

Quality Chemical's bet on TB and sickle cell drugs

Record profits. A \$36m expansion is underway. A new drug with no African competitor. And a share price that has not caught up yet.



Quality Chemical has spent 20 years accumulating both.

The factory next door

The company is building a new plant that will "support entry into new therapeutic areas such as tuberculosis and sickle cell anaemia, and introduce an injectable line consistent with evolving patient treatment preferences."

In May 2025, Quality Chemical secured a \$36m loan from Stanbic Bank, its largest ever, to build a second plant adjacent to the existing Luzira site.

The facility bears interest at the Secured Overnight Financing Rate plus 3.75 percent, matures after 84 months, and carries a 24-month grace period before principal repayments begin.

As of March 2026, no amounts had been drawn. The Shs18b in construction to date was funded entirely from operating cash flow.

When commissioned, within 24 months, tablet production capacity is expected to increase from 1.4 billion to 2.4 billion units, a 71 percent expansion.

The new plant targets tuberculosis drugs, for which there is currently no African manufacturer, and injectable formulations including Lenacapavir, a new HIV prevention drug requiring two injections per year.

The company says it "is currently operating near its manufacturing capacity".

What the market is pricing

Quality Chemical shares traded at Shs143 on June 2, giving a market capitalisation of approximately Shs522b.

At the 2026 financial year, earnings per share of Shs15.45, the stock trades at 9.3 times earnings. Cipla, its founding partner and closest comparable, trades at roughly 23 times. The global pharmaceutical average is around 22 times.

The reason for the discount is that the top 10 shareholders control 98.24 percent of the company. Free float is barely 1.76 percent, fewer than 64 million shares, with average daily trading volume under 5,000 shares.

The stock gained 23.3 percent since January 2026, according to data from USE, adding 13 percent in the four weeks around the Sikurea launch, the strongest run on the exchange in that period.

The investor's question

The board has named the pricing pressure building on core antiretroviral (ARV) products, the long-term incentive scheme, which carried a Shs11b provision in the 2026 financial year, up from Shs2.3b, set to crystallise into cash, Shs11.5b still outstanding from Medpro Pharmaceutica, and a 24-month construction timeline with execution risk in a frontier market.

None of it changes the underlying picture: a profitable, cash-generative manufacturer with three consecutive years of earnings growth, a gross margin approaching 47 percent, a new drug entering recurring government procurement, and a second factory targeting two more categories where Africa has no manufacturer, all at a valuation pricing none of it in.

Trading.

DEOGRATIUS WAMALA

Luzira is not the kind of place that changes history. It is an industrial neighbourhood on the eastern fringe of Kampala, home to a prison, a fish market, and warehouses that back onto the northern shore of Lake Victoria.

The air smells of diesel and lake water. But inside one of its factories, something is happening anyway. Quality Chemical Industries Limited has spent 20 years making medicine in Africa, for Africa.

In May this year, it went further, launching Sikurea, its brand name for hydroxyurea, the primary drug used to manage sickle cell.

The numbers

Quality Chemical was founded in 2005 as a joint venture between Ugandan investors and Cipla, the Indian generics giant, to manufacture World Health Organisation (WHO)-approved generics locally.

The model has worked. In the financial year ended March 2026, the company posted its strongest results in 20 years. Revenue reached Shs290.5b, up by 8.7 percent. For every Shs1,000 of sales, roughly Shs194 survived as net profit after all expenses, interest, and tax. That is an unusually strong margin.

The company kept more money from each sale. For every Shs100 earned, it

Key data

8.7%

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Shs56b

Total profit jumped by more than a third, reaching Shs56.4b, including a Shs4.4b windfall from the Zambian government.

kept Shs46.7 after production costs, up from Shs40.6 the year before. This happened because it got better at making their products and wasted less on raw materials.

In the end, its total profit jumped by more than a third, reaching Shs56.4b.

Tucked into the results is a Shs4.4b windfall, money the company had previously given up on collecting from the Zambian government.

But even without the windfall, profit still grew by about a quarter.

Quality Chemical generated more than twice as much cash from its day-to-day operations compared to last year; Shs67.5b against Shs30.3b

Quality Chemical has turned Luzira into a pharmaceutical hub. Launching Sikurea is a plus for Uganda and Africa's healthcare access. PHOTO/FILE

That matters, according to Expedito Gitta, an equities consultant who tracks the Uganda Securities Exchange, because the company has a major expansion coming up at its Luzira site, and the more it can fund that from its own pocket, the less it needs to borrow.

The dividend

At Shs140 per share of the company's market value as of June 2, new investors will receive a dividend yield of 11.9 percent, while older investors will receive a yield of 27.6 percent.

Cash used in financing activities was Shs59.3b, up from Shs42.5b the prior year, "mainly attributable to the higher dividend distribution during the year".

Sikurea and the playbook

Hydroxyurea has been available in wealthy countries since the 1990s. In Africa, where 240,000 children are born with sickle cell annually, 80 percent of the global total, according to the Africa Centres for Disease Control and Prevention, it had to be imported, making it expensive, unreliable, and largely inaccessible. No sub-Saharan African company manufactured it locally. Quality Chemical has started it and the Ministry of Health is committed to listing Sikurea on the national essential medicines catalogue, which triggers annual procure-

Key highlights

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ment and distribution systemwide, according to Permanent Secretary Diana Atwine.

A parliamentary resolution on sickle cell funding had already been passed. Seven days before the launch on May 20, 50 African Union member states validated a Continental Framework for Sickle Cell Disease, whose pillars include local medicine production and continental pooled procurement.

Quality Chemical had already delivered what the plan called for, and currently holds regulatory approvals in 31 African markets.

Building a WHO-prequalified facility requires years of regulatory work and capital that few regional companies can replicate.