



Shell Oman Marketing Co - Earnings Flash

27th April 2009/Q1 FY09

Earnings Highlights

- Shell Oman Marketing reported revenue of RO 68.519 million a decline of 6.6% (YoY). The decline in sales was on account of significant drop in the sales (in terms of volume) of lubricants by 35% despite improvement in Retail, Commercial and Aviation segment by 3%, 4% and 19% respectively. On QoQ basis the revenue declined by 13%.
- The aviation segment continued its growth reporting 19% YoY growth on the back of major contracts to supply fuel to Oman Air, Qatar Airways, RAFO (Royal Air Force of Oman) and PDO.
- During the quarter, the operating costs decreased moderately by 7% to RO 61.257 million. This was on account of cost control measures taken by the company in the areas of distribution, lubricants blending and other operating expenses.
- The gross profit of the company improved marginally by 1% to RO 7.262 million as against RO 7.199 million achieved during the earlier year while the gross profit margins expanded by 80 bps to 10.6%.
- The company reported a PAT of RO 2.870 million declining by 6.3% (YoY), while the PAT margins improved to 4.2% levels after a consistent decline in last three quarters. On QoQ basis PAT increased by 3%.
- As of Jan 09, the company has renewed the operating license with the government for next 10 years and as per the new agreement, the company will be paying 4 baiza per one rials revenue earned. This new fee structure is applicable to all oil marketing companies operating in Oman.

Outlook

- The company will be commissioning three new retail services stations during Q2FY09, which is bound to increase the total retail stations to 135. We believe the efficient addition of retail sites will help the company to maintain healthy growth in volumes and maintain its market share in retail segment.
- With regard to aviation segment, we expect the company to keep up the growth momentum intact on account of new orders procured.
- Fall in lubricants sales due to low global demand raises an anxiety and going forward we expect the contribution from the lubricant segment to drop significantly.
- We expect the revision in the license fee to have a nominal impact on the bottom line.
- At current market price of RO 1.600, the stock is trading at a PE of 13.9x (Ann-EPS). The company has been paying dividend consistently and the payout ratio works out to 100%. We maintain 'accumulate' recommendation on the stock.

Shell Oman Marketing: Earnings Flash- Q1FY09

In RO 000's	Q1 2009	Q1 2008	YoY (%)	Q4 2008	QoQ (%)	FY 2008	FY 2007	Var (%)
Revenue	68,519	73,388	-7%	78,349	-13%	326,400	247,900	32%
Cost of Sales	61,257	66,189	-7%	70,991	-14%	296,083	221,492	34%
Gross Profit	7,262	7,199	1%	7,341	-1%	30,300	26,400	15%
GPM (%)	10.6%	9.8%		9.4%		9.3%	10.6%	
Net Profit	2,870	3,062	-6%	2,776	3%	11,500	11,000	5%
NPM (%)	4.2%	4.2%		3.5%		3.5%	4.4%	
EPS	0.029	0.031	-6%	0.028	3%	0.115	0.110	5%

Source: Company Report, GBCM Research

Institutional Sales - Hunaina Banatwala, (+968) 2479 0612-559

Business Development – Sunil Dhall, (+968) 2479 0612- 552

Institutional Brokerage Talal Al Balushi, (+968) 2479 0612 -560

Equity Research - Ajeev Gopinathan, (+968) 2479 0612 -532 | Kanaga Sundar, (+968) 2479 0612 -534 | Vijay Sridharan, (+968) 2479 0612 -533

Disclaimer: This document has been prepared and issued by Gulf Baader Capital Markets SAOC (“the Company”) on the basis of publicly available information, internally developed data and other sources believed to be reliable. While all care has been taken to ensure that the facts stated are accurate and the opinions given are reasonable, neither Gulf Baader Capital Markets SAOC nor any employee shall be in anyway responsible for the contents of this report. The Company may have a position and may perform buying/selling for itself or its clients in any security mentioned in this report. This is not an offer to buy or sell the investments referred therein.