

# KazTransOil: temporary tariff is higher than our expectations

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Altynay Ibraimova — August 06, 2019

According to the KTO's press release dated yesterday, Antimonopoly Committee approved a temporary compensatory tariff for crude oil transportation to the domestic market.

Previous tariff for 2019 amounted to 4722 tenge per 1 ton per 1000 km, whilst a temporary compensating tariff starting in September 2019 until August 2020 will amount to 4716.62 tenge per 1 ton per 1000 km. The reason for applying the temporary compensatory tariff was the failure to fulfill certain parts of the tariff estimate for a total amount of 55m tenge, due to the refusal to adjust the tariff estimate by the Authorized Supervision.

Recall that the approved tariffs expire in the end of 2019 and the process of approving new tariff levels by the KTO has already been launched.

## **Our opinion**

In our July's report on KTO we assumed a reduction of tariffs on the domestic market by 10% in 2020 yoy to the level of 4250 tenge per 1 ton per 1000 km. The temporary tariff approved for 9 months of the next year is 11% higher than our expected level, which is certainly positive for our assessment and confirms our recommendation to buy KTO's shares. Keeping the previous assumptions, taking into account only the adjustment for the tariff for the next year, we do not observe a significant change in the target price and maintain our 12M TP at the level of T1300 / share.

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