

Day Break

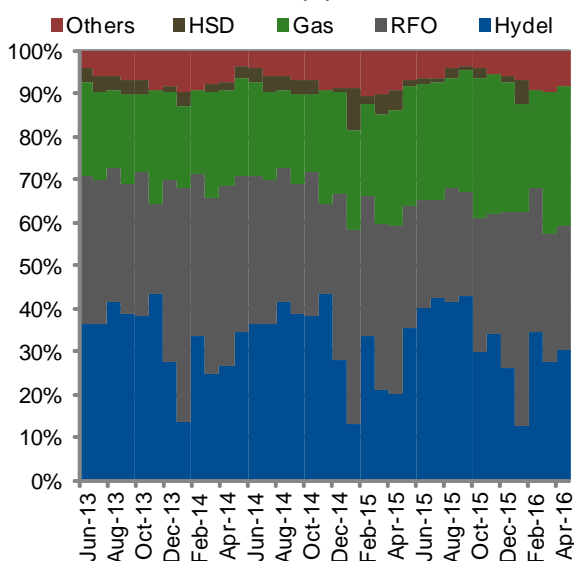
Thursday, 16 June 2016

Sector Update

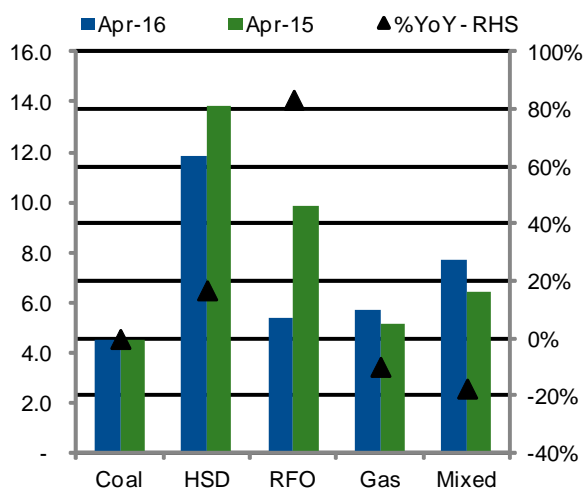
Monthly Power Generation Mix (Apr-16) - Gwh

Source	Apr-16	Apr-15	YoY	Mar-16	MoM
Hydel	2,386	1,473	62%	1,855	29%
RFO	2,251	2,880	-22%	1,992	13%
Gas	2,524	1,964	28%	2,231	13%
HSD	13	371	-97%	12	9%
Others	640	653	-2%	645	-1%
Total	7,814	7,342	6%	6,735	16%

Fuel Wise Generation Mix (%)



Fuel Wise Cost of Generation - Apr-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 +6%YoY in Apr-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.
- As per Nepra, power cost on RFO is up by +5%MoM to PKR 5.38/Kwh which is still lower than PKR 5.74/Kwh for gas.
- We expect generation on gas to increase due to higher availability of LNG going forward. RFO based generation is also foreseen to pick up due to seasonal demand and lower cost. Hydel based power is anticipated to improve from May-16 onwards attributed to better availability of water during monsoon season.

Generation picks up by +6%YoY in Apr-16

As per latest data available at NEPRA, overall power generation during the month of Apr-16 augmented by +6.0%YoY/+16.0%MoM to 7,814Gwh. Generation on Gas/Hydel surged by +62%YoY/+28%YoY, while production on RFO plunged by 22%YoY.

FO: Lower Generation from KAPCO and Hub Narowal

Power generation through RFO in Apr-16 witnessed a 22%YoY slump (up by +13%MoM), which is primarily due to 19%YoY/56%YoY lower generation from KAPCO block 1/block 2 as the production on gas has increased due to LNG availability. Furthermore, lower production from Hub Narowal, Liberty Power and Lalpir resulted in overall decline in RFO based power generation.

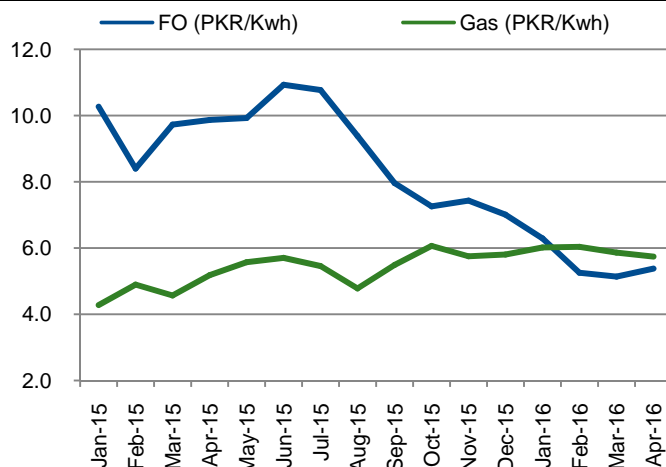
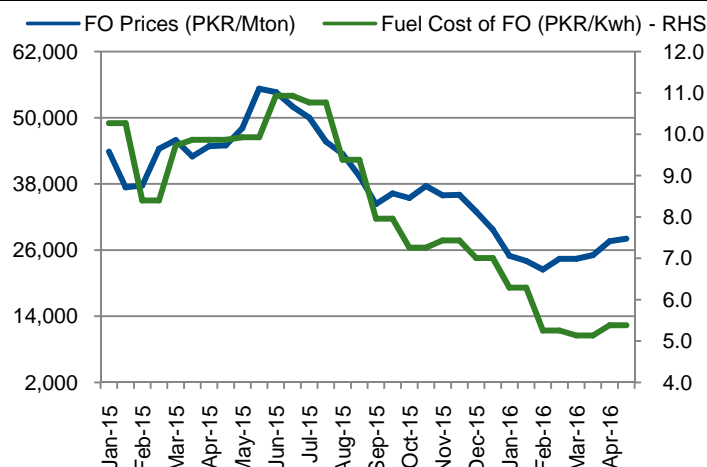
LNG – Supply Revives Gas Based Power Plants

Gas based power generation surged by +28%YoY/13%MoM in Apr-16 owing to production increase of 3.61xYoY from KAPCO block 1, 54%YoY from Liberty, 35%YoY from Rousch and 9%YoY from Uch power.

Cost of generation through FO up by +5%MoM

As per Nepra, power cost on RFO is up by +5%MoM to PKR 5.38/Kwh which is still lower than PKR 5.74/Kwh for gas. However, with international RFO (180cst bunker fuel) averaging around USD 221/Mton for May-16 (USD 186/Mton in Apr-16), we expect generation cost on RFO to increase marginally in May-16.

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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 +4%YoY in 10MFY16

Overall power generation was up by +4%YoY to 80,382Gwh in 10MFY16, where a) gas based power went up by +36%YoY to 23,283Gwh owing to availability of LNG, b) RFO based generation plunged by 9%YoY to 24,133Gwh and, c) generation through Hydel leaped up by +7%YoY to 26,948Gwh.

Outlook

We expect generation on gas to increase due to higher availability of LNG going forward. RFO based generation is also foreseen to pick up due to seasonal demand and lower cost. As highlighted in the media reports, 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 (Apr-16)

Gwh	Apr-16	Apr-15	YoY	Mar-16	MoM	10MFY16	10MFY15	YoY
Hydel	2,386	1,473	62%	1,855	29%	26,948	25,212	7%
RFO	2,251	2,880	-22%	1,992	13%	24,133	26,417	-9%
Gas	2,524	1,964	28%	2,231	13%	23,283	17,135	36%
HSD	13	371	-97%	12	9%	1,207	2,675	-55%
Others	640	653	-2%	645	-1%	4,810	6,075	-21%
Total	7,814	7,342	6%	6,735	16%	80,382	77,515	4%

Source: IGI Research, NEPRA

Analyst Certification

The analyst[^] 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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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