DIRECTORS' REPORT AND MANAGEMENT DISCUSSION

The Directors hereby present their 39th Annual Report together with the Audited financial statements for the year ended on 31 December 2019.

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 Duqm, also through its subsidiary company in Sohar and associated company in Yemen. The parent Company produces most of the varieties of cement like OPC, SRC, PLC, OILWELL and Pozzolana cement. OPC constitutes the bulk of the cement sale. The parent Company has an integrated plant at Salalah.

It has few subsidiaries companies of which three 100% subsidiaries, namely Pioneer Cement Industries LLC in RAK, UAE, Sohar Cement Factory LLC in Sohar acquired during the current year, Raysea Navigation SA, and a 51% subsidiary Raysut Burwaqoo Cement Company LLC.

Further, during the current year, two 100% subsidiary company namely RCC Holding Company Limited, RCC Trading DMCC and one 55%, RCC MSG Somaliland Cement Holding Limited formed. All these new companies are our subsidiary companies.

Pioneer is an integrated cement plant producing and selling cement in UAE and in export market. Sohar Cement Factory LLC is grinding unit engaged in manufacturing and selling cement in Sohar, Muscat and north of Oman.

Raysea is a shipping company dealing with distribution of cement to terminals.

We have one associate company 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. Also, we are going to launch new cement types in OPC and PLC range to cater to new markets in India and Europe.

Parent Company, is exploring all possible options to restrain cost so as to tide over the situation on one hand, and expanding domestic market as well exploring new markets in export region on the other.

FINANCIAL RESULTS

The construction sector growth is mostly driven by public spending, and the region as a whole is under pressure due to global situation as well as oil price variation.

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.
During the year the group performance is detailed below:

	2019	2018
Revenue		
	RO in Million	
Parent Company RCC	60.33	62.12
Pioneer Cement Company Industries LLC	27.66	31.55
Sohar Cement Factory LLC	10.18	-
RCC Trading Company	3.15	-
Shipping Companies (Raysea/Raybulk)	1.43	0.83
Inter- company sales	(18.70)	(3.52)
Total consolidated revenue	**84.05**	**90.98**

Decrease in revenue: 7.62%

	2019	2018
Sales Volume: Cement and Clinker:		
	Million Tons	
Parent Company RCC	2.92	2.69
Pioneer Cement Company Industries LLC	1.67	1.81
Sohar Cement Factory LLC	0.58	-
Inter- company sales	(0.88)	(0.15)
Consolidated Sales	**4.29**	**4.35**

Profit:

Gross Profit for the group stood at RO 19.06 Million (LY: RO 15.62 Million), an increase by 22%.

Operating Profit for the group stood at RO 7.77 Million (LY: RO 2.70 Million), an increase by 180.51%.

PBT during the year stood at RO 2.88 Million (LY: RO 1.04 Million) an increase by 176.92%.

PAT stood at RO 2.26 Million (LY: RO 0.34 Million) an increase by 6.65 times.

The Highlights of Financial Results during last five years:

RO' Million

	2019	2018	2017	2016	2015
Sales	**84.05**	90.98	71.87	92.59	94.68
Operating Profit	**7.77**	2.70	6.72	22.90	26.43
Cash Profit	**13.29**	8.01	14.83	27.67	28.83
PBT	**2.88**	1.04	8.03	22.90	25.05
PAT	**2.26**	0.34	5.81	20.71	20.95
Equity & Reserve	**145.87**	146.11	151.64	158.8	148.01
Loans	**41.67**	27.30	22.44	28.31	35.06
Cash EPS RO	**0.07**	0.04	0.07	0.14	0.14
EPS RO	**0.011**	0.002	0.029	0.104	0.105
Dividend %	**12.5%**	12.5%	29%	65%	50%
Production MT '000					
Clinker	**3,453**	3,398	2,967	3,308	3,555
Cement	**3,523**	3,326	2,913	3,759	3,813
Sales MT '000					
Cement	**3,558**	3,332	2,937	3,711	3,814
Clinker	732	1,021	15	-	4

CEMENT DEMAND PROFILE

During the year, the demand for cement improved in Oman due to increased construction activities in Al Wousta region. However excess capacity led UAE producers continued supplies at substantially lower prices making the situation very competitive for domestic producers. In export-market our efforts with a changed price strategy to establish our brand of cement is reflecting positively with higher sales. In the years to come we expect to firm up our prices with an established customer base.

PRODUCTION

The productions of Cement and Clinker stood at as below:

	Cement (in '000MT)		Clinker (in "000 MT)	
	2019	**2018**	**2019**	**2018**
Parent Company	1,926	2,110	2,062	2,051
Pioneer Cement	1,039	1,216	1,391	1,347
Sohar Cement	558	-	-	-
Consolidated	**3,523**	**3,326**	**3,453**	**3,398**

MARKETING:

The parent company continued facing the competition in the northern markets from the supplies from UAE at low prices, still managed to maintain a market share in Oman. Due to socio political disturbances in Yemen, the parent Company's sales slashed in current year as compared to last year and other export market witnessed a growth of 40% as compared to last year.

In UAE there were excess capacity led competitions and Pioneer continued sales there at competitive prices. On the whole, the period ahead is challenging for the Company and the management is hoping to improve its market presence with fierce marketing strategy, pursuing the opportunities for newer markets and a change in pricing policy in export markets.

The parent Company's domestic sale of cement volume stood at 1.40 Million Tons (LY: 1.39 Million Tons). Export sale of cement stood at 0.99 Million Tons (LY: 0.87 Million Tons). The clinker sale volume stood at 0.52 million tons (LY 0.43 million tons)

The revenue from domestic segment for parent Company amounted to RO 33.79 Million (LY RO 36.25 Million). Export segment turned out revenue of RO 26.53 Million (LY RO 25.87 Million).

Pioneer a subsidiary sold 1.034 Million (LY 1.25 Million) Tons of Cement out of which export market in Oman constituted 0.38 Million Tons (LY 0.77 Million Tons). The revenue generated by Pioneer amounted to RO 27.66 Million (LY 31.55).

The Credit Management has always remained a focused area for the Company to continue with healthy credit practices.

RESERVE AND SURPLUS

The Reserve and Surplus of the parent company has decreased during the year by 2.10% to RO 109.37 Million (LY RO 111.68 Million) due to dividend payout.

LOAN FUNDS:

At the end of the year 2019, the Group have the outstanding term loan of RO 41.67 Million (LY RO 27.30 Million).

CASH FLOW

The Company has managed the cash flow effectively throughout the year.

NET ASSETS PER SHARE

The net assets per share for the Group stood at RO 0.729 (LY RO 0.731)

DIVIDEND

In view of moderate performance by the Company in the background severe price war and competitive market, The Board of Directors is proposing to the shareholders in AGM that the dividend per share be at the rate of 12.5% of the paid up capital for 2019.

CORPORATE GOVERNANCE

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

ACKNOWLEDGEMENTS

We express our deep sorrow and heartfelt condolence on passing away of His Majesty Sultan Qaboos Bin Said, whose leadership and vision brought substantial growth and success to Oman over the last five decades.

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