



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



Director report

For the first quarter ended 31 March 2017

Dear Shareholders,

It gives me pleasure to present the Financial Statements for the period first quarter ended 31 March, 2017 of the Company.

Review of operations and financial performance:

Production:

Group: The Group as a whole has produced 817,222 Tons of Clinker and 742,414 Tons of Cement during the current period against 860,480 Tons of Clinker and 1,018,542 Tons of Cement during the corresponding period of last year respectively. The overall production of Clinker went down by 5.03% and Cement by 27.11% respectively.

Parent Company: The Parent Company in its Salalah plant produced 489,185 Tons of Clinker and 474,987 Tons of Cement during the period against 517,555 Tons of Clinker and 634,590 Tons of Cement in the corresponding period of last year. Overall there is a decrease of Clinker production by 5.48% and Cement by 25.15% as compared to corresponding period of last year.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 328,037 Tons and 267,427 Tons respectively during the current period, against 342,925 Tons of Clinker and 383,952 Tons Cement respectively in the same period of last year. Clinker productions decreased by 4.34% and Cement by 30.35% against corresponding period of last year.

Sales:

Group: The Group as a whole has sold 764,203 Tons of Cement during the period against 1,017,252 Tons of Cement in the corresponding period of last year. Overall there is a decrease of 24.88%.

Parent Company: The Parent Company has sold 522,309 Tons of Cement during the current period against 644,504 Tons of Cement in the same period of last year, a decrease of 18.96%.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, has sold 252,322 Tons of Cement against 390,537 Tons in the same period of last year, a decrease by 35.39%.

Revenue and profit:

Group: During the period, the Group has earned a Revenue of RO 19.43 Million against RO 25.29 Million in the same period of last year, a decrease by 23.17%.

The Profit Before Tax stood at RO 4.56 Million as against RO 8.86 Million in the same period of last year, a decrease of 48.53%. The Group operating profit stood at RO 4.44 Million as against RO 8.37 Million in the same period of last year, a decrease of 46.95%. This is because of significant increase in cost of electricity with effective from January 2017 and lower volume of sales.

The Profit after Tax for the Group has stood at RO 3.09 Million against RO 8.08 Million a decrease of 61.76%, during the corresponding period of last year. This is due to the reasons mentioned above and change in income tax law wherein the tax rate increased from 12% to 15%. Further, deferred tax has also been adjusted to this effect which resulted increase in deferred tax liability and consequently, increase in provision of tax in the current period.

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 14.54 Million during the current period against RO 17.73 Million during the same period of last year, a decrease by 17.99%.

Profit Before Tax of the Parent Company stood at RO 4.05 Million in the current period against RO 7.33 Million during the same period of last year, a decrease by 44.75%.

The Profit after Tax for the Parent Company has stood at RO 2.63 Million against RO 6.52 Million, a decrease of 59.66%, during the same period of last year.

Subsidiary company: During the period, the Sales Revenue, earned by Pioneer Cement, a subsidiary company amounted to RO 5.13 Million as compared to RO 7.81 Million achieved in the same period of last year, a decrease by 34.31%.

Pioneer Cement has earned a profit of RO 0.80 Million as against RO 1.75 Million earned during the same period of last year, a decrease by 54.29%.

Other subsidiary companies: Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services incurred a loss before tax of RO 0.07 Million and profit of RO 0.07 Million respectively during the current period against loss of RO 0.09 Million and a loss of RO 0.13 Million in the same period of 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.

Capital Structure Change: During the period 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's project with Barwaaqo Cement Company LLC in Somaliland, is in process.

The Parent company project for new packing plant is in process.

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