

PROJECT INVESTMENT

Construction giant Hassan Allam plans pivot to water infrastructure investment

One of Egypt's largest companies is looking to take advantage of what it predicts will be a renaissance in Egyptian water PPPs.

Egyptian construction giant Hassan Allam is predicting a revival in the country's dormant water PPP pipeline – and the company's new infrastructure investment wing is looking for partners to help it pivot towards water in anticipation of capturing a slice of the market.

Hassan Allam Utilities (HAU) was established at the end of 2017, at the same time as securing its first major project, the EGP1.35 billion (\$77 million) contract to finance, build and operate a 50MW photovoltaic solar power plant near Benban in Aswan Governorate, alongside partner Taqa Arabia.

The company is now looking to bulk up its credentials as a credible project developer in the water sphere, and says that despite the difficulties seen in the progress of water PPPs in Egypt, privately financed projects are still a realistic prospect.

After one landmark success with the New Cairo WWTP in 2010, the Egyptian authorities have not awarded any of the further projects planned in the water sector as PPPs, after political and financial uncertainty hit investor confidence.

Recent projects have been awarded directly due to the pressing need for new sources of water as a result of uncertainty between Egypt and its upstream neighbours over access to water from the Nile.

However, HAU chief executive Mena Sadek (see picture, right) told GWI that with financial stability secured in the country, the prospect for private finance in Egyptian water projects is strong, even though public finances are improving. She added that desalination is likely to be a key part of the process.

"Egypt has always had a need for a stable investment platform for water," she told us. "People have been expecting and looking forward to this for a long time – this need for desalination. We are waking up to the reality that water is scarce; what we can see for sure is that now is the time. This is for two reasons – first the need: Egypt has a big water gap. Secondly, the financial situation in Egypt is finally clearing. Currency problems are almost out of the way, and financing is rather an opportunity and no longer a hurdle. What remains to do is to

HASSAN ALLAM UTILITIES

Mena Sadek is head of the new Hassan Allam division looking to make waves in water PPPs.



Source: HAU

go in and see what's the best way to take advantage of this situation."

As a ubiquitous presence in the Egyptian contracting market, Hassan Allam has a well established track record of construction in the water sector. Its most recent major reference was secured in April this year, the EGP1.5 billion (\$85 million) contract for a 1 million m³/d water treatment plant in Ismailia that will be built and operated through a joint venture with Metito. The company's parent group, Hassan Allam Holding, also boosted its water contracting presence in late March this year with the EGP420 million (\$24 million)

acquisition of a 60% stake in Cairo-based engineer Project Generation Engineering Services Company (PGESCO). Alongside a hefty portfolio of power projects, PGESCO has a number of sizeable desalination references in both Egypt and Libya (see picture, facing page).

Mohannad Kamal, the chief commercial officer at HAU, told GWI that further external expertise would be needed to field a serious bid for a privately financed water or wastewater infrastructure project, adding that acquisitions and bidding partnerships are among the potential avenues for increasing the company's capabilities.

"Hopefully this year there will be a clear indication of the water development roadmap," he said. "HAU is currently setting its strategy for the market; we have the technical capabilities and the access to financing, however to be able to go for major projects in the sphere, we will be looking for international partners on the investment and the technology sides."

Hassan Allam, meanwhile, is looking to boost its profile and create a more stable cashflow position ahead of a widely expected IPO of the holding company in the near future. It has already attracted backers that are likely to be a major boost for its water investment plans.

The IFC made a \$20 million equity investment in Hassan Allam Holding in December 2016, a move that was described by HA at the time as "enhancing the company's corporate governance standards in anticipation for a potential IPO".

Significantly, the IFC also played a major role in arranging the \$653 million debt package that supported the development of the solar park that will house HAU's first project, alongside many more PV installations.

HAU chief financial officer Sherine ►

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Mena Sadek, CEO, Hassan Allam Utilities

HASSAN ALLAM ACCESSES DESALINATION FOLLOWING PGESCO STAKE PURCHASE

The 40,000m³/d Abu Traba desalination plant in Libya is one of a number of PGESCO desalination references that have given Hassan Allam a foothold in the market.



Source: PGESCO

Shohdy told GWI that while the holding company would provide the financing to support the utility arm’s investment ambitions, HAU would provide payback by providing stability for the group’s bal-

ance sheet. “We were looking for a structure that would provide more stable, long-term cashflows,” she said. “And seeing the opportunities in both water and power, we see a lot of potential for growth. From the

financing side of things, we have the full support of the HAH group, and having the IFC involved as a shareholder in our mother company also gives us some very strong comfort.” ■

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