



CHILANGA CEMENT PLC UNSOLICITED CREDIT RATING REPORT



ICRA Rating Agency Limited

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CREDIT RATING REPORT

Date of issue	:	12 th August 2025
Prepared for	:	Chilanga Cement PLC (CHIL)
Address	:	Farm no. 1880, Kafue Road, Chilanga, PO Box 32639, Lusaka, Zambia
Rating Type	:	Corporate Rating (Unsolicited)

Report prepared and published by	:	ICRA RATING AGENCY LIMITED
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Currency used in this report	:	This report is presented in Zambian Kwacha (ZMW) unless otherwise stated.
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Table 1

ICRA Assigned Rating

AAA	AA	A	BBB	BB	B	CCC	CC	C	D
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Based on the ICRA National Credit Rating Scale
Table 2

RATING RATIONALE

ICRA has assigned an “A” rating with a “Stable” outlook to Chilanga Cement PLC (CHIL) on 12th August 2025, assuming no material events affecting the business activities occur during the validity period. The assigned rating reflects a balanced assessment of the company's overall creditworthiness and its recent financial performance. Below are the key points, including credit strengths as well as credit challenges reflected in the assigned rating.

Solid business profile with prominent market position despite high competition: CHIL maintains a solid business profile, supported by over 75 years in the industry and a recognised market presence despite competitive pressures. The company's broad product offering strengthens its positioning, while the association with a financially stable parent company provides strategic support. Ongoing facility expansions indicate a commitment to operational improvement, though execution risks remain.

Driving operational efficiency despite elevated costs: Operational indicators reflect a sustained improvement in efficiency despite persistent cost pressures. Inventory days declined to 88 in FY24 from a peak of 106 days in FY23, while payment days shortened to 32 and receivables days remained low at 8. Interest cover, though moderating from 87.1x in FY23, remained robust at 56.7x. Although certain metrics showed mixed movements, the overall trend points to strengthened operational efficiency, underscoring the company's resilience and prudent management. These developments are favourable from a strategic perspective, enabling CHIL to navigate challenging cost structures while maintaining financial discipline and control.

Lower leverage with zero external interest-bearing debts: CHIL maintained a low leverage position in FY24, with 60% of total assets funded through equity, though this represents a gradual decline from 70% in FY23 and 80% in FY22. Despite the reduction, overall leverage remains at minimal risk levels, supported by the absence of external interest-bearing debt. The company's liabilities are predominantly composed of related party payables, trade payables and tax obligations. This capital structure underscores financial prudence and operational stability, reducing exposure to interest rate fluctuations and refinancing risks. The equity-heavy funding mix enhances flexibility and positions CHIL favourably for sustainable growth without the burden of debt servicing requirements.

Growing operating cash flow trend indicating positive revenue conversion: Consistent growth in operating cash flow over FY23 and FY24 highlights improved revenue conversion as well as enhanced working capital management. Operating cash flow margins rose to 30% and 29% in FY23 and FY24, respectively, compared to 15% and 19% in FY22 and FY21, signalling stronger cash generation. Coverage of short-term liabilities also improved to 1.1x in both FY23 and FY24, up from 0.7x in FY22 and 1.3x in

FY21. These positive developments underscore the company's improved cash generation and efficient management of receivables, payables, and inventory cycles, reinforcing its capacity to support short-term obligations through internally generated funds.

Declining liquidity trajectory in FY23 and FY24 after peaking in FY21: CHIL's liquidity trajectory has weakened over FY23 and FY24, following a peak in FY21. The current ratio declined to 1.6x in FY25 from 2.3x in FY23 and 2.9x in FY22, while the cash ratio fell to 0.7x in FY24, down from a stable 1.1x across the previous two years. Although the liquidity metrics remain above industry norms, the declining trend, driven by factors such as foreign exchange volatility, elevated input costs and heightened competition, could constrain operational flexibility. Close monitoring will be essential to mitigate potential limitations in the company's day-to-day operational and financial management.

Strong yet declining margins in FY24 due to OPEX-related headwinds: CHIL's profitability margins, while remaining strong, showed signs of pressure in FY24, backed by rising operating costs. Gross margin declined to 52% from stable levels of 54% in FY23 and FY22, with a peak of 57% in FY21, reflecting direct cost pressures. EBITDA and operating margins dropped to 30% and 27%, down from 36% and 32%, respectively, while net margin edged lower to 21%. Ongoing cost monitoring will be key to preserving profitability in future periods.

The stable outlook of CHIL reflects its resilient business profile, supported by a strong market position, effective cost management, and robust internal cash flow generation. Despite competitive and cost-related pressures, the absence of external debt and sustained operational efficiency contribute to a balanced financial structure, reinforcing expectations of steady credit fundamentals.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO AN UPGRADE

An upgrade to the assigned rating can be reviewed based on the following factors:

- Sustained growth in earnings alongside disciplined cost controls contributes to stronger and more predictable margin performance.
- Strategic expansion into underserved markets and customer segments, supported by scalable production and distribution capabilities.
- More balanced capital structure with an optimum level of cost of capital.
- Continued uplift in operating cash flows, reflecting improved working capital efficiency and adequate coverage of short-term obligations.
- Favourable market conditions and supportive government initiatives.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO A DOWNGRADE

The assigned rating could further be downgraded if:

- Continuous margin contractions resulting from uncontrolled operating cost headwinds.
- Heightened pressure on liquidity due to inadequate liquid assets to support daily working capital and funding requirements.
- Material impact on input costs and availability, driven by volatile market conditions or unfavourable import-related policies.
- Ongoing cash burn trend with weakened overall cash flow position and liquidity profile.
- Unfavourable shifts in market conditions or government policies, coupled with political uncertainty, discourage construction activity.

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ICRA RATING APPROACH

SCOPE OF THE REPORT

ICRA provides an assessment of the overall business and evaluates the financial performance before assigning the final rating to the issuer. The report's objective is to offer a thorough assessment of the issuer's creditworthiness, utilising a range of financial and non-financial elements as well as qualitative and quantitative credit analysis tools and techniques.

SOURCES OF THE INFORMATION

The unsolicited credit analysis conducted by ICRA was based on publicly available information. ICRA has not been in direct contact with the entity regarding the unsolicited rating actions. Publicly accessible data has been gathered from reputable online domains, research reports, news articles, and third-party databases. The main categories of information sources are as follows:

- Annual audited financial reports from publicly available sources such as the company website, stock exchange libraries, etc.
- Industry research articles
- News articles
- Company/Government press releases
- Third-party data providers (both paid/unpaid)

METHODOLOGY

The credit analysis is carried out based on the 'ICRA methodology for corporate credit rating', which was designed by the in-house ICRA credit risk department. We continuously review the methodology for improvements in line with industry peers and the latest developments in the rating world.

KEY FACTORS	WEIGHTAGE
1. Rating Source Documents	
<i>Completeness and timeliness of the submitted KYC/financial documents and information</i>	NA
2. Internal Environment Analysis	
i. Business Model/Strategy	
<i>Product portfolio, diversification, value proposition, KPI and business risks and competition</i>	
ii. Management Review	35%
<i>Organisational structure, leadership background, talent management, succession planning, management risks and historical track records, team composition</i>	
iii. Business Outlook	
<i>Future business outlook, expected strategic partnerships, expansion, downsizing plans</i>	
3. External Environment Analysis	
i. Industry Review	
<i>Global and domestic industry outlook, direct and indirect impact to the business, industry risks and new trends, global and domestic economic trend</i>	25%
ii. External Stakeholder Relationships	
<i>Customer and supplier relationships, banking relationships, licensing and government regulations, auditor relationships and other external relationships, adverse news flows on the management and company, corporate social responsibility.</i>	
4. Financial Analysis	
i. Financial Statement Analysis	
<i>Profit and loss statement, balance sheet, cash flow statement, audit report, notes to financial statements, ratio analysis, key financial risks, bank credit turnover</i>	40%
ii. Financial Projections/Forecast Review	
<i>Growth drivers and underlying assumptions, accuracy, reliability and reasonableness of the forecasts, relationship with industry trends and industry averages.</i>	
Total	100%

Table 3

ICRA CREDIT RATING SCALE

CATEGORY	SCALE	DEFINITION
Extremely Low Credit Risk	AAA	The entity is in an exceptionally stable and strong position to fulfil its financial commitments. There is a zero or minimal risk of being adversely affected by foreseeable events.
Very Low Credit Risk	AA	The entity is in a highly stable and strong position to fulfil its financial commitments. There is a low risk of being adversely affected by foreseeable events.
Low Credit Risk	A	The entity is in a stable and strong position to fulfil its financial commitments. There is a marginal risk of being adversely affected by foreseeable events.
Moderate Credit Risk	BBB	The entity has a controllable risk level to fulfil its financial commitments. There is a moderate risk of being adversely affected by foreseeable events.
Elevated Credit Risk	BB	The entity has a considerable risk level to fulfil its financial commitments. There is a considerable risk of being adversely affected by foreseeable events.
Substantial Credit Risk	B	The entity has a high-risk level of fulfilling its financial commitments. There is a high risk of being adversely affected by foreseeable events.
Very High Credit Risk	CCC	The entity is in a doubtful position to fulfil its financial commitments. There is a significantly high risk of being adversely affected by foreseeable events.
Extremely High Credit Risk	CC	The entity is in a highly unlikely position to fulfil its financial commitments. The entity has a high vulnerability to being adversely affected by foreseeable events.
On the Verge of Default	C	The entity is incapable of fulfilling its financial commitments and is on the verge of default. The continuity of the business is highly doubtful.
Default Entity	D	The entity is already defaulted on or in the process of bankruptcy filing, liquidation, or winding up procedures.
No Rating Assigned	NRA	A rating has not been assigned due to insufficient information, legal or regulatory requirements, a lack of reliability of information, or a new or unique entity structure.

ICRA National Credit Rating Scale

Outlook: (+) Positive - Entity's creditworthiness is expected to improve in the near future, potentially leading to a rating upgrade.

() Stable - Entity's creditworthiness is expected to remain stable in the near future, with no significant changes anticipated.

(-) Negative - Entity's creditworthiness is expected to deteriorate, potentially leading to a rating downgrade.

Table 4

BUSINESS PROFILE

Chilanga Cement PLC

COMPANY DETAILS	
Registered Name:	Chilanga Cement PLC
Address:	T2, Chilanga, Zambia 10101
Industry Classification:	Materials Sector
Listed Exchange:	Lusaka Stock Exchange (LuSE)
Website:	www.chilangacement.co.zm

Table 5

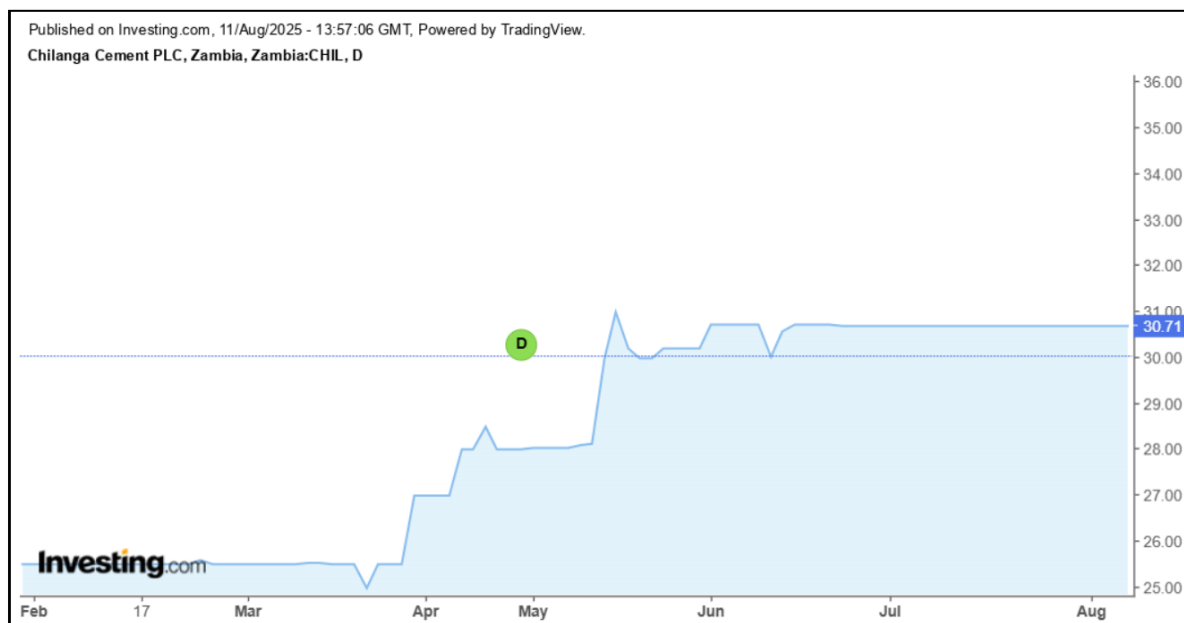
CAPITAL DETAILS (31 st December 2024)	
Authorised Capital:	240,000,000 ordinary shares of ZMW 5.00 each 3,000,000 non-cumulative redeemable preference shares of ZMW 10.00 each*
Issued Capital:	200,039,904 ordinary shares
Paid-Up Capital:	ZMW 10,002,000 (ordinary shares)

Table 6

SHAREHOLDING PATTERN (31 st December 2024)	
Name of Shareholders	% of shareholding
Huaxin (Hainan) Investment Co. Ltd	78.69
LuSE Central share depository	18.77
Public (Institutions and individuals)	2.54
Total shareholding %	100.00%

Table 7

Share Price Movement:



Source: Investing.com

Exhibit 1

COMPANY BACKGROUND

Chilanga Cement PLC was founded in 1949 and is a leading cement manufacturing company. It began operations with its first plant located in Chilanga, on the outskirts of Lusaka. Later, the company expanded with the commissioning of a second plant in Ndola. Following privatisation, Chilanga Cement became one of the first companies to be listed on the Lusaka Securities Exchange. For two decades, it operated as Lafarge Zambia PLC, under the Lafarge Group, until Huaxin Cement Co. Ltd, a Chinese multinational cement producer, acquired a majority stake. Following the acquisition, the company rebranded to its original name, Chilanga Cement PLC. The significant majority stake held by Huaxin grants it decision-making control over board appointments and strategic direction, while the public float provides liquidity and an avenue for dividend participation.

Products & Services

Chilanga Cement produces and supplies cement and clinker (a semi-finished material formed during cement manufacturing and consisting of small, dark grey lumps). Clinker is used in residential and commercial construction, road infrastructure, dam and bridge projects, and mining applications. Depending on customer preference, cement products are available in both bagged and bulk form to suit individual needs. The company expanded its product portfolio in 2024 by launching lime production

at its Ndola plant, which has an annual capacity of 108,000 tonnes, targeting the mining and industrial sectors.

Customers

Chilanga Cement serves a wide range of customers, including construction companies, government projects, hardware and retail distributors, and industrial clients. It plays a significant role in Zambia's infrastructure development and is the key supplier for initiatives funded by the Zambian Government (CDF – Constituency Development Fund). In addition to supplying products locally, it also exports to regional markets such as Malawi, Zimbabwe, the Democratic Republic of Congo (DRC), and Burundi.

Suppliers

Key raw materials required by the company, such as limestone and clay used in production, are sourced from local Zambian quarries. Other materials, such as gypsum and additives, depending on their availability and quality, are sourced from both local and international suppliers. For plant machinery, spare parts, and industrial inputs, Chilanga Cement also relies on regional and global sources, particularly for upgrades and energy efficiency improvements to the furnace systems used at its plants.

Production

Chilanga Cement operates two main plants: the Chilanga plant near Lusaka and the Ndola plant in the Copperbelt Province. In 2024, the company commissioned a new furnace under the Phoenix Project, increasing its annual cement production capacity to over 1.4m tonnes. In addition to the new furnace, the lime production unit in Ndola added a further 108,000 tonnes per year, supporting diversification into non-cement product lines.

MANAGEMENT OVERVIEW

BOARD OF DIRECTORS

The Board of Directors at Chilanga Cement comprises seven members, including four independent non-executive directors. They provide strategic oversight and play a key role in guiding the company towards long-term sustainability and growth. The Board ensures balanced governance and sound decision-making, with responsibilities that include the approval and oversight of significant capital investment projects, such as the Phoenix Project, the review of financial performance, and the assessment of management against approved budgets and strategic goals.

This high-level governance structure complements the executive management team's responsibility for day-to-day operations, positioning the company as a leader in ethical and sustainable industrial practices in Zambia.

Name	Designation
Mr Muna Hantuba	Chairman (Independent Non-Executive Director)
Mr Jianping Chai	Chief Executive Officer (Executive Director)
Mr Mwelwa Chibesakunda	Independent Non-Executive Director
Mr. Mark O'Donnell	Independent Non-Executive Director (Chair of Audit & Risk Committee)
Mr. Frank Munthali	Independent Non-Executive Director
Mr. Gang Xu	Non-Executive Director
Mr. Mangiza Phiri	Non-Executive Director

Table 8

Mr. Muna Hantuba: Mr. Hantuba is a Zambian economist and Non-Executive Chairman of Chilanga Cement, serving since 2003. He holds a BA in Economics from UNZA and an MBA from Stirling University. With over 32 years in financial services, he is currently Group CEO of African Life Holdings. He has previously led African Life Financial Services Zambia and held senior roles at Meridian Bank and Anglo-American Corporation. Mr. Hantuba has also chaired the Securities and Exchange Commission and served as President of the Economics Association of Zambia. He sits on several corporate boards, including CEC PLC, REIZ, and Sanlam.

Mr. Jianping Chai: Mr. Chai, a Chinese national, has been CEO of Chilanga Cement and a Board Member since 2021. He holds a BA in Inorganic Non-Metallic Materials from Wuhan University of Technology and an MA in Industrial Engineering from Huazhong University of Science and Technology. With 37 years at Huaxin, Mr. Chai has held various leadership roles in manufacturing, plant management, and across

key areas such as cement, aggregates, concrete, sustainability, HR, and administration. Before his role in Zambia, he was General Manager for New Building Materials at Huaxin.

Mr. Mwelwa Chibesakunda: Mr. Chibesakunda, a Zambian national, has been a Non-Executive Board Member of Chilanga Cement since 2008. He is a lawyer and advocate of the High Court and Supreme Court of Zambia, with over 33 years of legal experience. He holds an LLB from UNZA, an LLM in International Commercial Law from the University of Bristol, and a Legal Practitioners Licence. He is the Managing Partner of Chibesakunda & Company, a DLA Piper Africa member firm that he founded in 2006. He previously served as Director of Public Prosecutions and headed the International Law and Agreements Department at the Ministry of Justice, and was a partner at Corpus Legal Practitioners. He has also served on several boards, including Hybrid Poultry, Lubambe Mine, and African Grey Insurance.

Mr. Mark O'Donnell: Mr. O'Donnell, a Zambian national, is a Non-Executive Board Member and Chairman of the Audit and Risk Committee at Chilanga Cement, serving since 2008. He is the Managing Director of Union Gold Group and ERZ Holdings, one of Zambia's most prominent firms in engineering, manufacturing, and spare parts. A member of the Institute of Directors, he also served as Chairman of the Tourism Council of Zambia in 2013. In 1996, he founded O'Donnell Holdings, which later merged into Union Gold Zambia Ltd. He has held board positions with Madison Life, Care for Business, ZABS, LuSE, and the Zambia Wildlife Association.

Dr. Frank Munthali: Dr. Munthali, a Zambian national, has been a Non-Executive Board Member of Chilanga Cement since 2019. He is a chartered accountant and administrator with an MBA and DBA from Binary University of Malaysia. He is a Fellow of ACCA, ZICA, and an Associate Member of the Institute of Chartered Secretaries and Administrators. With 25 years of post-qualification experience, Dr. Munthali is currently CEO of FM Consulting Services Ltd, specialising in governance, risk, strategy, and finance. He has worked with organisations such as Coopers & Lybrand, ZCCM, Moores Rowland, RTSA, and ZCF. He has served on various boards, including the Health Professions Council, ECZ, ZICA, and Zambia Open University, and currently serves on the boards of Zambia Airports Corporation, Premium Medical Services, and ZAMCOM.

Mr. Gang Xu: Mr. Xu, a Chinese national, holds degrees in Corporate Finance, Safety Engineering, and an MA in Business Administration. With 24 years of experience, he specialises in project investment, business strategy, and cement industry operations. He is currently Vice President and General Manager of the Overseas Business Unit at Huaxin Cement. Mr. Xu has held senior roles in strategy, marketing, and commercial management across various Huaxin and Lafarge Shui on Cement units, and began his career in safety and process management at Beijing Shunfa Cement Plant.

Mr. Qian Chen: Mr. Chen, a Chinese national, is a Non-Executive Board Member of Chilanga Cement, appointed in 2022. He holds a BA in World Economics, an MA in Business Administration, and is a Chinese CPA and Fellow of the Chartered Global Management Accountant. With 22 years of experience, he is currently Vice President and CFO of Huaxin. He previously served in senior finance roles at Sika Group China, IMI Critical Engineering, Bureau Veritas, Terminix Group China, and worked with PwC and Monitor Consulting Group.

Mr. Mangiza Phiri: Mr. Phiri, a Zambian national, was elected to the Board of Chilanga Cement in March 2023. He holds a BA in Accounting and an MBA from Stellenbosch University. He is currently Regional Director for West Africa and Managing Director for Nigeria at Engie Energy Access, focusing on mini grids and solar home systems. With 20 years of experience, Mr. Phiri previously served as Managing Director for Engie Energy Access Zambia and Regional Director for Southern Africa. He spent 11 years at Lafarge Zambia PLC in roles such as Commercial Director and Country Sales Manager. He earlier worked as a Credit Analyst and Relationship Manager at Standard Chartered Bank Zambia.

MANAGEMENT TEAM

Chilanga Cement PLC's management team comprises seasoned professionals who bring a wealth of experience, strategic insight, and industry knowledge to the organisation. They oversee the company's day-to-day operations, financial stewardship, human capital development, legal compliance, and supply chain efficiency. Through their leadership, Chilanga Cement has achieved growth, strengthened operational resilience, and delivered sustainable value to stakeholders. The team upholds the company's commitment to innovation, safety, and excellence in the building materials industry, with a blend of local and international expertise.

Mr. Jianping Chai – Chief Executive Officer & Executive Director: Mr. Chai, a Chinese national, was elected to the Board in 2021 and has served as CEO since December 2021. He holds a bachelor's degree in Inorganic Non-Metallic Materials and Engineering from Wuhan University of Technology and a master's degree in industrial engineering from Huazhong University of Science and Technology. With over 36 years at Huaxin, he has held roles in manufacturing, plant management, cement, aggregates, concrete, environmental co-processing (ECO/Geo-cycle), and group-level HR and administration. Before his appointment in Zambia, he was General Manager for Huaxin's New Building Materials division.

Mr. Ezron Lesa – Chief Financial Officer: Mr. Lesa, a Zambian national, has served as CFO since 2022. He is a Chartered Accountant (CIMA, UK) and a member of the Zambia Institute of Chartered Accountants. With over 14 years of experience in mining and manufacturing finance, he is currently

pursuing an MSc in Accounting and Finance. Prior roles at Chilanga Cement include Financial Controller, Plant Controller, and Head of Plant Controlling. Before joining the company, he held finance roles in the mining sector.

Mr. Jun Zhao – Chilanga Plant Manager: Mr. Zhao, a Chinese national, has served on the Executive Committee of Chilanga Cement Plc since January 2022. He holds an on-the-job college degree and brings over three decades of experience in cement production and operations. He began his career in 1992 and joined Huaxin Cement in 2004. Over the years, he has held various roles across multiple plants, including mechanist, mechanical supervisor, and workshop deputy director at Lichuan and Qingjiang Cement Plants. He also served at Enshi Company as a control room operator and shift supervisor. His leadership journey continued with roles such as Deputy Production Manager, Production Manager, Clinker Operations Manager, and Deputy General Manager at Hefeng Company; Deputy General Manager at Fangxian Company; Executive General Manager at Jingzhou Company; and Assistant Deputy Director for Process at Huaxin’s Overseas Business Unit before his transfer to Zambia.

Mr. Maosheng Xu – Ndola Plant Manager: Mr. Xu, a Chinese national, has been a member of the Executive Committee of Chilanga Cement Plc since January 2022. He holds a bachelor’s degree earned through on-the-job training and has been active in the cement industry since 2007. He began his career as an intern mechanic at Huangshi Company and later served as Mechanical and Equipment Supervisor at Tibet Company. He gained further experience through technical and leadership roles in the Tibet Phase II Clinker Production Expansion Project, including Assistant to the Heads of the Project, Technology, and Maintenance Departments. Mr. Xu also worked in production management under Huaxin’s East Business Unit and held progressive roles at Yangxin Company, where he served as Assistant to the Head of Department, Deputy Head, and ultimately Head of the Maintenance Department.

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK ANALYSIS, ZAMBIA.

Political landscape

Zambia gained independence from British colonial rule in 1964 and has since maintained a stable democratic government with three arms: the executive, legislature, and judiciary. The country has a multi-party system and a liberalised economy. The President serves as both head of state and government, elected by direct vote for a five-year term, with a maximum of two terms. The current President, Hakainde Hichilema, was elected in August 2021.

Zambia is a landlocked, resource-rich, sparsely populated country in Southern Africa. It shares its border with eight countries, namely Angola, Botswana, Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe. It is a member of the Africa regional groupings, namely SADC and COMESA. The official local currency is the Zambian Kwacha (ZMW), and the capital city is Lusaka.

Legal Environment

The constitution is the supreme law of the country from which all other laws and regulations are derived. Generally, there is observance of the rule of law in Zambia. Notably, however, court cases sometimes can take a long time to conclude, and there are reported cases of politically exposed people (PEPS) acting without regard for the law. Judicial reforms have been initiated to address such concerns, including the establishment of the financial crimes court in 2022 and enhancing law enforcement.

Demographic Landscape

Zambia is one of the world's youngest countries by median age. Its population, much of it rural with rapid urbanisation, is estimated at about 19.6m with a growth rate of 2.7% per year. Life expectancy is short, estimated at 64.96 years. (World Bank, 2025). The literacy rate stands at 88% of the adult population at the end of 2020. The IMF noted that there is low labour productivity on account of low skills and capacity.

Natural and Operating Environment

The country has enjoyed a stable tropical savannah environment for decades. Lately, however, there have been natural calamities such as droughts, floods, army worm invasions and break outs of diseases (both for humans and animals) that have brought devastating impacts on both the environment and the economy.

Zambia is also a member of various international organizations including the UN system, World bank, IMF, AU among others. It has also signed important international agreements such as relating to combating money laundering, financing terrorism, combating proliferation, human trafficking and climate change. Zambia adheres religiously to these protocols.

Macroeconomic Developments and Outlook

Currently, macroeconomic conditions in Zambia have deteriorated due to the impact of a drought in 2024. The drought has led to increased hours of power blackouts and in turn adversely impacted economic activity.

GDP Growth

Owing to the drought, annual GDP growth for 2024 has been revised downwards to 1.2% from the earlier 2.3 % reflecting contractions in the agriculture and energy sectors, and subdued performance in administrative and support services, despite some gains in mining.

Growth prospects for the 2025-2027 period, however, remain optimistic. GDP growth is projected at 6.6% in 2025, 5.9% in 2026 and 5.6% in 2027, (BoZ, National Symposium on the 2025 National Budget, 2025). This optimistic outlook assumes increased mining production, effective implementation of reforms, restoration of debt sustainability, and normalization of rainfall patterns.

Inflation Outturn

The Bank of Zambia (BoZ) annual inflation target is between 6% and 8%. In 2024, annual inflation stood at 16.7% well above the target range and is projected at 13.9% in 2025 and 10.8% by end June 2026 (Bank of Zambia, 2025). The major factors attributed to the high inflation were higher maize and fuel prices, an increase in electricity tariffs and the exchange rate depreciation.

Exchange Rate Depreciation and Volatility

The Zambian currency (ZMW), the Kwacha, is subject to wild swings against major convertible currencies, namely, the USD, the Swiss Franc, the South African Rand and the Euro. The ZMW depreciated by about 7.74% in 2024 and by about 42.4% in 2023 against the USD. The ZMW depreciated by 6.0% in Q3/24 compared to 4.9% in Q2/24 against a basket of currencies of the major trading partners, (BoZ, National Symposium on the 2025 National Budget, 2025). Currency depreciation is a major source of inflation in Zambia as the country is import-dependent.

Trade Performance

After a trade deficit in 2023, the current account recovered into surplus in Q2/24 thanks to increased grants from cooperating partners, remittances, and reduction in imports. The current account surplus

expanded to USD 0.19 bn (2.7% of GDP) by end Q3/24 from USD 0.04 bn (0.6 % of GDP) in Q2/24, (BoZ,2025). The projection for 2025 and 2026 is more optimistic at USD 1.5bn (5.6% of GDP) and USD 2.3 bn (8.4% of GDP), respectively. This is based on the projected faster growth in exports relative to imports.

Fiscal Performance

The Zambian National budget has run fiscal deficits for decades on account of low revenue performance. The budget deficit for 2024 stands at 2.7% of GDP and is projected at 3.1 % of GDP for 2025. (MoFNP, 2025). Risks to the medium-term fiscal outlook remain tilted to the upside based on lower copper prices associated with weaker global demand, adverse effects of geopolitical tensions on energy and food prices, depreciation of the exchange rate, and constrained production and hydropower generation.

International Reserves

Gross official international reserves were sufficient at USD 4.15bn by the end of September 2024, covering more than 4.6 months of projected imports (USD 3.91bn at the end of June 2024) (MoFNP,2025), largely because of project disbursements from the World Bank and revenues from mining taxes. Additionally, the central bank's gold purchases/holdings totalled USD 217.2m as at Q3/24 since it began purchasing gold locally in December 2020 (BoZ, 2024).

Interest Rates

Interest rates remain high in Zambia, with commercial banks' average nominal lending rate on locally denominated loans at 28.4% at the end of September 2024. This makes credit expensive for businesses and consumers, negatively impacting economic activity and GDP growth. In the medium term, lending rates are expected to remain elevated, premised on the anticipated tight monetary policy stance to curb rising inflationary pressures in the country.

Zambia's Debt Position

Zambia's public debt remains high at over 127% of GDP in 2023 and at USD 26.67bn as of this report (MoFNP, 2025). Zambia became the first African country to default on its foreign debt in November 2020. In June 2023, the Ministry of Finance and National Planning reached preliminary agreements with its official creditors, including China, to restructure its debt. As of 22nd January 2025, Zambia had agreed to restructure 90% of its debt stock with its creditors. Zambia's public debt is sustainable, but the country remains at high risk of overall and external debt distress.

IMF ECF Programme

Zambia is currently on an IMF Extended Credit Facility (ECF) programme. In December 2024, the IMF disbursed SDR 139.88 m (about USD 184m), bringing the total disbursement to SDR 992.86m (about USD 1.3bn). The program seeks to entrench macroeconomic stability, attain debt and fiscal sustainability, enhance public governance, and foster inclusive growth. The IMF assessed the Zambian Government's performance under the programme as satisfactory (IMF, 2024).

Financial Sector Performance and Stability

Zambia's banking sector has adequate liquidity, profitability, and capitalisation. Primary and total regulatory capital adequacy ratios were above the minimum regulatory requirements of 5% and 10%, respectively (BoZ, 2024). Asset quality was also satisfactory. Risks to financial system stability are on an upward trend on account of reduced economic activities due to drought, low financial intermediation, sovereign-bank nexus, concentration of banks' loans and deposits, dollarisation of loans, as well as maturity mismatches. Further, inflation, higher geopolitical tensions, and higher exchange rate volatility represented other sources of financial instability. Despite the elevated risks, the banking sector remained resilient. Noteworthy is that the financial system in Zambia remains underdeveloped when measured using the Financial Development Index (FDI) compiled by the World Bank (World Bank, 2025).

Conclusion

Zambia's political landscape is generally stable. Economic risks have risen lately, driven by a high debt burden, fiscal deficits, a decline in copper prices and adverse effects of the drought. Social risks are also a concern, with elevated levels of poverty, inequality, and unemployment. The country's healthcare and education systems are underdeveloped, with limited access to basic services.

ICRA is of the view that Zambia poses a moderate risk. The government has shown commitment to economic recovery and in dealing with shocks, which is further evidenced by the IMF ECF programme currently in place.

INDUSTRY RISK OVERVIEW

The cement industry is structured around multiple interconnected segments such as manufacturing, logistics, distribution, and environmental compliance. Cement manufacturing involves the mining of limestone, quarrying, crushing, grinding, and kiln operations, processes that are both capital and energy-intensive. Cement products must meet specifications set by the Zambian Bureau of Standards (ZABS) and international benchmarks. Logistics and transportation depend on road, rail, and port infrastructure. To address limitations in Zambia's rail network, local depots have been strategically established. Sales and distribution rely on partnerships and sales offices across Zambia and export markets.

Economic Contribution and Trends

The cement industry plays a vital role in Zambia's economy, supporting construction, mining, and public infrastructure. In 2024, the global cement market was valued at over USD 300bn, with growth in Sub-Saharan Africa driven by urbanisation and infrastructure investment. Zambia's national cement output rose from 2.74m tonnes in 2023 to approximately 3.27m tonnes in 2024. Chilanga Cement alone produced over 562,000 tonnes in the first eight months of 2024, reflecting a 15% y/y increase.

Although Chilanga Cement's revenue declined from ZMW 2.113bn in 2021 to ZMW 1.784bn in 2022 due to market saturation, profitability improved through cost efficiencies. Strategic initiatives such as the USD20m Phoenix Project to upgrade the Ndola kiln and the addition of a 108,000 tonne-per-year lime unit signal the company's commitment to growth and diversification.

Key Industry Players

Chilanga Cement PLC: Operates two plants (Chilanga and Ndola) with a combined annual capacity of 1.5m tonnes. Depots in Mpulungu, Chipata, Kasumbalesa, and Livingstone support distribution. The company continues to lead in sustainable, export-driven production, with a 15% increase in output during the first eight months of 2024.

Dangote Cement Zambia: A subsidiary of Nigeria's Dangote Group, it operates a 1.5m-tonne facility in Ndola. Known for cost-effective pricing and efficient technologies, it exports to the DRC and Malawi, enhancing regional competitiveness.

Zambezi Portland Cement: Based in Ndola, with an annual capacity of around 500,000 tonnes. Despite past legal and operational challenges, it remains competitive through pricing, strategic location, and ongoing modernisation, including a EUR 23m plant upgrade and new concrete block-making technology.

Regional Cooperation and Cross-Border Trade

Zambia benefits from regional trade frameworks such as SADC and COMESA. Chilanga Cement leverages border depots to export to the DRC, Malawi, and Tanzania. Improved transport networks and trade facilitation enhance Zambia's ability to supply cement regionally, reducing reliance on domestic demand.

In 2024, the global cement market remained dominated by Asia-Pacific. Sub-Saharan Africa's growth is driven by urbanisation, population growth, and infrastructure investment. However, the region faces several challenges:

- Currency volatility
- High production and logistics costs
- Regulatory and environmental compliance
- Periodic demand stagnation due to fiscal constraints

Key Risks

- Market Saturation & Competitive Pressure: Overcapacity leads to shrinking margins.
- Macroeconomic Volatility: Exchange rate fluctuations and inflation disrupt cost structures.
- High Operating Costs: Road transport and energy expenses remain elevated.
- Regulatory Compliance: Environmental laws increase capital requirements.
- Power Supply Instability: Outages necessitate costly backup systems.
- Public Infrastructure Dependence: Demand is tied to government-funded projects.
- Input Cost Inflation: Rising energy, packaging, and labour costs affect profitability.

Opportunities

- Regional Expansion: Strengthen exports via border depots and trade corridors.
- Product Diversification: Develop lime and speciality cement for industrial clients.
- Sustainability Innovation: Adopt clean technologies and alternative fuels.
- Energy Independence: Invest in renewable and hybrid energy solutions.
- Digital Transformation: Use predictive maintenance and automation.
- Market Responsiveness: Tailor products for niche segments like precast and marine concrete.

Zambia's cement industry is undergoing a strategic transformation. With increased output, regional trade potential, and investments in sustainability and innovation, the sector is poised for continued growth. Addressing challenges such as overcapacity, macroeconomic instability, and high production

costs through smart policy and advanced technologies will be key to maintaining its role as a pillar of national development and regional integration.

EXTERNAL RELATIONSHIPS

BANKING RELATIONSHIPS:

- Citibank Zambia Limited
- Indo Zambia Bank Limited
- Standard Chartered Bank Zambia PLC

EXTERNAL AUDITOR DETAILS

Auditor Name:	EY Zambia
Latest Financials:	31 st Dec-2024
Audit Report Date:	24 th February 2025
Audit Opinion:	Unqualified

Table 9

FINANCIAL ANALYSIS

The credit rating for Chilanga Cement PLC (CHIL) is performed on an unsolicited basis, relying solely on publicly available information from reputable sources. For its financial assessment, ICRA typically examines five years of audited annual financial statements, covering the period from 31-Dec-2020 to 31-Dec-2024.

INCOME STATEMENT

Performance Analysis					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Revenue	1,693,146	2,113,725	1,783,838	2,023,952	2,719,535
Gross profit	843,563	1,215,371	957,207	1,094,592	1,418,950
Total OPEX	(573,793)	(723,935)	(546,494)	(611,720)	(694,507)
EBITDA	404,430	493,875	508,376	719,303	818,518
Operating profit	341,724	424,130	436,804	644,359	737,677
Net Profit	343,469	425,361	329,205	447,440	567,684

Table 10

CHIL has generated a revenue of ZMW 2,720m in FY24, mainly supported by increased demand in the domestic market driven by infrastructure development projects initiated by the Government through Public-Private Partnerships (PPP) and the Constituency Development Fund (CDF), as well as the recapitalisation of several mines. This was coupled with the kiln remodelling project at the Chilanga plant. Furthermore, the company continues to sustain its growth trajectory over the years, with a 13% CAGR during FY20–24.

When looking at revenue reporting segments, CHIL has two main products: (i) Cement (99% of revenues) and (ii) Clinker (1%). Cement revenues increased by 49% y/y to ZMW 2,713m during FY24, mainly supported by strong performance in both the export market (43% of cement revenue; +76% y/y to ZMW 1,172m) and the domestic market (56%; +31% y/y to ZMW 1,510m), with additional revenues from lime or calcium oxide (1%; ZMW 31m). However, clinker sales declined by 97% y/y to ZMW 7m in FY24, indicating the company is more focused on cement sales.

Gross profit for the period stood at ZMW 1,419m (+30% y/y), against an increased cost of sales of ZMW 1,301m, amidst rising costs and market fluctuations. Gross profit CAGR stood at 14%, demonstrating strong resilience and stability in the company's profitability. Furthermore, over the last five years, CHIL was able to keep its gross margin within the 50–57% range, recording 52% in FY24 and 54% in FY23.

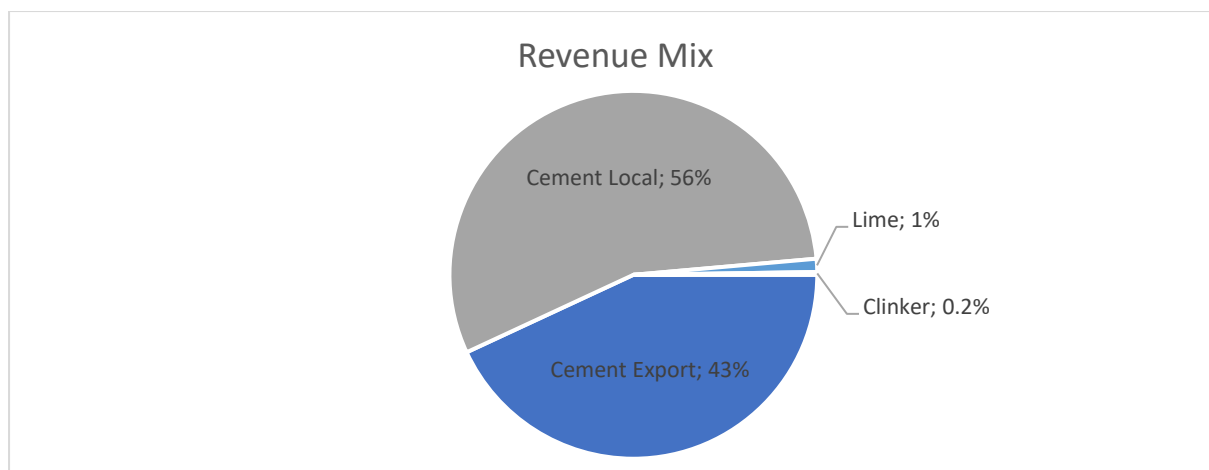


Exhibit 2

OPEX for the period increased by 14% y/y to ZMW 695m in FY24 as a result of market fluctuations, mainly driven by higher employee-related costs and other production expenses. The most significant component of OPEX was selling and distribution, which accounted for 54% of total OPEX, declining by 12% y/y to ZMW 378m. In contrast, admin expenses rose by 66% y/y to ZMW 287m (41% of OPEX), while marketing expenses increased by 222% y/y to ZMW 30m (4% of OPEX) in FY24.

Despite operational headwinds stemming from rising costs, CHIL has effectively managed its cost structure, reducing its cost ratio (OPEX to revenue) to 26% in FY24 from 30% in FY23, 31% in FY22, and 34% in both FY21 and FY20. This clearly demonstrates the company has achieved notable efficiency improvements in its cost structure over the years.

Operating profit for the period rose by 14% y/y to ZMW 738m in FY24, with the operating margin easing to 27% in FY24 from 32% in FY23. This margin compression was primarily due to the absence of exchange gains during the period. However, this decline is not viewed negatively, as the adjusted operating margin (excl. gains) has demonstrated a consistent upward trajectory over the years. EBITDA exhibited a similar trend, increasing by 14% y/y to ZMW 819m in FY24.

Net profit for the period increased by 27% y/y to ZMW 568m in FY24, with the net margin remaining stable at 21% (-1pts y/y). This reflects the company's ability to maintain bottom-line resilience despite pressures on the cost structure. The company continues to show a positive trajectory, with net profit recording a CAGR of 13% over the FY20–24 period.

ICRA opinion on Overall Performance

CHIL has demonstrated a commendable operational performance, marked by a robust growth trajectory and efficient cost management. The company continues to benefit from strong domestic demand, underpinned by strategic infrastructure developments and some mines recapitalisations. Despite sectoral headwinds, it has sustained profitability and maintained stability in margins. Its increased focus on cement sales reflects a well-aligned product strategy. Excluding the temporary downturn in FY22 caused by pandemic-related disruptions, CHIL has historically shown resilience and adaptability, reinforcing its position as a consistent performer within Zambia's industrial landscape.

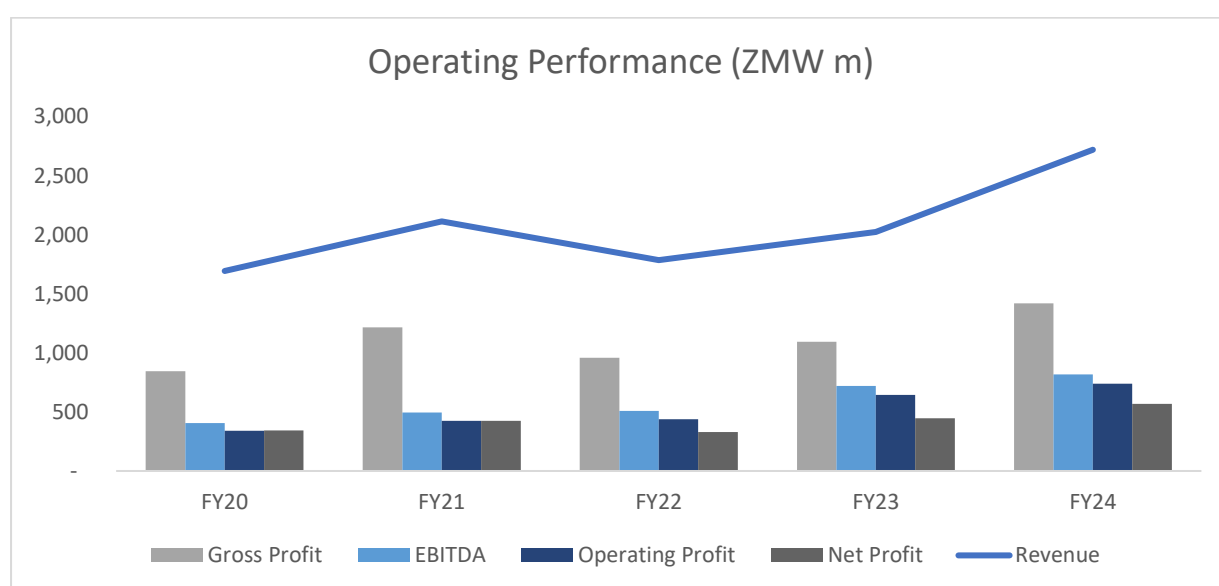


Exhibit 3

BALANCE SHEET ANALYSIS

ASSETS

Assets					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Property, plant and equipment	1,420,412	1,430,709	1,818,637	1,984,837	1,621,304
Total non-current assets	1,447,034	1,431,072	1,818,962	2,013,169	1,653,938
Cash and Cash Equivalent	283,140	154,515	436,391	600,912	505,364
Inventories	152,000	181,665	261,906	279,828	350,358
Trade receivables	59,601	35,002	31,557	38,226	78,536
Total assets	2,307,296	2,072,096	2,921,221	3,281,745	2,887,475

Table 11

Total assets declined 12% y/y to ZMW 2,887m in FY24, primarily due to reductions in both fixed assets (-18% y/y) and current assets (-3% y/y). Fixed assets accounted for 57% of total assets and comprised mainly property, plant & equipment (PPE), which fell 18% y/y to ZMW 1,621m. This was driven by modest increases in depreciation charges and revaluation losses in plant & equipment. Despite the decline, the company continues to maintain a PPE-to-total asset ratio above 50%, which is crucial for a manufacturing entity like CHIL.

Current assets declined 3% y/y to ZMW 1,234m, representing 43% of the asset base. These comprised cash & cash equivalents (41% of current assets), inventories (28%) and trade & other receivables (30%).

Cash & cash equivalents fell 16% y/y to ZMW 505m in FY24, primarily due to CAPEX outflows and dividend distributions. However, cash-to-assets remained steady at 18% in both FY23 and FY24, reflecting stable liquidity. Additionally, CHIL retains access to an undrawn credit line of ZMW 24m with Stanbic Bank, providing coverage for unforeseen liquidity needs.

Inventories rose 25% y/y to ZMW 350m in FY24, including finished goods, semi-finished goods, raw materials and other supplies. With rising demand and scaled-up production capacity, maintaining adequate inventory is vital to prevent supply disruptions and support continuous manufacturing operations.

Trade receivables have remained below 10% of revenues throughout the review period and stood at just 3% in FY24, highlighting a high level of cash sales, an encouraging indicator for liquidity management. Only 17% of receivables were over 90 days past due. CHIL also increased its bad debt provision to 10% of gross receivables in FY24 (from 15% in FY23), suggesting an overall low-risk receivables profile, as assessed by ICRA. Other receivables increased 22% y/y to ZMW 297m, largely comprising VAT refunds, prepaid expenses and sundry items.

Overall, ICRA does not foresee material risks to CHIL's asset base, other than a modest decline in total assets. On the upside, strong PPE retention, stable liquidity ratios and low-risk receivables all reflect positively on the company's asset profile.

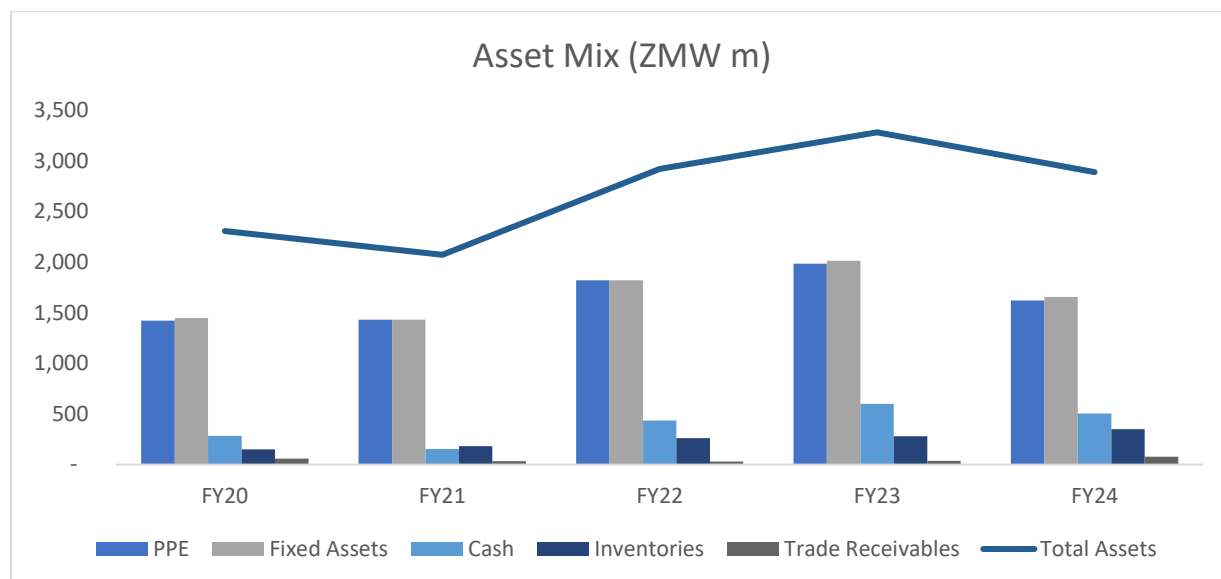


Exhibit 4

LIABILITIES

Liabilities					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Non-Current Liabilities	243,205	234,484	343,098	434,676	263,330
Trade Payables	78,646	138,266	151,147	95,527	129,858
Other Payables	345,031	170,157	179,878	160,523	177,691
Due to Related Parties	1,244	1,163	12,930	201,103	199,468
Current Liabilities	427,215	311,752	379,893	545,577	753,981
Total Liabilities	670,420	546,236	722,991	980,253	1,017,311

Table 12

Total liabilities stood at ZMW 1,017m (+4% y/y), representing 35% of total assets, indicating that 35% of assets are funded via liabilities. The company maintains a relatively low level of long-term liabilities, which comprise 26% of total liabilities (ZMW 263m) and include deferred tax liabilities (ZMW 170m) and environmental provisions (ZMW 93m).

Short-term liabilities increased 38% y/y to ZMW 754m, largely driven by higher trade payables (+36% y/y), contract liabilities (+38% y/y) and income tax liabilities (+437% y/y).

Trade payables amounted to ZMW 130m, accounting for 29% of current liabilities. These primarily included CAPEX and operational trade payables, both with an average credit period of 60 days. Trade payables represented 10% of FY24 cost of sales, indicating a low reliance on external suppliers relative to operational scale. Moreover, given CHIL's healthy cash balance, the company retains sufficient liquidity to comfortably settle these obligations. Other payables rose 11% y/y to ZMW 178m and stood at 24% of current assets, comprising sundry accruals, dividend payables and miscellaneous liabilities.

Amounts due to related parties declined slightly by 1% y/y to ZMW 199m, representing 26% of current assets. These included payables to Huaxin Cement China (ZMW 185m), Cimentos de Mozambique S.A. (ZMW 11m), and Huaxin Cement Technology Management (ZMW 3m)—all entities under the Huaxin group umbrella.

Overall, ICRA considers CHIL's liability profile to be low risk, supported by minimal exposure to interest-bearing external debt, modest trade payables, and robust liquidity. Additionally, borrowings from related entities offer further financial flexibility and repayment optionality.

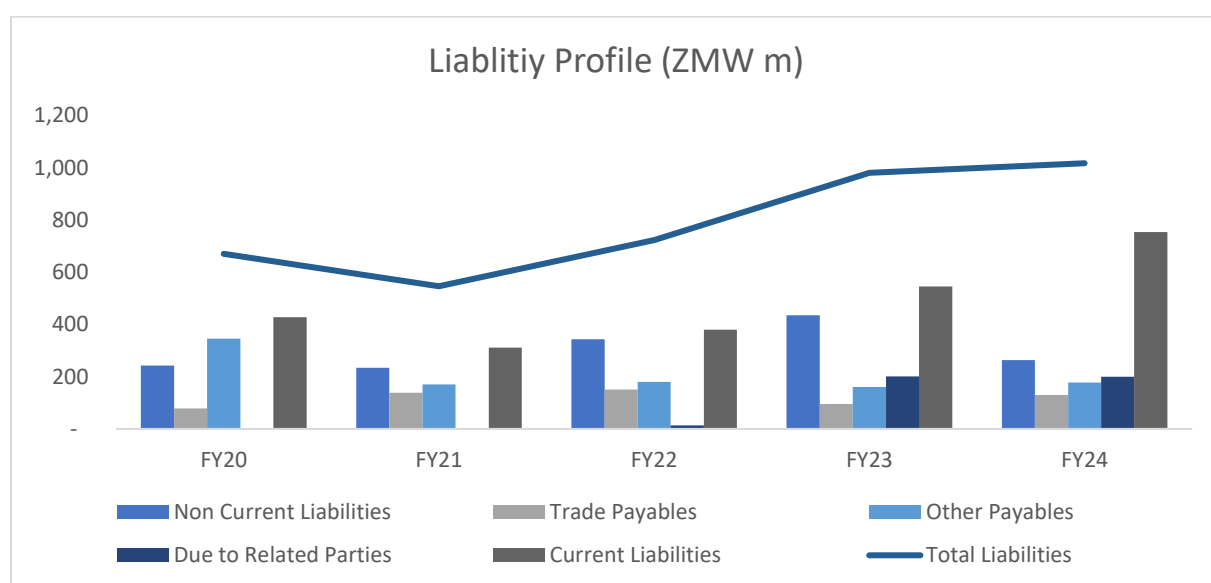


Exhibit 5

EQUITY

Equity					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Issued capital	10,002	10,002	10,002	10,002	10,002
Revaluation reserve	453,238	453,897	777,429	776,868	338,469
Retained earnings	1,173,636	1,061,961	1,410,799	1,514,622	1,521,693
Total equity	1,636,876	1,525,860	2,198,230	2,301,492	1,870,164

Table 13

In FY24, CHIL reported total equity of ZMW 1,870m, reflecting a 19% y/y decline from ZMW 2,302m in FY23, driven mainly by a 56% drop in the revaluation reserve to ZMW 339m, suggesting asset revaluation adjustments or impairments. Equity comprises three components: issued capital unchanged at ZMW 10.0m, revaluation reserve, which exhibited notable volatility across years, and retained earnings, which rose steadily to ZMW 1,523m, indicating consistent profitability and disciplined payout policies. From FY20–FY23, total equity trended upward, peaking in FY23 before retreating in FY24. Despite the dip, CHIL’s capital structure remains fundamentally strong, underpinned by stable issued capital and robust internal profit retention.

CHIL’s equity base appears resilient and well-anchored by strong retained earnings, which continue to offset volatility in revaluation reserves. Despite the FY24 decline, the overall trajectory suggests sound internal capital generation and a balanced capital structure that supports long-term financial stability.

Conclusion:

CHIL’s financial position appears fundamentally sound, underpinned by a stable asset base and steady liquidity. Its strong fixed asset foundation, low receivables, and adequate inventory levels suggest efficient asset management. The capital structure is robust and equity-driven, with zero reliance on interest-bearing external debt. Low trade payables further support its conservative financial stance. Taken together, these elements reflect prudent fiscal stewardship, operational stability, and a resilient balance sheet well-positioned to absorb potential external shocks.

CASH FLOW ANALYSIS

Cash Flow Analysis					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Working Capital Movements	102,678	(18,225)	(98,892)	28,720	5,680
Net Operating Cashflow	484,377	406,249	267,428	605,799	801,537
CAPEX	48,715	80,932	28,572	124,770	280,083
Net Investing Cashflow	(47,925)	(53,480)	(25,261)	(125,012)	(262,531)
Net Financing Cashflow	(301,103)	(421,384)	(4,053)	(400,081)	(600,121)

Table 14

CHIL's net operating cash flow grew 32% y/y to ZMW 802m in FY24, backed by robust earnings and tight working capital discipline. The main driver was a reduction in related party dues, coupled with an increase in trade payables to ZMW 34m, both enhancing cash conversion. This offset heavier working capital drag from inventories (ZMW 71m) and trade receivables (ZMW 42m), which likely reflects expansion in operational activities. Non-cash adjustments remained supportive, depreciation rose to ZMW 81m, FX losses turned positive (ZMW 35m), and finance costs surged, indicating a more leveraged profile. CHIL has shown a recovery from FY22's low operating cash flow of ZMW 267m, down from ZMW 406m in FY21. Operating cash to revenue ratio stood at 49% in FY24, markedly up from 31% in FY23 and 15% in FY22, suggesting improved efficiency in converting top-line growth into cash. Solid base for reinvestment or returns to shareholders.

In FY24, CHIL recorded net investment cash outflows of ZMW 263m, up 110% y/y, driven by an aggressive CAPEX cycle. Purchase of PPE surged to ZMW 280m, more than doubling from FY23, reflecting substantial reinvestment in core operations. Despite modest disposals and higher investment income, outflows remained high. CAPEX-to-revenue ratio reached 10.3%, compared to 6.2% in FY23, indicating greater internal allocation towards fixed assets. The scale of investment suggests forward-looking operational expansion and capacity enhancement, though it weighed on overall free cash generation. In FY24, CHIL's net financing cash outflow rose to ZMW 600m, from ZMW 400m in FY23, driven entirely by dividend payments. Financing activities were minimal, with no borrowings raised and repayments made, highlighting a strategy of low leverage amid intensified investment commitments.

CHIL's FY24 cash flow profile reflects a deliberate trade-off between growth and liquidity. Despite strong operating cash generation, a net cash burn was recorded, driven by elevated capital expenditure and substantial dividend payments. Investment activity remained robust, pointing to strategic reinvestment in core operations. Financing outflows were significant yet minimal in structure, with no new borrowings raised. Nonetheless, the company retained a solid cash buffer, underscoring resilient cash conversion, disciplined capital management, and the capacity to sustain its operational momentum.

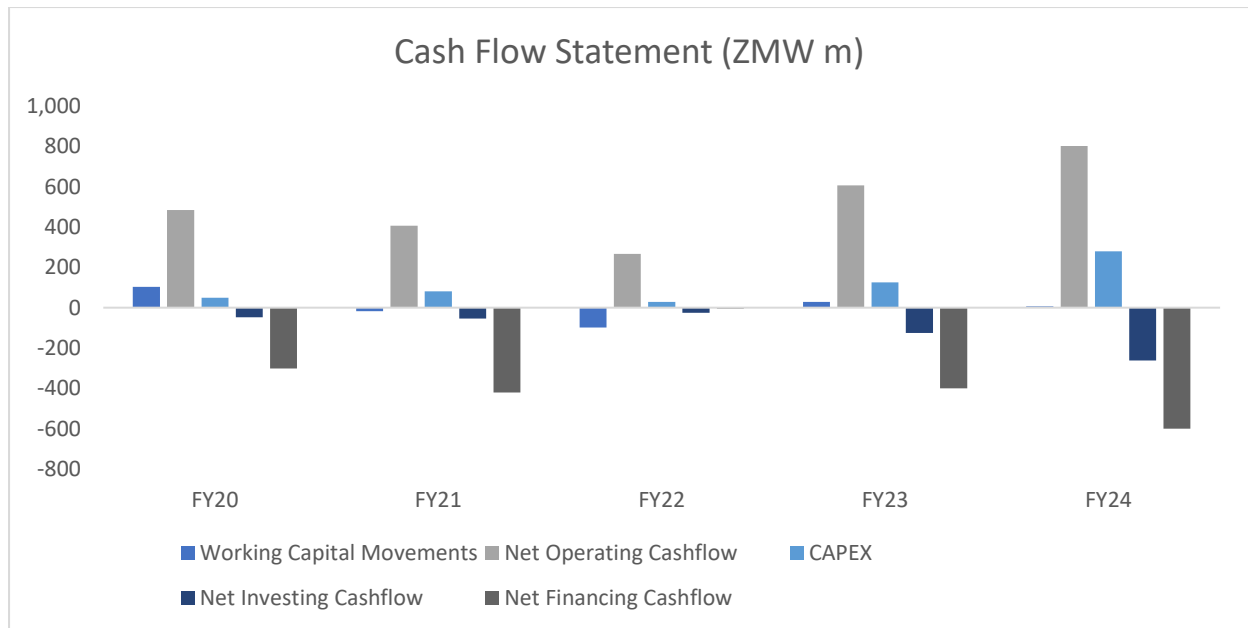


Exhibit 6

RATIO ANALYSIS

PROFITABILITY ANALYSIS

Profitability					
	FY20	FY21	FY22	FY23	FY24
Gross Margin	50%	57%	54%	54%	52%
EBITDA Margin	24%	23%	28%	36%	30%
Operating Margin	20%	20%	24%	32%	27%
Net Margin	20%	20%	18%	22%	21%
Return on Equity	21%	27%	18%	20%	27%
Return on Assets	15%	19%	13%	14%	18%
Return on Capital Employed	18%	23%	15%	17%	23%
Operating CF Margin	29%	19%	15%	30%	29%

Table 15

In FY24, CHIL demonstrated resilient margin performance, although impacted by industry-wide cost inflation and volatile market conditions. Gross margin declined by 2ppts y/y to 52%, reflecting elevated direct costs driven by energy price hikes, foreign exchange pressures on raw materials, and logistical constraints. However, gross margin has consistently remained above 50% over the years.

EBITDA margin shrank by 6ppts y/y to 30% in FY24, down from the prior year's peak of 36%. This contraction points to increased overheads that compressed operating profitability. Nonetheless, the level remains robust compared to historical levels (pre-FY23), indicating enduring operating efficiency. Operating margin mirrored a similar trend, falling by 5ppts y/y to 27%, yet remains significantly above pre-FY23, evidencing improved operating leverage.

Net margin displayed stability, declining only 1ppt y/y to 21%. This slight decline implies CHIL managed finance costs and taxation effectively, cushioning the impact of operational expense increments. Over the five-year period, margins have shown a slightly volatile but upward trajectory, with FY23 as a peak year—reflecting the company's ability to navigate sector volatility.

Return metrics in FY24 improved significantly, signalling increased optimisation of assets, equity and capital. Return on Equity increased by 7ppts y/y to 27%, in line with its FY21 high, driven by better profitability. Return on Assets rose by 4ppts y/y to 18%, suggesting more productive utilisation of its asset base. Return on Capital Employed increased by 6ppts y/y to 23%, underscoring improved capital allocation amid cost headwinds and reinforcing the firm's ability to generate healthy returns from invested funds.

Operating Cash Flow Margin held firm at 29% in FY24, down just 1ppt y/y from the previous year. This stability highlights CHIL's disciplined working capital management and strong cash conversion from operations, even amid margin compression and rising operational costs.

The profitability appears to have slightly declined despite remaining at good levels, under challenging market conditions. Despite facing inflationary pressures and rising operating costs, the company has sustained positive margins, demonstrated efficient capital utilisation, and preserved healthy cash flow generation. Considering all the factors, ICRA assumes moderate risk in terms of profitability.

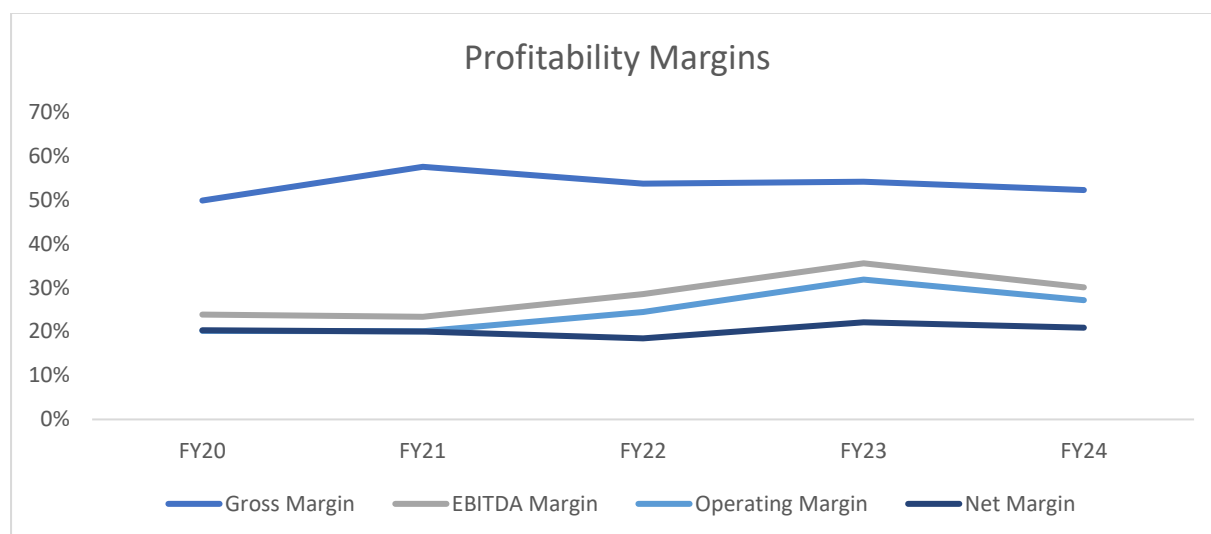


Exhibit 7

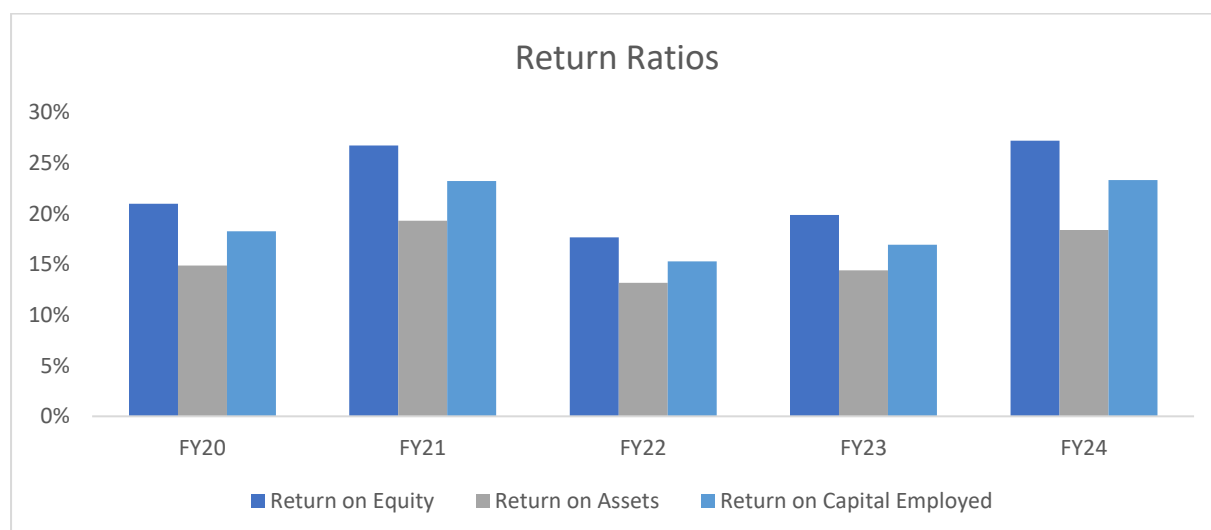


Exhibit 8

LIQUIDITY ANALYSIS

Liquidity Ratios					
	FY20	FY21	FY22	FY23	FY24
Current Ratio	2.0x	2.1x	2.9x	2.3x	1.6x
Quick Ratio	1.7x	1.5x	2.2x	1.8x	1.2x
Cash Ratio	0.7x	0.5x	1.1x	1.1x	0.7x
Operating CF to ST Liabilities	1.1x	1.3x	0.7x	1.1x	1.1x

Table 16

CHIL's liquidity profile in FY24 reveals increased financial pressure stemming from a notable rise in current liabilities, particularly driven by tax obligations and elevated payables. The current ratio declined to 1.6x in FY24 from 2.3x in FY23, marking a clear contraction in the working capital buffer. While current assets rose modestly, the increase was overtaken by higher short-term liabilities, signalling greater reliance on supplier credit and deferred tax settlements. Quick ratio narrowed to 1.2x, reflecting the diminished liquidity buffer after excluding inventories. Cash ratio also reduced to 0.7x, indicating compressed cash flexibility. Notably, Operating Cash Flow to Short-Term Liabilities remained stable at 1.1x, demonstrating that operational performance continues to underpin liquidity resilience. This consistency reflects a disciplined approach to cash generation, supported by improved sales volumes and internal cost rationalisation efforts.

The overall liquidity moderation aligns with prevailing headwinds in Zambia's cement industry, including foreign exchange volatility, elevated input costs, and intensified competition. Based on the available information, we assume CHIL to have an elevated risk level in its liquidity profile. Additionally, CHIL retains access to an undrawn credit line of ZMW 24m with Stanbic Bank, providing coverage for unforeseen liquidity needs.

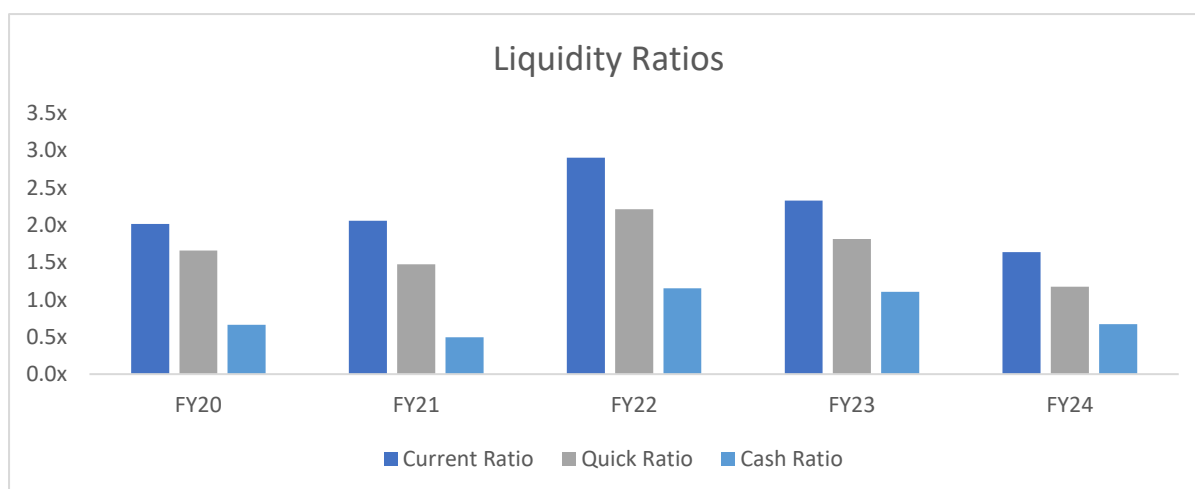


Exhibit 9

EFFICIENCY ANALYSIS

Efficiency Ratios					
	FY20	FY21	FY22	FY23	FY24
Average Collection Days	13	8	7	6	8
Average Payment Days	34	44	64	48	32
Inventory Turnover Days	65	68	98	106	88
Inventory Turnover Ratios	5.6x	5.4x	3.7x	3.4x	4.1x
Interest Cover	na	158.8x	73.5x	87.1x	56.7x

Table 17

Average Collection Days improved to 6 days by FY23 before extending to 8 days in FY24, indicating consistently strong receivables turnover despite slight delays in FY24. However, the overall collection days trend demonstrates a well-disciplined collection mechanism. Average Payment Days fluctuated, peaking at 64 days in FY22 before reducing to 32 days in FY24. The reduction suggests better repayment discipline to suppliers. However, we assume this to be an acceptable level. Inventory Turnover Days rose sharply to 106 in FY23, driven by stocking delays and cost inflation, but improved to 88 days in FY24, reflecting recovering inventory cycles and improved throughput. The Inventory Turnover Ratio followed a similar trajectory, recovering to 4.1x in FY24 after dipping to 3.4x in FY23. Interest Cover remained strong throughout the period, standing at 56.7x in FY24 despite sector headwinds, indicating solid debt-servicing capacity supported by strong earnings. Collectively, the efficiency metrics show CHIL maintaining operational agility, though challenges in inventory rotation and supplier credit dynamics persist. The rebound in inventory efficiency and sustained earnings coverage underscore the company's ability to navigate industry-level pressures while preserving core operational strength. Accordingly, ICRA assumes CHIL to exhibit strong efficiency in its operations.

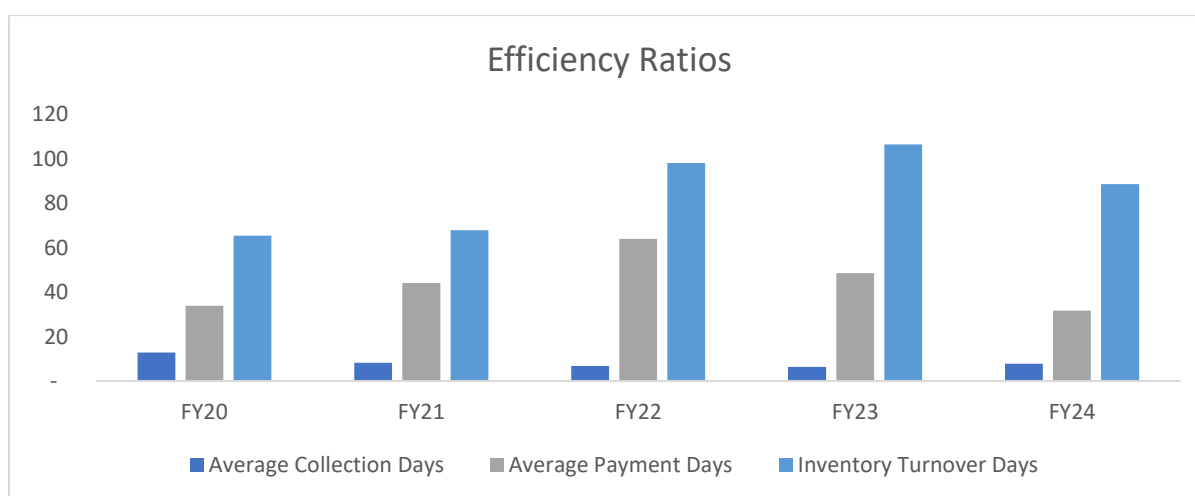


Exhibit 10

LEVERAGE ANALYSIS

Leverage Ratios					
	FY20	FY21	FY22	FY23	FY24
Debt to Equity	0.4x	0.4x	0.3x	0.4x	0.5x
Debt Ratio	0.3x	0.3x	0.2x	0.3x	0.4x
Equity Ratio	0.7x	0.7x	0.8x	0.7x	0.6x

Table 18

CHIL's leverage profile over the period FY20–FY24 demonstrates a consistently conservative capital structure with stable and low-risk funding dynamics. The Debt-to-Equity ratio increased to 0.5x in FY24 from 0.4x in FY23, following three years of relatively steady levels between 0.3x and 0.4x. Similarly, the Debt Ratio rose to 0.4x in FY24, marking a modest uptick from earlier years. These increases suggest an expansion in current liabilities, likely attributable to trade-related payables or accrued obligations rather than any form of external debt. The Equity Ratio declined to 0.6x in FY24, down from 0.7x over the past three financial years and 0.8x in FY22. This signals a mild contraction in equity coverage relative to total assets. Despite this, CHIL continues to exhibit strong equity backing across its asset base, reinforcing its capital strength and financial resilience. Crucially, CHIL has no interest-bearing external debt on its balance sheet. Its asset base is wholly supported through internal equity and retained earnings, eliminating exposure to refinancing risk or debt-servicing obligations. This positions the company favourably in terms of financial flexibility, particularly during periods of macroeconomic uncertainty or rising interest rates.

In light of the company's external interest-bearing debt-free stance and sustained equity-funded asset profile, ICRA considers leverage-related risk to be low. Overall, the company's low-leverage balance sheet enhances its financial stability and ensures greater strategic room for growth initiatives or unforeseen contingencies.

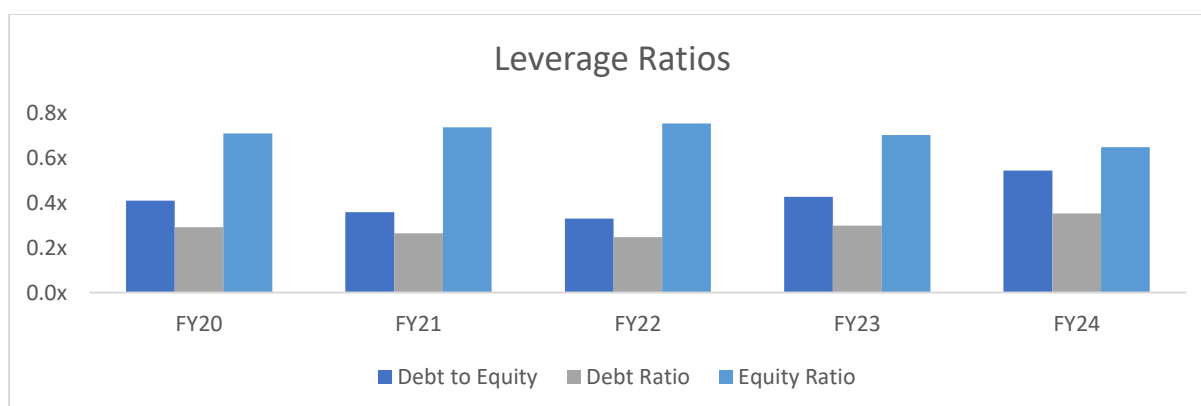


Exhibit 11

ANNEXURES

INCOME STATMENT

Income Statement					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Revenue	1,693,146	2,113,725	1,783,838	2,023,952	2,719,535
Cost of sales	(849,583)	(898,354)	(826,631)	(929,360)	(1,300,585)
Gross profit	843,563	1,215,371	957,207	1,094,592	1,418,950
Expenses					
Selling and distribution expenses	(356,127)	(373,846)	(308,255)	(429,362)	(377,888)
Marketing expenses	(2,785)	(4,837)	(9,707)	(9,223)	(29,674)
Administration expenses	(214,881)	(345,252)	(228,532)	(173,135)	(286,945)
Expected credit losses	71,954	(67,306)	(7,740)	2,386	(4,472)
Gain/(loss) on disposal	-	-	-	(18)	71
Exchange gains	-	-	33,831	159,119	11,136
Total Expenses	(501,839)	(791,241)	(520,403)	(450,233)	(687,772)
Other operating income	-	-	-	-	6,499
Operating profit	341,724	424,130	436,804	644,359	737,677
Investment income	790	1,231	3,311	2,761	18,639
Finance costs	955	(2,671)	(5,941)	(7,398)	(13,001)
Profit before tax	343,469	422,690	434,174	639,722	743,315
Income tax expense	-	-	(104,969)	(192,282)	(175,631)
Net Profit	343,469	422,690	329,205	447,440	567,684

Table 19

BALANCE SHEET

Balance Sheet					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	1,420,412	1,430,709	1,818,637	1,984,837	1,621,304
Intangible assets	401	363	-	7,319	8,167
Environmental Protection Fund	26,221	-	325	21,013	24,467
Total non-current assets	1,447,034	1,431,072	1,818,962	2,013,169	1,653,938
	63%	69%	62%	61%	57%
<u>Current assets</u>					
Cash and Cash Equivalent	283,140	154,515	436,391	600,912	505,364
Inventories	152,000	181,665	261,906	279,828	350,358
Trade receivables	59,601	35,002	31,557	38,226	78,536
Other receivables	241,913	195,417	262,506	243,598	296,538
Amounts due from related companies	123,608	74,425	109,899	106,012	2,741
Total current assets	860,262	641,024	1,102,259	1,268,576	1,233,537
Total assets	2,307,296	2,072,096	2,921,221	3,281,745	2,887,475
Capital and reserves					
Issued capital	10,002	10,002	10,002	10,002	10,002
Revaluation reserve	453,238	453,897	777,429	776,868	338,469
Retained earnings	1,173,636	1,061,961	1,410,799	1,514,622	1,521,693
Total equity	1,636,876	1,525,860	2,198,230	2,301,492	1,870,164
<u>Non-current liabilities</u>					
Provision for environmental liabilities	27,899	39,483	39,039	68,395	93,077
Lease Liabilities	3,301	2,001	-	-	-
Deferred tax liabilities	212,005	193,000	304,059	366,281	170,253
Total non-current liabilities	243,205	234,484	343,098	434,676	263,330
<u>Current liabilities</u>					
Trade payables	78,646	138,266	151,147	95,527	129,858
Contract liabilities	-	-	35,654	56,887	78,594
Other payables	345,031	170,157	179,878	160,523	177,691
Retirement benefit plans	242	114	284	860	3,779
Lease Liabilities	2,052	2,052			
Amounts due to related companies	1,244	1,163	12,930	201,103	199,468
Income tax liability	-	-	-	30,677	164,591
Total current liabilities	427,215	311,752	379,893	545,577	753,981
Total liabilities	670,420	546,236	722,991	980,253	1,017,311
Total equity and liabilities	2,307,296	2,072,096	2,921,221	3,281,745	2,887,475

Table 20

CASH FLOW STATEMENT

Cash Flow Statement					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Profit before tax	343,469	422,690	434,174	639,722	743,315
Adjustments for:					
(Gain)/loss on disposal of property, plant and equipment	(955)	(713)	–	18	(71)
Finance costs	1,412	969	5,941	7,398	13,001
Investment income	(790)	518	(3,311)	(2,761)	(18,639)
Inventory obsolescence	44,230	12,268	6,836	6,591	3,972
Expected credit loss on trade receivables	4,641	1,189	7,740	12,633	1,928
Provision for retirement benefit plans	3,388	2,115	379	1,149	4,087
Depreciation of non-current assets and right-of-use assets	61,139	69,438	71,534	74,165	80,553
Amortisation of intangible assets	38	38	38	779	310
Unrealised exchange losses/(gains)	(71,593)	58,974	(43,763)	(44,141)	34,828
Net cash flows from operating activities before movements in working capital	384,979	567,486	479,568	695,553	863,284
Movements in working capital:					
Increase in inventories	(367)	(30,856)	(87,077)	(17,922)	(70,530)
Increase in trade receivables	9,619	23,410	(4,295)	(19,302)	(42,238)
Increase in other receivables	47,833	(53,056)	(42,069)	(51,361)	(52,940)
Decrease in amounts due from related companies	(62,228)	49,183	(35,474)	3,887	103,271
Increase/(decrease) in trade payables	(13,184)	59,620	12,881	(55,620)	34,331
Decrease in Contract Liability	–	–	18,379	21,233	21,707
Increase/ (decrease) in other payables	176,746	(66,445)	26,996	(19,355)	17,168
Increase EPF Contribution	–	–	–	(21,013)	(3,454)
(Decrease)/Increase in amounts due to related companies	(55,741)	(81)	11,767	188,173	(1,635)
Cash generated from operations	487,657	549,261	380,676	724,273	868,964
Income taxes paid	(1,652)	(141,502)	(108,735)	(112,260)	(57,851)
Retirement benefits paid	(216)	(541)	(209)	(573)	(1,168)
Interest paid	(1,412)	(969)	(4,304)	(5,641)	(8,408)
Net cash generated by operating activities	484,377	406,249	267,428	605,799	801,537
Cash flow from investing activities					
Investment income	790	518	3,311	2,761	18,639
Purchase of property, plant and equipment (i)	(48,715)	(80,932)	(28,572)	(124,770)	(280,083)
Purchase of intangible assets	–	–	–	(3,210)	(1,158)
Proceeds on the disposal of property plant and equipment	–	26,934	–	207	71
Net cash used in investing activities	(47,925)	(53,480)	(25,261)	(125,012)	(262,531)

Cash Flow Statement					
ZMW (000)	FY20	FY21	FY22	FY23	FY24
Cash flow from financing activities					
Repayment of lease liability	(1,043)	(1,300)	(4,053)	(400,081)	(600,121)
Dividend paid to the owners of the Company	(300,060)	(420,084)	–	–	–
Net cash used in financing activities	(301,103)	(421,384)	(4,053)	(400,081)	(600,121)
Net (decrease) increase in cash and cash equivalents	135,349	(68,615)	238,114	80,706	(61,115)
Cash and cash equivalents at the beginning of the year	76,081	283,140	154,515	436,391	600,912
Effect of foreign exchange rate changes	71,710	(60,010)	43,762	83,815	(34,433)
Cash and cash equivalents at the end of the year	283,140	154,515	436,391	600,912	505,364

Table 21

GLOSSARY

&	:	<i>And</i>
bn	:	<i>Billions</i>
c.	:	<i>Approximately</i>
CAGR	:	<i>Compound Annual Growth Rate</i>
CAPEX	:	<i>Capital Expenditure</i>
CEO	:	<i>Chief Executive Officer</i>
cf.	:	<i>Compared to</i>
CFT	:	<i>Combating the Financing of Terrorism</i>
D&A	:	<i>Depreciation and Amortisation</i>
EBIT	:	<i>Earnings before Interest and Tax</i>
EBITDA	:	<i>Earnings before Interest, Tax, Depreciation & Amortisation</i>
etc.	:	<i>Et cetera</i>
FYxx	:	<i>Financial Year ending 31-Dec-202X</i>
GDP	:	<i>Gross Domestic Product</i>
ICRA	:	<i>International Credit Rating Agency</i>
ISO	:	<i>International Organization for Standardization</i>
k	:	<i>Thousands</i>
KYC	:	<i>Know Your Customers</i>
m	:	<i>Millions</i>
MOU	:	<i>Memorandum of Understanding</i>
Na or N/A	:	<i>Not Applicable</i>
OPEX	:	<i>Operating Expenses</i>
PPE	:	<i>Property, Plant and Equipment</i>
ppts	:	<i>Percentages points</i>
ROCE	:	<i>Return on Capital Employed</i>
tn	:	<i>Trillion</i>
USD	:	<i>United States Dollar</i>
VR	:	<i>Virtual Reality</i>
vs.	:	<i>Versus</i>
x	:	<i>times</i>
y/y	:	<i>Year over Year</i>
ZMW	:	<i>Zambian Kwacha</i>

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Date: 12th August 2025