

SUI SOUTHERN GAS COMPANY LIMITED
SCHEDULE-III
STATEMENT OF CORPORATE INTENT
(SEE SECTION 8(4))

1. Name of State-Owned Enterprise: SUI SOUTHERN GAS COMPANY LIMITED
2. Incorporated/established on: 17 August 1955
3. Subsidiaries included in this statement of corporate intent:
 1. SSGC LPG Limited
 2. SSGC Alternate Energy (Pvt.) Limited
4. Description of the main business of the state-owned enterprise:

Sui Southern Gas Company (SSGC) is Pakistan's leading natural gas utility company, majority-owned by the Government of Pakistan. Since 1954, it has been involved in transmission, distribution, and installation of gas systems in Sindh and Balochistan.

The main business of SSGC is the Gas Infrastructure development from the Point of Delivery (PODs) to the end Users. Additionally, SSGC owns the only domestic gas meter manufacturing plant in the country which serves to support the domestic sector metering at both SSGCL and SNGPL. SSGC owns two fully owned subsidiaries i.e. SSGC LPG Limited (SLL) and SSGC Alternate Energy (Pvt.) Limited (SSGC-AE).

5. Summary of the business goals of the state-owned enterprise: **[as per the approved business - plan]**
(Ref: Business Plan- Strategic Objectives Page 4)
 - SSGC plans to continue to make investments towards improving the effectiveness and efficiency of its gas infrastructure.
 - Making systematic and sustainable reduction and maintenance of UFG within the OGRA allowed benchmarks.
 - Enabling loss-free operations of the company's core business of transmission, distribution and sale of natural gas while opportunities in LPG and Alternate Energy spheres would be pursued to fortify the aggregate bottom-line.
 - To continue its focus towards improving supplies to bulk consumers.

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- To undertake record rehabilitation of the distribution network which will not only mitigate the operational limitations but would also be helpful in sustainable reduction of 'Unaccounted-for-gas' (UFG)
 - To actively monitor the emerging market scenarios in the mid-to-longer term so as to appropriately position itself while diligently safeguarding the interests of existing business
6. Summary of the performance measures and benchmarks against the state-owned enterprises business goals and its primary objective: **[targets of the state-owned enterprise]**
- (Ref: Business Plan- Financial Outlook & Performance Measures Page 10)**
- As per prevailing Tariff Regime, SSGC Profitability is derived from the Guaranteed Return Formula prescribed by OGRA based on the Weighted Average Cost of Capital (WACC). Under this formula, SSGC was allowed Return on its average net operating fixed assets before financial charges and taxes.
 - OGRA makes disallowances/ adjustments while determining the revenue requirements based on efficiency related benchmarks viz a viz Un-accounted for Gas (UFG), Human Resource Benchmark Cost, Provision for Doubtful Debts and some other expenses/ charges. These disallowances/ adjustments affect the bottom-line of the Company.
 - Settlement of circular debt and reducing working capital requirements to avoid borrowings for operational needs.
 - Strategic plan for Diversification, business ventures which are non-regulatory in nature and adoption of other businesses to enhance bottom line through subsidiaries.
 - Government to consider the deregulation of downstream TPAs and upstream policy decisions of 35% of hydrocarbons to be sold directly to third parties.
 - Resolution of Circular Debt including GDS / Tariff Adjustments, Increase in Customer Gas Sale Prices and Resolution of Balochistan UFG.
7. Summary of the strategies of the state-owned enterprise for achieving its business goals and primary objective: **[commercially sensitive strategies are not required to be included here, summary of key risks identified in the achievement of the business goals to also be included here]**

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- a. Transmission
(Ref: Business Plan- Operational Outlook (Transmission) Page 5)
 - b. Distribution
(Ref: Business Plan- Operational Outlook (Distribution) Page 6)
 - c. Rehabilitation
(Ref: Business Plan- Operational Outlook (Rehabilitation) Page 6)
 - d. Unaccounted- for Gas
(Ref: Business Plan- Operational Outlook (UFG) Page 7)
 - e. Technology adoption & continuous improvement
(Ref: Business Plan- Technology Adoption & Continuous Improvement Page 7)
 - f. GIS – Capitalizing on Digital Tools
(Ref: Business Plan- Operations Outlook Page 8)
 - g. Billing
(Ref: Business Plan- Operations Outlook Page 8)
 - h. LNG Department
(Ref: Business Plan- Operations Outlook Page 8)
 - i. Meter Manufacturing Plant
(Ref: Business Plan- Operations Outlook Page 9)
 - j. HSEQAQC Department
(Ref: Business Plan- Page 23)
 - k. Sales Department
(Ref: Business Plan- Page 24)
 - l. Measurement Distribution Department
(Ref: Business Plan- Page 25)
 - m. Stores Department
(Ref: Business Plan- Page 25)
 - n. HR Department
(Ref: Business Plan- Page 27)
8. The current or anticipated borrowing of the state-owned enterprise, including borrowing by a subsidiary: [current borrowing has to be specific- anticipated borrowing to be included on the basis of projected revenue requirements of the state-owned enterprise and will not be binding on the state-owned enterprise]

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Sr. No.	Description	Current Borrowing (As at June 30, 2024)	Anticipated Borrowing (as at June 30, 2025)
1	<u>Amounts in PKR</u>		
	SSGC		
	<u>Long Term loans</u>		
	<u>Under Sovereign Guarantee</u>		
	-Faysal Bank Limited	11,666,666,666.66	5,833,333,334.34
	-United Bank Limited	15,000,000,000.00	13,125,000,000.00
	-Bank of Punjab	15,000,000,000.00	13,750,000,000.00
	-Meezan Bank Limited	-	20,000,000,000.00
	Sub Total (a)	41,666,666,666.66	52,708,333,334.34
	SHORT TERM LOAN / RUNNING FINANCE FACILITY (available Limit)		
	Outstanding as at 30-Jun-2024	44,104,000,000.00	84,182,000,000.00
	Outstanding as at 30-Jun-2025	37,774,786,092.40	82,899,570,525.46
	Sub Total (b)	81,878,786,092.40	167,081,570,525.46
	Grand Total (a+b)	123,545,452,759.06	219,789,903,859.80

9. The accounting policies that the state-owned enterprise will apply for financial records and reporting:

Financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

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- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

[Refer Annual Report FY 2023-24 for applicable Significant Accounting Policies]

10. Summary indicative balance sheet and profit and loss statement for the state-owned enterprise:

Refer attached Unconsolidated Accounts extracts of FY 2023-24.

11. Consolidated summary indicative balance sheet and profit and loss statement for the state-owned enterprise and its subsidiaries as a group: [need not be filled if the state-owned enterprise does not have any subsidiary].

Refer attached Consolidated Accounts extracts of FY 2023-24.

12. The proposed dividend declaration and distribution policy of the state-owned enterprise:

Since the Company have accumulated losses of Rs. 60.4 Billion and Rs. 72.4 Billion at the close of financial year 2020-21 and 2021-22 respectively, therefore, no Dividend was paid for FY 2020-21 and 2021-22. Furthermore considering the above accumulated losses no Dividend is expected for FY 2022-23, FY 2023-24 and FY 2024-25.

13. Description of any public service obligations and their impact on the forecasted financial outcomes of the state-owned enterprise: **[as agreed with the Federal Government]**

(Ref: Business Plan- Public Service Obligation Page 22)

Proposal to Classify Gas Supply to Balochistan as Public Sector Obligations

1. Classification as Public Sector Obligations:

Balochistan:

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Rationale:

Gas supply to Balochistan is essential for socio-economic reasons but incurs high UFG losses.

Action:

Classify the gas supply to Balochistan as a PSO to enable compensation for financial losses.

2. Implementation Process:

Documentation:

- a. Prepare detailed documentation outlining the financial impact and the socio-economic rationale for classifying these supplies as PSOs.
- b. Include all necessary data on UFG losses, non-payment of dues by PSM, and directives from the Federal Government.

Submission to Relevant Authorities:

- a. Submit the documentation to the Federal Government and the Central Monitoring Unit (CMU) as per the guidelines in the SOE Act and Policy.
- b. Follow up with the Federal Government for approval and notification of these PSOs.

3. Benefits:

a. Financial Compensation:

Ensure that our company is compensated for the financial losses incurred due to these obligations.

b. Risk Management:

Effectively manage fiscal risks associated with the continuous supply of gas under government directives.

c. Transparency and Accountability:

Maintain transparency in our operations and ensure accountability for government-directed obligations.

Conclusion:

Classifying the gas supplies to Balochistan as Public Sector Obligations will align our operations with the State-Owned Enterprises (Governance and Operations) Act, 2023, and the Ownership and Management Policy, 2023. This will ensure that our company is adequately compensated for the financial impact of these supplies and will improve our overall fiscal management.

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14. Any other matter directed to be included in this statement by the Federal Government: