

# Al Anwar Ceramic Tiles Co. SAOG

## **MD & A Report**

### **Industry Structure and Developments:**

The Ceramics tile industry in the GCC, which constitutes the primary market for the Company's products, is estimated in excess of 350 million Sq. mtrs per annum. We believe that the medium and long term demand prospects for this product category remains satisfactory.

The company has been successful in building a strong position in the Oman market. By establishing a strong dealer network, improving service efficiencies, strengthening the brand and, introducing larger format tiles and contemporary designs, Al Shams has been able to deliver a strong value proposition to it's customers and emerge as the clear market leader.

The GCC markets continue to constitute the primary focus for the company's products.

### **Opportunities and Threats:**

#### **Opportunities**

The construction industry in the GCC has been fuelled by the following factors:

- The population growth rate in the GCC is among the highest in the world. 65% of the regions indigenous population is under 30 years of age. This has fuelled demand for new dwelling units, which is one of the factors driving building construction.
- Permitting expatriates to own property in Dubai and other GCC countries has significantly increased the demand for new housing.
- Significant investments to boost the tourism and leisure industry in most of the GCC countries.

- GCC holds 45 % of the worlds oil reserves and supplies 20 % of the global crude production.
- The imposition of antidumping duty on imports of tiles from India and China by few GCC countries for an initial period of 5 years will have a positive impact for the tiles industry in the region.

### **Threats:**



The major threat for the company is the low priced competition from east mainly India. The other threat would be high dependency on building and construction industry. Being almost a commodity particularly in the price points we operate, pricing power is limited.

### **Analysis of segment and productwise performance:**

Segment reporting has been given separately in this Annual Report under notes to the financial statement. The company is largely a single product company namely ceramic wall and floor tiles and hence productwise segmenting is not relevant.

### **Outlook:**

A quick resolution of the geo political disturbances will augur well of our business in the region.

Our current capacity utilization for the period was around 65%. Free access to the Saudi market and freight rates returning to normal will be important for us to improve our capacity utilization and profits. There has been a positive response to the large format tiles introduced by the end of 2024 and we expect to consolidate further the same.

The Oman Government is in the final stage of implementing a standard for the tile imports which we believe will help in preventing poor quality tiles from India coming in at very cheap prices. This when implemented will provide some relief.

Our emphasis on continuous improvement programs, effective global sourcing, employing appropriate technologies and optimum levels of automation has helped us to reduce down time, process losses and costs while enhancing throughput and yield. Our competitive cost position continues to be a source of strength in relation to our regional peers.

Capacity utilization is key to amortise our fixed costs more optimally. The company is working towards consolidating in a few of our existing markets and focusing on making in roads into certain markets in the MENA region.

The company's strategy has been clear and consistent over the years. Our strategic intent is to emerge as the lowest cost producer of ceramic tiles in the region, by employing appropriate technologies and lean manufacturing systems driven by a committed and competent team of people.

**We recognize that our strength and vitality are our people. Their proper selection, training, motivation and reward are basic to our continuing growth and success.**

### **Risks and concerns:**

Low priced imports from the east, which has already been mentioned, is one of the concern areas. Apart from this any regional instability in the GCC and middle east region would affect the company given its large dependence in this region.

### **Internal control systems and their adequacy:**

The company has robust internal controls system in place. A manual of authorities has been drawn up and approved by the Board which clearly specifies authority levels covering every aspect of the organisation's transactions. These controls are reviewed by the statutory internal and external auditors every year.

### **Financial performance**

During the year the plant capacity utilization was around 65% which lower as compared to the previous year.

Gross revenue reduced by 12.03% to R.O. 18.29 million and Pretax Profit stands at R.O. 0.186 million and profit after tax is at R.O. 0.172 M for the year 2024.