



Dhofar Generating Company SAOG

Under transformation

Revised Offer price: RO 0.225

Outlook: Subscribe (Long Term / Short Term)



شركة ظفار لتوليد الكهرباء
Dhofar Generating Company



الخليجية بادر للأسواق المال ش.م.ع.
GULF BAADER CAPITAL MARKETS S.A.O.C.

Dhofar Generating Co (DGC)- Strategic asset exposure in Dhofar region; Reasonable valuations...

Outlook: Subscribe (LT / ST)

IPO Rating: Above average

12 Month Fair Value: 0.274

- Well-defined contractual framework with long term Power Purchase Agreement (PPA- expires by 1st Jan 2033)
- Stable cash flows until end of PPA; Life of the plant is estimated to be 40 years
- Caveat remain on lower dividends post 2022E
- Post PPA valuation remains critical, we have limited information provided in the prospectus to conclude
- Attractive near term dividend yield of 8% levels as against comparable sector average of 6.26%.
- Local Institutional demand seen for the issuance; Retail demand may revive post revision in offer price.

Well established contractual framework with stable cash flow: Oman is the pioneer of private power and water projects in the GCC region with its proven contractual arrangement and attracting several international utility developers. DGC operates under similar procurement, ownership and contractual framework format adopted with the IPPs in Oman. The company has signed a long-term Power Purchase Agreement (PPA) with OPWP (15 Year PPA expires by 1st Jan 2033). The long term PPA with the well-established contractual framework ensures stable cash flow during the period based on plant availability irrespective of power demand.

Strategic Asset in Dhofar region: DGC owns and operates the Salalah II Independent Power Project (two power generation plants) with an aggregate contracted capacity of 718 MW located in Raysut, forming 62% of the total installed power capacity of Dhofar Power System (DPS). With the larger capacity, the plant has significant strategic and economic importance in the Dhofar Governate. The peak demand of the DPS is expected to grow from 505MW in 2017 to 735MW in 2023 as per the OPWP latest 7-year statement. With the peak demand continued to reveal stable growth, the power generation of DGC becomes critical to meet the electricity demand in the Dhofar region. The investment in the company provides exposure to the strategically important asset in Dhofar region.

Experienced founders and O&M agreement: DGC is promoted by qualified founding shareholders who have established presence and expertise in successfully implementing independent power plants globally. The founders are also the shareholders of the operator to ensure that the Plant is operated based on their experience and expertise. The key founders of DGC include Mitsui, ACWA Power and DIDIHC. The O&M agreement of DGC is structured in a manner that the major portion of the operating costs are fixed over the long term thereby protecting the company from operating cost fluctuations over the PPA period.

Major risks are covered under PPA: As per the agreement, any increase in the gas prices is a pass through to OPWP and has no impact on the margins of the company, which is positive during the contracted period. With regards to the recent changes in Oman tax law, **OPWP has officially acknowledged in Dec 2017 that the changes in Income Tax Law as a Buyer Risk Event** and that the related withholding tax (WHT) in interests, WHT on provision of services and increase in income tax would be compensable.

Cash sweep and mitigates: As per the management, the cash sweep would commence from 31st July 2021 and this would mean that 95% of the free cash available after the operating costs and the debt service requirements must be used for the debt prepayment. On or before the cash sweep date, the company could choose to disapply the cash sweep and provide letters of credit for amounts that increase over years as specified in financing agreements. **With the application of backstop DSRA arrangement, though the company would continue its dividend paying ability, we believe the dividends to decrease post 2022E.**

Outlook- Strategic asset exposure in Dhofar region, reasonable valuations: With the revised offer price, the company offers an attractive dividend yield of 8% over the projected period given in the prospectus (2018-2022E). This is above the sector comparable average dividend yield of 6.26% and more comparable with the pre-IPO dividend yield of historical IPOs in Oman. **We recommend a subscribe rating on the issue for investors who are looking at an exposure in a strategic asset in Dhofar region with long tenure PPA and estimated higher dividend yield of 8% levels.** Concerns however remain with regards to cash sweep, estimated lower dividends post 2022E and higher valuation post PPA period.

The revised offer price offers better risk to reward ratio for both Institutional and retail investors in terms of subscribing to the issuance. Historically, the utility sector IPO has seen strong listing gains in MSM and adjusted for 6-6.5% dividend yield immediately post listing. With Dhofar Generating Co (DGC) offering a dividend yield of 8% on the revised IPO pricing, we recommend both long and short-term investors to **Subscribe** for the issuance. **We maintain our long term fair value of DGC at RO 0.274 (mentioned in IPO note dated 25-July-2018), offering an upside of 21.8% from the revised offer price.** We would assign an above average rating for the IPO with the issue price offering better risk-adjusted returns.

Table 1: Term Sheet

Offer Details	
Date of Registration	28-Feb-2001
Authorized share capital	RO 120 million
Paid up Capital	RO 22.224 million
No. of Shares offered	88.896 million (40% of the capital)
Revised Offer Price	RO 0.225 (Nominal Value RO 0.100, Premium 0.123 bz, Expenses RO 0.002 bz)
Purpose of IPO	To comply with obligations of Project Founders Agreement (PFA)
Selling Shareholders	Mitsui & Co. Middle East and Africa Projects Inv (M-MAP), MAP Power Holding Company Limited (MAP) and Dhofar International Energy Services LLC (DIES).
Persons Eligible	Omani and Non-Omani Individual and Juristic Persons
Persons Prohibited	Sole Proprietorship Establishments Trust Accounts Multiples Applications Joint Applications
Proposed Allocation	Category I – 57.7824 million shares or 65% of offer Allocation on a pro-rata basis Category II – 31.1136 million shares or 35% of offer Allocation on a pro-rata basis
Minimum Subscription	Category I – 1,000 shares and multiples of 100 Category II - 100,100 shares and multiples of 100
Maximum Subscription	Category I - 100,000 shares Category II – 8.8896 million shares (10% of offer)
Estimated total expenses	RO 734,770 (about 3.19% of total offer proceeds)
Offer Expenses Collected	RO 177,792
Offer opening	1-July-18
Revised Offer closing	16-Aug-18
Tentative Listing date at MSM	5-Sep-18
Issue Manager	Bank Dhofar SAOG
Global Coordinator and Bookrunner	EFG Hermes UAE Limited
Collecting Banks	Bank Muscat, OAB, NBO, Bank Dhofar, Bank Sohar & Ahli Bank
Auditors	Ernst & Young
Legal Advisor	Al Busaidy, Mansoor Jamal & Co
Independent Market Advisor	K4K Training & Advisory S.L.

Source: IPO Prospectus, GBCM Research



Table 2: Share Holding Pattern - Pre-IPO

Shareholder Name	No. of Shares	% of Total
M-MAP	100,008,000	45.0%
MAP	100,008,000	45.0%
DIES	22,224,000	10.0%
Total	222,240,000	100.0%

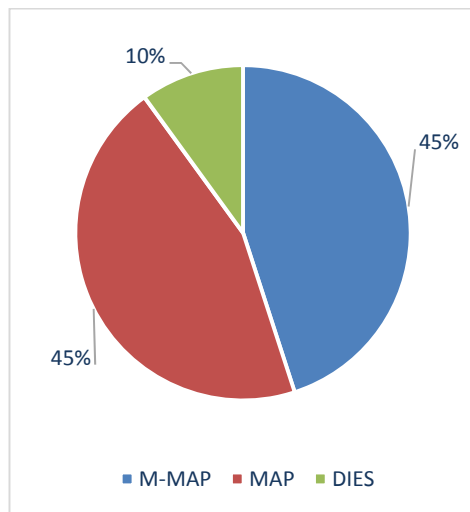
Source: IPO Prospectus, GBCM Research

Table 3: Share Holding Pattern - Post IPO

Shareholder Name	No. of Shares	% of Total
M-MAP	60,004,800	27.0%
MAP	60,004,800	27.0%
DIES	13,334,400	6.0%
Public	88,896,000	40.0%
Total	222,240,000	100.0%

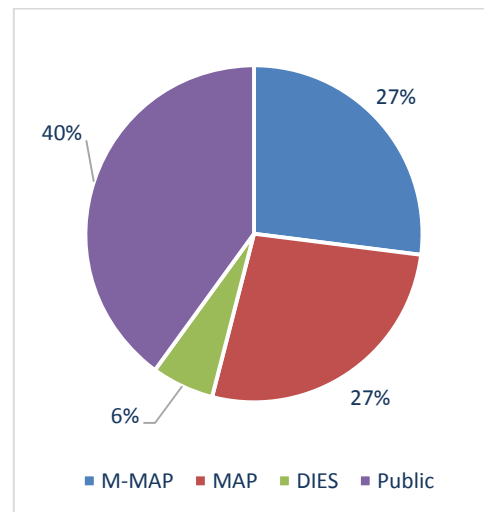
Source: IPO Prospectus, GBCM Research

Graph 1: Pre-IPO Shareholding



Source: IPO Prospectus, GBCM Research

Graph 2: Post IPO Shareholding



Valuation Methodology 1: Dividend Discount Model (DDM) Valuation Methodology

Projections till 2022E, as stated in prospectus

With steady free cash flow and stable cash generation ability, we have chosen to value the company based on the Dividend Discount Model (DDM). In this model, we have assumed dividends as mentioned in the IPO prospectus from 2018E to 2022E (assuming cash sweep would be disappplied through backstop arrangement). We have used Cost of Equity of 8.2% in our model. For our cost of equity calculations, we have used market risk premium of 3% and BETA of 0.726 taken based on the comparable listed players in Oman. Based on these assumptions, **we have arrived at fair value of RO 0.253 for Dhofar Generating Co, an upside or 12.4% from the issue price.**

Table 4: DDM Valuation

(In RO 000s)	Feb-19	Aug-19	Feb-20	Aug-20	Feb-21	Aug-21	Feb-22	Aug-22	Feb-23	Aug-23
Dividends	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Present Value of Div.	1,908	1,834	1,764	1,695	1,630	1,567	1,507	1,449	1,393	1,339
Terminal Value		59,898								
Present value of TV		40,101								
Fair Value		56,188								
Fair Value per share (In RO)		0.253								

Source: IPO Prospectus, GBCM Research Estimates

Sensitivity analysis reveal a fair value range between RO 0.216 to RO 0.260 levels on different assumptions of Cost of Equity and terminal growth rates post 2022E.

Table 5: DDM - Sensitivity Analysis

Sensitivity Analysis		Cost of Equity			
		8.0%	8.2%	8.8%	9.0%
Growth	0.5%	0.235	0.229	0.214	0.207
	1.0%	0.246	0.240	0.223	0.216
	1.5%	0.260	0.253	0.233	0.225
	2.0%	0.275	0.267	0.245	0.237

Source: GBCM Research Estimates

Methodology 2: Based on Dividend Yield adjustments, post listing

Table 6: Find below the table with the details of previous IPOs in Oman and the adjusted dividend yield

Company name	Year	Subscription (X)	Issue Price (In RO)	Listing Price (In RO)	Listing Gains (%)	Div. Yield- Pre-listing*	Div. Yield- Adj post listing
ACWA Power	2004	17.0X	0.990	1.810	83%	13.0%	6.6%
Sohar Power	2008	20.0X	1.370	1.950	42%	8.8%	6.2%
SMN Power	2011	1.2X	3.520	3.620	3%	10.8%	10.5%
Sharqiyah Desalination	2013	13.1X	1.063	3.127	194%	31.1%	10.6%
Sembcorp Salalah	2013	8.4X	1.590	2.000	26%	7.7%	6.1%
Al Suwadi Power	2014	10.3X	0.130	0.161	25%	7.8%	6.3%
Al Batinah Power	2014	10.3X	0.128	0.162	26%	7.8%	6.2%
Phoenix Power	2015	18.0X	0.110	0.150	36%	7.4%	5.5%
Muscat City Desalination	2018	19.3X	0.116	0.156	34%	8.0%	6.0%

Source: Company Report, GBCM Research, * subsequent full year dividend yield post listing

In our second valuation methodology, we have reviewed the historical utilities sector IPOs in Oman and their listings in the secondary market. We have assumed an appropriate dividend yield adjustment to arrive at the fair value of the company. The utility sector IPO saw strong listing gains and adjusted for 6-6.5% dividend yield immediately post listing (refer above table). In addition, most of the Utility sector companies in Oman revealed listing gains of more than 25% except for SMN Power (meager 3% gains) which got listed in weak market conditions.

In addition, Oman’s Sovereign yield has increased with Oman 2027 (USD Eurobonds) and Oman Government Bonds (56th local Issue, 10 year) offering yield closer to 6% (on a risk-free basis). With the Muscat Securities Market (MSM) trading closer to its 10-year lows along with weak sentiments and certain frontline stock are offering dividend yield of c. 8% levels, **DGC has revised the pricing of the issue from RO 0.259 to RO 0.225 considering the weak market sentiments and offering better risk reward ratio to the potential investors.** Now, Dhofar Generating Co offers an attractive dividend yield of 8% which is more comparable to the other companies that have been listed on the MSM over the past several years.

Assuming a 6.25% dividend yield post listing (on 2018E dividends), our fair value works out to be RO 0.288.

Table 7: Weighted Fair Value at RO 0.274

	Fair Value	Weight
DDM Methodology - 2018-2022E Estimates	0.253	40%
Sustainable Div. Yield Adjustment	0.288	60%
Weighted Fair Value	0.274	
Issue Price	0.225	
Upside	21.8%	

Source: GBCM Research Estimates

Our 12M Weighted Fair Value of Dhofar Generating Co works out to be RO 0.274, an upside of 21.8% from the issue price

Table 8: Oman Power Sector Comparison- Latest Valuations

Omani Utilities	Closing Price	Market Cap (In RO 000s)	2017			2018E		
			PE	PBV	Div. Yield	PE	PBV	Div. Yield
Independent Power Plants								
United Power @@	3.440	6,880	4.3	1.3	43.6%	7.6	1.1	0.0%
Al Kamil Power	0.380	36,575	23.8	1.2	4.2%	15.2	1.2	6.6%
Al Batinah Power	0.119	80,312	16.1	1.0	6.2%	10.6	1.0	6.4%
Al Suwadi Power	0.115	82,157	13.3	0.9	7.0%	9.2	0.9	6.8%
Phoenix Power ~~	0.115	168,199	9.0	1.0	5.6%	9.2	1.0	4.8%
Combined Power and Water Plants								
ACWA Power Barka **	0.780	124,800	13.9	2.0	5.8%	11.5	1.9	2.6%
Sohar Power ^^	0.118	26,079	11.8	0.8	0.0%	6.9	0.7	0.0%
SMN Power ^^	0.600	119,784	16.9	3.1	5.7%	11.9	2.8	3.2%
Sembcorp Salalah	0.225	214,778	19.5	1.9	4.6%	15.3	1.9	6.0%
Independent Water Plant								
Sharqiah Desalination ***	2.515	24,597	-	1.9	0.0%	24.6	1.8	0.0%
Muscat City Desalination	0.136	21,155	-	1.4	0.0%	17.7	1.4	7.1%
Sector Average- (Excluding Cos with exceptional items)								6.26%

Source: Company Report, GBCM Research Estimates

^^ Dividends impacted due to Cash Sweep, ~~ Lower dividends due to LD settlement, *** Issues with Claims, **Impact of higher tax to lower dividends, @@ BOOT project with estimated lower dividends

DGC offers estimated dividend yield of c. 8% at the revised offer price as compared to projected average Oman Utilities sector (excluding companies that have lowered dividends due to exceptional items) dividend yield for 2018E of c. 6.26% levels. At the current levels (post recent correction), the major companies in the sector are offering a dividend yield that ranges between 6% and 7% levels. We saw selling pressure in key sector stocks during the last 12 months due to lower dividends estimated due to WHT and other market uncertainties. The investor interest has considerably reduced in these stocks amid increased market volatility and rising interest rate environment.

As per our view, the dividend payout ratio remains high in the case of DGC during the initial years (average c. 200% over 2019-2022E) with the draw down from existing cash reserves; this is the major reason for higher dividends. The risk remains in the form of increase in interest rates of local borrowings, application of cash sweep and any other operational costs/ unscheduled outages, which could lower earnings and impact dividends.

With the lowering of issue price and the increase in pre-IPO dividend yield, we do see listing gains, this may also revive interest of retail investors. Further, the conviction of institutional interest to improve with higher dividend yield, longer PPA (15-year period) and stable cash flows over the PPA.



Outlook- Strategic asset exposure in Dhofar region, reasonable valuations...

DGC's long term PPA with a well-established contractual framework ensures stable cash flows to the company during the period based on the plant availability irrespective of the power demand. DGC operates about 62% of the total installed power capacity in Dhofar Power System (DPS) and with the larger capacity, the plant has significant strategic and economic importance in the Dhofar Governate. DGC is promoted by experienced founding shareholders who have well-established presence and expertise in successfully implementing independent power plants globally. DGC is one of the few utility projects which achieved its scheduled commercial operations date (new plant) on 1st Jan 2018 as planned. As per the prospectus, the company is not subject to any outstanding liquidation claims (LDs), litigations or other regulatory proceedings.

We recommend a subscribe rating for the IPO for investors who are looking at exposure in low beta utility sector companies with long tenure PPA and estimated higher dividend yield of c. 8% levels at the issue price (over the projected period). We have assigned above average rating for the issuance primarily due to the revised issue price offering better risk-adjusted returns. On the other hand, the concerns remain with regards to cash sweep, estimated lower dividends post 2022E and the higher valuation contribution post PPA period.

Based on our valuation methodologies, we have arrived at a weighted 12-month fair value of RO 0.274 for DGC, providing an upside of 21.8% from the issue price.

Table 9: Income Statement Highlights

Income Statement- In RO 000s	2014	2015	2016	2017	2018	2019	2020	2021	2022
Power capacity charge	-	-	-	-	19,595	19,749	19,970	20,103	20,297
Fuel cost allowance	6,522	14,464	10,254	9,497	21,845	22,163	23,071	23,812	25,267
Fixed operation and maintenance allowance	3,340	1,988	4,815	4,897	-	-	-	-	-
Interest income on finance lease	3,988	4,889	923	920	4,731	4,554	4,361	4,153	3,927
Electrical energy allowance	1,136	617	80	73	146	148	155	161	171
Material adverse change event revenue	-	-	-	35	-	-	-	-	-
Revenue	14,987	21,958	16,071	15,421	46,317	46,614	47,557	48,229	49,662
YoY (% chg)					200.3%	0.6%	2.0%	1.4%	3.0%
Fuel cost	6,687	14,828	10,678	9,759	21,554	21,828	22,720	23,450	24,880
Operation and maintenance charges	915	1,958	3,428	3,569	7,210	7,321	7,516	7,714	7,924
Employee costs	941	460	246	223	776	741	778	802	833
Insurance	228	336	151	142	695	695	695	695	695
Transmission connection charges	115	115	106	63	342	70	71	71	72
Annual maintenance charges	124	66	76	76	-	-	-	-	-
Stores consumed	358	275	54	-	-	-	-	-	-
Other costs	43	35	32	39	-	-	-	-	-
Usufruct charges	-	-	-	-	133	-	-	-	-
Amortization of right to use assets	-	-	-	-	-	296	296	296	296
Operating Cost	9,412	18,072	14,772	13,871	30,710	30,951	32,076	33,028	34,700
YoY (% chg)		92.0%	-18.3%	-6.1%	121.4%	0.8%	3.6%	3.0%	5.1%
Gross profit	5,575	3,886	1,299	1,550	15,607	15,663	15,481	15,201	14,962
YoY (% chg)		-30.3%	-66.6%	19.3%	906.9%	0.4%	-1.2%	-1.8%	-1.6%
Administrative and general expenses	484	370	148	181	829	772	768	780	770
EBITDA	5,092	3,516	1,151	1,369	14,778	14,891	14,713	14,421	14,192
YoY (% chg)		-30.9%	-67.3%	19.0%	979.2%	0.8%	-1.2%	-2.0%	-1.6%
Depreciation	226	226	117	118	3,923	3,923	3,923	3,923	3,923
Operating Profit- EBIT	4,866	3,290	1,034	1,252	10,855	10,968	10,790	10,498	10,269
YoY (% chg)						1.0%	-1.6%	-2.7%	-2.2%
Finance cost	(610)	(675)	(1,202)	(1,010)	(7,441)	(7,274)	(7,153)	(7,137)	(6,915)
Reversal of provision no longer required	5,147	-	-	-	-	-	-	-	-
Unrealized gain on recognition of finance lease	22,990	-	-	-	-	-	-	-	-
Other income	-	-	6	8	-	-	-	-	-
Profit before tax	32,393	2,616	(162)	250	3,414	3,694	3,637	3,361	3,354
YoY (% chg)		-91.9%	-106.2%	-253.9%	1265.8%	8.2%	-1.5%	-7.6%	-0.2%
Income tax expense	(3,268)	(206)	(54)	(729)	3,233	2,231	1,536	946	460
Profit for the year	29,125	2,409	(217)	(479)	181	1,463	2,101	2,415	2,894
YoY (% chg)		-92%	-109%	121%	-138%	708%	44%	15%	20%

Source: IPO Prospectus, GBCM Research

Table 10: Balance Sheet Highlights

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assets									
Non-current assets									
Finance lease receivable	52,682	51,789	58,868	56,780	54,514	52,056	49,391	46,498	43,361
Property, plant and equipment	3,959	34,249	86,775	148,075	159,056	155,078	151,123	147,175	143,252
Right to use asset	-	-	-	-	-	4,290	3,994	3,698	3,402
Total non-current assets	56,641	86,039	145,643	204,855	213,570	211,424	204,508	197,371	190,015
YoY (% chg)		51.9%	69.3%	40.7%	4.3%	-1.0%	-3.3%	-3.5%	-3.7%
Current assets									
Inventories	3,610	3,766	3,981	3,925	5,893	5,893	5,893	5,893	5,893
Finance lease receivable	1,691	1,210	2,000	2,088	2,266	2,458	2,666	2,892	3,137
Trade receivables	1,127	3,122	1,479	3,293	4,186	4,159	4,255	4,349	4,514
Advances and prepayments	373	413	175	264	-	-	-	-	-
cash and cash equivalents	5,769	5,983	1,447	2,562	5,920	5,148	4,320	3,293	2,290
Total current assets	12,570	14,494	9,081	12,132	18,265	17,658	17,134	16,427	15,834
Total assets	69,211	100,533	154,725	216,988	231,835	229,082	221,642	213,798	205,849
YoY (% chg)		45.3%	53.9%	40.2%	6.8%	-1.2%	-3.2%	-3.5%	-3.7%
Equity									
Share capital	500	500	500	500	22,224	22,224	22,224	22,224	22,224
Proposed increase in share capital	-	-	-	21,724	-	-	-	-	-
Legal reserve	167	167	167	167	185	331	541	783	1,072
Retained earnings	28,213	30,622	30,406	29,927	30,090	27,185	25,076	23,249	21,854
Changes in fair value of hedge	-	(2,185)	(2,376)	(4,444)	(4,331)	(4,145)	(3,961)	(3,786)	(3,612)
Total equity	28,880	29,104	28,696	47,873	48,168	45,595	43,880	42,470	41,538
YoY (% chg)		0.8%	-1.4%	66.8%	0.6%	-5.3%	-3.8%	-3.2%	-2.2%
Liabilities									
Non-current liabilities									
Long term loan	-	34,452	86,505	146,781	152,513	145,339	138,215	130,811	123,256
Shareholders loan	32,992	23,301	22,650	-	-	-	-	-	-
Fair Value of cash flow hedge	-	2,482	2,701	5,229	5,095	4,877	4,660	4,454	4,250
Provision for decommissioning cost	2,766	2,840	2,921	3,001	6,109	6,318	6,535	6,759	6,991
Provision for major maintenance	-	-	6,585	4,424	1,378	1,360	1,380	1,301	1,336
End of service benefit payable	18	6	21	54	-	-	-	-	-
Lease liability	-	-	-	-	-	4,566	4,316	4,057	3,790
Deferred tax liability	810	2,295	2,273	2,386	5,794	8,057	9,627	10,605	11,094
Total non-current liabilities	36,586	65,377	123,656	161,875	170,889	170,517	164,733	157,987	150,717
YoY (% chg)		78.7%	89.1%	30.9%	5.6%	-0.2%	-3.4%	-4.1%	-4.6%
Current liabilities									
Long term loans	-	-	-	3,793	7,090	7,363	7,305	7,575	7,716
Trade and other payables	1,352	5,662	2,323	3,292	5,688	5,607	5,724	5,766	5,878
Provision for tax	2,394	390	49	155	-	-	-	-	-
Total current liabilities	3,746	6,052	2,373	7,239	12,778	12,970	13,029	13,341	13,594
Total liabilities	40,332	71,429	126,029	169,114	183,667	183,487	177,762	171,328	164,311
Total equity and liabilities	69,211	100,533	154,725	216,988	231,835	229,082	221,642	213,798	205,849
YoY (% chg)		45.3%	53.9%	40.2%	6.8%	-1.2%	-3.2%	-3.5%	-3.7%

Source: IPO Prospectus, GBCM Research

Table 11: Cash Flow Highlights

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash flows from operating activities									
Profit before tax	32,393	2,616	(162)	250	3,414	3,694	3,637	3,361	3,354
Adjustments for:									
Depreciation on plant equipment	230	254	112	130	3,983	3,978	3,954	3,948	3,923
Amortization of right to use asset					-	296	296	296	296
Finance costs	610	675	1,202	1,010	7,441	7,274	7,153	7,137	6,915
Interest income on finance lease	(3,988)	(4,889)	(4,815)	(4,897)	(4,731)	(4,554)	(4,361)	(4,153)	(3,927)
Reversal of provision no longer required	(5,147)	-	15	33					
Unrealized gain on recognition of finance lease	(22,990)	-	-	-					
End of service benefit expense	18	(13)	-	-					
Operating cash flow before working capital	1,125	(1,358)	(3,648)	(3,475)	10,107	10,688	10,679	10,589	10,561
Inventories	(112)	(156)	(216)	57					
Trade and other receivables	(1,127)	(1,995)	1,723	(1,814)					
Trade and other payables	1,310	4,310	(3,356)	957					
Advances and prepayments	(373)	(39)	177	(89)					
Changes in working capital	(302)	2,119	(1,673)	(890)	451	(2)	5	5	1
	823	762	(5,320)	(4,365)	10,558	10,686	10,684	10,594	10,562
Finance lease instalments (power capacity payments) received	5,562	6,263	6,897	6,897	6,819	6,819	6,819	6,819	6,819
Tax during the year	-	(426)	(392)	(49)					
Net cash from operating activities	6,385	6,598	1,185	2,482	17,377	17,505	17,503	17,413	17,381
Cash flows from investing activities									
Major maintenance - payment	-	-	(1,315)	(2,318)	(3,107)	-59	-21	-121	0
Finance cost capitalized to capital -WIP	-	-	(2,763)	(4,147)					
Payments for plant and capital- WIP	(81)	(30,544)	(52,268)	(57,026)	(13,835)	-	-	-	-
Net cash used in investing activities	(81)	(30,544)	(56,346)	(57,026)	(16,942)	(59)	(21)	(121)	-
Cash flows from financing activities									
Repayment of shareholder loan	-	(9,691)	(650)	(926)					
Finance cost paid	(536)	(601)	(571)	(814)	(5,849)	(6,886)	(6,697)	(6,755)	(6,542)
Payment against lease liability					-	(242)	(250)	(259)	(267)
Net proceeds from long term loan	-	34,452	51,845	63,864	8,772	(7,090)	(7,363)	(7,305)	(7,575)
Dividends paid						(4,000)	(4,000)	(4,000)	(4,000)
Net cash from / (used in) financing	(536)	24,161	50,624	62,124	2,923	(18,218)	(18,310)	(18,319)	(18,384)
Net increase in cash and cash equiv.	5,769	215	(4,537)	1,115	3,358	(772)	(828)	(1,027)	(1,003)
Cash and cash equiv.- beginning of year	-	5,769	5,983	1,447	2,562	5,920	5,148	4,320	3,293
Cash and cash equiv.- end of the year	5,769	5,983	1,447	2,562	5,920	5,148	4,320	3,293	2,290

Source: IPO Prospectus, GBCM Research

Table 12: Ratio Analysis

Key Ratios	2014	2015	2016	2017	2018	2019	2020	2021	2022
Margins (%)									
Gross Profit Margin (%)	37.2%	17.7%	8.1%	10.1%	33.7%	33.6%	32.6%	31.5%	30.1%
EBITDA Margin (%)	34.0%	16.0%	7.2%	8.9%	31.9%	31.9%	30.9%	29.9%	28.6%
Operating Margin (%)	32.5%	15.0%	6.4%	8.1%	23.4%	23.5%	22.7%	21.8%	20.7%
PAT Margin (%)	194.3%	11.0%	-1.3%	-3.1%	0.4%	3.1%	4.4%	5.0%	5.8%
Per Share Ratio (in RO)									
EPS	5.825	0.482	-0.043	-0.096	0.001	0.007	0.009	0.011	0.013
Book Value	5.776	5.821	5.739	9.575	0.217	0.205	0.197	0.191	0.187
Cash Dividend per share	-	-	-	-	0.018	0.018	0.018	0.018	0.018
EV Per Share									
Equity Valuation - at Issue Price									
P/E	NM	NM	NM	NM	276.3	34.2	23.8	20.7	17.3
P/BV	NM	NM	NM	NM	1.0	1.1	1.1	1.2	1.2
Div. Yield	-	-	-	-	8.0%	8.0%	8.0%	8.0%	8.0%
Div. Payout	0.0%	0.0%	0.0%	0.0%	2210.1%	273.4%	190.4%	165.6%	138.2%
Enterprise Valuation									
EV/ Sales		1.3	5.4	9.7	4.4	4.2	4.0	3.8	3.6
EV/ EBITDA		8.4	74.9	108.9	13.8	13.3	13.0	12.8	12.6
EV/ EBIT		9.0	83.3	119.1	18.8	18.0	17.7	17.6	17.4
Return Ratios									
Return on Equity - RoE	100.8%	8.3%	-0.8%	-1.0%	0.4%	3.2%	4.8%	5.7%	7.0%
Return on Avg. Equity - RoAE		8.3%	-0.8%	-1.3%	0.4%	3.1%	4.7%	5.6%	6.9%
Return on Assets - RoA	42.1%	2.4%	-0.1%	-0.2%	0.1%	0.6%	0.9%	1.1%	1.4%
Return on Avg. Assets - RoAA		2.8%	-0.2%	-0.3%	0.1%	0.6%	0.9%	1.1%	1.4%
Activity and Efficiency Ratios									
Days of Inventory									
Days Receivables	27	52	34	78	33	33	33	33	33
Days Payables	52	114	57	87	68	66	65	64	62
Cash Conversion cycle	-25	-62	-24	-9	-35	-34	-32	-31	-29
Liquidity ratio									
Current ratio	3.4	2.4	3.8	1.7	1.4	1.4	1.3	1.2	1.2
Leverage ratio									
Debt/ Equity ratio	1.1	2.0	3.8	3.1	3.3	3.3	3.3	3.3	3.2

Source: IPO Prospectus, GBCM Research



Stock Rating Methodology:

Buy - Upside more than 20%

Accumulate - Upside between 10% and 20%

Neutral - Upside or downside less than 10%

Reduce - Downside between 10% and 20%

Sell - Downside more than 20%

Not Rated - Stocks not in regular research coverage

LT- Long Term

ST- Short Term

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