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## Botswana retailer Choppies to buy 10 Ukwala stores

Photo/ FILE



**FOR SALE:** Ukwala owners to sell outlets to Botswana firm after failed buyout bid by rival Tuskys.

BY RICHARD MUNGAI

BOTSWANA-based retailer Choppies has signed a \$10 million (Sh997.8 million) deal with local supermarket chain Ukwala for the purchase of 10 of its stores.

In a notice to investors published by the Johannesburg Stock Exchange, Choppies said it has signed a conditional deal with Ukwala Supermarkets, for acquisition of 75 per cent stake in the company through its subsidiary Choppies Supermarket Kenya.

The stores will trade as Choppies Ukwala supermarkets, the firm said. The deal is subject to regulatory approval by the Competition Authority of Kenya.

The buyout of Ukwala comes few months after a failed takeover bid by local retailer Tuskys.

"The Transaction is in line with the company's strategy of expanding into new markets in sub-Saharan Africa

and its stated target of operating over 200 stores across at least six countries by December 2016," it said in a note published on the JSE website where it is listed. Choppies is also listed in the Botswana Stock Exchange.

The new firm will be operated as a joint venture with the promoters of Export Trading Group which according to Choppies, will get a 25 per cent stake.

"The transaction provides the company with an immediate footprint of established stores and a platform from which to grow in Kenya," Choppies said.

Three of the targeted Ukwala stores are in Nairobi, two in Nakuru and five in Kisumu, said the firm.

Ukwala's plan to sell some of its stores in Nairobi to Tuskys was rejected by the Competition Authority of Kenya on grounds that the transaction was done secretly and the sale would have introduced restric-

tive trade practices that would hurt consumers and competitors.

"We expect the parties (Ukwala and Choppies) to present their application, including the request and mandatory accompanying documents, which will inform our position on the sale," CAK director general Francis Wangombe told the Star yesterday.

Choppies started its operations in 1986 in a Botswana town called Lobatse.

It has since expanded into South Africa and Zimbabwe. It is also in plans to venture into Tanzania in the short term.

Choppies is the latest international retailer with an interest in Kenya. Last week, South Africa's Mass Mart opened its first Game Store in the country ending a 10-year wait. Giant retail chains are eyeing Kenya due to its fast growing retail industry driven by a larger middle class with increased spending power.

## Kenya in bid to woo Italian tourists

BY STAR REPORTER

KENYA has embarked on tourism marketing campaigns in Italy which will culminate in the opening of a 'Kenya House' in Milan next week to showcase the country's attractions and leisure products.

Tourism Cabinet secretary Phylis Kandie said the Italian market is big and hence very

important for Kenya's tourism industry recovery.

In the month long market campaign in the European country, Kenya Tourism Board, the country's destination marketing agency will also launch an Italian version of its website [www.magicalkenya.com](http://www.magicalkenya.com).

Kenya House will be used to showcase the country's at-

tractions and offers by various local tour firms.

According to a statement by the Tourism ministry, Kandie will use the opportunity to meet with over 50 Italian travel operators and trade players about the challenges Kenya faces as a leading tourist destination in Africa for safari and beach tourism and assure them of visitors safety.

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## EYES ON OPEC BUT OUTPUT CUT UNLIKELY

Ryszard Kapuściński in his wonderful book *Shah of Shahs*, which is written in a reportage style and is about the toppling of the Shah, said this of oil: "Oil creates the illusion of a completely changed life, life without work, life for free. Oil is a resource that anaesthetises thought, blurs vision, corrupts."

"Oil kindles extraordinary emotions and hopes, since oil is above all a great temptation. It is the temptation of ease, wealth, strength, fortune, power. It is a filthy, foul-smelling liquid that squirts obligingly up into the air and falls back to earth as a rustling shower of money.

To discover and possess the source of oil is to feel as if, after wandering long underground, you have suddenly stumbled upon royal treasure. Not only do you become rich, but you are also visited by the mystical conviction that some higher power has looked upon you with the eye of grace and magnanimously elevated you above others, electing you its favourite"

You have to admit that expectations had run ahead of themselves big time a little while back. Expectations were off the charts and sky-high but the oil price then crashed and burned from above \$100 a barrel to a low in New York of \$44 a barrel.

WTI [West Texas Intermediate] crude closed Friday just above \$60, marking a stupendous +36.36 per cent rebound from the January lows. The volatility in the crude oil markets is nothing short of remarkable.

In a positive move for East African oil industry, Helios which had recently bagged some chunky gains in Equity Group, spent \$100m on snaffling up a 12.37 per cent stake in Africa Oil. Africa Oil is an East African pure play and hence a good barometer.

Now the question is this recovery in the price for real? or is it a 'dead-cat' bounce?

According to Goldman Sachs, the world is pumping about 1.9 million barrels more crude a day more than it needs. Organisation of Petroleum Exporting Countries will meet in Vienna this week and to maintain the bullish price action, then OPEC is going to have to cut production. This is not going to happen.

Last month, Bloomberg informed us that a sudden surge in demand for supertankers drove benchmark charter rates 57 per cent higher in the two weeks through May 20. Daily rates for supertankers on the industry's benchmark route reached \$83,412 on May 20, from \$52,987 on May 6, according to the Baltic Exchange in London.

While rates have since then retreated to \$65,784, they're still the highest for this time of year since at least 2008. What this tells us is that investors are holding oil at sea in the expectation that prices will rise. There are simply millions of barrels of oil out on the open sea. This represents a massive risk to the price. If prices retreat, you might see a massive liquidation. On the bullish side, it is clear China has been snaffling up supplies at lower prices.

All eyes will turn on OPEC this week but I expect production and quota levels to remain unchanged. OPEC has conceded its swing producer role to the US (who essentially and with subtlety tipped the crude oil market into surplus via shale oil production).

So yes I think it is a 'dead-cat' bounce and I expect the price of WTI crude oil which was trading at \$60 a barrel as I write this to head back to \$50 and there is a reasonable chance we will still print fresh 2015 lows below \$44.

Readers are advised that this column represents Mr Satchu's personal opinions.