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# BBD

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**MARKETS DATA**

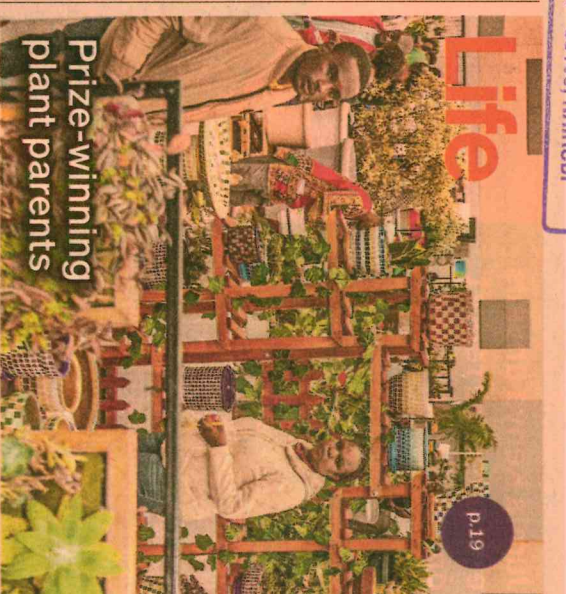
<b>NSE 20 INDEX</b> -5.82 1588.2 ▼-0.37%	<b>NSE ALL SHARE</b> -2.02 103.82 ▼-1.91%
<b>EGX30</b> 219.01 17,739.63 ▲1.25%	<b>JOHANNESBURG</b> -77.01 76,936.11 ▼-0.10%
<b>NIGERIA</b> -27.98 55,930.97 ▼-0.05%	<b>DAR ES SALAAM</b> 17.85 1,839.75 ▲0.98%
<b>UGANDA</b> -0.1 1,048.58 ▼-0.01%	<b>LUSAKA</b> 0 8,188.98 0.00%

**Intelligence**

**'Within the meeting, the chair must nurture a culture of keeping time, so that they begin and end when they should...'**

MIKE ELDON

P.9



# Costly power generators make big comeback on long drought

● Share in power mix highest in nearly five years ● Increased supply from thermal plants translates to high bills

**ENERGY**  
**CONSTANT**  
**MUNDA**

Expensive thermal power generators have made a major comeback on the national grid after they overtook wind and hydro to become the second biggest sources of electricity, reversing a five-year trend of cutting off diesel plants blamed for high power bills.

A *Business Daily* analysis of official data shows that Kenya tapped 166.86 gigawatt hours (Gwh) of power from the diesel-run generators in March, contributing the second largest share of the power mix in nearly five years after geothermal sources at 509.36 Gwh.

The data from the Kenya National Bureau of Statistics (KNBS) indicate that the uptake of the costly thermal energy was the highest



Energy Cabinet Secretary Davis Chirchir with other officials during a tour of Masinga Dam in Embu County in February. -FILE

## Transport |

# Sh187.7bn debt unnerves investors in KQ equity stake sale

**Kepha Muiruri**

Potential investors for the proposed Kenya Airways (KQ) equity stake sale have expressed uneasiness over the national carrier's heavy debt load, making it the biggest headache for the airline in its search for buyers.

KQ managers who have undertaken several scouting missions to weigh the attraction of the company's equity offer in the US, China and the Middle East told Parliament that they had a



**KQ ownership**

Government	48.9
KQ Lenders Company	38.1
KLM	7.8
Shares traded at NSE	5.2

SOURCE: KQ

few leads but with no commitments this far.

"All the potential investors we spoke to agreed that the fundamentals of the company are very strong. Their concern was on the debt level and that's why a good strategy would be reducing the company's debt to get extra funding into the company," KQ CEO Allan Kilavuka told the National Assembly Public Debt and Privatization Committee yesterday.

The management of the airline

also disclosed it was in the process of identifying a financial adviser to help develop an investor memo to guide the selection of the preferred investor(s).

The entry of a strategic investor is expected to reduce the risk and cost exposure to the government.

The selection of a financial adviser, which will be undertaken through KQ internal procurement structures, is set to close in December.

Last December, President

## TICKER.

**Value of halted cases hit Sh10bn as Haji seeks to end ex-PS trial**

Director of Public Prosecutions Noordin Haji has applied to withdraw corruption charges against former PS Lillian Mbogo-Omollo adding to list the growing list of graft cases with a cumulative value of more than Sh10 billion, which have collapsed so far.

ECONOMY Pg 04

**J&J faces class action suit in Kenya over talc baby powder**

A rights group has sued American multinational corporation Johnson & Johnson over the sale of talc-based baby powder to Kenyans.

COMPANY Pg 8

**Treasury faces renewed rate pressure in June bond sale**

Interest rate demands by investors in the June infrastructure bond are likely to exceed the 15 percent mark, fixed income analysts say, in what promises to test the government's resolve of keeping a lid on borrowing costs in a period of fiscal strain.

MARKETS Pg14



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PAGE 2



## Jumia Kenya unveils e-commerce report on consumer needs

From left: Jumia Kenya head of offline sales Emmanuel Leteipa, head of logistics Chris Nyaga, chief executive Charles Baland and chief marketing officer Hellen Ng'ang'a at the launch in Nairobi yesterday of the Jumia e-commerce report 'Expanding e-Commerce Access Across Secondary Cities and Rural Areas in Kenya to meet consumer needs.'

LEOY WANJIRI



## Expensive power generators make major comeback on biting drought

Cont. from p1

↪ in a year as the country sought to fill the void left by wind and hydro dams whose supply has been hurt by adverse weather conditions.

A biting drought, said to be the worst in 40 years, lowered the water levels in the country's hydro-electric plants such as the Seven Forks Dams on Tana River and Soudu-Miriri in western Kenya in the first quarter of the year. That pushed up hydro-electric power supply to the grid to the lowest levels output in nearly one and a half decades.

The KNBS data put the share of hydropower just before the onset of the long rainfall season at 125.98 Gwh in March and 112.91 Gwh in February, the lowest share since the latter months of 2009 when the country endured another ravaging drought. A Gwh is equivalent of a million units of electricity.

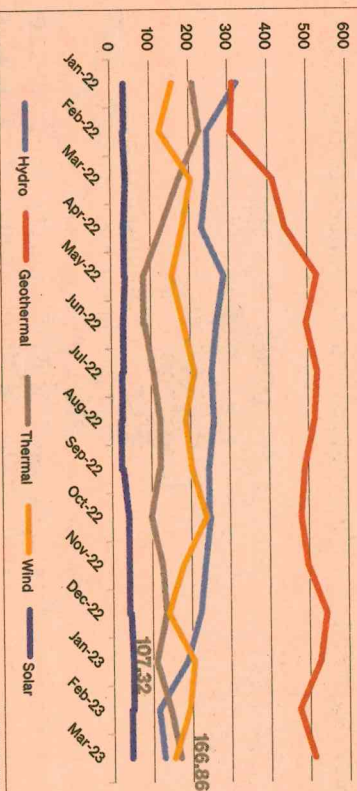
The increased tapping of thermal electricity was not unexpected as the Energy Cabinet Secretary Davies Chirchir had warned government's options had narrowed.

"We have water level problems and we may be forced to push other forms of power generation to meet the country's power demand but the only challenge we might get is that the power will be slightly expensive," Mr Chirchir warned following his visit to Masinga Dam, the country's largest hydropower generation reservoir.

The situation was worsened by the reduced supply from wind power, partly because of unresolved interruption on the Loiyangalani-Suswa transmission power line which has oc-

### Electricity generation by source (KWh m)

Electricity by thermal generators has increased by 59.5 KWh in three months to March as that of solar, wind and hydro decline



SOURCE: KNBS

asionally cut off from Lake Turkana Wind Power plant in Marsabit County.

The share of wind power dropped to 152.35 Gwh in March from a recent monthly high of 237.49Gwh last October.

Increased supply from thermal plants translates to high bills because the power plants must be compensated for the electricity supplied to the grid even if it is not used.

Thermal power plants use diesel generators, making them more expensive than other power sources.

Conservative estimates showed the thermal plants charge Kenya

**Sh139.35**

Average dollar exchange rate

Power, the near-monopoly State-run distributor, as much as \$0.20 (Sh27.87 under prevailing average dollar exchange rate of Sh139.35) per unit compared with wind power rate of \$0.08 (Sh11.48) per unit. Electricity is sold in US dollars, meaning Kenyan households and businesses spend more whenever the shilling depreciates.

Fuel cost charge – the levy that Kenya Power uses to pay the thermal

## Sh187.7bn debt unnerves investors in KQ equity stake sale

Cont. from p1

↪ William Ruto led a Kenyan delegation to Washington with a pitch to sell a controlling stake in the KQ, as part of a move to steer the beleaguered airline back to profitability.

The push by the government to pursue a strategic investor in KQ comes against the backdrop of a pause on bailouts to the carrier by the Exchequer in the fiscal year starting July 1.

At the end of May, KQ owed Sh187.74 billion (\$1.347 billion) to creditors, including the Sh61.4 billion (\$439.8 million) Tsavo facility related to the carrier's acquisition of six Boeing 787-8 aircraft, one Boeing 777-300 ER aircraft and one Genx engine in 2012.

KQ missed payments on the facility, resulting in the government taking over the guaranteed debt after which the Exchequer cleared Sh10.1 billion as at the end of March 2023.

The Exchequer has further guaranteed Sh31.4 billion (\$225 million) in KQ borrowing from nine local banks for the financing of working capital and which was secured in November 2017 at the end of the company's last restructuring.

Aside from the guaranteed facilities, KQ owes Sh22.9 billion to critical suppliers, including aircraft fuelers, handling companies and airport authorities, and whose default would result in the crippling of the airline's operations.

KQ also owes Sh13.7 billion (\$98 million) to syndicates, including the Afrexim Bank and Standard Chartered Bank, for the purchase of 10 Embraer e-jets, a facility dubbed as Samburu and whose default would lead to the grounding of the carrier's fleet.

### KQ debt as at May 31, 2023

Debt equivalent to Sh187.74 billion (CBK exchange rate = 139.35)

Creditor	Amount (\$ million)
Tsavo facility	439.78
Samburu facility	97.87
Local banks	224.97
Government loan	420.51
Outstanding supplier overdue	164.16
<b>Total debt</b>	<b>1347.29</b>

SOURCE: KQ

KQ disclosed it has received numerous moratoriums from the syndicate which has served to prevent the realisation of the contingency risk.

The airline further owes the government Sh56.7 billion (\$420.5 million) in additional support since the airline restructured in 2017.

KQ's heavy leverage has seen the company continue to operate as a going concern, with the group's and company's total liabilities exceeding total assets by Sh108.1 billion and Sh105.2 billion respectively in the year ended December 2022.

During the same period, KQ incurred a wider loss of Sh38.3 billion from Sh15.9 billion in 2021 after higher forex losses and steeper fuel costs.

The treatment of the company's debt going forward is likely to be a top concern for any new strategic investor(s) in the company, with any further debt restructuring being likely to influence the control of the carrier.

In 2017, for instance, 10 local banks — Equity, KCB, Co-operative, CBA, NIC, SBM, DTB, NBK, I&M and Eco-bank — gained a new shareholding of 38.1 percent from the conversion of Sh23.3 billion (\$167 million) debt to equity.

The government's own shareholding in KQ also increased from 26.7 percent to 48.9 percent via a similar conversion.

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