OmanCables
الكابلات العمانية

OMAN CABLES INDUSTRY (SAOG)

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Industry Structure and Development

The Cable Industry is a part of Electrical Sector which serves to projects related to basic Infrastructure of commercial or residential nature, various industries, and Government utilities and other oil and gas projects. These projects tend to be capital intensive and thus are dependent on long term strategy, growth of economy and available financial resources.

Oman Cables Industry (SAOG) (OCI) develops, manufactures and markets variety of electrical cables and conductors. OCI product portfolio includes Medium voltage power cables, Low voltage power and Control cables, Fire Resistant Cables, Instrumentation cables, Pilot cables, Overhead power transmission line conductors and Building wires.

In markets where OCI operates, Copper is the main material used in electrical cables. However, there is a recent trend towards using aluminum in some market sectors. OCI is carefully monitoring the situation and OCI has capable of processing both materials.

Cable Industry is very competitive and there are many manufactures in a region. Emerging trend is towards consolidation. Prysmian, the largest cable company in world, owns a majority stake in OCI.

Opportunities and Threats

In the GCC markets where OCI operates, cables supply is mainly linked to large projects which in turn is linked to oil prices and Government revenue. These market having favorable demography and growing population present a long term opportunity for Cable Industry.

Oil prices which had drop significantly by end 2015 have been on a steady increase during 2018, however since October 2018 the upward trend has been reversed. Early 2019 there was a small recovery, but not strong enough to reduce the pressure on GCC economies.

شركة صناعة الكابلات العمانية (ش.م.ع.ع)
Oman Cables Industry (SAOG)
C.R.#: 1186752
Omancables
الكابلات العمانية

Oman Cables Industry (SAOG)
Tel. : +968 2444 3100
Fax : +968 2444 6096
Plot No 206, Road No 2 ,
PO Box 25, Rusayl, 124
P C 124, Sultanate of Oman

www.omancables.com
C.R. #: 1/18675/2

شركة صناعة الكابلات العمانية (ش.م.ع.ع)
ت: ٣١٠٠ ٢٤٤٤ ٩٦٨+
ف: ٦٠٩٦ ٢٤٤٤ ٩٦٨+
رقم ٢٠٦ – ص.ب: ٢٥
رسيل رمز بريدي ١٢٤
سلطنة عمان

OCI and the Prysmian Group, are poised to build on mutually beneficial synergies and can tap into each other strengths have a successful commercial approach regionally and globally.

The demand for cables in the region continue to attract many regional and international cable suppliers creating a very competitive environment. OCI has plans and strategies in place to counter this through market development, product diversification and cost reduction. The capabilities and positioning can be leveraged swiftly to seize the growth opportunities that may emerge for large projects or for an increase in the demand for power cables within its markets.

Segment Performance

The approach of Oman Cables of catering to diverse markets with a varied product range serving a wide spectrum of consumers has served well for the company.

Oman Cables has performed well across all geographical segments and product categories in first half of 2019. The performance in the third quarter of 2019 was affected due to seasonality and lack of major projects. In the fourth quarter progress on major project business avoided further impact of slowdown in the market.

The margin erosion which was witnessed during 2017 and continued in 2018, has been reversed in 2019 with cost reduction projects.

OCI subsidiary, OAPIL, which has reported loss in 2017 due to disruption caused as effect of declaration of Force Majeure in August 2017 by Sohar Aluminum, the only supplier of input materials to OAPIL, has recovered partially in 2018. Performance of OAPIL has improved further in 2019 with higher profitability and better control on fixed costs.

Outlook

The lower oil prices, copper price and the geo-political situation is effecting the overall economic situation in the markets where OCI operates. However, it is hoped that this situation may reverse slowly.

Oman Cables Industry (SAOG)
C.R.#: 1186752
OmanCables
الكابلات العمانية

Oman Cables Industry (SAOG)
Tel. : +968 2444 3100
Fax : +968 2444 6096
Plot No 206, Road No 2 ,
PO Box 25, Rusayl, 124
P C 124, Sultanate of Oman

شركة صناعة الكابلات العمانية (ش.م.ع.ع)
ت : ٣١٠٠ ٢٤٤٤ ٩٦٨+
ف : ٦٠٩٦ ٢٤٤٤ ٩٦٨+
رقم ٢٠٦ – ص.ب.: ٢٥
رسيل رمز بريدي ١٢٤
سلطنة عمان

OCI expects to maintain its presence in the market and is well equipped to face the challenges based on operational excellence executed by a customer focused performance, efficient resource utilization, managing the cost structure, perform a market driven expansion, and sound financial discipline.

The outlook for Oman Aluminum Industries LLC (OAPIL) is challenging due to pressure on premiums at global level.

Risk and Concerns

OCI main markets were heavily influenced by oil prices. Low oil prices may negatively impact capital spend on major projects in the current year thereby affecting the local economies and GDP. This may have a cascading effect on the demand for power cables. This coupled with the established capacity in the region may result in pressure on pricing.

The domestic market may remain stable as per the economic outlook. OCI will remain vigilant and ensure that supplying a superior product with competitive pricing is maintained.

OCI works carefully to monitor the developments in the potential countries for future business. The company strives to find the balance between the business opportunities and the potential risks involved and cautiously builds market confidence

Internal Control Systems and their adequacy

The company has sound internal control systems and operating procedures in place. The operations are audited by a professional internal audit team, external statutory financial auditors and ISO auditors. OCI is also routinely audited by multinational corporations as a part of their stringent pre-qualification processes and product approvals.

These audits include the compliance of the operational activities and Health, Safety and Environmental (HSE) aspects. Oman Cables Industry is driven by Corporate Governance through its strict ethical policies and emphasis on customer satisfaction.



Oman Cables Industry (SAOG)
Tel. : +968 2444 3100
Fax : +968 2444 6096
Plot No 206, Road No 2 ,
PO Box 25, Rusayl, 124
P C 124, Sultanate of Oman

www.omancables.com
C.R. #: 1/18675/2

شركة صناعة الكابلات العمانية (ش.م.ع.ع)
ت : ٣١٠٠ ٢٤٤٤ ٩٦٨+
ف : ٦٠٩٦ ٢٤٤٤ ٩٦٨+
رقم ٢٠٦ – ص.ب. ٢٥
رسيل رمز بريدي ١٢٤
سلطنة عُمان

OmanCables
الكابلات العمانية

Sales and Profitability

The operational performance of the Group for the last 5 years is as below:

	2015	2016	2017	2018	2019
Sales (RO' 000)	283,470	228,639	242,258	247,011	210,079
Profit after Tax (RO' 000)	18,507	15,254	6,851	9,214	6,972
Equity (RO' 000)	92,738	101,908	99,978	102,723	103,735
Dividend (%)	90%	85%	45%	45%	*35%

*recommended by the Board of Directors

Conclusion

During 2019, the company and group has reported lower sales due to struggle in GCC markets but with better margins mainly due to efficiency projects and severe cost control on overheads. OCI has long term marketing plans for utilization of production capacity and overall emphasis on operational excellence, with synergies from Prysmian Group.

OCI performance is possible due to its excellent relationship and support of the prestigious customer base, other stakeholders and dedicated employees.

The Executive Management, with the guidance of the Board of Directors is confident to improve its market position and increase stakeholder's value.

Mr. Ali Al Habaj

Chief Executive Officer

Oman Cables Industry (SAOG)

Date: 23 January 2020

Oman Cables Industry (SAOG)
Tel. : +968 2444 3100
Fax : +968 2444 6096
Plot No 206, Road No 2 ,
PO Box 25, Rusayl, 124
P C 124, Sultanate of Oman

www.omancables.com
C.R. #: 1/18675/2

شركة صناعة الكابلات العمانية (ش.م.ع.ع)
ت : ٣١٠٠ ٢٤٤٤ ٩٦٨+
ف : ٦٠٩٦ ٢٤٤٤ ٩٦٨+
رقم ٢٠٦ – ص.ب.: ٢٥
رسيل رمز بريدي ١٢٤
سلطنة عُمان