

# Day Break

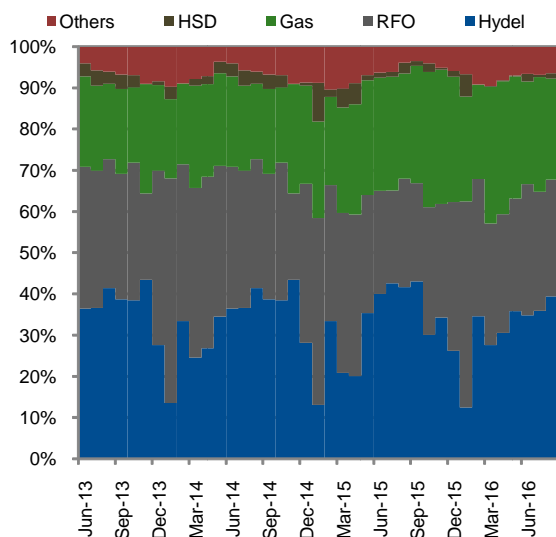
Monday, 31 October 2016

## Sector Update

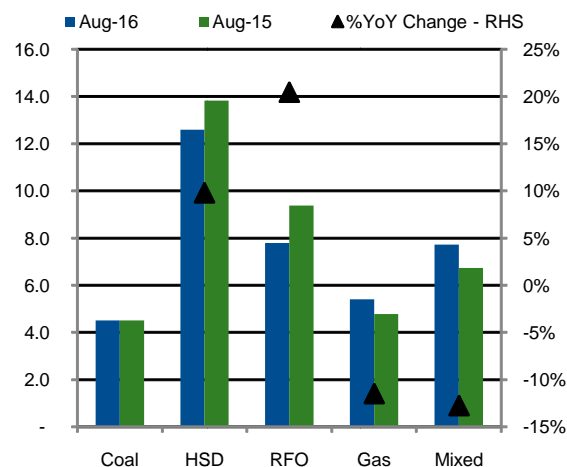
### Monthly Power Generation Mix (Aug-16) - Gwh

Source	Aug-16	Aug-15	YoY	Jul-16	MoM
Hydel	4,250	4,382	-3%	3,948	8%
RFO	3,054	2,767	10%	3,187	-4%
Gas	2,635	2,685	-2%	3,055	-14%
HSD	142	279	-49%	66	117%
Others	699	406	72%	750	-7%
Total	10,780	10,519	2%	11,005	-2%

### Fuel Wise Generation Mix (%)



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



Source: NEPRA & IGI Research

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

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

## Power Generation & Distribution

### Generation up by +2%YoY in Aug-16

- As per latest data available at NEPRA's website, overall power generation during the month of Aug-16 surged by +2%YoY to 10,780Gwh. Power production through RFO clocked in at 3,054Gwh going up by +10%YoY while generation through Hydel/Gas declined by 3%/2%YoY to 4,250Gwh/2,635Gwh during Aug-16.

- As per Nepra, power cost on RFO is up by +4%MoM to PKR 7.79/Kwh which is higher than PKR 5.40/Kwh for gas, since international FO prices kept rising from Feb-16.

- We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to pick up slightly from Sep-16 onwards as Hydel based generation slows down. Hydel based power is anticipated to slow down from Sept-16 post monsoon season.

### Power Production Depicts +2%YoY Growth in Aug-16

As per latest data available at NEPRA's website, overall power generation during the month of Aug-16 surged by +2%YoY to 10,780Gwh. Power production through RFO clocked in at 3,054Gwh going up by +10%YoY while generation through Hydel/Gas declined by 3%/2%YoY to 4,250Gwh/2,635Gwh during Aug-16.

### FO: Generation up substantially by +10%YoY in Aug-16

Power generation through RFO in Aug-16 augmented by +10%YoY to 3,054Gwh, owing to a) +6%YoY higher generation from Hub Plant, b) Pakgen Power's plant coming online post replacement of transformer to 128Gwh, and c) Saba Power plant generation up by +42Gwh.

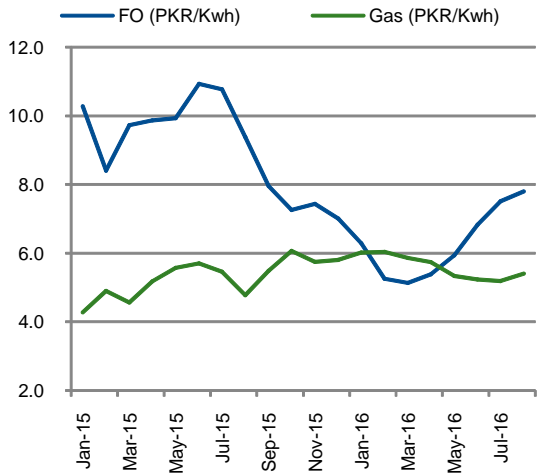
### Gas: LNG supply to Orient and Saif Power pushes generation up by +4%YoY

Gas based power generation declined by 2%YoY to 2,635Gwh in Aug-16 on the back of lower production from KAPCO Block-II/ Block-III owing to shift to LNG from Natural gas. Generation from Block-II/Block-III was down by 96%/89%YoY during Aug-16, while Block-I operated only on RFO.

### Generation Cost on RFO Further Mounts to PKR 7.79/Kwh

As per NEPRA, power cost on RFO is up by +4%MoM to PKR 7.79/Kwh which is higher than PKR 5.40/Kwh for gas, as international FO prices have been on the rising trajectory since Feb-16, while gas prices remained relatively constant. For the month of Sep-16, international RFO (180cst bunker fuel) prices have averaged out at

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

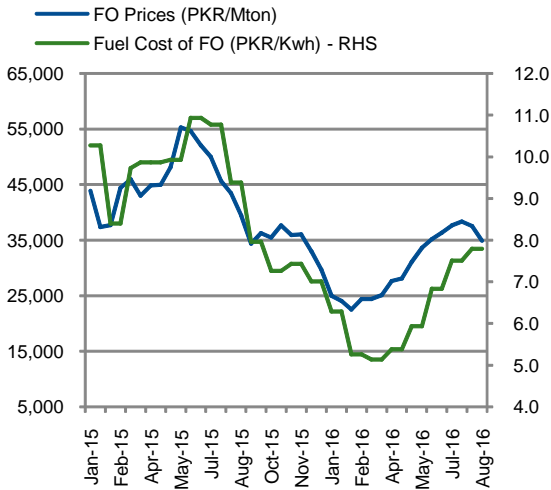


USD 254/MTon as compared to USD 234/MTon in preceding month.

**Outlook**

We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to pick up slightly from Sep-16 onwards as Hydel based generation slows down. However, we believe growth in RFO based generation to remain muted on the back of availability of LNG at cheaper cost than RFO. Hydel based power is anticipated to slow down from Sept-16 post monsoon season.

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



Source: NEPRA & IGI Research

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IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

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 سرمایہ کاری میں شہدائی کے ساتھ  
<http://www.jamapunji.pk>

## 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
Anjali Kukreja	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 957	anjali.kukreja@igi.com.pk
Jawad Ameer Ali	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 816	jawad.ameer@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
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-6	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbotabad)	Tel: (92-992) 408243-44	zeeshan.kayani@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](http://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