

Day Break

Wednesday, 18 May 2016

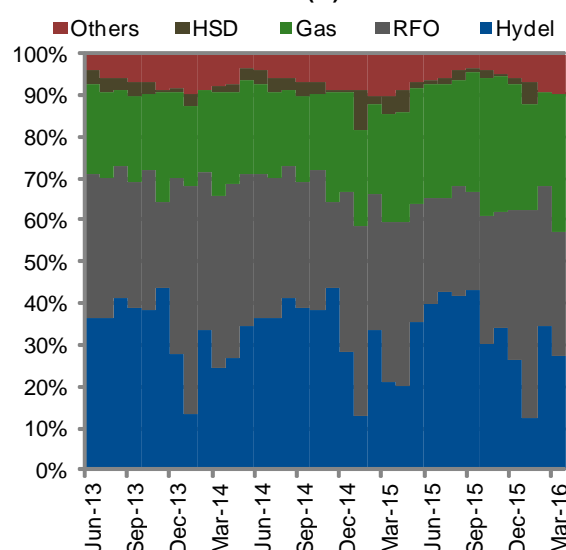
Sector Update

Monthly Power Generation Mix (Mar-16)

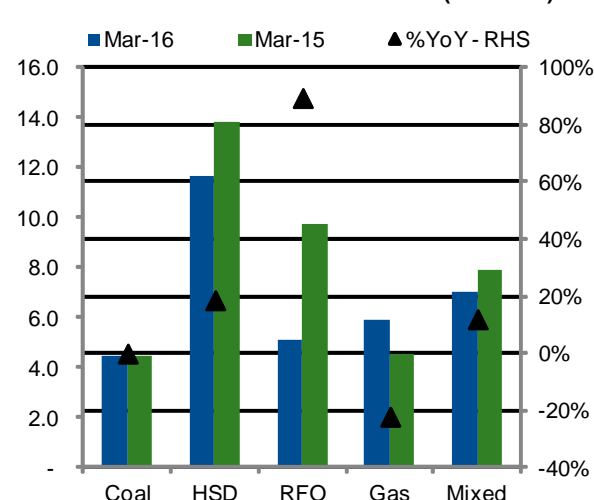
GWh

Company	Mar-16	Mar-15	YoY	Feb-16	MoM
Hydel	1,855	1,364	36%	2,213	-16%
RFO	1,992	2,541	-22%	2,133	-7%
Gas	2,231	1,670	34%	1,460	53%
HSD	12	303	-96%	3	246%
Others	645	664	-3%	587	10%
Total	6,735	6,541	3%	6,397	5%

Fuel Wise Generation Mix (%)



Fuel Wise Cost of Generation - Mar-16 (PKR/Kwh)



Source: NEPRA, KSE 100 & IGI Research

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

Power Generation & Distribution

Generation up by +3%YoY in Mar-16

- Power generation through RFO for the month of Feb-16 witnessed a +22%YoY/7%MoM slump, which in our view is primarily due to 71%YoY/87%YoY lower generation from KAPCO block 1/block 2.
- According to the data released by NEPRA, RFO based power generation cost is down to PKR 5.14/Kwh versus PKR 5.86/Kwh for gas.
- We expect generation on gas to increase due to higher availability of LNG going forward as shipments from Qatar have started to arrive under the LNG supply agreement signed with Qatargas. RFO based generation is expected to pick up due to seasonal demand and lower cost, for which PSO has imported record levels of HSFO and LSFO to meet the demand in May/June-16.

Generation picks up by +3%YoY in Mar-16

As per latest data available at NEPRA, overall power generation during the month of Mar-16 leaped up by +3.0%YoY/5.0%MoM to 6,735Gwh. During the month, generation on Gas/Hydel surged by +34%/+36% on yearly basis, while production on RFO plunged by 22%YoY.

FO Generation Owing to Lower Generation from KAPCO

Power generation through RFO for the month of Feb-16 witnessed a +22%YoY/7%MoM slump, which in our view is primarily due to 71%YoY/87%YoY lower generation from KAPCO block 1/block 2 through RFO (Production on gas has increased due to LNG availability). Furthermore, lower generation from Lalpir, HUBCO Narowal and Liberty Power resulted in overall decline in generation through RFO during Mar-16.

LNG - leading all the way

Gas based power generation surged by +34%YoY/53%MoM in Mar-16 owing to 99.0xYoY/1.8xYoY rise in power generation through gas from Block 1/Block 2 backed by LNG supply to KAPCO.

Cost of generation through FO down by 2%MoM

According to the data released by NEPRA, RFO based power generation cost is down to PKR 5.14/Kwh versus PKR 5.86/Kwh for gas. However, with international RFO (180cst bunker fuel) averaging around USD 186/Mton for Apr-16 (USD 176/Mton in Mar-16), we expect generation cost on RFO to increase marginally in Apr-

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16. Whereas, gas based production cost came down by 3%MoM to PKR 5.86/Kwh, owing to lower cost of LNG. However, recent +11% increase in Brent crude to USD 38.22/bbl, leading to increase in LNG price (13.37% of Brent 3M average), is probable to jack up cost of gas based power.

Exhibit: Cost of generation on FO and Gas (According to Data released by NEPRA)

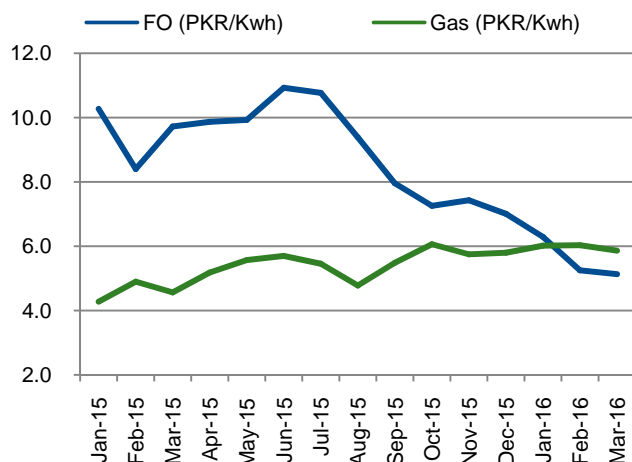
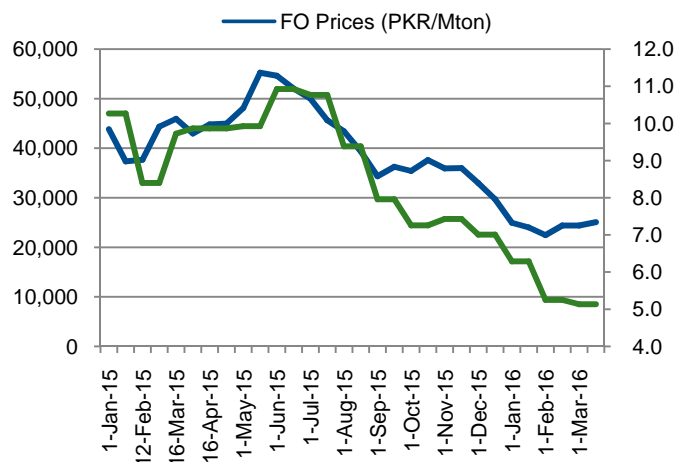


Exhibit: FO Prices (PKR/Mton) and Fuel Cost of FO-PKR/Kwh (According to Data released by NEPRA)



Source: IGI Research, NEPRA

Generation up by +3%YoY in 9MFY16

Overall power generation was up by +3%YoY to 72,568Gwh during 9MFY16, where a) gas based generation went up by +37%YoY to 20,759Gwh owing to availability of LNG, b) RFO based generation plunged by 7%YoY to 21,881Gwh and, c) generation on HSD dropped by 48%YoY to 1,194Gwh.

Outlook

We expect generation on gas to increase due to higher availability of LNG going forward as shipments from Qatar have started to arrive under the LNG supply agreement signed with Qatargas. RFO based generation is expected to pick up due to seasonal demand and lower cost, for which PSO has imported record levels of HSFO and LSFO to meet the demand in May/June-16. Hydel based power is anticipated to improve from May-16 onwards attributed to better availability of water during monsoon season.

Exhibit: Power Generation Mix (Mar-15)

GWH	Mar-16	Mar-15	YoY	Feb-16	MoM	9MFY16	9MFY15	YoY
Hydel	1,855	1,364	36%	2,213	-16%	24,562	23,739	3%
RFO	1,992	2,541	-22%	2,133	-7%	21,881	23,537	-7%
Gas	2,231	1,670	34%	1,460	53%	20,759	15,171	37%
HSD	12	303	-96%	3	246%	1,194	2,304	-48%
Others	645	664	-3%	587	10%	4,170	5,422	-23%
Total	6,735	6,541	3%	6,397	5%	72,568	70,173	3%

Source: IGI Research, NEPRA

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

Contact Details

Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext.: 810	saad.khan@igi.com.pk
Rashmina Lalani	Senior Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 826	rashmina.lalani@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 912	abdullah.farhan@igi.com.pk
Yawar Saeed	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 973	yawar.saeed@igi.com.pk
Abdul Sajid	Database	Tel: (+92-21) 111-234-234 Ext.: 974	abdul.sajid@igi.com.pk
Umesh Solanki	Database Assistant	Tel: (+92-21) 111-234-234 Ext.: 966	umesh.solanki@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-2	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Laiq-Ur-Rehman	Branch Manager (RY Khan)	Tel: (+92-68) 5871653-6	Laiq.queeshi@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited | Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20, Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road, Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651