



Rating Action

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PACRA MAINTAINS RATINGS OF SUI SOUTHERN GAS COMPANY LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Sui Southern Gas Company Limited (SSGC) at “AA-” (Double A minus), and “A1+” (A One Plus), respectively. The rating of the *Sukuk* has been maintained at “AA” (Double A). The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

The ratings reflect SSGC’s sovereign ownership structure – majority ownership of the Government of Pakistan (GoP) – and strategic importance. The ratings also take into account the company’s low business risk emanating from its monopolist position in its area of franchise (Sindh and Balochistan) and guaranteed return on its net operating assets.

However, the outlook on the ratings is negative which indicates significant pressure on the company’s financial profile due to sizeable upcoming debt maturities, coupled with subdued profitability – mainly due to sizeable UFG – and relatively constrained cashflows. This is further aggravated by the prevailing circular debt issue in the industry.

About the company: 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, where it enjoys a monopoly position. SSGC is currently catering to the gas requirements of around 2.2 million customers in the domestic, commercial and industrial sectors, with a network that spans over 34,282 kilometers. The government owns around 64% of the company’s shares, which are listed on the Karachi, Lahore and Islamabad stock exchanges.

The fourteen member Board of Directors has eleven representatives of the GoP. The board members have vast experience in the energy, financial and civil services sectors.

About the Sukuk: SSGC issued a privately placed *Sukuk* of PKR 4,700mln in December 2007. The *Sukuk* is for a tenor of 5 years (with 2 and a half years grace period) and carries profit at the rate of KIBOR plus 20bps, payable quarterly in arrears.

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