



ش. م. ك.
مجموعة
الصناعات الوطنية
(القابضة)

NI Group

National Industries Group
(Holding)

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Date: 10 August 2023

Ref: 294

Mr. Hamad Ahmed Ali

Chief Executive Officer - Dubai Financial Market

CC Securities Commodities Authority

Greetings,

Dear Sirs,

Subject: Disclosure on Credit Rating

With reference to the above, subject and the requirements of the Fourth Chapter (Disclosure of Material Information) from module Ten (Disclosure & Transparency) of the executive bylaws no.7 of 2010 as amended.

We would like to announce that Credit Rating Agency "Capital Intelligence Rating Ltd – (CI Ratings)" on 09 August 2023 announced that it has affirmed the issue rating of "BBB-" to the National Industries Group Holding's (NIGH) Kuwaiti Dinar 40 million Senior Unsecured Bond with a "Stable" outlook.

Please find enclosed disclosure form and the Capital Intelligence Credit Rating Announcement.

Regards,

Ahmed Hassan
Chief Executive Officer



Credit Rating Disclosure Form

Date	10 August 2023
Name of the Listed Company	National Industries Group Holding K.P.S.C. ("Company")
Name of the Credit Rating Agency	Capital Intelligence Ratings Ltd. ("CI Ratings")
Credit Rating Classification Categories	Affirmed Issue rating of "BBB-" with a "stable" outlook assigned to the Kuwaiti Dinar 40 million senior unsecured bond issued by the Company.
A simple explanation of the Credit Rating Classification issued and its implications	Bonds and financial obligations that are rated "BBB-" are regarded as medium-grade. These securities are of good credit quality. The rating reflects the Company's ability to pay both interest payments and principal. The main factors that support the rating are sound profitability at subsidiaries and associates and the steady growth in dividends paid to the parent company. Also, satisfactory effective liquidity and the continued ready access to debt capital markets are crucial rating drivers. Supporting the rating are the diversified nature and high quality of the asset base and earnings streams.

The expected financial impact of the Credit Rating Classification issued on the company's business and financial position	There is no impact of this rating on the Company's financial position.
Future outlook (as per the Credit Rating Agency) about the company	The outlook is "Stable".
Summary of the official statement issued by the company regarding the Classification of the Credit Rating	Attached

The Name of the Authorized Signatory	Ahmed M. Hassan
Designation	Chief Executive Officer
Signature and Date	10/08/2023
Company's Seal	



Ref: KW02422CRA05-04

9 August 2023

National Industries Group Holding – KWD40mn Senior Unsecured Bond Rating Affirmed, with a Stable Outlook

Capital Intelligence Ratings (CI Ratings or CI) has affirmed the issue rating of 'BBB-' assigned to the KWD40mn senior unsecured bond maturing in 2027 issued by National Industries Group Holding (NIGH). The Outlook on the rating is Stable.

The issue rating on this senior unsecured bond is in line with CI Ratings' assessment of the financial strength of the issuer, NIGH. The rating balances negatives such as earnings volatility and the high level of gross debt with management's demonstrated ability to manage this volatility; while particular periods may show falls in profitability ratios, there has been no overall negative trend.

Satisfactory effective liquidity (see below) and the continued ready access to debt capital markets are crucial rating drivers. The other main factors that support the rating are sound profitability at subsidiaries and associates and the steady growth in dividends paid to the parent company. Also supporting the rating are the diversified nature and high quality of the asset base and earnings streams – although the proportion of asset base encumbrance is significant. Although debt related ratios (especially when calculated using the net debt figure) have improved following the April 2022 rights issue, the still high level of gross debt remains a rating constraint. Ongoing and planned future asset disposals are intended to allow reductions in gross debt; management forecasts show significant overall reductions in debt levels throughout the 2023-27 period.

Management structure is stable and senior managers are experienced and capable; most have been with NIGH for many years. The strategy for future investments to be made aims to maintain a balance between private equity (PE) opportunities that offer high eventual longer term gains and more liquid, dividend paying investments that can provide a predictable flow of cash to meet debt service obligations. With a number of the older PE investments moving towards a profitable exit, management expects to be able to maintain a declining trend in net debt.

Effective liquidity is satisfactory, supported by large holdings of readily marketable securities and by what are currently still high cash balances; as at end Q1 23, the latter were equivalent to 51% of ST debt + current portion of LT debt. As at mid-July, cash balances remained at a similar level, supported by higher than expected dividend inflows in H1. Although over 47% of total borrowings are contractually short term, most of this amount is in the form of very longstanding bank lines from a diversified panel of banks; most have been renewed annually for many years. However the high proportion of ST borrowings still constitutes a potential funding vulnerability. Despite this, given the high level of effective liquidity, CI believes ST debt repayment capacity to be satisfactory.

Rating Outlook

The Stable Outlook on the issue rating indicates that no change is expected over the next 12 months. The Outlook assumes that management will continue to be able to successfully manage the ST portion of the funding base, while also managing to begin a downward trend in the level of gross debt.

Rating Dynamics: Upside Scenario

The most likely upside scenario for the issue rating would be an upgrade in the Outlook to Positive. However for this to happen would require significant improvements in debt-related ratios, including a significant reduction in gross debt. This in turn would likely require good earnings (and earnings retention) and an acceleration in asset disposals.

Rating Dynamics: Downside Scenario

The most likely downside scenario would be a lowering of the Outlook on the issue rating to Negative. The nature of the business model is such that volatility in TCI is to be expected, and this in turn means deterioration in debt-equity ratios. However the experience to date has been one where such (sometimes quite sharp) swings are reversed after one or two quarters, returning ratios to an equilibrium. Such volatility would therefore not on its own trigger a lowering of the Outlook; this would require a more broadly based deterioration in financial metrics that appeared likely to be prolonged.

Ratings

Issue Rating	Outlook
BBB-	Stable

Contact

Primary Analyst: Rory Keelan, Senior Credit Analyst; E-mail: rory.keelan@ciratings.com
 Secondary Analyst & Committee Chairman: Darren Stubing, Senior Credit Analyst

About the Ratings

The credit ratings have been issued by Capital Intelligence Ratings Ltd, P.O. Box 53585, Limassol 3303, Cyprus.

The information sources used to prepare the credit ratings are as follows: public information and information provided by the rated entity. Financial data and metrics have been derived by CI from the rated entity's financial statements for FY2019-22 and Q1 2023. CI may also have relied upon non-public financial information provided by the rated entity and may also have used financial information from credible, independent third-party data providers. CI considers the quality of information available on the rated entity to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

The principal methodologies used to determine the ratings are the Corporate Rating Methodology, (<http://www.ciratings.com/page/rating-methodologies/corporate-ratings>) and the Bond Rating Methodology (see <http://www.ciratings.com/page/rating-methodologies/bond-ratings>). Information on rating scales and definitions, the time horizon of rating outlooks, and the definition of default can be found at www.ciratings.com/page/our-policies-procedures. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at <http://cerep.esma.europa.eu>

This rating action follows an annual review of the issue. Ratings on the issue were first released in July 2022. The ratings were last updated in August 2022. The rating and rating outlook were disclosed to the rated entity prior to publication and were not amended following that disclosure. The ratings have been assigned or maintained at the request of the rated entity or a related third party.

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