
PKR 24 billion paper guarantees for Pakistani oil and power sectors

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Business Recorder reported that Pakistan government has decided to bailout budgetary imbalances of the oil and power sector due to circular debt by floating PKR 24 billion paper guarantees by the Finance Ministry next week.

As per report, Finance Ministry has calculated that the total accumulated impact of this paper injection would be PKR 79 billion in terms of circular debt reduction. The Finance Ministry revealed that main advantage of the exercise is that cash transfers were not involved and only book adjustments would be made in the accounts.

The sources said that the main beneficiary of the process would be state owned oil marketing company Pakistan State Oil which fearing that its LCs might default due to liquidity problem had recently sought the SOS from the government.

The sources in the Finance Ministry revealed to Business Recorder that the process would start from Pakistan Electric Power Company that would pay to electricity producers after keeping their margins. In return, the electricity producers would pay to the furnace oil suppliers and the last end of the chain would be oil and gas producers.

The sources said that in the end, state owned exploration companies, OGDCL and PPL would transfer the equivalent amount of their dividends to the government. They said the Finance Ministry had agreed to inject PKR 24 billion in the balance sheet of power sector to be initiated from the Pepco and the process would continue to reduce circular debt.

The sources further said that the state guarantees were expected to be launched early next week and the process was expected to be completed within the week, as the companies would be deciding dividends at the end of fiscal year.

(Sourced from Business Recorder)

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