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Business

## Makerere account returns to haunt NIC as it prepares its 'overdue' IPO

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Despite getting the nod from the Capital Markets Authority for its share flotation, the National Insurance Corporation (NIC) still has to allay investors' fears that its liabilities

— top of which is Makerere University's demand for Ush17.7 billion (\$8.87 million) from the insurance firm — could dampen its prospects.

“The response to the IPO is still slow, but those who have come in are mostly asking about the issue of Makerere,” said MBEA Brokerage Services's Isaac Mutebi.

Makerere's run-in with NIC is not a recent case and it has led to several postponements of the company's share flotation and, ultimately, its listing on Uganda Stock Exchange. The university accuses the insurance firm of failure to refund monies to the tune of Ush17.7 billion (\$8.87 million) accumulated from 1996 to 2005 in a pension scheme deal between the two.

In the IPO prospectus, the Makerere debt is listed as one of the specific risk factors, considering that out of a reported Ush34.3 billion (\$17.1 million) fund that NIC controls, half of it belongs to Makerere. This means its withdrawal would significantly impact on the company's operations.

It also turns out that other investors are still in the dark over the IPO because their brokers have not been furnished with logistical information for this transaction in which government and NIC are selling 161,552,000 ordinary shares — 40 per cent of the company.

“We have yet to get information from the Capital Markets Authority and concerned agencies. We haven't got the prospectus nor application forms for shares,” said Edward Ruyonga of Equity Stockbrokers.

But among other things, it is feared that NIC's growing portfolio of liabilities could outstrip its total assets though the company is currently turning in a profit, and has paid dividends since it was privatised.

The prospectus says the insurer's total assets as at end of 2008 are Ush75 billion (\$37.6 million), but its liabilities had grown from Ush27 billion (\$13.6 million) to Ush64 billion (\$32.1 million) in five years.

NIC gives the first priority to Ugandans for a minimum purchase of 2,000 shares in multiples of 1,000. Recent IPOs have shown high appetite among Ugandans in the Diaspora and speculators from the region.

NIC will become Uganda's seventh equity, and the 20th security on the local bourse, which also features five crosslisted companies.

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