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<p>Pakistan Steel Mills (PSM) is reportedly in a serious financial crisis as a leading bank has refused to extend the Rs 3 billion financial facility until formal approval of Economic Co-ordination Committee (ECC) of the Cabinet, well informed sources told Business Recorder. {loadposition content_adsense300}PSM's business losses for six months of current fiscal ended December 31, 2012 were Rs 11.566 billion as the mills' average capacity utilisation was 12 per cent only which implies the last bailout package of Rs 14.6 billion is almost inhaled by the entity which is a burden on national exchequer, the sources added.

The sources said Chief Executive Officer (CEO) Major General Muhammad Javed (retired) who met with Prime Minister, Raja Pervez Ashraf on Thursday took up this matter. According to sources, PSM argues that Letter of Credit (L/C) facility of Rs 3 billion extended by a leading bank that has expired on December 31, 2012 should be extended immediately.

Due to continuous losses and non injection of equity by GoP, banks are not ready to handle L/C business of PSM. The L/C facility of Rs 3 billion is not being extended by that bank. The banks are demanding margin up to 100 per cent for establishing of L/Cs.

According to sources, the CEO has also written a letter to the President of that bank and sought time next week to resolve this issue without the consent of ECC. When contacted, the CEO confirmed that he had written a letter to that bank as the Mill would be in serious financial crisis if this issue would not resolve immediately.

As in the previous bailout packages commercial loan guarantee was provided by GoP instead of equity participation. Due to a debt of more than Rs 36 billion, PSM is not in a position to bear the burden of financial charges inclusive of the current burden of financial charges for coming three years.

Official documents available with Business Recorder reveal that PSM requested the federal government to convert Rs 31 billion loan from that bank into equity as these loans are government guaranteed. Out of current liability of Rs 11 billion of SSGC, GoP should pick up at least 50 per cent on immediate basis and surcharge, approximately Rs 3 billion, should be waived by SSGC, the sources quoted the PSM as recommending to the government.

PSM management argues that it has requested bailout package of Rs 27.2 billion including Rs 15 billion equity, but the ECC granted only Rs 14.6 billion including Rs 4.75 billion for the payment of mark up on loan and Rs 6.75 billion for the payment of defaulted L/Cs and other liabilities. Senate Standing Committee on Industries and Production headed by Raja Zafar ul Haq on Thursday recommended to the federal government that PSM should be privatised.</p> <p>�</p> <p>Courtesy: Business Recorder</p>