

3.7. Project Time Frame

Table 3-4: Project time frame

ACTIVITIES	TIME IN MONTHS								
	1	2	3	4	5	6	7	8	9
• Design									
• Manufacture									
• Purchase									
• Shipment									
• Installation									
• Commissioning									
• Civil work									

The implementation of the project starts initially with the drawing of overall plant layout followed by civil works, procurement, delivery and installation. This requires a time frame of 9 months.

It is expected that nine months will be sufficient to complete all activities of the project till commercial production is achieved.

Financial Analysis

4.1. Cost of Investment Capex

The total cost of Main plant & machinery amounts to 4.4 million /RO to be sourced from a reputable international machinery supplier; above main machinery costing is estimated based on industry experts opinion and the existing local manufacture set-up.

Building cost is costed at minimum with a contingency of 3% for reasons of price fluctuation in construction material cost.

The total cost of vehicles amounts to 100,000 /RO source from a local vehicle supplier.

Source of Plant and equipment: Oman Ceramics SAOG/Industry Expert

Table 4-1: Investment Capex

Si. No.	Description	Quantity	Cost Per Unit OMR	Total Cost OMR
	Main Plant & Machinery			
A1	Ball Mill Connected with H.P.motor and accessories each.			700,000
A2	Agitator motor and accessories			80,000
A3	Hydraulic filter press with pump and filters			950,000
A4	Pan Mill connected with Motor			25,000
A5	Bucket Elevators and Silos			35,000
A6	80 T Hydraulic press connected with .motor and suitable dies			850,000
A7	Glazing line conveyor connected with H.P.Motor and online blower			85,000
A8	Ball Mill for glazing connected with motor			95,000
A9	Glaze vat with vertical Pump arrangement with agitators connected motor			65,000
A10	Pot Mill connected with motor			25,000
A11	Drier and Shuttle kiln			1,500,000
A12	Laboratory Equipments			25,000
			Sub Total	4,435,000
	GRAND TOTAL			4,435,000.00
	Equipment Cost			
	Packing ,Forwarding ,Insurance, Frieght			250,000
	Erection and Installation of Shuttle kiln			65,000
	Electrification and Installation & Security deposits			100,000
	Cost of Transformer			15,000
	Moulds and Assembly			7,500
	Total			437,500
	Building			

Si. No.	Description	Quantity	Cost Per Unit OMR	Total Cost OMR
B1	Land@ Biza 0.250 /M2 + 10% registration expenses	4000	0.25	1,000
B2	Work shed @ RO 5/500 sq/ft Raw material processing area 7000sq.ft Processing Zone 1000sq.ft. Conveyor Area 2000 sq.ft Glazing Bay 7200 sq.ft. Kiln area 4000 sq.ft. FinishedGoodsarea 4000sq.ft.	25200	5.5	138,600
B3	Boundary wall	1176	25.51	30,000
B4	Office @ Ro 6/800 sq.ft.	1000	60	60,000
B5	Security office and Gate			20,000
B6	Staff room and Toilet			70,000
B7	Laboratory Room @ Ro5.500/- sq.ft.	800	5.5	4,400
B8	Land development			50,000
B9	Deep Tube Well 6"			80,000
B10	Cake dryer			150,000
B11	Glazing Tanks 02 t cap 06 nos 06 nos.			40,000
B12	Generator Room			50,000
	Sub Total			694,000
			Contingency @ 3%	20,820
Total Cost				714,820
	Vehicles			
1a	Wheel Loader	1	65000	65,000
1b	Fork Lift	1	12000	12,000
1c	Car Pick Up	2	8000	16,000
1d	Company Vehicle	1	7000	7,000
Total Transportation Vehicle Cost				100,000
	Office Furniture & Equipment			
1a	Computer ,Printer ,UPS ,Fax,			80,000.00
			Total	80,000.00
1b	Furniture Desk & Chairs			10,000.00
1c	Electrification & Air Conditioning			20,000.00
1e	Misc			10,000.00
Total				40,000.00
Grand Total				5,369,819.75

4.2. Investment Cost

Si.No.	Investment Cost	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1a	Plant	4,435,000										
	Equipment	437,500										
1a	Building	714,820										
1a	Vehicles	100,000						100,000				
1a	Computers	80,000				80,000						
1a	Office Furniture & Equipment	40,000							40,000			
Total Investment Cost (Fixed Assets)		5,807,320	-	-	-	80,000	-	100,000	40,000	-	-	-
Acc. Cost		5,807,320	5,807,320	5,807,320	5,807,320	5,887,320	5,887,320	5,987,320	6,027,320	6,027,320	6,027,320	6,027,320

Manpower

The manpower requirements are based on company industry experts experience to deem the plant operational.

The Omanization percentage will be a minimum of 80% given the laborers account for 10 employees of the total 62 workforce.

Direct staff include employees responsible for the operational and production of the ceramic products.

Indirect staff include office staff.

DIRECT COST MANPOWER REQUIREMENTS						
Si.No	Position	Numbers	Salary Per Month	Salary Per Year	Welfare Expenses @15%	Grand Total
1	GM	1	4,000.00	48,000.00	7,200.00	55,200.00
2	Operations Manager	2	2,500.00	60,000.00	9,000.00	69,000.00
3	production Supervisor	2	2,000.00	48,000.00	7,200.00	55,200.00
4	Works Manager	3	1,800.00	64,800.00	9,720.00	74,520.00
5	Supervisor	5	1,200.00	72,000.00	10,800.00	82,800.00
6	Electrician	3	700.00	25,200.00	3,780.00	28,980.00
7	Skilled Workers	20	600.00	144,000.00	21,600.00	165,600.00

DIRECT COST MANPOWER REQUIREMENTS						
Si.No	Position	Numbers	Salary Per Month	Salary Per Year	Welfare Expenses @15%	Grand Total
8	Semi-Skilled Workers	10	450.00	54,000.00	8,100.00	62,100.00
9	Driver Fork Lift	3	375.00	13,500.00	2,025.00	15,525.00
10	Cleaners	5	200.00	12,000.00	1,800.00	13,800.00
Total		53	13,825	541,500	81,225	622,725

INDIRECT COST MANPOWER REQUIREMENTS						
Si.No	Position	Numbers	Salary Per Month	Salary Per Year	Welfare Expenses @15%	Grand Total
1	Accounts & Admin Supervisor	2	600.00	14,400.00	2,160.00	16,560.00
2	Accounts Purchaser	2	450.00	10,800.00	1,620.00	12,420.00
3	Salesman	2	600.00	14,400.00	2,160.00	16,560.00
4	Security	2	500.00	12,000.00	1,800.00	13,800.00
5	PRO	1	400.00	4,800.00	720.00	5,520.00
Total		9	2,550.00	39,600.00	5,940.00	64,860.00

4.3. Profit & Loss

Particulars	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Filling Capacity	50%	60%	70%	80%	90%	90%	90%	90%	90%	90%
Grand Total Revenue OMR	9,720,000	11,664,000	13,608,000	15,552,000	17,496,000	17,496,000	17,496,000	17,496,000	17,496,000	17,496,000
Cost of Revenue (Direct Cost)										
Raw Material	3,450,600	4,140,720	4,830,840	5,520,960	6,211,080	6,211,080	6,211,080	6,211,080	6,211,080	6,211,080
Manpower	622,725	641,407	660,649	680,468	700,882	721,909	743,566	765,873	788,849	812,515
Utilities	1,296,000	1,555,200	1,814,400	2,073,600	2,332,800	2,332,800	2,332,800	2,332,800	2,332,800	2,332,800
Maintenance	583,200	699,840	816,480	933,120	1,049,760	1,049,760	1,049,760	1,049,760	1,049,760	1,049,760
Transportation Internal	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926
Waste	345,060	414,072	483,084	552,096	621,108	621,108	621,108	621,108	621,108	621,108
Total Direct Cost	6,312,585	7,466,539	8,621,059	9,776,163	10,931,867	10,953,218	10,975,207	10,997,851	11,021,172	11,045,189
Gross Profit	3,407,415	4,197,461	4,986,941	5,775,837	6,564,133	6,542,782	6,520,793	6,498,149	6,474,828	6,450,811
Indirect Expenses										
Depreciation	(531,881)	(531,881)	(531,881)	(531,881)	(531,881)	(531,881)	(531,881)	(531,881)	(531,881)	(531,881)
Royalty @ 10%	(345,060)	(414,072)	(483,084)	(552,096)	(621,108)	(621,108)	(621,108)	(621,108)	(621,108)	(621,108)
Freight & Carriage	(1,380,240)	(1,656,288)	(1,932,336)	(2,208,384)	(2,484,432)	(2,484,432)	(2,484,432)	(2,484,432)	(2,484,432)	(2,484,432)
Customs & Handling Company	(486,000)	(583,200)	(680,400)	(777,600)	(874,800)	(874,800)	(874,800)	(874,800)	(874,800)	(874,800)
Manpower Indirect	(64,860)	(66,806)	(68,810)	(70,874)	(73,001)	(75,191)	(77,446)	(79,770)	(82,163)	(84,628)
Marketing, Advertising & Promotion	(50,000)	(52,500)	(55,125)	(57,881)	(60,775)	(63,814)	(67,005)	(70,355)	(73,873)	(77,566)
Lease Office and Stores	(16,800)	(16,800)	(16,800)	(16,800)	(16,800)	(16,800)	(16,800)	(16,800)	(16,800)	(16,800)
Telephone Internet & Fax	(1,500)	(2,000)	(2,500)	(3,000)	(3,500)	(4,000)	(4,500)	(5,000)	(5,500)	(6,000)
Audit Charges	(1,500)	(2,000)	(2,500)	(3,000)	(3,500)	(4,000)	(4,500)	(5,000)	(5,500)	(6,000)
Waste Disposal	(75,000)	(76,500)	(78,000)	(79,500)	(81,000)	(82,500)	(84,000)	(85,500)	(87,000)	(88,500)
Misc Exp	(25,000)	(26,500)	(28,000)	(29,500)	(31,000)	(32,500)	(34,000)	(35,500)	(37,000)	(38,500)
Insurance	(4,000)	(4,200)	(4,410)	(4,631)	(4,862)	(5,105)	(5,360)	(5,628)	(5,910)	(6,205)
Pre-Operating Expenses	(76,020)									
Total Expenses	(3,057,861)	(3,432,747)	(3,883,846)	(4,335,147)	(4,786,659)	(4,796,131)	(4,805,832)	(4,815,774)	(4,825,966)	(4,836,420)
PBIT/PBT										
PBIT	349,554	764,714	1,103,095	1,440,690	1,777,474	1,746,651	1,714,961	1,682,374	1,648,861	1,614,390
Finance Interest Main Loan	(243,907)	(195,126)	(146,344)	(97,563)	(48,781)	-	-	-	-	-

Particulars	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Finance Interest O/Draft W.Capital	(54,598)	(43,678)	(32,759)	(21,839)	(10,920)	-	-	-	-	-
PBT	51,049	569,589	956,751	1,343,127	1,728,693	1,746,651	1,714,961	1,682,374	1,648,861	1,614,390
Income Tax @ 15%	(7,657)	(85,438)	(143,513)	(201,469)	(259,304)	(261,998)	(257,244)	(252,356)	(247,329)	(242,159)
PAT	43,391	484,150	813,238	1,141,658	1,469,389	1,484,653	1,457,717	1,430,018	1,401,532	1,372,232

The projections reveal the project will incur a net marginal profit of 43,391 /RO in the first year of operation and a significant increase in profit of 484,150 OMR in the 2nd year. The profitability in the 3rd year of operation mainly due to the increase in capacities to 70% resulting in a net profit of 813,238 /RO and net profit is predicted to increase in excess of 1,000,000/RO in the 4th year with a revenue of more than 1.45 million RO in the 5th year and onwards the net profit will average in the region of 1.42million RO per year.

4.4. Capacity Utilization

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capacity Level %	50%	60%	70%	80%	90%	90%	90%	90%	90%	90%
Product SQM	6,480,000	7,776,000	9,072,000	10,368,000	11,664,000	11,664,000	11,664,000	11,664,000	11,664,000	11,664,000
a) Floor Tiles	70% of Production Capacity									
Production Output	4,536,000	5,443,200	6,350,400	7,257,600	8,164,800	8,164,800	8,164,800	8,164,800	8,164,800	8,164,800
Revenue OMR	6,804,000	8,164,800	9,525,600	10,886,400	12,247,200	12,247,200	12,247,200	12,247,200	12,247,200	12,247,200
b) Wall Tiles	30% of Production Capacity									
Production Output	1,944,000	2,332,800	2,721,600	3,110,400	3,499,200	3,499,200	3,499,200	3,499,200	3,499,200	3,499,200
Revenue OMR	2,916,000	3,499,200	4,082,400	4,665,600	5,248,800	5,248,800	5,248,800	5,248,800	5,248,800	5,248,800
Grand Total Revenue OMR	9,720,000	11,664,000	13,608,000	15,552,000	17,496,000	17,496,000	17,496,000	17,496,000	17,496,000	17,496,000

The capacity utilisation will start with 50% in year of operation and is forecasted to increase gradually by 10% y-o-y as the expected growth, 1st year output amounts to 6.4 million sq/m and reaching an almost full capacity of 11.6 million sq/m in the 5th year of operation.

The floor tiles account for 70% of the total production output target for mainly the export market; this production output in year 1 will amount to 4.5 million sq/m and a revenue of 6.8 million OMR.

The wall tiles account for 30% of the total production output target for mainly for the export market; this production output in year 1 will amount to 1.9 million sq/m with a revenue of 2.9 million OMR.

Grand total revenue will be forecasted at 9.7 million RO in year 1 at 50% capacity utilisation; reaching 17.5 million OMR in year 5 of operation at 90% capacity utilisation.

4.5. Cash Flow

Particulars	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Activity											
Profit Before Tax PBT		51,049	569,589	956,751	1,343,127	1,728,693	1,746,651	1,714,961	1,682,374	1,648,861	1,614,390
Depreciation		531,881	531,881	531,881	531,881	531,881	531,881	531,881	531,881	531,881	531,881
Interest on Loan ODB		243,907	195,126	146,344	97,563	48,781	-	-	-	-	-
W. Capital Interest O/draft		54,598	43,678	32,759	21,839	10,920	-	-	-	-	-
Cash Flow Operating Activity	-	881,435	1,340,274	1,667,735	1,994,411	2,320,275	2,278,532	2,246,842	2,214,255	2,180,742	2,146,271
Investing Activity											
Purchasing of Fixed Assets	(5,807,320)	-	-	-	(80,000)	-	(100,000)	(40,000)	-	-	-
Working Capital & Pre-op	(1,167,980)										
Finance Activity											
Owners Contribution	2,322,928										
Pre-Op Owner Contribution	76,020										
Debt Loan	3,484,392										
Working Capital Overdraft	1,091,960										
ODB Loan Payment											
Loan Payment		(696,878)	(696,878)	(696,878)	(696,878)	(696,878)	-	-	-	-	-
Interest		(243,907)	(195,126)	(146,344)	(97,563)	(48,781)	-	-	-	-	-
Commercial Loan WC											
Loan Payment		(218,392)	(218,392)	(218,392)	(218,392)	(218,392)	-	-	-	-	-
Interest		(54,598)	(43,678)	(32,759)	(21,839)	(10,920)	-	-	-	-	-
Tax paid		-	(7,657)	(85,438)	(143,513)	(201,469)	(259,304)	(261,998)	(257,244)	(252,356)	(247,329)
Sub Total	6,975,300	(1,213,776)	(1,161,732)	(1,179,812)	(1,178,185)	(1,176,441)	(259,304)	(261,998)	(257,244)	(252,356)	(247,329)
Net Cash Flow	1,167,980	(332,341)	178,542	487,923	736,225	1,143,834	1,919,228	1,944,844	1,957,011	1,928,386	1,898,942

Particulars	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Open Cash equivalents	-	1,167,980	835,639	1,014,181	1,502,104	2,238,330	3,382,164	5,301,392	7,246,236	9,203,248	11,131,634
Closing Cash Equivalents	1,167,980	835,639	1,014,181	1,502,104	2,238,330	3,382,164	5,301,392	7,246,236	9,203,248	11,131,634	13,030,576

The cash flow is showing a positive of 835,639 /RO in year 1 and continues to be positive in the following years.

4.6. Balance Sheet

Particulars	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Current Assets											
Cash & Cash Equivalents	1,167,980	835,639	1,014,181	1,502,104	2,238,330	3,382,164	5,301,392	7,246,236	9,203,248	11,131,634	13,030,576
Working capital		-	-	-	-	-	-	-	-	-	-
Sub Total	<u>1,167,980</u>	<u>835,639</u>	<u>1,014,181</u>	<u>1,502,104</u>	<u>2,238,330</u>	<u>3,382,164</u>	<u>5,301,392</u>	<u>7,246,236</u>	<u>9,203,248</u>	<u>11,131,634</u>	<u>13,030,576</u>
Non-Current Assets											
Fixed Assets	<u>5,807,320</u>	<u>5,275,439</u>	<u>4,743,558</u>	<u>4,211,677</u>	<u>3,759,796</u>	<u>3,227,915</u>	<u>2,796,034</u>	<u>2,304,153</u>	<u>1,772,272</u>	<u>1,240,391</u>	<u>708,510</u>
Sub Total	<u>5,807,320</u>	<u>5,275,439</u>	<u>4,743,558</u>	<u>4,211,677</u>	<u>3,759,796</u>	<u>3,227,915</u>	<u>2,796,034</u>	<u>2,304,153</u>	<u>1,772,272</u>	<u>1,240,391</u>	<u>708,510</u>
Total Assets	<u>6,975,300</u>	<u>6,111,078</u>	<u>5,757,739</u>	<u>5,713,781</u>	<u>5,998,125</u>	<u>6,610,079</u>	<u>8,097,426</u>	<u>9,550,389</u>	<u>10,975,519</u>	<u>12,372,025</u>	<u>13,739,086</u>
Liabilities											
Current liabilities											
Loan (Short Term) ODB	3,484,392	696,878	696,878	696,878	696,878				-	-	-
Loan Short Term WC ODB	1,091,960	218,392	218,392	218,392	218,392			-	-	-	-
Provision for taxation		<u>7,657</u>	<u>85,438</u>	<u>143,513</u>	<u>201,469</u>	<u>259,304</u>	<u>261,998</u>	<u>257,244</u>	<u>252,356</u>	<u>247,329</u>	<u>242,159</u>
Total current liabilities	<u>4,576,352</u>	<u>922,928</u>	<u>1,000,709</u>	<u>1,058,783</u>	<u>1,116,739</u>	<u>259,304</u>	<u>261,998</u>	<u>257,244</u>	<u>252,356</u>	<u>247,329</u>	<u>242,159</u>
Loan Long Term ODB		2,090,635	1,393,757	696,878	-	-	-	-	-	-	-
Long term ODB w.c.loan		<u>655,176</u>	<u>436,784</u>	<u>218,392</u>	-	-	-	-	-	-	-
Total current liabilities	-	<u>2,745,811</u>	<u>1,830,541</u>	<u>915,270</u>	-	-	-	-	-	-	-
Shareholders											
Shareholders Capital	2,398,948	2,398,948	2,398,948	2,398,948	2,398,948	2,398,948	2,398,948	2,398,948	2,398,948	2,398,948	2,398,948
Legal Reserve											
Profit & Loss Account		<u>43,391</u>	<u>527,542</u>	<u>1,340,780</u>	<u>2,482,438</u>	<u>3,951,827</u>	<u>5,436,480</u>	<u>6,894,197</u>	<u>8,324,215</u>	<u>9,725,748</u>	<u>11,097,979</u>
Total equity	<u>2,398,948</u>	<u>2,442,339</u>	<u>2,926,489</u>	<u>3,739,727</u>	<u>4,881,386</u>	<u>6,350,775</u>	<u>7,835,428</u>	<u>9,293,145</u>	<u>10,723,163</u>	<u>12,124,695</u>	<u>13,496,927</u>
Total Liabilities	<u>6,975,300</u>	<u>6,111,078</u>	<u>5,757,739</u>	<u>5,713,781</u>	<u>5,998,125</u>	<u>6,610,079</u>	<u>8,097,426</u>	<u>9,550,389</u>	<u>10,975,519</u>	<u>12,372,025</u>	<u>13,739,086</u>

4.7. Payback Period

Appraisal on Equity Investment											
Particulars	Investment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Yearly Cash flow (OMR '000)	(2,322,928)	(332,341)	178,542	487,923	736,225	1,143,834	1,919,228	1,944,844	1,957,011	1,928,386	1,898,942
IRR	26.20%										
NPV @ EQUITY	3,570,434										
Pay Back period	4	Years	13	Months							

Appraisal on Total Investment											
Particulars	Investment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Yearly Cash flow (OMR '000)	(6,975,300)	608,445	1,070,546	1,331,146	1,530,667	1,889,494	1,919,228	1,944,844	1,957,011	1,928,386	1,898,942
IRR	15.85%										
NPV @ WACC	2,133,869										
Pay Back period	4	Years	15	Months							

Cost		
Owners' Equity	15.00%	40.00
Finance	7.00%	60.00
Total		100.00
Weighted Average Cost	10.20%	

The IRR on total investment is resulting in 15.85%,

NPV results in 2.1 million /RO

Payback period is 5 years and 3 months.

Owners' Equity: 15% is the expected return on owners' equity.

Finance: 7% is the rate of interest on loan.

4.8. Depreciation

Si.No	Particulars	Amount	Years	Percentage	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1a	Plant	4,435,000	10.00	10%	443,500	443,500	443,500	443,500	443,500	443,500	443,500	443,500	443,500	443,500
1b	Building	714,820	20.00	5%	35,741	35,741	35,741	35,741	35,741	35,741	35,741	35,741	35,741	35,741
1c	Vehicles	100,000	5	20%	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
1d	Computers	80,000	3.00	33%	26,640	26,640	26,640	26,640	26,640	26,640	26,640	26,640	26,640	26,640
1e	Office Furniture & Equipment	40,000	6.67	15%	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total		5,369,820	Total Depreciation		531,881	531,881	531,881	531,881	531,881	531,881	531,881	531,881	531,881	531,881
Accumulated depreciation					531,881	1,063,762	1,595,643	2,127,524	2,659,405	3,191,286	3,723,167	4,255,048	4,786,929	5,318,810
Net book value					5,275,439	4,743,558	4,211,677	3,759,796	3,227,915	2,796,034	2,304,153	1,772,272	1,240,391	708,510

4.9. Raw Material Cost

Cost per Cylinder OMR													
Si. No	Description	Distribution %	Cost per Ton	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1a	Local Clay	%80	5.5	1,425,600	1,710,720	1,995,840	2,280,960	2,566,080	2,566,080	2,566,080	2,566,080	2,566,080	2,566,080
1b	Wollastanite	%5	50	810,000	972,000	1,134,000	1,296,000	1,458,000	1,458,000	1,458,000	1,458,000	1,458,000	1,458,000
1c	Tale	10.00%	20.00	648,000	777,600	907,200	1,036,800	1,166,400	1,166,400	1,166,400	1,166,400	1,166,400	1,166,400
1d	Glaze	5.00%	35.000	567,000	680,400	793,800	907,200	1,020,600	1,020,600	1,020,600	1,020,600	1,020,600	1,020,600
		100%	110.50	3,450,600	4,140,720	4,830,840	5,520,960	6,211,080	6,211,080	6,211,080	6,211,080	6,211,080	6,211,080

Si	Parameter	Lower Limit	Upper Limit	Averages	Nominal Weight kg p/sqm
a	Weight Range kg	17	27	22	20
b	Average Size sq/m	1.4	1.8	1.6	1

4.10. Pre-Operating Expenses

Si.No	Particulars	Amount
1a	Company formation and legal expenses	25,000.00
1b	Project Report ,Technical assistance ,Civil Plan & Estimates	5,500.00
1c	Travelling expenses	7,500.00
1d	Misc Exp.	38,020.00
Total		76,020.00

4.11. Working Capital

The working capital for the initial start of the project is mainly for the raw material for a period of 3 months amounting to 862,650 RO and Utilities at 2 months amounting to 216,000 RO

Working capital is obtained as an overdraft facility from the banks at the interest rate of 5% over a period of 5 years.

Si.No	Particulars	Months	Amount
1a	Raw material	3	862,650.00
1b	Drivers Direct	2	10,810.00
1d	Utilities	2	216,000.00
1e	Fuel Diesel	2	2,500.00
Total			1,091,960.00

Working Capital Loan

Sl.No	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
1a	Loan Opening Balance	1,091,960	873,568	655,176	436,784	218,392
1b	Interest @ 5%	54,598	43,678	32,759	21,839	10,920
1c	Installments	218,392	218,392	218,392	218,392	218,392
1d	Closing Balance	873,568	655,176	436,784	218,392	-

4.12. Source of Finance

Source of finance consists of 40% contribution by owners and remainder 60% is obtained by a loan facility from bank at the interest rate of 7%.

Sl.No.	Particular	Percentage	Amount
1a	Owner Contribution	40%	2,322,927.90
1b	Loan	60%	3,484,391.85
	Total	100%	5,807,319.75

4.13. Loan Schedule

Si.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
1a	loan Opening Balance	3,484,392	2,787,513	2,090,635	1,393,757	696,878
1b	Interest @ 7%	243,907	195,126	146,344	97,563	48,781
1c	Installments	696,878	696,878	696,878	696,878	696,878
1d	Closing Balance	2,787,513	2,090,635	1,393,757	696,878	-

4.14. Utility Costs

Description	Cost Per SQ/m	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Electricity Per Kw	0.200										
Water Cost per M3		1,296,000	1,555,200	1,814,400	2,073,600	2,332,800	2,332,800	2,332,800	2,332,800	2,332,800	2,332,800
Deiseal											
Total Utility Cost		1,296,000	1,555,200	1,814,400	2,073,600	2,332,800	2,332,800	2,332,800	2,332,800	2,332,800	2,332,800

Rate Industrial Estate		
Type	Unit	Omani Rial/Bz
Electricity	KW/hour	0.016
Water	Gallon	0.003

Plant Demand p/hour	Unit	P/SQMUnit Usage
---------------------	------	-----------------

Electricity	KW/hour	0.2
Water	M ³	0.2

4.15. Rental Lease

Si. No	Description Lease/Rental Premises	Size sq/m	Cost per Month	Cost per Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1a	Land	7000	0.2	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800

4.16. Capacity & Selling Price

Installed Capacity Per Hour Sq/m	No of Hrs/Per Shift	No of Shifts Per Day	Working Day's Per Month	Working Months Per Year	Total Production Per Year SQm	Total Production Per Year SQ/M
2700	8	2	25	12	12,960,000	12,960,000

Products	Product Name	Size sqm	Grade	Percentage of Grade Distribution	Selling Price OMR
A	Floor Tiles	1	Standard	70%	1.500
B	Wall Tiles	1	Standard	30%	1.500
Total Percentage Distribution				100%	

4.17. Fuel Transportation Cost

Transportation Salalah					
Trailer No.	Description	No of Vehicles	No of Days per Year	Transportation Fuel Cost per day OMR	Cost Per Year
1	Pick Up Trucks	1	300	20	6,000
2	3 Ton	1	300	30	9,000
Total					15,000

4.18. Conclusion

- The production capacity in the 1st year is 50% and increases to a capacity of 60% in the 2nd year, thereafter the capacity utilization increases 10% y-o-y to reach 90% capacity utilization in the 5th year; these capacity utilizations results in the following revenues:
- 1st year revenue amounts to **9.7 million OMR**
- 2st year revenue amounts to **11.6 million OMR**
- 3rd year revenue amounts to a total of **13.6 Million OMR**
Reaching **17.4 Million OMR** in the 10th year.

The above revenue stream reveals the following net profit results:

- The 1st year net profit amounts to **43,391 OMR**.
- 2nd year net-profit amounts to **484,150 OMR**.
- 3rd year net-profit amounts to **813,238 OMR**.
- 4th year net-profit amounts to **1.1 million OMR**.
- 5th year net profit will be in region of **1.4 million OMR**.
- 10th year net profit will be in region of **1.3 million OMR**

Internal Rate of Return (IRR) = **15.85 %**.

NPV = **2,133,869 OMR**.

Pay Back Period = **5 years 3 month**.

(Above is the normal case scenario starting at 50% capacity)

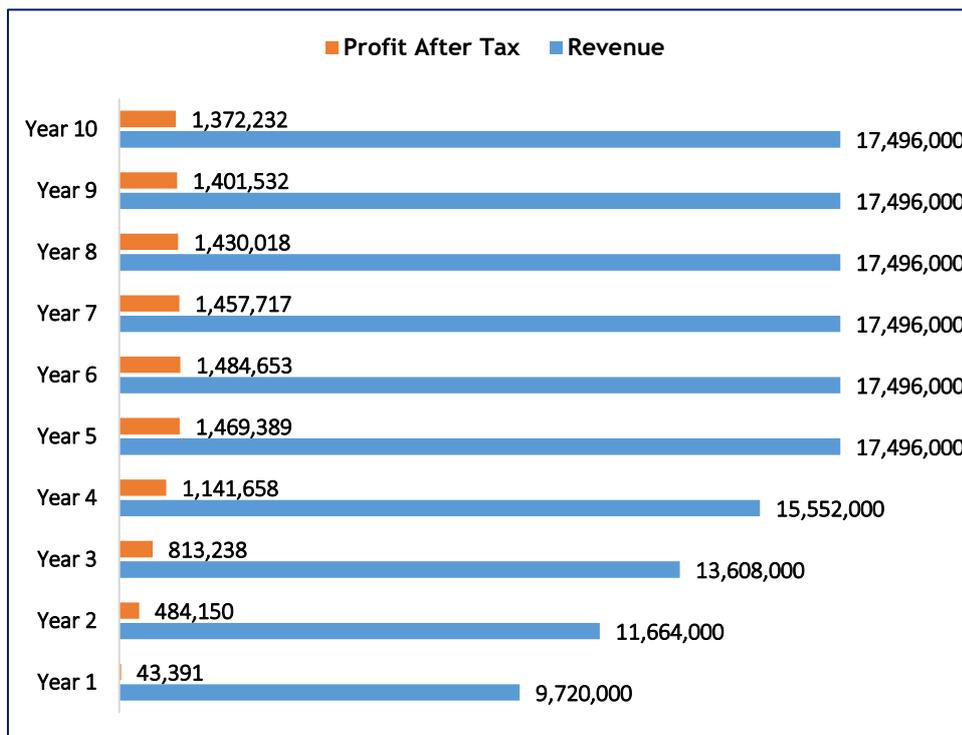


Figure 4-1: Projections Main Scenario - Revenue & Profit After Tax

Financial Analysis Schedule Summary											IRR	NPV	Payback Period		
Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	15.85%	2,133,869 OMR	5 years & 3 Months		
Capacity	50%	60%	70%	80%	90%	90%	90%	90%	90%	90%					
Revenue	9,720,000	11,664,000	13,608,000	15,552,000	17,496,000	17,496,000	17,496,000	17,496,000	17,496,000	17,496,000					
Profit After Tax	43,391	484,150	813,238	1,141,658	1,469,389	1,484,653	1,457,717	1,430,018	1,401,532	1,372,232					

- The project has a relatively high viability due to mainly the raw material availability in Oman.
- Ceramic floor & wall tiles have a good product range and is a necessity and consistent in terms of demand locally and regionally
- New products can be developed and introduced in the market for changes in design and preference to meet construction companies & end users alike.
- The local competition in Oman consist of 3 major players & are operational with good level of profitability yet there is an opportunity & scope for this new entrant to enter the market.
- The net profit is positive from year 1 @ 0.45% & increases at relatively good levels as it reaches 4.15% in year 2, 5.98% in year 3, 7.34% in year 4, 8.40% in year 5 and reaching a maximum of 8.49% net profit in year 6.
- IRR is attractive @ 15.85% and payback is acceptable within 5 year & 3 months.

Annexure (REFERENCE)

Al Anwar Ceramic Tiles Company SAOG
Financial statements for the year ended 31 December 2017

Statement of comprehensive income			
	Note	2017 RO	2016 RO
INCOME			
Sales	4 m)	20,819,106	21,422,950
Cost of sales	17	(13,836,239)	(13,106,330)
Gross profit		6,982,867	8,316,620
Other income	18	32,322	42,755
		7,015,189	8,359,375
EXPENSES			
Salaries and other employee related costs	19 a)	2,277,444	2,139,086
General and administration	20	550,908	563,218
Selling and distribution	21	2,421,498	2,643,329
Net finance charges		16,258	11,167
		5,266,108	5,356,800
Profit from operations		1,749,081	3,002,575
Net investment income	22	468,321	370,255
Impairment on available for sale investments	6 b)	—	(1,294,109)
Profit for the year before taxation		2,217,402	2,078,721
Taxation	23	(400,459)	(272,895)
Net profit for the year		1,807,943	1,805,826
Other comprehensive income:			
<i>Potentially reclassifiable to income statement:</i>			
Fair value changes on available for sale investments	6 b)	138,000	(41,601)
Deferred tax charge on available for sale investments	23	(21,487)	—
<i>Reclassification adjustment:</i>			
Arising on sale of investments available for sale	6 b)	37,831	—
Arising on impairment of available for sale investments		—	1,132,329
Other comprehensive income for the year		154,344	1,090,728
Total comprehensive income for the year		1,962,287	2,896,554
Basic earnings per share	24	0.006	0.006

Management Discussion & Analysis Report-2017

The management of Al Maha Ceramics SAOG is pleased to present the Management Discussion & Analysis Report for the year ended 31st December, 2017

Industry structure & Trends

Demand pattern in GCC continued to be subdued with prices under severe pressure due to excess capacity present within GCC and most importantly a multifold jump in imports from India at very low prices.

While demand in institutional and project segment was not good, the refurbishment market showed positive signs and we could get better volume in 2017 as compared to 2016 even in such situations.

Unlike value segment where prices play a crucial role, mid segment and niche segment were more into new and innovative products and solutions for their needs. Trend now had been more on matt and satin finishes with innovative ways of value addition on the surface.

Opportunities

Apart from small refurbishment market of GCC, we see a strong opportunity arising out of Qatar and some more markets like Yemen, Syria, Lebanon, Pakistan, Iraq and North Africa. As a strategy Al Maha would like to be present only in premium value segment of the market driving its sales purely on the basis of extra ordinary product range, impeccable quality standards backed by an unmatched service.

Company has recently commissioned state of art machinery to launch unique products in the market. Al Maha will be the only producer of a very high strength and quality of polished tiles in the segment. These new developments and most innovative products are going to command better prices and the margins in future. In order to improve margins, management has taken robust measures and drive for controlling cost of operations and it will be reflected in the margin as well.

In order to fill up the product gap and to enter in the most growing segment of porcelain tiles, company is likely to commence their outsourcing of best quality porcelain tiles from quarter 2

Threats

We are going to have a new addition in the competition wherein a new player is commencing its operation in Oman somewhere from Q2. It will heat up the competition and prices pressure drastically.

The bigger threats we see as imports from India where quantum is going up every day which is pushing prices, margins down and increasing credit period every day. Presently this segment of imports has already captured more than 50% of market share and growing rapidly. Reduced stock turn over at dealer's place is leading to poor money relation and is thus putting pressure on credit terms in market.

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 at about 300 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 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. 70% 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 company's products are eligible for customs duty exemption in all the GCC markets. In addition to this, the company is in a position to service most of it's GCC demand by road on a door to door basis thereby improving cost and service efficiencies. These advantages make a difference in an industry where tariffs and sea freight constitute significant costs.

Al Maha Ceramics SAOG
Report on Corporate Governance

In accordance with the Capital Market Authority ("CMA") guidelines, we are pleased to present the Corporate Governance Report ("the Corporate Governance Report") of Al Maha Ceramics SAOG for the year ended 31 December 2017.

1. Company philosophy

The Company's Board of Directors (the "Board") and its executive management firmly believe in a business model, which emphasises careful, prudent management of the Company's resources in order to achieve balanced, sustainable growth and profitability. They are acutely aware of their fiduciary responsibilities to the Company's shareholders and they strive to always ensure that they act in the best interests of the shareholders. In this regard, the Company's Board and executive management have taken steps to establish appropriate procedures to ensure that there is no conflict between the interests of the Company and any member of the Board or senior management and, if there is any such conflict of interest, that it is dealt with in an appropriate way and is properly disclosed to the shareholders.

2. Compliance with the Code of Corporate Governance (the "Code")

The Company is complying with the Code in both the letter and spirit. The Company has already implemented a number of important recommendations contained in the Code and new legislation, including the following:

- The Company has established an Audit Committee which is exclusively comprised of non-executive directors and all of them are independent, and at least one of which has finance and accounting experience;
- The Company has appointed the legal advisor to the Company (M/s. Said Al Shary Law Office, Legal Consultants);
- As required by the Article 10 of the Code, the Board has reviewed the effectiveness of the Company's systems of internal control, for the financial year ended 31 December 2017.

3. Composition of the Board of Directors

The current board consists of 7 Directors. All the members of the Board are non-executive. At the ordinary general meeting held on March 19, 2015 the current Board was elected for a period of three (3) years. The current term of the Board of Directors will expire in March 2018 where an election will take place at AGM.

None of Director is a whole time directors and drawing any fixed monthly annual salary from the Company. The Members of the Board are having professional and practical experience in their respective corporate fields, ensuring proper direction and control of the Company's activities.