

## **Management Discussion & Analysis Report**

### **1. Industry Structure and Development**

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

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

The product range includes regular slotted cartons, telescopic top and bottom box, die cut trays, assembled partitions and 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 preferred choice for majority products.

In general, larger flutes offer greater strength to boxes. B & C flutes are the most popular sizes. Presently, after expansion, the new corrugator produces B flute while double wall board of B & C and E & C is manufactured at the old corrugator by adding the twin facer.

### **Installed Capacity**

Company is able to increase the volume and service level to the customers with increase in installed capacity during year 2010-11.

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

Corrugated Boxes are printed up to four colours 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 high cost of freight. 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 strong focus on customer satisfaction.

### **3. Threats, Risks and Concerns**

Company's main raw material is paper which is mainly imported from GCC, European, Russian and American sources. The international price of paper is highly volatile and increase in paper price affects the Company's profitability. 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 shall affect the sales volumes.

The current economic slow down and fall in Oil prices may affect the overall market growth which in turn adversely affect the sales volume and overall profitability.

In line with market practice in the region, company is constrained to extend credit to customers. Management continuously monitor customer credit with prior appraisals, however non recovery may affect the profitability of 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 Food stuff, 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 export market.

Presently company operates from Factory and Office located in Rusayl Industrial Estate, consisting of 167 employees. Company has established sales office at UAE for export sales.

### **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.

Company has well structured reporting system to its management and the Board. Monthly performance reports against Budget are prepared and monitored.

Company uses Oracle networking system to strengthen the Computerized Control mechanism.

### **Discussions on financial and operational performance.**

The total assets as at 31 December 2015 amount to RO11,442,699.

## 6. Sales and profitability

Company reported net sales revenue is RO13,430,359 comparing sales revenue of RO12,286,937 for year 2014. Net profit before tax provision is RO 1,086,521 comparing RO 302,951 for year 2014

Increase in sales volume with enhanced productivity and reduction in input costs resulted in increase in Gross profit and overall profitability.

The following table highlights profitability, dividend and shareholders' equity for the last six years.

YEAR		2009	2010	2011	2012	2013	2014
Profit before Tax		1,151,982	142,535	602,502	1,642,765	512,509	302,951
Total shareholders' equity		5,125,768	4,602,006	4,811,420	5,774,007	5,255,450	5,201,258
Dividend		20	10	15	30	10	10
	STOCK (Bonus) (%)	--	--	--	--	--	--
	TOTAL (%)	20	10	15	30	10	10

## 7. Resources

Following Assets added during the year.

7.1 Minor Civil Construction for increased requirement.

7.2 Platen Die Cutting Machine and other machineries for productivity improvement.

7.3 Addition of Dies and Stereos for new jobs.

7.4 Computers and Furniture & Fixtures for office and employees accommodation

7.5 Replacement of Saloon Cars, Bus used for transporting employees and Forklifts.

## 8. Outlook

Company expects to sustain the growth achieved during the past years.

The increase in the cost of fuel, natural gas and other reduction in Government subsidies may 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 with economy of scale after capacity expansion.

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