AKD Securities Limited

# SSGC— FY24 & 9MFY25 Analyst Briefing Takeaways

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|---|---|
| 42.3 Price (PkR/sh) | 880.9 Shares (mn) |
| 37,218.7 Market Capitalization (PkRmn) | 132.1 Market Capitalization (USDmn) |
| 18.0 3M Avg Turnover (mn) | 775.1 3M Avg DT Value(PkRmn) |

**Price Performance**

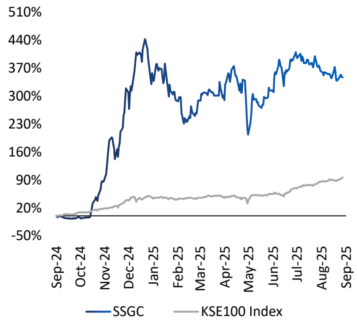
| HIGH | | LOW |
|---|---|---|
| 43.2 | -1.8% (1 Month) | 40.0 |
| 49.5 | 362.8% (52 Week) | 8.5 |

**Sui Southern Gas Company Ltd (SSGC) held its analyst briefing earlier today, wherein the following was discussed:**

- SSGC reported unconsolidated NPAT of PkR6.8bn (EPS: PkR7.76) during FY24, sharp turnaround from a net loss of PkR1.6bn (LPS: PkR1.80) during FY23. For 9MFY25, the company posted a net profit of PkR6.9bn (EPS: PkR7.88), up 5% YoY
- Company's core business segments include: i) transmission, distribution and supply of natural gas, ii) Design and construction of T&D projects, and iii) RLNG handling. Other ventures include SSGC LPG ltd and SSGC Alternate Energy Ltd.
- Company serves 3.2mn customers with a transmission and distribution network of 4.2k/49.8k km.
- Company's current customer mix stands as follows: 49.2%, 19.5%, 15.4%, 11.2%, 1.6% for Domestic, Process-industries, Captive power, Fertilizer, Commercial, respectively.
- Notably, captive power's share declined by 7.1% compared to FY24 share, while domestic and fertilizer sectors rose by 4.9% and 4.1%, respectively. Management stated that no further growth in mix is planned for the domestic segment.
- Discussions with K-Electric for a Gas Supply Agreement (GSA) remain unresolved due to KE's increased reliance on national grid supply and requirement for firm commitment. A separate bulk customer is also in active negotiations.
- SNGPL is currently not evacuating ~300mmcfd of gas due to line-pack constraints, while SSGC continues to uplift gas as per allocations.
- Following reduced gas flows to captive power plants, gas availability to industrial units has improved with minimal shortfalls, helping maintain balanced line-pack levels.
- Govt' remains committed to halting further gas circular debt accumulation, supported by upward gas price revisions, which significantly improved SSGC's payment capacity to E&P companies. However, recent curtailments to captive power have again strained payment flows.
- National task force on gas sector reforms has taken up matter of resolution of dues from Sui companies towards E&Ps, where management believes discussions are headings towards a positive solution, without burdening consumers.
- Ministry of Energy (Petroleum Division) has engaged KPMG and World Bank consultants for monitoring and addressing circular debt flows.
- SSGC's UFG declined meaningfully in FY24 to 10.59% (vs. 16.56% in FY23), with a volumetric reduction of 41bcf between FY19-24. Management estimates each 1bcf reduction in UFG adds to savings of ~PkR3.0bn.
- UFG rose to 12.86% in 9MFY25 (vs. 11.29% SPLY), attributed to winter-driven higher load, particularly in Balochistan.
- SSGC LPG saw revenue and profitability growth of 96%/67%YoY during FY24, with revenues at PkR34bn and NPAT at PkR1.3bn.
- Planned capex for the next two years is PkR40bn, following capex of PkR37bn in FY25.

- Management remains hopeful on allowing RLNG supplies to domestic customers, citing that UFG is a pass-through cost under RLNG pricing formulas.
- Revival of the JJVL (Jamshoro Joint Venture Ltd) gas processing plant has been approved by the Board and endorsed by SIFC. The facility was shut-off for the past five years, and is expected to resume operations within two months. 50% of income from this project will be treated as non-operating income under OGRA's current tariff regime.
- The scrip is not under our formal coverage.

***SSGC vs. KSE100 Index***




Source: PSX & AKD Research

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- Discounted Cash Flow (DCF, DDM)
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- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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Buy > 15% expected total return

Neutral > 0% to < 15% expected total return

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