FINANCIAL TIMES

June 3, 2015 3:14 pm

Saudi conglomerate Ahab pledges bulk of assets to creditors

Simeon Kerr in Dubai

Maan al-Sanea, the Saudi businessman in dispute with the Ahab conglomerate

Ahmad Hamad Algosaibi & Brothers has pledged 87 per cent of its assets to creditors in an attempt to secure agreement from banks owed as much as SR22.5bn ($6bn).

The Saudi Arabian conglomerate on Tuesday presented new restructuring proposals to creditors that offer guaranteed recovery repayment of 28.1 cents on the dollar, a 40 per cent improvement on a May 2014 offer of 20 cents, said Simon Charlton, acting chief executive.

Ahab has pledged to hand effective control to creditors in lieu of asset recovery efforts, calculating that a restructuring deal will give it time to raise funds from litigation efforts. Mr Charlton said: "The company is betting the farm."

The previous May proposals pledged only 66 per cent of the company's assets to cover a scenario under which no recoveries were made.

The decision to pledge the company's future to its creditors reflected confidence that Ahab could generate at least SR5bn of recoveries in litigation, said Mr Charlton.

Since the default in 2009 of Ahab and the Saad group owned by Maan al-Sanea, a relative of the Algosaibis by marriage, both sides have been fighting global court battles and blaming each other for the collapse.

Ahab says it is seeking to recover SR21.65bn in litigation in Saudi Arabia and the Cayman Islands.

A representative for Mr Sanea said he continued "to deny strongly the allegations Ahab has made about him".

One banker on the steering committee of big creditors, among them Standard Chartered and BNP Paribas, said the revised proposal could, depending on legal claims, raise recovery to 40-60 cents on the dollar.

To ward off concerns among some creditors that the 20 partners in Ahab could be concealing assets, disclosure of personal assets will be made before a restructuring deal is finalised, said Mr Charlton.

The meetings in Dubai were not attended by Ahab's Saudi creditors, some of which have already received judgments against the company in the oil-rich kingdom.

Ahab said a specialist Saudi court has yet to execute any of these orders.

The company said the Islamic law of the principle of equanimity between creditors will persuade judges to consider its restructuring proposals more favourably than individual orders by banks.

The new proposals, if agreed, would offer Ahab's share portfolio of SR2.7bn to creditors on the first day of signing the restructuring deal.

To sweeten a May 2014 offer, Ahab would also hand over its valuable real estate assets to creditors, but could buy them back if it recovers assets from Mr al-Sanea in various legal proceedings.

The previous offer provided only the real estate assets as collateral for a minimum level of debt recoveries.

Ahab's new proposal offers claimants all recoveries up to SR6bn. Claimants would receive 70 per cent of recoveries between SR6-10bn, with Ahab retaining 30 per cent. Recoveries of more than SR10bn would be split 60/40.

Under the deal, Ahab would use its share of these recoveries to buy back the real estate assets from the claimants.

If recoveries were not to reach SR2.5bn within three years, creditors would also receive a share in one of Ahab's operating businesses valued at SR300m.

But if Ahab achieves recoveries worth SR5bn within five years, the creditors return half of the company's real estate assets.

The real estate, Ahab's most valuable tangible asset, is also vital to keep the conglomerate in business, given that many of its operational businesses occupy parts of this land bank.