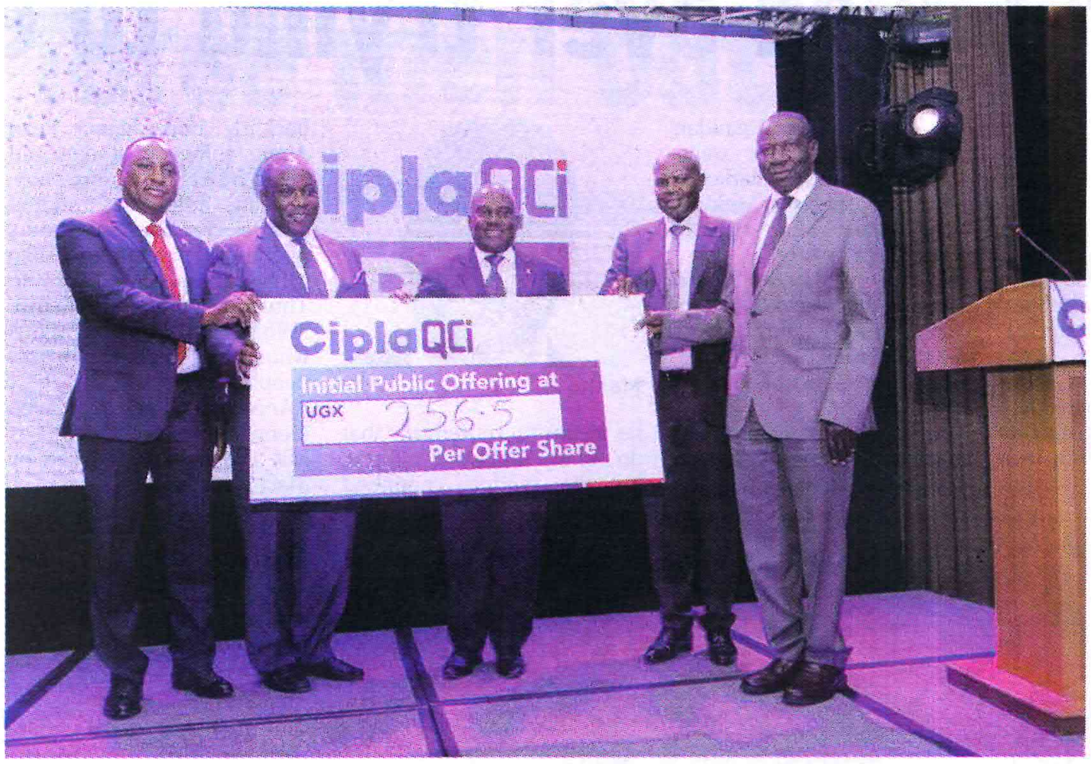

Kasaija (right) and CiplaQCIL executive chairman Emmanuel Katongole (centre), flanked by other officials, unveil the CiplaQCIL IPO share price at the launch at Serena Kampala Hotel, yesterday

FTSE up at 7411.47

CAC Down at 5429.20

DAX Down at 12524.74

DOW JONES up at 24535.05

Ugandans to own stake in pharmaceutical firm

By Faridah Kulabako and Ali Twaha

You need only sh265,500 to own a piece of Uganda's leading pharmaceutical firm, Cipla Quality Chemicals Industries (CiplaQCIL) and share in the success and profitability of the company.

This follows the launch of its Initial Public Offer (IPO) at Kampala Serena Hotel yesterday, where the firm offered 18% stake to the public to tap into.

A total of 657,179,319 are up for grabs and potential investors are allowed a minimum of 1,000 shares.

This IPO ends a six-year listing drought at the Uganda Securities Exchange (USE). The bourse last saw an IPO in 2012 when Umeme cross-listed on both the USE and the Nairobi Securities Exchange.

CiplaQCL is a pharmaceutical that manufactures World Health Organisation prequalified first line treatments for HIV/AIDs, malaria and hepatitis B medications.

The company signed an offtake agreement with the Government in 2005, with a commitment from the Government to buy Antiretroviral (ARV) and anti-malaria drugs from the firm till 2029.

The USE chief executive officer, Paul Bwiso, welcomed the listing, saying it is set to re-energise the bourse and boost trading volume.

Although the CiplaQCIL share price is sh18.7 cheaper than the Umeme IPO price of sh275 per share, Bwiso said it is a good, fair and competitive price for investors.

Figures from CiplaQCIL, as at end of the 2018 financial year, indicate that the company's revenue grew to sh227b, up from sh211b in 2016/17, driven by addition of new export markets such as Zambia, Namibia and South Africa.

Raise capital

By going public, the drug maker plans to raise at least sh169b once all the 657 million shares are sold. The total number of offers to the public will constitute 18% of the total issued share capital of the company.

According to the chief executive officer Nevin Bradford, the company is considering to expand the range of products it manufactures to include new therapeutic categories as well as its geographic foot print on the continent.

The Capital Markets Authority chief executive officer, Keith Kalyegira, applauded CiplaQCIL for seeking cheap capital from the capital markets and urged other private sector companies in need of capital to follow suit.

He explained that businesses need market-based financing which is long term in nature as opposed to short-term bank credit.

"Our economy largely depends on bank financing which is short term yet businesses are investing long term. The economy needs patient capital to grow, create jobs and pay more taxes and to encourage entrepreneurship," he said.

Kalyegira earlier said availability of long term finance in Uganda is only about 7% of the country's gross domestic product, which is equivalent to about sh7 trillion.

He, however, said capital markets are not in competition with banks, but rather complement the two, with banks funding short term credit needs.

BETWEEN THE LINES

■ This firm launched its Initial Public Offer (IPO) at Kampala Serena Hotel yesterday, where the firm offered 18% stake to the public to tap into.

According to Bwiso, sh1.2 trillion has been raised through the stock markets since its establishment and the CiplaQCIL IPO is set to increase it to sh1.5 trillion.

"CiplaQCIL decision to open up to the public is remarkable; many companies don't to list for fear of opening up to public scrutiny despite being in need for cheap capital," he said.

Read the small print

Kalyegira, however, urged the public planning to invest in the firm to read the terms and conditions of the offer since it's "the first approval to be tested" within the sector.

"Even though we encourage firms to raise financing at the capital markets, it's our role to protect investors, who are the providers of this capital.

"I, therefore, urge all potential investors in this IPO to read the prospectus that has been approved, and understand it by seeking advice from our licensed investment advisors," Kalyegira said.

According to the prospectus, one of the risks that CiplaQCIL faces is competition from foreign companies, which they say may lower prices of their products and ultimately affect the company's revenues.

Others include; a recall of the company's products and failure to succeed in its strategy of expanding the number and range of its pharmaceutical products.

This means that if CiplaQCIL's expansion is unsuccessful, it may incur losses and the cost of implementing its product expansion strategy could lower its overall profit margins, the drug firm said.

CiplaQCIL now joins the 16 other listed companies on the stock market and is the ninth locally listed firm.

The other local companies on the bourse are Umeme, Stanbic, Bank of Baroda, New Vision, DFCU Bank, Uganda Clays, British American Tobacco Uganda and National Insurance Corporation.

The cross-lists from the Nairobi Stock Exchange are East African Breweries, Kenya Commercial Bank, Equity Bank, Kenya Airways, Nation Media Group, Uchumi, Jubilee Holding, and Centum Investment.

Shareholding structure

With the IPO, Cipla Group reduces its shareholding from 62.3% to 51.05% stake in the firm. Emmanuel Katongole, George Baguma and Frederick Kitaka, on the other hand, reduce their shareholding from 3.60% to 2.78%.

Capitalworks decreases its shares from 14.40 to 11.11% while Amistad from 12.50% to 11.50%.

Finance minister Matia Kasija, who was the chief guest, said the IPO is timely, adding that this not only shows that the firm is a stable private entity but enabling Ugandans to partake of its success.