

PAKISTAN

August 22, 2023

Foundation Alert

SNGP: Analyst Briefing Key Takeaways

Event

- Sui Northern Gas Pipelines Limited (SNGP PA) held its analyst briefing today to discuss FY22 results and the outlook of the company. Following are the key takeaways of the briefing.
- The company is not under our formal coverage.

Impact

- The company posted PAT of Rs10.4bn (EPS: Rs16.3) in FY22 against profit of Rs11.0bn (EPS: Rs17.3) in FY21. The decline in company profitability is attributable to (1) OGRA's disallowances on account of various operating costs, (2) high interest rates, (3) inconsistent treatment of RLNG related finance income and expense, and (4) decrease in rate of return on assets from 17.4% to 16.6%.
- Total Turnover of the company increased by 71% YoY to Rs1.3tn in FY22 against Rs757.6bn in FY21.
- Unaccounted For Gas (UFG) losses decreased by 54bps YoY to 8.1% in FY22 against 8.6% in FY21.
- In 4QFY22, company reported profit of Rs930mn (EPS: Rs1.5) against profit of Rs2.0bn (EPS: Rs3.2) in 4QFY21 due to company pay prior year adjustment of Rs13.8bn in 4QFY22.
- Company's transmission/distribution network increased to 9,052/146,327km in 2022 from 8,948/130,106km in 2019 while number of customers grew to 7.5mn against 6.6mn during the same period.
- RLNG flows contribute 41% of total company's gas volumes in FY22 against 53%/52%/46% in FY21/FY20/FY19.
- In FY22, the company's largest consumer segment was the domestic sector, accounting for a significant share of 32% followed by Power (share of 31.0%) and General Industry (share of 16%).
- To implement UFG reduction plan company is focusing on (1) large scale rehabilitation of the network, (2) increased surveillance, (3) particular monitoring of areas susceptible to gas pilferage, (4) timely leakage detection and its rectification, and (5) continuous checking and upgradation of measurement facilities
- The connectivity for the Wali gas field, providing 30mmcf of gas to the system, was completed in May'23, ahead of the scheduled timeline. While the Bannu West gas field, of 40mmcf gas, is expected to be completed by Nov '23.
- For Special Economic Zones, Company has planned gas infrastructure development project for the supply of 10mmcf gas to Bhalwal Industrial City, 40mmcf for supply of gas to Allama Iqbal Industrial City and supply of 15mmcf gas to M3 Industrial City, Faisalabad.
- The Company has received up to Rs60bn during the year from Govt. as subsidy for partial settlement of circular debt on account of diversion of RLNG to domestic sector.
- At Jun 30'22, receivables on account of Tariff adjustment against indigenous gas stands at Rs437bn. The settlement of this amount is expected to materialize in the shape of adjustment to future sale price of RLNG by OGRA or direct subsidy from Government of Pakistan.

Outlook

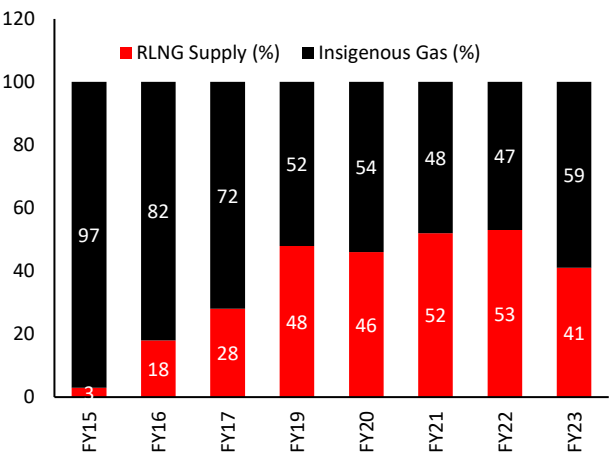
- The company is not under our formal coverage.

Table 1: 4QFY22 Financial Highlights

Rs in mn	4QFY22	4QFY21	YoY	QoQ	FY22	FY21	YoY
Gross Revenue	441,664	223,081	98%	77%	1,293,677	757,627	71%
Cost of Sale	403,084	206,577	95%	71%	1,208,156	704,775	71%
Gross Profit	38,581	16,505	134%	183%	85,522	52,852	62%
Other income	4,084	2,142	91%	-39%	21,452	19,513	10%
Selling cost	2,504	2,153	16%	35%	8,180	7,137	15%
Administration Cost	2,204	2,214	0%	14%	8,478	8,177	4%
Other expenses	14,566	(313)	na	3871%	16,307	802	1934%
Expected credit loss	417	356	17%	-1%	1,209	370	226%
Operating Profit	22,974	14,237	61%	46%	72,800	55,879	30%
Finance cost	21,499	11,159	93%	78%	57,296	40,037	43%
PBT	1,475	3,078	-52%	-60%	15,504	15,842	-2%
PAT	930	2,047	-55%	-64%	10,366	10,986	-6%
EPS	1.5	3.2			16.3	17.3	
DPS	1.5	5.0			4.0	7.0	
GP Margin	9%	7%			7%	7%	

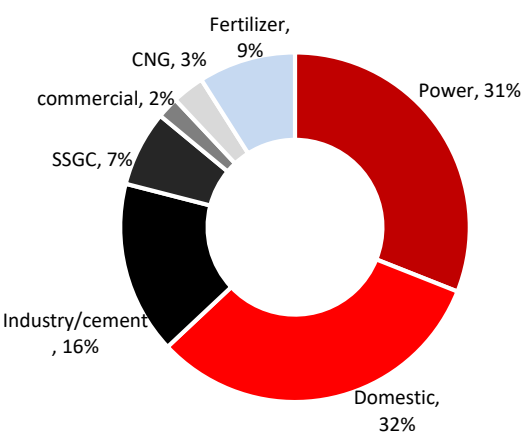
Source: Company acc, Foundation Research, Aug 2023

Fig 1: RLNG share dropped to 41% in 2022



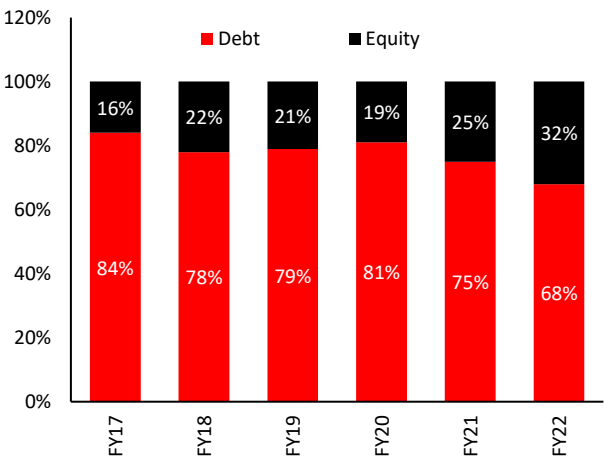
Source: PSX, Foundation Research, August 2023

Fig 2: Domestic segment is the top consumer of SNGP



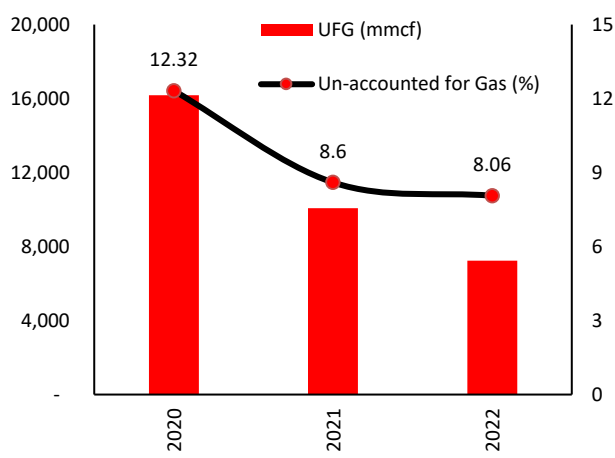
Source: PSX, Foundation Research, August 2023

Fig 3: Debt to equity ratio declined



Source: PSX, Foundation Research, August 2023

Fig 4: UFG losses decreased to 8.06%



Source: PSX, Foundation Research, August 2023

Table 02: SNGP Key financial and operational ratios(Unconsolidated)

Rs mn		FY17	FY18	FY19	FY20	FY21	FY22
Sales		346,308	503,782	781,900	744,555	757,627	1,293,677
Gross Profit		19,699	26,997	35,796	54,337	52,852	85,522
Operational Profit		17,890	26,282	36,926	57,393	55,879	72,800
PBT		12,539	15,475	11,149	8,417	15,842	15,504
Net Profit		8,615	11,121	7,076	5,998	10,986	10,366
EBTDA		30,353	42,083	54,968	80,161	80,003	92,062
Share capital		6,342	6,342	6,342	6,342	6,342	6,342
Shareholder's equity		10,596	18,677	21,042	25,137	34,220	39,648
Fixed assets - net		164,102	190,610	200,838	205,998	214,091	224,938
Total assets		162,828	181,729	190,051	229,250	224,852	228,302
Dividend	%	60	71	35	40	70	40
RATIOS:							
PROFITABILITY							
GP Margin	%	5.7	5.4	4.6	7.3	7.0	6.6
PBT Margin	%	3.6	3.1	1.4	1.1	2.1	1.2
NP Margin	%	2.5	2.2	0.9	0.8	1.5	0.8
RETURN TO SHAREHOLDERS							
ROE before tax	%	118.3	82.9	53.0	33.5	46.3	39.1
ROE after tax	%	81.3	59.5	33.6	23.9	32.1	26.1
EPS	Rs	13.6	17.5	11.2	9.5	17.3	16.3
Sales to fixed assets		2.1	2.6	3.9	3.6	3.5	5.8
Sales to total assets		2.2	2.9	4.3	3.3	3.5	5.8
Efficiency ratios							
Operating cycle		72.0	67.0	70.0	99.0	98.0	84.0
Inventory turnover ratio		58.1	22.9	36.9	87.2	122.5	140.7
Debtor turnover ratio		5.5	7.2	6.1	3.8	3.8	4.5
Total asset turnover ratio		1.0	1.0	1.1	0.8	0.7	0.9
Fixed asset turnover ratio		2.0	2.3	3.4	3.0	3.0	4.8
Weighted average cost of debt		2.6	3.4	7.0	9.7	8.2	10.3
LIQUIDITY/LEVERAGE/VALUATION							
Current ratio		0.98	0.97	0.95	0.95	0.95	0.96
Debt-to-Equity ratio		0.84	0.78	0.79	0.81	0.75	0.68
Breakup value per share		16.71	29.45	33.18	39.63	53.96	62.51

Source: Company accounts, Foundation Research, August 2023

About the Company

Sui Northern Gas Pipelines Limited (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.

SNGPL is the largest integrated gas company serving more than 7.4 million consumers in North Central Pakistan through an extensive network in Punjab, Khyber Pakhtunkhwa and Azad Jammu & Kashmir. The Company has over 59 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.

Table 3: SNGP key personnel

Key Personnel	Name	Designation
Board of Directors	Mr. Muhammad Ismail	Chairman
	Ali Tahir	
	Mr. Arif Saeed	
	Ms. Faaria Rehman	
	Sardar Saadat Ali Khan	
	Mr. Ahmad Ateeq Anwar	
	Manzoor Ahmed	
	Muhammad Sualeh Ahmed	
	Shahzaib Tahir Nadeem	
Management	Mr. Muhammad Ismail	Chairman
	Mr. Faisal Iqbal	Chief Financial Officer
	Mr. Imtiaz Mehmood	Company Secretary

Source; Company Accounts, Foundation research, August 2023

Table 4: Pattern shareholders

Pattern of Shareholders	Holding	Shares (mn)
Government of Pakistan	31.68%	200.93
Directors	0.00%	0.01
Associated companies	7.73%	30.00
NIT & ICP	0.05%	0.32
Banks, Financial Ins. & non- banking	13.51%	85.70
Insurance companies	8.54%	54.17
Modaraba and mutual funds	6.63%	42.05
General Public	15.47%	98.07
Foreign companies	3.31%	21.01
Others	16.08%	101.96
Free Float	45.00%	285.40

Source; Company Accounts, Foundation research, August 2023

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.