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1:: THE WEEK IN REVIEW

Market Summary.

Performance at the equities market declined during the week. Equity turnover decreased by 34.5 percent, market capitalization declined by 2.2 percent.

Week on week, turnover declined to KSh.557M from KSh.810M posted the previous week, the number of shares traded stood at 33M against 51M the previous week.

The NSE 20 share index shaved-off a total of 89.83 points during the week to settle at 3096.15.

The NSE All share index was down 1.50% during the week to stand at 68.10 points.

Week's Gainers

Security	Volume	Price	Change	
Pan African Insurance	36,100	52.00	4.00%	▲
Kakuzi	12,200	33.00	3.13%	▲

Week's Losers

Security	Volume	Price	Change	
Crown Berger	31,900	28.25	(11.02)%	▼
Limuru Tea	200	300.00	(9.09)%	▼
E.A Cables	104,100	20.25	(7.95)%	▼

Sector Performance

Commercials had 16.6M shares traded, which accounted for 50.04% of the week's traded volume. Safaricom Ltd was the most heavily traded counter in this sector, with 14M shares changing hands at between shs.3.50 and shs.3.80. Kenya Airways moved 1.3M shares during the week and closed at shs.23.25. AccessKenya down 6.67% to shs.21.00 moved 450,000 shares.

Financial Sector

Financials had 11.6M shares traded and represented 35.10% of the weeks traded volume. Equity Bank declined to shs.14.90 on a volume of 2.3M shares, down from shs.15.25 posted the previous week. Co-operative Bank moved 3.5M shares at between shs.9.00 and shs.9.70.

2:: ECONOMIC OVERVIEW***Monetary and fiscal policy***

The money market was fairly liquid in the week under review following increased government spending. Central Bank provided liquidity amounting to Ksh 2.0 billion to commercial banks using the reverse repurchase agreement securities

Monetary Outlook		
	2008 (%)	2009 (%)
Underlying Inflation	5.25	8.79
Overall Inflation	12.03	25.05
T-Bill rate (91-day)	7.52	7.272
T-Bill Rate (364 days)	-	8.712
Average Lending Rate	13.39	15.09
Average deposit	4.32	5.28
Spread	9.07	9.81

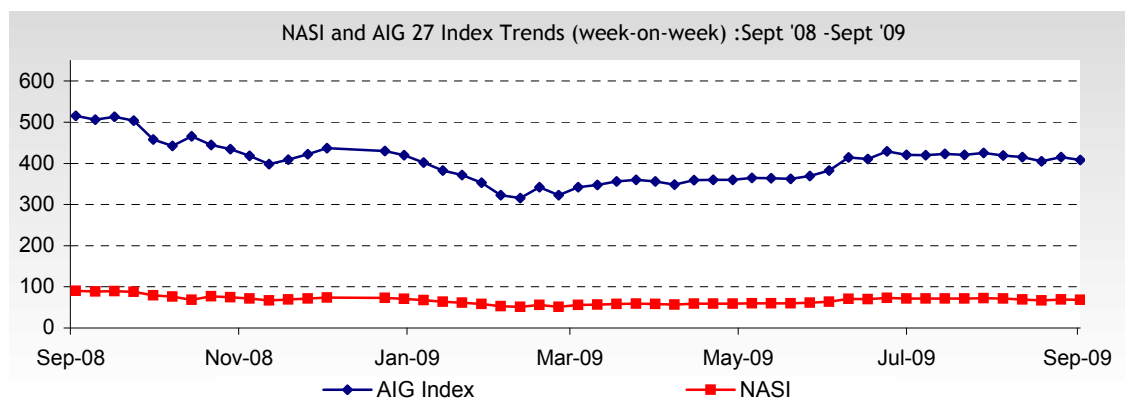
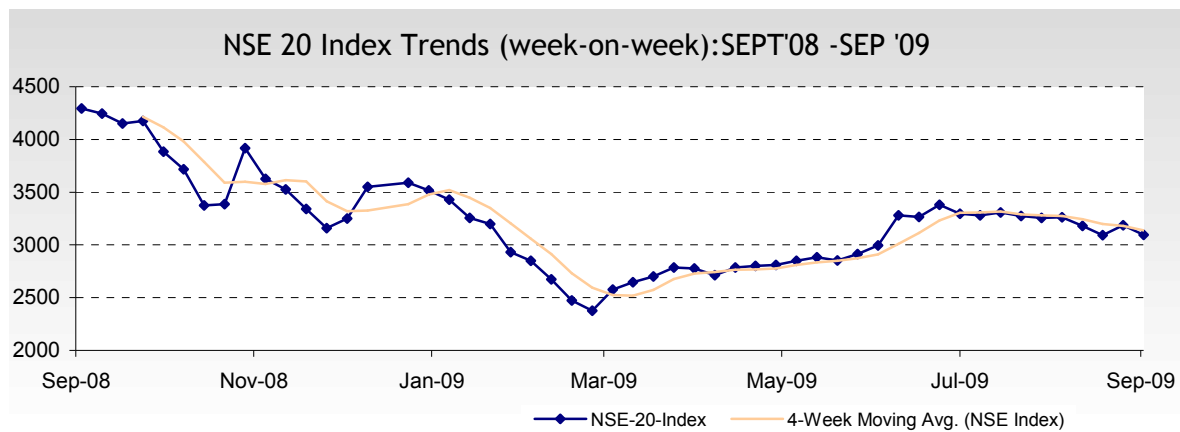
Fiscal Outlook		
Fiscal year	28th Aug'09	4th Sept'09
Gross Domestic Debt (shs 'billion)	548.6	542.9
Proportion of Short-term Debt	23.59%	23.50%
Debt Interest Payment (Kshs 'billion)	9.8	9.8

[Source: CBK]

3:: STOCK MARKET WATCH

Stock Market Trends				
Week ending	21 st Aug '09	28 th Aug '09	4 th Sept'09	11 th Sept '09
NSE 20 Index	3179.30	3092.07	3185.98	3096.15
NASI	69.16	67.20	69.14	68.10
AIG 27 Index	415.22	404.84	415.19	408.48
Market Cap (Kshs 'bn)	800.88	778.38	800.89	788.83
Volume of shares traded	80,961,400	50,023,900	51,831,500	33,225,000
Volume of bonds traded	1,240,150,000	2,676,800,000	2,105,200,000	4,613,000,000

(Source: NSE)



4:: COMPANY PROFILE.

KENYA POWER & LIGHTING CO 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.</p> <p>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		14/09/2009
Total Revenue	36,930,000	Current Price (Kshs)	125.00
Operating Profit	2,591,000	P/B	0.31
Profit After Tax	1,465,000	Earning Yields (%)	17.84
EPS (Kshs/share)	22.30	Dividend Yield (%)	3.20
Dividends (Kshs/share)	4.00	Trailing P/E	5.61

5:: COMPANY PROFILE.

ATHI RIVER MINING LTD

<i>Business Performance</i>			
<p>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.</p> <p>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.</p> <p>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%.</p> <p>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.</p>			
<i>Future Prospects</i>			
<p>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.</p>			
Key Financial Statistics 2007/08		Stock Performance	
	(Kshs '000) annualized		11/09/2009
Turnover	4,619,473	Current Price (Kshs)	92.00
Gross Profit	1,674,670	P/B	3.10
Profit After Tax	503,454	Earning Yields (%)	5.52
EPS (Kshs/share)	5.08	Dividend Yields (%)	1.36
Dividends (Kshs/share)	1.25	Trailing P/E	18.11

STATISTICS OF STOCKS LISTED AT THE NSE

MAIN INVESTMENT MARKET SEGMENT .	VWAP Prices 21/08/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
Kakuzi	33.00	19,599,999	646.80	13.12	1.00	2.52	3.03%	The Govt has commissioned a shift from rainfall driven Agri to irrigation based. This being a long-term objective, the sector continues to face challenges raging from prolonged dry spell, decline in revenues as the shilling continues to loose ground to the hard currencies. 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
Rea Vipingo	12.00	60,000,000	720.00	2.80	0.20	4.29	1.67%	
Sasini Ltd	6.25	228,055,500	1,425.35	3.84	0.00	1.63	0.00%	
Commercial and Allied								
Access	21.00	206,331,223	4,332.96	0.99	0.40	21.21	1.90%	The sector serves the ICT, hospitality Industry and Media services. With the landing of the fibre optic cable, Its expected that both data and voice services currently being offered in the market will go through a changing phase as firms moves in with innovative products & services to attract and maintain customers. Top on these Firms, which has positioned themselves strategically, include Safaricom who most likely will use its huge clientele base to put up a stiff challenge against its competitors
Car & Gen	44.00	22,279,616	980.30	9.50	0.67	4.63	1.52%	
CMC	11.00	582,709,440	6,409.80	1.59	0.35	6.92	3.18%	
Kenya Airways Ltd	20.25	360,000	7.29	-18.34	0.00	-1.10	0.00%	
Nation Media Group.	23.25	461,615,483	10,732.56	-8.84	1.00	-2.63	4.30%	
Safaricom Ltd	120.00	142,610,520	17,113.26	9.00	5.50	13.33	4.58%	
Scangroup Ltd	3.70	40,000,000,000	148,000.00	0.265	0.10	13.96	2.70%	Acess 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.
Standard Group Ltd	24.75	220,689,655	5,462.07	1.79	0.62	13.83	2.51%	
TPS(Serena)	40.00	73,275,029	2,931.00	3.57	1.10	11.20	2.75%	

STATISTICS OF STOCKS LISTED AT THE NSE

Ordinary Shares	VWAP Prices 21/08/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
Finance & Invest.								
<i>Barclays Bank</i>	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 has 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>
<i>Centum</i>	13.00	549,951,880	7,149.37	0.57	0.00	22.81	0.00%	
<i>CFC Stanbic Holdings</i>	57.00	273,684,211	15,600.00	4.94	1.90	11.54	3.33%	
<i>Diamond Trust</i>	70.00	163,037,108	11,412.60	6.28	1.40	11.15	2.00%	
<i>Equity Bank Ltd</i>	14.90	3,702,777,020	55,171.38	1.07	0.30	13.95	2.01%	
<i>Housing Finance</i>	15.85	230,000,000	3,645.50	0.80	0.30	19.81	1.89%	
<i>Jubilee Holdings Ltd</i>	113.00	45,000,000	5,085.00	14.14	4.25	7.99	3.76%	
<i>K.C.B</i>	21.00	2,217,777,777	46,573.33	1.80	1.00	11.67	4.76%	
<i>Kenya Re-Insurance</i>	10.80	600,000,000	6,480.00	1.97	0.50	5.48	4.63%	
<i>National Bank</i>	37.00	200,000,000	7,400.00	4.50	0.00	8.22	0.00%	
<i>National Industrial Credit</i>	33.50	326,361,621	10,933.11	3.49	0.50	9.60	1.49%	
<i>Olympia Capital Holdings</i>	7.25	40,000,000	290.00	-1.53	0.10	-4.74	1.38%	
<i>Pan Africa Insurance</i>	52.00	48,000,000	2,496.00	-2.00	1.60	-26.00	3.08%	
<i>Standard Chartered Bank</i>	141.00	271,967,810	38,347.46	11.34	10.00	12.43	7.09%	
<i>Co-operative Bank</i>	9.50	3,499,212,000	33,242.51	0.80	0.10	11.88	1.05%	

STATISTICS OF STOCKS LISTED AT THE NSE

Ord. Shares	VWAP Prices 21/08/09	Total Shares Issued	Mkt Cap. Kshs Mn.	EPS	DPS	P/E	Dividend Yield	Sector Review
MAIN INV. MARKET								
Athi River Mining Ltd	92.00	99,055,000	9,113.06	5.08	1.25	18.11	1.36%	<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. To overcome such future challenges, Kengen opened its Bond offer in bid to raise money to enable it increase its production capacity to meet the growing demand.</p> <p>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.</p> <p>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	149.00	362,959,275	54,080.93	8.78	6.00	16.97	4.03%	
British American Tobacco	176.00	100,000,000	17,600.00	17.00	17.00	10.35	9.66%	
Carbacid	137.00	11,326,755	1,551.77	14.72	10.00	9.31	7.30%	
Crown Berger	28.25	23,727,000	670.29	1.20	1.00	23.54	3.54%	
E.A.Cables	20.25	202,500,000	4,100.63	1.94	1.00	10.44	4.94%	
E.A.Portland	70.00	90,000,000	6,300.00	5.96	0.00	11.74	0.00%	
E.A.Breweries	145.00	790,774,356	114,662.28	9.09	8.05	15.95	5.55%	
Eveready East Africa Ltd	2.55	210,000,000	535.50	0.085	0.00	30.00	0.00%	
KenolKobil Ltd	51.50	147,176,120	7,579.57	8.15	8.56	6.32	16.62%	
K.Pow.& L.	125.00	79,128,000	9,891.00	22.30	4.00	5.61	3.20%	
KenGen	12.45	2,198,361,456	27,369.60	2.19	0.90	5.68	7.23%	
Mumias	6.85	1,530,000,000	10,480.50	1.05	0.40	6.52	5.84%	
Sameer Africa Ltd	5.00	278,342,393	1,391.71	0.54	0.00	9.26	0.00%	
Total	28.75	173,013,000	4,974.12	4.02	2.50	7.15	8.70%	
Unga	9.75	75,708,873	738.16	3.67	0.00	2.66	0.00%	

6:: NSE SECTOR REVIEW - Glossary

OPM – Operating Profit Margin	D/E – Debt to Equity	P/BV – Price to Book Value
TAT – Total Asset Turnover	Fwd P/E – Forward P/E	RSI – Relative Strength Index
CLR – Claims Ratio Estimate	ROI – Return on Investment	A/L – Assets to Liabilities
ADV/DPT – Advances to Deposits	C-ADQ – Capital Adequacy	NPL% - Non Performing Loans (%)

(S) - Suspended