

## **Management Discussion and Analysis Report**

### **Overview**

Galfar Engineering and Contracting SAOG, is one of the largest multi-disciplined engineering & contracting company in the Sultanate of Oman. The capability of Galfar to meet various requirements in the engineering and construction industry has made the Company preferred choice of various customers both in the Government and Private Sectors.

### **Main Objectives and Operational Results**

The Company is committed to continual improvement to achieve its objectives of conducting business in a manner which is beneficial to all. There is a main focus on delivering projects on time to the satisfaction of the stakeholders with maximum in country value. It includes upgrading our infrastructure and expertise to meet future challenges and maintaining a motivated and competent workforce who achieves excellence in Quality, Health, Safety and environmental protection.

The turnover of the Company including subsidiaries was RO 336.504 million in 2012 as compared to RO 307.222 million in 2011. The Company recorded a profit after tax of RO 9.206 million in 2012 as compared to RO 5.264 million in 2011.

Galfar Engineering & Contracting SAOG has five subsidiaries the performance of which is as follows. Al Khalij Heavy Equipment & Engineering LLC which specializes in hiring out of equipments recorded a turnover of RO 1.741 Million in 2012, as compared RO 1.701 million in 2011. Galfar Engineering & Contracting India Pvt. Ltd., which is engaged in construction activities in India, recorded a turnover of RO 9.872 million in 2012 as compared to RO 4.034 million in 2011. Galfar Training Institute LLC which specializes in the field of training Omanis in various trades recorded a turnover of RO 1.041 Million during the year 2012 as compared to RO 0.806 during the year 2011. Aspire Projects and Services LLC which is a specialized engineering and services company had a turnover of RO 1.752 million during the year 2012. Galfar Aspire Readymix LLC, which produces Readymix concrete, recorded a turnover of RO 1.273 million during the year 2012.

## **Human Resources**

Human Resources is a strategic business partner of each and every business unit in Galfar. Our objective is to foster development of our employees through attractive and cohesive HR policies, and a work environment which attracts and motivates caliber workforce. We aim to be the employer of choice in the industry.

In 2012, Galfar manpower strength was over 23,000. Galfar has a strong organization program to train and develop nationals and to assist them to grow with the company. Presently, among the private sector Galfar has one of the largest number of Omani's in the Sultanate.

## **Quality, Health, Safety and Environment**

Our Quality & HSE Management Systems are periodically reviewed and updated so that they remain relevant and comprehensive to meet business expectations.

The upgrading of Quality Management System to comply with the applicable ISO standards in 2011 was followed by the reissue of the Tier III documentation in 2012 to align with the current industry practices. Periodic risk based surveillance audits by Det Norske Veritas (DNV) against ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and ISO 29001:2010 international standards continue to provide assurance to stakeholders on our ability to meet their expectations.

The ASME 'U' & 'R' Stamp Recertification by the American Society of Mechanical Engineers (ASME) was another significant achievement of the year 2012 which demonstrates our continued capability for the 'Construction and Repair of Pressure Vessels'.

During year 2012 we have worked 85 million man hours and have driven 115 million kilometers collectively in our projects throughout the country, whilst achieving the best performance. Our Lost Time Injury Frequency recorded for the year 2012 is 0.24

Several achievements were recorded in terms of man hours worked without Lost Time Injury in our projects / units. The significant ones are 13 million man hours in Off-Plot Delivery Contract of Oil and Gas Unit, 18 million man hours in Roads & Bridges Unit, 12 million man hours in Oil and Gas Unit and 11 million man hours in Environment Unit.

We are reviewing the performance on a monthly basis and initiating actions for continual improvement.

## **Risks**

Risks are periodically identified and assessed. The risks and control measures are presented to and discussed with the board in every board meeting.

The commitment of the Government towards infrastructure development in the Oman makes it attractive for new players to enter the market. Notwithstanding this we expect our 2013 results to be better than 2012.

Our resource mobilization capabilities continue to be our major strength. The equipment spread available within Galfar remains unparalleled in the local market. Each year the fleet is updated and amended for the actual workload. During the year the addition to fixed assets was RO 31.654 Million.

## **Internal Controls Systems**

The Board assures that there is a detailed delegation of authority to the various levels of management and adequate corporate control of the organization. The Management is also fully aware of its responsibility towards all the stakeholders. The Company addresses these issues by maintaining clearly defined operating procedures which are updated as and when necessary.

The Accounting Manual implemented in 2012, is being reviewed for any upgrades, on a periodic basis.

## **Outlook**

The volume of work in Oman is high with the announcement of many infrastructure projects. In addition the oil and gas sectors development plans remain very significant.

The Company's order book position is healthy. Galfar's Order Book stood at RO 685 million at the beginning of the year 2013.

We have active presence in all the sectors namely Oil & Gas, Roads, Bridges and Airports, Civil, Utilities and Services including Operation and Maintenance, and have the preparedness to take up any challenge whether in Roads, Ports, Airports, Power, Water and Wastewater Sectors. We have establishments in every part of Oman, be it Jabal Akhdar, Musandam, Hasik, Sohar, Sur, Duqm or Salalah to start up projects swiftly.

This kind of versatility in operations and the wide logistic base are difficult for others to establish thus making Galfar a trusted one stop solution provider for our esteemed customers.

The Indian operations of Galfar created significant value and is expected to remain a key growth area as the demand for roads and highways is phenomenal. The Indian

operation have been recently awarded two major highway projects during the fourth quarter of 2012 worth RO 86 million.

Our subsidiary in Libya has been dormant during the period and will be revived as soon as the conditions are favourable.

Galfar recently registered a branch office in KSA. We have also started the process of prequalification in Saudi Arabia.

Under the visionary leadership of His Majesty Sultan Qaboos, who in 42 years of his rule has transformed this country into a powerful modern economy in the region, we endeavor to reach even higher standards of project delivery through continuous introspection of our procedures and systems and will lead by action in Omanisation as a true Omani enterprise.

Galfar's broad image as a premier Omani company with international presence is without comparison, and we can deliver projects in all the sections of engineering and construction industry, with high quality standards in a safe and timely manner to the entire satisfaction of all stake holders.

**Dr. P Mohamed Ali**

**Managing Director**