



شركة ريسوت للأسمنت (ش.م.ع.ع.)

**Raysut Cement Company** (S.A.O.G.)



## Director report

### For the year ended 31 December 2016

Dear Shareholders,

It gives me pleasure to welcome you all to the 36<sup>th</sup> Annual General Meeting of the Company.

The audited financial statements including the consolidated financial statements for the year ended 31 December 2016 along with the Auditor's report is presented for your perusal.

#### Review of operations and financial performance:

##### Production:

**Group:** The Group as a whole has produced 3.308 Million Tons of Clinker and 3.759 Million Tons of Cement during the year against 3.555 Million Tons of Clinker and 3.813 Million Tons of Cement during the last year respectively. The overall production of Clinker went down by 6.95% and Cement by 1.42%.

**Parent Company:** The Parent Company in its Salalah plant produced 1.984 Million Tons of Clinker and 2.359 Million Tons of Cement during the year against 2.191 Million Tons of Clinker and 2.357 Million Tons of Cement in the last year. Overall there is a decrease of Clinker by 9.45% and increase in Cement by 0.08% as compared to last year.

**Subsidiary company:** At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 1.324 Million Tons and 1.400 Million Tons respectively during the year, against 1.364 Million Tons of Clinker and 1.456 Million Tons Cement respectively in the last year. Clinker productions decreased by 2.93% and Cement production decreased by 3.85% as compared to last year.

##### Sales:

**Group:** The Group as a whole has sold 3.711 Million Tons of Cement during the year against 3.818 Million Tons of Cement in the last year. Overall there is a decrease by 2.80%.

**Parent Company:** The Parent Company has sold 2.374 Million Tons of Cement during the year against 2.366 Million Tons of Cement in the same year of last year, out of the operations in its Salalah plant, an increase of 0.34%.

**Subsidiary company:** At Pioneer Cement, a subsidiary company, plant in UAE, has sold 1.400 Million Tons of Cement against 1.454 Million Tons in the same year of last year, a decrease by 3.71%.

**Revenue and profit:**

**Group:** During the year, the Group has earned a Revenue of RO 92.59 Million against RO 94.68 Million in the last year, a decrease by 2.21%.

The Profit Before Tax of the Group stood at RO 22.90 Million as against RO 25.05 Million in last year, a decrease of 8.59%. The Group operating profit has decreased to RO 22.41 Million in the current year from RO 26.43 Million in last year i.e. a decrease by 15.21%.

The Profit after Tax for the Group has decreased to RO 20.71 Million from RO 20.95 Million, decreased by 1.16% during the year.

**Parent Company:** In spite of the severe price competition from the UAE suppliers, and the volatility in the export market, the Parent Company has achieved the Sales Revenue of RO 65.80 Million during the year against RO 65.53 Million during the last year, an increase by 0.41%.

Profit Before Tax of the Parent Company stood at RO 18.81 Million for the year against RO 31.23 Million earned during the last year, a decrease by 39.77%. This is mainly due to the dividend received from a subsidiary company Pioneer in the last year.

The Profit after Tax of the Parent Company has stood at RO 16.64 Million against RO 27.39 Million, a decrease of 39.25% during the year.

**Subsidiary company:** During the year, the Sales Revenue, earned by Pioneer Cement, a subsidiary company in UAE amounted to RO 27.98 Million as compared to RO 29.28 Million achieved in the last year, a decrease by 4.44%.

Pioneer Cement has earned a profit of RO 4.71 Million against RO 5.64 Million earned during the last year, a decrease by 16.49%.

**Other subsidiary and associated companies:** Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services, have earned revenue of RO 1.69 Million and RO 0.55 Million against RO 1.92 Million and RO 1.47 Million respectively.

Profit after tax earned by Raybulk Navigation is RO 0.170 Million against profit of RO 0.329 Million and Raysea Navigation incurred a loss RO 0.92 Million against loss of RO 0.02 Million in the last year.

The consolidated profit earned from associated companies amounted to RO 0.159 Million against RO 1.08 Million in last year.

The major markets for the Parent company are domestic, Yemen and East African markets, and that for Pioneer, they are UAE and Oman markets. In southern Oman and southern Yemen markets, the Parent Company is the major player.

**Dividend Policy:**

The Company has been following a dividend policy based on performance achieved, market as well as investors' expectations and need for transfer to reserve to take care of various internal requirements and future developments.

The dividends declared during last five years are tabled below:

Year	2015	2014	2013	2012	2011
Dividend on paid up capital	50%	75%	75%	50%	100%

In view of good performance by the company even in a difficult environment, the Board of Directors is proposing to the shareholders in AGM that the dividend of 65 Baizas per share be paid on the paid up capital.

**Capital Structure Change:** During the year under review no capital restructuring like increase or reduction in capital or issue of bond has happened.

### **Future Outlook**

Various cost reductions initiatives coupled with optimization of distribution of cement keeping market share and profitability in mind, would be the major area of attention in the coming years. With those internal initiatives the Company is hopeful to minimize the pressure to a great extent.

The management continuous to focus on the dynamic and competitive market for cement. The continued emphasis on operational excellence is an important factor to the continuous success of the company. The company has a strong management and a strong operational performance and will continue to strive on a strategy that focuses on the creation of long term value to all the stakeholders while ensuring sustainability in the operations.

### **Expansions:**

The Parent Company has successfully commissioned ESP conversion to Bag filter at Line#2 and this upgrade is facilitating to control the dust emission level from the main stack is less than 5 mg/Nm<sup>3</sup>.

The Parent Company has successfully commissioned Gas Supply Station in Salalah during the year and this up-gradation has already started giving benefit of higher production and the Company is expected to achieve additional cement production to the tune of 130,000 – 140,000 Tons per Annum.

The Parent Company's project with Barwaaqo Cement Company LLC in Somaliland, is in process.

The Parent Company has started commercial operation from DUQM Cement Terminal.

The Parent company project for new packing plant is in process and expected to be completed by April 2017 and commissioning completion by May 2017.

Raysut Cement Company SAOG has registered a new LLC Company along with Oman Cement Company SAOG. The new company is named Alwasta Cement Company LLC. The new company proposes to set up a new cement plant in near future subject to detailed feasibility studies.

**Investments:**

The Company has been placing the surplus funds in Fixed Deposits from time to time out of the surplus generated both from Parent Company and its subsidiary in UAE, in order to take as much as possible advantage from these deposits.

**Employees:**

The Company is always on the lookout for professionally qualified staff members in the management to enrich its base, and is striving for training and development of employees for a sustainable growth focused organization. Group of employees were sent on training to various institutes both within and outside the country, apart from holding large number of in house training program.

**Social Responsibility:**

The Company does recognize its social responsibility and all important need for environmental protection. Maintaining pollution free environment as per international standards and continuously endeavoring to its improvement has been the guiding principles of your Company.

The Company has become a Centre for many Institutions of higher learning and Technical Colleges to train their students under the guidance of our executives with practical hands on experiences.

**Internal Control:**

Internal control system is being regularly assessed by the Internal Audit Team as well as by the management.

**Acknowledgement:**

On behalf of the Board of Directors and on my personal behalf, I take this opportunity to express our deep sense of gratitude to His Majesty and His Government for their unstinted support and guidance.

I would like to thank you for your support and confidence in us. I would also like to thank our associates, dealers, customers, the management team and all our employees for their loyalty, integrity contributions, commitment and continued support to the overall success of the Company.



**Ahmed bin Yousuf bin Alawi Al Ibrahim**

**Chairman of the Board of Directors**