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1:: THE WEEK IN REVIEW

Market summary.




Performance at the equities market was mixed during the week. Equity turnover decreased by 9.5 percent and Market capitalization improved by 0.6 percent.

Week on week, turnover declined to KSh.615M from KSh.669M posted the previous week, the number of shares traded stood at 65M against 52M the previous week.



The NSE 20 share index gained a total of 48.41 points or 1.62% during the week to stand at 3031.79.

The NSE All share index was up 1.52% during the week to settle at 66.71 points

Week's Gainers

Security	Volume	Price	Change	
Unga	8000	9.00	12.50%	
TPS Eastern	43,500	43.00	12.42%	
Rea Vipingo	2,300	12.00	6.19%	

Week's Losers

Security	Volume	Price	Change	
Pan Africa	91,300	45.00	(10.00)%	
Williamson Tea	100	88.00	(9.74)%	

Sector Performance

Commercials had 37M shares traded, which accounted for 57.58% of the week's traded volume. Safaricom Ltd saw 35M shares changing hands at between shs.3.65 and shs.3.90. Kenya Airways up 4.65% to shs.22.50 moved 377,000 shares. Access Kenya moved 931,000 shares during the week and closed at shs.19.95.

Financial Sector

Financials had 20M shares traded and represented 31.32% of the weeks traded volume. Equity Bank was the most heavily traded counter in this sector, with 14M shares changing hands at between shs.13.20 and shs.14.50. KCB moved 3M shares during the week and closed at shs.20.00.

Industrial and Allied Sector

This sector had 6M shares, which accounted for 9.55% of the week's traded volume. KenGen moved 3M shares at between shs.10.00 and shs.11.00. EA Breweries up 3.68% to shs.141.00 moved 229,000 shares. Mumias Sugar moved 2.3M shares during the week and closed at shs.6.90.

2:: ECONOMIC OVERVIEW

Monetary and fiscal policy

Monetary Outlook		
	2008 (%)	2009 (%)
Underlying Inflation	5.25	8.57
Overall Inflation	12.03	22.68
T-Bill rate (91-day)	7.52	7.248
T-Bill rate (182-days)	-	7.969
T-Bill Rate (364 days)	-	8.438
Average Lending Rate	13.39	14.76
Average deposit	4.32	5.00
Spread	9.07	9.76

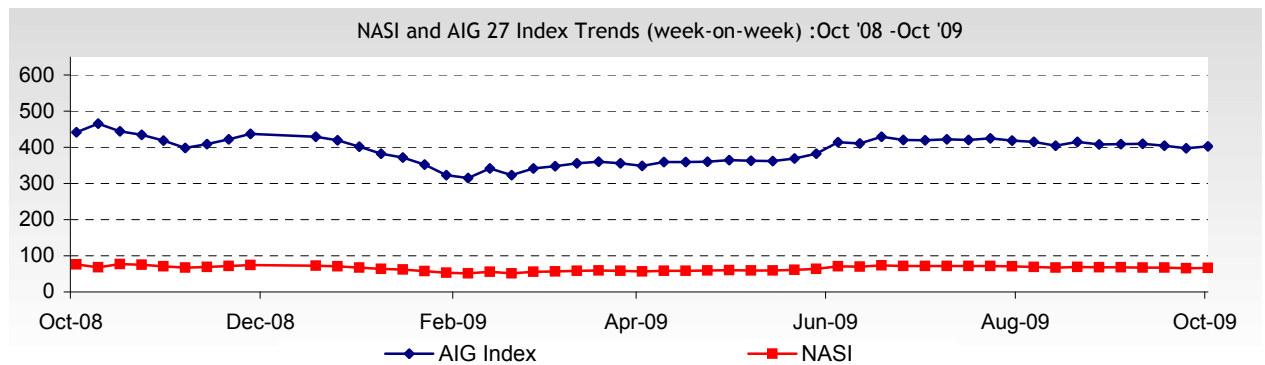
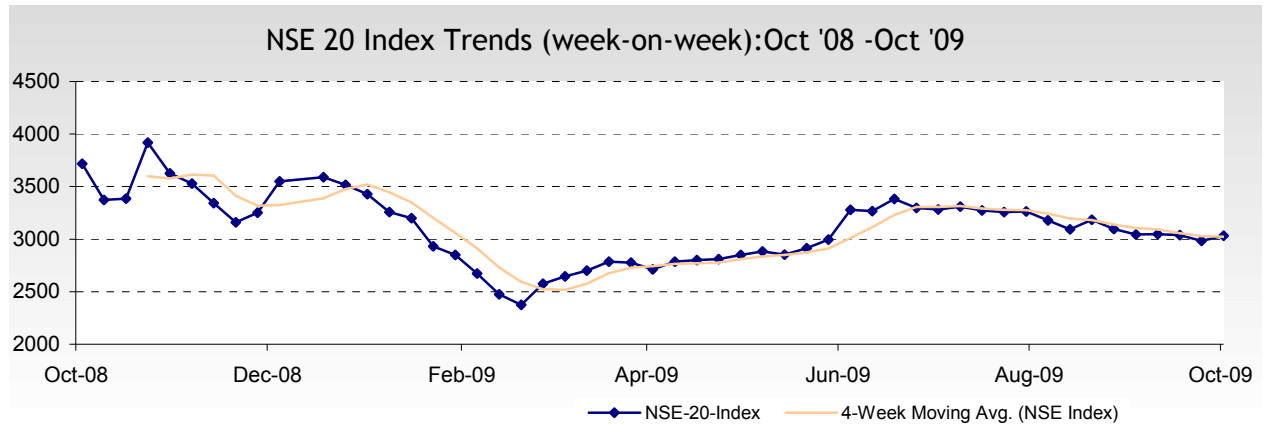
Fiscal Outlook		
Fiscal year	2 nd Oct '09	9 th Oct'09
Gross Domestic Debt (shs 'billion)	550.5	551.8
Proportion of Short-term Debt	22.19%	22.29%
Debt Interest Payment (Kshs 'billion)	14.1	14.4

[Source: CBK]

3:: STOCK MARKET WATCH

Stock Market Trends				
Week ending	25 th Sept '09	2 nd Oct '09	9 th Oct '09	16 th Oct '09
NSE 20 Index	3046.04	3037.00	2983.38	3031.79
NASI	67.62	67.22	65.71	66.71
AIG 27 Index	410.34	404.52	397.23	403.29
Market Cap (Kshs 'bn)	783.30	777.28	761.19	772.74
Volume of shares traded	57,973,900	54,975,400	52,518,200	65,639,600
Volume of bonds traded	2,601,200,000	1,954,400,000	1,476,950,000	3,786,350,000

(Source: NSE)



4:: COMPANY PROFILE.

ATHI RIVER MINING.

Business Performance

Athi River Mining (ARM) currently has a 10% share of the cement market and about 60% share of the industrial minerals market. Investment in the new cement clinker plant has led to a doubling of the company's cement manufacturing capacity from 110,000 to 270,000 tonnes per annum, and will enable ARM to meet the growing demand for cement both locally and regionally. Moreover, there is still enormous potential for ARM's mavuno brand of fertilizer in the regional markets and as a result, the fertilizer division continues to grow in stature. Cement volumes were marginally lower due to the heavy rains that fell at the coast destroying vital infrastructure. In view of this, the growth in revenue was attributable to price increases of cement in line with the general rise in demand for cement in the region.

During the FY 2008, the Firm faced many hardships because of the political turmoil, which affected the businesses supply lines, and distribution channels were disrupted. The global commodity markets continued to play havoc and which pushed the prices upwards thus increasing the cost of fuel, power and other raw materials. In addition, the strengthening of the Kenya shilling against the dollar in the mid next year resulted in reduced earnings from exports.

However, despite these challenges during the year Group turnover grew by 19% to kshs.4.6 billion as compared to same period last year. This milestone was achievable as all divisions registered improvements with major increase in sales being in the Lime, Minerals, and Fertilizer divisions. Cement remained the main business of the Company contributing to 50% of the Total Turnover, though it was a decline from the previous year, which accounted for 54%.

Operating profit margins increased by 21% because of cost control measures and effective operational improvements in all the plants. As a result of improved costs control measures which pushed down the average costs per tonne of cement produced, the Net Profits increased to kshs.503 million, a 19% increase as compared to the same period last year. EPS also increased with the same margin from kshs.4.26 in FY 2007 to kshs.5.08 in year ended 2008.

Future Prospects

During the year the Group managed to establish new export markets in the Middle East and Europe. The Group is determined to continue aggressively exploring new markets as it embarks on a major Strategic expansion of its cement business.

At Kaloleni, the cement capacity is being doubled at a cost of kshs.1.5 billion and this will come on stream in 2010, whilst the Tanzania project is expected to commence in 2011.

Key Financial Statistics 2007/08		Stock Performance	
	(Kshs '000) annualized		16/10/2009
Turnover	4,619,473	Current Price (Kshs)	94.50
Gross Profit	1,674,670	P/B	3.10
Profit After Tax	503,454	Earning Yields (%)	5.38
EPS (Kshs/share)	5.08	Dividend Yields (%)	1.32
Dividends (Kshs/share)	1.25	Trailing P/E	18.60

5:: COMPANY PROFILE.

KPLC LTD.

<i>Business Performance</i>			
<p>The Kenya Power & Lighting Company Limited engages in the transmission, distribution, and retail of electricity throughout Kenya. It buys electricity, generated from hydro-power, gas/diesel, geothermal (steam), and wind sources, in bulk from Kenya Electricity Generating Company Ltd, Independent Power Producers, Uganda Electricity Transmission Company Ltd and Tanzania Electric Supply Company Ltd and distributes to approximately 600,000 customers. The company has a network of transmission and distribution lines that stretch for approximately 23,000 kilometers.</p> <p>Kenyans currently consume up to 1,050 Megawatts (MW) of electricity during peak hours against the country's effective generation capacity of 1,185 MW, as demand grows at the rate of 8 per cent annually. Therefore, diversification into renewable energy is critical if the country is to have adequate and sustainable power supply. Currently, about 60 per cent of the country's electricity supply is produced from rain-dependent dams, 30 per cent from costly fossil-fuel generators and a paltry 10 per cent from reliable but capital-intensive geothermal. In realization of the growing demand of energy in the country, the GOK initiated a policy known as Feed -in-tariffs aimed at attracting investments to the renewable energy sector is generating interest as investors seek to exploit the hugely untapped sector. Since the inception of this policy, Several power producers have expressed interest in generating power from renewable energy sources. Among those firms, Firms who have expressed interest in supplying KPLC with electricity include Athi River Mining and Mumias Sugar Co Ltd who entered into a power-purchase agreement with Kenya Power & Lighting Co. Ltd. Mumias currently provides the national grid with 26MW from its sugarcane waste, The Company registered a 49% increase in its pre-Tax profits from Shs. 1,474 million in the previous period to Shs. 2,191 million during the period under review.</p>			
<i>Future Prospects</i>			
<p>Though the Firm is faced by major challenges arising from global down turn on world economies, the demand for electricity is expected to continue to grow for both domestic and industrial use.</p> <p>In line also to improve on the service delivery with regard to the expected increase in the number of customers, the Firm has taken the initiative to introduce prepaid metering and installation of automatic meter reading. On increasing their customer base, the Firm has projected to be connecting about 200,000 additional customers annually. On the international market the reduced prices of crude oil will also work in favor of the firm in reducing their Fuel related costs.</p>			
Key Financial Statistics 2007/08		Stock Performance	
	(Kshs) Annualized		16/10/2009
Total Revenue	36,930,000	Current Price (Kshs)	126.00
Operating Profit	2,591,000	P/B	0.31
Profit After Tax	1,465,000	Earning Yields (%)	17.69
EPS (Kshs/share)	22.30	Dividend Yield (%)	3.17
Dividends (Kshs/share)	4.00	Trailing P/E	5.65

STATISTICS OF STOCKS LISTED AT THE NSE

MAIN INVESTMENT MARKET SEGMENT .	VWAP Prices 16/10/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
<i>Kakuzi</i>	34.00	19,599,999	666.40	13.12	1.00	2.59	2.94%	<i>Agriculture is the largest sector in Kenya's economy, accounting for 24 per cent of the total marketed production, the gross domestic product (GDP) has been going through lean times due to poor weather. There is much anticipation of the much awaited El-Nino rains on how well the waters can be harvested and used for the agricultural purposes in line with the recently launched irrigation based Agri.</i>
<i>Rea Vipingo</i>	12.00	60,000,000	720.00	2.80	0.20	4.29	1.67%	
<i>Sasini Ltd</i>	6.50	228,055,500	1,482.36	3.84	0.00	1.69	0.00%	
Commercial and Allied								
<i>Access</i>	19.95	206,331,223	4,116.31	0.99	0.40	20.15	2.01%	<i>The sector serves the ICT, hospitality Industry and Media services. Though the benefits that were expected to be derived from cheap internet cost, as a result of the landing of the Fibre cable seems to have delayed as most of the clients are yet to be connected, there is still hope among the market players that once the connection is up, it will have a positive impact in relation to the business activities. Safaricom who currently enjoy the market leadership in the telephony business in Kenya has successfully opened its Corporate bond offer in a bid to raise extra cash to fund its expansion plans. The giant firm is looking for Kshs. 5 billion. Access Kenya has invested heavily in the Fibre project and will be looking upon their current corporate clientele to give them a jump start. As the country recovers from political instability, coupled with the global decline in oil prices the Tourism sector is slowly picking with hotels reporting about 58% occupancy. With economic recovery on the right course, the future looks bright for counters under this sector.</i>
<i>Car & Gen</i>	42.00	22,279,616	935.74	9.50	0.67	4.42	1.60%	
<i>CMC</i>	10.35	582,709,440	6,031.04	1.59	0.35	6.51	3.38%	
<i>Kenya Airways Ltd</i>	22.50	461,615,483	10,386.35	-8.84	1.00	-2.55	4.44%	
<i>Nation Media Group.</i>	120.00	142,610,520	17,113.26	9.00	5.50	13.33	4.58%	
<i>Safaricom Ltd</i>	3.80	40,000,000,000	152,000.00	0.265	0.10	14.34	2.63%	
<i>Scangroup Ltd</i>	24.75	220,689,655	5,462.07	1.79	0.62	13.83	2.51%	
<i>Standard Group Ltd</i>	37.00	73,275,029	2,711.18	3.57	1.10	10.36	2.97%	
<i>TPS(Serena)</i>	43.00	105,864,742	4,552.18	2.10	1.25	20.48	2.91%	

STATISTICS OF STOCKS LISTED AT THE NSE

Ordinary Shares	VWAP Prices 21/10/09	Total Shares Issued	Mkt Cap Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
Finance & Invest.								
Barclays Bank	45.75	1,357,884,000	62,123.19	4.10	2.00	11.16	4.37%	<p>On the back of a shrinking market due to stiff competition among the players in the banking sector, fuelled by the global economic downturn and reduced business activities, Various banks have moved to strategically expand both their branch network as well as entering into new regional markets to widen their customer base and attract deposits e.g. KCB In southern Sudan, Uganda and Rwanda. Co-op bank the 4th largest bank in terms of Assets announced recently its looking into entering Sudan market. Monetary and fiscal policies which are key ingredients in economic recovery, CBK has cut down both the CBR and CRR and in a move to welcome such initiatives, Stan chart reduced their lending rate by 3.5% to 17% from 19.5%. Other banks as well as Saccos' from where many low incomers do access credit facilities are expected to follow suit if they are to remain competitive.</p> <p>The Insurance Industry is adjusting to the rising customer demands of products that meets the changing market needs e.g. Product to cover risk areas that have not been addressed by the current products available in the market. The growth in the sector will be in tandem with economic prospects plus innovativeness of individual firms. Jubilee Holdings Ltd in conjunction with recently launched a product that will cover a wide range of risks, market players have welcomed the move and with an already market available for such product, we expect others to follow in those steps.</p>
Centum	11.50	549,951,880	6,324.45	0.57	0.00	20.18	0.00%	
CFC Stanbic Holdings	50.50	273,684,211	13,821.05	4.94	1.90	10.22	3.76%	
Diamond Trust	70.00	163,037,108	11,412.60	6.28	1.40	11.15	2.00%	
Equity Bank Ltd	13.90	3,702,777,020	51,468.60	1.07	0.30	13.01	2.16%	
Housing Finance	14.40	230,000,000	3,312.00	0.80	0.30	18.00	2.08%	
Jubilee Holdings Ltd	105.00	45,000,000	4,725.00	14.14	4.25	7.43	4.05%	
K.C.B	20.00	2,217,777,777	44,355.56	1.80	1.00	11.11	5.00%	
Kenya Re-Insurance	10.45	600,000,000	6,270.00	1.97	0.50	5.30	4.78%	
National Bank	33.25	200,000,000	6,650.00	4.50	0.00	7.39	0.00%	
National Industrial Credit	29.75	326,361,621	9,709.26	3.49	0.50	8.52	1.68%	
Olympia Capital Holdings	7.00	40,000,000	280.00	-1.53	0.10	-4.58	1.43%	
Pan Africa Insurance	45.00	48,000,000	2,160.00	-2.00	1.60	-22.50	3.56%	
Standard Chartered Bank	140.00	271,967,810	38,075.49	11.34	10.00	12.35	7.14%	
Co-operative Bank	8.30	3,499,212,000	29,043.46	0.80	0.10	10.38	1.20%	

STATISTICS OF STOCKS LISTED AT THE NSE

Ord. Shares	VWAP Prices 21/10/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
MAIN INV. MARKET								
Athi River Mining Ltd	94.50	99,055,000	9,360.70	5.08	1.25	18.60	1.32%	<p>The Sector covers a wide range of Industries from Energy to Construction and manufacturing among others. Currently the Country is facing serious challenges in the Energy sector because of reduced water levels in the main dams where about 60% of the country's power is generated. This led to closure of a number of dams and subsequent application of power management policies through rationing. Kengen bonds offer which closed on 29th Sept 2009 was termed a success. The Firm issued the bond to raise funds which will go towards setting up of new power generation sources as well as increasing the capacity of already set-up sources to cope with the rising demand for power. KPLC, which is the main player in the distribution of power, has entered into power agreements with various private firms such as Mumias who use their waste material from sugar production to generate power. Other firms currently supplying power to KPLC include E.A Portland among other private firms. In the oil Industry, the players in the industry continue to register growth in their revenues on the back of growing demand on usage of the oil & oil products in the country. During the week, KenolKobil Kenya's biggest oil marketer have jointly together with Engen acquired the joint venture of Bp & Shell in Zimbabwe through the purchase of all their shares This means Kenolkobil will be controlling a substantial stake of the oil market in Zimbabwe.</p>
BOC (K)	160.00	19,525,446	3,124.07	10.26	6.80	15.59	4.25%	
Bamburi	160.00	362,959,275	58,073.48	8.78	6.00	18.22	3.75%	
British American Tobacco	175.00	100,000,000	17,500.00	17.00	17.00	10.29	9.71%	
Carbacid	137.00	11,326,755	1,551.77	14.72	10.00	9.31	7.30%	
Crown Berger	23.75	23,727,000	563.52	1.20	1.00	19.79	4.21%	
E.A.Cables	19.70	202,500,000	3,989.25	1.94	1.00	10.15	5.08%	
E.A.Portland	80.00	90,000,000	7,200.00	20.38	1.30	3.93	1.63%	
E.A.Breweries	141.00	790,774,356	111,499.18	9.09	8.05	15.51	5.71%	
Eveready East Africa Ltd	2.55	210,000,000	535.50	0.085	0.00	30.00	0.00%	
KenolKobil Ltd	49.00	147,176,120	7,211.63	8.15	8.56	6.01	17.47%	
K.Pow.& L.	126.00	79,128,000	9,970.13	22.30	4.00	5.65	3.17%	
KenGen	10.40	2,198,361,456	22,862.96	0.94	0.50	11.06	4.81%	
Mumias	6.90	1,530,000,000	10,557.00	1.05	0.40	6.57	5.80%	
Sameer Africa Ltd	4.85	278,342,393	1,349.96	0.54	0.00	8.98	0.00%	
Total	29.75	173,013,000	5,147.14	4.02	2.50	7.40	8.40%	
Unga	9.00	75,708,873	681.38	1.55	0.00	5.81	0.00%	

6:: NSE SECTOR REVIEW - Glossary

OPM – Operating Profit Margin

TAT – Total Asset Turnover

CLR – Claims Ratio Estimate

ADV/DPT – Advances to Deposits

D/E – Debt to Equity

Fwd P/E – Forward P/E

ROI – Return on Investment

C-ADQ – Capital Adequacy

P/BV – Price to Book Value

RSI – Relative Strength Index

A/L – Assets to Liabilities

NPL% - Non-Performing Loans (%)

(S) - Suspended