different geographical locations and business segments. We see positive cash flows resulting from the entry of the group into Oman's booming hospitality and tourism sector.



While oil is the prime driver for the country's economic activity, the government has enhanced the beneficial impact of oil price rise by taking several steps to open up the economy. These initiatives include industrial and infrastructure development, encouraging tourism and the private sector. The demography of the country, which provides a large pool of young talents, combined with the expatriate workforce, augurs well to actualize the potential provided by the economic environment.

The business model the company offers is very stable from a long term perspective. It runs on established businesses and with sizable exposure and control over its associates and subsidiaries.

At current market price, the shares of OHI are trading at a discount of 5% to its latest reported book value. The shares are trading at 5.17x its FY2010e earnings. The subsidiaries of the company are showing good organic growth and investments into Oman's hospitality, tourism, financial services, and real estate sector are expected to yield positive returns in the future. We are optimistic about the profitability of the company's businesses and recommend the shares for value investors who are looking for long term capital growth. The major risks to our call are delays in project implementation of Qaryat Qurum project as well as very low trading liquidity for its shares.

INCOME STATEMENT	(RO ,000)	FY 2008	FY 2009	1H 2010
Revenue		88,183	109,845	51,414
Other operating income		805	918	706
<b>Total revenue</b>		<b>88,988</b>	<b>110,763</b>	<b>52,121</b>
Cost of goods sold		70,027	91,490	41,894
Depreciation		3,257	4,414	2,552
Staff costs		5,117	6,376	3,537
Overhead expenses		2,810	2,464	1,146
Total operating expenses		81,210	104,745	49,130
<b>Operating profit</b>		<b>7,778</b>	<b>6,019</b>	<b>2,991</b>
Investment (losses)/income		2,121	-4,273	1,612
Interest expense		1,589	1,322	841
Interest income		171	114	40
Finance costs		1,418	1,208	801
Forex (loss) / gain		209	347	127
Share of results of associates		1,530	2,470	635
<b>Earnings before tax</b>		<b>9,801</b>	<b>2,662</b>	<b>4,565</b>
Taxation		996	902	608
<b>Profit for the year</b>		<b>8,805</b>	<b>1,759</b>	<b>3,957</b>
Minority interest		1,851	516	657
<b>Profit after minority interest</b>		<b>6,953</b>	<b>1,243</b>	<b>3,300</b>

<b>BALANCE SHEET</b>	(RO ,000)	<b>FY 2008</b>	<b>FY 2009</b>	<b>1H 2010</b>
Property, plant and equipment		18,915	26,285	25,215
Investment properties		4,121	4,372	4,339
Goodwill		3,220	3,377	3,268
Investments in associates		15,870	18,912	19,583
Investment securities		3,784	6,089	7,648
Advance paid for property		250	0	0
Deferred tax asset		331	397	222
<b>Total noncurrent assets</b>		<b>46,491</b>	<b>59,432</b>	<b>60,274</b>
Inventories		4,745	7,993	5,281
Contract work in progress		4,694	4,916	7,971
Trade and other receivables		28,368	38,156	32,715
Bank balances and cash		6,420	6,111	5,845
<b>Total current assets</b>		<b>44,227</b>	<b>57,175</b>	<b>51,812</b>
<b>Total assets</b>		<b>90,717</b>	<b>116,607</b>	<b>112,086</b>
<b>EQUITY</b>				
Share capital		9,474	10,000	11,000
Share premium		1,720	1,720	1,720
Legal reserve		3,175	3,314	3,314
General reserve		626	626	626
Revaluation reserve		4,198	5,951	5,951
Fair value reserve		-66	59	59
Associates' reserves		4,604	4,585	4,585
Retained earnings		5,352	5,498	8,797
Proposed dividend		2,895	1,000	0
<b>Total Equity</b>		<b>31,977</b>	<b>32,752</b>	<b>36,052</b>
Minority interest		1,662	1,359	1,470
<b>LIABILITIES</b>				
Non-current portion of term loans		9,843	18,075	16,334
Employees' end of service benefits		1,997	2,573	2,763
Deferred tax liability		633	652	661
<b>Total noncurrent liabilities</b>		<b>12,474</b>	<b>21,299</b>	<b>19,759</b>
Current portion of term loans		2,933	3,490	4,488
Bank overdrafts		559	1,939	1,701
Short term loans		2,049	2,834	3,492
Trade and other payables		37,622	51,683	44,331
Income tax payable		1,442	1,250	793
<b>Total current liabilities</b>		<b>44,605</b>	<b>61,196</b>	<b>54,805</b>
<b>Total liabilities</b>		<b>57,078</b>	<b>82,496</b>	<b>74,563</b>

RATIOS	FY 2008	FY 2009	FY2010E
EPS	0.073	0.012	0.060
BVPS	0.338	0.328	0.328
DPS	0.031	0.010	0.000
CMP		0.310	
PER	4.22	24.94	5.17
PBV	0.92	0.95	0.95
Operating margin	8.82%	5.48%	5.82%
Net profit margin	7.88%	1.13%	6.42%
Investment income/EBT	21.64%	-160.52%	35.32%
Investment income/net profit	30.50%	-343.79%	48.87%
Total liabilities/Equity	1.78	2.52	2.07
ROE	21.74%	3.79%	18.30%
ROA	7.66%	1.07%	5.89%

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