

# Pakistan Gas Marketing

ECC allows recovery of Rs18bn UFG losses for Gas companies

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# ECC allows recovery of Rs18bn UFG losses for Gas companies



- Economic Coordination Committee (ECC) of the cabinet has allowed gas companies to recover Rs18bn worth of UFG losses on retrospective implementation of increased UFG benchmark of 7.6%.
- To recall, OGRA had approved a revised UFG benchmark study that allowed gas companies to increase benchmark from 4.5% to 7.6% on prospective basis that was to be applicable from FY18 (SNGP already incorporated this new benchmark in 9MFY18 accounts). In this latest development, ECC has also allowed gas companies to enjoy this minimum benchmark of 7.6% for previous years that is from FY13 to FY17.
- As per news reports and as per our estimates, this will provide a one-time impact of Rs11.25bn (Rs8.9/share) to SSGC and Rs6.5bn (Rs7.2/share) to SNGP.
- In another move, ECC also allowed SSGC to book its Rs18bn losses in a staggered manner for a period of five years. In FY10, OGRA while determining the annual revenue requirement of SSGC temporarily allowed a higher than the actual UFG benchmark to SSGC but due to Sindh High Court's decision to charge UFG benchmark at a uniform rate of 4.5%, SSGC had to book prior years losses.
- Above development, bodes well for both Sui companies as it will result in improvement of their profitability through a one-time impact and staggering of prior year losses for SSGC.

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