ABC LIMITED
CREDIT RATING REPORT

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CREDIT RATING REPORT

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Currency used in this report	:	This report is presented in the Tanzanian Shilling (TZS) unless otherwise noted.

Table 1

ICRA Assigned Rating

AAA	AA	A	**BBB**	BB	B	CCC	CC	C	D

Based on ICRA National Scale for Credit Ratings

Table 2

RATING RATIONALE

ICRA assigned a **"BBB"** rating with a "**Stable**" outlook to **"ABC Limited"** on **November 20, 2024**, assuming no material adverse events affecting the business activities will occur during the validity period. The assigned rating reflects a balanced assessment of the company's overall creditworthiness and is indicative of its financial performance.

RATING STRENGTHS

Pioneer in the manufacturing of pharmaceutical XXXX products: ABC Limited is a pioneering and unique operation in Tanzania, marking the first pharmaceutical manufacturing company in the country to produce both large and small-volume XXXX products for commercial distribution. The company's product range serves as essential first-line treatments in the management of hospitalised patients, playing a crucial role, especially for those facing life-threatening conditions that require intensive care or surgery, hence carries significant inherent value. This product is driven on the back of a significant market need and limited alternative local players. Based on data from 2010 to 2016, Tanzanian hospitals utilised a minimum of X million XXXX per day, highlighting the demand and the need for multiple factories with equivalent production capacity. Currently, the alternative suppliers are primarily importers from China, South Korea and India, positioning ABC LIMITED as a key player. The operation will also help in reducing import dependency and will positively impact the country's balance of payments in the long term.

In addition, the majority of the company customers are government parties, such as the XXXX, which assures and provides comfort to continuity and payment of sales while ensuring the going concern of the business.

Growth prospects: Based on the available data, the annual demand for injectable sterile products in Tanzanian hospitals is estimated at a minimum of XXX million units. Currently, the company's maximum production capacity stands at approximately XX million units per annum. While it is commendable that the company can meet around 8% of the market demand at present, this also underscores the significant growth potential and opportunities available for the business to expand. This represents a strong tailwind for future development.

Group support: The company benefits from robust support from the ABC Group, which brings over twenty years of medical expertise through ABC Hospital, ABC Network, and ABC University, all of which are well-established and respected entities in the industry. Moreover, at present the company is 98%

owned by ABC Hospital, which is a renowned hospital in Tanzania and a direct consumer of these products. The "ABC" brand enhances the company's local and international connections and fosters a positive reputation, while enhancing trust and credibility of the product in the market. ABC LIMITED is also guided by a highly qualified and experienced management team capable of driving the company towards future growth and success. Furthermore, the founder of the company, XXX, plays an active, hands-on approach to strategic decision making while bringing extensive industry knowledge and leading the company from the forefront. He holds the CEO position and is also a board member.

Improving financial performance: The company's scope is significant in the local context, with the revenue and assets being in TZS billions (FY23 revenue: TZS 11.56bn and 10M23/24: TZS 11.07bn). The company was able to generate revenues within the first year it began manufacturing operations (FY22), and revenue displayed a significant increase from FY22 to 10M23/24. Though the majority of the company's sales were in credit terms (> 95% on average), the company was consistently able to maintain a low level of receivables at year end (< 3% of total assets), which displays efficiencies in collection strategies, which is crucial for the continuity of the business. The company was loss-making in the first year it began operations (FY22; TZS 2.08bn) and in FY23 (TZS 125.38m). However, it is commendable that the company was able to turn around the losses into profits within c. 3 years of commencing operations. This achievement is particularly impressive given the capital-intensive nature of its business model in a niche segment of the broader pharmaceutical industry, as well as its status as the first of its kind in Tanzania.

Favourable capital structure: The company's capital structure is balanced with the equity as well as total liabilities (where the majority is interest-bearing borrowings), holding approximately 50% each since FY22. Consequently, the leverage ratios of the company are also healthy (debt-to-equity ratio < 1x since FY22). These are notable for a newly operational business in a capital-intensive field and reflect revenue generation, profitability (in the latest period), equity injections, and revaluation of the assets, which in turn reflect the vested interest of the company. The company's balanced funding approach provides good potential to access additional credit when needed, and this can also appeal to investors and creditors due to the company's low credit risk.

Despite these favourable factors, there are few concerns as well.

CHALLENGES

Liquidity constraints: Notably, the liquidity of the company is minimal. The company's net cash position was negative throughout the review period due to a consistent overdraft balance. In addition, the company's quick ratio was well below par, indicating the company is not able to honour its short-term obligations via its most liquid assets. In addition, the operating cash flow of the company has been negative during the loss-making years, indicating the company's core business was unable to cover its operating expenses. These factors lead to the impairment of the overall risk profile while influencing the assigned credit rating.

Product concentration: Out of the 17 revenue generating products, 3 products generated over 90% of revenue in FY22 and FY23 and 67% of revenue in 10M23/24. This displays concentration risk in revenue streams might be due to several reasons, such as these products generating the highest profit margin; the available specialisations might favour the production of these products. Furthermore, since the products are medicinal in nature, the possibility of the demand for these decreasing is minimal, leading to neutralisation of this risk to a certain level. The absence of another key player in the market also works for the advantage of the company.

Limited operational history: The company is still in the growth stage of the business with approximately three years of operations, including only 10 months of unaudited financial data for FY24. It incurred losses in two of these years (i.e., in FY22 and FY23). This limited operational track record limits ICRA in forming a formidable conclusion about its performance, financial position, and going concern (long-term viability).

The rating for ABC LIMITED is assigned with a stable outlook on its short-term to medium-term performance on the back of its resilient financial performance, business model, favourable capital structure, financial position, intrinsic value of the product, and market positioning.

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 exhibits significant growth in revenue and profits and maintains sustainability in growth.
- The firm significantly boosts its capacity for generating cash flow, achieves a positive operating cash flow and improves the cash reserves.
- The firm exhibits continuous improvement in its liquidity ratios.
- The outlook for the pharmaceutical 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:

- The company experiences a declining trend in revenue or profits or continues to maintain weak cash flow.
- The firm becomes highly leveraged and heavily relies on borrowing to fund its operations.
- There is no significant improvement in the company's cash balances or the cash balances further deteriorates.
- The company's capital structure turns unfavourable, and it exhibits more reliance on external borrowing to finance its assets.
- The pharmaceutical industry faces major headwinds.
- Economic conditions in the country become unstable, there is a decline in overall business activity, and there are significant industry-specific challenges or regulatory issues, such as lawsuits or investigations.

CONTENTS

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 mainly on the documents and the information provided by the issuer. Further, ICRA also conducted management interviews to clarify and gain additional information regarding the business. Additionally, publicly accessible data is gathered from reputable online domains, research reports, news flows, and third-party databases. Below are the main categories of information sources:

- KYC documents
- Annual audited financial reports
- Industry research articles
- News articles
- Company/Government press releases
- Third-party data providers (paid/unpaid)
- Management interviews

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 *Completeness and timeliness of the submitted KYC/financial documents and information*	NA
2. Internal Environment Analysis **i. Business Model/Strategy** *Product portfolio, diversification, value preposition, KPI and business risks and competition* **ii. Management Review** *Organisational structure, leadership background, talent management, succession planning, management risks and historical track records, team composition* **iii. Business Outlook** *Future business outlook, expected strategic partnerships, expansion, downsizing plans*	35%
3. External Environment Analysis **i. Industry Review** *Global and domestic industry outlook, direct and indirect impact to the business, industry risks and new trends, global and domestic economic trend* **ii. External Stakeholder Relationships** *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.*	25%
4. Financial Analysis **i. Financial Statement Analysis** *Profit and loss statement, balance sheet, cash flow statement, audit report, notes to financial statements, ratio analysis, key financial risks, bank credit turnover* **ii. Financial Projections/Forecast Review** *Growth drivers and underlying assumptions, accuracy, reliability and reasonableness of the forecasts, relationship with industry trends and industry averages.*	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 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 - Entity's creditworthiness is expected to deteriorate, potentially leading to rating downgrade.

Table 4

BUSINESS PROFILE

ABC LIMITED

CONTACT DETAILS	
Address:	XXXX
Key person:	XXXX
Telephone:	XXXX
Website:	XXXX
Email:	XXXX XXXX

Table 5

REGISTRATION DETAILS	
Incorporation Number:	XXXX
Date of Registration:	XXXX
Legal Structure:	Private Company Limited by Shares
Registered Office:	XXXX

Table 6

CAPITAL DETAILS	
Authorized Capital:	TZS XXXX
Issued Capital:	TZS XXXX
Paid-Up Capital:	TZS XXXX

Table 7

SHAREHOLDING PATTERN	
Name of Shareholders	**Shareholding**
ABC Hospital	97.48%
ABC Network	2.47%
Mrs. XXX	0.10%
Total	**100%**

Table 8

COMPANY BACKGROUND

COMPANY DESCRIPTION

ABC Limited (ABC) is a pharmaceutical manufacturing company incorporated in 2015 in the United Republic of Tanzania, carrying the incorporation number 122371. Based in the Zegereni Industrial Area of Kibaha in the Coast Region, ABC specialises in the production of a broad spectrum of pharmaceutical products, with a mission to advance healthcare quality throughout Tanzania.

ABC operates as a subsidiary of the ABC Network, a comprehensive network that also includes ABC Hospital, Hubert ABC Memorial University, and ABC Green Fertility Hospital (IVF). This network represents one of Tanzania's leading private investments in in vitro fertilisation (IVF) services.

Led by the Chief Executive Officer Dr. XXX, ABC has achieved several milestones in the Tanzanian pharmaceutical industry, notably establishing the first local facility capable of producing both large- and small-volume injectable sterile products on a commercial scale. ABC remains dedicated to manufacturing high-quality pharmaceutical products, focusing on improving healthcare outcomes across Tanzania.

The company provides employment to 75 direct employees and over 250 indirect employees.

PRODUCTS AND SERVICES

ABC produces over 30 XXX products in a range of volumes from 50 ml to 1000 ml, providing healthcare providers with the necessary formulations to meet diverse clinical requirements. A selection of ABC's key products includes:

(Removed)

These medicinal products are divided into product divisions such as IV electrolytes, IV drugs (antibiotics), IV antifungals, IV anticonvulsants, and IV analgesia.
ABC's injectable drugs are critical in supporting life-saving treatment for patients, particularly those with serious or life-threatening conditions, and play a vital role in intensive care and surgical settings. These products are essential first-line options in managing hospitalised patients and enhancing healthcare outcomes.

CUSTOMERS

ABC serves a diverse customer base both locally and in five other African countries: (Removed). Approximately 72% of ABC's products are sold within Tanzania, while the remaining 28% are distributed across these neighbouring countries. Currently, ABC is a major supplier of fast-moving sterile intravenous products to the Medical Stores Department, a state-owned entity responsible for distributing pharmaceutical products and medical devices to public health facilities throughout the country. This partnership underscores ABC's commitment to enhancing healthcare access and ensuring the availability of essential medical supplies.

Country sales	Percentage
Tanzania	72%
XXXX	14%
XXXX	5%
XXXX	4%
XXXX	3%
XXXX	2%
Total	**100%**

Table 9

In the Tanzanian market, the firm serves a diverse range of customers. Key customers contributing to sales include:

(Removed)

Notably, XXX represents the largest share, accounting for 51% of the total sales of ABC Pharmaceuticals products

SUPPLIERS

The company sources its raw materials primarily from international suppliers, with the majority from China (60%) followed by South Korea (30%) and India (10%). Below is a list of the companies from which ABC procures its raw materials,

(Removed)

ANNUAL PRODUCTION CAPACITY

ABC Pharmaceutical Industry Limited is the first pharmaceutical plant in Tanzania to manufacture both large and small volume injectable sterile products, with an annual production capacity of XX -XX million units.

VISION STATEMENT

XXXX

MISSION STATEMENT

XXXX

MANAGEMENT REVIEW

BOARD OF DIRECTORS

The Board of Directors at ABC Limited provides strategic guidance and ensures the institution's long-term sustainability. The Board's primary responsibilities include oversight of major investment decisions, monitoring financial matters, evaluating management performance against business plans and budgets, and ensuring a robust system of internal controls and governance. Their leadership underpins transparency and accountability, complementing the executive management team's responsibility for day-to-day operations.

ABC's Board of Directors comprises eight distinguished individuals:

Name	Designation
XXXX	Chairperson
XXXX	Vice Chairperson & CEO
XXXX	Member & Company secretary
XXXX	Member
XXXX	Member
XXXX	Member
XXXX	Member
XXXX	Member

Table 10

MANAGEMENT TEAM

The management team oversees ABC's daily operations, ensuring compliance with pharmaceutical regulations and maintaining operational excellence. This group combines expertise, industry experience, and leadership to drive the company's success and uphold its commitment to producing high-quality pharmaceutical products. Each member brings a unique set of skills and a proven track record in their respective fields, contributing to a cohesive and effective management structure. Below is a briefing of the profiles of the key management personnel:

XXXX – Founder& CEO

XXXX, the founder and Managing Director of ABC, is a highly experienced medical professional. He holds a Doctor of Medicine (MD) degree from XXXX Medical University (Hungary) and a postgraduate qualification in General Surgery from the University XXXX (South Africa).

Dr. XXXX's professional journey began in 2001 at ABC Hospital, where he started as a medical officer and later took on various roles, including Deputy Director of the hospital. He currently serves on several boards, including ABC Hospital, Hubert ABC Memorial University, ABC Network, ABC Pharmaceutical Industry (ABC), and the Tanzania Pharmaceutical Manufacturers Association. Throughout his career, Dr. XXXX has demonstrated a strong commitment to medical excellence and project management. His extensive experience and leadership continue to drive the success of ABC and contribute significantly to the advancement of the pharmaceutical industry in Tanzania.

XXXX - Plant manager

XXXX joined ABC in 2020 as Plant Manager, bringing over a decade of pharmaceutical industry experience. She graduated from Jamia Hamdard University in India with a Bachelor of Pharmacy and later earned a Master of Business Administration from the National Institute of Management in India.

XXXX commenced her career as a tutor at XXXX University of Health and Allied Sciences in 2014. She subsequently joined XXXX, where she served as Production Manager. At ABC, XXXX plays a pivotal role and is responsible for formulating and executing strategic operational plans. Her extensive expertise in the pharmaceutical industry and management significantly enhances the company's operational efficiency and decision-making processes.

XXXX - Head of Quality assurance

XXXX, the Head of Quality Assurance, has a Bachelor's and Master's degree in Chemistry from the University of Dar es Salaam. His experience spans roles in quality control and production management at companies like XXXX and XXXX.

Joining ABC in 2021, XXXX ensures product quality meets stringent standards, safeguarding the company's reputation for excellence.

XXXX - Head of Production

XXXX oversees production at ABC. She holds a Bachelor of Pharmacy and a Master of Pharmacy specialising in Quality Control and Assurance. Her previous roles include regulatory affairs and quality assurance positions at XXXX.

Since 2021, XXXX has been instrumental in improving manufacturing processes and ensuring compliance with industry standards.

XXXX - Head of Human resources

XXXX, the Head of Human Resources, holds a Bachelor's degree in Political Science and a Master's degree in HR Management. He has worked with organisations like ABC Hospital in HR roles.

Since joining ABC in 2022, XXXX has fostered a positive work environment and aligned HR strategies with organizational goals.

XXXX - Head of Quality control

XXXX, with a background in microbiology and biochemistry, oversees product testing at ABC. His previous roles include Quality Controller and Safety Officer positions at various companies.

Since joining XXXX in 2021, XXXX has played a crucial role in maintaining the high standards of the company's pharmaceutical products.

XXXX - Head of engineering

XXXX leads ABC's engineering department. He holds degrees in Mechanical Engineering and Engineering Maintenance Management.

Joining ABC in 2022, XXXX has enhanced production efficiency by maintaining and optimising manufacturing equipment, ensuring seamless operations.

This dynamic and experienced leadership team underscores ABC's commitment to delivering quality pharmaceutical solutions and achieving its strategic objectives.

PERSONAL ASSETS OF SHAREHOLDERS

It is to be noted that ABC has not shared any asset ownership documents of its majority shareholder, ABC Hospital (c.97.5%). Only the asset details and ownership documents of the minority shareholders have been mentioned, as outlined below

ABC NETWORK – 2.47% SHAREHOLDING

Assets	Estimated value ($)
Primary Residence, Rental Properties, Land, etc in Tanzania	5,484,461
Total Assets	5,484,461

Table 11

XXX– 0.1% SHAREHOLDING

Assets	Estimated value ($)
Primary Residence, Rental Properties, Land, etc in Tanzania	1,085,317
Total Assets	1,085,315

Table 12

It is imperative to highlight that the client has only provided certificate of occupancies for the above assets and ICRA is unable to verify the ownership. In addition, valuation of these assets is not undertaken by ICRA and that it has not directly incorporated or authenticated these specific asset valuations. Also, this asset declaration and the values have not been considered in assigning the credit rating to the company.

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

GEOGRAPHIC OVERVIEW

Tanzania is the largest country in East Africa, encompassing the islands of Zanzibar, Pemba, and Mafia. It is bordered by the Indian Ocean and shares its boundaries with eight neighbouring nations, namely Kenya, Uganda, Rwanda, Burundi, the Democratic Republic of Congo, Zambia, Malawi, and Mozambique. The estimated population of the country stands at approximately 67m (September 2023), with the official local currency being the Tanzanian Shilling (TZS). Dar es Salaam serves as the administrative capital of Tanzania, while Dodoma has been designated as the legislative capital of the nation.

POLITICAL LANDSCAPE

The serving President of Tanzania is Samia Suluhu Hassan (September 2023), who holds the distinction of being the sixth president of the nation and its DFCU female president. She was the former vice president and was sworn in as president following the death of Mr. John Magufuli in March 2021. Her policies and initiatives have geared up the growth of the economy and the development of the country, and as a result, she is expected to remain president until 2025, and there is a high chance she will be voted back for the next term if the success story of the country continues. The president serves as both the head of the country and the chief of the armed services. General elections are conducted once every five years to elect the country's leadership. Further, the shape of the political outlook of Tanzania is changing as opposition parties (CHADEMA and ACT) are collaborating with the main leading party (CCM) to continue the growth trajectory of the country, indicating that Tanzania is one of the most politically stable countries in the region.

SOVEREIGN RATING UPGRADE

Tanzania's sovereign rating has been recently upgraded to B1 with a stable outlook. This upgrade holds significant promise to improve the country's business climate and entice both local and international investors. Addressing the persistent foreign exchange shortage, especially prevalent in developing economies like Tanzania, is imperative. The current global focus on potential interest rate reductions in the United States may alleviate this situation by encouraging foreign direct investment. By synchronizing governmental initiatives aimed at enhancing the business landscape with favourable global monetary policies, Tanzania stands to attract higher levels of foreign investment. Despite initial opposition, the government's dedication to broadening the tax base has proven vital in managing the country's debt levels effectively.

The credit rating upgrade reflects Tanzania's strides in bolstering its economy through structural reforms and prudent macroeconomic policies. Despite ongoing challenges, the government's strategic actions and dedication to improving the business climate indicate Tanzania's potential for sustained economic expansion and stability.

PROGRESS ON AML/CFT REFORMS AND ANTI-CORRUPTION INITIATIVES

Tanzania is currently listed under the "Grey List" by the Financial Action Task Force (FATF), often referred to as "Jurisdictions under Increased Monitoring." This designation signifies that Tanzania is actively collaborating with the FATF to rectify strategic deficiencies in its frameworks for countering money laundering (ML), terrorist financing (TF), and proliferation financing (PF). In October 2022, the Tanzanian government made a significant high-level political commitment in partnership with the FATF and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) to enhance the effectiveness of its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. Consequently, Tanzania has instituted institutional structures and enacted various laws to address the issues of money laundering and terrorism financing. Furthermore, the government is dedicated to bolstering the implementation and enforcement of a comprehensive anti-corruption strategy and legislation. The National Anti-Corruption Strategy and Action Plan 2023-28 (NACSAP) represents a key initiative in pursuit of this goal.

ECONOMIC PERFORMANCE

In 2024, Tanzania’s GDP growth has shown resilience and steady progress, driven by diverse economic activities and supportive government policies. The Tanzanian economy is projected to grow at approximately 5-6% for the year, maintaining a positive trajectory aligned with its development targets. Key sectors contributing to this growth include mining, construction, agriculture, and tourism. As per the Bank of Tanzania report, GDP was recorded at 5.3% in the second quarter of 2024. This growth is being driven by accelerated investments in large-scale infrastructure projects, resulting in higher wages and increased consumer spending, all of which are positive indicators of a thriving economy.

The Zanzibar economy also performed satisfactorily, with real GDP growth estimated to be more than 6% in 2023, mostly driven by tourism activity. Favourable economic conditions are expected to continue in subsequent quarters of 2024. The outlook is supported by an improving business environment, adequate rains in most parts of the country, and the continued recovery of the global economy.

INFLATION STABILITY

In 2024, Tanzania maintained inflation levels around 3%, reaching 3.1% in September, aligning with its target to keep inflation under 5%—in accordance with the regional convergence criteria. This inflation stability has been driven by a prudent monetary policy and an ample domestic food supply. Zanzibar, in particular, has seen inflation ease to its medium-term goal of 5%, mainly due to the moderation of both food and non-food prices. The overall inflation outlook is expected to remain stable, supported by strong monetary policies and sufficient food supplies, with moderate risk to this forecast.

CURRENT ACCOUNT DEFICIT NARROWS

On the external front, Tanzania's current account deficit narrowed to USD 959.2 m in the quarter ending June 2024, a reduction from USD 977.8 m in the same quarter in 2023. This improvement was primarily due to higher service receipts, particularly from tourism, as the global economy recovers. Export revenues from gold, tourism, and traditional crops increased, while import growth was slower. In Zanzibar, the current account surplus grew to USD 421.5 m by June 2024, up from USD 411.5 m in 2023, similarly driven by growth in tourism-related service receipts. The current account is projected to keep improving, reaching 3.2% in the subsequent quarters.

Foreign exchange reserves remained adequate, exceeding USD 5.3 billion by the end of June 2024, covering over four months of projected imports. Liquidity in foreign currency also slightly improved due to increased inflows from tobacco, gold, and tourism. Future growth in foreign exchange inflows is anticipated, particularly from tourism, mining, and food exports to neighbouring countries.

SECTORAL GROWTH

Tanzania’s banking sector remained robust, showing adequate liquidity, profitability, and capitalization, with assets, deposits, and loans on the rise. Asset quality also improved, as seen by a lower non-performing loan (NPL) ratio of 4.4% in May 2024, a decline from 5.5% in the previous year. Credit to the private sector is projected to remain high, against the backdrop of improving economic conditions both domestically and globally.

The mining sector, particularly gold exports, continues to play a significant role in Tanzania’s GDP, bolstered by favorable global prices and increasing production capacity. Similarly, tourism has seen a strong rebound as international travel recovers, significantly enhancing service receipts and creating employment opportunities. The construction industry, supported by both public and private investments in infrastructure projects, has also been a notable contributor, aligning with the government’s long-term infrastructure and urbanization goals.

Agriculture remains the backbone of the economy, contributing around 26% of GDP and employing a significant portion of the population. The sector's growth is supported by favorable weather conditions and government initiatives aimed at modernizing agricultural practices and boosting productivity. Additionally, the government's investment in industrialization has begun to yield results, as Tanzania continues to move toward a more diversified economy.

OUTLOOK

The overall economic outlook for Tanzania is optimistic, supported by the factors mentioned above and the government's timely implementation of structural reforms aimed at strengthening the economy's competitiveness, improving the business and investment environment, and reducing the cost of regulatory compliance. The World Bank report also emphasizes that improving the efficiency and effectiveness of fiscal policies has enabled the country to boost revenue collection and increase public expenditure, leading to improved human capital outcomes, inclusive economic growth, and prosperity for its citizens.

Considering the favourable and encouraging factors pertaining to the economic, political, and other macroeconomic drivers, ICRA anticipates that Tanzania is poised to exhibit a moderate level of country risk with greater economic stability and sustainable growth potential especially when compared to its neighbouring peer countries. This assessment is reinforced by the sustained positive economic growth rates and the alleviation of inflationary pressures, despite the global challenges encountered during recent review periods. Nevertheless, it is essential to underscore the inherent challenges faced by the country. These include issues of poverty and inequality, constrained access to quality educational and healthcare facilities, environmental concerns, and limited access to financial resources.

INDUSTRY RISK REVIEW

PHARMACEUTICAL INDUSTRY

The pharmaceutical industry refers to the sector involved in the discovery, development, production, distribution and marketing of medications and therapeutic products. It encompasses a wide range of activities and stakeholders, including:

Research and development: Identifying new potential drug compounds through scientific research and conducting studies on human volunteers to determine the safety, effectiveness, and optimal use of new drugs.

Manufacturing: Manufacturing drugs in various forms, such as tablets, capsules, injections, and topical applications and ensuring that drugs meet stringent quality standards and regulatory requirements.

Regulatory affairs: Navigating the regulatory requirements of different countries to obtain approval for new drugs. This involves submitting data from clinical trials to regulatory bodies like the FDA (U.S. Food and Drug Administration) or EMA (European Medicines Agency) and Tanzania Medicines and Medical Device authority (TMDA).

Marketing and Sales: Educating healthcare professionals and the public about new drugs and their uses as well as managing the supply chain to ensure drugs are available to patients through pharmacies, hospitals, and other healthcare providers.

In 2022, the global pharmaceutical market was valued at approximately USD 1.29 trillion at ex-factory prices, according to the European Federation of Pharmaceutical Industries and Associations (EFPIA). North America, comprising the USA and Canada, continued to dominate as the largest market with a 52.3% share, significantly ahead of Europe at 22.4%, China at 8.1%, and Japan at 4.9%. Also, global spending on medicines, which encompasses the amount paid to manufacturers before off-invoice discounts and rebates, is projected to reach USD 1.9 trillion by 2027. This expenditure is anticipated to grow at an annual rate of 3% to 6%, according to IQVIA. Despite recent disruptions from the COVID-19 pandemic and increasing research and development costs, pharmaceutical companies have adapted effectively, consistently advancing and introducing new medications. Major global players driving this growth include Pfizer, Johnson & Johnson, AbbVie, Roche, Sanofi, Merck, AstraZeneca, GlaxoSmithKline (GSK), Novartis, and Bristol-Myers.

In sub-Saharan Africa, pharmaceutical imports comprise as much as 70% to 90% of drugs consumed (Mckinsey). This dependence on imports leaves citizens vulnerable to shortages of medication. It is estimated that there are roughly 375 drug makers, most in North Africa, in sub-Saharan Africa, only Kenya, Nigeria, and South Africa have a relatively sizable industry, with dozens of companies that produce for their local markets and, in some cases, for export to neighbouring countries.

In several African countries, there is significant potential to boost local drug production to meet high demand levels. Local pharmaceutical manufacturers are often well-equipped to introduce advanced generics into smaller regional markets. For example, in Nigeria, regulations allow local drug manufacturers to also import drugs, creating additional growth opportunities. Many leading pharmaceutical companies in Nigeria not only produce medications but also act as representatives for international drug developers. This dual role provides strong incentives for these companies to invest in registering new drugs locally and bringing profitable new products to market.

According to the 2022 report from the Ministry of Health in Tanzania, the country has a total of 418 hospitals, of which 217 are government-owned, 119 are owned by religious organisations, and 129 are privately owned. Additionally, Tanzania has 7,447 dispensaries, with 5,719 government-owned, 692 owned by religious organisations, and 1,036 privately owned. In terms of patient care, a total of 20,479,716 patients were treated across health facilities, including 18,853,465 outpatients and 1,626,251 inpatients. This data highlights a significant potential market for pharmaceutical manufacturers

According to the Tanzania Medicines and Medical Devices Authority (TMDA), some of the key players in pharmaceutical manufacturing in Tanzania include the following

- Zenufa Laboratory Ltd
- Shelys Pharmaceutical Ltd
- Mansoor Daya chemical industry Ltd
- Keko Pharmaceutical Ltd
- Prince Pharmaceutical Ltd
- AA Pharmaceutical Ltd
- Sri Balaj Pharmaceutical Ltd

Multinational pharmaceutical companies, including GlaxoSmithKline, AstraZeneca, Sanofi, Johnson & Johnson, Bayer, Novartis, and Novo Nordisk, supply the Tanzanian market through exports.

Overall, the pharmaceutical industry confronts several significant challenges, such as regulatory pressures and increasing scrutiny on drug pricing. However, it also encounters numerous opportunities fuelled by technological advancements and expanding healthcare needs. To remain competitive and drive future growth, companies must adeptly navigate these evolving trends and leverage emerging innovations to their advantage.

EXTERNAL RELATIONSHIPS

BANKING RELATIONSHIPS

XXXX Bank	**Account Type**	Current
	Currency	TZS

Table 13

EXTERNAL AUDITOR DETAILS

Auditor Name	XXXX
Latest Financials	30th September 2023
Audit Report Date	29th March 2024
Audit Opinion	Unqualified

Table 14

The company has provided audited financials for fiscal year ending December 2023 together with management account ending June 2024. Hence, the rating process was conducted based on the provided Audited accounts and management accounts.

In addition, the financials for the latest time period (10M23/24) which were from October 2023 to July 2024 are unaudited. However, this is mainly due to the year-end of the company (September) and the timing of the rating.

CREDIT BUREAU DETAILS

The client has provided credit bureau reports from Credit Info for the shareholders, the board of directors of ABC as well as for a group company (ABC Hospital). As per these reports, ICRA has not found any adverse findings regarding the repayment history of the shareholders and directors. However, no separate credit bureau report for ABC was provided.

KYC SCREENING AND ADVERSE MEDIA CHECK

ICRA has done due diligence on the company, majority shareholders, and key management to assess any risks related to AML/CFT, sanctions, adverse media, and PEP through a third-party due diligence service provider. ICRA has not found any adverse information relating to the company and shareholders.

BANK STATEMENT ANALYSIS

Total credit turnover and average monthly cash balances						
TZS	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Total average cash balances	22,936,522	143,974,769	47,757,797	385,927,999	156,567,135	330,001,631
Total credit turnover	289,354,360	669,002,729	578,073,104	1,268,936,170	356,090,808	1,069,667,702

Table 15

The company provided bank statements from XXXX Bank in Tanzania. An assessment of this bank statements over the six-month period from February 2024 to July 2024 was conducted to gauge a basic understanding of company's cash behaviour including credit activity.

BANK/CASH BALANCES

The average monthly cash balances during the review period displayed significant fluctuations along with a volatile trend. Notably, the lowest balance was recorded in February 2024, at TZS 22,936,522, while the highest occurred in May 2024, reaching TZS 385,927,999.

At the end of the seven-month period in July 2024 (7M24), the cash and cash equivalents on the financial statements amounted to TZS 86,575,597. However, the actual bank balance on June 30, 2024, was TZS 16,468,014, indicating a significant discrepancy. This difference suggests the possibility of other bank accounts being utilised by the business.

CREDIT TURNOVER

Credit turnover also varied throughout the period, ranging from TZS 289m to TZS 1.26bn monthly. The lowest credit turnover was recorded in February 2024 at TZS 289,354,360, and the highest in May 2024 at TZS 1,268,936,170, with total credit turnover for the seven-month period reaching TZS 4,231,124,873. The volume of credit transactions underscores the regularity of banking operations in daily business activities, as evidenced by substantial debit transactions representing cash outflows.

RISK AND GROWTH CONSIDERATIONS

While positive growth and liquidity trends are apparent, the volatility in transaction patterns warrants a medium-risk outlook. Continued monitoring of revenue and credit transactions is advised to ensure alignment with financial reporting. Strategic planning and robust risk management will be essential to sustain growth and navigate potential challenges effectively.

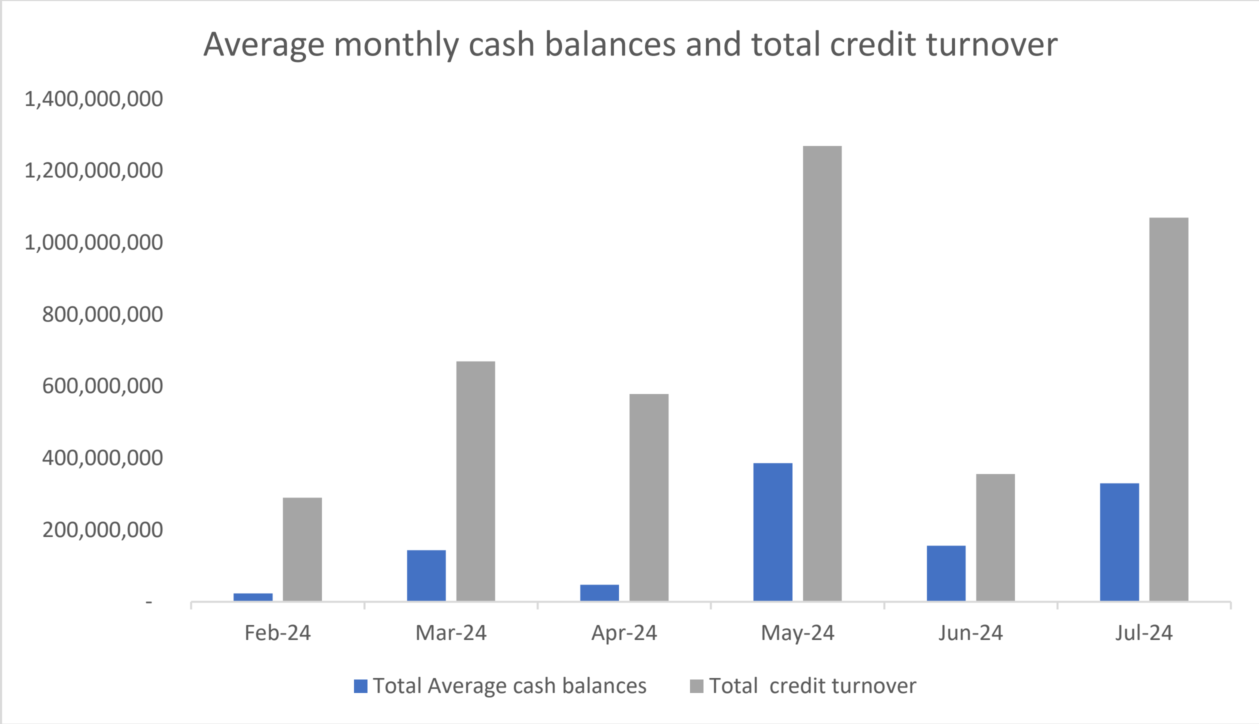
Average monthly cash balances and total credit turnover
1,400,000,000
1,200,000,000
1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
-
Feb-24
Mar-24
Apr-24
May-24
Jun-24
Jul-24
Total Average cash balances
Total credit turnover

Figure 1

FINANCIAL ANALYSIS

INCOME STATEMENT

Performance Analysis					
TZS	**Sep-20**	**Sep-21**	**Sep-22**	**Sep-23**	**10M23/24**
Revenue	-	-	3,302,332,857	11,558,752,062	11,074,939,250
Gross Profit	-	-	1,000,540,811	5,535,250,344	7,032,442,380
OPEX	-	-	1,452,865,701	2,565,654,676	3,503,258,561
Operating profit /EBIT	-	-	(452,324,890)	2,969,595,668	3,529,183,819
EBITDA			(291,110,470)	3,174,067,363	5,021,635,576
Net Profit	-	-	(2,082,909,067)	(125,378,464)	602,853,014

Table 16

10M/24 denotes the 10-month financials from 1st October 2023 to 31st July 2024.

The fiscal/financial year (FY) commences in October and ends in September of the following year.

Due to the limited period of revenue generation, the full-year financials and the 10-month financials are analysed together in the income statement.

ABC was incorporated in December 2015; however, the company was able to commence generating revenues only in FY22 (Sep 2022), which is c.7 years past the commencement of operations. As clarified by the client, such prolonged timing was incurred due to supplier sourcing, obtaining funding, the COVID outbreak, and getting the infrastructure ready for this capital-intensive business. The detailed timeline and explanation were as follows: The company registration had to be done even prior to the acquisition of the land for the pharmaceutical manufacturing factory. In addition, due to the unique nature of the operations, the client informed to have spent 2 years from 2016 to 2018 performing surveys in Germany, China, and Indonesia in order to source the appropriate turnkey supplier for the pharmaceutical manufacturing plant.

Post this, the company commenced building the factory in 2018 until 2020, when the COVID outbreak heightened, causing lockdowns and related restrictions, hence prolonging construction. Simultaneously, the company also sourced for funding to partly finance the machinery and equipment for the IV manufacturing plant. Post-testing of the machinery and equipment and sampling of the IV fluids, approval was obtained from the Ministry of Health and the Tanzania Medicines and Medical Devices Regulatory Authority (TMDA). As a summary, product manufacturing operations started in December 2021, and the company started generating sales in January 2022.

Revenue Breakdown						
TZS	Sep-22	Sep-23	10M23/24	As a percentage of total revenue		
				2022 %	2023 %	10M23/24 %
Ringer Lactate 500ml	1,182,086,240	5,542,831,543	2,301,792,046	36%	48%	21%
Normal Saline 500ml	1,338,664,057	4,271,433,344	3,831,143,270	41%	37%	35%
Dextrose Normal Saline (DNS) 500ml	618,647,760	690,155,760	1,267,471,260	19%	6%	11%
Dextrose 5% 500ml	-	340,305,226	890,568,490	0%	3%	8%
Dextrose 5% 100ml	108,937,480	123,654,828	993,840	3%	1%	0%
Fluconazole 100ml I.V	-	177,607,200	2,162,320	0%	2%	0%
Cumulative Revenue from other products	53,997,320	412,764,161	2,780,808,024	2%	4%	25%
Total revenue	**3,302,332,857**	**11,558,752,062**	**11,074,939,250**	100%	100%	100%

Table 17

The company generated TZS 3.30bn in its first year of revenue generation (i.e., FY22). This increased 250% y/y to TZS 11.56bn in FY23. It is noteworthy that 3 products generated over 90% of revenue in FY22 and FY23 and 67% of 10M23/24 revenue, evidencing concentration risk. These three products were Ringer Lactate 500 ml, Normal Saline 500 ml, and Dextrose Normal Saline (DNS) 500 ml.

As of 31st July 2024, the company had 17 revenue-generating products, inclusive of 10 new products added in FY23. It is noteworthy that out of these 10 new products, 6 products earned over TZS 700m in revenue within the first year of introduction, i.e., FY23. Notable contributions being (i). TZS 340.31m from Dextrose 5% 500 ml (D5), (ii). TZS 177.61m from Fluconazole 100 ml I.V. (KAINAZ), (iii). TZS 90.22m from Mannitol 100ml I.V., (iv). TZS 69.05m from Paracetamol 100ml I.V. and (iii). TZS 53.25m Metronidazole 100ml I.V.

During the first 10 months of FY24 (i.e., 10M23/24) from October 2023 to July 2024, the company reported a revenue of TZS 11.07bn, which was 96% of the FY23 revenue. Hence, if the same rate is maintained during the remaining two months, for FY24 the company revenue will increase 15% y/y to TZS 13.29bn.

The company's cost of sales (COS) increased 162% y/y to TZS 6.02bn in FY23, whilst the 10M23/24 COS stood at TZS 4.04bn. Throughout FY22 to 10M23/24, the company's cost of sales was dominated by direct material costs, in line with the business model; this was followed by electricity costs. In addition, fuel costs as well as pharmaceutical transportation and offloading costs were also significant COS items. All these cost items cumulatively accounted for over 88% of the cost of sales of the company.

With COS efficiencies, the company achieved gross profits from the first year of revenue generation (FY22) onwards. Gross profit for FY23 grew 453% y/y to TZS 5.54bn, whilst the 10M/24 gross profit stood at TZS 7.03bn, which is 127% of the FY23 gross profit. The 10-month gross profit has already surpassed the FY23 gross profit due to the cost of sales efficiencies gained. If the same momentum is maintained during the remaining two months, for FY24 the gross profit will increase 52% y/y to TZS 8.44bn.

Total operating expenses (OPEX) of the company increased 77% y/y to TZS 2.57bn in FY23 and stood at TZS 3.50bn in 10M23/24, which was 137% of FY23 OPEX. OPEX was dominated by the staff expenses, which accounted for 46% in FY22 & FY23 and 31% during 10M23/24. Other OPEX comprised of repairs and maintenance costs, building and machinery insurance, utilities and overheads, depreciation, and amortisation charges.

In the first year of commencing manufacturing operations and revenue generation (FY22), the company reported an operational loss of TZS 452.32m. However, with increased revenue, ABC was able to turn this around and achieve an operating profit/EBIT of TZS 2.97bn in FY23, which is a positive indicator. By 10M23/24, the company was able to surpass the FY23 EBIT (119% of the FY23 EBIT) and achieve TZS 3.53bn. If the same momentum is maintained during the remaining two months, for FY24 the operating profit will increase 20% y/y to TZS 4.24bn.

Non-cash expenses depreciation and amortisation stood at 4% of total OPEX both in FY22 at TZS 57.62m and in FY23 at TZS 108.65m. With the removal of these non-cash expenses, EBITDA indicates how efficiently a company operates and how much of the earnings stem from operations. EBITDA movement was similar to EBIT, and EBITDA during FY22 was negative and at TZS 291.11k, whilst in FY23 it was TZS 3.17bn. However, the depreciation during 10M23/24 increased significantly to TZS 1.42bn, which was 40% of the total OPEX, amidst a modest increase in non-current assets. As clarified by the client, the depreciation remained significantly lesser during FY22 and FY23 since the company carried out revaluation of its assets (land, buildings, machinery and equipment), which resulted in the accumulated depreciation being set off or eliminated. Since no revaluation was carried out during 10M23/24, the depreciation charge remained high. Consequently, the 10M23/24 EBITDA stood at TZS 5.02bn.

Company other income was derived through transport charges and was immaterial. However, finance costs were material and increased 94% y/y to TZS 3.30bn in FY23 and stood at TZS 3.01bn during 10M23/24. It was observed that the company is actively taking initiatives to try to reduce this significant finance cost, which is positive indication, especially in terms of governance. For instance, pursuing a soft loan and planning to allocate a portion of its proceeds to settle the existing debt, which carries a high interest rate.

Subsequently, net losses were observed in both FY22 and FY23 at TZS 2.08bn and TZS 125.38m respectively. However, the company was able to turn around this and achieve a profit before tax of TZS 753.57m in 10M23/24 which is commendable considering the nature of operations. To be more precise, post-tax provision, the net income for this period stood at TZS 602.85m. If the same momentum is continued in the remaining two months, the company will achieve a post-tax profit of TZS 723.43m in FY24.

The company is still in the growth stages of the business, and considering this and the nature of the business, the performance of the company is acceptable. However, this limited time period is insufficient to arrive at a formidable conclusion about the performance of the company.

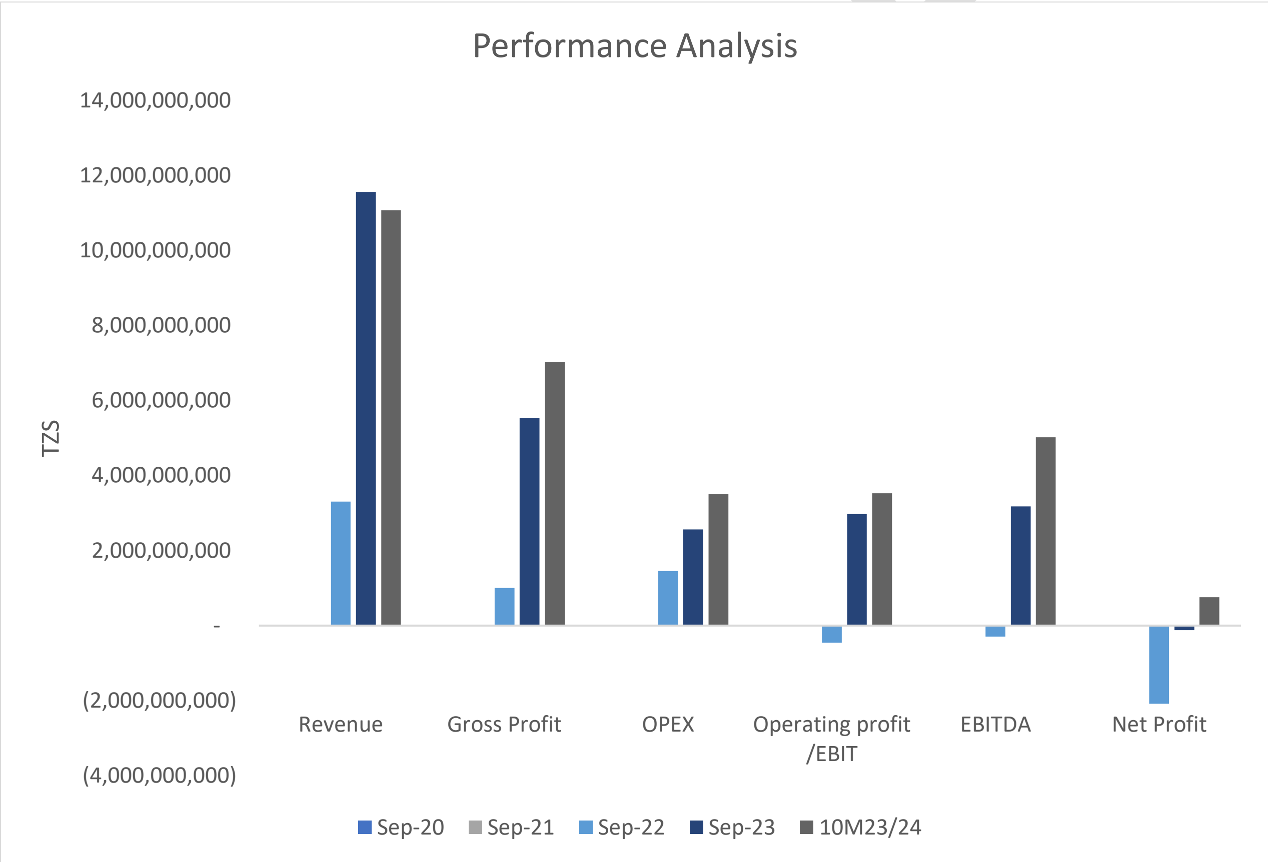

Figure 2

BALANCE SHEET

Financial Position Analysis					
TZS	Sep-20	Sep-21	Sep-22	Sep-23	10M23/24
Total Non-Current Assets	27,837,064,189	33,371,847,797	55,312,263,113	66,898,117,238	67,914,253,991
Total Current Assets	4,665,895,850	6,316,325,442	7,414,514,268	10,958,446,595	11,460,015,190
Cash & Cash Equivalent	542,709,481	76,690,099	72,483,319	107,371,689	86,575,597
Net Worth	9,919,196,988	11,927,640,015	31,482,122,929	42,155,850,076	42,909,416,344
Total Non-Current Liabilities	22,420,761,860	25,454,563,705	25,764,202,840	27,622,972,190	28,033,884,211
Long Term Loan	22,420,761,860	25,454,563,705	25,764,202,840	27,622,972,190	28,033,884,211
Total Current Liabilities	163,001,191	2,555,851,889	5,480,451,610	8,077,741,567	8,430,968,626
Bank Overdraft	-	2,157,719,300	4,505,960,178	5,507,922,940	5,992,000,000

Table 18

Over the 4-year period from FY20 to FY23, the total assets of the company grew with a CAGR of 34%. In FY23, the total assets grew 24% to TZS 77.86bn and further grew to TZS 79.37bn in 10M23/24, surpassing the FY23 value (i.e., 102% of FY23 asset value). If the same growth momentum is maintained in the remaining 2 months of FY24, the asset value at FY24 will increase 22% y/y to TZS 95.25bn.

Throughout the review period from FY20 to 10M23/24, the total assets were dominated by non-current assets (> 82% of total assets) in line with the capital-intensive business model/activities. In FY23, non-current assets increased 21% to TZS 66.90bn and stood at TZS 67.91bn in 10M23/24. Out of this, property, plant, and equipment (PPE) comprised over 83% of the total assets. 90% of PPE is comprised of machinery plus equipment and buildings. Pre-operating costs, which were incurred in the process of bringing the main non-current asset, the plant, to the point of its operation, were recorded separately under the non-current assets throughout the review period.

Throughout the review period, current assets accounted for c.14% of total assets and comprised mainly of prepayments. The company's substantial prepayment balance resulted from adjustments made to machine components during the turnkey installation of the IV fluid plant. To align with power installation requirements, certain machine parts were exchanged or omitted from the original plan. This adjustment was necessary due to delays by the government in installing the compressed natural gas infrastructure, despite funds already having been disbursed. In order to manage these prepaid funds, it was agreed to gradually offset them by receiving spare parts over time. However, initially, only minimal quantities of spare parts were provided. The remaining prepayments relate to advance payments for raw materials.

Prepayments ranged from 88% to 47% of total current assets throughout the review period (declined from 58% in FY22 to 47% in 10M23/24). Furthermore, it settled at 7% of total assets from FY22 to 10M23/24, valuing around TZS 4.26bn to TZS 5.46bn, while inventories, trade, and other receivables remained around TZS 1bn to TZS 3bn. Trade receivables stood at TZS 1.34bn in FY23YE and TZS 2.21bn in 10M23/24, which was 2% and 3% of total assets respectively. Receivables as a percentage of sales stood at 12% to 13% in both FY22 and FY23, whilst this increased to 20% in 10M23/24. As disclosed by the client, 95% of the sales are generally on a credit basis. Under these circumstances, such a low level of receivables by the year-end, displays the highly efficient collection strategies executed by the management, such as (i). interest of 2% being charged on overdue payments, (ii). discounts can only be availed if payment is made within 7 days upon receipt of products encouraging prompt payments.

Cash reported in the balance sheet remained minimal throughout the review period and was maintained at 0.1% of total assets from FY21, ranging from TZS 76m to TZS 108m. FY23YE cash balance increased 48% to TZS 107.37m, and 10M23/24 stood at TZS 86.56m, which was 81% of the FY23 cash balance. However, it is to be noted that the company carries an overdraft throughout the review period, implying that the bank account has been overdrawn from its existing balance and has to be settled in less than a year. When this is considered, the company cash balance is negative throughout the review period as observed in the cash flow statement, reflecting the true picture.

The working capital of the company was positive and healthy throughout the review period and stood at TZS 2.88bn in FY23 and 3.03bn in 10M23/24. This indicates that the company is able to honour its short-term obligations via its short-term assets. It also indicates the management's efficiency in managing inventory and receivables even while being a manufacturing company with a limited operational history. Manufacturing often faces fluctuations in demand or production cycles, such as raw material delays. Sufficient working capital provides a buffer against these risks, allowing the business to continue operating smoothly even during downturns or when costs unexpectedly rise.

As per the memorandum of association, the company's authorised share capital was TZS 500m and was fully issued at incorporation in December 2015. By August 2024, the company increased its authorised share capital to TZS 120bn. Out of this, TZS 19.85bn was issued by August 2024, allowing significant capacity for potential equity injections. However, it was noted that throughout the review period, the share capital was either overreported or underreported, evidencing disparities in financial reporting. These discrepancies highlight gaps in financial reporting and misalignment with accounting standards. Addressing these issues is an area the management should prioritise, particularly in instances of exploring potential debt financing opportunities.

Due to the net losses made in FY23 and FY22, the retained earnings continued to be negative. However, with the company generating a profit for the first time in 10M23/24, the company's accumulated losses decreased to TZS 1.33bn from TZS 2.08bn in FY23. From FY22 onwards, an overwhelming majority of total equity accounted for revaluation reserve (i.e., >65% of total equity). The revaluation of the non-current assets was carried out in FY22 and FY23 since the market value of the assets changed since they were acquired (i.e., in 2015 & 2018). Also, the assets were valued in USD; hence, the depreciation of the local currency (TZS) against USD led to the market value of the assets increasing. Furthermore, government initiatives in improving the industrial area infrastructure (road networks, water, electricity) where the factory is located led to urbanisation, in turn increasing the market value.

The total equity/net worth of the company followed an increasing trend supported by the increasing revaluation reserve and assets introduced figures in the capital. The revaluation reserve stood at TZS 31.05bn in both FY23 and 10M23/24. In FY23, the total equity of the company increased 34% y/y to TZS 42.16bn, whilst it stood at TZS 42.91bn in 10M23/24.

Total liabilities of the company increased 14% y/y to TZS 35.70bn in FY23 and TZS 36.46bn in 10M23/24. Throughout the review period, the majority of the liabilities were long-term/non-current in nature, which is also reflected with the non-current liabilities accounting for 77% of the total liabilities in both FY23 and 10M23/24. Non-current liabilities solely comprised of the long-term loan from XXX Bank PLC, obtained in August 2019 to facilitate the acquisition of a PP bottle IV solution manufacturing plant, with a value of USD 12.032m (TZS 32,787,200,000). The loan is to be payable over 84 months (7 years) and carries a grace period of 18 months (1.5 years) on principal loan repayments. The interest rate is 8.5% and can be revised every six months depending on SOFR fluctuations. As of 31st July 2024 (i.e., 10M23/24) the outstanding loan balance was TZS 28.03bn.

Current liabilities accounted for c.21% of total liabilities from FY22 onwards. Throughout the review period, current assets were dominated by the overdraft facility from XXX Bank PLC. The overdraft facility is secured via a first-ranking legal mortgage, which carries an interest rate of 10.5% per annum, compounded on a daily basis. The overdraft limit is USD 2,270,000 (c. TZS 6.19bn). The overdraft is secured by first ranking legal mortgage and via (i) cross-company guarantees from ABC Hospital and ABC Network and (ii) director's guarantee. Trade payables were of immaterial value within the context and stood at c.3% of total liabilities in the two latest review periods. In terms of figures, FY23 trade payables stood at c. TZS 1.1bn in both FY23 and 10M23/24. A similar observation is valid for other payables as well, which is mainly attributable to short-term lending obtained from ABC Hospital (related party: majority shareholder). The other payables stood at c. TZS 1.4bn in both FY23 and 10M23/24.

The strong lending support from Tanzania’s leading bank reflects significant confidence in the company. The bank has extended substantial funding and multiple facilities, including long-term loans and an overdraft of significant value, since the factory’s construction phase. This support indicates the banks and broader market’s trust in the company’s operations, the long-term viability of its product, and anticipated future growth. Additionally, the backing of prominent Tanzanian entities such as ABC Hospital and the ABC which are part of the group, further reinforces the company's reputation and credibility in the market.

Additionally, ICRA observed that the total assets of the company did not match with the total equity and liabilities of the company in FY21. The total assets balance was greater than the total equity and liabilities by TZS 249,882,370. The tallying of these two balances is a fundamental requirement in the statement of financial position and this discrepancy is indicative of gaps in financial reporting.

Overall, the balance sheet of ABC reflects sound financial health, particularly encouraging given that the company began operations and revenue generation only three years ago and remains in its growth phase.

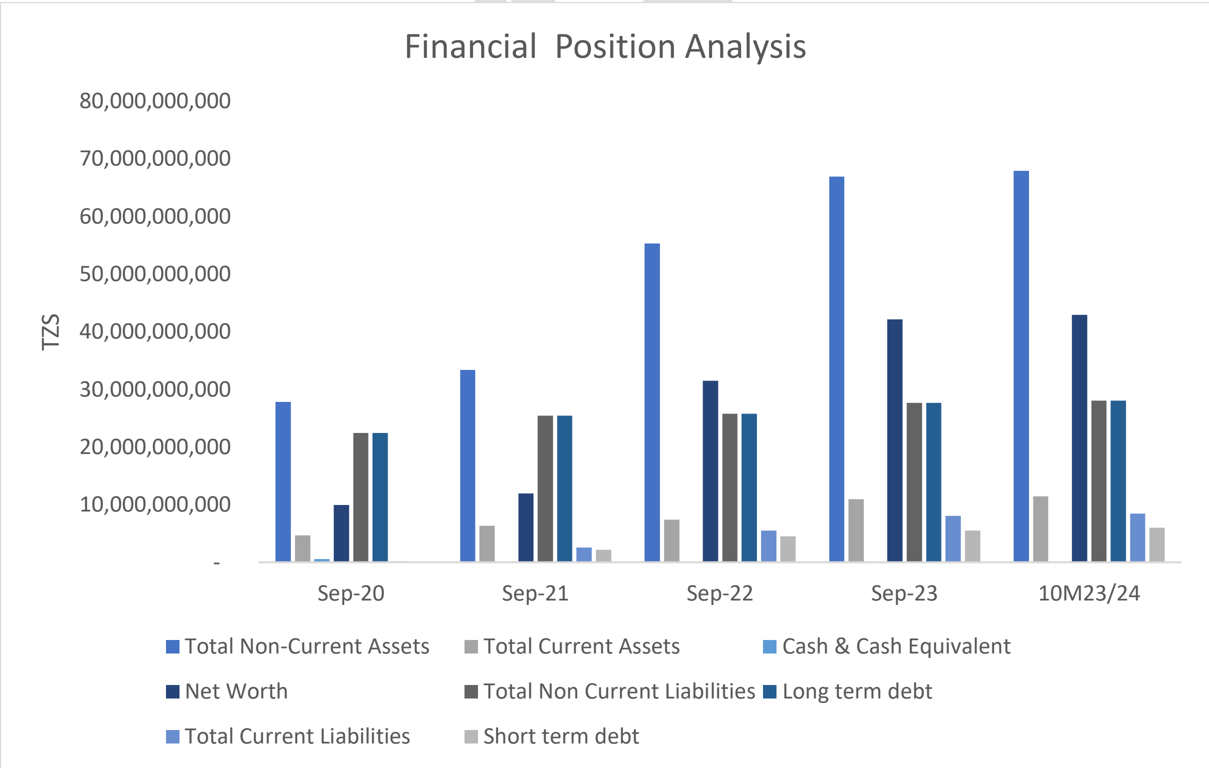

Figure 3

CASH FLOW STATEMENT

Cash Flow Analysis					
TZS	Sep-20	Sep-21	Sep-22	Sep-23	10M23/24
Cash used in Operations	-	(2,131,199,947)	(2,039,803,025)	(1,866,225,047)	1,592,803,337
CAPEX	-	(2,877,360,062)	(560,920,711)	(1,059,618,693)	(1,214,533,450)
Net Investing Cash flows	-	(2,500,981,762)	(1,474,644,634)	799,150,657	(803,621,429)
Borrowings	-	-	-	-	-
Debt Repayments	-	-	-	-	(1,294,055,060)
Net Financing Cash Flow	-	2,008,443,027	1,162,000,000	100,000,000	(1,294,055,060)

Table 19

Due to net losses incurred, the company's net operating cash flows remained negative from FY21 to FY23, since the company was loss-making along with the adverse working capital movements year on year. A negative operational cash flow is an indication that ABC spent more than it earned. With the commencement of profit generation, the company was able to achieve a positive net operating cash flow of TZS 1.59bn in 10M23/24, indicating that the company earned sufficient money to cover its operating expenses.

Free cash flow, which is cash flow from operations minus the capital expenditure, was negative due to the negative operating cash flow during the loss-making years. Post generating profits, 10M23/23, this stood at TZS 378.27m. Free cash flow is an important indicator of the company's financial health, showing how much cash is available for debt repayment, dividends, reinvestment, or other purposes. It is also to be noted that the company has not adjusted for tax in cash flows for operations, though this is a gap in reporting. ICRA has adopted a similar approach, extending the benefit of the doubt to ABC given that the financials in question are interim and unaudited, and the matter pertains to a tax provision. However, it is noted that the operating, investing, financing cash flow, free cash flow and year-end cash and cash equivalent balance would decrease once the tax provision is considered.

With regards to investing cash flows, throughout the review period, the company kept receiving loan proceeds for its long-term loan, resulting in cash inflows, whilst cash outflows were visible from continuous capex investments and pre-operating costs were visible. As per accounting standards, cash flows from borrowings are reported under cash flow in financial activities, suggesting gaps in financial reporting. CAPEX to sales ratio ranged from 17% to 11% during FY22 to 10M23/24. This indicates the level to which the company is investing in its long-term assets relative to its revenue generation. These consistent investments in CAPEX are favourable, signifying that the company is heavily investing in its growth. This will aid future revenue generation, ultimately aiding the going concern of the business. Naturally, manufacturing industries have high capex to sales ratios due to their capital-intensive nature, while being in the growth stage also results in a high ratio since the companies heavily invest in their assets during this stage.

With regards to financing cash flows, loan repayments were observed only during 10M23/24, which was at TZS 1.29bn. In addition, capital injections were evident from FY21 to FY23. In FY21 and FY22, capital injections were substantial when compared to share capital at incorporation. As clarified by the client, these capital injections started in 2015 and were mostly during the construction stage of the manufacturing plant and the installation stage of the machinery and equipment. With the constructions being completed, the rate as well as the capital injections ceased by 10M23/24.

It is to be noted that the closing cash and cash equivalents of the cash flow statement matched the balance statement cash position post-netting off of the overdraft value against the cash and cash equivalent value.

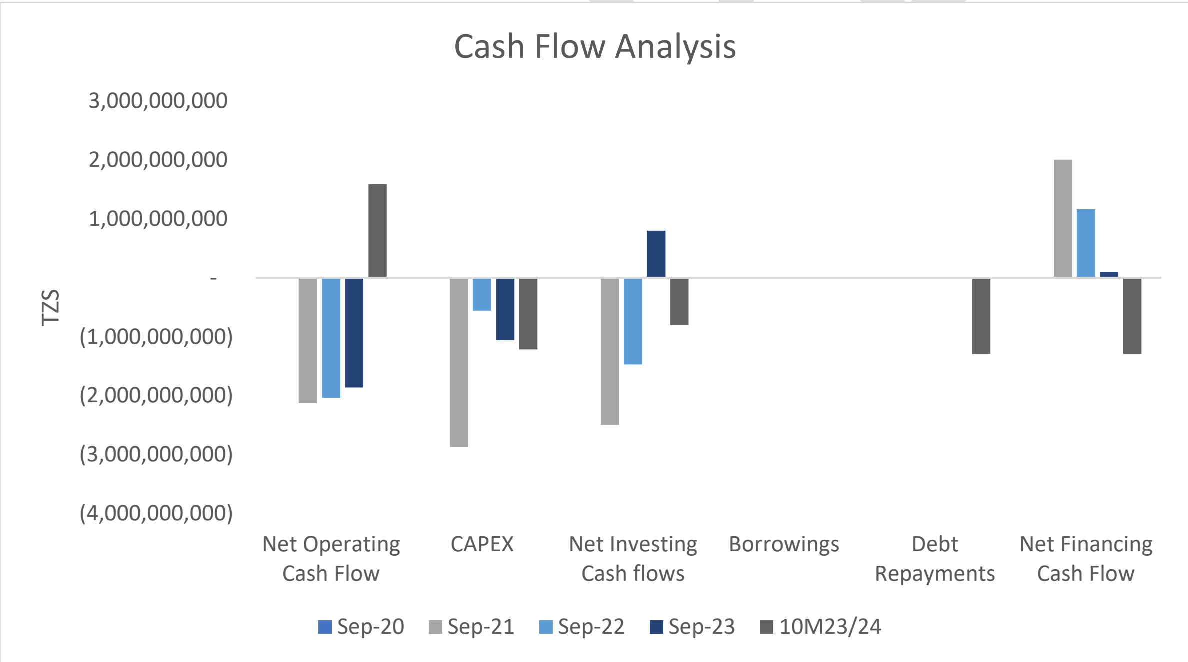

Figure 4

RATIO ANALYSIS

PROFITABILITY RATIOS

Profitability Ratios					
	Sep-20	Sep-21	Sep-22	Sep-23	10M23/24
Gross Profit Margin	-	-	30%	48%	63%
Operating Profit Margin	-	-	-14%	26%	32%
EBITDA Margin	-	-	-9%	27%	45%
Net Profit Margin	-	-	-63%	-1%	5%
Return on Equity (%)	-	-	-7%	-0.3%	1%
Return on Assets (%)	-	-	-3%	0%	1%
Return on Capital Employed (%)	-	-	-1%	4%	5%
Operating CF Margin (%)	-	-	-62%	-16%	14%

Table 20

It is to be noted that naturally, there would be no margin or return ratios in the years where no revenue was generated (i.e., in FY20 and FY21).

The gross profit margin of the company remained at a healthy level throughout the review period, indicating the cost of sales efficiencies.

Due to the production and operational costs being higher than the revenue generated, operational and net losses were evident in FY22 and FY23, resulting in either negative or low margin and return ratios. By 10M23/24, the company was able to turn around the performance and was able to transform the topline gains into the bottom line, resulting in profits. Hence, the majority of the profitability ratios during this period were healthy and displayed potential. It is commendable that the company was able to turn around the losses into profits within c.3 years of commencing operations along with a capital-intensive business model in a niche industry within the broader pharmaceutical industry as well as being the first of this kind of industry within Tanzania.

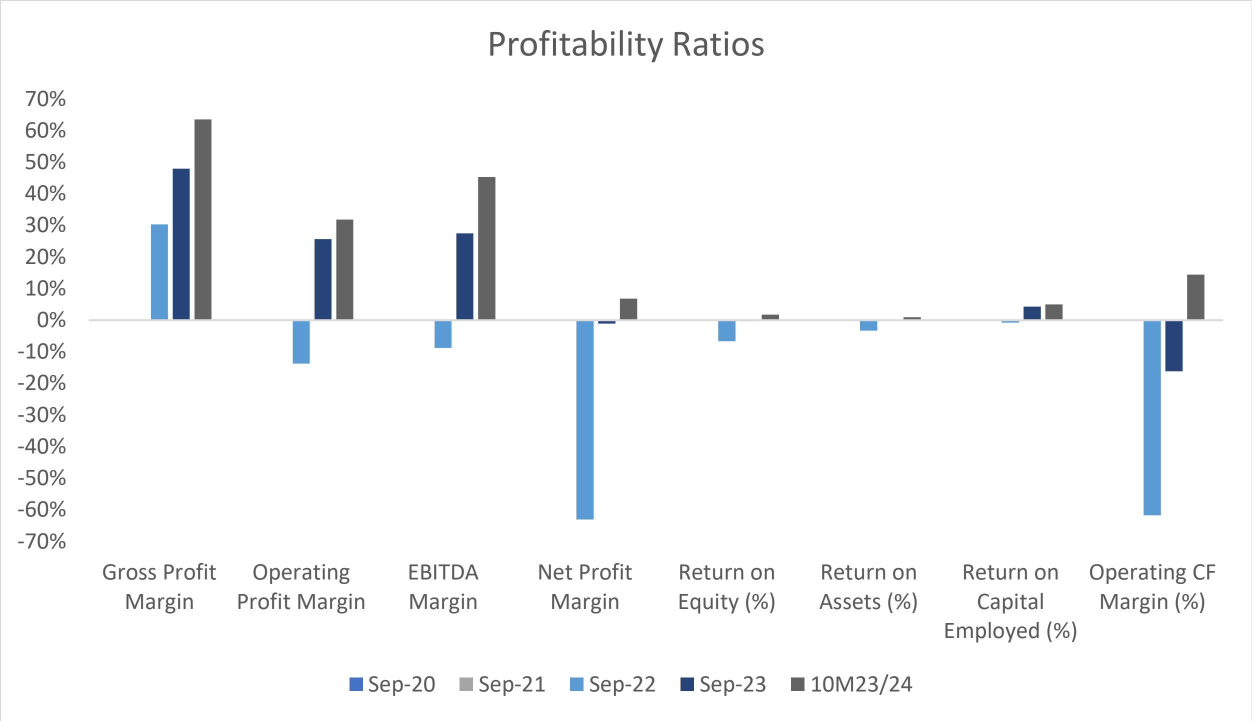
Profitability Ratios
70%
60%
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-60%
-70%
Gross Profit Margin
Operating Profit Margin
EBITDA Margin
Net Profit Margin
Return on Equity (%)
Return on Assets (%)
Return on Capital Employed (%)
Operating CF Margin (%)
Sep-20
Sep-21
Sep-22
Sep-23
10M23/24

Figure 5

LIQUIDITY RATIOS

Liquidity Ratios					
	Sep-20	Sep-21	Sep-22	Sep-23	10M23/24
Current Ratio (times)	28.62x	2.47x	1.35x	1.36x	1.36x
Quick Ratio (times)	3.33x	0.03x	0.24x	0.30x	0.38x
Cash Ratio (times)	3.33x	0.03x	0.01x	0.01x	0.01x

Table 21

From FY22 onwards, the current ratio stood flat at 1.4x, while the generally acceptable level of the current ratio is above 1.5x to 2x. The company's current ratio indicates that the current assets of the company are able to cover the current liabilities. However, it is to be noted that the majority of the current assets are prepayments, which are considered to be less liquid.

The quick ratio displayed a volatile trend and stood around 0.2x to 0.4x during FY22 to 10M23/24, way below the generally acceptable level of 1x. This indicates that the company's liquid assets, such as receivables and cash, are insufficient to cover its current liabilities.

The cash ratio is a conservative matrix that measures the ability of the company to settle its short-term obligations using cash, which is the company's most liquid asset. Once these are settled, if surplus cash remains, it is a bonus, hence the generally acceptable cash ratio is 0.5x or above. However, as discussed previously, the company's gross cash level is minimal, which is further solidified by the almost non-existent cash ratio of 0.1x. (The gross cash level is considered for this ratio which the client has reported under the current assets in the audited financials. But it is to be noted that the net cash position is negative).

Overall, the company's liquidity analysis, based on the current ratio, quick ratio, and cash ratio, indicates difficulties in its ability to cover immediate financial obligations. Based on the ratio analysis, liquidity is an area of concern for its short-term financial health and highlights the need for strategies, to ensure proper liquidity management.

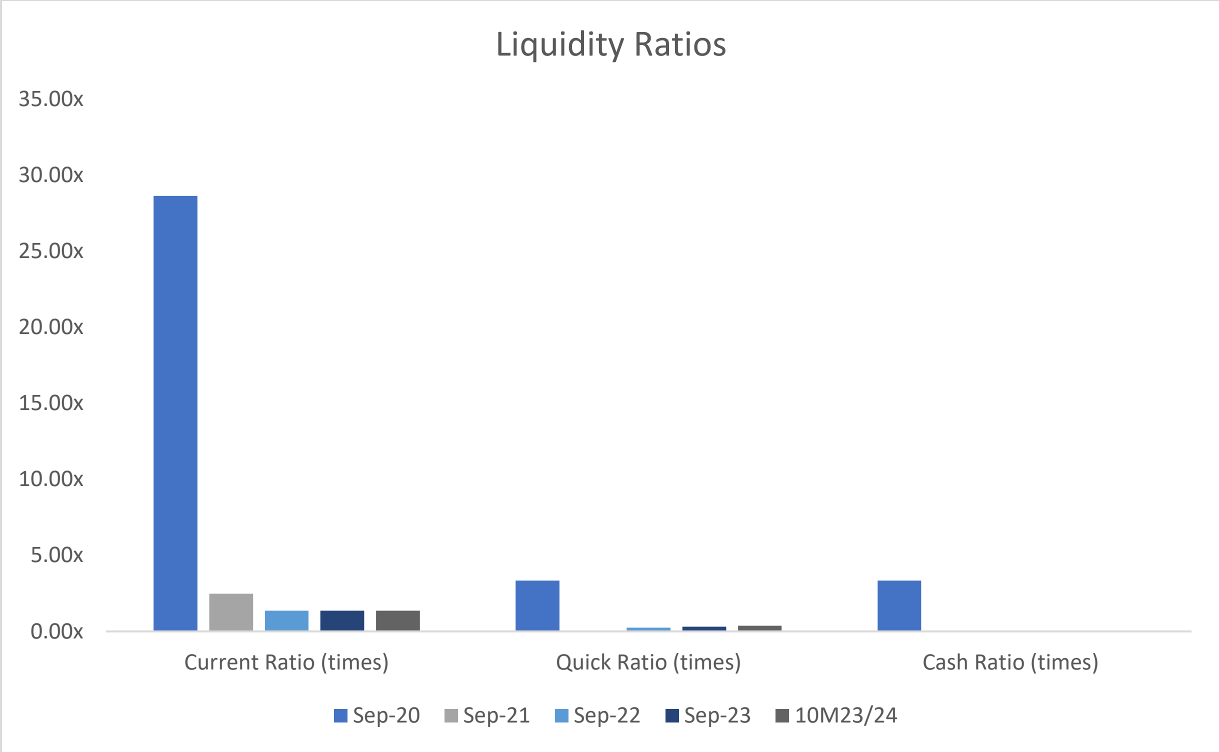
Liquidity Ratios
35.00x
30.00x
25.00x
20.00x
15.00x
10.00x
5.00x
0.00x
Current Ratio (times)
Quick Ratio (times)
Cash Ratio (times)
Sep-20
Sep-21
Sep-22
Sep-23
10M23/24

Figure 6

LEVERAGE RATIOS

Leverage Ratio					
	Sep-20	Sep-21	Sep-22	Sep-23	10M23/24
Debt to Equity (times)	2.28x	2.35x	0.99x	0.85x	0.85x
Debt to Equity - adjusted (times)	2.26x	2.31x	0.96x	0.79x	0.79x
Debt to EBITDA (times)	-	-	-103.98x	10.44x	6.78x
Interest Coverage Ratio (times)	-	-	-0.27x	0.90x	1.17x
Equity Ratio (times)	0.31x	0.30x	0.50x	0.54x	0.54x
Debt Ratio (times)	0.69x	0.70x	0.48x	0.43x	0.43x

Table 22

Though the total debt and total liabilities of the company consistently increased over the time period, the debt-to-equity ratio (D/E ratio, gearing ratio) has decreased due to the increase in equity. As per the generally accepted standards, the acceptable D/E ratio is 2x. Taking into account the capital-intensive nature as well as the unique nature of this industry, ABC has done exceptionally well to maintain the gearing ratio below 2x. The debt-to-equity adjusted ratio, which only considers interest-bearing borrowings, also follows similar values due to the majority of the company liabilities being debt (i.e., bank borrowings). The company has maintained this ratio below 1x since FY22, which indicates that the company is able to comfortably cover its debt via its total equity.

Debt-to-EBITDA ratio, which indicates how much of your interest-bearing debt can be covered by your EBITDA. The negative EBITDA due to the company making operational losses is reflected in the negative ratio in FY22. With the increased sales and efficiency gains as the company matured, resulting in the company achieving operational profits, the ratio improved to 10.44x in FY23 and 6.78x in 10M23/24; however, these ratios still indicate the debt level is high compared to the EBITDA.

The interest coverage ratio indicates how much of the company's operating profit can cover your finance costs. A generally acceptable level of the interest coverage ratio is 2x. However, ABC's ratio has been low, and this indicates risk in being able to honour its interest obligations. However, it is noted that the trend of this ratio improved along with the positive shift as operations stabilised and revenue grew, resulting in better operational results. However, the company has to take strategic initiatives to improve operational efficiencies, which would provide more cushion for debt servicing, which will be vital in further expansion of the company.

The equity ratio indicates how much of your company resources (i.e., total assets) are funded by the shareholders via the total equity. Since FY22, this has remained around 0.5x, which is 50%. Similarly, the company's debt ratio indicates how much of the total assets of the company are funded via interest-bearing borrowings, which is also around 50%. This indicates a balanced capital structure, which is notable for a newly operational business in a capital-intensive field. This was achieved on the back of recent profitability, the equity injections, and revaluation reserves. The company has a balanced funding approach, which can appeal to investors and creditors as it mitigates risk. However, it is to be noted that these ratios are subject to change if the company plans future expansions or investments in equipment or facilities.

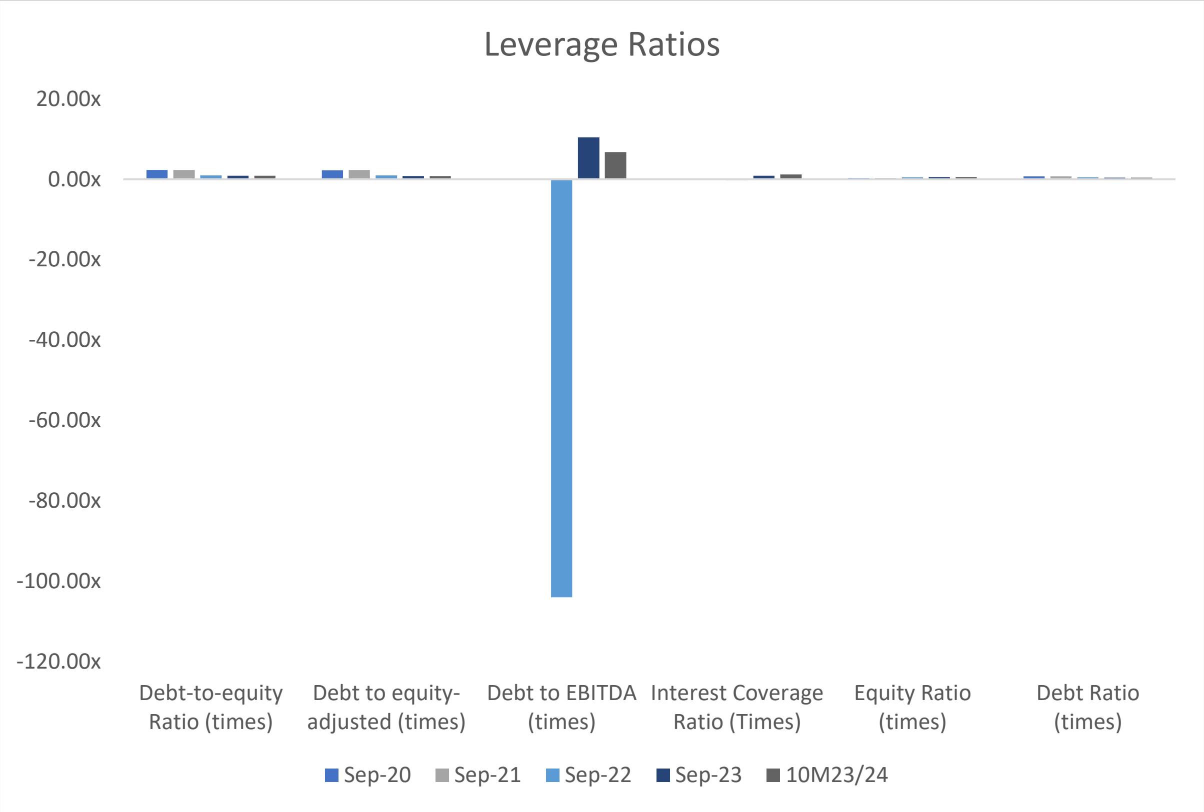

Figure 7

EFFICIENCY RATIOS

Efficiency Ratios					
	Sep-20	Sep-21	Sep-22	Sep-23	10M23/24
Average Collection Period (Days)	-	-	48	43	73
Average Payment Period (Days)	-	-	38	69	94
Inventory days	-	-	289	186	264
Inventory Turnover Ratio (Times)	-	-	2x	2x	1x

Table 23

The receivables collection period of the company is healthy and averages c.1.5 months during the annual periods. Similarly, the average payment period also remained healthy, averaging 1 to 2 months. Even though the time periods for both receivables and payables increased to c.2.5 to 3 months during the 10M23/24, it is still acceptable.

Inventory turnover days indicate the time period it takes the company to convert its inventory to sales. For ABC, this had ranged from 6 months to 10 months. The customer has clarified that due to the requirements in the pharmaceutical manufacturing industry, a specific amount of inventory of finished products has to be maintained static for up to 2 years. The customer also claims that 90% of personnel costs have to be accounted for under the cost of sales since these personnel are involved in manufacturing operations. However, if so, this indicates gaps in financial reporting as these costs should have been included under direct labour of cost of sales. The company also claims that its true inventory period is 3 to 5 months, however, no verification of this has been conducted.

The cash conversion cycle (working capital cycle) stands at 5 months for FY23 and 10M23/24 stands at 8 months. However, the interim period carries little value as there is more time for the final result. This indicates that it took the company c.5 months for the company to convert the cash tied in purchased stock to cash, which is acceptable considering the nature of the industry.

The inventory turnover ratio indicates whether the level of inventory is high or low compared to the Generally, this ratio is between 65x to 10x in manufacturing industries. However, for ABC this ratio stood at c. 2 times which is low. This indicates that within a given the company is able to renew its stock only twice. A low ratio implies poor sales, excess inventory, or inefficient inventory management. However, due to the critical regulatory standards that are stringent in the industry in which the company operates, this seems inevitable and an inherent feature.

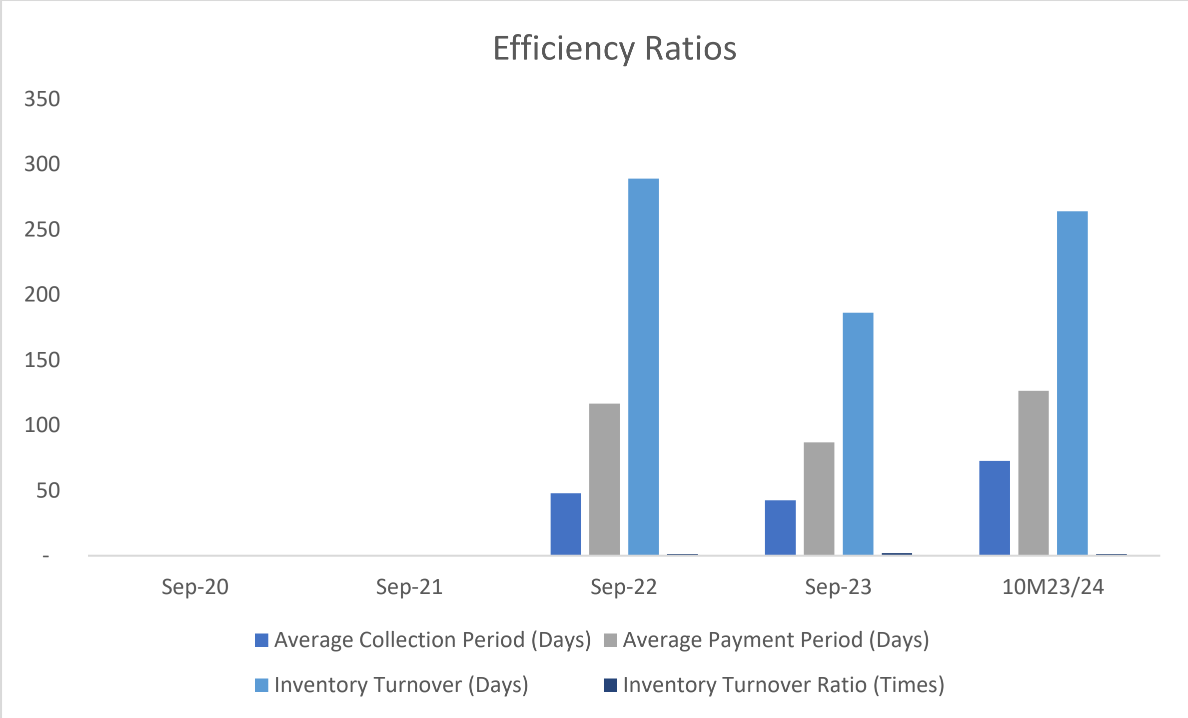
Efficiency Ratios
350
300
250
200
150
100
50
-
Sep-20
Sep-21
Sep-22
Sep-23
10M23/24
Average Collection Period (Days)
Average Payment Period (Days)
Inventory Turnover (Days)
Inventory Turnover Ratio (Times)

Figure 8

FUTURE FINANCIAL OUTLOOK

Future Business Projections

Performance Projections						
TZS 000	**Actuals (July 2024)**	**2025 A**	**2026 F**	**2027 F**	**2028 F**	**2029 F**
Revenue	**11,074,939**	**41,101,774**	**42,334,827**	**42,546,061**	**42,759,192**	**42,973,388**
y/y growth		*271%*	*3%*	*0%*	*1%*	*1%*
Gross Profit/(Loss)	**7,270,377**	**17,966,036**	**18,493,102**	**18,473,395**	**18,654,390**	**18,735,724**
y/y growth		*147%*	*3%*	*0%*	*1%*	*0%*
Gross Profit Margin	*66%*	*44%*	*44%*	*43%*	*44%*	*44%*
Operating Profit/(Loss)	**753,566**	**7,533,318**	**8,235,520**	**8,472,924**	**8,709,940**	**8,945,858**
y/y growth		*900%*	*9%*	*3%*	*3%*	*3%*
Operating Profit Margin	*7%*	*18%*	*19%*	*20%*	*20%*	*21%*
Net Profit/(Loss)	**602,853**	**6,026,655**	**6,588,416**	**6,778,339**	**6,967,952**	**7,156,687**
y/y growth		*900%*	*9%*	*3%*	*3%*	*3%*
Net Profit Margin	*5%*	*15%*	*16%*	*16%*	*16%*	*17%*
Total Assets	**79,374,269**	**150,659,314**	**153,825,561**	**157,606,620**	**161,535,953**	**165,611,394**
y/y growth		*90%*	*2%*	*2%*	*2%*	*3%*

Table 24

The above projections are based on the data shared by the entity on the basis of obtaining funding of USD 40m, which is c. TZS 109bn (the conversion rate is taken as 1 USD = 2,725) before the year-end of 2024. The funding is aimed to be obtained in the form of a soft loan, i.e. funding at an interest rate below the market rate. The entity's aim from this funding is, (i). to settle the current long-term liabilities amounting to USD 15m where repayment is intensive due to the unstable payment schedule of the company's sales and (ii). to deploy the rest for expansion of the production line. The repayment plan for this expected funding is 20 years along with an interest rate of not more than 2%. (however, it is not specified whether this is 2% per annum).

Post-receipt of the funds, the company anticipates a revenue growth of 271%y/y in FY25 to TZS 41bn. Thereafter, revenue is expected to follow an increasing trend each year between 1% and 3%.

Catalysed by the infusion of funds, the company's net profit will grow by 900%y/y in FY25 to TZS 6bn. Thereafter, net profit growth is expected to stabilise at c.3% per year.

The capital expenditure associated with this investment is projected to increase total assets by 90% y/y to TZS 150bn in FY25, and growth is anticipated to moderate around 2% for FY26 to FY28.

In summary, assuming stable macroeconomic and business conditions, ABC aims to enhance profitability, improve operational efficiency, and achieve significant growth in revenue and profit. However, it is critical to note that these projections are contingent on securing the proposed funding.

ANNEXTURES

PROFIT AND LOSS STATEMENT

Statement of Profit and Loss					
TZS	**Sep-20**	**Sep-21**	**Sep-22**	**Sep-23**	**10M23/24**
Ringer Lactate 500ml			1,182,086,240	5,542,831,543	2,301,792,046
Normal Saline 500ml			1,338,664,057	4,271,433,344	3,831,143,270
Dextrose Normal Saline (DNS) 500ml			618,647,760	690,155,760	1,267,471,260
Dextrose 5% 500ml			-	340,305,226	890,568,490
Dextrose 5% 100ml			108,937,480	123,654,828	993,840
Fluconazole 100ml I.V			-	177,607,200	2,162,320
Revenue from other products			53,997,320	412,764,161	2,780,808,024
Total revenue			**3,302,332,857**	**11,558,752,062**	**11,074,939,250**
Cost of sales			(2,301,792,046)	(6,023,501,718)	(4,042,496,870)
Gross Profit/(Loss)	-	-	**1,000,540,811**	**5,535,250,344**	**7,032,442,380**
Operating Expenses					
Staff Expenses			(672,358,467)	(1,182,822,927)	(1,083,788,104)
General and Administrative expenses			(279,108,739)	(398,758,913)	(299,803,421)
Utilities & Overheads	-		(179,410,253)	(436,388,409)	(318,809,302)
Repairs & Maintenance			(86,786,352)	(259,543,882)	(218,322,158)
Depreciation charges			(57,622,430)	(108,649,104)	(1,418,588,510)
Amortization charge			(103,591,990)	(95,822,591)	(73,863,247)
Other OPEX			(73,987,470)	(83,668,850)	(90,083,819)
Total Operating Expenses	-	-	**(1,452,865,701)**	**(2,565,654,676)**	**(3,503,258,561)**
Operating Profit/(Loss)	-	-	**(452,324,890)**	**2,969,595,668**	**3,529,183,819**
EBITDA			**(291,110,470)**	**3,174,067,363**	**5,021,635,576**
Other income			35,688,900	200,350,872	237,934,982
Finance costs			(1,666,273,077)	(3,295,325,004)	(3,013,552,533)
Profit/(Loss) Before Tax	-	-	**(2,082,909,067)**	**(125,378,464)**	**753,566,268**
Income Tax			-	-	150,713,254
Net Profit/(Loss)	-	-	**(2,082,909,067)**	**(125,378,464)**	**602,853,014**

Table 25

BALANCE SHEET

Statement of Financial Position					
TZS	**Sep-20**	**Sep-21**	**Sep-22**	**Sep-23**	**10M23/24**
Assets					
Non-Current Assets					
Property, Plant and Equipment	26,216,307,436	29,093,667,498	54,034,628,571	65,716,305,286	66,806,305,286
Pre-Operating Costs	1,620,756,753	4,278,180,299	1,277,634,542	1,181,811,952	1,107,948,705
Total Non-Current Assets	**27,837,064,189**	**33,371,847,797**	**55,312,263,113**	**66,898,117,238**	**67,914,253,991**
Current Assets					
Inventories	-	1,008,137,105	1,822,979,195	3,074,817,000	2,922,526,623
Trade Receivables	-	-	434,144,117	1,346,201,473	2,206,380,474
Prepayments	4,123,186,369	5,231,498,238	4,275,989,615	5,464,692,570	5,346,941,662
Other receivables	-	-	808,918,022	965,363,863	897,590,834
Cash & Cash Equivalent	542,709,481	76,690,099	72,483,319	107,371,689	86,575,597
Total Current Assets	**4,665,895,850**	**6,316,325,442**	**7,414,514,268**	**10,958,446,595**	**11,460,015,190**
Total Assets	**32,502,960,039**	**39,688,173,239**	**62,726,777,380**	**77,856,563,833**	**79,374,269,181**
Equity					
Asset Introduced and Capital	9,919,196,988	11,927,640,015	13,089,640,015	13,189,640,015	13,189,640,015
Retained Earnings	-	-	(1,924,863,054)	(2,081,843,034)	(1,328,276,766)
Revaluation reserve	-	-	20,317,345,968	31,048,053,095	31,048,053,095
Net Worth	**9,919,196,988**	**11,927,640,015**	**31,482,122,929**	**42,155,850,076**	**42,909,416,344**
Liabilities			-		
Non-Current Liabilities					
Long Term Loan	22,420,761,860	25,454,563,705	25,764,202,840	27,622,972,190	28,033,884,211
Total Non-Current Liabilities	**22,420,761,860**	**25,454,563,705**	**25,764,202,840**	**27,622,972,190**	**28,033,884,211**
Current Liabilities					
Bank Overdraft	-	2,157,719,300	4,505,960,178	5,507,922,940	5,992,000,000
Trade payables	163,001,191	398,132,589	239,537,575	1,138,068,735	1,038,354,206
Other payables	-	-	734,953,857	1,431,749,892	1,400,614,420
Total Current Liabilities	**163,001,191**	**2,555,851,889**	**5,480,451,610**	**8,077,741,567**	**8,430,968,626**
Total Liabilities	**22,583,763,051**	**28,010,415,594**	**31,244,654,450**	**35,700,713,757**	**36,464,852,837**
Total Equity and Liabilities	**32,502,960,039**	**39,938,055,609**	**62,726,777,380**	**77,856,563,833**	**79,374,269,181**

Table 26

CASH FLOW STATEMENT

Statement of Cash Flow					
TZS	Sep-20	Sep-21	Sep-22	Sep-23	10M23/24
Operating Cash Flow					
Net Profit/(Loss) for the year	-	-	(2,000,547,876)	(125,378,464)	753,566,268
Depreciation & Amortization	-	-	161,214,420	204,471,695	1,492,451,757
Prior year adjustments	-	-	75,684,822	(31,601,516)	
OCF before WC adjustments		**-**	**(1,763,648,634)**	**47,491,715**	**2,246,018,025**
Changes in debtors	-	(1,108,311,869)	(287,553,515)	(2,257,206,152)	(674,655,064)
Changes in stocks	-	(1,008,137,105)	(814,842,090)	(1,251,837,805)	152,290,377
Changes in creditors	-	(14,750,973)	826,241,214	1,595,327,195	(130,850,001)
Changes in working capital	**-**	**(2,131,199,947)**	**(276,154,391)**	**(1,913,716,762)**	**(653,214,688)**
Cash Used in Operations	**-**	**(2,131,199,947)**	**(2,039,803,025)**	**(1,866,225,047)**	**1,592,803,337**
Net Operating Cash Flow	-	**(2,131,199,947)**	**(2,039,803,025)**	**(1,866,225,047)**	**1,592,803,337**
Investing Cash Flow					
Increase/(Decrease) of long-term liabilities	-	3,033,801,845	309,639,135	1,858,769,350	410,912,021
Acquisition of non-current assets	-	(2,877,360,062)	(560,920,711)	(1,059,618,693)	(1,214,533,450)
Increase in pre-operating costs	-	(2,657,423,545)	(1,223,363,058)	-	-
Net Investing Cash flows	**-**	**(2,500,981,762)**	**(1,474,644,634)**	**799,150,657**	**(803,621,429)**
Financing Cash Flow					
Bank Borrowings	-	-	-	-	-
Dividends	-	-	-	-	-
Loan Repayments	-	-	-		(1,294,055,060)
Capital injection	-	2,008,443,027	1,162,000,000	100,000,000	-
Net Financing Cash Flow	**-**	**2,008,443,027**	**1,162,000,000**	**100,000,000**	**(1,294,055,060)**
Net +/ (-) Cash Flows	**-**	**(2,623,738,682)**	**(2,352,447,659)**	**(967,074,390)**	**(504,873,152)**
Opening Cash Balance	-	542,709,481	(2,081,029,202)	(4,433,476,859)	(5,400,551,249)
Closing Cash Balance	**-**	**(2,081,029,201)**	**(4,433,476,861)**	**(5,400,551,249)**	**(5,905,424,401)**

Table 27

GLOSSARY

&	:	*And*
AML	:	*Anti-Money Laundering*
bn	:	*Billions*
CA	:	*Current Assets*
CAGR	:	*Compound Annual Growth Rate*
CAPEX	:	*Capital Expenditure*
CEO	:	*Chief Executive Officer*
CE	:	*Cash equivalents*
cf.	:	*Compared to*
c.	:	*Approximately*
CFT	:	*Combating the Financing of Terrorism*
COS		*Cost of sales*
COVID	:	*COronaVIrus Disease of 2019*
D&A	:	*Depreciation and Amortization*
EBIT	:	*Earnings before Interest and Tax*
etc.	:	*Et cetera*
FATF	:	*The Financial Action Task Force*
FYxx	:	*Financial Year ending 31-December-20xx*
FYE	:	*Financial Year end*
GDP	:	*Gross Domestic Production*
HRM	:	*Human Resource Management*
ICRA	:	*International Credit Rating Agency*
ISO	:	*International Organization for Standardization*
i.e.	:	*That is*
k	:	*Thousands*
KYC	:	*Know Your Customers*
LDA	:	*Private Limited Company*
LLC	:	*Limited Liability Company*
m	:	*Millions*
MBA	:	*Master of Business Administration*
na	:	*Not Applicable*
NCA	:	*Non-Current Assets*
NCL	:	*Non-Current Liabilities*
O&M	:	*Operation and maintenance*
OPEX	:	*Operating Expenses*
p.a.	:	*Per annum*
PPE	:	*Property, Plant, and Equipment*
ppts	:	*Percentages points*
ROCE	:	*Return on Capital Employed*
TZS	:	*Tanzanian Shillings*

TA	:	*Total Assets*
TL	:	*Total Liabilities*
USD	:	*United States Dollar*
vs.	:	*Versus*
x	:	*Times*
y/y	:	*Year over Year*

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Date: 20th November 2024