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:

- Botswana
- Egypt
- Ghana
- Kenya
- Malawi
- Mauritius
- Nigeria
- Tanzania
- Zambia
- Zimbabwe

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	16-May-14	23-May-14	Local	USD	Local	USD
Botswana	DCI	8977.43	9047.48	0.78%	0.46%	-0.06%	0.67%
Egypt	CASE 30	8553.43	8727.54	2.04%	1.75%	28.67%	25.09%
Ghana	GSE Comp Index	2246.05	2243.70	-0.10%	-2.55%	4.59%	-16.01%
Ivory Coast	BRVM Composite	238.93	232.31	-2.77%	-2.84%	0.12%	-0.49%
Kenya	NSE 20	4967.57	4925.58	-0.85%	-1.46%	-0.03%	-1.65%
Malawi	Malawi All Share	13113.87	13132.27	0.14%	0.05%	4.80%	11.56%
Mauritius	SEMDEX	2055.18	2071.78	0.81%	0.76%	-1.14%	-1.34%
	SEM 7	402.82	406.26	0.85%	0.81%	0.65%	0.45%
Namibia	Overall Index	1104.65	1119.10	1.31%	1.13%	12.25%	13.64%
Nigeria	Nigeria All Share	39022.10	39831.83	2.08%	2.01%	-3.62%	-4.64%
Swaziland	All Share	284.32	284.32	0.00%	-0.18%	-0.47%	0.76%
Tanzania	TSI	3059.22	3102.40	1.41%	0.79%	9.10%	4.56%
Tunisia	TunIndex	4527.94	4534.70	0.15%	-0.16%	3.50%	4.56%
Zambia	LUSE All Share	5966.30	6030.31	1.07%	-0.15%	12.74%	-7.20%
Zimbabwe	Industrial Index	173.59	172.40	-0.69%	-0.69%	-14.70%	-14.70%
	Mining Index	27.97	28.81	3.00%	3.00%	-37.08%	-37.08%

CURRENCIES

	16-May-14	23-May-14	WTD %	YTD %
Cur-rency	Close	Close	Change	Change
BWP	8.56	8.58	0.32	- 0.73
EGP	7.09	7.11	0.28	2.86
GHS	1.87	2.94	2.51	24.53
CFA	479.22	479.58	0.07	0.62
KES	85.95	86.49	0.62	1.65
MWK	387.25	387.60	0.09	- 6.06
MUR	29.06	29.08	0.05	0.20
NAD	10.34	10.36	0.18	- 1.23
NGN	161.14	161.24	0.06	1.07
SZL	10.34	161.24	0.18	- 1.23
TZS	1,614.34	1,624.37	0.62	4.35
TND	1.62	1.62	0.31	- 1.01
ZMW	6.60	6.68	1.22	21.48

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Egypt

Corporate News

Egypt's Pioneers Holding plans to finalise its acquisition of 60 percent of real estate company Rooya Group within three months at a cost of 1.23 billion Egyptian pounds ($172 million), its chief executive told Reuters on Sunday. Pioneers Holding will pay 50 million pounds in cash and the remainder through a capital increase for shareholders in Rooya, according to a company statement sent to the stock exchange on Sunday. The capital increase will see Pioneers Holding sell 66.725 million shares at 17.63 pounds each, the company said. "We expect the final agreement of the shareholders of the company, the remaining measures and the issuance of the capital increase within three months," Chief Executive Waleed Zaki said. Pioneers specialises in brokerage services, offers market research and investment banking for retail and institutional clients but also has investment arms in real estate, industry and financial services. Rooya's sales reached 900 million pounds in 2013, a target it aims to almost double this year. Pioneers is considering floating Rooya on Cairo's stock exchange once it has acquired the 60 percent stake. "We are now keen on having all companies that belong to us listed on Egypt's bourse," Zaki said by telephone. Pioneers Holding's shares were trading at 13.68 pounds at 1006 GMT, up 2.6 percent. *(Reuters)*

Egypt's biggest listed bank, Commercial International Bank, said in a statement on Monday that private equity firm Actis had sold its remaining 6.5% stake in the bank to Fairfax Financial Holdings Ltd. Actis invested in CIB in 2009, making it the bank's largest single shareholder. It had sold another 2.6% stake to international investors in March, the statement said. "We are proud of what CIB has accomplished; CIB has a bright future with a growing market share in both corporate and retail banking," said Hossam Abou Moussa, an Actis director. "The consumer banking proposition in particular has grown significantly to capture strong demand for personal finance and saving products." CIB posted a 22-percent rise in first-quarter net income. It said deposits increased by 6.1% to 102.7 billion pounds with a deposit market share of 7.5%. Hisham Ezz Al-Arab, CIB chairman and managing director, said the bank was "excited that internationally renowned investor, Fairfax, see the true potential of the Egyptian market and our organisation". The statement said CI Capital Investment Banking acted as the exclusive financial adviser to Actis.*(Ahram)*

Egypt's Arabian Cement Company made a 116.4 million Egyptian pound ($16.3 million) net profit for the first quarter, its first earnings announcement since the firm listed on the country's stock exchange earlier this month. Arabian Cement was the first major listing on Cairo's bourse since the 2011 political uprising, raising $110 million. The board also approved a 0.11 pound dividend per share on the first-quarter profit. Arabian Cement has a production capacity of 5 million tones a year and a market share of around 8 percent *(Reuters)*

Economic News

Egypt, the world's biggest wheat importer, has bought 2.5 million tonnes of local wheat since last month, more than half its target this year in a procurement season that lasts until mid-July, state media reported on Saturday. The price paid to local farmers per Egyptian ardeb, the equivalent of around 150 kg, has been 420 Egyptian pounds ($59.53), Supplies Minister Khaled Hanafi was quoted as saying by state-run newspaper Al Gomhuriya. Last year the government raised the fixed price per ardeb to 420 pounds from 400 pounds, aiming to encourage farmers to grow more. The local price exceeds the price Egypt pays in the international market by more than $100 per tonne. Egypt wants to boost domestic production in an effort to cut its import bill. Each year the state and private buyers purchase around 10 million tonnes from abroad. Egypt estimates its total local wheat crop this year at around 9 million tonnes, of which the government is aiming to buy 4 million. On May 14, the supplies minister said Egypt had bought around 2 million tonnes of local wheat. *(Reuters)*

Former army chief Abdel Fattah al-Sisi has kept Egyptians guessing about how he will handle energy subsidies, one of the most explosive issues coming his way if, as seems certain, he is elected president next week. Cautious campaign language shows he is well aware subsidy cuts that would help repair ruinous government finances might also spark the kind of unrest that helped topple two presidents in three

years. Yet he may find his resolve to stem the expense stiffened from an unlikely quarter - some of Egypt's wealthiest, whose businesses have benefited greatly from state largesse. Several leading business figures, including in the energy sector and in energy-intensive manufacturing industries, have told Reuters they hope Sisi grasps the nettle and reins in subsidies on fuel and electricity even at the risk of anger on the street, in order to avert a collapse in public finances. As a long-standing bulwark of the 30-year rule of Hosni Mubarak, during which the subsidy regime was entrenched, Egypt's big business establishment has a voice that is likely to count with Sisi, whose probable victory in a vote to be held on Monday and Tuesday will restore a military man to Cairo's presidential palace after the brief hiatus of Islamist control. The political and economic turmoil since Mubarak fell in 2011 and last year's removal by Sisi of President Mohamed Mursi of the Muslim Brotherhood has exacerbated problems for a state budget, a whopping 13 percent of which is spent on letting businesses and consumers buy energy at well below market prices. The business leaders interviewed by Reuters have concluded that an economic system, suffering from a weakening currency, massive unemployment and a widening budget deficit, is no longer sustainable and poses a greater risk to stability - and to their own profits - than does the upheaval of cutting subsidies.

Toying with the gold band around his cigar as he sits behind his desk and reflected on his empire, Egypt's "fertilizer king" Sherif el-Gabaly embodies for his critics the "crony capitalism" that led allies of Mubarak to dominate the economy - though Gabaly insists all his business has always been above board. "We need the masses to be also stable," he said. "We cannot work in the situation where we live on our own and just grow and make money and live our own lives in closed compounds and the rest of the country is in shambles. "Because the next day they'll turn out in the streets and your production and everything will go chaotic." Many business leaders argue that eventually the poor will benefit from the scrapping of a subsidies system that has long failed to serve them, while eventually also adding to the profits of magnates whose factories have run on cheap fuel. "We should not continue being lazy. We cannot live with the government subsidising everything," said Hussein Sabour, a 77-year-old real estate and engineering mogul who made his money in part through a joint venture with the largest state-owned bank. Sabour, who cruises to his Nileside Cairo office in a German luxury car powered by fuel costing him little more than bottled water, said inertia on the energy cushion was undermining the interests of business: "In the long term, it's bad for all of us if we continue like this," he said. The basic grade gasoline on which most poor Egyptians rely can be had for about 12 U.S. cents a litre - less than a tenth of the cost of a standard equivalent in Europe. Ahmed Abou Hashema, chairman of Egyptian Steel, is another who sees the subsidy regime as having outlived its usefulness: "Today I ride in my car - I'm a man with a factory, I'm a businessman," he said. "Why does the country subsidise me?

Sisi has said little beyond assuring voters that subsidy reform must be gradual. He faces tough choices. Cutting subsidies could anger millions who still live in poverty three years after Mubarak's overthrow raised hopes of a brighter future. Keeping energy prices low could sink the economy. He need only look back to 1977 for a reminder of the scale of the problem. President Anwar Sadat cut subsidies on bread and other staples in half. Riots that killed dozens were only put down when troops were deployed and Sadat reversed his decision. Mubarak did not touch the subsidies for decades, fearing the slightest adjustment could trigger street violence in the Arab world's most populous nation. Yet it was the rich who benefited more - and not just because they consume far more energy, with their cars and air conditioners, than the poor majority. The likes of the cement, steel and fertilizer industries have been powered by heavily subsidised natural gas for decades - though rates vary, the current cost of natural gas to industry is about a third of the level in western Europe. Now businessmen are calculating that the damage done to the economy from subsidies far outweighs the benefits of cheap energy that is, due to lack of investment, getting harder to get hold of. Clarity on cutting subsidies could restore confidence among investors who have viewed successive governments as indecisive. Mursi, in the year between his election and overthrow, worked out an agreement with the International Monetary Fund that would have included austerity measures, higher taxes and a reduction in subsidies in exchange for a $4.8 billion loan. The plan was not implemented, and the loan talks ended with no deal.

The IMF estimates Egypt's energy subsidies amount to three times what it is the spending on education and seven times the expenditure on health. Grateful Gulf states that supported Mursi's removal gave Egypt billions of dollars in aid, including petroleum products, offering the army-backed interim government some breathing space. But Sisi wants to be more self-sufficient. He has been vague on his plans, however. Officials in the interim government have said phasing out subsidies could take 3 to 5 years. The finance minister said last week that

structural reform was a priority, adding it would mean better capital allocation between companies and ordinary citizens. Sisi, by contrast, has not set any timeline for the subsidy phase-out. He speaks of trying to dampen soaring energy consumption - for example, suggesting young Egyptians walk to work or school and promoting the use of energy-efficient light bulbs. But many experts say Egyptians are unlikely to curb their energy use significantly until prices are raised. Foreign investors, meanwhile, will not help renovate the electricity grid, build new power stations or invest in solar energy until prices reflect the actual cost of power generation. The new president must act, said Tarek Zakaria Tawfik, deputy chairman of the Federation of Egyptian Industries: "Your back is against the wall," he said. "Either you reform or you fail and you get a third revolution." Sisi said in a recent television interview that action on subsidies would not happen immediately as his priority was to get industry back to normal and raise living standards first. But business leaders, who have watched investment dry up, are tired of hearing excuses over inaction year after year. Tamer Abu Bakr, chairman of Mashreq Petroleum, said energy subsidies have become "catastrophic". Bakr, who served as vice chairman of Egypt's state-owned oil company for four years under Mubarak, presented a report to the government last month calling for gradual price increases. "We are at a very critical point, because every time we have said, 'Wait, we have an election', 'We have this, or that'," he said. "Now we are waiting for the president to come. "It's getting worse and worse." *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

A fund solely dedicated to supporting companies in the oil and gas industry will be launched in June this year, and seeks to raise GH¢ 50million. Licenced by the Securities and Exchange Commission (SEC) and managed by Weston Capital, a local private equity and investment -advisory firm, the Weston Oil and Gas Fund will focus on investing in majority-owned Ghanaian companies that provide services to the oil and gas industry. At 20 pesewas per share, the fund promises to give retail investors with as little as GH¢50 the opportunity to directly invest in the burgeoning oil and gas sector. The fund will target companies that provide services such as engineering, transportation and catering to oil producers as well as refiners and oil-marketing companies. Chief Executive Officer of Weston Capital Frederick Ofori-Mensah said the fund will position itself to become a specialist financier for SMEs participating under the local content provisions in the sector, with the sole aim of transforming such companies and eventually helping them list either on the Ghana Alternative Exchange (GAX) or the main Ghana Stock Exchange (GSE). "We want to reignite the ordinary Ghanaian's interest in the sector -- which at this point has rapidly dwindled over the past few years; we also want to enhance the participation of indigenous companies by helping them access funding that is relatively cheaper and patient." State-owned Ghana National Petroleum Corporation (GNPC) says it will invest US$20billion with its partners, including Tullow Oil Plc and Anadarko Petroleum Corp., in the next 10 years to boost production at its offshore fields to 500,000 barrels from about 100,000 barrels currently. Tullow operates the country's Jubilee oil field. The Weston fund will help deepen Ghana's mutual funds market, Adu Anane Antwi, Director-General of the Securities and Exchange Commission (SEC) said. "As a specialty fund with a focus on the oil and gas industry, it creates an avenue for every Ghanaian to invest in the oil and gas sector." Mr. Ofori-Mensah said that Weston's agenda was driven by the unavailability of an investment vehicle that enables indigenous Ghanaians (retail/institutional investors) to invest indirectly in the oil and gas sector. "Upstream exploration activities require hundreds of millions in capital, and the downstream set-up takes several millions to succeed. In line with Weston Capital's value proposition to bring innovation to the financial market, this mutual fund has been set up to improve on the product base within the mutual funds space. "The other side of Weston's agenda is actively contributing to the local content agenda by helping to alleviate the financing challenge indigenous companies participating in the sector are facing." He emphasised that the complexities of the risk profiles for companies participating in the sector make it slightly unattractive even for mainstream commercial banks. *(Ghana Web)*

Ghana's central bank may offer one-and two-month debt for the first time in five weeks after the sales were halted because of low demand from investors. The Bank of Ghana will open the auction on May 21 if an assessment of market liquidity by the Accra-based institution shows a need, Collins Antwi, assistant director of treasury, said by phone today. It's also considering selling nine-month notes, he said. That would be the first issuance since March 19, according to the bank's website. The so-called Bank of Ghana Bills were reintroduced in April 2012 as part of monetary-policy measures taken to shore up the cedi, which dropped 36% in the past two years and is Africa's worst performer against the dollar in 2014. The continued slide prompted the central bank to raise the cash-reserve ratio for lenders to 11% from 9% on April 10. "The situation became a bit tight" after the ratio change, Antwi said. "Buyers are not willing to roll over" maturing notes, he said. On April 9, one-month bills yielded 23.3% and the two-month notes were at 23.4%. The last nine-month securities had a yield of 21.6%. The central bank also sells 91- and 182-day Treasury bills and one- and two-year bonds on Fridays. *(Bloomberg)*

The vice Prime Minister of Mauritius, Mr. Charles Xavier-Luc Duval, arrived in Ghana on Wednesday at the head of a 30-member business delegation to deepen bilateral relations and explore investment opportunities, particularly in the sugar industry. The visit follows a similar

one by President Mahama and the Trade and Industry Minister to Mauritius. This was reciprocated by a delegation from the Mauritius sugar firm, Omnicane Company in April. Central to Mr. Duvals delegation visit is the signing of bilateral trade relations agreements and holding of business conferences aimed at exploring investment opportunities, particularly in sugar cane plantations in Savelegu and other parts of Northern region. Ghana's net import of sugar stands at US$173 million per year. Mr. Haruna Iddrisu, Minister of Trade and Industry, told the visiting Vice Prime Minister that government was determined to reduce the amount of sugar imports drastically in the next few years. He said Ghana was determined to reposition itself as the major exporter of sugar in the sub-region and would therefore explore every opportunity in the development of sugar cane plantations to achieve its purpose. Government, he said, would plan its infrastructure and make land available for the sugar cane plantation initiative to quickly take off. Mr. Duval, who is also the Minister of Finance and Economic Development in Mauritius said, we look forward to the ever growing relationship and also to learn best practices. He observed that south-south cooperation was more beneficial and fruitful and this ought to be explored further. However, Africa needed to reflect on the low level of intra-Africa trade in order to help promote exports, he added. With about 1.3 million people located in a small island next to Madagascar in the Indian Ocean, Mauritius has developed expertise in agriculture, animal rearing, finance, Information and Communication Technology (ICT), and tourism. *(Ghana Web)*

Ghana is to suspend issuing new gold-prospecting permits to allow time for an audit of existing licences, the chief executive of the minerals commission told Reuters on Thursday. The West African state produced 4.29 million ounces (122 tonnes) of gold in 2013, down 0.7 pct from 4.32 million ounces produced in 2012, minerals commission head Tony Aubynn said. *(Reuters)*

Ghana's cedi weakened to a record low against the dollar as West Africa's second-biggest economy grapples with budget and current-account deficits that have weighed on its creditworthiness. The cedi retreated 1.4 percent to 2.9975 per dollar as of 12:30 p.m. in Accra, the capital, heading to breach 3 per dollar for the first time since it was rebased in 2007, when four zeroes were removed. The currency of the world's second-largest cocoa producer declined 21 percent this year, the worst performer among 24 African currencies tracked by Bloomberg. "Their fiscal balance is really not doing well and then at the same time their exports aren't doing well," Celeste Fauconnier, an Africa analyst at FirstRand Ltd.'s Rand Merchant Bank, said by phone from Johannesburg. "That is affecting the current account which in turn is affecting the cedi." Ghana has been struggling to curb spending since its fiscal deficit ballooned to 12.1 percent of gross domestic product before 2012 elections. The gap will probably exceed 10 percent of GDP for a third consecutive year in 2014, Moody's Investors Service said in February. Ghana has a B rating at Standard & Poor's, five steps below investment grade, with a negative outlook, while Fitch Ratings lowered its assessment to negative from stable in April, five months after downgrading the rating one level to B. Yields on the nation's Eurobonds due August 2023, which started trading at about 8 percent when they were sold more than eight months ago, rose 1 basis point to 8.75 percent today. The cedi has weakened every year since Bloomberg began tracking it in 1994.

Ghana placed limits on dollar withdrawals and transfers to stem the cedi's slide in February, while the central bank held interest rates at 18 percent on April 2 after increasing borrowing costs by 200 basis points, or two percentage points, in February. Finance Minister Seth Terkper cut fuel subsidies last year as the country increased water and electricity prices. Last month, Terkper said he plans to reduce the government's wage bill, which absorbs more than 70 percent of tax income, to narrow the budget gap. "The pressures are remaining just too high," RMB's Fauconnier said. "There aren't enough investments going into the bond market, because people are worried about the economy. At the same time, the U.S. economy is doing well and a lot of cash is going back to the U.S."
Ghana is one of the sub-Saharan African nations most at risk if there's a sudden reversal of foreign inflows, according to the International Monetary Fund. The shortfall on Ghana's current account, the broadest measure of trade in goods and services, may average 11 percent this year, according to the median estimate of eight economists surveyed by Bloomberg in February. *(Bloomberg)*

Trade Minister, Haruna Iddrisu has called on the European Union to help Ghana solve the country's current economic crisis. Ghana close to two years now has been facing some economic challenges including high inflation rate, rising budget deficit and increased cost of borrowing among others. Inflation currently stands at 14 .7 percent the highest rate since February 2010. The World Bank, International Monetary Fund (IMF), Stanbic bank among others have projected that the country's inflation is likely to end with double digits for this year. While the local currency the cedi since the beginning of the year has depreciated by over 20

percent against major foreign currencies like the US dollar, British Pound and the Euro. In the midst of the challenges there have been reports that government may seek a bail out from the International Monetary Fund (IMF). President John Mahama has however dismissed the reports saying he is yet to decide on whether Ghana should make that move. It however appears the country may seek help form donor countries instead of donor institutions to solve its problems. Trade minister Haruna Iddrisu addressing an EU- Business Forum said Ghana will require the support of European Union to restore macroeconomic imbalances to keep it attractive for investment. It's about time you help government out of its eminent crisis in terms of managing our fiscal deficit, you don't have to wait and keep covering the wound. You want economic stability so that your investments don't suffer tomorrow if we don't check the current challenges immediately we will be opening it up to more risk.' He said.

This is the second time government has publicly appealed for help to donor countries to solve the current economic crisis. Early this week President Mahama receiving the U S Secretary of Commerce on a visit to Ghana stressed the need for the country's international partners to support Ghana, as it strives to solve its crisis. So far the US government has expressed its willingness to support government's home grown solutions in resolving the economic challenges confronting the country. According to the US Secretary of Commerce, Penny Pritzker, America will help Ghana to rectify its fiscal challenges and aid with financial reforms that the government would roll out. Trade minister Haruna Iddrisu believes the EU can do same. 'I trust that the EU commissioner as he awaits our signature to complete our EU partnership will be more generous. The EU must release the 60 million Euro that our minister of finance has been asking for the last 2 months so he can support his budget which will get him out of the current challenges facing our economy'. President Mahama late last year conceded that the country was facing some economic challenges but described them as short-term fiscal challenges, according to him the country's medium term prospects were bright.*(Ghana Web)*

Ghana will begin the free distribution of fertiliser to cocoa farmers this year in a renewed effort by the world's second largest exporter to boost crop yields, industry regulator Cocobod said on Thursday. Cocobod Chief Executive Stephen Opuni said the government had ordered $200 million worth of farming inputs, mainly in the form of chemicals and fertilisers. He said the government and Cocobod were financing the programme. Ghana produces an average of 800,000 tonnes of cocoa a year. In the past, it has subsidized inputs including fertilisers. "It (fertiliser) used to be subsidised and sold to farmers but for the first time they will have it for free," Opuni told a meeting of leading members of the World Cocoa Foundation, adding that an initial consignment had already been sent to growers. The Foundation members, comprising senior executives from 12 of the world's top chocolate and cocoa companies, signed an agreement with Cocobod to support initiatives aimed at cocoa sustainability in Ghana. Cocobod plans to raise the price at which it buys from farmers at the start of the 2014/15 crop year in October, he said, without giving details of the price. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

Kenya's main electricity producer KenGen is looking for an adviser to help it secure financing for the development of a 140 megawatt (MW) geothermal plant, it said on Tuesday. The company, 70% owned by the government, has installed capacity of 1,252 megawatts (MW) out of Kenya's total 1,664 MW. It aims to add another 844 MW to the grid by 2017 as part of a broader national power expansion programme. Much of the new power supply will come from geothermal sources, tapping underground steam from the Rift Valley. The advisors are expected to advise KenGen on the identification, procurement and selection of a private investor for the project including funding, KenGen said in a statement, without disclosing the estimated cost of the project. Kenya relies heavily on renewable energy such as hydroelectric and geothermal power production. KenGen's expansion efforts are part of the government's broader ambitions to add 5,000 MW to Kenya's power output by 2017, with the goal of boosting growth. KenGen in February said it had drilled the largest geothermal steam well in Africa with a capacity to generate 30MW of power. Although expensive to drill initially, development of cheaper geothermal power means the country will come to rely less on thermal or fuel-driven power, prone to the vagaries of high international prices, and rain-fed hydroelectric dams. Kenya currently has 1,664 MW of capacity against a maximum recorded demand of about 1,410 MW. *(Reuters)*

Financial services group Britam is set to enter the bonds market to raise funds for its expansion drive as soon as it gets the green-light from regulators. The listed firm, whose core business is insurance, said it was targeting the issuance of a corporate bond to help it enter new markets and diversify investments. "We are seeing great opportunities in the region in areas of property, private equity and expansion into new markets… the new funding will therefore help us tap emerging opportunities across the region in tandem with our business strategy," said Britam chief executive Benson Wairegi in a statement. Britam has appointed Dyer and Blair Investment Bank Ltd as the lead arranger and placing agent, PwC is the reporting accountant, Coulson Harney the legal advisor and Image Registrars Ltd the fiscal agency and registrar. The group said it will release finer details, such as when the bond will be ready and how much it plans to net, at a later date. Analysts, however, said the amount could be over Sh3 billion based on the firm's allusion of how much it will need to expand into new markets and increase its property portfolio when it issued its 2013 financial results. "They indicated that their next strategic fit is into real estate and entry into southern Africa markets. The amount they would be looking to raise would be substantial, may be more than Sh3 billion," said Geoffrey Maina, a research analyst at Old Mutual Securities.

Britam has been on an expansion binge that saw it buy into other insurers as well as develop buildings and shopping malls. The insurance firm bought a 99 per cent stake in Real Insurance and a 25 per cent share in property development and management firm Acorn. Construct shopping mall In addition, it is also mulling over a 30 per cent purchase in Continental Re, a fully-owned subsidiary of Lagos-based Continental Reinsurance. On the property front, the firm is putting up a 31-storey complex in Upper Hill, Nairobi, and has announced plans to construct a shopping mall along Mombasa Road. The performance of the latest corporate bonds also makes the timing right for Britam, according to analysts. "The market for corporate bonds has been full of activity and looking at one of the latest ones, I&M, the bond was fully subscribed. The appetite for corporate bonds is high," said Ms Agnes Atieno, a research analyst at Sterling Capital. I&M Bank's corporate bond of late 2013 was oversubscribed by 21.8 per cent, attracting bids worth Sh3.6 billion against the Sh3 billion it had targeted. *(Business Daily)*

NIC Bank is mulling over raising additional capital during the year as its capital adequacy ratios are stretched, leaving it with little room to grow its loan book. As at March the lender's total capital was 12.44 per cent of its total risk weighted assets, just a 0.44 per cent headroom over the statutory minimum of 12 per cent. A higher ratio of 14.5 per cent becomes effective at the end of the year putting pressure on the lender to source for new funds. "We definitely have to raise Tier II (supplementary) capital but management is still looking at how to go about it," said a senior executive at the bank. The bank has the option of issuing a bond or taking subordinated debt which qualifies as Tier II capital. With the same risk weighted assets, the bank will have to raise at least Sh2.5 billion so as to be compliant by year end. "The best quick approach is to get a line of credit with a private entity," said Standard Investment Bank head of research Francis Mwangi.

He added that the bank also had the option of reclassifying its assets by reducing those that have a high risk perception such as loans while increasing the 'riskless' ones like government securities. Credit advances by the bank are given different weights depending on how risky they are perceived to be—which is referred to as the total risk weighting. Issuing of a bond would be time consuming and the lender would be expected to have started engaging fund managers to market it. NIC has previously taken debt from French private equity fund Proparco. The bank had loaned out Sh78 billion in the Kenyan market as at the end of March up from Sh77.1 billion in December. NIC plans to recapitalise Sh271 million through a bonus issue of one share for every 10 held, a move that will boost its core capital. The bank has recorded a fast growth, rising to be the largest mid-sized lender in the country by market share last year. This has, however, come with demands of additional capital. In 2012 the bank raised Sh2 billion from shareholders through a rights issue. It had a market share of 4.32 per cent at the end of 2012 up from 3.7 per cent a year earlier, which saw it overtake I&M, Commercial Bank of Africa, Citibank and DTB in Central Bank of Kenya annual rankings. *(Business Daily)*

Insurance and financial services group Jubilee Holdings has won a joint 30-year concession deal to operate Uganda's Bujagali hydro-electric power project, helping to diversify its revenue streams with the potentially lucrative contract. The company, which owns Jubilee Insurance, is a joint shareholder in the 250-megawatt Bujagali Energy Limited through its subsidiary Jubilee Investment Company. The Ugandan government, US-based hedge fund Blackstone and the Aga Khan Fund for Economic Development are the other shareholders of the project that was commissioned in October 2012. "We will earn a share of the profits generated by the project during the period of the concession," Jubilee board chairman Nazir Juma told the Business Daily in a telephone interview from Mauritius. Jubilee's investment activities earned it Sh3.6 billion in the year ended December, representing a 17 per cent increase compared to Sh3.1 billion the year before.
This helped raise its net profit 10 per cent to Sh2.5 billion from Sh2.2 billion in the same period. The firm's share price has gained 13 per cent over the past six months to trade at Sh333 at the Nairobi Securities Exchange (NSE). Jubilee Holdings is primarily listed on the NSE and also cross-listed on the Uganda and Dar es Salaam bourses. Mr. Juma said the build-operate-transfer Bujagali concession started running in October last year.

Jubilee's effective equity interest in the Bujagali project is not disclosed. Building of the Bujagali plant lasted five years, with the partners contributing to the construction cost of $900 million (Sh78.3 billion). The project, which more than doubled Uganda's energy output, will see Bujagali sell electricity to the country's power distributor under a power purchase agreement negotiated with the Ugandan government. The Bujagali venture is part of Jubilee's strategy of diversifying away from bonds and quoted equity investments. The firm has also invested in Tsavo Power, a private electricity producer in Kenya. Jubilee also has interests in property development and fund management besides holding a stake in fibre optics infrastructure firm Seacom. Besides increased investments in private ventures, Jubilee is also seeking to expand its insurance operations across the continent. Mr. Juma told the Business Daily in an earlier interview that Jubilee is targeting to enter at least four new markets in the medium term. It currently operates in five countries through insurance subsidiaries in Kenya, Uganda, Tanzania, Burundi, and Mauritius. Some of the targeted countries include Rwanda, South Sudan, Zambia, Ghana, and Senegal, Ivory Coast, and the Democratic Republic of Congo. The company has indicated that it could use acquisitions or greenfield ventures to enter the new markets. The regional expansion strategy mirrors the rising quest among local insurers for a larger share of the continent's insurance business. Britam, the parent of Britam Insurance, has also moved to expand into more African markets with its acquisition of Real Insurance.
Britam has insurance operations in South Sudan and Uganda, with its buyout of Real set to give it a presence in Tanzania, Malawi and Mozambique. Other insurers including CIC Group that are also venturing into new markets in search of growth amid increased competition in the local market.*(Business Daily)*

Economic News

The highest price for top grade Kenyan tea rose to $3.06 per kg at this week's auction compared with $2.90 per kg at last week's sale, Tea Brokers East Africa said on Wednesday. Kenya is the world's leading exporter of black tea. The crop is a top foreign exchange earner for east Africa's largest economy, together with horticultural products and tourism. Prices for Best Broken Pekoe Ones (BP1s) fetched $2.10-

$3.06 per kg at the sale held on Monday and Tuesday, compared with $2.10-$2.90 per kg last week. Best Brighter Pekoe Fanning Ones (PF1s) sold at $2.34-$2.76 per kg compared with $2.22-$2.62 per kg at the last sale. Tea Brokers said 15.69 percent of the 168,780 packages or 10.92 million kgs on offer were not sold. The bulk of the tea offered at the Mombasa auction is from Kenya, but it also sells tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers. *(Reuters)*

The Kenyan shilling was treading water against the dollar on Thursday, with traders expecting the under-pressure currency to weaken in coming days due to negative sentiment towards Kenya and strong dollar demand. The shilling has retreated about 0.8 percent in May, hurt by a spate of bombings in the capital Nairobi and along Kenya's Indian Ocean coastline popular with tourists who have left in droves after travel warnings by Britain and the United States. On Tuesday, the shilling touched 87.95, nearing a two-and-a-half year low according to Thomson Reuters data. "The market is consolidating after recent volatility," Commercial Bank of Africa trader Joshua Anene said. At 0800 GMT, the shilling was at 87.85/95 to the dollar, barely changed from Wednesday's close of 87.80/90. Traders say the shilling has also come under pressure in recent days due to the start of the dividend payment season, with Kenyan companies buying dollars to pay dividends to foreign investors. Anene said the market is watching to see if there is enough momentum against the shilling for the to fall through 88, a key technical resistance level that is offering support to the local currency. The shilling has also been aided by persistent liquidity mop ups by the Central Bank of Kenya (CBK). By draining excess liquidity the bank makes it more expensive for banks to hold onto long dollar positions. "The CBK is helping the shilling but I don't think it be strong enough to stop us crossing 88," Anene added. *(Reuters)*

Workers at Kenya's main port of Mombasa stopped operations for hours on Thursday, demanding more pay and paralysing dock work at the region's main gateway, union and management officials said, with the possibility of more disruptions this week. The port, the biggest in the east African region, handles imports such as fuel for Uganda, Burundi, Rwanda, South Sudan, eastern Democratic Republic of Congo and Somalia, and its throughput is an indicator of regional economic activity. Workers jammed the main entrance to the port's administrative headquarters, abandoning waiting ships. Union officials said the stoppage was caused by a failure by management to implement a collective bargaining agreement signed between the union and management in 2013. "We had issues with the transport allowance which was part of the collective bargaining agreement we entered into and was supposed to have been implemented by yesterday (Wednesday) but that did not happen," Simon Sang, dock workers union secretary general, said in Mombasa. Journalists were barred from the port, but a senior management official said workers had been persuaded to return to work. "We agreed negotiations between union and management will continue tomorrow, so we have asked workers to go back to work and they have complied," said Bernard Osero, the port corporate affairs manager. Workers who spoke to Reuters said they would strike again if their grievances were not addressed by Friday. "We are going back to work for now, but if they (management) don't honour their promise and implement the payments as agreed, we will be back at their doorstep," one said by telephone. In 2012 over a half of the some 6,000 workers at the port went on strike demanding that 3,500 workers, most of who were loaders, and had worked at the port for between 15 and 20 years on casual and contractual basis, be given permanent jobs. President Uhuru Kenyatta, who took charge of Kenya last April, has pledged to cut red tape to help keep the country's status as a regional trading hub, amid growing competition from the port of Dar es Salaam in neighbouring Tanzania. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News This Week

Economic News

The Bank of Mauritius or central bank said on Wednesday it would auction a 10-year Treasury bond worth 1.4 billion rupees ($46.43 million) on May 28. The central bank said in a statement that the coupon rate would be set equal to, or higher than, the lowest accepted yield at auction. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Flour Mills Nigeria Plc said it has invested over N220 billion in its agro-allied businesses. The Group Managing Director of Flour Mills, Mr. Paul Gbededo who disclosed this at the at the 2014 Golden Penny Customers' forum held in Lagos recently said the company is also involved in large scale cultivation of soybean, maize, palm, rice, and cassava. The company also rewarded its distributors at the forum. Speaking at the occasion the company's Chairman, Mr. John Coumantaros said the forum was to appreciate the distributors for their unflinching loyalty and commitment to Golden Penny Products. Gbededo also assured the customers that the company would continue to reward its distributors, even as he urged them to strive to sell more of the products. He also stated that Flour Mills in the last two years entered the snack market with Marios Cheese balls and Noodies Snacks in recognition of the need to provide quality, nutritious and hygienically prepared ready-to eat snacks for the mobile consumer. He informed the distributors of plans to introduce new products to the market this year. "As one of the largest agro-allied initiatives in Nigeria, Flour Mills has invested over N220 billion in our agro-allied businesses which extend to large scale cultivation of soybean, maize, palm, rice, and cassava. "From cultivation, we are also processing these raw materials into animal and fish feed, edible oils, rice, sugar and high quality cassava flour in different parts of the country," he added. According to him, the quest to build a diversified and profitable portfolio is driven by the need to satisfy its consumers and customers. At the forum, awards were given to distributors on regional and national level. Outstanding sales personnel were equally rewarded. The star prize of Ford Explorer SUV 2014 Model was given to Mount Olive Enterprises as the number one customer for the year 2014. All distributors present also went home with a generating set each. *(This Day)*

Dangote Sugar Refinery (DSR) is a part of the Dangote Group, one of the most diversified business conglomerates in Africa. Dangote commenced operations in March 2000, as the sugar division of Dangote Industries Limited. The company's factory was designed and built by Tate and Lyle, UK, with an initial production capacity of 600,000 MT/annum of raw sugar. This was increased to1.44 million MT/annum in 2004, making it the largest sugar refinery in sub Sahara Africa and the second largest in the world. The company has 12 billion shares outstanding with shareholder funds of N49.13 billion as of March 31, 2014. Dangote Sugar Refinery, Nigeria's number one producer of the sweeter, has released its first quarter 2014 results, which showed bottom-line growth amid decline at the top line level. For the first three months of the year 2014, the company's revenues reduced by 7.0% to N25.88 billion from N27.83 billion in the same period a year ago. Profit before tax increased by 6.06% to N5.77 billion in the period under review compared with N5.44 billion as of Q1'2013. Profit after tax followed the same growth trajectory as it rose by 8.80% to N3.757 billion compared with N3.45 billion in same period of the prior year (Q1'13). In order to increase its share of the market, the company introduced a wide range of products such as the Vitamin A fortified sugar packages in one kilogram, 500 grams and 250 gram packs. The fortified white sugar was launched into the market to achieve the set target of higher sales volume, earnings and ultimately profitability.

Gross profit reduced slightly by 1% to N7.18 billion in Q1'14, from N7.23 billion as at Q1'13. This highlights the need for the company to intensify the management of direct costs attributable to projects. Gross profit margin shows the relationship between turnover and cost of sales and is a proof of the company's ability to control cost of inventories and to pass along any price increase through sales to client. Gross profit margin increased to 27.7% in Q1 2014 compared with 26.17% as of Q1 2013. This signifies that the ability of the company to translate turnover into profits improved. The fixed assets turn over highlights the effectiveness of DSR in generating turnover from investment in assets. Total assets turnover was 30.28 times signifying the company's ability to translate assets into turnover and profits. The fulcrum of the improved performance at the bottom line level of DSR was the fall in operating expenses by 30% to N1.622 billion in Q1'14 compared with N2.33 billion in 2013, thus operating margin ratio declined to 6.26% in 2014 from 8.44% in 2013. Inputs costs were also reduced marginally as cost of sales margin declined to 72.23% in Q1'2014, as against 73.18% as of Q1'2013. Total assets for the first three months through March 2014 decreased by 3.92% to N85.46 billion in Q1'14, from N88.95 billion in 2013. Dangote Sugar, which has a 70% share of the Nigerian market, plans to increase sugar production to 250,000 tons a year by 2017 and achieve 1 million tons output by 2020. The company's share price has increased by18.35% in the past year to close at N9.17 on May 16, 2014, on the floor of the Nigerian Stock

Exchange, and market capitalisation was N110.04 billion on the same day. *(Business Day)*

Th**e Chairman, Unilever Nigeria Plc, Chief Nnaemeka Achebe, has assured shareholders of the company that strategies are being put in place to ensure higher profitability that would lead to greater returns**. He gave the assurance at the 89th Annual General Meeting of the company in Lagos. Unilever reported a revenue of N60 billion in 2013, up from N55.4 billion in 2012. Profit after tax fell from N5.6 billion to N4.8 billion, while a dividend of N1.25 per share has been approved as against N1.40 paid the previous year. However, Achebe, who is also the Obi of Onitsha, told the shareholders that going forward, the company would focus on long-term profitability. "As we continue our sustainability journey, it is evident that we will have to sacrifice short-term profitability to build a more enduring business and fully harness the opportunities that the Nigerian market portends," he said. According to him, while the company's results for the 2013 financial year were reflective of short-term effects of deliberate investment strategy to achieve a more sustainable future, the fundamentals remain strong. He declared that the performance shows that the company is emerging as a sturdier consumer centric organisation, which is better fit to compete for consumers of the future. The chairman said the 2013 performance was affected by the tough operating environment, saying the business environment continued to be challenging throughout 2013 with Nigeria experiencing further slide in the ease of doing business index. He also said that power generation cost rose to astronomical heights, affecting not only the cost of production but also putting increased pressure on the disposable income of consumers. According to him, the state of the country's infrastructure also showed no significant improvement in 2013. Meanwhile, shareholders of Unilever approved the dividend and expressed confidence in the future of the company. They pledged to support efforts of the company aimed at making a leader in the industry. They, however, tasked the board on the appointment of a Nigerian as managing director. (*This Day)*

FCMB Capital Markets Limited targets to close the financial deal of the 450 megawatt-capacity Azura-Edo Independent Power Plant (IPP) by the end of June 2014, with the investment of equity, mezzanine finance, and non-recourse loans, raised from local and international sources. As part of an international group of investors and banks working on the $750 million Azura-Edo IPP, FCMB Capital Markets was sole arranger for the Naira equivalent of $150 million. Located near Benin in Edo State, Azura-Edo IPP project is a Greenfield, 450MW Open Cycle Gas Turbine, power station and Nigeria's first large-scale, privately-funded and project- financed IPP. It is the first phase of a 1,120MW power plant facility that is targeted to begin producing electricity in early 2017. The project, which will lead to further economic development, is also forecasted to create over 1,000 jobs. In the recent past, it was challenging for private investors to raise capital to develop and finance Greenfield power projects in Nigeria owing to the inability to structure a bankable business case due to the absence of a robust tariff framework, gas supply, and suitable off-taker arrangements supported by appropriate financial guarantees and other credit enhancements. However, over the past three or four years, the Federal Government has invested considerable financial and other resources as part of the government's power transformation agenda, to encourage private investors to make substantial investments in the Nigerian electricity industry.

This has created the enabling environment in which private investors now have confidence to work in partnership with government to ensure that power projects like the Azura-Edo IPP can be made bankable. FCMB confirmed in a statement at the weekend that the financial close of the Azura-Edo IPP is anticipated for the end of June 2014. According to the statement, the Power Purchase Agreement (PPA) for the project was signed with Nigerian Bulk Electricity Trading (NBET) in April 2013, and the project financing structure will benefit from World Bank Group support in the form of a Partial Risk Guarantee and MIGA Political Risk Insurance. The statement added that the capital structure also includes a BOI Power and Aviation Intervention Fund (BOI-PAIF) tranche, which FCMB Capital Markets arranged. Speaking on the transaction, FCMB Capital Market's Executive Director, Mr. Tolu Osinibi, explained that the firm's involvement in the project was a demonstration of its commitment to the development of Nigeria's power sector. ''We are excited to be part of this landmark transaction which will go a long way to close the power generation gap thereby boosting electricity supply in the country," he added. Osinibi commended the promoters of the Azura-Edo IPP for conceiving the project, while reaffirming the commitment of FCMB to continually play a frontal role in the development of Nigeria's power sector. Equity investors in the Azura-Edo IPP comprise the lead sponsor, Azura Power Holdings, African Infrastructure Investment Managers, Aldwych International, and Asset & Resource Management (ARM). In addition to FCMB Capital Markets arranger role on the BOI-PAIF loan tranche, other banks involved in the project include: Standard Chartered Bank as

Global Mandated Lead Arranger and Structuring Bank; IFC and FMO as Joint Lead Arrangers for the DFI loan tranche; First City Monument Bank Limited (FCMB) as Disbursement Bank for the BOI-PAIF loan tranche; and First Rand Bank Limited (acting through its Rand Merchant Bank division) as Joint Mandated Lead Arranger for the offshore commercial tranche. Also involved in group of lenders were Siemens Bank, Swedfund and CDC. An international power solutions company has been selected as the Engineering, Procurement and Construction contractor (EPC) and a tier one Nigerian contractor as the civil works contractor. Separately, a Nigerian independent oil and gas exploration and production company is the preferred gas supply contractor. (*This Day)*

Caverton Offshore Support Group Plc (Caverton) Tuesday boosted the market capitalisation of the Nigerian Stock Exchange (NSE) by about N32 billion, following the listing of its shares on the Nigerian bourse. Caverton, a leading provider of marine, aviation and logistics services to local and international oil and gas companies in Nigeria, made history as the first offshore support company in the newly created Support and Logistics sub-sector. A total of 3.35 billion shares of 50 kobo each of Caverton were listed at N9.50, amounting to a market capitalisation of N31.83billion. Investors traded 5.549 million shares worth N52.734 million in 42 deals after the listing. In his comments, the Chief Executive Officer of NSE, Mr. Oscar Onyema, said the exchange was proud of the listing Caverton. "We are proud that Caverton has taken a strategic step to join the prestigious club of quoted companies in Nigeria. We commend them for this bold step. We must also note the giant strides made by Caverton in strengthening its governance structure to prepare as a listed company. "The company has been making profit over the years and has paid dividend consistently since 2009," Onyema said. Also speaking, the Chairman of Caverton, Mr. Aderemi Makanjuola, said: "We are extremely pleased as Caverton enters its next phase of growth as a listed company. Leveraging our expertise and execution capabilities, we plan to embark immediately on fleet expansion and the development of new service areas in the offshore marine and aviation sectors." According to him, the listing will enable the company have access to more capital to finance more contracts that are underway. "Caverton is at a stage where it needs to access more capital because more contracts are coming in. We also need to train more people and ensure that Nigerian engineers and pilots derive greater benefits from the evolving opportunities and that instead of hiring people from abroad and taking out the money, we can help Nigerians to acquire the necessary capacities and hire them," he added.*(This Day)*

Toronto-listed Oando Energy Resources Inc. (OER), the upstream business of Oando plc, said its average oil production for the quarter ended March 31, 2014, was 4,531 barrels per day (bpd), representing a 22 percent increase over the same period last year. The increase in production was as a result of reduced shut-in periods on Oil Mining Lease (OML) 56 (Ebendo field), resulting in a 110 percent production increase over same period in 2013, the company said in the announcement of its financial and operating results for the quarter. OER, which is focused on oil and gas exploration and production (E&P) in Nigeria, is in the final stages of acquiring ConocoPhillips' Nigerian upstream oil and gas business. The proposed acquisition is expected to position the company as one of the leading E&P players in Nigeria, as measured by total reserves and production. The acquisition, which is expected to be financed with already secured debt and equity, is anticipated to close during the first half of 2014, to enable the companies satisfy all closing conditions including the anticipated consent of the minister of petroleum resources. Pade Durotoye, CEO, OER, said: "Our first quarter was highlighted by positive operational results that saw us increase our year-on-year oil production by 22 percent. This increase in quarterly production from the Ebendo Field was as a result of a higher production uptime experienced due to reduced shut-in's on the Agip trunkline evacuation route."

The company said average gross sales price realised per barrel of oil produced was $111.40 for the quarter ended March 31, 2014, compared with $114.00 for the same period in 2013. The ongoing construction of the 45,000bpd Umuginni pipeline, designed as an alternative evacuation route for the OML 56 asset, would be completed in the second half of the year, according to OER. Capital expenditure for the quarter ended was $42.6 million, compared with $8.3 million for comparative prior year period, the company said, adding that the majority of the expenditure was on drilling and completion activities. OER earned $32.2 million in revenue for the quarter, representing a 5 percent increase from the same period last year. The company said a net loss of $32.9 million in net income for the quarter was primarily as a result of financing expenses relating to the ConocoPhillips acquisition. It reported $10.3 million in cash flow from operating activities, compared with cash outflow of $18.0 million from the same period last year. OER currently has a broad suite of producing, development and exploration properties in the Gulf of Guinea (predominantly in Nigeria) with current production of about 4,531 barrels of oil per day. The

company has been specifically structured to take advantage of current opportunities for indigenous companies in Nigeria, which currently has the largest population in Africa, and one of the largest oil and gas resources in Africa. *(Business Day)*

Diamond Bank Plc is seeking regulatory approval to raise between $300 million and $400 million via a rights issue from existing shareholders. The bank's Chief Finance Officer, Mr. Abdulrahaman Yinusa, disclosed this to Reuters yesterday. "We are in the process of filing with the relevant regulatory authorities for a rights issue, which we expect to be concluded by third quarter, Yinusa said. The mid-tier lender raised $200 million in a debut Eurobond last week, short of its target of between $300 million to $350 million. Diamond Bank's share price dropped by 2.58 per cent to N6.42 per share on the Nigerian Stock Exchange (NSE) yesterday. The shares are down 10.3 per cent this year. Diamond Bank had won shareholder approval in April to raise fresh capital in debt and equity. The bank is seeking to raise $500 million in its quest to increase its tier-2 capital to $750 million. It is targeting a capital adequacy ratio of over 20 per cent of assets after the capital injection, from around 17 per cent presently. The bank's Group Managing Director/Chief Executive Officer, Mr. Alex Otti, had expressed delight over the level of subscription the Eurobond received. "The successful issuance of the Eurobonds is yet another milestone in the growth trajectory of the bank. "Three years ago, we embarked on the task of transforming Diamond Bank into a leading player in the Nigeria banking industry and having moved four positions from the 11th largest bank in terms of total assets size to sixth, we are quite convinced that we are on the right path," the Diamond Bank boss had said. According to him, the success of the issuance of the dollar-denominated note has effectively launched Diamond Bank into the international market. He said the bank would continue to tap from the opportunity in a phased manner. Diamond Bank Plc's audited full year results for 2013 showed that the commercial bank continued on the path of growth. For instance, the bank's gross earnings was up by 30.4 per cent from N138.8 billion to N181 billion in the year under review. In addition, the bank's profit before tax and profit after tax also advanced 16.7 per cent and 29.1 per cent, from N27.5 billion and N22.1 billion respectively in 2012 to N32.1 billion and N28.5 billion at the end of 2013. *(This Day)*

Skye Bank Plc and four other investors have scaled the final hurdle to acquire Enterprise Bank Limited, one of the three nationalised banks currently owned by the Federal Government through the Asset Management Corporation of Nigeria, sources close to the deal have revealed. Top industry sources familiar with the transaction said out of the over 20 investors that submitted the Expressions of Interest to buy Enterprise Bank, only five were cleared by AMCON advisers and the regulatory bodies. The five investors, which included Skye Bank, it was learnt, had been carrying out due diligence on the bridge bank for the past five weeks and that only one week remained out of the six weeks allotted for the exercise. A top AMCON source said, "The five final investors approved to buy the bank have been performing due diligence on the bank in the last five weeks. This is the sixth week, which is the last week to go. "In about two weeks from now, these five investors will be submitting their final bids for the bank. Whoever emerges the best bidder will end up buying the bank. I think latest by July, AMCON should announce the new owners of the bank" The Managing Director, AMCON, Mr. Mustafa Chike-Obi, had last week said the corporation would complete the sale process of Enterprise and Mainstreet banks on or before September 15. He added that Keystone Bank, the third bridge bank, would be sold next year.

But the AMCON boss said the bad debt manager might announce the eventual successful bidder for Enterprise Bank by July. The source added that the sale process of Mainstreet Bank might last till August or early September this year. While the process of selling Mainstreet Bank commenced a month ago with a request for EoI, AMCON had last year begun the process of selling Enterprise Bank when it appointed the transaction advisers. The corporation had Citigroup Global Markets Limited and Vetiva Capital Management Limited as financial advisers, and G. Elias & Co. as legal adviser for the Mainstreet transaction. On Wednesday, AMCON announced that 25 foreign and local investors had submitted EoIs to buy Mainstreet Bank, barely two weeks after the nationalised bank was officially put up for sale. Afribank Plc, Bank PHB Plc and Spring Bank Plc were taken over by AMCON after the 2009 banking crisis and renamed Mainstreet Bank, Keystone Bank and Enterprise Bank, respectively. AMCON had said the Federal Government's plan was to sell the banks to private investors. The Central Bank of Nigeria had on August 5, 2011, revoked the operating licences of Afribank, Spring Bank, and Bank PHB, which it said did not show enough capacity and ability for recapitalisation. In their place, the CBN, through the Nigeria Deposit Insurance Corporation, established the bridge banks and transferred the assets and liabilities of the three affected banks to the bridge banks. Under the arrangement, MainStreet Bank took over the assets and liabilities of Afribank; Keystone Bank assumed the assets and liabilities of Bank PHB, while Enterprise Bank took

over those of Spring Bank. Consequently, AMCON acquired from the NDIC the three bridge banks and injected N679bn into them to meet the minimum capital base of N25bn and the minimum capital adequacy ratio of 15 per cent. *(Punch)*

As part of efforts to expand its operations, Skye Bank Plc Thursday disclosed that it has raised about $150 million tier-2 capital. The bank's Group Managing Director designate, Mr. Timothy Oguntayo, said this at a media briefing in Lagos. According to Oguntayo, tier-2 capital is like a loan to the bank and has a maturity of not less than seven years. The fund was sourced from Development Finance Institutions (DFIs) based in Europe. "As at today (yesterday), we have concluded about $150 million of tier-2 capital raising. One-third of that will come in before June and the balance of that will come in before the end of June. Tier-2 is semi-equity by the Central Bank of Nigeria (CBN) calculation. "So our tier-2 capital raising is going as planned and should be available for us to use by the second half of this year," Oguntayo explained. Speaking on the strength of Skye Bank, he said the commercial bank is notable for its leadership in e-channels. This, he maintained it had demonstrated over the years. According to Oguntayo, the bank has one of the best and efficient Automated Teller Machines network in the country. "We have also distinguished ourselves in the area of real estate development and oil and gas. Beyond that, we are known for good relationship management. In partnership with our customers, we go the extra mile in ensuring that they are satisfied. "We have been ranked seventh in the industry across different indices, and that is coming from about 13th position. So we have made modest achievement over the years," he said. Going forward, the Skye Bank boss said the bank would increase its focus on both the commercial and retail segments of the market. This, he pointed out would enable it increase its support to the real sector of the economy.
In order to successful achieve its objective; he said the bank recently carried out a branch categorisation exercise. "About 52 branches have been designated retail branches that would service savings customers. We also want to increase our support to individuals. "Our focus is also on the commercial banking space. I think we have done enough in the high end of the market. We need to percolate down to the lower end of the market which is mostly SMEs and individual businesses," he explained. *(This Day)*

Ecobank Transnational Incorporated (ETI) has signed a $200 million trade financing facility with the African Development Bank (AfDB). A statement Thursday explained that the facility was signed at a ceremony on the sidelines of the recently concluded AfDB Annual General Meeting in Kigali. While the Group Chief Executive of ETI, Mr. Albert Essien signed on behalf of Ecobank, Mr. Alex Rugamba, a Director at AfDB signed on behalf of the institution. The facility comprises two components: a $100 million unfunded risk-sharing facility to bolster Ecobank's capacity as an international confirming bank for trade transactions originated by issuing banks in Africa ; and another $100 million trade facilitation loan which would be used by Ecobank to provide trade finance support to local corporates and small and medium scale enterprises in Africa. Over a period of three and half years, the facility would support approximately $1.8 billion of trade transactions in Africa, it added. "This facility will greatly support international and intra-regional trade in Africa. We look forward to an ever-deepening collaboration with the AfDB to provide vital trade finance support to promote regional integration and the development of SMEs across Africa," Essien said. *(This Day)*

The Honeywell Group and the United States Trade Development Agency (USTDA) Thursday signed a N31 billion grant agreement for a feasibility study on the company's Sagamu Independent Power Plant (IPP) project. The agreement was signed by the USTDA Director, Leocadia Zak and Honeywell Group's Head of Corporate Development and Investment, Dr. Teddy Ngu in Lagos. The Sagamu IPP is a phased power plant development intended to address the power needs and in turn stimulate the economic development of the South-western region, with emphasis on Sagamu, Abeokuta and the Lagos-Ibadan expressway industrial clusters by supplying a mix of captive, embedded and on-grid power generation. It is expected to provide continuous and reliable power supply in those areas. *(This Day)*

Economic News

The Central Bank of Nigeria (CBN) Tuesday resolved to leave the monetary policy rate (MPR), otherwise known as benchmark interest rate, unchanged at 12 per cent with a corridor of +/- 200 basis points. It also left the cash reserve requirement (CRR) both for public and private sector deposits unchanged at 75 per cent and 15 per cent respectively. Addressing journalists at the end of the two-day Monetary

Policy Committee (MPC) meeting in Abuja, the acting CBN Governor, Dr. Sarah Alade, said the Committee's decision to hold rates at current levels was unanimous adding that only one member voted for an asymmetric corridor around the MPR. Alade, who read the communique, also said the naira exchange rate had remained stable, adding that the country's external reserves currently at $38.30 billion could support about nine months of imports cover. She expressed satisfaction over the country's overall domestic economic environment which according to her, remained stable with inflation contained within the target range following the recent stability in the foreign exchange market, stable interbank rates and strong growth outlook. Alade who presided over the MPC meeting for the last time before the tenure of the suspended CBN governor Sanusi Lamido Sanusi expires in June, further said inflation had largely been contained within the targeted range within the single digit in the last 16 months. Notwithstanding, the acting CBN governor said the major challenge for monetary policy was that of sustaining and deepening the outcomes of existing policies stressing that over the medium term, the major risks to price stability appeared to be emanating from both external and internal sources. Specifically, she pointed out that the high systemic banking system liquidity, elevated security concerns and anticipated high election-related spending in the run-up to the 2015 general elections posed greater risks to the existing stability.

Moreover, Alade said high domestic liquidity could exert sustained pressure on both the exchange rate and consumer prices, as well as accentuate the already high demand for foreign exchange which could further deplete the country's external reserves- in trying to defend the currency. She said core inflation has continued to send conflicting signals since January 2014 noting that should the upward trend continue as observed in April, it could greatly influence the upward trend in prices. Alade said:"We have observed stability in the foreign exchange market and the money market has also remained stable. We can also see what is happening in the capital market. So all round, I think we have achieved stability which the committee is very pleased about." She also said the demand for dollars have moderated significantly, saying that there have been increased investor confidence in the economy. She added: "At this time of the year, generally it is to be expected that when companies are paying dividends, that there is going to be repatriation of dividend. "We also talked about the impact of QE (quantitative easing) we had expected that there will be some capital outflow. We have also witnessed a little bit of uncertainty during February and March when investors were not just sure of what was happening. "But I think we have gone beyond that now, we are beginning to see inflow- investors' confidence has returned and now the outflow is less than the inflow we normally see."

However, she said there are still concerns in emerging markets and developing countries as a result of underlying pressure on their currencies arising from capital flow reversals, increase in consumer prices, and declining inflows, which preclude the use of expansionary monetary policy to stabilise domestic output and employment in order not to dampen growth prospects in the short term. On the global economic front, Alade cautioned that the outlook remained benign with prospects of steady and gradual improvements in the major economies as well as slowing but sustained healthy growth in the emerging markets and developing economies. Alade said: "The Committee also expressed concern over the eroded fiscal buffers which have exposed the economy to vulnerabilities arising from both domestic and external shocks. The erosion has accentuated the regime of persistently high interest rates, elevated demand for foreign exchange and declining reserves accretion. "The Committee enjoined the management of the Bank to continue to monitor developments in the fiscal space with a view to taking appropriate monetary policy actions.*(This Day)*

At $4.94 billion in the fourth quarter of 2013, the aggregate foreign capital inflow into Nigeria increased by 24.3 per cent from $3.97 billion in the third quarter, a report has shown. This was attributed to an increase in both direct and portfolio investment inflows. Direct investment and portfolio investment inflows increased by 16.1 and 26.6 per cent from $0.86 billion and $3.11 billion in the third quarter of 2013 to $1 billion and $3.94 billion, respectively. According to the Central Bank of Nigeria's (CBN's) external sector development report for the fourth quarter of 2013, portfolio investment inflow remained dominant and accounted for 79.7 per cent of total foreign inflows while direct investment inflows accounted for 20.3 per cent of the total. "The higher inflow of foreign capital in Q4 2013 was a welcome development which should be sustained through macroeconomic stability and enhanced investment environment including good corporate governance," it added. Available data revealed that total foreign exchange inflows to the economy in Q4 2013 stood at $35.34 billion as against the $38.49 billion recorded in Q3 2013. This indicated a decrease of 8.2 per cent. Inflows through the central bank decreased by 20.2 per cent from $11.86 billion in Q3 2013 to $9.47 billion in Q4 2013 while inflows through autonomous sources declined by 2.9 per cent to

$25.88 billion. Similarly, outflows in Q4 2013 decreased, by 13.1 per cent to $11.22 billion as against $12.91 billion in Q3 2013. Consequently, a lower net inflow of $24.12 billion was recorded in Q4 2013 compared with $25.59 billion in Q3 2013, indicating a decline of 5.7 per cent. "At $5.38 billion, the current account surplus was 47.5 and 9.3 per cent higher than the $3.65 billion and $4.93 billion recorded in Q3 2013 and Q4 2012, respectively. "The development was largely traceable to the lower investment income repatriations as well as improved financial inflows (home remittances) from Nigerians in Diaspora," it added. Further analysis revealed that aggregate exports of goods declined by 3.6 per cent and accounted for by the oil and gas component. On the other hand, non-oil exports increased by 21.3 per cent in Q4 2013 above the level in Q3 2013.

According to the report, "the improved performance of the non-oil exports may not be unconnected with the current policy emphasis on the promotion of non-oil commodity exports particularly output from commercial agriculture. "Similarly, aggregate imports declined by 7.2 per cent. Out-payments in the services account increased by 9.9 per cent when compared with the level recorded in Q3 2013 while the deficit in the income account improved from $6.96 billion in Q3 2013 to $5.47 billion in Q4 2013. "Current transfers surplus, which was driven largely by remittances from Nigerians in Diaspora, widened by 1.7 and 11.1 per cent to $6.06 billion in Q4 2013 when compared with the respective levels recorded in Q4 2012 and Q3 2013." Continuing, the report showed that transactions in the capital and financial account resulted in a net asset of $0.80 billion in Q4 2013 compared with a net liability of $7.06 billion in Q3 2013. The development was driven by higher foreign currency deposits and outward direct investment of $0.95 billion in Q4 2013 compared with $0.21 billion in Q3 2013. It added: "The growth in outward direct investment was attributable to the expansion of Nigerian banks in the sub-region. Outward portfolio investment declined by 59.7 per cent to $0.87 billion but rose above the level in the corresponding quarter of 2012 by 25.0 per cent." *(This Day)*

In its quest to provide adequate power supply the federal government has earmarked $4billion for the construction and rehabilitation of transmission infrastructure in the country. Also, some of the major power projects that attracted transmission such as the Mambila Hydro Power project, are to be executed under a public private partnership (PPP) arrangement. Both the transmission and project consultancy would cost $6.4billion, the counterpart fund of $1.6billion had already been provided by the government. This was as the Nigerian Electricity Regulatory Commission (NERC) yesterday said it would continue to kick and push electricity distribution companies (DISCOS) in Nigeria's Electricity Supply Industry (NESI) to improve on services to eligible customers within their distribution networks until such a time that it was satisfied with the condition of their service delivery in the industry. The Vice-President, Namadi Sambo, disclosed this yesterday, when he received the Vice-President of the State Grid Corporation of China, Mr. Cheng Wei, at the Presidential Villa in Abuja. He assured the corporation of fair competition in the planned transmission projects in the country. He said he was impressed with the experience, capacity and the capability of the company and noted that the company was coming at the right time when the transformation agenda was set to provide adequate power supply to the country. According to a statement issued by his Senior Special Adviser and Publicity, Umar Sani, "he (Sambo) stated that the sum of $4billion has been earmarked for the construction/rehabilitation of transmission infrastructure in the country's adding that very recently vacancy for consultancy services was advertised and the company was advised to participate by responding to the advertisement.

"The vice-president said the Transmission Company of Nigeria (TCN) and the Niger Delta Power Holding Company were the two companies that would implement the projects with the active participation and supervision of the ministry of power. "Sambo added that some of the major power projects that would attract transmission include the Mambila Hydro Power project to be executed under a PPP arrangement and that both the transmission and project consultancy would cost $6.4billion and that the counterpart fund of $1.6billion had already been provided by the government for such an important project." The statement further noted that the vice-president "catalogued other projects that would have transmission which include; the Zungeru 700mw hydro power project, the Gurara Phase II Hydro power project due to be completed at the end of the year and the Itisi Hydropower project, adding that government planned to generate 20,000mw by 2018 on completion of these and other projects." Earlier, the group, which was chaperoned by the Chairman Integrated Energy Mr. Olatunde Ayeni, invited the Vice President of the SGCC for Powerpoint presentation on the capacity, asset, revenue base and accumulated experiences of the company. "State Grid of China Corporation has an annual revenue base of about $300billion they intended to set up a company that would fabricate and eventually manufacture electrical equipment as well as provide training for staff on manufacture and installation of electrical

equipments. "The company was proud of its place in the provision of ultra high voltage technology, Power Grid Construction Field and Transmission," Ayeni said in the statement. Meanwhile, the Chairman of NERC, Dr. Sam Amadi, disclosed in Abuja that the commission had instituted a regular peer review mechanism to monitor, report and compare the operational activities of the distribution companies, vis-à-vis electricity distribution services within the various distribution networks.

Amadi who spoke with journalists at the inauguration of officials of electricity customers' forum offices of Jos, Yola and Benin distribution networks that part of the review mechanism for the distribution companies includes periodic mandatory reports on recorded level and number of power outages, service providers' response to such outages and consumer complaints among others, explained that the performance of each of the distribution networks was reviewed based on the report and with which the commission employs in getting the service provider's commitment to improved service delivery. The commission had in March this year written to the distribution companies to improve on service delivery to electricity consumers in view of the expiration of the three-month initial grace period granted them to settle in from the power privatisation exercise. But when queried on their response to the directive so far, Amadi said: "Improvement grows up, our job as a regulator is to keep on pushing the utilities to higher level of service delivery and so when we say improve and they give us feedback that they have improved but the consumers come back to complain, we need to go back to ask them to improve. "When we say they should improve and they report that they have improved, we carry out our monitoring and discover that they have not met up with their obligations or improved marginally, then we come back and score them. We have started a peer review mechanism in the commission with our meetings with the CEOs; we try to see what they have done and say yes, you have tried but it is not good enough, you need to improve in certain areas and this is not because they are not obeying but because they are working with constraints that we need to recognise," Amadi added. He further stated: "What we are trying to do is that while we improve the environment within which they work with better regulation, more gas supply and helping them recover their investments, we also want to push them to do better in those areas and so as we are improving their operational environments, we are also pushing them to benchmark their performance." Similarly, the chairman noted that the commission's recent regulations on enforcement now grants it the power to legally penalise errant behaviours brought to it by electricity forum offices in each of the distribution networks. He explained that the commission would within the regulation act on any judgment delivered by the forum offices which stand as appellate courts for settlement of disputes between service providers and customers. On irregularities in metering of electricity consumers, Amadi said: "NERC's position on metering has not changed even before the conclusion of privatisation. We had emphasised in MYTO-2 the responsibilities of discos to meter customers which is world best practices and we also recognise that metering is capital intensive and there be will financial issues around metering. *(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's central bank plans to start using interest rates regularly to set monetary policy in the next four years, giving itself time to ensure a smooth transition from the present system of influencing growth and inflation through other financial tools, its governor said. The east African nation, which has the second largest economy in the region, uses a range of instruments like foreign exchange interventions, rather than interest rates, to implement its monetary policy. The central bank in the region's economic powerhouse Kenya, sets rates every two months while neighbouring Uganda adopted monthly rate-setting meetings in 2011 to combat high inflation. "We have made a decision now that we want to shift towards setting prices rather than setting quantities but we will do that in a transition that makes sure we don't lose the current effectiveness of what we are doing," Governor Benno Ndulu told Reuters on the sidelines of a meeting in the Kenyan capital. "We think in the next four years we should be able to finish this." Ndulu said Tanzania had managed to contain inflation after it soared to a peak of just under 20 percent in December 2012, driven by a double-whammy of high oil and food prices. Year-on-year headline inflation stood at 6.3 percent in April while core inflation was 4.3 percent. Ndulu said the overall rate was below the East African Community (EAC) monetary union's preferred rate of 8 percent inflation in the region and the outlook was benign. "Prospectively, given that Tanzania at this time expects to have fairly good harvests and you know food is one of the biggest drivers of inflation, we expect to remain in single digits not too far from where we are," Ndulu said. The benchmark interest rate Tanzanian Treasury bills was "fairly high" at about 12 percent, the central bank chief said, adding that the government's move to allow investors from the EAC to invest in the securities could spur demand and drive yields down. He said he expected the economy to expand by 7.2 percent this year from 7.0 percent in 2013, with the main risk being any instability in the global economy. "We expect good growth in agriculture. We also expect power supply to improve. We think cement production will start kicking in soon," the governor said. Plans by the country to issue its first dollar bond in the financial year starting July were on course, Ndulu said, with the work of acquiring a credit rating expected to be completed by the end of this year. Citi bank is assisting Tanzania to get the rating assigned in readiness for the sovereign bond whose size will be determined later. *(Reuters)*

Tanzania's current account deficit widened 17.1 percent in the year to March on the back of increased oil import costs and lower aid receipts, its central bank said on Thursday. The deficit widened to $4.758 billion in the 12 month period. "The value of oil imports rose by 12.7 percent to $4.226 billion, due to an increase in volume as oil prices in the world market declined," the Bank of Tanzania said in its latest monthly economic report. The total import bill for goods and services rose 6.6 percent to $13.87 billion, while the value of goods and services exported fell 1.7 percent to $8.709 billion. Aid and grants to Tanzania, east Africa's second largest economy but still one of the continent's biggest per capita aid recipients, fell 12 percent to $754.4 million in the 12 months to March. Tourism earnings continued to outpace gold exports as the country's top foreign exchange earner due to higher visitor arrivals, fetching $1.93 billion from $1.74 billion a year ago. Gold exports fell to $1.75 billion in March from $1.97 billion a year ago, due to a decline in both export volumes and prices. Tanzania, which has a population of around 45 million, is Africa's fourth-largest gold producer after South Africa, Ghana and Mali. (*Reuters)*

Zambia

Corporate News

LOW copper output at its Zambian unit Konkola Copper Mines (KCM) in Chingola has cost Vedanta Resources a 8.5 per cent drop in annual copper earnings on the global market. According to the global miner's latest preliminary market report released at the weekend, KCM recorded a slump of 19.2 per cent in copper production between March 31, 2013 and March 31, 2014. But the preliminary market report contradicts recent assertions by KCM major shareholder Anil Agarwal, who maintained that the Zambian operation based on the Copperbelt was reaping not less than US$500 million in profits annually. The report further states that Vedanta's stocks also fell as much as 4.5 per cent on the Financial Times Stock Exchange (FTSE), making the company one of the biggest percentage losers on the marketing index. Vedanta Resources executive vice president-group communications and corporate social responsibility, Roma Balwani said the year under review, saw copper production fall from 159,000 tonnes last year to 126,000 tonnes to in the previous year. "This was mainly due to the suspension of mining operations in 2013 at the Chingola Open Pit Mine. Konkola's production was also affected by the temporary closure of shafts one and four due to safety," Ms Balwani explained. She, however, said KCM's traditional markets in Asia and the Middle East experienced improved demand in the latter half of the year, leading to improvements in premium in the annual negotiations for 2014. Ms Balwani said this is why Vedanta was working to improve the trackless equipment's availability and utilisation rates, as well as recruiting key underground specialists and trainers. "Several improvement initiatives and technical interventions have been planned to bring about a gradual improvement in production from current levels," Ms Balwani said. She said one of the interim plans was to secure custom concentrates which, when blended with integrated production, will enable KCM to run smelters at the minimum optimum level. "Our strategic priorities includes ramping up the mine development at Konkola to realise its ore production potential, optimising the blend and feed to the Tailings Leach Plant for higher production," Ms Balwani said. Mr Agarwal last week disclosed that KCM was making annual profits of $500 million with additional profits amounting to US$1 billion. *(Times of Zambia)*

SUGAR cane yields are expected to improve in the 2014/15 farming season with favourable growing conditions and improved irrigation, Zambia Sugar Plc has disclosed. And the company also paid about K700 million in Zambia's economy this year through taxes, payments to employees, sugar cane growers and interest settlements to local banks. The company says sugar sales are also expected to increase in line with production, with reasonably strong growth in the local market consumption being expected. This is according to the company's commentary as at March 31, 2014 availed to the Daily Mail recently. "Sugar cane yields in the 2014/15 production season are expected to improve given the favourable growing conditions experienced and the benefit of a stable power supply in terms of irrigation optimisation. Sugar production is expected to similarly increase," it says. Zambia Sugar, however, says margins in the European Union (EU) and regional export markets are expected to remain under pressure from the availability of sugar on the world market. It says realisation of these markets will continue to be influenced by exchange rate movements. The company says the 2013/14 sugar cane yields declined from 120 tonnes to 114 tonnes per hectare due to irrigation shortfall in the previous seasons following failure of the large turbo-alternator set. It says total cane supply also declined to 3.15 million tonnes from 3.25 million tonnes with the impact mitigated through the increase in area harvested to 27,600 hectares from 25,800 hectares. "The loss in sugar production to the extent attributable to failure of the turbo-alternator was covered by an insurance settlement of K20.9 million," it says. On contribution to the economy, the company says a substantial element of goods and services was procured within the country. "In terms of wealth creation, the company injected in excess of K690 million this year compared to K630 million in 2013 into the local economy," it says. *(Daily Mail)*

Economic News

THE anticipated bond auction by the Bank of Zambia this week, coupled with high interest rates, is likely to cushion the Kwacha, which has been trading on a downward trend. Citibank says the market is expected to witness increased United States dollar supply as portfolio investors invest in the bond auction. "The bond auction this week may attract portfolio investors and hence increase the supply side of

dollars in the market… Higher interest rates could help ease the pressure off the local unit as this may attract portfolio investors," the bank says in its market commentary. Citibank says the Kwacha, which on Tuesday traded in a stable band, between K6.68 and K6.70 at bid and offer, slightly firmer from the previous day's lows of K6.71, is expected to appreciate as portfolio investors release the dollar on the market. The bank also notes, "Demand for the greenback seems to have stalled waiting for clues on the next direction the currency will take. Market players are also sceptical at these high levels and are treading carefully." Similarly, Zanaco Bank says the local currency is in the short term expected to trade on the upward trend owing to dollar supply from corporates with trading expected to be between K6.58 and K6.68 on the interbank. The bank also says a healthy supply of the dollar from exporters and subdued demand both on the interbank and with corporates on the day saw the local unit touch an intra-day high of K6.66 and K6.68. "Tuesday`s trading session saw the Kwacha strengthen against the greenback, buoyed by increased dollar inflows from corporates. The local unit opened the day K0.20 weaker from Monday's close at K6.71 and K 6.73,"the bank says in its daily treasury. *(Daily Mail)*

Zimbabwe

Corporate News

Blue Ribbon has concluded negotiations with Tanzanian grain miller Bakhresa Group in a deal that could result in the injection of $40 million in fresh capital. Sources privy to developments said negotiations with Bakhresa have been concluded with only a couple of regulatory approvals the only outstanding issues to the deal. "The deal has been finalised and is waiting a couple of regulatory approvals from the authorities," the source said. Since Blue Ribbon is not a listed entity, the outstanding approvals could be issues relating to indigenisation laws and the Competition and Tariff Commission. In terms of the country's equity laws, foreign investors can only hold a maximum of 49 percent while locals should take the balance unless the responsible minister has given a special exception to a deal. The source would, however, not discuss the intimate details to the deal saying it had reached a sensitive stage that could jeopardise efforts to revive the company. Grant Thornton Camelsa's Reggie Saruchera, who was appointed by the High Court as judicial manager of Blue Ribbon in 2012 could neither confirm nor deny that the deal has been finalised, only saying that "the deal is on track" and would be concluded soon. This comes as the company is expected to resume operations in the next two months ahead of the injection of fresh capital by giant Tanzanian miller, Barkhresa. "We decided to resume operations and bring back the popular brands this company produces while issues of fresh capital are being finalised," the source said. Blue Ribbon, manufacturer of popular brands Ngwerewere and Chibataura, has reportedly agreed terms with a supplier, which enables it to resume operations.

According to Mr Saruchera the company requires $30 million to $40 million, with $15 million going to working capital and the balance to other obligations. The company is buckling under heavy liabilities and shortage of funding to support operations, which saw the company putting workers on shifts to manage costs. The Bakhresa Group will have to deal with the $30 million liability saddling the company apart from injecting fresh funding for recapitalisation and working capital. Blue Ribbon was operating in fits and starts until the High Court placed it under judicial management two years back when output capacity fell to unsustainable levels. It is not clear what stake Bakhresa would take, but sources said the stake would be determined by the amount of capital the group will invest in Blue Ribbon. Blue Ribbon faces a crippling shortage of funding characterising local industry, which forced the company to borrow at punitive interest rates. It has also been battling to repay a $2 million loan facility that was extended by PTA Bank. Once one of the country's largest millers, Blue Ribbon has five main divisions namely BRI logistics, Blue Ribbon Foods, JA Mitchells and Nutresco Foods. *(Herald)*

Dairibord Holdings will commission five new plants this year under a $10 million capital expenditure programme to grow its revenues and cut down costs to overturn the loss suffered in the year to December 31, 2013. Group chief executive Mr Anthony Mandiwanza told the group's annual general meeting on Friday that the group would commission new facilities between May and November. The capital expenditure would be funded from a mix of own resources and $6 million loan obtained from PTA Bank at cost of 10,3 percent per annum all -in costs. However, the firm would soon approach shareholders for funding to complete the heifer importation programme for own milk production, also, to cut costs, which Dairibord contends was key for growth going forward. Daribord posted an operating loss of $1,8 million last year against $9,8 million profit the year and contends revenue growth and cost reduction is key to change its fortunes. Mr Mandiwanza said Dairibord would commission the first of the new facilities on Wednesday to enable the company to introduce a new product. "We are completing that process. It will expand our revenue streams, critical in terms of realigning the business, which is critical to grow the business and address the cost of doing business," Mr Mandiwanza said. "The product plant will expand revenue streams for the group and enable the business to compete in all segments." Dairibord is looking forward to commissioning an aqua-lite plant by June, an ice cream plant by August while yoghurt plant is expected to come on line by November. "For ice creams, the plant has been secured. It will be commissioned by August 15 and will produce a range of ice creams including sticks and cones," said Mr Mandiwanza.

The ice cream plant is expected to increase sales volumes from line extensions and improve production efficiencies. Procurement of the yoghurt plant is underway and is expected to increase volumes from line extensions and also enable the company to compete in all segments. The Dairibord chief executive said the aqua-lite plant, being commissioned but set for completion in June, would boost

production capacity and enable the company to meet existing demand for bottled water. Mr Mandiwanza said procurement of the sterilised milk plant and equipment in Chipinge was already in progress with commissioning expected by end of November. The plant upgrade would improve production efficiencies and product presentation. Once the steri-milk plant is completed the one in Gweru would be closed. A host of other initiatives are underway to boost production, but taking complete control of growth in costs. These include procuring inputs at the lowest prices, new cost effective product formulae to open margins. Dairibord is drilling boreholes for its Malawi dairy processing unit to reduce dependence on expensive municipal water, replacing a diesel boiler with a coal boiler in Malawi and reducing boiler sizes to cut consumption. Streamlining of operations is ongoing to eliminate duplication. The locally listed dairy processor said savings would be realised in labour, utilities and distribution. The cost containment programme has yielded results after cost went down by 10 percent on year to date basis despite utilities going up by 20 percent due to what Mr Mandiwanza attributed to incorrect billion by Zesa. Raw milk cost was unchanged but materials went down 13 percent, labour 8 percent, repairs and maintenance 19 percent and other expenses 22 percent. Mr Mandiwanza said a difficult operating environment punctuated by low disposable incomes, deflation and low investment would continue into the foreseeable future. However, the Dairibord CEO sees opportunities but trends in terms of volumes of business and costs to maintain the current pattern until at least the half year period. These would come through new products and line extensions, new plant and equipment to increase capacity and efficiency, favourable trends in global commodity prices (especially milk powder and sugar) and introduction of import duties and ban on some agricultural. "We remain relatively confident that we are doing what is right to put the business in the right direction," he said. Dairibord was last year largely weighed down by declining consumer prices and rising cost of doing business, which was compounded by increasing labour costs, utilities, depreciation and rising cost of materials. The AGM unanimously approved all items on the agenda including reelection of chairman Dr Leonard Tsumba, auditors' fees, and retaining Ernst and Young as auditors for the ensuing year and directors' fees. *(Herald)*

Zimbabwe has drafted a law that will prevent institutions from owning more than 25% of a bank without authorization from the southern African nation's finance minister. Individual shareholders will be limited to holding 5%, according to the 2012 Banking Amendment Bill, a copy of which was obtained by Bloomberg News from Treasury officials. The bill will also prohibit banks from buying their own stock or making loans using their shares as security. Standard Chartered Plc and Barclays Plccontrol banks in the country. Zimbabwe Finance Minister Patrick Chinamasa said last month that there is no plan to force all foreign-owned companies to sell or cede 51% of their shares to black Zimbabweans. The Bankers Association of Zimbabwe, which counts among its members the units of Barclays and Standard Chartered, discussed the proposals in the amendment bill with the Finance Ministry about three weeks ago, said Chief Executive Officer Sij Biyam. "We don't have much control as to when the process would be finalized, because that is a political process," Biyam said in a telephone interview yesterday from the capital, Harare. Barclays owns 67.71% of Barclays Zimbabwe, while Standard Chartered owns 100% of its Zimbabwean operation. Stanbic Zimbabwe is a wholly-owned unit of Johannesburg-based Standard Bank Group Ltd. The amendments aim to improve banking governance, introduce greater transparency and allow regulators to monitor bank holding companies more easily, according to the bill. Zimbabwean banks will also be required to display the rates of interest they charge at all branches and publish them every six months in newspapers. Chinamasa said last month that Zimbabwe will decide how much of foreign companies black citizens should own "sector by sector." The government is "quite comfortable" with the injection of foreign capital in the banking industry because it "will increase the volume of credit to the productive sector," he said. The easing of the indigenization requirements signaled by Chinamasa last month comes as Zimbabwe's economy shows signs of deflation caused by a fall in consumer spending since elections last year. Zimbabwe's parliament passed the 51% ownership law in 2008 and began enforcing it three years later, compelling foreign and white-owned companies with assets of more than $500,000 to shift majority ownership to black Zimbabweans. Mining companies were the first to be affected and Impala Platinum Holdings Ltd.,Anglo Platinum Ltd. and Aquarius Platinum Ltd. have already complied with the law. *(Bloomberg)*

HWANGE Colliery Company Ltd is considering developing a 300 megawatt thermal station and to extract petrol chemicals from coal to diversify revenue streams. "Post restructuring of the balance sheet, the board and management are considering new opportunities for the company to expand into," chairman Mr. Farai Mutamangira said. "The following projects are currently being considered; a joint venture to develop a 300MW coal fired power station (and to) develop coal bed methane projects at Lubimbi." Mr. Mutamangira said Sasol Ltd, the world's biggest producer of liquid fuels from coal would carry out a feasibility study to explore Hwange's "capability of producing

petrochemicals." "The technology has been proven by Sasol and the company will carry out feasibility to explore the company's capability of producing petrochemicals," said Mr. Mutamangira. Hwange's had a negative working capital position amounted to $77 million as at December 31, 2013 while the company's total debt amounted to $172 million. "A balance sheet restructuring exercise is at advanced stages aimed at converting some of the debts into equity and suitable debt instruments," said Mr. Mutamangira. Hwange, the country's largest coal producer is troubled by legacy debts and over the past two years about $35 million has been spent on servicing some of these debts. The company remains severely constrained due to subdued capacity and the shortage of working capital. The average tonnage being produced is 200 000 tonnes per month, enough to break even. Hwange has also come under increased competition from Makomo Resources, Coal Brick and Chilota Colliery. This competition has eaten into the market share of HCCL as it is benefiting from relatively new coal concessions with shallow coal deposits, lean cost structures and price undercutting. However, the coal miner sees production increasing to between 450 000 and 500 000 tonnes, boosted by contract capacity. Hwange awarded Mota-Engil of Portugal a contract to mine and the company is expected to commence operations in the second half of this year. The contractor will produce 200 000 tonnes of coal per month. This will assure HCCL of a monthly turnover of not less than $18 million. At this level, and assuming costs are contained below $9 million a month, HCCL will have sufficient turnover and gross margin to not only grow the business but also, to service its legacy debts. The company will require as much as $150 million to fully recapitalise. The markets for both coal and coke products remain fairly buoyant but characterised by intense competition. *(Herald)*

Economic News

THE Securities and Exchange Commission (SECZ) has approved the establishment of a Central Securities Depository (CSD) to be run by Chengetedzai Depository Company under a one-year licensing deal. A CSD is a system that maintains an electronic register of securities or financial instruments such as shares, bonds and other fixed income instruments and provides an efficient settlement process. The records are kept in an electronic form and transfer is by way of electronic book entry. SECZ chief executive officer Tafadzwa Chinamo said the provisional of licence would be valid for 12 months only with Chengetedzai Depository Company implementing the project. "The CSD is a new project in the country. So if it's a new thing, you do not know what rules to apply, so a provisional licence was given," Chinamo said. He said the Chengetedzai DC was awarded a provisional licence which was only valid for one year and was expected to meet certain requirements as the project was being implemented. Chinamo said if the CSD failed to perform, SECZ would not hesitate to withdraw the licence. "Like any other companies which are licensed by SECZ, if any one fails to perform, they will lose their licence as they are bound by our regulations," he said. Chengetedzai DC is currently running the CSD, which is a specialised financial organisation holding securities in certificated or uncertificated (dematerialised) form so that ownership can easily be transferred through a book entry rather than a transfer of physical certificates. "The CSD shall replace physical paper certificates and proof of ownership/shareholding shall be in the form of statements of share accounts. "In terms of Section 72 of the Securities and Exchange Act, listed companies may issue a security in dematerialised form or convert certificated security into dematerialised security," Chinamo said. "Listed companies should obtain authorisation through a resolution of their board of directors, board of management or other governing body. A certificate security shall not be converted into a dematerialised security without the consent of the current holder of the document of the title concerned."*(News Day)*

The African Development Bank is considering three ways it could help Zimbabwe clear its huge debts and will settle on a rescue package in three months time, the bank's chief economist said on Tuesday. The International Monetary Fund in January approved a six-month extension of a monitoring programme for Zimbabwe aimed at helping it to clear $10 billion in external debts and give it access to much-needed new international credit. "We have three or so options that we think Zimbabwe can pursue and get out of this debt quagmire," Mthuli Ncube told a news conference on the sidelines of the AfDB annual meeting. The bank's deal to help Zimbabwe, which is emerging from a decade of economic decline and hyperinflation, will be disclosed in three months time, he said. The bulk of Zimbabwe's debt dates back more than a decade. The country is also suffering a severe liquidity crunch, since it lacks significant foreign direct investment and lines of credit. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Diamond miners in Zimbabwe have been told to sell their gems through the central bank, which will use the stones to secure a government loan, according to a letter written to them by the country's mines secretary. In the letter to miners, the secretary Francis Gudyanga, instructs that producers "prepare parcels of all your currently produced diamonds which must be sorted and evaluated with the involvement of the Minerals Marketing Corp. of Zimbabwe," a state company, and payment will be made soon after. The stones will be kept by the central bank and used to "securitize a government loan," Gudyanga said in the letter. The letter, obtained by Bloomberg, was sent to miners April 28 and came into effect April 30. Zimbabwe's economic growth is slowing as consumer spending slumps and the government struggles to secure adequate funds to meet costs such as paying state workers. The World Bank in April forecast growth at 3 percent this year compared with an initial government estimate of 6.1 percent. The southern African nation's deputy mines minister Fred Moyo said May 7 that Zimbabwe may use mineral exports, including gold and diamonds, to underwrite loans from China. Zimbabwe's diamond mining companies include Rio Tinto Group (RIO), which operates the Murowa mine, Econendra, a Russian miner, digs the gems in the eastern Chimanimani district while Mbada Diamonds (Pvt) Ltd., Anjin Investments Ltd., the Diamond Mining Co. and Jinan Mining (Pvt) Ltd. work the eastern Marange diamond fields in ventures with the MMCZ. "They are in the process of complying," Guydanga said today, confirming the veracity of the letter. Zimbabwe is expected to mine 16.9 million carats of diamonds this year, according to mines ministry estimates. Last year the country produced 8 million carats worth $685 million. Munyaradzi Machacha, a director at Anjin, declined to comment and said his company is still to be paid the $5 million it's owed after a gem sale in Dubai run by the Zimbabwean government. Zebra Kasete, managing director at Rio's Murowa and George Manyaya, a spokesman for Mbada, were said to be in a meeting when Bloomberg sought comment. *(Bloomberg)*

GOVERNMENT has tightened its screws on the issuance of copper trading licences to curb criminal activities involving the mineral. Home Affairs ministry secretary Melusi Machiya yesterday told the Parliamentary Thematic Committee on Peace and Security chaired by Zanu PF Mashonaland Central MP Damian Mumvuri that the government had reduced the number of licenced companies to five to ensure only credible companies were allowed to deal in copper. "We recently intercepted a truckload of copper from Zambia and we have reduced the number of copper licences because there is criminality involved," said Machiya. "People can steal copper and burn it and during the burning process they can come up with something different and difficult to trace and that is why we have taken those precautions," he said. Machiya said copper had too many uses such as killing of insects and manufacturing of radiators and that was why people were interested in smuggling it. "Companies like Zesa, TelOne and others who use copper have come up with off-cuts and we have said if there are too many off-cuts there is a problem and the process also requires licencing where reports are issued by the police, the Mines, Industry and Commerce ministries – to prove that the company is reputable and has not been involved in nefarious activities of smuggling of copper. Even if it is foundry, it must be registered with the appropriate ministry," he said. He said other countries like South Africa also had very stringent regulations on copper where there were amount restrictions, adding that the issue of copper was an international problem and was susceptible to transnational smuggling crimes. "One would need authority to transform copper to anything else," said Machiya. *(News Day)*

Disclosures Appendix

This Publication is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Securities Africa Limited, or its subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction. Neither this Publication nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law and any persons into whose possession this Publication comes should inform themselves about, and observe, any such restrictions.

The information contained in this Publication or on which this Publication is based has been derived from sources believed to be reliable and accurate however no representation or warranty, express or implied, is made as to the fairness, completeness, accuracy, timeliness or otherwise of the information or opinions contained in this Publication and no reliance should be placed on such information or opinions. The information contained in this Publication has not been independently verified by Securities Africa Limited. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted as to or in relation to the fairness, completeness, accuracy or timeliness or otherwise of this Publication or as to the reasonableness of any assumption contained, nor for errors of fact or omission or for any opinion expressed in this Publication.

Past performance should not be taken as an indication of future performance, and no representation of any kind is made as to future performance. The information, opinions and estimates contained in this Publication are provided as at the date of this Publication and are subject to change without notice. Distribution of this Publication does not constitute a representation, express or implied, by Securities Africa Limited, or its advisers, affiliates, officials, directors, employees or representatives (the "Parties") that the information contained in the Publication will be updated at any time after the date of the Publication. The Parties expressly do not undertake to advise you of any information coming to any or all of their attention.

Any opinions expressed in this Publication may differ or be contrary to opinions expressed by other business areas or groups of Securities Africa Limited as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results.

All projections and forecasts in this Publication are illustrative only. The actual results may be materially affected by changes in economic or other circumstances, which cannot be foreseen. No representation or warranty is made by any of the Parties as to the achievability or reasonableness of any projection or forecast contained in this Publication.

This publication is provided to you for information purposes only on the understanding that Securities Africa Limited is not acting in a fiduciary capacity. It does not address specific investment objectives or financial situations, and any investments discussed may not be suitable for all investors. Prospective investors must make their own examination and evaluation of the merits and risks involved in the securities set out in this Publication including any legal, taxation, financial and other consequences of investment and should not treat the contents as advice relating to legal, taxation or other matters. This report is not to be relied upon in the substitution of independent judgment with respect to any investment decision. Investors should consider this Publication as only a single factor in making their investment decision, and as such, the Publication should not be viewed as identifying all risks, direct or indirect, that may be associated with any investment decision.

Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk.

Securities Africa Limited conducts designated investment business only with eligible counterparties and professional clients. To the extent permitted by law and regulation, Securities Africa Limited accepts no liability whatsoever for any loss howsoever arising, directly or indirectly, from any use of this Publication or its contents or otherwise arising in connection with that. This Publication is not intended for distribution to retail clients.

By receiving this Publication, the recipient agrees to keep confidential the information contained in this Publication together with any additional information made available following further inquiries. None of the material, nor its content, nor any copy of it, may be altered in any way, disclosed, published, reproduced or distributed to any other party, in whole or in part, at any time, without the prior written permission of Securities Africa Limited.

Nothing in this Publication constitutes or forms part of, and should not be construed as, an offer for sale or subscription of, or solicitation of any offer to buy, sell or subscribe for, the securities of the Company, nor should it or any part of, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Securities Africa Limited and/or its associates and/or any of their respective clients may have acted upon the information or opinions in this Publication prior to your receipt of it. Securities Africa Limited and/or its associates may provide investment banking services to the Company and in that capacity may have received confidential information relevant to the securities mentioned in this Publication which is not known to the researchers who have compiled this Publication.

Securities Africa Limited and/or its associates and/or their officers, directors, employees or representatives may from time to time purchase, subscribe for, add to, dispose of or have positions or options in or warrants in or rights to or interests in the securities of the Company or any of its associated companies mentioned in this Publication (or may have done so before publication of this Publication) or may make a market or act as principal or agent in any transactions in such securities.

This report may not have been distributed to all recipients at the same time. This report is issued only for the information of and may only be distributed to professional investors (or, in the case of the United States, major US institutional investors as defined in Rule 15a-6 of the US Securities Exchange Act of 1934) and dealers in securities and must not be copied, published or reproduced or redistributed (in whole or in part) by any recipient for any purpose.

English law governs the issue, publication and terms of this Publication and any disputes arising in relation to any of them will be subject to the exclusive jurisdiction of the English courts.

By accepting this Publication, you agree to be bound by the foregoing limitations. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Securities Africa Limited.

© Securities Africa Limited 2012

SECURITIES AFRICA®