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# NAIROBI SECURITIES EXCHANGE COMES TO TOP



**StratEdge  
Consulting**

GIVING YOU A STRATEGIC EDGE

TOP 10 COMPANIES TO INVEST IN AT THE NSE AS  
AT NOVEMBER 2023

NOVEMBER | 2023

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## ACRONYMS

SR No.	ACRONYM	FULL MEANING
1.	NSE	Nairobi Securities Exchange
2.	MSCI	Morgan Stanley Capital International
3.	N10	NSE 10 Share Index
4.	NSEBI	NSE Bond Index
5.	P/E Ratio	Price to Earnings Ratio
6.	Plc	Public Limited Company
7.	Ltd	Limited
8.	ROA	Return on Assets
9.	ROE	Return on Equity
10.	P/B Ratio	Price-to-Book Ratio
11.	REITs	Real Estate Investment Trust
12.	P/S	Price to Sales
13.	TTM	Trailing 12 months
14.	KES	Kenyan shillings
15.	EPS	Earnings per share
16.	PEG	Price/Earnings- to- Growth
17.	FCF	Free Cash Flow
18.	EFTs	Exchange-Traded Funds

## EXECUTIVE SUMMARY

Kenya, along with other emerging economies in Africa, presents lucrative investment opportunities accessible through the Nairobi Securities Exchange (NSE). As a major player in the region, the NSE not only facilitates the growth of Kenya's economy by providing a high-quality trading platform for both local and international investors but also plays a crucial role in driving economic expansion. This is achieved through the promotion of investments, fostering global market connections, and upholding the highest standards of financial stewardship. Positioned as one of the premier exchanges in Africa, the NSE boasts five platforms for the public market, an additional one for the private market, and a diverse range of financial products.

This report is designed with the primary goal of providing stakeholders connected to the Nairobi Securities Exchange (NSE) with a detailed and insightful perspective on prime investment opportunities within the financial markets. Through the integration of two fundamental financial metrics, namely the Price-to-Earnings (P/E) ratio and Dividend Yield, the aim is to not only identify potential undervalued stocks with strong prospects for growth, but also pinpoint those offering attractive income generation through dividends. By exploring the intricacies of these metrics, the report seeks to empower investors with a comprehensive framework that aligns with their financial objectives, risk tolerance, and long-term wealth creation goals. Additionally, the report aims to deliver actionable insights into specific stocks and sectors traded on the NSE, fostering a more strategic and informed approach to investment decision-making.

## **MARKET INSIGHT ON NSE: ANALYSIS OF KENYA'S STOCK MARKET**

### **BLOOMBERG ASSESSMENTS**

The NSE All Share index fall made Kenya's stock market the world's worst performer, according to a Bloomberg report from October 2, 2023<sup>1</sup>. Kenya's stock market had the weakest performance, negatively impacting the NSE All Share index. An index is an essential indicator of market performance, but it is just one part of a complex financial ecosystem. Bloomberg has overemphasized this index, ignoring other important aspects, including float adjustments, dividend yields, and peer market evaluations.

### **ALTERNATE ASSESSMENTS**

Unlike Bloomberg, other global indices have assessed the situation differently. Kenya remained in the index when FTSE Russell evaluated the market on August 11, 2023, highlighting its structure, performance, and foreign investment appeal. In August 2023, Morgan Stanley Capital International (MSCI) stated that Kenya's market dividend yield was 8.63%, much greater than the MSCI Frontier Markets Index's 4.28%.

### **THE WORLD ECONOMY**

Remember that Kenya's stock market, like any other, is affected by macroeconomic issues. In recent months, these concerns have pressured global

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<sup>1</sup> Ombok, E. (2023). Kenya stock market decline led by banks. *Bloomberg.com*.  
Bloomberg. Retrieved November 8, 2023, from  
<<https://www.bloomberg.com/news/articles/2023-10-02/kenya-s-stock-market-r-out-deepens-as-bank-shares-plunge>>

stock markets, including Kenya. Thus, Kenya's performance must be considered amid economic issues and oscillations.

## **POSITIVE CHANGES**

Despite these challenges, Kenya's capital markets have grown in several sectors. First-half 2023 equities market activity rose 9% over the prior year. In addition, NSE profit after tax rose 72%. This shows Kenya's equities markets' resiliency and interest. Kenya's fixed-income securities market reached a two-year high in monthly bond trading value in September 2023. A record fixed-income securities trading volume occurred in the same month. This shows Kenya's financial markets' breadth and promise beyond stocks.

## **RESPONSE FROM NSE**

Based on a Bloomberg study and the global economy, the Nairobi Securities Exchange (NSE) pledged to provide world-class market infrastructure. The NSE's launch of the NSE 10 Share Index (N10) and NSE Bond Index (NSEBI) shows its commitment to diversifying investment choices, boosting market transparency, and accommodating more investor preferences. Every research and report helps explain a market's performance, but they must be considered in context. Kenya's capital markets have shown resilience and development potential despite obstacles. When examining Kenya's financial markets, investors should analyze indices, dividend yields, trading volumes, and profitability. Through innovation and response, the NSE fulfills investors' diversified demand.<sup>2</sup>

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<sup>2</sup> (N.d.). *Press release for immediate release - nse.co.ke*. Retrieved November 8, 2023, from

<<https://www.nse.co.ke/wp-content/uploads/NSE-Plc-Clarification-on-Bloomberg-Analysis-of-the-Kenyan-Stock-Market-Performance.pdf>>

## OBJECTIVES

This report aims to give investors a thorough grasp of the Nairobi Securities Exchange (NSE) and its present performance. It evaluates market performance, outlines the importance of NSE in the African financial scene, and offers several viewpoints on NSE's standing. The report highlights the sound changes in Kenya's capital markets, suggests investments in Top 10 particular industries and businesses, and promotes using critical financial data when making decisions. The ultimate goal is to provide investors with insightful knowledge so they can make wise decisions in the ever-changing and dynamic NSE while highlighting the need to take a comprehensive approach to market dynamics and economic factors.

## METHODOLOGY

This research will use the Price-to-Earnings ratio (P/E) and dividend yield to identify the best short-term investment possibilities during a six-month period. Our methodology is to provide a thorough evaluation of business values in relation to profits and dividend distribution returns by using these important criteria. This strategy is designed to give investors a strong foundation for locating potentially profitable short-term investing opportunities in the market. Based on accepted financial theory, these two ratios—Price-to-Earnings (P/E) and Dividend Yield—stand out as crucial indicators.

## P/E RATIO

This shows how much the market is willing to pay for a firm based on how profitable it is. Lower P/E ratios indicate possible undervaluation and present an opportunity for capital growth when the market adjusts.



## DIVIDEND YIELD

The amount paid out in dividends as a return on investment. A higher yield adds stability and improves overall returns by indicating stronger income possibilities for investors.

When combined, the P/E ratio for prospective growth and the dividend yield for income production offer a balanced perspective. This duality supports well-established ideas of income generation and value investing by helping investors choose stocks that are both attractive for short-term profits and dividends.

## CAR & GENERAL (KENYA) PLC INVESTMENT (CGEN) (AUTOMOBILES AND ACCESSORIES)

Metric	Dividends Yield	Price to Earnings Ratio
Value	7.84%	0.68

Investors looking for a strong Nairobi Securities Exchange presence can choose Car & General (Kenya) Plc. Car & General (Kenya) Ltd. is a prominent player in its industry, exhibiting strong financial metrics and providing information on its dividend payments and Price-to-Earnings (P/E) ratios. Car and General PLC boast strong corporate governance, internal controls, and financial stability to attract investors, With strict adherence to high corporate governance standards for openness and accountability. The thorough management accounting system and regular management meetings help the company assess performance, which is a good indicator of a commitment to shareholder value.

## DIVIDEND YIELD

The dividend yield that the corporation provides is around 7.84%. This yield, which is determined by taking into account the current share price and a dividend of 0.80 KES per share, represents a significant return for investors relative to the share price.

## P/E RATIOS

Car & General (Kenya) Ltd. has strong price-to-earnings ratios, with one of its best ratios being 0.68. A possible undervaluation in the market is suggested by this lower ratio, which shows that investors are paying comparatively less for each unit of the company's earnings.

## WHY DOES CAR AND GENERAL LTD DO WELL?

**Financial Stability:** The company's strong profitability margins serve as an indicator of its financial resilience. Notably, robust financial performance and effective asset utilization are demonstrated by a robust Return on Assets (ROA) of 4.11% and a robust Return on Equity (ROE) of 13.83%.<sup>3</sup>

**Attractive Valuation:** Car & General (Kenya) Ltd. may be seen as an appealing investment opportunity by investors owing to its possible undervaluation in comparison to its book value, as seen by its low Price-to-Book (P/B) ratio of 0.68.

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<sup>3</sup> Musundire, L. (2023). Car & General Limited (Kenya) declares a final dividend of 0.8 kes. *AfricanFinancials*. Retrieved November 8, 2023, from <https://africanfinancials.com/car-general-limited-kenya-declares-a-final-dividend-of-0-8-kes-2/>

## RECOMMENDATION TO INVESTORS

Car & General (Kenya) Ltd.'s strong dividend yield and advantageous P/E and P/B ratios make it an appealing investment prospect. The high dividend yield indicates a desirable rate of return for investors, while the low P/E ratio points to possible market undervaluation.

To sum up, Car & General (Kenya) Ltd. seems like a tempting investment option because of its substantial dividend yield and attractive valuation indicators.

## STANLIB FAHARI REIT (THE BEST UNDER REAL ESTATE INVESTMENT)

Metric	Dividend Yield	Price To earnings Ratio
Values	10.80%	3.21

Within the real estate investment industry, STANLIB Fahari Income REIT presents a range of financial metrics and provides information on its dividend yields and Price-to-Earnings (P/E) ratios.

## DIVIDEND YIELD

The firm offers a return on dividends of around 10.80%, which is good. This yield, which is determined by taking into account a dividend of 0.65 KES per share and the current share price of 6.02 shillings, represents a significant return for investors relative to the share price.

## P/E RATIO

The Price-to-Earnings (P/E) ratio for STANLIB Fahari Income REIT is 3.21. This modest ratio suggests a balanced market value by showing that investors are getting a reasonable price for each unit of the company's profits.<sup>4</sup>

### WHY DOES STANLIB FAHARI DO WELL?

**High Dividend Yield:** The firm offers investors a desirable income opportunity with a strong dividend yield of 10.80%, which reflects its dedication to providing shareholders with steady returns.

**Profitability & Margins:** The business demonstrates resilience in the face of shifting market conditions with positive operating margins and a solid gross margin of 38.97%, even after a difficult fiscal year.

**Valuation Metrics:** The Price-to-Book (P/B) and Price-to-Sales (P/S) ratios of 3.21 and 0.34, respectively, are positive for STANLIB Fahari Income REIT. These indicators point to possible undervaluation and desirable sales multiples.<sup>5</sup>

### RECOMMENDATION TO INVESTORS

An attractive investment option is STANLIB Fahari Income REIT, particularly for income-oriented investors looking for high payouts. An alluring opportunity is indicated by the company's balanced P/E ratio, strong dividend yield, and positive valuation measures.

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<sup>4</sup> Musundire, L. (2023). Stanlib Fahari I-REIT (Kenya) declared a final dividend of 0.65 KES per share. *AfricanFinancials*. Retrieved November 15, 2023, from <https://africanfinancials.com/stanlib-fahari-i-reit-kenya-declared-a-final-dividend-of-0-65-kes-per-share/>

<sup>5</sup> The Wall Street Journal. (n.d.). Fahr | Stanlib Fahari income REIT stock price & news - WSJ. *The Wall Street Journal*. Dow Jones & Company. Retrieved November 15, 2023, from <https://www.wsj.com/market-data/quotes/ke/xnai/FAHR>

To sum up, STANLIB Fahari Income REIT is a compelling option for investors looking for steady income streams because of its substantial dividend yield and fair price. Prior to making any investment selections, investors should, nonetheless, perform extensive due research.

## THE JUBILEE HOLDING COMPANY LIMITED

Metric	Dividend Yield	Price to Earnings Ratio
Value	7.14%	2.1

In the field of insurance, Jubilee Holdings Limited is a pillar of the industry. The company specializes in life and non-life insurance and provides protection against a wide variety of risks, including those related to health, property, and liability. Within the realm of insurance, its role as an investment holding company allows it to provide both consistency and diversity.

### DIVIDEND YIELD

The firm consistently pays a dividend of 2 Kenyan Shillings per share, which provides an attractive return on investment for shareholders of Jubilee Holdings. This corresponds to an exceptional dividend yield of roughly 7.14% when taken into consideration together with the current share price of 182 shillings. A yield of this robustness is sure to pique the interest of investors who are looking for regular returns.

### THE P/E RATIO

In comparison to the wider Kenyan market, which has a Price-to-Earnings (P/E) ratio of 5.4x, Jubilee Holdings has an attractive Price-to-Earnings (P/E) ratio of 2.1x. This indicates that the company is undervalued. This lower P/E ratio

indicates that growth may be possible and is sometimes a sign of a company that is cheap compared to its earnings potential.<sup>6</sup>

### **WHY DOES JUBILEE HOLDINGS DO WELL?**

In spite of the company's mediocre track record of dividend payments, Jubilee Holdings has managed to have a respectable balance sheet, providing its shareholders with consistency and dependability. The fact that the firm is able to pay dividends on a recurring basis is indicative of both its strong financial position and its dedication to its shareholders.

#### **Timeline for Dividends:**

The date of October 11, 2023 has been set aside for the distribution of dividends by the business, therefore reiterating its commitment to provide stable returns to its shareholders. Because of the consistency with which dividends are paid out, investors can rely on this investment option, which also contributes to its allure.

### **RECOMMENDATION TO INVESTORS**

An interesting opportunity exists in Jubilee Holdings Limited for investors who are looking for a combination of stability, excellent dividend yields, and growth potential in their investments. Its price-to-earnings ratio is lower than the market average, and paired with its track record of consistent dividend payments, this points to the possibility of value and stability for investors seeking long-term returns.

Jubilee Holdings Limited has established itself as a formidable competitor in the insurance industry. The company provides investors with an attractive dividend yield, an undervalued position in the market, and stable financial footing. Jubilee Holdings stands out as an interesting investment choice for investors who

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<sup>6</sup> The Wall Street Journal. (n.d.). *The Wall Street Journal*. Dow Jones & Company. Retrieved November 15, 2023, from <https://www.wsj.com/market-data/quotes/KE/XNAI/JUB/financials/annual/income-statement>

are looking for both a consistent income stream and the possibility of capital gain.

## THE KENYA SUBSIDIARY OF BRITISH AMERICAN TOBACCO UNDER THE MANUFACTURING SECTOR

Metric	Dividend Yield	Price to Earning Ratio
Values	1.24%	5.97

British American Tobacco (Kenya) Ltd is a company that is operating in the tobacco sector. The company has a strong financial position, as seen by its exceptional dividend yields and appealing Price-to-Earnings (P/E) ratios.

### DIVIDEND YIELD

A dividend yield of around 1.24% makes British American Tobacco (Kenya) Ltd an attractive investment option. According to this calculation, there is a positive return on investment in comparison to the stock price since there is a dividend of 5 KES per share and the share price is 403.25.

### THE P/E RATIO

The fact that the firm has an enticing price-to-earnings ratio of 5.97 (TTM) at the moment is evidence of investor confidence. This ratio is the price that investors are prepared to pay for each unit of the firm's profits, and it indicates that the company is valued moderately in comparison to the power of its earnings.

### WHY DOES BRITISH AMERICAN TOBACCO KENYA DO WELL?

The previous fiscal year was a successful one for British American Tobacco (Kenya) Ltd, as seen by the company's impressive EPS of +68.92 and its high

profitability margins. Both the gross margin, which sits at +47.50%, and the net margin, which is at +25.17%, indicate excellent levels of profitability.<sup>7</sup>

The dividend, which is set to be paid out on September 22, 2023 at a rate of 5 KES per share, was declared by the firm as a symbol of its commitment to rewarding shareholders via periodic dividend payments.<sup>8</sup>

## **RECOMMENDATION TO INVESTORS**

A tempting investment opportunity is presented by British American Tobacco (Kenya) Ltd. This is on account of the company's solid financial condition, steady dividend distributions, and modest price-to-earnings ratio. This stock can be appealing to investors who are looking for consistent profits.

In conclusion, British American Tobacco (Kenya) Ltd is a solid investment option on account of its solid financial performance, appealing dividend yield, and reasonable valuation measures. This makes the company a good candidate for long-term capital appreciation.

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<sup>7</sup> The Wall Street Journal. (n.d.). *The Wall Street Journal*. Dow Jones & Company. Retrieved November 15, 2023, from <https://www.wsj.com/market-data/quotes/KE/XNAI/BAT/financials>

<sup>8</sup> Musundire, L. (2023). British American Tobacco Kenya Limited declares an interim dividend of 5 kes per share. *AfricanFinancials*. Retrieved November 15, 2023, from <https://africanfinancials.com/british-american-tobacco-kenya-limited-declares-an-interim-dividend-of-5-kes-per-share/>



## THE TOTAL KENYA LIMITED

Metric	Dividend Yields	Price To Earnings ratio
Value	8.17%	4.09

Total Kenya Ltd. is a company that works in the energy sector and focuses on the distribution and supply of petroleum and other goods linked to this industry in the Kenyan market. It maintains a solid financial structure and provides a consistent revenue stream to shareholders in the form of dividends.

### DIVIDEND YIELD

Total Kenya Ltd. provides its shareholders with a dividend yield of 1.31 shillings per share, which is a significant return when compared to the current share price of 16.05 shillings. This amounts to a dividend yield of around 8.17%, which is a desirable potential to increase one's income.

### THE P/E RATIO

The firm has a good Price-to-Earnings (P/E) ratio, which stands at 4.09x and suggests that the company is undervalued in comparison to the overall market. This lower ratio indicates that the shares of the firm may be undervalued in relation to its profits and growth prospects.

## **WHY DOES TOTAL ENERGIES DO WELL?**

The shrewdness of Total Kenya Ltd.'s capital structure and the adequacy of its liquidity ratios are both indicative of the company's ability to maintain a healthy and secure financial position. Its current ratio of 1.43 and its quick ratio of 1.14, all of which show that it is able to cover its short-term commitments in an effective manner.<sup>9</sup>

It has been announced that the firm would be paying dividends to its shareholders, which demonstrates its dedication to generating stable returns. This consistency in dividend payments helps to build confidence in the company, which makes it an enticing option for investors who are focused on income.<sup>10</sup>

## **RECOMMENDATION TO INVESTORS**

Total Kenya Ltd. provides an enticing option for shareholders who are interested in receiving dividend payments in addition to the possibility of their investment increasing in value. Its consistent financial performance, price-to-earnings ratio that is lower than the market, and predictable dividend distributions make it an appealing choice for investors who are interested in either income or growth.

Total Kenya Ltd. conducts its business within a stable industry, with a robust financial structure, and provides a dividend yield that is well above average. Total Kenya Ltd. presents itself as an alluring investment opportunity for those who are interested in the energy sector and are seeking a balance between the creation of income and the possibility of capital growth.

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<sup>9</sup> The Wall Street Journal. (n.d.). *The Wall Street Journal*. Dow Jones & Company. Retrieved November 15, 2023, from <https://www.wsj.com/market-data/quotes/KE/XNAI/TOTL/financials>

<sup>10</sup> Musundire, L. (2023). Total Kenya limited declares a final dividend of 1.31 KES per share. *AfricanFinancials*. Retrieved November 15, 2023, from <https://africanfinancials.com/total-kenya-limited-declares-a-final-dividend-of-1-31-kes-per-share/>

## NCBA

Metric	Dividend Yield	Price to Earnings ratio
Value	5.49%	3.73

NCBA Group PLC presents itself as an alluring investment choice within Kenya's banking sector by showcasing strong dividend yield and price-to-earnings (P/E) ratios. This is the reason it is seen to be a smart option for investors hoping for strong returns over the following six months.

### DIVIDEND YIELD

At the present share price of 36.40 shillings, NCBA's dividend yield, with an interim dividend of 2 shillings per share, is around 5.49%<sup>11</sup>. This high dividend yield in relation to the current share price highlights NCBA's dedication to shareholder returns and represents an appealing income stream for investors.

### P/E RATIO

NCBA's 3.88 (TTM) and 3.73 (with exceptional items) P/E ratios are remarkably low. These lower ratios signal that investors are purchasing comparatively less units of the company's earnings, which might indicate that the stock is undervalued in relation to its earnings potential.

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<sup>11</sup> Musundire, L. (2023). NCBA Group plc (Kenya) declares a final dividend of 2.25 KES per share. *AfricanFinancials*. Retrieved November 15, 2023, from <https://africanfinancials.com/ncba-group-plc-kenya-declares-a-final-dividend-of-2-25-kes-per-share-2/>

## WHY DOES NCBA DO WELL?

**Dividend Consistency:** NCBA's steady dividend payments demonstrate stability and offer investors a dependable source of income.

**Attractive Valuation:** The very low P/E ratios suggest that the company may be undervalued, providing a window of opportunity for capital growth until the market adjusts for this.

**Robust Financial indicators:** NCBA's strong financial indicators, which emphasize the effective use of resources and overall profitability, include its strong Return on Equity (ROE) of 17.30% and Return on Assets (ROA) of 2.29%.<sup>12</sup>

## RECOMMENDATION TO INVESTORS

NCBA Group PLC is an appealing investment opportunity because of its substantial dividend yield, good P/E ratios, and stable financial condition. It is well-positioned for investors seeking both short-term growth and income due to its low P/E ratios and its commitment to regular dividend payments, which may result in capital appreciation.

Even if these indicators highlight NCBA's advantages, wise investors should carry out in-depth study and take industry dynamics and market circumstances into account before making any judgments. Nevertheless, NCBA is a potential option for investors hoping for positive returns over the next six months due to its strong financial indicators, appealing dividend yield, and advantageous price-to-earnings ratios.

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<sup>12</sup> The Wall Street Journal. (n.d.). *The Wall Street Journal*. Dow Jones & Company. Retrieved November 15, 2023, from <https://www.wsj.com/market-data/quotes/KE/XNAI/NCBA/financials>

## CROWN PAINTS

Metric	Dividend Yield	Price to Earnings Ratio
Value	11.08%	8.97

Crown Paints Kenya PLC is an organization that is engaged in the paints and coatings sector of the economy. It is an indication of both the firm's profitability and its potential to create money for its shareholders if the company has a consistent history of positive growth in its earnings per share (EPS).

### DIVIDEND YIELD

When compared to the current price of the firm's shares, which is 36.10 KES each, the dividend amount per share is 4 KES, which results in an estimated dividend yield of 11.08% for the company. Investors that are focused on their income and want to generate consistent income from their assets may find this appealing. A good dividend yield is an indication of stability and performance that is constant.<sup>13</sup>

### P/E RATIO

The price-to-earnings ratio for Crown Paints Kenya PLC is about 8.97, which indicates a comparatively lower value in comparison to the average for the industry. A lower P/E ratio may imply that the company is inexpensive or that it has the potential for future growth, making it an appealing investment option. This would be the case if the stock had a lower P/E ratio.

### WHY DOES CROWN PAINT DO WELL?

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<sup>13</sup> The Wall Street Journal. (n.d.). *The Wall Street Journal*. Dow Jones & Company. Retrieved November 15, 2023, from <https://www.wsj.com/market-data/quotes/KE/XNAI/CRWN/financials>

The firm has good operating margins, a positive return on equity, and a positive return on assets, therefore the financial prospects seem to be favorable. These measurements suggest that assets are being used effectively and that profits have been made.

Crown Paints Kenya PLC excels in a variety of areas, including the ones listed above. There have been continuous increases in profits, there is a solid dividend yield, there are good operating margins, and there is an efficient return on equity. In addition, a hallmark of a well-balanced financial structure is when a firm is able to keep its levels of debt at a reasonable level in proportion to its equity and capital.

### **RECOMMENDATION TO INVESTORS**

It would seem that Crown Paints Kenya PLC presents a good chance for investment on the basis of the financial metrics that have been supplied. Both income- and value-oriented investors may find it to be a potentially successful investment choice due to the company's high dividend yield, outstanding financial performance, reduced valuation in relation to profits, and sound operational indicators. However, before making choices about investments of any kind, it is vital to undertake more research, taking into consideration the current state of the market, the trends in the relevant sector, and the plans the firm has for its future expansion.

## **SAFARICOM KENYA (THE BEST UNDER TELECOMMUNICATION SECTOR)**

Metric	Dividend Yield	Price To earnings Ratio
Value	4.66%	8.38

In the field of telecommunications in Kenya, Safaricom PLC has the position of market leader and is regarded as a reliable and consistent business concern. Safaricom has shown that it is resilient and has the capacity for sustained

development, and it has done so by maintaining a significant position on the Nairobi Stock Exchange (NSE).

## DIVIDEND YIELD

Safaricom PLC provides its shareholders with a dividend of 0.62 KES per share, which translates to around 4.66% yield based on the current share price of 13.30 shillings. This dividend is offered to shareholders as part of the company's excellent dividend yield. This substantial dividend yield indicates that investors will make a profit from their investment.<sup>14</sup>

## THE P/E RATIO

The Price-to-Earnings (P/E) ratio of the firm is 8.38 (TTM), which is considered to be in the moderate range. This ratio demonstrates a balanced valuation by indicating that investors are paying a price that is appropriate in relation to Safaricom's profits. This indicates that investors are paying a price that hints at possible growth possibilities while preserving stability.

## WHY DOES SAFARICOM DO WELL?

The financial performance of Safaricom PLC has been very admirable, and the company has maintained healthy profit margins. It is noteworthy that it has a healthy gross margin of +52.50 percent and a net margin of +20.1 percent, both of which attest to its effectiveness in producing profits.

The continual distribution of dividends to the company's shareholders is one of the ways the business stays competitive in the eyes of investors looking for a reliable source of income. Reiterating its dedication to compensating its stakeholders with a payment deadline of August 31st, 2023, Safaricom PLC has provided more evidence of its commitment.

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<sup>14</sup> inbox. (n.d.). Safaricom P/E Ratios. *The Complete Toolbox for Investors*.

Retrieved November 5, 2023, from

<<https://finbox.com/NASE:SCOM/explorer/pe.htm/>>

## RECOMMENDATION TO INVESTORS

As Kenya's primary telecommunications service provider, Safaricom PLC is a driving force behind the country's sustained economic development and expansion. It has a strong financial position, a steady track record of dividend payments, and a reasonable price-to-earnings ratio, all of which combine to make it an appealing investment choice. Despite of the recent share price falls.<sup>15</sup>

Safaricom PLC is an essential investment in the Kenyan market since it provides stability, the opportunity for development, and steady dividend payouts. Safaricom PLC is an appealing option for investors looking for a steady income stream and growth potential, and it is a cornerstone investment that should be included in every balanced portfolio.

## ABSA BANK KENYA (ABSA) (BANKING SECTOR)

Metric	Dividend Yield	Price to Earnings ratio
Value	1.81%	3.52

Absa Bank Kenya PLC demonstrates encouraging signs for investment potential leading up to December 2023 and is hence setting itself for the possibility of returns in the next half year. Absa Bank Kenya PLC is a well-known company in Kenya's banking industry with excellent performance metrics and financial stability. With an impressive Return on Equity (ROE) of 24.30% and a strong Return on Assets (ROA) of 3.22%, the bank exhibits strong profitability measures. These

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<sup>15</sup> Amadala, V. (2023). Safaricom share price drops as investors react to results. *The Star*. Retrieved November 5, 2023, from <https://www.the-star.co.ke/business/kenya/2023-05-11-safaricom-share-price-drops-as-investors-react-to-results/>



indicators highlight the bank's effective income-generating use of assets and capacity to provide shareholders with high returns.<sup>16</sup>

## PRICE-TO-EARNINGS (P/E) RATIO

Absa Bank Kenya has a low P/E ratio of 3.52 (with exceptional items) and 3.62 (TTM). These lower ratios signify a possible market undervaluation as they indicate that investors are paying comparatively less for each unit of the bank's earnings.

## DIVIDEND YIELD

At around 1.81%, the bank's dividend yield is considered reasonable. With a payout of 0.2 KES per share and a share price of 11.05 KES, this dividend yield represents a reasonable return for investors in relation to the share price as of right now.<sup>17</sup>

## WHY DOES ABSA BANK DO WELL?

**Strengths:** Absa Bank Kenya has excellent financial resilience as seen by its noteworthy Return on Assets, which reflects effective asset management, and good Return on Equity, which indicates efficient use of shareholders' capital.

**Red Flags to Be Aware of:** The bank's current ratio of 0.27 raises questions about liquidity even with its impressive profits. This ratio suggests that using current assets to meet short-term obligations may be difficult.

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<sup>16</sup> Musundire, L. (2023). Absa Bank Kenya plc declares an interim dividend of 0.2 kes per share. *AfricanFinancials*. Retrieved November 8, 2023, from <<https://africanfinancials.com/absa-bank-kenya-declares-an-interim-dividend-of-0-2-kes-per-share>>

<sup>17</sup> Absa Bank Kenya Plc (Absa.ke) 2022 abridged report. (2023). *AfricanFinancials*. Retrieved November 8, 2023, from <<https://africanfinancials.com/document/ke-absa-2022-ab-00/>>

## RECOMMENDATION TO INVESTORS

Absa Bank Kenya PLC is a desirable investment due to its low P/E ratios, modest dividend yield, and strong financial performance. Due to the reduced current ratio, which might indicate restricted liquidity for short-term commitments, investors should proceed with care.

To sum up, Absa Bank Kenya PLC exhibits sound financial standing, high profitability, and reasonable investment returns. Before making an investment, investors should perform extensive due diligence and take the bank's liquidity situation and financial health into account.

## LIMURU TEA (LIMT) ( BEST IN AGRICULTURAL SECTOR)

Metric	Dividend Yield	Price to Earnings ratio
Value	0.6579%	139.88

Investing in agriculture is a great way to increase your annual returns. As an investor keen on the agricultural sector, Limuru Tea is the best fit for December 2023. Currently, Limuru Tea posts a share price of KSh 380.00. Its indicative share trading liquidity for Limuru Tea PLC (LIMIT.ke) in the past 12 months, as of 5 August 2023, is KES42.85M. This fantastic rise shows the potential and resilience amid market conditions. Limuru Tea has strong liquidity, with Cash and Equivalents rising from KSh 271000 in the intermediate period to KSh 1087000 in June 2023, which indicates that the financial framework favors Limuru Tea and protects investors. Limuru Tea PLC can pay its short-term commitments with its current assets, as its current ratio is 8.05 according to Wall Street Journal.

Limuru Tea presents investors with information on its financial health, with a particular emphasis on Price-to-Earnings (P/E) and Dividend Yields, making it a remarkable investment possibility.

## DIVIDEND YIELD

Based on a 2.5 KES dividend per share and a 380 KES share price, Limuru Tea's dividend yield is around 0.6579%. Though it offers a return, this yield suggests a rather modest income for investors when compared to the share price.<sup>18</sup>

## P/E RATIO

Due to the company's very high P/E ratio of 139.88, investors may be paying more for each unit of profit. This might indicate either a potential overvaluation of profits or strong growth expectations.

## WHY DOES LIMURU TEA LTD DO WELL?

Limuru Tea has financial resilience in the face of market swings, as seen by its current ratio of 8.05. The company has demonstrated good liquidity growth and has maintained sufficient cash reserves. This suggests sound financial standing and the possibility of more investment possibilities.<sup>19</sup>

**Red Flags:** The company's earnings before income tax have been impacted by weather-related changes in agricultural and material prices, even if turnover has decreased. These aspects should be carefully considered.

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<sup>18</sup> Limuru Tea Plc (limt.ke). (2023). *AfricanFinancials*. Retrieved November 8, 2023, from <<https://africanfinancials.com/company/ke-limt/>>

<sup>19</sup> The Wall Street Journal. (n.d.). *The Wall Street Journal*. Dow Jones & Company. Retrieved November 8, 2023, from <<https://www.wsj.com/market-data/quotes/KE/XNAI/LIMIT/historical-prices>>

## **RECOMMENDATIONS TO INVESTORS**

For investors looking for security and a reasonable dividend income, Limuru Tea offers a chance. The high P/E ratio, however, indicates that possible overvaluation should be carefully considered. Investors should weigh its financial stability against the state of the market and any outside factors that might have an impact on its success.

Due to the premium price Limuru Tea's profits carry, it delivers a balanced investment opportunity with a moderate dividend yield and high P/E ratio. Limuru Tea offers stability but also requires monitoring. Before making an investment, investors should perform in-depth research and consider the company's financial condition in relation to outside factors.

## CONCLUSIONS

Examining the Nairobi Securities Exchange (NSE) and other investment choices provides insightful information on the stock market in Kenya. Bloomberg's pessimistic judgments notwithstanding recent developments in Kenya's financial markets and other worldwide indexes demonstrate resilience and growth potential. The NSE reaction to obstacles, such as the introduction of new indices and the enhancement of market infrastructure, is indicative of its dedication to transparent markets and broad investment options. Financial metrics such as FCF, PEG, P/E, and P/B ratios can be used by investors to evaluate potential investments. A variety of interests are catered to by the best investment choices for November and December 2023, which include Limuru Tea, Absa Bank Kenya, Car & General, and Safaricom. In the insurance industry, Jubilee Holdings Limited is a desirable investment due to its significant profitability and consistent dividend payments. This report offers a thorough understanding of NSE's Securities performance and investment potential in a changing market that can earn the investors returns in the next 6 months.

## RECOMMENDATIONS

If a company displays a higher dividend yield it translates to a reasonable return for investors hence considered a favorable investment opportunity .

A company with a low P/E ratio is considered favorable because an investor can get a higher return from a small investment.

From the data collected on the various listed companies, the following are their rankings with emphasis on their dividend yield and P/E ratios.

Company	P/E Ratio	Dividend Yield	P/E Ratio Rank	Dividend Yield Rank	Total Rank	Overall Rank
<b>Car and General</b>	0.68	7.84%	1	4	5	<b>1</b>
<b>Stanlib</b>	3.21	10.80%	4	2	6	<b>2</b>
<b>Jubilee</b>	2.1	7.14%	3	5	8	<b>3</b>
<b>BAT</b>	1.24	5.97%	2	6	8	<b>4</b>
<b>Total Energies</b>	4.09	8.17%	7	3	10	<b>5</b>
<b>NCBA</b>	3.73	3.73%	6	8	14	<b>7</b>
<b>Crown Paints</b>	8.97	11.08%	9	1	10	<b>5</b>
<b>Safaricom</b>	8.38	4.66%	8	7	15	<b>9</b>
<b>ABSA</b>	3.52	1.81%	5	9	14	<b>7</b>
<b>Limuru Tea</b>	139.88	0.66%	10	10	20	<b>10</b>

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