

Mr. Iftikhar Ali Khan
Director
National Electric Power Regulatory Authority ("NEPRA")
NEPRA Towers, Attaturk Avenue
G-5/1, Islamabad, Pakistan

April 18th, 2018
SBD/AR/NEPRA-0209/2018-1304

Subject: Power Acquisition Request ("PAR") between K-Electric Limited ("K-Electric") and International Industries Limited ("IIL")

Dear Sir,

We write this with reference to NEPRA letter no. NEPRA/SA(T-I)/PAR-100/15492 dated 15th September 2017 (the "said letter") in which NEPRA requested us to file a PAR under Interim Power Procurement (Procedure & Standards) Regulation ("IPPR"), 2005.

Accordingly, K-Electric hereby submits for the approval of the Authority, the PAR along with Power Sale Proposal ("PSP") for the purchase of 4MW Natural Gas based Power as submitted by IIL.

Please note that we have requested NEPRA for extension of previous contract vide our letter no. SBD/AR/NEPRA-0151/2017-2905 dated May 30th, 2017 and thereafter NEPRA requested us vide the said letter to file the PAR. However, in the interest of consumers and to manage demand/supply gap, the power supply from IIL is being continued on the terms previously approved by NEPRA, with the understanding that any adjustments to the tariff payments, if required, shall be applied retrospectively in accordance with NEPRA's determination.

Submitted for NEPRA's approval.

Yours sincerely,


Adnan Rizwi
Director – Commercial & Regulations

For information & u/s check.
- DR-I PAR
- ME
Copy to:
SAT-1

cc: chairman
- VC / MC (EA)
- MC (I)
- MC (MKE)
- MC (KIC)

REGISTRAR
Dy. No.: 4404
Dated: 02-15-18

Dated: April 13th, 2018

Authority Letter


I, Muhammad Tayyab Tareen, S/o Muhammad Ajmal Tareen, Chief Executive Officer (CEO) of the K-Electric Limited, is authorized by the Board of Directors (BOD) of the Company by virtue of Clause 26 of the General Power of Attorney dated 2nd December, 2014 (attached), which empowers me to nominate any officer of the Company, as I deem fit to sign and file Power Acquisition Request (PAR) with Nation Electric Power Regulatory Authority (NEPRA) and such other deeds, documents, instruments, etc. and take all necessary actions incidental and related to review PAR and appear before the Authority and admit execution thereof for and behalf of the Company.

Now, therefore, in exercise of powers vested in me by the BOD of the Company, I, hereby authorized Muhammad Adnan Ali Rizwi s/o Muhammad Afaq Ali Rizwi, CNIC No. 42201-6105845-7, resident of House no. B-12, SBHS, Block-12, Gulistan-e-Johar, Karachi, Director Commercial & Regulatory, KE to sign and file PAR with NEPRA such other deeds, documents, instruments, etc. and take all necessary actions incidental and related to PAR and appear before the Authority for and behalf of the Company.



Muhammad Tayyab Tareen
Chief Executive Officer

Authorized Person:



Adnan Rizwi
Director Commercial & Regulatory

Certified True Copy (CTC) of Resolutions
Passed by KE Board of Directors at its Meeting No. 1185th
held on Thursday 27 November 2014 at 11:00 a.m. in KE's Board Room,
3RD Floor, KE House, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi

Re: Appointment of Chief Executive Officer (CEO)

Resignation of Mr. Nayyer Hussain, from the position of CEO of the Company was placed before the Board for consideration, Mr. Nayyer Hussain will continue to act as a non executive director of the Company. The Board passed the following resolutions:

"RESOLVED THAT the resignation of Mr. Nayyer Hussain as Chief Executive Officer of the Company be and is hereby accepted with effect from 27 November 2014."

" RESOLVED FURTHER to place on record BOD's appreciation in recognition of valuable services of Mr. Nayyer Hussain as an Executive Director / Chief Distribution officer and then as Chief Executive Officer of the Company collectively spreading over a period of over five (5) years."

For appointment of a new Chief Executive Officer of the Company, the Board hereby agrees that Mr. Muhammad Tayyab Tareen be appointed as Chief Executive Officer in Mr. Nayyer Hussain's place for a term of three (3) years on a remuneration of PKR 1.3 million per month and other terms & conditions and benefit package similar to those of the previous CEO.

RESOLVED THAT the declaration given by Mr. Muhammad Tayyab Tareen, a director of the Company that he is, subject to approval of the Board, to be appointed as Chief Executive Officer of the Company and that he is to be regarded as concerned / interested in any appointment or contract which the Company may make in that regard, be received and recorded."

RESOLVED THAT in exercise of powers vested through section 199 & 200 of the Companies Ordinance 1984 and Article 76(ii) & (vi) of KE Articles of Association Mr. Muhammad Tayyab Tareen be and is hereby appointed as Chief Executive Officer of the Company in place of Mr. Nayyer Hussain with effect from 27 November 2014 for a term of three (3) years at a salary of PKR 1.3 million per month and other terms & conditions and benefit package similar to those of the previous CEO.

RESOLVED THAT the Chairman of the Company, is hereby authorized, on behalf of the Company, to enter into contract of employment on the said terms & conditions with Mr. Muhammad Tayyab Tareen.


MUHAMMAD RIZWAN DALJA
Company Secretary
K-ELECTRIC LIMITED

Formerly Karachi Electric Supply Company Limited

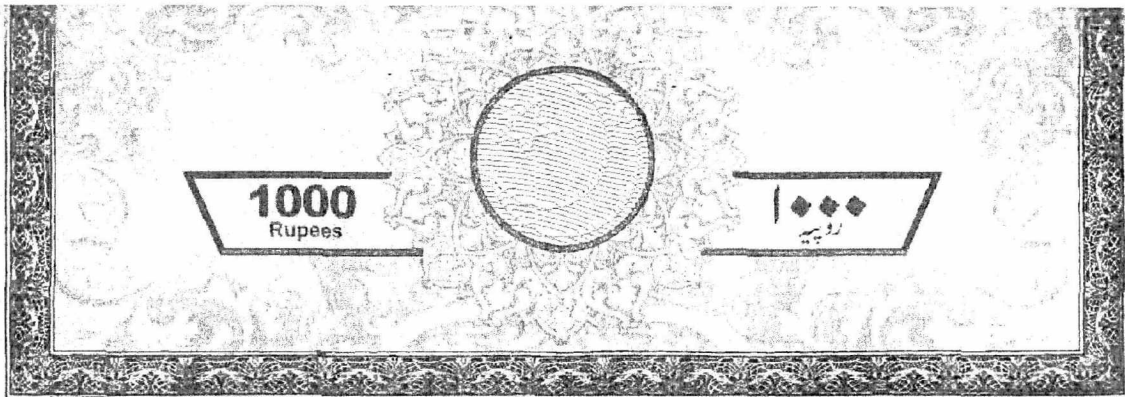
K-Electric Limited, KE House, 3rd Floor, 39-B, Sunset Boulevard, DHA II, Karachi, Pakistan.
Phone: 92-21-32647017, Fax: 92-21- 99205165, UAN: 111-537-2111, Ext.: 7024, Website: www.ke.com.pk

RESOLVED THAT a General Power of Attorney as per draft set out in **Appendix "A"** be and is hereby given to Mr. Muhammad Tayyab Tareen, CEO, KE and any two (2) Directors of the Company be and are hereby jointly authorized to sign, on behalf of the Board of Directors, the General Power of Attorney for Mr. Muhammad Tayyab Tareen and place the common seal of the Company on the instrument.

RESOLVED FURTHER THAT the above said contract be entered into in the Register of Contracts in which directors are interested kept in accordance with the provisions of Section 219 of the Companies Ordinance 1984.



MUHAMMAD RIZWAN DALIA
Company Secretary
K-ELECTRIC LIMITED



MUHAMMAD UMAR STAMP VENDOR

Licensed by 16379 City Courts Karachi, 02 DEC 2014

Stamp Vendor's Signature

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GENERAL POWER OF ATTORNEY

TO ALL TO WHOM these presents shall come, K-ELECTRIC LIMITED (KE), having its registered office at KE House, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi (hereinafter called the "Company") send greetings.

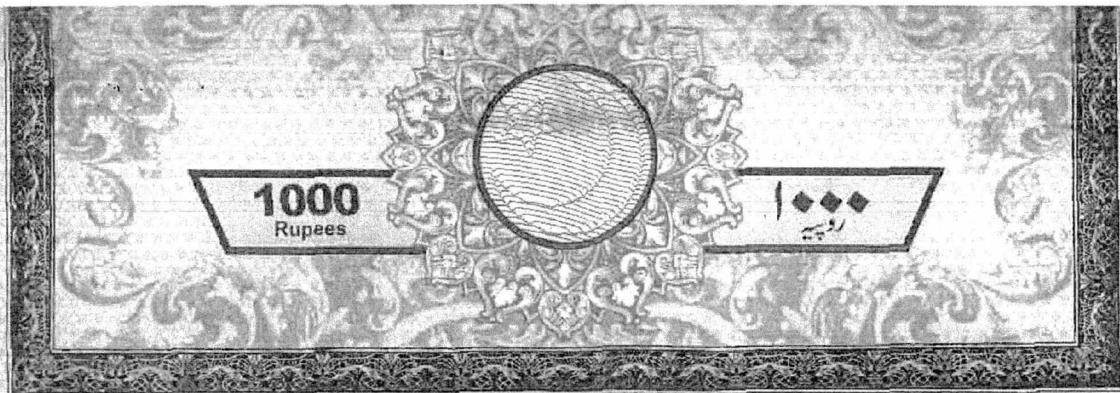
WHEREAS the Company was incorporated under the Companies Act 1882 as a company limited by shares and continues to operate as such under the Companies Ordinance 1984;

AND WHEREAS by virtue of the powers conferred upon them by Article 77 of the Company's Articles of Association, the Board of Directors of the Company have passed the resolution dated 27 November 2014 and entrusted to and conferred upon Mr. Muhammad Tayyab Tareen, the Chief Executive Officer of the Company, the following powers which shall be exercisable by him from the date that a Power of Attorney enumerating the same is executed in his favor by any two (2) directors of the Company.

NOW THESE PRESENTS WITNESS THAT Mr. Muhammad Tayyab Tareen son of Muhammad Ajmal Tareen CNIC # 35202-3534433-1, the Chief Executive Officer of the Company, is hereby appointed Attorney of the Company to act in the name and on behalf of the Company to do and perform the following acts and things only:

- 1) To purchase, sell, endorse, transfer, negotiate, encash, receive interest or otherwise deal in securities of all kinds including Government of Pakistan securities and securities of the Provincial Governments of Pakistan;
- 2) To sign all registers, reports and returns and others documents as may be required by law to be signed or filed with any Federal, Provincial or Local Governmental authority including but not limited to the Securities and Exchange Commission of Pakistan, Stock Exchanges, Registrar Joint Stock Companies, State Bank of Pakistan and Income Tax, Customs and other authorities;
- 3) To sign all acceptances and endorsements on bills of exchanges, hundies, securities and cheques drawn on behalf of the Company and to receive the amount of bills, hundies, securities and cheques and to give receipts and discharge for the same and to sign all documents drawn on or by the Company to which the signature of the Company as agents is required;

Mr. Tayyab Tareen



MUHAMMAD UMAR STAMP VENDOR

Licence No 1533, City Courts Karachi

S No. 10380

ISSUED ON 01/12/2014

THRU 01/12/2015

AT 1000/

FOR ALL

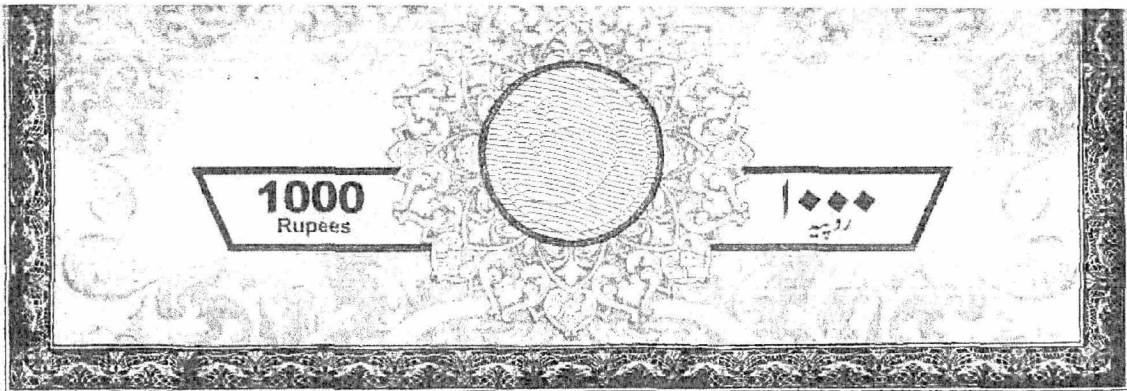
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0.2 DEC 2014



- 4) To sign for and on behalf of the Company all documents, assurances, deeds, and matters or things in or about the business of the Company as fully and effectively as the Company could do if personally present, to present such documents and deeds to the registering authority and admit execution thereof;
- 5) To process certificates of shares of the Company and to sign all papers relating to the transfer of shares including temporary receipts thereof;
- 6) To process Dividend Warrants and their revalidation;
- 7) To authenticate and or cancel the registration of Debentures;
- 8) To sign all correspondence that may be necessary in the ordinary course of the business of the Company;
- 9) To sign all deeds of sale, purchase, lease, mortgage, redemption, re-conveyance and present them before the registering authority and admit execution thereof;
- 10) To execute all bonds, deeds and documents and give such security as may be required now or at any future time by the Government of Pakistan or by any person, corporate body, company or firm to enable the Company to carry on its business;
- 11) To appoint and authorize any officer of the Company as his agent or agents to admit execution of deeds and documents of whatsoever nature before the registering authority and to revoke such appointment or appointments;
- 12) To sign, execute, determine or terminate and negotiate terms and conditions thereto agreements/appointment for employment and training with employees and trainees, in line with requirements of the Companies Ordinance and Code of Corporate Governance as applicable;
- 13) To sign for and on behalf of the Company all documents, agreements, contracts, assurances, deeds, matters or things in or about the business of the Company as fully and effectively as the Company could do personally and to present such documents, agreements, contracts, assurances, deeds, matters or things to the registering authorities and appear before such authorities and admit execution thereof and to do all such other things and acts that may be necessary for registration;

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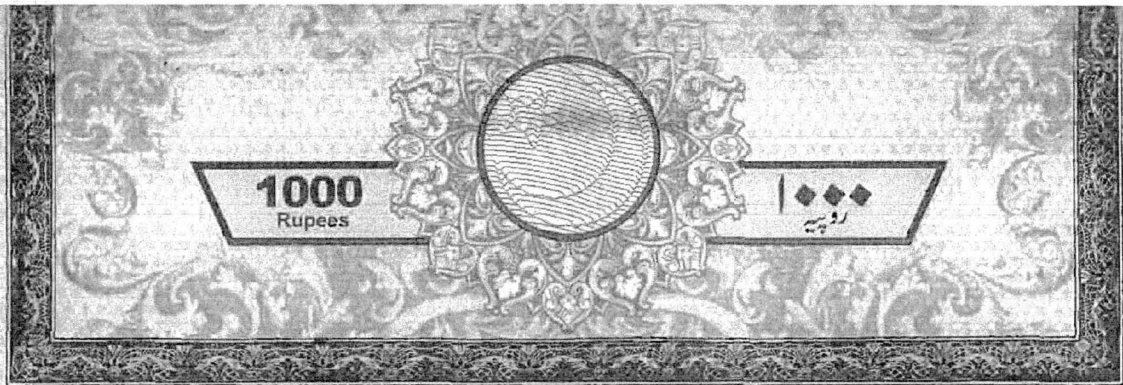
MUHAMMAD UMAR STAMP VENDOR
16381 City Council Karachi
1000/1
STAMP VENDOR SIGNATURE

02 DEC 2014



- 14) To make and sign applications to appropriate Federal, Provincial or Local Government departments, authorities or other competent authority for all and any licenses, filing of any and all applications, petitions with NEPRA which include Licensee Proposed Modifications (LPMs) and others, permissions and consents required by any order, statutory instrument, regulation, byelaw or otherwise in connection with the business, management and affairs of the Company;
- 15) To obtain securities from any person, corporate body, company or firm for the due performance of any contract in respect of rendering any service or supplying any material to the Company and to accept the same on such terms as may be deemed proper or expedient by the Attorney;
- 16) To realize debts due to the Company and to receive any money due to the Company from any person, corporate body, company or firm and to grant receipts and discharges for the same;
- 17) To make payments to any person, corporate body, company or firm for any service rendered to the Company and for such other purposes of the Company and for carrying on of the Company's business and to sign and deliver all receipts, charges and drafts on the bank and other accounts of the Company or on the customers of the Company and to endorse all bills and bills of exchange received by the Company which may be necessary or expedient to be signed, endorsed or given for the purpose of carrying on of the Company's business;
- 18) To represent the Company before any Court of law, Federal, Provincial or Local Government authority or any other authority in all matters concerning the business or property of the Company;
- 19) To commence, institute, prosecute, and to defend, compound and abandon all proceedings, actions, suits, petitions, appeals, claims and demands by or against the Company or its officers in relation to the business or property of the Company or otherwise and for such purpose to sign, verify and present any document, pleading, complaint, writ, affidavit application or other instrument in writing and to appear and make statements on oath or otherwise in relation to the affairs of the Company and to appoint and remunerate any barrister, solicitor, advocate, pleader, vakil, mukhtar, or any legal practitioner or any revenue agent, accountants, valuers or surveyors for the said purpose and to obtain legal advice on behalf of the Company on any matter, contentious or otherwise, affecting the Company;

[Handwritten signature]



MUHAMMAD UMAR STAMP VENDOR
Licence No. 15, Station Road, City Courts Karachi

02 DEC 2014

S. No. 16382

IS No. 16382

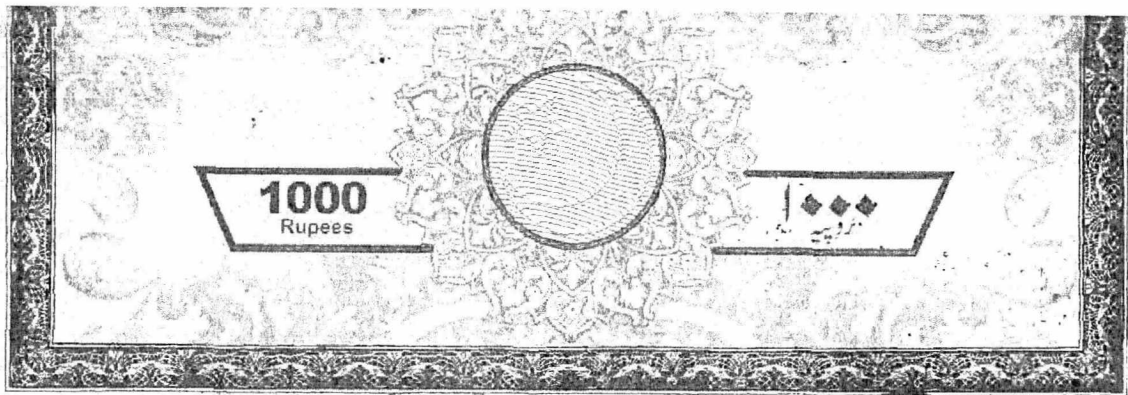
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- 20) To write off amounts as approved by the Board of Directors arising as a result of correction / cancellation / adjustment of electricity bills in the normal course of business of the Company. To approve formula for write offs, adjustment and settlement of electricity bills based on prudent business practices / judgement and within the policy framework approved by the Board of Directors. To sub-delegate such of the powers as he deems fit to the concerned executives / officers of the Company, to fix authority limits, thereof, and to revoke the same at his discretion.
- 21) To obtain refund of stamp duty or repayment of court fees;
- 22) To appear and act in the offices of the District Registrar and Sub- Registrar of Deeds and Assurances for registration of documents and in any other office of the Federal, Provincial and local Government, including without prejudice to the generality of the foregoing, City District Government Karachi, any Union Council, District Council, Cantonment Board, Municipal Corporation, any Co-operative Society, State Bank of Pakistan, Collector of Customs, Excise & Taxation Offices and the Chief Controller of Imports and Exports in all matters concerning the business or property of the Company;
- 23) To file and receive back documents, to deposit and withdraw money and to grant receipts therefore;
- 24) To negotiate and to enter into and complete contracts with any person, corporate body, company or firm for the lease or purchase of any lands and buildings and to alter, repair, add to, and improve any building or structure and to let or sub-let any immovable property held by the Company and to submit plans of buildings relating to the Company's properties or lands on the Company's behalf before any competent authority and to obtain receipts therefor;
- 25) To use, sign and attest the name and style of the Company in any transaction, deed, document or muniment of title on all such occasions as may be necessary or expedient for conducting the business of the Company or for the due and proper management of the lands and buildings leased or purchased or to be leased or purchased by the Company and to execute and sign all such deeds and documents as may be required or proper for or in relation to all or any of the matters or purposes aforesaid;
- 26) To delegate to any person such of the powers as he deems fit and revoke the same at his discretion.

[Handwritten signatures]



MUHAMMAD UMAR STAMP VENDOR
Licence No. 16383 City Courts Karachi
S. No. 16383
ISSUED TO
T. No. 16383
P. No. 16383
VALID
STAMP VENDOR'S SIGNATURE

02 DEC 2014



- 27) Generally to do all other acts and things incidental to the exercise of the aforesaid powers, and
- 28) The Company hereby agrees to ratify and confirm all and whatever the said Attorney shall lawfully do or cause to be done by virtue of this Power of Attorney.

The Power of Attorney executed in favor of Mr. Nayyer Hussain pursuant to the Resolution of the Board of Directors passed on 11 February 2013 is hereby revoked. This Power of Attorney will be valid till the time Mr. Muhammad Tayyab Tareen holds the position of Chief Executive Officer of KE.

IN WITNESS WHEREOF the Common Seal of the Company has been affixed hereto at Karachi on this the 02nd day of December 2014 by the undersigned directors of the Company pursuant to the resolution dated 27 November 2014 passed by the Board of Directors of the Company.

Signature of Mr. Muhammad Tayyab Tareen
Attorney

THE COMMON SEAL of)
the Company is hereunto)
affixed in the presence of)

Nayyer Hussain
Director

Syed Arshad Masood Zahidi
Director

ATTESTED
SHAMSUDDIN SHAH
B.A.L.L.B.
ADVOCATE
NOTARY PUBLIC
Karachi (South) Pakistan

03 DEC 2014

POWER ACQUISITION REQUEST

IN RELATION TO:

INTERNATIONAL INDUSTRIES LIMITED

SUBMITTED BEFORE:

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

SUBMITTED BY:

K-ELECTRIC LIMITED

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Chapter 1

Grounds Forming Power Acquisition Request

1.1 Overview

Karachi is the financial and trading hub of Pakistan, the availability of port facilities has attracted energy related investments over several decades thus positioning Karachi as the entry point of energy corridor of Pakistan. Although K-Electric Limited has a customer base of more than 2.5 million connections across residential, commercial, industrial and agricultural sectors, the actual consumers of power are estimated to be well over 20 million people living in and around Karachi. K-Electric faced peak demand of close to 3,270 MW in June 2017. This signifies the importance of tapping into and continuing with available supply sources including independent power producers and captive power producers.

K-Electric Limited (K-Electric) continues to receive large number of new connection applications on daily basis and the volume of these applications usually adds up to several hundred megawatts. Hence the demand of electricity is growing at a good pace and calls for building generation capacities as well as tapping into surplus power available from captive units.

1.2 Introduction to International Industries Ltd.

Located in Karachi, International Industries Ltd. (IIL) is a public limited company listed at Pakistan Stock Exchange. The company claims to be the Pakistan's largest manufacturer of steel, stainless steel and plastic pipes with annual manufacturing capacity of 750,000 tons. IIL has been a regular supplier of power from its captive power units since 2009 under a Power Acquisition Contract.

IIL owns a captive power plant with the installed capacity of 4 MW including 3x1 MW GE Jenbacher gas engine and 1x1 MW gas engine. This is a cogeneration facility where the waste heat from the generator produces 2.7 tons of steam per hour through use of a locally produced DDFC waste heat boiler and the hot water from the water jacket of engines is passed through an absorption chiller made in China, to give 380 tons of chilled water to fulfil factory cooling requirements. The Company has a Gas Supply Agreement with SSGC. On full supply of gas at 1.22 MMCFD at ISO conditions, the unit can generate up to 4 MW Gross. The power plant is currently dedicated for supply of power to the manufacturing facility and surplus power export to K-Electric.

1.3 Process Leading to Submission of Power Acquisition Request (PAR)

The Power Acquisition Contract (PAC) between K-Electric and IIL was first signed in Karachi on 18th April 2009 for sale and purchase of surplus power of up to 4 MW on a Take and Pay basis for a period of five (5) years. The copy of PAC is attached as **Annexure “E”** to this PAR.

After the expiry of PAC, a First Addendum was executed on 26th May 2014 thereby extending the PAC for a period of three years with similar terms and conditions. A Copy of First Addendum is attached as **Annexure “F”** to this PAR. Upon expiry of the First Addendum, a Second Addendum was signed on 18th April 2017 for another period of three (3) years and a copy of the same was submitted to the NEPRA vide letter no. SBD/AR/NEPRA-0151/2017-2905 dated May 30th, 2017. A copy of Second Addendum is attached as **Annexure “G”**.

Subsequently, NEPRA vide its letter Ref No. NEPRA/SA (T-1)/PAR-100/15492 dated 15th September 2017 returned the Second Addendum and required K-Electric to submit a Power Acquisition Request instead under IPPR-2005.

Given that IIL supplies surplus power to K-Electric at a much cheaper rate compared with furnace oil generation such as BQPS I (owned by K-Electric), Tapal Energy and Gul Ahmed Energy, and the fact that there is a demand in the system for such power, both IIL and K-Electric have continued to sale and purchase surplus power with the understanding that any adjustments to the tariff payments, if required, shall be applied retrospectively in accordance with NEPRA's determination of this PAR. This is very much in line with the interests of the consumers of K-Electric.

Summary of supply from IIL to K-Electric since inception is as follows:

| Year | Export to KE (kWh) |
|---------|--------------------|
| 2008-09 | 776,942 |
| 2009-10 | 5,812,207 |
| 2010-11 | 5,185, 687 |
| 2011-12 | 6,070,879 |
| 2012-13 | 5,318,725 |
| 2013-14 | 7,961,138 |
| 2014-15 | 7,812,216 |
| 2015-16 | 10,011,801 |
| 2016-17 | 13,243,650 |

1.4 Power Acquisition Request to NEPRA

In view of the power demand in the K-Electric network, availability of surplus power from IIL for supply to K-Electric, and cheaper cost of gas based generation, K-Electric hereby requests the NEPRA to approve K-Electric's Power Acquisition Request and determine a power sale and purchase tariff based on Take and Pay arrangement. This Power Acquisition Request is also in accordance with the requirement by NEPRA as noted in its letter Ref No. NEPRA/SA (T-1)/PAR-100/15492 dated 15th September 2017.

Once the determination is provided, K-Electric shall submit the Power Acquisition Contract duly negotiated with the IIL in accordance with NEPRA's determination for NEPRA's approval.

Chapter 2

Economic Justification for the Proposed Power Acquisition

The power produced by IIL is based on natural gas and is currently cheaper than power purchased by K-Electric from Tapal Energy, Gul Ahmed Energy and Anoud Power. Additionally, the power cost of IIL is cheaper than K-Electric's self-generation from BQPS I.

Based on above, the purchase of power from IIL is expected to benefit the consumers as the cost of such purchase is lower than marginal power produced using furnace oil.

Average Marginal Cost per unit for the period from April 2017 to Date.

| | PKR/KWh |
|--------------------------|---------|
| BQPS-I Furnace Oil Cost | 11.58 |
| TAPAL ENERGY LIMITED | 9.70 |
| GUL AHMED ENERGY LIMITED | 9.67 |
| IIL | 7.86 |

Chapter 3

Power Sale Proposal of IIL

IIL is proposing continuation of sale of surplus power from its facility to K-Electric in accordance with the expired PAC that was executed on 18th April 2009 and extended for another term of three (3) years through First Addendum. The Power Sale Proposal received from IIL is attached as Annexure – II of this PAR for NEPRA's consideration.

The proposed tariff has similar Take and Pay components as were part of the previous tariff as follows:

- Fuel Cost
- Variable O&M
- Fixed O&M

Fuel Cost

The plant efficiency used previously for calculation of fuel cost in the expired PAC was 36.8%. However, IIL requested in the Power Sale Proposal that the efficiency should be changed to 34.1%. NEPRA is requested to consider any justifications for this revision.

The Fuel Cost has been proposed to be indexed with respect to the change in actual price of gas, including Gas Infrastructure Development Cess (GIDC) where applicable.

Variable O&M

The IIL has proposed the latest invoiced amount of Rs. 1.678/kWh for Variable O&M. Previously, Variable O&M was indexed annually by a fixed amount i.e. Rs. 0.106/kWh. However, in its Power Sale Proposal, IIL has requested for an indexation of Variable O&M with Pakistan CPI in order to make it consistent with the practice followed in NEPRA's recent determinations for captive power producers.

Fixed O&M

The Fixed O&M proposed is Rs. 0.62/kWh. This number has been constant in the previous PAC and the IIL has not proposed its indexation in Power Sale Proposal.

Annexure I

Information for Processing of Power Acquisition Request

Information about Generation Capacity Under Proposed Procurement Request

| | |
|---|-------------------------------------|
| Net Capacity (MW) | 3.6 MW |
| Technology | Gas Engine GE JENBACHER JGS 320 GS |
| Fuel | Natural Gas |
| Whether Forms part of least cost plan | Lower than FO based generation |
| Year of Commissioning | 2005 |
| Expected rate of power to be acquired at 100% load factor (Levelized) | Rs. 8.30/kWh (Rs. 10/kWh with GIDC) |
| Location | Landhi Industrial Area |
| Grid for interconnection | Landhi Grid |
| Augmentation Required in Grid | None |
| Augmentation Required in transmission network | None |
| Estimated costs if augmentation required | None |
| Steps taken or required for transmission augmentation | None |
| Any other information | None |

KE (Distribution) Peak Demand

| | | |
|---------|------------------|-------|
| 2010-11 | Peak Demand (MW) | 2,591 |
| 2011-12 | Peak Demand (MW) | 2,596 |
| 2012-13 | Peak Demand (MW) | 2,778 |
| 2013-14 | Peak Demand (MW) | 2,929 |
| 2014-15 | Peak Demand (MW) | 3,056 |
| 2015-16 | Peak Demand (MW) | 3,195 |
| 2016-17 | Peak Demand (MW) | 3,270 |

Submitted


ADNAN RIZWI

Director – Commercial & Regulatory

December 27, 2017

ABDULLAH HAFEEZ
GENERAL MANAGER - Business Development
K-Electric Limited
1st Floor, BOC Building, KE House,
DHA Phase - II,

RE: SUBMISSION OF POWER ACQUISITION REQUEST FOR ONWARD SUBMISSION
TO NEPRA

Dear Mr. Abdullah,

Please find enclosed the Power Acquisition Request prepared by International Industries Limited (IIL), the same was required from K-Electric by NEPRA vide letter No. NEPRA/SA(T-1)/PAR-100/15492 dated September 15th, 2017.

Kindly note that the documents enclosed are as follows:

- 1) Power Acquisition Request
- 2) Annexure A – Gas Supply Agreement
- 3) Annexure B – NEPRA Approval To Synchronization
- 4) Annexure C – NEPRA Generation License
- 5) Annexure D – NOC by SSGC
- 6) Annexure E – Power Acquisition Contract (PAC) b/w IIL AND K.E Section
- 7) Annexure F – First Addendum of PAC
- 8) Annexure G – Second Addendum of PAC
- 9) Annexure H – Technical Description Genset – JGS 320 GS-N.L

Best Regards,

Anwer Mam.

International Industries Limited



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan



NEPRA Tower, Aftaturk Avenue (East), G-5/1, Islamabad.
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

Adnan Rizvi / A/49

No. NEPRA/SA(T-1)/PAR-100/5492



September 15, 2017

Director – Commercial and Regulatory
K-Electric Limited (KEL)
KE House, Punjab Chowrangi,
39 -- B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.
Tel: +92-21-3263 7133, Fax: 92-21-9920 5165



Subject: SECOND ADDENDUM BETWEEN K-ELECTRIC AND INTERNATIONAL INDUSTRIES LIMITED (IIL)

This is with reference to your letter No. SBD/AR/NEPRA-0151/2017-2905 dated 30th May 2017 wherein second addendum between K-Electric and International Industries Limited was submitted for reference.

2. You are directed to file a Power Acquisition Request under the IPPR-2005 for approval of PPA as well as approval of the extension of the PPA.

(Iftikhar Ali Khan)
Director
Registrar Office

At
Please do the needful.
29/9/17

POWER ACQUISITION REQUEST

IN RELATION TO:

INTERNATIONAL INDUSTRIES LIMITED

SUBMITTED BEFORE:

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

SUBMITTED BY:

K-ELECTRIC LIMITED

ofe
G. J. Mann

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1.5 GAS SUPPLY AGREEMENT

1.6 SYNCHRONIZATION OF IIL 4MW CAPATIVE POWER PLANT WITH GRID

1.7 IIL GENERATION LICENSE

1.8 NOC/PERMISSION TO SELL SURPLUS POWER

1.9 POWER ACQUISITION CONTRACT BETWEEN IIL AND K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY)

1.10 INTERNATIONAL INDUSTRIES LIMITED POWER EXPORT HISTORY:

1.11 SUBMISSION OF POWER ACQUISITION REQUEST TO NEPRA

CHAPTER 02: OVERVIEW OF THE POWER SALE PROPOSAL

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2.2 TARIFF COMPONENTS

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CHAPTER 01: GROUNDS FORMING POWER ACQUISITION REQUEST

1.1 OVERVIEW

Pakistan today is faced with power shortage that has crippled the domestic industry and put the common man in Pakistan under great duress. The power shortage has resulted in a low GDP over the past five years. While the real demand for power grows at a persistent rate of 5 - 6 % annually, the growth in generation capacity is much slower leading to a widening demand and supply gap that has hampered the economy. Furthermore, the combination of higher usage of furnace oil in the generation fuel mix and unchecked T & D losses across the country has led to higher consumer power tariff and lower recoveries. The non-availability of fiscal space to pay the rising subsidy has also led to a soaring in circular debt. Given the dire nature of Pakistan's energy crisis, it is important to utilize all avenues to increase power generation in the country, Karachi is the financial and trading hub of Pakistan, the availability of port facilities has attracted energy related investments over several decades thus positioning Karachi as the entry point of energy corridor of Pakistan. Although K-Electric Limited has a customer base of 2.3 million connections across residential, commercial, industrial and agricultural sectors, the actual consumers of power are estimated to be 'well over 20 million people living in and around Karachi. K-Electric Limited continues to receive a large number of new connection applications on a daily basis. At any particular instant, the volume of these applications usually adds up to several hundred megawatts, K-Electric faced peak demand of close to 3,300 MW in during 2016-17. Hence the demand of electricity is growing at a good pace and calls for not only investment in generation capacities but also tapping surplus power available from captive units, K-Electric Limited is, therefore, pursuing purchase of power from independent power producers and captive power plants.

1.2 K-Electric Limited

K-Electric Limited ("K-Electric") is the only vertically integrated and privatized utility in Pakistan engaged in Generation, Transmission and Distribution of electricity. K-Electric has an installed capacity of circa 2,247 MW gross. The actual availability is less because of site conditions, reduced capacity of older units in BQPS-I and non-availability of gas to run the available capacity at higher loads. Additionally, K-Electric purchases electricity from Independent Power Producers, Captive Power Producers and National Transmission and Dispatch Company ("NTDC"). K-Electrics serves all segments of the society including industrial, commercial, agricultural and residential consumers within Karachi and adjacent areas of Sindh and Baluchistan. The Company is principally engaged in generation, transmission and distribution of electrical energy to industrial, commercial, agricultural and residential consumers of Karachi under the Electricity Act 1910 as amended to date and NEPRA Act 1997 to its licensed areas.

1.3 INTERNATIONAL INDUSTRIES LIMITED

International Industries Limited (IIL) is Pakistan's largest manufacturer of steel, stainless steel and plastic pipes with an annual manufacturing capacity of 750,000 tons and annual revenues of over PKR 17 billion.

IIL is part of a group of companies that also includes:

- International Steels Limited (ISL): Pakistan's largest manufacturer of galvanized, cold rolled and color coated steel sheets and coils. ISL has an annual manufacturing capacity of 550,000 tons and annual revenues of over PKR 33 billion.

- Pakistan Cables Limited (PCL): Pakistan's premium manufacturer of electrical cables, wires, copper rod, PVC compound and aluminum sections with annual revenues in excess of PKR 8 billion.

- IIL Stainless Steel (Pvt.) Ltd: IIL's wholly owned subsidiary that manufactures premium quality stainless steel tubes in various grades and finishes.

- IIL Australia Pty Limited: IIL's wholly owned Australian subsidiary which represents the Group's interest in the Asia Pacific region.

IIL is a proud recipient of numerous accolades including the Management Association of Pakistan's 'Corporate Excellence Award' for the Industrial Metals & Mining Sector. Additionally, IIL has featured on the Karachi Stock Exchange's listing of the 'Top 25 companies' consecutively for over 10 years. IIL was also awarded the '2015 Environment Excellence Award' by the National Forum for Environment & Health.

IIL is the market leader in Pakistan and also has a credible export pedigree with an ever-expanding footprint in 55 countries across 5 continents. As a result, IIL has been awarded the "FPCCI Export Performance Award" consecutively for 17 years.

With an unshakeable focus on health, safety & environment, IIL is a reputable corporate citizen as well as a signatory to the United Nations Global Compact. The Company is ISO 9001, ISO 14001, OHSAS 18001, API 5L, API 15LE and CE certified and manufactures its products according to the highest international standards and specifications (ASTM, BS, EN, API, SLSI, AS / NZS, DIN).

Committed to innovation, quality and excellence, IIL continues to pioneer new products for the local and export markets. Most recently, IIL has introduced hollow structural sections (HSS) in round, square and rectangular shapes. These are available in varying thicknesses and can be used in the construction of virtually any type of structure. IIL has also expanded its HDPE water pipe range to include sizes up to 1600mm (64") – which is the largest HDPE pipe manufactured in Pakistan! In addition, IIL is the only Pakistani manufacturer of galvanized scaffolding pipes and stainless steel tubes.

With a strong track record behind it and an exciting future in the pipeline, IIL is optimistic about its continued growth in the local and international markets.

1.4 PROJECT BRIEF AND BACKGROUND

In year 2005, IIL invested in (3MW, 3x1MW GE Jenbacher Gas engines) Co-Generation Captive power plant initially and in 2006 enhanced the generating capacity to 4MW by adding 1x1MW gas engine along with sanctioned gas supply of 1.2 MMCFD.

The waste heat from the generator produce 2.7 tons of steam per hour through the use of a locally produced DDFC waste heat boiler and the hot water from the water jacket of engines is passed through an absorption chiller produced in China to give 380 tons of chilled water to full fill factory cooling demands.

1.5 GAS SUPPLY AGGREMENT

IIL signed a Gas Supply Agreement (GSA) with SSGC wherein 1.2 MMCFD natural gas would be supplied to IIL for generation facility on "as and when available" basis from March to November every year, in accordance with the terms and conditions mentioned in the GSA, copy attached as Annexure "A" IIL NOC/ Permission letter dated 3rd September 2009 attached to sell surplus power to KE from approved gas load.

1.6 SYNCHRONIZATION OF IIL 4MW CAPATIVE POWER PLANT WITH GRID

In year 2006, IIL allowed to synchronize the power plant with K-Electric vide approval accorded by NEPRA vide their letter No TCD.09/3621-2006 dated 15th September 2006 copy is attached as Annexure "B"

1.7 IIL GENERATION LICENSE

IIL has valid Generation License issued by NEPRA bearing no SGC/60/2010 dated 30 July 2010. D

Permitting IIL to sell generation output of power generation facility in accordance with the terms and condition of such license copy is attached as Annexure "C"

1.8 NOC/PERMISSION TO SELL SURPLUS POWER

SSGC has issued NOC allowing IIL to sell surplus power from approved gas sanctioned load vide letter Sales/NOC-PG-573/2009 dated 3 September 2009. Copy is attached as **Annexure "D"**.

1.9 POWER ACQUISITION CONTRACT BETWEEN IIL AND KE (FORMELLY KESC)

First Power acquisition contract was made at Karachi on 18th of April 2009 to sell surplus power as and when delivered and demand basis (Take and Pay) and agreed tariff with terms and condition for time period of five years. Copy is attached as **Annexure "E"**.

After expiring of contract a First Addendum to Power Purchase Contract was made on 26th May of 2014 for three years with same terms and condition. Copy is attached as **Annexure "F"**. Also 2nd Addendum is signed on 18th April 2017 for three (3) years. Copy attached as **Annexure "G"**.

1.10 IIL POWER EXPORT HISTORY:

| Year | Generation (KW) | Self- Used (KW) | Export to KE (KW) | % Export |
|---------|--------------------|--------------------|----------------------|----------|
| 2007-08 | 26,307,600 | 26,307,600 | - | 0 |
| 2008-09 | 23,774,900 | 22,997,958 | 776,942 | 3.27 |
| 2009-10 | 33,171,600 | 27,359,393 | 5,812,207 | 17.52 |
| 2010-11 | 31,503,000 | 26,317,313 | 5,185,687 | 17.00 |
| 2011-12 | 30,097,000 | 24,026,121 | 6,070,879 | 20.20 |
| 2012-13 | 29,298,400 | 23,979,675 | 5,318,725 | 18.15 |
| 2013-14 | 28,387,900 | 20,426,762 | 7,961,138 | 28.04 |
| 2014-15 | 28,996,000 | 21,183,784 | 7,812,216 | 26.94 |
| 2015-16 | 30,514,900 | 20,503,099 | 10,011,801 | 32.81 |
| 2016-17 | 31,793,600 | 18,549,950 | 13,243,650 | 41.66 |

1.11 SUBMISSION OF POWER SALE PROPOSAL TO AUTHORITY

ILL owns a co-generation power plant with installed capacity of 4.2 MW based on full supply of gas 1.2 MMCFD at ISO conditions. The power plant is currently dedicated for supply of power to the manufacturing facility and surplus power export to K-Electric since year 2009 under Power Acquisition Contract. Based on 1.2 MMCFD from SSGC, the unit can generate up to 4 MW Gross at site conditions.

In view of the power demand-supply gap in Karachi, it is in the interest of consumers that K-Electric continues to purchase such surplus power from IIL. K-Electric and IIL entered into First Addendum on 26th May 2014 which expired on 17 April 2017 after which both parties entered into Second Addendum on 18 April 2017, which was submitted to NEPRA for approval. NEPRA vide its letter Ref No: NEPRA/SA (T-1)/PAR-10015492 dated 15th September 2017 returned the Second Addendum and required K-Electric to submit a Power Acquisition Request. Therefore, IIL submits its Power Sale Proposal for consideration by K-Electric and NEPRA as under.

The power sale proposal is based on the Plant specifications and provides details forming the basis of their tariff proposal. On 30 July 2010, IIL was given a Generation License with validity up to 29th July 2020.

CHAPTER 02: OVERVIEW OF THE POWER SALE PROPOSAL

2.1 SUMMARY OF SALE PROPOSAL

| | |
|----------------------|--|
| Project Company | International Industries Limited |
| Project Capacity | 4 MW with full gas supply of 1.2 MMCFD |
| Auxiliary Load | 400KW |
| Supply to K-Electric | SURPLUS POWER |
| Interconnectivity | 11 kV |
| Project Location | LX-15,16 LANDHI INDUSTRIAL AREA (MANUFACTURING FACILITY) |
| Plant Type Contract | Co-generation |
| Term | From 18 April 2017 to 29 July 2020 |
| Power Purchaser | K-Electric Limited |
| Fuel Type | Natural Gas |
| Tariff | PKR 8.30/kWh PKR 10.30/kWh with GIDC |
| Concession | Power Acquisition Contract |
| Contract Nature | Take and Pay |
| Generation License | Available and valid up to 29 July 2020 |
| Applicable Framework | Interim Power Procurement Regulations 2005 |

2.2 TARIFF COMPONENTS

ILL has provided a cost plus single part tariff on 'Take and Pay' basis:

The proposed tariff attempts to recover

- Fuel cost,
- Variable operations & maintenance expenses
- Fixed operations & maintenance expenses
-

The GIDC is an additional cost of fuel procurement and will become pass-through if charged and collected by the gas marketing companies upon directive from the Government of Pakistan, and upon presentation of relevant documents and invoices to K-Electric. The amount of GIDC has been calculated based on per kWh of energy and will be paid according to the number of units received by K-Electric, including any arrears related to the units supplied to K-Electric.

In the year 2009 the contract between IIL and KE (formerly KESC) was made at following tariff.

| S.no | Description | Tariff |
|------|----------------|-----------------------------|
| 1. | Fuel Component | PKR 3.15/kWh @ Rs.343/MMBTU |
| 2. | Variable O&M | PKR 0.83/kWh |
| 3. | Fixed O&M | PKR 0.62/kWh |
| 4. | Total | PKR 4.60/kWh |

As per previous contract PKR 0.106/unit escalation on Variable O&M will be allowed after completing of 12 qualifying months on every year.

After indexation of the Fuel and Variable O&M, the proposed tariff for the Second Addendum is as follows:

| S.no | Description | Tariff |
|------|----------------|-------------------------------|
| 1. | Fuel Component | PKR 5.568 /kWh @ Rs.600/MMBTU |
| 2. | Variable O&M | PKR 1.678/kWh |
| 3. | Fixed O&M | PKR 0.620/kWh |
| 4. | Total | PKR 7.866/kWh |

Going forward it is proposed that the variable O&M shall be indexed to Pakistan CPI on an annual basis. The Fuel component shall be indexed to Fuel price changes as notified by OGRA.

2.2.1 FUEL COST COMPONENT

The working of the Fuel Cost Component ("FCC") is based on designed specifications attached herewith as **Annexure "H"** and gas price of PKR 600 per MMBTU (HHV basis) plus PKR 200 per MMBTU of Gas Infrastructure Development Cess (GIDC), making total Gas price equal to PKR 800 per MMBTU. In future in primary source fuel changes the FCC will be changed accordingly

| Fuel Calculation | Natural Gas |
|---|-------------|
| BTU/kWh— LHV at designed efficiency | 8997 |
| BTU/kWh ----HHV | 9997 |
| Rs./MMBTU — Cost of Natural Gas | 600 |
| Rs./kWh — Cost of Fuel excluding GIDC | 6.00 |
| Rs./MMBTU — GID Cess | 200 |
| Rs./MMBTU — Total Cost of Natural Gas with GIDC | 800 |
| Rs./kWh — Cost of Fuel including GIDC | 8.00 |

The Authority is requested to approve the actual gas charges on designed parameters as initially contract was made at lower fuel cost as compared to actual also adjustment of Fuel Cost Component with gas price (including GIDC) if applicable from SSGC. The basis for gas price shall be provided by SSGC in its billing to IIL and the same shall be provided as evidence.

2.3 PROPOSED TARIFF

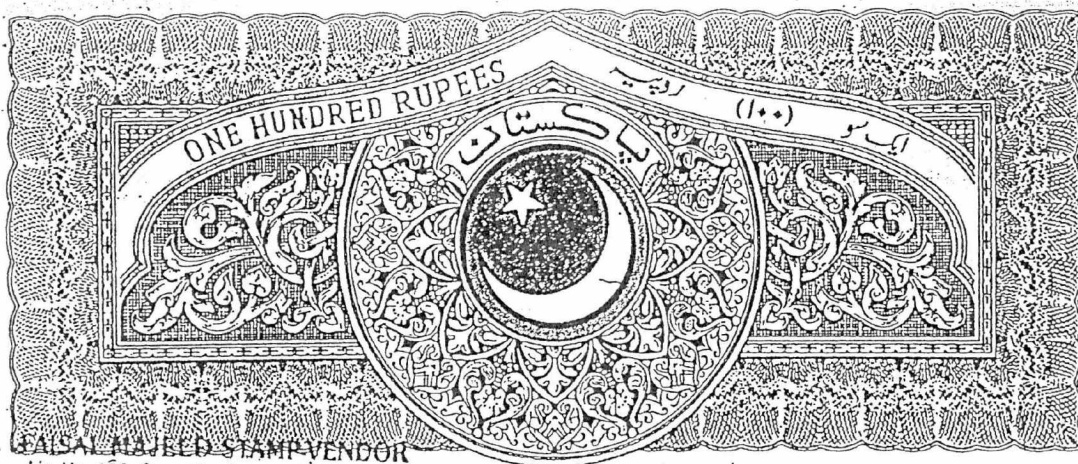
In view of the previous contract and actual Fuel cost the proposed unit cost will be as

| S.no | Description | Tariff |
|------|-----------------------------------|------------------------------|
| 1. | Fuel Component Excluding GID Cess | PKR 6.00/kWh @ Rs.600/MMBTU |
| 2. | Fuel Component Including GID Cess | PKR 8.00 /kWh @ Rs.600/MMBTU |
| 3. | Variable O&M | PKR 1.678/kWh |
| 4. | Fixed O&M | PKR 0.62/kWh |
| 5. | Total (Excluding GID Cess) | PKR 8.30/kWh |
| 6. | Total (Including GID Cess) | PKR 10.30/kWh |

IIL request to continue with same terms and condition as per previous agreement along with revised fuel charges as per actual basis. As IIL is only recovering its energy cost component without any profit margin.

INFORMATION

| Information about Generation Capacity Under Proposed Procurement Request | |
|--|---------------------------------------|
| Net Supply | 3.6 MW (Surplus power) |
| Technology Gas | Gas Engines GE JENBACHER JGS 320 GS |
| Fuel Natural | NATURAL GAS |
| Whether Forms part of least cost plan | Lower than FO based generation |
| Availability of Power/Energy | 92% |
| Year of Commissioning | 2005 |
| Expected rate of power to be acquired | PKR 8.30/KWh (Rs 10.30/KWh with GIDC) |
| KE Demand in FY16 (Peak) | |
| Location | LANDHI INDUSTRIAL AREA |
| Proposed Grid for interconnection | 11KV |
| Approximate Distance | 2.5Km |
| Augmentation Required in Grid | None |
| Augmentation Required in transmission | None |
| Estimated costs if augmentation required | None |
| Steps taken or required for transmission | None |
| Augmentation | None |
| Any other information | None |



FAISAL MAJEED STAMP VENDOR

Lic. No. 105, Shop No. 8, New Ruby Centre,
M. A. Jinnah Road, Boulton Market, Karachi.

S. No. 69222

DATE

ISSUED TO WITH ADDRESS

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PURPOSE

VALUE RS.

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(ATTACHED)

STAMP VENDOR'S SIGNATURE

SUI SOUTHERN GAS COMPANY LIMITED

CONTRACT FOR THE SUPPLY OF GAS FOR POWER GENERATION

BY THIS CONTRACT made between "Sui Southern Gas Company Limited (hereinafter referred to as the "Company") and M/s International Industries Limited (hereinafter called the "Consumer"). The Consumer agrees to purchase from the Company and the Company agrees to supply to the terms and conditions hereafter set forth:

TERMS AND CONDITIONS:

1. Gas supply will be provided by the Company on "as and when available" basis only during the period March to November each year. The Consumer will make dual firing arrangements to avoid loss of production as and when Gas is not available during March to November and also during December to February when the Company will keep the Consumer's Gas supply disconnected at his cost, each year.
2. The Company shall supply gas for power generation against unconditional UNDERTAKING by the Consumer that power so generated will be used only at the above mentioned premises of the consumer will be for his own industrial activity and will not be to any other party. In the event of violation of this condition gas supply will be disconnected without notice and entirely at the risk and cost of the Consumer.
- 3.01 Immediately before execution of this agreement by the Consumer the Consumer shall pay to the Company the sum of Rs.18,379,000 as Gas supply deposit or shall furnish a scheduled Bank's continuing guarantee in lieu thereof to be drawn in accordance with the draft to be provided by the Company for due performance of this obligations hereunder.
- 3.02 If subsequent to the execution of this agreement by the consumer and the company,
 - 3.02.01 the consumption of Gas and / or connected load increases for any reason whatsoever beyond the limit of the above Gas supply deposit or Gas consumption otherwise increased beyond the normal consumption of the existing equipment.
 - 3.02.02 or the price of Gas or rent for meter shall be increased in accordance with the terms of this agreement.
 - 3.02.03 Or any new tax or charge shall be levied on Gas by any Government or local or other authority or any such tax or charge already levied on Gas shall be increased then in addition to the sum mentioned in sub-clauses 3.01 above, the company shall have a right to demand from the Consumer and the Consumer shall on such demand pay to the Company such amount in cash or furnish additional continuing bank guarantee in lieu thereof according to the draft to be provided by the Company within one month of Company's demand.

Provided the total amount of gas supply deposit or bank guarantee in lieu thereof required to be provided by the Consumer under sub-clauses 3.01 and 3.02 of this agreement shall not exceed the amount which, according to the estimate that the Company may from time to time make, the Consumer may have to pay to the Company on account of estimated consumption of Gas in three months together with taxes and charges payable thereon and three months rent for the meter.

3.02.04

The Company may utilize such Gas supply deposit received from the Consumer for the purpose of the business of the Company; subject to condition that such Gas supply deposit shall be reimbursed to the consumer upon disconnection of gas supply under the terms and conditions of the gas supply contract.



- 4.01 Subject to the provisions hereinafter made the Consumer shall pay to the Company price for Gas supplied to the Consumer at the rate fixed by the Ministry of Petroleum and Natural Resources, Government of Pakistan in due course, pending which Power Tariff as notified by the Government from time to time will be applicable on ad-hoc basis subject to retrospective adjustment after final decision.
- 4.02 The Consumer shall also pay to the Company rent of the meter at the rate prescribed by the Company from time to time from the date on which the meter is fixed up to the date when the same shall be removed provided that if the quantity of Gas consumption necessitates replacement of meter by a meter of different size. The Consumer shall pay rent of the new meter at the rate prescribed by the Company for such meter.
- 4.03 In addition to the price of Gas the consumer shall also pay to the company all taxes or charges levied on natural Gas by the government or local or other authority.
- 4.04 The register of the meter shall be prima facie evidence of the quantity of Gas consumed by the Consumer but should the accuracy of the meter be disputed and the meter be officially tested by the Company and be found to register erroneously, the register of the meter shall be rectified according to the degree of inaccuracy detected on such testing for the period meter has registered inaccurately. If such period is known or ascertainable and if such period is not known or ascertainable then the period of adjustment in the register of the meter and or Gas bills shall be from the date when the meter reading was last obtained.
- 4.05 In case the meter shall for any cause whatsoever, cease or omit to register regularly the quantity of Gas used, the Consumer shall pay to the Company for the Gas supplied to him during the period the meter so remained out of order on the basis of average monthly consumption of Gas by the Consumer during the two months immediately preceding or following the month in which the meter so remained out of order whichever is more.
- 4.06 In case meter cannot be read due to any reason the Company shall submit provisional bill based on the average of past two months consumption or any other reasonable basis as the Company may deem fit and the Consumer shall make payment against that bill within due date. The Company shall adjust the estimated consumption against actual reading obtained subsequently and bill the Consumer for the difference. Consumer shall make payment against such bill within due date.
- 5.01 Where the metering pressure exceeds 8 inches water column above atmospheric pressure, the unit of volumetric measurement shall be one cubic foot of Gas at an absolute pressure of 14.65 pounds per square inch and a temperature of 60 degrees Fahrenheit without application of adjustment for water vapour content and correction factors such as for pressure, temperature, specific gravity deviation from Boyle's Law expansion and Reynolds number. The value of atmospheric pressure for calculating the pressure factor shall be 14.65 pounds per square inch and value to acceleration due to gravity shall be 32.17 feet per second. The Gas delivered hereunder shall be measured in accordance with methods in use in the industry generally and recommended by the Gas Measurement Committee of the Natural Gas Department of the America Gas Association applied in practical manner subject to the approval of the Government of Pakistan.
- 5.02 Where the metering pressure does not exceed 8 inches water column above atmospheric pressure the unit of volumetric measurement shall be one cubic foot of Gas at metering pressure and temperature without adjustment for water vapour content.

BILLING

- 6.01 The bill will be sent periodically. This period may be one month to three month depending on the current policy of the Company in this respect. Any change in this policy will be at the sole discretion of the company but the Consumer will be duly notified at least 15 days in advance. Dispatch of bills by the Company by ordinary post at the address given hereinabove shall be considered sufficient evidence of delivery of the bills to the Consumer by the Company intimating the Consumer's liability to payment for the Gas consumed.
- After the bills have been sent and / or paid if the Company at any time discovers any errors, omission or discrepancy in any such bills owing to any reason whatsoever, the Company shall be entitled to bring such discrepancy to the notice of the Consumer and send correct bills which the Consumer undertakes to pay within 15 days of the date of issue shown on the bills.
- 6.02 Any mistake in or dispute about the bill or meter reading shall not entitle Consumer to withhold payment of the bills in time, provided, however, if the Company finds any mistakes in the bill sent to the Consumer then irrespective of the fact whether payment has been made or not, the Company shall, upon having discovered the mistake at any time be entitled to send a correct bill and Consumer shall be liable to pay the same.

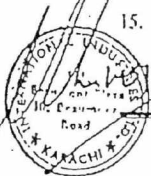


PAYMENT:

- 7.01 All bills pertaining to Gas consumption and or other charges are payable within 15 days of the date of issue hereinafter referred to as 'due date' as shown on the bills. The bills are to be paid at the authorized banks within the due date. The Consumer will not be entitled to extension in due date irrespective of the date of receipt of the bills by the Consumer.
- 7.02 The responsibility for making payment is that of the Consumer. If the first bill is not received by the Consumer within 45 days of commissioning of Gas supply and thereafter if any bill is not received by the Consumer within 25 days after the due date of the previous bill the Consumer shall communicate with the Company and arrange for settlement of the dues. If the Consumer fails to pay any of the bills by the due date given hereon late payment surcharge at the rate prescribed by the Company for the time being shall become payable and shall continue to accrue at monthly rests until payment by the Consumer in full. The rate presently is 2% per month or part thereof. In addition to this surcharge, the Company shall also be entitled to terminate this Contract and to disconnect the supply of Gas and to remove its Gas meter and other equipment without any notice.
8. Payment shall be made within the due date either by Cash or through a Bank Draft in favour of Sui Southern Gas Co. Ltd. at the authorized banks. Payment by cheque will not be considered payment unless it is realized. Failure of any cheque to be realized within 3 days from the date of deposit in the bank by the Company shall render the supply of Gas liable to disconnection without any notice.
9. Payment must be made on or before the due date failing which the supply of Gas is liable to be terminated without notice at the risk of the Consumer. Notwithstanding such disconnection / termination of Gas supply the Consumer shall pay the company the full amount of Gas bills up to and including the date of disconnection together with all charges, taxes and or incidental expenses accrued to or incurred by the Company.

GENERAL:

- 10 All pipes and fittings from the Gas main to the inlet of the meter station shall be land and fixed by the Company.
- The meter station shall be located close to the Boundary wall within the Consumer's premises described hereinbefore and at a place nearest to the Company service connection. All pipes and fittings on and beyond the outlet of the meter station shall be installed by the Company at the expenses of the Consumer. The Company shall not be responsible for leakage of Gas from nor for repairs to such pipes of fittings under any circumstances.
- The Gas meter regulator service valve and the inlet pipe of meter forming parts of the meter station shall be installed and kept in repair by the Company.
- The Consumer shall be responsible for the safety and protection of the meter station and the said property of the Company and shall be liable for any damage caused thereto by fire or other accidents or due to carelessness of any one whomsoever not in the Company's employment. For this purpose if a meter room is constructed the Consumer shall be responsible for keeping it in good condition.
- 11 The Company shall retain the title to and ownership of all regulators, meters, pipes, devices and other property installed by it upon the said premises and may remove or replace the same at any time before or after the termination of the Contract without prior intimation to the Consumer.
12. The Company shall have the right to provide further connection to other parties or premises from the outlet of the regulator installed for the purpose of supplying Gas to the Consumer's premises described above. In that case the cost of any alteration in or addition to the pipes and fittings, incidental thereto shall be borne by the Company.
13. No meter shall be connected to or disconnected from the Gas pipes except by the authorized personnel of the Company. The meter shall be inspected periodically, but the Company's personnel shall have free access at all reasonable times to Gas installations at the said premises of the Consumer.
14. Alterations in or additions to Gas installations will be made only by the Company but the Company may in exceptional cases exercise its discretion to permit the Consumer to undertake alterations in or additions to the Gas installations. Such permission must be obtained in writing from the Company in advance.
15. The Consumer shall not make maintain any connection with the fuel/Gas pipe of any other person or corporation during the subsistence of this Contract without the written consent of the Company.



interruptions and failures, and the lines and equipment to malfunctioning, breaking, freezing failures and closing, which cannot be foreseen or prevented by any reasonable care or expenditure and as the supply of Gas and transportation facilities are limited Company does not, by this Contract undertake to furnish to the Consumer a full and uninterrupted supply of Gas but only to furnish such supply and for such length of time as it reasonably can, and it is expressly agreed to by the Consumer that the Company

shall not be liable for any loss, or damage, or injury that may result either directly or indirectly from shortages or interruptions in the supply of Gas or from discontinuance thereof due to the said reasons or as result of labour strikes, lockouts, riots, civil commotions, hostilities, wars, epidemics, calamities, natural disasters or causes beyond the ordinary reasonable control of the Company.

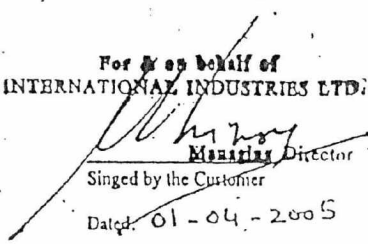
17. The Company shall have right to close or interrupt Gas supply to Consumer's premises for short periods after giving at least 24 hours notice in advance for carrying out necessary extension repair and/or alteration work in the Company's pipe lines, equipment and devices.
18. The Company shall have the right to curtail and/or to discontinue deliveries of Gas to the Consumer consuming Gas in excess of 3000 cu.ft. per hour whenever and to the extent necessary in its sole judgment for operational reasons.
19. The Consumer knowing its inflammable character shall take all precautions in the use of Gas and maintenance of Gas installation on his premises and shall be solely responsible for any loss, damages, injury or accident resulting directly or indirectly and for any reason whatsoever from Gas installations. The Consumer shall indemnify the Company against all demands and claims for any such loss, damage, injury or accident.
20. The Contract shall not be binding or in force until approved and signed by proper office of the Company duly authorized in this behalf and no promise or agreement or representation made by any agent or employee in soliciting the same or otherwise, shall bind the Company except to the extent here-in provided.
21. Without prejudice to any other right that the Company may have and in addition to such right, The Company shall be entitled to rescind the Contract at any time for following reasons.
 - 21.01 Neglected or default of the Consumer to pay the bills rendered by the Company for any months supply of Gas or other dues payable by the Consumer within the period specified in clause 7.01 hereof and/or to meet the Company's demand for additional Gas supply deposit made under clause 3.02.03;
 - 21.02 Any action by the Municipal Authorities, Improvement Trust, Local bodies, or any Government Authorities or any Legal Proceeding against the Company by any party interfering with the Company's right to supply Gas or collect dues payable to the Company hereunder;
 - 21.03 Any action by the Consumer to secure Gas through the meter for purposes other than that mentioned hereinabove or for another party without written consent of the Company;
 - 21.04 Any action by the Consumer tending to secure more Gas than the meter registers or to secure Gas through the said meter at a higher pressure than that at which the regulators are set by the Company or any interference by the Consumer with the meters or regulators tending to prevent the same from properly operating and correctly registering;
 - 21.05 Any action of the Consumer to break the seals or to tamper with the Gas installation in any way whatsoever in order to secure unauthorized supply of Gas and or to indulge in unsafe usage of Gas;
 - 21.06 Any alteration, addition or extension to the existing Gas installation carried out by the Consumer without obtaining prior approval of the Company in writing;
 - 21.07 Violation of or default in compliance with any the terms and conditions of this Contract.
22. Either of the parties hereto may, at his/her/their absolute will determine this Contract by one month notice of his/her/their intention to do so to be given in writing to the other party and this Contract shall remain in force until so determined. In the case of determination of this Contract under this clause no party shall be entitled to any damages or compensation for any loss or injury arising from such determination of this Contract.
23. In case the premises of Consumer mentioned above or the property thereon shall be attached or threatened with attachment in execution or in case of assignment, bankruptcy or any act of insolvency on the part of the Consumer the Contract shall at the option of the Company become null and void and the Company shall have the right to remove any or all of its property from the premises of the Consumer

24. In case of cancellation or termination of the Contract for any cause whatsoever, all claims for Gas supplied and or services rendered by the Company up to the date of disconnection of Gas supply shall become forthwith due and payable without notice from the Company and Consumer shall pay the same on demand. In case of default late payment surcharge shall be payable by the Consumer as provided in clause 7.02 above.
25. The price of Gas and or charges payable by the Consumer under this Contract shall also be subject to such charges as may be notified by the Government from time to time and the rates so notified by the Government shall take effect from the date fixed by the Government irrespective of the whether the same have been intimated or not, to the Consumer by the Company.
26. In the event of disconnection at the request of the Consumer or due to any default on his/her/ their part a sum of Rs. 1,000/- subject to increase/decrease by the Government in this behalf as reconnection fee shall have to be paid by Consumer before the Gas supply is restored by the Company. Restoration of Gas supply shall in any case be subject to the availability of meter and to other necessary equipment
27. All the above mentioned terms and conditions contained in this Contract have been read and understood by the Consumer and a copy of terms and conditions has been received by the Consumer and the Consumer undertakes and agrees to abide by all such terms and conditions in token whereof the Consumer has affixed his/her/their signature and seal hereunder.

Signed for and on behalf of
SUI SOUTHERN GAS COMPANY LTD

For MANAGING DIRECTOR

For & on behalf of
INTERNATIONAL INDUSTRIES LTD.


Managing Director
Signed by the Customer

Dated: 01-04-2005

M/S: INTERNATIONAL IND. LTD.

CHIEF EXECUTIVE

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