



شركة ريسوت للأسمنت (ش.م.ع.ع)  
**Raysut Cement Company** (S.A.O.G.)



## **DIRECTORS' REPORT AND MANAGEMENT DISCUSSION**

The Directors hereby present their 35<sup>th</sup> Annual Report together with the Audited financial statements for the year ended on 31 December 2015.

**Statement of Main Business:** The parent Company is in the business of manufacturing and selling of cement and clinker. It sells directly and through its terminals in Sohar and Muscat and also through its associated company in Yemen. The parent Company produces most of the varieties of cement like OPC, SRC, OILWELL and Pozzolana cement. OPC constitutes the bulk of the cement sale. The parent Company has an integrated plant at Salalah. It has three 100% subsidiaries, namely Pioneer Cement Industries LLC in RAK, UAE, Raysea Navigation SA and Raybulk Navigation Inc.

Pioneer is an integrated cement plant producing and selling cement in UAE and in export market. Raysea and Raybulk are the two shipping companies dealing with distribution of cement to terminals. It has two other associated companies, Oman Portuguese Cement Product LLC with 50% ownership is dealing with ready mix concrete and other cement products. Mukulla Raysut Trading and Investment Company in Yemen with 49% ownership and is dealing with sale of cement produced by the parent Company.

**Expansion Opportunities and Risks:** The Company always is on the path of expansion or modifications so as to remain active in its operations with higher productivity.

Parent Company, is exploring all possible options to restrain other cost so as to tide over the situation, as far as possible.

## **FINANCIAL RESULTS**

The construction sector though growing mostly driven by public spending, the region as a whole is under pressure from global situation as well as recent oil price decline.

There have been severe competitions across the markets coupled with socio political disturbances in Yemen. Unabated supply of cement from UAE due to surplus capacity and price decline there, has caused dent on price and volume sales in the Northern markets in Oman in particular. However, the group as whole has done well in this very challenging year by optimizing volume sales to markets to reap maximum advantages.

During the year, the group Revenue and sales volume is detailed below:

Revenue	2015	2014
	RO in Million	
Parent Company RCC	65.53	66.99
Pioneer Cement Company Industries LLC	29.28	28.16
Raysea Navigation SA	1.47	1.34
Raybulk Navigation Inc.	1.92	1.97
Inter- company sales	(3.52)	(4.17)
<b>Total consolidated revenue</b>	<b>94.68</b>	<b>94.29</b>

Increase in revenue: 0.41%

Sales Volume Cement and Clinker:	Million Tons	
Parent Company RCC	2.37	2.46
Pioneer Cement Company Industries LLC	1.45	1.39
Inter-company sales	-	(0.04)
<b>Consolidated Sales</b>	<b>3.82</b>	<b>3.81</b>

#### Profit:

Gross Profit for the group stood at RO 35.49 Million ((LY: RO 39.43 Million), a decrease by 10%.

Operating Profit for the group stood at RO 26.43 Million (LY: RO 30.47 Million), a decrease of 13.26%.

PBT during the year stood at RO 25.05 Million (LY: RO 30.39 Million).

PAT stood at RO 20.95 Million (LY: RO 27.43 Million) a decrease by 23.62%.

\*\*\*\*\* The financial statements have been regrouped for better presentations. It does not have any impact on net earnings or on the net assets of the company \*\*\*\*\*

**The Highlights of Financial Results during last five years:**

	<b>RO' Million</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Sales</b>	<b>94.68</b>	94.29	93.29	92.80	83.81
<b>Operating Profit</b>	<b>26.43</b>	30.47	30.54	28.55	20.37
<b>Cash Profit</b>	<b>28.66</b>	33.34	33.00	31.42	21.82
<b>PBT</b>	<b>25.05</b>	30.39	30.62	27.00	17.04
<b>PAT</b>	<b>20.95</b>	27.43	27.53	24.50	14.95
<b>Equity &amp; Reserve</b>	<b>148.01</b>	142.06	129.64	117.11	102.41
<b>Loans</b>	<b>35.06</b>	44.50	58.00	62.00	65.29
<b>Cash EPS RO</b>	<b>0.143</b>	0.167	0.165	0.157	0.109
<b>EPS RO</b>	<b>0.105</b>	0.137	0.138	0.123	0.075
<b>Dividend %</b>	<b>50%</b>	75%	75%	75%	50%
<b>Production MT '000</b>					<b>MT '000</b>
<b>Clinker</b>	<b>3,555</b>	3,290	3,381	3,539	3,389
<b>Cement</b>	<b>3,813</b>	3,762	3,709	3,778	3,105
<b>Sales MT '000</b>					
<b>Cement</b>	<b>3,814</b>	3,778	3,728	3,757	3,208
<b>Clinker</b>	<b>4</b>	36	53	65	591

**CEMENT DEMAND PROFILE**

During the year, the demand for cement went up in Oman due to several ongoing and new initiatives undertaken by the government. But the excess capacity led UAE producers continued supplies at substantially lower prices making the situation very competitive for domestic producers. The higher level construction activities in southern and central region, has salvaged the situation largely. In export segment the volume is lower in Yemen due to the difficulties there.

**PRODUCTION**

The productions of Cement and Clinker stood at as below:

	<b>Cement</b>		<b>Clinker</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Parent Company	2,357,028	2,374,160	2,190,834	2,089,408
Pioneer Cement	1,455,692	1,388,225	1,363,529	1,200,898
<b>Consolidated</b>	<b>3,812,720</b>	<b>3,762,385</b>	<b>3,554,363</b>	<b>3,290,306</b>

## **MARKETING:**

The company continued facing the competition in the northern markets from the supplies from UAE at low prices. In Yemen there are socio political disturbances. The parent Company, however, could retain the volume sales marginally less compared with that in previous year. The other export markets also picked up during the period, with competition though. In UAE there were excess capacity led competitions and Pioneer continued sales there at competitive prices. The Company also is pursuing the opportunities for newer markets so as to bolster its overall sales. On the whole the period ahead may provide better opportunities for the Company.

The parent Company's domestic sale of cement volume reached at 1.48 Million Tons (LY: 1.44 Million Tons). The Domestic sale includes 0.007 Million Tons (LY: 0.043 Million Tons) of cement imported from Pioneer. Export sale of cement stood at 0.877 Million Tons (LY: 0.986 Million Tons).

The revenue from domestic segment for parent Company amounted to RO 41.86 Million (LY RO 41.22 Million). Export segment turned out revenue of RO 23.67 Million (LY RO 25.77 Million).

Pioneer a subsidiary sold 1.454 M (LY 1.390 Million) Tons of Cement out of which export market in Oman constituted 1.06 Million Tons (LY 0.978 Million Tons) .The revenue generated by Pioneer amounted to RO 29.28 Million (LY 28.16).

## **RESERVE AND SURPLUS**

The Reserve and Surplus has increased during the year by 5.49 % to RO 114.56 Million (LY RO 108.60 Million) arising out of profit earned by the Company.

## **LOAN FUNDS:**

At the end of the year 2015, both the parent Company and the Group have the outstanding term loan burden of RO 35.06 Million (LY RO 44.50 Million). During the year the Company availed a loan of 13.125.million at a lower interest rate and prepaid loans of higher interest rate.

## **CASH FLOW**

The Company has managed the cash flow effectively through out the year and parked the available funds beyond immediate requirements, in call and time deposits. At the end of the year time deposits worth of RO 13.503 Million (LY RO 15 Million) were parked by the parent Company and RO 2.104 Million (LY 6.31 Million) by Pioneer. Parent company also had amounts in call deposit which is part of cash and cash equivalent in the Financials Statement.

## **NET ASSETS PER SHARE**

The net assets per share for the group have increased during the year to RO 0.740 (LY RO 0.710)

## **DIVIDEND**

In view of good performance by the Company, the Board of Directors is proposing to the shareholders in AGM that the dividend per share be at the rate of 50% of the paid up capital for 2015.

## **CORPORATE GOVERNANCE**

A separate section on Corporate Governance practices, as followed by the Company, as well as the Report from the Auditors confirming the compliance by the Company, are forming part of this Report.

## **ACKNOWLEDGEMENTS**

We take this opportunity to express our deep sense of gratitude to His Majesty and his Government for their continued guidance and support.

We thank our shareholders for their continued faith and support in what this Company stands for. We also are thankful to our customers, suppliers, financial institutions and various other stake holders of the company for their overwhelming support in achieving the objectives of the company. Our dedicated employees need special mention for the higher levels of achievements on a continual basis.

**Ahmed bin Yousuf bin Alawi Al Ibrahim**  
**Chairman of the Board of Directors**