

AL BAWANI

# Building empires

Al Bawani Company, one of Saudi Arabia's top contracting companies, has built its business on foundations of honesty, integrity and transparency

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**F**OR Fakher al Shawaf, the general manager of Saudi contracting giant Al Bawani Company, the current global economic environment comes as no great surprise.

"Following the lows of the 2008 [financial] crisis, we had a four-year boom from 2010," he explains. "In Saudi Arabia the government spent hundreds of billions of dollars on new infrastructure in that time. The growth of some companies during that boom was abnormal. The slowdown therefore offers the opportunity for a correction, and I think the construction market in Saudi Arabia will probably undergo some restructuring over the next two years," he says.

We chat over dinner at Ishbiliya, one of the largest high-end residential compounds in Riyadh, managed by the Group. Comprising over 400 luxury villas with world-class amenities, Ishbiliya is home to hundreds of expatriate executives and their families.

Dinner is also very much a family affair - at the head of the table is Fakher's father Dr Abdul Moeen al Shawaf, a renowned thinker and writer who set up the company almost 30 years ago. Next to him is Nasser, one of Fakher's three brothers who

runs the London arm of the business. Completing the generational representation is Fakher's young son. In such a welcoming, genial and humble setting, it is easy to see why our hosts have built one of Saudi Arabia's top contracting empires on foundations of respect, honesty and integrity.

Fakher al Shawaf joined the business 18 years ago. A graduate of King Saud University, he has been part of a success story which has seen Al Bawani secure its place at the top table of Saudi contracting firms. As such, he is a seasoned barometer of market sentiment. When we meet he has just returned from Dubai.

"I met some of the other large contractors there. They're not pessimistic [about the economic environment]," he insists. "But they're realistic."

Amid the near constant whirr of activity in the Saudi capital - where work on the massive new metro system is a disruptive feature of life and new real estate projects dot the sky - there's room for optimism too. Oil prices may be down and subsidy cuts on the government agenda. But the kingdom needs critical social infrastructure. Thousands of schools. New hospitals. And there are housing shortages. All needs that must be met, and a government which has the cash to allocate.

"Every week we submit at least one bid," says Al Shawaf, as if to emphasise



Fakher al Shawaf believes the current slowdown in Saudi Arabia is a natural, and necessary, correction

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the point.

With some 10,000 staff and a prestige portfolio in the kingdom that most multinationals would be proud of, Al Bawani is still a family business at heart. Fakher still seeks counsel from his father almost every day, and it was the head of the family who instilled in all of his sons the core business values that still very much hold true today.

"When I started in the business my

father gave me one piece of advice - pay people right, pay them on time. Everybody will respect you. When you talk about procurement, I assure you Al Bawani is able to secure some of the lowest prices in the market, because we are transparent and straightforward in the way we do business. We pay our suppliers on time, and so we benefit from the best prices.

"Once your policies, contractual

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» methods and matrices of responsibility are very clear, everything can go smoothly," he explains. He says there must be fairness in any relationship to make sure a project is successful.

"Deal with your clients, banks, manufacturers and subcontractors fairly and you will be successful. We have 10 joint ventures, including with internationally-renowned companies like Aegis and Vinci, and there are no problems."

The business philosophy may sound simple, but it has won Al Bawani many friends in the contracting business, whether that is clients, joint venture partners or bankers. And it shows on the revenue side, too. At the end of last year, the company's order book was worth in the region of \$2 billion, with the potential to reach \$4 billion, a figure which grew substantially last year.

Al Bawani's approach to date has tended to focus on what Al Shawaf describes as 'sophisticated' contracting projects - defence, IT, real estate and also healthcare, traditionally its biggest revenue contributor.

"We can do housing, we can do commercial [projects], but they are not our core businesses, and we are not competitive in that space," he says.

Al Bawani has enjoyed particular success in the healthcare sphere. As well as undertaking a project worth hundreds of millions of dollars at Riyadh's King Faisal Specialist Hospital & Research Centre, Al Bawani is currently the lowest bidder in a tender process by the kingdom's health ministry to develop two huge, brand new medical cities in Abha and Al Jouf, worth a combined SR10.3 billion (\$2.74 billion).

"We are very selective," says Al Shawaf of Al Bawani's approach to



Family affair: Dr Abdul Moeen al Shawaf (left) set up Al Bawani almost 30 years ago, and still counsels his sons

large contracts. So while his company chose not to participate in the high profile Riyadh Metro project, there are plenty of other urban icons which now bear the Al Bawani hallmark.

"In Riyadh itself we have 45 sites," Al Shawaf points out. These include the Information Technology and Communication Complex (ITCC), an 800,000 square metre complex considered one of the world's most prestigious IT projects being developed by an investment company owned by a public organisation. Al Bawani handed over 17 buildings covering 480,000 square metres on the ITCC site last July.

Al Shawaf also excitedly describes Al Bawani's work on what he terms "one of the world's most advanced museums", the SR1.4 billion Geo-Science Centre,

in Riyadh's King Abdullah Financial District (KAFD).

Opportunities aren't always likely to be restricted to these sophisticated project types, however, even if the approach remains selective. The company has, for example, been engaging with the Public Investment Fund (PIF), a semi-government organisation which is behind the Tatweer Buildings Company (TBC), an entity created in 2013 to manage government education projects. TBC has a grand plan to invest more than \$10 billion on schools across Saudi Arabia, delivering facilities on behalf of the education ministry.

"I like the concept," says Al Shawaf. "TBC will deliver the schools ready, so the education ministry can focus on education. TBC has hand picked a great team of Saudis with the best

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of redistributing the money and analysing what we have spent and what we will spend."

In all the uncertainty, one thing is sure - that Al Bawani's business model will have to adapt and evolve accordingly. That could also include a public listing at some point.

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"A family business means more flexibility and faster decision making, but that only applies up to a certain size of business. After that, you may need to go public in order to institutionalise the business and benefit from capital market dynamics," he says. He adds, reflectively: "On the other hand, look at Bechtel [the mammoth US construction giant which has never listed]. It is still surviving as a family business after 100 years, but it's a unique case."

Living proof of Al Bawani's very human approach to doing business, Al Shawaf insists on accompanying us back to our central Riyadh hotel, even though it is late at night and he has a multi-billion dollar business to run. As we wend our way along city thoroughfares past construction sites which clog traffic by day, there appear to be a multitude of reasons for Al Shawaf to view the future with optimism.

"Well established companies with good cash reserves and cash flow will always be fine," he declares as a parting shot.

Al Bawani has written its own chapter of the kingdom's growth story, and under Fakher al Shawaf's hand it seems likely to write many more. ■

skills and expertise. And the company already has the cash."

Describing his company's relations with TBC as "very healthy", Al Bawani has already secured roughly \$266 million-worth of school building projects in Riyadh alone from TBC, with the promise of much more to come. "There are about 1,300 other projects which will be approved in 2016 and 2017 worth about SR12 billion in total," he explains.

With such an impressive project pipeline, it is hardly surprising that Al Bawani's ventures beyond its own national borders have been limited.

"The kingdom's business opportunities are real. It's an attractive environment for everybody. That doesn't mean we shouldn't look outside from time to

time. We operate in London, Dubai and Abu Dhabi, but outside Saudi Arabia we are very selective."

Al Shawaf's upbeat demeanour doesn't detract from the challenges that every contractor faces in Saudi Arabia: that of uncertainty. Uncertainty about the economic impact should oil prices remain low for a prolonged period, and uncertainty about the wider geopolitical environment. He believes the government is right to adopt a conservative economic stance in the current circumstances.

"With all respect to economists, they look at things from a different angle. But I believe the [Saudi] government knows exactly what it wants. They are conservative, and they have a right to be. I agree with them and their policy