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BUSINESS AND FINANCIAL ANALYSIS OF OMAN OIL MARKETING COMPANY

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INTRODUTION

Oil has been the growth engine of Oman's economy since the country began commercial production in 1967. The oil industry supports Oman's modern and expansive infrastructure, including roads, roads, public education, and medical services. Oil and gas industry contributes 71 percent of government revenues; this shows the significance of the oil and gas sector in Oman. Since oil is the main component of revenue, the annual budget of Oman depends on the specific average price of oil. Like 2018 budget is based on an average oil price of $50 per barrel. The government of Oman is trying to minimize the dependence on oil by diversifying the economy, but still oil and gas is the largest and significant industry in Oman.

Industry Overview

The oil and gas industry continues to be the major contributor to Oman's economy. However, the government strives to diversify to other sectors to reduce economic reliance on this sector. Oil and gas contributed 33.9% to the nominal GDP in 2015 compared to 47.2% in 2014 and 50.6% in 2013. Oil and gas revenues stood at 24.6% of the GDP in 2015 and accounted for 78.7% of the government revenue and about 52.1% of the total merchandise exports. The country produced an average of 1 million bpd in 2016 compared to 981,100 bpd in 2015 and 943,500 bpd in 2014. Oman's current oil reserve is estimated to last 15 years and will be depleted if production is 1 million barrels per day.

Oman Refineries and Petrochemical Company is the single supply source of petroleum products in the Sultanate of Oman. These products are created out of Omani crude oil, which is received from Petroleum Development Oman (PDO) and supplied after refining, to the three listed marketing companies of Oman; Oman Oil Marketing Company (OOMC), Shell Oman Marketing (SOMS), and Al-Maha Petroleum Products Marketing (MHAS).

These companies have to follow a set price which is regulated by the Ministry of Oil and Gas in selling fuel to the Omani public. Since 2014 when the oil price per barrel dropped by half, the government was forced to reduce its subsidization of the locally sold fuel to recover some of the government revenues lost on the global export. During 2015, it was estimated that it cost 900 million rials for the government to subsidize the local fuel market. In 2016, the government began gradually reducing subsidization of fuel on the local market which raised the fuel prices. The statistics show that, regular fuel has risen by 63%

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from January 2016 to January 2017. As the prices increased, the local fuel market has witnessed a 3-4% decline in its sales volume during the 2016 period, but the revenue has continuously increased because of an increase in domestic fuel prices. Figure no. 1, illustrates that Oman oil marketing Company (OOMC) is the market leader regarding revenue.

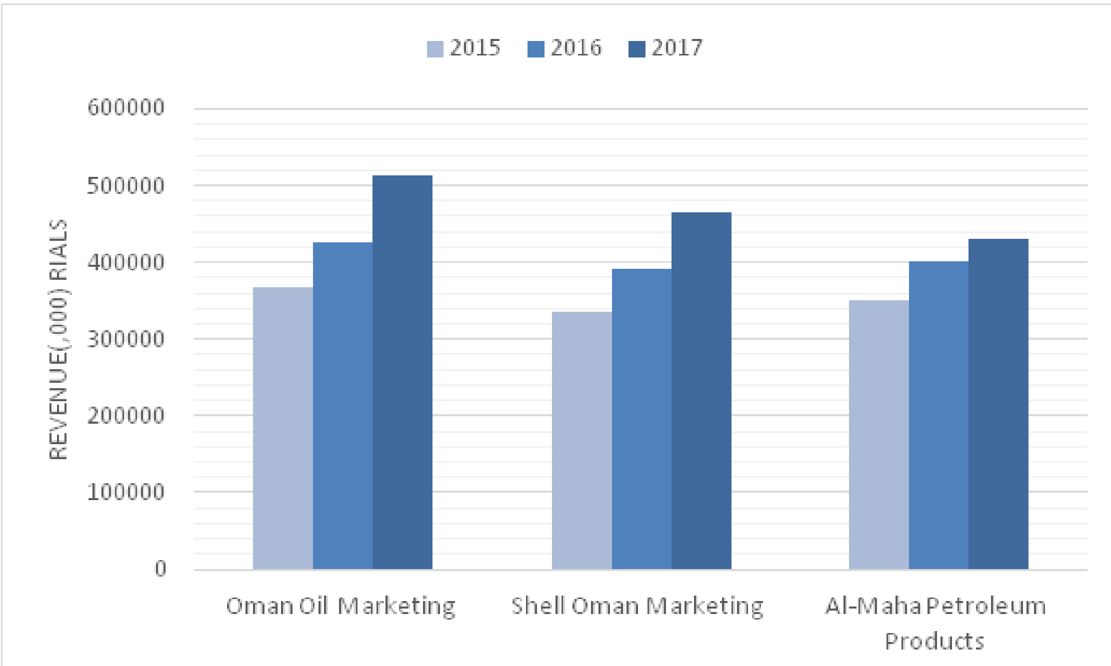

Figure No. 1: Revenue Based Performance of Oil Marketing Companies (2015-2017)

Source: Compiled from Annual Reports of Oman Oil, Shell Oman, and Al Maha Petroleum Company, 2013-2017 and authors' calculation from annual reports

Porter's Five Forces Model

Porter's five forces model is a structure to break down the level of rivalry inside an industry and business technique advancement. It infers five constraints that focus on the aggressiveness and subsequently the attraction of industry. Appeal in this connection refers to the general business profitability. An attractive industry is one in which the mix of these five powers acts to drive up the general benefit. A desirable industry would be one approaching "competitive advantage," in which available benefits for the organizations are captured by the highest market share.

Bargaining Power of Suppliers

The presence of dominant suppliers reduces the profit potential in the industry. Major suppliers of oil and gas equipment and services providers, include Schlumberger, Baker Hughes, Smith International, or Halliburton which are large, highly diversified companies, which provide them greater bargaining power within the market. Baker Hughes, for example, has a comprehensive product portfolio catering to the worldwide oil and natural gas industry. Baker Hughes also supplies drilling and evaluation services which include directional drilling.

Bargaining Power of Buyers

A strong buyer can make the industry more competitive and decrease the profit potential for the seller. Brand loyalty is not likely to be a significant factor here (unless there are loyalty programs in place) so buyer power is strengthened.

Threat of New Entrants

Oil and gas distribution is a strictly regulated industry due to the cost of products highly based on global market rates, in addition, high investment capital is required to set up factories to process the oil and gas (capital cost), management expertise is very low and skilled employees are already hired by the existing corporations which make it even more difficult for new entrants and lack of alternative methods of processing the product. The threat of new entrants is low.

Threat of Substitution

Price is very sensitive between the competitors namely, Oman Oil Marketing, Shell Oman Marketing, and Al-Maha Petroleum Marketing. There is also high cost of substitution for shifting to eco-friendly solar power. Oman is trying to implement it, but hasn't found the optimum process to reduce cost as well as extract the energy. Thus, the threat of substitution is low.

Rivalry within the Industry

There isn't much rivalry in the industry due to the presence of only three corporations in the market with very low differentiation and high economies of scale. The companies are well established in the market for over ten years and have gained customer loyalty and brand knowledge, which limits competition within themselves.

Business Description of Oman Oil Marketing Co.

Oman Oil Marketing Company, SAOG is an Oman-based publicly listed joint stock company engaged in the marketing and distribution of petroleum products. Oman Oil Marketing Company was established in October, 2003 as a leading company in Oman's energy sector to serve the customer by providing them the best international standards.

The Company is active in three segments: retail business, commercial business, and others business. The leading businesses of the company are distributing and marketing the fuel and lubricant products to retail sectors, as well as selling lubricants and supplying fuel to the aviation sector, and selling fuel in bulk directly to the government and commercial sectors. The primary reason for the company's achievement and expansion is the business diversification. In 2009, the company signed contracts with international airlines like Turkish airline, Saudi airline, Alia Jordanian airline, and Thailand airline to provide them fuel.

Among the three oil marketing companies listed in the Oman stock exchange, authors have selected OOMC for studying the stock investment decision based on vertical financial analysis, stock valuation models, and technical analysis. The rationale behind choosing OOMC for the current study is its position in the oil market of Oman regarding revenue shown in figure no.1.

Products and Services

Oman Oil also provides non-fuel services and products, namely Ejaba Card which help the organizations to manage their vehicles that continually need fuel supplies, as well as, it provide to the organizations all the available services in Oman Oil stations in Oman. The second product Basma program, which many organizations have joined, is an incentive reward card that adds points in customers' Basma Card for every Omani Rial that they spend in a company which has joined this program and then these points are used while making the payments for fuel. The third service which they provide facilities the customers by providing car services such as car washer. Finally, Ahlen shops are being run that offers services like ATMs, fast food, bakery, and much more. Also, there are more than 100 branches of Ahlen shops which were run by Enhance and Khimjis. Such shops run 24 hours a day.

SWOT Analysis

The SWOT analysis is based on the data reported at Oman Oil Marketing Company website and it's annual reports considering significant competitors and nature of the industry.

Strength

Financial:

- Maintaining the highest revenue in the market during the period of study.
- The borrowings of the company are on fixed contractual basis, which prevents the company from interest rate risk.
- Sufficient credit facilities to manage liquidity risk.
- Good returns from investments (joint venture) and liquid securities.

Operational:

- 179 nationwide retail stations in premium locations.
- Strong supply chain management.
- Comprehensive knowledge of industry operations.
- Technological advancement in service provision to the customers (Ejaba and Basma cards).
- 106 high quality convenience stores (Ahlain) and car services.

Strategic:

- Effective management of distribution units in partnership with AL-Maha Petroleum Products Marketing Company.
- A good relationship with government and private sector businesses.
- High percentage of indigenous workforce at all levels of management.
- Pioneer of Corporate Social Responsibility (CSR) programs in collaboration with local associations and organizations.
- Safety training programs and campaigns.

Weakness

- Low Market share in Marine Segment due to high operating cost.

Opportunities

- Growth and expansion of operations at New Muscat International Airport.
- Supply chain expansion in the United Arab Emirates (Lubechem International industry).
- Export of lubricant products to international markets.
- International recognition in the standard integrated management system.
- The company was granted permission to manage, operate, and maintain filling stations and service centres in the kingdom of Saudi Arabia.

Threats

- Environmental concerns over carbon reduction targets (INDCs).
- Removal of fuel subsidy.
- Cautiousness from investors since the economic downturn in the oil sector.
- Stiff competition in aviation and commercial segment.
- Changes in macro economic policies.

Technical Analysis (Moving Average)

In time series analysis, the moving average model is a common approach for modeling univariate time series. A moving average model is a widespread approach in forecasting stock prices. The best value of 'm' in the simple moving average model is the one which results in small errors. If 'm' is small, the forecast will be the most responsive to the last few data points, but will not be a smoother one. The choice of 'm' is a trade-off between filtering out more noise versus being too slow to respond to trends and turning points. Usually 3, 5 or 9 are used as value of 'm' in simple moving average. Model (m=3) is the most responsive and model (m=9) is most conservative while forecasting, therefore, m=5, balancing value, has been considered in the estimate. Weekly closing stock price from 14 July, 2016 to 21 June, 2018 have been considered to run five weeks simple moving average (figure no. 2). The trend detected is downward sloping which suggests a short position in the stock.

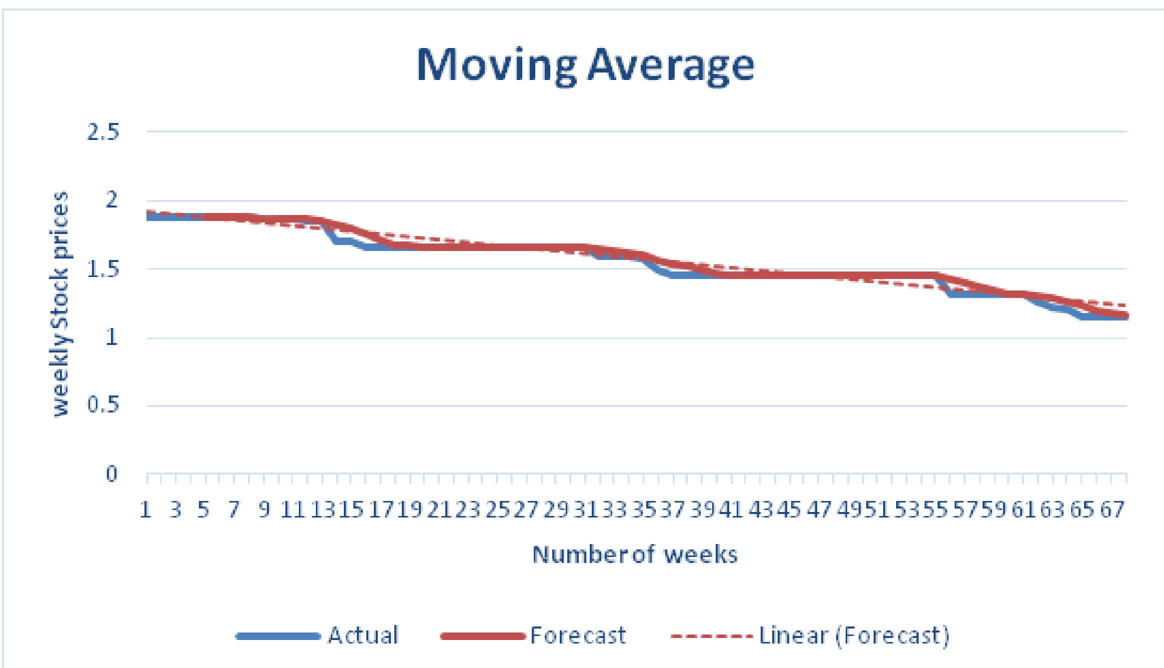

Figure No. 2: 5 Weeks Moving Average on Stock Prices

Fundamental Analysis

Liquidity Analysis

Table no. 1 shows the liquidity ratios of Oman oil Marketing Company (OOMC). The liquidity ratios of the company are always higher than peer companies and the industry average. This reflects the better management of current assets as compared to the major competitors.

The current ratio is more than the industry average from 2013 to 2017; therefore, the company can cover its short term liabilities faster than the competitors. As a result, it can decrease its debts more quickly.

Table No. 1: Liquidity Ratios for OOMC and its competitors (2013-2017)

Short-Term Solvency	Oman Oil Marketing Co.	Shell Oman Marketing Co.	Al-Maha Petroleum Products Marketing Co.	Industry Average
2017				
Current Ratio	1.508	1.044	1.197	1.250
Quick Ratio	1.385	0.826	1.152	1.121
2016				
Current Ratio	1.558	1.088	1.362	1.336
Quick Ratio	1.425	0.845	1.303	1.191
2015				
Current Ratio	1.497	1.241	1.424	1.387
Quick Ratio	1.333	0.96	1.38	1.224
2014				
Current Ratio	1.348	1.232	1.42	1.333
Quick Ratio	1.186	0.939	1.38	1.168
2013				
Current Ratio	1.440	1.148	1.703	1.430
Quick Ratio	1.313	0.931	1.659	1.301

Source: Compiled from annual reports of Oman Oil, Shell Oman, and Al Maha Petroleum Company, 2013-2017 and authors' calculation from annual reports

The quick ratio is considered more reliable than current ratio as inventory which is the most unreliable and least liquid among current asset is not considered in quick ratio. OOMC has a higher quick ratio than the industry average, showing a higher overall liquidity position compared to major competitors in the industry.

Leverage Analysis

Table no. 2 displays long-term solvency ratios for OOMC and its competitors. Through the span of the study, the company has maintained lower total debt ratio as compared to industry average from 2013-2017. This shows the company is in a better position compared to major competitors; the company can also issue additional long term debt. OOMC has the lowest debt to equity ratio and more efficient financial leverage in the industry from 2013-2017 compared to the other companies. Hence, OOMC has the highest protection to creditors in case of insolvency.

OOMC is less dependent on debt financing and therefore, has less service cost compared to major competitors. During the period 2013-2017, it maintained the lowest Equity Multiplier in the industry. Equity Multiplier also showed OOMC has the lowest percentage of assets financed by shareholders in the industry.

Table No. 2: Long term Solvency Ratios for OOMC and its Competitors (2013-2017)

Long-Term Solvency	Oman Oil Marketing Co.	Shell Oman Marketing Co.	Al-Maha Petroleum Products Marketing Co.	Industry Average
2017				
Total Debt Ratio	0.479	0.612	0.633	0.574
Debt-Equity Ratio	0.918	1.576	1.722	1.405
2016				
Total Debt Ratio	0.451	0.54	0.539	0.510
Debt-Equity Ratio	0.821	1.176	1.169	1.055
2015				
Total Debt Ratio	0.437	0.531	0.507	0.492
Debt-Equity Ratio	0.776	1.132	1.03	0.979
2014				
Total Debt Ratio	0.469	0.57	0.531	0.523
Debt-Equity Ratio	0.884	1.325	1.134	1.114
2013				
Total Debt Ratio	0.480	0.632	0.419	0.510
Debt-Equity Ratio	0.925	1.716	0.721	1.121

Source: Compiled from annual reports of Oman Oil, Shell Oman, and Al Maha Petroleum Company, 2013–2017 and authors' calculation from annual reports

Profitability Analysis

Table no. 3 has the information on three prominent profitability ratios like net profit ratio, return on assets, and return on equity. The Net Profit Margin (NPM) ratio is a measure of net income generated by each OMR of sales; the NPM shows the percentage of sales left after all expenses are paid by the company. A high percentage of NPM shows that, the company has enough profit to pay back loans and pay dividends to shareholders.

OOMC had a positive NPM from 2013-2017. Unfortunately, in 2017 the NPM decreased from 2.255 in 2016 to 1.72 in 2017 for the reason of increase in the expenses. Nevertheless, OOMC had an NPM of 2.751% in 2015 which is above the industry average of 2.378 and major competitors (Shell Oil Marketing 0.195 and Al-Maha 0.923). However, the NPM of OOMC dropped slightly from 2.76% in 2013 to 2.524 in 2014 and in 2015 the NPM positively increased to 2.751% this can be related to an increase in revenue in 2015. The NPM also shows OOMC has overall better cost management to cover expenses than the major industry competitors.

Return on Assets (ROA) measures the company's ability to utilize its assets to create profits by comparing profits with the assets that generate the profit. The ROA materially increased to 12.075% in 2016 which is also above the industry average of 7.875%. This shows OOMC is more efficient in utilizing its assets base in the industry. In 2017, ROA of OOMC decreased to 6.55, but it is almost the same as the industry average of 7.01. This happened because of the decrease in net income in 2017. Taking the average total assets, the trend analysis of OOMC's ROA shows a positive increase in ROA from 2014 to 2015 where the ROA increased by 0.594 to 9.959 which is materially above the industry average of 8.864 in the same year. However, Shell Oil Marketing a major competitor had an ROA slightly higher than OOMC by 0.663 in 2015 and an ROA of 1.772% lower than OOMC in 2016.

Table No. 3: Profitability Ratios for OOMC and its Competitors (2013-2017)

Profitability	Oman Oil Marketing Co.	Shell Oman Marketing Co.	Al-Maha Petroleum Products Marketing Co.	Industry Average
2017				
Profit Margin	1.72%	2.77%	1.16%	1.88%
Return on Assets	6.55%	10.75%	3.72%	7.01%
Return in Equity	12.56%	27.68%	10.12%	16.79%
2016				
Profit Margin	2.26%	4.08%	2.43%	2.92%
Return on Assets	12.08%	10.30%	1.25%	7.88%
Return in Equity	12.08%	22.21%	2.95%	12.41%
2015				
Profit Margin	2.75%	2.56%	1.83%	2.38%
Return on Assets	9.96%	10.62%	6.04%	8.87%
Return in Equity	18.19%	23.61%	12.94%	18.24%
2014				
Profit Margin	2.52%	2.15%	2.31%	2.33%
Return on Assets	9.37%	9.12%	9.46%	9.31%
Return in Equity	18.72%	23.50%	18.31%	20.18%
2013				
Profit Margin	2.76%	1.87%	2.69%	2.44%
Return on Assets	10.12%	9.40%	11.47%	10.33%
Return in Equity	19.47%	25.76%	20.07%	21.76%

Source: Compiled from annual reports of Oman Oil, Shell Oman, and Al Maha Petroleum Company, 2013–2017, authors' calculation from annual reports

Return on Equity (ROE) is the profitability measure for both common and preferred shareholders. OOMC has a positive ROE of 19.47% in 2013, 18.72% in 2014, and 18.19% in 2015. The ROE continues to decrease slightly from 2013 to 2016, and this can be attributed to the value of shareholder's equity going up. However, in 2017, ROE rose around 0.48 more than the previous year from 12.08% in 2016 to 12.65% in 2017 which helped the company in increasing the demand for its shares in the market. The ROE of Shell Oil Marketing Company, one of the major competitors, was above OOMC's ROE in 2015 by 5.42%, and by 4.78% in 2016. Also, OOMC had an ROE substantially above Al-Maha Petroleum Products Company by 5.249% in 2015 and 9.125% in 2016. In 2016, EPS slightly declined around 0.04% compared to the previous year.

Asset utilization

Table no. 4 represents information on asset utilization ratios for OOMC and its competitors. The efficiency of asset utilization has been measured using day's sales in inventory, day's sales in receivables, and total asset turnover ratios.

Day's Sales in Inventory

The lower the number for this ratio compared to industry average, the better it is, because this ratio represents how many days the company takes to convert its inventories to sales. OOMC had day's sale in inventory in 2013 at 7.29 days which is lower than the industry average of 7.913 days. In 2014, the number stood at 6.61 days, which is lower than the industry average of 7.127. In 2015, the number rose at 7.47 days which is lower than the industry average of 7.733. In 2016, the number stood at 6.19 versus the industry average of 6.687. In 2017, the number stood at 5.851 days which is lower than the industry average of 7.650.

It is clear that the day's sales in inventory was decreasing throughout 2013-2017 which a good sign. Therefore, OOMC is competitive in its conversion of inventories to sales in short periods when it comes to the industry average. However, MHAS day's sale in inventory in 2016 stood at 2.81 days which is much lower than the industry average.

Day's Sales in Receivables

Day's sale in receivables shows how many days it takes to receive cash from credit sales, the lower the number of days, the better it is. For OOMC, the number during 2013 was 35.96 days versus the industry average of 37.390 days. In 2014, the number stood at 33.7 days versus industry average stood at 39.427 days and in 2016, the number stood at 35.33 days and the industry average was 40.623 days. In 2017, the day's sales in receivables were 40.6 which was less than the industry average of 43.2. Therefore, OOMC is effective in collecting its accounts receivables compared to the industry average.

Total Asset Turnover Ratio

This ratio represents the efficiency of utilizing the company's assets to generate revenue, the higher the ratio, the better it is. In 2013, OOMC had ratio of 3.67 times compared to industry average of 4.320 times. In 2014, it had ratio of 3.9 times compared to industry average of 4.113. In 2015 and 2016, the ratio was slightly lower than the industry average on an average of 0.1 times lower. This makes OOMC less competitive regarding asset turnover compared to industry average whereas, SOMS is leading in this category. However, it increased from 3.77 in 2016 to 3.818 in 2017 which is more than the industry average in 2017 and is approximately the same as SOMC.

Marketability ratios

Earnings Per Share (EPS)

EPS measure how much profit is being allocated to each outstanding common stock. From investor's point of view, the higher the ratio, the better it is. OOMC on an average of five years from 2013-2017 had EPS of 0.153 OMR versus the industry average of same five year period was 0.138 OMR. Therefore, OOMC's EPS average is above the industry average which means stocks of OOMC serve an attractive investment opportunity compared to its competitors.

Dividend Per Share (DPS)

DPS is the total dividend paid out for every common stock outstanding; shareholders can use DPS to calculate dividends they will receive for each share of the company which they are holding. OOMC on an average of five years from 2013-2017 had DPS ratio of 0.0674 OMR versus the industry average for the same period of five years was 0.144 OMR. Therefore, OOMC is below industry average and is much less competitive compared to MHAS, having the highest average of DPS

Table 4: Asset utilization Ratios for OOMC and its competitors (2013-2017)

Asset Utilization	Oman Oil Marketing Co.	Shell Oman Marketing Co.	Al-Maha Petroleum Products Marketing Co.	Industry Average
2017				
Days sales in inventory	5.851	13.581	3.518	7.650
Days sales in receivables	40.592	31.995	57.022	43.203
Total asset turnover ratio	3.818	3.879	3.193	3.630
2016				
Days sales in inventory	6.19	11.06	2.81	6.687
Days sales in receivables	35.33	29.77	56.77	40.623
Total asset turnover ratio	3.77	4.38	3.77	3.973
2015				
Days sales in inventory	7.47	13.24	2.49	7.733
Days sales in receivables	33.99	33.03	51.26	39.427
Total asset turnover ratio	3.62	4.16	3.4	3.7270
2014				
Days sales in inventory	6.61	12.88	1.89	7.127
Days sales in receivables	33.7	39.42	39.33	37.483
Total asset turnover ratio	3.9	4.35	4.09	4.113
2013				
Days sales in inventory	7.29	13.79	2.66	7.913
Days sales in receivables	35.96	36.79	39.42	37.39
Total asset turnover ratio	3.67	9.92	4.27	4.32

Source: Compiled from Annual Reports of Oman Oil, Shell Oman, and Al Maha Petroleum Co., 2013–2017, authors' calculation from annual reports

during the five year period.

Price-Earnings Ratio (P/E ratio)

This ratio measure what the market is willing to pay for a stock based on its current earnings. OOMC on an average of five years from 2013-2017 has a P/E ratio of 11.03 times versus the industry average of same five years period is 12.78 times. Therefore, OOMC is below industry average and is much less competitive compared to SOMS with five year average of 14.09 times.

Divided Yield

This ratio measures the stock dividend as a percentage of stock price. OOMC on an average for five years from 2013-2017 had a dividend yield of 0.0374 versus the industry average of same five year period was 0.0487. Therefore, OOMC is below industry average and is much less competitive compared to MHAS, having the highest yield with an average of 0.0587.

Valuations of Stock (Price-Earnings Growth Ratio)

Table 5: Market value Ratios for OOMC and its competitors (2013-2017))

Market Value ratios	Oman Oil Marketing Co.	Shell Oman Marketing Co.	Al-Maha Petroleum Products Marketing Co.	Industry Average
2017				
Earnings per share	0.138	0.129	0.073	0.113
Dividend per share	0.063	0.085	0.100	0.083
Price-Earnings ratio	8.297	11.512	10.247	10.019
Dividend Yield	0.041	0.048	0.065	0.051
2016				
Earnings per share	0.106	0.16	0.118	0.128
Dividend per share	0.0632	0.112	0.1	0.092
Price-Earnings ratio	11.87	11.72	13.56	12.383
Dividend Yield	0.034	0.057	0.0625	0.051
2015				
Earnings per share	0.189	0.142	0.133	0.155
Dividend per share	0.0632	0.0968	0.11	0.090
Price-Earnings ratio	9.78	13.42	13.53	12.243
Dividend Yield	0.0324	0.0484	0.0611	0.047
2014				
Earnings per share	0.174	0.123	0.155	0.151
Dividend per share	0.0737	0.111	0.1	0.095
Price-Earnings ratio	12.24	15.5	14.19	13.977
Dividend Yield	0.0329	0.0555	0.0455	0.045
2013				
Earnings per share	0.158	0.121	0.151	0.143
Dividend per share	0.0737	0.111	0.9	0.362
Price-Earnings ratio	12.98	18.31	14.68	15.323
Dividend Yield	0.0342	0.0477	0.0406	0.041

Source: Compiled from Annual Reports of Oman Oil, Shell Oman, and Al Maha Petroleum Co., 2013–2017, authors' calculation from annual reports

Price-Earning to Growth Ratio (PEG) is a way for investors to calculate whether a stock is over or under priced, by considering the earning today and rate of growth the company will achieve during the future. PEG ratio value greater than one suggests the stock is currently overvalued due to high demand for shares, and when the PEG is less than 1, it is considered a good buy because the stock price is undervalued.

PEG is calculated by dividing the price earnings ratio with the projected annual growth of the earnings. The growth rate in EPS from 2013 to 2014 was 10.13%, from 2014 to 2015 was 8.62%, from 2015 to

2016 was -43.9%, and from 2016 to 2017 was 30.2%. The assumed growth rate in EPS for 2018 is calculated by taking an average of all the five past EPS growth rate. So, the average growth rate in EPS during the period considered is 1.26%. The PE ratio for 2018 being 6.69, the PEG ratio for 2018 is 5.31 (PE ratio for 2018/expected growth rate). Since PEG ratio is more than one, so it indicates that the stock of Oman Oil Marketing Company is overvalued, which suggests selling of stocks if already purchased.

Investment Recommendations

Authors selected OOMC for the case study as OOMC has been the market leader regarding revenue generation. Oil and gas sector is one of the most important sector for the economy of Oman as it is an important source of revenue for the government. The current situation is not favorable for oil marketing companies of Oman, as the global crude oil prices are at lower levels since the last quarter of 2014. As a result, there has been a significant drop in all the profitability ratios of all the companies. The ROE for OOMC was 19.47% in 2013 which reduced to 12.56% in 2017, witnessing a drop of 35.5% in ROE. The situation was same for the sector as a whole as the ROE of industry average also fell 22.8% during the same period. In the current scenario, it is not advisable to invest in OOMC stocks. It is quite evident from the results of moving average that, there is a decreasing trend in the stock market price. The same has been supported by Price-Earnings Growth (PEG) valuation ratio, according to which OOMC stock is currently overvalued. This overvaluation means the growth in EPS is not in proportion to the market price of the stock.

Management of OOMC should try to improve the asset utilization; there is a scope of improving the efficiency of asset utilization. Management should also look for cost cutting such as downsizing manpower and other cost related to the supply chain. The ratio analysis shows that, the company has improved regarding liquidity. However, it needs to consider ways of increasing the efficiency of their asset utilization. Existing investors should go for long-term horizon as there is a possibility of oil price rise, but if investors have a short term view, then they should sell it immediately. For new investors they are recommended not to buy shares of OOMC, they can go for short selling of the shares.

Questions

1. Identify the two main financial weakness and financial strength of Oman oil marketing company. Suggest the ways to convert weakness into strength.
2. Please elaborate on moving average as a forecasting tool and justify the decision of short selling the stock.
3. What could be your suggestions for improving the market share and sales volume of Oman Oil Marketing Company?

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