Thar Coal & Energy Board
Government of Sindh

No. TCEB/Registrar/2-1/2014/LSP(D&T)
August 06, 2026

DECISION OF THAR COAL & ENERGY BOARD IN THE MATTER OF LIMITED SCOPE PETITION FOR VERIFICATION AND ENDORSEMENT OF DUTIES & TAXES FOR THE PERIOD FROM JULY 2019 TO DECEMBER 2025 AS PASS THROUGH ITEMS FILED BY M/S SINDH ENGRO COAL MINING COMPANY (SECMC) FOR PHASE-I & PHASE-II MINES AT BLOCK-II, THAR COALFIELD

THAR COAL AND ENERGY BOARD • GOVERNMENT OF SINDH •

Thar Coal & Energy Board
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No. TCEB/Registrar/2-1/2014/LSP(D&T)
August 06, 2026

Decision of Thar Coal & Energy Board in the Matter of Limited Scope Petition for Verification and Endorsement of Duties & Taxes for the Period from July 2019 to December 2025 as Pass Through Items Filed by M/s Sindh Engro Coal Mining Company (SECMC) for Phase-I & Phase-II Mines at Block-II, Thar Coalfield.

Thar Coal Tariff Determination Committee
Constituted in Pursuance of Rule 3(1) of Thar Coal Tariff Determination Rules, 2014

Dr. Fahad Irfan Siddiqui
Member Mining

Mr. Ammar Habib Khan
Member Finance/power

Tariq Shah

Mr. Tariq Ali Shah
Managing Director – TCEB

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Thar Coal & Energy Board

Government of Sindh

No. TCEB/Registrar/2-1/2014/LSP(D&T)
August 21, 2026

In pursuance of the Rule 10(5) of the Thar Coal Tariff Determination Rules, 2014, it is certified that the Thar Coal & Energy Board, on the recommendation of the Thar Coal Tariff Determination Committee, has approved the Decision regarding Limited Scope Petition for Verification and Endorsement of Duties & Taxes for the Period from July 2019 to December 2025 as Pass Through Items Filed by M/s Sindh Engro Coal Mining Company (SECMC) for Phase-I & Phase-II Mines at Block-II, Thar Coalfield.

Tariq Shah 21.08.2026

Tariq Ali Shah
Managing Director/Secretary
Thar Coal & Energy Board

List of Acronyms used in Determination Order

BCM	Bank Cubic Meter
CAR	Contractors' All Risk
COD	Commercial Operations Date
CPI	Consumer Price Index
CSA	Coal Supply Agreement
ECC	Economic Coordination Committee
EC	External Consultants
EPC	Engineering, Procurement & Construction
EPP	Energy Purchase Price
GCV	Gross Calorific Value
GoS	Government of Sindh
HSE	Health, Safety & Environment
IA	Implementation Agreement
IB	Inter-burden (waste rocks)
ICB	International Competitive Bidding
ICC	In-pit Crushing & Conveying
IDC	Interest During Construction
IRR	Internal Rate of Return
KIBOR	Karachi Inter-Bank Offer Rate
LC	Letter of Credit
LDs	Liquidated Damages
LHV	Lower Heating Value
LIBOR	London Inter-Bank Offer Rate
MJ / Kg	Mega Joules per Kilogram
MSF	Mine Service Facilities
MTPA	Million Tonnes Per Annum
MW	Megawatt
MT	Million Tonnes
MYT	Multi Year Tariff
NCV	Net Calorific Value
NEPRA	National Electric Power Regulatory Authority
NOC	No Objection Certificate
NTDC	National Transmission & Despatch Company
O&M	Operations & Maintenance
OB	Overburden (waste rocks)
OGRA	Oil & Gas Regulatory Authority
PKR	Pakistani Rupee
PPA	Power Purchase Agreement
RCOD	Required Commercial Operations Date
RMB	Chinese Renminbi
RoE	Return on Equity
RoEDC	Return on Equity During Construction
SBLC	Stand By Letter of Credit
SBP	State Bank of Pakistan
SECMC	Sindh Engro Coal Mining Company
SEPA	Sindh Environmental Protection Agency
TCEB	Thar Coal & Energy Board
TCPBA	Tariff Control Period Balance Account
TT & OD	Telegraphic Transfer & On Demand
USD	United States Dollar
WPPF	Workers' Profit Participatory Fund
WWF	Workers' Welfare Fund

THAR COAL AND ENERGY ... GOVERN...

1. INTRODUCTION

1.1. Thar Coal and Energy Board ("TCEB" or "the Board") is the coal-pricing agency constituted under the Thar Coal and Energy Board Act, 2011 ("TCEB Act") read with the respective notification of the Government of Sindh and is vested with exclusive jurisdiction over the determination of coal tariffs for Thar Coalfield operations under Section 5(m) of the TCEB Act. The Thar Coal Tariff Determination Committee ("TCTDC" or "the Committee"), is constituted in pursuance of Rule 3(1) of the Thar Coal Tariff Determination Rules, 2014 ("Rules").

1.2. Sindh Engro Coal Mining Company (Private) Limited ("SECMC" or "the Petitioner") is engaged in open-cast lignite mining operations at Block II, Thar Coalfield, District Tharparkar, Sindh, Pakistan, under the applicable concessions and licenses granted by the Government of Sindh, and operates under the tariff framework notified and determined by the TCEB. The mine commenced commercial production under Phase I at a capacity of 3.8 MTPA, subsequently expanded to 7.6 MTPA under Phase II, with Phase III expansion to 11.2 MTPA currently in progress with a target Commercial Operations Date ("COD") of September 2026.

1.3. TCEB, through a sequence of stage determinations commencing with the Phase I COD Stage Tariff Determination (Case No. TCEB/Registrar/2-1/2014/COD-Phase.I), the Phase II COD Stage Tariff Determination (Case No. TCEB/Registrar/2-1/2014/COD-Phase.II), and most recently the Initial Multi-Year Stage Tariff Determination ("MYT Determination") vide Case No. TCEB/Registrar/2-1/2014/MYT dated 22 October 2025, has determined the reference coal tariffs applicable to SECMC's operations. Each of the aforesaid determinations expressly provided, under Clause xi of the Reference Tariff Adjustments & Escalations, Contract Stage Tariff Determination (Phase I, 3.8 MTPA), dated June 05, 2015, that no provision for income tax, workers profit participation fund, workers welfare fund, customs or excise duty, regulatory duty, levy, surcharge, or other governmental imposition payable by the Project under Applicable Law has been built into the Reference Tariff and that the Petitioner is entitled to reimbursement of the exact amount of any such obligation upon production of original receipts. In this regard, the Phase II COD Stage Determination further acknowledged that while fiscal incentives exist for Thar Coalfield development, including zero customs duties on machinery imports, certain charges remain non-exempt under Applicable Law, including Additional Customs Duty, Regulatory Duty on dump trucks and their spares, etc., and are accordingly allowable as pass-through items on actual basis.

1.4. The Coal Supply Agreements entered into by SECMC with its offtakers, namely Engro Powergen Thar Limited ("EPTL"), Thar Energy Limited ("TEL"), Thal Nova Power Limited ("TN"), and Lucky Electric Power Company Limited ("LEPCL"), incorporate the pass-through mechanism established in the tariff determinations, whereby Duties, Taxes, and statutory payments incurred by SECMC under Applicable Law are to be reimbursed by the respective off-taker on production of original supporting documentation.

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1.5. SECMC filed a Limited Scope Petition ("Petition") before TCEB on 19 February 2026, seeking endorsement and formal approval from TCEB of Duties, Taxes, and Workers' Profit Participation Fund ("WPPF") incurred by the Petitioner for the period spanning Phase I (July 2019 to September 2022) and Phase II (October 2022 to December 2025), as allowable pass-through and reimbursable items recoverable from off-takers pursuant to the applicable tariff and indexation framework. The filing of the Petition was prompted in part by a formal communication from the National Electric Power Regulatory Authority ("NEPRA") requesting TCEB's verification of Duties and Taxes charged by SECMC to IPPs as pass-through costs. The total amount claimed by the Petitioner is PKR 9,806,601,638/- comprising Duties and Taxes of PKR 6,387,726,915/- and WPPF of PKR 3,418,874,723/-.

1.6. TCTDC considered and admitted the Limited Scope Petition in accordance with the Rules and the Pricing Framework. The Petition does not seek review, re-opening, or modification of any prior tariff determination or indexation decision. The relief sought is strictly limited to: (a) verification of the underlying documentary evidence, including challans, Computerized Payment Receipts ("CPRs"), bank statements, and supporting invoices; (b) the issuance of a TCEB determination confirming the verified amounts as allowable pass-through items recoverable from off-takers; (c) endorsement of a mechanism whereby the verified Duties and Taxes are netted against the Tariff Control Period Balance Account ("TCPBA") savings identified under Clause 19(A) of the MYT Determination; and (d) the establishment of a prospective quarterly submission mechanism for future Duties and Taxes claims.

1.7. In order to discharge its regulatory obligations and provide an independent evidentiary foundation for this Determination, M/s Riaz Ahmad, Saqib, Gohar & Co. ("RASG"), Chartered Accountants (a member firm of AGN International) was engaged to conduct an Agreed-Upon Procedures ("AUP") in accordance with the International Standard on Related Services (ISRS) 4400 (Revised). The engagement letter was issued on 11th May 2026. RASG submitted its AUP Report on 24 June 2026, vide Reference No. 786/RASG/317. The AUP engagement covered 100% of the claimed amounts, comprising 392 line items with an aggregate claimable amount of PKR 9,806,601,639/- RASG identified exceptions totalling PKR 143,961,233/- across three categories: amounts not supported by independent recalculation (PKR 7,116,641/-); amounts attributable to payments falling outside the applicable reporting period (PKR 1,955,000/-); and amounts that could not be traced to the Collector of Customs PD Account records (PKR 134,889,592/-).

1.8. The regulatory urgency for this Determination is further grounded in a series of formal decisions issued by the National Electric Power Regulatory Authority ("NEPRA") across multiple quarterly fuel cost pass-through proceedings involving the IPPs offtaking coal from SECMC. In each of these proceedings, SECMC had submitted requests for pass-through of Duties and Taxes through the relevant IPP without prior verification or approval from TCEB. NEPRA declined to consider those requests at the relevant stage on the ground that verification and approval of the claimed Duties and Taxes by TCEB had not been obtained, and directed each IPP to require SECMC to

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first secure such verification and approval from TCEB before resubmission with supporting documentary evidence.

1.9. In respect of Engro Powergen Thar Limited ("EPTL" / "EPTPL"), NEPRA has issued five such decisions, in each of which the operative direction is expressed in identical terms: *"EPTPL is directed to ask its fuel supplier i.e. SECMC to get the exact amount of taxes and duties verified and approved from TCEB."* These decisions are:

(a) Decision dated 23 April 2025, Reference Nos. 4087–91;
(b) Decision dated 23 April 2025, Reference Nos. 4033–37;
(c) Decision dated 17 July 2025, Reference Nos. 10734–38;
(d) Decision dated 18 August 2025, Reference Nos. 12834–38; and
(e) Decision dated 15 October 2025, Reference Nos. 16490–94.

1.10. In respect of ThalNova Power Thar (Private) Limited ("TPTPL" / "TNL"), NEPRA has issued three decisions in identical terms: *"TNL is directed to ask its fuel supplier i.e. SECMC to get the exact amount of taxes and duties verified and approved from TCEB."* These decisions are:

(a) Decision dated 23 April 2025, Reference Nos. 4039–43;
(b) Decision dated 27 August 2025, Reference Nos. 13176–80; and
(c) Decision dated 10 December 2025, Reference Nos. 20903–07.

1.11. In respect of Thar Energy Limited ("TEL"), NEPRA has issued three decisions in identical terms: *"TEL is directed to ask its fuel supplier i.e. SECMC to get the exact amount of taxes and duties verified and approved from TCEB."* These decisions are:

(a) Decision dated 23 April 2025, Reference Nos. 4093–97;
(b) Decision dated 27 August 2025, Reference Nos. 13182–86; and
(c) Decision dated 5 December 2025, Reference Nos. 20816–20.

1.12. The operative language employed by NEPRA across all eleven decisions is materially identical and admits of no ambiguity in its regulatory import. In each instance, NEPRA recorded that: (i) the request for pass-through of Duties and Taxes had been submitted without prior verification and approval from TCEB; (ii) the request could accordingly not be considered at that stage; (iii) the claimed amount was set aside; and (iv) the relevant IPP was required to submit a revised request accompanied by the relevant TCEB decision and supporting documentary evidence before the amount would be eligible for consideration. NEPRA further provided that, following TCEB's approval and verification, SECMC would invoice the verified amount to the relevant IPP, which would then submit it to NEPRA with supporting evidence for formal consideration.

1.13. It is observed that the eleven NEPRA decisions cited above establish, with unambiguous consistency, a two-step regulatory precondition for the recovery of Duties and Taxes through the IPP fuel cost pass-through mechanism: first, verification and approval by TCEB of the exact admissible amount; and second, resubmission to

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NEPRA with the relevant TCEB determination and supporting documentary evidence. The NEPRA decisions do not merely require TCEB to confirm that payments were made — they expressly contemplate TCEB determining or endorsing the exact quantum of allowable Duties and Taxes as a condition precedent to any downstream recovery. This Determination, and the AUP engagement are the direct regulatory response to those eleven decisions. The issuance of this Determination satisfies the first step of the NEPRA-prescribed precondition and accordingly enables SECMC and the respective IPPs to proceed with resubmission to NEPRA in accordance with the directions contained in those decisions.

1.14. This Determination is accordingly issued pursuant to the Petition of SECMC dated 19 February 2026, the eleven NEPRA decisions referenced at paragraphs 1.10 to 1.12 above, the AUP Report of RASG dated 24 June 2026 (Reference No. 786/RASG/317), all supporting documentation placed on record by the Petitioner, the applicable statutory and regulatory instruments including the TCEB Act, the Rules, and the Pricing Framework, PPA between Federal Government and respective IPPs and the provisions of the COD and MYT Determination under which the pass-through mechanism operates.

2. THE PETITION

2.1. The Petitioner's Limited Scope Petition, dated 19 February 2026, is submitted with the following objectives:

(a) Verification and endorsement by TCEB of Duties & Taxes and WPPF paid by SECMC during the period July 2019 to December 2025, amounting in the aggregate to PKR 9,806,601,638/-, as allowable pass-through / reimbursable items under the applicable tariff and indexation framework;

(b) The issuance of a formal TCEB determination confirming the verified amounts as allowable for subsequent recovery from offtakers through NEPRA and/or CPPA-G, as applicable;

(c) TCEB's endorsement of recovery mechanism whereby the long-outstanding Duties & Taxes amount is set off against the TCPBA savings amount identified under Clause 19(A) of the MYT Determination (Case No. TCEB/Registrar/2-1/2014/MYT), apportioned over the remaining quarters of specified claw-back period; and

(d) The establishment of a clear, regulator-approved mechanism for future quarterly submission, approval and recovery of Duties & Taxes.

2.2. The Petitioner expressly states that the petition does not seek review, re-opening, or modification of any prior tariff determination or indexation decision. The relief sought is strictly limited to the verification of underlying documentary evidence and the issuance of a TCEB determination confirming the verified amounts as allowable pass-through items.

2.3. The Petitioner's claimed amounts by cost head are summarised in the table below:

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Table 1: Petitioner's Summary of Claimed Duties, Taxes and WPPF

S.No.	Cost Head	Period	Amount (PKR)
1	WHT on O&M Invoices - Fixed (Mining & Non-Mining O&M Contracts)	Jul 2019 - Dec 2025	4,426,689,724
2	WHT on O&M Invoices - Variable (Mining & Non-Mining O&M Contracts)	Jul 2019 - Dec 2025	336,440,901
3	WHT on Power Generation (O&M)	Jul 2019 - Dec 2025	27,846,419
		Sub-Total (WHT)	**4,790,977,044**
4	WHT on Interest Portion of Foreign Currency Financing (China Construction Bank)	Jul 2019 - Dec 2025	409,842,022
		Sub-Total (WHT on Interest)	**409,842,022**
5	Variable O&M - Duties & Taxes (Import Stage Charges)	Jul 2019 - Dec 2025	1,172,958,995
6	Electricity Duty (incl. Solar)	Jul 2019 - Dec 2025	13,948,854
		Sub-Total (Duties)	**1,186,907,849**
7	Workers' Profit Participation Fund (WPPF) - Deposited with Sindh Revenue Board	2021 - 2024	3,418,874,723
		Sub-Total (WPPF)	**3,418,874,723**
		TOTAL CLAIMED	**9,806,601,638**

2.4. The Petitioner has bifurcated the claimed amounts between Phase I (July 2019 to September 2022) and Phase II quarters (October 2022 to December 2025), and has further allocated the total amount to offtakers in proportion to their respective contracted capacities during the relevant operational period, as follows:

Table 2: Petitioner's Proposed Allocation of Duties, Taxes and WPPF to Offtakers

Offtaker	Allocated Amount (PKR)	% Share
Engro Powergen Thar Limited (EPTL)	5,999,861,856	61.2%
Thar Energy Limited (TEL)	1,902,846,936	19.4%
Thal Nova Power Limited (TN)	1,902,017,974	19.4%
Lucky Electric Power Company Limited (LEPCL)	1,874,872	0.02%
TOTAL	**9,806,601,638**	**100.0%**

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3. REGULATORY FRAMEWORK - PASS-THROUGH MECHANISM

3.1. The applicable pass-through mechanism for duties, taxes, WPPF, WWF etc is anchored in Chapter-5- "Tariff Escalation and Indexation", Thar Coal Pricing Framework, 2015, Article IX, Compensation, Payment and Billing of Power Purchase Agreement (PPA) between Federal Government and IPPs, NEPRA's Tariff Standards and Procedure Rules 1998 and various determinations of TCEB and NEPRA.

3.2. Article IX Compensation, Payment and Billing, Section 9.3 Pass Through Items of PPA, as mentioned above establishes a comprehensive and non-discretionary pass-through obligation with following constituent limbs:

(a) Scope: The pass-through covers income tax, WPPF, workers welfare fund, customs/excise duties, regulatory duties, levies, surcharges, and all other governmental impositions payable by the Project under Applicable Law;

(b) Trigger: The obligation to pass-through arises when the Petitioner is legally obligated to pay - not merely where payment is commercially desirable;

(c) Mechanism: Recovery is effected upon production of original receipts, challans, Computerized Payment Receipts (CPRs), or equivalent payment evidence.

3.3. In view of the same, the fiscal incentives for Thar Coalfield development, announced by the Government, do not eliminate all tax and duty burdens. Specifically, the following categories of charges are not exempted under Applicable Law and therefore constitute legitimate pass-through items:

(a) Additional Custom Duty (ACD) and Regulatory Duty (RD) on dump trucks, excavators, tyres, and their spares, where such equipment/spares are imported and do not qualify for exemption under the relevant SRO notifications;

(b) Infrastructure cess at import stage;

(c) Stamp duty at import stage;

(d) Income tax withheld at source on O&M contractor invoices (mining and non-mining), being a statutory obligation under the Income Tax Ordinance, 2001, deducted by SECMC and deposited with the Federal Board of Revenue;

(e) Income tax withheld on interest payments to foreign lenders under cross-border financing arrangements, being a statutory obligation under the Income Tax Ordinance, 2001; and

(f) Workers' Profit Participation Fund (WPPF), being a statutory obligation under the Sindh Companies Profit Workers Participation Act, 2015, deposited with the Sindh Revenue Board.

3.4. It is noted that the Petitioner's obligation to deduct and deposit withholding tax on O&M contractor invoices is non-discretionary, it arises by operation of law under Section 153 of the Income Tax Ordinance, 2001. Failure to deduct would expose SECMC to penalties and render contractor payments disallowable for income tax purposes.

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3.5. The withholding tax deducted on the interest portion of SECMC's long-term foreign currency financing from China Construction Bank (CCB) arises under Section 152 of the Income Tax Ordinance, 2001 in respect of payments to non-residents. This is a distinct and legitimate statutory imposition that falls within the pass-through mechanism.

3.6. The basis for verification and approval of pass-through claims is documentary: original receipts, challans, CPRs, contractor invoice references, bank statements, and Collector of Customs PD Account entries constitute the evidentiary standard. The Determination applied this evidentiary standard systematically to the Petitioner's claimed amounts, on the basis of due diligence conducted by Riaz Ahmed, Saqib Gohar & Co., Chartered Accountants (RASG).

3.7. The treatment of statutory duties, taxes, Workers' Welfare Fund (WWF) and Workers' Profit Participation Fund (WPPF) as pass-through items is a well-settled and consistently applied principle of NEPRA's tariff jurisprudence. NEPRA has regularly allowed non-refundable duties and taxes on an actual-payment basis against verifiable documentary evidence and has expressly recognised that WWF and WPPF are allowable as pass-through items. This position is reflected, inter alia, in NEPRA's determinations relating to CPGCL, KAPCO and K-Electric, as well as in subsequent tariff determinations where WWF/WPPF and statutory taxes and duties have been expressly treated as pass-through costs. Accordingly, the principle is no longer res integra, subject only to verification of the underlying legal liability, actual payment and avoidance of double recovery.

3.8. Further, in terms of Rule 11(4) of the Thar Coal Tariff Determination Rules, 2014, the Board is vested with the authority to settle any matter pertaining to the determination and control of coal price which has not otherwise been provided for under the Rules. Accordingly, where a tariff-related issue arises for which no specific treatment or procedure has been prescribed, the Board is competent to assume jurisdiction, entertain the matter through a limited-scope petition and determine the same in accordance with the applicable legal and regulatory framework.

4. AGREED-UPON PROCEDURES ENGAGEMENT

4.1. In order to provide an independent evidentiary foundation for this Determination, Riaz Ahmad, Saqib, Gohar & Co., Chartered Accountants (RASG), a member firm of AGN International, was commissioned to conduct an Agreed-Upon Procedures (AUP) engagement pursuant to the International Standard on Related Services (ISRS) 4400 (Revised). The engagement letter was issued to RASG on 11 May 2026, with the completed AUP Report and Annexure A delivered on 24 June 2026 (Reference No. 786/RASG/317).

4.2. The AUP engagement was designed to independently assess whether the Duties and Taxes claimed in the Petitioner's petition are claimable as per the tariff determination framework, are mathematically accurate, and are supported by verifiable payment evidence. SECMC (as the Responsible Party) made available all relevant documentation, books, and records.

4.3. RASG performed three agreed-upon procedures, as summarised below:

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Table 3: Summary of RASG AUP Procedures and Findings

Procedure	Description	Finding (Summary)
1	Review of documentation, import documents, and tariff determination provisions to assess eligibility of each cost head as a claimable item under the tariff framework.	Duties and taxes are claimable per applicable statutory provisions, except for items detailed in Annexure – A.
2	Independent recalculation of duties and taxes using applicable duty rates, tax rates, assessable values, and all other relevant parameters; comparison with amounts claimed in the petition.	No exceptions except for amounts noted in Annexure – A. All other claimed amounts are mathematically accurate and consistent with underlying assessments.
3	Tracing of payments from customs documentation to bank statements and Collector of Customs PD Account entries; reconciliation with accounting records.	Payments successfully traced, except for items in Annexure – A, where discrepancies exist between supporting payment evidence and accounting records.

4.4. RASG reviewed a total sample of 392 line items with a combined claimable amount of PKR 9,806,601,638/-; constituting 100% of the Petitioner's claimed amounts.

4.5. RASG identified exceptions totalling PKR 143,961,233/- across three categories: (i) amounts unsupported by recalculation (PKR 7,116,641/-); (ii) amounts attributable to payments outside the applicable reporting period (PKR 1,955,000/-); and (iii) amounts untraced to the Collector of Customs PD Account records (PKR 134,889,592/-). These exceptions are analysed in detail in Section 7 of this Determination.

5. <u>ANALYSIS BY COST HEAD</u>

5.1 Withholding Tax on O&M Invoices - Fixed and Variable (Mining and Non-Mining)

5.1.1. SECMC has claimed a combined amount of PKR 4,763,130,625/- on account of income tax withheld and deposited in respect of contractor invoices under O&M Agreements I, II, and III, covering both mining and non-mining operations, for the period July 2019 to December 2025. This amount has been bifurcated as follows: Fixed O&M WHT: PKR 4,426,689,724/-; Variable O&M WHT: PKR 336,440,901/-.

5.1.2. It is observed that WHT deduction on contractor payments is a mandatory statutory obligation under Section 153 of the Income Tax Ordinance, 2001. Rates applicable during the relevant period varied between 7% (for supplies) and 12.5% (for services), as notified by the Federal Board of Revenue. The obligation to deduct and deposit arises at the time of making payment to the contractor; SECMC, as the withholding agent, is legally liable for deposit with the FBR upon deduction.

5.1.3. RASG reviewed a sample of 205-line items, with a combined claimable amount of PKR 4,763,130,625/-. No exceptions were identified in respect of recalculation, reporting period, or payment traceability.

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5.2 Withholding Tax on Interest Portion of Foreign Currency Financing (China Construction Bank)

5.2.1. SECMC claims PKR 409,842,022/- on account of income tax withheld on the interest portion of long-term foreign currency loan repayments to China Construction Bank (CCB). This withholding arises under Section 152 of the Income Tax Ordinance, 2001, applicable to payments made by a resident to a non-resident in respect of royalties, fees for technical services, and interest. The withholding tax was deducted from SECMC's loan servicing amounts and deposited through banking channels, with payments supported by bank statements and deposit documentation.

5.2.2. RASG reviewed a sample of 14-line items, totalling PKR 409,842,022/-. No exceptions were noted in respect of recalculation or payment traceability. Accordingly, this amount is fully verified.

5.2.3. It is reaffirmed that withholding tax on non-resident lender interest is expressly distinct from 'withholding tax on dividend' and is therefore not subject to the exclusion. The obligation to withhold under Section 152 is a statutory governmental imposition on the Project. The full amount of PKR 409,842,022/- is hereby verified as a legitimate pass-through item.

5.3 Withholding Tax on Power Generation (O&M)

5.3.1. SECMC claims PKR 27,846,419/- on account of WHT deposited in respect of power generation O&M contractor invoices. No exceptions were identified.

5.4 Electricity Duty (including Solar)

5.4.1. SECMC claims PKR 13,948,854/- on account of electricity duty, comprising duties on electricity consumed from generating sets as well as solar generation, deposited with the State Bank of Pakistan where applicable. The Petitioner specifies that PKR 13,900,000/- relates to standard electricity duty which also includes the solar component.

5.4.2. RASG reviewed 47 samples, totalling PKR 13,948,854/- (full population). RASG identified the following exceptions:

(a) Exception due to recalculation: PKR 4/-; an immaterial rounding difference across the sampled items;

(b) Exception due to reporting period: PKR 1,955,000/-, amounts that are attributable to payment dates falling outside the reporting period of July 2019 to December 2025.

5.4.3. The exception of PKR 1,955,000/- attributable to the reporting period is noted. These are amounts in respect of electricity duty payments that were claimed under this petition but whose payment dates do not fall within the prescribed period of July 2019 to December 2025. The amounts are disallowed on the ground that they do not satisfy the evidentiary threshold for the current determination period. SECMC may include such amounts in a future determination period petition if appropriate documentary evidence supports their allowability in that period.

5.4.4. Net allowable amount for electricity duty: PKR 13,948,854/- *less* PKR 1,955,004/- = PKR 11,993,850/-.

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5.5 Variable O&M - Duties & Taxes (Import Stage Charges)

5.5.1. SECMC claims PKR 1,172,958,995/- on account of import-stage charges paid in connection with procurement of spares and components for specialised mining equipment, including dump trucks, excavators, tyres, and critical spares; equipment that is generally not locally manufactured and requires OEM-sourced parts from overseas. The specific duty heads covered include: customs duty, additional customs duty (ACD), excise-related charges, infrastructure cess (CESS), Regulatory Duty (RD), and stamp duty at import stage.

5.5.2. RASG reviewed 110 samples totalling PKR 1,172,958,995/-, constituting the full population of Variable O&M Duties & Taxes claims. RASG identified the following exceptions:

(a) Exception due to recalculation: PKR 7,116,637/-; amounts where RASG's independent recalculation using applicable duty rates and assessable values did not reconcile with the amounts claimed by SECMC;

(b) Exception due to untraced payments: PKR 134,889,592/-; amounts that could not be traced from the payment evidence (customs documentation, bank statements) to the Collector of Customs PD Account records.

5.5.3. Details on these exceptions are set out in Section 7 of this Determination.

5.5.4. Subject to the exception adjustments, this cost head represents the most operationally critical import-duty component of the petition. It is affirmed that import-stage duties on spares for specialised mining equipment are explicitly covered by TCEB Pricing Framework-Tariff Escalation & Indexation, Article IX of PPA of IPPs and the TCEB Tariff Determinations and are non-exempt under Applicable Law. The Petitioner correctly identified these as pass-through items.

5.6 Workers' Profit Participation Fund (WPPF)

5.6.1. SECMC claims PKR 3,418,874,723/- on account of WPPF, representing contributions deposited with the Sindh Revenue Board in respect of financial years 2021, 2022, 2023, and 2024. WPPF is mandated under the Sindh Companies Profits (Workers' Participation) Act, 2015, which requires profitable companies to contribute 5% of their annual after-tax profits to workers' profit-sharing funds.

5.6.2. The deposits were made to the Sindh Revenue Board across 13 quarterly instalments during the Phase II period (April 2024 to December 2025), as the WPPF obligations for earlier fiscal years crystallised and were settled. The amounts are corroborated by cheque/instrument references, including payments to Sindh Revenue Board and SECMC WPF, with cheque dates ranging from 31 May 2024 to 29 December 2025.

5.6.3. RASG reviewed a sample of 15 instruments (full population) totalling PKR 3,418,874,723/-. No exceptions were noted in respect of recalculation or payment traceability. The WPPF is explicitly named in Article IX of the PPA of the IPPs as a pass-through item and duly allowed by NEPRA. The full claimed amount is verified.

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6. EXCEPTION ANALYSIS AND REGULATORY ADJUSTMENTS

6.1. The RASG Report identifies a total of PKR 143,961,233/- in exceptions across three distinct exception categories. Each category has been examined and the treatment is determined as follows:

Category I: Exceptions due to Recalculation - PKR 7,116,641/-

6.2. RASG's independent recalculation of duty and tax amounts identified a total of PKR 7,116,641/- where the amounts claimed by SECMC did not agree with RASG's recalculation using applicable rates and assessable values. The breakdown is:

(a) Variable O&M Duties & Taxes: PKR 7,116,637/-

(b) Electricity Duty: PKR 4 (rounding; treated as immaterial)

6.3. If through an independent recalculation using applicable duty rates and assessable values produces a lower figure than what has been claimed, the recalculated (lower) amount is the correct amount allowable. The claimed amount exceeds what is legally payable, and the excess is therefore not an allowable pass-through. Accordingly, PKR 7,116,641/- is not allowed. The allowable amount under Variable O&M Duties & Taxes is reduced by PKR 7,116,637/-.

Category II: Exceptions due to Reporting Period - PKR 1,955,000/-

6.4. RASG identified PKR 1,955,000/- in electricity duty payments (4 instruments) where the payment dates fall outside the determination period of July 2019 to December 2025. This petition is expressly limited to the period July 2019 to December 2025; amounts attributable to payment dates outside this window do not fall within the scope of this Determination.

6.5. PKR 1,955,000/- is disallowed from the present determination. However, SECMC retains the right to present the relevant instruments in a future MYT, or subsequent petition, appropriately supported with evidence that the underlying duty or tax pertains to the relevant period.

Category III: Exceptions due to Untraced Payments - PKR 134,889,592

6.6. RASG was unable to trace PKR 134,889,592/- (110 Variable O&M D&T line items) from the payment evidence to the Collector of Customs PD Account records, identifying discrepancies between the supporting payment evidence and accounting records. This is the most significant exception category both in quantum and in regulatory implication.

6.7. It is noted that the Collector of Customs PD Account serves as the principal instrument for depositing import-stage duties and charges. Where payments cannot be traced to this account, the evidentiary standard for pass-through cannot be fully met.

6.8. In view of the above, it is determined that PKR 134,889,592/- shall also be *Disallowed* at this point, however if supplementary reconciliation evidence is provided, then the same may be considered in a Subsequent MYT, or any other Petition. SECMC is directed to:

(a) Provide a line-by-line reconciliation of each of the untraced amounts to corresponding Collector of Customs PD Account debit entries or equivalent customs settlement records;

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(b) Supplement, where necessary, with confirmation from the Collector of Customs as to the receipt of such payments; and

(c) Submit the above to the Board for review in a Subsequent MYT, or any other Petition.

6.9. Upon satisfaction of the evidentiary requirement in a Subsequent MYT stage, or Petition, the relevant amount may be considered.

7. SUMMARY OF ALLOWABLE PASS-THROUGH AMOUNTS

7.1. Based on the foregoing analysis, the following amounts are verified and allowed pass-through items, and disallowed amounts:

Table 4: Summary of Regulatory Treatment - Duties, Taxes and WPPF

Cost Head	Claimed (PKR)	Allowed (PKR)	Total Disallowed Amount (PKR)	
			Disallowed (PKR) as per Section 6.8	Disallowed (PKR)
WHT - O&M Invoices (Fixed)	4,426,689,724	4,426,689,724	-	-
WHT - O&M Invoices (Variable)	336,440,901	336,440,901	-	-
WHT - CCB Foreign Currency Financing	409,842,022	409,842,022	-	-
WHT - Power Generation O&M	27,846,419	27,846,419	-	-
Electricity Duty (incl. Solar)	13,948,854	11,993,850		1,955,004
Variable O&M - Duties & Taxes	1,172,958,995	1,030,952,766	134,889,592	7,116,637
Workers' Profit Participation Fund (WPPF)	3,418,874,723	3,418,874,723	-	-
TOTAL	**9,806,601,638**	**9,662,640,405**	**143,961,233**	

7.2. In summary, the Determination allows:

(a) *Allows*, as definitively verified and eligible pass-through items: PKR 9,662,640,405/- (Nine Billion Six Hundred Sixty-Two Million Six Hundred Forty Thousand Four Hundred and Five Rupees);

(b) *Disallows*, PKR 134,889,592/- (One Hundred Thirty-Four Million Eight Hundred Eighty-Nine Thousand Five Hundred and Ninety-Two Rupees), but the same may be considered in a Subsequent MYT, or Petition subject to availability of relevant evidence; and

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(c) *Disallows*, as either failing the recalculation test or falling outside the determination period: PKR 9,071,641/- (Nine Million Seventy-One Thousand Six Hundred and Forty-One Rupees).

7.3. The aggregate verified amount allowable under this Determination is therefore PKR 9,662,640,405/-, with up to an additional PKR 134,889,592/- subject to conditional allowance upon successful reconciliation, for a maximum potential total of PKR 9,797,529,997/-.

8. CUSTOMER ALLOCATION

8.1. The Petitioner has allocated the total claimed Duties & Taxes to off-takers in proportion to their respective contracted available capacities during each operational period. The capacity-proportionate allocation methodology as consistent with the tariff framework is accepted.

8.2. The definitively allowed amount of PKR 9,662,640,405/- be allocated to off-takers in proportion to their respective shares of the total claimed amount. Amount of PKR 134,889,592/- (being exclusively attributable to Variable O&M D&T) is also disallowed, however, the same may be considered in a Subsequent MYT, or Petition, on availability of relevant documentation as discussed earlier. The allocations are to be recalculated on a pro-rated basis from Table 2, accounting for the regulatory adjustments in this Determination.

8.3. It is noted that LEPCL's allocation represents a negligible 0.02% of the total claimed amount (PKR 1,874,872/-), consistent with that off-taker's limited capacity contracted during the early Phase II operational period. This allocation is accepted.

9. RECOVERY MECHANISM AND NETTING AGAINST TCPBA SAVINGS

9.1. The Petitioner proposes an adjustment mechanism whereby the approved Duties & Taxes amount is set off against the TCPBA underrun saving of PKR 23,913 million, identified under Clause 19(A) of the MYT Determination (Case No. TCEB/Registrar/2-1/2014/MYT, 22 October 2025), to be apportioned over the remaining four quarters of the MYT clawback period (October-December 2025, January-March 2026, April-June 2026, and July-September 2026).

9.2. The recovery mechanism has been examined in the context of the following established facts:

(a) The MYT Determination identified a net TCPBA underrun of PKR 23,913 million, constituting a saving accumulated in favour of consumers over the Phase I and Phase II operational periods;

(b) Three of the four proposed clawback quarters (October-December 2025, January-March 2026, and April-June 2026) have elapsed since the petition was filed, and this Determination is issued in August 2026;

(c) The Petitioner has been submitting incurred Duties & Taxes on a monthly basis to off-takers, but formal regulatory endorsement by TCEB for pass-through recovery was pending the present petition;

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(d) NEPRA and/or CPPA-G require formal TCEB endorsement before such pass-through costs can be processed through the IPP billing chain.

9.3. The netting/set-off mechanism in principle, is endorsed on the following grounds:

(a) The TCPBA clawback represents an obligation of SECMC towards consumers (a liability of SECMC to return funds), whilst the Duties & Taxes represent an obligation of consumers towards SECMC (a liability of consumers to reimburse pass-through costs). Both obligations arise from the same tariff framework;

(b) Netting economises transaction costs and settlement complexity, and is consistent with standard regulatory accounting practice;

(c) Consumer protection is maintained: the TCPBA clawback (PKR 23,913 million) substantially exceeds the approved D&T pass-through (PKR 9,662,640,405/-), meaning consumers retain a net benefit of approximately PKR 14,250 million even after the D&T netting.

9.4. The approved D&T pass-through amount (PKR 9,662,640,405) shall be recovered over subsequent four quarters, following the notification of this Determination.

10. <u>PROSPECTIVE MECHANISM FOR QUARTERLY DUTIES & TAXES FILING</u>

10.1. Going forward, SECMC shall integrate all Duties & Taxes incurred under the defined cost heads (Sections 5.1 through 5.5 above) and WPPF (Section 5.6 above) into the existing indexation submission framework, as part of its quarterly indexation filing.

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Thar Coal & Energy Board

Government of Sindh

ORDER FOR LIMITED SCOPE PETITION

No. TCEB/Registrar/2-1/2014/LSP(D&T): Thar Coal & Energy Board (TCEB) vide its determination No. TCEB/Registrar/2-1/2014/MYT dated 22 October 2025 determined the Initial Multi-Year Stage Tariff for Sindh Engro Coal Mining Company (Private) Limited (SECMC) for mine operations at Block II of Thar Coalfield, District Tharparkar, Sindh, Pakistan. SECMC on 19th February 2026 filed a Limited Scope Petition seeking verification and pass-through approval of Duties, Taxes, and Workers' Profit Participation Fund (WPPF) totalling PKR 9,806,601,638/-, incurred during Phase I (July 2019 to September 2022) and Phase II (October 2022 to December 2025).

The prayer of the Petitioner as stated in the Petition is partly granted. The sum of PKR 9,662,640,405/- (Nine Billion Six Hundred Sixty-Two Million Six Hundred Forty Thousand Four Hundred and Five Rupees) is hereby verified and allowed as a pass-through item recoverable from offtakers in proportion to their respective contracted capacities during the relevant operational periods.

A further sum of PKR 134,889,592/- (One Hundred Thirty-Four Million Eight Hundred Eighty-Nine Thousand Five Hundred and Ninety-Two Rupees) is not allowed under this Determination on account of payment amounts that could not be traced to the Collector of Customs PD Account records; SECMC may however present the same, supported by full documentary reconciliation evidence, in a subsequent quarterly petition or at the next applicable MYT stage for consideration at that time. The sum of PKR 9,071,641/- (Nine Million Seventy-One Thousand Six Hundred and Forty-One Rupees) is permanently disallowed, being attributable to recalculation discrepancies and payments falling outside the applicable determination period.

Summary of Regulatory Treatment - Duties, Taxes and WPPF

Cost Head	Claimed (PKR)	Allowed (PKR)	Total Disallowed Amount (PKR)	
			Disallowed (PKR) as per Section 6.8	Disallowed (PKR)
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WHT - O&M Invoices (Variable)	336,440,901	336,440,901	-	-
WHT - CCB Foreign Currency Financing	409,842,022	409,842,022	-	-
WHT - Power Generation O&M	27,846,419	27,846,419	-	-
Electricity Duty (incl. Solar)	13,948,854	11,993,850		1,955,004
Variable O&M - Duties & Taxes	1,172,958,995	1,030,952,766	134,889,592	7,116,637
Workers' Profit Participation Fund (WPPF)	3,418,874,723	3,418,874,723	-	-
TOTAL	**9,806,601,638**	**9,662,640,405**	**143,961,233**	

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The allocation of the allowed amount amongst off-takers shall be on a capacity-proportionate basis in accordance with the methodology set out in this Determination; the allocation to Lucky Electric Power Company Limited (LEPCL) of PKR 1,874,872/-, reflecting that off-taker's limited contracted capacity during the early Phase II operational period, is noted and accepted. The MYT Determination No. TCEB/Registrar/2-1/2014/MYT remains effective and is to be read in conjunction with this Order.

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