



شركة ريسوت للأسمنت  
Raysut Cement Company

الشريك الإستراتيجي للنمو  
Strategic Partner for Growth

## Director report For the year ended 31<sup>st</sup> December 2020

**Dear Shareholders,**

It gives me pleasure to welcome you all to the 40<sup>th</sup> Annual General Meeting of the Company.

On behalf of Board of Directors of the Raysut Cement Group of Companies, it gives me pleasure, albeit in these difficult and uncertain times, to present the Audited Financial Statements for the year ended 31<sup>st</sup> December 2020 of the Company along with the Auditor's report presented for your perusal.

The prevailing COVID-19 Pandemic has created an unprecedented situation throughout the globe. All mankind, business both at domestic and international levels, are passing through a critical phase, your company is no exception to it hence has suffered significantly. RCC revenue was maintained for the year however profitability took a severe hit.

### **Review of operations and financial performance:**

#### **Production:**

#### **Group:**

The Group as a whole has produced 3.599 Million Tons of Clinker and 4.110 Million Tons of Cement during the year against 3.453 Million Tons of Clinker and 3.523 Million Tons of Cement during last year respectively. The overall production of Clinker is higher by 4.23% and Cement by 16.67%.

The higher production of cement is mainly due to the additional production from one of the newly acquired subsidiary company Sohar Cement Factory LLC which was acquired on 19 May 2019.

#### **Parent Company:**

The Parent Company in its Salalah plant produced 2.212 Million Tons of Clinker and 2.000 Million Tons of Cement during the year against 2.062 Million Tons of Clinker and 1.926 Million Tons of Cement in the last year. Overall, there is an increase of production of Clinker by 7.27% and Cement by 3.84% as compared to last year. The performance is extraordinary in spite of the impact of COVID 19 pandemic, which changed the trend reported till Q3, 2020.

#### **Subsidiary companies:**

At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 1.387 Million Tons and 0.803 Million Tons respectively during the year, against 1.391 Million Tons of Clinker and 1.039 Tons cement respectively in the last year. Clinker productions is lower by 0.29% and



Cement by 22.71% as compared to last year. This is due to the impact of COVID 19 pandemic and stiff competition in UAE.

At Sohar Cement Factory LLC, the productions of Cement stood at 1.307 Million Tons against 0.558 Million Tons during the year which is higher by 134%. The higher production of cement is mainly due to the fact that Sohar Cement Factory LLC was acquired on 19 May 2019 and last year represents only seven months' production.

**Sales:**

**Group:**

The Group as a whole has sold 4.031 Million Tons of Cement during the year against 3.558 Million Tons of Cement in the last year. Overall, there is an increase of cement sale by 13.30%. Further, the Group have sold 0.640 Million Tons of Clinker against 0.732 Million Tons in the last year, it does not include internal consumption of 0.685 Million Tons of Clinker at Sohar Cement Factory LLC.

The higher sales of cement is mainly due to the additional sales from one of the newly acquired subsidiary company Sohar Cement Factory LLC.

This is a significant achievement considering major business in the region are only operating at 20% to 30%.

**Parent Company:**

The Parent Company has sold 2.742 Million Tons of Cement (including 0.820 through Subsidiaries) and 0.585 Million Tons of clinker during the year against 2.399 Million Tons of Cement and 0.524 Million Tons of clinker in the last year, an increase of cement by 14.30% and clinker by 11.64%.

**Subsidiary companies:**

At Pioneer Cement, a subsidiary company, plant in UAE, has sold 0.810 Million Tons of Cement and 0.740 Million Tons of clinker against 1.034 Million Tons of cement and 0.632 Million tons of clinker in the last year, a decrease by 21.66% in cement and an increase in clinker by 17.10% during the year. Clinker was mainly sold to Sohar Cement Factory LLC.

At Sohar Cement Factory LLC, the sale of Cement stood at 1.300 Million Tons during the year against 0.583 Million Tons during the period from 20 May 2019 to 31<sup>st</sup> December 2019. The higher sales of cement are mainly due to the fact that Sohar Cement Factory LLC was acquired on 19 May 2019 and last year represents only seven months sales only.

RCC Trading DMCC is involved in trading activities of sale of cement and clinker have sold 0.888 Million Tons of Cement and 0.377 Million Tons of clinker. The higher sales of cement and clinker are mainly due to the fact that RCC Trading DMCC was incorporated on 29 April 2019 and last year represents only seven months sales only.

Lafarge Maldives Cement Pvt. Ltd, a new acquired subsidiary company in Maldives where the Parent Company has acquired 75% shareholding, renamed as Raysut Maldives Cement Pvt. Ltd. has made a





Cement Sales of RO 0.013 Million MT for the post-acquisition period from 1<sup>st</sup> September to 31 December 2020.

The major markets for the Parent company are domestic, Yemen and East African Markets, for Sohar Cement Factory it is northern Oman and for Pioneer, the main markets are UAE and Oman. RCC Trading DMCC has added many new markets such as Zanzibar, Comoros, Madagascar and Raysut Maldives Cement Pvt. Ltd. has added new market of Maldives in the group's geographical coverage in line with the Group Strategic Plan.

### **Revenue and profit:**

#### **Group:**

During the year, the Group has earned a Revenue of RO 90.38 Million against RO 84.05 Million in the last year, an increase by 7.50%. An increased in sales is due to sales from newly acquired company Sohar Cement Factory LLC.

The Loss before Tax of the Group stood at RO 15.78 Million as against profit of RO 2.88 Million in the last year. The Group operating loss for the year is RO 11.67 Million in the current year against a profit of RO 7.77 Million in the last year mainly due to the following reasons:

- Decline in sales volume in local market due to lack of projects specifically in Dhofar region;
- No salary cut for local manpower during pandemic;
- Increase in local manpower cost by 3% per annum;
- Lower sales realization per ton of Cement and Clinker sold in export market due to stiff competition from UAE, Saudi Arabia and Iran
- Increase in fixed selling and distribution cost is due to the underutilization of hired ships due to COVID 19;
- Increase in finance cost due to higher amounts of term loan and utilization of additional working capital facilities;
- Reduction in fair market value of securities;
- Mobilization constraint due to COVID 19 pandemic; and
- Provision for Derecognition of Ship to Be Disposed.

The Loss after Tax for the Group is RO 14.06 Million against a profit of RO 2.26 Million during the last year.

#### **Parent Company:**

In spite of severe price competition from the UAE suppliers, and the volatility in the export market, the Parent Company could achieve an overall Sales revenue of RO 60.78 Million during the year against RO 60.33 Million during the last year, an increase by 0.74%.

The Loss after tax of the Parent Company has stood at RO 12.38 Million against a profit of RO 0.18 Million during the last year.



### Subsidiary companies:

During the year, the Sales Revenue, earned by Pioneer Cement, a subsidiary company in UAE amounted to RO 24.03 Million as compared to RO 27.66 Million achieved in the last year, a decrease by 13.12%.

Pioneer Cement has made a profit of RO 0.37 Million against a profit of RO 0.89 Million during the last year, a decrease by 58.42%.

Sohar Cement Factory LLC has made a revenue of RO 23.70 Million and profit of RO 1.40 Million during the year against last year revenue of RO 10.18 Million and made a profit of RO 0.72 Million during the post-acquisition period.

Raysea Navigation, a subsidiary company which provide with shipping services, has earned revenue of RO 1.45 Million against a revenue of RO 1.43 Million and made a loss of RO 2.47 Million which includes a provision for impairment against a ship of RO 2.51 Million.

RCC Trading DMCC, a subsidiary company in UAE which is engaged in the trading activity has earned a revenue of RO 28.65 Million and incurred a loss of RO 3.80 Million against revenue of RO 3.15 Million and a profit of RO 0.08 Million for a post registration period of seven months.

Raysut Maldives Cement Pvt. Ltd., a new acquired subsidiary company in Maldives has earned a revenue of RO 0.59 Million and made a profit of RO 0.014 Million for the post acquisition period from 1<sup>st</sup> September to 31<sup>st</sup> December 2020.

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

### Gas Price

Management is thankful to Ministry of Energy and Mineral for rolling back the gas price and charging us now at the rate of earlier agreement. We are awaiting the same treatment for the year 2020 gas prices for the smooth operations of company.

### Dividend Policy:

The Company has been following a dividend policy based on performance achieved, market as well as investors' expectations.

The dividends declared during last five years are tabled below:

Year	2019	2018	2017	2016	2015
Dividend on paid up capital	-	12.5%	29%	65%	50%



### **Future Outlook**

Various cost reductions initiatives coupled with optimization of distribution of cement keeping market share and profitability in mind, exploring export market for optimum utilization of available resources would be the major area of attention. With those internal and external initiatives the Company is hopeful to minimize the market pressure to a great extent.

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

### **Expansions:**

The Parent Company is building a Cement Grinding Unit in Duqm with a production capacity of seven hundred and fifty thousand tons of cement per annum and related financing arrangements are made with local bank. The estimated project cost is about USD 30 million.

### **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. The Company continues to sponsor employees 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 need for environmental protection. Maintaining pollution free environment as per international standards and continuously endeavoring to its improvement has been the guiding principles of Company.

Company has contributed RO 500,000 to the Ministry of Health Fund for supporting the fight against COVID-19.

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**