



## 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.

The converting line from Isowa Japan shall be fully commissioned during the first quarter of January 2023

Development efforts are towards manufacturing quality 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 newly installed converting line from Isowa, Japan shall improve overall productivity and printing capabilities

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 export to GCC and Asian countries with consistent quality, improved service, and concerted marketing efforts with a strong focus on customer satisfaction.

Oman Government's decision on banning single-use plastic bags in the year 2021 once fully implemented, 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, after effect of Covid 19 continued.



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

The Ukraine war has had an effect on raw material supplies from Europe and Russia

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

International paper prices of paper continued increasing since the third quarter of the Year 2020 and seem to stabilize during the last quarter Year 2022

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 the 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 penetrating the export market.

Presently company operates from Factory and Office located in Rusayl Industrial Estate, consisting of 171 employees. The company has established a sales office in 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 the Budget are prepared and monitored.

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

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

The total assets as of 31 December 2022 amount to RO 12,316,435.





## 6. Sales and profitability

Company reported net sales revenue of RO 12,786,574 comparing sales revenue of RO 11,332,203 for the year 2021. Net profit before tax provision, including IFRS 9 impairment provision of RO 68,453 and IFRS 16 provision of RO 3,371 is RO. 366,296 comparing RO 954,637 for year 2021.

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	2016	2017	2018	2019	2020	2021
Profit before Tax	1,492,025	1,217,255	537,241	1,328,679	1,406,644	954,637
Total shareholders' equity	6,666,652	7,032,661	6,720,580	7,361,967	7,745,355	7,745,259
Dividend	CASH (%)	20	20	15	25	20
	STOCK (Bonus) (%)	--	--	--	--	--
	TOTAL (%)	20	20	15	25	20

## 7. Resources

Following main Assets added during the year.

7.1. Manual machines

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

7.6. Building – Storage yard

7.7. Dies & Stereos

7.8. Capital work in progress- Isowa converting line and Computer software -new ERP system

## 8. Outlook

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

Covid-19 after effects still continuing and some of the 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 export markets through higher quality, productivity, customer focus, value engineering, continuous improvement, and cost reductions in all spheres of operation.

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