

## MIRA INFORM REPORT

Report No. :	538174
Report Date :	02.11.2018

### IDENTIFICATION DETAILS

Name :	AL HASSAN ENGINEERING CO SAOG (AHEC)
Registered Office :	Al Hassan Building, Al Wadi Al Kabir, PO Box 1948, Ruwi 112, Muscat
Country :	Oman
Financials (as on) :	31.12.2017
Date of Incorporation :	13.09.1998
Com. Reg. No.:	1/60087/1
Legal Form :	Omani Public Joint Stock Company
Line of Business :	Civil, Mechanical, Electrical, Engineering Design and Construction Works Contractors.
No. of Employees :	2,600

### RATING & COMMENTS

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

<b>MIRA's Rating :</b>	<b>B</b>
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Credit Rating	Explanation	Rating Comments
B	Medium Risk	Business dealings permissible on a regular monitoring basis

Maximum Credit Limit :	US\$ 150,000
Status :	Moderate
Payment Behaviour :	Slow but correct
Litigation :	Clear

### NOTES :

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

**ECGC Country Risk Classification List**

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Oman	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

**OMAN - ECONOMIC OVERVIEW**

Oman is heavily dependent on oil and gas resources, which can generate between 68% and 85% of government revenue, depending on fluctuations in commodity prices. In 2016, low global oil prices drove Oman's budget deficit to \$13.8 billion, or approximately 20% of GDP, but the budget deficit is estimated to have reduced to 12% of GDP in 2017 as Oman reduced government subsidies. As of January 2018, Oman has sufficient foreign assets to support its currency's fixed exchange rates. It is issuing debt to cover its deficit.

Oman is using enhanced oil recovery techniques to boost production, but it has simultaneously pursued a development plan that focuses on diversification, industrialization, and privatization, with the objective of reducing the oil sector's contribution to GDP. The key components of the government's diversification strategy are tourism, shipping and logistics, mining, manufacturing, and aquaculture.

Muscat also has notably focused on creating more Omani jobs to employ the rising number of nationals entering the workforce. However, high social welfare benefits - that had increased in the wake of the 2011 Arab Spring - have made it impossible for the government to balance its budget in light of current oil prices. In response, Omani officials imposed austerity measures on its gasoline and diesel subsidies in 2016. These spending cuts have had only a moderate effect on the government's budget, which is projected to again face a deficit of \$7.8 billion in 2018.

Source : CIA

## **SUMMARY**

Company Name	: AL HASSAN ENGINEERING CO SAOG (AHEC)
Country of Origin	: Oman
Legal Form	: Omani Public Joint Stock Company
Registration Date	: 13 <sup>th</sup> September 1998
Commercial Registration Number	: 1/60087/1
Issued Capital	: RO 7,520,800
Paid up Capital	: RO 7,520,800
Total Workforce	: 2,600
Activities	: Civil, mechanical, electrical, engineering design and construction works contractors
Financial Condition	: Poor
Payments	: Slow but correct
Recommended Credit Limit	: US\$ 150,000

## **COMPANY NAME**

AL HASSAN ENGINEERING CO SAOG (AHEC)

## **ADDRESS**

### **Registered & Physical Address**

Building : Al Hassan Building  
Area : Al Wadi Al Kabir  
PO Box : 1948, Ruwi 112  
Town : Muscat  
Country : Oman  
Telephone : (968) 24810575 / 24812635  
Facsimile : (968) 24814233 / 24815953 / 24817082  
Email : [seccorp@al-hassan.com](mailto:seccorp@al-hassan.com) / [murtadha.m@al-hassan.com](mailto:murtadha.m@al-hassan.com)

### **Premises**

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

## **KEY PRINCIPALS**

### **Name**

### **Position**

Maqbool Ali Salman Al Lawati	Chairman
Baha Mohammed Redha Al Lawati	Vice Chairman
Nabeel Bin Abdullah Al Riyami	Director
Juma Bin Mohsin Bin Juma Al Lawati	Director
Suleiman Masoud Al Tobi	Director
Abdullah Said Amour Al Shuely	Director
Dr Shawqi Hamdan Sajwani	Chief Executive Officer
Murtadha Mohsin Ali Al Lawati	Company Secretary

## **LEGAL FORM & OWNERS**

**Date of Establishment :** 13<sup>th</sup> September 1998

**Legal Form :** Sharikat Al Mousahama Al Omania (Societe Anonyme Omani General - SAOG) (Omani Public Joint Stock Company)

**Commercial Reg. No. :** 1/60087/1

**Issued Capital :** RO 7,520,800

**Paid up Capital :** RO 7,520,800

<b>Name of Shareholder (s)</b>	<b>Percentage</b>
Maqbool Ali Salman Al Lawati	20.07%
Hassan Ali Salman Al Lawati	20.07%
Al Hassan Electricals Company	19.06%
Members of the general public & private investors	40.80%

## **OPERATIONS**

**Activities:** Civil, mechanical, electrical, engineering design and construction works contractors.

In July 2005, Al Hassan Engineering Co was awarded a project worth US\$ 80.5 million for Mukaizanah Electric Generating by Bharat Heavy Equipment Electric for its principles Oman Oil Company SAOG.

**Import Countries:** Europe, United States of America and Asia.

Subject has a workforce of approximately 2,600 employees.

## **FINANCIAL DATA**

**Financial highlights provided by local sources are given below:**

**Currency:** Riyal Omani (RO)

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<u>Balance Sheet</u>	<u>31/12/17</u>		<u>31/12/16</u>	
<b>ASSETS</b>	<b>Group</b>	<b>Subject Company</b>	<b>Group</b>	<b>Subject Company</b>
Non-current assets				
Property and equipment	6,252,641	6,252,641	10,868,335	7,775,885
Leasehold land	-	-	684,441	-
Goodwill	-	-	878,478	878,478
Investments in subsidiaries	-	-	-	297,900
Retentions receivable	447,106	447,106	597,443	-
	6,699,747	6,699,747	13,028,697	8,952,263
Current assets				
Inventories	1,679,993	1,679,993	5,039,451	3,690,617
Contract and other receivables	29,063,974	32,444,912	71,166,098	61,684,903
Bank balances and cash	262,642	262,642	4,581,601	4,065,680
	31,006,609	34,387,547	80,787,150	69,441,200
Assets classified as held-for-sale	12,913,826	-	-	-
Total current assets	43,920,435	34,387,547	80,787,150	69,441,200
	50,620,182	40,087,294	93,815,847	78,393,463
Total assets				
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity				
Share capital	7,520,800	7,520,800	7,520,800	7,520,800
Legal reserve	1,905,310	1,738,450	1,905,310	1,738,450
Accumulated losses	67,542,381	53,842,351	18,088,294	12,936,399
Hedging reserve	-	-	(28,863)	(28,863)
Total deficit	(56,116,271)	(42,583,101)	(6,691,047)	(1,706,012)
Subordinated loan from shareholders	6,700,000	6,700,000	3,000,000	3,000,000
Total Shareholders' (deficit)/funds	(49,416,271)	(35,883,101)	(3,691,047)	1,293,988
<b>LIABILITIES</b>				
Non-current liabilities				
End-of service benefits	2,741,688	2,741,688	3,733,833	3,148,633
Term loan non-current	37,109,923	37,109,923	-	-
Total non-current liabilities	39,851,611	39,851,611	3,733,833	3,148,633
Current liabilities				
Short term borrowings	31,453	31,453	35,542,093	35,542,093
Term loan current	1,425,039	1,425,039	-	-
Trade and other payables	35,662,292	35,662,292	58,230,968	38,408,749
	37,118,784	37,118,784	93,733,061	73,950,842
Liability directly associated with assets classified as held for sale	23,066,058	-	-	-
Total current liabilities	60,184,842	37,118,784	93,733,061	73,950,842
Total liabilities	100,036,453	76,970,395	97,506,894	77,099,475
Total equity and liabilities	50,620,182	41,087,294	93,815,847	78,393,463

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**Profit & Loss Account**

Continuing operations				
Contract income	32,268,552	32,268,552	50,003,132	52,749,548
Contract costs	(32,340,462)	(33,217,591)	(55,503,208)	(58,249,624)
Gross loss	(71,910)	(949,039)	(5,500,076)	(5,500,076)
Other income	133,750	133,750	395,738	395,738
Impairment loss on goodwill	(878,478)	(878,478)	-	-
Impairment loss for investment in subsidiaries	-	(297,900)	-	-
Provision on due from subsidiaries	-	(36,005,625)	-	-
General and administration expenses	(1,965,896)	(2,020,496)	(2,353,624)	(2,353,625)
Operating loss	(2,782,534)	(40,017,788)	(7,457,962)	(7,457,963)
Finance costs - net	(888,164)	(888,164)	(1,278,900)	(1,278,900)
Loss for the year from continuing operations	(3,670,698)	(40,905,952)	(8,736,862)	(8,736,863)
Discontinued operations				
Loss for the year from discontinued operations	(45,783,389)	-	(2,073,095)	-
Loss for the year	(49,454,087)	(40,905,952)	(10,809,957)	(8,736,863)

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

***BANKERS***

Bank Dhofar Al Omani Al Fransi  
Muttrah Business District  
PO Box : 1507, Ruwi 112  
Muscat  
Tel: (968) 24790466  
Fax: (968) 24797246

***PAYMENT HISTORY***

Slow but correct

***CREDIT RECOMMENDATION***

Recommended credit limit: US\$ 150,000

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## **GENERAL COMMENTS**

Al Hassan Engineering Co SAOG is a leading Omani contractor in the fields of civil, mechanical, electrical, engineering design, and construction works.

The Company announced that it had signed on 25 March 2018, the Letter of Award from Petrofac for the construction of the Civil, Mechanical, Electrical & Instrumentation Works of the Salalah LPG Project Package 2 for approx. USD 35 Million. The Project period will be of approx. 22 months starting from this date.

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.

Local sources report that subject meets its payments in a timely manner and is considered to be a fair trade risk. However due to the continued losses that the subject is making a measure of caution is advised.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.83
UK Pound	1	INR 94.82
Euro	1	INR 83.73
OMR	1	INR 188.82

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	DIV
<b>Report Prepared by :</b>	TPT

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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)