

Management Discussion & Analysis Report

1. Industry Structure and Development

Omani Packaging Company SAOG, established in 1993, continues to be the market leader in the Sultanate of Oman for selling high-quality paper corrugated packaging products and is one of the leading manufacturers of corrugated cartons in GCC countries.

Corrugated boxes made of packaging board paper and wave type fluting as middle layer are preferred form of packaging, being environment friendly and are frequently used as shipping containers.

All types of the corrugated board consist of at least one layer each of liner boards and fluted corrugating material.

The product range includes regular slotted cartons, telescopic top, and bottom boxes, die-cut trays, assembled partitions, single face corrugated rolls for cushioning and protection, and wax-lined cartons for frozen products. Among the various modes of packaging, paper corrugated packaging is the most versatile, eco-friendly, secure, and cost-effective, which makes it the preferred choice for the majority of products.

In general, larger flutes offer greater strength to boxes. B & C flutes are the most popular sizes.

Installed Capacity

The company is able to increase the volume and service level to the customers with an increase in installed capacity during the years 2010-11.

Development efforts are towards manufacturing cartons and paper corrugated products that are custom designed to suit every product requirement and service to the satisfaction of customers.

Corrugated Boxes are printed in up to five colors for good visibility of the content products.

2. Opportunities

The Company is utilizing the plant capacity increase by adding volumes from various market segments.

The corrugated cartons being a high volume to weight ratio commodity, it is not very cost-effective to export to distant countries due to the high cost of freight. The company is always trying to broaden its market base in local and exports to GCC and Asian countries with consistent quality, improved service, and concerted marketing efforts with a strong focus on customer satisfaction.

Oman Government implemented a ban on single-use plastic bags from the year 2021 and corrugated carton boxes are suitable alternatives. The company is studying the market demand based on customer requirements.

3. Threats, Risks and Concerns

Covid -19 pandemic around the world affected the global economy, cross-border transactions, imports, and exports with significant financial market stress.

The new variant Omicron continued to affect the logistics, employee health, and financial stability in the market.

The company's main raw material is paper which is mainly imported from GCC, American, European, and Far East sources.

The international price of paper is highly volatile and an increase in paper price affects the Company's profitability.

The international paper prices of paper continued increasing since the third quarter of the Year 2020 and the trend still continues along with a scarcity of paper availability in the international market.

Due to competition and the market being very price-sensitive, it is difficult to increase the selling price in proportion to the increase in paper price which affects the profitability of the Company.

The intense competition from local and neighboring countries especially UAE affects the Company's sales volume, and margins remain under pressure.

Also, as a paper carton manufacturing industry, substitution by alternate packaging materials affects the sales volumes. Some of the Beverage and Mineral Water Industries have partially switched to Plastic Shrink Wrapping, hurting the corrugated box volumes.

The current economic slowdown may affect the overall market growth which in turn adversely affects the sales volume and overall profitability.

In line with market practice in the region, the company is constrained to extend credit to customers. Management continuously monitors customer credit with prior appraisals; however, some sales may have impaired trade receivables, affecting the profitability of the company.

4. Analysis of segment and product-wise performance

The Company primarily caters to the local market and exports to GCC and Asian countries. The market segments include mainly Foodstuff, Detergent, Mineral Water, Beverages, Agriculture, Fisheries, Ceramic, and other sectors. The Company has steadily expanded its local market share over the years and exploring the possibilities of broadening its share in local and penetration in the export market.

Presently company operates from Factory and Office located in Rusayl Industrial Estate, consisting of 165 employees. The company has established a sales office at Ajman for export sales to UAE.

5. Internal Control systems and their adequacy

Internal control systems are built up commensurate with the size and nature of operations. The company has also laid down 'internal regulations and policies & procedures manual' which has been approved by the Board of Directors.

The company has a well-structured reporting system for its management and the Board. Monthly, Quarterly performance reports against Budget are prepared and monitored.

The company uses Oracle based networking system to strengthen the Computerized Control mechanism.

Discussions on financial and operational performance.

The total assets as of 31 December 2021 amount to RO 10,923,952.

6. Sales and profitability

Covid-19 pandemic affected export sales due to restrictions on cross-border movements and customers delaying payments.

Company reported net sales revenue of RO 11,332,203 comparing sales revenue of RO.11,100,690 for the year 2020. Net profit before tax provision, including IFRS 9 impairment provision of RO 73,644 and IFRS 16 provision is RO. 954,637 comparing RO. 1,406,644 for year 2020.

The increase in input costs mainly paper resulted in a reduction of overall profitability.

Unit sales realization has improved during the year; however, Company was unable to pass on the extent of the raw material increase due to increased competition from Oman and GCC corrugating box suppliers

The following table highlights the Profit and the Dividend distributed by the company for the last six years.

YEAR		2015	2016	2017	2018	2019	2020
Profit before Tax		1,086,522	1,492,025	1,217,255	537,241	1,328,679	1,406,644
Total shareholders' equity		5,836,608	6,666,652	7,032,661	6,720,580	7,361,967	7,745,355
Dividend	CASH (%)	15	20	20	15	25	25
	STOCK (Bonus) (%)	--	--	--	--	--	--
	TOTAL (%)	15	20	20	15	25	25

7. Resources

Following main Assets added during the year.

7.1. Compressor

7.5. Office Equipment and Furniture & Fixtures for Office and employee accommodation.

7.6. Building – Civil and Electro-Mechanical works.

7.7. Dies & Stereos

7.8. Lab equipment

7.8. Computer software -new ERP system

8. Outlook

The company expects to sustain the growth achieved during the past years.

Covid-19 and the new variant Omicron pandemic is still continuing, and major customers have a potential threat of payment default.

The increase in paper prices in the international market shall impact the performance and overall profitability.

The increasing cost of fuel, natural gas, and other reduction in Government subsidies shall further affect the future performance and profitability of the company.

The challenges shall be met by increased market share in local and exports markets through customer focus, value engineering, continuous improvement, and cost reductions in all spheres of operation.

Barring unforeseen circumstances, management shall strive to sustain good performance.