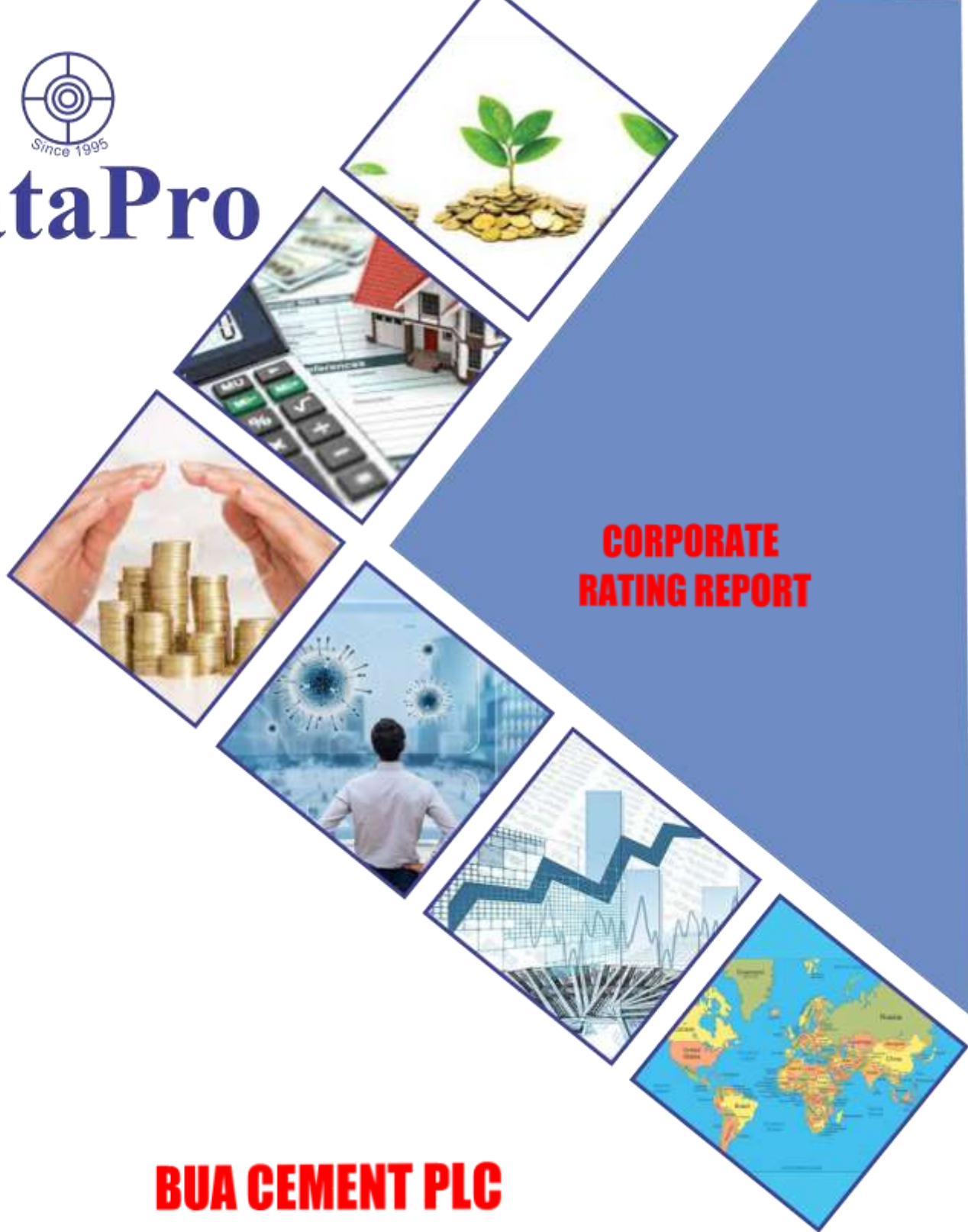




DataPro



CORPORATE RATING REPORT

BUA CEMENT PLC

Ground Floor, Foresight House
163-165 Broad Street,
By Marina Water Front
☎ 234-1-4605395, 4605396
Email: info@datapronigeria.com
dataprong@gmail.com
Website: www.datapronigeria.net

March, 2022

B U A C E M E N T P L C

Long-Term Rating:

AA

Short Term Rating: A1

Previous Rating: AA-

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date issued: 5 Mar., 2022

Valid Till: 4 Mar., 2023

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

This report is provided by DataPro subject to the Terms & Conditions stipulated in our Terms of Engagement

EXECUTIVE SUMMARY

	2021 N'000	2020 N'000	2019 N'000	2018 N'000	2017 N'000
Turnover	257,332,985	209,443,487	175,518,326	119,012,572	87,193,161
Pre Tax Profit	105,031,288	78,874,498	66,235,964	39,166,582	39,470,897
Equity	397,821,847	37,595,473	363,697,242	308,612,184	29,339,662
Non Current Assets	585,929,145	527,668,305	408,405,566	399,431,134	157,662,079
Total Asset	728,505,607	766,302,578	470,566,595	487,974,291	204,031,100
Long-term Debt	193,811,121	182,210,344	10,407,490	3,613,823	15,128,635

*2021 figures are unaudited results for the year ended

Rating Explanation

The Short-Term Rating of **A1** indicates *Good Credit Quality* and satisfactory capacity for timely payment of financial commitments.

The Long-Term Rating of **AA** indicates *Lower Risk*. It shows excellent Financial Strength, Operating Performance and Business Profile when compared to the standard established by *DataPro*. This Company, in our opinion, has a very strong ability to meet its ongoing obligations.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Company's Audited and Management Accounts.

The risk factors were assessed using the Company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of subject's current healthy profile in the medium to long term period.

Overall, the following were observed:

Strengths:

- Very Good Revenue Profile
- Very Good Funding Profile
- Low Exposure to Credit Risk
- Experienced Management Team

Weakness:

- Low Asset Utility

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.

BACKGROUND

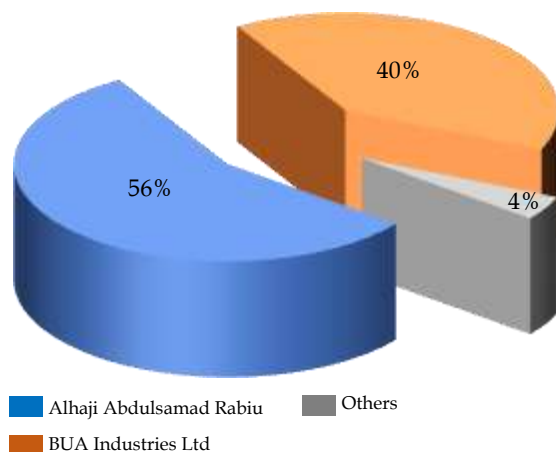
BUA Cement Plc, (*"The Company"*) was incorporated on 30th May 2014 and commenced operations in August 2015. The Company was converted from a Private Limited Liability Company to a Public Limited Liability company on 16th May, 2019. On the 23rd of December, 2019, the Company merged its operations with the defunct *Cement Company of Northern Nigeria Plc*.

The Company is engaged in the manufacturing and sale of **CEM II A-L 42.5** cement grade (Portland limestone cement) both for Nigeria and the export market. It operates strategically from *Sokoto in Sokoto State* and Okpella in *Edo State*.

In January 2020, the Company enhanced its production by adding new 3.0Mt/yr Line 4 at its *Sokoto Plant*. This increased its total installed capacity to 11 mmtpa in Northern Nigeria on 27 January 2022. The Company is considered the second largest producer of cement in the Nigerian market and the largest in North Western region of the Country.

Aside its production plants, the Company operates through ten (10) Area Offices. The

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: BUA Cement Plc

locations of the Area Offices include; *Kano, Minna, Kaduna, Zamfara, Katsina and Benin City*. This is in addition to five (5) depots located in *Abuja, Apapa, Ibadan, Ilorin and Sokoto*. The staff strength of the Company as at 31 December, 2021 was 1,091.

The ownership of the Company as at 31 December, 2021 is divided majorly among *Alhaji Abdulsamad Rabiou, BUA Industries Limited* and other minority shareholders.

DIRECTORS PROFILE

The following served as directors during the year under review; *Alhaji Abdul Samad Rabiou CON - Chairman, Engr. Yusuf Haliru Binji - Managing Director/CEO, Mr. Jacques Piekarski, Mr. Chimaobi Madukwe, Mr. Kabiru Rabiou, Mr. Finn Arnoldsen, Mrs. Khairat Abdulrazaq-Gwadabe and Mr. Shehu Abubakar*

The Directors' profiles are as follows.

- Name:** Alhaji Abdul Samad Rabiou, CON
Position: Chairman

Education: •Capital University of Columbus, Ohio, USA
Job Experience: •Chairman & Majority Shareholder: BUA Cement Plc
 •Director: Obu Cement Company
 •Chairman: Cement Company of Northern Nigeria Plc
 •Chairman: Tropical Continental Bank
 •Two-time Chairman: Bank of Industry
 •IRS Group
 •Founder of BUA International

2. **Name:** Engr. Yusuf Haliru Binji
Position: Managing Director/CEO
Years of Experience: 27 years
Education: •B.Eng – Ahmadu Bello University, Zaria
 •M.Sc – University of London
Job Experience: •Cement Company of Northern Nigeria
 •BUA International Limited
 •OBU Cement Company Limited

3. **Name:** Mr. Jacques Piekarski
Position: Director/CFO
Years of Experience: 26 years
Education: •Ecole Superieure de Commerce, Switzerland
 •MBA – Robert Kennedy College, Switzerland
Job Experience: •FMCG: Cement Mining & Trading
 •TGI Group Nigeria
 •Flour Mills of Nigeria
 •Holcim Egypt/Egyptian Cement Company

4. **Name:** Mr. Chimaobi Madukwe
Position: Director
Education: •B. Sc - University of Jos
 •M.Sc - ESUTH Business School
Job Experience: •Citizens International Bank Plc
 •PBTG Consulting
 •BUA International Limited
 •BUA Sugar Refinery Limited

5. **Name:** Mr. Kabiru Rabi
Position: Director
Education: •B. Sc-Webster University, London
 •MBA - America Intercontinental University, UK
Job Experience: •BUA Group
 •Nigeria Oil Mills
 •BUA Oil Mills Limited
 •BUA Cement Plc

- 6. Name:** Mr. Finn Arnoldsen
Position: Director
Years of Experience: 43 years
Education:
 - NTH Norway
 - INSEAD**Job Experience:**
 - BUA Group
 - Cement Company of Northern Nigeria Plc
 - Edo Cement Ltd.

- 7. Name:** Mrs. Khairat Abdulrazaq-Gwadabe
Position: Independent Non-Executive Director
Education:
 - B.A.-University of Wolver Hampton, England
 - LL. B – University of Buckingham, England**Job Experience:**
 - A. Abdulrazaq & Co.

- 8. Name:** Mr. Shehu Abubakar
Position: Independent Non-Executive Director
Years of Experience: 30 years
Education:
 - B. Sc- Usman Danfodio University, Sokoto
 - MBA- Ahmadu Bello University, Zaria**Job Experience:**
 - Keystone Bank Limited
 - BUA Cement Plc

SECTOR REVIEW

The Nigerian population currently estimated at 206 million is projected to grow at 2.6% annually. This will take its toll on already pressured infrastructure with estimated deficit requiring \$3t over a 30-year period to fix. Aside infrastructure gap, there is also a housing deficit of 22 million units.

Cement remains at the core of infrastructural development across the world, and the Nigerian cement market continues to offer room for growth into the nearest future. With an estimated average cement consumption of around 150kg per capita as against global average of 561kg, it is evident that the Nigerian cement industry still has room for growth.

Nigeria is the largest market for cement in Sub-Saharan Africa and has a very attractive production centre with significant deposits of raw materials close to demand centres. Local cement production capacity is presently over 40 million metric tonnes with about 85% of the inputs sourced locally.

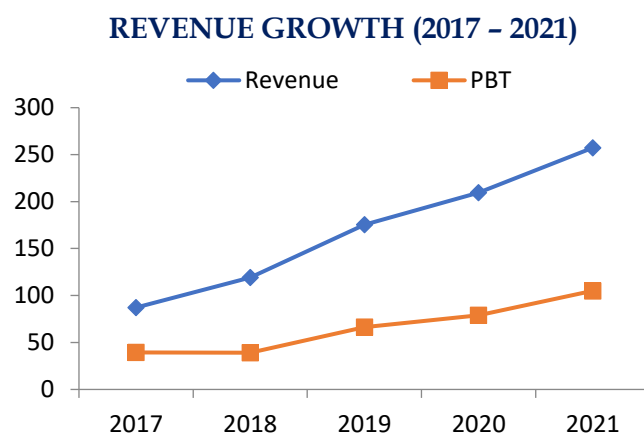
The sector has evolved from being import-dependent, into a growing hub for cement exportation to African countries. Government policies such as tax relief programs and a ban on cement importation among others, encouraged capacity expansion among the players.

The Nigerian cement industry has witnessed a number of mergers and consolidation in recent years. This has resulted in an Oligopolistic industry with 3 major players controlling c.99% of market share. These players are: **BUA Cement Plc, Dangote Cement Plc and Lafarge Africa Plc**. These players are dominant in different geographic regions of the country.

Challenges in the industry includes declining oil prices, low gas supplies, low government financial strength, intermittent electricity supply, insurgency in Northern Nigeria and a possible cement glut, owing to relatively slower growth in cement demand against supply. Also, higher cost environment is expected to drag profitability in the short term. Over the next couple of years, it is expected that there would be increased activity in the construction space as both public and private sectors players get back to work on the ease of lockdown relating to Covid-19 Pandemic.

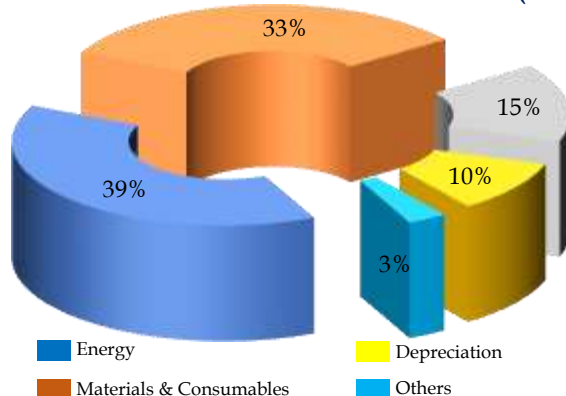
FINANCIAL PERFORMANCE

• EARNING PROFILE



Source: BUA Cement Plc

COMPOSITION OF DIRECT COST (2021)



Source: BUA Cement Plc

We have reviewed the Company Audited Financials covering the year 2018 to 2020. This is in addition to the unaudited Financials for the year 2021. The Auditors' opinion on the most recent Audit was unqualified.

The Company derives its earnings from the sale of cement. Revenue for the year ended 2021 increased by 23% to ₦257b from ₦209b (Yr.20). The growth was supported mainly by the increase in sales volume resulting from enhancement in production capacity during the period. Sales volume was 4.5MMT, 5.1MMT and 5.4MMT for the period ended, 2019, 2020 and 2021 respectively.

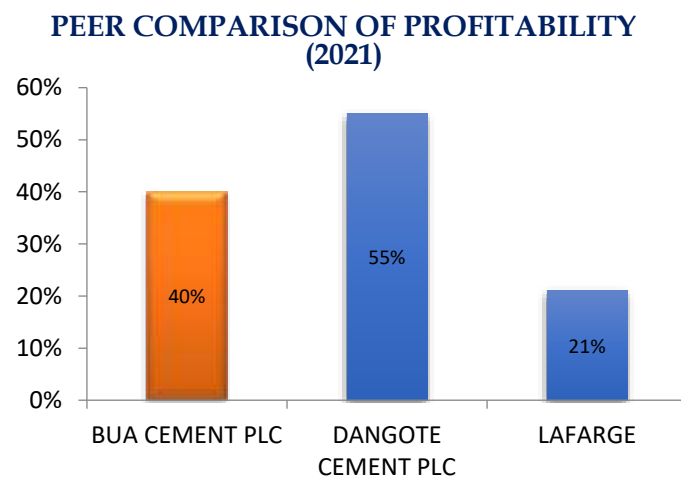
Revenue earned in Nigeria accounted for 99% of the Total Revenue in the year 2020. Two (2) of the Company's major customers

contributed more than 10% each of the total sales in the year 2019 and 2020.

On the back of significant rise in Material and Energy cost, Cost of Sales increased by 20% from ₦114b (Yr. 20) to ₦137b (Yr. 21). However, the growth in Revenue outpaced the increase in Cost of sales during the year 2021. Consequently, Gross Profit Margin moved from 46% (Yr. 20) to 47% (Yr. 21).

Income generated from other sources in the year 2021 included Insurance Claim, Amortization of Deferred Income and Realization Account. These sources contributed an aggregate of ₦1.4b as against ₦376m in the year 2020.

Operational Expenses went up from ₦13.5b (Yr.20) to ₦15.3b (Yr.21). This was largely due to increased Distribution, Personnel, Corporate Social Responsibility, Security and Subscription cost incurred during the year.



Source: DataPro Limited

On account of strong revenue profile, Operating Profit Margin increased from 39% (Yr. 20) to 41% (Yr. 21). The profitability was further enhanced by favourable variance in Net Finance Cost during the year 2021. Therefore, Pre-Tax Profit rose significantly by 33% from ₦78.9b in the year 2020 to ₦105b. Similarly, profitability ratios trended upwards with Net profit margin of 41% (Yr.21) as against 38% (Yr.20).

• CAPITALISATION

As at the year ended December, 2021 Retained Earnings went up by 14% to ₦182b (Yr. 21). There was also a gain of ₦156.8m on the actuarial valuation of the defined benefit plan of the Company in the year 2021. These contributed to the total growth of the Company's Equity. As a result, total Shareholders' Funds amounted to ₦397.8b.

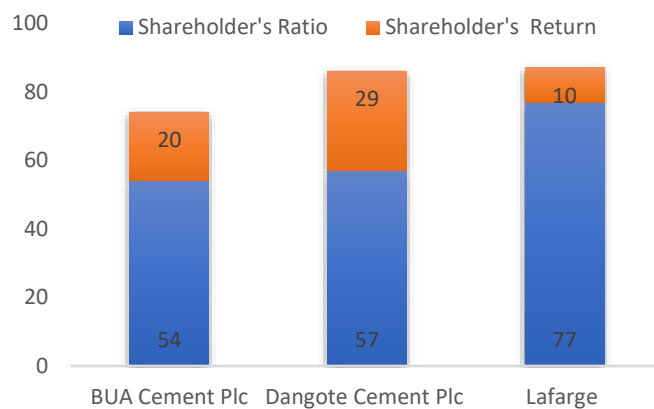
BREAKDOWN OF THE TOTAL ASSET 2021

ITEM	₦'000	%
Current Assets	142,576,462	20%
Non-Current Assets	585,929,145	80%
Total Assets	728,505,606	100%

Source: BUA Cement Plc

Non-Current Assets grew by 11% in the year 2021 to ₦585.9b. in view of the capital-intensive nature of the Company's business, Non-Current Assets accounted for 80% of the Company's Total Assets. The composition of the Company's Non-Current Assets was Property, Plant &

PEER COMPARISON OF FUNDING PROFILE (2021)



Source: DataPro Limited

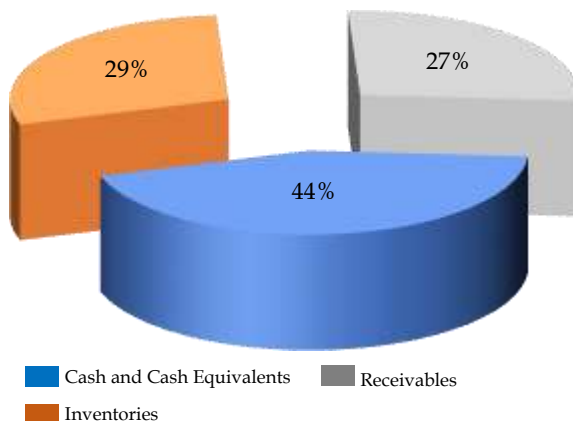
Equipment (25%), Intangibles (20%) and Right of use Assets (2%). Total Investment in Property Plant & Equipment during the year 2021 was ₦60.7b.

The Owners Capital continued to account for the funding of the Company's operation. Equity as a proportion of Total Assets was 55% in the year 2021. This is better than the funding weight of 49% recorded in the year 2020.

• ASSET UTILITY

BUA Cement Plc has a combined installed production capacity of 11MMT per annum with capacity utilization of 65%. Total value of Property Plant & Equipment as at the

COMPOSITION OF CURRENT ASSETS (2021)

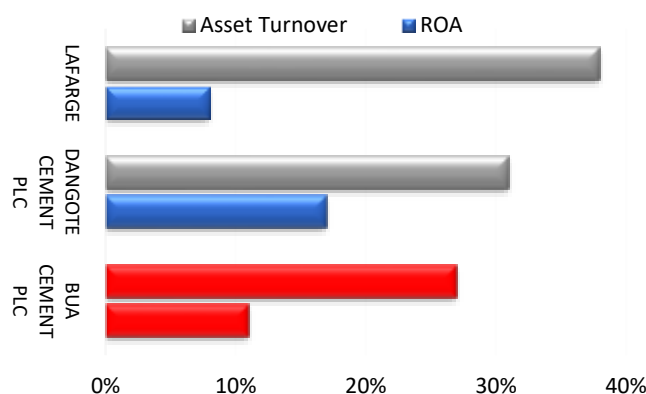


Source: BUA Cement Plc

year end 2021 was ₦580.9b. This accounted for 78% of the Company's Total Assets during the year under review.

The Company's Receivables reduced by 53% to ₦83b. Consequently, Current Assets dipped significantly from ₦238.6b (Yr. 20) to ₦142.5b (Yr. 21). This constituted 20% of the Total Assets. A larger proportion of the Company's Current Assets was concentrated in Cash.

PEER COMPARISON OF REVENUE/ASSET RATIO (2021)

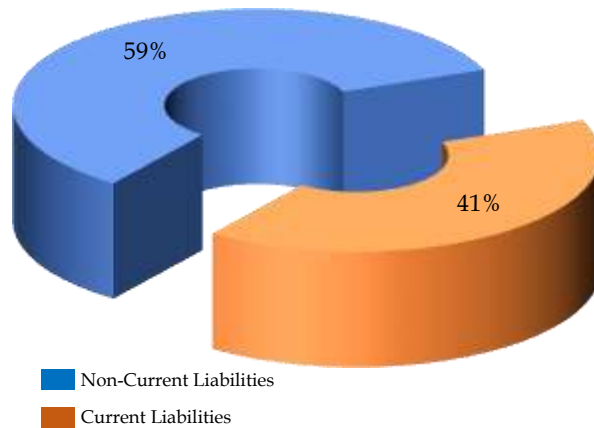


Source: DataPro Limited

The ability of the Company to effectively utilize assets to generate profit increased from 10% (Yr. 20) to 14% (Yr. 21). Similarly, ability to effectively generate revenue using capital increased from 27% (Yr. 20) to 35% (Yr. 21).

• LIQUIDITY

COMPOSITION OF TOTAL LIABILITIES (2021)



Source: BUA Cement Plc

In the year 2021, the Company reduced its short-term debt from ₦105.6b (Yr.20) to ₦32.2b. Consequently, Total Liabilities declined by 15% to ₦330 billion. The total Interest-Bearing Liabilities was ₦197.5b and accounted for 60% of the Company's total obligations during the year under review. The Company's borrowings include; Trade Line Facility, Term Loans, Import Finance Facility and RSSF.

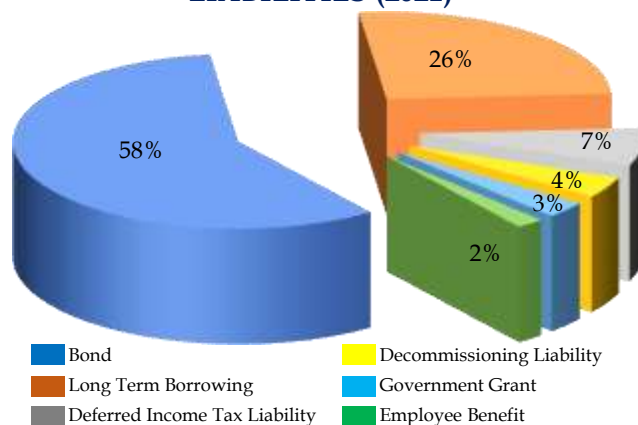
SCHEDULE OF COMPANY'S BORROWINGS (2021)

BANK FACILITY	INTEREST RATE	MATURITY DATE	AMOUNT ₦'000
Trade Line Facility	14	31/10/22	11,601
Import Finance Facility	13.5	30/11/22	14,196,725
Import Finance Facility	13.5	31/10/22	17,177,003
	7.5%	30/11/22	816,084
Term loan	13.5%	30/6/24	15,998,858
RSSF loan	5%/9%	30/9/2030	17,723,884
RSSF loan	5%/9%	11/6/2030	17,948,898
Total			83,913,053

Source: BUA Cement Plc

The major components of Current Liabilities are Trade and Other Payables, Income Tax Liability, Short Term Borrowing, Lease Liability, Government Grant and Decommissioning Liability. The reduction in the size of the Current Liabilities as at the year-end was due to significant decrease in Borrowings.

COMPOSITION OF NON-CURRENT LIABILITIES (2021)



Source: BUA Cement Plc

Long-term Liabilities made up for the bulk of Total Liabilities in the year under review. It accounted for 59% of the Company's total obligations. The composition of the Non Current Liabilities includes Debt Securities Issued, Deferred Income Tax Liability, Government Grant, Employee Benefit, Decommissioning Liability and Long Term Borrowing.

The Company terms are largely sales against advances expect for four (4) customers. **BUA** also enjoys favourable terms of trade with its suppliers ranging between 30 and 60 days. Current Ratio for the year 2021 was 104% as against 115% in the previous period. Cash-flow from operating activities decreased from ₦155b (Yr. 20) to ₦65b (Yr. 21) due to the decline in Trade Receivables, decrease in Government Grants and the significant increase in Contract Liabilities.

REGULATORY ENVIRONMENT

The operation of the Company is subject to the regulation of the *Standard Organization of Nigeria (SON)*, *National Emergency Management Agency (NEMA)* and *Nigerian Nuclear Regulatory Authority (NNRA)*. The Company is also a member of *Manufacturing Association of Nigeria (MAN)*

The registration status of the Company is still current as at the time of compiling this report.

CORPORATE GOVERNANCE & RISK MANAGEMENT

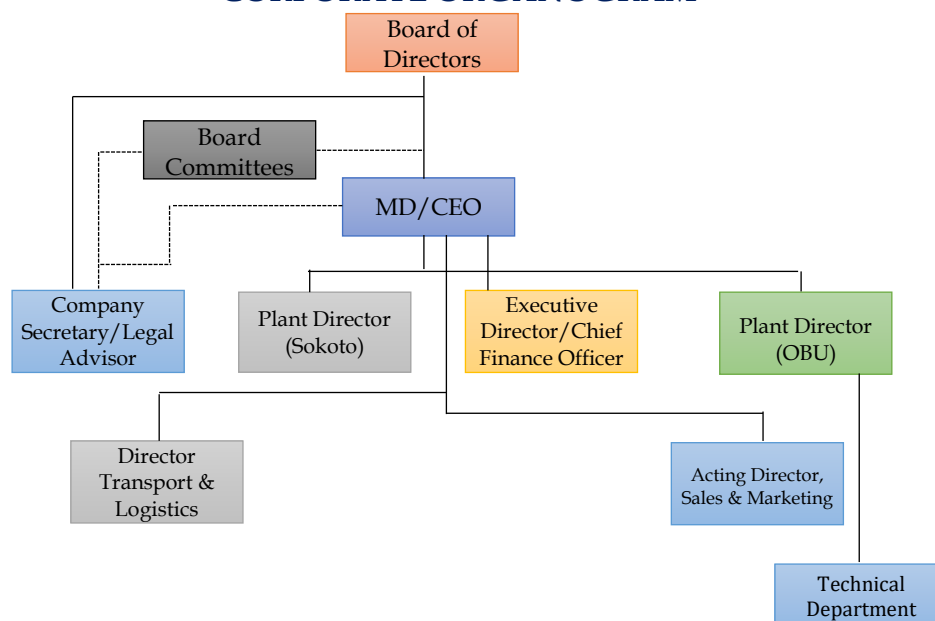
The affairs of the company are directed by its Board of Directors which consists of two Executive, six Non-Executives, two of which are Independent Directors.

The oversight function of the Board is carried out by various Board Committees.

The Company recognizes that it has market risk, credit risk, liquidity risk and capital risk. In line with details contained in its Annual Report and information provided, the company has in place measures to deal with its various risks.

The Company's corporate organogram structure is as highlighted.

CORPORATE ORGANOGRAM



Source: BUA Cement Plc

RISK FACTORS

In the course of our review, we observed the following significant risks.

- **INTEREST RISK**

This is the risk of loss to income arising from adverse changes in Interest Rates.

Based on our review, the Company incurred Interest Bearing Borrowings with ₦32b being short term in nature. Therefore, adverse movement in Interest Rate could impair profitability.

- **EXCHANGE RATE RISK**

This is the risk of loss to income as a result of adverse movement in the Exchange Rate.

Based on our review, we observed that the Company exports 2% of its products outside Nigeria. Therefore, adverse movement in exchange rate could have minimal effect on its earnings.

FUTURE OUTLOOK

In 2021, the Company announced its plans to establish 3 new lines totaling an installed capacity of 9mmta (3 mmta each) to be located at Sokoto, Edo and Adamawa states.

The Company commissioned its 3 mmta (line 4) and gas-powered plant at Sokoto on the 27th January, 2022. This brings the total current installed capacity to 11 mmta (Yr. 22) and an expected installed capacity of 20 mmta by 2023.

CONCLUSION


The Rating of the Company is supported by its Strong Revenue Profile, Very Good Funding, Low Credit Risk Exposure and Experienced Management Team.

Consequently, we assigned a Rating of “AA”

FINANCE

Financial Position as at

	Dec, 2021 N'000	Δ%	Dec, 2020 N'000	Δ%	Dec, 2019 N'000
Assets employed					
Non-current asset	585,929,145	11.0	527,668,305	29.2	408,405,566
Current assets	142,576,462	-40.3	238,634,273	283.9	62,161,029
Current liabilities	(136,872,639)	-34.2	(208,137,506)	115.8	(96,461,863)
Non-current liabilities	(193,811,121)	6.4	(182,210,344)	1650.8	(10,407,490)
Net assets/(liabilities)	397,821,847	5.8	375,954,728	3.4	363,697,242
Capital employed					
Ordinary share capital	16,932,177	0.0	16,932,177	0.0	16,932,177
Actuarial reserves	(773,009)	-13.8	(897,136)	1132.3	(72,802)
Retained earnings/(loss)	181,658,450	13.6	159,915,508	8.9	146,833,788
Reorganisation reserve	200,004,179	0.0	200,004,179	0.0	200,004,179
Total equity	397,821,847	5.8	375,954,728	3.4	363,697,342
Revenue from contract with customer	257,332,985	22.9	209,443,487	19.3	175,518,326
Profit/(loss) before tax	105,031,288	33.2	78,873,498	19.1	66,235,964
Income tax credit/(expense)	(13,288,296)	103.5	(6,529,162)	16.1	(5,625,678)
Profit/(loss) for the year	91,742,992	26.8	72,344,336	19.4	60,610,286
Total comprehensive income/(loss)	91,867,119	28.4	71,520,102	18.0	60,610,286
Earnings per share	2.71		2.14		2

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 5th March, 2022

For and on behalf of:
DataPro Limited
Ground Floor, Foresight House
By Marina Water Front
163/165 Broad Street, Lagos Island, Lagos.
Tel: 234-1-4605395, 4605396
Cell: 0805-530-3677
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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long-term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	(<i>Superior</i>) Assigned to companies which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	(<i>Excellent</i>) Assigned to companies which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	(<i>Very Good</i>) Assigned to companies which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	(<i>Fair</i>) Assigned to companies which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have an ability to meet their

current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator	Meaning	Explanation
BB	Moderate Risk	<i>(Marginal)</i> Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	<i>(Weak)</i> Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	<i>(Poor)</i> Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	<i>(Very Poor)</i> Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

SHORT-TERM RATING

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for timely payment of financial commitments. May have an added “+” to denote any exceptionally strong credit feature.
A1	Good credit quality	A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality	The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non-investment grade.
B	Speculative	Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk	Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations.