INVITATION TO SUBMIT AN EXPRESSION OF INTEREST (EOI) (KPLC DEBT RE-FINANCING)

DATE: April 28, 2021

A. EOI FOR KPLC BANK DEBT RE-FINANCING

The Kenya Power and Lighting Company Plc is seeking Expressions of Interest (EOI) from suitable financial institutions for the refinancing of its commercial debt.

Submission of Documents and closing date

Completed documents should be returned EITHER

(a) electronically via an e-mail to both of the following e-mail addresses:

E-mail 1: SVikiru@kplc.co.ke and
E-mail 2: ZGathara@kplc.co.ke

OR

(b) enclosed in plain sealed envelopes and clearly marked as: -
"**EOI for KPLC Debt Re-Financing**" and addressed to:

General Manager, Finance
The Kenya Power and Lighting Company Plc
Stima Plaza, Kolobot Road, Parklands,
P. O. Box 30099 - 00100,
NAIROBI – KENYA

and delivered to the office of General Manager, Finance on 1st floor, Stima Plaza, so as to reach the office, on or before 10.30 a.m. (East African time) on the closing date of **17th May 2021**.

Any queries and requests for clarification should be directed by post, telephone or e-mail to:

General Manager, Finance
The Kenya Power and Lighting Company Plc
Stima Plaza, Kolobot Road, Parklands,
P. O. Box 30099 - 00100, Nairobi
Telephone: +254-20-3201109 / +254 711 031109
E-mail 1: SVikiru@kplc.co.ke
E-mail 2: ZGathara@kplc.co.ke

by not later than **17th May 2021**.

B. BACKGROUND

General Information

The Kenya Power and Lighting Company Plc is a limited liability company which was incorporated in 1922 as the East African Power & Lighting Company Limited following the merger of two private power utilities in Nairobi and Mombasa. The company changed its name to The Kenya Power & Lighting Company Limited in 1983 and to The Kenya Power and Lighting Company Plc in 2020. The registered office of the company is at Stima Plaza, Kolobot Road, Parklands, Nairobi. The company has been listed on the Nairobi Stock Exchange since 1954.

The Government of Kenya is the company's majority shareholder with 50.1% of the issued shares and the company is regulated by the Energy and Petroleum Regulatory Authority (EPRA).

The company undertakes the business of transmission, distribution and sale of electricity in Kenya and is currently the only licensed public electricity distributor in Kenya. KPLC is a key player in the electricity sub-sector and transacts with other sector entities including Kenya Electricity Generating Company PLC (KenGen), KETRACO, the Rural Electrification and Renewable Energy Corporation (REREC) and various independent power producers (IPPs) for income.

Investing in the electricity grid

In line with its corporate strategy, the company embarked on the implementation of key capital projects to expand and upgrade the country's power distribution system for improved service delivery as well as to enhance capacity for expected growth in energy demand.

As a result of the investments made, the high and medium voltage electricity network increased from a total of 41,486 kilometers in 2012/13 to 84,681 kilometers in 2019/20. The transformation capacity was enhanced from 6,490 MVA to 13,383 MVA over the same period while its customer base grew from 1,267,198 to 7,576,145. Electricity revenue increased from Kes. 88.91 Billion to Kes. 133.36 Billion. The asset base expanded from Kes. 70.6 billion to Kes. 325 billion over the eight-year period.

KPLC Debt book

The company's borrowings comprises commercial debt provided by local and international banks, and government [guaranteed] on-lent debt[5]. The government [guaranteed] on-lent debt is project specific and extended on concessionary terms usually with a tenor of over 20 years. The commercial debt has been incurred implementing key infrastructure projects as well as in working capital support.

The company undertook a debt restructuring in 2016 under which part of its project related commercial debt amounting to USD 500 Million were consolidated under a syndicated term loan facility benefitting from a partial guarantee from the International Development Association (IDA).

The outstanding borrowings as at March 31st, 2021 is Kes. 106 Billion comprising of Kes. 53.6 Billion bank debt and Kes. 52.4 Billion government [guaranteed] on-lent debt. The bank debt amounts to USD 358.9 Million and Kes. 14.34 Billion while the on-lent debt amounts to USD 383.05 Million and Euro 81.57 Million. The Government of Kenya has granted KPLC a one-year renewable moratorium on the repayment of the on-lent debt and consequently, the proposed refinancing excludes that debt.

C. OBJECTIVES

The objective of this EOI and the subsequent Request for Proposals is to obtain proposals for bank debt refinancing that will result in the following benefits for the company:

- **Sustainable annual debt service** – the company seeks to optimize its annual debt service costs. The current annual level of debt service costs is over Kes. 20 Billion (USD182.65 Million equivalent). The company seeks proposals to help achieve this through extending existing tenors.

- **Mitigate foreign exchange risk** – over 85% of the company's debt is unhedged on a long-term basis and denominated in foreign currency while its income is denominated in Kes.

- **Reduce the debt service costs** - the company expects to take advantage of the prevailing macro-economic situation to achieve lower interest rates compared to those under existing facilities consequently reducing its overall financing costs.

- **Improved financial ratios** – anticipated grace periods and longer tenors under the new facilities will enable faster reduction of outstanding payables (those which are classified as short-term) which will in turn improve the company's financial ratios and strengthen its balance sheet.

- **Creation of headroom** – sustainable debt service (arising from reduced funding costs) is expected to create headroom for payment of outstanding liabilities to suppliers, improving overall sector synergy, performance and business relations.

D. SCOPE OF THE ASSIGNMENT

The company continuously undertakes organizational and financial reviews to enhance efficiency in its service provision and additionally seeks to ensure optimal utilization of its resources. The proceeds of some of the existing bank debt was utilized to finance specific long-term projects hence the need for a rationalization at this time.

Arising from the above, expressions of Interest are therefore being invited from eligible bidders to:

- Re-finance the existing term bank debt and convert the outstanding overdraft into a term loan; and
- Provide a facility to enable the reduction of trade payables.

E. ELIGIBILITY TO RESPOND

Licensed bank(s) and/or financial institution(s) with a sound financial base (net worth) are eligible to respond to this EOI. Bidders can participate individually or as a consortium.

F. EVALUATION PROCEDURE & CRITERIA

Part 1 - Preliminary Evaluation.
These are mandatory requirements. This shall include confirmation of the following:

Basic information:

- Full name and the country of registration of the bank/financial institution. A copy of the certificate of incorporation, PIN, Tax Compliance Certificate (or equivalent) and valid authorization or license as a bank or financial institution to be attached.

- The postal, physical address, telephone numbers and the name of the contact person, as well as e-mail address.

Part II – Technical Evaluation (Scoring Criteria)

- **Profile:** Evidence that the bank/financial institution has a sound financial base (net worth) and meets all regulatory requirements, including required Liquidity and Capital ratios. Details of international credit rating both short- and long-term (Moody's, Fitch or S & P) and local currency ratings (Tier 1 and Tier 11). **(5 Marks)**

Outline approach and methodology: An outline of a feasible approach or approaches to the refinancing of the company's debt in Kenyan Shillings or other currencies and the methodology to be implemented for a successful refinancing. **(Max 20 Marks)**

- **Evidence of ability to deploy funds:** Taking the bank/ financial institution's single obligor/aggregate limits and the applicable regulatory requirements (Liquidity, capital etc.) into account relative to the company's outstanding bank debt, provide confirmation from two authorized representative of the institution that funds will be available for a period of at least 12 months to implement the refinancing should the institution/ consortium be mandated.
- 30 marks for confirmation of at least USD 550 Million (or equivalent)
- 15 marks for confirmation of between USD 300 Million (or equivalent) and USD 550 Million (or equivalent)

(Max 30 Marks)

- **Relevant experience:** Overview of the bank/ financial institution's experience of successfully executing loan refinancing transactions globally and in emerging markets in the last 10 years in a timely manner.
- 8 marks for each transaction of ticket size of USD100M & above
- 6 marks for each Transaction of ticket size between USD80M but <USD 100M
- 4 marks for each Transaction of ticket size between USD60M but <USD 80M
- 2 marks for each Transaction of ticket size between USD40M but <USD 60M

(Max 40 marks)

- **Other Information:** Provide any other experience or capacity relevant to the mandate as outlined above. **(Max 5 marks)**

The following Documents shall be submitted:

- Documents evidencing the information and confirmation provided in response to the Technical Evaluation criteria.
- Where a consortium is responding to this EOI, a list of the members of the consortium and documents evidencing the formation of the consortium as well as qualification documents for each of the consortium members.

G. REQUEST FOR PROPOSALS

Only qualifying bank/financial institutions (or their consortia) who meet 75 per cent of the possible maximum technical score will be invited to respond to the Request for Proposals. They will be further required to execute a Non-Disclosure Agreement (NDA) before being provided with the following information to assist in their credit evaluation processes and the structuring of their proposals:

- Financial projections of the company for the next 5 years
- KPLC's corporate strategy
- Details of loans and overdrafts to be refinanced

Note: **Price, currency, grace period, all in costs and tenor will be key considerations in the RFP.**

Yours faithfully,

ENG. ROSEMARY ODUOR
AG. MANAGING DIRECTOR & CEO
April 28, 2021