

RADAR SCREEN MUGAMBI MUTEGI

Q&A New TransCentury chairman explains Kuramo Capital's move for firm going through a rough patch

Why US-based fund placed a big bet on TransCentury

Early last year, TransCentury found itself in a financial knot as its Sh8 billion bond (inclusive of interest and exchange rate impacts) fast-approached maturity. As the investment firm negotiated with its bondholders, New York-based private equity fund Kuramo Capital came to the rescue, making an equity injection of \$20 million (Sh2 billion) in exchange for a 25 per cent stake. These funds were wired to the bondholders, who also took a haircut of a similar amount, leaving TransCentury with a Sh2 billion obligation payable over three years. The *Business Daily* talked **Shaka Kariuki**, the 48-year-old Kuramo partner and new TransCentury chairman, on issues surrounding the complex financial transaction, the entry of Kuramo and its strategy for the NSE-listed firm.

Many people hadn't heard of you before last year. And now you are the chairman of TransCentury. Who is Shaka Kariuki?

I was born and raised in Kenya. I moved to the US to do my undergraduate and post-graduate studies. I stayed there and worked for several companies. One of the many companies I worked for was Deseret Mutual, an endowment fund where I managed about \$9 million in both

Our main investments are in consumer-related products, energy, technology and consumer finance private and global equity. I have been doing this for over 22 years.

So, who is Kuramo capital and what has it been doing in this country before the TransCentury deal?

Three partners, including myself, started Kuramo Capital six years ago. We have three offices and about 15 employees. We run our investment out of Nairobi and Nigeria and operations and marketing from New York. Our portfolio size is just over \$300 million (Sh30.9 billion). Our main investments are in consumer-related products, energy, technology and consumer finance. We have 21 investments across the continent, mainly in sub-Saharan Africa.

Do you have any other investments in Kenya other than


TransCentury?

Our local exposure is through PE funds. One of Kuramo's three arms invests in other funds like Catalyst Fund, Helios and Verod Capital Management. Some of these funds have investments in Kenya.

And what is your main source of funds?

By design, we decided not go the DFI route like other PE firms. We get most of our financing from endowments and foundations. We are purely commercial-driven. We have between 10 and 15 limited partners. The majority of them are from the US, a couple from Europe. In Africa, we have one in South Africa.

TransCentury has hit a rough patch in recent years. What attracted you to the company?

We are sector agonistics, not specialists. Kuramo was looking for an opportunity to an investment and take it to the next level. At TransCentury, there exists potential in the sectors it is already in and others like water. The company is still a very strong asset. Their recent volatility is not a concern for us. We are in for the long haul.

What new sectors should we expect to see TransCentury going into in the medium term?

When constructing our portfolio, we look at our synergies. TransCentury, for instance, doesn't have presence in West Africa but Kuramo has investments in energy

companies in that region. This presents an opportunity to add value to everybody involved. Ultimately, these are board and management decisions which will be disclosed at the right time.

Kuramo has immense powers on the board, despite having just three directors. Don't these powers limit the independence of the board and management?

We do not want a scenario where we wake up one day and the board has fired the CEO. We negotiated for the veto power to have that protection. We made our investment partly based on having a management that can execute its mandate. Another way to look at it is that the CEO and CFO are always assured of our support. As for the reserve matters, this is not unique to Kuramo. We need to be included when making decisions such as divesting from companies or writing off debts, whatever the case may be. We do not have a bigger say.

There was a lot of mystery surrounding how the bond matter was settled last year following a Sh2 billion injection. One of the outstanding issues was whether the bondholders took a haircut or not and, if so, how much was it?

At the end of the day, Kuramo did not have anything to do with the bond. We were simply investors. But I am aware that the bondholders did take a 50 per cent haircut of about \$20 million. I am not saying they were willing to take the haircut but at times during negotiations, the alternative to what is offered may be worse. At the end of it was a win-win for everybody.

Did Kuramo's entry into the scene have anything to do with the exit of a majority of TransCentury's founding members from the board?

They left even before Kuramo came in. I have read articles saying Kuramo forced them out. This was inaccurate. All organisations go through a transformation and restructuring and that's just natural when trying to figure the best way to run a business.

CHANGE OF GUARD
Shaka Kariuki,
TransCentury chairman
--SALATON NJAU

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SHAKA KARIUKI | KURAMO

pmutegi@ke.nationmedia.com



ROYAL COUPLE Britain's Prince Philip (left) with Queen Elizabeth. --FILE

British Prince Philip to step down from royal duties

The Duke of Edinburgh is retiring from royal duties this autumn, Buckingham Palace has announced.

The decision was made by Prince Philip himself and is supported by the Queen, a palace spokesman said. The duke, who turns 96 next month, will attend previously scheduled engagements between now and August but will not accept new invitations.

The Queen "will continue to carry out a full programme of official engagements", the palace said.

The duke carried out 110 days of engagements in 2016, making him the fifth busiest member of the royal family, according to Court Circular listings. He is patron, president or a member of more than 780 organisations and will continue to be associated with them, but "will no longer play an active role by attending engagements", Buckingham Palace said.

In the statement, the spokesman said the duke "may still choose to attend certain public events from time to time". BBC royal correspondent Nicholas Witchell said the duke – the longest-serving consort in British history – "clearly feels he now wishes to curtail" his "familiar role" in support of his wife.

He added: "The Queen is going to continue, of that there is no doubt. She will continue, albeit with a somewhat lightened workload."

He stressed there were "no health considerations" behind the move – other than the normal health precautions for a man in his mid-90s. The duke attended Lord's Cricket Ground to open a new stand on Wednesday and was heard joking at the event that he is the "world's most experienced plaque unveiler."

BBC