

Day Break

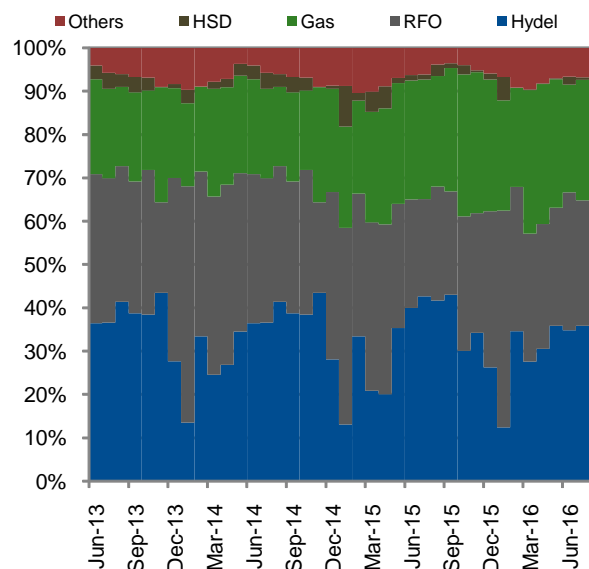
Wednesday, 21 September 2016

Sector Update

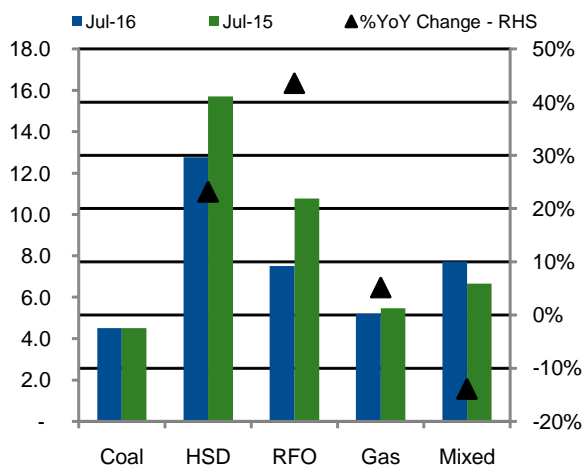
Monthly Power Generation Mix (Jul-16) - Gwh

Source	Jul-16	Jul-15	YoY	Jun-16	MoM
Hydel	3,948	4,529	-13%	3,740	6%
RFO	3,187	2,390	33%	3,421	-7%
Gas	3,055	2,931	4%	2,667	15%
HSD	66	125	-48%	198	-67%
Others	750	653	15%	711	5%
Total	11,005	10,627	4%	10,737	2%

Fuel Wise Generation Mix (%)



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



Source: NEPRA & IGI Research

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Power Generation & Distribution

Generation up by +4%YoY in Jul-16

- As per latest data available at NEPRA, overall power generation during the month of Jul-16 surged by +4%YoY. Power production through RFO jumped up massively by +33%YoY while generation through Hydel declined by 13%YoY during Jul-16
- As per Nepra, power cost on RFO is up by +10%MoM to PKR 7.50/Kwh which is higher than PKR 5.19/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 slightly in Aug-16. Hydel based power is anticipated to improve further from Jul-16 on the back of better availability of water during monsoon season.

Power Production Depicts +4%YoY Growth in Jul-16

As per latest data available at NEPRA, overall power generation during the month of Jul-16 surged by +4%YoY. Power production through RFO jumped up massively by +33%YoY while generation through Hydel declined by 13%YoY during Jul-16.

FO: Generation up substantially by +33%YoY in Jul-16

Power generation through RFO in Jul-16 leaped up massively by +33%YoY to 3,187Gwh, owing to a) +66%YoY/+9%YoY higher generation from KAPCO block-I/block-II, b) Pakgen Power's plant coming online post replacement of transformer, c) Saba Power plant generation up by 54Gwh.

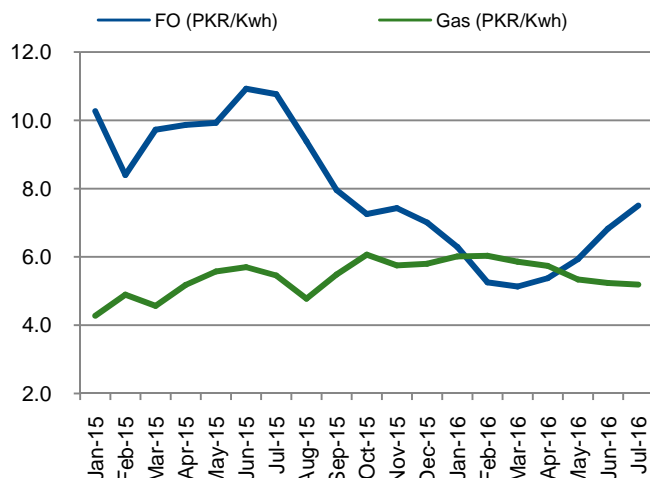
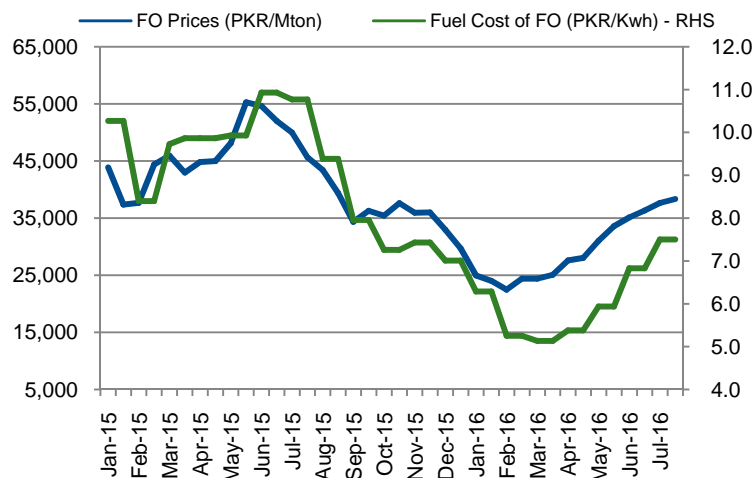
Gas: LNG supply to Orient and Saif Power pushes generation up by +4%YoY

Gas based power generation leaped up by +4%YoY in Jul-16 on the back of +36%YoY/+73%YoY rise in production from Orient/Saif Power owing to LNG supply. Furthermore, owing to LNG supply to Halmore led to re-commencement of production to reach 134Gwh.

Generation Cost on RFO Further Mounts to PKR 7.50/Kwh

As per Nepra, power cost on RFO is up by +10%MoM to PKR 7.50/Kwh which is higher than PKR 5.19/Kwh for gas, since international FO prices kept rising from Feb-16, whereas gas prices remained constant. For the month of Aug-16, international RFO (180cst bunker fuel) prices have averaged out at USD 234/MTon as compared to USD 245/MTon in Jul-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

Outlook

We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to decline slightly in Aug-16 owing to increase in generation cost and incline 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 (Jul-16)

GWH	Jul-16	Jul-15	YoY	Jun-16	MoM
Hydel	3,948	4,529	-13%	3,740	6%
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Source: IGI Research, NEPRA

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Recommendation	Rating System
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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