

Sembcorp Salalah Power & Water Company SAOG

Management Discussion and Analysis

We are pleased to present the financial statements of Sembcorp Salalah Power & Water Company (“Sembcorp Salalah” or “the Company”) for nine-month period ended September 30, 2022 (9M2022). In 9M2022, the Company has recorded a profit after tax (PAT) of RO 14.7 million as compared to RO 13.7 million earned in corresponding period in 2021 (9M2021). The profit after tax increased mainly due to lower finance cost in 9M2022 as compared to 9M2021.

Business overview

The Company’s core business activity is to provide electricity and water in the region of Dhofar. Contracted capacity for the power plant is 445 MW and 15 MiGD for the water plant. The Company receives revenue based on the availability of its plant, which ensures that its business model is stable. The Company contributed around 50% of the power demand and 50% of the desalinated water demand in the region for 9M2022.

Performance overview

The Company’s operating and financial performance for 9M2022 is detailed below.

Operation and maintenance

Operating performance

The Company has shown strong operating performance in 9M2022. Key operating performance is characterised by high reliability of its power and water plants. The Company’s power plant load factor has slightly decreased by approximately 0.56% mainly because of lower demand by Local Dispatch Center, whereas water plant load factor has decreased by approximately 9.9% due to load sharing mechanism with Dhofar Desalination Company. Key operating parameters for 9M2022 are noted below:

	Unit	9M2022	9M2021	Variance
Water Reliability	(%)	99.59	99.65	-0.06%
Power Reliability	(%)	99.83	99.82	0.01%
Quantity of Water Sold	(Thousand m ³)	12,104	13,433	-9.89%
Quantity of Power Sold	(MWh)	1,196,204	1,202,862	-0.55%
Plant Load Factor (Power)	(%)	41.03	41.26	-0.56%
Plant Load Factor (Water)	(%)	65.02	72.16	-9.89%

Financial performance

Key financial performance indicators are shown below:

	9M2022	9M2021
	RO million	RO million
Revenue	55.90	55.54
EBITDA	32.12	32.54
PBIT	23.84	24.19
Profit after tax	14.69	13.69

9M2022 Profit after tax

Profit after tax has increased from RO 13.7 million in 9M2021 to RO 14.7 million in 9M2022.

A brief analysis and characteristics of the major components of the profit or loss is presented below:

Revenue

Power contributed 51% (excluding fuel charge), water 22% and fuel charge 27% to the total revenue. Revenue was increased by RO 362K, mainly due to increase in fuel charge revenue, power and water capacity charge revenue arising from increase in inflation indexation as compared to the corresponding period previous year. Fuel charge revenue is a pass through and is calculated based on consumption of natural gas as computed by the plant's contractual Fuel Demand Model. Actual heat rate is better than the contracted Fuel Demand Model.

Cost of sales

Cost of sales mainly comprises depreciation of property, plant and equipment, fuel cost, operations & maintenance (O&M) cost and Long Term Service Agreement (LTSA) cost. Cost of sales increased by RO 755K compared to the same period in 2021, mainly due to the higher LTSA cost. LTSA cost increased mainly due to increase in inflation index.

Net finance cost

Net finance cost decreased by RO 1.5 Million in 9M2022 compared to 9M2021 due to the scheduled repayment of part of the term loan in line with the financing documents.

Income tax expense

Income tax expenses increased due to increase in profit for 9M2022 as compared to the corresponding period previous year.

Financial position

		as at 30 September 2022	as at 30 September 2021	as at 31 December 2021
Total assets	RO million	286.04	308.57	307.36
Total liabilities	RO million	137.63	183.52	180.24
Shareholders' funds	RO million	148.23	133.04	133.54
Shareholders' equity	RO million	148.41	125.06	127.12
Current ration		0.93:1	0.86:1	0.94:1
Gearing ratio		40:60	50:50	50:50
Net assets per share	RO/share	0.155	0.140	0.140

Business outlook

The commitment to safe and reliable operations will remain the Company's top priority. At the same time, the Company will remain focused on maximising shareholder returns through a continued watch on the financial and operational performance of the Company. The Company's financial results for the year 2022 are expected to be better than the previous year.