SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	4-Oct-13	11-Oct-13	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	8,593.48	8,643.57	0.58%	12.44%	15.09%	16.64%
Egypt	CASE 30	5,726.22	5,986.80	4.55%	18.74%	9.60%	9.65%
Ghana	GSE Comp Index	2,013.35	2,056.27	2.13%	13.78%	71.40%	68.22%
Ivory Coast	BRVM Composite	205.96	209.94	1.93%	-7.46%	26.03%	17.41%
Kenya	NSE 20	4841.33	4929.60	1.82%	5.13%	19.27%	23.72%
Malawi	Malawi All Share	10,638.34	11,626.60	9.29%	46.16%	93.28%	131.80%
Mauritius	SEMDEX	1,961.53	1,969.50	0.41%	-3.69%	13.71%	13.89%
	SEM 7	382.10	384.50	0.63%	-3.48%	14.00%	14.19%
Namibia	Overall Index	985.00	980.92	-0.41%	21.48%	-0.54%	2.49%
Nigeria	Nigeria All Share	36,925.82	36,991.60	0.18%	2.42%	31.74%	31.57%
Swaziland	All Share	293.68	293.68	0.00%	22.62%	2.80%	6.26%
Tanzania	TSI	2,053.33	2,191.51	6.73%	8.38%	47.51%	50.38%
Tunisia	TunIndex	4,461.15	4,472.80	0.26%	1.88%	-2.34%	-6.10%
Zambia	LUSE All Share	4,765.57	4,908.05	2.99%	10.75%	31.75%	39.84%
Zimbabwe	Industrial Index	208.35	212.68	2.08%	2.08%	39.55%	39.55%
	Mining Index	50.53	48.99	-3.05%	-3.05%	-24.77%	-24.77%

CURRENCIES

Cur-rency	4-Oct-13 Close	11-Oct-13 Close	WTD % Change	YTD % Change
BWP	8.44	8.40	- 0.45	9.80
EGP	6.87	6.87	0.01	13.53
GHS	1.87	2.17	0.53	14.10
CFA	482.71	484.96	0.47	- 2.10
KES	85.20	83.79	- 1.66	- 2.11
MWK	357.95	359.73	0.50	12.07
MUR	29.25	29.44	0.65	- 3.62
NAD	10.03	9.94	- 0.87	17.35
NGN	159.79	158.72	- 0.67	1.68
SZL	10.03	158.72	- 0.87	17.60
TZS	1,568.96	1,571.29	0.15	- 0.24
TND	1.64	1.64	0.38	6.09
ZMW	5.25	5.27	0.32	1.64

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

Egypt's Citadel Capital, a holding company with $9.5 billion under control, said on Thursday its consolidated net loss for the second quarter narrowed to 47.3 million Egyptian pounds from 124.2 million a year earlier. Citadel, which is changing from a private equity firm to an investment holding structure, plans to increase its capital by 3.64 billion pounds in December or January to 8 billion pounds. *(Reuters)*

Egypt-focused gold miner Centamin said it expected to exceed its 2013 output guidance of 320,000 ounces after its mining operations continued to perform strongly despite a political crisis in the country. Centamin on Wednesday posted gold production of 84,757 ounces in three months to September 30, 39 percent higher than in the same period last year, and bringing its year-to-date output to 265,397 ounces. The company said it was on track to start commissioning a new part of its mine in the fourth quarter. The steady performance comes despite the upheaval in the country. Egyptian military on July 3 overthrew President Mohamed Mursi and Mursi supporters and security forces have repeatedly clashed since with 57 people reported dead on Sunday, in one of the bloodiest days since the military took power. *(Reuters)*

Economic News

Egypt's urban consumer inflation accelerated to an annual 10.1 percent in September, the state CAPMAS statistics agency reported on Thursday, from 9.7 percent in August. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

GCB, by virtue of its wide distribution over the length and breadth of the country, has managed to grow its interest income by 47 per cent over the 2011 figure of Gh¢256.62 million. The growth is not only attributed to the bank's intricate network of branches but also to the bank's ability to introduce innovative products and services onto the market while carefully exploiting growth opportunities on the financial terrain. GCB ended the 2012 financial year with a record interest income value of GH¢376.09 million which distinguishes the bank, even from its fellow tier one banks in terms of fund mobilisation and ultimately interest income. Though the banking sector for the year 2012 operated in a challenging macro-economic atmosphere where budget deficit widened by 12 per cent, trade balance deteriorating, interest on government securities rising from 10.67 per cent to 23.12 per cent (91 day treasury bill) and local currency being severely volatile, GCB managed to grow its interest expenses marginally by two per cent. This, according to the company, was achieved through effective deployment of resources during the period, as well as proactive managing of funding costs. Not only did GCB manage to keep its interest expense under check, it also kept its operating expense under check, while growing its total income. For the full year (2012), GCB recorded an operating expense of GH¢221.27 million, 12 per cent less than the prior period's value resulting in a 521 per cent growth in profits before tax for the year 2012. GCB's net earnings before tax for the period was GH¢192.85 million.

According to the bank, significant growth in revenues coupled with reductions in operational costs as well as a marginal decline in impairment charges resulted in a net earnings after tax of GH¢142.92 million which was not only the highest ever recorded by the company but was represented by a year on year growth of 696%. The bank extended its impressive financial performance for the full year (2012) into the current financial year. For the first six months of operations, the bank recorded a total interest income of GH¢256.76 million, representing a growth of 71 per cent compared to the prior period. The premier bank in Ghana saw its profits before tax growing by 81 per cent despite significant growth recorded in operating expenses as well as interest expenses. For the half year period, GCB's net profit after tax was GH¢90.43 million, representing a growth of 80 per cent year on year. Ghana Commercial Bank recorded an increase in gross profit margin for the full year (2012) from 81 per cent in 2011 to 86 per cent in 2012. For the half year of 2013, GCB's net profit margin was 35 per cent from 33 per cent the prior period. This signifies an improvement in the level of profitability of the bank for the periods under review. Gross profit margin assesses the firm's financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit margin serves as the source for paying additional expenses and future savings. A higher gross profit margin is preferred. Similarly, net profit margin relates a company's profits to the level of sales and thus indicates how much profit a company made for each cedi of sales. A company who generates a higher level of profit for each cedi of sales is more profitable.

In terms of liquidity, GCB recorded 1.19 as current ratio or the year 2012 and 1.13 for the half year 2013. This means that GCB is able to cover all its current obligations as a bank which is likely to impact positively on the operations of the entity in serving its clients. Generally, the higher the value of the liquidity ratio, the larger the margin of safety that the company possesses to cover short-term debts A company's ability to turn short-term assets into cash to cover debts is of the utmost importance when creditors are seeking payment. GCB over the years carries the stigma of being one of the most volatile stocks on the Ghana Stock Exchange. The equity which has fluctuated between highs of GH¢5.38p and lows of GH¢0.45p has seen its shareholders make gains of over 265 per cent in a single year and also make losses of over 33 per cent also in a single year. Despite market sentiments that GCB is a risky stock (i.e. volatile) detailed analysis reveal that, the equity carries a beta of 0.60. This means, GCB is not as volatile as people believe. A stock which is considered to be volatile is one who has a beta greater than one. GCB's market performance over the years compared to key economic and financial indicators shows an over-performance of the stock comparatively over the past five years. GCB has recorded a capital appreciation of 111.06 per cent between December 31 2007 and 31 December 2012. Extending this into 2013, GCB has returned 440 per cent to investors in terms of capital gains for the five year period making it one of the most profitable equities on the GSE in terms of returning value to investors. For the first eight months of trading on the GSE, GCB has seen its price rise from GH¢2.10 a share to close at GH¢5.38 representing a capital gain of 156 per cent. GCB's impressive financial performance over the years as well as high liquidity of the stock on the GSE has been responsible for the impressive rise in value of the stock over the period. With over 265 million of its shares issued and outstanding to the public, Liquidity for shareholders of GCB has proven not to be a problem at all. So far this year a total of 7.39 million GCB shares have exchanged hands with a turnover figure of over GH¢33 million. *(Ghana Web)*

Economic News

The European Union (EU) is to support Ghana to revolutionalise its agricultural production. Mr Dacian Ciolos, EU Commissioner for Agriculture and Rural Development, who made this known in Accra at the weekend, said the support would be in the form of financial and technical interventions. "Agriculture is not only an economic issue, but also a social issue and this calls for the support," he said. Stressing that the EU would take Ghana's agricultural development objectives into consideration. Mr Ciolos was speaking at a stakeholders meeting with the theme: "Challenges and Opportunities in Africa, and strategies to unlock the economic potentials of agriculture development in Ghana." Dr Yemi Akinbamijo, Manager of Forum for Agricultural Research in Africa (FARA) said the partnership between EU and Ghana, which is under negotiation would take place from 2014- 2020. He said, it is a period for the promotion of agriculture and security. "Some economist described Africa as being on a low ground as far as agriculture is concerned, but 10 years later they described Africa as being on the rise and now, they have described Africa as the rising continent," he said. Dr Akinbamijo said : agriculture would provide greater help to reduce poverty if done properly; pointing out that production, trading, finance, as well as infrastructure, education, science and technology and regional integration; are the seven pillars of FARA, which would be used to develop Ghana. Dr Armed Yakubu, Deputy Minister of Food and Agriculture said agriculture remains the pivot of Ghana's future. *(Ghana Web)*

Daily oil production hit 115,000 barrels per day in June 2013, significantly higher than the projected average for the year, the African Center for Energy Policy (ACEP) report on Government Compliance with the Oil Revenue Management Act in the 2013 budget has revealed. Total oil revenue of GH¢1.15 billion also far exceeded the projected target by GH¢362.3 million. The report urged government to initiate discussions with Sabre Oil and Gas to recover the capital gains tax from the sale of its stake in offshore blocks. It also indicted the 2013 budget for failing to capture capital gains tax as one of the revenue streams. It added "the Petroleum Income Tax Law should be harmonized with the Internal Revenue Act." Released by the Executive Director of ACEP Mohammed Amin Adam, the report also said the projected transfers to the Ghana Petroleum Holding Fund will be exceeded when the data on petroleum is released. However, it expressed concern about the expected violations of the law. These violations have been identified in four areas. They include confusion around the Petroleum Holding Fund and allocation of petroleum revenues to the Ghana National Gas Company. The report was an initiative of the Center for Public Interest Law. *(Ghana Web)*

Ghana produced 835,410 tonnes of cocoa during the 2012/13 crop year, down 5 percent on the previous season, cumulative provisional data from industry regulator Cocobod showed on Monday. The purchasing figures - the best indication of output from the world's second-largest cocoa grower - included 65,118 tonnes recorded during the July-September light crop harvest, which closed September 12, according to the data seen by Reuters. Ghana runs a two-cycle cocoa season consisting of the October-June main crop harvest, which is mainly exported, and the light crop, which is discounted to local grinders. The country is preparing to open the 2013/14 crop on October 18 with an initial target to buy around 830,000 tonnes. Ghana which currently enjoys premium on its cocoa bean exports, has indicated it would leave its cocoa producer price unchanged at 3,392 cedis per tonne for the 2013/14 harvest. "We're hoping to keep the price at this level for now. It is almost a mutual agreement between us and the farmers, and we are happy they understand the issues," a top government official told Reuters requesting not to be identified. The official said at the current price, the Ghanaian farmer would be getting 75 percent of the free-on -board price. "It is still one of the highest in the region but we are keeping it because it is our commitment to adequately reward the farmers," the source said. Ghanaian cocoa farmers told Reuters last week they would accept the proposed farmgate price.

Top grower Ivory Coast last week raised the guaranteed minimum cocoa farmgate price to 750 CFA francs per kilogramme or $1,550 per tonne for the 2013/14 main crop, from 725 CFA francs/kg last season. Global cocoa prices have begun to recover above $2,600 per tonne in recent weeks after plummeting below $2,300 at the beginning of the year. *(Reuters)*

Ghana's economy is said to be at risk due to the tightening of liquidity conditions in the global financial markets. The country's current

vulnerability is as a result of its reliance on short-term capital flows to finance large current account and also budget deficits. A London-based credit ratings agency, Fitch, which made this known in its latest report, said Ghana is exposed with an expected budget deficit of 10.3 percent of Gross Domestic Product (GDP) for the fiscal year, funded largely by domestic debt issuance (68 percent) of which foreigners hold around 26 percent. Fitch's report, titled: "Sub-Saharan Africa To Weather US Fed Tapering," said South Africa and Kenya are also among nations that are at risk. "South Africa, Kenya and Ghana are not alone among sub-Saharan Africa countries having large current-account and budget deficits, but vulnerability is mitigated in other countries," the report said. The report stated that "for example, in Mozambique, much of the current-account deficit is financed through foreign direct investment while Rwanda receives substantial concessional funding." It noted also that speculation about when the Fed will start tapering its $85 billion-a-month monetary stimulus programme has weighted on emerging-market currencies in countries that rely on short-term flows into their bond and equity markets to fund deficits.

However, it said countries in Sub-Saharan Africa region would still be less vulnerable to Fed tapering and monetary tightening than more mainstream emerging markets. This, Fitch said, was due to external financing requirements and the largely non-concessional nature of their foreign debt. "Sub-Saharan Africa is also shielded by financial markets which are not as globally integrated and improved reserve covers", it added. The report said stronger growth prospects supportive of foreign direct investment will also provide a needed buffer for the region.
Fitch said while Ghana's cedi lost 13 percent against the dollar this year, South Africa's rand weakened by 16 percent while the Kenyan shilling retreated by 1 percent. Ghana's fiscal shortfall in the first seven months of 2013 was 6.3 percent of GDP, compared to a target of 5.6 percent, the Bank of Ghana (BoG) said. Kenya's current-account gap widened to $4.7 billion in May from $3.84 billion a year earlier, the Central Bank of Kenya said. *(Ghana Web)*

Ghana's annual consumer price inflation rose to a fresh three-year high of 11.9 percent in September, remaining well above the government's target band, the West African nation's statistics office said on Wednesday. Baah Wadieh, Ghana's acting deputy government statistician, said annual inflation picked up from 11.5 percent in August due mostly to steep rises in the cost of transportation, which shot up 27.7 percent during the period. Transport fares went up by an average 20 pct in September and the increase had a spillover effect on goods and services throughout the economy, he said. Inflation has trended higher since the government scrapped fuel subsidies in May. "The combined year-on-year inflation for September was 11.9 percent," Wadieh told a news conference. Month-on-month there was a 0.7 percent decline in inflation as seasonal factors kicked in after the harvest. Food accounted for 8.9 pct of the index compared with 7.9 in August. Non-food inflation was 14.2 percent, the same as August. Ghana's Central Bank left its prime lending rate steady at 16.0 percent last month but warned of inflationary risks such as wage pressures, fuel price rises and the expected end of utility subsidies. The bank said inflation in the gold-, cocoa- and oil-producing nation could creep above the bank's inflation band of 2 percentage points either side of 9 percent before easing again towards year-end during harvest season. Wadieh said that because Ghana's growing middle class was increasingly consuming more foreign-made goods, inflation was not expected to trend sharply lower at year-end as in the past as a result of the harvest. "There is an emerging shift in lifestyle and consumption and policy makers will have to take note in order to respond to it in their inflation-targeting," Wadieh said. *(Reuters)*

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Kenya

Corporate News

Panpaper Mills has been put up for sale, rekindling hope that the factory, which closed down in 2009, could roar back to life and spur economic activity in western Kenya. In a notice that appeared in newspapers last week, the government is seeking investors keen to acquire the paper manufacturing firm located in Webuye town, Bungoma County, following the exit of Indian firm Birla Group, which had been managing the factory, over swelling debts. "An information memorandum regarding Panpaper and the business and assets will be made available to interested parties... Subsequent sale of the business and assets will be at the discretion of the Joint Receivers and Managers," the notice read in part. In August this year, the government appointed Mr Ian Small as the receiver manager to spearhead the sale process of the factory that collapsed nearly five years ago after it failed to pay debts amounting to Sh3 billion. In efforts to revive the factory, the government paid Sh1.2 billion owed to short term lenders, helping the firm to spring back to life, albeit for only two weeks. The firm started operations in 1975 and produced about 100,000 tonnes of paper products annually. It employed about 1,300 people on permanent basis and 3,000 on temporary terms. *(Daily Nation)*

Kenyan retailer Uchumi Supermarkets has received regulatory approval to cross-list its shares on the Rwanda Stock Exchange, it said on Friday, a move expected to help it broaden its range of shareholders ahead of a share sale later this year. Uchumi, Kenya's second-largest retail chain by sales, has 25 stores across east Africa, where fast-expanding economies are creating a growing middle class. "Listing Uchumi shares in Rwanda will help in the development of the capital market in that country and at the same time provide an investment opportunity to thousands of Rwandese willing to invest in the stock market," Chief Executive Jonathan Ciano said in a statement. Uchumu, which is aiming to offer 100 million shares in a rights issue later this year, is also planning to open stores in Rwanda, expanding its network of outlets in Kenya, Uganda and Tanzania. Several Kenyan firms have already listed their shares in regional bourses like Kampala, ahead of the full integration of Kenya, Uganda, Rwanda, Burundi and Tanzania under the East Africa Community common market. Other Kenyan stocks listed on the Kigali bourse include Kenya Commercial Bank and Kenya Airways. *(Reuters)*

KenolKobil has raised Sh1.7 billion through the sale of a commercial paper to fund its working. Kestrel Capital, the short-term paper arranger and placing agent, said that institutional and high-net worth investors bought the commercial paper that went on sale through a private placement between late July and September. "The commercial paper has been successfully and fully privately placed with qualified investors, earning a significant premium over government Treasury bill yields," Kestrel Capital chief executive Andre DeSimone told Business Daily. The commercial programme is not a one-off but continuous and tailored to the company's working capital needs. KenolKobil cash needs have been increasing over the past five years in tandem with rising sales. Between 2012 and 2009 the regional marketer's sales nearly doubled to Sh192.5 billion from Sh96.7 billion. They later touched Sh222.4 billion in 2011. Working capital slightly more than doubled to Sh12.9 billion from Sh6.2 billion over the same time. Locking cash in inventory puts a strain on working capital, which results in increased overdraft to finance operations, a more expensive financing method especially when interest rates are high. Analysts expect Sh1.7 billion raised to increase KenolKobil's operational liquidity. Eric Munywoki, a research analyst at Old Mutual Securities, said that the funds from the commercial paper will free up cash, which would have been locked in stocks, making it necessary to borrow more for day to day operations.
"They need to have cash to pay for costs tied to operations such as lease payments on the trucks transporting fuel," said Mr. Munywoki. A note by Standard Investment Bank on Kenya's oil and gas sector says the oil companies' better management of working capital is expected to see a return to profitability from losses partly attributable to high borrowing costs.

KenolKobil has had a rough ride in recent months in part attributed to the financing costs. South African-based firm Global Credit Ratings (GCR) downgraded KenolKobil's long-term debt rating to A from the 2012 rating of A+ with a negative outlook, citing the company's rising debt levels arising from high levels of working capital requirements coupled with capital erosion from losses. Last year it reported a Sh3.9 billion loss. Its competitor Total Kenya made a Sh293 million loss but both have since returned to profitability. "Our fair value is primarily driven by our expectation of normalisation in margins and more aggressive working capital management," says the report. Kestrel Capital did not indicate the rate on the commercial paper but analysts said that while significantly lower than overdraft facilities the rate is in the double digits. "It has to be or the investor will buy Treasury bills," said Johnson Nderi, the head of research at Suntra Investment Bank. Data from the Central Bank of Kenya indicates that the average rate on the 91-day Treasury bill stands at 9.76 per cent while the average lending rate stands at 16.96 per cent, hinting that the rate on Kenol Kobil's commercial paper is sandwiched between these two rates. *(Business Daily)*

Safaricom owners made 76 per cent capital gains, amounting to a massive Sh160 billion since the start of the year, as its price rallied to reward shareholders who have held on to the stock for years. The share, buoyed by foreign inflows, recorded a series of all-time-highs in 2013, rising from the initial Sh204 billion to a market record of Sh364 billion. It was in the top percentile of world-wide returns since January 2012 and also since January 2013. The counter continued with its gains Monday, touching a new trading high of Sh9.20 as demand continued and NSE 20 share rose 40.11 to 4881.44. Safaricom remains the most liquid and heaviest mover at the NSE owing to its 40 billion shares that account for almost half the total listed shares at the bourse. According to Rich Management managing director Aly-Khan Satchu, the defining characteristic of the bull market at the NSE has been the foreign investor component that has also pushed stocks across the sub -Saharan African equity markets. "The bull move has been relentless and I project a Sh10 per share print this year. International Investors have been raising their SSA equity allocation from close to zero to a little less of an egregious weighting and it is this which has been a powerful rising tide," he said. "These investors continue to reach for the big cap equities, of which Safaricom is a part," added Mr. Satchu. Safaricom's growth in price this year remains well ahead of the market indicators' average growth. The NSE All-share index has grown by 35 per cent since January 2013, with the NSE 20 share index up by 16 per cent in the same period. Market observers have variously pointed at the company's prospects for growth in income and dividends as key factors in attracting the recent investor inflows to the counter. "Investors remain upbeat about the company's financial performance underpinned by the fast growth of M-Pesa," said Standard Investment Bank in its latest weekly analysis. The stock has benchmarked the NSE total market capitalisation to touch an all-time high of Sh1.847 trillion. Towards the end of May, Safaricom was valued at Sh290 billion and was the second most valuable after East African Breweries Ltd. The brewer saw its market cap rise to a then NSE record of Sh334.5 billion on the back of a price surge to Sh423. In the subsequent four months, Safaricom has seen its valuation rise by Sh74 billion, while EABL's has declined to Sh269 billion, growing the gap in capitalisation between the NSE's top two companies to Sh94 billion. *(Business Daily)*

An estimated Sh2 billion was lost in damages after fire swept through the Nakumatt supermarket during the recent Westgate Mall terrorist attack, the owners said Thursday. Nakumatt Holdings managing director Atul Shah said the supermarket had more than Sh1.3 billion worth of stock on the shelves when the terrorists hit. It also had more than Sh400 million worth of furniture, he said. "What is inside is terrible; it is only ashes," he said. "Everything is burnt, the only thing remaining are a couple of shelves." Mr Shah, who said nothing was recovered from the shop, questioned the manner in which the salvaging was carried out. "On Monday evening we knew everything was contained and we were ready to go in with our team to try and salvage anything that was remaining," he said. "But on Tuesday we heard a loud bang. We want to know what happened. The shop is in ashes, nothing was recovered." Three weeks ago, terrorists raided the Westgate shopping mall killing more than 67 people and injuring scores of others. The more than 200 workers at the Nakumatt supermarket have been redeployed to other shops. According to Mr Shah, communication between Nakumatt and the government is progressing well. "It is good that the minister is open to us; we are asking the government a number of questions concerning when the building will be given back to its owners; when will be the remaining part of the building be stable for occupancy? How will the government assist those who have lost property inside the mall? We want to know the truth. What was the reason for the fire, why did the building collapse? We are told there were only four terrorists; we need to know the truth," Mr Shah said.

Nakumatt did not retrieve the CCTV surveillance cameras at the mall. "We were told they got burnt into ashes. Our CCTV was on site, nothing was off site," Mr Shah said. He said police took what was left of the cameras and are trying to get the footage. "We have not been told anything, but I hope the footage will be recovered," he said. He said it was hard for him to conclusively say the shop was looted. Thursday, Cabinet secretary in charge of commerce Phyllis Kandie said her ministry has started plans for rapid restoration of the mall. She said the ministry would establish a team comprising Westgate Mall stakeholders to consider and advise on specific measures that government and other parties would jointly take to restore the mall. The proposed committee will want to safeguard the more than 2,000 direct jobs. *(Daily Nation)*

Kenya Power's full-year pretax profit fell by a quarter to 6.42 billion shillings for the year to June 30, hurt by higher financing costs as it expands its network. The sole electricity transmission company in the east African nation, which suffers from frequent blackouts because of generation shortfalls and ageing grids, has had to contend with increasing customer connections, particularly in rural areas. "This put a huge financial pressure on the company and the programme was halted in January 2013 due to unsustainable liquidity challenges," Kenya Power said in a statement. The company's finance costs for the year more than doubled to 2.5 billion shillings on the back of additional medium and short-term loans taken by the company. The company has asked the country's energy regulator to allow it to raise tariffs and said that it is hopeful of a decision soon. *(Reuters)*

Economic News

Mining of Kenya's multi-trillion mineral deposits is set to delay after companies that were licensed to prospect were found to have been awarded the permits illegally. This follows the findings of a taskforce set up by the Ministry of Mining to audit licences issued between January and May this year, that was released on Friday. The task force said Base Titanium and Cortec Mining — that are licensed to mine titanium, niobium and rare earth minerals in Kwale, respectively — failed to comply with at least two requirements for licensing under the Mining Act. Base Titanium had earlier indicated that it could start mining titanium by next month, while Cortec Mining had said it would set up a mineral separation plant starting this year to facilitate extraction of niobium and rare earth minerals. According to Mr Mohammed Nyaoga, almost all the companies that were audited failed the test. Consequently, the task force has recommended that the Ministry should exercise its powers to ensure that the affected companies comply with provisions of the Act. "After reviewing the above and making our findings in each and every file, licence or application, the taskforce recommends that the relevant appropriate authority should exercise their powers within the Act to ensure compliance with the laid-down law and procedures," reads a recommendation by the task force. In August, Mining Cabinet secretary Najib Balala revoked all mining permits issued between January and May, saying the issuance procedure was characterised by irregularities.

His action also pointed at a possibility that the licences were hurriedly issued to facilitate financial support of certain political affiliations by the mining firms. In addition to revoking the licences, Mr Balala suspended the then commissioner of mines, Mr Moses Masibo, saying he had presided over "irregular" allocation of mining permits. Mr Balala also ordered that all mining companies should give a 21-day notice to the mining secretary before making public details of mineral finds to avoid speculation. Mr Balala's action has since drawn opposition from stakeholders in the mining sector, with the Kenya Chamber of Mines terming the decision as "not being inclusive of the interests of the industry stakeholders". "The pronouncements by the Cabinet secretary, which although made for the good of the industry and country, have gone against the spirit of collaboration between the industry and the government," said Mr Adiel Gitari, chairman of the Kenya Chamber of Mines. Cortec Mining Kenya, which has already accused Mr Balala of demanding a bribe of Sh80 million in exchange for the company's mining permit, has already filed a suit against the decision by the Cabinet Secretary to withdraw its licence. The local mining industry is governed by a law dating back to 1940 which has been reviewed only twice. The ministry is in the process of drafting a new mining law that seeks to establish State corporations that will be tasked with marketing and promotion of the country's mining industry as the government races to increase income from the sale of local minerals.

The initial issuance of Special Mining Licence 256 was not done properly. The task force recommended cancellation of the licence. The company's Prospecting Right was not in the name of Cortec Mining Kenya Limited but in the name Harrie Kinoste Ndungu. The County Council's consent and the Mining Deposit Receipt were also in the name of Harrie Kinoste Ndungu and not in the name of the company.
Licence type issued not in line with those available for issuance under the Mining Act. Upon review the following documents were not on record: Expenditure programme and tax compliance certificate. Also, it was indicated that the application was to be considered in the

Prospecting and Mining Licensing Committee of June 30 yet the application was considered on the January 31, 2013The company is associated with Aliko Dangote, who is said to be Africa's richest man. The tycoon was among a delegation of Nigerian investors who recently came to the country and expressed investments interest in the oil, gas and extractive sectors. Upon review the following issues were noted: No Tax Compliance on record. Bank statement is from a foreign company, Dangote Cement PLC, and not the entity applying for the licence. The 35pc equity condition had not been complied with. PMLC approved 0.72 square km but the gazettement was for two (2) blocks – Block A 6.75 square km and Block B 39.59 square km. *(Daily Nation)*

The Kenyan shilling held steady on Monday, with traders saying the currency could firm up in coming days on dollar inflows from tea exporters. The shilling was posted at 85.95/86.05 per dollar by 0734 GMT, barely changed from Friday's close of 85.95/86.15. "There might be some agricultural flows, especially from the tea sector, from tomorrow. The shilling might gain further on that," said Julius Kiriinya, a trader at African Banking Corporation. Tea is Kenya's leading foreign currency earner and is sold in the port city of Mombasa every Monday and Tuesday. Exporters typically then convert their earnings into shillings to pay farmers and cover operational expenses. The shilling has firmed 1.8 percent since mid-September, lifted by tight liquidity on the interbank market and dollar inflows from foreign investors buying into a 12-year infrastructure bond sale. The bond issue was oversubscribed at an auction last month, and the central bank is offering it again through a tap sale for the next three months to raise up to 16 billion shillings more. *(Reuters)*

The shilling weakened slightly on Tuesday as commercial banks bought dollars a day after the local currency hit a four-month high on the back of foreign appetite for Kenyan shares and bonds. At 0752 GMT, commercial banks quoted the shilling at 85.20/40 per dollar, 0.1 percent down on Monday's close of 85.10/30. "The shilling had overextended its gains and is correcting as interbank players trim short dollar positions," said a trader at one commercial bank, adding banks were building up their long dollar positions instead. A lack of progress by U.S. lawmakers in budget and debt ceiling talks has unnerved global investors, pushing them out of dollar-denominated assets and benefiting emerging and frontier markets like Kenya. Traders said they expected the shilling to get some support later in the session from tea exporters selling dollars. Tea is Kenya's leading foreign currency earner and is sold in the port city of Mombasa every Monday and Tuesday. Exporters typically then convert their earnings into shillings to pay farmers and cover operational expenses. "There might be some agricultural flows, especially from the tea sector," said Julius Kiriinya, a trader at African Banking Corporation. *(Reuters)*

The top price of Kenya's benchmark coffee fell heavily at auction on Tuesday, tracking a poor performing global coffee market and reflecting low quality supplies, the Nairobi Coffee Exchange (NCE) said on Wednesday. The top price of grade AA coffee grade fell to $300 per 50-kg bag at auction on Tuesday from $405 per bag at the last sale two weeks ago, the Nairobi Coffee Exchange (NCE) said. Kenya is a relatively small coffee grower compared with other producers, but its speciality coffee is known for its quality and is much in demand from roasters who blend it with coffees from other nations. NCE said Grade AA sold at $300-$141 per bag, compared with $405-$154 previously. Grade AB fetched $199-$135 per bag, compared with $221-$138 previously. "The global market is not doing well in terms of pricing and that is reflecting here," said Daniel Mbithi, the chief executive of NCE. "Besides, we are receiving low quality supplies as farmers clear their old stock." NCE said 16,799 bags of coffee were offered, with 3,347 sold at an average price of 149.54 per bag, earning a total of $0.6 million. At the last auction, 10,836 bags of coffee were offered, and 3,465 sold at an average price of $168.30 per bag. AA grade coffee was selling at more than $500 a bag in late March and the start of April when sales tend to peak in the harvest cycle. The grade refers to size and density, rather than bean quality. *(Reuters)*

Pancontinental Oil and Gas has announced that it could increase its ownership in Kenya's offshore L8 Block if American explorer Apache Corp cedes its 50 per cent stake. The oil explorer on Thursday said that Apache Corp has not yet notified it of its intention to cede its stake in the block. Apache Corp on Tuesday told Reuters that it was abandoning its hunt for hydrocarbons in Kenya, its only venture in Sub-Saharan Africa. READ: Apache Corp cedes 50 pc stake on offshore block "Apache has not yet given written notification of its withdrawal to the L8 Joint Venture nor has it given written notice of its resignation as Operator under the Joint Operating Agreement (JOA)," said Barry Rushworth, chief executive officer, Pancontinental in a statement. Kenya's offshore L8 Block is also 20 per cent owned by Origin Energy Limited while Pancontinental and Tullow each have a 15 per cent stake. Mr. Rushworth said that Pancontinental expects Apache to give the notices but that withdrawal from the JOA requires 60 days' written notice and resignation as operator requires a 90 days' notice. He said that Apache's withdrawal from L8 follows other Apache divestments around the globe, including Apache's divestment of projects in the Gulf of Mexico which was announced in July this year, in Canada announced in August and in Egypt which was announced last month. "The L8 Joint Venture will discuss the best way forward and determine the new operator of the Licence after it has been formally notified by Apache of its intention to withdraw. Subject to ministerial consent Pancontinental expects to increase its interest in the L8 licence on a pro-rata basis, at no material cost," said Mr. Rushworth. Apache, in May this year announced that it planned to divest $4 billion in assets by year-end. Bob Dye, senior vice president of corporate affairs at Apache on Tuesday said that the company had informed the Kenyan government of the move on Sept. 27. Other companies that own exploration blocks or are prospecting for oil and gas in on the Kenyan coastline include FAR Limited which is listed on the Australian Stock Exchange. In June this year, FAR Limited and Pancontinental announced that they are seeking to sell part of their exploration rights on a block off the coast of Kenya, to raise funds that will be used in drilling. FAR Limited owns 60 per cent of block L6, which has three prospects; Tembo, Kifaru and Kifaru West, while the remaining 40 per cent of the joint venture is owned by Pancontinental.*(Business Daily)*

The Kenyan shilling fell on Thursday as commercial banks took advantage of the currency's recent gains to buy dollars, with traders expecting the slide to be capped at 86.00. By 0729 GMT, commercial banks quoted the shilling at 85.65/85 per dollar, 0.2 percent weaker than Wednesday's close of 85.45/65. "We've started seeing some slight interbank (dollar) buying," said Robert Gatobu, a trader at Bank of Africa. "But I don't think we will go above 86.00. There are no corporate buyers above that." The shilling had risen as much as 3 percent in a little over two weeks, spurred by demand for Kenyan government debt and equities at a time the political deadlock in the United States over the budget had weakened the dollar. Traders said signs of a possible resolution of the U.S. fiscal impasse had prompted some Kenyan importers to stockpile greenbacks before the U.S. currency recovers from a near eight-month low. "Panicky importer dollar demand could push the shilling lower," said Commercial Bank of Africa in a daily note. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

MALAWI President Joyce Banda dissolved the cabinet on Thursday after police arrested several junior officials in her government in recent weeks on suspicion of stealing state funds. A statement from her office said Banda, who came to office in April 2012, "will announce a new cabinet in due course." It did not elaborate. The presidency had said on Wednesday that Banda would meet her cabinet the following day to discuss the financial scandal and who was responsible. It did not disclose details of Thursday's meeting, but a senior government official, who asked not to be named, said Banda told the cabinet that she had "lost faith" in them. The scandal, known locally as "cash-gate", forced the government to shut down its payment system last week so that it could investigate over $4 million that went missing, delaying the payment of salaries to teachers, nurses and doctors. Banda, who faces an election next year, has won acclaim in the West for austerity measures and moves to bolster the economy of the aid-dependent, impoverished country. But steps such as an IMF-backed devaluation of the kwacha currency have stoked inflation, raised the price of food for the rural poor and eroded Banda's domestic support. The police said that about 10 junior government officials had been arrested so far for suspected graft, and that they had recovered tens of thousands of dollars in cash from their car boots and homes. A small group of protesters marched in the capital Lilongwe on Thursday and delivered a petition calling for the sacking of top officials, including Finance Minister Ken Lipenga, over the scandal. Lipenga has denied any wrongdoing. He was not immediately available for comment on Thursday.

Last week, envoys from eight Western donor nations, whose aid traditionally has accounted for about 40 percent of the state budget, asked Banda to deal with the alleged corruption at the treasury and investigate an attack on the budget director. "These are worrying developments that potentially risk Malawi's stability, rule of law and reputation," the envoys said in a statement. Budget director Paul Mphwiyo was shot last month, but survived the attack. After the shooting, the government's Anti-Corruption Bureau and police launched an investigation into the budget director and unnamed ministers over suspected graft, indicating the scandal extended beyond just a few junior officials. "People have lost confidence in (Banda's) leadership and the best thing she can do is to order the arrest of senior officials involved and ask her finance minister to resign," Lazarus Chakwera, leader of the opposition MCP, said at a public rally over the weekend. Malawi's troubled economy has shown signs of improvement in the past few months with inflation that was once running over 30 percent easing slightly, while earnings from its main export tobacco are expected to double this year from 2012. *(New Zimbabwe)*

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' annual average inflation rate was unchanged at 3.5 percent in September compared with a month earlier, official data showed on Monday. Statistics Mauritius said the year-on-year rate of inflation, used by the Indian Ocean island's policymakers to determine monetary policy, rose to 3.3 percent from 3.1 percent in August. *(Reuters)*

Nigeria

Corporate News

The Chairman of Conoil Plc, Mike Adenuga, has assured shareholders of the company and the investing public of a bright future outlook. Speaking at the company's 43rd annual general meeting (AGM) held in Uyo, Akwa Ibom State, Adenuga reiterated the company's commitment to maintaining its leadership position in the downstream petroleum sector by growing its business and creating an enduring value for its shareholders and other stakeholders. "We are building stronger financial position and creating enduring value for our shareholders. We will constantly develop strategies to sustain our position as the only marketer that always goes the extra mile for our ever-growing customers, with total commitment to excellent service delivery. We firmly believe that such a robust strategy will ensure continued growth and stronger position in our core markets", Adenuga said. Although the company recorded revenue of N149.99 billion and operating profit on ordinary activities before taxation and exceptional items stood at N1.15 billion, Adenuga, nonetheless, assured the shareholders that the outlook and future of the company remains bright. There are already pointers to the improved fortunes of the oil marketing company and an enhanced shareholders' value as captured in its 2013 half year unaudited results submitted on the floors of the Nigerian Stock Exchange (NSE). The company posted 255 per cent increase in profit after tax from N450.9 million in 2012 to N1.6 billion in 2013, while profit before tax rose by 199 per cent from N663.1 million to N1.98 billion. As part of the strategy to shore up its bottom-line, the chairman said the company has strengthened and consolidated its leadership position in the aviation business with investment in the acquisition of new equipment to meet the demands, on real time basis, of the company's ever-growing local and international clientele. "Our strategy in retail is to provide top quality products and services that will make customers want to always patronise us for their fuel and non-fuel needs. We are not resting on our oars on our aggressive acquisition and expansion drive that aims at increasing, substantially, the number of our retail outlets nationwide," Adenuga said. *(This Day)*

The President of Dangote Group, Alhaji Aliko Dangote, has said that the Group is poised to make an additional investment totaling $US 34.7 billion in the economy by 2017. He also said the cement arm of the group will commission an additional 10 million metric ton capacity in Nigeria by mid 2014 with an additional plan to also invest US $4.7 billion over the next four years in order to ensure that cement supply stays ahead of demand. In a keynote address during the just ended Nigeria'53rd Independence Anniversary Lecture, organised by the Lagos Chamber of Commerce and Industry, LCCI, Dangote said, the Nigerian financial sector has demonstrated its ability to support big ticket industrial projects – the most recent being the US$9 billion refinery project by Dangote Group and is poised to invest $US 34.7 billion by 2017. "Private sector participation is growing in areas such as fertilisers, petrochemicals, etc. "Indigenous entrepreneurs now dominate some sectors that were at inception controlled by foreign firms, federal and state government, namely, financial services, cement, petroleum marketing; the upstream oil & gas sector," he said Continuing, he said: "Agriculture continued as the lifeblood of the economy (accounting for 65 percent of GDP and 70 percent of exports). Cocoa, cotton, groundnuts, oil palm products, and rubber were the principal export crops in the 1960s (and early 1970s). Agriculture largely provided the foreign exchange that was utilised in importing raw materials, capital & consumer goods; as well as funding basic infrastructure needs. Food security was achieved – not just because peasant farmers were able to produced enough to feed the entire population (but also because Nigerians had not yet developed the palate to consume what they did not produce." Dangote said in setting an agenda for the next decade, government should improve the business climate and continuously benchmark our business environment against "best-in-class" investment destinations, implement the recently unveiled Nigeria Industrial Revolution Plan, support the new investors in the power sector to ensure they "hit the ground running" and provide the kind of outcomes Nigerians desire. He said their investment in agriculture is driven by our desire to create jobs for thousands of Nigerians and that It will increase their workforce from its present level of 26,000 employees to 750,000 employees. *(Vanguard)*

British banking group, Barclays, is planning to expand its business footprint in the African nation of Nigeria without making a large and expensive acquisition in the country. Banking Business Review quoted Barclays Chief Executive Office The bank is likely to launch corporate banking in Nigeria to tap the opportunities being presented by multinational companies looking to expand into Africa, similar to that of FirstRand's Rand Merchant Bank (RMB). Barclays Africa Group, which acquired Absa in South African in September this year, does not have much representation in Nigeria. "We have a rep office there. We do some business in Nigeria and we are going to grow that business and I think quite cautiously over time, and then we will see what opportunities present themselves. "Obviously in the medium term we would like to have a bigger presence there but we are not going to make some big inorganic play which would be very expensive," Jenkins said was quoted to have said on bdlive.co.za. Jenkins added that the bank had not contemplated whether to apply for a licence or acquire some business in the country, saying all options were still open. "We have a unique footprint from the African continent and so bringing our corporate customers to Africa is going to be a very important strategic focus for us and that's the unique advantage of Barclays because we have got a global footprint and we have got the presence," Jenkins added. "If you put those two things together it's a very powerful combination. So a lot of this is about execution and accelerating the pace of execution within the context of our aspirations to be the Go To Bank." In order to operate the business smoothly, the banking group is reportedly mulling over integration of the assets of its African operations combined in one place. *(This Day)*

FBN Capital has stressed the need for Nigeria to unlock opportunities through sustained infrastructure growth and development, even as it continues to seek the transformation of the power sector through public private partnership initiatives. Speaking at the First FBN Capital Project and Infrastructure Finance Conference in Lagos yesterday, the Managing Director, FBN Capital, Kayode Akinkugbe, said the current power sector privatization initiatives will go a long way towards closing the gap of substantial funding required for Nigeria Independent Power Project (NIPP) and other Green Field power plants. He pointed out that major investment in transmission lines are needed to match with planned increase in generating and distribution companies' capacities, adding that the initiative would drive development in Nigeria, particularly infrastructure growth. Presenting a paper on "The Rationale for Project Finance in Nigeria", the Director and Head, Project and Structured Finance, FBN Capital Limited, Patrick Mgbenwelu said noted that while Nigeria's potentials and growing power and infrastructure demands has generated substantial interest from lenders and developers from across the globe, there is need for more funding avenues to address the challenges and fund capital projects to enable the country realize its huge potential. He added that the role of the banks is to make investors comfortable as they proceed on various projects and privatisation deals in the country. Mgbenwelu explained that Greenfield IPPs will emerge to bridge the energy funding gap while Government's PPP commitment will fuel various infrastructure projects such as rails, roads, bridges, and airports among others. He also stated that multi-billion government projects will require private sector involvement, therefore creating a Special Purpose Vehicles (SPVs) as obligator financial vehicles is required. According to him, investors can choose to approach finance institutions and seek funds either as a corporate entity or directly through the projects, (Corporate Finance route or Project Finance).

Highlighting the benefits and challenges of the two fund-seeking options investors are faced with, Mgbenwelu said; "Project finance is an avenue for transferring risk. Additional expansion funding can be raised with ease, subject to the project achieving steady state post completion. Project financing vehicles can be credit enhanced via a rating which can exceed that of the actual sponsors" he said, He added that it also ensures and forces extreme financial and project management discipline. "Another edge this option has over corporate financing is that once the project completion is achieved, it can be used as a template for rolling out other projects." According to Mgbewelu, funding under such an option is primarily based on the future cash flow generating capacity of the project, hence, in the absence of tangible assets, projects can still get funding as opposed to corporate finance funding whose funding is generally asset backed. Another challenge of corporate finance, according to him, was that there is a tendency for lenders to delve unnecessarily into corporate entity's information sensitive affairs. Over the past few years, a large number of natural resources and infrastructure projects have been financed and developed to meet the demands for Nigeria's large infrastructural needs. Presently, the nation has just concluded the first phase of its power sector privatisation programme and has now commenced the process for launching the second phase which is being driven by the Niger Delta Power Holding Company (NDPHC). Other significant deals include the $1.5 billion financing for Tolaram's Lekki container port and the Lagos State Blue Line project estimated to cost approximately USD1.8 billion. *(Guardian)*

Shell Nigeria said on Wednesday it had shut down its Trans Niger Pipeline (TNP) owing to reports of leaks, deferring 150,000 barrels per day (bpd) of crude oil just 10 days after the pipeline was re-opened. "The latest leaks were reported at B-Dere, Nonwa-Tai, and Bodo West, all in Ogoniland. (Shell Nigeria) shut the line as a precautionary measure ... and has also mobilised a spill response team," Shell Nigeria spokesman Precious Okolobo said in an email to Reuters. He added the cause of the leak was under investigation. The company blamed the previous shutdown of the TNP on pipeline vandalism by oil thieves. That one led Shell to declare force majeure on its Bonny Light crude and on gas supplied to the Nigeria Liquefied Natural Gas (NLNG) company on Sept 23. The pipeline was re-opened again on September 30, which enabled the force majeure on crude to be lifted last Friday - and the one on gas on Monday. Africa's biggest oil exporter has been producing around 15 percent below its 2.5 million bpd (bpd) capacity this year due to widespread oil theft and leakages from ageing pipelines. Shell blames oil thieves for almost all leakages, although environmental campaigners say a failure to replace its decrepit 50-year-old equipment are as much to blame as sabotage. *(Reuters)*

Shell Nigeria is putting up for sale four onshore Niger Delta oil blocks with a combined production of around 70,000 barrels per day (bpd), two industry sources said on Thursday, the latest move by an oil major to divest assets from the area. Shell is one of several oil majors selling off fields in the swampy delta, where production on some fields is peaking and operations are plagued by rampant oil theft and fraught community relations owing partly to frequent spills. It plans to sell oil mining licenses (OMLs) 18, 24, 25 and 29, the sources said. The Anglo-Dutch company said in June that it planned a strategic review of its eastern delta assets. Shell Nigeria spokesman Precious Okolobo said that "the review is ongoing and therefore we are not in a position to confirm which, if any, blocks may be put up for sale." "Nigeria remains an important part of Shell's portfolio, where we will continue to have a significant onshore presence in oil and gas," he added in an emailed response to Reuters. Since 2010 Nigeria has had a policy of encouraging more direct ownership of its oil and gas by Nigerians, either through the state oil company or local private firms.

That has raised concerns among foreign oil majors they may lose smaller assets if they do not sell now, industry experts say. Four years after militant attacks against oil companies in the delta ended with an amnesty, they remain a major target for oil thieves, whom Chatham House says stole 100,000 barrels a day in the first quarter of this year. U.S.-based Chevron Corp is considering bids this week from prospective buyers of three oil blocks in the delta with total reserves of around 134 million barrels. Africa's biggest oil producer usually pumps 2 million to 2.5 million barrels per day of oil, most of which is exported. *(Reuters)*

The United Bank for Africa Plc (UBA) Thursday revealed a new partnership with Netplus Advisory Limited to deploy secured e-payment solution for U-mall, a new e-commerce platform that has been launched in Lagos. U-mall is a revolutionary e-commerce platform designed to help small and medium scale enterprises (SMEs) set up online stores to extend their reach and ultimately drive growth of their businesses. The new U-mall allows several small business owners in different sectors of the economy open online stores hosted on a single e-commerce platform to display and sell their goods online to potential shoppers on the internet. According to UBA, it would be supporting U-mall with integrated payment solution to enable ease and security of payments for selected items. The Head, e-Banking, UBA, Yinka Adedeji, said part of the key benefit of the U-mall was the removal of entry barriers for SMEs looking for a wider market for their goods through an online platform. "With U-mall such SMEs can now sell their goods easily through their U-mall space. U-mall also provides a secondary platform for SMEs to easily reach a higher number of potential customers while retaining their traditional trading platform," he added.

Continuing, Adedeji said: "U-mall leverages the web and mobile banking to provide an e-commerce platform that provides convenient shopping options for buyers and an easy way of selling and receiving revenues for the sellers. "Even more, U-mall is an open self-service platform that allows merchants to register their businesses by completing store registration and mobile money forms online." According to Adedeji, the U-mall is not just a selling platform but also has the additional advantage of offering brand promotion for the sellers through its combined marketing strategy which promotes the platform as a whole and individual categories and stores. On his part, the Managing Director, Netplus Advisory and Technical Partners, Wole Faroun, said: "U-mall is set to revolutionise e-commerce and it is an honour to have UBA, a bank that has led many innovations in electronic banking, as our payment partner." *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

The Central Bank of Nigeria is more likely to tighten monetary policy than ease it in the months ahead, Governor Lamido Sanusi said. "We're likely to remain where we are but if we're going to move at all, we're more likely to tighten than to ease," Sanusi told journalists today in Paris. "I would advise against precipitate easing only to turn around after a few months and tighten." Sanusi said that inflation is under control and Nigeria's currency, the naira, has held up well relative to other emerging market currencies. The Monetary Policy Committee kept the policy rate at a record high 12 percent for a 12th consecutive meeting on Sept. 24. Inflation eased to 8.2 percent in August from 8.7 percent in the previous month, staying within the central bank's target of less than 10 percent. The naira has weakened 2.6 percent against the dollar this year and may come under more pressure as President Goodluck Jonathan estimates a 12 percent drop in oil and gas revenue in 2014. Sanusi said last month the bank is committed to use its currency reserves to support the naira. The central bank sells foreign currency at twice-weekly auctions to keep the naira within a range of 3 percentage points around 160 a dollar. "Inflation should be down to under 8 percent by December," Sanusi said. "The exchange rate has remained fairly stable, it's pushing the band but it's not lost anything near what we saw in India, South Africa or Ghana, so we've done very well on that score."*(Bloomberg)*

As the nation's stock market continues its steady recovery from the 2008/ 2009 correction, the Securities and Exchange Commission (SEC) and Nigerian Stock Exchange (NSE), in collaboration with ECL Assert Management Limited, a stock broking firm last weekend held a customer's/ investors' forum in Aba, the Abia State commercial capital; with advocacy for domestic investors to increase their equities stake in the nation's bourse. Specifically, the SEC, NSE and ECL Asset Management took turns to educate hundreds of stocks investors and potential shares buyers that gathered at the Enitona Hotel, Aba, to move into the stock market now, by buying new stocks and increasing their shareholding stakes; especially in the fast moving consumer goods (FMCG) companies. Ismail Mohammed Ville, head, Port Harcourt zonal office of SEC said, the NSE's present 5 percent average returns on investments (dividend yield) is one of the best among stock markets in the world. He said it was pertinent for the businessmen and women in Aba, as a commercially thriving city, to diversify their businesses by investing in stocks and shares in order to guard against future business failures. Meanwhile, Okechukwu Odunze, manager NSE Owerri Floor, advised the Aba investors to ensure to seek professional advice from notable stockbrokers on which stocks (companies) to buy. So that they would reap good dividends from their investments each time such companies hold their annual general meetings (AGM) and declared dividend per share.

Allwell Umunnaehila, managing director and chief executive officer (MD/CEO) of ECL Asset Management Limited, which has been organizing series of stock market investors' forums across the South East and South-South geopolitical zones, said, indications point clearly to a positive direction that the Nigerian Stock Market has picked up, and is growing again. Hence, he said, it was time for, especially Nigerians to increase their domestic investments, so as to command leading position at the stock market; which he said is still dominated by foreign equity holders. Umunnaehila, in a PowerPoint presentation informed the Aba commercial city investors on which stocks to invest in; saying they should buy shares that have "good fundamentals; that pay good dividends, and have excellent liquidity portfolios (meaning that they can easily be sold). The ECL Asset Management boss also told the would-be stocks investors to, while buying stocks, should check for the stock's market sentiment (perception of investors); technical analysis (trend of history of the stock's price) and trend analysis (whether the stock they want to buy has reached a certain price). He said South East and South-South people (especially business people) should invest in shares and stocks at the Nigerian Stock Market, "as a safe haven to secure us from the vagaries of our one-man business or retirement from employment." Umunnaehila informed that, at 5 percent dividend yield, the Nigerian Stock Market is today better than many markets around the world; which he said, has been a major attraction to many foreign investors, who today, constitute over 60 percent equity ownership of the nation's bourse.*(Business Day)*

Faced with a tight monetary policy stance as well as a competitive landscape that appears not to be favouring them, Nigerian tier 2 banks may run into capital adequacy issues; a report has warned. According to the report, the 50 per cent Cash Reserve Requirement (CRR) imposed on public sector funds by the Central Bank of Nigeria (CBN), the new tariff regime, increased contributions to the Asset Management Corporation of Nigeria's (AMCON's) sinking fund, a constantly changing money market interest rate environment, and other regulatory amendments were putting pressure on the banks' earnings. In fact, it stressed the need for some tier 2 banks to raise tier-one equity, which implied a future earnings dilution, while others require tier-two equity (subordinated long-term debt). The CSL Stockbrokers Limited, a division of First City Monument Bank (FCMB), United Kingdom, stated this in the report made available to THISDAY yesterday. The research report was focused on Diamond Bank Plc, Stanbic IBTC Limited, Skye Bank Plc, Fidelity Bank Plc and Sterling Bank. "After what we consider to have been a good 2012, 2013 appears to be a more challenging year for Nigerian Banks as a result of the changing macroeconomic and regulatory environment. "The 2nd tier banks which we examine in this report are faced with a competitive landscape which does not appear tilted in their favuour. The bigger banks, with their comparatively larger balance sheets, can compete more favourably for quality loans and generally have better access to cheap retail deposits due to their reputation for safety and in most cases, a wider reach," it explained. The CSL report, however, noted that despite significant growth in the past three years, Nigerian banks still have ample scope to expand, especially with on-going reforms in the oil and gas and power sectors.

Furthermore, it pointed out that the prevailing low credit penetration in the country creates vast opportunities for the sector. It added: "The big five banks in Nigeria currently control about 54 per cent of total banking sector assets, which stood at N22.5 trillion ($141 billion) as at June 2013. They have better access to cheap retail deposits than 2nd-tier banks and control most of the lending to high-end Nigerian corporations and multinational companies. "Cost of funds is an area where the top tier banks have historically had a major competitive advantage over the 2nd tier banks, due to their access to a wider pool of cheap retail deposits. Looking at first half 2013 results, while the top tier banks reported an average cost of funds of about 3.6 per cent, the 2nd tier banks, reported an average of about 5.3 per cent. This is against a backdrop of a general increase across the sector. "Although we recognise that the 2nd tier banks that we cover in this report have all been making deliberate efforts to reduce funding costs we still expect them to increase year-on-year in full year 2013, albeit only marginally in some cases. The expectation of a general increase is also exacerbated for the 2nd tier banks as they have all sourced dollar funding or are in the process of doing so either to enhance capital or fund dollar lending." Continuing, it noted that the reduction in the commission on turnover (COT) charged on current accounts from N5 to N3 per mille in 2013, the anticipation of a further reduction to N2 per mille in 2014, N1 per mille in 2015 and zero in 2016 will impact on banks' fees and commission income. This, it argued, would have a stronger effect on banks with a higher proportion of retail current accounts. *(This Day)*

The naira depreciated against the United States dollar at the interbank market Wednesday as importers started to lock-in their hard currency needs at favourable rates. The nation's currency closed at N160.26 to a dollar yesterday, compared to the N159.90 to a dollar it stood on Tuesday. Traders informed Reuters that some importers took advantage of the increased dollar liquidity in the market to buy more hard currency at favourable prices, exerting pressure on the local currency. The naira firmed to its strongest in two weeks on Tuesday, buoyed by ample dollar sales by multinational oil companies. Dollar liquidity is gradually thinning out due to buying pressure from importers, dealers said, as no additional dollar inflow came into the system on Wednesday. Traders expect the naira to trade within the band of N160 and N160.60 to a dollar this week, unless additional dollar inflows come into the system and support the local unit. Although details of forex transactions at the Retail Dutch Auction System (RDAS) were not published yesterday, THISDAY gathered that the naira appreciated by two kobo to close at N155.73 to a dollar at the official market. The Central Bank of Nigeria (CBN) recently suspended the Wholesale Dutch Auction System (WDAS) and reintroduced the RDAS. Also recently, it withdrew the operating licences of 20 Bureaux De Change (BDC) operators and directed that receipts of proceeds of international money transfers should now be paid in naira. *(This Day)*

The Nigerian Stock Exchange (NSE) All-Share Index rose to a two-month high Wednesday, as investors' expectation for impressive third quarter (Q3) results of companies in 2013 continued to define the direction of the equities market. High demand pushed the ASI by 0.96 per cent to close at 37,259.65 while market capitalisation added N113 billion to close at N11.868 trillion. Year-to-date, the market has recorded a growth of 32.7 per cent. The ASI last hit this level in August when it traded around 38,000 points before hovering above 35,000 and 36,000 points. However, the market gauge rose to a two-month high on renewed demand by investors. The Q3 financial results of many companies are due for release and bargain hunters have been taking position ahead of the release of the numbers. Specifically, all eyes are on the banking sector as investors await the impact of the new rule by the Central Bank of Nigeria on Cash Reserve Ratio (CRR) on public sector funds in banks, on their performance. The CRR was increased to 50 per cent in July and became effective in August. Although some analysts said it may be early days yet for the real impact of the policy to be seen in the performance of the banks, some investors are eager to see results from the banking sector for Q3. Consequently, the banking sector was upbeat with eight stocks appreciating in value. Wema Bank and Zenith Bank appreciated by 9.4 per cent and 4.5 per cent respectively; being the highest gains in the sector. Although the volume of trading remained relatively low, the value of transactions declined 19.74 per cent. Investors traded 288 million shares worth N2.383 billion in 4482 deals, compared with 283.71 million shares valued at N2.96 billion exchanged in 4,277 deals the previous day. The volume of transactions were dominated by financial services counters, while the banking, industrial and consumer goods stocks featured on the top 10 trades by value accounting for 73.41 per cent of turnover for the day. *(This Day)*

The Central Bank of Nigeria (CBN) sold N131.82 billion worth of treasury bills on Thursday, with maturities ranging between three months and one year with yields broadly flat, compared with the previous auction. According to the Financial Market Dealers Association (FMDA), the central bank sold N20.15 billion worth of 91-day bills at 10.8 per cent, compared to the 10.85 per cent at the previous auction on September 26. Also, the regulator sold N43.49 billion in the 182-day note at 11.64 per cent, slightly lower than the 11.69 per cent at the last auction, while a total of N68.18 billion of the 364-day debt was sold at 11.74 per cent, the same returns as at the previous auction. Reuters revealed that total bid for the foxed income instrument was N250.55 billion compared to the N315.48 billion at the previous auction. Meanwhile, the FMDA economic report for September has revealed that the rate of return in the Primary Market Auction (PMA) for treasury bills fell by 37 basis points for 91- and 182- day treasury bills, and 91 basis points for 364-day bills respectively last month, when compared to an average rate of the previous month. The CBN allotted N331.22 billion in September, as against the N222.7 billion bills allotted in August 2013. This reflected a 48.73 per cent increase over the previous month's figure. "Subscription in the month also increased by 78.08 per cent to N850.88 billion relative to the N477.792 billion recorded in the previous month. "At the first, second and third auction in the month under review, 91 days stop rates averaged 10.92 per cent as against 11.29 per cent last month; 182 days averaged 12.11 per cent relative to 12.47 per cent in August, while 364 days posted 12.17 per cent in the two auctions conducted relative to previous month's 13.08. "Available data revealed that the monetary authority further scaled back its use of Open Market Operations (OMO) for liquidity management, as the Cash Reserve Requirement (CRR) debits continue to influence system liquidity," it added. *(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's arabica coffee prices eased at auction last week, tracking weaker overseas markets, despite sharply higher volume, the Tanzania Coffee Board (TCB) said on Tuesday. The state-run TCB said 28,244 60-kg bags were offered at the latest sale and that 28,022 bags were purchased. At the previous sale, a total of 31,923 60-kg bags had been offered for sale, with 22,518 bags selling. "Overall average prices at the Moshi exchange were down by $5.90 per 50 kg for mild arabica, and robusta were down by $3.56 per 50 kg compared to the last auction," TCB said in its auction report. "Average prices were above the terminal market by $8.17 per 50 kg for mild arabica and robusta were above the terminal market by $16.06 per 50 kg." Tanzania, Africa's fourth-largest coffee producer after Ethiopia, Uganda and Ivory Coast, produces mainly arabica and some robusta coffee. Prices of its arabica normally track the New York market while those of robusta take their cue from London. TCB said New York markets fell by $3.09 per 50 kg, while London markets also edged lower by $2 per 50 kg.
East African coffee is normally packed in 60-kg bags, but the prices are quoted for quantities of 50 kg. Benchmark grade AA sold at $122.00-$163.80 per bag, compared with $127.00-$145.00 per bag previously. The average price was $124.87 per bag, down from $130.87 at the previous auction. Grade A fetched $120.00-$138.00 per bag, compared with $127.00-$141.20 per bag at the previous sale. The average price edged lower to $125.46 from $129.64 previously. The TCB says it expects the 2013/14 (June/April) crop to fall to 45,000 tonnes from around 71,600 tonnes in the previous season, the highest output in 20 years. *(Reuters)*

Tanzania's year-on-year inflation rate fell to 6.1 percent last month from 6.7 percent in August, the statistics office said on Tuesday. With the exception of last December when the rate remained constant, inflation has fallen in 19 out of the last 20 months. Analysts said the sustained drop in the rate of inflation had not yet had an impact on interest rates with yields on government securities remaining high. "It is not a straight case scenario... the declining inflation rate will have more of a long-term impact, where we could start to see yields on government securities easing in the future," said Patrick Kapella, chief dealer at First National Bank. The decrease in the year-on-year inflation rate during the month was a reflection of slowing price increases from those recorded in the previous month. Monthly inflation rose by 0.5 percent in September compared with 0.1 percent in August, the statistics office said, adding that the pace of increase in prices of food was constant at 6.5 percent. Energy costs increased by 9.6 percent in September from an increase of 15.2 percent in August, the office said. *(Reuters)*

Zambia

Corporate News

Zambeef Products has set its sights on further expansion of its West African operations, confirming its position as Zambia's leading multinational conglomerate. The agribusiness company has subsidiaries in Africa's most populous country, Nigeria, and Ghana, both of which are overseen by Zambian nationals, and generate profit that is remitted back to Zambia. Chief executive officer Francis Grogan said "the strategy means we can capitalise on our strengths while broadening our revenue base and diversifying our market exposure." *(Daily Mail)*

LAFARGE expects to hike its cement prices as high input a cost, Lafarge South Africa country chief executive officer Thierry Legrand has said. Mr Legrand said high input costs such as fuel and electricity are hampering investment opportunities in the cement industry. He said this in a statement availed to the Daily Mail recently. "Inexorable rises in fuel and energy costs, which are continually impacting margins, have not been fully recovered in previous price increases," he said. He said fuel costs increased by 21percent and 16 percent in 2011 and 2012, respectively, with a further increase of 9 percent experienced in 2013. Mr Legrand said electricity costs alone increased by more than 9 percent this year. Mr Legrand noted that despite the company focusing on cost reduction and optimisation opportunities, Lafarge needed to align cement prices to that of input costs and maintain the necessary investment in resources to continue offering quality products. Meanwhile, the company believed South Africa and the construction industry would benefit from the acceleration of government's infrastructure programme. Mr Legrand said short-term future prospects for growth in the South African cement industry over the next year remained bleak, but current major infrastructure project ambitions of government would gain momentum in the longer term. South Africa's gross domestic product growth was expected to be 3percent in 2014 with the cement market growth anticipated to reach between 3and 4percnt. This followed cement volume growth of 3.5percent in 2012 and an expected growth of no more than 2.5 percent in 2013, as strike action weighed on growth. "We are still positive about the long-term prospects for the cement market in South Africa. That's why we have invested in a 1.2 billion rand project, completed in 2009 [and] bringing our overall cement capacity to 3.6 million tonnes a year. The expanded capacity would be "critically needed" as the infrastructure programme gained traction," he said. *(Daily Mail)*

Economic News

ZAMBIA's external debt has been growing rapidly since 2006, despite the multilateral debt relief initiative having substantially reduced the country's debt, says the World Bank. According to the bank, the stock of external debt for Zambia rose from US$1.1 billion in 2007 to US$3.4 billion in 2012, recording a 192 percent nominal rise. "The composition of Zambia's external debt is also changing," says the report.
It states that Zambia's attainment of lower middle-income statues has reduced access to funding on highly concessional terms, even as its financial choices have expanded. According the 2013 Zambia Economic Brief report by the World Bank released this week in Lusaka, the middle-income status attainment by Zambia has led to an increase in concessional borrowing since 2011. Between June 2011 and May 2013, the government borrowed an estimated US$1.61 billion on non-concessional terms, including a US$750 million sovereign bond in September 2012. The World Bank says there is need for Zambia to have economically viable and 'ready to go and implement' projects before deciding on how much and when to borrow, particularly on non-concessional terms.

It says the country's capacity for project appraisal, public financial management (PFM), and debt management requires further strengthening. During the publication of the 2012 Zambia Economic Brief, the World Bank noted that while public investment has been ramped up, it is yet to be matched with the selection of high-return projects and efficient implementation. The bank also notes that since the early 2000s, the country has embarked on a series of PFM reforms, yet the current systems face several weaknesses. Several reports have indicated that PFM systems require strengthening, including budget process, cash management, public procurement debt management and internal audit and control. *(Daily Mail)*

ZANACO Bank Plc expects Government to apply consistent and predictable policies in the agriculture sector to provide stable and sustainable business platform. Bank managing director Martyn Schouten said such a policy will be ideal for financial institutions and farmers. "We are now in the third year of the new Government and with only two days [Wednesday] before budget speech covering 2014. Our hope and expectation is that a consistent and predictable policy is applied to the agriculture sector. This is in order to provide a stable and sustainable agriculture business platform, where both financial institutions and farmers are able to take risks without fear of drastic policy shifts that may adversely impact gains over the years and, subsequently, undermine farmers' ability to service debt with banks," he said. Mr Schouten was speaking at the launch of Lima Credit Scheme in Kabwe on Wednesday. He also called on Government to hasten the operationalisation of the warehouse receipt licensing authority to enhance the commodities market. "With the country's central location and abundant water resources, there is potential to enhance agricultural activities to a level where the country can become a food basket in the region," he said. Meanwhile, Mr Schouten said the bank has increased its customer base to over 645,000 with innovative solutions such as low cost account solutions to rural areas. The bank will also open Chadiza and Lusaka industrial branches this year. It is expected to launch Cultiv8, a new product targeting farmers and people in rural areas to offer basic banking services using mobile phones in partnership with Airtel Zambia. *(Daily Mail)*

GOVERNMENT has continued to receive maize export orders from neighbouring countries with over 80,000 metric tonnes already exported to Tanzania and Zimbabwe. Zimbabwe, Tanzania, Malawi, Burundi, Democratic Republic of Congo (DRC) and World Food Programme have expressed interest in importing maize from Zambia, which produced over 2.53 million in 2012/13. Minister of Agriculture and Livestock Robert Sichinga said over 14,000 tonnes have been exported to Zimbabwe, which requires 150,000tonnes of maize while 60,000 tonnes were distributed to Tanzania. "We also had a requirement from Malawi with 130,000 tonnes, which we expect to export in December. World Food Programme had a requirement of 100,000 metric tonnes as well," he said. Mr Sichinga said in an interview on Wednesday in Kabwe. Burundi has requested 40,000 metric tonnes while the requirement for DRC, which he did not disclose, has also been exported.

Government is exporting the commodity as there is need to clear stocks produced last year and create space for this year's new crop. "Instead of exporting individually, we would not know how much has gone outside the country. In order for us not to prejudice our own food security, we only needed to export the excess that we did not need," he said. He said currently, the country is consuming a monthly allocation of about 100,000 tonnes (1.2 million tonnes annually). "In the situation where we have produced maize, we want to make sure that what is purchased by various firms that are producing mealie-meal together with strategic stock at least we have 1.2 million metric tonne plus 500,000 metric tonnes of maize which is a fall-back," he said. Meanwhile, Government has so far purchased 417,000 metric tonnes through the Food Reserve Agency out of the 500,000 tonnes earmarked for the programme. He said Government will soon complete buying the remaining quantity. *(Daily Mail)*

Zimbabwe

Corporate News

THE High Court has dismissed an application by United Arab Emirates commodity broking company, Dominion Trading FZ-LLC, for an order to place Victoria Foods under liquidation. Dominion sought the provisional liquidation order against Victoria Foods, claiming the local milling company owed it US$6,5 million for the supply of wheat, grain and rice. Victoria Foods, a subsidiary of the Zimbabwe Stock Exchange-listed CFI Holdings, is disputing the quantities and value of the three products that Dominion says it delivered. Victoria Foods also argued that Dominion was holding on to the wheat it claims to have delivered. During the process of reconciliation, Dominion agreed to reduce the figure to US$5,6 million which amount Victoria Foods is still disputing. According to the agreement entered between the two firms, any dispute would be resolved through arbitration in the United Kingdom. However, instead of the case being arbitrated in the UK, the parties agreed to refer the case to the Commercial Arbitration Centre in Harare and Retired Justice George Smith was appointed the arbitrator. Presumably having grown extremely impatient with the arbitration process as the debt remained unpaid, Dominion shifted goalposts and applied for the provisional liquidation of Victoria Foods. Victoria Foods opposed the application on the basis that the debt is not yet due because there are serious disputes on the amount owed. It also argued the arbitration had to be undertaken to determine the exact amount it owed. In disputing the application, Victoria cited the alleged undelivered wheat worth US$465 000 included in the claim, weight differences valued at US$46 000 and US$167 500, a defective delivery worth US$14 000 and errors in computation of interests. In her judgment last week, Justice Mathonsi ruled that liquidation was "unacceptable as it amounts to harassment or oppression of the respondent" (Victoria Foods). "To my mind, the applicant is aware that arbitration which was agreed by the parties would not yield positive results and has therefore elected to employ the procedure for winding up in order to enforce payment of a disputed debt," ruled Justice Mathonsi.

"In the first instance, the parties agreed to refer to the dispute to arbitration and that the arbitration process is yet to commence. Surely, referral of the matter to arbitration was upon a realisation that there was a bona fide dispute involving figures. In the second instance, without fair determination of the dispute, the applicant stopped midstream and then pursued this application for a winding up. In doing so it is seeking to deprive the respondent an opportunity, provided by the agreement between the parties, to have the dispute determined by arbitration. "Indeed, the applicant would like the consequences of winding up to set in without it having proved its claim, (and) without subjecting the claim to the test of arbitration. "More importantly, the respondent has been shown to have assets of substantial value. While the existence of assets will not necessarily disentitle the creditor to a winding up order, it is a factor that I cannot overlook especially in the circumstances of this case where the respondent has shown that not only has it been paying the debt, but also that it is in the genuine process of recapitalisation." Victoria Foods had already paid in excess of US$2 million towards clearing the Dominion debt. *(Herald)*

PHOENIX Consolidated Industries has been suspended from trading on the Zimbabwe Stock Exchange (ZSE) after the company voluntarily applied for judicial management. Reggis Saruchera of Grant Thornton and Camelsa has been appointed judicial manager. Securities Commission of Zimbabwe, head of corporate finance Kundai Msemburi said Phoenix had gone into liquidation and according to the ZSE listing rules and the SECZ Amendment Act, the company should be suspended from trading. "The company went into liquidation, so, according to ZSE listing rules, ZSE informed us and we have given them permission, to suspend the trading of the company'sshares," Msemburi said. Msemburi said Phoenix which was currently under liquidation was technically insolvent. Liquidation is when liabilities are more than the company's assets. Phoenix incurred a loss of $228 000 for the half year ended April 30, 2013 as compared to a loss of $477 000 for the equivalent prior year period. In the period under review, revenue was $4,688 million, net finance charges were $330 000 and depreciation at $249 000. In a statement accompanying the group's 2013 interim results, Phoenix chairperson Michael Frudd said the net worth of the company was reduced by $228 000 due to the loss incurred and the company was marginally in a net current asset position.
"Phoenix has the capacity to benefit from the expected upturn in the economy. The company has been approached regarding the potential purchase of one of its operating units," Frudd said. Phoenix Consolidated is a broad-based group of manufacturing industries. The company's subsidiaries are Scandia Steel Wire, William Smith and Gourock, John W Searcy and Phoenix Brushware. Phoenix's major customers include

supermarkets, hardwares, urban and rural councils, industries aligned to mining, agriculture and construction. The company also exports to South Africa, Zambia and Malawi. *(News Day)*

RESUMPTION of operations at Ziscosteel will take more time than anticipated although talks continue between the government and new investors, a cabinet minister has said. The Redcliff-based steel company was re-named New Zim Steel in 2011 after Government signed a US$750 million takeover deal with India's Essar Africa Holdings. Essar now owns 54 percent of the redundant steel producer, whose re-opening since closure over five years ago has been a matter of false starts in the past two years. Disagreements on mineral claims, which had presumably been handed over to Essar when it acquired the stake, is one of the major issues stalling operationalisation of the deal. Expectations remain high that the new Government will put the deal to rest shortly but Industry and Commerce Minister Mike Bimha told New Ziana discussions to resolve issues stalling resumption were on-going. He said a Joint Implementation Committee was recently established to look at ways of facilitating resumption of operations. "The committee is made up of Essar officials and Zisco management and looks at the day to day issues when it comes to Zisco," Bimha said. "They have been holding meetings, I cannot remember how many now but they have been holding meetings. Officials from the ministry (of Industry and Commerce) have also been attending those meetings so that they have a feel of the issues." However, Bimha was unsure of when the company, which at its peak employed over 3 000 workers, would resume operations. The workers are reportedly struggling to make ends meet due to non-payment of salaries although there have been initiatives by the company to at least assist them with payment of school fees, among other needs. "There is a lot that has to take place. There is new equipment to be bought and ordering them needs time and those issues take time. It is difficult to say how long it will take," the minister said. *(New Zimbabwe)*

BINDURA Nickel Corporation's updated mining plan for the second phase of Trojan Mine has been certified as realistic and achievable following the completion of a competence report. The Zimbabwe Stock Exchange listed company had its new mining plan, targeting higher grade ore zones in early years of production at Trojan, reviewed by SRK Consulting of United Kingdom. Any public reporting of exploration results, mineral resources or ore reserves must be signed off by a competent person in accordance with the joint ore reserves committee code. "The report is independent confirmation that the plan is realistic and achievable and enables BNC to update its ore reserves statement to total reserves of 3 168 metric tonnes," said BNC. The updated nickel reserves at Trojan of 3 168 Mt at an average of 1,04 percent for 32, 975 tonnes of nickel, represents a 28 percent increase on previously reported reserves in March of 25,810 tonnes. Most recently a resource estimate was done by Digital Mining Services, Harare, valid as of 31 March 2013. The current resource estimate extends between Level 31 and Level 49, a vertical extent of some 517m. BNC said the updated business plan is based on the exploitation of the measured, indicated and inferred nickel resources on and above level 49 projected to support mining for the next 10 years. The data used to derive the latest resource estimate comprises information collected from underground drilling (and limited amount of underground chip sampling) from level 31 to base of the drilling at level 47. SRK has reviewed the business plan for restart of operations at Trojan and considers the plan to be both realistic and achievable although the plan incorporates a portion of inferred material.

BNC said although this has a higher risk than if the plan did not include inferred material; SRK Consulting considers it to have been appropriately derived from the mineral resource model. "An off take agreement has been signed with Glencore which gives clarity on the revenue assumptions made going forward. SRK is satisfied that the terms of this have been appropriately reflected in the Bindural Nickel Corporation (updated) business plan," BNC said. BNC has developed operating costs from first principles using experience from previous operating history at the mine, processing and administration facilities. SRK considered the operating and capital cost assumptions and deemed them thorough for purposes of a business plan. The new plan was mooted following the sharp decline in the price of nickel on global commodity markets, which affected the firm's budgeted revenue inflows amid huge capital needs. However, the exploitation of higher grade zones known as massives will result in a decrease in per unit costs and significantly reduce the company's funding requirements in the short-term. The plan forecast projections commence with production of ore from the mine in July 2013 at a rate of some 68 000t and increases to some 78 000t in August 2013. Over mine life the mining rate then varies between 63 000t per month and 77 000t and averages around 73 000t.*(Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

THE Infrastructure Development Bank of Zimbabwe (IDBZ) plans to issue a $54 million bond to finance expansion programmes at State-owned telecoms firm TelOne and the Zimbabwe Power Company (ZPC) at the beginning of next year, a company official has said. Speaking at the official opening of the Zimbabwe Development Finance School in Harare yesterday, IDBZ chief executive officer Charles Chikaura said last year the bank issued $30 million bonds and this year was going to return to the market to raise $54 million. The IDBZ issued the $30 million bonds on October 29 2012 to fund the retrofitting of prepaid meters in homes and small institutions countrywide which were installed by the Zimbabwe Electricity Transmission and Distribution Company. "We are planning to go back to the market in the New Year for an amount of $54 million for TelOne and ZPC," Chikaura said.

Chikaura said the State-owned company TelOne required money for the fibre optic project and ZPC required funding for the Kariba South project. Commenting on the Zimbabwe Development Finance School, Chikaura said over the next three weeks a cluster of development finance institutions (DFIs), namely IDBZ, the Agricultural Bank of Zimbabwe (Agribank), the Small Enterprise Development Corporation and the Industrial Development Corporation under the auspices of Southern Development Community Development Finance Resource Centre would be undertaking three workshops in the areas of investment appraisal and risk analysis, financial modeling and due diligence. He said DFI's played a critical role both as investors and the mobilisation of resource for investment in critical socio-economic projects, particularly those characteristed by long gestation periods and low returns which under normal circumstances were less attractive to banks. "As DFIs, we view the fund as the precursor to the establishment of a fully-fledged regional development bank and, therefore, its expedition would be most welcome," Chikaura said.*(News Day)*

MWANA Africa has unveiled an independent assessment of its Zimbabwe nickel operations that provides a significant uplift to the resource and vindicates the firm's decision to move to higher grade mining slightly earlier than first forecast. Compiled by SRK Consulting, the document reviews Bindura Nickel Corporation's entire business plan for the re-start of the Trojan operations. The competent person's report points to proven and probable reserves of almost 3.2mln tonnes at an average grade of 1.04% of the metal for 32,975 tonnes of nickel. This is a 28% increase to the previous estimates. The operation started with producing at 68,000 tonnes of ore in July, rising to 78,000 the following month with the business plan stating output will be 63,000 to 73,000 tonne per month for the 10-year life of mine. This should ensure Bindura is a far stronger contributor to the business than has been previously predicted. BNC and the Freda Rebecca Gold Mine will be the two major cash and profit generators for the group as it moves forward. The third major asset is the 3mln-ounce Zani Kodo gold deposit in the Democratic Republic of Congo. It has been a difficult few months for Mwana, which, in common with other mining juniors, has struggled to finance the operation. However, according to new chairman Mark Wellesley-Wood, the business is out of "financial distress" after the recent two-part fund-raiser, which brought in US$6mln. In an effort to make its scarce financial resources go further, Mwana has found significant cost savings and it is almost halfway to unearthing an annual total of US$1mln. This is now being ploughed into "improving" the existing asset base such as Zani Kodo. Management's focus going forward will be on a smaller number of core assets from a portfolio that spans gold, nickel copper, diamonds and magnesium in four African countries. *(New Zimbabwe)*

CBZ and Stanbic banks have won a tender to become settlement and clearing banks for the Central Securities Depository (CSD) which is expected to go live later this month, Chengetedza Depository Company Limited chief executive officer Campbell Musiiwa has said. In an interview with Newsday, Musiiwa said the tender process was undertaken by a group of adjudicators that expected the banks to have good ICT systems as well as strong capital positions. "CBZ and Stanbic have won the tender. Eight banks had expressed interest and only two banks have met all the criteria," Musiiwa said. "We put up the adjudicators' committee to look at the strength of the bank, capital adequacy, good ICT systems and we were taking into account banks' profitability because you don't want a situation where people are trying to transact and the bank system is down." A Central Securities Depository (CSD) is a specialist financial organisation holding securities such as shares either in certificated or uncertificated (dematerialised) form so that ownership can be easily transferred through a book entry rather than the transfer of physical certificates. This allows brokers and financial companies to hold their securities at one location where they could be available for clearing and settlement and this was usually done electronically. He said the CSD would go live by end of this month after the final inspection has taken place. "Part of the review has already started and currently there is pre-inspection and final inspection will follow," he said. The main advantages of the CSD system is that it ensures the bulk of securities transactions are processed in an electronic book entry form, thus expediting the settlement of equity transactions and ensuring compliance with international best practice. Chengetedzai Depository Company Limited is a limited liability company incorporated in terms of the laws of Zimbabwe and was formed to establish and operate a central securities depository for the Zimbabwe securities industry. Chengetedzai won the right to establish the first Central Securities Depository ("CSD") company in Zimbabwe on December 27, 2010 in a public tender from the Securities Commission of Zimbabwe. *(News Day)*

ZIMBABWE'S largest mobile phone operator by subscription Econet Wireless Zimbabwe has launched a new paperless banking service which will be offered through EcoCash wallet. The new service, EcoCash Save, will enable subscribers to open and operate a bank savings account through mobile phones without having to visit any bank to fill out account opening forms. Speaking at the official launch of the product yesterday, EcoCash chief executive officer Cuthbert Tembedza said the new product was available to anyone who has an EcoCash account and the phone number would be the account number."The EcoCash Save account is aimed at millions of people in the country who until now, could not open bank accounts because the amount of money they deal with is considered too small by banks. "It is also intended for the informal business sector, including street vendors, to have access to banking services," said the company in a statement. EcoCash, which was launched in 2011, according to official figures, has three million subscribers. Last year, the mobile phone company took over Steward Bank (formerly TN Bank). "Anybody who has an EcoCash account will have access to the EcoCash Save account effective from today (yesterday)," Tembedza said. "Your phone number is your account number, you can save from as little as a $1 and you will also earn interest monthly." He said the EcoCash Save account had competitive interest rates on savings and interest would be calculated daily and paid out at the end of each calendar month. Tembedza said there were no ledger fee charges and also no withdrawal charges between the EcoCash Save account and EcoCash. "This account will cost you nothing , you will have a bank account and you will pay nothing. This money will be sitting in a bank account at Steward Bank," Tembedza said. He said the group had dedicated a call centre and over 7 000 EcoCash agents to look after the new product. He, however, said the EcoCash Save account was an opportunity for every Zimbabwean to save, while customers could build capital. "This gives an opportunity for our people to build capital for themselves to be entrepreneurs. It also benefits the country to foster a saving culture," he said. *(News Day)*

AGRO-INDUSTRIAL concern Seed Co Limited is seeking shareholder approval for the disposal of 25% plus one share to United Kingdom-based Vilmorin & Cie's that will enable the firm to raise $40,1 million for the company to retire short-term debt and recapitalisation. Under the proposed transaction, Vilmorin & Cie's will get the shares on a private placement that will be completed next year, with the first batch due at the end of the year. The 25% plus one share means that Vilmorin has voting rights even if it's not a major shareholder. According to a circular released by the company yesterday, the transaction will be carried out in two phases. The first phase will see Seed Co sell 5% to Vilmorin, while the company's parent company Aico Limited will also dispose off 10% that it holds in Seed Co. "On conclusion of Tranche 1 Placement and the Aico sale, the strategic global partner will control approximately 15% of the issued share capital of Seed Co. "The strategic global partner will pay a non-refundable deposit of $2,9 million, being 10% of the total consideration payable under Tranche II. On fully exercising the call option in respect of Tranche II placement and following the Aico sale, the strategic global partner will control approximately 25% of the issued share capital of Seed Co," said the company in the circular. Seed Co in the statement revealed that it aims at reducing an expensive debt valued at $7 million, $6 million will be used for the construction of a factory warehouse in Malawi, while a farm will be acquired in Zambia for own production at $6 million. The company will channel $8 million towards equipping operations in Ethiopia and West Africa as it is not commercially viable to export to these far-off markets. "Overall, the level of Seed Co's capital base is therefore a key success factor in achieving growth in the short and medium term. The equity to be raised will support the sustainable realisation of the company's mission on the continent and play a significant role in satisfying the growing demand for food in the world," the statement reads. *(News Day)*

BLANKET Mine, the first fully indigenised mine in the country, has revealed that gold production increased by 3,9 percent to about 12,042oz over during the quarter to September. The company has revised its full year gold production guidance to 44 000 ounces from the 40,000oz after the group experienced a 6,45 percent increase in half year production to 22,060oz on last year's 20 724oz. In a statement, Canada-based parent company Caledonia Mining Corp, said increased production in the second quarter was due to increased daily tonnes mined and processed in response to the lower gold price. "Total gold production for the nine months to September 30, 2013 was 34,103 oz, a 1,4 percent increase over the gold production in the first nine months of 2012 (33,643oz)," the miner said. However the group said gold production for the Quarter is subject to minor revisions following the receipt of final assays from the refinery. The company said it would continue to pursue its targeted 76,000oz annualised by 2016, which would exclude any additional growth from exploration projects within trucking distance of the Blanket plant. Said group CEO and president Stefan Hayden said: "Increased production should help to reduce costs per ounce further as fixed costs are spread over more production. "If we are able as planned to increase production moving forward, our average cost per ounce of gold produced may be able to be reduced somewhat." As at June 30, the group held US$22,5 million in cash and had no debt. Exploration at Blanket and its satellite projects continues along with development and exploration to identify mineralisation which warrants further evaluation.*(New Zimbabwe)*

A consortium of local architects, surveyors and engineers has taken African Sun Zimbabwe (Private) Limited to court over outstanding consultancy fees to the tune of US$16 million for construction projects in Equatorial Guinea.African Sun acted as an agent for the government of Equatorial Guinea and sought consultancy services from a group of consulting firms in Zimbabwe to build two hotels and a tourism training school in the country. The firms included Manyara Design Architects, Promec Consulting Engineers, Exclusive Engineering Consultants, Mthupha Practice Architects and Marsden Consultants Africa who collectively constitute the Corisco Design Team. High Court judge Justice Chinembiri Bhunu is handling the matter while Advocate Thabani Mopfu instructed by Dube Manikai and Hwacha law firm is acting for African Sun. Chikumbirike and Associates law firm is representing Corisco Design Team. According to the summons issued, Corisco Design Team argues that African Sun engaged them in April 2007 as consultants for the purposes of designing and developing hotel and training school buildings for the Equatorial Guinea government. Hotels were to be built in Moca and Corisco while the training school was to be built at Mongomo in Equatorial Guinea. The consortium argues that African Sun instructed them to prepare architectural, engineering designs, technical documentation and all other project designs and documentation. It is also claimed that the hospitality group further instructed the consortium to meet the project costs relating to the development of the hotels and to adhere to the deadlines set for completion of the projects. The consultants argue that the agreement bound them to cater for transport, food and accommodation until such time when the Equatorial Guinea government approved the three projects.

It is the consultants' argument that they performed the task as agreed but African Sun refused to pay them. They argue that the preliminary design presentation documents were approved on April 16 2007 and consequent to the approval the consortium proceeded to produce the relevant construction drawings. It is claimed that the drawings were completed and submitted to Africa Sun who handed the papers over to the director of projects of Equatorial Guinea for approval. For the Mongomo project, the drawings were submitted on June 2 2008 and construction works commenced immediately. The consortium argues that US$10 387 980 was to be paid for the Corisco project, US$4 393 070,15 for the Mongomo works while US$1 394 689,23 was for the Moca project. African Sun filed its opposing papers denying ever entering into an agreement with the consortium. The company argues that the consortium had no right to claim any payment from it and that the work done was carried out at the parties' risk. Payment, according to African Sun, would be made upon approval of the designs.
"It is denied that the plaintiff is entitled to fees from the defendant at all. It is denied that the plaintiff was engaged or acted as defendant's consultants as alleged. "It is averred that the plaintiff, like the defendant, was engaged by the government of Equatorial Guinea. At most, the defendant acted as agent, co-ordinating the Codet team (consortium) to consult on behalf of the government of Equatorial Guinea," read the defendant's plea. Africa Sun says only one of the three projects was approved and that none of the drawings was ever approved by the Equatorial Guinea government. *(Herald)*

Economic News

SOUTH AFRICA has increased market share of manufactured goods that it is importing from Zimbabwe despite the continuous decline in capacity utilisation in local firms. According to the latest survey by the Confederation of Zimbabwe Industries, South Africa increased its import market share by 6 percent to 18 percent this year from 12 percent last year. Zambia, which maintained its position as the top destination for Zimbabwean exports, gained one percentage point to 31 percent. Second-placed Malawi also increased its market share of imports from 17 percent to 19 percent in 2013 while Mozambique remained static at 13 percent. Botswana's share of Zimbabwean products dropped from 11 percent last year to 4 percent and the export market share for the rest of Africa went down from 9 percent to 7 percent. Other countries, consisting of a diverse grouping of countries across the world where Zimbabwe did not export before, gained a 3 percent market share and Europe retained its 5 percent share. While most players in the manufacturing sector face competition from many countries, South Africa has remained the largest competitor to Zimbabwean industry. The survey showed that 85 percent of the respondents said SA was the biggest competitor of Zimbabwean products while 67 percent pointed to China as the biggest competitor. The manufacturing sector has been facing a plethora of challenges over the years resulting in only a few companies managing to produce for foreign markets as costs of production and working capital constraints increased.

The result was an influx of imported goods which saw the sector deteriorating further as there was need to bring in raw materials and other processed products due to shortages in the local market. Manufacturing's contribution to the Gross Domestic Product has also declined as a result, from 14,4 percent in 2011 to an estimated 2,3 percent last year. This year, it has been projected to decline to 1,5 percent. According to the survey, companies that had not exported in the past two years said their products could not compete on the international market especially when they were juxtaposed with products coming from South Africa and China. They also cited the shortage of working capital which resulted in most firms focusing on meeting local demand while the high cost of production rendered the products expensive. Manufacturers also said they were faced with challenges when they wanted to export which included access to trade finance, access to imported inputs at competitive prices as well as identifying potential markets and buyers. Companies have also said they experience challenges in dealing with the bureaucracy at foreign borders and the technical requirements and standards abroad. Local manufacturing companies are producing largely for the domestic market with only 20 percent of local goods finding their way to foreign markets. *(Herald)*

THE benchmark industrial index rose for a 15th day, its longest winning streak in a year, as investors speculated President Robert Mugabe's new government will put in place policies supportive of economic growth. The 73-counter Industrial Index rose 0.7 percent to 209.83, extending gains since September 17 to 12 percent. Econet Wireless led the gains after an 18 percent increase since the rally started while beverages firm, Delta Corporation, which has the largest weighting on the index, has climbed 12 percent. The market slumped to an eight-month low on September 5, falling 24 percent after reaching its highest level in more than four years at the start of August. Mugabe, 89, won elections in July to extend his 33-year rule with threats to seize control of mines and banks from foreign and white investors and give them to black citizens and the government. But the market jitters have since eased after new Finance Minister Patrick Chinamasa said country would stick with an International Monetary Fund program started in June that may help clears debts and restore the economy. "The signs have been reasonably positive," Brian Mugabe, an analyst at Imara SP Reid, said from Johannesburg. "The government has put measures in place that would take the country forward. "It also said it will keep on engaging with industry on harmonizing of the indigenisation program for what is best to industry." Foreign demand for equities is strong and a primary driver of the rally, Mike Barnes, the Johannesburg-based managing director of Securities Africa, a brokerage, said. After the post-election sell-off, many stocks became attractive to both local and foreign investors, he said. The industrial index's 14-day relative strength index reached 79, the fourth day it traded above the level of 70 that indicates to some technical traders a measure is overbought. There is "no sign that the rally will stop as demand remains strong across most stocks," Barnes said. *(New Zimbabwe)*

SECURITIES Commission of Zimbabwe (SECZ) chairperson Willia Bonyongwe has criticised some majority shareholders in listed companies for undermining the interests of minority shareholders when firms carry out major transactions or embark on restructuring exercises. In an interview on the sidelines of the shareholders' forum, Bonyongwe said the Zimbabwe Stock Exchange (ZSE) had witnessed many special deals over the years, but the participation of minority shareholders was still limited. Companies that had special deals in recent times include Meikles, Padenga, Hippo Valley and others. She said there was need to strike a balance between major and minority shareholders in line with good corporate governance. "Special deals are usually related transactions and minority shareholders sometimes do not even know about the deals. There should be a balance between majority and minority shareholders because most of the time it is the majority shareholders that benefit from the special deals," Bonyongwe said. Special bargain occurs when buyers on the stock market purchase a big amount of shares at a special price agreed by the seller. The price will be at a premium of the prevailing trading price. Bonyongwe said most companies disclose information which is not useful to shareholders. "Sometimes on final accounts you find out that there would be one page and in small font that is even difficult to read," she said. Bonyongwe added that institutional investors such as Old Mutual and National Social Security Authority had a role to play to make companies disclose more as they had more weight unlike individual investors. ZSE chief executive officer Alban Chirume said the local bourse always ensured preventative measures on special deals were taken. "I agree that issues of related parties on deals are there, but before a deal of that nature comes out we interrogate these issues. For instance, the African Sun deal at first didn't look like a related party deal, but after interrogation we realised it was a related party issue, " he said. Chirume said the African Sun deal was a related party deal in that one of the key players in the deal had been an adviser to the company in the past 12 months.

Dawn Properties last week sold 12% of its shares to Brainworks which also bought a stake in African Sun. It is believed that one of the advisers to African Sun was linked to Brainworks Capital. Speaking at the same conference, Theo Botha, an independent expert responsible for investing and shareholder activism in South Africa, said the country required active shareholders to encourage more disclosures from firms so as to protect investors' interests. He said companies should be held accountable for the actions that they took that affected shareholders at the end of the day."Shareholders should attend annual general meetings. I will come to Zimbabwe to attend some of the annual general meetings to try to impart my knowledge that I have acquired over the 12 years I have been an investor," he said. Botha said shareholders should engage in shareholder activism. Chirume also said activism was important, but in terms of funding the shareholders had to foot their own bills. He said shareholders should engage in activism to procure a return on capital, ensure change of the board, and increase company efficiency. He said shareholder activism was still inactive in this market. Botha is a minority shareholder in many companies listed on the Johannesburg Stock Exchange and has been an active shareholder at annual general meetings that has resulted in major decisions being changed. Botha through activism made Pick 'n' Pay Holdings raise its strategy on cost management. Botha is a shareholder in Sage Life insurance, Bidvest and others.*(News Day)*

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