



Rating Rationale

**SRACO Company
(Limited Liability Company)
October 2025**

1.1 TASSNIEF Opinion

<i>SRACO Company</i>	
<i>Domicile</i>	<i>Saudi Arabia</i>
<i>Long-Term Rating</i>	<i>A-</i>
<i>Outlook</i>	<i>Stable</i>
<i>Short-Term Rating</i>	<i>T-3</i>
<i>Rating Watch</i>	<i>No</i>
<i>Action Type</i>	<i>Maintained</i>
<i>Rating Type</i>	<i>Solicited</i>
<i>Initial Rating</i>	<i>December 2024</i>
<i>Methodology Deviations</i>	<i>None</i>

Tassnief has maintained long-term entity rating of “A-” (Single A minus) and short-term entity rating of “T-3” to SRACO Company. The outlook on the long-term rating is “Stable”.

About the company: SRACO Company was established as a Limited Liability Company in July 1979, registered in Dammam, KSA. SRACO specializes in operation & maintenance (O&M), manpower provision, construction, and various other services. Currently, the Company operates 27 branches, each with its own Commercial Registration, with 14 of these branches located in Dammam.

1.2 Rating Rationale

SRACO Company’s (the Company or SRACO) credit rating profile is supported by the unconditional and irrevocable corporate guarantee from its parent, Saeed Raddad Group (SRG), mitigating standalone risk. The Company's strong business risk profile is anchored by its sizable operating scale, established track record, and a resilient revenue mix. This resilience stems from the dominance of highly stable Operations & Maintenance and Manpower Supply services, which ensure predictable cash flow and substantial forward revenue visibility via a large contract backlog. From a financial perspective, SRACO exhibits improving credit metrics, characterized by stable profit margins, strengthening internal cash generation, and a material improvement in liquidity following a shortened cash conversion cycle. However, key risk includes considerable client concentration risk with two major entities collectively representing the majority of revenues. Furthermore, the sustainability of the improved liquidity profile remains an important factor for ongoing evaluation.

SRACO's credit profile benefits from its satisfactory governance framework and structured operational controls. The Company employs a well-defined decision-making process complemented by initiatives aimed at improving business continuity and long-term sustainability. Notably, SRACO has demonstrated a strong commitment to enhancing its corporate governance since the last review by implementing material structural improvements. This includes a positive transformation of the Board of Directors through the successful appointment of independent board members, thereby resolving the previously identified absence of independent oversight. Furthermore, the effectiveness of the Board Audit Committee has been enhanced, directly improving the integrity and quality of the Company's financial reporting and risk management functions. These structural changes underscore a solid management commitment to above par governance practices.

The entity's strong business risk profile is rooted in its established operational tenure and considerable scale, which is supported by a resilient mix of revenues. The Company benefits from a long track record of successfully executing large projects, having concluded engagements of high value for prominent clients within the Kingdom. Its revenue growth is robust, having climbed substantially in the last reported year, and is anchored by highly stable Maintenance and Manpower Supply services, which constitute the vast majority of revenues and provide predictable, recurring cash flow. A crucial factor mitigating risk is the strong forward revenue visibility provided by a substantial contract backlog. The Company holds numerous signed projects, securing revenue recognition well into the medium term. However, the business profile is constrained by high competitive intensity and significant client concentration risk, as two major entities collectively represent the majority of SRACO's revenues. The Company's strategy is specifically aimed at mitigating this exposure by aggressively growing its business outside of those two anchor accounts and pursuing higher-impact revenue streams through the expansion of its Construction segment and the integration of specialized client solutions.

SRACO's financial profile is characterized by consistent top-line expansion that has successfully translated into a larger bottom line, supported by relatively stable profit margins. The internal capacity to generate cash is strengthening, evidenced by a consistent increase in Funds From Operations. Furthermore, the Company's liquidity has improved materially; efficient working capital management has led to a significant shortening of the cash conversion cycle and a resulting surge in Cash Flow from Operations. While the Company historically contended with a stretched cash conversion cycle and subdued operating cash flow, the sustained performance of these recent improvements remains a key factor to be monitored going forward. The Company's capitalization is adequate, supported by steady growth in shareholder equity and reinforced by an unconditional corporate guarantee from the parent. Overall, debt service capability is strong, with key coverage ratios recovering in the final year, confirming ample capacity to meet financial obligations.

The ratings are driven by the explicit parental support provided by SRG. This includes the unconditional and irrevocable corporate guarantee extended to cover all banking facilities mobilized by the subsidiary. The assessment further reflects SRACO's significant strategic importance to the Group and the strong structural and operational linkages between the parent and subsidiary. Therefore, the ratings incorporate the sponsor's explicit and ongoing commitment to maintain this guarantee, indicating a high probability of support.

1.3 Rating Trigger

A material deterioration in the working capital cycle, accompanied by an increase in leverage metrics or a sustained reduction in cash flow generation, would exert downward pressure on the rating. Furthermore, the continued provision of the unconditional and irrevocable corporate guarantee by the parent, SRG, remains essential for maintaining the current rating level.

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Corporate (v.2. 2024) can be found on the website: www.tassnief.com

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- This rating has not been amended following disclosure to the rated entity or its related party(ies). All analyses related to the rating report are merely opinions of TASSNIEF on the rating date.
- This credit rating herein was determined using the above-mentioned methodology which is available on our website at www.tassnief.com. This methodology, including any significant adjustments or deviations from standard procedures, was applied to arrive at the rating.
- The rating scale, meaning of each rating category, default or recovery definitions, and relevant risk warnings – including a sensitivity analysis of key assumptions – are also available on our website.
- TASSNIEF confirms that all rating activities related to this credit rating were not outsourced to any third party.

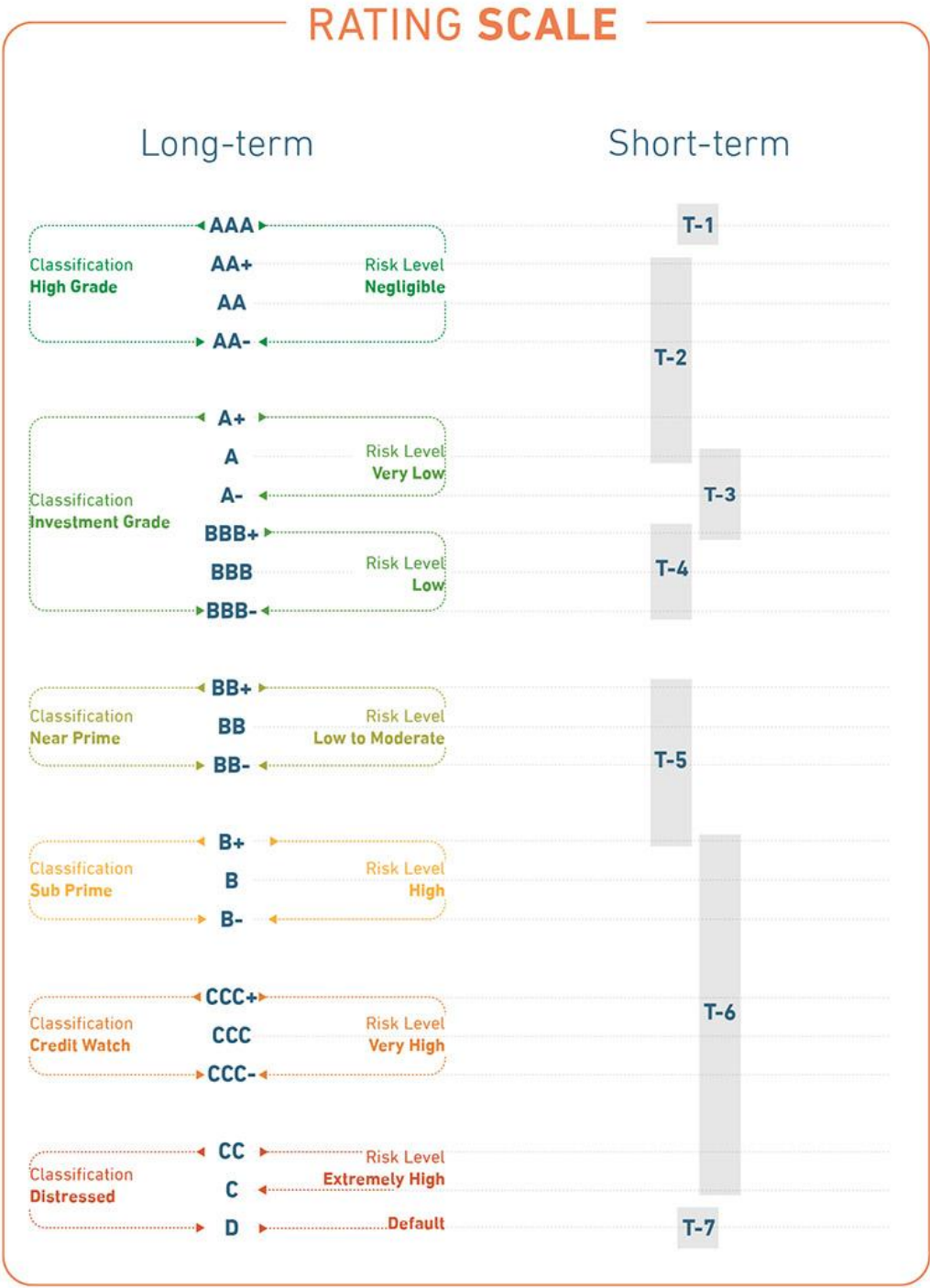
ANALYST:

Muhammad Tabish
Rating Analyst
011 409 6685
mtabish@tassnief.com

ANALYST:

Jazib Ahmed, CFA
Senior Rating Analyst
011-250 2030
jahmed@tassnief.com

TASSNIEF’s Long-term & Short-term Rating Scale



Long-Term Rating Scale	Definitions
AAA	Extremely Robust ; Tassnief considers the rated issuer or issuance hold the highest creditworthiness , thus negligible credit risk
AA+ AA AA-	Very Robust ; Tassnief considers the rated issuer or issuance hold very high creditworthiness , thus minimal credit risk . Risk profile may vary slightly with changes in economic / sector conditions
A+ A A-	Robust ; Tassnief considers the rated issuer or issuance hold high creditworthiness , thus very low credit risk . Risk profile may vary with changes in economic / sector conditions
BBB+ BBB BBB-	Moderate ; Tassnief considers the rated issuer or issuance hold adequate creditworthiness , thus low credit risk . Risk profile may exhibit moderately high variation with changes in economic / sector conditions
BB+ BB BB-	Tassnief considers the rated issuer or issuance hold low to moderate credit risk . Risk profile may exhibit wide variation with changes in economic / sector conditions.
B+ B B-	Tassnief considers the rated issuer or issuance hold very low creditworthiness , thus high credit risk
CCC+ CCC CCC-	Tassnief considers the rated issuer or issuance hold extremely low creditworthiness , thus very high credit risk
CC C	Highly speculative credit profile , and the default is imminent
D	Tassnief considers the rated issuer or issuance have defaulted or may default soon .

****End of Report****