

What's mine is ours

With five subsidiaries and two associate entities, Kunooz Holdings covers the mining, quarrying, transportation and construction materials sectors. Kunooz Gypsum, based in Salalah boasts an export volume of approximately 2 mtpa, while Kunooz Global Logistics has warehousing rights in Rusayl, with plans to develop in Sohar and serve the breadth of the Sultanate. The remaining entities include Kunooz Gabbro, Majan Mining LLC, Kunooz Marble, Kunooz Readymix, and Carmeuse Majan LLC.

FZW interviews:



DEAN CUNNINGHAM

Kunooz Holdings,
Chief Executive Officer

How well is Oman performing against its own objectives to greatly develop mining exploration and production and grow export volumes in the medium-term?

► Specific sectors within the mining industry have seen erosions of earnings as the government looks for ways to top up revenue collection. In 2017 we saw royalties go up by 235 percent in our gypsum business, diesel price escalations, the introduction of port charges — about \$0.10 per tonne — for trucks coming into the port. In summary, we're being taxed heavily, and the outlook is not positive. All of this is alongside the Omanisation requirements: an additional 2,000 Omani job seekers are to be absorbed by the mining industry. There are only 37 registered mining companies in the country now (February 2018), and so you can see that this is a large number.

How are external forces, such as demand from the Asian economies, impacting the outlook for Oman's mining sector and your company?

► In terms of our specialism — the gypsum and limestone industries — the region of Salalah is Oman's current production hub. Salalah is geographically right at the center of the world's fastest growing economies, and Oman, as one of the few sources of high quality limestone and gypsum, is excellently positioned to take advantage of its easy access to the east coast of Africa and the Asian economies. For these economies, the focus is on urbanisation and infrastructure. There is a positive correlation between the demand for steel and the consumption of limestone, so too with cement and gypsum: Limestone and gypsum are necessary materials for these respective industries and thus for

the construction of infrastructure and overall urban development. And there is a lot of capacity for growth. For example, India's per capita consumption of steel is 60kg per annum, while China's is more than 500kg, and the population of India is expected to grow by 400 million in the next 40 years. We see a continued growth in steel demand, with India equalling or surpassing Chinese steel per capita consumption. According to the numbers, demand for gypsum and limestone will be long term big business for Oman. We need support now; positioning is key if we are to take hold of long term markets. Despite this, there is no centrally organised strategy for the Sultanate to gain the maximum from this opportunity in the long term. We have, for example, the challenge of preventing undercutting by marginal suppliers of minerals. Oman benefits most when the industry is internationally competitive and works together to capture the international market. One of the things we can do to reduce the amount of price-undercutting that is taking place, is set up a centralised trading business here in Oman to take all the gypsum in Salalah and trade it through one centralised organisation, manage the pricing and get the benefit from an Omani perspective. So that is one of the things we're looking at right now and we are in the middle of those discussions.

What has the low oil price environment meant for your company and how have you navigated this environment?

► Theoretically the price of oil is low in terms of global oil prices. Locally, for the consumer, the result has been the direct opposite,

with Oman having deregulated the fuel price with no subsidies. Back when crude oil was selling at \$100 a barrel, local diesel prices were 139 baisas per litre. Today a litre of diesel is 244 baisas. As a result of that increase, the cost of fuel now accounts for 55-60 percent of my logistics costs, up from 30 percent, and logistics accounts for nearly three quarters of our total overheads. For a company like ours, which specialises in low-value, high-tonnage products, our margin is in how we manage our logistics. If this lower oil price environment leads to two or three more fuel price increases, for example if diesel reaches 260 or 270 baisas per litre, the gypsum business would become loss making and we would be forced to pass those increases on to the customer.

In what way have free zones made a difference to your market strategy and how have you developed your service offering to suit these Free Zone clients?

► In our Carmeuse Majan lime business we get the benefits of being located in a free zone. It is a pure export business so the use of the Salalah Free Zone plus access to the gas is a huge benefit for us. Our logistics business is looking to set up in Duqm because we want to be involved in the trade that comes as a consequence of attracting investors who make products and services for export via the port, for local business and for the oil and gas industry. Including the mining activity in and around Duqm, which is logistics dependent, we can provide services for a range of free zone related businesses and it is an opportunity for us, particularly where companies need to transport materials across Oman and outside the borders. ■

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