

# Flash Note

Thursday, June 27, 2024



## Oil & Gas Exploration Companies

### OGDC: GoP Approves Settlement Plan of TFCs Issued by PHPL

- Oil & Gas Development Company Limited (OGDC) in its notice through PSX has notified that Government of Pakistan (GoP) has approved payment of TFCs issued by Power Holding (Private) Limited (PHPL) in 2012.
- The payment plan, which is part of circular debt settlement plan, will include upfront payment of PKR 82bn (PKR 19.1/share) as principal amount. The interest amount of PKR 92bn (PKR 21.4/share) will be repaid in 12 monthly installments commencing from Jul-25. However, the Company has agreed to waive off PKR 72bn on account of liquidated damages which have been accumulated on delayed payments at KIBRO+1%.
- The principal amount of PKR 82bn (PKR 19.1/share) would improve cash position for the Company and in our view is likely to translate in to higher payouts. However, given liquidity constraints due to elevated circular debt, the Company may partially payout and utilize the remaining for exploration activities.
- OGDC's total receivables currently stand at PKR 627bn as at Mar-24, out of which PKR 559bn (PKR 130/share) are overdue. Principal amount of PKR 82bn (PKR 19.1/share) under the payment plan is nearly 15% of total overdue receivables (13% of total receivables).
- To note, these TFCs were issued by PHPL in 2012 under GoP's plan to partially settle stock of circular debt that had piled up.
- In our view, the settlement of TFC by GoP is likely to improve cash position for the Company and resultantly translate in to higher payouts and provide much need liquidity for investment in exploration activities. Improved recoveries from Sui Companies post gas price hikes in FY24 along with monthly repayment of interest payments starting from Jul-25 is likely to improve cash position for OGDC from FY25 onwards. Thus, we maintain our BUY stance on the Company.

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