SEC Number 23736
File Number ____

<u>Steniel Manufacturing Corporation</u>
(Company's Full Name)

<u>Gateway Business Park,</u>
<u>Javalera, General Trias, Cavite</u>
(Company's Address)

<u>(046) 433-0026</u>
(Telephone)

<u>Not Applicable</u>
(Fiscal Year Ending)
(month & day)

<u>Form 17-Q</u>
Form Type

<u>Not Applicable</u>
Amendment Designation
(If applicable)

<u>31 March 2006</u>
Period Date Ended

<u>Not Applicable</u>
Secondary License Type
and File Number

SECURITIES AND EXCHANGE COMMISSION

Form 17-Q

STENIEL MANUFACTURING CORPORATION

Quarterly Report Pursuant to Section 17
of the Securities Regulation Code
and SRC Rule 17(2)(b) Thereunder

1. For the quarterly period ended	:	31 March 2006
2. SEC Identification Number	:	23736
3. BIR Tax Identification Number	:	000-099-128
4. Exact Name of Registrant	:	Steniel Manufacturing Corporation
5. Country of Incorporation	:	Metro Manila, Philippines
6. Industry Classification Code	:	
7. Address of principal office	:	Gateway Business Park Javalera, Gen. Trias, Cavite
8. Registrant's telephone number	:	(046) 433-0026

9. Securities registered pursuant to Sections 8 and 12 of Code, or Sections 4 and 8 of the RSA

Title of class	**Number of shares outstanding**
Common shares	876,182,045*[1]

**[1] Reported by the stock transfer agent as of 31 March 2006*

10. The Registrant's common shares are listed on the Philippine Stock Exchange.

11. (a) The Registrant has filed all reports required to be filed pursuant to Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months.

    (b) The Registrant has been subject to such filing requirements for the past 90 days.

PART I
FINANCIAL INFORMATION

(i) Key Performance Indicators and Management's Discussion and Analysis attached as Exhibit I.

(ii) 31 March 2006 Quarterly Report of Steniel Manufacturing Corporation, attached as Exhibit II and referred to herein as the *"31 March 2006 Quarterly Report"*

PART II
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

Registrant	:	Steniel Manufacturing Corporation By
Signature	:	______________________________ Paul Richard T. Camangian
Title	:	Director, Vice President & CFO
Date	:	19 May 2006

Distribution : *5 copies - Securities & Exchange Commission*
1 copy - Company Secretary

Part 1: PERFORMANCE INDICATORS

The following key performance indicators have been identified in measuring the performance of the Company: a) sales revenues, b) cost of goods sold, c) operating expenses, d) income from operations, and e) financial ratios. Sales revenue is measured both in metric tons (MT) and average selling prices (ASP). Total cost of goods sold for the period is expressed on peso per ton basis while both operating expenses and income from operations are expressed in absolute peso amounts. These indicators are monitored on a periodic basis and are compared against targets set at the beginning of each year.

Revenues Consolidated sales revenue for the first quarter of 2006 reached Peso 190.5 million with an equivalent volume of 12,268 MT. This is 6% and 9% better than the budgeted revenues for the period of Peso 180.2 million and the budgeted volume of 11,244 MT, respectively. The increased revenue is attributed mainly to higher volume particularly in Davao. All-in volume group wide is lower than budget due to stiff competition and difficult economic conditions. This was offset, however, by the significant increase in tolling volume of the Davao plant. In terms of ASP, the all-in ASP for the current quarter improved by 4% as compared with the budget. The higher ASP offset partially the impact of lower all-in volume.

Cost of goods sold Gross profit (GP) for the current quarter of Peso 13.6 million (GP rate – 7%) is slightly better than budget's Peso 13.0 million (GP rate - 7%). This is mainly because of higher volume, in addition to improved manufacturing costs. Total manufacturing costs per MT decreased by 9% as compared with budget. Paper cost per MT, which accounts for majority of raw material costs, is lower by 11%. Similarly, costs per MT of both other raw materials and variable manufacturing overhead are also lower than budget by 11% and 10%, respectively. On the other hand, direct labor cost and fixed overhead cost in absolute amounts are higher by 16% and 12%, respectively.

Operating expenses Operating expenses on a consolidated basis for the current quarter of Peso 21.3 million is slightly better than the budgeted figure of Peso 21.7 million. Continued control of operating expenses is being observed throughout the plants.

Income/(loss) from operations Overall, the Company reported an improved loss from operations for the current quarter of Peso 7.6 million as compared with the budgeted loss from operations of Peso 8.7 million. Please refer to the reasons cited in the foregoing for the related explanations.

Financial ratios Consolidated current assets as at 31 March 2006 totaled Peso 491.0 million while current liabilities as at the same date totaled Peso 1,109.3 million. The higher balance of current liabilities is mainly due to the reclassification of certain long-term debts whose final maturity was in December 2005. Working capital ratio for the current quarter is 0.44 while that of budget is 1.0. Working capital ratio is computed as the ratio of current assets over current liabilities. The current quarter's debt-to-equity ratio of 1.1 is within budgeted figures. The ratio is computed as stockholders' equity over bank debts. The quarter-end balances of bank debts have not changed as of last reporting period.

* * * * *

__Exhibit I__

Part 2: MANAGEMENT DISCUSSION AND ANALYSIS

The Company has three operating subsidiaries nationwide that produce their own corrugated boards for conversion to finished boxes. These facilities are located in Cavite, Cebu and Davao and each is fully equipped with corrugator and converting machines. The finished products are mainly used for packaging consumer goods, fresh fruits, canned sardines, furniture and electronic goods. Marketing activities are coordinated centrally for most of the Company's high volume customers. However, each of the operating subsidiaries is individually responsible for sales and marketing activities directed at their regional customers.

Results of Operations

Consolidated sales revenue for the first quarter of 2006 reached Peso 190.5 million with an equivalent volume of 12,268 MT. This is lower than last year's revenues for the period of Peso 239.9 million but slightly higher than last year's equivalent volume of 12,228 MT. In spite of an increased volume, revenues decreased because the additional volume came from the tolling business, which generated lower revenues. Meanwhile, all-in domestic and indirect export volumes group wide are lower than last year's mainly because of stiff competition and difficult economic conditions. In terms of ASP, the all-in ASP for the current quarter improved by 14% as compared with those of last year's. The higher ASP offset partially the impact of lower volume.

The Company's marketing strategy will continue to focus on reestablishing Steniel's presence among multinationals and top corporations. Our marketing team will concentrate in serving industries and developing market sectors characterized by economical production runs, reasonable prices and acceptable credit terms.

Gross profit (GP) for the current quarter of Peso 13.6 million (GP rate – 7%) is much higher than last year's Peso 5.1 million (GP rate – 2%). The improvement in GP is mainly a result of the increased tolling volume and improved ASP. In addition, total manufacturing costs for the current period also improved by 6% as compared with those of last year's. Paper cost per MT, which accounts for majority of raw material costs, improved by 2%. Similarly, costs per MT of other raw materials, direct labor, and variable manufacturing overhead are likewise lower than those of last year's. With respect to fixed manufacturing overhead, the absolute peso amount improved by 15% against last year's figure.

Operating expenses on a consolidated basis for the current quarter of Peso 21.3 million is lower than last year's Peso 24.4 million. Overall, the Company reported a loss from operations for the current quarter of Peso 7.6 million as compared with last year's loss from operations of Peso 19.3 million.

Consolidated financing charges for the current quarter increased by 6% to Peso 21.4 million from Peso 20.2 million last year. The Company failed to meet its quarterly principal amortizations and interest payments since March 2004 and is currently negotiating with the lender banks for the rescheduling of its long-term debts.

There are no known trends, events or uncertainties that will have a material impact on the company's future operations. There are no other sources of revenue or income that are not ordinary in nature. Seasonal variations do not have material impact in the financial statements of the company.

Operating Plans

In view of the foregoing, the management of the Company remains undaunted and confident that the group is well entrenched to withstand these challenges. As in the past, our key strategies are focused towards growing the existing market base, maintaining a sound financial position, and improving manufacturing efficiencies to enhance competitive standing. These plans and programs can be summarized as follows:

1. The group's marketing strategy will continue to focus on reestablishing Steniel's presence among multinationals and top corporations. The marketing team will concentrate in serving industries and developing market sectors characterized by economical production runs, reasonable prices and acceptable credit terms.

2. We will further enhance operating efficiencies group wide by reducing waste levels and bringing down manufacturing costs. This includes rationalizing capacity distribution throughout the group to optimize machine utilization, periodic maintenance of equipment, implementation of various cost reduction initiatives, and an aggressive cost awareness campaign among personnel.

3. Improve the Company's liquidity position through the effective and efficient management of working capital resources. As in the past, emphasis will be given to the prompt collection of trade receivables and inventories will be kept at targeted levels by controlling raw materials procurement and ensuring prompt delivery of finished goods.

4. We will negotiate for the restructuring and renewal of our bank loan facilities, which matured in December 2005, in order to support the financial and operating plans of the Steniel Group.

Financial Condition

Consolidated current assets as at 31 March 2006 totaled Peso 491.0 million as compared with Peso 468.2 million as at 31 December 2005 and Peso 549.8 million as at 31 March 2005. The prompt collection of receivable is one of the main focuses throughout the group, thus explaining the lower balances as at reporting period. Meanwhile, the increase in inventories is due to increased paper inventory level while the increase in prepayments and other current assets is mainly coming from excess input value-added taxes.

The decrease in property, plant and equipment relates materially to depreciation. There are no significant capital expenditures during the period. Neither is there any significant capital spending anticipated in the immediate future.

Consolidated current liabilities totaled Peso 1,739.3 million as at 31 March 2005 as compared to Peso 1,145.4 million and Pesos 1,048.8 million as at 31 December 2005 and 31 March 2005, respectively. Total current liabilities as at current quarter-end is lower that those as at year-end 2005 because of lower trade payables to suppliers as we began to slowly pay them off. On the other hand, the increase as compared with that of the same period last year is attributed to increased balances in trade payables as a result of increased dependence group wide on suppliers' credit and the accrual of interest on outstanding bank loans.

There are no events that will trigger direct or contingent financial obligation that is material to the company and there are no off-balance sheet transactions or arrangements with any unconsolidated entity or other person during the period being reported. The Company adopts strict controls in managing working capital requirements including the implementation of programs to further improve collection turnover and optimize inventory levels.

In view of the foregoing, consolidated total assets as at current quarter-end amounted to Peso 1,739.3 million as compared to Peso 1,730.9 million as at 31 December 2005 and Peso 1,861.2 million as at 31 March 2005.

* * * * *

__Exhibit II__

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF LOSS AND RETAINED EARNINGS
FOR THE THREE MONTHS ENDED 31 MARCH
UNAUDITED

(In Thousands)	**2006**	2005
Revenues	**190,538**	239,903
Cost of Goods Sold	**176,894**	234,805
Gross Profit	**13,644**	5,098
Operating Expenses	**21,286**	24,412
Income/(Loss) from Operations	**(7,642)**	(19,314)
Financing Charges, net	**21,422**	20,199
Loss Before Other Income/(Charges)	**(29,064)**	(39,513)
Other Income/(Charges)	**(1,593)**	(618)
Income/(Loss) Before Taxes	**(30,657)**	(40,131)
Provision for Taxes	**365**	138
Net Income/(Loss) for the Period	**(31,022)**	(40,269)
Income/(Loss) Per Common Share in centavos *	**(3.54)**	(4.60)

** Basic earnings (loss) per common share is calculated by dividing the net loss or income for the period by the weighted average number of shares outstanding after giving retroactive effect to stock dividends, if any, during the period. The Company has no dilutive potential common shares.*

Exhibit II

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH
UNAUDITED

(In Thousands)	**2005**	2004
Capital stocks		
Authorized – 1 billion common shares, P1 per share		
Issued and outstanding – 876,182,045 shares	**876,182**	876,182
Additional paid-in capital	**290,816**	290,816
Retained earnings/(deficit)		
Beginning	**(722,550)**	(530,935)
Net income/(loss) for the period	**(31,022)**	(40,269)
Ending	**(753,572)**	(571,204)
Revaluation increment	**216,614**	216,614
	630,040	812,408

Exhibit II

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands)	***Unaudited*** **31 March 2006**	*Audited* 31 December 2005	*Unaudited* 31 March 2005
Current Assets			
Cash and cash equivalents	**9,186**	7,676	9,287
Receivables, net	**208,347**	206,389	277,791
Inventories	**120,145**	113,483	126,058
Prepayments and other current assets	**153,343**	140,634	136,705
Total current assets	**491,021**	468,182	549,841
Property, Plant and Equipment	**825,454**	839,001	886,652
Investments in Affiliates	**413,390**	413,523	413,390
Other Assets	**9,476**	10,225	11,273
	1,739,341	1,730,931	1,861,156
Current Liabilities			
Loans and trust receipts payable	**167,169**	167,169	167,169
Current portion of long-term debts	**523,502**	523,502	523,502
Accounts payable and accruals	**418,630**	454,680	358,077
Total current liabilities	**1,109,301**	1,145,351	1,048,748
Long-term Debts	**-**	-	-
Stockholders' Equity	**630,040**	585,580	812,408
	1,739,341	1,730,931	1,861,156

Exhibit II

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASHFLOWS
FOR THE THREE MONTHS ENDED 31 MARCH
UNAUDITED

(In Thousands)	**2006**	2005
CASHFLOWS FROM OPERATING ACTIVITIES		
Net income/(loss) for the period	**(31,022)**	(40,269)
Adjustments to reconcile net loss to net cash (used for)/ provided by operating activities:		
Depreciation and amortization	**16,943**	17,983
Changes in current assets and current liabilities:		
(Increase)/decrease in:		
Receivables, net	**(1,958)**	(2,951)
Inventories	**(6,662)**	14,446
Prepayments and other current assets	**(14,120)**	(9,457)
Increase/(decrease) in:		
Accounts payable and accruals	**38,163**	16,099
Net cash provided by operating activities	**1,344**	(4,149)
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(1,660)**	(2,262)
(Increase)/decrease in other assets	**1,826**	504
Net cash provided by/(used for) investing activities	**166**	(1,758)
CASHFLOWS FROM FINANCING ACTIVITIES		
(Increase)/decrease in:		
Loans and trust receipts payable	**-**	-
Long-term debts	**-**	-
Net cash provided by/(used for) financing activities	**-**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,510**	(5,907)
CASH AND CASH EQUIVALENTS, Beginning	**7,676**	15,194
CASH AND CASH EQUIVALENTS, Ending	**9,186**	9,287

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

NOTES IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2006 AND 2005
UNAUDITED

1. The management of Steniel Manufacturing Corporation is responsible for all information and representations contained in these unaudited financial statements for the period being reported.

2. These financial statements are prepared in accordance with generally accepted accounting principles appropriate in the circumstances.

3. There are no material changes in the accounting policies and procedures during the period reported and those of the same period last year.

4. Seasonal or cyclical changes in the nature of the Company's operation do not have a significant impact in the quarterly unaudited financial statements.

5. There are no assets, liabilities, equity, income and expense accounts and cash flows that are unusual in both nature and amount for the current quarter and for the same period last year.

6. There are no changes in the amounts reported in the prior periods.

7. There are no issuances, repurchase and repayments of debt and equity securities.

8. There are no dividends paid, either cash or stocks, during the period reported and the immediately preceding year.

9. The Company is engaged in one line of business, that is the manufacture of corrugated boards and boxes.

10. There are no material events subsequent to the end of the period that have significant impact in the unaudited financial statements.

11. There are no changes in the composition of issuer during the interim period.

12. There are no material contingent liabilities or contingent assets since the last annual balance sheet.

Steniel Manufacturing Corporation and Subsidiaries
Ageing of Receivables
As at 31 March 2006

Age	Amount *(In 000 Php)*
Trade Receivables	
1 to 60 days	**87,515**
61 to 120 days	**5,883**
Over 120 days	**4,934**
Sub-total	**98,332**
Taxes and Other Receivables	**110,015**
Total	**208,347**