Kakuzi completes sale of its tea subsidiary

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By James Anyanzwa

Local agro-based firm Kakuzi has completed the sale of its subsidiary — Siret Tea Company Ltd (STCL).

The Eastern Produce Kenya (EPK) Outgrowers Empowerment Company Project currently known as Siret Outgrowers Empowerment and Produce Company Ltd (SOEP) issued a notice to buy the remaining 50.5 per cent of the STCL shares. The move is part of the framework agreement signed in 2007.

In a cautionary announcement to the shareholders yesterday, Kakuzi said the transaction, which has already received approval from the Competition Authority of Kenya, would be completed on August 31. As a result STCL will cease to be part of the Kakuzi group from September 1, 2012.

" This may have a material effect on the value of Kakuzi Ltd shares and accordingly shareholders are advised to exercise caution when dealing in the shares," said Kakuzi chairman K. W. Tarplee. Kakuzi has two tea estates- Kaboswa and Siret- both situated in Nandi Hills.

Under the 2007 framework, SOEP purchased a 14 per cent stake in Siret Tea Company Ltd at Sh53.4million in 2007, 10 per cent stake in 2008 for Sh38.5 million, 17 per cent stake in 2009 for Sh72.9 million and an 8.5 per cent stake in 2010 for Sh38.1million for a total of Sh203.4 million.

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According to analysts at Standard Investment Bank (SIB) the sale of 50.5 per cent in STCL will mark almost a 50 per cent reduction in tea operations controlled by Kakuzi, with exception of Kaboswa estate (510 hectares of tea).

"The disposal of STCL was made with a view to improving gearing ratios, and exiting a business line which was viewed as volatile," said SIB.

"We think there will be a one off gain on the disposal of the subsidiary in 2013 but a material part of the group revenues and profits will be excluded in future. We estimate a 13 per cent reduction of acreage controlled by Kakuzi as a result of the transaction and a 20 per cent reduction impact on profits."

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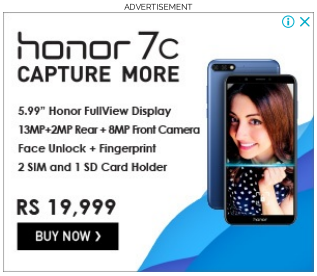

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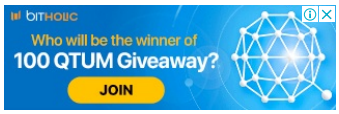

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