

Director Report

for the nine-month period ended 30th September 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 nine months period ended 30th September 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 corresponding period.

Review of operations and financial performance:

Production:

Group:

The Group, as a whole, have produced 2.396 Million Tons of Clinker and 2.891 Million Tons of Cement during the period against 2.601 Million Tons of Clinker and 2.879 Million Tons of Cement during corresponding period respectively. The overall production of Clinker is lower by 8% and Cement is higher by 0.4%.

The cement production by group is highest in the history mainly due to the high production in all three plants including recently acquired subsidiary company Sohar Cement Factory LLC.

Parent Company:

The Parent Company in its Salalah plant produced 1.338 Million Tons of Clinker and 1.583 Million Tons of Cement during nine months of the current year against 1.615 Million Tons of Clinker and 1.385 Million Tons of Cement during the corresponding period of previous year. Overall, there is a decrease of production of Clinker by 17% and Cement production is higher by 14% as compared to corresponding period of last year.

Subsidiary companies:

At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 1.058 Million Tons and 0.384 Million Tons respectively for nine months of the current year, against 0.986 Million Tons of Clinker and 0.588 Tons during the corresponding period of previous year. Clinker productions is higher by 7.25% and Cement is lower by 34.62% as compared to the corresponding period of previous 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 0.928 Million Tons against 0.906 Million Tons during the corresponding period of previous year which is higher by 2%. The higher production of cement is mainly due to more efficient sales.

Sales:

Group:

The Group, as a whole, have sold 2.844 Million Tons of Cement during the nine months of the current year 2021 against 2.811 Million Tons of Cement during the corresponding period of previous year. Overall, there is an increase of cement sale by 1.2%. Further, the Group have sold 0.306 Million Tons of Clinker against 0.646 Million Tons in the corresponding period.

The higher sales of cement are mainly due to the addition of new countries and customers.

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 1.584 Million Tons of Cement (including 0.056 through Subsidiaries) and 0.242 Million Tons of clinker during the nine months of the current year 2021 against 2.059 Million Tons of Cement (including 0.694 through Subsidiaries) and 0.500 Million Tons of clinker during the corresponding period of previous year. Cement sales without (imported/local cement purchased) increased by 12% and clinker reduced by 52%.

Subsidiary companies:

At Pioneer Cement, a subsidiary company, plant in UAE, has sold 0.392 Million Tons of Cement and 0.729 Million Tons of clinker against 0.589 Million Tons of cement and 0.456 Million tons of clinker in during the corresponding period of previous year, a decrease by 33% in cement and an increase in clinker by 60%. Clinker was mainly sold to Sohar Cement Factory LLC.

At Sohar Cement Factory LLC, the sale of Cement stood at 0.924 Million Tons clinker during the nine months of the current year against 0.887 Million Tons during the corresponding period of previous year. The higher sales of cement are mainly due to more efficient sales.

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 during Q1 of the current year. The operations of this company is ceased with effect from 1 April 2021 as the purpose of establishing trading arm is achieved as new markets were added which are now managed by Parent company.

Raysut Maldives Cement Pvt. Ltd. has made a Cement Sales of 54 KT during nine months of the current year 2021.

The major markets for the Parent company are domestic, Yemen, Zanzibar, Comoros, Madagascar, Indian Ocean and East African Markets, for Sohar Cement Factory it is northern Oman and for Pioneer, the main markets are UAE and Oman. 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 72.306 Million against RO 65.239 Million in the nine months period of the current year. An increased in sales is due to improvement in north of Oman from recently acquired company Sohar Cement Factory LLC.

The Loss before Tax of the Group stood at RO 2.187 Million as against loss of RO 10.371 Million in nine months of the corresponding period. The Group operating loss for the period is RO 0.080 Million during the nine months of the current period against a loss of RO 6.312 Million. The improved performance is due to the following reasons:

- Group Sales revenue during nine month of the year 2021 slightly increased.
- Ever high cement production in the history of RCC.
- Significant reduction in Idle time by forward chartering
- New markets and customers allowed RCC (Salalah) to improve cement sales and gross profit significantly.
- Influenced Ministry of Energy and Mineral 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 4% compared to the corresponding period.

The Loss after Tax for the Group is RO 2.216 Million against a loss of RO 10.365 Million during nine months of the corresponding period.

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 37.140 Million during the nine months against RO 46.221 Million during the last year, a decrease by 20%. This is mainly due to the sales to parent customers through Sohar Cement Factory in nine months of the year 2020 whereas in during 2021 Parent Customers in North have been transferred cement from Sohar Cement Factory directly.

The Loss after tax of the Parent Company has stood at RO 3.981 Million against a loss of RO 10.373 Million during nine months of the corresponding period.

Subsidiary companies:

During the year, the Sales Revenue, earned by Pioneer Cement, a subsidiary company in UAE amounted to RO 23.542 Million as compared to RO 15.129 Million achieved in the nine months of the corresponding period, an increase by 55.61 %.

Pioneer Cement has made a profit of RO 1.522 Million as compared to RO 0.195 Million during nine months of the corresponding period, an increase by 682%.

Sohar Cement Factory LLC has made a revenue of RO 17.155 Million and profit of RO 1.124 Million during nine months of the current year against revenue of RO 16.345 Million and made a profit of RO 1 Million during corresponding period.

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 12.380 Million and incurred a loss of RO 0.912 Million against revenue of RO 22.216 Million and a loss of RO 1.396 Million for nine months of last year.

Raysut Maldives Cement Pvt. Ltd., a new acquired subsidiary company in Maldives has earned a revenue of RO 2.052 Million and made a profit after tax of RO 0.108 Million for nine months of the year 2021.

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 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.

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