



Rating Action

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PACRA ASSIGNS “AA” RATING TO THE SUKUK ISSUE OF SUI SOUTHERN GAS COMPANY LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of ‘AA’ (Double A) to the secured Sukuk issue of PKR 4,700mln by Sui Southern Gas Company Limited (SSGC). The rating denotes a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

The rating reflects SSGC’s low financial and business risks. The low risk profile emanates from the GoP-guaranteed return of 17% on its net average operating assets, which continue to grow in pursuance of the company’s aggressive network expansion plan. The rating also takes into account the company’s strong cash flows, sound financial coverages and adequate liquidity. Due to the capital-intensive nature of the industry and government regulations, SSGC is likely to maintain its monopoly position in its area of franchise (Sindh and Balochistan).

About the company: Sui Southern Gas Company Limited (SSGC), formed in 1989 as a result of a series of mergers, is an integrated gas company with transmission and distribution operations in its franchise area comprising Sindh and Balochistan provinces. SSGC is currently catering to gas requirements of around 1.9 million customers in domestic, commercial and industrial sectors with a network that spans over 30,000 kms. Currently, GoP has around 60% stake in the company, whereas, 16% is owned by individuals and rest by various financial institutions. The company was on the privatization agenda. However, recently, the privatization of SSGC has been put on hold.

About the Sukuk Issue: The company has issued a privately placed Sukuk of PKR 4,700mln to re-profile part of its debt obligations and finance its capex requirements. The Sukuk issue is for a tenor of 5 years (with 2 and a half years grace period) and carries a profit at the rate of 3-months KIBOR plus 20bps, payable quarterly. The Musharaka investments will be repurchased in ten consecutive quarterly installments commencing from the 33rd month after the date of issue. The instrument is secured by way of first exclusive charge over Head Office building and Karachi Terminal land of the company with 25% margin.

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