



*(TransCentury Chairman Zephania Mbugua (right) with the CEO, Gachao Kiuna, after addressing a press conference at the Norfolk Hotel, Nairobi, where he announced the listing of the company at the Nairobi Stock Exchange) (Article In Courtsey of Business Daily Online Edition)*

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Once, they were a preserve of old rural women who periodically met and collected money for one of the members in what was known as merry-go-round.

Investment groups — also known as chamas in Kenya — have since the 1980s changed and attracted membership of younger people irrespective of their work or profession.

However, the challenge of their informal nature has remained even for a group of known names including Jimnah Mbaru, Joe Kamau, James Kahiu and the late James Gachui.

According to TransCentury's chairman Zephaniah Mbugua, the four and others — after coining the idea to start an investment group on one of the golf courses in Nairobi around 1995 — also faced the same hurdles as the thousands of informal investment groups, especially during the company's early years.

"Initially there were about four gentlemen on one of the golf courses playing and discussing what we could do with our investments," Mr Mbugua recently told a forum organised for investment groups. "We were among a group of seven who started TransCentury."

Origins Investment Group Advisers and Chase Bank Limited organised the event.

"We felt we could have a greater impact if we came together and put our money together," he went on. "As discussions continued, we had similar challenges of what time and where to meet, for example, and decided that with or without golf those who were serious must meet."

Mr Mbugua said that after meeting times were set, the group of friends set a target to raise Sh50 million through their own funds and by recruiting friends in one and a half years.

"We ended up at about Sh14.3 million and it got to a point where we said we must start a company," he said, explaining that the recruiting formula was such that each person was only allowed to bring in one of their friends — to avoid a situation where a member brought all their friends.

"When I look back, probably this was one of our greatest decisions," said Mr Mbugua adding that this also helped bring in investors from diverse backgrounds who helped to build the company through their expertise.

Adding to the unique challenges facing investment groups, the company also wanted to keep a low profile due to the poor investment climate in the 90s partly explaining why TransCentury made a rule that no politicians would be allowed in as investors.

"Politically at the time you had to play very quietly and we did not want to be known," he said. "This was the way Kenya was then...We also learnt very quickly that we needed to use professional organisations."

Mr Mbugua says that the move helped assess investment opportunities and provide much needed advice.

He said that one of their first investments was East African Cables but since it was a public company, the venture also brought them into the public domain.

"We also invested in Castle Breweries and made money in the process but did not have a say," said Mr Mbugua.

This was an investment we went into without control but it was a learning process."

He adds that their lack of control did not allow them to influence decisions.

The company, which is betting big on its stake in Kenya-Uganda Railway Holdings had Sh9.43 billion in assets, made Sh6.79 billion in revenue and Sh468 million profit after tax as at December 2010 with the bulk of its investments in electric cables and transformer companies in Kenya, Tanzania, Democratic Republic of Congo, South Africa and most recently Zambia.

Mr Mbugua said that another of their main challenges was managing the large number of investors — who now were now more than 20 making it difficult to make decisions quickly — adding that investment groups needed not only to become professional but also select a board of directors as representatives of other shareholders.

"What starts off as an entrepreneurial culture needs to be professionalised. As long as you want to run chamas as a hobby, there will be no growth," he said. "You need to have someone manage it but it requires good timing as to when it is right to have a management team."

He says that survival of a chama was dependent on member's commitment.

Mr Mbugua said that TransCentury has never benefited from any political connections, otherwise, such patronage would have helped the firm win a tender case they filed against Kenya Power in 2006.

Tony Wainaina, Origins Investment Group Advisers chairman said that investment groups — which control about Sh80 billion in assets — play a major role in wealth creation but they are disorganised and fragmented, adding to their high failure rate. "They need to have strong governance structures and clear strategic plans, which will serve as a road map to where the group is going," said Mr Wainaina, adding that it was also important to have shareholder agreements.

Mr Wainaina said that other causes of failure include not separating management from membership, weak leadership and lack of distinction between business and personal relationships.