



## **Rating Rationale**

**Al Kathiri Holding Company  
(Joint Stock Company)**

**October 2021**

## 1.1 TASSNIEF Opinion:

<i>AKHC – Entity Rating</i>	
<i>Domicile</i>	<i>Saudi Arabia</i>
<i>Long-Term Rating</i>	<i>BBB-</i>
<i>Outlook</i>	<i>Stable</i>
<i>Short-Term Rating</i>	<i>T-4</i>
<i>Rating Watch</i>	<i>No</i>
<i>Action Type</i>	<i>Assigned</i>
<i>Type of relationship</i>	<i>Solicited</i>

Tassnief has assigned a long-term entity rating of “**BBB-**” and short-term entity rating of “**T-4**” to **Al Kathiri Holding**. The outlook on the rating is “Stable”. Long term rating of ‘BBB-’ denotes adequate creditworthiness and average credit risk relative to other issuers or obligations in the Kingdom of Saudi Arabia. The short-term rating of T-4 indicates the moderate capacity for timely payment of financial commitments relative to other issuers or obligations.

## 1.2 Rating Rationale:

Al Kathiri Holding Company (AKHC) is a joint stock company incorporated under the Ministry of Commerce and Investment’s Resolution dated August 08, 2008. The assigned ratings reflect AKHC’s established market position in concrete and cement industry. Over the years, the Company has significantly evolved and grown into different domains/segments. Moreover, ratings draw support from AKHC’s sound governance framework as reflected by effective board composition and oversight, stable and experienced management team, adequate reporting structure and strategic planning process.

Ratings also take into account AKHC’s satisfactory business risk profile with diversified operations within cement and concrete sector as evident from multiple operating segments, low client concentration risk and sound revenue visibility, which will allow the company to sustain revenue. The company has longstanding and well-established relationships with cement companies which facilitates in effective service delivery and gives further comfort to its business risk profile.

AKHC’s financial performance has been improving over the years. The Company’s topline has shown an increased trend, however the net profit margins of the company declined over the last three years. With relatively lower debt levels, the coverage indicators stood comfortable. The decent equity position also supported the capital structure of the company. The working capital cycle through remained moderately higher over the last three years, it improved significantly during recent period. Tassnief notes that any material deterioration in the balance sheet profile vis-a-vis current levels may affect the ratings.

Going forward, company has aggressive business growth plans due to which, the revenue is projected to grow year on year with addition of new concrete plants each year, commencement of 3D poly panel manufacturing and expected increase in demand of cement on the back of increasing construction activity. On account of projected business growth, the profitability factors are also expected to improve. The business venture into real estate business with targeted project execution by issuing sukuk will be monitored.

## 1.3 Rating Triggers

Ratings remain dependent on improving market position and sustaining business risk profile. Sustainability of improved working capital cycle, leverage indicators and enhancing cash flow profile would remain key rating drivers. The enhancement in the overall scale of operations on consolidated levels thereby supporting growth in free cash flows will be positive for ratings.

## 1.4 About the Company

Al Kathiri Holding Company was established on 8<sup>th</sup> August 2008. The company was established as sole proprietorship in the city of Riyadh under the name of Mohammed Nasser Al Kathiri Contracting Establishment with commercial registry no: 1010255690. In 2017, company converted its legal entity to joint-stock company with having capital of SAR 27.3 mln and was listed on Tadawal. The main activities of the company are to manage its subsidiaries or to participate in the management of the other companies in which it contributes and to provide the necessary support for them, and to own industrial property rights from patents, trademarks, industrial rights, franchises and other moral rights and lease them to their subsidiaries or others. The company operates through two subsidiaries, i) Alian Industry Company and ii) Msand Al-Emdad limited liability Company

## **RELATED CRITERIA AND METHODOLOGY**

Rating Methodology for Corporate (v.2. 2019) can be found on the website:

[www.tassnief.com](http://www.tassnief.com)

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