

Power Sector

Circular Debt Payment Agreement Signed

- In a major development, Government of Pakistan on 24-Sep-2025 signed loan facility with 18 banks worth PKR 1.225trn to settle overdue payments related to circular debt stock to Independent Power Producers (IPPs).
- The loan facility will carry mark-up rate of Kibor minus 0.9% which is likely to bring down cost by 2-5%. PKR 660bn will be utilized to restructure existing loan of Power Holding Limited (PHL) while remaining PKR 565bn will be utilized to settle payments to IPPs. The debt servicing of this loan will be through Debt Service Surcharge (DSS) of PKR 3.23/unit over 6 years.
- PSO is likely to be key beneficiary if payments are made to NPPMCL, QATPL and Nandipur plants which will ultimately flow through SNGP to PSO. Moreover, OGDC and PPL are also likely to benefit having outstanding dues from power sector. Moreover, coal based IPPs are also likely to receive payments against their outstanding dues which is likely to benefit LUCK, HUBC, FFC, THALL and ENGROH.

Government Signs Financing Agreement with Banks

In a major development, Government of Pakistan on 24-Sep-2025 signed loan facility with 18 banks worth PKR 1.225trn to settle overdue payments related to circular debt stock to Independent Power Producers (IPPs). This will likely reduce the circular debt stock from PKR 1.614trn to PKR 0.339trn.

Exhibit: Total Power Sector Circular Debt	
	PKRbn
IPPs	908
PHL Loan	660
GENCOs	93
Total Power Sector Stock	1,661
Financing	
Repay PHL Loans	660
Payments to IPPs	565
Total under agreement	1,225
Remaining through Subsidy	436
Total Power Sector Stock	1,661

Source: IMF, IGI Research

Loan facility to be utilized to settle IPP overdue

The loan facility will carry mark-up rate of Kibor minus 0.9% which is likely to bring down cost by 2-5%. PKR 660bn will be utilized to restructure existing loan of Power Holding Limited (PHL) while remaining PKR 565bn will be utilized to settle payments to IPPs. The debt servicing of this loan will be through Debt Service Surcharge (DSS) of PKR 3.23/unit over 6

Analyst

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years, which is already levied in electricity bills. The loan will be repaid in 24 equal quarterly installments. To note, this approach does not impose any additional burden on government or electricity consumers. The Government has 30 days to request disbursements from the date of signing of these agreements followed by 3 month window to drawdown the funds.

LPS waiver clarity awaited

We await further clarity on the Late Payment Surcharge (LPS) on CPEC IPPs as that was one of the issues raised by Chinese IPPs. Although Prime Minister's recent visit to China concluded successfully however there was no update on whether agreement was reached on waiver of LPS.

Agreement to improve cash position within IPP and energy chain

This arrangement is likely to alleviate liquidity pressure on power sector and improve cash position. Although clarity is awaited on specific distribution of funds, however, it is likely that payments will be made to coal, gas and LNG based plants among others. Thus, PSO is likely to be key beneficiary if payments are made to NPPMCL, QATPL and Nandipur plants which will ultimately flow through SNGP to PSO. Moreover, OGDC and PPL are also likely to benefit having outstanding dues from power sector. Moreover, coal based IPPs are also likely to receive payments against their outstanding dues which is likely to benefit LUCK, HUBC, FFC, THALL and ENGROH.

Exhibit: Energy Sector Receivables Company-wise					
PKRbn	Period	Receivables	Gas overdue	Power Sector	PKR/share
PSO	Mar-25	454.35	278.10	68.16	145.19
SNGP	Jun-24	283.18	28.81	108.76	171.48
OGDC	Mar-25	619.91	500.01	58.62	13.63
PPL	Mar-25	591.55	571.63	5.14	1.89

Source: Company Financials, IGI Research

Exhibit: Power Sector Receivables Company-wise					
PKRbn	Plant	Period	Power Sector	Stake Adjusted	PKR/share
HUBC		Jun-25	76.00	35.76	27.57
	CPHGC		53.00	24.38	18.79
	TEL		12.00	7.20	5.55
	TNPTL		11.00	4.18	3.22
LUCK	LEPCL	Jun-25	15.51	15.51	10.59
FFC	TEL	Dec-24	12.00	3.60	2.53
ENGROH	EPTL	Dec-24	40.44	20.22	16.79
THALL	TNPTL	Dec-24	11.00	2.86	35.30

Source: Company Financials, IGI Research

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