

K-Electric Ltd (KEL)

NEPRA notifies Rs12.81/KWH tariff

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NEPRA notifies Rs12.81/KWH tariff for 7-years

- National Electric Power Regulatory Authority (NEPRA) notified Multi Year Tariff (MYT) of Rs12.81/kwh for 7-years (FY17-23) which is marginally up from Rs12.77/kwh determined in Oct 2017.
- K-Electric filed a petition to NEPRA for Integrated Multi Year Tariff (IMYT) in Mar-16, before expiration of its existing tariff in FY16, requesting a determination of MYT for 10-years beginning FY17 with an upward revision in MYT from Rs. 15.5/kWh to Rs. 16.10/kWh, an increase of Rs. 0.66/kWh.
- The regulator, in its decision in Mar-17, determined a tariff of Rs. 12.07/kWh and reduced the number of applicable years to 7 years. Dissatisfied, KEL filed for a review which resultantly led to an upward revision in tariff to Rs. 12.77/kWh in Oct-17. However, KEL again filed for a review, the decision for which was granted today, 5th Jul-18.
- In the revised figure, adjustment was made in all components of tariffs including Generation, Transmission and Distribution.
- K-Electric has not been allowed any provision on account of the Doubtful debts in the tariff, however, Bad Debts written off @ 1.69% of K-Electric's assessed sales revenue has been allowed in the base case. The amount of write off shall be approved by the KE BoD which shall certify that KE has made all best possible efforts to recover the amount being written off.
- We assess it to have a minimal impact on the stock as there is no material change in the decision granted today compared to the decision rendered in Oct-17, in our view. We are maintaining our earnings projection and 'Sell' stance on the stock.
- One key positive development for KEL seems to be the removal of regulatory hurdles, clearing way for the awaited deal with Shaghai electric for the sale of Abraaj's stake in the company.

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