



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



## Director report

### For the nine months ended 30 September 2017

Dear Shareholders,

It gives me pleasure to present the Financial Statements for the period nine months ended 30 September, 2017 of the Company.

#### Review of operations and financial performance:

##### Production:

**Group:** The Group as a whole has produced 2,360,251 Tons of Clinker and 2,172,971 Tons of Cement during the current period against 2,430,769 Tons of Clinker and 2,849,169 Tons of Cement during the corresponding period of last year respectively. The overall production of Clinker went down by 2.9% and Cement by 23.7% respectively.

**Parent Company:** The Parent Company in its Salalah plant produced 1,410,114 Tons of Clinker and 1,318,452 Tons of Cement during the period against 1,473,519 Tons of Clinker and 1,787,092 Tons of Cement in the corresponding period of last year. Overall there is a decrease of Clinker by 4.3% and Cement by 26.2% 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 950,137 Tons and 854,519 Tons respectively during the current period, against 957,250 Tons of Clinker and 1,062,077 Tons Cement respectively in the same period of last year. Clinker productions decreased by 0.7% and Cement by 19.5% against corresponding period of last year.

##### Sales:

**Group:** The Group as a whole has sold 2,203,388 Tons of Cement during the period against 2,834,369 Tons of Cement in the corresponding period of last year. Overall there is a decrease by 22.3%.

**Parent Company:** The Parent Company has sold 1,395,648 Tons of Cement during the current period against 1,818,143 Tons of Cement in the same period of last year, a decrease of 23.2%.

**Subsidiary company:** At Pioneer Cement, a subsidiary company, plant in UAE, has sold 845,401 Tons of Cement against 1,063,017 Tons in the same period of last year, a decrease by 20.5%.

##### Revenue and profit:

**Group:** During the period, the Group has earned a Revenue of RO 54.71 Million against RO 70.56 Million in the same period of last year, a decrease by 22.5%.

The Profit Before Tax stood at RO 9.11 Million as against RO 18.42 Million in the same period of last year, a decrease of 50.5%. The Group operating profit stood at RO 8.15 Million against RO 18.05 Million in the same period of last year, a decrease of 54.8%. This is because of lower volume of sales owing to competition in local markets and in export markets mainly in Yemen due to socio disturbance which resulted loss of some areas and increase in cost of electricity/ gas/ coal i.e. with effect from January 2017, the average cost of electricity for the parent company increased from RO 0.017/KWH to RO 0.028/KWH, for the period i.e. increased by 60.71% RO 1.3 million compared to the corresponding period of last year, gas price increased by 3% for the period and for Pioneer, a subsidiary company, cost per MT of coal increased from USD 67 to USD 80 RO 0.878 Million because of increase in international market rates. Furthermore, the market value of securities decreased by RO 428 thousand compared to the corresponding period last year which is compensated by the profit from sale of one of an associated company Oman Portuguese Cement Products LLC.

The Profit after Tax for the Group has stood at RO 6.73 Million against RO 16.66 Million a decrease of 59.6%, during the corresponding period of last year. This is due to the reasons mentioned above and changes 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 to RO 2,377 thousand from RO 1,754 thousand for the corresponding period of last year i.e. an increase of 35.52%.

**Parent Company:** In spite of the severe price competition in the markets from cement suppliers from neighboring markets, and the volatility in the export market, the Parent Company has achieved the Sales Revenue of RO 38.50 Million during the current period against RO 50.24 Million during the last year, a decrease by 23.3%.

Profit Before Tax of the Parent Company stood at RO 9.53 Million in the current period against RO 15.48 Million during the same period of last year, a decrease by 38.4%.

The Profit after Tax for the Parent Company has stood at RO 7.22 Million against RO 13.73 Million, a decrease of 47.4%, 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 16.97 Million as compared to RO 21.22 Million in the same period of last year, a decrease by 20%.

Pioneer Cement has earned a profit of RO 2.41 Million as against RO 3.81 Million earned during the same period of last year, a decrease by 36.7%.

**Other subsidiary companies:** Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services earned a profit of before tax of RO 0.04 Million and loss of RO 0.12 Million respectively during the current period against profit of RO 0.09 Million and a loss of RO 0.96 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.

**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 project for new packing plant is expected to be completed in the first quarter of 2018.

Raysut Cement Company SAOG along with Oman Cement Company SAOG has registered a new company named Al Wusta Cement Company LLC. The new company has been allotted 500,000 Sq. Mtr of land for setting-up of a new cement plant in Duqm by Special Economic Zone Authority of Duqm (SEZAD). Al Wusta Cement Company LLC has signed a usufruct agreement with SEZAD in this regard. The project will be proceeded with subject to outcome of final feasibility report.

### **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.

The Group have sold one of an associated company Oman Portuguese Cement Products LLC during the third quarter.

### **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**