

# Telkom Kenya up for grabs

State-owned telecommunications firm Telkom Kenya plans to sell off 51% of its shares to potential investors in a recently announced privatisation exercise. Among the firms that have expressed interest are Telkom France, Telkom South Africa, British Telecom, Alkazaar of Kuwait and Reliance of India.

By Joyce Joan Wangui 21 Aug 2007

In a recent bidders' conference, Investment Secretary Esther Koimett announced that the firm would also sell off 30% of its shareholding to the public through an Initial Public Offer (IPO).

In the IPO listing, the private investor would cede 11% and the government 19% to the public. This would set the government's stake to 30%, the private investor to 40%, and the public to 30%.

Strict bidding procedures have been implemented and all interested parties are expected to adhere to the requirements needed to be the winner.

For bidders to be considered, they should have 500,000 voice subscribers and a turn over of US\$300 billion in the last financial year. Koimett underlined that Telkom Kenya is seeking a strong partner who would offer technical and financial support.

In anticipation of privatisation, Telkom Kenya has been restructuring and selling off some of its assets to clean its balance sheet before the firm finally relinquishes its shares. The firm plans major debt and project swap to defray some of its liabilities amounting to sh. 68.8 billion.

According to reports, Telkom Kenya has already handed over its Kenya College of Communications Technology to the Communications Commission of Kenya in a sh 2 billion debt swap.

"Telkom [Kenya] plans to have a debt-free balance sheet before the entry of a strategic investor," said David Muriithi, the company's chief finance officer.

The firm will also pay the Kenya Revenue Authority sh. 36.3 billion and outstanding interest and penalties on tax totalling to 20.9 billion.

Others include the government debt on telephone and data lines amounting to sh. 3.4 billion, and a new mobile licence costing US\$55 million. The state-owned firm also plans to transfer its shareholding in Safaricom, one of Kenya's mobile phone operators.

Lately, Safaricom and Telkom Kenya have become rivals in offering communications services after Telkom Kenya announced its plans to enter the race for wireless services.

However, the privatisation has 'pros and cons' - while top management are in the mood to celebrate, Telkom Kenya's workers are agonising about their future with the company.

The managing director of Telkom Kenya, Sammy Kirui said that the firm would retain 3,100 employees out of a workforce of some 9,767.

Kirui said that the parastatal is using an external human resource consultant PricewaterhouseCoopers to complete the phase 111 of staff rationalisation. The retrenchment exercise will cost Telkom Kenya approximately sh 3.8 billion.

The privatisation exercise is expected to add more value to communications services in Kenya's telecommunications sector as the country tries to position itself as the leading frontier of ICTs in the region.

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