RATING REPORT

Sui Northern Gas Pipelines Limited

REPORT DATE:
November 02, 2022

RATING ANALYSTS:
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RATING DETAILS		
Rating Category	**Initial Rating**	
	Long-term	**Short-term**
Entity	AA+	A-1+
Rating Date	*2nd Nov, 2022*	
Rating Outlook	Stable	

COMPANY INFORMATION	
Incorporated in 1963	**Chairperson of the Board:** Ms. Roohi Raees Khan
Public Listed Company	**Chief Executive Officer:** Mr. Ali J. Hamdani
Key Shareholders (with stake 10% or more):	**External Auditors:** M/s. Yousaf Adil Chartered Accountants
Government of Pakistan – 57.6%	

APPLICABLE METHODOLOGY(IES)
Applicable Rating Criteria: Corporates (August 2021)
https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf

Sui Northern Gas Pipelines Limited (SNGPL)

OVERVIEW OF THE INSTITUTION

Sui Northern Gas Pipelines Limited (the Company) is a public limited company incorporated in Pakistan on June 17, 1963 under the Companies Act, 1913 (now Companies Act, 2017) and listed on the Pakistan Stock Exchange Limited. The principal activity of the Company is the purchase, transmission, distribution and supply of natural gas.

RATING RATIONALE

The ratings assigned to Sui Northern Gas Pipelines Limited (SNGPL) factors in the strategic position of the company as one of the only two gas distribution companies operating in the country. The role, responsibility and infrastructure of the company used in dissemination of utilities is deemed critical from national security and economic sustenance perspective. The business risk profile of the company derives strength from its established franchise network, guaranteed return on net operating assets and presence of the sovereign throughout the value chain. The ratings incorporate the materialization of the company's objective to reduce the absolute quantum of unaccounted for gas and percentage proportion by pursuing a multi-dimensional framework. Given the company is part of the gas circular debt, there are sizable receivables and payables outstanding on the company's books. The liquidity management remains critical for ratings and is currently being managed by delay of payables and utilization of short-term borrowings; however, on the other hand, the receivables pose no major credit risk to the company as a sizable proportion are due from government or government owned entities. Currently, the financial statements for the year ending June-22 have not been published owing to time being taken for finalization of Final Revenue Requirement (FRR) for FY21 by OGRA. The ratings take note of key audit matter cited by auditors involving attention towards the settlement of intercorporate balances and accumulation of circular debt. Going forward, sizable capex is planned pertaining to expansion of transmission and distribution networks; however, the same is projected to be financed either by retained profits or government grants with no incremental commercial borrowing to be procured, therefore gearing is expected to improve in the medium term. Moreover, incremental cashflows will supplement SNGPL's financial risk profile. Going forward, the ratings remain dependent upon overall economic, financial and political scenario prevalent in the country coupled with maintenance of company's financial risk profile.

Company profile: SNGPL was incorporated as a private limited company in 1963 and converted into a public limited company in January 1964 under the Companies Act 1913, now the Companies Act, 2017 and is listed on Pakistan Stock Exchange Limited. The Company took over the existing Sui – Multan System (217 miles of 16 inch and 80 miles of 10-inch diameter pipelines) from Pakistan Industrial Development Corporation (PIDC) and Dhulian – Rawalpindi – Wah system (82 miles of 6-inch diameter pipeline) from Attock Oil Company Limited. The Company's commercial operations commenced by selling an average of 47 MMCFD gas in two regions through Multan and Rawalpindi. SNGPL is the largest integrated gas company serving more than 7.3 million consumers in North Central Pakistan through an extensive network in Punjab, Khyber Pakhtunkhwa and Azad Jammu & Kashmir. The Company has over 58 years of experience in operation and maintenance of high-pressure gas transmission and distribution system. It has also expanded its activities as Engineering, Procurement and Construction (EPC) Contractor to undertake the planning, designing and construction of pipelines, both for itself and other organization.

<u>Business Risk Landscape</u>

<u>Monopolistic market structure and competition:</u> Presently there are two gas distribution companies operating in Pakistan, SNGPL and Sui Southern Gas Company Limited (SSGCL),

both directly or indirectly owned by the government. A few independent pipelines from Mari and Uch also supply gas to nearby power and fertilizer plants. The transmission network (13,714Km) and distribution network (183,407Km) are spread across four provinces' main urban areas. The gas transmission industry is monopolistic in nature and lacks competition in Pakistan as each distribution company is a sole supplier of gas in its jurisdiction. Both distribution companies catered to around 10.3m customers nationwide by end-FY21 increasing at a rate of 8% annually.

Given strategic importance the sector is highly regulated: The tariff is determined by OGRA on annual basis. While determining tariff, OGRA allows guaranteed return and operational costs. There is a dual gas pricing system; local gas and Re-gasified Liquefied Natural Gas (RLNG) are priced independently. The Parliament of Islamic Republic of Pakistan in February 2022 passed an Act amending certain sections of OGRA Ordinance 2002 which is primarily deal with the Weighted Average Cost of Gas (WACOG). Under the WACOG, all gas sources, including RLNG and local gas, were to be pooled in, and a weighted average cost was to be taken for determination of end consumer prices; however, for implementation of the provisions of the aforementioned Act some policy guidelines are required to be issued to OGRA by the Federal Government which are still pending at the government level. Till the time the necessary guidelines are issued to OGRA the earlier frame work of separate price notifications for system gas and RLNG will continue to be in force. Generally, all the activities in the gas sector in Pakistan, directly or indirectly, are under government control. Government delays in implementation of regulatory frameworks and poor policy formulation are hindering sectoral growth and creating inefficiencies in the supply chain. Politically influenced allocations and monopolistic business operations are all bottlenecks.

Demand supply gap, increasing reliance on imported gas: Owing to its global ranking, a recent study suggests that Pakistan has around 19 trillion cubic feet (tcf) of proven gas reserves. The consumption rate of natural gas per year has been recorded at 1,590,904 million cubic feet (mmcf). As a result, Pakistan has proven reserves equivalent to 12.0 times its annual consumption. Moreover, as there is no significant addition, proven gas reserves are also depleting. With no significant gas discoveries in recent years, gas production has started decreasing after reaching a peak in FY2012, the gas production decreased to 3,511 million cubic feet per day (mmfcd) in FY21 as opposed to 3,589 mmcfd in the preceding year. Originating from decline in indigenous production, Pakistan's reliance on imported Re-gasified Liquified Natural Gas (RLNG) has been increasing in recent years to bridge the demand supply gap. Pakistan State Oil (PSO) and Pakistan LNG Limited (PLL), are importing LNG, the former has signed two long-term contract of 15 and 10 years with Qatar and Qatar Petroleum respectively however, PLL has relatively short-term contracts with Gunvor and Shell. LNG imported by both companies is re-gasified at the Engro Elengy Terminal Limited (EETL) and PGP Consortium Limited (PGPCL), respectively. Presently, the capacity of two Floating Regasification Storage Units (FRSU) for RLNG is more than 1,200 mmcfd. Given the sector is a supply deficit, the companies are not exposed to demand risk. On the other hand, rising LNG price trends in the global energy market are creating problems in securing LNG supplies in Pakistan. The LNG price shock is expected to continue for some time due to global developments in the wake of the Ukraine War. With depleting gas reserves and rising demand, the share of imported gas is expected to scale upwards in the absence of any major reserve discovery.

Future plans for sector evolution: Turkmenistan- Afghanistan- Pakistan -India (TAPI) gas pipeline project aims to bring natural gas from the Gylkynish and adjacent gas fields in

Turkmenistan to Afghanistan, Pakistan and India. The Asian Development Bank (ADB) is acting as the facilitator and coordinator for the project. The feasibility study, proposed to lay a 56-inch diameter and 1,680 KM pipeline with design capacity of around 3.2 billion cubic feet of natural gas per day from Turkmenistan through Afghanistan and Pakistan up to Pak-India border. After completion, Pakistan is expected to receive 1,325 mmcfd gas from the pipeline. Originally, the cost of the pipeline project was reportedly estimated at US $7.6 bn but a more recent estimate of US $10bn was presented. Work on the project started in Turkmenistan during 2015; however, the same has faced several delays in wake of volatile foreign relations between concerned countries, political instability especially in Afghanistan and pandemic. The construction work was expected to resume in Sep'22, therefore, expected completion date has not been announced by the government yet.

In addition, Pakistan and Russia have signed an Inter-Governmental Agreement for North South Gas Pipeline (NSGPP) agreement for the construction of about 1,100-km gas pipeline from Port Qasim in Karachi to Lahore at an estimated cost of US $2.5-3.0b. The project once completed will increase the country capacity to transport imported RLNG by around 1,200-1,500 mmcfd. The proposed pipeline would be the country's first dedicated RLNG pipeline. The initial completion timeline was stated as of end-Dec'23; however, the same is expected to be marked by delays in line with ongoing Russia-Ukraine War and related sanctions on the former from Western nations.

Revenue recognition primarily linked to operating assets and include adjustment of unaccounted for gas (UFG):

SNGPL's financial return is linked to its transmission and distribution operating assets; tariff setting incentivizes capital investment in network expansion over pipeline maintenance. The incremental connections added over time increase the company's fixed assets while the company is guaranteed a market-based return on their net operating fixed assets. There is a comprehensive formula based on weighted average cost of capital (WACC) for calculation of rate of return; the same involves different variables including risk free return, 15-year average of stock market return, 6-month average of Kibor, cost of debt, cost of equity, tax rate etc. As per the revised calculation of OGRA, the rate of return for FY22 and onwards has reduced slightly to 16.60% from previously computed 17.43% in line with major variance in equity market return. In addition, the determination of annual revenue requirement also factors in the determination of UFG allowance and disallowance to the state-owned gas utilities companies. UFG is a phenomenon of gas loss which is contingent upon occurrence of various technical factors when gas flows from fields to end consumer. It is calculated as the difference between metered gas volume injected into the transmission and distribution network (point of dispatch) and the metered gas delivered to the end consumers (consumer meter station) during a financial year.

Key audit matter regarding recognition of deferments/ disallowances determined by OGRA. There is delay in publishing of annual financial statements also given issue pertaining to interpretation of revenue recognition (IFRS-15) persists:

SNGPL has recognized tariff adjustment on indigenous gas and RLNG, aggregating to Rs. 54.1b (FY20: 81.3b) and Rs. 59.1b (FY20: 44.7b), respectively, for FY21 in the statement of profit or loss as the management believes that such deferments / disallowances are against the past practices and the claims of the Company are legitimate. The tariff adjustment on indigenous gas includes an amount of Rs. 25.9b on account of various items /expenses which have either been deferred or disallowed by the OGRA on different grounds in Final Revenue Requirement (FRR) 2020-21. Moreover, the aggregate amounts deferred / disallowed by the OGRA in this respect were recorded at Rs. 82.7b for indigenous gas and RLNG on account of interest accrued on delayed payments to Government owned entities for gas purchases; the same has been pended by OGRA till the eventual payment / settlement of circular debt by Government of Pakistan for FY21.Motion for review of the same has already been filed. However, considering the significance of the amounts involved and judgments taken by the management, the auditors have highlighted it as 'Key Audit Matter'.

Increase in revenues on a timeline in line with increase in operating assets of the company coupled with reduction in UFG losses despite revision of Rate of Return on Average Net Assets (ROA):

SNGPL operates on cost plus model with ROA of 16.60% decided post FY21 and onwards. Total revenue requirement takes into cost of gas, operating expenses and ROA. Continuous capex carried out resulted in growth of operating assets; given the same is directly linked with revenue recognition therefore SNGPL's revenue exhibited positive momentum on a timeline increasing to Rs. 852.0b (FY21: Rs. 757.6b; FY20: Rs. 744.6b) during 9MFY22. Apart from that, the increase in price of LNG has also resulted in an increase in revenues; higher sales pertaining to LNG were recorded at Rs. 572.3b (FY21: Rs. 469.2b; FY20: Rs. 434.3b) during 9MFY22. On the other hand, revenue from sale of indigenous gas has continued to declined to Rs. 135.5b (FY21: Rs. 175.3b; FY20: Rs. 184.3b) conforming that the country's dependence on imported gas is increasing since the past few financial periods. Another component of revenue is tariff adjustment which was recorded at Rs. 144.2b (FY21: Rs. 113.1b; FY20: Rs. 126.0b) during 9MFY22. Further, the shortfall of revenue requirement against sales is further adjusted for UFG allowance as per the revenue requirement financial model. In line with effective implementation of UFG control plan, SNGPL was able to reduce the UFG losses from 24,755 mmcf (8.45%) during 9MFY21 to 21,248 mmcf (7.79%) during 9MFY22; the reduction in UFG losses has also contributed to uptick in revenues. The substantial reduction in UFG was made possible due to concerted efforts of the Board in setting target for UFG reduction and continuous observance thereof. The management in that regard worked effectively on reduction of gas losses in Karak, KPK. In addition, for real time monitoring of over 1800 industrial consumers, SNGPL started using advance Remote Connectivity Solution that is Supervisory Control and Data Acquisition (SCADA) System for prompt detection of gas theft, measurement errors and load enhancement cases. SNGPL has a diverse consumer base comprising domestic and commercial sectors including power utilities, fertilizer, cement, and other industries. The gross margin of the company has declined to 5.5% (FY21: 7.0%; FY20: 7.3%) in line with increase in prices of LNG coupled with reduction in ROA component from 17.43% to 16.6% during 9MFY22.

Other operating income was recorded at 17.4b (FY21: 19.5b; FY20: Rs. 19.2b) during 9MFY22; the same primarily includes income from financial assets involving interest gain on late payment of gas by consumers. Late payment surcharge rate differs for domestic and industrial consumers; the LPS for domestic consumers is one-time on overdue amounts calculated at the rate of 10%. The other operating expenses, primarily including selling and administrative expenses, if annualized have increased during the review period in line with general inflation, higher scale of operations and annual adjustments of employee related expenses. However, due to the hike in market interest rates, finance costs have increased (annualized) to Rs. 35.8b (FY21: Rs. 40.0b; FY20: Rs. 49.0b) despite reduction in average borrowings during 9MFY22. However, despite dip in margins and increase in operating and financial expenses, the net profit for 9MFY22 reported by the company at Rs. 9.4b (FY21: Rs. 11.0b; FY20: Rs. 6.0b) demonstrated upward trajectory in line with growth in operating scale. Going forward, the finalization of financial statements for the year-end June' 22 carries vital significance from the rating perspective. OGRA determines the company's final revenue requirement and the company's final accounts are contingent upon OGRA announcement; it is expected that SNGPL will be able to furnish the accounts within the stipulated timeframe of 60 days hence full year accounts will be available by end-Feb'23.

Cash flows are adequate for servicing outstanding debt obligations; gas sector circular debt leading to accumulation of receivables remains a rating concern

Liquidity profile of the company is supported by healthy cash flows generation. In line with growth in revenues, funds from operations (FFO) increased to Rs. 63.7b (FY21: Rs. 79.6b) at end-9MFY22. Further in line with augmentation of FFO coupled with overall reduction in debt levels, FFO to total debt and FFO to long-term debt improved on a timeline to 0.89x (FY21: 0.78x; FY20: 0.74x) and 1.28x (FY21: 1.09x; 1.01x) respectively at end-9MFY22. Moreover, SNGPL in terms of revenues and assets has limited reliance on long-term debt therefore debt service coverage ratio is comfortable at 2.04x (FY21: 5.10x; FY20: 4.24x) at end-9MFY22; the same has trended downwards during the review period as a sizable long-term debt maturity fell under the concerned period so once full year assessment is completed and revenue is recorded the DSCR will bounce back to near historic number. On the other hand, gas sector continues to be gripped by growing circular debt in the country which reached Rs. 1.5 trillion mark in Oct'22, translating into liquidity constraints for the gas utility providers. SNGPL is part of gas sector circular debt mainly due to accumulation of tariff adjustment of Rs. 590.4b (FY21: Rs. 446.2b) at end-9MFY22 in indigenous gas and RLNG segments and retainage of certain volumes of RLNG by SSGCL. The recoverability of these amounts is dependent upon settlement by the GoP directly or indirectly inter alia including increase in future gas prices and settlement of account with SSGCL.

Given SNGPL sells RLNG to various subsidized sectors including fertilizer, export-oriented consumers and the domestic sector, failure of full recovery of the price of costly RLNG has resulted in accumulation of SNGPL receivables from the government. Further, due to these subsidized tariffs, the company's ability to pay RLNG suppliers, PSO and PLL, has been adversely impacted; the company's total payables have therefore increased to Rs. 783.2b (FY21: Rs. 528.3b; FY20: Rs. 452.4b) by end-9MFY22. Resultantly the cash conversion cycle was reported at negative 175 days (FY21: (188) days; FY20: (155) days) during 9MFY22. To ease out liquidity pressure for the company, GoP paid over Rs. 60.0b to SNGPL in 4QFY22 as subsidy for financing deficit created due to diversion of RLNG to domestic sector; however, the impact of the same will be visible in full year account. The practice if continued will help SNGPL to reduce circular debt issue substantially. Going forward, given the circular debt situation of the country coupled with overall economic and political instability, regular collections from the government are expected to remain under pressure in the medium term.

Gearing reduced on a timeline basis in line with augmentation of equity base along with declining trend seen in borrowings. However, sizable uptick in payables stemming from continuously increasing negative net operating cycle has resulted in higher debt leverage.

Despite payment of significant dividend quantum amounting to Rs. 3.8b, total equity of SNGPL increased on a timeline to Rs. 39.9b (FY21: Rs. 34.2b; FY20: Rs. 25.1b) at end-

9MFY22 owing to internal capital generation. Further, as delay in payment of payables is primarily used to for meeting working capital requirements, the short-term borrowings of SNGPL largely remained range bound, reported between Rs.28.0 to Rs. 30b during the last four financial periods; the same in term of asset and revenue size are insignificant in value. Moreover, irrespective of significant capex investment aggregating to Rs. 45.7b in FY21 and 9MFY22, long-term borrowings decreased on a timeline to Rs. 66.6b (FY21: Rs. 73.0b; FY20: 79.9b) in line with timely periodic repayments of obligations falling due. Subsequently, with overall decline in utilization of borrowings coupled with augmentation of equity period, gearing of the company improved to 2.40x (FY21: 3.0x; FY20: 4.36x) by end-9MFY22. On the other hand, leverage remained huge at 29.4x (FY21: 25.8x; FY20: 30.9x) at end-9MFY22; the same remains a limitation of business model of the company as the delay in receivables of the gas distributor are financed by payable gas procuring suppliers as government entities are present at both end of the value chain. Going forward, although capex amounting to Rs. 30.5b is planned to be carried out for FY23; the same is be financed by internally generated capital or donations by government so the gearing is expected to improve from current levels. However, debt leverage will continue to remain a function of trade payables hence, will remain on a higher side.

Sui Northern Gas Pipelines Limited — Appendix I

BALANCE SHEET *(PKR Billions)*	FY19	FY20	FY21	9MFY22
Property, Plant & Equipment	200.8	206.0	214.1	220.7
Right of use Assets	-	33.9	33.4	30.8
Employee Benefits	2.9	4.2	4.2	4.7
Store, Spares and Loose Tools	5.0	5.6	6.6	8.2
Stock-in-Trade	9.0	6.8	4.7	9.1
Trade Debts	157.6	164.8	172.3	273.9
Loans & Advances	2.1	2.5	2.1	2.8
Other Receivables	203.3	332.7	446.2	590.4
Balances with Statutory Authorities	41.1	32.8	23.0	49.3
Cash & Bank Balances	6.2	7.5	10.3	18.8
Total Assets	629.4	801.0	918.1	1,210.4
Trade and Other Payables	351.43	452.4	528.3	783.2
Interest Payable	50.5	84.1	111.7	140.2
Long Term Debt *(including current maturity)*	50.9	79.9	73.0	66.6
Short Term Debt	28.5	29.7	29.6	29.2
Total Debt	79.4	109.7	102.6	95.8
Total Liabilities	608.4	775.9	883.8	1,170.6
Tier-1/Total Equity	21.0	25.1	34.2	39.9
Paid-up Capital	15.0	15.0	15.0	15.0
INCOME STATEMENT	**FY19**	**FY20**	**FY21**	**9MFY22**
Net Sales	781.9	744.6	757.6	852.0
Gross Profit	35.8	54.4	52.9	46.9
Profit Before Tax	11.1	8.4	15.8	14.0
Profit After Tax	7.1	6.0	11.0	9.4
Funds from Operations	55.2	80.9	79.6	63.7
RATIO ANALYSIS	**FY19**	**FY20**	**FY21**	**9MFY22**
Gross Margin (%)	4.6%	7.3%	7.0%	5.5%
Net Margins (%)	0.8%	0.8%	1.45%	1.1%
Current Ratio (x)	0.95	0.95	0.97	0.98
Net Working Capital	(20.9)	(32.1)	(22.7)	(19.7)
FFO to Total Debt (x)	0.69	0.74	0.78	0.89
FFO to Long Term Debt (x)	1.08	1.01	1.09	1.28
Debt Leverage (x)	28.91	30.87	25.83	29.37
Gearing (x)	3.77	4.36	3.00	2.40
DSCR (x)	3.46	4.24	5.10	2.04
ROAA (%)	1.0	0.8	1.3	0.8
ROAE (%)	28.5	26.0	37.0	23.7
(Stock in Trade+ Trade Debt) to Short-Term Borrowing Ratio (x)	5.85	5.77	5.98	9.71

ISSUE/ISSUER RATING SCALE & DEFINITIONS Annexure II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES					**Appendix III**
Name of Rated Entity	Sui Northern Gas Pipelines Limited				
Sector	Gas Utilities				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	**Rating Date**	**Medium to Long Term**	**Short Term**	**Rating Outlook**	**Rating Action**
	02/11/2022	AA+	A-1+	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted

	Name	Designation	Date
1	Mr.Faraz Ejaz	Chief Accountant Tax	Nov 22, 2022
2	Mr. Faisal Iqbal	CFO	Oct 12,2022