



Rating Action

Lahore: (07-Jan-11)

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PACRA MAINTAINS ENTITY RATINGS OF SUI NORTHERN GAS PIPELINES LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Sui Northern Gas Pipelines Limited (SNGPL) at **AA** (Double A), and **A1+** (A One Plus), respectively. 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 SNGPL's sovereign ownership structure and strategic importance, implying strong sponsor support. The ratings also incorporate the company's low business risk, attributable to its monopolist position in its area of franchise (Punjab, Khyber Pakhtunkhwa (KP) & Azad Jammu and Kashmir (AJK)) – and guaranteed return on its net operating assets. Meanwhile, robust cash flows and low leveraged capital structure of the company lend it financial flexibility.

Effective implementation of the management's strategy for the curtailment of gas losses to keep profitability intact and continuing regulatory support would remain critical for the ratings. Favourable circular debt developments and uninterrupted gas supplies would also be crucial. Meanwhile, excessive leveraging, impacting SNGPL's financial profile, would have negative rating implications.

About the company: Established in 1963 and listed on all three stock exchanges, Sui Northern Gas Pipelines Limited is the largest integrated gas company in the country, engaged in the business of the purchase, purification, transmission and distribution of natural gas. The government, mainly through the President of Pakistan, has the largest stake (55%) in the company and nine nominees on the thirteen member BoD, which also includes representatives from private business groups. Among the private groups, Dawood Hercules Group holds 16%, while Nishat Group owns 9%.

SNGPL caters to the gas requirements of around 3.7mln customers based in Punjab, KP and AJK, with a network that spans over 83,000kms and covers 1,921 towns.

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