

## **Directors' Report**

### **Year Ended December 31, 2022**

The Directors of Sindh Engro Coal Mining Company Limited (SECMC), a joint venture between Government of Sindh (GoS), Engro Energy Limited (EEL) and its Affiliates, including Thal Limited, Habib Bank Limited, The Hub Power Company Limited, CMEC Thar Mining Investments Limited and Huolinhe Open Pit Coal (HK) Investment Limited, are pleased to present the Standalone Financial Information and a progress review of the Thar Coal Mining Project for the year ended December 31, 2022.

#### **Progress Update:**

SECMC continued operations smoothly of the 7.6 Mt/a mine at Block II, during the year 4.5 million tons of coal was supplied to :

1. Engro Powergen Thar (Private) Limited
2. Thar Energy Limited Power Plant
3. Thal Nova Power Thar (Private) Limited
4. Lucky Electric Power Company Limited

Commercial Operations (COD) of Phase II mine expansion to 7.6 Mt/a was declared on September 30, 2022. Company has ensured 100% mine availability throughout the year.

On December 29, 2022, TCEB determined Phase I COD Stage Tariff and Phase II FC Stage Tariff. Subsequently, SECMC has filed a review petition for relief to result in correction in Phase II tariff. Simultaneously, SECMC has also filed Phase II COD Stage Tariff Petition.

During the year, Board has approved expansion of mine project (Phase III) for which SECMC is now in the process of finalizing funding plan. However, due to the macroeconomic conditions of the country especially massive devaluation of PKR against US Dollars, management is unable to lock funding plan. Similarly, like every other company in Pakistan, SECMC is also facing issues in retiring its Letters of Credit (LCs) and remitting foreign payments to vendors outside Pakistan. These issues are not only impacting the operations but may also cause delay in execution of the Phase III mine expansion project.

During the year ended December 31, 2022, SECMC achieved a TRIR of 0.13 as against the plan of 0.19. Further, during the period, SECMC was awarded International Safety Awards 2022 by the British Safety Council for the third consecutive year.

During the year 2022, Thar Foundation (TF) focused on human and institutional development, capacity building of the team and developing more fruitful relationship with communities and other stakeholders. Further, three inhouse capacity building workshops conducted with TF team members.

On the education front, school enrollment reached up to 4,162 students with 32% girls in 27 school units. Furthermore, a Middle school has been started in Gorano Village where 35 students have been enrolled so far. In light of the global contemporary focus on IT, IT training is in full swing as well with 48 students of Block-II admitted for IT training.

On the agenda of providing quality health care to communities, multiple medical initiatives have been taken by Thar Foundation during the year. Health screening of 2,400 children was conducted in Block-II villages. ~ 63,000 patients were treated at five TF health facilities including OPD, medicine, EPI lab and ultrasound services were given free of cost. 7,250 long lasting insecticidal nets (LLINs) distributed among community. 5,400 patients treated at 20 villages through mobile medical bus service. 2,400 children's health screening conducted. Furthermore, in order to raise medical awareness, World Mental Health Day, World Pneumonia Day, World Aids Day, Breast cancer awareness month were organized.

Small grants provided to 21 persons including 10 women for establishing small businesses and goat raising.

Under Village Improvement Program (VIP), 141 solar home systems have been installed at Gorano village, and 69 low-cost pit latrines constructed at Mansingh Bhil and Seengarion villages.

Furthermore, to celebrate local culture, Sindhi Culture Day was celebrated at Islamkot, which was attended by hundreds of men and women from Block-II villages participated.

### **Financing update**

As of December 31, 2022, shareholding of each equity partner is as follows:

Sponsor	Equity injection to date (USD Million)	No. of shares (Million)	Percentage holding
<b>Ordinary Shares</b>			
The Government of Sindh	105.23	880.91	54.70%
Engro Energy Limited	21.86	191.64	11.90%
Thal Limited	23.07	191.64	11.90%
Habib Bank Limited	15.51	152.99	9.50%
Hub Power Company Limited	18.4	128.84	8.00%
CMEC Thar Mining Investment Company	7.71	64.42	4.00%
<b>Total Ordinary Shares</b>	<b>191.78</b>	<b>1,610.44</b>	<b>100%</b>
<b>Preference Shares</b>			
HOCIC	10.00	124.64	100%
<b>Total equity (Ordinary + Preference)</b>	<b>201.78</b>		

On the borrowing side, loan drawdowns of PKR 13,537 million relating to Phase II were made during the year. Additionally, SECMC repaid two installments of long-term loan amounting to USD 16.98 million against Phase I foreign currency loan and PKR 2,124 million against Phase I local currency loan.



### Results for the Year

Apart from operations, SECMC will maintain its focus on collection from its customers. Total receivables from coal off takers as of December 31, 2022, amounted to PKR 40,246 M out of which PKR 26,292 M were overdue. Recovery against receivables has become challenging owing to circular debt issue surrounding the power and allied sectors.

SECMC declared a net profit of PKR 7,893 M for the year ended December 31, 2022 (this includes adverse impact of exchange loss of PKR 6,817 M). Since SECMC has not achieved Project Completion Date (PCD) which is a pre-requisite of dividend declaration, SECMC has not declared any dividend or bonus share for the period and has transferred the profit of PKR 7,893 M to Un-appropriated profit reserve.

The Company's Earnings Per Share (EPS) for the year is PKR 4.46 / share (Consolidated EPS of PKR 6.78 / share)

### Key operating and financial data for the preceding 6 years (consolidated financial statements)

	2022	2021	2020	2019	2018	2017	2016
	PKR / No. of Shares in 000						
Profit / (Loss) Before Tax	15,054,646	11,604,100	11,148,342	5,767,450	(26,292)	(18,566)	(34,705)
Profit / (Loss) After Tax	11,630,913	11,175,432	11,140,083	5,750,505	(27,132)	19,802	(36,834)
Development Properties	186,119	9,436,904	814,567	-	51,646,291	28,566,101	11,148,610
Property, Plant & Equipment	96,681,882	77,361,921	76,502,778	72,275,575	9,753,385	8,860,395	8,102,339
Capital Expenditure	23,327,985	4,487,752	5,099,497	4,547,356	2,322,019	1,888,156	7,770,075
Intangible Assets	141,346	54,666	77,493	3,314	50,674	104,092	156,819
Net Current Assets	42,047,541	26,575,457	19,386,315	9,781,232	(5,026,567)	(4,309,061)	(2,465,510)
Shareholders' Fund	64,362,923	52,732,010	37,579,800	26,439,716	13,984,874	10,074,559	7,519,490
Ordinary Shares Outstanding at Year End	1,610,466	1,610,466	1,341,199	1,341,199	934,909	591,807	509,092
Preference Shares Outstanding at Year End	124,636	124,636	124,636	124,636	53,938	36,612	31,369

### Allocation of Reserves

SECMC has standalone reserves as follows for the period:

	PKR ('000)
Balance as at January 1, 2022	27,747,471
Profit for the year	7,893,653
Balance as at December 31, 2022	35,641,124

### **Key shareholding position**

Following is the key shareholding position as at December 31, 2022:

Shareholders	No. of shares held
The Government of Sindh	880,913,744
<b>Associated companies:</b>	
Engro Energy Limited	191,643,025
Thal Limited	191,643,025
Habib Bank Limited	152,992,330
Hub Power Company Limited	128,835,648
CMEC Thar Mining Investment Company	64,417,822
<b>Directors:</b>	
Mr. Imtiaz Ahmed Shaikh	1
Mr. Amir Iqbal	1
Mr. Abu Bakar Ahmed Madni	1
Mr. Sajid Jamal Abro	1
Mr. Muhammad Kamran Kamal	1
Mr. Muhammad Salman Burney	1
Mr. Muhammad Tayyab Ahmad Tareen	1
Mr. Ghias Khan	1
Mr. Sami Aziz	1
Dr. Mahesh Kumar Malani	1
Mr. Bao Jianjun	1
Mr. Syed Hasan Naqvi	1
<b>1,610,445,596</b>	

### **Retirement funds**

The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include defined contribution (DC) gratuity plan, and DC provident fund. The plan / funds are managed by Engro Corporation Limited for its employees and those of its associates including the Company.

### **Statement of directors' responsibilities**

The directors confirm compliance with Public Sector Companies (Corporate Governance) Rules for the following:

1. The Board has complied with the relevant principles of corporate governance except as disclosed in the statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013.
2. The financial statements, prepared by the management of the Company, present fairly its situation, the result of its operations, cash flows and changes in equity.
3. Proper books of accounts of the Company have been maintained.



4. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.
5. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
6. The system of internal control is sound in design and has been effectively implemented, reviewed, and monitored.
7. The appointment of chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interest of the Company as well as in line with best practices.
8. There are no significant doubts upon the Company's ability to continue as a going concern.

#### **Appointment of external auditors**

The Board of Directors has re-appointed A. F. Ferguson & Co., Chartered Accountants as external auditors of the Company for FY 2023 based on recommendation of the Board Audit Committee.

#### **Board meetings and attendance**

In 2022, the Board of Directors held 8 meetings and Board Audit Committee (BAC) held 5 meetings. The attendance record of the Directors is as follows:

S.No	Directors	Member of BAC (as at December 31, 2022)	Executive / non-Executive	BoD meetings attended	BAC meetings attended
1	Mr. Imtiaz Ahmed Shaikh		non-Executive	4	
2	Mr. Amir Iqbal		Executive	8	
3	Mr. Abu Bakar Ahmed Madni	Yes	non-Executive	8	5
4	Mr. Sajid Jamal Abro*	Yes	non-Executive	7	5
5	Mr. Muhammad Kamran Kamal		non-Executive	5	
6	Mr. Muhammad Salman Burney		non-Executive	8	
7	Mr. Muhammad Tayyab Ahmad Tareen	Yes	non-Executive	8	5
8	Mr. Ghias Khan		non-Executive	6	
9	Mr. Sami Aziz	Yes	non-Executive	8	5
10	Dr. Mahesh Kumar Malani		non-Executive	8	
11	Mr. Bao Jianjun		non-Executive	0	
12	Mr. Syed Hasan Naqvi	Yes	non-Executive	0	0

#### **Directors resigned during the year:**

13	Mr. Asif Jahangir	Yes	non-Executive	0	0
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#### **Note**

\* Directors who joined the Board during the year



16th Floor, The Harbor Front Building,  
HC#3, Marine Drive, Block 4, Clifton,  
Karachi-75600, Pakistan

The Company has a formal policy and transparent procedures for the remuneration of its directors in accordance with the Companies Act, 2017 and the Public Sector Companies (Corporate Governance) Rules, 2013. The policy also provides travel and daily allowance entitlements for Non-Executive Directors for business related travel.

The remuneration, including the director fee for attending the Board or Board Committee Meeting, paid to the Directors and Chief Executive Officer is disclosed in Note 28 to the financial statements.

**Note**

\* No fee for attending meetings is paid to Engro nominated directors and director representing Preference shareholder.

\*\* Fee for attending meetings was donated to Thar Foundation.

\*\*\* Fee for attending meetings was paid to Habib Bank Limited.



Chief Executive Officer  
Dated: February 17, 2022



Director