

CHAPTER II OVERVIEW OF THE SETTING RESEARCH

2.1 Overview of Uganda Securities Exchange

The main stock exchange, known as USE, was established in 1997, operates under the control of the Uganda Capital Markets Authority, and it is accountable to the Bank of Uganda (USE 2023). USE opened for trade in 1998, and by then, the exchange had a single listing, a bond issued by the East African Development Bank. There were scanty trades per week at the beginning but as of 2014, the exchange had listed up to 17 companies which were both Ugandan and East African, but during the year 2015, one of the listed companies, Uchumi, collapsed, and they remained 16 (USE 2023). USE operates closely with the other sister stock exchanges in Dar-es-salaam, Nairobi, and Rwanda (Mutisya 2008). The result presented in chapter four indicates data collected from 17 companies, as described in the next section. The vision of USE is to be Uganda's chosen institution for investments and capital sourcing while its mission is to empower its customers through service excellence and innovation to promote safe, convenient, sustainable investments (USE 2023).

As of 2021, the trading volume for December 2021 was 256,786,258 shares with a turnover of UGX 7,831,549,997. This month's turnover performance was a 107 % increase from 23,224,698 shares worth UGX 3,768,472,444 recorded in December 2020 (USE, 2021). Activity in December decreased by 1.6 % compared to the turnover registered in November, from 7.9 billion to 7.8 billion representing a daily average turnover of approximately UGX 340 million. Volume traded

increased to 256 million shares compared to 69 million in November 2021. The number of deals increased to 435, up from 218 deals executed in November 2021, with 45 percent of the deals attributed to the MTN Uganda counter.

Stanbic counter dominated activity for the month, accounting for 81.74 percent of the total turnover, followed by MTN Uganda Limited with 9.15 percent. The Bank of Baroda Uganda was in third position, with a 7.05 percent contribution to the month's turnover. Uganda Clays Limited, New Vision Limited, UMEME, DFCU, CIPLA, and National Insurance Corporation (NIC) Uganda recorded 2.06 percent of the total turnover. Stanbic registered the highest volume of shares with 93.50 percent, followed by Uganda Clays Limited with 2.58 percent. Bank of Baroda Uganda came third with 2.26 percent of the volume, while MTN Uganda Limited was fourth with 1.39 percent. National Insurance Corporation Uganda accounted for 0.14 percent, UMEME, New Vision Limited, DFCU, and CIPLA had the least number of shares traded, amounting to 670,362 shares representing 0.26 percent of the total shares traded (USE, 2021).

2.2 USE listed companies

2.2.1 Uganda Clays LTD

Uganda clays limited (UCL) is the leading producer of quality baked building materials from clay(UCL, 2021). The company uses the Hoffman kiln for red-colored bricks and other clay materials. The company's products include roofing tiles, bricks, max pans, quarry floor tiles, etc. UCL was established in 1950. UCL has two major plants in Kamonkoli and Kajjansi in Uganda; today, the company has 73 years in business and was listed on USE in January 2000(UCL, 2021).

Products from UCL are used extensively in Uganda's construction industry, and demand for these products is closely correlated with Uganda's level of building activity, however various macroeconomic factors in 2022 influenced the development of construction activity, including the state of the economy generally, governmental initiatives, the availability of construction projects, and interest rates (UCL, 2021). The organization has ten board of directors and seven non-executive directors (UCL, 2023).

Incorporated under Ugandan law, Uganda Clays Ltd. is a public limited liability company having 900,000,000 authorized and fully paid-up ordinary shares of Ushs. One each. (USE, 2023). Corporate directorship, an expanding core discipline, contributes to the performance of UCL and creates value for its shareholders. At introduction, there was a 15% oversubscription, indicating that the market was ready for greater trade (USE, 2023).

The UCL Board prioritizes long-term sustainable growth, focusing on profitability for shareholders and societal contributions, The objectives of UCL are suitably connected with its mission, values, and strategy, and performance is equally evaluated against them (UCL, 2018). The Board makes sure that employee rules and procedures support the company's long-term sustainability and adhere to its core principles (UCL, 2023). The Board has put in place a framework of suitable and effective controls to evaluate and manage risk; it takes action to identify and address conflicts of interest, including those brought on by significant shareholdings; and it also ensures that external influences do not impair or take precedence over the independent judgment (UCL, 2023).

The Management Committee and Business Function managers, all authorities in their domains, are in charge of carrying out UCL's strategy in line with the organization's mission of being the premier brand for developing solutions in Uganda, to ensure the company is managed successfully, UCL assigns duties in accordance with Kaplan & Norton's Balanced Scorecard System. (UCL, 2023).



Figure 2.1 Uganda Clays LTD Head Quarters in Kajjansi

2.2.2 British American Tobacco (BAT) Uganda Ltd

BAT is a multinational company that manufactures and sells cigarettes and other nicotinic products. The company originated in the United Kingdom and started operations in Uganda in 1928. BAT Uganda was incorporated in Uganda in compliance with the Uganda Companies Act. Its authorized share capital is 80 million Ushs, and its issued and fully paid shares are worth 49.08 million Ushs, or 64 million authorized ordinary shares of Ushs.1.25. The BATU shares were the

second government holdings in a company to be sold off, and there was a 5% oversubscription (USE, 2023).

The BAT has been listed on the Uganda Securities Exchange market from the year 2000. With 1,233 shareholders, 1200 of them are from East Africa, Rex, Dunhill, Sportsman, and Safari are a few of the tobacco brands sold by the business. BAT imports tobacco from a network of farmers in 13 districts, processes it at the BAT facility in Kampala for export and domestic use, and exports some tobacco leaves to other cigarette producers in Europe, Asia, and other African nations (BAT, 2023).

BAT's vision is to build A Better tomorrow by reducing the health impact of its business through offering a more excellent choice of enjoyable products for its consumers (BAT, 2023). Mr Mathu Kiunjuri (47 years old) has been Managing Director and Executive Board member effective 12 May 2022 (Soft power, 2023). Within the BAT Group, Mr. Kiunjuri has more than 20 years of expertise in management, marketing, and business strategy. He has worked in a variety of areas, including Kenya, Tanzania, Ethiopia, South Africa, Rwanda, and Uganda. He has previously held country management roles in Uganda (where he served as Managing Director and Head of Trade Marketing and Distribution), Rwanda, Ethiopia, and Tanzania, and senior leadership positions in Kenya (Soft power, 2023). His vast experience and expertise cover Trade Marketing and Distribution, Demand Planning, Marketing Services and Operations, Account Management,

Route to Market Management, Marketing Skills Development, People Leadership, and Stakeholder Management (Soft power, 2023).



Figure 2.2 British American Tobacco (BAT) Uganda Products

2.2.3 Bank of Baroda (U) Ltd listed

Bank of Baroda Uganda Ltd is one of the most popular listings on USE and is heavily interested in the stock market. The bank trades under the symbol “BOBU.” A subsidiary of the Indian government, the Bank of Baroda owns it. BOBU is involved in commercial banking but focuses on significant companies, and as of December 2022, its assets were valued at One Hundred Seventy billion USD. The profit after tax rose from 90.23 billion Ugx in 2021 to 122.19 billion Ugx in 2022. The bank was listed on USE in November 2002. The vision of BOBU is to be a top-ranking local Bank of International Standards committed to augmenting stakeholders' value through concern, care & competence (Bank of Baroda Uganda, 2018).

Their initial public offering in September 2002 was 16.7% oversubscribed, and the share price rose from Ushs 600 to Ushs 715 a share during the first trading day, representing a 20% increase. The Bank of Baroda Uganda was first established as an overseas branch of the Bank of Baroda in India in 1953. It was later established in Uganda as a separate organization in 1969 (USE, 2023). Bank of Baroda is now one of the top foreign banks in Uganda, with six branches spread around the country, thanks to the government of Uganda's subsequent acquisition of 49 percent of the company's shares, leaving Baroda, India, with 51 percent (Bank of Baroda Uganda, 2018). As of 2021, BOBU had six directors, of which three were non-executives. Ashwini Kumar has been Managing Director & executive director at Bank of Baroda Uganda since 2020 (Bank of Baroda Uganda, 2021).



Figure 2.3 Bank of Baroda (U) Ltd Baroda House

2.2.4 Development Finance Company of Uganda LTD (DFCU Ltd)

DFCU Ltd is a commercial bank in Uganda offering a vast range of financial services such as loans, savings, accounts, and personal and corporate credit. The bank can provide long- and short-term finance focusing on agriculture, tourism, construction, hospitality, education, and manufacturing. DFCU offers lease and mortgage finance, foreign exchange trade, and money market transfer services. The company has several branches and ATM points cross Uganda.

DFCU was founded in 1964 and became a commercial bank after taking up and renaming the Gold Trust Bank. The bank was listed on USE in October 2004. As of 2021, DFCU had total assets of 3.1 trillion Ugx. Dfcu Bank's net profit shot by 132% to 30.6 billion in 2022 from 13 billion in 2021. The DFCU offer, which included 79,509,743 shares and represented a 39.97 percent ownership in the corporation, was oversubscribed and currently holds the record for the most well-known offer for sale by IPO technique (USE, 2023). The bank's aim is to empower people and transform lives and businesses through creative solutions while the vision is to be the preferred financial institution providing a broad range of quality products to our chosen customer segments (DFCU, 2019). As of 2021, DFCU had ten directors, and eight were non-executive. Charles M. Mudiwa, 49 years old, is the managing Director and Chief Executive Officer, effective 11th April 2023 (Viewer mag, 2023).



Figure 2.4 Development Finance Company of Uganda LTD Head Quarters

2.2.5 New Vision Printing and Publishing Company

The business launched its activities in 1986 by publishing a weekly English paper on Wednesday using the printing press of the defunct Ugandan Times. In 2002, the public limited liability company known as New Vision Printing and Publishing Company was established. When the firm went public on the Uganda Securities Exchange in November 2004, 51 million common shares were issued at a price of 19.66 apiece, resulting in a total nominal capital of UGX 1,002,660,000. (Vision Group, 2023). A right offering was carried out by the firm in 2008, increasing the share capital to UGX 1,503,990,000 and the number of common shares to 76,500,000 at a price of UGX19.66 apiece (Vision Group, 2023). The Government of Uganda, which owns 53.3 percent of the stock, holds the majority of the company's shares, with the general public holding the remaining 46.7 percent. In 2008, the company conducted a rights offering that raised the share capital to UGX 1,503,990,000 and increased the number of ordinary shares to 76,500,000 at a price of UGX19.66 apiece. The company's largest shareholder, the Government

of Uganda, has 53.3 percent of its shares, with the general public owning the remaining 46.7 percent (Vision Group, 2023). Six committees make up the board of the company: the Board and Audit Risk Committee, the Human Resources and Remuneration Investment Committee, the Finance and Investment Committee, the Technology and Innovations Committee, the Editorial Committee, and the Technology and Investment Committee. Each of these committees has representation from one of the company's eleven directors (Vision Group annual reports, 2023). The current CEO is Mr. Don Wanyama, who replaced Robert Kabushenga in 2021. Their ages are 41 and 55, respectively, as of 2021.



Figure 2.5 New Vision Printing and Publishing Co Ltd

2.2.6 Stanbic Bank Uganda Limited

Stanbic bank is the largest commercial bank in Uganda, it holds a license from the Bank of Uganda, valued at 8.7 trillion in total assets and a shareholder's equity at 1.5 trillion (Retail Banker International, 2023). It was listed on the USE in January 2007, trading as SBU. SBU is licensed as a merchant banker, stockbroker, and financial adviser by the capital markets authority, which licensed

USE in 1997 (USE, 2023). With 71 points of exchange and a growing network of automated teller machines, Stanbic Bank Uganda is now the sixth most valuable stock on the USE, with a market capitalization of UGX 1.28 trillion, accounting for around 6.54 percent of the stocks market on the Uganda Securities Exchange (Stanbic, 2023). Stanbic Bank has offices throughout Uganda, including its headquarters in Kampala, where its business and support services are based. The recent initial public offering of Stanbic Uganda Holdings Limited was in accordance with the goals of the government's divestment policy, which aims to end state ownership of numerous enterprises (USE, 2023). An agreement between the government of Uganda and the Standard Bank Group of South Africa led to the initial public offering of Ug Shs 1,023,773 394 shares, or 20 percent of the company's shares. The offer and listing's goals were to increase overall share ownership and give the Ugandan public the opportunity to participate in Stanbic Bank's equity. Additionally, it made it possible for private investors, institutions, and other interested parties to purchase ownership in Stanbic Bank. It provided the Stanbic Bank stockholders with a market on which to sell their shares. A 200 percent oversubscription resulted from the amazing response, which included over thirty thousand applications for three billion shares totaling Uganda Shillings two Hundred eleven billion (African' Xchanges, 2023). Anne Juuko is Stanbic Bank Uganda's current CEO, born in 1981. As of 2021, the company had nine directors where; seven were non-executive.



Figure 2.6 Stanbic Bank Uganda Limited

2.2.7 National Insurance Corporation (NIC)

As Uganda's top provider of insurance and financial services, NIC Holdings Limited, previously known as the National Insurance Corporation, was founded in 1964 as a fully owned government parastatal. Through its special purpose company, Corporate Holdings Limited, the continental insurance juggernaut Industrial and General Insurance Plc (IGI) acquired a majority (60 percent) interest in NIC during its privatization in 2005. (Africa2trust, 2023). In an IPO procedure, the remaining 40% of shares that the government had held following privatization were sold to the general public in 2010. (NIC, 2023). The company went public on the Uganda Securities Exchange in 2014, becoming the only insurer to do so in Uganda (NIC, 2023). The business was reorganized and rebranded as an insurance group, which now consists of a holding company, NIC General Insurance Company Limited, and two vigorous totally owned insurance subsidiaries, NIC Life Assurance Company

Limited (Africa2trust, 2023). NIC General and NIC Life have maintained the group's decades-old reputation for excellence in service delivery. The IPO was 2,123,669,577 shares which generated a capital of 10,618,347,885. Mr. Bayo Folayan is the CEO of NIC holdings and has held that position since 2017. In 2021 the company had total assets amounting to 106 billion Uganda shillings (NIC, 2021).



Figure 2.7 National Insurance Corporation (NIC)

2.2.8 UMEME Uganda limited

Umeme is Uganda's main electricity distribution company distributing 97% of the electricity used in Uganda (UMEME, 2023). The stock shares are listed on USE, and they were listed in February 2012 and as of December 2021, the company's net assets were equal to 2.7 trillion, with shareholders' equity of 893 billion Uganda shillings (USE, 2023). Uganda Electricity Distribution Company Limited was leased by the government of Uganda to a group that included Globeleq by 56 percent and ESKOM of South Africa by 44 percent. This group is what formed and founded UMEME in 2004. A total of 622,378,000 shares, that is 38%,

became listed on USE for trading (UMEME, 2023). Selestino Babungi, who was appointed in March 2015 and assumed his role as CEO of UMEME on April 1, 2015, succeeded Charles Chapman, whose tenure had come to an end (Alchetron, 2023).



Figure 2.8 UMEME Uganda limited

2.2.9 Cipla Quality Chemical Industries Ltd (CiplaQCIL)

CiplaQCIL is a pharmaceutical manufacturing company and was reported to be the only company manufacturing ARVs in 2007 in Africa. The company also manufactures other drugs, including antimalarials. In 2017 the company planned to list some of its shares to USE, and in 2018, it became fully registered on USE under the healthcare category. Ajay Kumar Pal is the company's CEO, appointed in March 2020. Cipla QCIL is traded on the USE under the "CQCIL" ticker. The International Securities Identification Number (ISIN) of USE: CQCIL is UG0000000196. Cipla QCIL is currently the 10th most valuable stock on the USE, with a market capitalization of UGX 256 billion, 1.31% of the Uganda Securities Exchange equity market (USE, 2023). When it went public, Cipla Quality Chemical Industries Limited, which is 62.3 percent owned by Indian company Cipla, hoped to raise at

least Sh168.56 billion through an IPO that started on August 14 and ended on August 24, 2017. The company offered 657.17 million shares at a price of Sh256.5 per share (Independent 2023). As of 2021, CIPLA had 11 directors, of which 7 were non-executives.



Figure 2.9 Cipla Quality Chemical Industries Ltd head quarters

2.2.10 MTN-Uganda

MTN is one of the biggest telecom companies in Uganda regarding customers and assets, with an estimated 15 million customers at the end of 2021 out of the 28.3 million mobile subscribers taking 53% of the market share (Guide2Uganda, 2023). In 2018, the plans to list some of its shares on USE started, and in 2020, it listed 20% of its shares to USE, and the shares were limited to nationals of the East African community. Trading started on December 6, 2021, and MTN Uganda Limited raised Ugshs:535,939,000,000 from the shares. Using the Uganda Securities Exchange (USE), MTN Uganda Limited announced that it would list its 22.4 billion common shares, with trading starting right away (USE 2023). As

per (MTN 2023) the listing has received approvals from the Capital Markets Authority in Uganda and the USE, it was successfully completed becoming the most extensive initial public offering, raising a record UGX535 billion from applications for 2.9 billion shares in Uganda. The current CEO of MTN Uganda is Sylvia Mulinge, appointed in June 2022, replacing Wim Vanhelleputte, appointed in July 2016, making a tenure of 6.8 years. As of 2021, MTN Uganda had a total asset worth 5 trillion Uganda shillings, and MTN had twelve directors, of which nine were non-executives.



Figure 2.10 MTN-Uganda sponsoring Makerere University

2.2.11 East African Breweries Ltd (EABL)

The largest manufacturer of beer in all of East Africa is East African Breweries, which also leads the region in the production of alcoholic beverages and has an extraordinary portfolio of brands. In 1922, it was founded as Kenya Breweries Limited. According to Onyuma et al (2012) EABL established in 1922,

is the group holding company for the majority of the brewing operations in East Africa, with annual revenue of over US \$300 million. Kenya, Uganda, and Tanzania make up the majority of EABL's market in East Africa, though the company's goods are also offered in more than 10 other African nations.

Kenya Breweries, Central Glass, and Kenya Maltings are all fully owned by East African Breweries Ltd. The company was recently named East Africa's Most Respected Company by a survey of East African and Multinational companies conducted by Price Waterhouse Coopers and the Nation Media Group in November 2000. It holds an 86% stake in Tanzania's Kibo Breweries Ltd. and a 93% stake in Uganda Breweries Ltd. (USE, 2023). Jane Karuku is the company CEO appointed in January 2021 to replace Andrew Cowan, who had held the same position for four and a half years. The company had ten directors where eight were nonexecutives in 2018.



Figure 2.11 East African Breweries Ltd (EABL)

2.2.12 Kenya Airways

Kenya Airways was founded in 1977 as a public-private partnership with the Kenyan government as the largest shareholder, holding a 48.9 percent stake.

KLQ Company Limited, which holds a 39.1 percent stake, is the second-largest shareholder, followed by KLM with a 7.8 percent stake, and the remaining shares are owned by private individuals (USE, 2023). Kenya Airways was the second foreign company to list on USE on March 28, 2002, on the Uganda Securities Exchange. Since then, the stock of the corporation has become a "blue chip" on the NSE because of factors like a high level of corporate disclosure, increasing earnings, and the share's comparatively high liquidity (USE, 2023).

KA is currently a public limited liability corporation established in accordance with Kenyan law. The company made the decision to cross-list its shares on the Uganda Securities Exchange in order to advance its goal of becoming a major player on the African continent. This decision raised the Company's profile both locally and internationally (Onyuma et al, 2012). By 2021, Kenya Airways had thirteen directors, of which ten were non-executives. The CEO is, Allan Kilavuka, was appointed on 1stApril 2020 to replace Sebastian Mickosz.



Figure 2.12 Kenya Airways

2.2.13 Jubilee Holdings Ltd

Jubilee holdings insurance is the only insurance company that is ISO certified listed on the East Africa stock exchanges: the Nairobi Securities Exchange, Dar es Salaam Stock Exchange, and Uganda Securities Exchange (ALLIANZ SE, 2023). Jubilee Insurance is the biggest insurer in East Africa, providing insurance services to close to two million people in the region, it is also the most prominent medical insurance provider in Kenya, Uganda, and Tanzania, including for many of the region's blue-chip companies (Jubilee, 2023). The company was listed in February 2006 on USE up to date, and it was founded in 1937. The IPO was 59,895,000, and a market capitalization of 303,614,942,400ksh was projected. By the end of 2021, the company had ten directors, of which eight were none executives. Mr. Javed Ahmed was appointed in 2002 as the Managing Director and Chief Executive Officer of Jubilee Life Insurance Company Limited (Jubilee Annual report, 2017).



Figure 2.13 Jubilee Holdings Ltd

2.2.14 Equity Bank Ltd

Kenyan commercial bank Equity Bank holds a Bank of Uganda operating permit to conduct business in Uganda, it is a subsidiary of equity bank holdings group limited providing banking solutions to individuals and small and medium businesses, its total assets were valued at UGX:2.9 trillion as of December 2021, with client deposits totaling UGX:2.3 trillion and a loan book totaling UGX:1.5 trillion (Equity Uganda 2023). It was listed on USE in 2009 under the symbol EBL. The IPO at the time of listing was 3,702,777,020, and the share capital was 4,602,774,002,481Ksh. The CEO of Equity Bank Uganda is Anthony Kituuka, replacing Samuel Kirubi, who served in that capacity from 2015 until 2022.



Figure 2.14 Equity Bank Uganda Headquarters

2.2.15 Kenya Commercial Bank Ltd

KCB Bank Uganda Limited has a license to conduct commercial banking in Uganda, it is wholly owned by the KCB Group, a financial services conglomerate

with headquarters in Nairobi, Kenya, subsidiaries in Kenya, Tanzania, Rwanda, South Sudan, Burundi, and Uganda, as well as an Ethiopian representative office. It was first established in Kampala, the country's capital, after receiving a license from the Bank of Uganda, in November 2007. The bank celebrated ten years in the country in November 2017, at the time, it had opened sixteen locations, including eight in the capital city and eight in other key Ugandan cities and towns (USE, 2023). The IPO on use was 2,984,137,017 shares, the company had eleven directors as of 2021, and nine were non-executives. Agnes Mayanja Namyalo, a Ugandan banker and business executive, was appointed managing director of KCB Bank Uganda Limited in March 2021 (KCB 2023).



Figure 2.15 Kenya Commercial Bank Ltd

2.2.16 Nation Media Group

The primary objectives of the 1959-founded Nation Media Group are the publication, printing, and distribution of newspapers, periodicals, radio, television,

and digital online goods in the East African countries of Kenya, Uganda, Rwanda, and Tanzania. NMG, which is listed on the Nairobi Stock Exchange, Dar es Salaam Stock Exchange, Uganda Securities Exchange, and Rwanda Securities Exchange, is the largest independent media organization in East and Central Africa (African Markets, 2023). It was listed on USE in December 2010, issuing 188,542,286 ordinary shares. Mr. Stephen Gitagama, 63 years old, is the Group's Chief Executive Officer and was appointed to the Board in March 2008, He is also an executive director of the Group's Subsidiary Companies and a member of the Strategy and Investments, the Nominations and Directorship, and the Editorial Committees (NMG, 2019). NMG had sixteen directors as of 2021, and fourteen were non-executives.



Figure 2. 1 Nation Media Group

2.2.17 Centum Investments

East African Investment Company Centum Investment Company Plc, or Centum, is publicly listed. It is a division of Industrial and Commercial Development Corporation, a government-owned corporation in Kenya. Centum

Investments shares are traded both on the Uganda and Kenyan Securities Exchange. The corporation was established in 1967, went public in August 2011, and sold 665,441,775 shares. By 2021, the company had twelve directors, of which ten were non-executives. Dr. James Mworira Mwirigi (53 years old) is the Group CEO and Managing Director of Centum Investment Company PLC (Centum), a position he has held since December 1st, 2008.



Figure 2.17 Centum Investments

2.2.18 UCHUMI

One of the listed companies on USE that originated in Kenya was UCHUMI, however as of 2015, the business had failed. In addition to market giants Naivas, Quick Mart, and Carrefour, Uchumi was one of several kenyan supermarket chains that operated in Kenya. The company's assets were valued at US\$78.8 million in June 2014, and its shareholder equity was roughly US\$38.4 million. By December 2020, there would only be three shops in Kenya. The management group and board of directors were held accountable for the failure due to weak cooperate directorship practices.