

# Energy Sector Circular Debt Settlement

## Settlement of PKR 1.25tn on cards

- In line with IMF's recommendation to resolve circular debt, the government has decided to partially settle energy circular debt by PKR 1.3tn, according to the news reports.
- From the total disbursement, PKR 1.0tn will be paid to settle arrears of gas circular debt. The E&Ps companies including OGDC, PPL and GHPL will receive PKR 600bn, PKR 150bn, and PKR 170bn, respectively, as per news flow.
- Meanwhile, power sector companies will also receive PKR 250bn. Out of this amount, PKR 100bn will be released to National Power Parks Management Limited.
- According to the news source, the disbursement amount is subject to the approval of the IMF. After the approval, the Ministry of Finance will release PKR 900bn.
- OGDC's trade debts currently stand at PKR 596bn as of Sep'23, which includes the overdue amount of PKR 520bn on account of circular debt. The receivables are due from SSGC and SNGP, amounting to PKR 219bn and PKR 216bn, respectively.
- Meanwhile, PPL's trade debt clocked in at PKR 543bn as of Sep'23, which comprises receivables of PKR 264bn and PKR 255bn from SNGP and SSGC, respectively. After the payment of PKR 150bn, remaining PKR 393bn will likely to be paid in the next phase.
- Out of this settlement, the Government is expected to receive PKR 800bn via dividend and withholding tax. The government has 85% and 75% stake in OGDC and PPL, respectively.
- Hence, assuming the above mentioned amounts, OGDC and PPL are expected to announce a dividend of PKR 139.50/share and PKR 55.13/share.

### Exhibit: Settlement of Energy Circular Debt

PKR bn	Total
<b>E&amp;P Sector</b>	<b>1,000</b>
OGDC	600
PPL	150
GHPL	170
<b>Power Sector</b>	<b>250</b>
National Power Parks Management	100
<b>Total Energy Sector Circular Debt</b>	<b>1,250</b>

Source (s): Company Financials, AHL Research

### Exhibit: Gas Circular Debt

PKR bn	SSGC	SNGP	Total Per Share	
Total Receivable as of Sep'23				
OGDC*	254	251	505	117.5
PPL	255	264	519	190.7
Total	509	515	1,024	

Source (s): Company Financials, AHL Research, \*assumed 86% as overdue receivables

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