

# Day Break

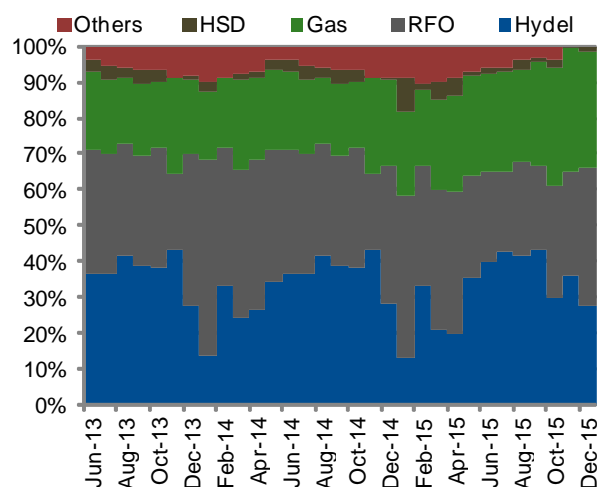
Friday, 26 February 2016

## Sector Update

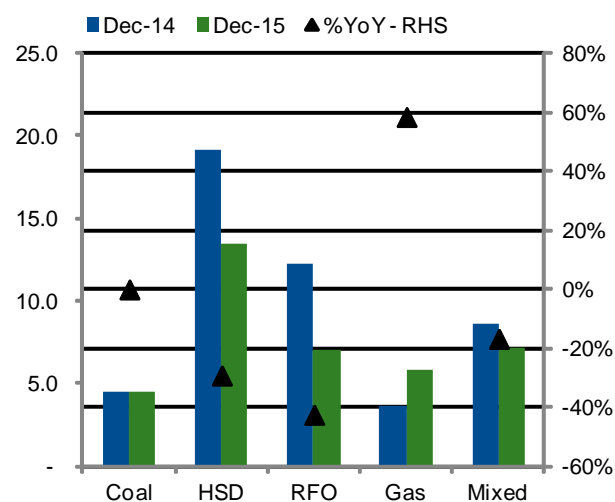
### Monthly Power Generation Mix (Dec-15)

Company	Dec-15	Dec-14	YoY	Nov-15	MoM
Hydel	1,803	1,907	-5%	2,302	-22%
RFO	2,484	2,620	-5%	1,856	34%
Gas	2,088	1,614	29%	2,188	-5%
HSD	99	53	89%	28	250%
Others	406	591	-31%	347	17%
Total	6,880	6,785	1%	6,722	2%

### Fuel Wise Generation Mix (%)



### Fuel Wise Cost of Generation - Dec-15 (PKR/KWH)



Source: NEPRA & IGI Research

### Analyst

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## Power Generation & Distribution Generation Inches up by 1.0%YoY in Dec-15

- As per latest data available at NEPRA, overall power generation during the month of Dec-15 witnessed a slight increase of +1.0%YoY (+2.0%MoM) to 6,880Gwh.
- FO prices have witnessed a significant decline of 43%YoY/24%MoM in Dec-15 to PKR 24,963/Mton. As per our estimates, based on current price level, fuel cost on RFO comes at PKR 4.95/Kwh, at a discount of 18% from generation cost on gas.
- We expect, generation on gas to increase due to higher availability of LNG going forward, as agreement has been signed with Qatar Gas. RFO based generation is expected to increase gradually as cost of generation comes down amid falling FO prices. Hydel based power is anticipated to decline and remain at lower levels between 1,400-1800Gwh until June due to lower availability of water.

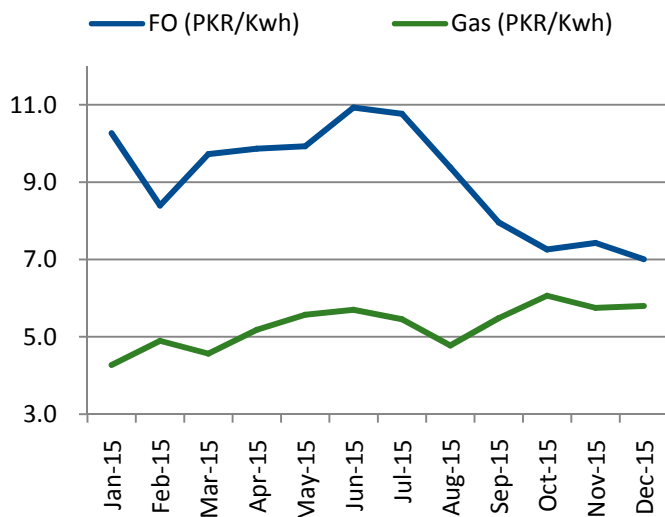
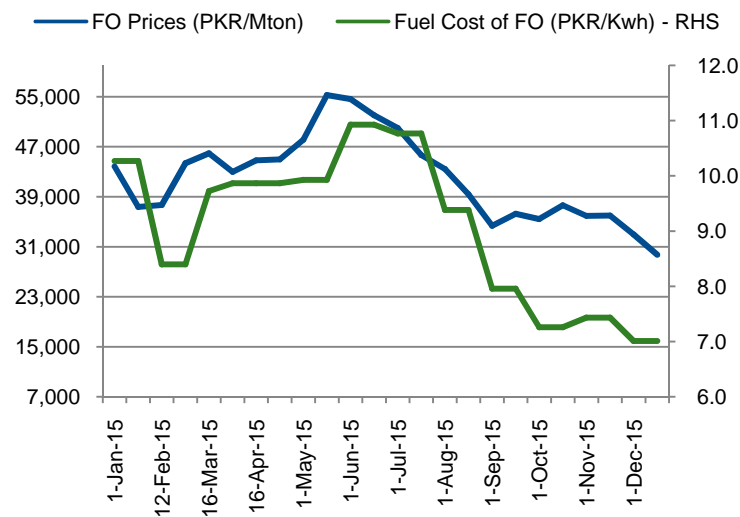
### Power Generation Inches up by 1.0%YoY in Dec-15

As per latest data available at NEPRA, overall power generation during the month of Dec-15 witnessed a slight increase of +1.0%YoY (+2.0%MoM) to 6,880Gwh. During the month, generation on Hydel and RFO dropped by 5%YoY each to 1,803Gwh/2,484Gwh respectively, while production on Gas witnessed an increase of +29%YoY to 2,088Gwh.

### FO Prices Down 24%MoM, Pushing Cost of Generation below Gas

FO prices have witnessed a significant decline of 43%YoY/24%MoM in Dec-15 to PKR 24,963/Mton. As per our estimates, based on current price level, fuel cost on RFO comes at PKR 4.95/Kwh, at a discount of 18% from generation cost on gas. With International FO prices hovering between USD 150-160/Mton since Jan-16, we expect generation cost to remain lower than gas for the same period. We believe, this should bode well for power sector in terms of easing circular debt and subsequently better cash position hence reducing fuel supply concerns.

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**Exhibit:** Cost of generation on FO and Gas (According to Data released by NEPRA)**Exhibit:** FO Prices (PKR/Mton) and Fuel Cost of FO-PKR/Kwh (According to Data released by NEPRA)

Source: IGI Research, NEPRA

**Generation up by ~2%YoY in 1HFY16 owing to LNG Supply**

Overall power generation was up by +2%YoY to 52,665Gwh during 1HFY16, compared to a total 51,586Gwh during 1HFY15. However, generation through Gas went up by +42%YoY to 15,350Gwh in the same period, owing to higher availability of Gas on the back of supply of LNG to power generation companies. RFO based power witnessed a decline of 12%YoY to 14,369Gwh in 1HFY16, while generation through HSD dropped by 38%YoY to 8,12Gwh.

**Outlook**

We expect, generation on gas to increase due to higher availability of LNG going forward, as agreement has been signed with Qatar Gas. RFO based generation is expected to increase gradually as cost of generation comes down amid falling FO prices. Power generation by RFO is probable to go up from 4QFY16 on the back of a) Pakgen Power's plant generation and b) Hub Plant increasing production after conclusion of repair works on all of boilers. Hydel based power is anticipated to decline and remain at lower levels between 1,400-1800Gwh until June due to lower availability of water.

**Exhibit:** Power Generation Mix (Dec-15)

GWH	Dec-15	Dec-14	YoY	Nov-15	MoM	6MFY16	6MFY15	YoY
Hydel	1,803	1,907	-5.5%	2,302	-21.7%	19,651	19,608	0.2%
RFO	2,484	2,620	-5.2%	1,856	33.8%	14,369	16,256	-11.6%
Gas	2,088	1,614	29.3%	2,188	-4.6%	15,350	10,806	42.1%
HSD	99	53	88.7%	28	250.1%	812	1,313	-38.1%
Others	406	591	-31.3%	347	16.9%	2,483	3,604	-31.1%
Total	6,880	6,785	1.4%	6,722	2.3%	52,665	51,586	2.1%

Source: IGI Research and Company Financials

### Analyst Certification

The analyst<sup>^</sup> hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
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