



**Rating Action**

Lahore: (13-April-2011)

**Analyst**

Aisha Khalid  
(+92-42-3586 9504)  
aisha@pacra.com  
www.pacra.com

**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 (SSSC) 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 monopolistic position in its area of franchise (Sindh and Balochistan) and guaranteed return on its net operating assets, translating into low business risk. Moreover, the company's strategic importance supplemented by its sovereign ownership structure remains a key rating factor. The recent regulatory relief has benefited the company in improving its financial profile though its continuity remains to be seen. In the meantime, effective management of the company's debt profile is important.

Outlook on the rating is negative, which indicates potential pressure on the company's financial profile in the wake of rising UFG losses, and pending adjudication of the court case on non operating income and UFG benchmark.

**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 ~ 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 principal repayment has commenced since September 2010. The *Sukuk*, carrying a profit at the rate of 3 months KIBOR plus 20bps, payable quarterly in arrears, would mature in December 2012.

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