

Day Break

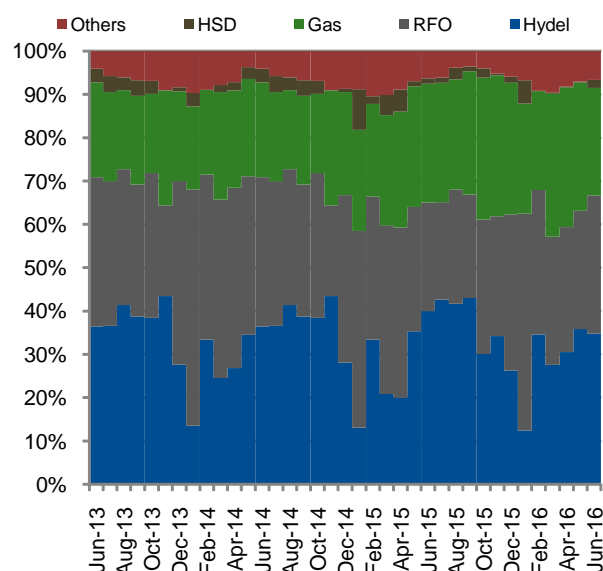
Tuesday, 16 August 2016

Sector Update

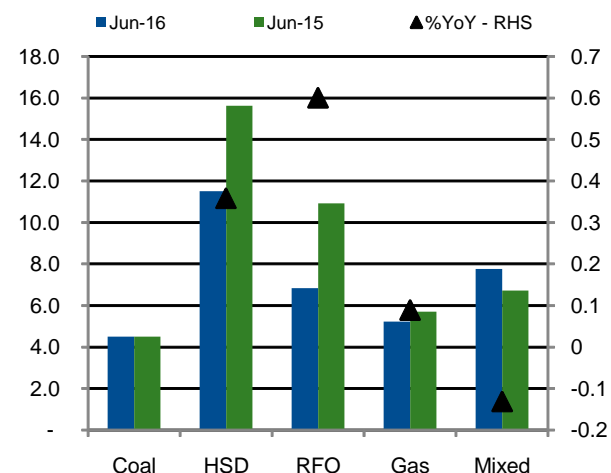
Monthly Power Generation Mix (Jun-16) - Gwh

Source	Jun-16	Jun-15	YoY	May-16	MoM
Hydel	3,740	3,973	-6%	3,584	4%
RFO	3,421	2,484	38%	2,733	25%
Gas	2,667	2,722	-2%	2,964	-10%
HSD	198	127	56%	23	778%
Others	711	621	15%	700	2%
Total	10,737	9,927	8%	10,003	7%

Fuel Wise Generation Mix (%)



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



Source: NEPRA & IGI Research

Analyst

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Power Generation & Distribution

Generation up by +4%YoY in FY16

- As per latest data available at NEPRA, overall power generation during the month of Jun-16 surged by +8%YoY. Power production through RFO jumped up massively by +38%YoY while generation through Hydel/Gas declined by 6%YoY/2%YoY during Jun-16.
- As per Nepra, power cost on RFO is up by +15%MoM to PKR 6.83/Kwh which is higher than PKR 5.24/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 decline in Jul-16 owing in to increase in generation cost and increase in hydel based power production during monsoon season.

Power Production Depicts +8%YoY Growth in Jun-16

As per latest data available at NEPRA, overall power generation during the month of Jun-16 surged by +8%YoY. Power production through RFO jumped up massively by +38%YoY while generation through Hydel/Gas declined by 6%YoY/2%YoY during Jun-16.

FO: Generation up substantially by +38%YoY in Jun-16

Power generation through RFO in Jun-16 leaped up massively by +38%YoY to 2,733Gwh, owing to a) +71%YoY (up by 191Gwh) higher generation from KAPCO block-II, b) Pakgen Power's plant coming online post replacement of transformer, c) +42%YoY (up by 55.8 Gwh) increase in generation from AES Lalpir.

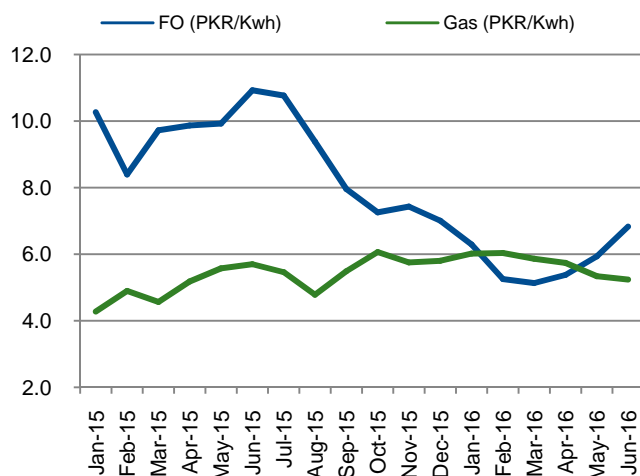
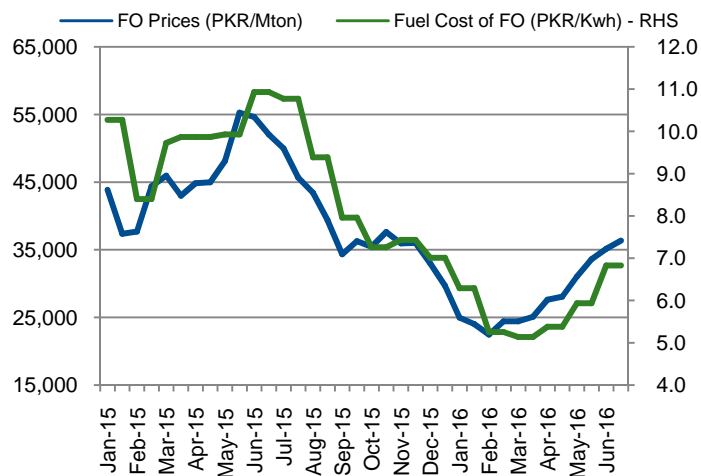
Gas: Lower Output from KAPCO drags Generation down by 2%YoY

Gas based power generation dropped by 2%YoY in Jun-16 owing to 99%YoY/86%YoY decline in production from KAPCO Block-II/Block-III. Power production from Saif Power and Halmore commenced production owing to availability of gas through LNG supply.

Generation Cost on RFO Further Mounts to PKR 6.83/Kwh

As per Nepra, power cost on RFO is up by +15%MoM to PKR 6.83/Kwh which is higher than PKR 5.24/Kwh for gas, since international FO prices kept rising from Feb-16, whereas gas prices remained constant. For the month of Jul-16, international RFO (180cst bunker fuel) prices have averaged out at USD 245/MTon as compared to USD 238/MTon in Jun-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 FY16

Overall power generation was up by +4%YoY to 101,122Gwh in FY16, where a) gas based power production went up by +28%YoY to 28,914Gwh owing to availability of LNG, b) RFO based generation plunged by 4%YoY to 30,286Gwh and, c) generation through Hydel leaped up by +5%YoY to 34,272Gwh.

Outlook

We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to decline in Jul-16 owing in to increase in generation cost and increase in hydel based power production during monsoon season. Hydel based power is anticipated to improve further from Jul-16 on the back of better availability of water during monsoon season.

Exhibit: Power Generation Mix (Jun-16)

GWH	Jun-16	Jun-15	YoY	May-16	MoM	FY16	FY15	YoY
Hydel	3,740	3,973	-6%	3,584	4%	34,272	32,563	5%
RFO	3,421	2,484	38%	2,733	25%	30,286	31,642	-4%
Gas	2,667	2,722	-2%	2,964	-10%	28,914	22,517	28%
HSD	198	127	56%	23	778%	1,428	2,916	-51%
Others	711	621	15%	700	2%	6,222	7,358	-15%
Total	10,737	9,927	8%	10,003	7%	101,122	96,996	4%

Source: IGI Research, NEPRA

Analyst Certification

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Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
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)

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