

OMAN NEWS REPORT



Oman: Private Equity

Private equity may prove to be a boon for the Muscat Securities Market (MSM), which has long suffered from a lack of liquidity and market capitalisation, despite the bourse boasting a regulator with an unparalleled reputation in the region and a secure state-of-the-art trading platform.

Pradeep Asrani, the general manager at Gulf Baader Capital Markets, a leading brokerage house in Oman, recently told OBG that many of the building blocks are there to create a top-class bourse in Oman.

"There is huge potential for the MSM to be a leading stock market in the region, but right now the market lacks enough investors, shares, trading instruments and overall activity to avoid extreme price swings - in market jargon, this means lack of liquidity," he said

Currently the MSM has 136 stocks, of which 50-55 are active on a daily basis. Trading is dominated by five stocks: Bank Muscat, Omantel, Raysut Cement, Galfar Engineering and Renaissance Services. These five accounted for just over 1bn in trading volume in the 12-month period from July 2008 to July 2009 - slightly more than 20% of the total trading volume of 4.6bn shares in the period.

The most obvious way to boost the market is to have more stocks trading. Oman's business leaders have historically been reluctant to list their companies and attend to the responsibilities inherent, such as regular public disclosures of company performance and management decisions, paying out dividends, and perhaps surrendering a measure of control to large-scale minority shareholders.

There were no initial public offerings (IPOs) expected in 2009, and 2008 brought just two small ones. In 2010 at least one major new entrant is coming in Nawras, a current competitor to Omantel in wireless telecommunications and future competitor in fixed-line services. Nawras' IPO was mandated by its licence, and must happen by 2010.

As of summer 2009 there were no other large-scale IPOs expected. Help could come from private equity. Pioneers in this area include Al Anwar Holdings and Oman Investment Corp., which was established in 2006. Oman Investment has been taking stakes in Omani firms with the intention of exiting those investments within five years, and through IPOs.

Tareq Al Mugheiry, the chief investment officer, told OBG that Oman Investment's first two divestments are due in 2010 or 2011. It is hoped that private equity will eventually provide a steady stream of smaller IPOs that will give the MSM more depth.

"Private equity in this part of the world is still not a major player, but the opportunities are there," Al Anwar Holding's CEO, Krishna Kumar Gupta, told OBG. Al Anwar focuses on the real estate, financial services, insurance and manufacturing sectors.

Al Mugheiry agrees. "Despite the current economic situation, I see plenty of opportunity in Oman. What people are seeing is that there is an opportunity now for a counter-cyclical investment strategy," he said.

The first of these IPOs is expected to be Gulf International Pipe Industry, which was in 2009 set to become the first mill for high-pressure steel pipes and casings in the region, with a capacity to produce pipes up to 24 inches wide. Oman Investment Corp. has a 30% stake in the company. A second divestment will be in Octal, a petrochemicals producer established in 2006 and specialising in PET (plastic) packaging products.

The most discussed method for increasing liquidity is adding more complex trading methods, such as margin trading, derivative-based securities, or short selling, in which an investor sells a stock without owning it first - on the condition that he later buy those shares to complete the other side of the trade. A short-seller believes a stock price is primed to drop in value and that he can profit from a lower buying price later.

"It is sometimes good for the market to have short trading because in times of a market rising high, it mitigates the risk and provides liquidity," Houssam Karbotli, the chief executive of Al Hosn Investments, told OBG. But opponents of opening the market to more complex trading options say that Oman's investors are not sophisticated enough to use them properly.

"Oman is not ready for derivatives but it is ready for margin trading, because the market is not very liquid and not highly capitalised," said Hassan Ali Jawad, the chief executive of United Securities, one of the sultanate's largest investment firms. Jawad told OBG more IPOs are needed, in part from government projects being privatised.

The MSM's leadership knows that the market can evolve into something more than a tiny outpost only if it can manage to get enough trading activity to attract major global money.

This task is a bit of a catch-22: to offer more stocks, the market needs more trading. But more stocks are not likely unless there is more trading activity.

For now, regulators and market administrators are taking small steps, waiting out the global economic instability, and hoping that added weight will soon come from both IPOs and the introduction of more financial instruments. In the meantime, private equity firms are leading the way to more IPOs.

**Source.: Oxford Business Group
11/08/2009**

Oman set to privatize & invest in power projects

MUSCAT - Oman will privatize existing power stations and invest 3 billion rials (\$7.8 billion) in new projects in a bid to boost the economy and narrow the budget deficit as electricity demand grows, officials told Reuters. Urbanization and years of growth have put Oman's existing grid under strain and prompted moves by authorities to recruit private sector investment alongside its own.

"If we can get the private sector to generate power then that will help reduce the government's deficit in the annual budget," Sheikh Abdulmalik Al Hinai, undersecretary at the Ministry of National Economy, told Reuters. "The aim is to eventually sell, partly or wholly, government owned power stations to attract more international investors to the country," Abdulmalik said. Oman plans to invest the money over the next six years, Mohammed Al-Mahrouqi, chairman of the state-run Public Authority for Electricity and Water at the Gulf Arab state, told Reuters.

"Higher consumption due to rapid project growth and urbanization make it necessary to spend that much to build or update current power plants," Al-Mahrouqi said. Five projects are in line for development aimed to boost electricity generation, demands on which are increasing about 15 per cent annually, according to Al-Mahrouqi, adding that total consumption up to June 2009 reached 3,600 megawatts, 16 per cent more than the same period in 2008, year on year.

The government is firming up the tender for the 420-megawatts Mirbat power plant in the south planned to be operational in 2011 and upgrading the Ghubrah power plants in Muscat for an additional 500 megawatts generation scheduled for 2013 completion, Mahrouqi said. The Barka phase three and Sohar phase two power stations each with a capacity of 650 megawatts have already been tendered with a submission date set for October 19 this year while the coal-fired 1,000 megawatt Duqm power station is scheduled to be operational by 2015. So far the private sector operates power

plants with a total capacity of 2,500 MW of electricity. The total cost of building these plants cost the private sector some 700 million rials (\$1.82 billion), Mahrouqi said.

Oman heavily relies on oil exports for its income, which make 70 per cent of its total revenue.

The government set aside a total of 6.424 billion rials (\$16.7 billion) in its 2009 budget to spend on development projects forecasting a deficit of 810 million rials.

Oman was the first Gulf state to allow private investors to generate electricity and United Power, the country's first independent power project, was set up in 1994 with an installed capacity of 90 megawatts, later expanded to 280 MW.

Suez Tractebel, part of France's Suez Energy International, was the main investor of United Power. Suez also has interests in Oman's second private power company, Sohar Power.

Apart from Suez, other international investors owning power projects in Oman are AES Corporation which partly owns the Barka Power plant and Britain's International Power Company with a major stake in Al Kamil Power Company. Meanwhile, an upcoming conference and exhibition will focus on increasing motor vehicle accident rate in Oman and will highlight the importance of road safety.

The TransOman, Transportation, Innovation and Challenges Conference, will be held from Oct. 13 to 15 at Oman International Exhibition Centre. The conference will be held in conjunction with the TransOman Exhibition Oct. 14 and 15 at The Golden Tulip Muscat. The conference will tackle issues such as the worrying Oman's fatality rate due to traffic accidents, which is at 28/100 000 people with the world average at 19/100 000. Statistics for the last eight years stand at an alarming 6000 deaths and 70,000 injuries, with an average of 750 deaths and 8750 injuries, some permanently disabled, per year.

"Road Safety is a major concern to all Omanis and we hope to bring it to the forefront of everyone's attention at the TransOman conference," said Dr Wahid Al-Kharusi, president of the Oman Road Safety Organization.

"Platforms such as these are valuable tools to get one's message across and we believe that the inaugural TransOman Conference and Exhibition is a step in the right direction for Oman."

Currently Oman is experiencing alarming year on year growth in numbers of recorded road accident deaths. 2009 has already shown a 9 per cent increase up to this period on previous years.

While 9 percent may seem like a small percentage it equates to six more people dying on Oman's roads each month, which at current trends will mean that seventy-two more people will die before the end of the year than in previous years. – SG/Agencies.

Source.: Saudi Gazette/ 30/08/2009

Oman: Network Ready

Oman's e-government strategy, which aims to provide more efficient services to citizens through information and communications technology (ICT), as well as to create a digital society, is garnering positive marks for its increasing successproving increasingly successful in transforming the Sultanate's economy into one that is more globally competitive and knowledge based.

On August 17, Irene Mia, the senior economist and director at the Global Competitiveness Network of the World Economic Forum, outlined for OBG Oman's ICT regional and global competitiveness.

"The ability to fully leverage ICT has proven to be a key element in the development and competitiveness strategies of many countries all over the world," she said. "Focusing on ICT usage and diffusion, together with education and innovation at large, is a means for developing or middle-income economies to leapfrog to higher development stages and ease the structural transformation of their economies and societies."

Indeed, since the establishment in 2006 of the Information Technology Authority (ITA), to spurwhich was intended to spur growth in the Sultanate's ICT sector by facilitating infrastructure upgrades,

increasing internet penetration rates and encouraging digital business innovation, Oman has seen steady improvement witnessed an upward trend in its rank on the Network Readiness Index (NRI), featured in the World Economic Forum's Global Information Technology Report.

The NRI measures the extent to which countries leverage ICT advances for increased development and competitiveness by looking at the environment for ICT and at the readiness and usage of ICT by the three main national stakeholders: individuals, businesses and governments.

Oman ranked a respectable 50th in the 2008-09 edition of the NRI, up from 53rd in the previous edition, overtaking Kuwait (57th) and now clustering with economies as diverse as China (46th), Thailand (47th) and South Africa (52nd).

The latest NRI computation covered 134 economies from both the developed and developing world and accounted for more than 98% of the world's GDP.

According to Mia, Oman's greatest strength is in its preparedness to use ICT.

"The coherent government's vision on the importance of ICT for overall competitiveness and ICT usage as a way to improve services to citizens, coupled with an effort to make the overall environment friendly to ICT use and diffusion, bode well for Oman to become increasingly networked and for ICT to become an engine of growth and modernisation," she said.

While the ICT sector has made great progress over the past few years, a number of weaknesses will need to be addressed for the country to further advance in the rankings. Challenges in the immediate future include increasing internet penetration, which is currently a modest 3%, and ensuring that ICT training programmes are in line, quality-wise, with international standards.

In this regard, the ITA is making big

strides, offering new and varied training programmes for Omani citizens.

"New technology is useless if nobody is using it," Salim Sultan Al Ruzaiqi, the CEO of the ITA, told OBG. "Consequently, we are focused on teaching people how to use the internet, for starters. One of our most successful programmes in this area has been a traveling roadshow that offers separate half-day ICT courses for men and women in various different areas," he explained.

According to Nabeel Jawad Sultan, the director of Jawad Sultan Enterprises, an Omani conglomerate that owns an e-solutions firm, the price of getting on the internet will need to drop before internet penetration rates see an increase.

"It costs customers between \$70 and \$100 per month to have a high-speed connection," he told OBG. "This is just too expensive for the average Omani family."

Mohammed Al Maskari, the director-general of Knowledge Oasis Muscat, a technology park on the outskirts of Muscat, agreed. "In order to encourage more locals to go online, accessibility will need to increase and more local content will need to be produced," he told OBG. "What will bring Omanis in droves to the internet is local content. Right now it is almost non-existent. We need young Omani entrepreneurs to take the initiative and to produce such content. They have bright ideas; we just need to mentor them and guide them and show them how to deliver their content."

Mia said, "Provided Oman improves on these weaknesses, there is no reason why the country cannot progress to higher stages of networked readiness and make its society and economy benefit from the extraordinary power of ICT as an enabler of competitiveness and modernization."

Source.: Saudi Gazette 31/08/2009