

SMCL fails to meet projected targets: RAA

21/08/2024

The Royal Audit Authority (RAA) has revealed that the State Mining Corporation Limited (SMCL) fell short of its revenue targets during the 2019-2022 period.

According to the RAA's Performance Audit of SMCL for 2024, the corporation's actual earnings were below projections outlined in its Corporate Strategic Plan (CSP) and Field Mine Feasibility Study (FMFS).

Since its inception, the SMCL has been operating four different minerals – dolomite, gypsum, coal, and quartzite.

The CSP for 2019-2023 had set ambitious goals for SMCL, aiming to generate a cumulative revenue of Nu 21.87 billion and pay Nu 2.46 billion in taxes by the end of 2023. However, the mining corporation managed to accrue only Nu 12.19 billion in revenue over the period, failing to meet these targets.

The RAA audit found that, except for 2019, SMCL did not reach its intended revenue goals in most years from 2017 to 2022.

In 2019, the company surpassed its profit target of Nu 1.26 billion, achieving Nu 1.43 billion. Yet, in 2020, the corporation fell significantly short, earning only Nu 1.17 billion against a target of Nu 2.51 billion, a shortfall attributed in part to the impact of the COVID-19 pandemic.

In 2021 and 2022, SMCL's revenue was Nu 4.23 billion and Nu 5.37 billion respectively, both falling short of targets of Nu 5.26 billion and Nu 6.09 billion.

For 2023, although the company set a target of Nu 6.75 billion, it achieved Nu 6.47 billion, according to the latest Druk Holding and Investments report.

The RAA also assessed SMCL's revenue in relation to the FMFS, which had projected a revenue of Nu 12.99 billion by the end of 2022. The actual revenue, however, was Nu 11.66 billion, reflecting an unrealised revenue potential of approximately Nu 1.32 billion.

The report also found that the actual revenue achievement and targets of Annual Performance Compact (APC) and the company's actual revenue was in proximity between 2017 to 2019.

The revenue performance in 2020 dropped significantly to Nu 1.17 billion, below the APC's target of Nu 1.97 billion, mainly because of Covid-19.

In 2021 and 2022, the company's profit surpassed the targets of APC.

The RAA stated that while the company has been able to achieve the revenue targets set in the APC for most of the years, its revenue performance fell short of targets set in the CSP and FMFS reports.

The SMCL explained that the cumulative revenue target of Nu 21. 87 billion was ambitiously projected based on an assumed and gradual annual production and sale increment over the CSP period of years.

“The targets for the operational years were set annually upon confirmation of the demand volume of the mineral products from the buyers,” it stated.

SMCL explained that the deviation between actual revenue and FMFS projections was because the projections were made at different times based on mineable reserves, fixed lease periods, and unconfirmed market information.

“The Dzongthung stone quarry in Bartsham, Trashigang, faced significant deviation from the targets of 82 percent due to the suspension of the Kholongchhu hydropower plant,” the SMCL stated.

The audit was conducted covering the period between January 2015 to December 2022.

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