

Energy Sector

CPPA Disburses PKR 142bn to Clear Circular Debt Pile up

- As per news in circulation, Central Power Purchasing Authority (CPPA) has disbursed PKR 142bn to IPPs on account of circular debt payment. Payments have been made to nearly 80 IPPs where coal based IPPs have received the highest share amounting to PKR 44.7bn followed by PKR 39.5bn payment to RLNG based plants
- Out of all the IPPs, HUBC received highest share of PKR 17.9bn or PKR 13.8/share (PKR 11.1bn or PKR 8.6/share adjusted for stake) as payments were made to all 6 plants. KAPCO received PKR 4.3bn (PKR 4.8/share) whereas PKGP received PKR 2.5bn (PKR 6.7/share).
- We expect some of the listed companies could potentially payout cash dividend which have lower borrowings on their books. Dividend payout could be limited for IPPs with higher short term borrowings and lower cash position in order to prioritize payment of short term borrowings amid high interest rates.

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| Exhibit: Source wise payment received | |
|---------------------------------------|----------------|
| Source | Amount PKRmn |
| Coal | 44,684 |
| Gas | 13,500 |
| RLNG | 39,450 |
| RFO | 20,900 |
| Nuclear | 11,419 |
| Hydel | 3,701 |
| Wind | 2,901 |
| Solar | 643 |
| Bagasse | 545 |
| Others | 4,250 |
| Total | 141,993 |

Source: CPPA, IGI Research

Analyst

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Payments made to cash starved IPPs amid historic high circular debt position

The total circular debt as of May-23 stood at PKR 2,646bn as circular debt pilup during 11MFY23 was reported at PKR 394bn. The payment of PKR 142bn to IPPs have been made at a time when new SBA with IMF has been signed where IMF has emphasized on reforms in energy sector. To recall, Government made total of PKR 385bn payments to IPPs falling under Power Policy (PP) 1994 and 2022 last year.

HUBC received highest share owing to higher capacity

Out of all the IPPs, HUBC received highest share of PKR 17.9bn or PKR 13.8/share (PKR 11.1bn or PKR 8.6/share adjusted for stake) as payments were made to all 6 plants. KAPCO received PKR 4.3bn (PKR 4.8/share) whereas PKGP received PKR 2.5bn (PKR 6.7/share). NPL and LPL received PKR 2.0bn each translating into PKR 5.6/share and PKR 5.3/share respectively. NCPL received PKR 1.6bn (PKR 4.4/share).

| Exhibit: Payment Received by HUBC | |
|--|---------------|
| | Amount PKR mn |
| HUBC | 17,853 |
| <i>Hub</i> | <i>2,000</i> |
| <i>Narowal</i> | <i>2,500</i> |
| <i>Laraib</i> | <i>125</i> |
| <i>CPHGC</i> | <i>9,210</i> |
| <i>Thar Energy (TEL)</i> | <i>2,716</i> |
| <i>THAL Nova (TNTPL)</i> | <i>1,302</i> |

| Exhibit: Payments made to listed IPPs | | | | | | |
|--|-------------------------|--------------|-----------------------------|-------------------------------------|--------------|-------------|
| Company | Amount Received (PKRmn) | Shares (mn) | Amount Received (PKR/share) | Balance sheet position (PKR/share)* | | |
| | | | | Cash | ST borrowing | Payables |
| HUBC | 17,853 | 1,297 | 13.8 | 10.8 | 25.4 | 50.3 |
| KAPCO | 4,250 | 880 | 4.8 | 63.5 | 37.1 | 10.5 |
| PKGP | 2,500 | 372 | 6.7 | 15.9 | 0.0 | 1.3 |
| SPWL | 2,250 | 386 | 5.8 | 5.9 | 22.0 | 2.3 |
| NPL | 2,000 | 354 | 5.6 | 11.2 | 3.5 | 2.0 |
| LPL | 2,000 | 380 | 5.3 | 10.6 | 9.8 | 1.2 |
| NCPL | 1,600 | 367 | 4.4 | 8.1 | 13.8 | 3.1 |
| EPQL | 1,000 | 324 | 3.1 | 5.0 | 18.8 | 18.2 |
| KOHE | 800 | 169 | 4.7 | 3.1 | 16.4 | 1.1 |
| LUCK | 5,500 | 313 | 17.6 | | | |
| ENGRO | 4,310 | 576 | 3.7 | | | |

Source: CPPA, IGI Research, * As of Mar-23

Disbursement of payments may translate in to cash dividends

We expect some of the listed companies could potentially payout cash dividend which have lower borrowings on their books. Dividend payout could be limited for IPPs with higher short term borrowings and lower cash position in order to prioritize payment of short term borrowings amid high interest rates.

PKGP could potentially payout higher portion of payment due to negligible short term borrowings. KAPCO and NPL could also payout higher dividend due to healthy cash position. However, cash payouts maybe limited for SPWL, NCPL, EPQL and KOHE due to significantly higher short term borrowings. HUBC may payout anywhere between PKR 8-9/share if it does not utilize the amount for reducing short-term borrowing and payables.

Cash position for PSO and Sui companies could also improve

As payments are made to RLNG and gas based plants, we expect PSO and Sui companies (SNGP and SSGC) to also indirectly receive payments via gas based IPPs. This would inturn improve cash position for these companies, however, due to significant short term borrowings on PSO's balance sheet we expect company to prioritize payment of its loan.

| Exhibit: Top 15 IPPs amount wise | |
|--|----------------|
| Company | Amount (PKRmn) |
| National Power Parks Management Company Private Limited | 13,000 |
| Huaneng Shandong Ruyi Energy (Pvt) Ltd | 10,004 |
| China Power Hub Generation company (Pvt.) Ltd | 9,210 |
| National Power Parks Management Company Private Limited | 9,000 |
| Karachi Nuclear Power Plant-Unit-2 | 8,751 |
| Port Qasim Electric Power Company (Pvt.) Limited | 8,317 |
| Quaid-e-Azam Thermal Power (Pvt) Limited | 7,000 |
| Uch-II Power (Pvt.) Limited | 7,000 |
| Lucky Electric Power Company Limited | 5,500 |
| Engro Powergen Thar (Pvt) Limited | 4,310 |
| Kot Addu Power Company Ltd. | 4,250 |
| Thar Coal Block-1 Power Generation Company (Pvt) Limited | 3,325 |
| Attock Gen Limited | 2,750 |
| Thar Energy Limited | 2,716 |
| Atlas Power Limited | 2,700 |

Source: CPPA, IGI Research

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