



ZAMBIA SUGAR PLC CREDIT RATING REPORT (UNSOLICITED)



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CREDIT RATING REPORT

Date of issue	:	29 th May 2025
Report validity	:	Unsolicited Rating
Prepared for	:	Zambia Sugar Plc
Corporate Address	:	Plot no 118a, Nakambala Sugar Estate, Livingstone/Lubombo Road, P.O. Box 670240, Mazabuka, Zambia
Rating Type	:	Corporate Rating

Report prepared and published by	:	ICRA Rating Agency Limited Zambia Office: Plot No. 20848 Corporate Park, Lusaka, Zambia info@icrallc.com www.icraratingzm.com www.icrallc.com
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Currency used in this report	:	This report is presented in the Zambian Kwacha (ZMW) unless otherwise noted.
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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 ICRA National Scale for Credit Ratings

Table 2

RATING RATIONALE

ICRA assigned an “AA” rating (unsolicited) with a “Stable” outlook to “Zambia Sugar Plc” on 29th May 2025, subject to no material adverse events affecting the business during the rating period. The assigned rating reflects a comprehensive evaluation of the company's business model, competitive advantages, market conditions and overall financial stability, which contribute to the overall creditworthiness of the company based on the ICRA credit rating methodology for corporate entities. Below are the key points, including credit strengths as well as credit challenges reflected in the assigned rating.

Strong business profile with dominant market position: Zambia Sugar Plc has been a dominant force in Zambia’s sugar industry for over 60 years. As one of the largest single cane sugar mills in Africa, the company plays a crucial role in regional supply, exporting to neighbouring countries such as the Democratic Republic of Congo and Tanzania. Zambia Sugar Plc’s annual revenue reached ZMW 7.53bn in 2024, reflecting its strong industry leadership. With a workforce of over 7,310 direct employees, the company significantly influences Zambia’s economy, setting industry standards and driving market trends.

Robust revenue growth with record-breaking profits in FY24: Over the past five years, the company has demonstrated impressive revenue growth, achieving a 23% CAGR, culminating in its highest revenue of ZMW 7.5bn in FY24. This strong topline growth has been reinforced by disciplined cost management, with efficiencies in both direct and fixed costs ensuring optimal resource allocation. As a result, the company successfully translated revenue expansion into improved net margins. Despite a 7% decline in net profit in FY22 and FY23, it delivered outstanding profitability in FY24, with PAT surging 120% to a record-breaking ZMW 2.1bn. This remarkable turnaround highlights the company's robust financial capacity and strong growth potential, positioning it as a leading player in the industry. Its ability to navigate cost pressures while maintaining high revenue momentum underscores its strategic resilience and operational strength.

Strategically positioned asset mix with consistent investments in fixed assets: The company has a conservative asset strategy, focusing on targeted investments in fixed assets to support its growth trajectory, reflected in a +9% PPE CAGR over the past five years. The company maintains low creditor levels with a high credit quality profile, as 5–7% of sales are on credit, with an average 5% doubtful debt ratio and 95% of creditors settling payments within 30 days past due. Strong working capital efficiency is sustained through healthy inventory and receivable management, ensuring optimal liquidity.

Inventory levels are well-aligned with market demand and supply dynamics, enabling smooth operations and mitigating disruptions. This disciplined financial approach reinforces the company's long-term stability and operational resilience within the industry.

Significant deleveraging over the five years, with high priority to equity funding: Over the years, the company has significantly deleveraged, reducing its liabilities-to-assets ratio from 60% in FY20 to 30% in FY24, with a greater emphasis on equity funding. This strategic shift has lowered its debt burden, minimising financial expenses and debt servicing costs. As of FY24, the company's debt exposure is limited to bank OD and lease liabilities, accounting for 1% and 3% of total assets, respectively. Additionally, trade and other payables remain at manageable levels, representing 13–15% of total assets, with payable days improving to 10 days in FY24 from 14 days in FY23. The company's increased dividend payouts reflect its focus on equity-driven financing, potentially aimed at attracting more equity investors in future periods. This disciplined financial approach strengthens Zambia Sugar Plc's long-term stability, reinforcing investor confidence and supporting sustainable growth.

Well-disciplined cash flow management with consistent positive operating cash flows: Consistently demonstrated strong operating cash flow over the past five years, with a revenue-to-operating cash ratio exceeding 10%, reaching 21% in FY24. The company has pursued a strategic CAPEX expansion, gradually increasing it from 3% of revenue in FY20 to 10% in FY24, ensuring growth without exerting significant pressure on net cash flows. Despite periods of net cash burn, liquidity remained well-managed, maintaining a balanced cash position. Furthermore, free cash flow has remained stable, ranging between 8–19% of revenue, reinforcing the company's strong cash-generating capacity and financial resilience. Zambia Sugar Plc's ability to optimise capital expenditure while sustaining liquidity highlights its disciplined financial management and sustainable growth strategy.

Supporting market conditions further strengthen the financial performance: Zambia Sugar Plc capitalised on favourable market conditions in FY24, benefiting from strategic enhancements in its route-to-consumer model within the domestic market. The depreciation of the ZMW contributed to a decline in illegal sugar imports, while increased demand for finished products by local manufacturers further strengthened domestic sales. As a result, the company prioritised domestic market sales, achieving a significant increase in sugar sales volume to 320,419 tonnes in FY24 from 254,521 tonnes in FY23. This expansion reinforced Zambia Sugar Plc's market leadership, further solidifying its position as the leading sugar supplier in the country.

Slightly declined liquidity in FY24 because of CAPEX investments and record-breaking dividend payout: With liquidity ratios moderating in FY24, the quick ratio declined to 0.7x from 1.2x in FY23,

while the cash ratio dropped to 0.4x from 0.7x. This shift was driven by higher CAPEX investments and strong dividend payouts, both regarded as long-term strategic moves rather than immediate liquidity concerns. CAPEX expansion enhances future revenue potential, while impressive dividend distributions reinforce investor confidence and support the company's equity-driven deleveraging strategy. Consequently, these liquidity changes are not considered material credit weaknesses. However, ensuring sustainable liquidity through adequate cash reserves remains advisable to safeguard smooth business operations and financial stability.

With its strong financial performance, strategic market positioning, and consistent revenue growth, Zambia Sugar Plc demonstrates robust future potential. Effective cost management, disciplined CAPEX investments, and a solid deleveraging strategy reinforce its stability. Additionally, sustainable liquidity and increasing domestic market dominance further bolster its prospects. Given these strengths, ICRA supports a **Stable** outlook, reflecting confidence in the company's ability to sustain growth, enhance profitability, and attract further equity investment, positioning it as a leading player in the industry.

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

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

- Sustaining the growth trajectory with improving margins over an extended period
- Increasing footprints in regional markets while maintaining domestic leadership
- Expanding capacity with a sustainable CAPEX strategy, ensuring existing or manageable levels of leverage
- Enhancing liquidity through persistent and efficient working capital management
- Strengthening cash flow generation, including consistent free cash flow

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

The assigned rating could further be downgraded if:

- Significant decline in profit margins or revenue capacity
- Material deterioration in liquidity position and working capital management
- Sharp increase in leverage, resulting in a high debt burden and unsustainable financial obligations
- Loss of market share or failure to expand in regional markets, leading to a sudden drop in sales volumes
- Adverse industry outlook driven by economic, social, natural disasters, or political factors

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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 and 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. Internal Environment Analysis i. Business Model/Strategy <i>Product portfolio, diversification, value proposition, KPI and business risks and competition</i> ii. Management Review <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>	35%
2. 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> 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>	25%
3. 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> 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>	40%
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.

Based on the ICRA National Scale for Credit Ratings

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

Table 4

BUSINESS PROFILE

ZAMBIA SUGAR PLC

Company Details	
Registered Name	Zambia Sugar PLC
Address	Plot no 118a, Nakambala Sugar Estate, Livingstone/Lubombo Road, P.O. Box 670240, Mazabuka, Zambia
Industry Classification	Manufacturing sector
Incorporation Date	1964
Listed Exchange	Lusaka stock Exchange
Website	www.zamsugar.co.zm

Table 5

Shareholding Pattern	
Type of Shareholders	Shareholding
Illovo Group Holdings Ltd	75%
Institutional and private investors	25%
Total	100%

Table 6

SHAREHOLDING/OWNERSHIP STRUCUTRE

Shareholders more than 5% ownership as of 31 August 2024.

Name of the Shareholder	Ownership
Illovo Group Holdings Limited*	75%
National Pension Scheme Authority	9.73%
Standard Chartered Zambia Securities Nominees Ltd	5.34%
Total	90.7%

Table 7 *Note that Associated British Foods (ABF Sugar) is the shareholder (owner) of Illovo Group Holdings Limited.

COMPANY BACKGROUND

Zambia Sugar plc was established in 1964. It is one of the largest cane sugar producers in Africa. The company operations are based at Mazabuka in the southwest of the country, where there is the Nakambala agricultural estate and factory. The company has been listed on the Lusaka Stock Exchange since 1996, with 75% of shares held by the Illovo Group Limited and 25% held by institutional and private investors. As the country's leading sugar producer, Zambia Sugar's primary focus is on the domestic market, producing a wide range of sugar products with a capacity to produce 450,000 tons of sugar per year.

PRODUCTS

Zambia Sugar PLC produce a wide range of sugar products under the renowned Whitespoon brand. This includes direct consumption for household and industrial customers, specialty sugar, syrup, as well as molasses for both local and export markets.

Direct Consumption Sugars: Under this category, Zambia Sugar PLC produce various sugars designed for everyday use in homes, restaurants, and small businesses. This includes household sugar, Refined white sugar, and Brown sugar.

Specialty Sugars: Zambia Sugar PLC produce specialty sugar designed to meet diverse consumer and industrial needs. These sugars differ from regular white sugar in texture, flavor, and specific use cases. This includes rich dark brown sugar, icing sugar, and castor sugar.

Syrups: Zambia Sugar Plc produces a variety of syrups under its Whitespoon brand, including Golden Syrup, Treacle Syrup, and Maple Flavored Syrup. These syrups are versatile products with multiple culinary and industrial applications.

Industrial Products: Under the Whitespoon brand, the company produce bulk sugars for industrial and artisanal customers, mainly used in the confectionery and beverages industry, which come in packaging of 50kg and 107kg bags respectively, meeting international standards like ISO 9001:2008.

By-products: Also, Zambia Sugar PLC produce Molasses and animal feed, catering to both local and export markets.

MARKET COMPETITION

Zambia Sugar Plc, operating under the Whitespoon brand, is the dominant player in Zambia's sugar industry. However, it faces competition from a few other sugar producers in the country. This includes Kafue sugar and Kalungwishi sugar. Despite the presence of these competitors, Zambia Sugar PLC

maintains a dominant position in the market. The high concentration of production and limited competition contribute to Zambia Sugar PLC's significant market share. This structure has been associated with higher sugar prices, as the lack of price competition from imports and the monopolistic nature of the industry influence pricing strategies.

BUSINESS MODEL

Zambia Sugar PLC operates as an agro-processing company with a vertically integrated business model starting from cultivation, processing, marketing and distribution. The company cultivates sugar cane on its own estate and sources additional cane from smallholder out growers, contributing to its raw material supply. The Nakambala factory processes the harvested cane into various sugar products, utilizing renewable energy through cogeneration to power its operations. Zambia Sugar PLC markets its products under the Whitespoon brand, distributing them across Zambia and exporting to regional markets. The current production capacity is 450,000 tons of sugar per year.

AWARDS AND RECOGNITION

The following are the latest awards and recognitions that Zambia Sugar PLC has achieved:

- Best overall Corporate Governance award 2022 - By the Zambia Institute of Directors
- Best Country Performance 2022 -By Illovo Sugar Africa.
- Best Factory Performance award 2022 - By Illovo Sugar Africa
- Financial Management award - By Illovo Sugar Africa
- Best Country Performance award 2024 - By ABF Sugar
- Best Commercial Performance award 2024 - By ABF Sugar
- Best Agricultural Performance award 2024 - By ABF Sugar

MANAGEMENT & GOVERNANCE

CORPORATE GOVERNANCE

Zambia Sugar PLC's corporate governance framework is designed to support prudent management practices and ensure effective oversight of operations. This framework not only promotes accountability and transparency but also safeguards the interests of all stakeholders, including shareholders, employees, customers, and the broader community. The Company is committed to fostering a strong corporate culture rooted in compliance with applicable laws, regulations, internal policies, and procedures, recognizing this as a fundamental pillar of sound corporate governance.

The Company adheres to the Lusaka Securities Exchange (LuSE) Corporate Governance Code, which guides its governance practices and reinforces its commitment to high ethical standards. Furthermore, the Company complies with all relevant legal and regulatory requirements, including but not limited to the Companies Act, the Employment Code Act, and the Factories Act. Through these measures, the Company ensures that its operations remain legally compliant, ethically grounded, and aligned with best governance practices.

BOARD OF DIRECTORS

The board of directors of Zambia Sugar PLC consist of 9 members, including a chairperson, of whom six are non-executive directors and three are executive directors. Notably, 67% of board members are classified as non-executive directors while 33% are executive directors. The board provides strategic direction while assessing and mitigating risks that could affect the organization's operations and reputation. While the executives manage day-to-day operations, the board provide oversight and guidance to the management team. For the year 2023/24, the board has held four (04) meetings, which were quarterly. Below is the list of the Board of Directors of Zambia Sugar PLC:

Name	Designation	Appointment Date
Roseta Chabala	Non-Executive Director -Chairperson	2020
Dipak Patel	Non-Executive Director	2006
Fidelis Banda	Non-Executive Director	2001
Amanda Venters	Non-Executive Director	2024

Ami Mpungwe	Non-Executive Director	2006
Andre Lubbe	Non-Executive Director	2022
Oswald Magwenzi	Executive Director (Country Managing Director)	2021
Hezron Musonda	Executive Director - (Finance Director)	2024
Marc Pousson	Executive Director (Factory Director)	2020

Table 8

To enhance governance and strengthen oversight across all aspects of the company's operations, the Board of Directors has established three specialized committees. These committees are integral to the Company's governance structure, providing targeted support and expert analysis to ensure effective decision-making and alignment with the Board's strategic objectives.

Each committee is led by an appointed Chairperson, who is responsible for guiding its deliberations, facilitating productive meetings, and ensuring that the committee effectively fulfils its mandate. Through their focused oversight, these committees enable the Board to address complex issues with greater depth and diligence, thereby enhancing accountability and organizational performance. The three Board committees are as follows:

- Audit committee.
- Risk management committee.
- Remuneration and nominations committee.

ROSETA CHABALA - NON-EXECUTIVE DIRECTOR & CHAIRPERSON

Roseta Chabala was appointed Chairperson of the Board of Zambia Sugar PLC in February 2024. Her association with the company began with the appointment to the Board of Directors in February 2020. Prior to becoming Chairperson of the Board, she also served as the Chairperson of the Remuneration and Nominations Committee. Roseta brings extensive leadership experience from the manufacturing sector. She served as the Chief Executive Officer of the Zambia Association of Manufacturers (ZAM) for four years, where she played a key role in driving industrial advocacy and development. She later became Managing Director of Metal Fabricators of Zambia, a position she held until July 2021.

Currently, Roseta is the Deputy Chief Executive Officer of the Private Public Dialogue Forum (PPDF), where she continues to contribute to national economic dialogue and policy development. She has a

strong background in advocacy, capacity building, and fostering business linkages at both local and regional levels, particularly within the manufacturing sector. She holds a Master of Science degree in International Trade Policy and Trade Law.

MANAGEMENT TEAM

The Management Team at Zambia Sugar PLC is entrusted with overseeing the company's day-to-day operations to ensure optimal efficiency, effectiveness, and alignment with strategic goals. Their responsibilities encompass staff management, strategy development, operational policy formulation, and the implementation of robust internal controls.

A key focus of the team is on continuously improving operational processes to enhance productivity, optimize service delivery, and reduce operational costs. The company benefits from the team's broad and diverse expertise, with professionals who bring deep experience in key functional areas such as agriculture, finance, procurement, factory management, marketing, and legal affairs. The Management team comprises 10 senior leadership roles, including the Managing Director, Mr. Oswald Magwenzi. Below is the list of the Management Team:

Name	Designation	Appointment date
Oswald Magwenzi	Country Managing Director	2021
Hezron Musonda	Finance Director	2024
Marc Pousson	Factory Director	2020
Harriet Kapekele Katongo	Senior legal counsel and company secretary	2024
Emmanuel Simwinga	Agricultural Director	2024
Chembe Kabandama	Commercial Director	2015
Sharon Mwelwa Lima	Human resources Director	2024
Eugene Chungu	Corporate Affairs Director	2019
Richard Chiponda	Supply Chain Director	2023
Collins Undi Phiri	Estate Support Services Director	2023

Table 9

OSWALD MAGWENZI - MANAGING DIRECTOR

Oswald Magwenzi is the Managing Director of Zambia Sugar PLC, bringing over two decades of experience in the sugar, irrigation, and international finance sectors. His career began with the Illovo Sugar Africa Group, where he worked for three years before moving to the International Finance Corporation (IFC), a member of the World Bank Group, where he focused on agribusiness investments across Eastern and Southern Africa.

Prior to his current role at Zambia Sugar, Oswald served as Managing Director of Ubombo Sugar in Eswatini, where he led a major industry-wide initiative aimed at enhancing water use efficiency within the country's sugar industry. Oswald holds a Bachelor of Science in Agriculture from the University of Zimbabwe, a Diploma in Marketing from the London Chamber of Commerce and Industry, a Master of Science in Irrigation Engineering and a Postgraduate Certificate in Civil Engineering from the University of Southampton in the UK, as well as an MBA in Finance from the University of Southern Queensland in Australia.

HEZRON MUSONDA - FINANCE DIRECTOR

Hezron Musonda has served as the Finance Director of the company since January 2024, overseeing the Finance team and driving the achievement of the organization's strategic financial objectives. He brings extensive experience in the financial services sector, having previously held senior executive roles, including Chief Finance Officer at Access Bank, and prior to that, a similar position at the Bank of China. Hezron holds a Master of Science in Professional Accountancy (MPAcc) from University College London (UCL), UK, and a Bachelor of Accountancy from the Copperbelt University in Zambia. He also holds a Professional Diploma in Banking and Financial Services and is a Fellow of both the Association of Chartered Certified Accountants (ACCA), UK, and the Zambia Institute of Chartered Accountants (ZICA).

MARC POUSSON - FACTORY DIRECTOR

Marc Pousson has been the Factory Director of Zambia Sugar PLC since June 2020, with overall responsibility for factory operations and manufacturing. He brings over 20 years of experience in sugar milling, having held several senior leadership roles within the Illovo Sugar Africa Group.

Before his current role, Marc served as General Manager of the Nchalo Sugar Estate for three years and was also a Director of Illovo Sugar (Malawi) PLC, where he played a key role in operational oversight and strategic improvements. He holds a Higher National Diploma from the Durban University of Technology, as well as a Government Certificate of Competency in Electrical Engineering.

HARRIET KAPEKELE KATONGO - SENIOR LEGAL COUNSEL AND COMPANY SECRETARY

Harriet Katongo is Legal Counsel and Company Secretary at Zambia Sugar PLC since June 2024. In this role, she is responsible for providing strategic legal advice to the Management team and ensuring the company's full compliance with applicable laws and corporate governance standards.

Harriet is a seasoned legal practitioner with over a decade of experience spanning the consultancy, construction, and cement manufacturing sectors. She has held several influential positions, including serving on the Legal Practitioners Committee of the Law Association of Zambia (LAZ) and acting as a trustee of the Zambia Sugar Pension Scheme. She holds a Bachelor of Laws (LLB) degree from the University of Zambia and a Master of Laws (LLM) from King's College London. Harriet is also an Advocate of the Superior Courts of Zambia.

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

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. 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 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 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 outbreaks 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 organisations, including the UN system, the World Bank, the IMF, and the 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 normalisation 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 the end of 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.

FOREIGN / 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 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 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 ANALYSIS

AGRO PROCESSING INDUSTRY

Agro processing is a critical component of Zambia's broader agricultural value chain. It involves the transformation of raw agricultural products into semi-finished or finished goods, contributing significantly to employment, income generation, and economic diversification. With agriculture employing over 70% of Zambia's population, the agro-processing industry holds immense potential to drive industrialisation and rural development.

Zambia's agro-processing sector includes a range of sub-industries such as food and beverages, sugar, livestock and dairy processing, edible oils, grains, fruits and vegetables, and cash crops (cotton, tobacco, cashews). The government has identified agro processing as a priority sector for investment and growth. While still in the early stages of industrial maturity, the sector has seen increased public and private sector interest, particularly in local food processing and value addition for exports.

According to the Zambia Development Agency (manufacturing sector profile), the agriculture sector contributed 2.8% to the national GDP in 2024. This indicates the importance of the agro-processing industry for the Zambian economy. Sugar cane is the main crop produced in Zambia in terms of volume, followed by maize and cassava.

SUGAR SECTOR IN ZAMBIA

The demand for sugar in Zambia has experienced a steady upward trajectory, driven primarily by population growth, rapid urbanisation, and the expansion of industrial usage, including food and beverage manufacturing. As consumer lifestyles evolve and processed food consumption rises, sugar has become a vital input across multiple sectors of the economy. The sugar industry is closely linked to Zambia's broader agricultural sector, which provides essential raw material, i.e. sugarcane. Among Zambia's crop production profile, sugarcane ranks as the highest in terms of volume, surpassing staples like maize and cassava in economic importance for agro processing. This integration highlights the sector's potential to drive value addition, rural employment, and export revenue, contributing significantly to national development goals.

KEY PLAYERS

The key players of the sugar industry in Zambia include Zambia Sugar PLC, the leading producer operating the Nakambala Estate, Mansa Sugar Limited, an emerging player in the Luapula Province, Kalungwishi Estates Limited (Kalungwishi sugar), a family-owned agricultural enterprise situated in Kasama and Kafue Sugar, which operates the estate along the Kafue River.

CHALLENGES

Infrastructure Deficiencies: Many potential sugar-producing areas lack essential infrastructure, including roads, water supply, and R&D facilities, hindering industry expansion. Because of this, many established sugar companies need to find solutions to these infrastructure deficiencies when planning to invest in the sugar sector.

High Transaction Costs: One of the major constraints affecting the competitiveness of Zambia's sugar industry is the high cost of key production inputs, particularly fuel, electricity, and transportation. These elevated transaction costs significantly raise the overall cost of doing business, reducing the sector's ability to compete effectively in both regional and international markets.

Land Tenure Issues: Customary land tenure systems complicate large-scale land acquisitions for sugarcane cultivation, leading to disputes and delays in project implementation. Investors need to convert customary land to leasehold tenure. This process involves community consultation and approval from the Ministry of Lands.

OPPORTUNITIES

Regional Market Expansion: The Sugar industry in Zambia holds significant potential for regional market expansion by diversifying its export portfolio beyond traditional destinations. By tapping into emerging markets within the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), the sector can reduce over-reliance on a limited number of export partners. This strategy not only mitigates market risk but also opens new avenues for sustained growth, enhanced foreign exchange earnings, and increased competitiveness in regional and global trade arenas.

Ethanol Production: The development of ethanol production within Zambia's sugar sector represents a significant value-addition opportunity with both economic and strategic importance. Leveraging molasses, a byproduct of sugar processing, the production of ethanol can support the government's broader objectives of industrial diversification, import substitution, and energy security. The integration of ethanol into the national energy mix not only aligns with Zambia's climate change mitigation commitments but also strengthens the commercial viability of sugar operations through product diversification and improved revenue streams.

Empowering Smallholder Farmers: Expanding support for smallholder and out-grower sugarcane farming presents a critical opportunity to drive inclusive growth and promote sustainable agricultural development in Zambia by integrating small-scale farmers into commercial value chains through well-

structured support programs such as agriculture inputs, training, and guaranteed off-take agreements. With the right policy and institutional support, smallholder integration can not only uplift rural livelihoods but also enhance the resilience, competitiveness, and sustainability of the broader sugar sector in Zambia.

OUTLOOK

The long-term outlook for Zambia's sugar industry is broadly positive, underpinned by a combination of natural endowments, regional demand growth, and increasing interest from both domestic and international investors. However, realising this potential will require deliberate efforts to overcome structural and policy-related challenges. Key to unlocking the sector's growth is investment in critical infrastructure, particularly in irrigation systems, rural road networks, and processing facilities, to enhance productivity and market access. Equally important is the implementation of coherent policy reforms that secure land tenure and water rights, two essential inputs for sugar cultivation and processing.

Moreover, diversifying export markets beyond traditional destinations will be vital to reducing dependency and buffering the sector against external shocks. Strategic engagement within regional trade blocs such as SADC and COMESA present significant untapped potential for market expansion. In addition to raw sugar production, the sector stands to benefit from downstream diversification. Investments in value-added products such as ethanol, industrial-grade sugar, and renewable energy generation can improve profitability, contribute to energy security, and align with Zambia's broader economic diversification and climate resilience objectives. With the right mix of policy support, investment, and innovation, Zambia's sugar industry is well-positioned to become a competitive and sustainable player in both regional and global markets.

FINANCIAL ANALYSIS

The credit rating of Zambia Sugar is conducted on an unsolicited basis, relying on publicly available information from credible sources. ICRA evaluated the company's financial performance using audited annual statements spanning five fiscal years, from 31 August 2020 (FY20) to 31 August 2024 (FY24). This comprehensive analysis provides insights into Zambia Sugar's financial stability and operational efficiency, ensuring transparency and reliability in the credit assessment process. The approach underscores ICRA's commitment to thorough and objective evaluations.

Auditor Name	EY Zambia
Address	FY Place, Plot 354437, PO Box 35483, Alick Nkhata Road, Lusaka 10101, Zambia
Latest Financials	31-August-2024
Publication Date	01-November-2024
Audit Opinion	Unqualified Opinion

Table 10

INCOME STATEMENT

Performance Analysis					
ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Revenue	3,334,924	4,988,980	5,111,776	5,827,704	7,529,545
Cost of sales	(1,755,301)	(2,426,649)	(2,905,169)	(3,282,017)	(3,591,603)
Gross profit	1,579,623	2,562,331	2,206,607	2,545,687	3,937,942
Total Expenses	(804,782)	(947,369)	(964,109)	(1,297,516)	(1,371,313)
Operating Profit	774,841	1,614,962	1,242,498	1,248,171	2,566,629
EBITDA	900,116	1,745,430	1,378,512	1,403,489	2,757,948
Net Financing Costs	(325,891)	(274,761)	(74,196)	(39,658)	(38,692)
Profit After Tax	234,874	1,086,067	1,005,148	935,632	2,057,590

Table 11

Key Performance Matrix					
Tonnes ('000)	FY20	FY21	FY22	FY23	FY24
Own estate Cane Produced	1673	1727	1669	1667	1824
Total Cane Milled	3367	3216	3169	3167	3544
Sugar Production	398	397	385	368	425
Cane Sugar Ratio	8.5	8.1	8.2	8.6	8.3
Total Sugar Sales	378	413	382	390	401
Total Molasses Sales	116	104	91	103	127

Table 12

Total revenue rose by 29% y/y to ZMW 7,529.5m in FY24 from ZMW 5,827.7m in FY23, driven by increased sugar production and improved price realisation in export markets. Geographically, approx. 81% of sales were local, rising by 49% y/y to ZMW 6,102.2m in FY24, bolstered by strategic enhancements in the route-to-consumer domestically, higher demand for industrial sugar, reduced illegal imports, and Kwacha depreciation. To meet local demand, the company strategically reduced international revenues from 30% to 19% in FY24, without affecting the topline. Over the review period, revenue has increased at a CAGR of 23% in FY20-24.

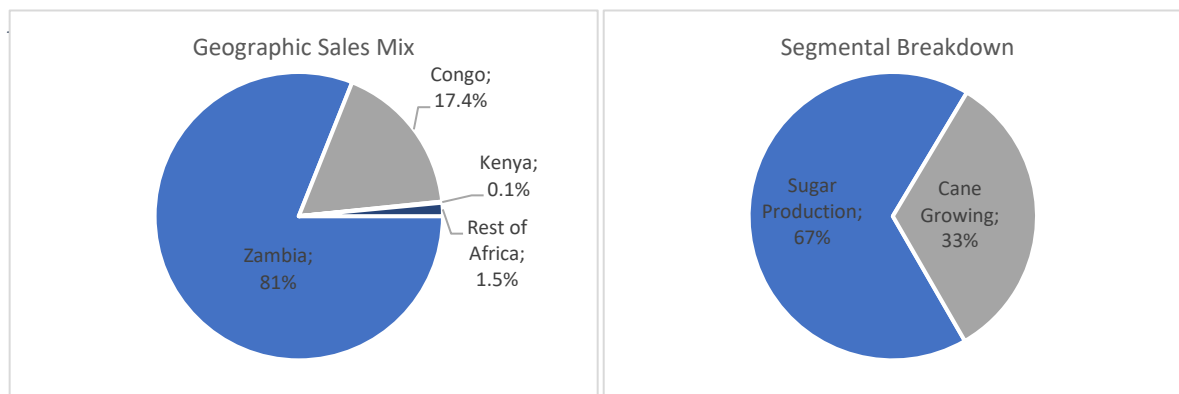


Exhibit 1

Gross profit has marked an impressive growth of 55% y/y in FY24 to ZMW 3,937.9m, supported by a lower increase in the cost of sales, indicating a well-managed direct cost structure in the company. This is further confirmed by the improving gross margin of 52% in FY24 from 44% in FY23. Gross profit has increased at a CAGR of 26% in FY20-24, while margin remained within 43-52%.

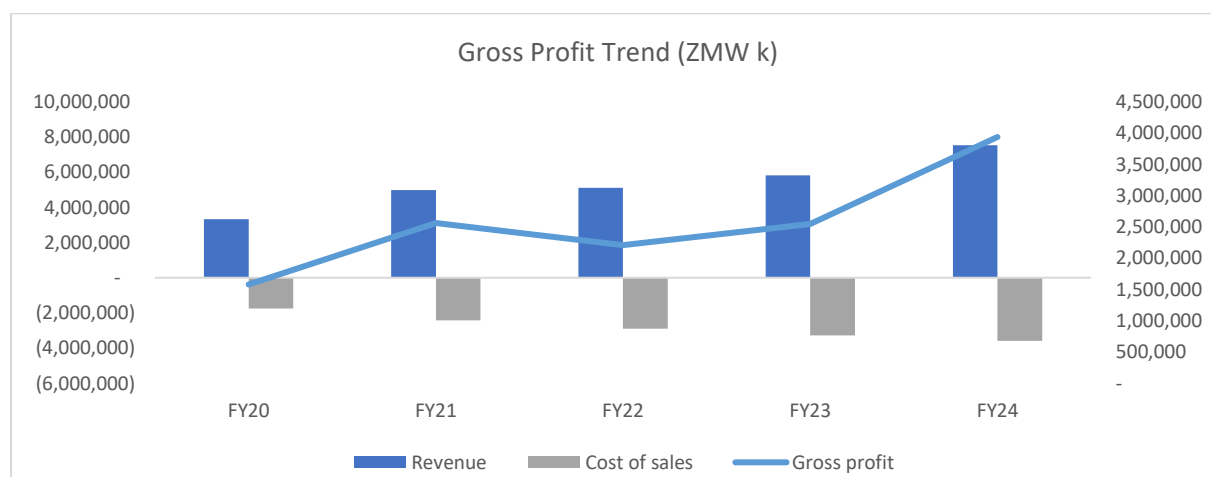


Exhibit 2

Zambia Sugar demonstrated a well-managed operating cost structure, maintaining operating expenses within the 18-19% range compared to revenue over the past four years, except for FY23 at 22%. In FY24,

operating expenses rose by 6% y/y to ZMW 1,371.3m, driven primarily by admin expenses (62% of OPEX) and distribution expenses (32% of OPEX). Operating profits surged by 106% y/y to ZMW 2,566.6m in FY24, fuelled by higher revenues and effective cost management. Additionally, the operating profit margin expanded to 34% in FY24, marking a five-year high. Operating profit CAGR stood at 35% in FY20-FY24.

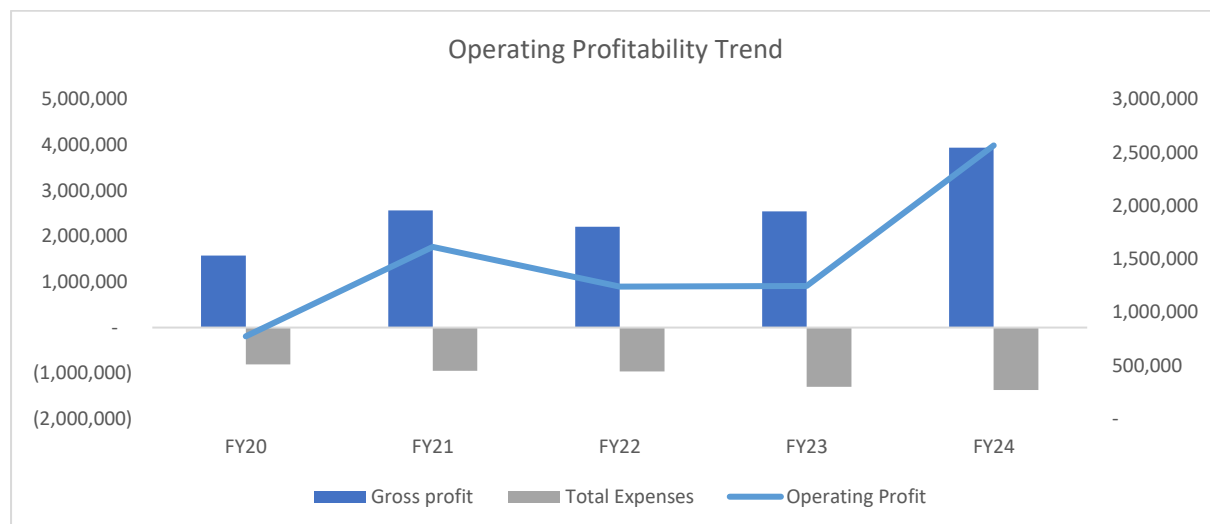


Exhibit 3

EBITDA FY24 improved 95% y/y to ZMW 2,757.9m, marking a CAGR of 32% over FY20-24 period. Total depreciation remained stable at 7% of average fixed assets throughout the review period.

Net financing costs steadily declined from ZMW 325.9m in FY20 to ZMW 38.7m in FY24 on the back of decreased borrowings, reflecting the company's commitment to a deleveraging strategy over the years. Average borrowing costs also eased to 20% in FY24, compared to 27% in FY23 and 23% in FY22, indicating reduced financing pressures. This strategic shift contributed to strengthening net profitability, with net profit surging by 120% y/y to ZMW 2,057.6m in FY24, following two consecutive years of net profit deterioration.

ICRA opinion on Performance:

Zambia Sugar showcased remarkable performance in FY24, achieving impressive growth in both absolute terms and profitability margins for the top line and bottom line. This robust achievement highlights the company's best performance since the COVID outbreak. Based on the latest results, ICRA assumes Zambia Sugar carries low risk in its operational performance and demonstrates substantial growth potential, reflecting the company's strong strategic execution and resilience in the market.

Balance Sheet

BALANCE SHEET

ASSETS

ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Property, plant and equipment	1,891,307	1,864,665	1,924,825	2,109,992	2,718,049
Intangible asset	67,902	67,902	67,902	67,902	67,902
Total Non-current Assets	2,001,594	1,988,905	2,040,527	2,301,392	2,935,601
Inventories	940,388	1,122,883	1,395,034	1,242,552	1,996,352
Growing cane	384,444	506,258	589,538	595,776	909,787
Trade and other receivables	487,741	579,181	698,811	562,238	628,632
Cash and bank balances	77,155	383,287	172,780	877,924	553,831
Total Current Assets	1,896,835	2,594,851	2,859,028	3,287,864	4,100,804
Total assets	3,898,429	4,583,756	4,899,555	5,589,256	7,036,405
As a %	FY20	FY21	FY22	FY23	FY24
Property, plant and equipment	49%	41%	39%	38%	39%
Intangible asset	2%	1%	1%	1%	1%
Total Non-current Assets	51%	43%	42%	41%	42%
Inventories	24%	24%	28%	22%	28%
Growing cane	10%	11%	12%	11%	13%
Trade and other receivables	13%	13%	14%	10%	9%
Cash and bank balances	2%	8%	4%	16%	8%
Total Current Assets	49%	57%	58%	59%	58%
Total assets	100%	100%	100%	100%	100%

Table 13

The total asset base stood at ZMW 7,036.4m as of FY24, comprising 42% fixed assets and 58% current assets. Throughout the year, the asset base maintained a similar fixed-to-current asset composition, with minor fluctuations. Fixed assets were recorded at ZMW 2,935.6m in FY24, reflecting a 28% y/y increase driven by investments in PPE, which rose by 29% y/y to ZMW 2,718.0m. As a manufacturing business, fixed assets are pivotal to Zambia Sugar's revenue performance. The company's consistent investments highlight strategic CAPEX utilisation.

The company holds rights-of-use assets valued at ZMW 149.7m (+21% y/y) as of FY24, which include agricultural land under a 7-year lease, as well as warehouse and IT equipment on 2-year and 4-year leases, respectively. Additionally, Zambia Sugar possesses intangible assets worth ZMW 67.9m, primarily comprising goodwill arising from the acquisition of Nanga Farms Limited.

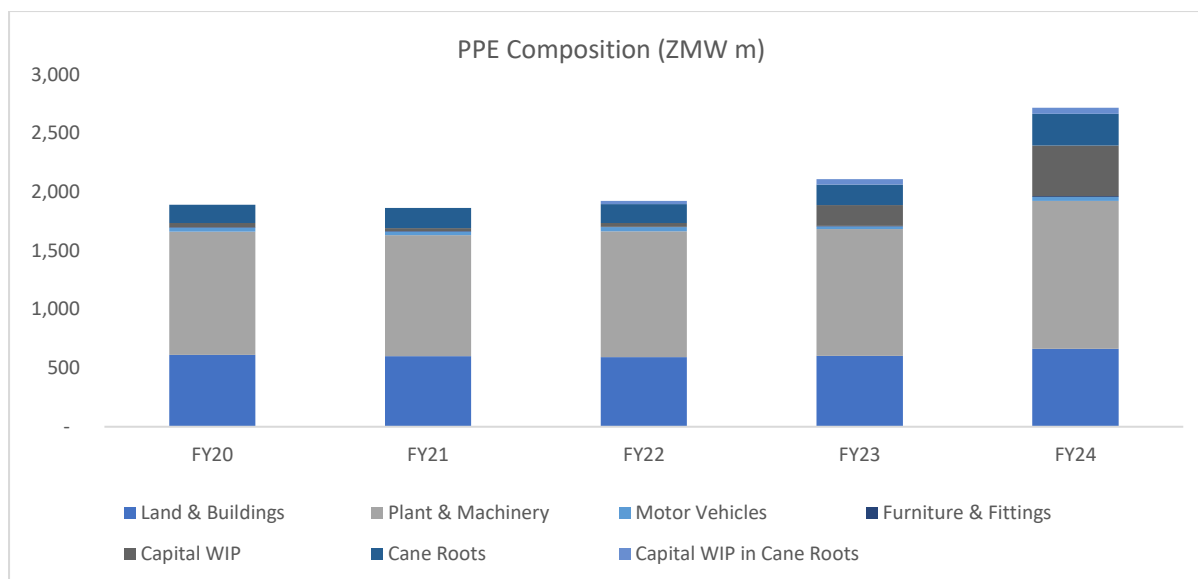


Exhibit 4

When looking at the current assets, it remained 50-60% of total assets during the review period, standing at ZMW 4,100.8m in FY24 (+25% y/y), demonstrating a balanced approach in the current and non-current asset mix. The largest current asset component is inventories, with 28% of assets, which is vital for the smooth operation of the company. As of FY24, inventories stood at ZMW 1,996.4m (+61% y/y) and consist of sugar and molasses as finished goods. Over the years, total inventory remained within 24-28% of total assets, showcasing a stable inventory management strategy in the company. Further, Zambia Sugar has a growing cane stock of ZMW 909.8m (+53% y/y), which accounted for 13% of total assets, which are classified as biological assets. During the valuation of growing cane, the company based the value against multiple assumptions such as sucrose price, expected area to harvest, sucrose content and average maturity of cane, etc.

Trade and other receivables increased by 12% to ZMW 628.6 million, comprising 53% trade receivables and 47% VAT and other receivables.

Trade Receivables' Ageing	FY20	FY21	FY22	FY23	FY24
Current	73%	85%	83%	83%	81%
0-30 Days	14%	8%	12%	12%	14%
31-60 Days	1%	0%	0%	0%	0%
61-90 Days	0%	0%	0%	0%	0%
91-120 Days	0%	0%	0%	0%	0%
Above 120 Days	13%	7%	4%	4%	5%
Gross receivables	100%	100%	100%	100%	100%
Allowance for Doubtful Debts	6%	6%	4%	5%	5%
Net Receivables	94%	94%	96%	95%	95%

Table 14

The trade receivables ageing summary indicates an improvement in credit quality and collection efficiency, with current receivables increasing from 73% in FY20 to 81% in FY24, while receivables over 120 days have declined from 13% to 5% over the period under review. Accordingly, allowances for doubtful debts have remained stable at 4–6%, reflecting consistent credit quality. Additionally, the company reports a diversified customer base, comprising 1,500 direct consumption customers and 19 industrial refined customers. Credit revenues have been maintained at 5–7% over the review period, supporting stable cash generation.

Cash and cash equivalents declined to ZMW 553.8 million in FY24, reflecting a 37% year-on-year decrease, primarily due to increased capital expenditures and higher dividend payments. Additionally, cash balances exhibited volatility over the review period, fluctuating between 2% and 16% of total assets. Net cash, after deducting overdrafts, stood at ZMW 502.9 million in FY24, down from ZMW 838.9 million in FY23.

The overall asset base reflects a stable and well-balanced mix, strategically diversified to mitigate risk. A healthy level of receivables, coupled with improving credit quality, continuous enhancement in fixed assets, and an acceptable cash balance, collectively indicate a low-risk asset structure for the company.

LIABILITIES

ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Long-term borrowing	1,048,460	403,000	-	-	-
Lease liabilities	65,933	66,425	49,350	146,554	189,725
Total Non-current Liabilities	1,343,825	757,225	310,791	412,868	553,419
Trade and other payables	492,103	630,293	711,320	686,359	932,180
Lease liabilities	28,967	25,052	23,675	19,935	28,113
Short-term borrowing	85,562	14,069	54,602	-	-
Bank overdraft	2,010	207,568	97,654	39,061	50,904
Total Current Liabilities	986,880	1,248,717	1,273,305	1,224,140	1,577,982
Total Liabilities	2,330,705	2,005,942	1,584,096	1,637,008	2,131,401
	FY20	FY21	FY22	FY23	FY24
Long-term borrowing	27%	9%	0%	0%	0%
Lease liabilities	2%	1%	1%	3%	3%
Total Non-current Liabilities	34%	17%	6%	7%	8%
Trade and other payables	13%	14%	15%	12%	13%
Lease liabilities	1%	1%	0%	0%	0%
Short-term borrowing	2%	0%	1%	0%	0%
Bank overdraft	0%	5%	2%	1%	1%
Total Current Liabilities	25%	27%	26%	22%	22%
Total Liabilities	60%	44%	32%	29%	30%

Table 15

Total liabilities stood at ZMW 2,131.4m in FY24, reflecting a 30% y/y increase, while maintaining a negative CAGR of 2% during FY20–FY24, indicating a deleveraging capital strategy over the period. This is further evidenced by the total liabilities-to-assets ratio, which declined from 60% in FY20 to 30% in FY24.

Total Debt	FY20	FY21	FY22	FY23	FY24
Long-term borrowing	1,048,460	403,000	-	-	-
Lease liabilities	65,933	66,425	49,350	146,554	189,725
Long Term Debt	1,114,393	469,425	49,350	146,554	189,725
Short-term borrowing	85,562	14,069	54,602	-	-
Lease liabilities	28,967	25,052	23,675	19,935	28,113
Bank overdraft	2,010	207,568	97,654	39,061	50,904
Short Term Debt	116,539	246,689	175,931	58,996	79,017
Total Debt	1,230,932	716,114	225,281	205,550	268,742
Debt to Assets	32%	16%	5%	4%	4%

Table 16

Total debt amounted to ZMW 268.7m (+31% y/y), following the same trend with a negative CAGR of 32% during FY20–24, demonstrating significant deleveraging. Since FY22, the company has not taken any external long-term debt, which remains at zero. Lease liabilities represent the largest component of total debt at 81%, followed by bank overdraft at 19%. Current debt stood at 29% of ZMW 79.0m as of FY24, compared to ZMW 59.0m in FY23.

Trade and other payables increased by 36% y/y to ZMW 932.2m, primarily comprising growers (56% of trade and other payables), accruals (26%), trade payables (13%), and other payables (5%).

The company's financial position remains low risk, driven by strategic deleveraging initiatives that have reduced overall liabilities. A lower level of trade payables minimises short-term financial obligations, enhancing liquidity and operational flexibility. Additionally, the company has significantly increased its working capital surplus from ZMW 910.0m in FY20 to ZMW 2,522.8m in FY24, further strengthening financial resilience and supporting sustainable growth.

EQUITY

Equity remained strong at ZMW 4,905.0m in FY24, reflecting a 24% y/y increase, primarily driven by improved retained earnings. Additionally, the company distributed a dividend of ZMW 1,104.8m—the highest in the past five years—marking a 270% y/y growth, supported by impressive profitability and positive operating cash flows. In line with its deleveraging strategy, the company has significantly increased asset funding through equity, rising from 40% in FY20 to 70% by FY24.

ICRA's opinion about the financial position

Based on the above analysis, ICRA considers Zambia Sugar to have a low risk profile, supported by a well-managed and expanding asset base, underpinned by a growing fixed income stream driving production capacity. The company maintains a well-managed receivable balance in terms of credit quality, with lower credit revenues. Despite fluctuations, the cash balance remains at an acceptable level, complemented by an improving working capital surplus. Additionally, the company has demonstrated a notable deleveraging trend, with a significant reduction in external debts.

CASH FLOW STATEMENT

ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Total Working Capital Movements	(100,052)	(204,803)	(300,396)	306,039	(611,553)
Net cash inflows from operating activities	349,927	1,021,728	724,533	1,425,643	1,567,959
Purchase of property, plant and equipment	(98,758)	(107,969)	(180,109)	(308,407)	(771,371)
Net cash outflows from investing activities	(86,919)	(79,336)	(178,811)	(307,697)	(769,760)
Dividends paid to shareholders	(25,326)	(75,977)	(267,503)	(298,843)	(1,104,834)
Repayment of borrowings	(452,343)	(716,953)	(362,467)	(54,602)	-
Payment of principal portion of lease liabilities	(33,561)	(40,708)	(19,095)	(26,873)	(47,541)
Net cash outflows from financing activities	(511,230)	(833,638)	(649,065)	(380,318)	(1,152,375)

Table 17

Net operating cash flows improved by 10% y/y to ZMW 1,568.0m in FY24, primarily supported by higher profitability during the period. However, working capital changes reflected an outflow of ZMW 611.6m in FY24, compared to a favourable movement of ZMW 306.0m in FY23. This was largely driven by outflows of ZMW 753.8m due to increased inventories and ZMW 128.6m owing to a decrease in contract liabilities, partially constraining net operating cash flows. Despite this, Zambia Sugar maintained consistent growth in operating cash flows, recording a CAGR of 45% over FY20–FY24. Additionally, the revenue-to-operating cash flow conversion ratio improved from 10% in FY20 to 21% in FY24, albeit with a slight decline from 24% in FY23. Free cash flow (FCF) declined by 29% y/y to ZMW 796.6m in FY24, primarily due to elevated CAPEX during the year. However, the company maintained a solid free cash generation rate of 11% relative to total revenue. Over FY20–FY24, FCF recorded a CAGR of 33%, albeit with volatility, fluctuating between 8–19% of revenue during the review period. This variability is largely attributable to the industry's capital requirements, but the company's consistent ability to generate positive FCF, even during the pandemic, reflects a resilient cash generation.

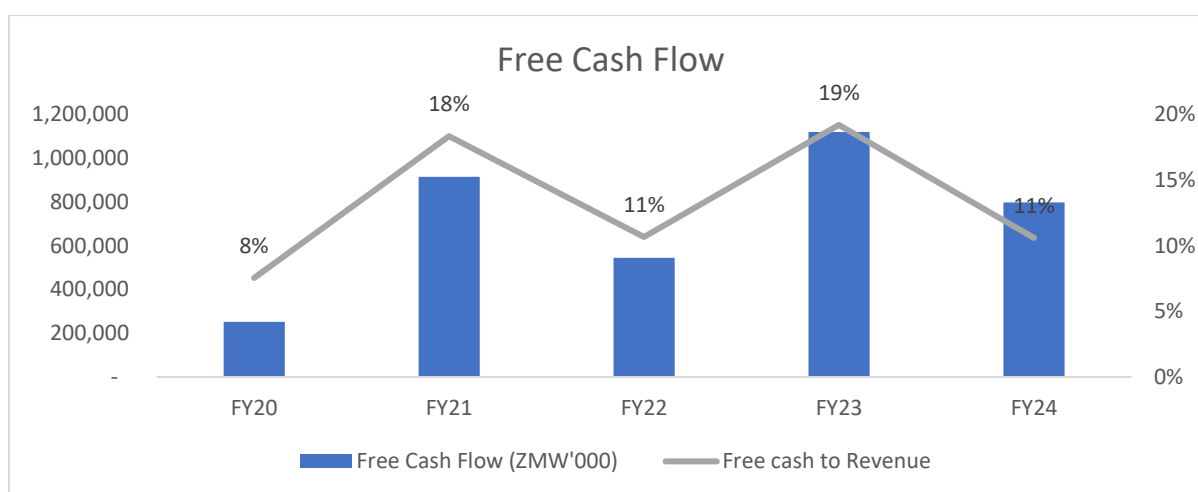


Exhibit 5

CAPEX has increased both in absolute terms and as a proportion of revenue over the period, driven by enhanced capacity and revenue performance. In FY24, CAPEX stood at ZMW 796.6m, representing 10% of revenue, reflecting a 150% y/y increase to support growing demand and production capacity. Over the years, CAPEX has remained the dominant component of investing cash flows, consistently accounting for 99–100% of total investing cash flows.

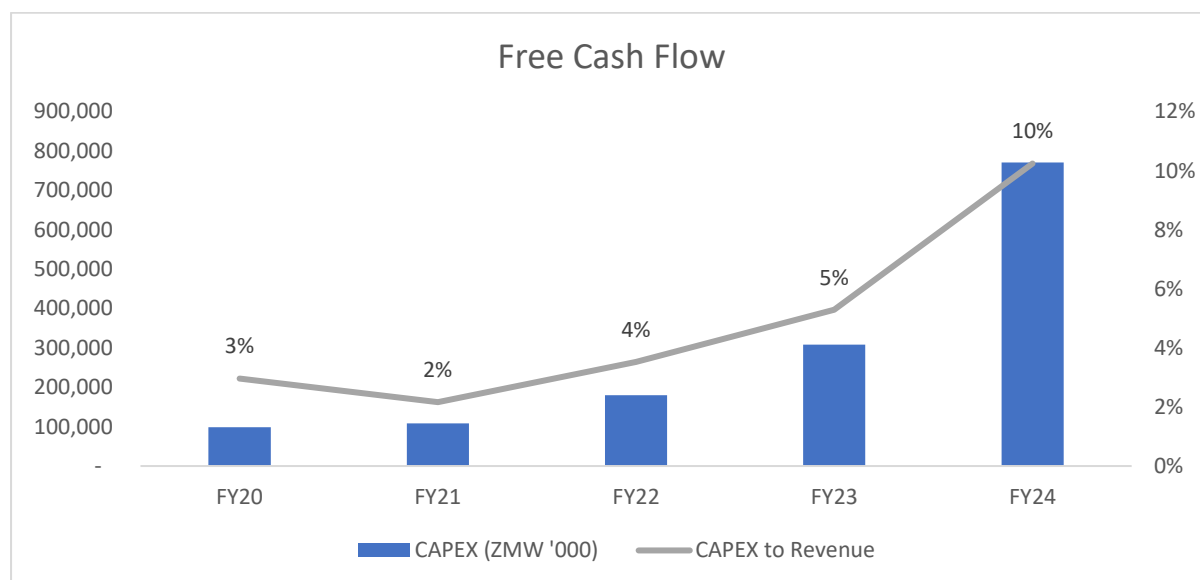


Exhibit 6

Zambia Sugar recorded a historic dividend payment in FY24, amounting to ZMW 1,104.8m, approximately 54% of net income—the highest in the company’s dividend history. Consequently, net cash outflows stood at ZMW 1,152.4m, including a lease repayment of ZMW 47.5m. While substantial dividend payouts may raise concerns among creditors, given the absence of long-term debt and OD being the only external interest-bearing liability, ICRA does not consider this a significant risk.

The company reported a net cash burn of ZMW 354.2m in FY24, compared to a net cash surplus of ZMW 737.6m in FY23. Despite experiencing cash burn in several years over the past five years, Zambia Sugar has consistently maintained an acceptable level of liquidity. Although net cash declined to ZMW 502.9m (-40% y/y) in FY24, this is not deemed a major concern, as the cash was utilised for dividend payments and CAPEX, signalling strong financial health. This strategic allocation of funds enhances investor confidence, supports deleveraging efforts, stabilises the stock price, and strengthens production capacity. Considering these factors, ICRA assesses Zambia Sugar's cash flow risk as moderate.

RATIO ANALYSIS

PROFITABILITY RATIOS

	FY20	FY21	FY22	FY23	FY24
Gross Profit Margin	47%	51%	43%	44%	52%
Operating Profit Margin	23%	32%	24%	21%	34%
EBITDA Margin	27%	35%	27%	24%	37%
Net Profit Margin	7%	22%	20%	16%	27%
Return on Assets (ROA)	6%	26%	21%	18%	33%
Return on Equity (ROE)	15%	52%	34%	26%	46%
Return on Capital Employed (ROCE)	8%	35%	29%	23%	42%
Operating CF Margin	10%	20%	14%	24%	21%

Table 18

All the profit margin trends followed a similar pattern over the time periods, showing slight fluctuations but reaching their highest levels by FY24. Gross profit margin stood at 52% in FY24, up from 44% in FY23. Operating margin, EBITDA margin, and net profit margin also followed the same trend, with a slight decline in FY23; however, they recovered and recorded better results than all previous years in FY24. This indicates that, despite the minor fluctuations in profit margins, Zambia Sugar is well-positioned to maintain strong margins and expand profitability.

Looking at net returns, a parallel trend is evident, with declines in FY22 and FY23 but a recovery in FY24, delivering strong returns. Return on assets reached its highest level at 33% in FY24, up from 18% in FY23, demonstrating robust profit generation through asset—driven by continuous investments in CAPEX and working capital. ROE and ROCE followed the same trajectory, marking 46% and 42% respectively in FY24, up from 26% and 23% in FY23.

Operating CF margin slightly declined to 21% in FY24 due to higher cash utilisation in working capital; however, this contributed to improvements in overall margins.

Assessing overall profitability and returns, Zambia Sugar is on a strong and growing profitability trajectory, indicating a positive outlook for upcoming periods, supported by increasing demand for local manufacturers and unfavourable conditions for illegal sugar imports. Considering all these factors, ICRA assumes Zambia Sugar faces a low level of profitability risk.

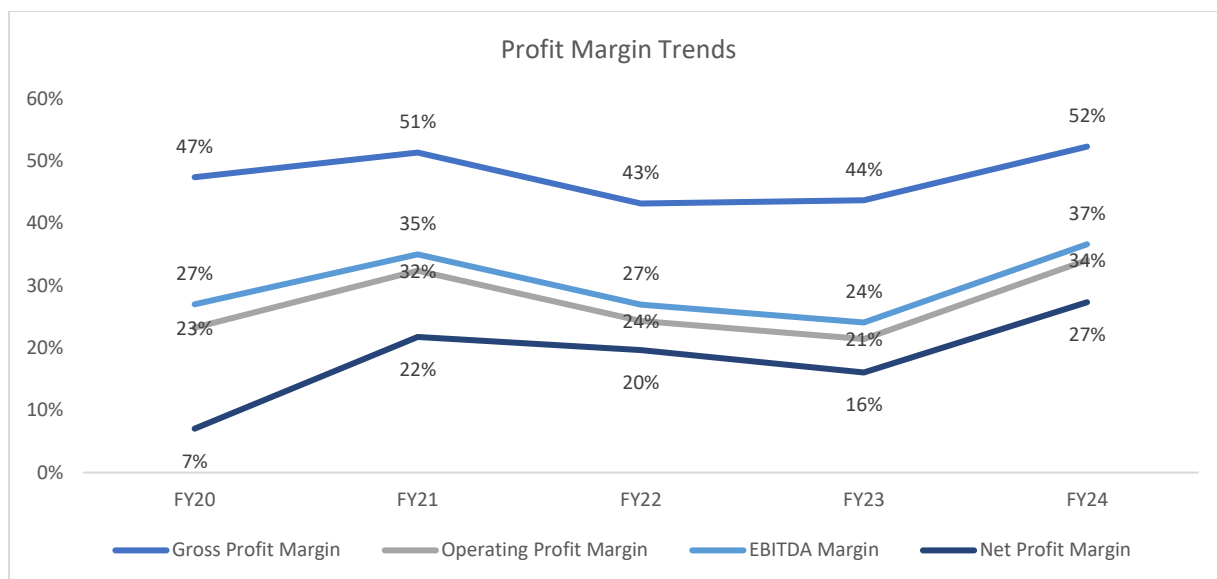


Exhibit 7

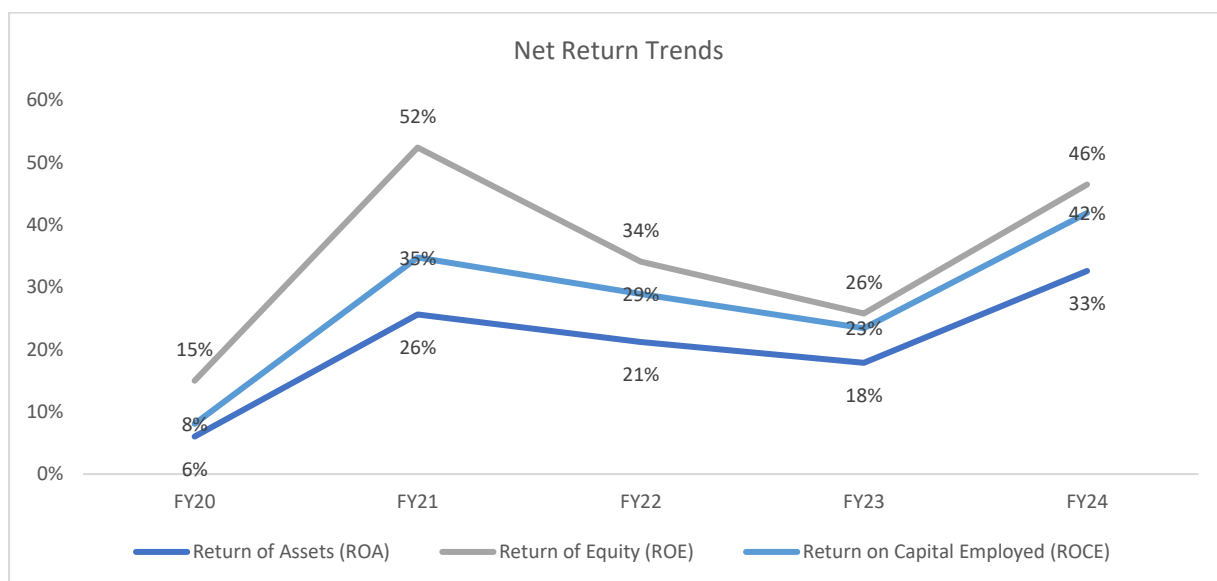


Exhibit 8

LIQUIDITY ANALYSIS

	FY20	FY21	FY22	FY23	FY24
Current Ratio	1.9x	2.1x	2.2x	2.7x	2.6x
Quick Ratio	0.6x	0.8x	0.7x	1.2x	0.7x
Cash Ratio	0.1x	0.3x	0.1x	0.7x	0.4x
Cash to ST Debt	0.7x	9.8x	2.2x	44.0x	19.7x

Table 19

The current ratio remained robust at 2.0x or higher throughout the review period, indicating that the company has ample current assets to cover its current liabilities. The quick ratio, which excludes inventories, assesses liquidity in the most conservative manner by comparing the most liquid assets against current liabilities. Even with this stricter measure, the quick ratio remained at 0.6x or higher throughout the review period—an industry-wide norm for an acceptable level of liquidity. This further confirms the company's healthy liquidity position, even when considering only its most liquid assets. However, the quick ratio declined from 1.2x in FY23 to 0.7x in FY24, primarily due to a reduced cash balance during the period. Despite this decline, the quick ratio remained within acceptable levels.

The cash ratio provides an even stricter measure of liquidity by considering cash and cash equivalents against current liabilities. Over the years, the cash ratio exhibited a volatile trend, fluctuating between 0.1x and 0.7x. As of FY24, it stood at 0.4x, down from 0.7x in FY23, due to the previously mentioned reduction in cash balance following CAPEX and dividend payments. However, this decline does not present a material liquidity concern for the business.

Assessing cash to short-term debt, which reflects short-term debt repayment capacity, the company remains in a strong position, with a ratio of 19.7x in FY24, compared to 44.0x in FY23, indicating no threat or limitation to its short-term repayment ability.

Considering all these factors, we expect Zambia Sugar to have a low level of liquidity risk, supported by a robust current ratio, acceptable levels of quick and cash ratios, and strong coverage of short-term debt. However, it is noteworthy that the cash balance declined in FY24, and it is advisable for management to ensure adequate cash reserves are maintained going forward.

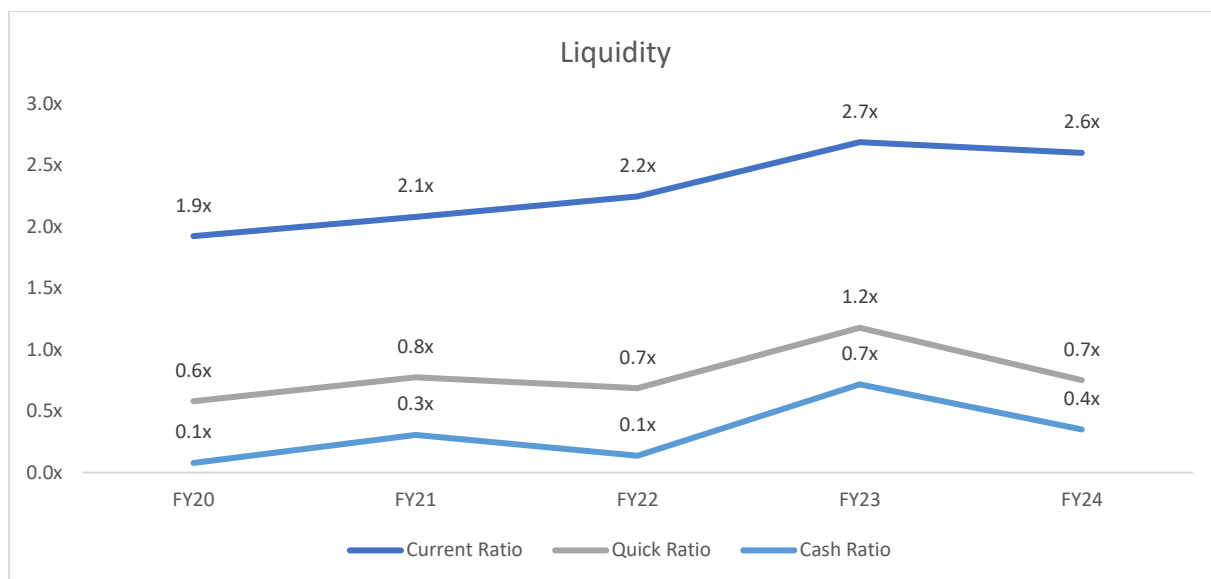


Exhibit 9

EFFICIENCY RATIOS

	FY20	FY21	FY22	FY23	FY24
Average Receivable Days	18	15	22	24	17
Average Payable Days	23	22	22	14	10
Inventory Days	275	222	227	213	242
Inventory Turn Over Ratio (x)	1.3x	1.6x	1.6x	1.7x	1.5x
Interest Coverage (x)	2.8x	6.4x	18.6x	35.4x	71.3x

Table 20

Average receivable days refer to the average number of days a company takes to collect payments from customers after a sale, indicating efficiency in managing accounts receivable. Zambia Sugar has demonstrated highly effective receivable days, consistently remaining below a month over the review period. FY24 recorded 17 days, improving from 24 days in FY23, with 24 days being the highest. The company has shown well-managed receivables in terms of both collection and credit quality.

Average payables days also remained comparatively low, staying under a month. As of FY24, it stood at 10 days, down from 14 days in FY23. Unlike other companies, lower payable days do not indicate major concerns for Zambia Sugar, given its low levels of trade payables and debt, alongside an acceptable liquidity position.

Inventory days remained high at over 200 days throughout the review period. The long inventory cycle is explained by the seasonal nature of sugarcane harvesting, requiring manufacturers to store raw materials for extended periods before processing, an industry-wide characteristic. This is further supported by a lower inventory turnover ratio of 1.5x.

Interest coverage has shown a positive trajectory over the review period, driven by improving EBITDA and lower financing expenses, underpinned by the company's deleveraging efforts.

Overall, Zambia Sugar has demonstrated stable efficiency and well-managed working capital cycles. The improving interest coverage ratio further highlights the company's efficiency in managing capital costs. Given these factors, we assume Zambia Sugar has a low level of efficiency risk.

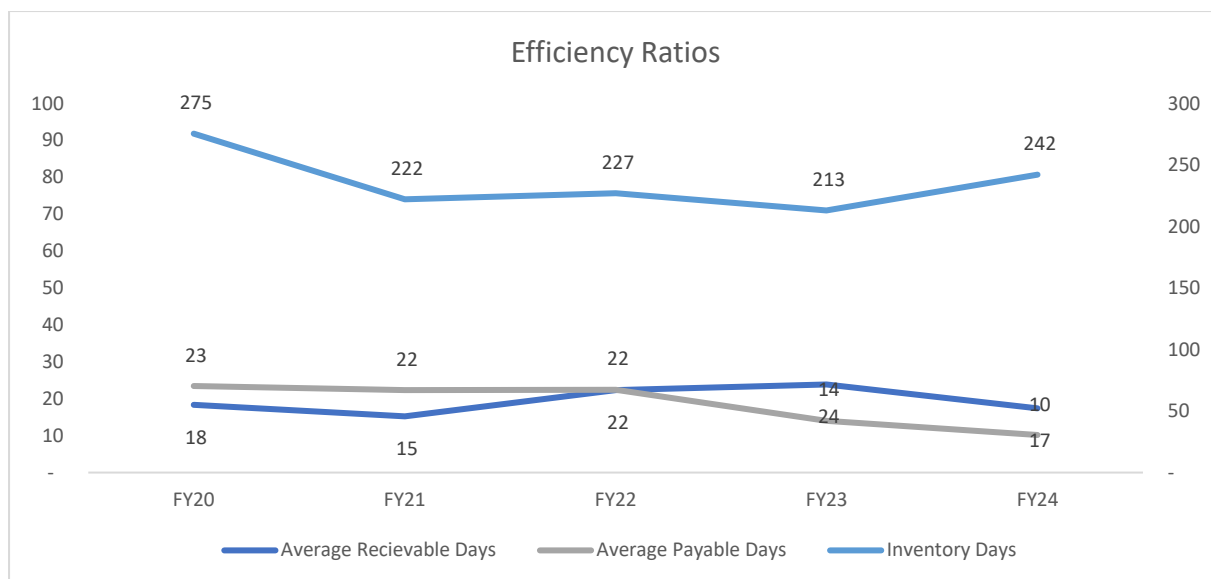


Exhibit 10

LEVERAGE RATIO

	FY20	FY21	FY22	FY23	FY24
Debt to Equity (Total Liabilities)	1.5x	0.8x	0.5x	0.4x	0.4x
Debt to Equity (External Debt)	0.8x	0.3x	0.1x	0.1x	0.1x
Equity Ratio	0.4x	0.6x	0.7x	0.7x	0.7x
Debt to Assets (External Debt)	0.3x	0.2x	0.0x	0.0x	0.0x
Debt to EBITDA	1.4x	0.4x	0.2x	0.1x	0.1x

Table 21

The debt-to-equity ratio, based on total liabilities, has declined significantly from 1.5x in FY20 to 0.4x in FY24, reflecting a substantial reduction in total liabilities over the years. This suggests that the company has actively reduced its financial obligations while strengthening its equity position. When further narrowing it down to debt-to-equity based on external debt, the ratio has also declined from 0.8x in FY20 to 0.1x in FY24, demonstrating a clear focus on deleveraging efforts and prioritising equity funding within the company's capital structure. This shift indicates a strategic move towards reducing reliance on interest-bearing debt, improving financial sustainability, and lowering financing costs.

This trend is further reinforced by the equity ratio, which has improved from 0.4x in FY20 to 0.7x in FY24. This means that approximately 70% of total assets are now funded through equity in FY24, compared to only 40% in FY20. The steady increase in equity funding highlights the company's strong financial position and a deliberate move away from debt dependency. Given the attractive dividend payments made to equity holders in FY24, it is reasonable to assume that the company has a long-term plan to maintain an equity-funded capital structure, ensuring stability and shareholder value.

The Debt-to-EBITDA ratio has also recorded a significant reduction over the years, effectively easing the company's debt burden and improving its ability to service obligations. This trend aligns with the company's deleveraging strategy, reinforcing its focus on financial stability and long-term sustainability. The declining ratio indicates stronger earnings relative to debt, enhancing flexibility in capital allocation and reducing reliance on external financing.

Overall, the company has demonstrated consistent deleveraging, improving financial health by shifting towards a more equity-based funding strategy. This not only strengthens its balance sheet but also enhances resilience against market fluctuations and financing risks. The stable upward trajectory of the equity ratio and the substantial reduction in external debt indicate a well-managed capital structure, positioning the company for long-term growth with minimal financial and leverage risk.

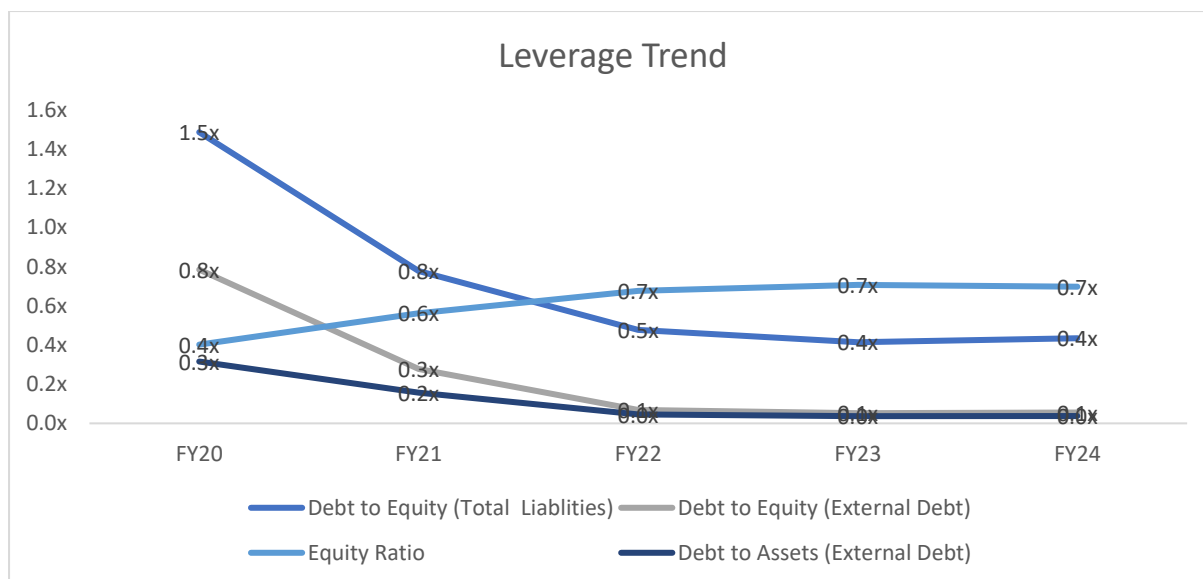


Exhibit 11

ANNEXURES

INCOME STATEMENT

ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Revenue	3,334,924	4,988,980	5,111,776	5,827,704	7,529,545
Cost of sales	(1,755,301)	(2,426,649)	(2,905,169)	(3,282,017)	(3,591,603)
Gross profit	1,579,623	2,562,331	2,206,607	2,545,687	3,937,942
Profit on disposal of plant and equipment	6,260	2,887	(5,549)	487	426
Distribution expenses	(347,350)	(424,087)	(441,979)	(567,666)	(519,661)
Administration expenses	(462,653)	(524,993)	(516,058)	(728,188)	(846,170)
ECL expense on financial assets	(1,039)	(1,176)	(523)	(2,149)	(5,908)
Total Expenses	(804,782)	(947,369)	(964,109)	(1,297,516)	(1,371,313)
Operating Profit	774,841	1,614,962	1,242,498	1,248,171	2,566,629
Dividend Income			-	-	-
Lease Liability FOREX	-	11,251	11,174	(12,658)	(18,932)
Financing Costs	(326,832)	(275,162)	(80,924)	(40,610)	(55,769)
Financing Income	941	401	6,728	952	17,077
Net Financing Costs	(325,891)	(274,761)	(74,196)	(39,658)	(38,692)
Profit Before Tax	448,950	1,351,452	1,179,476	1,195,855	2,509,005
Tax Expenses	(214,076)	(265,385)	(174,328)	(260,223)	(451,415)
Profit After Tax	234,874	1,086,067	1,005,148	935,632	2,057,590

Table 22

BALANCE SHEET

ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Assets					
Non-current assets					
Property, plant and equipment	1,891,307	1,864,665	1,924,825	2,109,992	2,718,049
Intangible asset	67,902	67,902	67,902	67,902	67,902
Right-of-use assets	42,385	56,338	47,800	123,498	149,650
Investment in subsidiary	-	-	-	-	-
Total Non-current Assets	2,001,594	1,988,905	2,040,527	2,301,392	2,935,601
Current assets					
Inventories	940,388	1,122,883	1,395,034	1,242,552	1,996,352
Growing cane	384,444	506,258	589,538	595,776	909,787
Livestock	-	-	-	8,833	11,497
Trade and other receivables	487,741	579,181	698,811	562,238	628,632
Amounts due from related parties	3,256	378	1,164	332	496
Cash and bank balances	77,155	383,287	172,780	877,924	553,831
Assets classified as held for sale	3,851	2,864	1,701	209	209
Total Current Assets	1,896,835	2,594,851	2,859,028	3,287,864	4,100,804
Total assets	3,898,429	4,583,756	4,899,555	5,589,256	7,036,405
Equity					
Share capital and premium	247,338	247,338	247,338	247,338	247,338
Capital redemption reserve	40	40	40	40	40
Retained earnings	1,320,346	2,330,436	3,068,081	3,704,870	4,657,626
Total equity	1,567,724	2,577,814	3,315,459	3,952,248	4,905,004
	40%	56%	68%	71%	70%
Non-current liabilities					
Long-term borrowing	1,048,460	403,000	-	-	-
Lease liabilities	65,933	66,425	49,350	146,554	189,725
Deferred tax liability	229,432	287,800	261,441	266,314	363,694
Total Non-current Liabilities	1,343,825	757,225	310,791	412,868	553,419
Current liabilities					
Trade and other payables	492,103	630,293	711,320	686,359	932,180
Lease liabilities	28,967	25,052	23,675	19,935	28,113
Contract liabilities	281,663	219,765	216,595	251,000	122,355
Short-term borrowing	85,562	14,069	54,602	-	-
Amounts due to related parties	35,851	21,717	28,366	44,091	141,628
Current tax liability	45,085	109,093	119,836	143,914	249,184
Bank overdraft	2,010	207,568	97,654	39,061	50,904
Provisions	15,639	21,160	21,257	39,780	53,618
Total Current Liabilities	986,880	1,248,717	1,273,305	1,224,140	1,577,982
Total liabilities	2,330,705	2,005,942	1,584,096	1,637,008	2,131,401
Total equity and liabilities	3,898,429	4,583,756	4,899,555	5,589,256	7,036,405

Table 23

CASH FLOW STATEMENT

ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Profit before tax	448,950	1,351,452	1,179,476	1,195,855	2,509,005
Depreciation of property, plant and equipment	88,640	88,308	83,526	87,992	94,593
Depreciation of right-of-use asset	18,211	19,395	20,578	30,948	51,762
Depreciation of cane roots	18,424	22,765	31,910	36,378	44,964
Net impairment loss on financial assets	10,965	5,514	733	2,149	5,908
Finance income	(940)	(401)	(6,728)	(952)	(17,077)
Finance costs	326,831	275,162	80,924	40,610	55,769
Dividend income	-	-	-	-	-
Assets classified as held for sale movements	(1,642)	987	11	621	-
(Gain)/loss in fair value of biological assets	(48,128)	(124,912)	(84,991)	(5,392)	(316,675)
Lease liability foreign exchange loss	-	(11,251)	(11,174)	12,658	18,932
Provisions raised during the period	15,639	20,160	21,257	43,171	22,736
Provisions utilised during the period	(21,209)	(15,639)	(20,160)	(4,562)	(8,898)
Movement on other tax liabilities reclassification	-	-	-	-	(321)
Profit on disposal of property, plant and equipment	(7,059)	(2,887)	5,549	(487)	(426)
Cash operating profit	848,682	1,628,653	1,300,911	1,438,989	2,460,272
Working capital movements					
(Increase)/decrease in inventories	(252,467)	(179,399)	(272,151)	143,674	(753,800)
Increase/(decrease) in amounts due to related parties	(105,172)	(14,134)	6,649	15,725	97,537
(Increase)/decrease in amounts due from related parties	7,009	2,878	(786)	832	(164)
(Increase)/decrease in trade and other receivables	92,888	(91,441)	(119,630)	136,574	(72,302)
Increase/(decrease) in trade and other payables	97,401	139,191	88,692	(25,171)	245,821
(Decrease)/increase in contract liabilities	60,289	(61,898)	(3,170)	34,405	(128,645)
Total Working Capital Movements	(100,052)	(204,803)	(300,396)	306,039	(611,553)
Cash Generated from Operations	748,630	1,423,850	1,000,515	1,745,028	1,848,719
Finance income received	940	401	6,728	952	17,077
Finance costs paid	(302,653)	(239,502)	(72,500)	(66,719)	(13,214)
Payment of interest portion of lease liabilities	(13,660)	(20,018)	(17,634)	(22,345)	(35,831)
Taxation paid	(83,330)	(143,003)	(192,576)	(231,273)	(248,792)
Net cash inflows from operating activities	349,927	1,021,728	724,533	1,425,643	1,567,959

ZMW ('000)	FY20	FY21	FY22	FY23	FY24
Cash flows from investing activities					
Purchase of property, plant and equipment	(98,758)	(107,969)	(180,109)	(308,407)	(771,371)
Purchase of biological assets (Livestock)	-	-	-	(25)	-
Dividends received	-	-	-	-	-
Proceeds from disposal of plant and equipment	11,838	28,633	1,298	735	1,611
Cashflow hedges movement	1		-	-	-
Net cash outflows from investing activities	(86,919)	(79,336)	(178,811)	(307,697)	(769,760)
Cash flows from financing activities					
Dividends paid to shareholders of Zambia Sugar PLC	(25,326)	(75,977)	(267,503)	(298,843)	(1,104,834)
Repayment of borrowings	(452,343)	(716,953)	(362,467)	(54,602)	-
Payment of principal portion of lease liabilities	(33,561)	(40,708)	(19,095)	(26,873)	(47,541)
Net cash outflows from financing activities	(511,230)	(833,638)	(649,065)	(380,318)	(1,152,375)
Net Cashflow	(248,222)	108,754	(103,343)	737,628	(354,176)
Cash & Cash Equivalents at the beginning	313,017	75,145	175,719	75,126	838,863
Net Foreign Exchange	10,350	(8,180)	2,750	26,109	18,240
Cash & Cash Equivalents at the End	75,145	175,719	75,126	838,863	502,927

Table 24

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-Aug-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>Million</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: 29th May 2025