

# NIC sells shares amidst intense public scrutiny



## Business

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NIC, a leading insurance provider and risk manager in Uganda, starts its second week of selling shares to the public today with questions still abound about how the company will collect a projected Shs7.2 billion at a time when its image is under fire. NIC is spearheading the sale of government's 40% shareholding fully aware that the long-running controversy over Makerere University's pension funds remains a thorn in its public image and one that could greatly harm any prospects of the campaign being a success.

The company is selling each share at Shs45, with the minimum amount of shares one can buy set at 2000. The Initial Public Offer (IPO) – the financial jargon for giving the public the first opportunity to buy shares - is expected to be closed on February 5. The shares are selling at all the licensed broker dealers; MBEA Brokerage, ReNaissance Capital, African Alliance, Dyer and Blair, Crane Financial Services, Baroda Capital Markets, Equity Stock Brokers Limited and Crested Stocks and Securities Limited. NIC is then expected to list all the 161.5 million shares on the Uganda Securities Exchange on March 25, 2010.

In an attempt to rally investors behind the company, the Chairman of NIC, Oluremi Olowude, says NIC is profitable and the current shareholders can attest to that. "The company has consistently paid dividends since 2005. NIC is one of the most profitably run companies and largest insurance company by net assets," he said.

According to the prospectus, the document that lays the basis under which the IPO will be managed, NIC's gross premium income grew by over 100% from Shs6.5 billion in 2005 to Shs13.7 billion in 2008. It adds that profit after tax grew from Shs981 million in 2005 to Shs2.6 billion in 2008.

Andrew Owiny, the Managing Director at MBEA Brokerage, the lead broker of NIC's IPO, says while the company is profitable, investors need to remember that a share price on the stock market can either go up or down. "This is one of the most successful insurance companies in the country, but as always caution is the watchword.

The share price can go either way," he said.

However, NIC's rosy figures aside, the company's image continues to face a severe hit - an

aspect that will define whether investors buy or shun the shares. For example, the much awaited announcement of the IPO last week was greatly affected by the outbursts of Prof. Tanga Odoi, the Chairperson of Makerere University Academic Staff Association, whose labeling of NIC officials as “thieves” grabbed more of the media’s attention than the pricing of the share.

Makerere remains aggrieved over NIC’s continuous refusal to release the university’s funds, which it manages under its Deposit Administration Scheme programme.

A point in dispute is the value of Makerere’s pension; both institutions continue to quote a different price, an aspect of concern to potential investors. While the prospectus describes the standoff between NIC and Makerere as a “dispute”, it does not mention the value of those funds. “The amounts in dispute have not been disclosed in the Information Memorandum as would be required. However, the amounts in dispute have not been determined by NIC’s actuary,” notes the prospectus.

That’s not all. Insurance companies in Uganda continue to vent their anger over NIC’s monopoly over the management of the Common Market for the Eastern and Southern Africa (COMESA) motor third party insurance scheme. The COMESA Yellow Card is a compulsory motor third party insurance for vehicles crossing borders in the COMESA region.

Insurance companies are contesting the mandate that gives NIC the right to charge commission on the sale of the cards and the management of the funds, arguing that that gives NIC an unfair advantage over the other competitors.

But NIC, in a way, argues that this deal does not contribute much to its books. “In the event that the COMESA account is withdrawn from NIC, there will be no significant financial impact on the profitability of the company,” notes the 176 page prospectus of the IPO.

There are also bound to be some uneasiness over NIC’s timing to launch the Initial Public Offer. The IPO was launched a day before the New Year’s holiday, when the public paid little attention to such important news.

Also, in launching the IPO on such a rare day, NIC becomes the first company in the history of Uganda’s capital market industry to undertake the daring act of selling shares during the hectic festive season when money for such investments is hard to come by.

For example, listed companies like dfcu, Stanbic, The New Vision, sold shares to the public at least more than a month to the festive season as a strategy to tap into the kind of money that would otherwise be wasted on the festive season’s merry-making. The other listed local companies launched their IPOs long after the festive season.

It also doesn't make business sense to sell shares to the public right after the festive season when potential retail investors are preoccupied with bills; like rent and paying school fees. NIC, however, has decided to go against conventional trends. NIC is the seventh company in which government will be divesting its shares to the public. A number of companies such as Kinyara Sugar Works, Sheraton Hotel, could be next in line in the near future.

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