

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, 2023 (9M2023). In 9M2023, the Company has recorded a profit after tax (PAT) of RO 15.3 million as compared to RO 14.7 million earned in corresponding period 2022 (9M2022). The profit after tax increased mainly due to lower net finance cost in 9M2023 as compared to 9M2022.

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 45% of the desalinated water demand in the region for 9M2023.

Performance overview

The Company’s operating and financial performance for 9M2023 is detailed below.

Operating performance

The Company has shown strong operating performance in 9M2023. Key operating performance is characterised by high reliability of its power and water plants. The Company’s power plant and water plant load factor is approximately same as previous year. However, due to the take-or-pay commercial arrangement that we have with Oman Power and Water Procurement Company (OPWP), the plant load factor does not have a significant impact on the profitability of the Company. Key operating parameters for 9M2023 are noted below:

	Unit	9M2023	9M2022	Variance
Water Reliability	(%)	99.53	99.59	-0.06%
Power Reliability	(%)	99.74	99.83	-0.09%
Quantity of Water Sold	(Thousand m ³)	11,981	12,104	-1.02%
Quantity of Power Sold	(MWh)	1,193,004	1,196,204	-0.27%
Plant Load Factor (Power)	(%)	40.92	41.03	-0.27%
Plant Load Factor (Water)	(%)	64.36	65.02	-1.02%

Health, Safety, Security and the Environment (HSSE)

There was zero lost time incidents and zero incidents of environmental non-compliance during the period ended 30 September 2023. As of September 30, 2023, the Company accumulated 6.138 million safe man-hours without any lost time incident, which is a testament to the Company’s commitment to the highest safety standards.

Financial performance

Key financial performance indicators are shown below:

	9M2023	9M2022
	RO million	RO million
Revenue	59.25	55.90
EBITDA	31.05	32.12
PBIT	22.62	23.84
Profit after tax	15.29	14.69

9M2023 Profit after tax

Profit after tax has increased from RO 14.7 million in 9M2022 to RO 15.3 million in 9M2023.

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

Revenue

Power contributed 48% (excluding fuel charge), water 21% and fuel charge 31% to the total revenue. Revenue was increased by RO 3.36 million mainly due to increase in fixed capacity charge and fuel charge as compared to the corresponding period previous year. Fixed capacity charge increased due to tariff inflation index. Fuel charge revenue increased by RO 3.04 million mainly due to increase in plant heat rate and increase in the gas price. 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 4.45 million compared to the same period in 2022, mainly due to higher fuel cost, LTSA cost and O&M cost. Increase in fuel cost was in line with the increase in the fuel charge revenue. LTSA cost increased due to increase in chargeable Factor Fired Hours and increase in inflation index. O&M cost increased due to increase in planned maintenance of the plant.

Net finance cost

Net finance cost decreased by RO 1.4 Million in 9M2023 compared to 9M2022 due to the scheduled repayment of part of the term loan in line with the financing documents and higher finance income.

Income tax expense

Income tax expenses increased due to increase in profit for 9M2023 as compared to the corresponding period previous year.

Financial position

		as at 30 September 2023	as at 30 September 2022	as at 31 December 2022
Total assets	RO million	276.59	287.29	288.37
Total liabilities	RO million	112.99	138.87	140.59
Shareholders' equity	RO million	163.60	148.41	147.78
Gearing ratio		31:69	40:60	41:59
Net assets per share	RO/share	0.170	0.154	0.155

Business outlook

We will remain focused on maximising shareholder returns through a continued watch on the financial and operational performance of the Company, and by minimising the impact of rising global inflation and interest rates. The Company expects to achieve its targeted results for the financial year 2023.