

# Market Strategy

## Electricity tariff reduction brings respite

04-Apr-2025

REP-300

### AHL Research

D: +92 21 32462742

UAN: +92 21 111 245 111, Ext: 248

F: +92 21 32420742

E: [research@arifhabibltd.com](mailto:research@arifhabibltd.com)



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# Market Strategy

## Electricity tariff reduction and its impact

The Government of Pakistan has announced a significant reduction in electricity tariffs to provide relief to both residential and commercial consumers.

### Key Announcements:

- **Residential consumers:** Electricity rates will be reduced by PKR 7.41/kWh, bringing the new tariff down to PKR 34.37/kWh.
- **Industrial consumers:** A reduction of PKR 7.59/kWh has been introduced to lower energy costs for businesses.

This measure aims to alleviate the financial burden on industries heavily dependent on grid electricity and support overall economic growth.

### Impact on listed companies:

- The reduction in electricity tariffs will be particularly beneficial for industries heavily reliant on grid power.
- Among the key beneficiaries, FCCL's earnings is expected to increase by PKR 0.38/share (6.9% of FY26 earnings), while KOHC is projected to gain PKR 2.51/share (3.6% of FY26 earnings).
- PIOC (PKR 1.33/share) also gain moderate benefits while MLCF (PKR 0.18/share) and CHCC (PKR 0.06/share) see minor relief primarily due to lower grid dependency.
- In the steel sector, our estimates suggest that per share impact on MUGHAL is expected to be around PKR 0.32/share.

### Exhibit: Annualized impact of power tariff reduction

Company	Impact per share (PKR)
<b>Cements</b>	
CHCC	0.06
LUCK	0.00
BWCL	1.89
PIOC	1.33
MLCF	0.18
FCCL	0.38
KOHC	2.51
DGKC	0.00
<b>Steel</b>	
MUGHAL	0.32

Source: AHL Research

# Market Strategy

## Tariff cut breakdown

According to our estimates, the recent tariff cut announced by the government is supported by the following measures:

- **Termination of Power Purchase Agreements (PPAs):** In Oct'24, the government reached an agreement to terminate PPAs with five Independent Power Producers (IPPs), resulting in savings of PKR 60bn and a tariff reduction of PKR 0.57/kWh.
- **Shift from “Take or Pay” to “Take and Pay” Model:** Contracts with 18 IPPs have been renegotiated from the "take or pay" structure to a hybrid "take and pay" model. This is expected to generate savings of approximately PKR 72bn and has likely contributed to a tariff reduction of PKR 0.67/kWh.
- **Tariff Differential Subsidy (TDS):** Additional savings are anticipated from the reallocation of incremental Petroleum Development Levy (PDL) collections toward TDS, helping reduce the cost burden by PKR 1.71/kWh.
- **Quarterly Tariff Adjustment (QTA):** A further adjustment of around PKR 2/kWh is likely to be implemented in the last quarter of FY25 as part of QTA.
- **Fuel Cost Adjustments (FCA):** Fuel cost adjustments are expected to reduce tariffs by approximately PKR 1.4/kWh.

Taken together—with the inclusion of GST—the total reduction aligns with the overall tariff relief announced by the government of above PKR 7/unit. To note, the first three measures (PPAs termination, contract conversion, and TDS adjustments) are expected to offer a permanent relief of around PKR 3/unit, while the impact of QTA and FCA will become clearer over time depending on future adjustments.

# Market Strategy

## Tariff cut breakdown

**Exhibit: Slab-wise breakdown**

Industrial	Jun - 24 Rates	Current Rates	Reduction (Jun-24 vs Current)	Revised Rates	Reduction (Current vs Revised)	Total Reduction	
B1	58.3	47.7	(10.6)	40.0	(7.7)	(18.3)	(0.3)
B1 Peak	62.9	52.3	(10.6)	44.6	(7.7)	(18.3)	(0.3)
B1 Off Peak	55.8	45.2	(10.6)	37.5	(7.7)	(18.3)	(0.3)
B2	60.5	50.1	(10.5)	42.4	(7.7)	(18.2)	(0.3)
B2 - Tou (Peak)	62.8	52.2	(10.6)	44.5	(7.7)	(18.3)	(0.3)
B2 - Tou (Off - Peak)	59.2	48.7	(10.5)	41.1	(7.7)	(18.2)	(0.3)
B3 - Tou (Peak)	62.8	52.2	(10.6)	44.5	(7.7)	(18.3)	(0.3)
B3 - Tou (Off - Peak)	57.4	47.0	(10.4)	39.3	(7.7)	(18.1)	(0.3)
B4 - Tou (Peak)	62.8	52.2	(10.6)	44.5	(7.7)	(18.3)	(0.3)
B4 - Tou (Off - Peak)	57.1	46.6	(10.5)	38.9	(7.7)	(18.2)	(0.3)
Temporary Supply	59.7	59.6	(0.1)	51.9	(7.7)	(7.8)	(0.1)

Source: AHL Research

**Exhibit: Slab-wise breakdown**

	Consumer (Jun-24)		Units (FY-25 (P))		Jun - 24 Rates	Current Rates	Reduction (Jun-24 vs Current)		Revised Reduction (Current vs Revised)			Total Reduction	
Up to 50 units - Life Line	1,418,975	4%	270.0	0%	4.8	4.8	-	0%	4.8	-	0%	-	0%
51 - 100 units - Life Line	508,918	1%	505.0	0%	9.4	9.4	-	0%	9.4	-	0%	-	0%
01 - 100 units - Life Line	7,462,890	19%	11,787.0	10%	19.4	14.7	(4.7)	-24%	8.5	(6.1)	-32%	(10.9)	-56%
101 - 200 units - Life Line	10,257,189	25%	3,797.0	3%	22.2	17.7	(4.5)	-20%	11.5	(6.1)	-28%	(10.7)	-48%
Non-Protected < 300	10,123,533	25%	23,714.0	19%	42.1	41.3	(0.9)	-2%	34.0	(7.2)	-17%	(8.1)	-19%
Non-Protected > 300 & Tou	5,222,434	13%	17,984.0	15%	56.3	55.7	(0.6)	-1%	48.5	(7.2)	-13%	(7.8)	-14%
Domestic	34,993,939	87%	58,057.0	48%	39.3	38.3	(0.9)	-2%	31.6	(6.7)	-17%	(7.7)	-19%
Commercial	4,211,802	10%	9,787.0	8%	71.0	71.1	0.1	0%	62.5	(8.6)	-12%	(8.5)	-12%
General Services	251,861	1%	4,189.0	3%	57.2	56.7	(0.5)	-1%	49.5	(7.2)	-13%	(7.7)	-13%
Industrial	402,885	1%	32,042.0	26%	58.5	48.2	(10.3)	-18%	40.5	(7.7)	-13%	(18.0)	-31%
Bulk	4,538	0%	3,856.0	3%	57.8	55.1	(2.8)	-5%	47.9	(7.2)	-12%	(10.0)	-17%
Agriculture	382,619	1%	10,798.0	9%	43.4	41.8	(1.6)	-4%	34.6	(7.2)	-17%	(8.8)	-20%
Others (AJK, Public Lightening etc.)	13,895	0%	3,191.0	3%	57.1	39.7	(17.4)	-30%	32.7	(7.0)	-12%	(24.4)	-43%
National	40,261,539	100%	121,920.0	100%	48.7	45.1	(3.7)	-7%	37.6	(7.4)	-15%	(11.1)	-23%

Source: AHL Research

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- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
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