



KEL | FY16 ^ to unlock many new features | Hold

K-Electric ^ Earnings growth ~ New projects to be online in FY16

Contract with Siemens & Shanghai Electric | Worth of US\$400mn ~ Transmission capacity and reliability to improve

Operational Performance ~ getting better

- K-Electric ~ (as of 2014) 55% reduction in transformer tripping vs 2008 | Trips leads to a gap which creates a shortfall ~ new projects to overcome these issues
- Reduction in transformer tripping ~ Amount of un-served energy to fall (56% drop in 2014 vs 2008)
- This new contract would enhanced the transmission capacity for KEL (While addition of new transformers would further reduce the numbers of trips and improves reliability along with the capacity) depend how much in MVA to be added
- ✚ Un-served energy (as of 2014) is 4,992 (MWH) this to reduce once these new transformers to become functional

We expect KEL to outperform in future as FY16 to reveal many new things, Abraaj exit along with many new upcoming projects | New stakes, Separation of entity ~ Generation could be a target.... Be ready!!!

We remain intact with our Buy call

- K-Electric ^ Project with Herbin Electric | Time has arrived
- Entity would convert its stations on other sources (coal) once Nepra to issue a structure
- We believe that conversion over coal would benefit an entity as production cost for a unit would drop by 60-65% nearly
- ✚ K-Electric ~ Consistent growth
- We expect more than 50% earnings growth in FY15
- Entity can announce a dividend of Re0.525 | A journey from KESC to KEL was long ~ can win an investor confidence this time
- K-Electric | PEG 0.22
- We believe that reduction in T&D losses resulting in cost savings of more than Rs2bn annually ~ allowing entity to incur more CAPEX for a better structure

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