



## Mumias Sugar share: Was the market misled?

By Jackson Okoth

In complete defiance of market fundamentals and predictions, the share price of Mumias Sugar Company (MSC) has been on a downward slide despite the prevailing high liquidity in the market. Which begs the question: Is this poor performance of Mumias shares a case of change in fundamentals within the company or mere market sentiments and mood swings?

At the close of last year, the government offloaded part of its shareholding in Mumias, through a secondary offer, as the market was winding up for the end-year holidays.

Given the high liquidity in the market then, expectations were high that the post-offer price of the stock would certainly go up. The shares were being floated at a discounted price of Ksh 49.50, below a market price of Kshs 55.00.

Interest by investors towards the share was lukewarm, forcing the lead transaction advisers to extend the offer period.

But when the company's half-year results for the period ending in December 2006 indicated a dip in profits, the market's reaction was swift and instantaneous.

When the shares opened for trading, prices tumbled, with retail investors coming out of the market without their shirts.

Did those concerned withhold crucial information from the investing public? Why was the bit about the company recording a decline in half-year profits kept secret? What prompted the company to rush to the market with the offer, despite the fact that the bourse was proceeding for a recess? Was the reason to preempt the impact of the poor half-year results?

These were the questions we put across to investors, lead brokers, the market regulator and the government, a key shareholder in the company.

John E. Kiriimi, the Director of Sterling Securities Limited, says the Mumias shares were not overpriced during this secondary offer.

"What led to the decline in share prices when it opened for trading can be attributed to the poor half-year results and market forces. This had nothing to do with any change in fundamentals within the company," says Kiriimi.

Whether it is an Initial Public Offer (IPO) or secondary sale, the motions that go towards determining the pricing of the share involve the use of various financial models. Among the factors considered are social and technical issues i.e net assets, quality of management and whether the assets are public or private.

Further, a company can use book-making to determine the pricing of its shares. This method is especially appropriate during an IPO, when a company intending to list has no market reference.

Those involved approach institutional investors with the offer, where expression of interest is given. Then, these indicative prices are used as a basis for determining the actual pricing of the share before it is floated.

Protus Sigei, a Ministry of Finance representative at Mumias Sugar Company, says the Mumias share was not overpriced and that it was arrived at after considering the company's average pricing of the share for the (then) last 12 months.

"The price was set on the information available then. Further, the decision to sell more of Mumias shares to the public during this particular period was made by the Minister for Finance (Amos Kimunya) in his (last) June Budget speech. The fall in Mumias share prices after the secondary offer was due to the systematic decline in the overall performance of the market," says Sigei.

The Treasury official maintains that every detail about the Mumias share offer was above board given that the market regulator, the Capital Markets Authority (CMA), is yet to raise any issue concerning the transaction, which implies that the company met all disclosure requirements.

The Capital Markets Act (Cap. 485A), Part II, which deals with Eligibility, Disclosures and General requirements for Public Offers, explains what information may be made available for investors through a prospectus.

Section 4 of the Act says- The Authority may require additional information to be included in a prospectus if, in its opinion, it deems it in the interest of investors to be in a prospectus, supplementary prospectus or information memorandum.

It is still a contentious issue as to whether it was necessary to inform investors that MSC had recorded a decline in its half-year results. The Act now puts CMA on the spot as it is the authority that would have required MSC to produce this information through a supplementary prospectus.

In an earlier interview with *The Financial Post* on how much the regulator should require listed companies to disclose, the Group Chief Executive Officer (CEO) of East African Cables Mugo Kibati had indicated that CMA regulations need to be tighter.

"There is need for clarity on what should be disclosed," Kibati is in record as having said.

Even Edward Ntalami, the CMA Chief Executive, when probed on how much should be disclosed, in his own observation had earlier said:

"The main objective of financial reporting and disclosures is to provide reliable and timely information to shareholders and investors so that they have a sound basis on which to make informed investment decisions."

But whether CMA ensured that these requirements were met by the Mumias share offer transaction remains unanswered.

The role of the CMA has come under scrutiny in recent weeks, especially after Kabete Member of Parliament Paul Muite raised a red flag about the goings-on in the market.

Suggestions have been made to the effect that CMA should now move towards meeting best international practices.

This includes the introduction of a new corporate governance code and a requirement for companies to begin reporting on a quarterly basis. If this provision was in place, perhaps investors would not have gotten their fingers burnt.

Worldwide, the best-regulated markets have made quarterly reporting mandatory. Even locally, commercial banks are required to make quarterly reporting by the Central Bank of Kenya (CBK).

The push for better disclosure could pay dividends but the pressure towards this direction must come from the regulators rather than investors.

Meanwhile, Mumias Sugar is still considered a well-known household brand, owing largely to its huge advertising blitz and marketing campaigns.

It is also the largest processor of sugar in Kenya, producing almost 50 per cent of the sugar demanded locally which stands at 600, 000 tonnes a year.

Before it reported a dip in half-year pre-tax profits, the company had reported a 6.5 per cent increase on its sales in the year ending June 2006, resulting in a pre-tax profit of Ksh 2.2 billion.

Its net earnings rose 18.3 per cent from Ksh 1.3 billion in 2005 to Sh.1.8 billion in 2006 despite a 1.25 per cent drop in the amount of sugar produced.

The company's half-year financial results for the six months ending in December 2006 indicates that MSC recorded a decline in pre-tax profits to Ksh 627 million down from Ksh 1 billion over the previous period.

This was a slow down considering its income statement for the year ended June 30, 2006 showed a pre-tax profit of Ksh 2,219,889,000 compared to Ksh 1,798,326,000 in 2005.

"This decline in performance was due to factory breakdowns, cane fires and drought which adversely affected our operations. Towards the end of the year, heavy rains made it difficult for us to get cane from the fields. As a result of the drought, we ended up harvesting low-yielding young canes, leading to low production," says MSC CEO Dr. Evans Kidero.

But, despite its modernized processing plant and increased capacity to process 380 tonnes per hour, this has not translated into better fortunes due to inadequate supply of cane. Further, Mumias Sugar and all other factories face an uncertain future were the domestic market to be opened to imported sugar from the Common Market for eastern and Southern Africa (COMESA) region.

Reports indicate that Mumias' assets are also not fully exploited, which translates into a reserve capacity that would be useful if cane production is increased.

Persistent drought and industrial problems, especially with outgrowers and cane cutters, continue to present serious challenges to Mumias, particularly in ensuring that it has enough cane supply for processing.

This explains why the company has ventured into expanding its cane production to the Tana River basin. MSC is also undertaking a project in power generation that is expected to add 34MW to the national grid.

The fuel for the power plant will be bagasse, a by-product from the sugar mill. The power will be sold to the electricity distributors such as the Kenya Power and Lighting Company Limited (KPLC) and be used in the company's operations, thus saving on energy costs and, therefore, running costs.

The company's raw material- cane sugar- grown in Western Kenya is very dependent on weather patterns, unlike other regions where it is grown under irrigation. Unfavourable weather would result in low harvests and poor quality cane that adversely affect the company's productivity and profitability.

Poor road infrastructure increases the cost of transporting the cane to the mills, therefore, increasing operating expenses.

High-energy costs, especially oil prices, have continuously put pressure on production costs and resulted in depressed profits. This problem will be partially contained once the power generation plant is operational.

Competition in the local market is stiff as other millers have adopted the branding of their sugar packages; this has ensured their sugar is not seen as inferior to that of Mumias. This has also depressed the company's profitability margins.

## Kenya gets first digital terrestrial TV

By **Guchu Ndung'u**

At his office in Westlands, Nairobi, a huge door leading to a balcony lets in fresh air from the trees outside Kass Khimji's office.

"That is the kind of freshness we bring to the television industry in Kenya," says the 28 year-old as he gestures towards the horizon, taking a deep breath to signify the fresh air.

Kass and his partners have invested US \$2 million (Ksh 140 million) in Oxygen Digital Television (ODTV), arguably the first wireless terrestrial digital pay TV service in East and Central Africa, and are counting on the air to remain oxygen.

Pay TV is where a viewer pays a certain amount of money within a stipulated period for purposes of receiving agreed upon programmes or channels.

ODTV provides viewers in Nairobi and its environs with 7-8 digital channels of international television entertainment 24 hours a day while using a single television frequency.

"The digital signal allows viewers to watch television with DVD like picture quality and CD like sound," says the ODTV Managing Director (MD).

Subscribers purchase a decoder at Ksh 4,999 and pay Ksh 999 per month as subscription fee. The decoder is then connected to the normal Ultra High Frequency (UHF) antennae. Other pay TVs use either satellite or cable to receive signals.

ODTV, according to Kass, is targeting the middle income segment of the market.

"Previously, this market has been left out by other pay TVs," offers Kass.

Since its inception last year, ODTV has netted over 2,000 clients and is growing at a rate of 200 clients per month.

The idea was conceptualized when the journalism and economics graduate and three others were contemplating on investing in the media in 2004.

"After brainstorming on different ideas, we realized that the middle income was completely left out of entertainment and pay TV. We therefore decided to focus on that," Kass relives. Though reluctant to name other partners in the venture, he nevertheless offers that they are all Kenyans.

The partners' next onerous task was raising capital and they hit the financial circles. Unlike many other start-ups that complain of inability to access funds, they managed to raise 'substantial amounts' from Kenya's banks.

The rest, the MD reveals, was raised from each of the partners' private investments.

"Our business plan was well thought-out and worked out to the last detail," he explains the reason behind their success in raising capital.

Though the Communication Commission of Kenya (CCK) has borne the brunt of accusations including being overly bureaucratic, Oxygen's experience with the country's regulator 'was not bad.'

"There were just normal vetting procedures. We paid an annual fee of Ksh 360,000 besides having to abide by the regulations," recalls Kassim.

Among the regulations include locating their transmission mast at Limuru, where CCK has set aside as the transmission grounds for all stations in Nairobi and its environs, and airing 'decent' content.

Due to the technology needed, the partners' major challenge was not only getting it right with inadequate infrastructure, but also learning from their mistakes.

"No one had established a digital TV in the region and thus there were no models we could learn from. We learnt by the ropes."

Two years after the idea was through out, Oxygen TV went on air in September 2006, and, according to Kass, the response was 'overwhelming.'

"Though most did not understand the concept, when we explained it to them, they (snaps his fingers) subscribed."

Currently with 26 employees and hoping to double the figure in the next few months, Kass reckons that in the company's radar are expansion and growth prospects in customer subscription.

"The hunger for entertainment especially in the capital city is huge. Our estimate is that urban viewership base for Nairobi and its environs are approximately 3 million viewers. The middle income segment of this has barely been exploited."

ODTV buys content from major broadcasters and channels including the British Broadcasting Corporation (BBC) and, though he is cagey with details, reveals that 'content buying is the bulk' of their investments. "Statistically, viewers only watch between 6-8 channels even if they have many more. Our intention is to focus on providing 6-8 channels with quality entertainment as opposed to having numerous channels with mediocre programming."

Subject to the approval of CCK, the company also plans to expand its reach to the Coast and Western Kenya regions by the end of this year and, regionally, Oxygen is eyeing other East African countries of Tanzania and Uganda by the end of 2008.

"Our challenge is growth. Like most start-up businesses with a good market potential, we are beginning to focus on growth very early on. It is almost as if we are playing catch up with the market because the demand for our service is very high," says Kass who undertook his undergraduate studies in the University of Ottawa, Canada.

The MD returned from Canada in 2003 and worked as a consultant with a local bank before quitting to venture into businesses and ODTV in 2006.

And Kass, a theatre enthusiast and accomplished actor, confesses that he is living his dream.

"I love theatre, film and music. My hobby is my business," says Kass sporting a bright cardigan.

His hope is that Oxygen will remain in the air forever for them to recoup their investments and leave a mark in the TV industry in Kenya.

## Pay TV market in Kenya

A relatively unexplored new niche market, pay TV is dominated by Multichoice Kenya, a joint company between the national broadcaster, Kenya Broadcasting Corporation (KBC), and Multichoice Africa.

The company, which broadcasts using satellite dishes, however, faces competition from cable TV companies like Cable Television Network (CTN) and Mitsunet.

According to Multichoice Kenya General Manager Richard Tembedza, the penetration of pay TV in Kenya is currently about 1.6 per cent of TV households and there is more potential.

"Penetration by the pay TV operators tends to be low internationally ranging between 15 per cent and 20 per cent in developed countries. We believe penetration will increase quite rapidly but it is unlikely to reach the international benchmark of 15-20 per cent for some time due to income disparities and lower per capita income in the Kenyan environment," points out Tembedza.

Tembedza, however, adds that the market is increasing fuelled by the current economic growth which is availing more disposable income to previously tight budgeted households.

"We have been growing at an average of 14 per cent to 20 per cent per annum for the last five years," says Tembedza, a Zimbabwe national.

Acknowledging emerging competition from other pay TV channels and alternative entertainments, he is confident that Multichoice will shake off the competition.

DStv, Multichoice's pay TV brand, currently offers consumers a premium package with over 50 video and 20 audio channels.

"We have also launched a Personal Video Recorder and Decoder (PVR) which is a state-of-the-art innovation that allows you to watch two different DStv channels on two different TVs at the same time, while recording a third. You can rewind and has slow motion playback functionalities and also the ability to pause live television. We are ready for competition."

Pay TV has often borne the wrath of Kenyan film makers with most accusing it of only showcasing Western movies and programmes and they are not taking it while lying down.

"We have started an African movie channel and each year we fund selected Kenyan filmmakers after evaluating their scripts. For instance, last year we funded a US\$ 100,000(Ksh 7 million) short film," says Patricia Mbatia, the public relations officer of Multichoice.

"We intend to have an Africa-only movie channel, with predominantly Kenyan films very soon. Even currently, we are working on a Kenyan sitcom," counters Kass of Oxygen TV.

## Nairobi's ray of hope

By **Mwangi Maingi**

It is five years since Martin Kibunja left the City of Nairobi, his home since birth, for the United States of America for further studies.

After he was through with the studies, he eagerly wanted to return to the city and upon arrival, could not hide the surprise in his eyes at a welcoming bash held at a restaurant within the city centre.

"When cruising around the city last week, I realised that while some people's glory 'is gone', the 'glory is here' for Nairobi City. Kudos goes to the city godfathers for the work they are doing," said Kibunja borrowing heavily from televangelist Margaret Wanjiru's Glory is here TV programme.

Nairobi is fast regaining its past glory and it is a matter of time it regains its title 'the City in the Sun'.

The tree planting exercise dubbed the 'Nairobi city beautification programme' falls under the Nairobi City Council (NCC)'s Department of Environment, which is charged with the cleanliness of the city, its beautification and greening programmes.

Over the last two or so decades, the city has witnessed a marked degeneration in various aspects of the environment, key among them, the depletion of the greenery in the city.

The programme is an example of the public-private partnership, whereby the Nairobi Central Business District Association (NCBDA) is partnering with the city council. NCBDA chairman Wafula Nabutola reveals that it is the business community within the city centre which spearheaded the project, driven by the association's motto: Improvement through action.

Alarmed by wanton tree cutting across the country a decade or two ago contrary to the national motto which states that for every tree cut, two should be planted, the association opted to not only urge but also partner with the city council.

Indeed little has been achieved in line with the motto if the country's forest cover is anything to go by. Currently, the country has a forest cover of less than 2 per cent which is by far less than the internationally recommended minimum cover of 10 per cent.

Listen to Nobel Laureate Wangari Maathai, the leader and founder of the Green Belt Movement, Kenya, during a past interview on benefits of trees: "Trees are undoubtedly important not only for beauty, but also for the value they add to the environment. Besides absorption of Carbon Monoxide released from fuel exhaust, trees provide a cooling effect to the atmosphere, rescuing many from the vengeance of the scorching sun who find solace in the shades."

But, according to the city's business community lobby group, the beautification exercise does not only have the aesthetic effects on the city's residents and visitors, it also has a functional aspect of stimulating investments due to the attractions of a good business and healthy environment.

"A clean, attractive and well-maintained city tends to be paramount to attracting and retaining business, generating wealth for the already established businesses and thereby creating employment for the jobless," Nabutola says.

The NCC Director of Environment Leah Oyade reveals that more than 8,000 seedlings have been planted as part of the beautification programme that commenced more than a year ago. Initially, the initiative had targeted major entry points to the city centre through Waiyaki Way, Uhuru Highway, Thika and Lang'ata roads and the Central Business District.

"This has been expanded to other areas with the number of trees planted increasing on a daily basis. For instance, along Waiyaki Way, the council has so far planted 700 Nandi Flame trees, 650 bougainvilleas and 560 grevillia. Along Chiromo Road, about 170 grevillia and 150 bougainvilleas have been planted," says Oyade.

A report availed to *The Financial Post* by the council indicates that along Mombasa Road, the council has planted 420 ficus benjamina trees and 100 casuarina equisetifolia. Along Uhuru Highway 100 bushes have been planted with the CBD having 250 bushes and palms replanted in flower tubs and 115 assorted trees.

To compliment the tree planting project by the council, there is also the ongoing painting and marking of roads, numbering of the city's buildings and renovation of city clocks within Nairobi.

However, as the saying goes, all that glitters is not gold; a businessperson who spoke to FP on condition of anonymity sides with critics of the tree planting exercise terming it detrimental to the safety of the public and business premises once the trees are overgrown.

According to the businessperson and other critics, some trees, especially those that have seen better days, hang dangerously by the roadside with their sturdy trunks becoming a haven for idlers such as muggers while some develop stumps, which create bumps on the road.

"While some trees grow well formed canopies over roads and rest places, there are those that have fallen on cars causing serious damage and injuries to innocent members of the public. Those that are not well tended risk intertwining with electricity cables posing an even grave danger to the public," he says.

Nabutola admits the trees pose a challenge to the partners but with proper maintenance such as constant pruning it can be overcome.

The chairman re-emphasizes the need for public awareness on the importance of taking care of trees.

The council confirms that there have been arrests of suspects over alleged illegal and unnecessary felling of trees besides putting in place stringent procedures and enforcement mechanisms.

"We have initiated a programme to enhance public awareness on taking care of trees and flowers through messages erected on major highways and designated parks," states Oyade.

To ensure that the trees do not damage the floors of the premises around, the council is opting for tree species like the bougainvillea, which has extremely weak root system, for planting along the pavements.

Other beautification goodies on the way include the maintenance of existing parks, improvement of NCC open spaces and control of movement in leisure parks, among other renovations.

However, Nabutola says more information sharing is needed as some of the users are not necessarily born in Nairobi and chances are that they can get lost along streets and corridors.

"There is need for as much information as possible about Nairobi City in terms of location of streets, avenues, parks, parking places, stadiums, recreational centres, public and private institutions. This would benefit the business community since there would be less cost of advertisement and more returns," he says. He adds: "With adequate information, city users including local and international tourists would feel at home."

On the illumination of the city streets and pavements, Nabutola says the programme aims to improve both the beauty and security of the city.

"This way, businesses would operate day and night as clients are guaranteed of their security. We would, therefore, have a group of people working in the day and another at night. This would create more employment opportunities for a larger number of the currently unemployed Kenyans," Nabutola says.

The progress of the tree planting and beautification initiative is promising especially to the business community although still a lot remains to be done.

Nabutola says the insufficiency of public amenities like toilets and dumping sites are some of the issues that the business community in the city still feels are yet to be tackled.

"With only 14 public toilets in Nairobi, a city with over 4.5 million people, efforts to ensure cleanliness along the streets and pavements may be hampered," warns Nabutola.

While admitting that a lot is still required, however, Oyade reassures the public by noting that the council has managed the problem fairly well through the support of private refuse collection enterprises and construction of more public toilets.

The mushrooming of refuse collection firms has, however, created another problem: uncontrolled and haphazard dumping. Due to this development, the NCC Director of Environment says the council through the department of environment has formulated and implemented a policy on private sector involvement in solid waste management.

According to her, it is hoped that with the comprehensive Environment and Management Co-ordination Act 1999 put into operation and the constitution of the Board for its administration, it will form a new section to address environmental matters.

"There is, however, the need for the private sector and entire public to support the council's efforts to retain its lost glory."

In this effort, Safer Spaces and Streets Day was created as one of the key flagship activities of the Safer Spaces and Streets Campaign launched in March 2006 by Local Government Minister Musikari Kombo as part of the city council's beautification programme.

Spearheaded by the private sector, the campaign is a communications strategy for upgrading the city's public spaces in Nairobi such as market development, lighting and upgrading of recreational facilities.

All this said and done, as to whether Nairobi, the City in the Sun will shine again in the face of the NCC-NCBDA partnership, only time will tell.

## **Shilling-a-day Project: Enabling communities take charge**

**By Mwangi Maingi**

Myth or truth, it is said that women in Nyeri would (traditionally) never get married without being shown a stock of stored maize for planting. Every homestead had maize seeds kept in *Thingira* (traditional Kikuyu house). This special maize was never utilised except for planting.

The example of maize traditionally stored exclusively for planting among the Kikuyu women would be seen as a traditional way of sustaining food supply for the Kikuyu community around the area.

It aptly captures the spirit of endowment fund building. The principle amount is never spent; rather it is the yields or returns that are utilised for the purpose of development.

Ten or so years ago, Kenya Community Development Foundation (KCDF), a Kenyan public foundation that helps communities and other non-profit making organisations to mobilise endowments for development, was established.

According to its Founding Chief Executive Officer, Monicah Mutuku, the foundation was started from scratch since there were no resources for an office. It ran as a project under the Aga Khan Foundation.

"With the Aga Khan Foundation as base to work on, the next thing was to embark on grant-making judiciously since the public had high expectation on us handling grant funds. Hence we had to ensure that we keep high levels of governance right from the onset," Mutuku says.

The idea of setting up a permanent endowment funds for communities, according to Mutuku, was a new, thus a challenging task for the blossoming foundation.

The Ford Foundation, a charitable foundation based in New York City, created to fund programmes that promote democracy, reduce poverty, promote and advance human achievement, came to its rescue and committed the equivalent Ksh 50 million as a challenge fund.

Over the last ten years, the current KCDF Chief Executive Officer Janet Mawiyoo says the institution has attracted a range of other supporters including Commonwealth Foundation, the World Bank, Bernard van

leer Foundation, International Development Research Centre (IDRC), Plan Kenya, Rockefeller Foundation and United Nations Development Programme (UNDP).

"We have developed local credibility where non-profit institutions engage in discussion on how to position themselves to achieve long-term missions and development roles, when external aid may not be forthcoming," Mawiyoo says.

This has been achieved through a matching formula where community groups could be matched on a shilling-for-shilling basis as an incentive to get them to start an endowment fund.

Among the first group to recognise and take advantage of the opportunity was Hope Trust Fund (HTF). Formed in 2002, it comprises of a group of professionals working in Nairobi in a mission to support disadvantaged communities in the poorer areas of Nairobi.

HTF finances the education of children affected by HIV/Aids and facilitating income-generation of disadvantaged families through microfinance institutions.

By the end of 2002, the fund had raised Ksh 3.5 million, which they used to set up an endowment fund through fundraising from friends, company executives and supporters.

"With the permanent endowment, we are able to guarantee the support of some community initiatives on a continuous basis, without always having to hold a harambee every year," says Catherine Gachukia, the chairperson of HTF.

Another beneficiary of the shilling-a-day project is Genesis Community Development Assistance (Genesis CDA). Registered as a non-governmental organisation (NGO), it was formed in 1992 by a team of professionals as a movement called 'Operation Back Home'. It is made up of 4,000 people from the three districts of Ukambani - Mwingi, Kitui and Machakos.

"We realised that our donors, who had supported us for years, were not going to be there for us for ever. We had to take action to ensure sustainability before our partnership with them came to an end," says Bishop Robert Mutemi, the Executive Director of Genesis CDA.

By December 2006, the shilling-a-day project, according to Mutemi, had mobilised more than Ksh 500,000, hence became eligible to set up an endowment fund with KCDF. The project was based on the fact that even the poorest member could raise that amount.

"There is the need to sensitise the community to change the mindset of dependency from donors and start viewing themselves as their own donors," Mutemi adds.

South Imenti Development Association (SIDA), under the founding patron and Minister of Energy who is also the area Member of Parliament Kiraitu Murungi, has also been a fund-building partner with KCDF.

The community, in 1993, decided to confront the pressing problems such as access to education by all, food insecurity among others. For years, the community depended on harambee, contribution from well-wishers and local leaders to raise fees.

SIDA decided to raise money through contribution from primary school and secondary school parents each contributing Ksh 50 and Ksh 100 respectively. According to Cyprian Riungu, the chairman of South Imenti Sustainable Education Fund, a project of SIDA, the community was able to raise Ksh 5.8 million as the initial principal capital for endowment through harambee and professionals working in Nairobi.

"We need to discover, as a nation, that we suffer from poverty of ideas. There is a lot we can do if we embraced solid principles as building endowments. As a nation, had we put aside a fraction of money raised from *harambee* into endowments, we would stop knocking doors for donors," Riungu says.

What qualifies a community to set up an endowment fund with KCDF?

According to Mawiyoo, the community or group has to be consistent with KCDF's own mission. Beneficiaries of the groups' work or project should be the wider community in a defined geographical area and not an individual.

"A minimum of Ksh 500,000 is required to set the endowment fund. This acts as the capital principal to get one both started and register as fund builder," she says. Fund builders are, therefore, encouraged to be prepared to invest for longer periods such as five years to get significant returns.

Setting of the endowment fund is eligible to a group of individuals, corporate companies, community-based organisations (CBOs), NGOs, faith-based organisations, trusts or any group of organised citizens focusing on addressing an aspect of poverty," Mawiyoo says.

However, there have been challenges towards the Foundation in regards to past corruption cases and mismanagement of public funds for personal gain. As a new initiative, Mawiyoo says, they had to build public confidence as it viewed every new initiative with suspicion.

To ensure that the institution facilitates objective operations, proper legal framework has been put in place, a system that shields it from manipulation by unscrupulous individuals.

An entity, KCDF Trust has also been put in place to facilitate growth. It also manages the endowed resources for both the Foundation and other organisations that have taken the endowment route.

"We hold all funds and assets destined for the KCDF and manage the endowment, which currently stands at \$1.7 million (Ksh 120 million). The Foundation has so far made grants worth over \$28,671 (Ksh 2 million)," reveals the Trust Chairman Eng. Isaac Wanjohi.

Mawiyoo says major areas KCDF has focused on include institutional capacity development, education, youth development, HIV/Aids and food security.

“Early last year, a concept of theme funds was introduced to enable individuals, organisations or corporate companies wishing to support various aspects of development choose between joining an existing theme fund or establishing a new one,” Mawiyoo says.

So far, KCDF has launched a Food Security Challenge Fund, the Endowment Challenge Fund and a Girl Child Fund. The funds, according to Mawiyoo, are structured in such way that they have two components, an endowment component through which funds are invested and grown in perpetuity and grants from donors to specific projects.

Various companies have responded to the call for assistance and offered various levels of contribution towards the challenge funds. They include Safaricom, Mabati Rolling Mills, NIC Bank, Prime Bank, Old Mutual Asset Managers, Kenya National Commission on Human Rights, Popote Wireless, Agricultural Finance Corporation (AFC), Corporate Insurance, Kingsland Court Trusts and Benefits Services Limited, APA Insurance, AAR and Access Kenya.

“This is a call to the corporate and individuals to note that community services are an important part of what they are. Sponsoring community development is a responsibility that professionals, technology and even the government cannot manage on their own. It should be the satisfaction of knowing that they are not just supporting community development, but rather growing with it,” Mawiyoo concludes.

## Entrepreneur

# Youthful entrepreneur who dreamt big

By Samwel Kumba  
and Dennis Orioki



Deciding to go into business is the most crucial decision a prospective entrepreneur has to take. Indeed shunning employment and opting for self employment might be a difficult choice but one Ananda Mishra believes that all it needs is motivation.

According to Ananda, the Managing Director of Solution Wizards Limited, an information technology(IT) company, potential entrepreneurs will become businesspeople only when they invest and own an enterprise, say, a manufacturing venture, a trading firm or service establishment.

Solution Wizards imports its products from both China and Dubai including desktop and laptop computers and a whole range of IT products like computer hardware, USB flash and memory stick and disks, memory card series, MP3 and MP4 players, multimedia headsets as well as card

readers.

Ananda explains: “We stock a whole range of IT products you can imagine of. Talk of CD-R and relevant media, DVD burner, or commercial duplicators and computer hardware’s including RAMS and power cables.”

The company also offer IT services like complete office networking and the state of the art utility tools and wear.

“Our partner factory in China has a dedicated team of over one hundred people working in the R&D department to make products that not only compliment your looks, but serve a purpose making sure that you never have to carry so much data with you ever. Our MP3 Sunglasses serve 3 purposes: Shielding your eyes from harmful UV, allowing you to listen to over thousands of your favourite songs and talk via your cell phone wireless,” says Ananda of their revolutionary product.

The Sunglasses come in built with a universal blue tooth that will work with any blue tooth enabled cell phone. So all one needs to do is put on your sunglasses and go for one long drive.

Ananda terms an entrepreneur as a person high on life, often hating the fact that they have to ‘waste’ part of their life in sleep. According to him, these are people who are always thinking about business. Their passion shows in all they do and they rarely lack energy when it comes to following up on a new idea. “Business is about negotiations and how to manage your funds. Entrepreneurs always ask themselves what their long-term goal in business is as well as their exit strategy,” explains Ananda, a go-getter who believes in his parent’s blessings and God in everything he does.

“Where other people see disaster, entrepreneurs see potential. When others think it cannot be done, entrepreneurs find at least half a dozen ways to get it done. When entrepreneurs think of challenges, they

also get shivers down their spine, but they are not shivers of fear, they are tingles of excitement,” observes Ananda.

Ananda’s entrepreneurial skills were eminent even as a young student at Nakuru’s Jamhuri Primary School. He could buy books at Ksh 10 and sell them at Ksh 15 thereby making a Ksh 5 profit. This, he did in the morning and after classes.

As a young ambitious boy then, Ananda had ‘two’ dreams-becoming a pilot and a businessperson. Today, he says, he has at least achieved one of the dreams- becoming a businessman-but has not given up on the other-becoming a pilot.

Ananda started Solution Wizards Limited in 2005 and, in a relatively short period, the company has certainly set the pace in provision of quality products and dedicated service throughout East Africa.

“We also have established offices in two of the largest business hubs in the world-Dubai and China-alongside the formation of strategic partnerships with other organizations throughout Europe,” explains Ananda, who holds a Bachelor of Commerce (B.Com) degree in Accounting from England and ACCA and CPA from Kenya’s Oswal College.

The young MD tells *The Financial Post (FP)* that he has in mind nothing short of becoming a pioneer household name in provision of information and communication technology (ICT) products and services.

He explains: “I am not thinking of becoming a successful entrepreneur by just being able to pay my bills and not having any debt. I am talking about becoming an industry leader, somebody who is looked upon as the foremost expert in the field.”

Following his aggressiveness and courage, Ananda his friends nicknamed him *Simba*, Kiswahili for lion. It was no surprise when two years ago, during his birthday celebrations, his friends sent him a lion curving as a present. It rarely leaves his office table.

Inadvertently, Ananda truly believes in himself accomplishing anything he sets his mind on.

He explains: “Any entrepreneur without confidence is doomed. Confidence comes from believing in oneself. If you believe you can, then you have all the confidence in the world. Always try pushing yourself to do just a little bit more than you are comfortable with each day. Before you know it, you will be doing things that were once well beyond what you ever thought possible. If anything, no matter how successful a person may be today, they probably started out with little or nothing.”

### **Challenges**

Ananda appreciates and is always ready for competition but he says the field is not level. Occasionally, swindlers, cowboys and hoodwinkers constitute the bulk of his rivals’ team. They often trade in counterfeits.

“People sell illegitimate and ill-gotten products at throwaway prices create unfavourable competition in the ICT market. But that has never shaken us and neither have we given up on quality. We appeal to the government to come to our aid as we endeavour to improve our services and provide variety,” appeals Ananda.

He, however, says that the piracy cowboys come and go, arguing that through Solution Wizards’ legitimate sources of products in East Africa, Dubai and China, they aim to beat them (cowboys) both through quality and pricing by negotiating with the suppliers for good deals.

His staff espouses customer relations.

“We can walk out of the office with them, have coffee and share in a more informal way,” he says.

Indeed by the time *FP* caught up with him close to his office, he was out of the building seeing off one of the customers.

Ananda, who also doubles up as the head of sales, attaches great value to his customers.

“I often discuss with our customers their needs as I emphasise on the quality and reasonable pricing of our products,” says Ananda.

That is why the company often offers short training to their retail customers, a service that has enabled the company gain acclamation in the market.

“Word of mouth has been our strongest marketing tool. We owe it to our customers. One customer can bring up to six other customers,” he explains.

Ananda says that acquiring capital to start a business is often a major challenge. He could not access bank loans for his wherewithal which made him rely on his savings and that of his father. When the business needed more capital, he had to look for business partners. They are today comfortable with their business and shun ‘expensive bank loans.’

With an initial capital of Ksh 150,000, Ananda was in business. Later, as the company grew and he needed more funding, he re-invested the profits and with more input from his partner, they hit an all million mark. The company has since grown far and wide.

Just like Ananda’s father used to save as little as Ksh 10 when it mattered before he retired from Nakumatt Supermarkets, Ananda is today convinced that a penny saved is a penny earned.

And his father, Mistra, is currently Ananda’s chief advisor and has inculcated in him the saving culture.

"My parents have a share in anything I do and they would like me to follow their footsteps which I am. My dad has always been my role model since my childhood. In fact, my parent's support has contributed to what I am today," the businessman elucidates.

Adding that delays in clearing their cargo at the ports of entry slows their business, Ananda urges the relevant authorities to hasten the process while also addressing the issues of insecurity.

### **Expansion**

Currently, Solution Wizards has three branches in Nairobi with the headquarters located along Mombasa Road.

"We are soon opening two more branches in Nairobi; one in Parklands and the other in Muthaiga. We are planning to open up more outlets in major towns including Mombasa, Nakuru, Kisumu, Nyeri, Eldoret and Meru. In the East African region, we are due to open one in Tanzania," reveals Ananda.

They are also ready to assist any customer who would like to import products.

"With the help of our strategic partnerships with overseas manufacturers whom we represent in Africa and the Middle East we can deliver fast service right to the door steps of our clients. Further more, we partner with very leading and reliable freight partners who give us exceptional rates, which we pass on to our customers making us a one-stop solution provider for all the overseas purchases," he explains.

And as the interview comes to a close, Ananda has one word to potential entrepreneurs, "You have to constantly re-invent, fine-tune and build an idea. If you are not totally committed, do not even start. Otherwise there is no reason you cannot succeed. Note that the kind of success I consider to be nothing more than a dream right now can be yours. But only if you have what it takes!"