

Management Discussion And Analysis Report **(MD&A Report) 2015:**

Majan Glass Company was promoted in year 1994 and established in year 1995 with an objective to cater to huge demand for Empty Glass Containers within the Sultanate and in the entire Gulf region. The Company commenced its operations during year 1997 and is one of the leading Empty Glass Container manufacturing Company within Sultanate of Oman. The Company is currently catering to most of the Empty Glass Container requirements of the Sultanate and exporting its products to countries in GCC Region and to countries in the Far East region.

The Company is located at Sohar Industrial Estate and is one of the most high-tech Manufacturing Companies in the Sultanate. It has an installed capacity of producing 220 MT of Empty Glass Containers per day with two Furnaces and equipments designed to produce Glass Containers in 88ml to 1000ml range in different sizes and in flint and coloured glass.

The Company gives utmost importance to the quality of its products and is committed to supply top quality Glass Containers to its Customers and ensures that the Customers requirements are met with and fulfilled.

Industry structure and development:

The glass container sector produces over 40 billion glass containers annually for soft drinks, food and beverages industry. Other markets for glass containers include: Medicine and health, toiletries, cosmetics, chemical, household and industrial products. Industry manufactures two basic types of containers: narrow / wide neck / wide mouth bottles and wide mouth jars. The industry extends containers by their application creating categories for soft drinks, food, beverages, chemical, household, and cosmetics.

Opportunities:

Growth in market size as a result of the entry of new players in food & beverage sectors and growth of existing customer's requirements due to new markets in Europe, S.E. Asia, Africa has created lot of opportunities for the company to penetrate new markets for sales. New Export Contracts vis-à-vis current orders and increasing the production capacities while having flexibility to produce different colored bottles thereby increasing cash flows has always been the thrust area for the company.

Threats, Risks & Concerns:

There is a significant amount of outside competition in this sector of the industry from competitors in the glass industry as well as in aluminum and plastic container manufacturing industries. Plastic is expected to gain market share from glass packaging in major end use sectors such as food and soft drinks sector and pharma production.

Future Outlook:

The company is also in the process of upgrading its manufacturing technology in order to achieve better productivity and quality to ensure survival and growth.

For the year 2016 the Board of Directors have approved in the Board meeting dated 27 December 2015 the management proposal to replace 2 old forming machines with latest machines with light weighting technology, which will not only enhance the overall productive efficiency of the plant but also enable the organization to meet the varied demands of the customers globally. The company has also taken measures to control costs at all stages of operations keeping in mind the recessionary trends due to dropping oil prices.

Cost Reductions are being implemented in line with the guidelines received from the Ministry of Finance

Analysis of segment wise performance for year 2015:

<u>Segment</u>	<u>Qty</u>	<u>Sales</u>
	<u>MT</u>	<u>RO</u>
Domestic	11,020	1,954,541
GCC	22,180	3,761,623
Others	23,721	4,111,267
Total	56,921	9,827,431

Discussion on Financial and operational performance:

The following is the summary of financial and operational results upto the end of year2015:-

<u>Particulars</u>	Amount in RO		
	<u>Year2015</u>	<u>Year2014</u>	<u>Variance %</u>
Production in MT	55,597	54,783	1.48%
Sales in MT	56,921	56,203	1.28%
Sales Revenue (in RO)	9,827,431	9,427,290	4.24%
Cash Profit	1,457,334	1,800,252	-19.05%
Profit/(Loss) before Tax & Accelerated Depn	(107,113)	549,521	-119.49%
Accelerated Depreciation	1,746,530	660,640	-164.36%
Profit / (Loss) Before Tax (in RO)	(1,853,643)	(111,120)	-1568.14%
Provision for Taxation	(231,032)	(46,099)	401.16%
Profit After Tax	(1,622,611)	(65,021)	-2395.52%

1. **Cash profit** for the current year is RO 1,457K as against RO 1,800K for the previous year 2014 **which included fire claim of year 2013 of RO 372k.** (Decrease by 19.05%).
2. The Net Loss before tax for the year (after adjusting accelerated depreciation and impairment loss of RO 1,746k and 159K respectively) is RO1,854K as against a Loss before tax of RO 111k (after adjusting for accelerated depreciation for RO 660K) in the previous year 2014.

3. Net loss after Tax for the current year is RO 1622K as against Loss after tax of RO 65K for the same period in the previous year 2014.
- 4. With effect from 1 Jan 2015 the price of Gas has increased from 20.5 baiza per CU M3 to 41 baiza per CU M3 the impact of the same in the current period has been RO 388K.**
5. The Board of Directors had reviewed the report of the external technical consultant on the useful lives based on the estimated utility of the company's plant and machinery equipment's in terms of balance estimated life and technology and in the Meeting Held on 01 June 2015 approved the implementation of the recommendations of the report. On 02 June 2015 the Management had made an announcement in the Muscat Securities Market stating the estimated impact of the accelerated depreciation due to the changes in the useful lives of the plant and equipment.

The impact of accelerated depreciation for the year 2015 as result of revaluation of the assets based on the assessment of the technical consultant is RO 1746K.

The estimated Accelerated depreciation would also have a major impact for the next three years (RO 0.780 million for year 2016, RO 0.580 million for year 2017, RO 0.230 million for year 2018)

This is a mere book entry with no cash flow impact.

6. As per the policy for Moulds Capitalisation and Charge off approved by the Board of Directors moulds whose life exceeds 5 years should be charged off resulting in an additional charge off of RO133k. However these moulds can be still used at a later date. **This is also a book entry with no cash flow impact.**

An Annexure to the director's report has been enclosed herewith containing information about last five year's sales, profits, dividends, net equity etc.

Omani Quality Mark :

Omani Quality Mark bestowed upon the company in the year 2009 was renewed for until April 2016 after meeting all parameters.

The Certificate ISO 9001: 2008 and Food Safety Certification 22000: 2011 has been renewed for a further period till May 2016 after audit by SGS.

Plimsol Co UK Ltd one of the leading surveyors conducted a global survey of glass manufacturers and rated Majan Glass Company SAOG as one of the best performers in the glass industry globally. We are the only company in the Middle East to be rated in "SAFE" category on the basis of continuous consistent performance.

Employment Status:

Employees	Year 2015	Year 2014	Year 2013	Year 2012	Year 2011
Omani	62	67	79	64	65
Expatriates	163	164	161	149	125
Total	225	231	240	213	190

Litigations:

There is no major pending or threatened litigation as on date.

Acknowledgement:

The Company would like to express its sincere gratitude to His Majesty Sultan Qaboos Bin Said Al Said and his Government for their continuous assistance and kind support extended to the Company over the years. The Company also recognizes continuous support, confidence and commitment from its Shareholders, Customers, Suppliers, Bankers and also the efforts of its Employees.

Ramesh Mani
Chief Executive Officer

Date: 15 February, 2016

Place: Sohar

Annexure to Directors' Report 2015:

Statistical Table showing Dividend declared and paid during past five years:

Particulars	2015	2014	2013	2012	2011
Net Profit before taxation (in RO '000)	(1853)	(111)	(599)	1,040	1,210
Net Profit after taxation (in RO '000)	(1622)	(65)	(786)	918	1,080
Dividend declared %	10%	0%	0%	20%	40%
Cash Dividend Amount (in RO'000)	420	-	-	382	830
Stock Dividend Amount in the form of free bonus shares (in RO'000)		-	-	382	498
Net Equity ('000)	10,140	11,764	11,829	12,997	12,909

Performance highlights:-

Particulars	Year 2015 (Audited)	Year 2014 (Audited)	Year 2013 (Audited)	Year 2012 (Audited)	Year 2011 (Audited)	% Variance 2015 v/s Year 2014
Production (MT)	55,597	54,783	53,304	53,249	53,446	1.48%
Sales (MT)	56,921	56,203	43,643	40,503	53,458	1.28%
Sales (RO'000)	9,827	9,427	7,453	7,310	8,707	4.24%
(L)/PBT (RO'000)	(1853)	(111)	(599)	1,040	1,210	-1554.06%