

MIRA INFORM REPORT

Report No. :	523554
Report Date :	03.08.2018

IDENTIFICATION DETAILS

Name :	METHANOL CHEMICAL COMPANY LTD (CHEMANOL)
Formerly Known As :	SAUDI FORMALDEHYDE CHEMICAL COMPANY LTD (SFCCCL)
Registered Office :	Tower No. 3, 1 st Floor Dammam Khobar Highway Novotel Business Park PO Box 3139 & 6139 Dammam 31471
Country :	Saudi Arabia
Financials (as on) :	31.12.2017
Date of Incorporation :	31.07.1989
Com. Reg. No.:	2050057828
Legal Form :	Saudi Joint Stock Company
Line of Business :	Subject engaged in the production of premium grade Formaldehyde and derivative products, including Formalin, Melfores, Paraformaldehyde and Ufores.
No. of Employees :	530

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Satisfactory
Payment Behaviour :	Slow
Litigation :	Clear

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NOTES:

Any query related to this report can be made on e-mail: infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Saudi Arabia	A2	A2

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

SAUDI ARABIA - ECONOMIC OVERVIEW

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 16% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 87% of budget revenues, 42% of GDP, and 90% of export earnings.

Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Approximately 6 million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors; at the same time, however, Riyadh is struggling to reduce unemployment among its own nationals. Saudi officials are particularly focused on employing its large youth population.

In 2017, the Kingdom incurred a budget deficit estimated at 8.3% of GDP, which was financed by bond sales and drawing down reserves. Although the Kingdom can finance high deficits for several years by drawing down its considerable foreign assets or by borrowing, it has cut capital spending and reduced subsidies on electricity, water, and petroleum products and recently introduced a value-added tax of 5%. In January 2016, Crown Prince and Deputy Prime Minister MUHAMMAD BIN SALMAN announced that Saudi Arabia intends to list shares of its state-owned petroleum company, ARAMCO - another move to increase revenue and outside investment. The government has also looked at privatization and diversification of the economy more closely in the wake of a diminished oil market. Historically, Saudi Arabia has focused diversification efforts on power generation, telecommunications, natural gas exploration, and petrochemical sectors. More recently, the government has approached investors about expanding the role of the private sector in the health care, education and tourism industries. While Saudi Arabia has emphasized their goals of diversification for some time, current low oil prices may force the government to make more drastic changes ahead of their long-run timeline.

Source : CIA

SUMMARY

Company Name	: METHANOL CHEMICAL COMPANY LTD (CHEMANOL)
Also Known As	: THE FACTORY OF METHANOL CHEMICALS COMPANY / CHEMANOL SAUDI ARABIA
Previously Known As	: SAUDI FORMALDEHYDE CHEMICAL COMPANY LTD (SFCCL)
Country of Origin	: Saudi Arabia
Legal Form	: Saudi Joint Stock Company
Registration Date	: 31 st July 1989
Commercial Registration Number	: 2050057828, Dammam
Chamber Membership Number	: 405
Issued Capital	: SR 1,206,000,000
Paid up Capital	: SR 1,206,000,000
Total Workforce	: 530
Activities	: Producers of Formaldehyde and derivative products
Financial Condition	: Poor
Payments	: Slow

COMPANY NAME

METHANOL CHEMICAL COMPANY LTD (CHEMANOL)

ALSO KNOWN AS

THE FACTORY OF METHANOL CHEMICALS COMPANY / CHEMANOL SAUDI ARABIA

ADDRESS

REGISTERED & PHYSICAL ADDRESS

Building : Tower No. 3, 1st Floor
Street : Dammam Khobar Highway
Area : Novotel Business Park

PO Box : 3139 & 6139

Town : Dammam 31471
Country : Saudi Arabia

Telephone : (966-13) 8144685 / 3438888 / 3581111
Facsimile : (966-13) 8144678 / 8342283
Mobile : (966-50) 4499385 / (966-55) 3435060 / (966-56) 9672538
Email : sfcc@saudioform.com / fawaz@chemanol.com / info@chemanol.com / legal@chemanol.com
killekar@chemanol.com

Please note that subject's previous address was, Al Moujil Building, Al Dhahran Street, Dammam.

Premises

Subject operates from a large suite of offices that are rented and located in the Central Business Area of Dammam.

Branch Office (s)

<u>Location</u>	<u>Description</u>
• Tareeq 198 Secondary Industries Park Section P, Block 5, Lot No. 4 & 6, Administrative Bldg PO Box: 2101 / 7953 Jubail 31951 Tel: (966-13) 3438888 / 3438009 / 3438223 / 3438071 / 3435060	Owned factory premises

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Fax: (966-13) 3583592
CR No. 2055001870

KEY PRINCIPALS

<u>Name</u>	<u>Position</u>
• Abdullah Mohamed Al Mazrouie	Managing Director
• Khalid Al Zamil	Director
• Adeeb Al Zamil	Director
• Bader Kanoo	Director
• Abdul Mohsen Al Nafsi	Director
• Sami Jalal	Director
• Hamad Al Manae	Director
• Abdullah Al Sane	Director
• Mishaal Kanoo	Director
• Khalid Bin Ibrahim Al Rabieh	Chief Executive Officer
• Fawaz Al Abbad	Human Resources Manager
• Eid Al Doussary	Administration Manager
• Ahmed Al Hassan	Finance Manager
• Mohamed Nasser	Assistant Finance Manager
• Khalid Mahroom	Operations Manager
• Ibrahim Shahbhai	Marketing Manager
• Osama Sayed	Legal Manager
• Jesh Kumar	Procurement Manager
• Anil Killekar	Purchasing Officer
• Sadat Ahmed	Executive Secretary

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LEGAL FORM & OWNERS

Date of Establishment : 28/12/1409 Hijri (corresponding to 31st July 1989). Production began in 1991

History : Subject was established in 1989 under the name of "Saudi Formaldehyde Chemical Company Ltd (SFCCCL)". However in March 2007, and in order to reflect its expansion into methanol production the subject was re-registered under the new name of "Methanol Chemical Company Ltd (Chemanol)".

Legal Form : Saudi Joint Stock Company

Commercial Reg. No. : 2050057828, Dammam

Chamber Member No. : 405

Issued Capital : SR 1,206,000,000

Paid up Capital : SR 1,206,000,000

Name of Shareholder (s)	Percentage
• Zamil Group Holding Co	8.2%
• Yousef Ahmed Kanoo Co	5.8%
• Mohammad Jalal & Sons Co	5.0%
• Members of the general public & private investors	81.0%

AFFILIATED COMPANIES

- United Gulf Steel Mill Co Ltd
PO Box: 35344
Dammam
Tel: (966-13) 8343853
Fax: (966-13) 8346627

OPERATIONS

Activities: Engaged in the production of premium grade Formaldehyde and derivative products, including Formalin, Melfores, Paraformaldehyde and Ufores.

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Subject's current product range comprises the following chemicals in 26 grades:

- Aqueous Formaldehyde Solutions (AF-37 / Formalin)
- Urea Formaldehyde Concentrate (UF-85 / Formurea)
- Hexa Methylene Tetramine (HMT / Hexamine)
- Paraformaldehyde (Paraform)
- Melamine & Urea Formaldehyde Resins (Spray Dried)
- Glazing Powder
- Methanolic / Butanolic Solutions of Formaldehyde
- Sulphonated Naphthalene & Melamine based Superplasticizers (SNF/SMF)

Production Capacity: 200,000 tonnes per annum

Import Countries: Germany and the United States of America.

Export Countries: More than 80% of its production capacity is exported to more than 50 countries in the Middle East, Indian Subcontinent, Africa, Europe, Asia, Australia and North America.

Subject has a workforce of approximately 530 employees.

FINANCIAL DATA

Financial highlights provided by local sources are given below:

Currency: Saudi Riyals (SR)

<u>Balance Sheet</u>	<u>31/12/17</u>	<u>31/12/16</u>
Assets		
Non-current assets		
Property, plant and equipment	1,715,158,354	1,779,306,402
Intangible assets	16,514,176	22,011,648
Total non-current assets	1,731,672,530	1,801,318,050
Current assets		
Inventories	113,968,088	116,894,716
Trade and other receivables	170,325,659	170,489,309
Cash and cash equivalents	241,101,643	221,847,020
Total current assets	525,395,390	509,231,045
Total assets	2,257,067,920	2,310,549,095
Equity and liabilities		
Equity		
Share capital	1,206,000,000	1,206,000,000
Share premium	72,850,071	72,850,071
Statutory reserve	44,118,693	44,118,693

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METHANOL CHEMICAL COMPANY LTD (CHEMANOL) - 523554

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Accumulated deficit	(227,551,389)	(201,281,029)
Total equity	1,095,417,375	1,121,687,735
Liabilities		
Non-current liabilities		
Long-term borrowings	840,842,224	914,901,826
Employee benefit obligations	39,477,475	37,186,647
Total non-current liabilities	880,319,699	952,088,473
Current liabilities		
Trade and other payables	89,242,890	121,827,706
Current portion of long-term borrowings	183,763,588	111,300,617
Zakat payable	8,324,368	3,644,564
Total current liabilities	281,330,846	236,772,887
Total liabilities	1,161,650,545	1,188,861,360
Total equity and liabilities	2,257,067,920	2,310,549,095

Statement of Income

Revenue	683,214,577	636,038,539
Cost of sales	(550,154,984)	(567,492,264)
Gross profit	133,059,593	68,546,275
Selling and distribution expenses	(87,729,574)	(109,491,697)
General and administrative expenses	(41,731,509)	(45,047,872)
Other operating income, net	16,825,616	29,435,886
Operating profit (loss)	20,424,126	(56,557,408)
Financial costs		
Financial costs	(44,532,125)	(36,945,995)
Financial income	1,407,9866	-
Financial costs, net	(43,124,139)	(36,945,995)
Loss before Zakat	(22,700,013)	(93,503,403)
Zakat expense	(5,000,000)	(8,125,189)
Net loss for the year	(27,700,013)	(101,628,592)

Local sources consider subject's financial condition to be Poor.

BANKERS

- National Commercial Bank
PO Box: 13
Dammam 31411
Tel: (966-13) 8331188
Fax: (966-13) 8336058
- Arab National Bank (ANB)
King Street
PO Box: 18

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Dammam 31411
Tel: (966-13) 8323440
Fax: (966-13) 8337829

PAYMENT HISTORY

Slow

GENERAL COMMENTS

The subject and its shareholders/owners have been searched in the following databases; Office of Foreign Assets Control (OFAC), United Nations Security Council Sanctions, Australian Sanctions List, US Consolidated Sanctions List, EU Financial Sanctions List and UK Financial Sanctions List and nothing adverse could be found on the exact names listed within the report.

During the course of this investigation nothing detrimental was uncovered regarding subject's operating history or the manner in which payments are fulfilled. As such the company is considered to be a fair trade risk.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.36
UK Pound	1	INR 89.52
Euro	1	INR 79.57
SAR	1	INR 18.33

Note: Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	NIY
Report Prepared by :	NIT

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)