



## **Rating Rationale**

**Alkathiri Holding Company**

**(Joint Stock Company)**

**November 2022**

## 1.1 TASSNIEF Opinion:

<i>Alkathiri Holding Company – 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>Maintained</i>
<i>Last Rating Action</i>	<i>September 2021</i>

Tassnief has maintained long-term entity rating of **"BBB-" (Triple B minus)** and short-term entity rating of **"T-4"** to Alkathiri Holding Company. The outlook on the rating is "Stable". Long term rating of 'BBB-' Tassnief considers the rated issuer or issuance hold adequate creditworthiness, thus average credit risk. Risk profile may exhibit moderately high variation with changes in economic / sector conditions.

## 1.2 Rating Rationale:

The assigned ratings are underpinned by the company's market presence, ongoing diversification into new sectors, sound governance framework, experienced management, and structured reporting framework. Ratings also consider the business risk profile which indicates high concentration in building material segment while real estate diversification is underway.

Governance framework is considered sound being compliant with the Corporate Governance Regulations issued by Capital Market Authority. Board composition is reflected by diversified experience profile of members. Nomination and Remunerations Committee and Audit Committee exist and are fully operational. Independent internal audit department is present and effective reporting and documentation for audit procedures has been noted. Company is also ISO 9001:2015 indicating satisfactory quality control framework.

Business risk profile is characterized by presence in multiple segments, but majority revenue continues to emanate from building materials manufacture and sale. Although impacted by temporary plant shut down, revenue trend is expected to largely remain stable. Diversification is underway with entrance in real estate development sector. Successful completion of real estate projects remains important. Company's presence in 3D panels segment is also noted which allows for value addition and better margins. Materialization of projected revenues from 3D panel sales remains to be seen; however, this may be offset by additional sales from start of construction for real estate projects.

Financial risk profile is marked by stable revenue, but profitability has declined in the ongoing year. Equity base is considered satisfactory in relation to scale of operations. Working capital cycle has improved with reduction in receivables and debtor days. Although company has utilized debt to fund expansion, leverage indicators remain manageable. However, aggressive growth and capital expenditure plans may result in higher leverage indicators and decline in cash flow coverages. Going forward, a Sukuk issuance is also planned. Impact of the same on risk profile and repayment ability will be tracked by Tassnief.

## 1.3 Rating Triggers

- Growth in revenue and scale of operations while also improving profitability and cash flows.
- Reduction in segment concentration through growth in revenue from real estate and other products.
- Sharp increase in leverage indicators and decline in cash flow coverages will adversely impacted ratings.

## 1.4 About the Company

Al Kathiri Holding Company ("AKHC" or the "Company") is a Joint Stock Company which was established in Riyadh, KSA in August 2008 as a Closed Joint Stock Company (with CR no. 1010255690); however, its legal status was changed to a 'closed joint-stock company' in December 2021. The company operates through two subsidiaries, i) Alian Industry Company and ii) Msand Al-Emdad, a limited liability Company. The main activities of the company are to manage its subsidiaries or to participate in the management of the other companies to 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 serves both the private and public sectors clients. The Company is listed on Tadawul.

Classification: **Restricted**

## **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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### **ANALYSTS:**

Talha Iqbal  
Senior Rating Analyst  
011-250 2030  
tiqbal@tassnief.com

### **ANALYSTS:**

Rai Aman Zafar  
Rating Analyst  
011-250 2093  
raman@tassnief.com