



Director report

For the Quarter ended 31st March 2021

Dear Shareholders,

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 Financial Statements for the first quarter ended 31st March 2021 and an overview of the performance of the Company.

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, however, there is significant improvement from the Q1 of the last year.

Review of operations and financial performance:

Production:

Group:

The Group, as a whole, have produced 0.701 Million Tons of Clinker and 1.109 Million Tons of Cement during the year against 0.834 Million Tons of Clinker and 1.074 Million Tons of Cement during last year respectively. The overall production of Clinker is lower by 15.98% and Cement is higher by 3.22%.

The production of cement is stable mainly due to the high production in all three plants including newly acquired subsidiary company Sohar Cement Factory LLC.

Parent Company:

The Parent Company in its Salalah plant produced 0.349 Million Tons of Clinker and 0.542 Million Tons of Cement during Q1 this year against 0.501 Million Tons of Clinker and 0.500 Million Tons of Cement in the last year. Overall, there is a decrease of production of Clinker by 30.35% and Cement increased by 8.40% as compared to Q1 last year.

Subsidiary companies:

At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 0.351 Million Tons and 0.192 Million Tons respectively during the year, against 0.344 Million Tons of Clinker and 0.284 Tons cement respectively in the last year. Clinker productions is higher by 2.18% and Cement lower by 32.59% as compared to Q1 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 0.375 Million Tons against 0.290 Million Tons during the year which is higher by 29.39%. The higher production of cement is mainly due to more efficient sales and improved demand as compared to Q1 last year.

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Sales:

Group:

The Group, as a whole, have sold 1.113 Million Tons of Cement during the Q1 2021 against 1.096 Million Tons of Cement in Q1 last year. Overall, there is an increase of cement sale by 1.45%. Further, the Group have sold 0.184 Million Tons of Clinker against 0.266 Million Tons in the last year, it does not include internal consumption of 0.150 Million Tons of Clinker at Sohar Cement Factory LLC.

The stable 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 0.565 Million Tons of Cement (including 0.019 through Subsidiaries) and 0.120 Million Tons of clinker during the year against 0.739 Million Tons of Cement (including 0.219 through Subsidiaries) and 0.266 Million Tons of clinker in Q1 last year, a decrease of cement by 23.49% (Due to less sales through Subsidiary but Parent own sales is stable) and clinker reduced by 54.64%.

Subsidiary companies:

At Pioneer Cement, a subsidiary company, plant in UAE, has sold 0.182 Million Tons of Cement and 0.214 Million Tons of clinker against 0.286 Million Tons of cement and 0.136 Million tons of clinker in Q1 last year, a decrease by 36.18% in cement and an increase in clinker by 57.33% during Q1. Clinker was mainly sold to Sohar Cement Factory LLC.

At Sohar Cement Factory LLC, the sale of Cement stood at 0.385 Million Tons during Q1 this year against 0.292 Million Tons during Q1 last Year. The higher sales of cement are mainly due to more efficient sales and improved demand as compared to Q1 last year.

RCC Trading DMCC is involved in trading activities of sale of cement and clinker have sold 0.291 Million Tons of Cement and 0.090 Million Tons of clinker. The higher sales of cement is due improved export sales.

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 0.015 Million MT for Q1 2021.

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 period, the Group earned a Revenue of RO 26.896 Million against RO 25.612 Million in the Q1 last year, an increase by 5.01%. An increased in sales is due to improvement in north of Oman from newly acquired company Sohar Cement Factory LLC.

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The Profit before Tax of the Group stood at RO 0.106 Million as against loss of RO 4.237 Million in Q1 last year. The Group operating profit for the period is RO 0.832 Million in the current year against a loss of RO 2.596 Million in the Q1 last year mainly due to the following reasons:

- Group Sales revenue during Q1 2021, is increased by 5% compared to corresponding period (Q1-2020).
- Ever high cement production in the history of RCC.
- Significant reduction in Idle time by forward chartering
- New markets and customers allowed RCC to improve cement sales and improved gross profit significantly.
- Influenced Ministry of Energy and Minerals to roll back the Gas price hike.
- Improvement in profit of RCC (Salalah), PCIL and Sohar.
- Overall Cement Sales of the Group is higher by 1% compared to the Q1 Last Year

The Profit after Tax for the Group is RO 0.102 Million against a loss of RO 4.009 Million during Q1 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 12.827 Million during the year against RO 18.318 Million during the last year, an increase by 29.97%. This is mainly due to the sales to parent customers through Sohar Cement Factory in Q1 2020 whereas in Q1 2021 Parent Customers in North have been transferred to Sohar Cement directly.

The Profit after tax of the Parent Company has stood at RO 0.005 Million (RO 5.38k) against a loss of RO 4.047 Million during Q1 last year.

Subsidiary companies:

During the year, the Sales Revenue, earned by Pioneer Cement, a subsidiary company in UAE amounted to RO 5.732 Million as compared to RO 6.440 Million achieved in the last year, a decrease by 10.99%.

Pioneer Cement has made a profit of RO 0.113 Million against a Profit of RO 0.109 Million during Q1 last year, an increase by 3.67%.

Sohar Cement Factory LLC has made a revenue of RO 7.003 Million and profit of RO 0.638 Million during Q1 current year against Q1 last year revenue of RO 5.330 Million and made a profit of RO 0.207 Million during Q1 last year.

Raysea Navigation, a subsidiary company which provide with shipping services, since during current period the vessel (M.V. Raysut I) was sold out and therefore, there were no commercial operations.

RCC Trading DMCC, a subsidiary company in UAE which is engaged in the trading activity has earned a revenue of RO 6.994 Million and incurred a loss of RO 0.924 Million against revenue of RO 7.882 Million and a loss of RO 0.182 Million for Q1 last year.

Raysut Maldives Cement Pvt. Ltd., a new acquired subsidiary company in Maldives has earned a revenue of RO 0.586 Million and made a profit of RO 0.023 Million for Q1 2021.

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

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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 in 2021. We are awaiting the same treatment for the year 2020 gas prices for the smooth operations of company.

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.

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.

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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