

Management Discussion and Analysis report for the year 2018

Our leading principle is to preserve our customers at the heart of our operations, integrate their requirements into our products and serve them with great value and constant increase in customer satisfaction.

We are a well-established player in the Middle East, with significant opportunities for growth. Being at the forefront of lightweight technology within the region and a flexible manufacturing capability, we offer attractive, flexible and augmented solutions to all customers.

2018 highlights:

The Year 2018 saw a significant change on not only the ownership and shareholding of the company but also in the top executive management of the company

During March 2018 during the Annual General Meeting, Oman Investment Fund (a sovereign wealth fund of the Government of Oman) took over the majority shareholding of the company and bought in qualified and experienced professionals as Directors representing them. There on by July 2018 qualified professionals were inducted in the areas of Production, Quality Control, Marketing, Procurement, and overall General Management.

Post-July 2018 till the year-end

- Sales volume from July 2018 to Dec 2018 was 165.211 million of empty containers as against 91.824 million empty containers for the same period in the previous year an increase by 80%
- During the period July 2018 to Dec 2018 the Sales Revenue recorded at RO 5.214 million against RO 2.824 million for the same period in the previous year an increase by 85%
- Improvement in Productivity (manufacturing efficiencies) and quality
- Stock Levels reduced from 117 million empty containers at the beginning of the year to 77 million empty bottles at the year-end, a reduction of 34% in inventory volumes along with a cut in production capacity for a couple of months (produce to order) to align the production and inventory with the sales needs

We also focused on reconfiguring our customer base, build to order and safeguarding the highest quality standards. As a result we were able to secure a order booking in order to secure full utilization of our manufacturing capacity in 2019.

Also, we will continue to grow our business, enhancing our product portfolio, expanding our customer base and geographic footprint and offering attractive, flexible and augmented solutions to all customers.

We remain dedicated to the growth, innovation, cost leadership, efficiency improvements, and world-class quality.

Our Omanization levels remained very high throughout this year, honoring our commitment to support the local community.

Furthermore, I would like to express gratitude to our Board of Directors' for their seamless and valuable strategic input. The Board is armored with a substantial diversity level of Directors. Drawing on their expertise and varied background and their effective process and corporate governance management, every member of the Board safeguards a solid strategic counsel and direction alignment, creating a whole that is greater than the sum of its parts.

I remain confident that all Majan Glass team members will further facilitate the efficiency and effectiveness of our business model and secure execution excellence in implementing our strategy for the future.

Detailed discussion on Financial and operational performance:

The following is the summary of financial and operational results up to the end of year 2018:

<u>Particulars</u>	<u>Year2018</u>	<u>Year2017</u>	<u>Variance %</u>
Sales in million bottles	282.411	203.267	39%
Sales Revenue Amount in RO	8,822,570	6,612,423	33%
Production in million bottles	260.911	239.006	9%
Profit / (Loss) Before Tax Amount in RO	(2,611,556)	(1,359,019)	-92%
Provision for Taxation Amount in RO	(113,802)	(216,413)	47%
Profit / (Loss) After Tax Amount in RO	(2,219,507)	(1,142,606)	-94%

Analysis of segment-wise performance for the year 2018:

Sales Volume for the year 2018 were at 282.411 million of Empty Glass Containers as against Sales Volume of 203.267 million during the year 2017, an increase in sales volume by 39%.

Sales Revenue recorded at RO 8.822 Million versus RO 6.612 Million during the year 2017, an increase in sales by 33%.

The principal reasons affecting the sales revenue are:

- Regaining of some of the premier customers during the 3rd quarter of the year.
- Acquisition of new customers during the second half of the year.
- Additional volumes because of positive customer audits.

<u>Geographical segment</u>	<u>2018 Sales RO</u>	<u>2017 Sales RO</u>
Domestic	2,243,184	2,262,533
GCC	2,416,278	1,527,572
Export others	4,163,115	2,853,885
Total	8,822,577	6,643,990

Production for the year 2018, was 260 million of Empty Glass Containers against production of 239 million during the year 2017 (increase in output by 9%).

During the period July 2018 to Dec 2018, the company decided to synchronize its production according to the sales and inventory in hand, which resulted in slowing down of production but improving the cash flow position in terms of reduction in liabilities. However, there was an adverse impact on the bottom line due to under-recovery of overheads amounting to approx. RO 1.00 million.

Also, the above step resulted in the reduction in the volume of stocks from 117 million empty containers at the beginning of the year to 77 million empty bottles at the year-end, a decrease of 34% in inventory volumes.

Earnings before Interest, Depreciation, Tax, and Amortization (EBIDTA)

The recurring Earnings before Interest, Depreciation, Tax, and Amortization (EBIDTA) is RO 59K for the period ended 31st Dec 2018 as against RO 608 K same period last year. The financials also have certain adjustments pertaining to the year 2017, which have been accounted for in the year 2018 the total impact of the same is RO 160K. Also, the company has changed its inventory provisioning policy from the year 2018, which has resulted in an additional effect of 93K. Also during October 2018 Stocks worth 375K were damaged due to rain for which insurance claim has

been filed, and the company is awaiting the decision of the insurance company on the claim amount. The cost of loss of goods is booked in the current year financials. All the above has resulted in the final (LBIDTA) Loss before Interest, Depreciation, Tax, and Amortization for the period ending 31 Dec 2018 to an amount of 569K as against EBIDTA of 608K in the same period in the previous year.

Net Loss before tax for the year is RO 2,611K as against a Loss before tax of RO 1,359K in the previous year 2017.

Net loss after Tax for the current year is RO 2,219K as against Loss after tax of RO 1.142 K for the same period in the previous year 2017.

Omani Quality Mark

Among other industry related certifications the Company bestowed upon Omani Quality Mark since the year 2009 till date.

Industry structure and development

The glass container sector produces over 40 billion glass containers annually for soft drinks, food, and the beverages industry. Supplementary market segments for glass containers other than soft drinks, food, and beverages, include medicine and health, toiletries, cosmetics, chemical, household and industrial products. There has been a reasonable uptick in demand in many regions of the world also driven by environment-conscious customers who increasingly prefer the use of glass packaging as a medium compared to other alternatives.

Future Outlook

The management has been able to a secure a healthy order booking status to fully utilize its manufacturing capacity. We will continue to focus in driving up our quality and productivity. On the market front, we continue we will work towards further diversify our product mix and customer/geography mix to mitigate market risks, long term revenue visibility and improved profitability.

Employment status

Employees	2018	2017	2016	2015	2014	2013	2012
Omani	86	83	83	62	67	79	64
Expatriates	155	169	165	163	164	161	149
Total	241	252	248	225	231	240	213

The Company is committed to recruiting and providing training to Omani employees so as to enable them to undertake responsibilities in various areas of Operations and Administration. The Omanisation percentage as at the end of 31 December 2018 was 35.68%. However, during the course of the year Omanization percentage hovered at around 35 %. The Company has been organizing various training programs to increase the knowledge of employees on various relevant areas of operation.

Litigations

There is a legal case instituted by Silica Sand Supplier M/S Majd Al Muoyad during the month of Oct 2018, for payment of dues worth USD603K plus damages. The company is willing to settle the case without any claim for damages/losses.

Acknowledgments

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.

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

ASIT CHAWLA

General Manager

Date: 20 February, 2019

Place: Sohar

