

Deutsche Bank cuts Aldar Properties price target

S&P lowers Tabreed to 'CC,' ratings withdrawn at issuer request

CAPITALS: Deutsche Bank lowered its price target on Aldar Properties' stock to five United Arab Emirates (UAE) dirhams from 7.10 dirhams, citing increased uncertainties on Yas Island receivables and the nature of future government support for the developer.

Separately, Citigroup raised its risk code on Aldar, Abu Dhabi's biggest property developer by market value, to 'buy/high risk' from 'buy/medium risk,' on the back of Moody's recent downgrade of Aldar's rating to Ba1 from Baa2 with a negative outlook.

Last week, Moody's lowered ratings for seven leading Abu Dhabi government-linked companies, including Aldar, given that no explicit formal agreement existed obligating the government to support them under all circumstances.

However, Deutsche Bank said it believed the Abu Dhabi government would continue to support Aldar in the future.

"Not doing so could close Aldar's doors to the capital markets and jeopardize the fulfillment of Abu Dhabi's 2030 plan," the brokerage said in a note dated March 8.

Analysts at Deutsche Bank also said while the company has not confirmed whether 100 percent of Yas receivables would be settled in cash, they believed chances for this to happen were high, given that the Abu Dhabi government was cash rich.

The company said in February that it sold certain infrastructure and other property assets at its Yas Island project to the Abu Dhabi government.

Meanwhile, Aldar says the 2.5 billion US dollar assets sale was at book value. Aldar Properties said on Tuesday it made no profit on the sale of property assets to the government for 9.1 billion United Arab Emirates (UAE) dirhams (\$2.5 billion) last year.

The emirate's largest developer by market value said in February it sold certain infrastructure and property assets at its development off



A man walks past a Tabreed building in Dubai March 8, 2010. Tabreed, the Middle East's largest district cooling firm, will get a \$354 million bailout from Abu Dhabi after it unveiled a loss for 2009 and said it needed to recapitalize. (Reuters)

the coast of Abu Dhabi, including the Yas Marina Formula One racetrack, to the government.

"These assets were sold at book value and therefore there was no profit recorded in the company's financial statements," it said on Tuesday. Aldar made its first ever loss in the fourth quarter, of 570 million dirhams.

On Thursday, Moody's cut the developer's rating to Ba1 from Baa2 with a negative outlook, as part of a downgrade of seven Abu Dhabi-linked companies which it pinned on a lack of explicit state support. Earlier this month, Citigroup cut its price target for the developer

to 7.7 dirhams from 8.6 dirhams. Aldar shares were up 3.1 percent to 3.7 dirhams a share at 0607 GMT.

In other news, Standard & Poor's Rating Services said Tuesday that it lowered its long-term corporate credit rating on United Arab Emirates-based district cooling company National Central Cooling Company PJSC (Tabreed) to 'CC' from 'CCC+'. The outlook is negative. This was announced in a statement release by the ratings agency.

In addition, the debt rating on the senior secured Sukuk certificates due 2011 issued by Ta-

breed 06 Financing Corporation was also lowered to 'CC' from 'CCC+', and the debt rating on the subordinated convertible Sukuk certificates due 2011 issued by Tabreed 08 Financing Corp. was lowered to 'C' from 'CC.'

At the same time, all ratings on Tabreed, Tabreed 06, and Tabreed 08 were withdrawn at the issuer's request.

"The rating actions follow Tuesday's announcement by Tabreed of its intention to 'proactively engage with creditors to support a recapitalization,' and on 'entering into discussions with strategic investors to provide the long-term capital necessary to support the development of the business,'" said Standard & Poor's credit analyst Karim Nassif. "We believe that the potential recapitalization may include a review of the terms and conditions of existing outstanding debt and, consequently, is likely to lead to some form of distressed exchange of existing obligations."

The rating actions also take into account Tabreed's announcement of expected net losses of circa 1.118 billion dirhams for 2009 attributed to the Tabreed unconsolidated parent entity, based on the unaudited full-year 2009 results. These net losses include a significant noncash impairment of 1.16 billion dirhams to reflect a reduction in the long-term value of projects entered into by the company.

"We have revised our opinion of potential timely extraordinary support to Tabreed from the government of the Emirate of Abu Dhabi and/or its affiliates in the event of financial distress to 'low' from 'moderate.'"

In accordance with our criteria for government-related entities, our view of a 'low' likelihood of extraordinary government support is based on our view of Tabreed's role of 'limited importance' to the state, as we believe that Mubadala, the 16.7 percent shareholder of the company, and/or the Abu Dhabi government is unlikely to provide full timely support to the entity in the current tightening liquidity position and limited link to the Abu Dhabi government.

Following the downgrade, and at the request of the issuer, we have withdrawn our corporate credit rating on Tabreed, along with all ratings on the outstanding debt of Tabreed 06 and Tabreed 08. -Reuters

BIZ BRIEFS

UAE growth to rebound to 3.2% in 2010

DUBAI: Growth in the United Arab Emirates (UAE) economy will rebound in 2010 to 3.2 percent from 1.3 percent in 2009, UAE Economy Minister Sultan bin Saeed Al-Mansouri said in a speech on Tuesday. The ministry recently said it expected gross domestic product (GDP) growth of 2.5-3.0 percent in 2010. Mansouri was speaking in Dubai at a tea industry event. -Reuters

ADIB provides 300 million dirhams finance to Al-Dhafra

ABU DHABI: Abu Dhabi Islamic Bank (ADIB), one of the region's leading Islamic banks, will provide 300 million United Arab Emirates (UAE) dirhams Islamic finance facility to Al-Dhafra Cooperative Society to fund working capital and capital expenditures. The agreement was signed at ADIB Head office by Tirad Mahmoud, Chief Executive Officer (CEO) of ADIB and Mohammed Khalifa Al-Hamli, member of the Board of Directors of Al-Dhafra Cooperative Society; a Cooperative Society owned by a group of more than 1,500 UAE nationals who are mainly residents of the western region. Tirad Mahmoud, CEO of ADIB, said, "Supporting the interests of UAE nationals is one of our key mandates in the Western Region. We are aggressively pursuing such opportunities that are completely aligned with the vision of the Abu Dhabi Government which reiterated its commitment to the Western Region by announcing major investments and projects worth over 40 billion dirhams." -Reuters

Etisalat sees jump in overseas revenues by 2013

DUBAI: Emirates Telecommunications Corporation (Etisalat) sees its revenues from overseas operations reaching as much as 30 percent by 2013 as it continues with acquisitions and international expansion, a company executive said on Tuesday. "Our target is in three years to generate 25-30 percent of revenues from international operations, but I think it might be faster than that," Group Chief Strategy Officer Ali Al-Ahmed told reporters on the sidelines of an industry conference. About 10 percent of the group's revenues currently come from its 18 overseas operations, which include Tanzania, India, Egypt and Saudi Arabia. Etisalat, the Gulf Arab region's second-largest telecommunications firm by market value, has been aggressively expanding outside the United Arab Emirates (UAE) since its monopoly there was broken by Dubai-based du in 2007. The company, which has cash reserves of about 2.7 billion US dollars, said on Feb. 18 there were six markets in the Middle East and North Africa that it was investigating, both for acquisitions or for new licenses. -Reuters

Saudi's Dar Al-Arkan eyes similar product mix in 2010

RIYADH: Saudi Arabia's Dar Al-Arkan Real Estate Development, the country's biggest property developer, said it would sell a similar mix of products this year as in 2009, hinting at similar revenue level. "We still believe the market is very good. It is a rich country, a very young population," Chairman Yousef Abdullah Al-Shelash told reporters on Tuesday. "There is a real demand for residential property," he said. Managing Director Abdullatif Al-Shelash declined to give a revenue forecast for 2010 after last year's sales fell by almost 3 percent to 5.46 billion Saudi riyals (1.46 billion US dollars), saying only the company would sell a similar mix of products like in 2009. In the fourth quarter, Dar Al-Arkan posted a lower-than-expected seven percent rise in net profit to 463.7 million riyals. Dar Al-Arkan might sell more debt after raising a lower-than-expected \$450 million in Islamic bonds, or Sukuk, last month. -Reuters

UAE government backs Dubai, Abu Dhabi help may lag

Economy minister eyes foreign ownership law by year-end

DUBAI: The United Arab Emirates (UAE) pledged its support for Dubai on Tuesday but said the Emirate had yet to ask for federal help, which analysts said would come reluctantly and with strings attached. The UAE finance minister said the federal government would support the emirate as it negotiates a plan to restructure 26 billion US dollars in debt and said he expected a deal to be finalized soon.

State-owned conglomerate Dubai World is holding informal talks with major creditors, which include Hongkong and Shanghai Banking Corporation (HSBC) and Standard Chartered, in London this week as it finalizes a deal. Asked whether the federal government would support Dubai, Sheikh Hamdan bin Rashid Al-Maktoum said, "Of course. Dubai is part of the federation." Sheikh Hamdan, who is also deputy ruler of Dubai, said the emirate had not yet approached the federal government for aid.

"The federation hasn't reached that far, but the Emirates are one entity and things will be resolved soon, God willing," he told reporters on the sidelines of a conference.

Dubai's stock market was up for a fourth day on Tuesday, while Abu Dhabi's was up for a third on hopes a debt deal might come soon.

Abu Dhabi, the wealthiest and largest of the seven members of the UAE federation, bailed Dubai out in December and has an active role behind the scenes in current debt negotiations.

But the Emirate, a pivotal player at the fed-

eral level, has been pointedly silent on its plans regarding Dubai's debt restructuring. Analysts expect it to help again but in a modest way, with little fanfare, and in exchange for more centralized control.

"It will be calculated interference, and it will come with some conditions," said a prominent Emirati businessman in Abu Dhabi. "Abu Dhabi does not want to give the impression that big brother will always be there."

Bankers familiar with the matter said the size of any financial help from the Abu Dhabi government would determine the size of the 'haircut' creditors would have to take. Abu Dhabi has already put limits on its aid.

Last year's \$10 billion bailout, which included \$5 billion from two Abu Dhabi-linked banks and came through a Dubai bond issue, is conditional on Dubai World reaching a satisfactory deal with creditors. About \$5 billion of those funds have yet to be released. Abu Dhabi government officials declined to comment.

Consequences

The fallout from Dubai's debt crisis is being felt in Abu Dhabi, with Moody's downgrading seven government-related entities late last week as they did not have an explicit, formal guarantee of government backing.

Abu Dhabi, home to most of the UAE's oil, dismissed the downgrade, but analysts said it would not be pleased about the impact Dubai's debt problems were causing.

"Abu Dhabi is aware of the consequences and I suspect it is working out the best thing for the UAE as a whole," said the head of a western bank in Abu Dhabi, who asked not to be identified.

Dubai World shocked global markets in No-

vember, when it requested a standstill on debt linked mainly to its property developers, Limitless World and Nakheel, builder of Dubai's palm-shaped islands. Bankers have said the restructuring plan is being delayed by efforts to value the assets of the Nakheel unit.

There is widespread expectation among creditors that Abu Dhabi will ride to the rescue, as it did in December when it helped Dubai avert an embarrassing default on an Islamic bond linked to property developer Nakheel.

"Abu Dhabi will come in," said a banker at a Gulf-based creditor. "If anything goes wrong with Dubai World or Dubai, it affects it directly. It may spill over in the region as well and for three, four years who will come and invest in the Gulf?" But others said Abu Dhabi would only show its hand if it appeared creditors would drag Dubai World into default.

UAE Economy Minister Sultan bin Saeed Al Mansouri said on Tuesday that creditors should reach an agreement with the conglomerate. "If there is any plug pulling by the creditors of Dubai World, then Abu Dhabi will come in," said a Dubai-based risk analyst.

"If lenders call default, then Abu Dhabi will want to prevent that from happening. One, there is the issue of the UAE reputation, and two, Abu Dhabi will want to say, if we can help Dubai, rest assured we will look after our own."

In a sign that Dubai entities were gearing to test the market again, state-owned utility Dubai Electricity and Water Authority (DEWA) said on Tuesday it planned to launch a \$1.5 billion bond, to be completed in the first week of April. DEWA postponed the issue after Dubai World's November announcement.

Meanwhile the UAE will review rules governing foreign ownership of companies in the

next month and implement a new law by the end of this year, economy minister Sultan bin Saeed Al-Mansouri said on Tuesday.

"The law should be submitted to the cabinet within a month," he said on the sidelines of a conference. "Our expectation is that the law would come out by 2010."

Under current regulations, business owners from all nationalities except from within the six Gulf Cooperation Council (GCC) states, must have a local majority partner. Exceptions apply in free zones such as Jebel Ali Free Zone and Dubai Internet city, where 100 percent foreign ownership is allowed.

The new regulations have been in the pipeline for several years and are aimed at increasing foreign investment as restrictions on full ownership were considered a key reason for holding back investment and stifling competition.

The UAE, the world's third-largest oil exporter, has been striving to diversify its economy away from a dependence on energy exports by pouring windfall oil revenues into real estate, financial services and infrastructure.

Al-Mansouri said in September the law was in its final stages and would include a rule stipulating a minimum capital of 200-300 million UAE dirhams (54-82 million US dollars). The new law is in line with recommendations made by the World Trade Organization (WTO).

Dubai, the commercial hub of the seven members of the United Arab Emirates, has long sought to position itself as an international tourism and financial centre, luring businesses to its free zones with promises of tax-free earnings. The global financial crisis put the brakes on a six-year oil-fuelled economic boom in the Gulf Arab region with Dubai hit the hardest after its real estate sector crashed in 2009. -Reuters

BPG Kuwait celebrates a decade of success in 2010

KUWAIT: Bates PanGulf (BPG) celebrated its 10th year of success in Kuwait's marketing communications market by hosting its anniversary ceremony Sunday, at the Executive floor of the Kuwait Chamber of Commerce and Industry, in the presence of guests of honor Ayman Al-Shaya, Chief Executive Officer (CEO) of Al-Shaya Trading Company. BPG Kuwait also welcomed CEOs from its current client portfolio, industry leaders, business partners and top media representatives to mark this memorable day. This was stated in a press release on Monday.

The anniversary celebration featured a keynote by John O'Keeffe, Worldwide Creative Director, of Wire and Plastic Products (WPP), who was invited to give

his insights on the advertising industry's growth over the last decade and sketch future developments in this rapidly changing sector.

Reputed for raising creative standards at WPP, O'Keeffe presented a global showcase of exceptional creative campaigns, while incorporating a selection of BPG Kuwait's best creative work. He highlighted the importance of constant growth and long-term partnerships between clients and their agency as the base for truly successful marketing campaigns. O'Keeffe stated that nowadays, agencies are expected to deliver more than just artwork - they also have to be adept at integrating every aspect of marketing to provide a comprehensive solution.



From the left: Ayman Al-Shaya CEO Al-Shaya Trading Company, John O'Keeffe, WorldWide Creative Director WPP, Surinder Sarna CFO M.H. Al-Shaya, Fiona Quinn, COO BPG Kuwait and Avi Bhojani Group CEO BPG.

Dubai utility to test market with \$1.5 billion bond

DUBAI: Dubai's state-owned utility aims to complete a 1.5 billion US dollar bond issue in early April, marking the emirate's first dip into international markets since the start of its debt crisis last year.

Dubai Electricity and Water Authority (DEWA) plans a road-show this month for its bond issuance, which was abandoned after state-owned conglomerate Dubai World said in November it would restructure about \$26 billion of its debts.

"We hope to finalize it by the first week of April," Chief Executive Saeed Mohammed Al-Tayer told Reuters on the sidelines of an industry conference.

Asked whether he expected a good response, he said: "Definitely, but it is a difficult time for everybody everywhere." The Dubai World debt crisis sent shockwaves through international markets, raising concerns about credit quality in the emirate, and hiked the pricing burden on potential issuers. The state-owned firm is expected to propose a plan to creditors within weeks.

"It will be difficult to access the market competitively without additional information or resolution of Dubai World's restructuring," said Mohieddine Kronfol, managing director at Algebra Capital in Dubai.

"The pricing is obviously going to be the criterion," he added. Earlier on Tuesday, DEWA's chairman told Reuters the utility was working "to get the best rate" and added the bond would be used to cover short-term financing. -Reuters

Egypt utility to sell bonds totaling 5 billion pounds

CAIRO: The Egyptian government's New Urban Communities Authority will begin selling bonds worth five billion Egyptian pounds (912 million US dollars) next week, a Finance Ministry official said on Tuesday.

The offering will be the first since Egypt changed its laws in December to allow utilities and other quasi-government organizations issue bonds directly, a move designed to expand the country's debt market.

The sale will be open for about 10 days after the official announcement is published, said Mohammed Assaad, Public Debt Adviser to the Finance Minister.

"It should be published in the newspaper on Sunday or by Monday at the latest," Assaad told Reuters. Egypt said on Friday it also planned to tap the Eurobond market for \$1 billion-1.5 billion within weeks, its first such issue since 2007. The New Urban Communities bonds will be issued in two tranches, with the first of 2.5 billion pounds maturing in 13 months and a second issue of 2.5 billion pounds maturing in five years. They have not yet been priced, Assaad said. Lead managers are Egypt's Commercial International Bank and Hongkong and Shanghai Banking Corporation (HSBC)

Egypt, a subsidiary of HSBC. By allowing state utilities to issue bonds, the government hopes it will be easier for it to finance infrastructure and other projects. The New Urban Communities Authority is responsible for developing satellite cities, mainly around Cairo. In May, the authority securitized 4.65 billion Egyptian pounds of installments for land it had sold, with the notes maturing in 2017. As quasi-government bodies were not allowed to issue bonds at the time, the authority was forced to raise the funds through a special vehicle established for that purpose.

In other news, Egypt's Torah Cement posted a 23 percent rise in 2009 net profit to 341.7 million Egyptian pounds (\$62 million), the stock exchange said on Tuesday. The firm made a net profit of 277.2 million pounds in 2008.

The firm's shares jumped as much as five percent after the results were released, but had shed some of those gains to trade one percent higher by 1000 GMT. Government stimulus spending on infrastructure and growing demand for housing helped fuel a 25 percent rise in cement demand in 2009, with total production topping 50 million tons. -Reuters