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Discos list factors behind rising circular debt

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The rising gap between the consumers-end billing and collection, tariff differential subsidy claimed from government, collection of GST by the Federal Board of Revenue (FBR) on assessment instead of actual collection, and transmission as well as distribution losses have been cited as main reasons behind circular debt in the power sector.

This was disclosed in a recent briefing by distribution companies, including Sukkur Electric Power Company, that Ministry of Water & Power had directed Discos years back to incorporate loan and markup amount in their books of accounts and submit compliance report. The government had established Power Holding (Private) Limited (PHPL) to arrange the funds for settlement payment of IPPs through Ministry of Finance. The PHPL requires finances for the purpose of onward lending to Discos for funding of repayment liabilities of Discos towards NTDC/CPPA-G through a tripartite agreement among Discos, PHPL and a syndicate of 16 commercial banks lead by Habib Bank Limited.

The PHPL/CPPA-(G) has arranged an amount of Rs 431 billion up to fiscal year 2017 as loan facility on behalf of Discos as term financed facility in which Sepco share was Rs 42.28 billion. The average mark-up rate is 13 percent + KIBOR + 2 percent spread with grace period of 2 years.

The presentation noted that in fiscal year 2012-13, Sepcos'' share in the original circular debt loan was Rs 29.560 billion which in subsequent year was reduced to Rs 10.594 billion after Ministry of Water and Power revised loan allocations and SEPCO was also revised from Rs 29 billion to Rs 10 billion. In the following year Rs 3.109 billion was added to the Sepcos'' loan while in 2015-16, Rs 19.17 billion took the total loan of Sepco to Rs 42.280 billion subsequent to addition of Rs 6.957 billion in FY17. These were year wise details of circular debt loan received from CPPA-G.

Year-wise breakup of loan amount as well as mark up charges plus repayment of installment in amount and percentage of markup plus repayment of installment included; (i) in 2012-13 on Rs 29.56 billion amount, markup plus repayment of installment was Rs 3.86 billion with percentage of markup plus repayment of installment 13.07 percent; (ii) in 2013-14, loan amount of was Rs 10.59 billion, markup charges plus repayment of installment, Rs 5.01 billion, percentage of markup plus repayment of installment rate, 47.33 percent; (iii) in 2014-15, loan amount was Rs 13.70 billion, markup charges plus repayment of installment were Rs 0.88 billion with percentage of mark-up plus repayment of installment rate 6.45 percent; (iv) in year 2015-16, loan amount was Rs 32.873 billion, mark-up charges plus repayment of installment, Rs 2.60 billion, percentage of mark-up plus repayment of installment at 7.94 percent.