

KenGen Media Report

October 31-Nov 1,2011



KenGen News

Electronic Media

Media House	Date	Link	Topic
KBC	Oct 31, 2011	http://bit.ly/s1QOm4	Operation darkness called off

Industry News

Media House	Date	Link	Topic
Capital FM	Oct 31, 2011	http://bit.ly/u8cZ9Z	Kenya Power strike put on hold
Citizen radio	Oct 31, 2011	http://bit.ly/vJpAJT	Kenya Power employees call off strike
Citizen TV	Oct 31, 2011	http://bit.ly/vzZsn0	Kenya Power strike called off
NTV	Oct 31, 2011	http://bit.ly/vWkPSr	Kenya Power workers suspend strike

Print Media

Media House	Date	Page	Topic
Daily Nation	Nov 1, 2011	S19	Listed firms' third quarter earnings lifts bourse and boosts appetite
The Standard	Nov 1, 2011	F1/6	Is the stock market on the rebound path?

OVERVIEW

Listed firms' third quarter earnings lift bourse and boost appetite

THE STOCK MARKET extended the previous session's rise on the back of upbeat third quarter earnings from a couple of listed companies, which lifted stocks and boosted appetite for the overall market last week.

The positive showing so far over the past two weeks in the quarterly earnings season has helped offset concerns of the market sinking further from the current level, driven mainly by banking stocks, which attracted most of the activity. Improvement in sentiment also boosted the market, which gained 4.4 per cent to stand at 3,450 points by end of the last week. But a section of the mar-

ket remains wary of the challenges still facing the country and choose instead to wait for an improvement in the economic fundamentals before re-allocating to the equities market.

EQUITY rose 2.36 per cent last week, nearly touching its mid-September level recorded at Sh19.5. The brief rally is, however, likely to find resistance at this level moving forward, with some market players already skeptical of its future momentum, citing a trend in most stocks lately which come up for air after days of brutal selling but then reverse and continue heading south. Many retail investors are, however,

tempted to buy the 'cheap' stock. The share closed at Sh19.5.

KCB blew past Sh16 to close the session at Sh16.1, adding 1.35 points of gains after recently announcing a 42 per cent jump in its earnings. The market has been deeply split between those who believe the stock is trading at an all-time low, hence advocating a strong buy, and those who fear the fall is bound to continue. The recent price action indicates a reprieve. The overall trend is expected to remain bearish.

KENGEN gained an impressive 10

per cent to close at Sh10.15 in last week's trading, following release of its annual results. The power generating firm's net profit dropped by 36.7 per cent for the year ended June 2011 following the expiry of the five-year IPO tax concessions which resulted in an increase of the corporate tax rate from 25 per cent to 30 per cent. The firm recorded Sh2.1 billion profit after tax, compared with Sh3.3 billion the previous year. Its revenue grew by 30.82 per cent from Sh10.9 billion to Sh14.3 billion, while managing to contain its operating costs, rising only at 17 per cent in the same period. Traders should keep a

watchful eye on the stock, especially if it finds support at Sh10 in the coming weeks.

KENYA AIRWAYS extended its losses for the second week as sagging buying interest hit the stock soon after peaking at Sh27.5. The stock headed downwards, weighed down by concerns over the health of the economy and the depressed market. Buyers are still sitting out on the stock. The general sense of more downside room left could remain the primary force driving the stock in the coming weeks.

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Daily Nation
November 1, 2011

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SPECIAL REPORT >>

Recovery pulse

Investors at the Nairobi Securities Exchange are optimistic the bourse could be on rebound

BY JEVANS NYABIAGE

The Nairobi Securities Exchange (NSE) held its 57th Annual General Meeting last week with a lot of optimism that the market is likely to rebound.

At the meeting held on Thursday, the talk was big. It was all about market expansion, new listings and new indices, to help

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GRAPHIC: KENNY /STANDARD]

The Standard
November 1, 2011

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specialreport

The bourse has outlined new measures to help regain investor confidence

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claw back the losses incurred so far this year.

The urgent task for the NSE moguls is to reverse the trend that has seen the NSE-20 Share index slump by more than 23 per cent this year. The index is ranked among the worst performing in Sub-Saharan Africa.

Through its chair, Eddy Njoroge, the bourse outlined new measures to help it regain investor confidence. The market is setting up of a new segment to enable Small and Medium Enterprises (SMEs) or mid-capitalisation companies to raise capital through the NSE.

"The establishment of GEMS is not only expected to unlock access to capital for SMEs, but also raise the level of savings and investments within the capital markets through additional listings," Njoroge, who is also the managing director of KenGen, said.

NSE is working with FTSE International to introduce a family of branded indices that will enhance and capture information on the Kenyan market.

GLOBAL INVESTORS

Njoroge adds that the indices are suitable as the foundation for Exchange-Traded Fund (ETFs) and other index linked products, which can also be utilised by global investors wishing to access the Kenyan market. The new indices will run concurrently with the NSE 20 Share and NSE All Share indices.

On Friday October 28, the NSE-20 Share was up 68.43 points or 2.02 per cent to close at 3,450.33 points.

This was the highest gain in five weeks as foreign investors trooped back to the bourse in search of bargains, while the shilling firmed slightly.

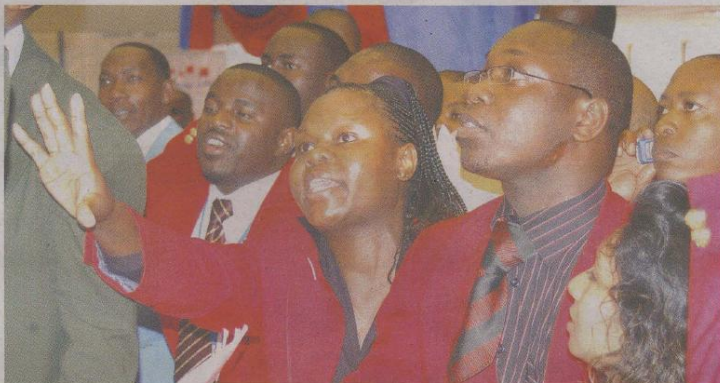
Analysts say there is increased optimism from local investors, who have observed trading activity on the NSE last week and the previous week.

"The bourse is seemingly optimistic," Aly Khan Satchu, an investment Analyst and data vendor at Rich Management, said.

"Although the NSE 20 share index has been holding up as several countries, especially the agricultural one, begin to recover, it is still unclear which direction the market will take going forward," said John Kirimi, managing director of Sterling Investment Bank.

"The NSE 20-Share index has continued to demonstrate resilience by hovering above our psychological target of 3,300 points," said a market report by Apex Africa.

"As is usually the case, equity prices will literally jump once optimism returns," Dry Assoc-



Stock dealers jostle to place orders at the Nairobi Securities Exchange during its heydays five years ago when IPOs attracted thousands of retail investors. (Picture: File)

Is the stock market on rebound path?

ates Investment Group says, in its latest report.

In what is likely to ignite the market, next year, Njoroge says they expect business growth through new listings on the existing market segments and the market segment for mid-cap companies.

On August 1, NSE reclassified the business segments under 10 industry sectors for equities and three for debt securities including preference shares.

"The reclassification brings the bourse to international best practice and will enable domestic and international investors compare company and sector performance easily," he added.

The grand plan is to revert the market to heydays four-to-six years ago, at the height of Kenya's stock market boom. This was the period when confidence in the market was high with all indicators of a market on a roll, attracting more than two million new investors, retail and institutional.

HUGE MARGINS

This was manifested in a price rally with all companies that listed during that time—like ScanGroup, KenyaRe, KenGen, Eveready, AccessKenya and Safaricom—being oversubscribed by huge margins.

For instance, Eveready initial public offering (IPO) was oversubscribed by 830 per cent, KenGen (333 per cent), ScanGroup (630 per cent), AccessKe-

MID CAP SEGMENT

The process of setting up the Growth Enterprise Market Segment (Gems) to enable mid capitalization companies raise capital through the Nairobi Securities Exchange is at an advanced stage.

The introduction of Gems is in line with the Government focus on the SME sector as one of the key drivers of Vision 2030

nya (363 per cent), KenyaRe (334 per cent) and Safaricom (332 per cent). With the sky-high hopes of owning a piece of the blue-chip companies, many investors generously poured their money into the bourse.

The KenGen IPO in 2006, for instance, opened the floodgate of retail investors to the NSE with their numbers hitting the then historical record of half a million from less 100,000 before the issue.

The firm's share price jumped to Sh49 from the listing value of Sh11.90 on the first day of trading going thereafter rising to Sh63, generating a massive interest in the stock market that literally pulled small unsophisticated investors to the trading floor, and made IPO common talk in villages.

The Safaricom IPO was the killer — it attracted more than 800,000 new retail investors when it debuted in 2006, with high expectations of making a kill.

The market capitalisation, a measure of shareholders' wealth gained Sh33.675 billion to stand at Sh13.075 billion. However, years later the stock market has lost some allure.

The market is down with

nearly Sh300 billion worth of investor's wealth wiped off.

Ernest Kihanda, the chief investment officer at ICEA Asset Management says key factors driving to the decline of stocks are rising interest rates which have driven domestic investors into higher yielding fixed income securities such as Treasury bills, Treasury bonds, fixed deposits, and property as opposed to equities.

The weakening currency also doesn't help since no investor is willing to invest their money if they expect the domestic currency to depreciate further.

And with the country headed to the polls next year, stockbrokers and investment analysts say they expect some companies to put new investment plans on hold as politicians to pay less attention to policies that promote economic growth until after the elections.

"Everyone I speak to in Kenya and abroad is concerned about the 2012 elections. I think everyone is in a wait-and-see mode," Satchu says.

Amish Gupta, a director at Standard Investment Bank says it is disappointing that the market has lost significant number of retail investors particularly in the equity market.

He says transaction advisors and issuers have to come to terms on the pricing of IPOs. "Valuation and pricing is a critical issue," he told *Financial Journal*.

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[ALYKHAN SATCHU, Independent Analyst]

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The Standard
November 1, 2011

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Industry News

Media House	Date	Page	Topic
Daily Nation	Nov 1, 2011	27	Firm signs Sh 3bn deal on energy
The People Daily	November 1, 2011	15	City Council to generate power from garbage

Firm signs Sh3.9bn deal on energy

BY NATION REPORTER

The French Development Agency (AFD) has signed a Sh3.9 billion credit agreement with two local banks to finance green energy projects in Kenya.

The deal will see CFC Stanbic bank and Co-operative bank of Kenya lend to businesses that want to invest in renewable energy projects using wind, solar, hydro and biomass energies.

Renewable energy

This is a boost to the coun-

try's quest to move towards renewable energy sources.

The two banks will share the credit equally and repay within a period of 10 years.

Also in the deal is the Kenya Association of Manufacturers (KAM) that is expected to provide technical assistance to the banks in order to improve their vetting of sustainable energy projects as well as offer assistance in piloting of the projects.

A statement from AFD indicated that the credit is targeted to finance 20 to 30 projects worth Sh5.6 billion in

investment.

Depending on the type of projects, businesses may be required to raise funds first before accessing the loan facility.

The announcement comes at a time when the energy sector is grappling with hurdles in accessing finance.

Players estimate that the stalled projects in the country need an estimated \$57 billion.

Increased demand for energy say wood and charcoal has been blamed for the depletion of natural resources.

Daily Nation
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ENERGY

City Council to generate power from garbage

The City Council of Nairobi has started relocation of Dandora dumpsite to a new landfill in Ruai that could see the setting up of the first power plant that uses methane gas from the decomposing garbage for electricity generation.

The City Council last Wednesday published results of the environmental impact assessment study for the decommissioning of the Dandora dumpsite, and open dumpsite that has been termed as an environmental hazard and relocation to a sanitary landfill in Ruai. The new dumpsite will incorporate modern technology to tap the methane and other harmful gases from decomposing garbage, some for

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The People Daily
November 1, 2011

The City Council of Nairobi has started relocation of Dandora dumpsite to a new landfill in Ruai that could see the setting up of the first power plant that uses methane gas from the decomposing garbage for electricity generation.

City Hall to get power from garbage

15 » which will be cleaned while others will be used to run electricity generators.

The project is expected to cost Sh6 billion (US\$60 million) and will be partly financed by the Japanese International Development Agency (JICA), according to details contained in the environmental impact assessment study deposited with the National Environmental Management Authority (NEMA).

Other financiers are expected to be the United Nations Environmental Program (UNEP).

The relocation and construction of the new landfill is expected to take five years, said the report. It was not clear when the electrify generation project will start.

The report said vent pipes should be installed within the cells to trap the methane gas and other gases generated during decomposing of the materials.

"The gases should be cleaned with appropriate technology and used to generate electricity. Otherwise, the other alternative could be to clean the gases and flare," said the report.

The project will start after more than a decade of false starts with the first plan to relocate the dumpsite being developed in 1998 with the assistance of JICA.

EYESORE

The plan was again reviewed last year, paving the way for the start of the process. The Dandora site, apart from being an eyesore is regarded as a highly environmental polluter.

A study commissioned by Comboni Missionaries several years ago found that about 50 percent of children who live and school near the dumpsite had respiratory ailments and blood lead levels equal to or exceeding internationally accepted toxic levels while 30 percent had had high exposure to heavy metal poisoning.

The environmental impact assessment report said the construction of



City Hall

the sanitary landfill will involve the removal of soil to the bedrock, placement of impervious liners to avoid ground water contamination by polluted liquids and progressive capping of the land fill.

"Chambers will be constructed and wells for monitoring and removal facilitation of contaminated liquids established. Emitted gas ventilation systems will also be established. Solid Waste sorting facilities will be constructed to separate recyclable materials from non recyclable items," the report said.

Unlike the current dumpsite at Dandora where recyclable and non-recyclable waste is mixed, the new landfill will involve waste sorting and recycling.

Garbage collectors are expected to provide households and industries with separate garbage collection containers to ease the final sorting at the landfill.

The Ruai landfill is expected to be used by the City Council of Nairobi to generate electricity through the tapping of highly combustible methane gas.

The gas is similar to the biogas emitted from the decomposing livestock and kitchen waste used in households and institutions for cooking.

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The People Daily
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