Press Release

KPC posts 12 percent growth in Pre-Tax Profit

May 18, 2017 …. Kenya Pipeline Company (KPC) has posted a 12 percent growth in pre-tax profit to Kshs 12.0 billion for the financial year ended 30th June 2016 compared to Kshs 10.7 billion achieved in the year before.

The company's profit after taxation increased 16 percent to Kshs 8.4 billion up from Kshs 7.2 billion posted in the previous financial year.

KPC's Managing Director, Joe Sang attributed the growth to improved fuel supply and a prudent cost management strategy.

"The company's growth has been underpinned by strategic initiatives around prudent cost management and efforts to enhance fuel supply in Kenya and the region," said Sang.

KPC recorded a 2 percent growth in fuel transport volumes to 5.9 million metric tonnes from 5.7 million metric tonnes in 2014/15. On the domestic front, fuel transport volumes went up by 7 percent from 2.9 million metric tonnes to 3.1 million metric tonnes. However, the export volumes decreased by 3 percent to 2.7 million metric tonnes from 2.8 million metric tonnes. The decrease is attributed to loss of transit volumes to the Central Corridor. Revenue from transportation of fuel increased to Kshs 23 billion in the year under review from Kshs 21.4 billion in the previous year.

Sang said the company in partnership with stakeholders, is working hard to reclaim lost market share. "KPC in April introduced a promotional tariff on all transit products in all our Western Kenya Depots which is expected to improve our market share in the regional petroleum trade," said Sang.

The total operating expenditure decreased by 7.5 percent to Kshs 11.9 billion from the previous year's Kshs 12.8 billion. The decrease in the operating expenditure was attributed to cost containment measures put in place by the management.

KPC has consistently been profitable over the years and it remains one of the highest contributors to the Exchequer through billions of shillings in taxes and dividend payments.

In 2016, the Company remitted Kshs 5.0 billion to the Kenya Revenue Authority in corporation tax payments.

The Company closed the year with health cash reserves of Kshs 11.9 billion compared to Kshs 11.7 billion at the end of the previous year. The healthy cash flow is expected to support planned capacity enhancement projects which include the ongoing Mombasa-Nairobi pipeline re-placement project.

KPC's Chairman, John Ngumi said the company plans to expand into the wider East and Central African region, as well as expand its business model.

"KPC is working on a plan to expand its services to cover at the greater Eastern African region offering transport and storage services including LPG bottling and storage; utilisation of Lake Victoria to transport products to the region, a new product pipeline into Ethiopia and, ultimately, involvement in Exploration and Production, and in trading," said Ngumi.

Ngumi said the company is targeting to grow turnover from the present Kshs 23 billion to Ksh 150 billion by 2024/25, a 552 percent increase in one decade. The measures being put in place are expected to grow the company's pre-tax profits to Kshs 80 billion by 2024/25.

Early this year, KPC acquired the KPRL facilities to maintain strategic and operational stocks for refined petroleum products in the country. The facility will increase its capacity for receipt of imports and reduce billions of shillings in demurrage costs currently incurred by ships as they wait in the high seas to discharge product.

KPC is currently replacing the Mombasa–Nairobi Pipeline (Line 5) which has been in existence for 39 years to meet projected demand up to the year 2044. The project is expected to be completed in 2017. The company has already drawn Kshs 9.7 billion from the Kshs 35 billion syndicated loan facility towards the construction of Line 5.

During the year, KPC completed construction of a parallel pipeline from Sinendet to Kisumu which has enhanced petroleum product supply to western Kenya and the neighbouring countries.

Other projects undertaken during the year included the construction of additional storage tanks at Nairobi terminal, construction of additional loading arms in Eldoret and the hydrant monitoring system at Jomo Kenyatta International Airport and Moi International Airport.

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