



# Al Jazeera Steel Products Co. SAOG

## Chairperson's Report - 31 December 2020

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Dear Shareholder,

By the grace, assistance and right direction of the Almighty God and in this period of renewed renaissance under the leadership of His Majesty Sultan Haitham Bin Tariq Bin Taimur, it gives me immense pleasure on behalf of the Board of Directors of Al Jazeera Steel Products Co., SAOG, to extend a warm welcome to you all to the 23rd Annual General Meeting of the Company and to present the Annual Report, Audited Financial Statement and Auditors Report for the year ended 31 December 2020.

### **Key points of 2020 Operational Performance**

The global economy was dominated by the impact of the COVID 19 pandemic throughout the year. While the situation looked ominous at the beginning of the year, the world saw gradual recovery towards the year end. We however, still saw advanced economies such as USA & Europe seeing a resurgence of COVID infections towards the end of the year. All the same, economies around the world opened up albeit slowly as they gradually learned to better manage the pandemic. This has resulted in a slow recovery of economies around the world .

According to IMF, the world economy will slowly return to normal, though the return would be slow, uneven & uncertain. As of October 2020, the IMF revised its projections to a less severe decrease in global economic growth in 2020 as per the estimates in June 2020. The global real GDP growth is projected to decline by 4.4%, marginally better than the earlier projection of a decline of 4.9% made in June 2020. Even so the recovery all over the world has been fragile and will depend on how well the individual countries or regions manage the pandemic.

As far as the GCC economies are concerned, IMF expects them to contract by 6% in 2020 (October 2020 estimates), which is much more optimistic than the contraction of 7.1% projected in July 2020. In fact in Q3 of 2020, all the GCC economies showed positive growth. However, the various lockdown measures to control the pandemic in Oman, GCC & elsewhere meant severe disruptions in flow of goods, people & material. This was especially pronounced in Q2-2020 and resulted in sudden drop in demand and associated sales for the company in Q2 & Q3 of 2020. Oman took a number of proactive steps to handle this crisis and as a company we thank all the concerned authorities for their support & guidance in handling this crisis. I am also glad to mention that the company followed the guidelines issued by the authorities and adopted a very prudent approach to safeguard the lives & health of its employees and the wider community to which it belongs while managing to keep the business going on .

As a direct consequence of the pandemic, the construction industry in GCC as per Deloitte went through a very difficult period post Q1-2020, with over 60bn \$ worth of projects being put on hold or being cancelled leading to a big demand pull back for steel. Despite these strong headwinds the company managed to maintain reasonably steady business volumes after the setback in Quarter 2.



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Thus, although the company saw a reduction in sales volume of 8% YOY; however, operational profits increased by as much as 1.7m OMR YOY and we received refunds against duties & tarrifs amounting to OMR 851k, taking the net profits to 3,105m OMR. This was possible through prudent management of inputs costs, improving operational efficiency and striving for targeted sales.

The markets are expected to recover, although slowly in 2021. IMF projects that there will be a rebound in overall global economic growth in 2021, with advanced economies growing by as much as 3.9% and emerging market and developing economies group is projected to strengthen by as much as 6% in 2021. IMF expects that in 2021 GCC economies will grow by 2.3%, supported by the expansion of both oil (+1.2%) and non-oil (+2.9%) sectors. The end of the year also saw optimism induced by approval of vaccines and this has spread hope amongst humanity that we are finally getting to win this battle decisively. All this augurs well for the company in 2021 and we look to the future with cautious optimism .

Particulars	Group			Parent		
	2020	2019	Growth %	2020	2019	Growth %
Production in MT	371,147	401,387	(8%)	371,147	401,387	(8%)
Sales in MT	370,978	405,258	(8%)	369,635	405,394	(9%)
Sales Value in RO	88,467,313	103,980,951	(15%)	87,733,871	103,739,165	(15%)
Net Profit in RO	3,105,876	308,321	907%	2,928,918	275,562	963%

### Future plans

Inspite of the disruptions brought about by the pandemic, we have been slowly yet steadily continuing with our incremental upgrade plans in the mills, with an idea that there is a future beyond the pandemic. We are also in advanced state of implementation of ERP and expect to go live by mid 2021, bringing along with it added efficiency in the years to come.

### Dividends:

The Board of Directors is pleased to recommend a cash dividend of Bz 14 for the year 2020 for every share held. The following table shows the dividend declared during the past years.

Year	2015	2016	2017	2018	2019
Cash Dividend (in Baiza)	9	23	24	16	5



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### **Internal Control Systems and their adequacy**

The Company has proper and adequate systems of internal controls required to ensure that all assets are safeguarded and protected against unauthorized use or disposition and that all transactions are authorized and reported correctly. The internal control system is supplemented by an extensive program of internal audits, review by management, documented policies, guidance, and procedures. The internal control system is designed to ensure that all data is reliable for preparing and maintaining financial statements.

The Company has an audit committee comprising of non-executive directors to review the audit work which in turn is reviewed by the Board.

The greatest strength of your Company is the quality and spirit of its people. Also, it enjoys a good reputation in the market for its quality and dependability, and all these contribute positively to its future prosperity. I would like to record my appreciation and sincere gratitude to all the employees of Jazeera Steel, who toiled under very difficult conditions taking all due precautions and have produced positive results.

BDO LLC, the Company's Auditors, have audited the accounts up to 31 December 2020, and their report is enclosed.

At this juncture, on behalf of the Board, I would like to thank our Team and Management, the Union, Bankers, Suppliers, Customers, Muscat Securities Market and all our Shareholders for their support and cooperation, which in turn reflects their confidence placed in us. I would also like to express our sincere appreciation to the Management and Employees for their efforts towards achieving these results.

I would also take this opportunity to thank all the Frontline Health care workers , doctors & all medical professionals and authorities in Oman for their yeoman service during the time of the pandemic.

Above all, we pay tribute to the visionary leadership of His Majesty Sultan Haitham bin Tareq bin Taimur as he leads Oman into a new era and vow to support all his endeavors to take Oman to greater heights of prosperity & development.

On Behalf of the Board

**Amal Suhail Salim Bahwan**

**Chairperson**

31 January 2021