
Gibson Wachaga

Email: gibson@fib.co.ke

Windsor House 1st Floor
University Way/Muindi Mbingu St

Tel: (254-20) 2243811/2/3

Fax: (254-20) 2243814

Email: info@fib.co.ke

www.fib.co.ke

P.O Box 45236, 00100

Nairobi

Disclaimer:

The information contained herein is obtained from sources, which to the best of our knowledge are reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

Contents

1:: The week in review

2:: Economic overview

3:: Stock market watch

4:: Company profile

5:: Market Statistics

6:: Glossary



1:: THE WEEK IN REVIEW

Market Summary.




There was a decline in performance at the equities market during the week ending August 28, 2009. Equity turnover declined by 10.3 percent as stocks worth Ksh 647.5 million were traded compared with Ksh 722.2 million traded in the previous week. The number of shares traded decreased, from 80.5 million in the previous week to 58.4 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth declined by 2.7 percent or Ksh 21.4B to close at Ksh 782.3B in the week under review from Ksh 803.7B in the previous week.

The NSE 20 Share Index remained static at **3179.30 points** on August 28, 2009. The Nairobi All Share Index stood at **69.16 points** on August 28, 2009.

Week's Gainers

Security	Volume	Price	Change
Limuru Tea	100	330.00	8.20% 
Scan Group	5,100	28.50	10.68% 

Week's Losers

Security	Volume	Price	Change
National Bank	135,400	34.75	(13.13)% 
Standard Group	5,100	40.00	(11.11)% 
City Trust	4,100	120.00	(11.11)% 

Sector Performance

Commercials had 49M shares traded, which accounted for 61.50% of the week's traded volume. AccessKenya down 5.43% to shs.21.75 moved 2M shares. Safaricom Ltd moved 47M shares during the week and closed at shs.3.60. Kenya Airways down 3.03% to shs.24.00 moved 265,000 shares.

Financial

Financials had 22M shares traded and represented 27.41% of the week's volume. KCB moved 2.5M shares during the week and closed at shs.21.25. Co-operative Bank moved 5.7M shares at between shs.9.30 and shs.11.00. Equity Bank down 1.87% to shs.15.75 moved 12M shares

2:: ECONOMIC OVERVIEW

Monetary and fiscal policy

Central Bank supports the monetary policy through cash injection.

Liquidity in the money market continued to be tight in the week ending August 28, 2009 as reflected by injection of additional 15.0 billion liquidity by Central Bank in the week.

The symptoms and effects of liquidity crunch were witnessed in the equities market where there was heavy selling. There seems to be competition of capital between the equities market that had in the recent past shown signs of recovery and the fixed income segment that in the recent past has become of interest to many investors as they try to cushion themselves from the unpredictable market state.

Monetary Outlook		
	2008 (%)	2009 (%)
Underlying Inflation	5.25	8.79
Overall Inflation	12.03	25.05
T-Bill rate (91-day)	7.52	8.12
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

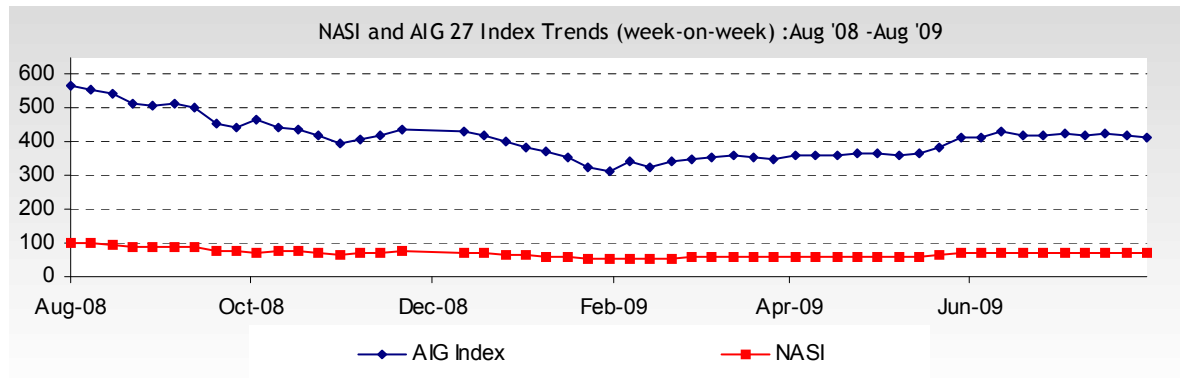
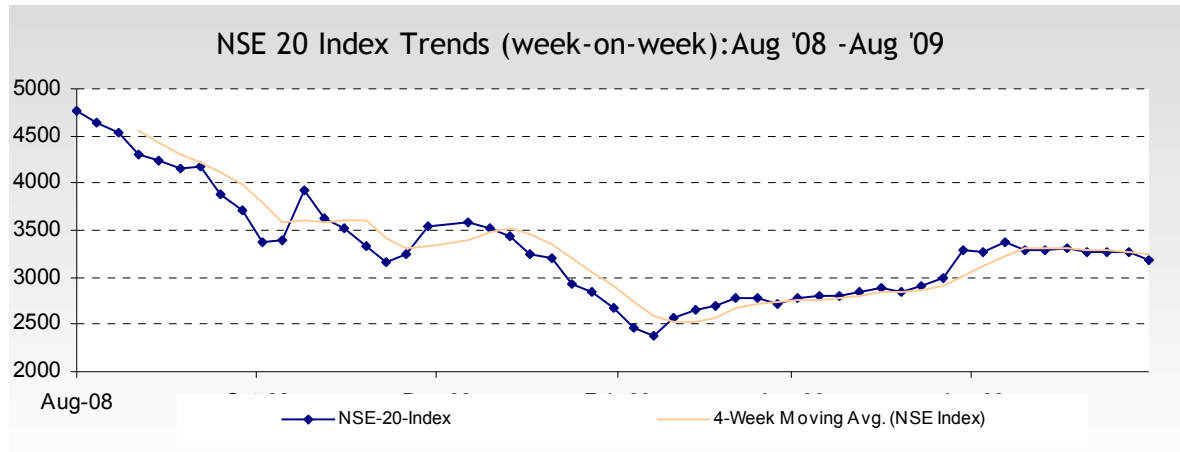
Fiscal Outlook		
Fiscal year	7 th Aug'09	14 th Aug'09
Gross Domestic Debt (shs 'billion)	526.4	527.0
Proportion of Short-term Debt	22.9%	23.14%
Debt Interest Payment (Kshs 'billion)	4.7	5.1

[Source: CBK]

3:: STOCK MARKET WATCH

Stock Market Trends				
Week ending	7 th Aug '09	14 th Aug '09	21 st Aug '09	28 th Aug '09
NSE 20 Index	3257.38	3262.92	3179.30	3179.30
NASI	71.98	71.27	69.16	69.16
AIG 27 Index	425.00	419.30	415.22	404.84
Market Cap (Kshs 'bn)	833.61	825.35	800.88	778.38
Volume of shares traded	61,336,800	64,772,300	80,961,400	50,023,900
Volume of bonds traded	1,012,450,000	1,211,550,000	1,240,150,000	2,676,800,000

(Source: NSE)



4:: COMPANY PROFILE.

MUMIAS LTD

Business Performance	
<p>The Company's principal activity is cultivating sugarcane and manufacturing sugar, as well as providing support to sugarcane out-growers. MSC currently is the market leader in the Kenyan sugar sector accounting for 60% of the domestic production, with an installed capacity of 300,000 tonnes of sugar per annum. The imminent threat of cheap imports has been kept a bay by the fact that the COMESA sugar import quotas agreement slated to end in 2008 has been further prolonged to 2012 for a mild consideration where any import above the set quota of 260,000 tonnes was reduced in import duty from 100% to 70%.</p> <p>With the country's current overall demand at 750,000 tonnes, out of this, the Country's production stands 520,000 tonnes. The looming sugar shortage being experienced that has resulted as a result of culmination of a number of factors among them uprooting of the cane by dissatisfied farmers, non-importation of sugar to fill in the deficit due to a case pending in court filed by the Kenya Sugar Board in a bid to block any importation of sugar into the country by private parties as well as the closing down of numerous factories for maintenance purposes.</p> <p>In view of this, product diversification to incorporate cogeneration of electricity has served to bring about multiple sources of income and ultimately improve cost efficiency. In April 2008, Mumias undertook to build a Sh6.5 billion power plant to generate 34MW of electricity for its own use and sale. Recently the management announced that the cogeneration has indeed achieved its designed power output of 34MW. Out of this, Mumias is currently adding 28MW to the national grid...Selling power to KPLC at the rate of US6 cents per kilowatt-hour.</p> <p>This implies therefore that Mumias has succeeded in improving pricing for this new investment that is expected to become an important revenue stream for the miller as the sugar market comes under pressure from ongoing liberalization...The pricing is hinged on the fact that the sugar miller uses bagasse, which is cheaper than diesel used by most independent producers. In addition, Mumias Sugar Company and the Tana River Development Authority (TARDA) are assessing the possibility of establishing a sugar processing plant at the Tana delta. It is estimated that the Tana delta could produce 250,000 tonnes. Both parties hope to produce sugar at less than Kshs 11,520 per tonne, which is about half of the current production costs incurred by Mumias. If this project is successful, Mumias should be expected to become regionally competitive even beyond the new 2012 COMESA deadline as its sugar production operations in Mumias are constantly bedeviled by the shortcomings of its heavy reliance on small scale out growers.</p>	

Future Prospects	
<p>With the Cogeneration up and running and the cost efficiency methodologies in line as outlined expected from the initialization of the TARDA project, accordingly the firm's revenues are expected to grow. The plans to also install a modern state of art packaging plant, which will increase the level of pre-packed sugar to 70% of the sugar produced thus, enabling the Firm to remain competitive. Mumias is on the look out for expansion through acquisitions of sugar mills that can add shareholder value. The GoK's desire to divest from the sugar companies, which are heavily burdened by debts to the tune of Kshs.54B, may provide MSC with an opportunity to acquire one or more state owned factories thus increasing their market share.</p>	

Key Financial Statistics 2007/08		Stock Performance	
	(Kshs) Annualized		22/08/09
Net Sales	5,154,664,000	Current Price (Kshs)	6.85
Profit before Tax	230,816,000	P/B	1.21
Net Profit	162,639,000	Earning Yields (%)	15.32
EPS (Kshs/share)	1.05	Dividend Yields (%)	5.84
Dividends (Kshs/share)	0.40	Trailing P/E	6.52

5:: COMPANY PROFILE.

KENYA AIRWAYS

Business Performance			
<p>Kenya Airways' regional positioning with Nairobi as its hub makes it strategically well placed to offer airline services to the wider Eastern, Western and Central African regions. Africa is appearing to be the last bastion of growth for KQ with the bulk of passenger growth emanating from West and Central Africa having grown by 15.7%, while Southern part of Africa brought on the table a modest growth of about 6.7%. The far East which in the past has been a strong tower of growth recorded a minimal increase of 4.1% mainly as a result of introduction of direct operations. On the other hand, KQ is increasingly coming under pressure from the Middle East Carriers such as Emirates and Qatar Airlines, which aim to use Nairobi as their gateway from which to tap other African destination to their hubs in Dubai and Doha respectively. These two Airlines (Emirates and Qatar Airlines) appear to be positioning themselves as hospitality brands as opposed to merely being passenger carriers.</p> <p>In the year 2008/09 KQ resulted to suspension of Paris operations and reduction of capacity to Amsterdam as the region experienced cut-backs in capacity due to global economic melt down.</p> <p>KQ's acquisition of six Boeing 787 dream liners (starting in 2010) will not be forthcoming anytime soon given the production delays by Boeing that has pushed back deliveries by at least 15 months. Thus, KQ's fleet expansion and modernization programme needs to be reviewed to avoid a strain in the firm's carrying capacity going forward. Under the 2008/09 financial year, the firm suffered a substantial loss arising from fuel hedging as the prices, which had peaked an all time high of USD 147 per barrel in July 2008 declined sharply in the second half of the year leaving the Airline with an unrealized loss of about Kshs.7.5 billion. The recent slump in oil prices, if sustained, may serve to provide a conducive atmosphere for KQ's turnaround.</p> <p>Despite the increasingly hostile operating environment, both capacity measures Available seat Kilometre and Passenger traffic increased marginally by 3.8% and 2.3% respectively. This led to a Consequent increase in passenger revenues, which rose marginally by 18.8% to Kshs 63 bn in the 2008/09 financial-year. Operating costs registered a 5.4% increase to Kshs 54 billion. Nevertheless, fuel costs remained stable at Kshs 15.6 billion. Due to its high operating costs, its operating margin declined to 10.9% compared to the 13% margin registered the previous year. The firm has in recent times, issued a profit warning, which for the most part may be attributed to forward hedging of fuel prices and a diminishing passenger load factor.</p>			
Future Prospects			
<p>In the face of rising regional trade and travel and the recovery of the tourism sector, KQ is likely to remain profitable albeit a modest decline in passenger turnover, in addition to higher operating costs courtesy of the high fuel prices.</p>			
Key Financial Statistics 2008/09		Stock Performance	
	(Kshs '000)		28/08/2009
Total Revenue	71,829,000	Current Price (Kshs)	22.00
Operating Profit	4,042,000	P/B	0.53
Net Profit/(Loss)	(4,083,000)	Earning Yields (%)	(40.00)
(Loss)/EPS (Kshs/share)	(8.8)	Dividend Yield (%)	4.55
Dividends (Kshs/share)	1.00	Trailing P/E	(2.49)

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	31.50	19,599,999	617.40	13.12	1.00	2.44	3.13%	<p>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</p>
Rea Vipingo	11.75	60,000,000	705.00	2.80	0.20	4.18	1.71%	
Sasini Ltd	6.45	228,055,500	1,470.96	3.84	0.00	1.64	0.00%	
Commercial and Allied								
Access	20.50	206,331,223	4,229.79	0.99	0.40	21.97	1.84%	<p>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. 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.</p>
Car & Gen	43.00	22,279,616	958.02	9.50	0.67	4.58	1.54%	
CMC	10.90	582,709,440	6,351.53	1.59	0.35	7.04	3.13%	
Kenya Airways Ltd	22.00	461,615,483	10,155.54	-8.84	1.00	-2.71	4.17%	
Marshalls	24.00	14,393,106	345.43	-11.80	0.00	-2.03	0.00%	
Nation Media Group.	124.00	142,610,520	17,683.70	9.00	5.50	14.44	4.23%	
Safaricom Ltd	3.60	40,000,000,000	144,000.00	0.265	0.10	13.58	2.78%	
Scangroup Ltd	28.50	220,689,655	6,289.66	1.79	0.62	14.39	2.41%	
Standard Group Ltd	40.00	73,275,029	2,931.00	3.57	1.10	12.61	2.44%	
TPS(Serena)	41.00	105,864,742	4340.45	2.10	1.25	20.48	2.91%	

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.								
Barclays Bank	45.75	1,357,884,000	62,123.19	4.10	2.00	11.71	4.17%	<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>
Centum	12.95	549,951,880	7,121.88	0.57	0.00	24.39	0.00%	
CFC Stanbic Holdings	58.50	273,684,211	16,010.53	4.94	1.90	11.64	3.30%	
Diamond Trust	70.00	163,037,108	11,412.60	6.28	1.40	11.54	1.93%	
Equity Bank Ltd	14.30	3,702,777,020	52,949.71	1.07	0.30	14.75	1.90%	
Housing Finance	15.95	230,000,000	3,668.50	0.80	0.30	20.63	1.82%	
Jubilee Holdings Ltd	109.00	45,000,000	4,905.00	14.14	4.25	8.49	3.54%	
K.C.B	19.80	2,217,777,777	43,912.00	1.80	1.00	11.81	4.71%	
Kenya Re-Insurance	10.55	600,000,000	6,330.00	1.97	0.50	5.91	4.29%	
National Bank	34.75	200,000,000	6,950.00	4.50	0.00	8.89	0.00%	
National Industrial Credit	31.00	326,361,621	10,117.21	3.49	0.50	9.67	1.48%	
Olympia Capital Holdings	7.10	40,000,000	284.00	-1.42	0.10	-5.11	1.38%	
Pan Africa Insurance	50.00	48,000,000	2,400.00	-2.00	1.60	-24.38	3.28%	
Standard Chartered Bank	139.00	271,967,810	37,803.53	11.34	10.00	12.79	6.90%	
Co-operative Bank	8.90	3,499,212,000	31,142.99	0.80	0.10	11.81	1.06%	

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 INVESTMENT MARKET SEGMENT (MIMS)								
<i>Athi River Mining Ltd</i>	91.00	99,055,000	9,014.01	5.08	1.25	17.91	1.37%	<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 has turned to wind as well as thermal as power sources. 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. In the oil Industry, the Market players have managed a market share growth in the middle of an Economic slowdown resulting from the increase usage of Fuel powered generators to compensate lack of Electricity. KenolKobil Kenya's biggest oil marketer marginally lost its share of the business, its grip on the market remains strong at 23.26 per cent Total Kenya lost significant proportions of their market strengths during the same period. State-owned National Oil Corporation of Kenya (Nock) doubled its share to 7.6 per cent to become the greatest beneficiary of the changing landscape.</p>
<i>BOC (K)</i>	160.00	19,525,446	3,124.07	10.26	6.80	15.59	4.25%	
<i>Bamburi</i>	152.00	362,959,275	55,169.81	8.78	6.00	17.08	4.00%	
<i>British American Tobacco</i>	177.00	100,000,000	17,700.00	17.00	17.00	10.29	9.71%	
<i>Carbacid</i>	137.00	11,326,755	1,551.77	14.72	10.00	9.31	7.30%	
<i>Crown Berger</i>	26.50	23,727,000	628.77	1.20	1.00	22.71	3.67%	
<i>E.A.Cables</i>	22.50	202,500,000	4,556.25	1.94	1.00	11.47	4.49%	
<i>E.A.Portland</i>	70.00	90,000,000	6,300.00	5.96	0.00	11.74	0.00%	
<i>E.A.Breweries</i>	145.00	790,774,356	114,662.28	9.55	8.05	15.39	5.48%	
<i>Eveready East Africa Ltd</i>	2.75	210,000,000	577.50	0.085	0.00	32.35	0.00%	
<i>KenolKobil Ltd</i>	53.00	147,176,120	7,800.33	8.15	8.56	6.38	16.46%	
<i>K.Pow.& L.</i>	119.00	79,128,000	9,416.23	22.30	4.00	5.70	3.15%	
<i>KenGen</i>	12.60	2,198,361,456	27,699.35	2.19	0.90	5.78	7.11%	
<i>Mumias</i>	6.85	1,530,000,000	10,480.50	0.79	0.40	8.80	5.76%	
<i>Sameer Africa Ltd</i>	4.80	278,342,393	1,336.04	0.54	0.00	9.26	0.00%	
<i>Total</i>	28.75	173,013,000	4,974.12	4.02	2.50	7.09	8.77%	
<i>Unga</i>	10.00	75,708,873	757.09	3.67	0.00	2.79	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