

MIRA INFORM REPORT

Report No. :	519553
Report Date :	12.07.2018

IDENTIFICATION DETAILS

Name :	SAUDI INTERNATIONAL PETROCHEMICAL COMPANY (SIPCHEM)
Registered Office :	Jubail Industrial City (Tareeq 163/218) 12021 Jubail 31961
Country :	Saudi Arabia
Financials (as on) :	31.12.2017
Date of Incorporation :	22.12.1999
Com. Reg. No.:	1010156910, Riyadh
Legal Form :	Joint Stock Company
Line of Business :	Subject is Engaged in the manufacture of chemicals and methanol.
No. of Employees :	880

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 :	Good
Payment Behaviour :	Regular
Litigation :	Clear

NOTES :

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

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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	: SAUDI INTERNATIONAL PETROCHEMICAL COMPANY (SIPCHEM)
Country of Origin	: Saudi Arabia
Legal Form	: Joint Stock Company
Registration Date	: 22 nd December 1999
Commercial Registration Number	: 1010156910, Riyadh
Chamber Membership Number	: 117
Issued Capital	: SR 3,666,666,660
Paid up Capital	: SR 3,666,666,660
Total Workforce	: 880
Activities	: Manufacture of chemicals and methanol
Financial Condition	: Fair
Payments	: Regular
Operating Trend	: Steady

COMPANY NAME

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY (SIPCHEM)

ADDRESS

Registered & Physical Address

Location : Jubail Industrial City (Tareeq 163/218)
PO Box : 12021
Town : Jubail 31961
Country : Saudi Arabia
Telephone : (966-13) 3599999 / 3599673
Facsimile : (966-13) 3599888
Email : info@sipchem.com

Premises

Subject operates from a large suite of offices and a factory that are owned and located in the Industrial Area of Jubail.

Branch Office (s)

<u>Location</u>	<u>Description</u>
Sipchem Building, 3 rd Floor King Saud Street Al Hada District PO Box: 130 Al Khobar 31952 Tel: (966-13) 8019208 / 8010111 Fax: (966-13) 8010222 CR No. 2051023922	Sales Office
PO Box: 7126 Riyadh 11462 Tel: (966-11) 2037736 Fax: (966-11) 2037738	Sales Office

KEY PRINCIPALS

<u>Name</u>	<u>Position</u>
Abdulaziz A Al Zamil	Chairman
Dr Abdurrahman A Al Zamil	Director
Abdurrahman A Al Turki	Director
Dr Abdulaziz A Al Gwaiz	Director
Dr Sami M Zaidan	Director
Fahad S Al Rajhi	Director
Abdulaziz A Al Khamis	Director
Reyadh S Ahmed	Director
Ahmad A Al Ohali	Director
Mohammed A Al Ghurair	Director
Ibrahim H Al Mazyad	Director

LEGAL FORM & OWNERS

Date of Establishment : 30/10/1420 Hijri (corresponding to 22nd December 1999)

Legal Form : Joint Stock Company

Commercial Reg. No. : 1010156910, Riyadh

Chamber Member No. : 117

Issued Capital : SR 3,666,666,660

Paid up Capital : SR 3,666,666,660

<u>Name of Shareholder (s)</u>	<u>Percentage</u>
Zamil Group Holding Co	9.69%
Public Pension Agency	8.34%

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Icarus Industrial Holding Co	8.17%
Olayan Financial Co Ltd	5.16%
Local businessmen and private investors	68.64%

AFFILIATED COMPANIES

<u>Name</u>	<u>Percentage Ownership</u>
International Methanol Company (IMC)	65.00%
International Vinyl Acetate Company (IVAC)	76.00%
International Acetyl Company (IAC)	76.00%
International Diol Company (IDC)	53.91%
International Gases Company (IGC)	72.00%
International Polymers Company (IPC)	75.00%
International Utilities Company (IUC)	68.58%
Sipchem Marketing and Services Company (SMSC)	100%
Sipchem Europe Cooperative	100%
Sipchem Chemical Company	100%
Saudi Specialized Products Company	75.00%
Sipchem Asia PTE	100%

OPERATIONS

Activities: Engaged in the manufacture of chemicals and methanol.

Subject operates a methanol plant with a capacity of 1 million mtpa, and a BDO plant with 75,000 mtpa.

Import Countries: Asia and Europe.

Operating Trend: Steady

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Subject has a workforce of approximately 880 employees.

FINANCIAL DATA

Financial highlights provided by local sources are given below:

Currency: Saudi Riyals (SR)

<u>Consolidated Balance Sheet</u>	<u>31/12/17</u>	<u>31/12/16</u>
ASSETS		
Current assets		
Cash and cash equivalents	1,722,754,310	1,815,653,353
Accounts receivable, prepayments and other receivables	876,778,008	708,697,565
Inventories	668,354,907	782,232,792
Short term investments	253,532,643	-
Prepayments	116,530,260	-
Total current assets	3,637,950,128	3,306,583,710
Non-current assets		
Property, plant and equipment	11,207,724,480	13,030,616,123
Goodwill	29,543,923	29,543,923
Intangible assets	386,244,686	103,733,502
Employee's home ownership program	709,123,201	-
Total non-current assets	12,332,636,290	13,163,893,548
TOTAL ASSETS	15,970,586,418	16,470,477,258
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
Current liabilities		
Short term loans	-	200,000,000
Accounts payable, other payables and provisions	196,924,708	770,275,041
Short term advances from partners	33,205,788	67,120,396
Current portion of long term loans	833,714,534	1,053,110,874
Accrued expenses and other liabilities	647,088,939	-
Zakat and income tax payable	149,546,758	-
Total current liabilities	1,860,480,727	2,090,506,311
Non-current liabilities		
Long term loans	5,439,699,614	5,609,122,755
Sukuk	998,136,277	997,590,797
Long term advances from partners	87,920,236	68,888,323
Employees' terminal benefits	242,411,799	182,003,261
Other non-current liabilities	8,556,088	52,241,076
Deferred revenue	35,421,750	-
Decommissioning liability	86,995,363	-
Total non-current liabilities	6,899,141,127	6,909,846,212
Total liabilities	8,759,621,854	9,000,352,523
Shareholders' equity and minority interest		

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Share capital	3,666,666,660	3,666,666,660
Share premium	35,222,266	-
Treasury shares	(7,831,990)	-
Statutory reserve	1,205,397,395	1,205,397,395
Reserve for the results of sale of shares in subsidiaries	12,949,042	12,949,042
Retained earnings	795,805,766	966,439,804
Foreign currency translation reserve	(7,761,813)	(7,914,949)
Share based payment transactions reserve	2,259,635	-
Total shareholders' equity	5,702,706,961	5,843,537,952
Minority interests	1,508,257,603	1,626,586,783
Total shareholders' equity and minority interest	7,210,964,564	7,470,124,735
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST	15,970,586,418	16,470,477,258

Consolidated Statement of Income

	<u>31/03/17</u>	<u>31/12/16</u>
Sales	1,199,012,575	3,367,475,412
Cost of sales	(846,732,765)	(2,677,137,887)
GROSS PROFIT	352,279,810	690,337,525
General and administrative expenses	(68,865,734)	(216,545,718)
Selling and distribution expenses	(52,696,081)	-
INCOME FROM MAIN OPERATIONS	230,717,995	416,603,015
Investment income	5,992,102	38,223,703
Financial charges	(62,275,108)	(245,657,026)
Other (expenses)/income	(482,827)	8,853,352
Write off of property, plant and equipment	-	(31,321,937)
INCOME BEFORE MINORITY INTEREST, ZAKAT AND FOREIGN INCOME TAX	173,952,162	186,701,107
Zakat and foreign income taxes	(37,899,618)	(55,422,469)
Income before non-controlling interests	136,052,544	131,278,638
Non-controlling interests	-	(61,251,022)
NET INCOME	136,052,544	70,027,616

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

BANKERS

National Commercial Bank
PO Box: 58
Jubail 51951
Tel: (966-13) 3612896
Fax: (966-13) 3611750

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PAYMENT HISTORY

Regular

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 68.83
UK Pound	1	INR 91.35
Euro	1	INR 80.79
SAR	1	INR 18.31

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

INFORMATION DETAILS

Analysis Done by :	NIS
Report Prepared by :	POJ

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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)