CREDIT OPINION

18 July 2025

Update

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**RATINGS**

**Oman Power and Water Procurement Company SAOC**

| | |
|---|---|
| Domicile | Muscat, Oman |
| Long Term Rating | Baa3 |
| Type | LT Issuer Rating - Fgn Curr |
| Outlook | Stable |

*Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*

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# Oman Power and Water Procurement Company SAOC

## Update following rating upgrade to Baa3, outlook changed to stable

## Summary

On 15 July 2025, we have assigned a Baa3 long-term issuer rating to Oman Power and Water Procurement Company SAOC (OPWP). Concurrently, we have withdrawn OPWP's Ba1 long-term Corporate Family Ratings. The outlook was changed to stable from positive. This follows the upgrade of the ratings of the Government of Oman to Baa3 from Ba1 on 10 July 2025 with the outlook being changed to stable from positive.

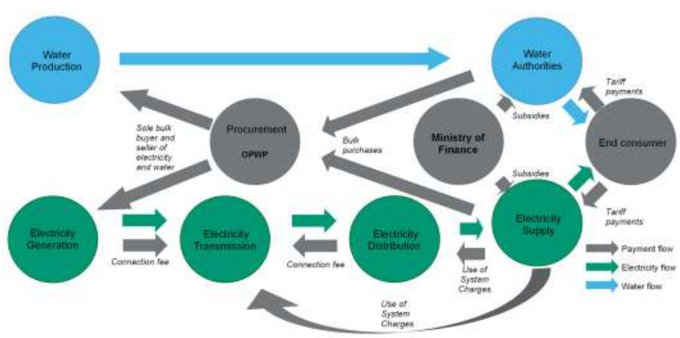
We view OPWP as a government-related issuer (GRI) whose Baa3 rating and stable outlook are aligned with that of the government. OPWP is intrinsically linked to the government, acting as the sole buyer and seller of electricity and water between licensed production facilities and licensed electricity suppliers and water companies in Oman. The company also fulfills a government agency-like function in areas such as future electricity planning.

OPWP's rating has strong credit interlinkages with the sovereign, because of its indirect exposure to the Omani government in the form of subsidies. In particular, its seasonal revenue profile and the delays in the payments by the electricity distribution and water companies have increased OPWP's working capital requirements. The company's significant reliance on the current 12-month short-term working capital facility negatively affects its liquidity position.

OPWP's rating remains supported by (1) stable and transparent regulatory framework for the electricity sector and the independence of the regulator; (2) cost-recovery mechanisms of the regulatory framework; (3) low business risk profile and strict regulation of its activities; (4) and strategic role in Oman's growing power and water sector.

Exhibit 1

**OPWP benefits from a stable and transparent regulatory framework**




*Source: Company filings*

We use a top-down approach in assigning OPWP's rating under our Government-Related Issuers Methodology. This means we do not assign a Baseline Credit Assessment (BCA) and we base the rating on the ability and willingness of the sovereign to provide timely support which is underpinned by: (1) the full government ownership; (2) the fact that the company's revenues indirectly include substantial government subsidies; and (3) the company's importance as an essential service provider, facilitator of government policy to diversify the economy away from hydrocarbons, and employer of Omani nationals. Under Article 67 of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (Sector Law), the Ministry of Finance pledges to secure the availability of adequate finance to allow the company to undertake its activities as long as the company is fully owned by the government. We see this provision of the law as further enhancing the linkages with the government and supportive of the company's liquidity.

## Credit strengths

» Strategic role in Oman's growing power and water sector

» Low business risk enhanced by the stability of the regulatory framework

## Credit challenges

» Credit risk profile heavily reliant on the ability to pass through procurement costs

» Weak liquidity profile due to working capital shortfalls

## Rating outlook

The stable outlook reflects the stable outlook on the sovereign rating because of the strong credit links between OPWP and the government.

## Factors that could lead to an upgrade

The rating of OPWP could be upgraded if Oman's sovereign rating was upgraded. This would also require no material deterioration in the company's operating and financial performance as well as its liquidity profile.

## Factors that could lead to a downgrade

The rating of OPWP could be downgraded in case of a downgrade of Oman's sovereign rating. OPWP's rating could also be downgraded if there is a reduction in our current assumption of timely extraordinary government support. The rating could also be downgraded if the Government of Oman's support for OPWP changes, for example, a shift in its license mandate or changes in its support of the company's liquidity management policy.

## Key indicators

Exhibit 2

**Oman Power and Water Procurement Company SAOC**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| (CFO pre-WC + Interest) / Interest | 1.7x | 1.9x | 2.0x | 2.0x | 2.1x |
| (CFO pre-WC) / Debt | 4.8% | 6.5% | 7.6% | 7.7% | 8.9% |
| (CFO pre-WC – Dividends) / Debt | 4.8% | 6.5% | 7.6% | 7.7% | 8.9% |
| Debt / Book Capitalization | 101.7% | 103.3% | 104.8% | 106.0% | 107.5% |

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated.
*Source: Moody's Financial Metrics™*

## Profile

OPWP was rebranded in 2023 to Nama Power and Water Procurement Company SAOC (NPWP). The company was established in 2003 and undertakes fully regulated water and electricity procurement services within Oman. OPWP has the exclusive right (subject to certain limited exceptions) to act as the sole buyer of electricity and water from licensed production facilities. The company is also the sole seller of electricity and water to the licensed electricity suppliers and water companies. Electricity Holding Company SAOC (Nama Holding - NH) owns 100% of the company, while NH is owned by the Oman Investment Authority.

## Detailed credit considerations

### Well-established regulatory framework and independent regulator

The regulatory framework was set up through royal decree 78 in 2004 in the form of the Sector Law and clearly defines the roles of key stakeholders in the Omani utility sector: regulation, procurement, generation, transmission as well as distribution and supply. Over the last decade the Authority for Public Services Regulation (APSR, the regulator) has acted independently and in a transparent manner, such as in conjunction with the privatization of the power generation sector and the unbundling of the Dhofar System. The regulatory framework remains credit supportive to OPWP.

### OPWP fulfills an important role to ensure adequate capacity in the sector

OPWP's rating incorporates its strategic role in Oman's growing power and water sector as well as its government agency-like function in certain activities such as future capacity planning. The company's primary focus is (1) to ensure that sufficient capacity and output are available to meet the requirements of licensed electricity suppliers and (2) to maximize the co-production of electricity generation and desalination water production where economically viable. OPWP is responsible for determining demand and generation requirements for electricity and desalinated water over a 7 year horizon and the demand for desalinated water is assessed by the water supply companies. If additional capacity is required, OPWP initiates a competitive bidding process for new independent production contracts

### OPWP's indirect exposure to government subsidies leads to risks in receivables collection and requires reliance on short-term working capital facilities to support liquidity shortfalls

The government of Oman aims to reduce the economy’s reliance on the hydrocarbon sector. Among its policies are subsidised electricity tariffs for the industrial sector, intended to attract foreign direct investment and create employment opportunities for Omani nationals. A significant portion of OPWP’s revenues is indirectly derived from government subsidies.

Between 2016 and 2020, the deterioration in the macroeconomic environment in Oman resulted in the government delaying the payment of subsidies to the distribution and supply companies (DISCOs). Since 2021, the macroeconomic environment in Oman has improved, which has resulted in more timely subsidy payments to the DISCOs. While this has enhanced OPWP's collection of receivables, the company continues to rely on short-term working capital facilities to offset its liquidity shortfalls.

The government's strategy to gradually phase out the electricity subsidies is expected to reduce OPWP's collection risks. During 2021, the government introduced a gradual phase out of electricity subsidies with the aim to transition over time to fully cost-reflective tariffs, This follows the 2017 implementation of cost-reflective tariffs for large industrial, commercial, and government consumers. In 2022, the government launched a spot market for the electricity generators. The spot market will operate alongside the current power purchase agreements system. Over the coming year, we expect the spot market to gradually improve the efficiency of power procurement, as it enables licensed generators to offer their surplus capacity back to the grid at competitive rates.

### Credit risk profile heavily reliant on OPWP's ability to pass through procurement costs

OPWP's financial profile benefits from a highly predictable revenue stream offset by largely stable procurement costs. OPWP makes significant payments to licensed production facilities as the sole off-taker of electricity and water and receives significant payments from licensed electricity suppliers and water authorities when its commitments are sold. The company's gross profit is regulated and sufficient to cover operating expenses, while it is able to make a small profit if it can operate more efficiently and outperform the regulator's assumptions on administrative costs. Conversely, it may incur a small loss if it is less efficient or receives penalties from the regulator.

Much of the company's credit risk profile hinges on the stability of the regulatory regime, in particular the continuity of its right to pass through procurement costs (thus eliminating market risk exposure), the regulator's acceptance of its costs as reasonable and consistent with efficient operation and economic purchase and the timeliness of those payments.

OPWP calculates bulk supply tariffs on the basis of a cost-plus formula, allowing for full pass-through of market risk under normal circumstances. Tariffs are determined annually by OPWP and approved by the APSR. OPWP issues a preliminary invoice to licensed suppliers at the end of each month, with supplemental invoices for adjustments issued when practically feasible. Payments against invoices and adjustments are required to be made within 30 days of receipt.

## ESG considerations

We consider the impact of environmental, social and governance (ESG) factors when assessing companies' credit quality. OPWP's financial policies and governance are currently determined by the government, given its full ownership of the company. This includes investment decisions, liquidity management and shareholder returns, which can materially affect the company's credit profile. OPWP's exposure to environmental risks is low. Any regulation seeking to curb the environmental footprint of electricity production will likely not affect OPWP. From a social perspective, OPWP plays a key role in ensuring the continuous supply of electricity in Oman.

## Liquidity analysis

### Weak liquidity profile partly offset by liquidity buffers held by Nama Holding and government provisions

OPWP's liquidity profile is weak, because of its seasonal revenue profile and the delays in the payments by the electricity distribution, supply and water companies. This has increased OPWP's working capital requirements and its reliance on short-term working capital facilities. The company is subject to short-term liquidity needs when cash outflows to the generators temporarily exceed cash inflows from licensed suppliers and water companies. OPWP has a facility of OMR175 million in place to fund its working capital needs, which typically peak in the summer months. The facility had very limited availability as of 30 June 2024.

OPWP also benefits from additional support provisions from its parent company and the government. Nama Holding had cash reserves of OM75 million ($194 million) as of 30 June 2024. These reserves were extracted from dividend payments from its subsidiaries, and are held as a financial buffer for its subsidiaries. In addition, the company benefits from Article 67 of the Sector Law as long as it remains fully owned by the government. Article 67 stipulates that the Ministry of Finance (MoF) undertakes "to secure the availability of the necessary finance for [OPWP] to undertake [its] activities and achieve [its] objectives, ... for as long as [its] capital is wholly-owned by the Government".

## Rating methodology

We classify OPWP as a GRI and apply a top-down approach in assigning OPWP's rating under the Government-Related Issuers Methodology. We directly align the rating of the company with that of the government without providing an assessment of OPWP's standalone credit strength given the very close integration of the company into the public sector.

## Ratings

Exhibit 3

| Category | Moody's Rating |
| --- | --- |
| **OMAN POWER AND WATER PROCUREMENT COMPANY SAOC** | |
| Outlook | Stable |
| Issuer Rating | Baa3 |

*Source: Moody's Ratings*

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