VIS
Credit Rating Company Limited

SUI NORTHERN GAS PIPELINES LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA+	A1+	AA+	A1+
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	February 17, 2026		January 20, 2025	

Shareholding (5% or More)	Other Information
Direct Government of Pakistan (GoP): 32%	Incorporated in 1963
Indirect GoP: 26%	Public Listed Company
General Public: 42%	Chief Executive: Mr. Amer Tufail
	External Auditor: A.F. Ferguson & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Industrial Corporates & Government Supported Entities
https://docs.vis.com.pk/docs/CorporateMethodology.pdf
https://docs.vis.com.pk/docs/Meth-GSEs202007.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings reflect the strategic importance of Sui Northern Gas Pipelines Limited (SNGPL) as Pakistan's largest gas transmission and distribution utility, serving over 7.3 million consumers within a monopolistic market structure. The Company's status as a State-Owned Enterprise (SOE) continues to underpin the ratings. Operationally, SNGPL benefits from an extensive and well-established transmission and distribution network. Ongoing initiatives aimed at network expansion, system upgrades, and efforts for reduction in Unaccounted-for Gas (UFG) support operating efficiency and earnings stability over the medium term.

The business risk profile remains shaped by the prevailing regulatory framework, governed by OGRA's tariff determination mechanisms which provides visibility on allowed returns over the Company's asset base. However, exposure to circular debt accumulation and potential policy shifts remains a key rating constraint. During the period, domestic gas production declined to its lowest level in nearly two decades, driven by oversupply of imported RLNG and subdued industrial demand following the imposition of an off-grid levy on captive gas consumption, which shifted consumers towards grid electricity and solar solutions, adversely impacting the Company's liquidity. Liquidity profile remained sound despite a highly leveraged capital structure and elevated working capital pressures stemming from circular debt. Going forward, planned capex aimed at network expansion, system upgrades, and new gas injections is expected to support operational efficiency and long-term sustainability, although unresolved circular debt and incremental operational debt requirements will keep leverage elevated.

Company Profile

Sui Northern Gas Pipelines Limited (SNGPL) was incorporated in 1963 and converted into a public limited company in 1964. It is listed on the Pakistan Stock Exchange and classified as a State-Owned Enterprise under the State-Owned Enterprises (Governance and Operations) Act, 2023.

SNGPL is Pakistan's largest integrated gas utility, serving over 7.3 million consumers across Punjab, Khyber Pakhtunkhwa, and Azad Jammu & Kashmir through an extensive transmission and distribution network. With more than 62 years of experience, the Company has strong expertise in operating and maintaining high-pressure gas infrastructure and also functions as an EPC contractor for pipeline projects.

Management and Governance

CHAIRMAN/CEO PROFILE

Mr. Muhammad Ismail Qureshi serves as the Chairman of the Board. He was last Rector of National School of Public Policy (NSPP), Pakistan's premier institute of public servants' training and education till December, 2016. He has over 36 years of experience in public service and development, and has served in many positions in the Government of Pakistan.

Mr. Amer Tufail is the Managing Director/ CEO of the Company. He is a Chartered Accountant with ICAP membership. He joined the Company in 2004, holding key roles including Deputy MD (Services). With 28+ years of experience, he's worked in national and multinational entities, including multilateral funding agencies, exhibiting expertise in diverse fields.

BOARD & SENIOR MANAGEMENT

The Board consists of directors with diverse and extensive expertise in business, finance, and international affairs. The Chairperson of the Board and the Chair of the Board Audit Committee are independent non-executive directors, ensuring fairness, transparency, and impartiality in all deliberations and decisions.

The Board has established five specialized committees: Board Audit Committee, Finance Procurement & Business Diversification Committee, Human Resource, Remuneration & Nomination Committee, Risk Management & Unaccounted for Gas (UFG) Control Committee, and IT/Digitalization Committee.

The Company's IT/MIS functions operate on Oracle Enterprise Systems, including Oracle E-Business Suite and Oracle Utilities CC&B, with modules spanning finance, inventory, purchasing, HR, payroll, and asset management. During the ongoing year, a tender has been initiated to upgrade Oracle Utilities from version 2.6 to 25.4 to enhance system capabilities.

During the period, the Company has made notable progress in meeting its reporting deadlines and now fully complies with the timely finalization and publication of its financial statements. The FY25 accounts are audited by A.F. Ferguson & Co., Chartered Accountants, who have issued a qualified opinion due to non-application of certain IFRS 14 presentation requirements. The SECP's previous exemption from these IFRS requirements expired in FY24, and following the SOE Act, 2023, exemption approval now rests with the Federal Government. The Company has submitted a request through the Ministry of Energy and Ministry of Finance, with the matter to be considered by the Cabinet Committee on State-Owned Enterprises. Additionally, the auditors have noted that these departures do not impact Company's profitability or retained earnings.

Business Risk

INDUSTRY UPDATE

The gas utility companies i.e., Sui Southern Gas Company Limited (SSGC) and Sui Northern Gas Pipelines Limited (SNGPL), are responsible for the transmission and distribution of natural gas to end consumers across Pakistan operating an extensive natural gas infrastructure, comprising over ~13,700 kilometers of transmission pipelines, ~157,400 kilometers of distribution mains, and 41,300 kilometers of service pipelines, serving over 10.4 million consumers nationwide. Gas supplies are sourced primarily from two channels: indigenous system gas produced by local exploration and production (E&P) companies, and imported Liquefied Natural Gas (LNG), which is largely procured by Pakistan State Oil (PSO), re-gasified locally, and supplied to power, industrial, and other consumer segments through the gas utilities.

Over the past years, Pakistan became increasingly reliant on imported LNG which is costlier than domestically produced system gas, as local production has been insufficient to meet overall demand. Pakistan's total natural gas reserves, including shale and tight gas, are estimated at approximately 63 trillion cubic feet (TCF). Of this, around 18.9 TCF were classified as proven and operational as of June 2025, reflecting limited investment in exploration and development activities. Domestic gas production has declined to its lowest level in nearly two decades, averaging around 2,886 million cubic feet per day (MMCFD). This decline is largely attributed to the oversupply of imported RLNG, reduced industrial demand due to imposition of an off-grid levy on captive gas consumption shifting consumers toward grid solar electricity.

The outlook for FY26 remains constrained, with gas production expected to range between 2,750–2,850 MMCFD. Some improvement may emerge from the government's planned renegotiation of its long-term RLNG supply agreement with Qatar in March 2026, where more flexible terms could potentially allow greater space for increased domestic gas production by E&P companies.

Operational Performance

The Company operates a high-pressure transmission network of 9,439 km. During the year, 86 additional towns and villages were connected through the installation of 2,024 km of distribution mains and service lines, expanding the network's coverage to 5,653 towns, villages, District Headquarters, and Tehsil Headquarters

PROFITABILITY

During FY25, the Government-determined weighted average cost of capital (WACC) was revised downward to 21.25% (FY24: 26.22%), reflecting a lower interest rate environment and adjustments under the regulatory WACC framework. While this lowered the benchmark return, the Company's actual profitability was impacted by weaker demand, with reduced gas consumption in the power sector and lower industrial (CPP) sales following tariff increases, resulting in net revenue of PKR 1,408 billion (FY24: PKR 1,532 billion). Consequently, Company's actual return on assets (ROA) declined to 13.84% (FY24: 19.60%).

Unaccounted-for Gas (UFG) volumes also declined to 30,027 MMCFD (FY24: 31,319 MMCFD). Despite this reduction, the overall UFG percentage increased to 5.27% (FY24: 4.93%) due to lower system input volumes amid declining consumption. It is estimated that had consumption levels remained unchanged, the UFG percentage would have been 4.73%. As a result of the higher UFG percentage, SNGPL recorded a disallowance of PKR 5.6 billion (FY24: PKR 1.19 billion), reducing the tariff adjustment amount and, in turn, the net revenue. The Company's UFG volumetric target for FY26 is set at 29 MMCFD.

The notable reduction in UFG volumes over the period is result of continued efforts including enhanced network visibility through SCADA enablement of all industrial connections, installation of cyber locks, laser-based leakage detection, and segmentation of high-consumption hubs to strengthen loss monitoring. Additionally, extensive projects such as micro-monitoring of UFG through the installation of over 6,600 Town Border Stations (TBS) have been undertaken, with the project successfully concluded in October 2025.

Weak industrial demand for gas constrained net revenue, with sales totaling PKR 318 billion in 1QFY26. However, the bottom line was sustained by lower finance costs, reflecting both a reduction in long-term borrowings and a downward revision in interest rates. As a result, net margins remained in line with the previous year.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile reflects a highly leveraged position, with gearing and leverage ratios recording at 2.6x and 22.8x, respectively, for FY25 (FY24: 2.6x and 24.6x). Total borrowings increased by 7% YoY to PKR 182 billion as of FY25, primarily driven by higher utilization of short-term debt due to Company's exposure to circular debt.

The Company's circular debt exposure arises mainly from the accumulation of receivables related to tariff adjustments pending government settlement. This is partially offset through the accrual of payables to government-owned entities for the purchase of gas and RLNG, thereby mitigating immediate liquidity pressures, however, increasing leverage.

As of end-FY25, the Company had accumulated substantial government-related balances. Trade receivables and payables (including accrued interest) stood at PKR 1,123 billion and PKR 1,211 billion, respectively (1QFY26: PKR 1,131 billion and PKR 1,209 billion). Excluding government-related balances, trade receivables and payables were significantly lower at PKR 90.2 billion and PKR 136 billion, respectively (1QFY26: PKR 110 billion and PKR 170 billion), indicating a manageable liquidity position on a net basis. Therefore, adjusted leverage ratio, excluding government-related balances, improves to 7.6x (FY24: 8.0x).

As of end-1QFY26, leverage ratios, both with and without adjustments for government-related receivables and payables, remained elevated, with only marginal movement from FY25 levels. Notably, a significant portion of the Company's short-term borrowings is supported by government guarantees, amounting to PKR 50 billion (i.e., ~30% of total short-term debt).

Looking ahead, the Company plans to undertake capital expenditure of PKR 48 billion in FY26 to fund projects including new gas injection from the Kot Palak Field, network augmentation, SCADA upgrade and expansion, and the addition of new household RLNG connections. This capex program is expected to be financed through PKR 20 billion in incremental debt, with the remaining funded from internal cash.

DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile remained broadly stable, with current ratio at 0.94x as of FY25 and 1QFY26 (FY24: 0.96x). Liquidity is supported by a negative cash conversion cycle, resulting in cash and bank balances of ~PKR 17.7 billion at end-1QFY26. Funds from Operations

(FFO) increased to PKR 52.7 billion in FY25 (FY24: PKR 41.2 billion) and stood at PKR 5.15 billion in 1QFY26, reflecting lower sales during the quarter.

Consequently, FFO to long-term debt for FY25 improved to 3.4x (FY24: 1.8x), partly due to decline in long-term debt levels. FFO to short-term and total debt ratios also improved to 0.33x and 0.29x (FY24: 0.29x and 0.24x), respectively. Debt service coverage (DSCR) strengthened to 2.27x (FY24: 1.76x), indicating adequate capacity to service debt obligations.

Financial Summary (PKR Mn)						Appendix I
BALANCE SHEET	FY21A	FY22A	FY23A	FY24A	FY25A	1QFY26M
Property, Plant & Equipment	214,091	224,938	245,880	280,460	318,117	318,902
Stock-in trade	4,680	12,497	18,247	19,046	26,230	25,830
Trade Debts	172,260	307,900	293,928	283,179	181,166	240,336
Other receivables	446,204	602,434	953,480	866,088	942,344	891,238
Cash & bank balances	10,328	15,794	16,234	17,745	15,925	17,712
Total Assets	918,060	1,268,107	1,684,716	1,642,408	1,681,646	1,692,422
Trade and Other Payables	528,309	828,842	1,038,818	1,160,521	1,170,546	1,168,335
Long Term Loan (including current portion)	36,996	31,894	26,377	29,747	23,112	20,488
Short Term Borrowings	29,599	19,019	118,179	140,209	159,413	165,213
Total Interest-Bearing Debt	66,595	50,914	144,557	169,956	182,526	185,701
Total Liabilities	883,840	1,228,459	1,639,130	1,578,215	1,611,000	1,618,330
Paid -up Capital	6,342	6,342	6,342	6,342	6,342	6,342
Revenue Reserve	27,878	33,306	39,243	57,851	64,304	67,750
Total Equity/ Tier-1 Equity	34,220	39,648	45,586	64,193	70,646	74,092
INCOME STATEMENT	FY21A	FY22A	FY23A	FY24A	FY25A	1QFY26M
Net Sales	757,627	1,293,677	1,459,044	1,532,911	1,408,551	318,599
Gross Profit	52,852	85,522	127,458	44,414	80,484	11,028
Operating Profit	36,365	51,348	100,006	13,242	25,147	4,688
Finance cost	40,037	57,296	120,521	38,041	30,467	6,540
Profit / (Loss) Before Tax	15,842	15,504	15,772	29,843	24,446	6,201
Taxation	4,856	5,137	5,208	10,867	9,854	2,755
Profit / (Loss) After Tax	10,986	10,366	10,564	18,977	14,592	3,446
Funds from Operations (FFO)	65,817	77,970	130,926	41,173	52,738	5,151
RATIO ANALYSIS	FY21A	FY22A	FY23A	FY24A	FY25A	1QFY26M
Gross Margin (%)	7.0%	6.6%	8.7%	2.9%	5.7%	3.5%
Net Margin (%)	1.5%	0.8%	0.7%	1.2%	1.0%	1.1%
FFO to Long-Term Debt *	2.4	3.0	6.7	1.8	3.5	1.7
FFO to Total Debt *	1.0	1.5	0.9	0.2	0.3	0.1
Debt Servicing Coverage Ratio (x) *	1.49	1.31	1.15	1.76	2.27	1.32
ROAA (%) *	1.2%	0.9%	0.7%	1.1%	0.9%	0.8%
ROAE (%) *	32.1%	28.1%	24.8%	34.6%	21.6%	19.0%
Debt Leverage (x)	25.83	30.98	35.96	24.59	22.80	21.84
Adjusted Leverage (x)	8.31	7.24	14.27	8.09	7.64	7.87
Gearing (x)	1.95	1.28	3.17	2.65	2.58	2.51
Cash Conversion Cycle *	(188)	(180)	(205)	(211)	(255)	(279)
Current Ratio	0.97	0.98	0.97	0.96	0.94	0.94

**Annualized, if required*

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES	**Appendix II**
Name of Rated Entity	Sui Northern Gas Pipelines Limited
Sector	Gas Utilities
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action
RATING TYPE: ENTITY				
02/17/2026	AA+	A1+	Stable	Reaffirmed
01/20/2025	AA+	A1+	Stable	Reaffirmed
12/01/2023	AA+	A1+	Stable	Reaffirmed
11/02/2022	AA+	A1+	Stable	Reaffirmed

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

S.No.	Name	Designation	Date
1.	Mr. Raheel Farooq	General Manager (Accounts)	27-Jan-26