

MIRA INFORM REPORT

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| Report No. : | 541979 |
| Report Date : | 29.11.2018 |

IDENTIFICATION DETAILS

| | |
|--------------------------------|--|
| Name : | AMAD BAEED ELECTRICAL WLL |
| Registered Office : | Shop 19, Building 1736, Block 605, 579 Road 2831, Murqoban, PO Box- 70139, Manama |
| Country : | Bahrain |
| Financials (as on) : | 31.12.2017 (Summarized) |
| Date of Incorporation : | 12.11.2006 |
| Com. Reg. No.: | 63084-1 |
| Legal Form : | With Limited Liability - WLL |
| Line of Business : | Subject engaged in the import and distribution of construction materials, hardware, plumbing and heating supplies, electrical household appliances and machinery |
| No. of Employees : | 12 |

RATING & COMMENTS

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

MIRA's Rating :

A

| Credit Rating | Explanation | Rating Comments |
|---------------|-----------------|---|
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |

| | |
|----------------------------|---------------|
| Status : | Satisfactory |
| Payment Behaviour : | No Complaints |
| 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.

ECGC Country Risk Classification List

| Country Name | Previous Rating (30.06.2018) | Current Rating (30.09.2018) |
|--------------|---------------------------------|--------------------------------|
| Bahrain | 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 |

BAHRAIN - ECONOMIC OVERVIEW

Oil and natural gas play a dominant role in Bahrain's economy. Despite the Government's past efforts to diversify the economy, oil still comprises 85% of Bahraini budget revenues. In the last few years lower world energy prices have generated sizable budget deficits - about 10% of GDP in 2017 alone. Bahrain has few options for covering these deficits, with low foreign assets and fewer oil resources compared to its GCC neighbors. The three major US credit agencies downgraded Bahrain's sovereign debt rating to "junk" status in 2016, citing persistently low oil prices and the government's high debt levels. Nevertheless, Bahrain was able to raise about \$4 billion by issuing foreign currency denominated debt in 2017.

Other major economic activities are production of aluminum - Bahrain's second biggest export after oil and gas - finance, and construction. Bahrain continues to seek new natural gas supplies as feedstock to support its expanding petrochemical and aluminum industries. In April 2018 Bahrain announced it had found a significant oil field off the country's west coast, but is still assessing how much of the oil can be extracted profitably.

In addition to addressing its current fiscal woes, Bahraini authorities face the long-term challenge of boosting Bahrain's regional competitiveness — especially regarding industry, finance, and tourism — and reconciling revenue constraints with popular pressure to maintain generous state subsidies and a large public sector. Since 2015, the government lifted subsidies on meat, diesel, kerosene, and gasoline and has begun to phase in higher prices for electricity and water. As part of its diversification plans, Bahrain implemented a Free Trade Agreement (FTA) with the US in August 2006, the first FTA between the US and a Gulf state. It plans to introduce a Value Added Tax (VAT) by the end of 2018.

Source : CIA

SUMMARY

| | |
|--------------------------------|--|
| Company Name | : AMAD BAEED ELECTRICAL WLL |
| Country of Origin | : Bahrain |
| Legal Form | : With Limited Liability - WLL |
| Registration Date | : 12th November 2006 |
| Commercial Registration Number | : 63084-1 |
| Issued Capital | : BD 100,000 |
| Paid up Capital | : BD 100,000 |
| Total Workforce | : 12 |
| Activities | : Distributors of construction materials, hardware, plumbing and heating supplies, electrical household appliances and machinery |
| Financial Condition | : Fair |
| Payments | : No Complaints |
| Operating Trend | : Steady |

COMPANY NAME

AMAD BAEED ELECTRICAL WLL

ADDRESS

REGISTERED & PHYSICAL ADDRESS

Building : Shop 19, Building 1736, Block 605
Street : 579 Road 2831
Area : Murqoban

PO Box : 70139

Town : Manama
Country : Bahrain

Telephone : (973-17) 456590
Facsimile : (973-17) 456591
Mobile : (973-39) 474017
Email : pambavasan@amadbaeed.com

Premises

Subject operates from a small suite of offices and a showroom that are rented and located in the Central Business Area of Manama.

KEY PRINCIPALS

| <u>Name</u> | <u>Nationality</u> | <u>Position</u> |
|---------------------------|--------------------|-------------------|
| • Khalayil Radha Krishnan | Indian | Chairman |
| • Pambavasan Uottukalam | Indian | Managing Director |
| • Kaladevi Pambavasan | Indian | Director |
| • Ali Saleh H Al Koaibi | Saudi | Director |

LEGAL FORM & OWNERS

Date of Establishment : 12th November 2006

Legal Form : With Limited Liability - WLL

Commercial Reg. No. : 63084-1

Issued Capital : BD 100,000

Paid up Capital : BD 100,000

| <i>Name of Shareholder (s)</i> | <i>Nationality</i> | <i>Percentage</i> |
|-------------------------------------|--------------------|-------------------|
| • Ali Saleh H Al Koaibi | Saudi | 46.00% |
| • Khalayil Radha Krishnan | Indian | 24.50% |
| • Pambavasan Uottukalam | Indian | 24.50% |
| • Sayed Saeed Mahfooth Hashem Naser | Bahraini | 5.00% |

Notes to the legal Form

Under the Bahraini Commercial Companies Law a WLL may be formed by a minimum of 2 and a maximum of 50 natural or legal persons, whose liability is limited to their shares in the company's capital. The WLL is the most common form of company where 100 percent foreign ownership is permitted. The minimum amount of paid-up capital required is BD 20,000. With Limited Liability (WLL) companies cannot issue public shares, negotiable warrants, or debentures. Banking and insurance activities are also not allowed.

OPERATIONS

Activities: Engaged in the import and distribution of construction materials, hardware, plumbing and heating supplies, electrical household appliances and machinery.

Import Countries: Europe and the Far East

Operating Trend: Steady

Subject has a workforce of 12 employees.

FINANCIAL DATA

Financial highlights provided by local sources are given below:

Currency: Bahraini Dinar (BD)

| Year | sales |
|-----------------------|--------------|
| Year Ending 31/12/15: | BD 1,025,000 |
| Year Ending 31/12/16: | BD 1,080,000 |
| Year Ending 31/12/17: | BD 1,150,000 |

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

Note: According to Bahraini Commercial Law, only Bahraini Shareholding Companies BSC (Listed on the Bahraini Stock Market) are required to publish their financial information. Financial information on other legal forms can only be obtained from the companies / businesses directly

BANKERS

- HSBC Bank Middle East
93 Al Khalifa Avenue
PO Box: 57
Manama 304
Tel: (973-17) 224555 / 222158
Fax: (973-17) 226822
Email: bbmemnm@batelco.com.bh

PAYMENT HISTORY

No complaints regarding subject's payments have been reported.

SANCTION LIST CHECKS

The subject and its shareholders have been checked in the following sanctions list databases:

| <u>Sanctions list</u> | <u>Results</u> |
|------------------------------|-----------------------|
| United Nations Sanctions | No matches |

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| | |
|---|------------|
| Australian Sanctions | No matches |
| Bureau of Industry and Security (US) | No matches |
| EU Financial Sanctions | No matches |
| Office of the Superintendent of Financial Institutions (Canada) | No matches |
| OFAC - Specially Designated Nationals (SDN) | No matches |
| UK Financial Sanctions (HMT) | No matches |
| US Consolidated Sanctions | No matches |

GENERAL COMMENTS

During the course of this investigation the following sources were consulted:

- Internal database
- Journals, directories, media & web searches
- Local Registry office

According to local sources, subject meets its payment obligations in a timely manner and the company is considered to be a fair trade risk.

COUNTRY OUTLOOK

Recent Developments

Cheap oil continues to test Bahrain's economic resilience. Bahrain maintained an expansionary fiscal stance since 2009 resulting in general government deficits. The situation worsened in 2015 with a decline in oil revenues by about 10 percent of GDP and a general fiscal deficit estimated at 12.8 percent of GDP (from 3.4 percent in 2014). The deficit spending helped maintain economic growth at 2.9 percent, but brought reserves down to a low level at 2.6 months of imports and increased public debt to 62 percent of GDP. Bahrain has introduced some initiatives for fiscal consolidation. Revenue enhancing measures such as higher tobacco and alcohol taxes and government services

fees were introduced over the past year. A cost-cutting program entailed the raising of petrol prices by up to 60 percent in January 2016(likely to create savings worth US\$148.4 million), the gradual phasing-in of price increases for electricity, water, diesel, and kerosene by 2019, an increase and unification of natural gas prices for industrial users, and the removal of meat subsidies. Inflation has gradually picked up in 2016 mainly as a result of the subsidy reform: the headline CPI rose by 3 percent, but it will remain subdued in 2017 as one-off measures affect the current year

only. 2016 outcomes demonstrate, however, that the authorities' emphasis on growth comes at the expense of fiscal deterioration.

The Bahraini economy grew by an estimated 3.4 percent in 2016. While the hydrocarbon sector grew by an estimated 2 percent, the non-hydrocarbon sectors grew by an average estimated rate of 3.7 percent, a figure that reflects the continued emphasis on public investments, some of which were funded by the GCC. The downside of this approach, however, has been manifested in persistently high fiscal deficits, estimated at 12.6 percent of GDP in 2016. A large portion of the 2016 deficit was covered by debt issuances, despite the sovereign downgrade reflecting increasing pressures on government finances. Bahrain issued a US\$600 million bond just before the downgrade and the authorities raised the public debt ceiling to BD 10 billion (around 80 percent of GDP) to enable additional borrowing. Bahrain's external position faces growing vulnerabilities. The current account surplus of the past 12 years turned into a deficit in 2015, following the drop in oil prices and further deteriorated in 2016 to 4.6 percent of GDP. Reserve adjustments reflect the growing external imbalances. The exchange rate peg has come under significant pressure: external imbalances were reflected in a decline in reserves to 2.6 months of imports in the same time

frame. The real effective exchange rate has also appreciated by 17 percent since mid-2014, complicating adjustments to the adverse terms of trade shock that Bahrain is facing.

Little comprehensive welfare analysis is available due to restricted access to household survey data, limited capacity, and the sensitivities involved. Among Bahraini nationals', labour force participation is low, and people work predominantly in the public sector, where wages are high and productivity low. Immigrant workers constitute about a half of the resident population and command much lower incomes. Key elements of the social contract - public employment and subsidies - are becoming less affordable in the context of subdued oil prices. Bahrain aims to gain from upgrading its capacity for welfare measurement that would support the design of policies aimed at mitigating the impact of the necessary adjustment. Results from a new household survey in 2015 have not yet been published.

Outlook

Economic growth is expected to decline in the forecast period. Real GDP growth projections have been revised downwards to 1.9 percent in 2017 and 2018, as continuing low oil prices depress private and government consumption. Some infrastructure investments are also likely to be put on hold. In the absence of significant upfront

fiscal adjustments, Bahrain will remain vulnerable to fiscal risks. Average inflation is expected to decrease to 2.1 percent in 2017 reflecting the cooling off in economic activity and phasing out of temporary price-boosting effects of subsidy reforms. The current account deficit will partially narrow to 3.8 percent of GDP in 2017 and remain about there for the years to come, with the exception of small adjustments. International reserves are expected to follow a declining trend, and reach 1.5 months of imports in 2018. Public debt is projected to exceed 90 percent of GDP in 2017, and reach about 100 percent in 2018.

Risks and Challenges

Ensuring fiscal sustainability while preserving a healthy growth rate has become an important challenge in Bahrain. Real GDP growth is expected to slow and fiscal and external balances are expected to remain under pressure in 2017 due to oil prices remaining well below fiscal break-even levels. Despite efforts to diversify and boost non-oil fiscal revenues, hydrocarbons account for about 80 percent of government revenues in Bahrain. In addition, subsidies still absorb more than 20 percent of the fiscal budget. The fiscal break-even price for Bahrain was estimated at US\$110 per barrel in 2016, the highest amongst the GCC. Thus, Bahrain is expected to continue to run significant general fiscal deficits in the forecast period - 9.8 percent of GDP in 2017. Delays in implementing fiscal consolidation or a

further decline in oil prices could trigger additional sovereign rating downgrades making access to external financing harder, and intensifying pressure on reserves and the peg. Fiscal solvency and liquidity risks are high, and outcomes remain vulnerable to shocks to growth, commodity prices, and interest rates.

| Key Economic Indicators | 2014 | 2015 | 2016* | 2017* | 2018* | 2019* |
|------------------------------------|------|-------|-------|-------|-------|-------|
| Real GDP Growth (%) | 4.4 | 2.9 | 3.4 | 1.9 | 1.9 | 2.3 |
| Inflation Rate (%) | 2.7 | 1.8 | 3.0 | 2.1 | 2.0 | 2.0 |
| Current Account Balance (% of GDP) | 4.6 | -2.4 | -4.6 | -3.8 | -3.5 | 3.5 |
| Fiscal Balance (% of GDP) | -3.4 | -12.8 | -12.6 | -9.8 | -8.9 | -7.6 |

* forecast

FOREIGN EXCHANGE RATES

| Currency | Unit | Indian Rupees |
|-----------|------|---------------|
| US Dollar | 1 | INR 70.69 |
| UK Pound | 1 | INR 90.14 |
| Euro | 1 | INR 79.88 |
| BHD | 1 | INR 185.53 |

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

INFORMATION DETAILS

| | |
|----------------------|-----|
| Analysis Done by : | DIV |
| Report Prepared by : | KET |

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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)