

# Day Break

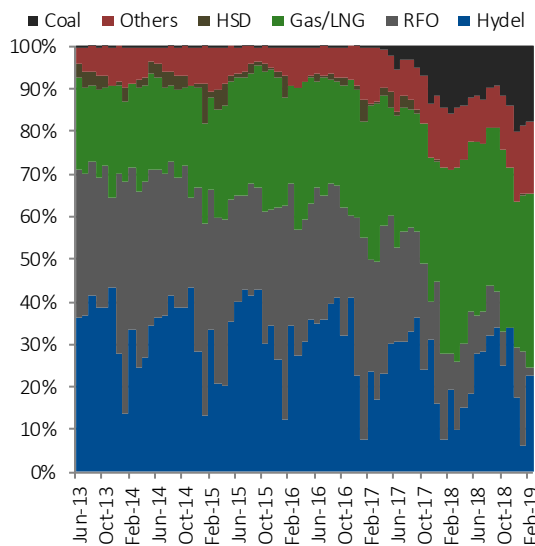
Tuesday, 19 March 2019

## Sector Update

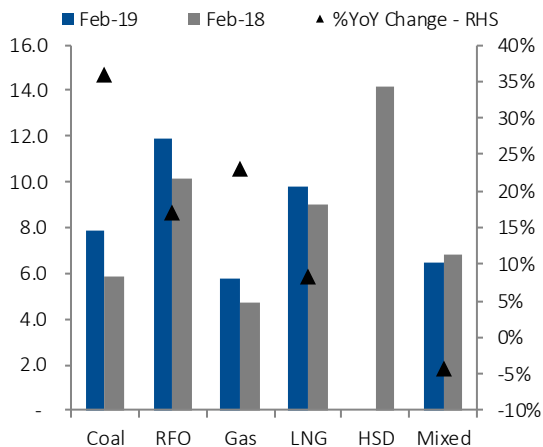
### Monthly Power Generation Mix (Feb-19) - Gwh

Source	Feb-19	Feb-18	YoY	FY19TD	YoY
Hydel	1,523	1,357	12%	20,938	4%
RFO	112	581	-81%	7,478	-54%
Gas/LNG	2,724	3,013	-10%	30,602	23%
HSD	-	1	n/m	31	-96%
Coal	1,168	1,102	6%	10,572	72%
Others	1,160	925	25%	9,989	15%
Total	6,687	6,979	-4%	79,609	4%

### Exhibit: Fuel Wise Generation Mix (%)



### Exhibit: Fuel Wise Cost of Generation - Feb-19 (PKR/Kwh)



Source: NEPRA & IGI Research

### Research Analyst

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## Power Generation & Distribution

### Feb-19: Generation down by 4%YoY on account of lower demand

- As per latest data available on NEPRA's website, overall power generation during the month of Feb-19 dropped by 4%YoY to 6,687Gwh. Power production through Hydel/Coal clocked in at 1,523/1,168Gwh up by +12%/+6%YoY, while generation through RFO/Gas-LNG decreased by 81%/10%YoY to 112/2,724Gwh during Feb-19,
- Power generation through RFO in Feb-19 dropped by 81%YoY (down by 469Gwh) to 112Gwh, owing to no generation from GENCO I-III, AES Lalpir, Saba Power and Resham while lower generation from KAPCO Block II, Hub Plant and Narowal cumulatively dragged generation down by 173Gwh,
- Gas/LNG based power generation plummeted by 10%YoY (289Gwh) to 2,724Gwh in Feb-19 on the back of a) lower generation by KAPCO Block I, II & III cumulatively down by 374Gwh and, b) lower generation from GENCO I, II & III (cumulatively down by 640Gwh) despite higher generation from QATPL, Haveli Bahadurshah and Baloki Power plants cumulatively adding 1,011Gwh,
- We maintain HUBC as our top pick with our Dec-19 target price of PKR 120.23/share offering +43% upside from its last close. We are currently revisiting our investment case for HUBC. The Company is trading at FY19 P/E of 7.9x and offers dividend yield of 7.1%.

### Power production depicts 4%YoY decline in Feb-19

As per latest data available on NEPRA's website, overall power generation during the month of Feb-19 dropped by 4%YoY to 6,687Gwh. Power production through Hydel/Coal clocked in at 1,523/1,168Gwh up by +12%/+6%YoY, while generation through RFO/Gas-LNG decreased by 81%/10%YoY to 112/2,724Gwh during Feb-19. This brings total generation for FY19TD to 79,609 up by +4%YoY primarily led by +72%/+23%YoY rise in production through Coal/Gas-LNG contributing 52% of the total power generation while contribution from FO/Hydel based power generation is down to 36%YoY as compared to 47% in FY18TD.

Exhibit:

### Power Generation Mix (Feb-19)

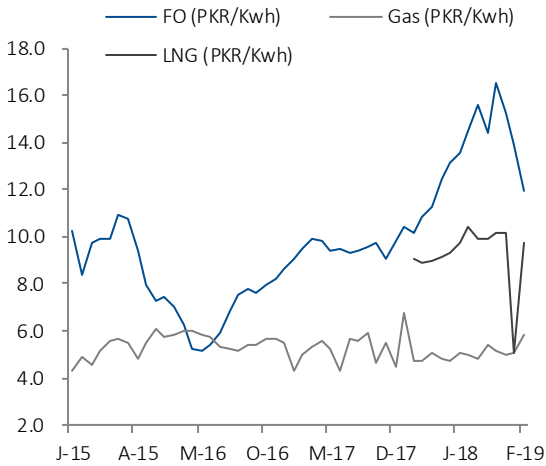
GWH	Feb-19	Feb-18	YoY	Jan-19	MoM	FY19TD	FY18TD	YoY
Hydel	1,523	1,357	12%	478	219%	20,938	20,052	4%
RFO	112	581	-81%	1,722	-93%	7,478	16,309	-54%
Gas/LNG	2,724	3,013	-10%	2,848	-4%	30,602	24,818	23%
HSD	-	1	n/m	12	n/m	31	784	-96%
Coal	1,168	1,102	6%	1,452	-20%	10,572	6,130	72%
Others	1,160	925	25%	1,252	-7%	9,989	8,718	15%
Total	6,687	6,979	-4%	7,764	-14%	79,609	76,811	4%

Source: IGI Research, NEPRA

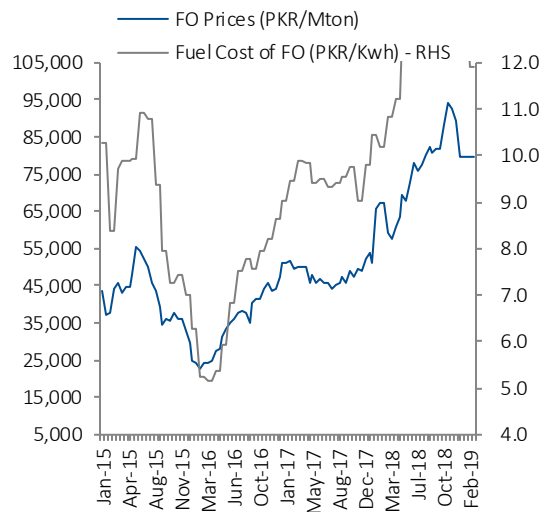
### FO: Generation down by 81%YoY in Feb-19

Power generation through RFO in Feb-19 dropped by 81%YoY (down by 469Gwh) to 112Gwh, owing to no generation from GENCO I-III, AES Lalpir, Saba Power and Resham while lower generation from KAPCO Block II, Hub Plant and Narowal cumulatively dragged generation down by 173Gwh. While lower generation from smaller IPPs (cumulatively down by 291Gwh) led to overall decline in power generation by 469Gwh. This brings total generation for FY19TD to 7,478Gwh down by 54%YoY owing to lower generation from Hub Plant, KAPCO Block I & II and GENCO I & III along with lower generation from smaller inefficient IPPs such as Lalpir and Pakgen.

**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: NEPRA & IGI Research

**Gas/LNG generation down by 10%YoY in Feb-19**

Gas/LNG based power generation plummeted by 10%YoY (289Gwh) to 2,724Gwh in Feb-19 on the back of a) lower generation by KAPCO Block I, II & III cumulatively down by 374Gwh and, b) lower generation from GENCO I, II & III (cumulatively down by 640Gwh) along with lower generation from smaller IPPs, despite higher generation from QATPL, Haveli Bahadurshah and Baloki Power plants cumulatively adding 1,011Gwh. This brings total generation in FY19TD to 30,602Gwh up by +23%YoY led by higher generation from QATPL, Haveli Bahadur Shah, Baloki, KAPCO Block I-III and smaller IPPs.

**Generation cost on RFO drops to PKR 11.91/Kwh during Feb-19**

As per NEPRA, power cost on RFO is down by 14%MoM (or up by +17%YoY) to PKR 11.91/Kwh. However, gas price rose to PKR 5.79/Kwh due to increase in gas tariff for IPPs while generation cost through LNG increased to PKR 9.76/Kwh due to rise in international Brent oil price. For the month of Mar-19 to date, international RFO (180cst bunker fuel) prices average USD 421/MTon (or PKR 79,842/Mton) as compared to USD 402/Mton (or PKR 79,842/Mton) in the preceding month. The price for Feb-19 remains unchanged owing to no imports of FO during the last few months. Furthermore PKR has remained stable as well since end of Dec-18.

**Outlook**

We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to slow down as new LNG/coal plants commence operation and restoration of water levels for higher generation through Hydel. However, in the long term we foresee FO based power generation to slowly phase out as new LNG and Coal based power plants commence operations by FY21. ENGRO's Thar plant Unit I is likely to commence operations by end of Mar-19 and HUBC CPHGC plant is likely to start generation by Aug-19. In the medium term we anticipate coal based generation to reach up to 18% from current 13% in FY19TD. Although, rise in coal and LNG prices could increase the cost of generation in the coming years but renewable energy projects (including wind and solar) would significantly reduce cost.

**Recommendation**

We maintain HUBC as our top pick with our Dec-19 target price of PKR 120.23/share offering +43% upside from its last close. We are currently revisiting our investment case for HUBC. The Company is trading at FY19 P/E of 7.9x and offers dividend yield of 7.1%.

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