



ZAMBEEF PRODUCTS PLC CREDIT RATING REPORT



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CREDIT RATING REPORT

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Currency used in this report	:	This report is presented in Zambian Kwacha (ZMW) unless otherwise noted.

Table 1

ICRA Assigned Rating

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

Table 2

RATING RATIONALE

ICRA has assigned a “**BBB**” rating with a “**Stable**” outlook to **Zambeef Products PLC** on **March 11, 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. Below are the key points including credit strengths as well as credit challenges reflected in the assigned rating.

Business model and diversification: The Group (Zambeef Products PLC and its subsidiaries) has a strong business model with diversified revenue streams, enabling sustainable growth across various market conditions. The business model is well integrated, and the group has marked its presence on each step of its value chain, thus ensuring smooth operations. On backward integration they have agriculture and dairy farms, feedlots and abattoirs from which the raw material is forwarded to their different processing plants while on forward integration they have their own logistic network and retail stores, enabling them to reach the end consumers. Furthermore, the group has a diversified product line ranging from agricultural products to dairy and livestock products. For example, through one of its subsidiaries, Zambeef also engages in shoe production by utilizing animal hides derived from its beef operations, ensuring efficient resource utilization and value addition. This diversification provides Zambeef a buffer against adverse market conditions.

Scope and stability of the business: The group's 3 decade-long operational history, marked by its incorporation in 1994, along with being listed on the Lusaka Stock Exchange for 2 decades since 2003, and subsequent listing on the London Stock Exchange (AIM) in 2011, reflects positively on the group's scope, stability and going concern. Furthermore, throughout the review period the company kept increasing its retained earnings by reinvestment of profits back into the business aiding the long-term business continuity. In addition, the group plays a significant role in the national economy, contributing c.1% to the country's GDP and providing employment to over 7,000 individuals, where c. 98% are Zambian nationals.

Growth in revenue and profitability: Throughout the review period, revenue and profitability of the group increased considerably. The group marked a revenue of ZMW 7.32bn in FY24 up from ZMW 6.05bn in FY23. During the review period, revenue increased with a CAGR of 17%, and total income, including changes in the fair value of biological assets, increased with a CAGR of 21%. This reflects strong business growth, driven by higher sales, and increased market demand. Similarly, the group exhibited significant growth in its profits (gross profit, operating profit and net profit). In the review period, Gross profit and operating profit grew with a CAGR of 19% and 23% respectively. Net profit grew significantly during the last three years from FY22 to FY24 with a CAGR of 139%. In FY24,

net profit grew by 50% on y/y basis reaching ZMW 180.09m. This indicates that Zambeef is efficient enough to maintain profitability while driving growth in the revenue.

Working capital, operating cash flows and cash position: Despite the business model being sensitive to the working capital changes with its inventory-heavy operations and perishable nature of the inventory, the company's working capital remained positive FY24 working capital stood at ZMW 237.82m. Furthermore, the operating cash flows remained positive throughout the review period. In FY24, operating cash flows stood at ZMW 171.35m. These reflects the company's ability to consistently generate sufficient cash from its operations, supporting liquidity and financial stability. The group's cash position remains strong and has demonstrated a positive trend over the period under review. Total cash and cash equivalents increased by 23% y/y in FY24, reaching ZMW 334.41m, accounting for 11% of total current assets and 4% of total assets.

Despite the above-mentioned positive indicators, main concern is below.

Finance cost pressure: Although the group has a good equity base to support increased debt financing, the increased interest payments has affected the liquidity of the firm. However, it is also observed throughout the review period, a considerable portion of the equity is contributed via revaluation reserves, with true equity base being comparatively lower. Increased reliance on debt financing has caused the growth of interest expenses to be greater than the operating profit growth, putting pressure on the serviceability of these finance costs. Furthermore, this increase in finance costs is also exerting pressure on the company bottom line (net profits). In FY24, interest expenses increased by 101% y/y, reaching ZMW 270.78 million. In comparison, operating profit grew by 32%, amounting to ZMW 487.19m. Interest coverage for FY24 dropped down to 1.80x, indicating a weakening ability to meet interest obligations from operating profits.

The rating for Zambeef products PLC is assigned with a stable outlook on it's short-term to medium term performance based on the aforementioned factors.

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

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

- If the company sustains its revenue growth along with improved profit margins,
- Continue to expand the operational capacity with no operational disruptions.
- Adopting a strategically viable and efficient working capital management.
- Sustaining or further improved cash and liquidity position with adequate level of asset mix.
- Improved current and quick ratios.

- The outlook for the agriculture industry and the economic environment in the country remains stable in the future.
- The political environment in the country remains stable and more supportive of the business sector.

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

The assigned rating could further be downgraded if:

- Continuing volatility in profitability and operational capacity.
- Significant increases in the debt levels with extremely high level of leverage.
- Deterioration in liquidity metrics, such as declining cash balances, and worsening cash ratios, which pose significant liquidity risks.
- Continuous interruptions or unexplained halts in the operations of the company
- The agriculture industry faces major headwinds.
- Economic conditions in the country become unstable or there is a major decline in overall business activity, or regulatory issues, such as lawsuits or investigations.

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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, utilizing a range of financial and non-financial elements as well as qualitative and quantitative credit analysis tools and techniques.

SOURCES OF THE INFORMATION

The credit analysis carried out was based on public sources of information. Publicly accessible data is gathered from the company website, reputable online domains, research reports, news flows, and third-party databases. Below are the main categories of information sources:

- Annual Reports
- Annual audited financial reports
- Industry research articles
- News articles
- Company/Government press releases
- Third-party data providers (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 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 rating downgrade.

Table 4

COMPANY BACKGROUND

Zambeef Products PLC (Zambeef) is a multinational company with headquarters based in Zambia. It also operates in Ghana and Nigeria. Zambeef Products PLC was incorporated in 1996 as “Zambeef Products Ltd.” and later listed as a public limited company on the Lusaka Stock Exchange in 2003. It specialises in cold chain products and agribusiness, providing a range of products including flour, bread, animal feeds, milk and other dairy products, and beef. The company manages its products through the entire value chain, from farming and processing to distribution and retail. For distribution of its final products, Zambeef has its own logistics network with approximately 280 trucks. Zambeef Products plc was listed on the London Stock Exchange (AIM) in 2011, which the Banker magazine named “deal of the year.”

PRODUCTS AND SERVICES

Zambeef Farming: The Zambeef Farming division grows wheat, maize, and soya beans at its farms. This division initiates the value chain of Zambeef products plc.

Novatek: Novatek produces animal feed for all types of livestock, including pets. Their products include broiler feeds, layer feeds, pullet feeds, pig feeds, aqua feeds, dog food, free-range chicken feed, ruminant feeds, horse feeds, concentrates, and macropacks. They also provide technical services, including feeding programs, nutrition advice, and animal husbandry tips.

Zambeef: Zambeef offers a wide range of meat products, including whole carcasses, choice cuts, ground beef, lamb, and goat. They provide four meat grades—commercial, standard, choice, and super/prime.

Zammilk: This brand provides a variety of dairy products, including pasteurised and homogenised fresh milk, Sterimilk, long-life milk, fresh cream, smooth and double cream yoghurt, drinking yoghurt, cheese, butter, Mabisi Lacto, and milk-based juice drinks.

Zamhatch: Zamhatch breeds and supplies freshly hatched chicks (a day-old) from hatcheries.

Zamchick: Zamchick produces a variety of roasted chicken and supply it to Hotels, Restaurants and Catering. Some of the poultry products are also exported to neighbouring countries.

Master Pork: Master pork produces different pork products including fresh pork cuts, bacon, pork sausages, Hungarian sausages, various cold meats, and viennas.

Zamflour: Zamflour has flour processing mills through which it produces flour. The Zamflour product range includes cake flour, white and brown bread flour, all-purpose flour and premix flour.

Zamloaf: Zamloaf offers a verity of bread including the classic white bread, brown bread, the nutritious health bread and milk bread catering to different dietary preferences and nutritional needs.

Zamshu: Zamshu produces leather footwear, and the range of products includes school shoes, casual shoes, safety footwear, safety boots, military boots, combat boots, sports footwear and football boots.

MARKETS

Zambeef sells its final products in the local market of Zambia and in Ghana and Nigeria. In Zambia, the company sells its finished products through owned retail chains (Zambeef outlets, Zambeef macros, Novatek, and Zamshu outlets). Zambeef operates butcheries in Shoprite stores to sell the raw meat. Animal feed is sold to local agents, and chicks are sold mostly to the local farmers and poultry producers. Zambeef also has its footprints in the hotels, restaurants, and catering sector (HORECA), where they supply roasted chicken. In Ghana and Nigeria, Zambeef sells its products through Shoprite stores. In Ghana, Zambeef operates a total of 7 butcheries at Shoprite, and in Nigeria they operate 26 Shoprite butcheries and 1 master meats.

BUSINESS MODEL

Zambeef has a vertically integrated business model that allows them to control every step of their value chain, ensuring efficient and seamless operations. On backward integration, for agriproducts, Zambeef has farms that supply raw material for agriproducts. Zambeef plants 22,454 hectares of crops annually, with 7,265 hectares in winter and 15,189 hectares in summer. Zambeef plants soybeans and maize in the summer and wheat during the winter. These crops are then forwarded to their production plants to produce different final products. The final products are delivered to the Zambeef retail stores through their logistic network (animal feed is sold to local agents, in addition to retail outlets).

The cold chain products' value chain starts from feedlots. Zambeef has 5 feedlots across Zambia with a standing capacity of 16,000 heads. Zambeef also has 5 abattoirs with the capacity to slaughter 230,000 cattle per annum. After the cattle are slaughtered, the meat is delivered to meat processing plants (including pork processing plants) to produce a variety of products. The final products are delivered to Zambeef retail stores and Shoprite butcheries.

For dairy products, Zambeef has farms with a dairy parlour milking capacity of 2,000 cows per day and a dairy processing plant with a capacity of 120,000 litres per day. The dairy processing plant produces a range of dairy products, including milk, lacto, yoghurt, cheese, and butter. These products are also sold by Zambeef through its retail chain across Zambia.

Zambeef also has a chicken processor where fresh and frozen chicken products are produced to be sold in Zambeef retail stores and to deliver to hotels, restaurants, and catering. They also have breeding and hatchery operations to supply day-old chicks to the local farmers and small- and medium-scale poultry producers.

Zambeef Products PLC also has a shoe manufacturing plant with a capacity to produce 153,000 pairs per annum. The final products from here are delivered to Zamshu outlets across the country.

INHERENT RISK

The group is involved in agriculture and livestock production, which inherently involves certain risks, including extreme weather conditions, insects, and diseases. The standing crops are always exposed to the risk of unfavourable weather conditions, insect infestations, and diseases, which can impact yield, quality, and overall production. Similarly, cattle are exposed to disease outbreaks impacting milking efficiency and may also lead to livestock mortality. In order to mitigate these risks, the group has various insurance policies on its biological stocks.

PRODUCTION CAPACITY

Zambeef produces a range of products and has built a strong production capacity over the years. Following are the different plants and their production capacities:

- Meet processing plant- capacity to process 100,000 cattle p.a.
- Chicken processor- capacity to produce 9.4m broilers p.a.
- Breeding and hatchery operations- capacity to produce 25m chicks per annum.
- Pork processing plant- capacity to slaughter and process 102,000 heads per annum.
- Dairy parlour- milking capacity of 2,000 cows per day.
- Dairy processing plant- capacity to process 120,000 litres of milk per day.
- Two Feed mills- cumulative capacity to produce 300,000 tonnes of animal feed per annum.
- Crop production- 22,454 Hectares of land per year.
- Wheat mill- capacity to mill 25,000 metric tonnes of wheat per annum.
- Tannery- capacity to process 144,000 hides per annum.
- Shoe manufacturing plant- capacity to produce 153,000 pairs per annum.
- Bakery- capacity to bake 1.2m loaves of bread per annum.

OUTLETS

Zambeef's retail footprints		
Zambia retail chain		
	2024	2023
Zambeef Outlet	54	59
Zambeef Macros	54	50
Novatek	46	42
Zamshu	45	42
Bakery	3	3
Shoprite	42	41
Total	244	237
West Africa retail chain		
Ghana	2024	2023
Shoprite Butcheries	7	7
Nigeria	2024	2023
Shoprite Butcheries	26	26
Master Meats	1	1
Total	34	34
Total Zambeef outlets	202	196
Total Shoprite Butcheries	75	74
Master Meats	1	1
Grand total	278	271

Table 5

SUBSIDIARIES

Zambeef has made strategic investments in various subsidiaries to expand its business operations, diversify its portfolio, and strengthen its presence in different sectors. These investments aim to enhance growth, improve operational efficiency, and create long-term value across its diverse ventures. The subsidiaries, ownership interest, and their principal activities are illustrated below.

Name of subsidiary	Place of incorporation	Ownership interest	Principal activities
Zamleather Limited	Zambia	100%	Processing and sale of leather & shoes
Master meat (Nigeria) Ltd	Nigeria	80%	Processing and sale of meat products
Master meat (Ghana) Ltd	Ghana	90%	Processing and sale of meat products
ZamChick Limited	Zambia	100%	Processing and sale of poultry products
Zamhatch Limited	Zambia	100%	Chicken breeding, rearing and production of stock feed

Table 6

SUSTAINABILITY

The agricultural industry inherently affects the environment due to its nature. As the group is involved in agricultural production, its operations also have an effect on the environment. To reduce those effects, the group is following various sustainable practices for farming and processing of crops, livestock, and dairy products. For animal feed, the group is following ISO certifications to uphold sustainable practice. Similarly, they have a windrow cropping system through which organic fertiliser is produced from waste from their Huntley farm that is used for cropping operations. Treatment ponds at Huntley farm is another sustainable practice among various others. It allows them to break down effluent for at least three months before discharge. Additionally, Zambeef has invested in advanced irrigation systems to optimise water usage and minimise waste.

MANAGEMENT OVERVIEW

MANAGEMENT TEAM

Zambeef Products PLC has a well-organised management team comprised of highly qualified and skilled professionals. The team has successfully led the organisation, driving growth within the company and fostering innovation in the industry over the years. Below is the review of the key management of Zambeef Products PLC and the composition of the Board of Directors.

BOARD OF DIRECTORS

The Board is responsible for guiding the company's performance and overall direction. This includes setting strategic goals, defining key policies, and making important business decisions, all in line with its charter. The composition of the board is illustrated below.

The Board Composition		
Director	Title	Date of Appointment
Patrick Wanjelani	Chairman	19/06/2024
Faith Mukutu	Executive Director (CEO)	4/9/2019
Pearson Gowero	Independent Non-Executive Director	1/3/2021
Jonathan Kirby	Independent Non-Executive Director	3/8/2017
Patrick Kalifungwa	Executive Director (CFO)	1/8/2024
Monica K Musonda	Independent Non-Executive Director	1/3/2021
Muyangwa Muyangwa	Independent Non-Executive Director	21/04/2023
John Rich	Non-Executive Director	21/06/2023

Table 7

Out of the seven directors, five hold non-executive director positions, while two are executive directors. The Board considers five of the Non-Executive Directors to be independent, in accordance with the standards outlined in the QCA Code and the LuSE Corporate Governance Listing Rules. Faith Mukutu, the CEO, has been on the board since 2019, while Patrick Wanjelani was appointed as the chairman of the board on the 19th of June in 2024.

Patrick Wanjelani – Chairman

Patrick Wanjelani is the chairman with over 30 years of experience in banking and finance. He holds a Master of Business Administration (MBA) from Oxford Brookes University, UK. From Thames Valley University, UK, he earned a Fellow Certified Chartered Accountant (FCCA) qualification, a Diploma in Professional Accounting, and a Diploma in Business Administration. Additionally, he completed the Leadership for the Cutting-Edge program in South Africa and obtained a Certificate in Corporate

Governance and Ethics from a South African institution. His expertise includes organisational change, financial planning, and corporate governance.

Faith Mukutu – Chief Executive Officer (CEO)

Faith Mukutu is the Chief Executive Officer with over 15 years of experience in senior finance roles at major corporations, including Zambia Sugar Plc and Zambian Breweries (SABMiller Group). She has held the position since 2022 (based on publicly available information) and has led the organisation successfully. She is a certified chartered accountant with an ACCA from Zambia Centre for Accountancy Studies. She also holds a Certified Accounting Technician qualification from the Zambia Centre for Accountancy Studies.

Patrick Kalifungwa – Chief Financial Officer (CFO)

Patrick Kalifungwa is the Chief Financial Officer with over 20 years of experience in the financial services sector. He has been serving as a CFO at Zambeef Products PLC since August 2024 (based on publicly available information). He is a Chartered Accountant and a Fellow of both the Association of Certified Chartered Accountants and the Zambia Institute of Chartered Accountants. In addition, he holds a postgraduate diploma in International Business. Throughout his career, he has held various senior management positions, overseeing financial management and control processes. His responsibilities have included coordinating quarterly profit forecasts, managing departmental budgets, and providing strategic financial advice across organisations.

Gys White - Executive Poultry & Milling

Gys White is the Executive for Poultry & Milling at Zambeef, a role he has held since March 2023 (according to publicly available information). He holds a B.Com. Honours in Accounting and an MBA from the University of Stellenbosch. Gys has extensive experience in the agricultural sector, having played a pivotal role in transforming Darling Dairies into one of South Africa's largest independent dairies. He was also instrumental in leading the development of Namib Poultry, a project for NMI Group. Additionally, Gys served as the Managing Director at Goldenlay, Zambia's premier egg producer, before taking on his current role at Zambeef.

Mike Lovett- Executive – Cropping

Mike Lovett is the Executive for Cropping at Zambeef, overseeing operations at Chiawa, Huntley, and Mpongwe farms. He has extensive agricultural experience, having worked on a mixed farm of wheat, maize, and soybeans in Mazabuka before spending 16 years on a primarily sugarcane farm. Mike joined Zambeef in 2008 to establish the palm plantation in Mpika and has since held various leadership roles,

including general manager, director of farming, and chief operating officer. He studied at the Royal Agricultural College in the United Kingdom and completed his under-studies at Mbala Farms.

Gerrie Kapfidze- Executive – Commercial

Gerrie Kapfidze has been the Executive for Commercial at Zambeef since April 2023 (joining date is taken from LinkedIn), bringing over 25 years of multi-country experience in business and talent development within the FMCG industry. He has worked with renowned companies such as Delta Beverages (part of SABMiller), Edrington, PepsiCo Foods, Mars Inc., and Unilever South Africa. Gerrie holds an MBA in Marketing and Operations from ESADE Business School and a BSc in Biology and Biochemistry from the University of Zimbabwe. He is also a Certified Business Advisor with the Institute of Business Advisers (South Africa) and a member of the Zambia Institute of Marketing.

Ezekiel Sekele- Executive – Corporate Affairs and Sustainability

Ezekiel Sekele is the Executive for Corporate Affairs and Sustainability at Zambeef, with 20 years of experience in senior management. He holds an MBA from Oxford Brookes University, a Master of Commerce in Development Finance from the University of Cape Town, and a post-qualifying diploma in Corporate Governance from the Chartered Governance Institute. Ezekiel is also a fellow of the Zambia Institute of Chartered Accountants. Prior to joining Zambeef, he served as the Director of Corporate Affairs at Zambian Breweries and has held roles at multinational companies such as SABMiller Mozambique (CDM), Deloitte & Touche, and the Commonwealth Development Corporation (CDC) at Mpongwe Development Company.

Tiri Mandava- Executive – Logistics and Operations

Tiri Mandava is the Executive for Logistics and Operations at Zambeef, with over 17 years of experience in FMCG, supply chain, transport, and distribution. He holds a BCom in Economics and Information Systems from the University of KwaZulu-Natal. Tiri has led the construction of new distribution centres, implemented sales and operations planning, and introduced warehouse and transport management systems. He has also achieved ISO certifications for various organisations and successfully integrated new supply chain networks. Prior to Zambeef, Tiri managed the supply chain and distribution operations for one of Zimbabwe's largest manufacturing companies and oversaw one of the country's largest transport firms.

Walter Roodt- Executive – Large Livestock and Strategic Projects

Walter Roodt is the Executive for Large Livestock and Strategic Projects at Zambeef. He holds a master's degree in animal nutrition from the University of Pretoria and completed a Senior Executive Programme at the London School of Business. Walter is an experienced animal scientist who started his career as

Technical Manager at Feedmaster in Namibia. He joined Zambeef in 2008 to launch Novatek Animal Feeds as a greenfield project, later serving as General Manager and eventually being promoted to Deputy Managing Director. Walter also served as CEO for two years during a period of significant change and is now focused on his current role at Zambeef.

Zambeef has a management team of highly skilled professionals with decades of experience in the relevant field.

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 liberalized 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. Notable however is that 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 urbanization, 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 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, 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 (USD3.91bn 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 at the date 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 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 performance under the programme as satisfactory, (IMF, 2024).

FINANCIAL SECTOR PERFORMANCE AND STABILITY

Zambia's banking sector has adequate liquidity, profitability, and capitalization. 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, dollarization 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 REVIEW

GLOBAL AND AFRICAN REGION AGRICULTURE INDUSTRY

Agriculture is a key driving force in industries across the globe, with technological advancements and innovations playing a crucial role in its transformation. These developments have reshaped farming practices, enhancing productivity, efficiency, and sustainability. On a global scale, agriculture contributes significantly to the economy, accounting for 4% of global GDP in 2018. In Africa, the agricultural sector is even more critical, employing a substantial portion of the workforce and being a primary source of income for millions. In 2022, agriculture employed 26.2% of the global workforce, highlighting its importance in job creation. As one of the most vital sectors, agriculture consistently attracts the attention of governments and international organisations. In collaboration with international bodies, governments implement policies and programs focused on boosting agricultural productivity, ensuring food security, and promoting sustainable practices to address challenges like climate change, poverty, and malnutrition on a global scale.

ZAMBIA'S AGRICULTURAL SECTOR

Agriculture is a cornerstone of Zambia's economy, playing a vital role in driving economic growth and contributing significantly to the nation's GDP. The sector supports a large portion of the population, providing employment for both rural and urban communities. Additionally, agriculture is key to the country's food security, export revenues, and overall economic stability.

We have covered the subsectors, in the context of Zambia, of the agricultural industry that are most relevant to Zambeef's operations, as outlined below.

LIVESTOCK AND DAIRY

In Zambia, the livestock and dairy sectors are vital components of the agricultural economy, significantly contributing to rural livelihoods and national food security. As per the Zambian Ministry of Fisheries and Livestock, in 2023 (May 22-April 23), the country's livestock population included approximately 5.11 million cattle, 308,354 sheep, 5.56 million goats, 1.61 million pigs, and 33.55 million chickens. In 2023, Zambia produced about 290.82 litres of milk.

Competition:

Following are the major players in the Zambian Dairy Market.

- Zambeef Products plc
- Lactalis Zambia (formerly Parmalat Zambia)
- Nestlé Zambia

- Dairibord Zambia
- Chilanga Dairy Products
- Smallholder Dairy Farmers

Major players in Zambian Livestock Market.

- Zambef Products plc
- Kafue Beef Packers
- Chambeshi Farms
- Pioneer Foods (Zambia)
- Lusaka Abattoirs

CROP PRODUCTION

In Zambia, crop farming plays a vital role in the agricultural industry, with maize being the primary crop grown. During the 2021 farming season, the country harvested roughly 3.95 million tonnes of cereal crops, with maize representing 92% of the total production of major food crops. In addition to maize, other important crops in Zambia's agricultural landscape include rice, wheat, and legumes. The government is taking the initiative to enhance the production capacity of the country by introducing various supporting programs.

Competition

Following are the main players in Zambian crop production and processing market.

- Zambef Products plc
- Pioneer Foods Zambia
- Nyiombo Investments Limited
- Chambishi Agriculture Limited
- Dawn Agro Industries

POULTRY FARMING

The poultry sector plays a crucial role in the Zambian agricultural industry, contributing significantly to food security, employment, and economic growth. The value chain of the poultry sector begins with the production of hatching eggs and chicks, followed by the rearing and feeding of poultry. It extends through various stages, including the processing of poultry meat and eggs, packaging, and distribution to markets. Each step of this value chain not only adds value to the final product but also creates numerous opportunities for investment, innovation, and job creation within the sector.

Competition

Following are the key players in Zambian poultry farming.

- Zambeef Products plc
- Chicken Inn
- Farmers Choice Zambia
- Pioneer Food Industries

EXTERNAL RELATIONSHIPS

EXTERNAL AUDITOR DETAILS

Auditor Name	PricewaterhouseCoopers
Latest Financials	Year ending 30 th September 2024
Audit Report Date	9 th December 2024
Audit Opinion	Unqualified

Table 8

FINANCIAL ANALYSIS

Zambeef Products Plc is Zambia's largest agri-based products company. It has also expanded its footprint into neighbouring countries through its successful operations. Zambeef has been listed on the Lusaka Stock Exchange since 2003 and on the London Stock Exchange (AIM) since 2011. ICRA has used Zambeef's last five years financial statements, from FY20 to FY24, to assess the financial health of the group, i.e., Zambeef and its subsidiaries. These financial statements provide valuable insight into the group's financial health, allowing us to assess both its financial risks and growth potential.

PROFIT AND LOSS ANALYSIS

Performance Analysis					
ZMW '000	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Revenue	3,875,104	4,974,351	5,394,761	6,046,157	7,315,845
Change in fair value of biological assets	(14,381)	6,651	349,462	643,197	1,005,832
Total Income	3,860,723	4,981,002	5,744,223	6,689,354	8,321,677
Gross Profit	1,215,622	1,470,716	1,633,186	1,843,262	2,475,118
OPEX	1,011,968	1,217,506	1,302,358	1,432,773	1,891,160
EBIT	210,531	267,330	173,664	361,357	487,192
EBITDA	351,939	435,091	279,135	486,081	661,010
Net Profit	(102,195)	168,823	31,578	120,218	180,096

Table 9

The group's revenue has shown significant growth with a CAGR of 17% during the review period, demonstrating the group's commitment to expanding its market share. The revenue grew from ZMW 3875.10m in FY20 to ZMW 7315.84m in FY24, and the change in fair value of biological assets (the group's biological assets comprise standing crops (wheat, maize, and soya), feedlot cattle, dairy cattle, and chickens) reached ZMW 1,005.83m in FY24, raised from ZMW 643.2m in FY23. The group records the change in fair value of biological assets as a part of its core revenue due to the inherent nature of the business. The change in fair value of biological assets mainly arises from a change in value due to price changes and due to biological changes in crops, cattle, etc. However, the contribution of change in fair value of biological assets to the total income remained relatively low; in FY24, its contribution to the total income is the highest of the review period, i.e., 12%.

In FY24, the revenue composition has shifted significantly, with Retailing and Food Production contributing 65% of total revenue in FY24, up from 45% in FY23, indicating a growing focus on this

segment. Meanwhile, the Cropping and Milling segment's share declined to 35% in FY24 from 55% in FY23.

Revenue Breakup

Segmental breakdowns	FY24		FY23	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Retailing and Food Production	4,790,958	65%	2,709,981	45%
Cropping and Milling	2,524,887	35%	3,336,176	55%
Total Revenue	7,315,845	100%	6,046,157	100%

Table 10

In the most recent years, i.e., FY23 and FY24, the total income grew significantly on a y/y basis. Total income for FY23 grew by 16% on a y/y basis, reaching ZMW 6,689.35m, and further grew by 24% in FY24, reaching ZMW 8,321.67m. The revenue also showed significant increases in FY24, reaching ZMW 7,315.84m, up from ZMW 6,046.15m in FY23, recording a y/y growth of 21% compared to 12% growth in FY23. This indicates the rising demand for the group's products and potential for growth in the future.

The gross profit increased significantly during the year under review; it grew with a CAGR of 19% despite the fact that the cost of sales also increased sharply with a CAGR of 22% during the review period. In FY23 gross profit grew by 13% to ZMW 1,843.26m on a y/y basis compared to 11% growth in FY22. FY24 recorded the highest y/y growth during the review period in gross profit, i.e., 34%, reaching ZMW 2,475.11m.

For the period under review, the group's operating profit has grown significantly with a CAGR of 23%. The operating profit has grown continuously during the review period except for FY24, where the operating profit experienced a decline. The decline was mainly attributed to the impairment of goodwill, where the management identified that the goodwill was impaired due to different factors, so an expense of ZMW 141.78m was recorded in the income statement, which inserted pressure on profits during the year. The group's operating profit experienced significant growth in the recent years. In FY23 the operating profit grew by 108% to ZMW 361.35m; the increase is mainly attributed to an increase in revenue, which grew by 12% on a y/y basis, and an increase in fair value of biological assets, which increased by 84% on a y/y basis, reaching ZMW 643.19m. During FY24, the operating profit grew further to ZMW 487.19m, recording a y/y growth of 35%. An increasing trend in the operating profit indicates the group's efficiency in managing its operations and resource management.

The OPEX has grown at a moderate pace, recording a CAGR of 17% for the review period. On a y/y basis, the highest increase is noticed during FY24, i.e., 32%. The increase is mainly attributed to depreciation, distribution expenses, and administrative expenses. Depreciation expense increased by 39% on a y/y

basis to ZMW 173.81m, up from ZMW 124.72m in FY23. Distribution expenses increased by 116% on a y/y basis, reaching ZMW 208.39m, and administrative expenses (it include directors' remuneration, auditors' remuneration, and legal and other professional fees) increased on a y/y basis by 29%, reaching ZMW 56.95m. Despite a 32% increase in OPEX during FY24, the group still managed to increase its operating profit by 35% on a y/y basis. This demonstrates the group's ability to drive growth while maintaining profitability, highlighting operational efficiency.

The net income of the group for the review period fluctuated significantly; FY20 ended with a negative income, i.e., ZMW 102.195m, mainly due to deferred tax, which amounted to ZMW 107.78m, and losses on translating foreign currency transactions amounting to ZMW 137.70m. The losses on translating foreign currency transactions are attributed to the COVID-19 pandemic, which devalued currencies around the globe. The following year, i.e., FY21, made a significant recovery, posting a net income of ZMW 168.82m. In FY22 the net income declined to ZMW 31.57m by 81%; this decline is mainly attributed to impairment of goodwill, which amounted to ZMW 141.78m.

The group's net income increased significantly during the most recent years (FY23 and FY24), which signals positive about the group's potential to achieve growth and maintain profitability. During FY23 the group posted a net income of ZMW 120.21m, recording a 281% increase on a y/y basis. This surge was primarily driven by a rise in total income, which reached ZMW 6,689.35 million, marking a 16% y/y growth, coupled with effective cost management, as total operating expenses (OPEX) grew by only 10% y/y, compared to a 12% increase in revenue. In FY24 the net income grew further on a y/y basis by 50%, reaching ZMW 180.09m. The growth in net income during FY24 is mainly attributed to an increase in total income, which grew by 24%, reaching ZMW 8321.67m, up from ZMW 6689.35m in FY23, and on the expense side, a notable reduction in tax expense, which fell by 83% to ZMW 12.56m, contributed to the increase in net income.

The overall profitability of the group has improved over the period under review, with growth consistent with the compound annual growth rate (CAGR). Revenue has also increased with a CAGR of 17% over the period under review, highlighting the group's efficiency in driving growth while sustaining profitability. The most recent performance of the group signals positive about the operational efficiency and potential to achieve growth.

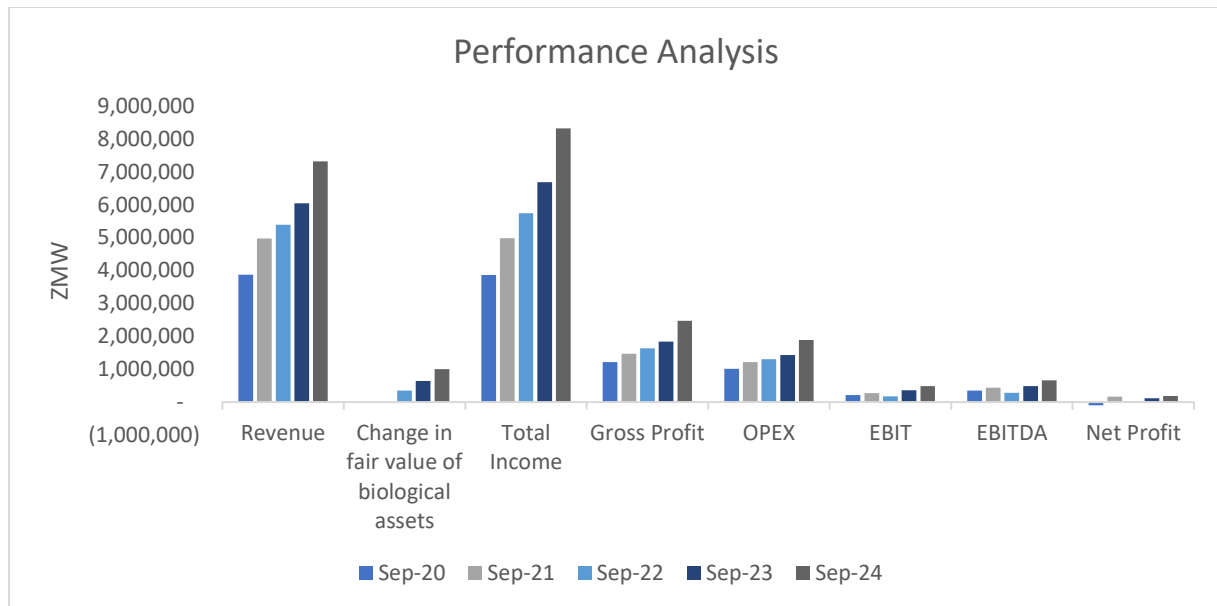


Figure 1

BALANCE SHEET ANALYSIS

Financial Position Analysis					
ZMW '000	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Total Non-Current Assets	3,537,512	3,393,652	3,315,572	5,001,277	5,746,252
Total Current Assets	1,648,103	2,095,845	2,359,379	2,703,091	3,066,246
Total Assets	5,185,615	5,489,497	5,674,951	7,704,368	8,812,498
Cash and Cash Equivalents	111,136	201,539	223,972	271,222	334,415
Total Equity	3,635,173	3,685,742	3,693,397	4,677,126	4,957,940
Total Non-Current Liabilities	416,801	446,949	665,690	1,006,949	1,026,133
Total Current Liabilities	1,133,641	1,356,806	1,315,864	2,020,293	2,828,425
Total Borrowings	908,171	916,139	969,190	1,682,576	2,403,961
Adjusted Equity	2,600,785	2,525,089	2,580,278	2,713,039	2,903,850

Table 11

Zambeef Products PLC's balance sheet reveals a dynamic financial landscape over the five-year review period. The company's total non-current assets, which were relatively stable initially, experienced substantial growth in recent years. In FY23, these assets surged by 51% year-over-year, reaching ZMW 5,001.27m. This increase was predominantly driven by a 54% growth in property, plant, and equipment (PPE), which reached ZMW 4,818.53m. Additionally, biological assets contributed, growing by 42% to ZMW 123.35m. In FY24, non-current assets further increased by 15%, reaching ZMW 5,746.25m, with PPE comprising 97% of this total. This significant investment in non-current assets indicates Zambeef's strategic focus on expanding its productive capacity for future growth.

Total current assets of the group have shown an increasing trend over the period under review. In FY24, the total current assets of the group grew by 13% on a y/y basis, reaching ZMW 3066.24m. The increase is mainly supported by an increase in inventories and cash and cash equivalents. The inventories grew by 26% y/y from ZMW 1656.48m in FY23 to ZMW 2088.77m in FY24, and cash and cash equivalents grew from ZMW 271.22m in FY23 to ZMW 334.41m in FY24, recording a 23% growth. Inventory, as the primary component of current assets, accounts for 68% of the total current assets, While cash and cash equivalents and trade receivables each account for 11% of the total current assets.

The total assets of the group also experienced a positive trend during the period under review. The total assets grew significantly with a CAGR of 14% settling at ZMW 8,812.49m in FY24. Total assets in FY24 are composed of 35% of current assets (including cash and cash equivalents, which account for 4% of total assets) and 65% of non-current assets.

Total equity remained relatively stable in the initial years but saw significant growth in FY23 and FY24. In FY23, total equity increased by 27% year-over-year, reaching ZMW 4,677.12m. This growth was mainly supported by a 76% increase in revaluation reserves, reaching ZMW 1,964.08m, and a 23% increase in retained earnings, reaching ZMW 930.26m. In FY24, total equity grew further by 6%, reaching ZMW 4,957.94m, primarily due to a 24% increase in retained earnings, which reached ZMW 1,156.63m.

However, to provide a more accurate picture of the company's financial strength, ICRA examined adjusted equity, which excludes revaluation reserves. Adjusted equity represents the equity attributable to internally generated profits and paid-in capital. In FY24, adjusted equity reached ZMW 2,903.85m, reflecting a 7% increase from the previous year. In FY24, retained earnings accounted for 40% of adjusted equity, highlighting the company's stronger reliance on internally generated profits. Conversely, revaluation reserves accounted for 41% of total equity, underscoring their significant contribution to the reported capital base, but not to real cash and retained earnings.

Total non-current liabilities have shown a significant increase during the period under review. In FY23 total non-current liabilities grew by 51% reaching ZMW 1006.94m up from ZMW 665.69m in FY22. The increase is attributed to an increase in the borrowings (including lease liabilities) and deferred income tax. Long-term Borrowing (including lease liabilities) grew from ZMW 438.82m in FY22 to 703.30m in FY23, recording a y/y growth of 60%, deferred income tax grew by 35% to ZMW 302.01m.. The borrowings in FY24 increased by an additional 24%, reaching ZMW 869.71m. The long-term borrowings, as a primary component, account for 83% of the total non-current liabilities in FY24.

Total current liabilities remained stable at the beginning of the review period but experienced an increase in the most recent years. In FY23, the total current liabilities increased substantially, reaching ZMW 2020.29m, marking a growth of 54%.

Zambeef's short-term borrowings reveals a fluctuating yet significantly increasing trend over the last five-year period. Starting at ZMW 698.20m in FY20, short-term borrowings saw a slight increase of 2% in FY21, reaching ZMW 713.33m. However, FY22 witnessed a notable decrease of 26%, bringing the figure down to ZMW 530.37m.

The trend reversed sharply in the subsequent years bringing the short-term borrowings total to ZMW 1,534.25m in FY24. This contributing 54% of total current liabilities. While Zambeef's overall financial health appears healthy, this trend could put pressure on the company's liquidity and its ability to meet these obligations as they come due.

However, considering total debt profile of the group which includes lease liabilities, term loans and bank overdrafts is raised significantly during review period and reported at ZMW 2,403.96m in FY24. The total interest-bearing debt accounts to 62% of total liabilities. Following is breakup of Zambeef's debt profile:

ZMW '000	Sep-23		Sep-24	
	Outstanding Amount	% of Total Debt	Outstanding Amount	% of Total Debt
Long-term Debt				
Lease liabilities	15,622.00	1%	13,350.00	1%
Borrowings	687,679.00	41%	856,362.00	36%
Total Long-term Debt	703,301.00	42%	869,712.00	36%
Short-term Debt				
Lease liabilities	6,448.00	0%	8,578.00	0%
Borrowings	3,21,138.00	19%	803,391.00	33%
Bank Overdrafts	651,689.00	39%	722,280.00	30%
Total Short-term Debt	979,275.00	58%	1,534,249.00	64%
Total Debt	1,682,576.00	100%	2,403,961.00	100%

Table 12

The group's overall financial health is strong enough to achieve positive growth in the future. Investments in property, plant, and equipment have grown significantly in recent years which indicates that the group is positioning itself for future growth. Although the group has a strong equity base, the significant increase in the total borrowings in recent years can affect future cash flows.

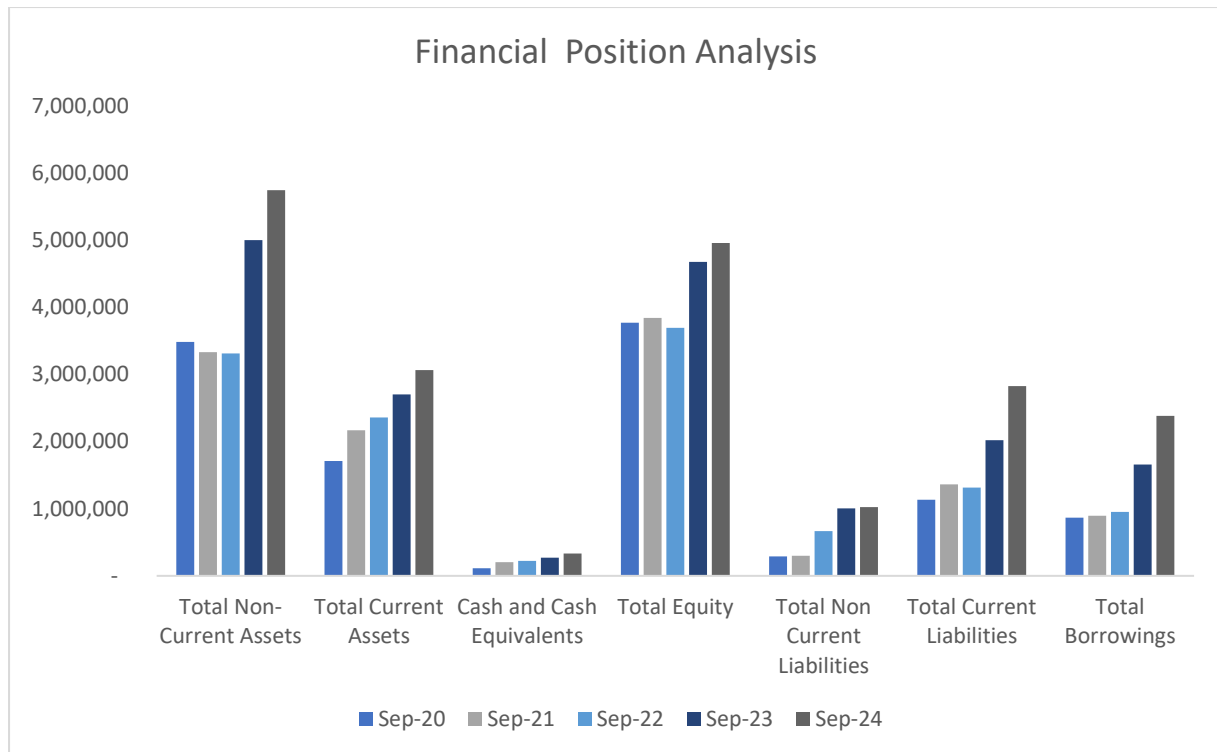


Figure 2

CASH FLOW ANALYSIS

Cash Flow Analysis					
ZMW '000	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Net Operating Cash Flow	328,190	283,489	198,488	177,691	171,351
CAPEX	92,664	116,629	222,135	817,295	815,281
Net Investing Cash flows	65,627	(116,578)	(219,316)	(813,270)	(805,972)
Borrowings	487,320	669,619	722,995	916,396	1,369,057
Debt Repayments	(785,448)	(740,611)	(526,205)	(526,257)	(739,519)
Net Financing Cash Flow	(411,599)	(218,787)	181,825	382,820	622,097

Table 13

Although net operating cash flow remained positive during the review period, it followed a consistent negative trend. The group had the highest net operating cash flows in FY20, i.e., ZMW 328.19m, and the lowest of the period in FY24, i.e., 171.35m. During FY24, interest payments were the primary factor contributing to the reduction in net operating cash flows. Interest payments increased to ZMW 329.80m, up from ZMW 131.96m in FY23, marking a growth of 150% y/y. Significant debt financing during the recent years is exerting pressure on cash flows and the profitability of the group, which may cause liquidity problems for the business.

Net investing cash flows remained negative during the review period and increased (negatively) significantly during the recent years, reflecting the group's commitment to attain growth and expand market share. In the recent 3 years, the net CAPEX of the group has increased with a CAGR of 92% from ZMW 222.13m in FY22 to ZMW 815.28m in FY24, which demonstrates that the group is enhancing its production capacity and positioning itself for future growth.

The net financing cash flows remained negative during the start of the review period, caused by substantial debt repayments, but in the most recent years a change in the group's strategy is noticed where it started relying on debt financings. In FY24, total proceeds from borrowings were ZMW 1369.05m, recording a growth of 49% on a y/y basis. The group has also repaid a considerable amount of debt during the recent years. In FY24 a total of ZMW 739.51m was repaid in debt compared to ZMW 526.25m in FY23. The net financing cash flows increased from ZMW 382.82m in FY23 to ZMW 622.09m in FY24, marking a growth of 63% on a y/y basis, attributed to debt financing during the year.

The overall cash position of the group carries a moderate level of risk where operating cash flows are positive throughout the period under review but follow a diminishing trend. The operating cash flows are mainly affected by interest payments during the recent years, and a surge in the debt financing can

be noticed in the recent years. Although a considerable part of the debt financing is used for capital expenditure to increase production capacity and attain future growth, it is also affecting the cash flows of the business by increasing interest burden.

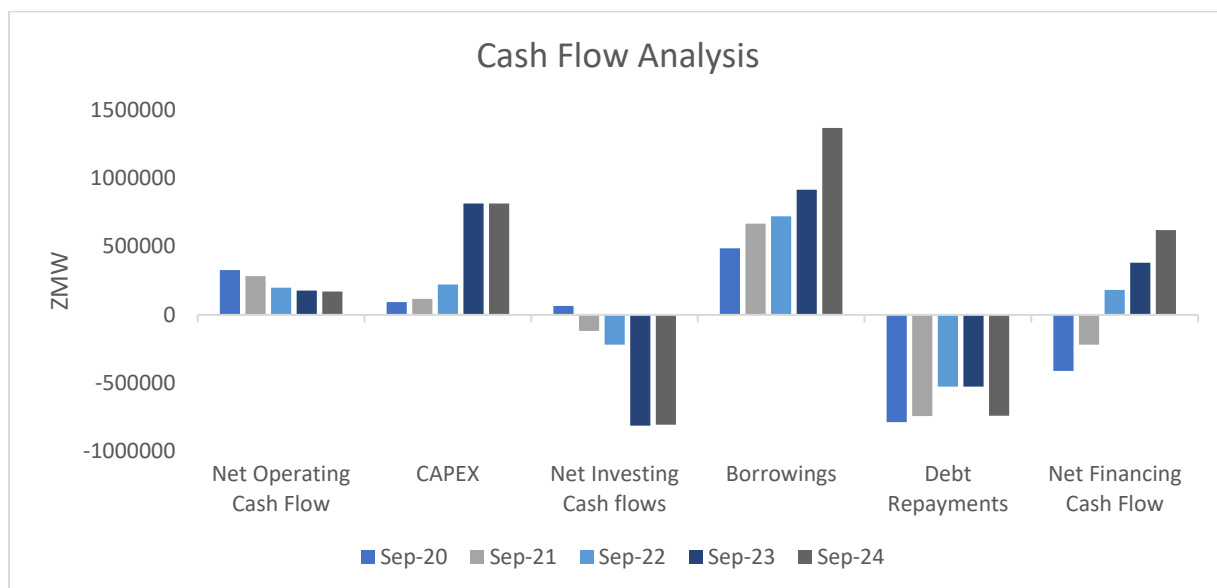


Figure 3

RATIO ANALYSIS

PROFITABILITY ANALYSIS

Profitability Ratios					
	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Gross Profit Margin	31%	30%	28%	28%	30%
Operating Profit Margin	5%	5%	3%	5%	6%
Net Profit Margin	-3%	3%	1%	2%	2%
Return on Equity (%)	-3%	5%	1%	3%	4%
Return on Assets (%)	-2%	3%	1%	2%	2%
Return on Capital Employed (%)	5%	6%	4%	6%	8%
Operating CF Margin (%)	8%	6%	4%	3%	2%

Table 14

The group's gross profit margin followed a declining trend from FY20 to FY23; however, it rebounded in FY24, rising from 27.6% in FY23 to 29.7% in FY24. For the review period, the gross profit margins maintained a healthy ratio, which demonstrates management's efficiency in closely monitoring the cost of goods while driving growth in the total revenue. Gross profit margin for FY23 is 27.6% compared to 28.4% in FY22; this decline is mainly attributed to an increase in COGS margin, which grew from 76.2% in FY22 to 80.1% in FY23. In FY24 the gross profit margin improved to 29.7%, largely supported by a 21% increase in the revenue and a 24% increase in total income (total income includes revenue + change in the fair value of biological assets).

The operating profit margins for the review period remained stable; they fluctuated within 5.9%- 5.4%, except for FY22, when it dropped to 3%, mainly due to impairment of goodwill. It is observed that the operating profit margin dropped to the lowest point of the period in FY22. However, it began improving the following year and reached the highest point of the period by FY24, i.e., 5.9%. This demonstrates the management's efficiency to closely monitor operating expenditure and commitment to increase the total market share by achieving revenue growth.

Net profit margins remained in the lower side/ end during the review period partly due to the nature of the business as most of the business is retail-based, where the margins are generally less. However, the group is also into the processing/manufacturing, and considering this the profit margins for the review period seems to be at the lower end. It is worth noting that the net income showed momentum during the recent years. In FY22 the net profit margin shrunk to 0.5% and began improving just the next year, reaching 1.8% in FY23 and further improved in FY24 to 2.2%.

The return on assets suggests scope for improvement in asset utilization to generate profits. The ROA remained low during the review period. In the most recent years, the ROA improved slightly, reaching 1.6% in FY23 and further improved to 2% in FY24. However, the overall ROA remains relatively low, indicating there is still room for further optimisation to achieve higher profitability.

Return on equity remained low during the review period and dropped below 1% during FY22. However, in the recent years, the ROE showed improvements, reaching 2.6% in FY23 and 3.6% in FY24. This recent trend reflects the management's efforts to boost profitability and improve the utilisation of equity. However, the ROE remains relatively low and needs to be enhanced in the future to strengthen investor confidence.

ROCE of the group showed a positive trend for the review period (FY20-FY24). In FY24 the ROCE grew to 8.1% compared to 6.4% in FY23. The improvement in ROCE for the review period demonstrates the operational efficiency of the group; comparing it to the ROA, it also indicates that the costly debt financing is affecting profitability as the interest expense accounts for 88% of the total expenses incurred after realizing operating profit.

Operating cash flow margins have followed a negative trend for the period under review. Which indicates that the group may face liquidity challenges in the future. In FY20 the operating cash flow margin was 8.5%, which is the highest during the period, followed a negative trend reaching the period's low in FY24, i.e., 2.3%.

The group's overall profitability remained relatively low, which can be partly attributed to the nature of its business. While Zambeef Products LLC operates in the retail industry, a significant portion of its revenue also comes from processing and milling. Given this, the profitability is still relatively low, indicating potential for improvement and greater utilisation of the group's assets. A positive trend in the overall profitability in recent years signals positive about the group's ability to enhance profitability while attaining growth in the future.

A significant decline in the operating cash flow margins during the review period raises liquidity concerns for the future, highlighting the need for strategic measures to improve cash flow management moving forward.

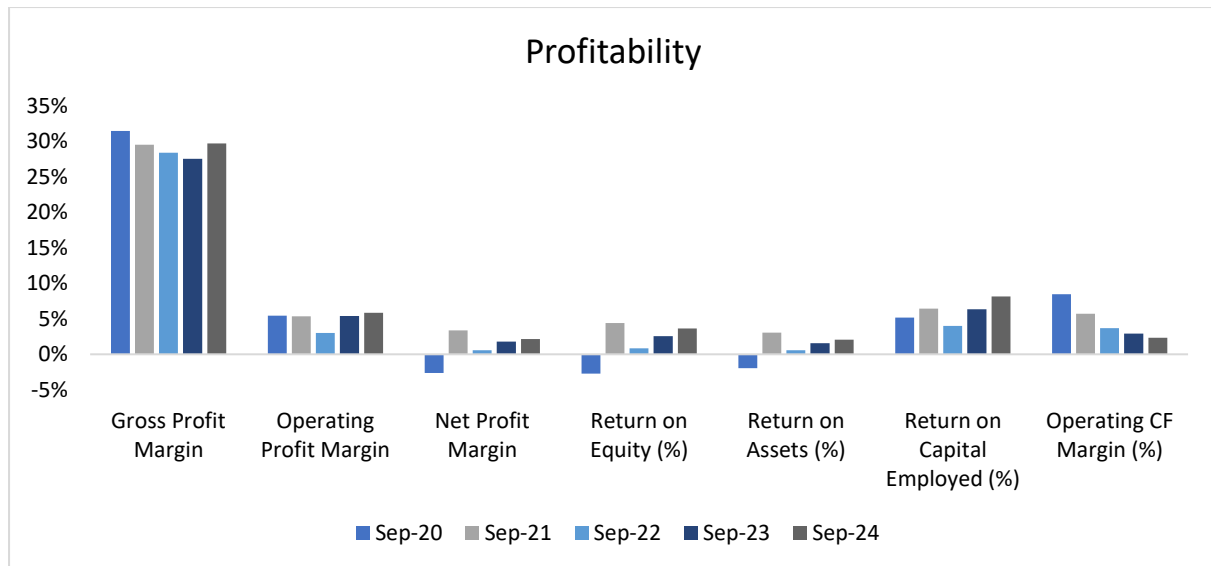


Figure 4

LIQUIDITY ANALYSIS

Liquidity Ratios					
	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Current Ratio (times)	1.51x	1.60x	1.79x	1.34x	1.08x
Current Ratio (adjusted)	1.35x	1.47x	1.66x	1.26x	1.08x
Quick Ratio (times)	0.48x	0.63x	0.58x	0.51x	0.34x
Cash Ratio (times)	0.10x	0.15x	0.17x	0.13x	0.12x

Table 15

The current ratio of the group remained at an acceptable level i.e. 1.5x during the start of the review period; however, a decline is observed during the recent years. The current ratio was recorded at 1.79x during FY22, which declined to 1.34x in FY23 and further reduced to 1.08x in FY24. The decline is attributed to an increase in short-term borrowings, which surged to ZMW 972.82m in FY23, up from ZMW 525.32m in FY22, and further increased to ZMW 1525.67m in FY24.

The group classified the Chiawa Farm unit as held for sale; however, the transaction did not materialize until FY23. Consequently, the farm remained recorded under current assets until that time. Due to its non-current nature, ICRA has excluded it from the current ratio to provide a more precise evaluation of the group's liquidity. The current ratio (adjusted) suggests that the group's liquidity remained at an acceptable level during the start of the review period (FY20-FY24), however, due to a surge in short term borrowings and trade payable the current ratio declined significantly, which may raise liquidity concerns in future. The current ratio (adjusted) recorded 1.26x during FY23 which further declined to 1.08x in FY24.

The quick ratio (assets held for sale are excluded) is analysed to look into the ability of the group to cover its short-term obligations out of its most current assets. The group's quick ratio remained low, primarily due to the nature of the business, where inventory constitutes a significant portion of the current ratio. However, the ratio declined further to below 0.34x in FY24, and a continued drop may raise concerns about its liquidity.

The group has maintained a significant cash level over the period under review. The cash ratio reached as high as 0.17x during FY22. However, it experienced a decline in FY23 and FY24, the cash ratio declined to 0.13x and further declined to 0.12x in FY24 which is still in a safe and acceptable level.

The overall liquidity of the group experienced a decline in the recent years however, the cash ratio remained in acceptable range over the period under review. The current ratio declined to 1.08x, while the quick ratio fell to 0.34x. The cash ratio also saw a slight decrease from 0.13x in FY23 to 0.12x in FY24

but remained at an acceptable level. This indicates that there is room for improvement by the part of working capital management to enhance liquidity.

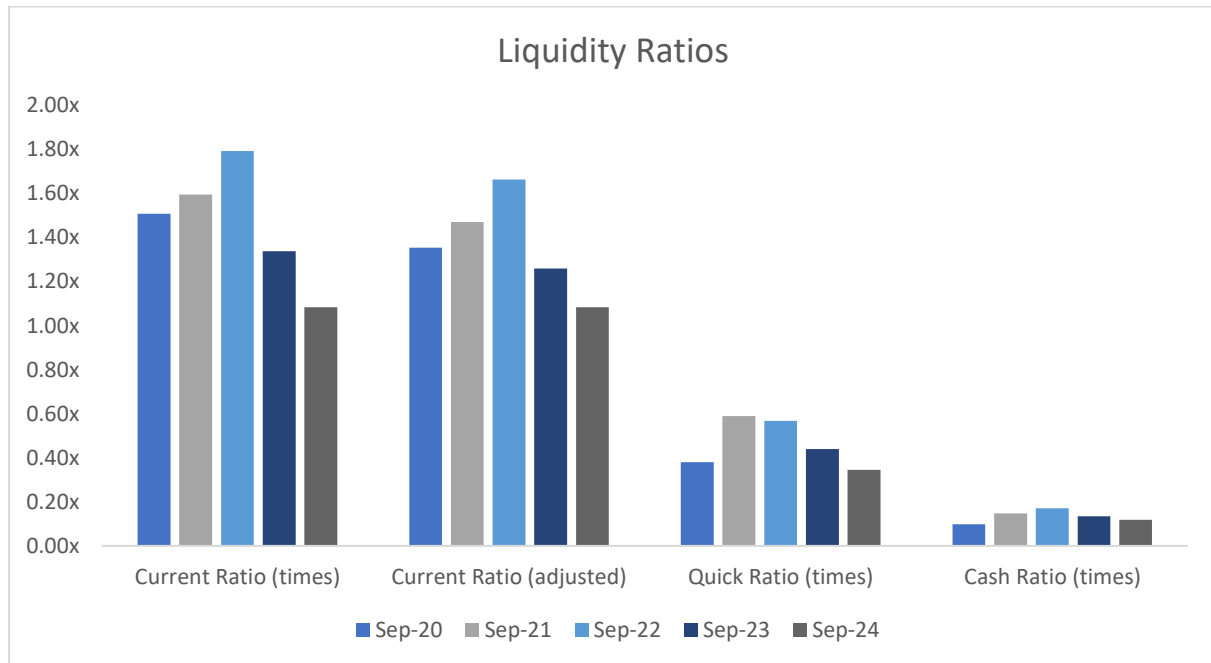


Figure 5

EFFICIENCY ANALYSIS

Efficiency Ratios					
	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Average Collection Period (Days)	13	11	9	6	6
Average Payment Period (Days)	47	44	52	56	55
Inventory Turnover (Days)	152	120	117	117	117
Inventory Turnover Ratio (Times)	2	3	3	3	3

Table 16

The Average Collection Period, which measures the average number of days it takes for the company to collect payment after a sale, shows a consistent improvement. It decreased from 13 days in September 2020 to 6 days in September 2023, where it stabilized. This indicates that Zambeef has become more efficient in collecting receivables.

the Average Payment Period, which measures the average number of days it takes for the company to pay its suppliers, has shown a fluctuating but generally increasing trend. It decreased initially from 47 days in September 2020 to 44 days in September 2021, but then increased, reaching 55 days by September 2024. This suggests that Zambeef is taking longer to pay its suppliers, which could be a strategy to manage cash flow or a reflection of changes in credit terms with suppliers.

Inventory turnover (days) remains strong, even though the group is involved in agriculture cropping, which typically has longer production and harvesting cycles. It followed a negative trend during the period under review. The inventory turnover declined significantly; from 152 days in FY20 to 120 days in FY21 and further stabilized at 117 days.

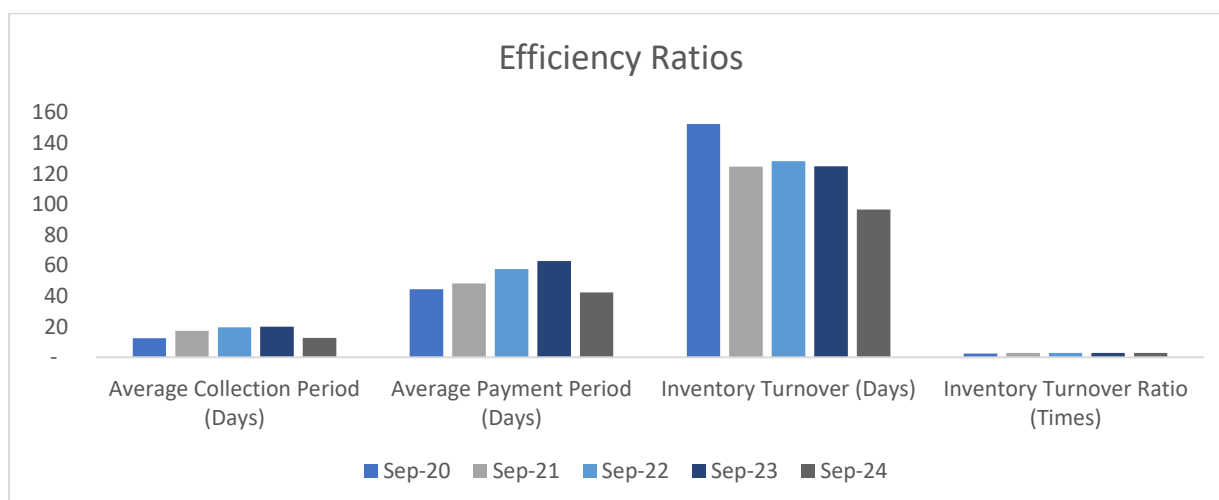


Figure 6

LEVERAGE ANALYSIS

Leverage Ratio					
	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Debt to equity - normal	0.25x	0.25x	0.26x	0.36x	0.48x
Debt-to-equity Ratio (times)	0.43x	0.49x	0.54x	0.65x	0.78x
Equity Ratio (times)	0.70x	0.67x	0.65x	0.61x	0.56x
Debt Ratio (times)	0.18x	0.17x	0.17x	0.22x	0.27x
Debt to EBIT (times)	4.31x	3.43x	5.58x	4.66x	4.93x
Debt to EBITDA	2.58x	2.11x	3.47x	3.46x	3.64x
Interest Coverage Ratio (Times)	2.28	2.32	1.47	2.69	1.80

Table 17

The Debt-to-Equity Ratio shows a consistent upward trajectory, rising from 0.43x in September 2020 to 0.78x in September 2024. This indicates that Zambef is increasingly financing its operations with debt relative to equity. A higher ratio signifies greater financial risk, as the company has more debt obligations compared to its equity. The adjusted equity ratio is 1.33x, showing that if the revaluation reserves are excluded, the debt-to-equity ratio is much higher.

The group held a strong equity ratio during the review period. However, it followed a negative trend, demonstrating a shift in the policy to use more debt financing to finance its total assets. The equity ratio in FY22 was 0.65x, which declined slightly to 0.61x in FY23 and further declined to 0.56x in FY24. Despite getting aggressive debt financing during the recent years, the group still managed to hold a healthy equity ratio, indicating that the group has a strong equity base to avail debt financing.

The debt ratio has followed an increasing trend during the review period, indicating increased reliance on debt financing during the period under review. The debt ratio saw a notable rise during the review period, from 0.17x in FY22 to 0.22x in FY23, and further climbing to 0.27x in FY24.

However, when ICRA analysed the equity ratio using adjusted equity, a different picture emerges. The adjusted equity ratio starts at a lower point of 0.53x in September 2020 and decreases to 0.33x by September 2024. This indicates that the company's reliance on equity financing, when considering only its core equity without revaluation adjustments, is actually lower than what the reported equity ratio suggests. In other words, Zambef is relying more on debt and less on internally generated equity to finance its assets.

Zambef Products Plc's Debt to EBIT and Debt to EBITDA ratios, while currently manageable, exhibit fluctuating trends in last five years. These ratios, which gauge the company's ability to cover its debt with earnings, provide valuable insights into its financial risk and sustainability. Over the period from September 2020 to September 2024, both ratios have fluctuated, indicating variability in Zambef's

leverage position. The Debt to EBIT ratio has generally remained within the 4x to 5x range, suggesting that it would take approximately 4 to 5 years of EBIT to repay the company's total debt.

Similarly, the Debt to EBITDA ratio, which incorporates earnings before interest, taxes, depreciation, and amortization, has typically stayed within the 2x to 3x range, implying that 2 to 3 years of EBITDA would be needed to cover the debt.

The interest coverage ratio fluctuated significantly during the review period; it dropped to the lowest of the period in FY22, i.e., 1.47, which improved to 2.69 times in FY23, and in the latest year, it dropped again to a concerning level, i.e., 1.89. The drop in interest coverage ratio is attributed to increased debt financing during the recent years, which has increased the interest rate payments significantly.

Despite a surge in debt financing during the recent years, the overall leverage of the group remained healthy due to its strong equity base. The debt to equity for FY24 is 0.48x and total liabilities to equity is 0.78x which and hence carries a low leverage risk. However, the EBIT is not as fast growing as the debt, which is affecting the group's ability to pay interest. The group needs to strike a balance between using debt to fuel growth and maintaining financial stability.

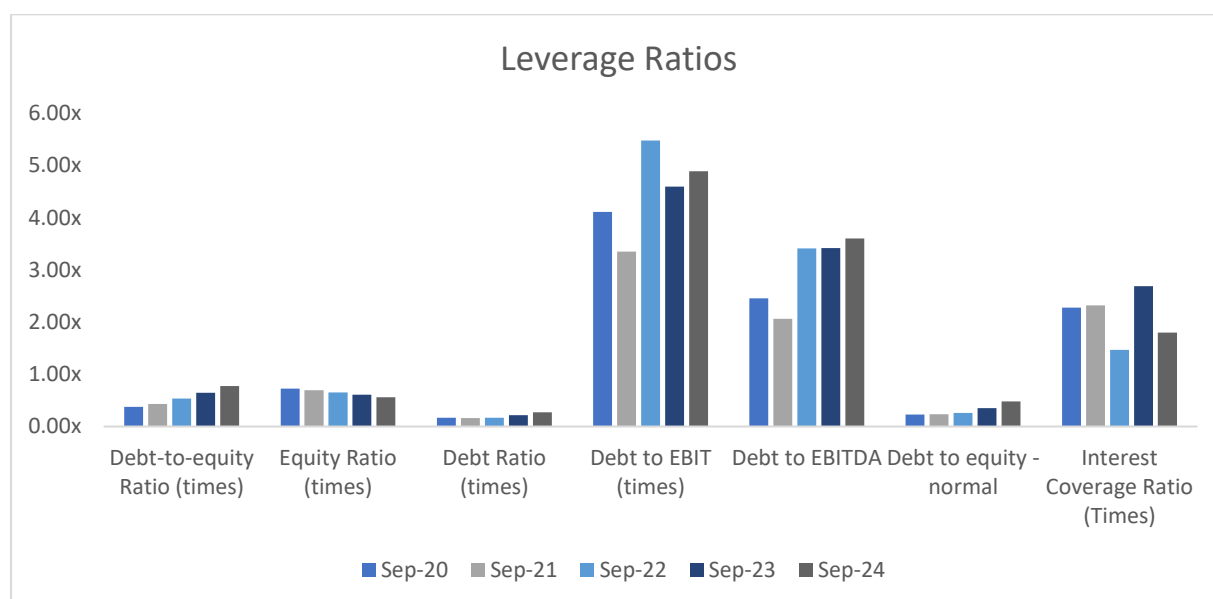


Figure 7

ANNEXURES

PROFIT AND LOSS STATEMENT

Statement of Profit and Loss					
ZMW' 000	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Revenue	3,875,104	4,974,351	5,394,761	6,046,157	7,315,845
Change in fair value of biological assets	(14,381)	6,651	349,462	643,197	1,005,832
Cost of sales	(2,645,101)	(3,510,286)	(4,111,037)	(4,846,092)	(5,846,559)
Gross Profit/(Loss)	1,215,622	1,470,716	1,633,186	1,843,262	2,475,118
Other income (expense)	6,877	14,120	2,491	(46,419)	(61,132)
Net impairment losses on financial assets	-	-	(17,869)	(2,713)	(1,264)
Impairment of investment in associate	-	-	-	-	(34,370)
Impairment of goodwill	-	-	(141,786)	-	-
Operating Expenses					
Employee benefits expense	(493,484)	(626,772)	(638,489)	(683,333)	(769,570)
Administrative expenses	(27,322)	(52,499)	(42,387)	(44,087)	(56,953)
Depreciation	(141,408)	(167,761)	(105,471)	(124,724)	(173,818)
Distribution Expenses	(66,770)	(66,848)	(65,596)	(96,287)	(208,395)
Other Operating Expenses	(282,984)	(303,626)	(450,415)	(484,342)	(682,424)
Total Operating Expenses	(1,011,968)	(1,217,50)	(1,302,358)	(1,432,773)	(1,891,160)
Operating Profit/(Loss)	210,531	267,330	173,664	361,357	487,192
Exchange Losses/gains	(137,705)	23,332	3,541	(20,658)	(23,744)
Profit from asset held for sale	-	31,949	-	-	-
Interest Expense	(92,322)	(115,282)	(118,538)	(134,431)	(270,787)
Share of loss from equity investment	(3,177)	(3,358)	(3,503)	(2,595)	
Profit/(Loss) Before Tax	(22,673)	203,971	55,164	203,673	192,661
Income Tax	(112,957)	(35,148)	(63,283)	(72,851)	(12,565)
Net Profit/(Loss) from continuing operations	(135,630)	168,823	(8,119)	130,822	180,096
Profit/Loss from discontinued operations after tax	33,435	(97,055)	39,697	(10,604)	-
Net Profit/(loss) from continued and discontinued operations	(102,195)	71,768	31,578	120,218	180,096
Other comprehensive income for the year	631,586	-	(23,923)	863,511	100,718
Total comprehensive income for the year	529,391	71,768	7,655	983,729	280,814

Table 18

BALANCE SHEET

Statement of Financial Position					
ZMW' 000	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Assets					
Non-Current Assets					
Property, Plant and Equipment	3,213,319	3,071,735	3,134,611	4,818,533	5,577,265
Investment in associate	43,826	40,468	36,965	34,370	-
Right of use assets	51,186	43,283	32,389	-	-
Goodwill	166,801	166,801	25,015	25,015	25,015
Deferred tax asset					
Biological Assets	62,380	71,365	86,592	123,359	143,972
Total Non-Current Assets	3,537,512	3,393,652	3,315,572	5,001,277	5,746,252
Current Assets					
Inventories	1,103,640	1,197,846	1,441,912	1,656,487	2,088,778
Biological Assets	113,925	287,632	234,104	285,039	296,923
Trade and Other receivables	142,005	154,722	107,953	94,508	130,393
Amounts due from related parties	-	4,202	3,123	3,248	298
Prepayments	-	36,515	158,244	16,997	24,669
Other receivables	-	42,839	19,980	217,950	190,770
Income tax recoverable	1,743				
Cash and Cash Equivalents	111,136	201,539	223,972	271,222	334,415
Current assets excl. assets classified as held for sale	1,472,449	1,925,295	2,189,288	2,545,451	3,066,246
Assets classified as held for sale	175,654	170,550	170,091	157,640	-
Total Current Assets	1,648,103	2,095,845	2,359,379	2,703,091	3,066,246
Total Assets	5,185,615	5,489,497	5,674,951	7,704,368	8,812,498
Equity					
Share Capital	3,006	3,006	3,006	3,006	3,006
Share premium	1,125,012	1,125,012	1,125,012	1,125,012	1,125,012
Preference share capital	1,000	1,000	1,000	1,000	1,000
Foreign currency translation reserve	1,003,834	720,131	692,705	660,390	633,440
Revaluation reserve	1,034,388	1,160,653	1,113,119	1,964,087	2,054,090
Retained earnings	468,453	678,559	758,489	930,261	1,156,637
Attributable to owners of parent entity	3,635,693	3,688,361	3,693,331	4,683,756	4,973,185
Non-controlling interests (NCI)	(520)	(2,619)	66	(6,630)	(15,245)
Total Equity	3,635,173	3,685,742	3,693,397	4,677,126	4,957,940
Liabilities					
Non-Current Liabilities					
Lease liabilities	19,750	7,253	12,597	15,622	13,350
Borrowings	190,218	195,555	426,222	687,679	856,362
Deferred Liabilities	195,444	235,250	-	-	-
Deferred income tax	-	-	223,217	302,017	154,586
Defined benefit obligations	11,389	8,891	3,654	1,631	1,835
Total Non-Current Liabilities	416,801	446,949	665,690	1,006,949	1,026,133

Current Liabilities					
Lease liabilities	23,259	12,418	5,046	6,448	8,578
Borrowings	674,944	210,709	173,644	321,138	803,391
Trade and other payables	337,766	514,205	649,573	834,191	917,674
Provisions					
Bank Overdrafts	-	490,204	351,681	651,689	722,280
Contract liabilities	97,672	119,206	97,400	164,063	357,999
Current income tax	-	10,064	38,520	42,764	18,503
Total Current Liabilities	1,133,641	1,356,806	1,315,864	2,020,293	2,828,425
Total Liabilities	1,550,442	1,803,755	1,981,554	3,027,242	3,854,558
Total Equity and Liabilities	5,185,615	5,489,497	5,674,951	7,704,368	8,812,498

Table 19

CASH FLOW STATEMENT

Statement of Cash Flow					
ZMW' 000	Sep-20	Sep-21	Sep-22	Sep-23	Sep-24
Operating Cash Flow					
Profit/(loss) before income tax from:					
Continuing operations	(22,673)	203,971	55,164	203,673	192,661
Discontinued operations			44,108	(10,604)	
Adjustments for:					
Depreciation on property, plant and equipment	141,408	160,471	122,082	165,699	210,412
Depreciation on assets held for sale			459	6,911	-
Interest expense on leases	2,132	1,634	1,813	2,462	3,437
Interest expense/capitalised on borrowings			53,473	44,646	211,132
Interest expense on bank Overdrafts	90,190	113,648		87,323	118,669
Change in fair value of biological assets	14,381	(6,651)	(349,462)	(643,197)	(1,005,832)
Other Adjustments	204,136	(16,302)	174,447	(1,630)	22,600
OCF before WC adjustments	429,574	456,771	102,084	(144,717)	(246,921)
Changes in working capital					
Biological assets	(20,269)	(176,041)	387,763	555,495	973,335
Inventories	(162,481)	(94,206)	(244,066)	(214,575)	(432,291)
Trade and other receivables	(34,643)	(101,408)	(51,022)	(43,403)	(13,427)
Trade and other payables	125,008	198,415	135,370	184,618	81,590
Contract liabilities			(21,806)	66,663	193,936
Decrease/(Increase) in amounts due from related companies	(2,218)	4,692			
Cash generated from operations	(94,603)	(168,548)	206,239	548,798	803,143
Cash Used in Operations	334,971	288,223	308,323	404,081	556,222
Interest paid on borrowings			(53,473)	(44,646)	(211,132)
Interest paid on bank overdrafts				(87,323)	(118,669)
Interest paid on leases			(1,813)	(2,676)	(3,437)
Benefits paid			(9,672)	(3,422)	(2,597)
Income tax paid	(6,781)	(4,734)	(44,877)	(88,323)	(49,036)
Net Operating Cash Flow	328,190	283,489	198,488	177,691	171,351
Investing Cash Flow					
Purchase of property, plant and equipment	(92,664)	(116,629)	(222,135)	(817,295)	(815,281)
Proceeds from disposal assets	6,452	51	2,819	4,025	9,309
Proceeds from the sale of assets/investments	167,264				
Right of use assets	(15,425)				
Net Investing Cash flows	65,627	(116,578)	(219,316)	(813,270)	(805,972)
Financing Cash Flow					
Proceeds from borrowings	487,320	669,619	722,995	916,396	1,369,057

Principal repayments of borrowings	(785,448)	(740,611)	(526,205)	(526,257)	(739,519)
Principal elements of lease payments	(35,478)	(32,513)	(14,965)	(7,319)	(7,441)
Finance Cost	(92,322)	(115,282)			
Lease finance obtained	14,329				
Net Financing Cash Flow	(411,599)	(218,787)	181,825	382,820	622,097
Net +/- Cash Flows	(17,782)	(51,876)	160,997	(252,759)	(12,524)
Movement in cash and cash equivalents					
At start of year	(274,425)	(236,909)	(288,665)	(127,708)	(380,467)
Effects of exchange differences	55,298	120	(40)		5,126
Closing Cash Balance	(236,909)	(288,665)	(127,708)	(380,467)	(387,865)

Table 20

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>
D&A	:	<i>Depreciation and Amortization</i>
EBIT	:	<i>Earnings before Interest and Tax</i>
EBITDA	:	<i>Earnings before Interest, Tax , Depreciation & Amortization</i>
etc.	:	<i>Et cetera</i>
GDP	:	<i>Gross Domestic Production</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>Ms</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: 11th March 2025