

Day Break

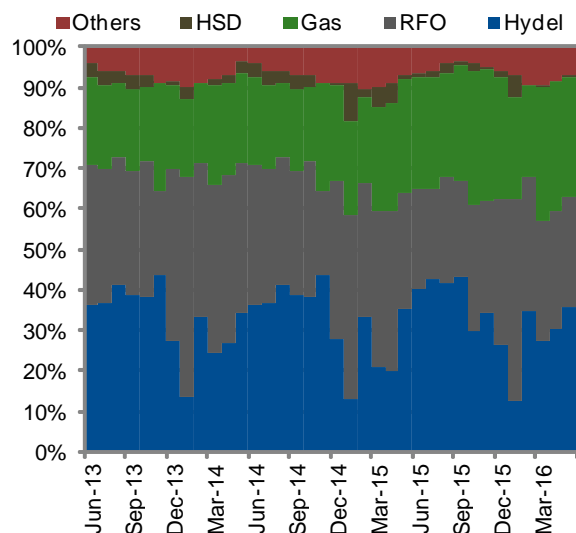
Tuesday, 26 July 2016

Sector Update

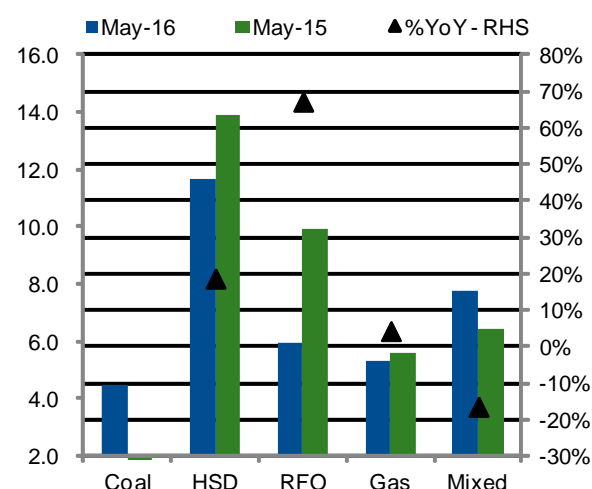
Monthly Power Generation Mix (May-16) - Gwh

Source	May-16	May-15	YoY	Apr-16	MoM
Hydel	3,584	3,378	6%	2,386	50%
RFO	2,733	2,741	0%	2,251	21%
Gas	2,964	2,660	11%	2,524	17%
HSD	23	114	-80%	13	74%
Others	700	662	6%	640	9%
Total	10,003	9,554	5%	7,814	28%

Fuel Wise Generation Mix (%)



Fuel Wise Cost of Generation - May-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 +5%YoY in May-16

- As per latest data available at NEPRA, overall power generation during the month of May-16 surged by +5.0%YoY/+28.0%MoM to 10,003Gwh. Generation on Gas/Hydel augmented by +11%YoY/+6%YoY, while production on RFO remained flat during the period under review.
- As per Nepra, power cost on RFO is up by +10%MoM to PKR 5.94/Kwh which is now higher than PKR 5.34/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.

Power Production Depicts +5%YoY Growth in May-16

As per latest data available at NEPRA, overall power generation during the month of May-16 surged by +5.0%YoY/+28.0%MoM to 10,003Gwh. Generation on Gas/Hydel augmented by +11%YoY/+6%YoY, while production on RFO remained flat during the period under review.

FO: Generation Remained Flat at 2,733Gwh in May-16

Power generation through RFO in May-16 remained flat at 2,733Gwh, as availability of LNG and lower cost of generation compared to RFO, made power production through gas more feasible. Furthermore, Hydel generation picked up by +6%YoY owing to better availability of water during monsoon season.

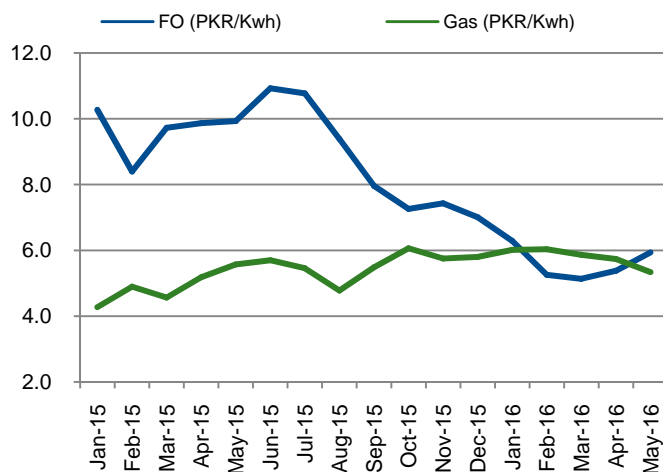
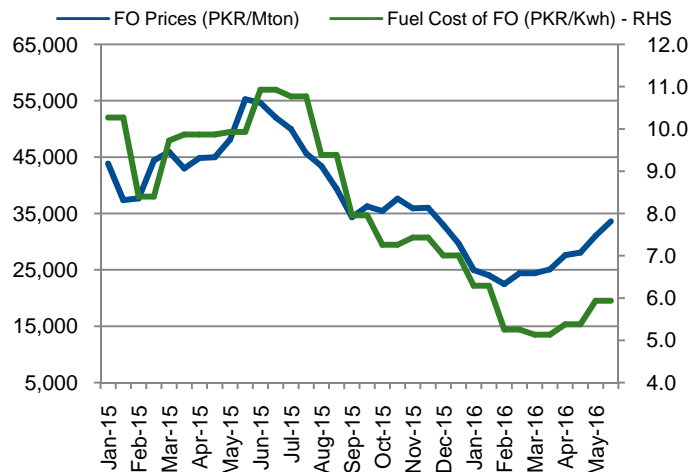
LNG – Supply Revives Gas Based Power Plants

Gas based power generation surged by +11%YoY/+17%MoM in May-16 owing to LNG supply to Saif Power and Halmore.

Generation Cost on RFO Further Mounts to PKR 5.94/Kwh

As per Nepra, power cost on RFO is up by +10%MoM to PKR 5.94/Kwh which is now higher than PKR 5.34/Kwh for gas, since international FO prices kept rising from Feb-16, whereas gas prices remained constant. For the month of Jun-16, international RFO (180cst bunker fuel) prices have averaged out at USD 238/MTon as compared to USD 221/MTon in May-16.

Tuesday, 26 July 2016

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 11MFY16

Overall power generation was up by +4%YoY to 90,385Gwh in 11MFY16, where a) gas based power production went up by +33%YoY to 26,247Gwh owing to availability of LNG, b) RFO based generation plunged by 8%YoY to 26,157Gwh and, c) generation through Hydel leaped up by +7%YoY to 30,532Gwh.

Outlook

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

Exhibit: Power Generation Mix (May-16)

GWH	May-16	May-15	YoY	Apr-16	MoM	11MFY16	11MFY15	YoY
Hydel	3,584	3,378	6%	2,386	50%	30,532	28,590	7%
RFO	2,733	2,741	0%	2,251	21%	26,866	29,157	-8%
Gas	2,964	2,660	11%	2,524	17%	26,247	19,795	33%
HSD	23	114	-80%	13	74%	1,230	2,789	-56%
Others	700	662	6%	640	9%	5,510	6,737	-18%
Total	10,003	9,554	5%	7,814	28%	90,385	87,069	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.

Disclaimer

This document has been prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose.

Rating system

IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

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)

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- Liaquat 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