SESSIONAL PAPER NUMBER GUARANTEE BY THE GOVERNMENT OF NATIONAL BANK OF KENYA LIMITED FOR M. ALOAN TO SOUTH NYANZA SUGAR COMPANY CHATTED UNDER THE GUARANTEE LOANS ACT (CAP.

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PARLIAMENT

OF KENYA
LIBRARaccordance with Section 5(1) of the Guarantee (Loans) Act (Cap. 461) of the Laws of Kenya the following information is laid National Assembly for consideration and approval.

- 2. The Government proposes to quarantee a loan of Kshs. 40 million to be advanced by the National Bank of Kenya Limited to the South Nyanza Sugar Company Limited. This loan is required by the Company as bridging finance to cover some items of expenditure which were not included in the original project cost. The items which were not included in the original project costs were currency fluctuations and working capital for purchase of factory machinery spares and agriculture equipment spares. This loan is to be repayable over a period of four years by four equal annual instalments, the first of which will fall due in 1982. It bears an interest at the rate of 10 per cent per annum.
- 3. South Nyanza Sugar Company Limited was incorporated in Kenya in 1976 for the purpose of carrying out the South Nyanza Sugar Project comprising of the establishment of a sugar factory with an annual capacity of 60,000 tons, establishment of a nucleus estate of 2,650 hec ares and an out-growers area of about 9,000 hectares. The erection of the factory is going on and it is expected to be commissioned by the end of 1976. The total project cost has now risen from Kshs. 734, 579, 000 to Kshs. 783, 281, 000 as a result of the factors mentioned under paragraph 2 above.
- The total current loan liability of South Nyanza Sugar Company Limited amounts to Kshs. 349,608,000 which is outlined at the Appendix to this Paper. The Government has to date guaranteed a total of DM 35,550.00 which is approximately Kshs. 145,015,560 at the current rate of 1DM = Kshs. 4.0792 to the DG Bank of West Germany as vide Sessional Paper No. 8 of 1977. The Company has a total share Capital of Kshs. 196,500,000 comprised of:

(a) Government of Kenya

Shs. 179,500,000

(b) Industrial Development Bank Shs.

4,000,000

Industrial Development Corporation

10,000,000

(d) Mehta Group

3,000,000

196,500,000

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- 5. The approval of the National Assembly is sought under the Guarantee Loans Act for the Government to guarantee a loan of Kshs. 40,000,000 to be advanced by the National Bank of Kenya Limited to South Nyanza Sugar Company.
- 6. The total current contingent liability of Kenya Government in respect of guarantees given under section 3 of the Guarantee Loans Act (Cap. 461) of the Laws of Kenya amount to K£271,807,369-35.
- 7. With the proposed guarantee of K£2,000,000 the aggregate will be increased to K£273,807,369-35 of which K£14,796,853 will fall within paragraph (a) and K£259,010,516 paragraph (b) of Clause 3(3) of the Act.

(J.J.M. NYAGAH)

MINISTER FOR AGRICULTURE

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