

Day Break

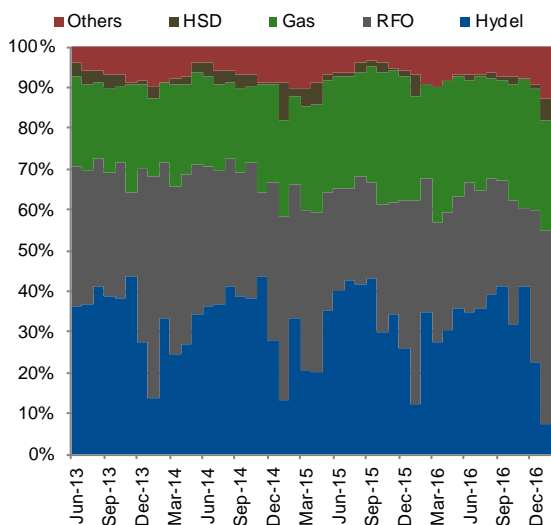
Monday, 20 March 2017

Sector Update

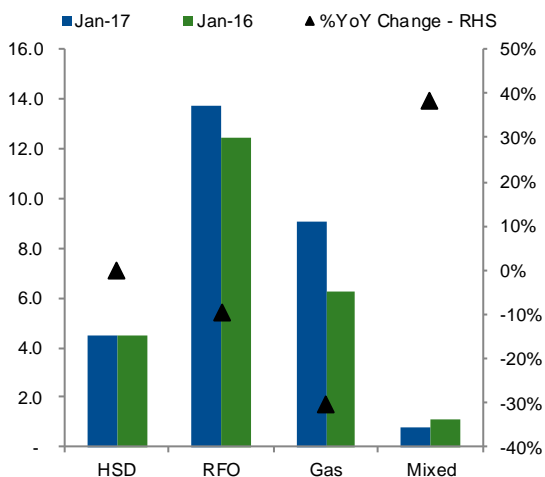
Monthly Power Generation Mix (Jan-17) - Gwh

Source	Jan-17	Jan-16	YoY	Dec-16	MoM
Hydel	512	843	-39%	1,643	-69%
RFO	3,297	3,387	-3%	2,673	23%
Gas	1,867	1,718	9%	2,152	-13%
HSD	362	367	-1%	61	497%
Others	876	455	93%	671	31%
Total	6,914	6,771	2%	7,200	-4%

Fuel Wise Generation Mix (%)



Fuel Wise Cost of Generation - Jan-17 (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 Jan-17

- As per latest data available on NEPRA's website, overall power generation during the month of Jan-17 surged by +2%YoY to 6,914Gwh.
- Power generation through RFO in Jan-17 plummeted by 3%YoY (91Gwh) to 3,297Gwh, while Gas based power generation augmented by +9%YoY (+149Gwh) to 1,867Gwh in Jan-17 on the back of +22%/+86%/86%YoY (+125/+60/+71Gwh) increased production from Uch-I & II/Foundation Power/Engro Energy during Jan-17.
- We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to slowdown from May-17 onwards as Hydel based generation picks up. However, we believe growth in RFO based generation to remain muted on the back of availability of LNG at cheaper cost than RFO and rebound in FO prices.

Power production depicts +2%YoY growth in Jan-17

As per latest data available on NEPRA's website, overall power generation during the month of Jan-17 surged by +2%YoY to 6,914Gwh. Power production through RFO/Hydel clocked in at 3,297/512Gwh down by 3%/39%YoY, while generation through gas increased by +9%YoY to 1,867Gwh during Jan-17. For FY17TD, generation is up by +4%YoY to 61,732Gwh primarily led by +6%YoY rise in production through RFO contributing 31% of the total power generation while contribution from gas based power generation is down to 27% as compared to 29% in FY16TD.

FO: Generation down by 3%YoY in Jan-17

Power generation through RFO in Jan-17 plummeted by 3%YoY (91Gwh) to 3,297Gwh, owing to 13%/25%YoY (48/66Gwh) lower generation from AES Lalpir/Kapco Block-II power plants, while generation from Hub plant dropped by 18%YoY (133Gwh). The decline was partially offset by 7.8xYoY (129Gwh) rise in power production from Pakgen power plant.

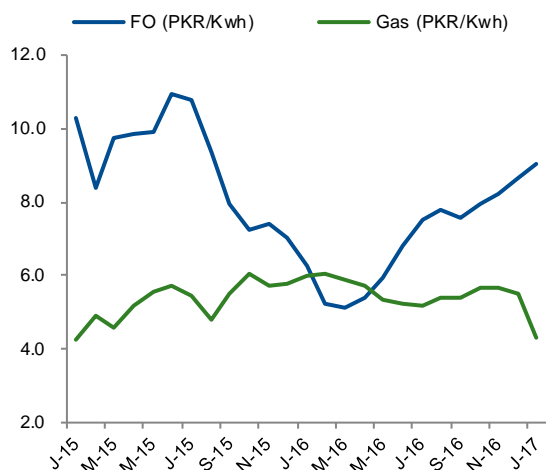
Gas: Higher generation by Uch and Engro plants lift generation up by +9%YoY

Gas based power generation augmented by +9%YoY (+149Gwh) to 1,867Gwh in Jan-17 on the back of +22%/+86%/86%YoY (+125/+60/+71Gwh) increased production from Uch-I & II/Foundation Power/Engro Energy during Jan-17. However, this increased production was partially offset by 81%YoY (96Gwh) lower generation from Liberty power plant.

Generation cost on RFO further mounts to PKR 9.03/Kwh during Jan-17

As per NEPRA, power cost on RFO is up by +4%MoM to PKR 9.03/Kwh as compared to PKR 4.30/Kwh for gas, as international FO prices have been on the rising trajectory since Feb-16, while gas prices are on a decline since Feb-16 owing to lower price of LNG. For the month of Feb-17, international RFO (180cst bunker fuel) prices have averaged out at USD 316/MTon as compared to USD 326/MTon in the preceding month.

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



Outlook

We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to slowdown from May-17 onwards as Hydel based generation picks up. However, we believe growth in RFO based generation to remain muted on the back of availability of LNG at cheaper cost than RFO and rebound in FO prices. Hydel based power generation is anticipated to rise from May-17 as monsoon season approaches.

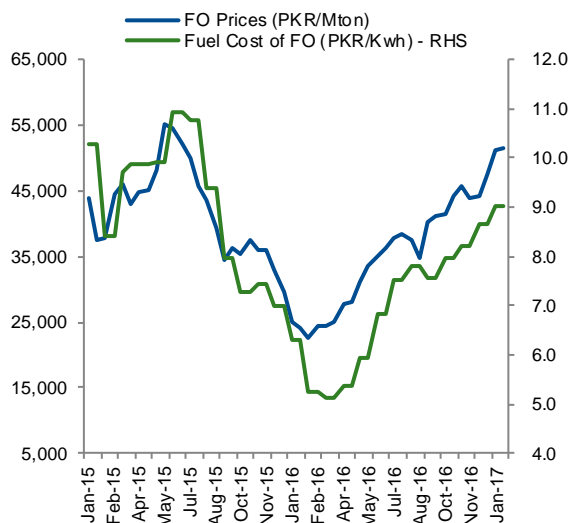
Exhibit:

Power Generation Mix (Jan-17)

GWH	Jan-17	Jan-16	YoY	Dec-16	MoM	FY17TD	FY16TD	YoY
Hydel	512	843	-39%	1,643	-69%	20,166	20,494	-2%
RFO	3,297	3,387	-3%	2,673	23%	18,838	17,756	6%
Gas	1,867	1,718	9%	2,152	-13%	16,923	17,068	-1%
HSD	362	367	-1%	61	497%	905	1,179	-23%
Others	876	455	93%	671	31%	4,900	2,938	67%
Total	6,914	6,771	2%	7,200	-4%	61,732	59,435	4%

Source: IGI Research, NEPRA

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



Source: NEPRA & IGI Research

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views 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(s) 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: The information and opinions contained herein are 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. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

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 target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2016 IGI Finex Securities Limited


JamaPunji
 سروسامانہ نگاری مسجد ہداری 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
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Jawad Ameer Ali	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	jawad.ameer@igi.com.pk
Anjali Kukreja	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	anjali.kukreja@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	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) 2604861-62	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) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan 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- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Phone: (92-992) 408243 - 44

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

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Radio
Station, Mansehra Road, Abbottabad
Phone: (+92-99) 2408243 - 44