Management Discussions and Analysis

BUSINESS & OBJECTIVES

The Company is primarily engaged in the marketing & distribution of petroleum products viz. Gasoline (M91 & M95), diesel, aviation fuel, kerosene & lubricants.

The Company operates with the following objectives:

1) Improving shareholders net-worth and payment of consistent and fair returns
2) Increasing the overall market share in all business areas & effectively addressing the prevailing competition
3) Improving the corporate image through better customer service and brand recognition
4) Recruiting and empowering Omani youths
5) Total commitment to the protection of Health, Safety, and Environment (HSE)

BUSINESS OPERATIONS

The Company operates its business through the following segments:

1) Retail sales
2) Commercial sales
3) Other sales (including Aviation & lubricant sales).

The performance of these major segments is discussed below:

1) Retail sales

The retail sales segment is the main revenue earner, accounting for almost 73% of our business in 2020.

Through the network of 235 fuel stations, which includes some commercial stations, our fuel stations and service centers are spread all over the country, providing various services that consider the needs of customers.

During the year 2020, most fuel stations have registered a significant drop in sales due to the Pandemic restrictions. The sales performance has improved in part with the easing of restrictions.

Non-fuel sales, in particular convenience store sales, car service centres and other facilities at filling stations are becoming increasingly important factors in boosting Retail sales business. Accordingly, fuel stations have been getting a comprehensive makeover aimed at enhancing customer convenience and service

To enhance the efficiency & effectiveness of our retail operations and to strengthen our internal control system, we are in the process of implementing Automation system.

The following chart shows the fuel prices trend during the year in comparison with 2019:

2) Commercial sales

Commercial segment is the second largest business segment accounting for about 21% of our total revenue in 2020, providing gasoil to prestigious Government and commercial customers; the contracts secured through competitive pricing and efficient delivery.

Commercial Sales also affected by the pandemic as commercial activities took hit by the lock down measures introduced by the Government during the year. Construction & infrastructure is the most affected sector during the pandemic as the most of the infrastructure projects came to halt during the period.

However, during the year 2020, the company won a long-term strategic project with Petroleum Development Oman. Moreover, the company has also secured major commercial contracts.

3) Aviation sales

Aviation segment has recorded its worst performance in 2020 as the pandemic grounded many flights, halted the movement of air traffic affecting the tourism industry badly.

Sales growth in this sector is expected to increase with the return of airport traffic and the increase in passenger numbers.

4) Lubricants

Despite the setback in other segments, lubricant business has shown positive growth due to improved marketing of Petronas products & Al Maha brand lubricants, which have gained popularity in the market. Besides, Al Maha lubricants has also has expanded its footprints in other countries.

FINANCIAL PERFORMANCE

	2020	2019	Inc /(dec)	Inc/(dec) %
Sales	**333,762**	465,914	(132,152)	(28%)
Cost of Sales	**(313,673)**	(438,829)	(125,156)	(29%)
Gross profit	**20,089**	27,085	(6,996)	(26%)
Other income	**4,907**	4,305	602	14%
Total expenses	**(24,133)**	(27,982)	(3,849)	(14%)
Net profit	**863**	3,408	(2,545)	(75%)

Earnings per share (RO)	**0.013**	0.049	(0.036)	(73%)
Book value per share (RO)	**0.599**	0.657	(0.058)	(9%)
Retained earnings(RO'000)	**30,032**	33,999	(3,967)	(12%)
Total equity (RO'000)	**41,336**	45,303	(3,967)	(9%)

Sales have decreased to RO 333.8 million in 2020 (2019: RO 465.9 million), a decrease of RO 132.2 million (28%). The decline in sales is mainly attributed to the reduction in economic activities & fall in demand due to the strict measures introduced by the Government to contain the pandemic.

Expenditures decreased by RO 4 million (14%) mainly due to the decrease in technical fees, transportation costs, license fees, depreciation expenses, and provision for expected credit loss. An increase in finance charges partially offset the overall decrease of the expenditures.

Net profit after tax decreased to RO 863 thousand in 2020 (2019: RO 3.4 million), a decrease of RO 2.5 million (75%) mainly due to the decrease in sales.

Return on equity decreased in 2020 when compared with 2020 due to decrease in net profit in 2020.

Below is a chart which indicates the net profit, dividend and net equity since 2015:

	2015	2016	2017	2018	2019	2020
Net profit	9.2	8.1	5.0	5.1	3.4	0.9
Dividends	6.9	6.9	4.5	4.8	4.8	-
Net equity	50.2	52.0	49.5	46.7	45.3	41.3

HSE

Al Maha always accords highest priority to care for the environment and its protection.

We are committed to conducting business with a strong environment conscience, ensuring sustainable development, safe workplaces and enrichment of the quality of life of its employees, customers and the community.

Compliance with safety systems & procedures and environmental laws is monitored at the unit, division and corporate levels. The HSE activities of the Company are reviewed periodically in Board meetings. During the year safety audits were carried out at various offices and locations and various training programs were conducted across the Corporation covering safety-related topics.

HUMAN RESOURCES

People form the greatest resource in Al Maha and investment in learning and development is given utmost importance. Throughout the year, we implemented series of training and learning programs for employees based on their individual needs and organizational requirements in order to enhance their skills.

Our Omanisation level was 87% and the number of employees stood at 311 by the end of 2020.

FUTURE OUTLOOK

Even though the fight against the pandemic is not yet over and uncertainty looms large, the arrival of vaccinations and high recovery rates provide hope for future economic recovery.

We expect the economy to recover from the pandemic impact and business gradually returning to normalcy in the next two years.

Despite the challenging environment, we are focused on its core activities and remain committed to achieve operational excellence to improve the customer perceived value of our products & services.