

Day Break

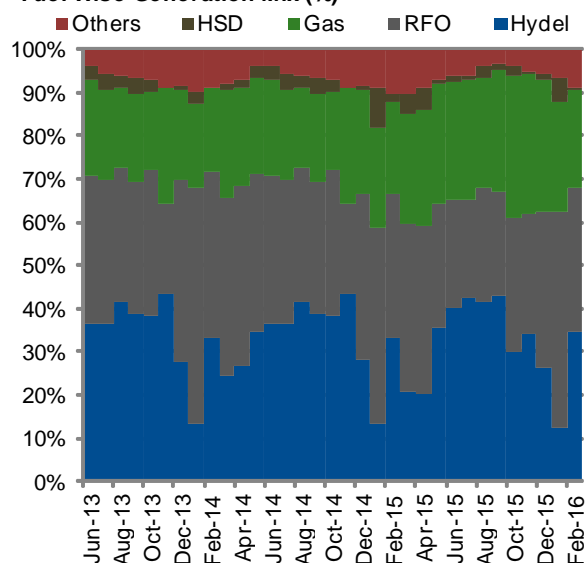
Friday, 08 April 2016

Sector Update

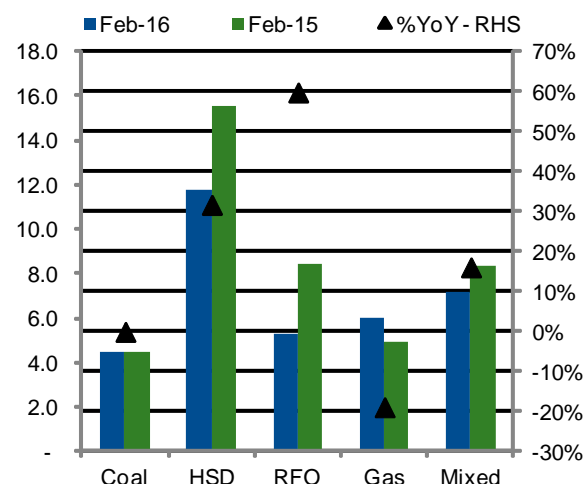
Monthly Power Generation Mix (Feb-16)

Company	Feb-16	Feb-15	YoY	Jan-16	MoM
Hydel	2,213	1,957	13%	843	163%
RFO	2,133	1,933	10%	3,387	-37%
Gas	1,460	1,253	17%	1,718	-15%
HSD	3	106	-97%	367	-99%
Others	587	610	-4%	455	29%
Total	6,397	5,859	9%	6,771	-6%

Fuel Wise Generation Mix (%)



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



Source: Bloomberg, KSE 100 & IGI Research

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Power Generation & Distribution

Generation up by +9%YoY in Feb-16

- As per latest data available at NEPRA, overall power generation during the month of Feb-16 mounted by +9.0%YoY (down by 6.0%MoM) to 6,397Gwh.
- According to the data released by NEPRA cost of generation through RFO is down to PKR 5.25/Kwh as compared to cost of generation of PKR 6.04/Kwh through 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 maintain current level owing to Hub Plants' conclusion of repair work on all four boilers and Pakgen Plant coming online.

Generation picks up by +9%YoY in Feb-16

As per latest data available at NEPRA, overall power generation during the month of Feb-16 mounted by +9.0%YoY (down by 6.0%MoM) to 6,397Gwh. During the month, generation on Gas/Hydel/RFO surged by +17%/+13%/+10% each on yearly basis, while production on HSD plummeted by 97%YoY.

In our view, overall generation dropped down by 12%MoM/6%MoM in Jan-16 and Feb-16, owing to increasing generation through captive power plants based on oil, as FO prices have plunged by 18% since Dec-15.

FO Generation rises as Pakgen Plant Comes Online

Power generation through RFO for the month of Feb-16 due to +10%YoY jump (down 37%MoM) in generation which was primarily due to Hub Plant stepping up its generation post conclusion of repair work on all four boilers in Dec-15. Furthermore, Pakgen Power came back online posting 2.0xYoY growth in generation during the month.

LNG Supply to IPPs Pushes Generation up +17%YoY

Gas based power generation surged by +17%YoY in Feb-16 owing to LNG supply to Rousch Power, Hub Narowal and Altern Energy. However power generation dropped by 15%MoM in Feb-16 on the back of lower production from smaller IPPs.

Cost of generation through FO down by 16%MoM

According to the data released by NEPRA cost of generation through

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RFO is down to PKR 5.25/Kwh as compared to PKR 6.04/Kwh through gas. With international RFO (180cst bunker fuel) averaging around USD 176/Mton for Mar-16 (average of USD 160/Mton in Feb-16), we expect fuel cost of generation on RFO to increase marginally during Mar-16.

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

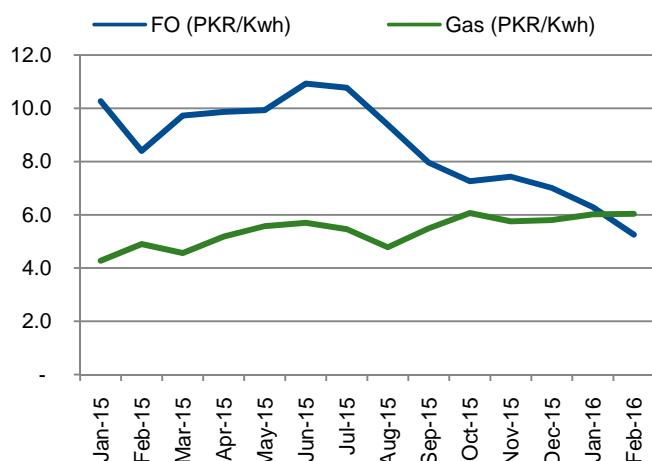
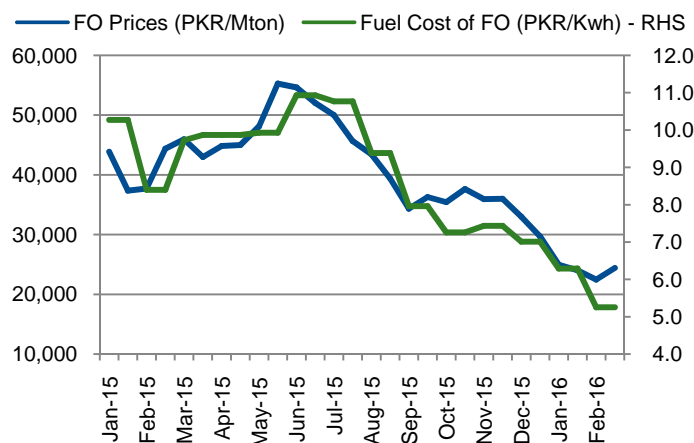


Exhibit: FO Prices (PKR/Mton) and Fuel Cost of FO-PKR/Kwh (According to Data released by NEPRA)



Source: IGI Research, NEPRA

Generation up by +3%YoY in 8MFY16

Overall power generation was up by +3%YoY to 65,833Gwh during 8MFY16, compared to a total 63,632Gwh during the same period last year. Gas based generation went up by +37%YoY to 18,528Gwh as compared to 13,501Gwh in the corresponding period, owing to availability of LNG. RFO based generation plunged by 5%YoY to 19,889Gwh in 8MFY16, while generation on HSD dropped by 41%YoY to 1,183Gwh.

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 maintain current level owing to Hub Plants' conclusion of repair work on all four boilers and Pakgen Plant coming online. Furthermore, with cheaper FO based generation cost compared to Gas, power production on oil has become feasible for IPPs. Hydel based power is anticipated to improve from May-16 onwards attributed to better availability of water during monsoon season.

Exhibit: Power Generation Mix (Feb-16)

GWH	Feb-16	Feb-15	YoY	Jan-16	MoM	8MFY16	8MFY15	YoY
Hydel	2,213	1,957	13%	843	163%	22,707	22,375	1%
RFO	2,133	1,933	10%	3,387	-37%	19,889	20,996	-5%
Gas	1,460	1,253	17%	1,718	-15%	18,528	13,501	37%
HSD	3	106	-97%	367	-99%	1,183	2,001	-41%
Others	587	610	-4%	455	29%	3,526	4,758	-26%
Total	6,397	5,859	9%	6,771	-6%	65,833	63,632	3%

Source: IGI Research, NEPRA

Analyst Certification

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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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