

## **Sui Southern Gas Company Limited**

Commissioner  
Company Law Division and  
Information System & Technology Division,  
Securities and Exchange Commission of Pakistan  
NIC Building, Jinnah Avenue  
ISLAMABAD

BS/AGM/17-1  
22 November 2017

Dear Sir,

**Application for Extension in the Period of Holding of Annual General Meeting and Laying of Accounts therein Under Sections 132 & 233 of the Companies Act, 2017**

This is in continuation of our letter No. BS/AGM/17 dated 28<sup>th</sup> September 2017 along with the annexures thereof. The Sui Southern Gas Company Limited (SSGCL) applied for extension of 30 days in holding the Annual General Meeting of the company and laying of accounts therein, under Sections, 132 and 233 of the Companies Act, 2017. The extension for 30 days was granted by SECP through its letter No. EMD/233/415/2002-302 dated 03<sup>rd</sup> October 2017. The copies of both the letters are enclosed for your ready reference.

In this connection, we hereby inform that Oil and Gas Regulatory Authority (OGRA) has issued the SSGCL's determination of Final Revenue Requirements (FRR) for 2016-17 on 25<sup>th</sup> October 2017. The OGRA in the determination failed to provide retrospective effect of the UFG Benchmark Study for the last seven financial years (2010-2011 to 2016-2017) despite the fact that the OGRA, while setting the applicable UFG Benchmarks for the said years itself stated that those determinations were provisional and were subject to review based on UFG study. The decision has huge consequences in the form of losses on account of UFG disallowances. Due to this fact, it is clear that a fresh determination is required from the OGRA to finalize the UFG Benchmarks applicable to the gas utility companies for the above said years. Besides this the UFG losses in SSGC's Distribution System have also been increased due to physical handling of RLNG volumes in Karachi distribution system.

In addition to the above, an issue which has been repeatedly agitated by the Company before various fora relates to treatment/categorization of different sources of income of SSGC. The company maintains that income generated from activities other than transmission, distribution



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and sale of natural gas i.e., Meter Manufacturing Plant, Late Payment Surcharge, Royalties from JJVL, Sale of gas condensate, Sale of NGL, Sale of LPG should be treated as “non-operating” income and should not be included in the tariff determination process.

In respect of all of the above mentioned issues i.e. UFG and treatment of non-operating income, the Company has already send a draft summary to “Ministry of Energy” with a request for presentation before the ECC of the Cabinet for the issuance of policy guidelines to OGRA along with the request for immediate consideration and decision. It may be noted that the Federal Government is empowered under section 21 of the OGRA Ordinance to issue policy guidelines to OGRA for the purposes of tariff determination.

The above mentioned factors including` the huge losses recorded by the Company due to vacation of Sindh High Court stay in the last year have far reaching effect on the sustainability of the Company which resulting into delay in finalization of Financial Statements for the period 2016-17. The Company is engaged in huge projects of national importance and any negative impact of above factors has far reaching implications including breach of covenants of financing arrangement/agreements with various banks.

In view of the above, the Company is in process of:

1. Approaching the Federal Government with the request that the Policy Guidelines may be issued by the ECC of the Cabinet to the OGRA for the following:
  - i. For allowance of UFG losses in SSGC’s Distribution System due to physical handling of RLNG volumes in Karachi distribution system.
  - ii. For finalizing the provisional benchmarks set from FYs 2010-11 to 2016-17 in line with the UFG benchmark set by the Authority based on UFG Consultant Study Report.
  - iii. For treatment of incomes generated by SSGC from the non-core activities leads to “non-operating” incomes and the same should be excluded in the tariff determination process.
2. Submitting the Motion for Review (MFR) petition under Rule 16 of the Natural Gas Tariff Rules 2002 to OGRA on various grounds interalia the issues on which policy guidelines have been requested.

Consequently, by considering the circumstance which are beyond the control of SSGCL, the finalization of Annual Financial Statements for the period ended June 30, 2017 is delayed; we



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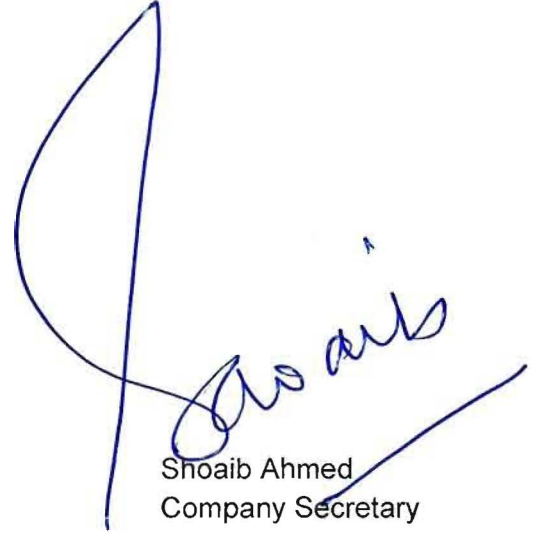
would like to ensure that Financial Statements for FY 2016-17 will be finalized and circulated to the shareholders as soon the matter mentioned above resolved. Therefore, we request the Commission to grant extension of up to March 31, 2018 in holding the Annual General Meeting of the Company and laying of accounts therein, under Sections, 132 and 233 of the Companies Act, 2017.

Looking forward for a favorable consideration.

Thanking you.  
Yours sincerely,



Fasihuddin Fawad  
Acting Chief Financial Officer



Shoaib Ahmed  
Company Secretary

Enclosures:

1. SSGCL's letter BS/AGM/17 dated September 28, 2017
2. SECP's letter EMD/233/415/2002/302 dated October 03, 2017

cc: The Registrar Companies  
Securities & Exchange Commission of Pakistan  
Life Building No.2,  
Wallace Road,  
Karachi

The President  
Pakistan Stock Exchange Building  
Stock Exchange Building  
Stock Exchange Road  
Off I.I Chundrigar Road  
Karachi.