



Assessment Report

Ali Ahmed Mokhtar Engineering Consultancy Office

(Sole proprietorship)

March 2021

Classification: **Restricted**

RELATED CRITERIA AND METHODOLOGY

Methodology for Engineering Firm Assessment can be found on the website:

www.tassnief.com

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ANALYSTS:

Saad Khan
Rating Analyst
011-250 2030
skhan@tassnief.com

Sunil Bhole
Senior Rating Analyst
011-250 2093
sbhole@tassnief.com

Ali Ahmed Mokhtar Engineering Consultancy Office (AMCONSULT)

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Assessment Summary

1.1 TASSNIEF Opinion:

Ali Ahmed Mokhtar Engineering Consulting Office	
<i>Domicile</i>	<i>Saudi Arabia</i>
<i>Engineering Firm Assessment</i>	<i>EFA 5+</i>
<i>Outlook</i>	<i>Stable</i>
<i>Last Action</i>	<i>N/A</i>

Tassnief has assigned Engineering Firm Assessment of **EFA 5+** to Ali Ahmed Mokhtar Engineering Consulting Office. The outlook on the assessment is Stable.

Detailed Standalone Assessment Factors

2.1. Profile of the Company:

- Ali Ahmed Mokhtar Engineering Consulting Office (AMCONSULT), established in 2015 as an individual establishment under commercial registration 2050107047.
- The Firm is engaged in provision of engineering consultancy services for electrical, mechanical, safety and industrial projects.
- The Company's head office is located in Dammam while the Company currently does not have any branches.
- The Company has a total of 13 employees (30% Saudization) out of which 10 are engineers while remaining belong to administrative and financial services.
- Company does not have any external auditor till date.

About the Group:

- The sponsor has investments in another company. Details are as follows:

Table: Owner's other Investments

Company	Ownership	Business
Safety Innovation Company (SIC)	50%	Fire Systems & Equipment Installation, Testing, Inspection & Maintenance

Source: AMCONSULT

- **Safety Innovation Company** is a Contracting Company, specialized in fire equipment and fire systems installation, inspection, testing and maintenance. was formed 5 year ago. The sponsor of AMCONSULT owns 50% shareholding of SIC.

2.2. Structural Risk Analysis

2.2.1 Macroeconomic Environment

KSA is the single largest economy in the MENA region. According to MoF, KSA's GDP is estimated at about USD 750 billion in 2019. The economy of KSA continues to be majorly based on oil revenue. The total expected public revenue stood at SAR 917 billion out of which oil revenue represents 65% (SAR 602 billion) in 2019, though decreased from 67% (SAR 611 billion) in 2018. On 2 March 2020, first case of Covid-19 was confirmed in the Kingdom. Subsequently, the Kingdom announced suspension of all domestic and international travel on 21 March. Curfews and lockdowns were placed on several administrative levels. This coincided with a plunge in oil prices which affected the position of the Kingdom's finances.

Real GDP declined by 4.0% over 1H20, due to decrease in real oil GDP by 4.9%, resulting from reduction in oil production in accordance with the OPEC+ agreement, and contraction in real non-oil GDP by 3.3% owing to decline in private sector activity as a result of lockdowns. The government initiatives supported recovery in 3Q20 as economic activities were gradually resumed in July. Based on these factors, GDP growth is expected to improve in 2H20 although the

same may be impacted by future trend of COVID-19 as well as the global macroeconomic environment. Total expenditures for 2020 are expected to exceed the approved budget of SAR 1,020b to reach SAR 1,068b. Budget deficit continued to decline in 2019 on the back of focus on growth in revenues and measures for raising spending efficiency. However, based on 1H20 performance, in 2020, budget deficit is projected to increase to about 12% of GDP in 2020 compared to 4.5% in 2019.

Future economic performance is dependent on achieving envisaged spending cuts, in a weak economic environment and considering government's commitments to support economic diversification projects through spending on infrastructure and an assorted portfolio of megaprojects linked to Saudi Vision 2030 objectives.

2.2.2 Operating Environment

Companies in this industry apply engineering principles to design and develop structures, systems, and processes. Engineering firms (EFs) are primarily engaged in planning, design, supervision and consultancy services of both public and private projects in KSA. Industry comprises of small number of large players, with majority of small players because of low barriers to entry owing to low capital requirement. Resultantly, competitive intensity is on the higher side. The industry has around 2,500 engineering offices in the country. Most of the EFs are small in size (Below 20 employees) and undertake projects within specific region in which they operate with limited national level players. Quality of HR, experience profile of engineers and tools being used are elements that distinguish between top-tier and other players. Increasing number of engineering firms are looking to consolidate in the market along with acquiring international affiliations with global companies to gain technical expertise and grow their business.

It is pertinent to mention here that, the growth of engineering firms in KSA is linked to infrastructure, construction and building industry, which plays a key role in the country's economy with a share of around 4.5% of the GDP. Given the cyclical nature of the construction industry, EFs are also expected to depict similar characteristics. It is observed that the industry is expected to witness healthy growth going forward and offer lucrative potential, due to Vision 2030 and several ongoing reforms to diversify away from dependence on oil revenue. The construction sector has started recovering after 4 to 5 years of stagnation due to the activation of major projects like The Red Sea Co, Qiddiyah, Neom and Diriyah Gate. While implementation has commenced on these projects, design and project supervision opportunities are expected to continue given significant infrastructure work is still ongoing. Moreover, Ministry of Housing aims to increase residential ownership among its citizens to 70% by 2030. This is expected to result in growth for EFs in general particularly for smaller startups who have limited expertise in other technical areas.

2.3. Qualitative Risk Factors

2.3.1 Governance and Management

Governance

- Ali Ahmed Mokhtar holds 100% ownership in AMCONSULT as a sole proprietor. He is currently the CEO of the company. Going forward, the ownership structure of company is expected to remain same.

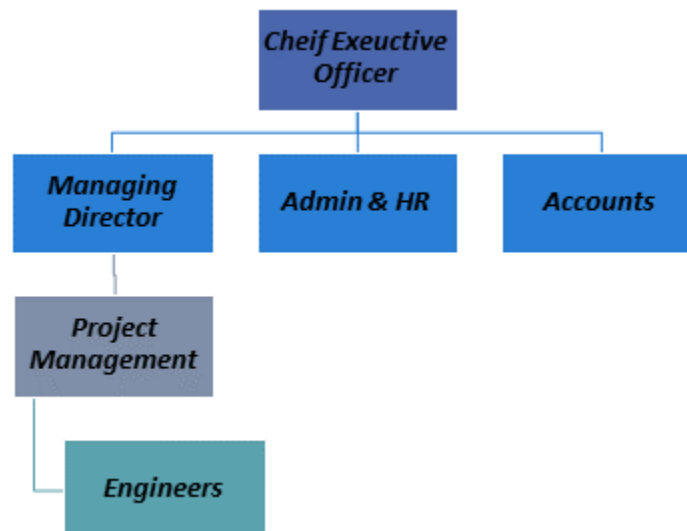
Figure 1: Ownership Structure

Name	Ownership %	Education	Years of Experience
Ali Ahmed Mokhtar	100%	i) Masters in Occupational Safety & Health, USA ii) BS Industrial Engineer	36

- AMCONSULT doesn't have any formal board structure since it is a sole proprietorship. The owner has three children (two sons & a daughter), who are not involved in the company's business.
- One Son is an Accountant lives and works in Canada and the other son is Petroleum Engineer in Saudi Aramco while his daughter is an architecture engineer and managing her own business.
- Succession planning is not formally decided or implemented at the moment, however, Islamic Shariah laws shall be followed for the succession whenever the need arise in future .
- AMCONSULT currently does not have an independent internal audit function.

Management

- The Company has a simplified organogram. The organization is segregated into three different departments; Project Management division is headed by Jaber M. AlHaji while other two functions are being supervised by CEO himself. **Detailed organogram is as follows:**



- Senior Management team comprises experienced professionals with relevant educational qualification. Management team's profile is attached as **Annexure I**.

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- The CEO, MD and all engineers meet on weekly basis to review ongoing projects. No minutes of meetings are being documented at the moment.

Systems and Controls

- AMCONSULT is using MS Office as its main software i.e. for managing finance, admin and HR functions. Currently, the firm has outsourced its IT function to specialized firm (Dot Solutions Lab), who is managing the company's IT infrastructure.
- The company is undertaking monthly data backups on external hard drives using delta software.
- Informal financial statements of the Company are prepared on a quarterly basis.

"Governance & Management is low on account of absence of board of directors, internal audit function, and integrated ERP system although comfort is drawn from experienced management team and simplified organogram."

2.3.2 Resource Capacity

HR Composition

- The Company has a total staff strength of 13 employees. Around 10 of the employees are engineers with the remaining employees comprising finance, administration and support staff.
- Out of the total engineers, AMCONSULT has a total of 4 Mechanical Engineers, 2 Electrical Engineers, 2 Fire Protection Engineers, 1 Industrial Engineer and 1 Architectural Engineer.
- AMCONSULT has 3 consultant engineer.
- The Company does not have any certified project management professionals (PMP).

Tools

- For Computer aided design, the Company uses AutoCAD for creating blue prints and floor plans.
- For project management, AMCONSULT is using MS Project. Using MS Project has allowed the company to efficiently plan the projects, swiftly delegation of tasks, manage resources, and generate timely reports etc.
- The Company uses 'google maps' for geographical analytics and working with maps.

Quality Assurance

- As per the CEO and as also evident from the organogram, AMCONSULT does not have a separate quality assurance department.
- The Company has a department for document control.
- AMCONSULT does not have a separate internal department for design checking. However, design are examined internally by CEO himself.
- Overall documentation of policies and procedures is yet to be formulized.
- AMCONSULT currently does not have any ISO certifications, however, it has recently applied for ISO 9001 and ISO 450001.

"Resource Capacity is weak due to lack of quality assurance and project planning documentation. However, adequate ability of existing human resources to support

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growth in revenue along with utilization of industry standard engineering tools are positively noted."

2.3.3 Competitive Positioning

Franchise Value

- The Company has an Engineering Consultancy License which allows it to offer studies, designs, engineering supervision, and project management services. Engineering consultancy license is only offered to those companies who have Saudi Council of Engineers (SCE's) professional qualification, have a professional degree of no less than a professional engineer, or have practical experience in the engineering field of over 10 years. The first license was issued in 2015 and will expire in 2026.
- AMCONSULT has been awarded Engineering Consultancy license in the fields of electrical, mechanical, industrial and safety engineering. Diverse scope of services that the Company can offer to its clients is a competitive advantage for AMCONSULT.
- Based on technical evaluation undertaken by SCE, AMCONSULT has the following classification in various fields

Table: SCE Classification

Field	Classification
Mechanical Engineering	Fourth
Industrial Engineering	Fourth
Safety Engineering	Fifth
Electrical Engineering	Sixth

- The Company has been operating for more than five years now, however, never penalized by the SCE.

Scale and Revenue Diversification

- AMCONSULT has witnessed a significant growth in its revenues in 2020 as it had managed to win a project from Saudi Bin Laden Group (Bin Laden) worth SAR 13 million in the 2020; however, work on the projects started in Sep 2020. Thus, the top-line has augmented from SAR 0.3 million in 2019 to SAR 1 million in 2020, depicting an increase of 3.3x.
- It is pertinent to mention that over the years, AMCONSULT has been generating its revenues from more than one sector. In 2020, the company registered its revenues from three sectors (as shown in below table), depicting a diversified revenue base.

Table: Revenue Breakup (Sector-wise)

(Amount in SAR Million)

Sector wise	2018		2019		2020	
	Rev.	%	Rev.	%	Rev.	%
Infrastructure	-	-	-	-	75,000	7%
Energy	-	-	60,000	23%	750,000	67%
Housing	120,000	100%	200,000	77%	300,000	27%
Total	120,000	100%	260,000	100%	1,125,000	100%

- At end-Dec20, majority of the AMCONSULT's revenues came from the clients in energy sector i.e. 67% (2019: 23%), followed by 27% from housing sector clients (2019: 77%). While, a new sector

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i.e. Infrastructure, has also contributed in the top-line of the company during the year as well (2020: 7%, 2019: Nil).

- The above table also shows that revenues are moderately concentrated in a single sector i.e. 67% in 2020, however, it declined from 77% in the preceding year.
- The company's current order book position stands at SAR 13 million as on Dec 31, 2020, out of which SAR 12 million is estimated to be executed in 2021. The details of which is shown in the following table.

Table: Ongoing Projects and order book

(Amount in SAR Million)

Client Name	Start Date	End Date	Sales	To be Completed in 2021
Saudi Bin Laden Group	Sep-20	Aug-21	13,050,500	12,300,500
Seera Group Holding	Dec-20	Mar-21	61,500	61,500
Zamil Air Conditioning and Refrigeration Services Company	Feb-21	Apr-21	12,000	12,000
Hamad Mohammad Al Rugaib & Sons Trading Co.	Feb-21	Jun-21	29,000	29,000
Total			13,153,000	12,403,000

- It is noted that largest project in the current order book is from Bin Laden with a single project contributing ~99% of the total revenue expected in 2021, reflecting high order-book concentration risk. Moreover, all the projects in hand are related to consultancy segment.
- Going ahead, AMCONSULT expects to secure a number of consultancy contracts from Saudi Aramco, Sabic, General Electric and Government Projects such as NEOM, Red Sea, Qidia, Dereiah which will improve the business risk profile of the company in the medium term. The successful execution of the business strategy in a timely manner would be critical.

“Competitive Positioning is weak due to moderately high revenue concentration with a single client via sole project, however, comfort can be drawn from the satisfactory order book position as of end-Dec20.”

Qualitative Risk Factors	
Sub Factor	Assessment
Governance & Management	Weak
Resource Capacity	Weak
Competitive Positioning	Weak

2.4. Financial Risk Factors

Key Financial Indicators

Particulars	2018	2019	2020
Revenues	120,000	260,000	1,125,000
Net Profit	NA	40,000	550,000
Total Debt	-	-	-
Total Assets	50,000	100,000	120,000
Receivables	-	-	500,000
Equity	NA	800,000	900,000

2.4.1 Profitability

- It is pertinent to mention that AMCONSULT maintains informal record of its accounting books. Moreover, the company does not have any external auditors.
- The company registered net revenues of SAR 550,000 as of end-Dec20 vs SAR 40,000 in the previous year, showing a significant increase of ~1,275% YoY.
- The net margin of AMCONSULT has augmented to 49% against 15% SPLY.

“Profitability of the company has improved on YoY basis due to improved topline in 2020. However, unavailability of formal financial statements and absence of external auditor is noted as a constraint to the financial profile of the company.”

2.4.2 Liquidity

- As per the data provided by the management, the trade receivables of the company stand at SAR 500,000 as of Dec 31, 2020.
- Receivable ageing data is not available.
- No data regarding trade receivable is available for previous years.

“Company has recorded receivables for the first time in its books on the back of improved business profile, however, ageing data is not available.”

2.4.3 Capitalization and Financial Flexibility

- The equity capital of the company has stood at SAR 900,000 at end-Dec20 vs SAR 800,000 in the preceding year.
- The company has yet to start maintaining its books of accounts properly.
- As confirmed by the management, no dividend outflow has been recorded yet.
- There is no debt on the balance sheet.

“AMCONSULT has a debt free capital structure. However, unavailability of formal financial statements and absence of external auditor is noted as a constraint to the financial profile of the company.”

Financial Risk Factors	
Sub Factor	Assessment
Profitability	Weak
Liquidity	Weak
Capitalization	Weak

2.5 Annexure I – Management Profile AMCONSULT

Name	Position	Education	Background & Experience
Ali Ahmed Mokhtar	Chief Executive Officer	Masters in Occupational Safety & Health, USA BS Industrial Engineering	He has previously worked with Saudi Aramco under various positions and carrying more than 35 years of professional experience.
Jaber M. AlHaji	Managing Director	NA	NA
Mohammed Ibrahim	Principal Engineer & Technical Manager	BS Mechanical Engineering	Over 12 years' experience and well know professional in diverse fire protection engineering, MEP projects and QC mechanical inspections.
Sameer Pattoo	Consulting Fire Protection Engineer	BS Fire Protection Engineering	A Canadian national, is a Professional Fire Protection Engineer, and a Certified Fire Protection Specialist with more than 30 years of experience in Fire Protection, Loss Prevention, Property and Life Protection
Rayan Al Juaid	Fire Safety Engineer	BS Fire Protection Engineering	Fire Safety Engineer with 3 years of experience in FSE projects and Safety inspections with specialization in Fire Fighting from bidding through completion by providing overall direction, coordination and implementation through various stages of the project via bidding, engineering, procurement, execution of the projects.
Sami Elmighzy	Mechanical Engineer	BS Mechanical Engineering	NA
Awad Adam	Electrical Engineer	BS Electrical Engineering	He is a design engineer of security and safety schemes by dailux program & Inventory of security and safety systems with over 4 years of professional experience.
Ahmad Said	Mechanical Engineer	BS in Mechanical Engineering	Over 6 years of experience and well know professional in diverse fire protection engineering, MEP projects and QC mechanical inspections.

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Nayemudeen Mohammad	Mechanical Engineer	BS in Mechanical Engineering	An Indian national with more than 7 years of professional experience in India and KSA.
Ali Ismaeel	Electrical Engineer	BS in Electrical Engineering	An Egyptian national with 10 years of professional experience in KSA.

2.6. Assessment Scale

Assessment	Definition
EFA 1	Governance & management practices, resource capacity and financial profile of the engineering firm are of the highest standards
EFA 2++ EFA 2+ EFA 2	Governance & management practices, resource capacity and financial profile of the engineering firm are of the high standards
EFA 3++ EFA 3+ EFA 3	Governance & management practices, resource capacity and financial profile of the engineering firm are of average standards
EFA 4++ EFA 4+ EFA 4	Governance & management practices, resource capacity and financial profile of the engineering firm are of low standards
EFA 5++ EFA 5+ EFA 5	Governance & management practices, resource capacity and financial profile of the engineering firm are of weak standards

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