SAL ARABIAN SERVICES CREDIT RECOMMENDATION REPORT

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CREDIT RECOMMENDATION REPORT

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Currency used in this report	:	This report is presented in Saudi Riyal (SAR) unless otherwise noted.

Table 1

ICRA CREDIT RECOMMENDATION

Credit Limit Recommendation Based on Company Performance		
	Saudi Riyal (SAR)	United States Dollar (USD)
Monthly Recurring Limit	7,864,098	2,097,093
Aggregate Yearly Limit	92,484,417	24,662,511

Table 2

The credit limit assigned to SAL Arabian is based on the information available and the analysis conducted as of the date of this report. It reflects current market conditions, financial performance, and risk assessments. The assigned limit is subject to revision based on changes in the company's financial position, market dynamics, or other material developments.

ICRA has adopted the following methodology to recommend the credit limits to SAL Arabian.

RECOMMENDED AGGREGATE YEARLY LIMIT

Revenue Basis: We have considered the company's latest year's revenue (FY2024) in our calculation.

Revenue for 60 days = 2,849,114 x 60 = **SAR 170,946,840**

Adjustment for Overdue Risk **=** 170,946,840 x (1-0.29) **= SAR 121,372,256** (Overdue accounts considered at 29% which are overdue greater than or equal to 90 days)

Operating Cash Flow (OCF) Basis: We have considered the company's latest year (FY2024) cash flow in our calculation.

Operating Cash Flow for 60 days = 417,991 x 60 **= SAR 25,079,460**

Adjusted Credit Exposure: Given the higher reliability of OCF for liquidity management, the total credit exposure should reflect a balance between revenue and OCF. Hence, we calculate the adjusted credit exposure using the weighted average method. 70% revenue basis and 30% OCF basis.

Adjusted Credit Exposure Recommended = (121,372,256 x 0.7) + (25,079,460 x 0.3) = SAR 92,484,417

RECOMMENDED MONTHLY RECURRING LIMIT

Revenue Basis: We have considered the company's latest year's (FY2024) revenue in our calculation.

Monthly Revenue = 769,260,690 / 9 = SAR 85,473, 410 / Month

Monthly Recurring Limit (Revenue Basis) = 85,473,410 x 0.10 = **SAR 8,547,341** (Assigning 10% of monthly revenue as the recurring limit to allow flexibility.)

Operating Cash Flow (OCF) Basis: We have considered the company's latest year (FY2024) cash flow in our calculation.

Monthly Operating cash flow = 112,857,611 / 9 = **SAR 12,539,734**

Monthly Recurring Limit (OCF Basis) = 12,539,734 x 0.50 = **SAR 6,269,867** (Assigning 50% of monthly OCF as the recurring limit to leave room for operational expenses)

Adjusted Monthly Recurring Limit: To balance revenue and cash flow, we give 70% weightage to the revenue basis and 30% to the OCF basis.

Adjusted Monthly Recurring Limit Recommended = (8,547,341 x 0.7) + (6,269,867 x 0.3) = SAR 7,864,098

Credit Limit Recommendation Based on the Last 9 Months' Trade		
	Saudi Riyal (SAR)	United States Dollar (USD)
Monthly Recurring Limit	1,312,500	350,000
Debt Ceiling	2,812,500	750,000

ICRA has adopted the following approach for the above-mentioned limit recommendation.

DESCRIPTION	USD
Maximum value of 2 months	972,450
Assuming 5% increase in the trade volume	48,623
Maximum limit range for 2 months after assumption	1,021,073
Average 2 months assumed	709,517
Average monthly assumed	**354,760**
Last 6 months average monthly credit	352,315
Last 6 months average monthly payment	372,813
Difference in positive payments than average credit	224,153
Assuming average 2 months payments in 2025 - 2026	**782,907**

RECOMMENDATION RATIONALE

ICRA categorizes SAL Arabian Services as a low-risk profile entity based on the overall qualitative and quantitative factors. The assigned risk profile reflects a balanced assessment of the company's overall creditworthiness. The following factors support the assigned credit limit and low credit profile of the company.

Steady Revenue Growth: The firm has exhibited steady and strong revenue growth during the review period. The revenue in the first nine months of 2024 has surpassed the full-year revenue of 2023 which is commendable. Approximately 80–85% of revenue comes from recurring orders, supported by long-term agreements which reduces the risk of payment default. A closing order book of SAR 1.76 billion as of September 2024 further provides visibility into future cash inflows of the company.

Liquidity Position: The company has a robust liquidity position supported by favorable liquidity ratios. The current and quick ratios have been greater than 1x throughout the review period, reflecting the sound capacity of the company to meet its short-term obligations. Moreover, the net working capital of the company is calculated at SAR 191 million in nine months of 2024, further strengthening the firm's liquidity profile.

Operating Cash Flow: The company has posted a strong operating cash flow of SAR 112 million as of September 2024 compared to SAR 59 million in FY2023, representing a robust cash flow generation from the overall business activities to cover operational expenses and obligations.

Debt-free Profile: Currently, the entity has not availed any debt financing, making it a less risky profile and free from interest payments. This allows for greater leverage for future borrowing if needed.

Diversified Operations: SAL operates across multiple sectors which includes trading, technical services, and manufacturing. This diversification supports a balanced risk exposure.

Macroeconomic Indicators: Stable economic growth in Saudi Arabia, bolstered by Vision 2030, supports creditworthiness in sectors like energy and infrastructure.

Strategic Partnerships: The firm's joint ventures with global leaders like Saudi Aramco, Yokogawa, and Elliott enhance its operational and financial stability. Moreover, the currency fluctuation risks are minimal with the company being operational in Saudi Arabia.

Strong Governance: The company's high Project Safety Index (96.61%) and Quality Index (95.24%) indicate strong governance and operational controls.

KEY RISKS INVOLVED

While SAL Arabian Services demonstrates strong financial and operational capabilities, it is imperative to highlight the risks that can help inform decision-making. ICRA highlights the following key risks:

- The oil and gas market is volatile and SAL Arabian primarily serves the energy and industrial sectors. A significant portion of SAL's revenue is derived from clients in the energy, oil, and gas sectors. Any downturn in global oil prices or demand could adversely impact the entity's revenues.
- A significant portion of the company's accounts receivable are tied to a few clients, which may pose a higher risk. Three major customers represent 38% of gross accounts receivable which exposes the firm to receivables concentration risk. Any payment delay or dispute with these customers could significantly impact the liquidity.
- With SAR 212.55 million in accounts receivable, this constitutes 41% of the total current assets. However, the contractual nature of the business and overdue have contributed to the rise in accounts receivable. The aging analysis shows that 29.3% of receivables are overdue by 90 days and above, indicating potential delays. If not properly managed, this can impact on the cash flow.
- As reported in the financial statements of 2023, the company has issued an outstanding letter of guarantee amounting to SAR 217.51 million representing contingent liabilities. If these guarantees are called upon, it could strain the entity's financial resources.

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BUSINESS PROFILE

SAL ARABIAN SERVICES

CONTACT DETAILS	
Head Office:	Dammam, Saudi Arabia.
Key person:	Mr. Faisal Karim
Telephone:	+966 13 8855991
Website:	https://salarabian.com
Email:	sales@salarabian.com
Total employees:	2000

Table 3

REGISTRATION DETAILS	
Commercial Registration:	2050022593
Date of Registration:	February 15, 1997
Legal Structure:	Listed Joint Stock Company

Table 4

CAPITAL DETAILS	
Authorized Capital:	SAR 158,000,000/-
Issued Capital:	SAR 158,000,000/-
Paid-Up Capital:	SAR 158,000,000/-

Table 5

SUBSTANTIAL SHAREHOLDERS	
Name of Shareholders	**Shareholding**
Gulf Trading Company	12.305%
Trading and Contracting Company	12.304%
Future Company Limited	9.642%
Future Generations	12.416%
Future Horizons	12.305%

Table 6

COMPANY BACKGROUND

Founded in 1997 in Saudi Arabia, SAL Arabian Services is a leading provider of technical solutions to the oil and gas, petrochemical, electrical, steel, water and desalination, and mining industries. It also deals in the trading of industrial products, and manufacturing. The entity was listed on the Saudi Stock Exchange in February 2022. Starting with a single principal, a small office, and one employee, the company has grown into a formidable organization with 28 global principals, 8 joint ventures, and 13 divisions. It is an approved vendor for Saudi Aramco, SABIC, Saudi Electricity Company, Royal Commission of Jubail and Yanbu. It boasts a workforce of over 2000 direct employees, supported by an extensive indirect workforce. Headquartered in Dammam, SAL operates multiple offices and facilities across key locations, serving clients in various sectors.

CORE BUSINESS OPERATIONS

1. Technical Services – EPC Projects

SAL specializes in engineering, procurement, and construction (EPC) services, delivering high-quality solutions for large-scale projects. Its expertise includes lump sum turnkey (LSTK) and lump sum procure and build (LSPB) contracts. Notable projects include the Taiba and Qassim Gas Pipelines, the Master Gas System Expansion, and the Khursaniyah Gas Plant Water Supply Upgrade. These projects demonstrate SAL's commitment to delivering complex infrastructure on time and to high safety and quality standards.

2. Shutdown and Plant Services

The company offers comprehensive maintenance and overhauling services for rotating equipment, compressors, pumps, and other machinery. With a dedicated team of experts, SAL handles critical plant shutdowns and turnarounds, ensuring minimal downtime and optimized performance for its clients.

3. Trading

SAL partners with 28 world-class global manufacturers to provide instrumentation, electrical, and mechanical solutions. Its offerings include pressure, flow, and temperature measurement systems, gas and liquid analyzers, steam turbines, compressors, and control systems. The company's exclusive relationships with Original Equipment Manufacturers (OEMs) enable it to deliver pioneering solutions tailored to client needs.

4. Manufacturing

SAL Arabian Metal Tech Factory is a state-of-the-art facility for manufacturing and fabricating products such as pipe spools, chemical injection skids, storage vessels, and structural steel. Spanning 30,000 square meters, the facility is equipped for sandblasting, painting, and non-destructive testing, ensuring adherence to the highest industry standards.

VISION

To drive industrial success in the region through superior dedication, dynamic partnerships and innovative thinking, enhancing the country's capabilities on the world stage.

MISSION

To conceive and deliver full-spectrum, customized solutions for clients, helping them drive through exceptional products, services, and specialized labor.

STRATEGIC PARTNERSHIPS AND JOINT VENTURES

SAL has forged strategic partnerships through joint ventures with globally recognized companies, offering specialized services in after-sales care, project management, and training. These include:

- **Yokogawa Services Saudi Arabia**, specializing in electrical and instrumentation systems.
- **Elster Instromet,** service for gas metering products and gas-based custody metering
- **Elliott GAS Services**, providing rotating equipment repair and upgrades.
- **Weidmuller Saudi Arabia Factory LLC**, focusing on electrical and electronic interconnection components.
- **Tubefit Engineering Arabian Factory LLC,** manufacturing and supply of various instrumentation fitting and valves.

These collaborations enhance SAL's ability to provide integrated solutions across diverse industries.

CERTIFICATES

- Certificate of Approval ISO 14001:2015, ISO 45001:2018
- Certificate of Approval ISO 9001:2015
- Local Content Certification issued by The Local Content & Government Procurement
- Saudi Aramco Cybersecurity Compliance Certificate
- Authorized Economic Operator (AEO) Certificate

COMMITMENT TO EXCELLENCE

SAL distinguishes itself through its dedicated executive management team, which boasts an average retention rate of 15 years. The company prioritizes employee satisfaction through loyalty programs, bonuses, and partnerships. Its strong focus on quality and safety is evident in its Project Quality Index (PQI) of 95.24% and Project Safety Index (PSI) of 96.61% (as of September 2024).

FUTURE OUTLOOK

With plans to transition from the NOMU (parallel market) to the TASI, which is the major stock market index that tracks the performance of all companies listed on the Saudi Stock Exchange, SAL is poised for continued growth. Its strategic focus includes expanding engineering capabilities, upgrading service categories with Saudi Aramco, and exploring new joint ventures. The company also aims to enhance its manufacturing capacity by establishing additional facilities, further strengthening its position as a market leader in technical solutions.

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

Economic Landscape

Saudi Arabia presents a multifaceted risk profile shaped by its economic diversification efforts, geopolitical dynamics, and socio-political landscape. The country's economy is undergoing a significant transformation under the Vision 2030 initiative, aiming to reduce oil dependency by investing in sectors like tourism, technology, and infrastructure. Despite these efforts, the economy contracted by 0.8% in 2023, primarily due to reduced oil production and lower prices. However, projections indicate a rebound with a 1% growth in 2024 and an anticipated 4.5% expansion in 2025, driven by the non-oil sector.

Inflation has remained relatively low, averaging 2.3% in 2023, and expected to stabilize around 1.5% in 2024. The budget balance has shifted from a surplus of 2.5% of GDP in 2022 to a deficit of 2% in 2023, with further deficits projected through 2025. Public debt is on an upward trajectory, rising from 23.9% of GDP in 2022 to a projected 30.5% by 2025.

Geopolitical and Security Considerations

Saudi Arabia's geopolitical environment is complex, influenced by regional tensions and its role within OPEC. The Kingdom's leadership in oil production grants it significant influence over global oil markets, yet it also exposes the economy to oil price volatility. Recent improvements in diplomatic relations with neighboring countries have enhanced regional stability, though ongoing conflicts in the Middle East pose potential risks.

Business Environment

The Kingdom has improved its business climate by climbing from 82nd to 62nd place in the World Bank's Ease of Doing Business Index between 2019 and 2020. In Transparency International's Corruption Perceptions Index 2022, Saudi Arabia ranked 54th out of 180 countries, reflecting a relatively favorable position within the region. However, challenges persist, particularly concerning political rights and civil liberties, which may impact investor perceptions.

Investment Prospects

Saudi Arabia's investment outlook for 2025 is promising, with opportunities in the construction, energy, technology, and healthcare sectors. The government's commitment to large-scale projects, such as the USD 65 billion Diriyah Gate, underscores its dedication to economic diversification. Nonetheless, the recent decline in oil prices and substantial financial commitments have led to a recalibration of spending, with some projects being scaled back or extended over longer timelines.

Outlook

Saudi Arabia's risk profile is characterized by a dynamic economic transformation, regional geopolitical complexities, and ongoing efforts to enhance the business environment. While significant opportunities exist for investors, particularly in the non-oil sectors, challenges such as oil price volatility, fiscal deficits, and socio-political constraints warrant careful consideration.

INDUSTRY REVIEW

The oil and gas EPC sector is undergoing profound changes in 2025, driven by the global energy transition, digital transformation, and emerging geopolitical and market dynamics. Despite challenges such as fluctuating oil prices and supply chain disruptions, the industry's value is projected to grow to $93.6 billion by 2030, at a compound annual growth rate (CAGR) of 5.7%. Below is a comprehensive analysis of trends, opportunities, and strategies shaping the oil and gas EPC landscape.

Emerging Opportunities

Governments and companies invest heavily in Carbon Capture and Storage (CCS) technologies to meet net-zero targets. For instance, ExxonMobil plans to invest USD 17 billion in CCS and other low-carbon initiatives by 2027, offering significant EPC opportunities. Green hydrogen projects are also gaining traction. Saudi Arabia's NEOM project includes a USD 5 billion green hydrogen plant, one of the largest globally, expected to start production by 2026.

As shallow-water reserves dwindle, companies are turning to deepwater exploration. The global offshore drilling market is expected to grow at a CAGR of 6.1%, reaching USD 56.97 billion by 2030. Aging oil and gas infrastructure is being upgraded to meet environmental and safety regulations. Brownfield EPC projects focusing on refinery modernization and pipeline integrity management are on the rise.

Competitive Insights

Major EPC firms like Technip Energies, McDermott, and Saipem dominate, leveraging advanced technologies to secure contracts. For instance, Saipem recently won a USD 4.5 billion LNG EPC contract in Mozambique. Companies in the Middle East and Asia, such as Saudi Aramco, ADNOC, and Petrofac, are increasingly competitive, given their proximity to emerging markets and cost advantages.

Digital technologies are enhancing project efficiency, reducing costs, and improving risk management. The digital twin market in the oil and gas sector is expected to grow from USD 3.1 billion in 2024 to USD 9.4 billion by 2030.

Actionable Strategies for Growth

- Expand capabilities into green hydrogen, CCS, and renewable energy integration with traditional oil and gas projects.
- Implement practices that align with environmental, social, and governance (ESG) frameworks to attract investment and secure contracts.

- Adopt AI, robotics, and IoT to streamline procurement, optimize construction, and improve safety.
- Use drones for site surveys, 3D printing for spare parts, and automated equipment to reduce labor dependency.
- Collaborate with technology providers and global EPC firms to access expertise in cutting-edge technologies and methodologies.
- Engage in PPPs for large-scale energy infrastructure projects, mitigating financial risks.
- Strengthen ties with regional suppliers to mitigate global supply chain risks.
- Use predictive analytics to manage inventory effectively and avoid delays.

Financial Outlook

The global oil and gas EPC sector is forecasted to grow to USD 93.6 billion by 2030, driven by investments in low-carbon projects and offshore developments. The Middle East accounts for nearly 30% of all EPC contracts, with Saudi Arabia and UAE leading in project spending. LNG projects represent the largest share of EPC spending, estimated at USD 50 billion between 2024 and 2027, highlighting their importance in the global energy mix.

The EPC industry is adapting to a changing energy landscape marked by a dual focus on traditional fossil fuels and the transition to renewables. By leveraging technology, diversifying into green projects, and building resilient supply chains, EPC firms can position themselves for long-term growth. While challenges such as rising costs and regulatory pressures remain, proactive strategies and a commitment to sustainability will ensure resilience and competitiveness in this evolving market.

EXTERNAL RELATIONSHIPS

EXTERNAL AUDITOR DETAILS

Auditor Name	Dr. Mohamed Al-Amri & Co.
Latest Financials	Year ending 30-September-2024 (Unaudited Interim Financials)

Table 7

KYC SCREENING AND ADVERSE MEDIA CHECK

ICRA has done due diligence on the company, majority shareholders, and key management to assess any risks related to AML/CFT, sanctions, adverse media, and PEP through a third-party due diligence service provider. ICRA has not come across any negative information related to the above-mentioned parties.

FINANCIAL ANALYSIS

The company has provided 3-year audited financials from December 2021 (FY21) to December 2023 (FY23) and the unaudited interim financials for the nine months of FY24. The given financials give us valuable insight into the financial position of the company and the direction in which it is heading; however, the company's latest performance will be analyzed by using the unaudited interim financials, which can narrow down the scope of our analysis.

INCOME STATEMENT

Performance Analysis				
SAR	Dec-21	Dec-22	Dec-23	09M-2024
Revenue	386,463,808	496,039,689	721,511,577	769,260,690
Gross Profit	104,702,925	117,361,338	134,751,660	151,985,806
OPEX	45,264,709	43,406,486	52,037,433	70,360,991
COGS	281,760,883	378,678,351	586,759,917	617,274,884
EBIT	59,438,216	73,954,852	82,714,227	81,624,815
Net Profit	60,060,154	67,384,817	81,469,112	80,986,028

Table 8

The company's revenue has shown continuous growth for the period under review. The revenue has grown to SAR 496.03m in 2022 from SAR 386.46m in 2021, recording a significant growth of 28%. It further improved in subsequent years, i.e. SAR 721.51m and SAR 769.26m in 2023 and 09M-2024 respectively, recording a growth of 45% and 7% in 2023 and 09M-2024.

The growth in revenue mainly streams from the sale of traded goods in 2022, which had grown by 43%, and revenue from technical services in 2023; in this segment, the company has achieved a 79% growth. In the first 9 months of 2024, the revenue of SAL could only grow 7%. which is relatively low compared to the previous trend, the company won multiple contracts in 2024, which will potentially boost the revenue in the coming years.

Despite a considerable increase in the cost of goods sold for the past 4 years, the company has managed consistent growth of gross profit, i.e., 12%, 15%, and 13% in 2022, 2023, and 09M-2024, respectively. This is attributed to the continuous increase in revenue.

Operating expenses show a negative growth in 2022, which is largely supported by a gain in the company's investments in joint ventures, which grew by 42% during the year, and provided support to the operating profit during the year leading EBIT to 24% growth. In 2023 the company has again marked a positive growth of 12% in EBIT. However, it has somehow shrunk by 14% due to an increase in administrative and general expenses and a diminishing growth of 20% in the company's investment in joint ventures. In the first 9 months, the company achieved 99% EBIT of the last year, and in the next 3 months, it will potentially achieve growth in EBIT.

Net profit during 2023 increased by 21% from SAR 67.38m in 2022 to SAR 81.46m in 2023. The growth is mainly supported by an increase in other incomes, which grew 371% during the year, and the main portion of the other income that boosted it was the gain on investment at FVTPL. All these investments in equity securities were quoted in Tadawul and managed through a portfolio management company. Net income for the first nine months is 99% of last year's net income, which signals positive growth at the end of the financial year.

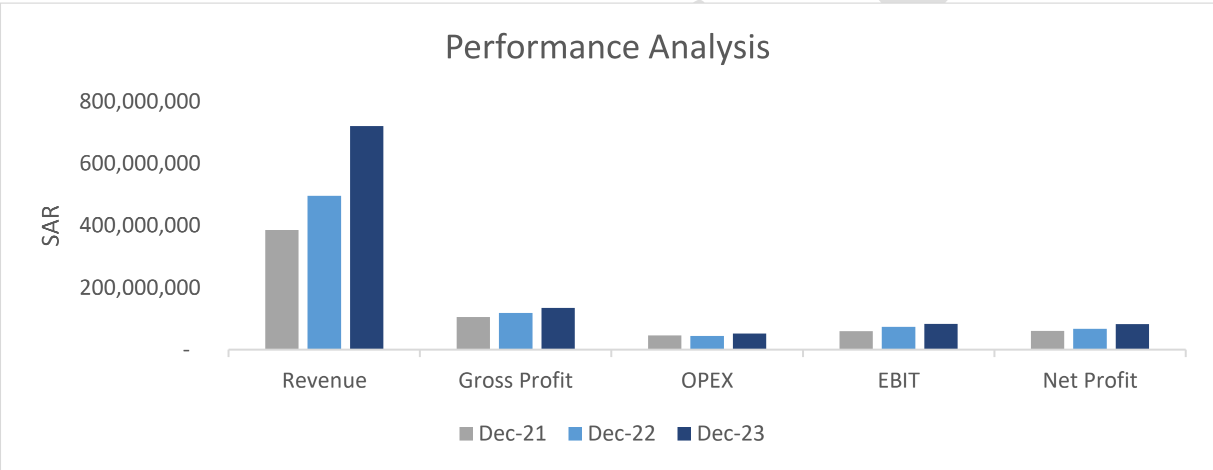

Exhibit 1

BALANCE SHEET

Financial Position Analysis				
SAR	Dec-21	Dec-22	Dec-23	09M-2024
Total Non-Current Assets	141,297,444	149,537,641	195,442,171	228,554,048
Total Current Assets	313,298,962	349,819,910	390,968,043	519,997,789
Cash at banks	24,205,159	67,915,356	91,059,388	111,582,805
Total Equity	278,165,798	317,168,563	360,690,225	370,706,420
Total Non-Current Liabilities	33,992,822	34,886,324	41,727,195	48,730,977
Total Current Liabilities	142,437,786	147,302,664	183,992,794	329,114,440
Short term loans	9,164,276	-	-	-

Table 9

The total Current assets of the company have shown continuous growth on a Y/Y basis, the growth in current assets is mainly supported by an increase in inventory, account receivables, and cash at the bank. In 2023 a 128% increase in inventory and a 34% increase in cash at the bank boosted the current assets, similarly a 57% increase in account receivables and unbilled revenue, (+41% Y/Y) in prepayments and (+23% Y/Y) in cash at bank have increased the total current assets of the company by 33% in the first 9 months of 2024. Notably, the boost in current assets in 2024 is mainly receivables driven and the average collection period has also increased from 94 days in 2023 to 103 days in 2024 which signals challenges in collecting the receivables.

Total non-current assets of the company increased slightly during 2022 (+6% Y/Y) and the main constraint to double-digit growth is a negligible investment in CAPEX during the year. In 2023 the non-current liability grew significantly (+31% Y/Y) and the main element contributing to the growth is the addition to right-of-use assets (+278% Y/Y) reaching SAR 3.79m and additional investment in CAPEX (+49% Y/Y) reaching SAR 85.33m. In the first 9 months of 2024, the total non-current assets grew significantly by 17% reaching SAR 228.55m which was SAR 195.44m in 2023, the growth is supported by continuous investment in all the elements of the company's non-current assets.

Total equity has been growing positively during the period under review. The growth is driven by continuously retaining profit in the business. The retained earnings grew by 33% and 29% and the statutory reserve grew by 31% and 28% in 2022 and 2023 respectively leading the total equity to grow by 14% and 13.7% in 2022 and 2023 respectively. In the first 9 months of 2024, the total equity grew by 3% only due to a diminishing growth in retained earnings during the year.

The non-current liabilities increased significantly in 2023 and the first nine months of 2024 by 20% and 17% respectively. The growth is mainly derived by obligation against investment in joint venture (+32% y/y) in FY 2023 and 24% in 09M-FY24 and increase in lease liabilities (+454% Y/Y) in 2023 and 29% in 09M-FY24.

The total current liabilities have recorded a negligible growth in 2022 (+3% Y/Y). However, it increased significantly during 2023 by 25% reaching SAR 183.99m, it mainly grew due to an increase in the current portion of lease liabilities which increased by 96% in 2023 as the company entered contracts for leasehold land during the year. Accruals and other liabilities have also largely contributed to the increase in total current liabilities i.e. (+37% Y/Y).

Account payables have significantly decreased during 2022 by 13% due to payments to suppliers during the year. However, it increased in 2023 by 16%, this increase is mainly due to 'payables to related parties' (Related parties represent the shareholders, directors, and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties) which grew from SAR 0.573m in 2022 to 1.30m in 2023 recording an increase of 126%. In 09M-FY24. The current liability increased significantly by 79% mainly due to contract liabilities, account payables, and accruals of other liabilities. This increase is considerable as it also hit the current ratio of the company to some extent.

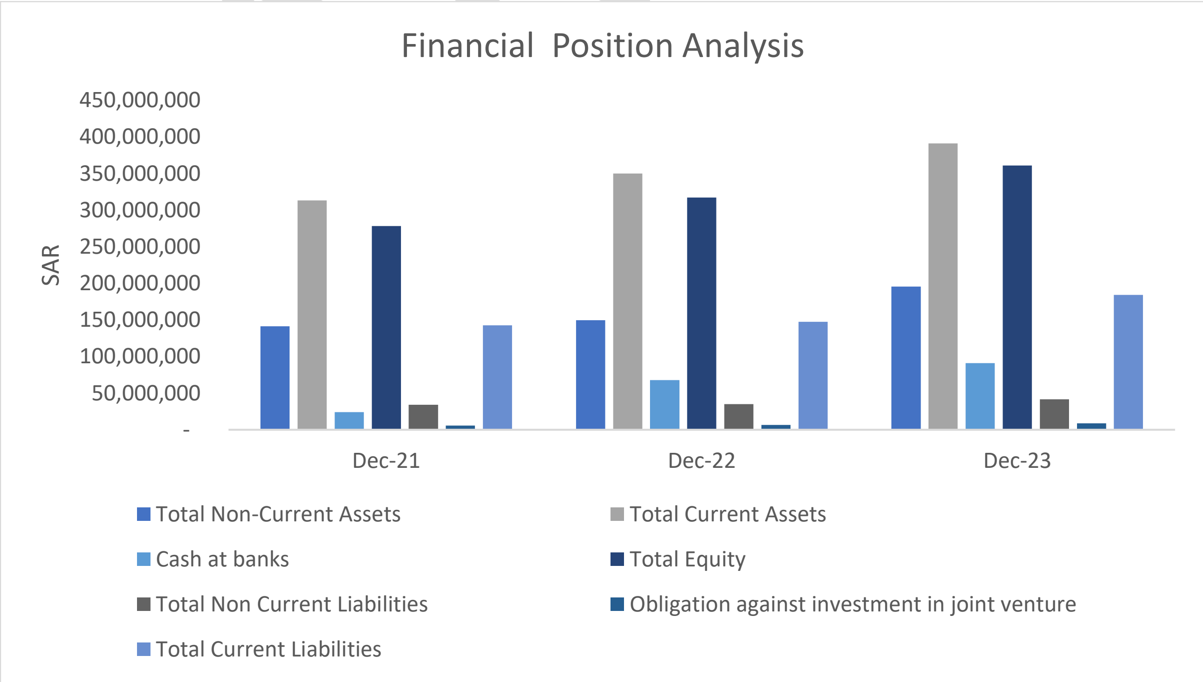

Exhibit 2

CASH FLOW STATEMENT

Cash Flow Analysis				
SAR	**21-Dec**	**22-Dec**	**23-Dec**	**09M-2024**
Cash Used in Operations	(1,231,599)	73,622,148	68,670,936	121,068,433
Changes in working capital	(55,767,187)	18,571,815	5,717,210	37,145,194
CAPEX	(9,494,229)	(2,374,283)	(33,799,863)	(30,494,679)
Net Investing Cash flows	(5,201,685)	19,570,385	3,611,443	(19,208,031)
Net Financing Cash Flow	(41,418,188)	(41,562,002)	(40,304,778)	(73,126,163)

Table 10

The operating cash flows are positive during the period under review, showing the efficiency of the management over the working capital. In 2022 the positive balance from operating cash flows i.e. SAR 73.62m is largely supported by SAR 37.40m receivables and unbilled revenue and accrual and other liabilities i.e. SAR 25.25m. However, it offsets mainly by an increase in prepayments during the year i.e. SAR 28.07m.

In 2023, despite a huge amount of investment in the inventory i.e. SAR 34.66m which negatively impacted the cash, the company managed to produce a positive cash flow of SAR 68.67m and a positive change of SAR 5.71m in the working capital during the year.

In the first nine months of FY24, the company's operations produced a positive cash flow of SAR 121.068m and recorded a positive change in the working capital during the year i.e. SAR 37.14m. The cash from operations is largely offset by huge increases in the amounts of prepayments and unbilled revenue i.e. SAR 21.32m and SAR 105.26m respectively.

Investing cash flows shows efficient movements during the year under review and reflects the efficiency of management in utilizing the funds. In 2022 the company invested a considerable amount in CAPEX and other investments and still managed to produce a positive cash flow from investing activities. The CAPEX of the company stood at SAR 2.37m and the purchase of investments at FVTPL and additional investment in existing associates was SAR 37.81m and SAR 2.45m respectively during the year. The net investing cash flows are largely supported by dividends received from associates and joint ventures and the sale of investments at FVTPL i.e. SAR 24.46m and SAR 37.75mrespectively.

In 2023, the company invested even more than last year in the CAPEX and other investments, i.e. SAR 33.79m and SAR 23.72m respectively, and still managed to produce a positive cash flow of SAR 3.61m during the year. The investing cash flows are largely supported by dividends received from associates and joint ventures and the sale of investments at FVTPL i.e. SAR 24.66m and SAR 36.12m respectively.

The net investing cash flows for the first nine months of 2024 show a negative figure of SAR 19.20m but it still has good implications as the cash flows reached a negative figure due to CAPEX and other investments which is necessary for the long-term growth of the business. The company has invested large amounts in CAPEX and other investments in joint ventures i.e. SAR 30.49m and SAR 2.35m respectively. It is notable that the company has only invested and never sold any investment during the year which indicates an aggressive approach towards the investing activities in 2024.

RATIO ANALYSIS

PROFITABILITY RATIOS

Profitability Ratios				
	Dec-21	Dec-22	Dec-23	09M-2024
Gross Profit Margin	27%	24%	19%	20%
Operating Profit Margin	15%	15%	11%	11%
Net Profit Margin	16%	14%	11%	11%
Return on Equity	22%	21%	23%	22%
Return on Assets	13%	13%	14%	11%
Return on Capital Employed	19%	21%	21%	19%
Operating CF Margin	0%	15%	14%	17%

Table 11

The gross profit of the company fluctuated from 27% to 19% throughout the period, which indicates a healthy margin despite a significant rise in the cost of goods sold. During 2024 the gross profit margin dropped down to 19% from 24% in 2023. However, it should be noted that during 2023 the cost of goods sold increased by 55%, which is mainly driven by the cost of materials (+57% Y/Y). In the first nine months of 2024, the gross profit margin increased by 20%, which can potentially grow more until the end of the financial year as the COGS during 2024 increased at a negligible rate, i.e. 5%.

Operating profit has maintained a stable margin, which indicates the efficiency of the management in managing the cost of operations accordingly. The operating profit margin grew by 15% in 2021 and 2022; in 2023, the operating profit margin dropped slightly (-4 ppts Y/Y) which is primarily due to an increase in COGS as the COGS margin increased from 76% in 2022 to 81% in 2023, and the impact of which can also be noticed in the gross profit margin during the year. In the first nine months of 2024, the operating profit margin is 11%, which can potentially grow till the end of the year as operating expenses during 09M-FY24 have a negative growth (-1%), which indicates a well-managed cost of operation during the nine months.

Net profit margin also shows a healthy ratio over the period under review. It fluctuated from 16% to 11% during 2021-2023 and continued with 11% in the first nine months of 2024. The 16% margin in 2021 is mainly supported by other income. The margin was 14% in 2022, mainly due to effective management of operating expenses, which decreased by 2% Y/Y. In 2023 and 09M-FY24, the net profit margin stood at 11%, which is good enough to generate a handsome amount of profit.

ROA and ROE of the company show a very stable return over the period under review. ROA fluctuated between 11% and 14%, while ROE fluctuated between 21% and 23%, which are pleasant rates and indicate the ability of the management to utilize the total assets of the company and the shareholders' equity to generate a good return.

Return on Capital Employed is used to understand how well the company is generating profits from its capital as it is put to use, and it shows a good level throughout the period under review. It fluctuated between 19% and 21%, which is considered a good ROCE.

The company exhibited strong financial performance and resource efficiency during the period under review, and the latest performance as per the provided 9 months of unaudited interim financials also signals positive and is expected to grow at a positive rate in the future.

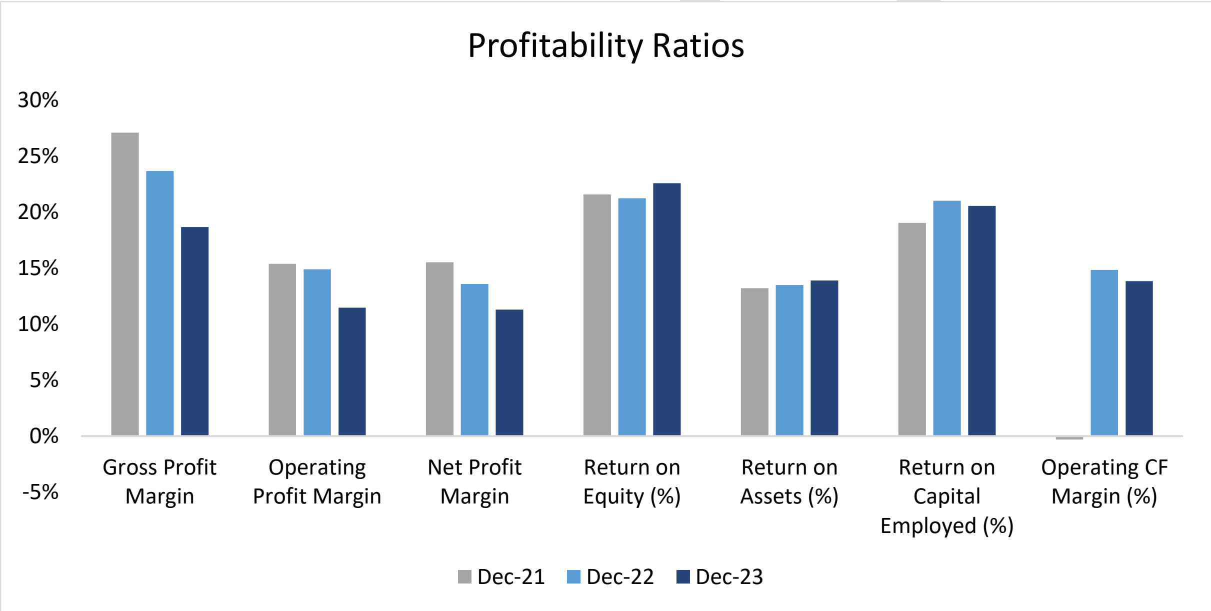

Exhibit 3

LIQUIDITY RATIOS

Liquidity Ratios				
	Dec-21	Dec-22	Dec-23	09M-2024
Current Ratio	2.20x	2.37x	2.12x	1.58x
Quick Ratio	2.04x	2.19x	1.79x	1.45x
Cash Ratio	0.17x	0.46x	0.49x	0.34x

Table 12

The company's current ratio indicates a strong liquidity position over the period under review, highlighting the company's ability to cover its short-term obligations from its current assets. The company recorded a current ratio of 2.20x in 2021, which improved slightly in 2022, reaching 2.37x. In 2023 the company maintained a strong liquidity position; however, in the first 9 months of 2024 the liquidity of the company was slightly impacted due to a drastic increase in total current liabilities, i.e. (+79% Y/Y).

The quick ratio of the company is also healthy over the review period, indicating the company's ability to meet its short-term obligations out of its most liquid assets. In 2021 the ratio is 2.04x, showing a strong liquidity position, which further improved to 2.19x in 2022. The 1.79x in 2023 is healthy enough to cover its short-term obligations more than 1 and a half times out of its most liquid assets.

The cash ratio provides the most conservative insights into the company's liquidity; it indicates the company's capabilities to pay off its current assets out of its available cash and cash equivalents. As the company has only cash and there is no cash equivalent, in this case it's only cash over current assets. The cash ratio of the recent two years, i.e. 2022 and 2023, indicates that by using only cash, the company can cover its current liabilities 0.46x and 0.49x, respectively, while in 09M-2024 it dropped to 0.34x, which is still in the safe zone.

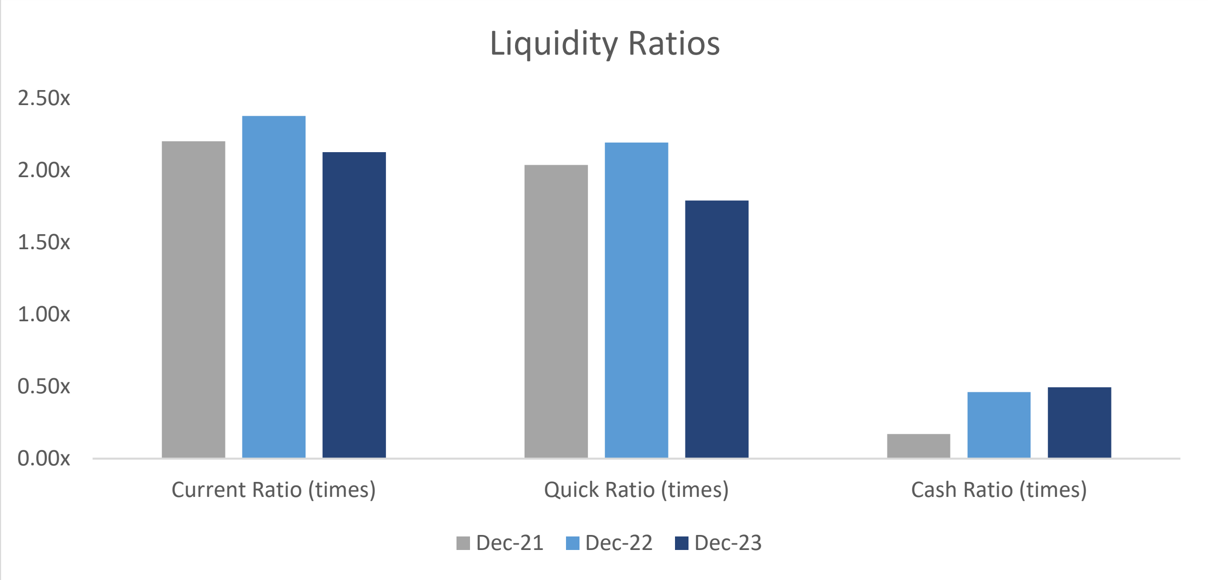

Exhibit 4

LEVERAGE RATIOS

Leverage Ratio				
	Dec-21	**Dec-22**	**Dec-23**	**09M-2024**
Debt to Equity	0.03x	0.00x	0.00x	0.00x
Equity to Assets Ratio	0.61x	0.64x	0.62x	0.50x
Debt Ratio	0.02x	0.00x	0.00x	0.00x
Debt to EBIT	0.15x	0.00x	0.00x	0.00x

Table 13

The company had a short-term loan in 2021, which was adjusted in 2023, after which the company has zero debt liability, which indicates a conservative approach to financing. It indicates that the company solely relies on equity financing, which also explores alternative financing options, i.e. debt financing to optimize its capital structure. However, the shortfall of the current capital structure is that equity financing is costly as investors expect more return.

The equity-to-assets ratio over the period under review remained above 0.60x (except in 09M-2024), which indeed reflects the company's approach to rely mostly on equity.

EFFICIENCY RATIO

Efficiency Ratios				
	Dec-21	Dec-22	Dec-23	09M-2024
Average Collection Period (Days)	201	129	94	103
Average Payment Period (Days)	124	80	60	55
Inventory Turnover (Days)	30	26	38	19
Inventory Turnover Ratio (Times)	12	14	9	14
Interest Coverage Ratio (Times)	23.86	36.98	45.49	121.14

Table 14

The average collection period of the company over the period under review remained higher than the average payment period, which indicates that the company is taking longer to collect from the customer than it is taking to pay the suppliers. However, the trend shows that the management is continuously working to shorten the gap between collections and payments. In 2021 the gap between payments and collection was 77 days, which was reduced to 51 days in 2022 and further reduced to 34 days in 2023.

The inventory turnover ratio is less than 2 months over the period under review, which is a positive sign of demand for the company's products and services.

The interest coverage ratio shows a very healthy ratio from 2021-09M24 suggesting the strength of the company to easily pay off its interest expense out of its operating profit. The interest coverage ratio of the company indicates that the company's financial position is strong enough to borrow debt finance to optimize its capital structure.

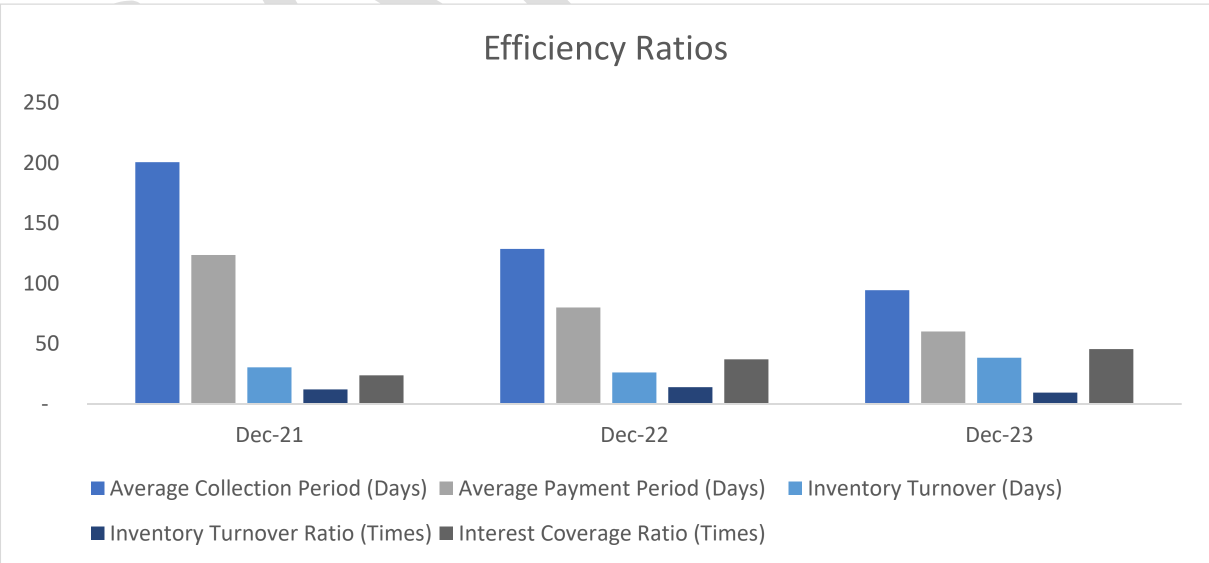

Exhibit 5

ANNEXURES

PROFIT AND LOSS STATEMENT

Statement of Profit and Loss				
SAR	**Dec-21**	**Dec-22**	**Dec-23**	**Sep-24**
Revenue	386,463,808	496,039,689	721,511,577	769,260,690
Cost of sales	(281,760,883)	(378,678,351)	(586,759,917)	(617,274,884)
Gross Profit/(Loss)	**104,702,925**	**117,361,338**	**134,751,660**	**151,985,806**
Operating Expenses				
(Allowance)/reversal for expected credit losses	-	-	(6,433,837)	986,902
Share in results of associates and joint ventures	22,073,534	31,336,426	37,602,523	16,906,845
General & Administrative expenses	(63,411,459)	(70,190,960)	(80,323,773)	(81,437,292)
Depreciation & Amortisation	(3,926,784)	(4,551,952)	(2,882,346)	(6,817,446)
Total Operating Expenses	**(45,264,709)**	**(43,406,486)**	**(52,037,433)**	**(70,360,991)**
Operating Profit/(Loss)	**59,438,216**	**73,954,852**	**82,714,227**	**81,624,815**
Other income	7,738,517	1,564,350	7,360,671	6,256,641
Finance costs	(2,490,963)	(1,999,672)	(1,818,322)	(673,803)
Profit/(Loss) Before Tax	**64,685,770**	**73,519,530**	**88,256,576**	**87,207,653**
Income Tax/Zakat	(4,625,616)	(6,134,713)	(6,787,464)	(6,221,625)
Net Profit/(Loss)	**60,060,154**	**67,384,817**	**81,469,112**	**80,986,028**
Remeasurement gain/ (loss) on employees' defined benefits	(253,168)	3,217,948	417,472	-
TOTAL COMPREHENSIVE INCOME	**59,806,986**	**70,602,765**	**81,886,584**	**80,986,028**

Table 15

BALANCE SHEET

Statement of Financial Position				
SAR	**Dec-21**	**Dec-22**	**Dec-23**	**Sep-24**
Assets				
Non-Current Assets				
Property, Plant, and Equipment	58,761,215	57,212,337	85,332,948	108,888,385
Investment in associates and joint ventures	80,752,027	91,143,068	106,170,934	114,049,886
Intangible assets	250,141	179,951	145,211	165,389
Right-of-use assets	1,534,061	1,002,285	3,793,078	5,450,388
Total Non-Current Assets	**141,297,444**	**149,537,641**	**195,442,171**	**228,554,048**
Current Assets				
Inventories	23,422,678	27,118,240	61,778,490	42,700,440
Investments at fair value through profit or loss	12,771,710	11,216,264	-	-
Accounts receivable and unbilled revenue	212,407,845	175,005,194	186,576,454	292,832,904
Prepayments and other receivables	40,491,570	68,564,856	51,553,711	72,881,640
Cash at banks	24,205,159	67,915,356	91,059,388	111,582,805
Total Current Assets	**313,298,962**	**349,819,910**	**390,968,043**	**519,997,789**
Total Assets	**454,596,406**	**499,357,551**	**586,410,214**	**748,551,837**
Equity				
Treasury shares	-	-	(3,224,947)	(3,279,789)
Other reserve	-	-	410,025	410,025
Share Capital	158,000,000	158,000,000	158,000,000	158,000,000
Retained Earnings	98,183,255	130,447,538	168,637,211	178,708,248
Statutory reserve	21,982,543	28,721,025	36,867,936	36,867,936
Total Equity	**278,165,798**	**317,168,563**	**360,690,225**	**370,706,420**
Liabilities				
Non-Current Liabilities				
Obligation against investment in joint venture	5,559,684	6,629,126	8,721,969	10,844,076
Lease liabilities	942,877	447,100	2,476,538	3,199,058
Employees' defined benefit liabilities	27,490,261	27,810,098	30,528,688	34,687,843
Total Non-Current Liabilities	**33,992,822**	**34,886,324**	**41,727,195**	**48,730,977**
Current Liabilities				
Contract liabilities	-	-	-	81,555,055
Short term loans	9,164,276	-	-	
Accounts payable	95,371,701	83,054,771	96,709,699	124,942,627

Provision for zakat	4,620,642	5,657,674	6,851,110	7,133,931
Accruals other liabilities	32,755,080	58,010,054	79,292,701	114,169,339
Current portion of lease liabilities	526,087	580,165	1,139,284	1,313,488
Total Current Liabilities	**142,437,786**	**147,302,664**	**183,992,794**	**329,114,440**
Total Liabilities	**176,430,608**	**182,188,988**	**225,719,989**	**377,845,417**
Total Equity and Liabilities	**454,596,406**	**499,357,551**	**586,410,214**	**748,551,837**

Table 16

Cash flow statement

Statement of Cash Flow				
SAR	**Dec-21**	**Dec-22**	**Dec-23**	**Sep-24**
Operating Cash Flow				
Profit/(Loss) before Zakat	64,685,770	73,519,530	88,256,576	87,207,653
Depreciation on property and equipment	3,233,552	3,919,986	5,443,456	6,817,446
Depreciation on right-of-use assets	531,782	531,776	1,055,092	1,098,429
(Reversal) / allowance for expected credit losses	-	-	-	(986,902)
Share to be issued under ESOP	-	-	410,025	-
Realized loss on investments at FVTPL	-	-	1,004,712	-
Amortisation of intangible assets	161,453	100,190	70,715	54,445
Gain on disposal of property and equipment	(950)	(19,812)	(152,285)	(89,475)
Finance costs	2,490,963	1,999,672	1,818,322	673,803
Share in results of associates and joint ventures	(22,073,534)	(31,336,426)	(37,602,523)	(16,906,845)
Provision for employees' defined benefit liabilities	4,945,028	4,716,793	4,829,784	6,054,685
Unrealized loss on investments at FVTPL	561,524	1,618,624	(2,180,148)	-
OCF before WC adjustments	**54,535,588**	**55,050,333**	**62,953,726**	**83,923,239**
Changes in Prepayments and other receivables	(17,485,833)	(28,073,286)	17,011,145	(21,327,929)
Changes in receivable and unbilled revenue	(56,567,329)	37,402,651	(11,571,260)	(105,269,548)
Changes in Inventory	(11,798,206)	(3,695,562)	(34,660,250)	19,078,050
Changes in Accounts payable	27,768,982	(12,316,930)	13,654,928	28,232,928
Changes in Projects work in progress	5,979,322	-	-	
Changes in Contract liabilities	-	-	-	51,281,607
Changes in Accruals and other liabilities	(3,664,123)	25,254,942	21,282,647	65,150,086
Changes in working capital	**(55,767,187)**	**18,571,815**	**5,717,210**	**37,145,194**
Cash used in operations	**(1,231,599)**	**73,622,148**	**68,670,936**	**121,068,433**
Employees' defined benefit liabilities paid including advances	(1,370,363)	(1,179,008)	(1,693,722)	(1,895,530)
Zakat paid	(3,930,077)	(5,097,681)	(5,594,028)	(5,938,804)
Finance cost paid	(1,307,858)	(1,643,645)	(1,545,819)	(376,488)
Net Operating Cash Flow	**(7,839,897)**	**65,701,814**	**59,837,367**	**112,857,611**
Investing Cash Flow				

Purchases of intangibles	(200,796)	(30,000)	(35,975)	(74,623)
Purchase of property and equipment	(9,494,229)	(2,374,283)	(33,799,863)	(30,494,679)
Proceeds from disposal of property and equipment	63,452	22,987	388,081	211,271
Purchase of investments at FVTPL	(26,030,425)	(37,815,656)	(23,729,044)	
Sale of investments at FVTPL	12,697,191	37,752,510	36,120,744	
Additional investment in existing associate	-	(2,450,000)	-	(2,350,000)
Dividends received from associates and joint ventures	17,763,122	24,464,827	24,667,500	13,500,000
Net Investing Cash flows	**(5,201,685)**	**19,570,385**	**3,611,443**	**(19,208,031)**
Financing Cash Flow				
Purchase of treasury shares	-	-	(3,224,947)	(54,842)
Payment of the principal portion of lease liabilities	(591,095)	(516,095)	(1,529,831)	(2,156,330)
Dividends paid to shareholders	(30,000,000)	(31,600,000)	(35,550,000)	(70,914,991)
Repayments of short-term loans including interest	(39,827,093)	(30,716,995)	(3,500,000)	-
Proceeds from short-term loans	21,000,000	21,271,088	3,500,000	-
Issue of share capital	8,000,000	-	-	-
Net Financing Cash Flow	**(41,418,188)**	**(41,562,002)**	**(40,304,778)**	**(73,126,163)**
Net +/(-) Cash Flows	**(54,459,770)**	**43,710,197**	**23,144,032**	**20,523,417**
Opening Cash Balance	78,664,929	24,205,159	67,915,356	91,059,388
Closing Cash Balance	**24,205,159**	**67,915,356**	**91,059,388**	**111,582,805**

Table 17

GLOSSARY

&	:	*And*
AED	:	*Arab Emirates Dirham*
bn	:	*Billions*
c.	:	*Approximately*
CAGR	:	*Compound Annual Growth Rate*
CAPEX	:	*Capital Expenditure*
CEO	:	*Chief Executive Officer*
cf.	:	*Compared to*
CFT	:	*Combating the Financing of Terrorism*
EBIT	:	*Earnings before Interest and Tax*
etc.	:	*Et cetera*
FYxx	:	*Financial Year ending 20xx*
GDP	:	*Gross Domestic Production*
k	:	*Thousands*
KYC	:	*Know Your Customers*
m	:	*Millions*
na	:	*Not Applicable*
OPEX	:	*Operating Expenses*
PPE	:	*Property, Plant, and Equipment*
ROCE	:	*Return on Capital Employed*
YE	:	*Year Ending*
y/y	:	*Year over Year*
vs.	:	*Versus*
x	:	*times*
OCF	:	*Operating Cash Flow*

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Date: 16th January 2025