

DIRECTORS' REVIEW REPORT - FFBL POWER COMPANY LIMITED

For the Quarter ended March 31, 2020

Directors' Report

The Board of Directors is pleased to present operational and financial overview of FFBL Power Company Limited (FPCL) along with the unaudited financial statements of the Company for the quarter ended March 31, 2020.

Principal Activity

FPCL was incorporated as a public limited company on 27 June 2014 with Fauji Fertilizer Bin Qasim Limited and Fauji Foundation subscribing 75% and 25% of the total paid-up capital, respectively. The principal activity of the Company is to build, own and operate a coal based power generation facility at Port Qasim Karachi with a gross capacity of 118 MW. The Company commenced its Commercial Operation on 19 May 2017.

Financial Results

During the quarter ended March 31, 2020, FPCL have recorded revenue amounting to PKR 3,922 million (2019: 3,669 million) against cost of sales of PKR 2,219 million (2019: 2,258 million). Profit for the quarter amounted PKR 868 million as against profit of PKR 709 million posted during quarter ended March 31, 2019. Earnings per share (EPS) were at PKR 1.01 (2019: PKR 0.83).

The increase in fixed assets by PKR 231 million is mainly attributable to net additions in Property Plant & Equipment for PKR 43 million & increase in Capital Work in Progress of PKR 448 million which is netted off against depreciation for the period amounting to PKR 260 million.

Current assets mainly comprise of Stock-in-Trade amounting to PKR 2,107 million, Trade Debts amounting to PKR 3,447 million which include receivables from FFBL and K-Electric and advances, prepayments & other receivables amounting to PKR 603 million.

Current liabilities mainly comprise of payable against 8th indo coal & 24th coal shipments of PKR 1,605 million, retention money payable amounting to PKR 22 million and PKR 1,897 million being the current portion of Long Term Finance Facilities.

The principal loan repayment under the Long Term Finance Facilities amounting to PKR 451 million have been paid during the quarter ended March 31, 2020. Outstanding Long Term Finance Facilities as at March 31, 2020 amounted to PKR 14,922 million.

Operational Results

During the quarter ended March 31, 2020, FPCL delivered 26,469 MWh (2019: 25,805 MWh) of electricity to Fauji Fertilizer Bin Qasim Limited and 85,851 MWh (2019: 95,954 MWh) to K-Electric Limited. The Company also delivered 272,330 Metric Tons (2019: 248,084 MT) of Steam to Fauji Fertilizer Bin Qasim Limited.

Future Outlook

The demand for electricity has always been on the rise and the trend is expected to remain the same. Though the Government of Pakistan has been actively pursuing various power projects to bridge the gap of demand and supply, the gap is still expected to exist in the near future.

The utility distributor in cosmopolitan city (K-Electric Limited) faces energy demand varying between 2,900 MW and 3,300 MW while the installed capacity connected to KE (own & external) is 2,779 MW, which meets only 84% to 96% of energy requirements, if available all times. The gap is expected to exist in foreseeable future as power requirements are growing by the time at a pace greater than it takes for energy projects to connect and dispatch. More projects are being built to run on coal and RLNG, however these are not likely to affect Company's operations and profitability. Further, Company's rank in merit order is on a relatively high position which is not likely to be adversely affected in foreseeable future.

During the rapidly evolving situation in wake of COVID-19 pandemic outbreak, our top priority continues to be health and safety of our employees, share-holders and other stakeholders. Business environment is likely to remain challenging owing to potential adverse implications of COVID-19 pandemic on the economy which are quite diverse in nature and impact, however, FPCL is managing the risks by anticipation and application of corresponding mitigation measures.

Internal Control System

The Company's management has adopted internal control policies and procedures to achieve its objective of efficient conduct of business operations. Internal Audit function has also been setup by the Board which reports to the Audit Committee.

Board of Directors

The Board exercises the power conferred to it by the Companies Act, 2017 and the Memorandum and Articles of Association of the Company, through Board meetings, which are held every quarter in a year for reviewing and approving the adoption of Company's Financial Statements, Formulating Strategies, Providing Guidance to the Company's Management and Monitoring their performance.

Following is the list of the Directors of the Company who served on the Board:

- Mr. Waqar Ahmed Malik Appointed: Apr 06, 2020
- Lt Gen Syed Tariq Nadeem Gilani, HI (M), (Retd) Resigned: Apr 06, 2020
- Lt Gen Javed Iqbal, HI (M), (Retd)
- Lt Gen Tariq Khan, HI (M), (Retd)
- Maj Gen Tahir Ashraf Khan, HI (M), (Retd) Resigned: Jan 01, 2020
- Maj Gen Abid Rafique (Retd) Appointed: Jan 01, 2020

- Brig Asif Ali (Retd)
- Brig Hamad Qadir (Retd)
- Col Dr. Muhammad Rashid Hussain (Retd)
- Mr. Rehan Laiq
- Syed Aamir Ahsan
- Mr. Masoom Hussain

Resigned: Jan 13, 2020

Appointed: Jan 13, 2020

Pattern of Shareholding


<u>Categories</u>	<u>No of Shares</u>	<u>%</u>
Directors & CEO	9	
Fauji Fertilizer Bin Qasim Limited (FFBL)	644,062,491	75%
Fauji Foundation (FF)	214,687,500	25%

Acknowledgements

The Board acknowledges and appreciates with thanks the continued efforts and contributions of all stakeholders in smooth operations of the Company and expects the same to continue in the future.

For and on behalf of the Board


Mr. Waqar Ahmed Malik
 Chairman


Lt Gen Javed Iqbal, HI (M), (Retd)
 Chief Executive & Managing Director

Islamabad

April 24, 2020

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For and on behalf of the Board


Mr. Waqar Ahmed Malik
Chairman


Lt Gen Javed Iqbal, HI (M), (Retd)
Chief Executive & Managing Director

Islamabad

April 24, 2020