GCR RATINGS

Public Credit Rating Report | Nigerian Corporate Analysis | December 2022*

Dangote Cement Plc

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Dangote Cement Plc	Long Term Issuer	National	AA+(NG)	Stable Outlook
	Short Term Issuer	National	A1+(NG)	-
N100bn Series 1 Senior Unsecured Bond	Long Term Issue	National	AA+(NG)	Stable Outlook
N3.64bn Series 1 Tranche A Senior Unsecured Bond	Long Term Issue	National	AA+(NG)	Stable Outlook
N10.45bn Series 1 Tranche B Senior Unsecured Bond	Long Term Issue	National	AA+(NG)	Stable Outlook
N35.91bn Series 1 Tranche C Senior Unsecured Bond	Long Term Issue	National	AA+(NG)	Stable Outlook
N4.269bn Series 2 Tranche A Senior Unsecured Bond	Long Term Issue	National	AA+(NG)	Stable Outlook
N23.335bn Series 2 Tranche B Senior Unsecured Bond	Long Term Issue	National	AA+(NG)	Stable Outlook
N88.396bn Series 2 Tranche C Senior Unsecured Bond	Long Term Issue	National	AA+(NG)	Stable Outlook

Strengths

- Leading market share, with strong franchise
- Solid geographical footprints, with increased focus on export strategy within Africa
- Very strong earnings, robust cash flows and sustainable leverage

Weaknesses

- High exposure to Nigeria's challenging operating environment
- Large portion of foreign currency debt

Rating Rationale

The rating affirmation balances Dangote Cement Plc's ("DCP") competitive position as Africa's leading integrated cement manufacturer, with very strong earnings, robust cash flows and solid gearing metrics, against the relatively weaker creditworthiness of Dangote Industries Limited ("DIL"), its parent company, which establishes a group ratings cap.

DCP's substantial production capacity across ten countries in Sub-Saharan Africa, its diversified market and extensive distribution networks continue to support strong competitive advantage in the African market. However, the business assessment remains constrained by the very high concentration to the Nigerian market, accounting for about 92% of group EBITDA and over 68% of capacity at end-June 2022. DCP is focussed on promoting cement independence within West and Central Africa, which should continue to support the advancement of its competitive positioning across the African continent, albeit marginally offset by the higher risks in many of the target markets.

Notwithstanding the rising competitive pressure within its domestic and Pan-African markets, DCP has sustained a sound earning base and cash flows, with the EBITDA margin registering at 47% over the last five years to FY21, well above the industry average. However, higher inflationary pressure, gas supply shortages, and extended plant maintenance during 1H FY22 saw sales volume and earnings margin decline slightly, albeit revenue increased 17% y/y supported by higher selling price in December 2021 to offset rising costs. GCR expects the elevated inflation and the foreign currency shortages (particularly in Nigeria) to continue to weigh adversely on production costs and operating expenses, but

* The last rating announcement was published on 29 August 2022. Rating reports are updated at least once a year from the date of the last rating announcement.

DCP's strong financial profile serves to moderate the impact of external shocks. The current headroom to ramp-up production volumes based on existing capacity across other market should drive strong earnings growth over the medium term, and the increased usage of alternative fuels should help in sustaining strong margins.

In April 2022, DCP raised N116bn from the Nigerian debt capital market in Series 2 (Tranche A-C) Senior Unsecured Bond Issue under its N300bn Multi-Instrument Issuance Programme to partly finance ongoing expansion projects and support working capital requirements. This saw gross debt (including operating lease) rise to N643.5bn at end-June 2022, from N588.2bn at end- December 2021. Despite the growth in debt, net debt to EBITDA still registered at a low 0.6x (FY21: 0.4x), indicative of a strong credit protection. Similarly, EBITDA coverage of net interest (excluding foreign exchange loss) was high at 29.5x, from an average of 12.4x between FY17 and FY21, and operating cash flow ("OCF") coverage of debt stood at a strong level of 82% (FY21: 94%). Over the outlook period, GCR expects DCP to continue to demonstrate strong financial flexibility, with net debt to EBITDA expected to range between 0.45x-0.55x, and net interest cover to trend comfortably within double-digit as DCP continues to refinance its expensive debts with more favourable term debt. Furthermore, DCP's robust OCF is a key mitigant against concerns of higher debt.

DCP's liquidity assessment is considered modest, underpinned by expectation that cash flows will remain strong, along with about N194.5bn in cash at end-June 2022 and N279bn in unutilised committed funding lines. Nevertheless, the assessment is somewhat constrained by the very high level of short-term debt, as well as the historically high dividend pay-out ratios. The uses vs. sources liquidity coverage is estimated to be above 1x over the 18-month period to December 2023.

Besides the recent N116bn Series 2 (Tranche A-C) Bond Issue, DCP had raised N100bn in Series 1 Senior Secured Bond Issue in April 2020 and N50bn in Series 1 (Tranche A-C) Senior Unsecured Bond Issue in May 2021. The three bond issuances (together, "the Bonds") are direct, unconditional, senior, unsubordinated, and unsecured obligations of DCP, the Issuer. Being senior unsecured debt, the Bonds will rank pari passu with all other senior unsecured creditors of DCP. As such, the Bonds will bear the same national scale long term rating as that accorded to DCP. Accordingly, any change in DCP's long term corporate rating would impact the Bonds' rating.

A negative adjustment has been applied to align DCP ratings with the relatively weaker creditworthiness of DIL, as GCR considers DCP to be a core part of the Group, accounting for about 75.9% of group revenue in FY21. The high debt at DIL has largely been utilised to fund the Group's fertilizer and refinery projects, which should begin to contribute meaningfully to group income from FY23. Accordingly, GCR expects the metrics to gradually improve over the outlook period, as earnings and cash flows from the fertilizer plant and refinery materialize, allowing DIL to materially reduce debt level.

Outlook Statement

The Stable Outlook reflects GCR's view that DCP will continue to maintain robust earnings and strong cash flows, which serves to moderate the impact of external shocks.

Rating Triggers

Given that DCP's ratings are capped at the level of DIL's ratings, a rating upgrade is contingent upon an upgrade to the DIL rating. This in turn is dependent on the successful completion of ongoing projects at DIL, which translates to significant earnings growth, and a meaningful reduction in debt and foreign currency exposure.

A downward rating movement could result from protracted earnings pressure at DCP or greater competition emerging from major international cement manufacturers. The aggressive dividend policy could result in materially higher than anticipated leverage and adversely impact GCR's view of liquidity. At the DIL level, negative action could derive from the inability to timeously complete the ongoing project, leading to lower-than-expected earnings and cash flows, and potentially an escalation in debt. Any factor that leads to a decrease in the rating assigned to DIL will directly affect DCP.

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Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022
Criteria for Rating Corporate Companies, January 2022
GCR Rating Scales, Symbols & Definitions, May 2022
GCR Country Risk Scores, December 2022
GCR Nigerian Corporate Sector Risk Scores, April 2022
Dangote Cement Plc Issuer rating reports (2016-21)

Ratings History

Dangote Cement Plc					
Rating class	Review	Rating scale	Rating	Outlook	Date
Long term Issuer	Initial	National	AA+(NG)	Stable	September 2016
Short Term Issuer	Initial	National	A1+(NG)		
N100bn Series 1 Bond Long Term Issue	Initial	National	AA+(NG)	Stable	May 2020
N3.64bn Series 1 Tranche A Senior Unsecured Bond	Initial	National	AAA(NG)	Stable	July 2021
N10.45bn Series 1 Tranche B Senior Unsecured Bond	Initial	National	AAA(NG)	Stable	July 2021
N35.91bn Series 1 Tranche C Senior Unsecured Bond	Initial	National	AAA(NG)	Stable	July 2021
Long term Issuer	Last	National	AA+(NG)	Stable	April 2022
Short Term Issuer	Last	National	A1+(NG)	-	April 2022
N100bn Series 1 Senior Unsecured Bond	Last	National	AA+(NG)	Stable	April 2022
N3.64bn Series 1 Tranche A Senior Unsecured Bond	Last	National	AA+(NG)	Stable	April 2022
N10.45bn Series 1 Tranche B Senior Unsecured Bond	Last	National	AA+(NG)	Stable	April 2022
N35.91bn Series 1 Tranche C Senior Unsecured Bond	Last	National	AA+(NG)	Stable	April 2022
N4.269bn Series 2 Tranche A Senior Unsecured Bond	Initial/Last	National	AA+(NG)	Stable	April 2022
N23.335bn Series 2 Tranche B Senior Unsecured Bond	Initial/Last	National	AA+(NG)	Stable	April 2022
N88.396bn Series 2 Tranche C Senior Unsecured Bond	Initial/Last	National	AA+(NG)	Stable	April 2022

Analytical Entity: Dangote Cement Plc

Dangote Cement Plc is Africa's leading integrated cement manufacturer, with 14 plants in 10 countries and a combined installed capacity of 51.6 million metric tonnes per annum ("mtpa"). Nigeria remains the Group's dominant area of operations, with a combined production capacity of 35.3mtpa (68.4% of the total), spread across four sites in Ibese Cement Plant (12mtpa), Obajana Cement Plant (16.25 mtpa), Okpella Cement Plant (3.0mtpa) and Gboko Cement Plant (4mtpa), with improved route-to-market channels and additional trucks to enhance distribution network. DCP has 44 subsidiaries, of which 39 are directly owned. DCP is a subsidiary of Dangote Industries Limited ("DIL"), a diversified multinational corporate with operations spanning building materials, packaging, logistics, real estate, fertilizer, oil and gas as well as food and beverages, inter alia. DCP is listed on Nigeria Stock Exchange and remains one of the most valuable public listed companies. DCP is organised into two operating regions, namely, Nigeria and Pan-Africa.

GCR is aware of the ongoing ownership tussle between Kogi State Government of Nigeria and DIL over Obajana Cement Plant. It was reported that the plant was shut on 5 October 2022 and was later re-opened and became fully operational on 14 October 2022 after the intervention of the Federal Government of Nigeria. However, Kogi State Government is seeking a legal redress on the matter. While the developments are currently not considered material enough to take an action on the ratings accorded to DIL and DCP, GCR will continue to monitor any adverse impacts on the creditworthiness of both entities as events unfold.

Given that DCP is a sub-group under DIL wider group, GCR has adopted a sub-group analysis for this assessment, capping the rating of DCP to that of its parent company.

Operating Environment

The operating environment assessment remained constrained by the inherent risks within the Nigerian operating environment, as well as the higher risks in other jurisdictions where DCP operates.

Country risk

The country risk score of "3.5" assigned to DCP is a blended score of the country risk scores of the jurisdictions (including Nigeria, Cameroon, Ghana, Senegal, Tanzania, South Africa and others) where it operates. However, DCP has a very high concentration to the Nigerian market, which accounts for 88% of group EBITDA and 65% of capacity. As such, the assigned country risk score largely reflects the predominant exposure to the Nigerian operating environment. The score balances Nigeria's strong economic base, supported by significant natural resources and large population, against low wealth levels, moderately weak institutional scores and currently restrained economic growth. Nigeria is one of Africa's three largest economies, with a population of approximately 211mn people in 2021 and contributing around 19% of continental GDP. The size of the economy is bolstered by significant natural resources, most pertinently, it is the largest oil exporter on the continent. However, like many of the continental peer group, wealth levels are low. Furthermore, commodity concentrations can cause significant economic, fiscal and currency volatility in Nigeria. This is due to both the government's dependence on oil exports for revenues and the country's high import dependence, both belying a too narrow economic base. In part due to steady economic recovery, and due to higher economic activity, the economy expanded by 3.4% in 2021 and 2.25% in 3Q 2022. Details of the discrete country risk scores are outlined in GCR's Country Risk Score report published in December 2022, available for download at gcrratings.com

Sector risk

The cement industry reflects the primary manufacturing sector, which is highly sensitive to economic growth, or the lack thereof, as well as government spending patterns, but balanced against the relatively high barrier to entry due to the substantial capital investment required for manufacturing plants. Environmental impact risks are high due to the generally heavy carbon footprints, however, ongoing efforts by some industry players to upgrade to more environmentally friendly technologies are noted.

Cement production costs are elevated due to the infrastructure deficit in areas such as electricity generation, transportation, as well as bottlenecks in the supply chain management due to port congestion. The reliance on some imported inputs/capital costs also adds foreign exchange risk, and financing costs, adversely impacting industry performance. GCR remains concerned that the heightened inflationary pressures, due to rising commodity and energy cost may further weaken future profitability. However, the cement sector should remain profitable in the coming years, underpinned by its relatively cheaper raw input cost, with demand supported by the nation's infrastructural deficit and the strong demographics.

Competitive position

DCP is Africa's leading integrated cement manufacturer, with 14 plants in 10 countries and a combined installed capacity of 51.6 mtpa.

Table 1: Competitive position - Dangote Cement Plc vs local peers

FY21 (N'm)	Dangote Cement	Lafarge Africa	BUA Cement
Revenue	1,383,637	293,086	257,327
EBITDA	**678,715**	**64,446**	**120,125**
Op. Income	577,949	26,988	104,225
Net interest income/(expense)	-53,708	-3,536	-1,085
NPAT	**363,622**	**51,004**	**90,079**
Equity	978,547	378,561	398,117
Total debt	**588,161**	**23,287**	**197,086**
Cash and equiv. (excluding restricted cash)	339,843	50,057	62,338
Current assets	410,299	136,575	144,199
Current liabilities	520,476	131,053	145,355
Total assets	**2,386,897**	**526,838**	**728,507**
Cement capacity in Nigeria	35.3mtpa	10.5mtpa	11.0mtpa
Total capacity groupwide	51.6mtpa	10.5mtpa	11.0mtpa
Geographical footprint	10 Countries in Africa	1 (only in Nigeria)	1 (only in Nigeria)
Estimated market share by capacity in Nigeria	c.62%	18.4%	19.3
Ratio (%)			
Revenue growth	33.8	27.1	46.7
EBITDA margin	49.1	22.0	46.7
Operating margin	41.8	9.2	40.5
Net gearing	25.4	n.a	1.6
Net debt: EBITDA	36.6	n.a	1.1

Source: Annual Reports of each player.

DCP's substantial production capacity across ten countries in Sub-Saharan Africa, its diversified market and extensive distribution networks continue to support strong competitive advantage in the African market. Other key competitive strengths include its extensive distribution network, significant scale economies and position as the largest corporate on The Nigerian Stock Exchange, with sound access to capital. DCP remains the market leader within the Nigerian cement industry, controlling over 60% of the market share by installed capacity, while BUA Cement, Lafarge Africa Plc and a few small players account for the remainder. DCP's ability to penetrate new markets with large-scale, modern, and energy-efficient factories give it a strong competitive edge in the African market. While, the business assessment remains constrained by the very high concentration to the Nigerian market, which accounts for about 92% of group EBITDA and over 68% of capacity at end-June 2022, its strong financial profile serves to moderate the impact of external shocks.

To further strengthen its leading position, DCP is increasing focus on promoting cement independence within West and Central Africa. This should also support its positioning across the African continent, albeit marginally offset by the higher risks in many of the target markets.

Table 2: DCP's Pan African market

Country	Capacity (MTPA)	Sales volume FY21 (MT)	Sales volume 1H FY22 (MT)	Market share (FY21)
Ghana	1.5	0.4	0.1	5.0
Senegal	1.5	1.6	0.6	20.0
Cameroon	1.5	1.4	0.7	34.0
Ethiopia	2.5	2.4	1.1	34.0
Zambia	1.5	0.7	0.3	30.0
Tanzania	3.0	1.7	0.9	28.0
Sierra Leone	0.5	0.2	4.2	24.5
South Africa	2.8	-	-	-
Congo	1.5	0.8	0.2	53.0
Total	**16.3**	**9.2**	**8.1**	

Source: DCP

Management and governance

Management and governance is considered neutral to the ratings.

Financial Profile

Earnings

The ongoing business expansion and market penetration across Africa have supported strong revenue growth and earnings over the years, thus strengthening its leading position within the market.

Notwithstanding the rising competitive pressure within its domestic and Pan-African markets, DCP has reported strong revenue growth over the years, with CAGR of 17.6% between FY16 and FY21, supported by the ongoing business expansion and market penetration across Africa. Specifically, in FY21, DCP reported a 33.8% growth in revenue to N1.38tn, with sales volumes rising by 13.8% to 29.5%, supported by improved route-to-market channels and renewed growth in housing and infrastructure investments. This was also complemented by the Okpella plant production ramp-up during the period. Sales volumes rose 8.7% within the pan-Africa market, driven by higher demand despite global rise in freight cost and overall international supply chain challenges. The overall volume in FY21 was achievable despite extended plant maintenance across some factories.

Figure 1: Revenue

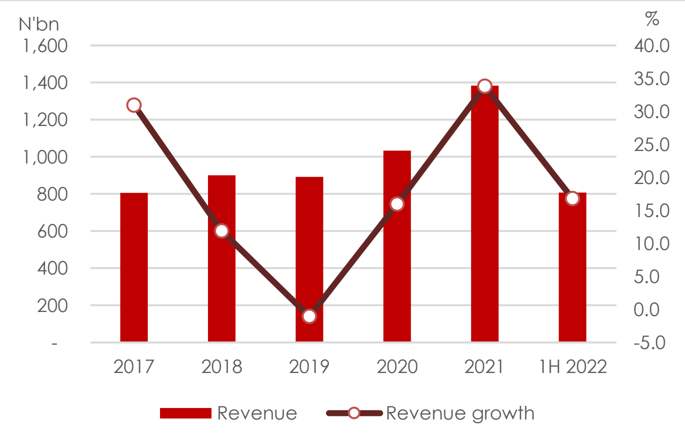
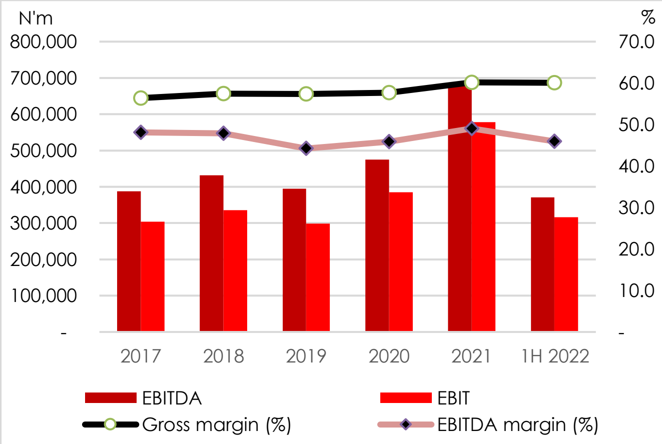


Figure 2: Margin analysis



However, sales volume declined by 7% during 1H FY22 (3Q FY22: 6.2%) relative to 1H FY21 due to inflation and energy (gas) supply disruptions in Nigeria, and extended plant maintenance in Senegal and Congo, amidst higher landing cost of cement and clinker. Notwithstanding this, revenue increased by 17% y/y supported by the benefit of higher selling price in December 2021 to offset rising costs. GCR expects this trend to be sustained to full year, amidst gas supply shortages and moderated construction activities. However, prospects remain good given the expectation of strong demand in the long-term. Moreover, DCP should continue to focus on its cement and clinker export to other West African countries, as well as production ramp-up from the Pan-African operations. In additional to the promotional sale in Nigeria to drive volume, and there could be another selling price increase to reflect rising input costs.

DCP has maintained a strong earnings margin over the years, with EBITDA margin averaging 47% over the five-year period to FY21, well above the industry average. However, the higher inflationary pressure, higher freight cost and gas supply shortages saw earnings margin decline slightly. To mitigate the impact of the gas supply shortages and sustain its strong margins, DCP is exploring fully the feasibility of increasing the use of alternative energy for its production plants through co-processing of wastes such as agro wastes, waste lubricants, tyre derived fuels, saw dust, packaging materials. This energy mix has lower carbon emission and is cost efficient relative to coal.

Notwithstanding these initiatives, GCR expects earnings margin to continue to witness pressure due to the rising inflation and foreign currency shortages which will weigh adversely on production costs and operating expenses, albeit defensive during the outlook period. Additional support should come from the operating efficiencies, with significant headroom to ramp-up production volumes across other market.

DCP faces foreign exchange risk in respect of its foreign currency denominated loans. Although this risk is hedged through export proceeds, international businesses and also through bids in the interbank market, the proportion is modest, as the Pan-African operations, historically, accounting for about 11% of the Group's EBITDA. Due to the continuous Naira devaluation, DCP registered a net foreign exchange loss of N40.7bn in 1H FY22 (1H FY21: N4.9bn loss). This trend is expected into full year until scale improve within the Pan-African business and stability returns within the Nigerian foreign currency market.

Leverage, and capital structure

The rating is underpinned by sound cash flows and conservative earnings-based gearing. However, downside pressure is expected to come from higher CAPEX costs amid the continuous Naira devaluation and the aggressive infrastructure rollout.

In April 2022, DCP raised N116bn from the Nigerian debt capital market in Series 2 (Tranche A-C) Senior Unsecured Bond Issue under its N300bn Multi-Instrument Issuance Programme to partly finance ongoing expansion projects and support working capital requirements. This saw gross debt (including operating lease) rise to N643.5bn at end-June 2022, from N588.2bn at end- December 2021. Despite the growth in debt, net debt to EBITDA still registered at a low 0.6x (FY21: 0.4x), indicative of a strong credit protection. Management is scaling down on CAPEX on capacity expansion, with focus shifted towards harnessing its export opportunities into other West African countries. As such, the Group is expected to continue to demonstrate strong financial flexibility with debt to EBITDA (including operating leases) ranging between 0.35x – 0.45x over the outlook period.

Table 3: Debt Profile

	Loan type	Interest rate	FY21 (N'bn)	1H FY22 (N'bn)	Maturity
Bulk Commodities Ltd	WC (USD)	8	21.8	21.7	On demand
Bonds Issues	LT	12.5-14	147.8	262.8	2025-2029
Commercial Paper	ST	6	39.0	16.5	2022-2023
BOI/GTB/Access	LT	6	0.3	0.0	2020-2021
Bank (Various)	Overdraft	6.5-27	76.5	85.6	On demand
Bank (Various)	Various/LT	8.5-11	279.7	230.9	2022-2024
Lease			10.2	9.1	
Interest payable			13.0	16.9	
Total			**588.2**	**643.5**	

Source: DCP financials.

DCP maintains a mix of Naira and foreign currency denominated loans across major banks in Africa. Naira denominated loans represented about 59% of outstanding debt as at 1H FY22. Although the foreign currency exposure is considered moderate (35% in USD, and 6% in other currencies), downside risk remains inherent in the Group's import requirements in its Nigeria market given the continuous devaluation of the Naira and the FX illiquidity within the markets.

EBITDA coverage of net interest (excluding foreign exchange loss) was high at 29.5x, from an average of 12.4x between FY17 and FY21. While this may reduce by FY22 when all interest elements are recognised, interest coverage is expected to trend comfortably at double-digit over the rating horizon as DCP continues to refinance its expensive debts with more favourable term debt.

Figure 3: Earnings-based gearing metrics (x)

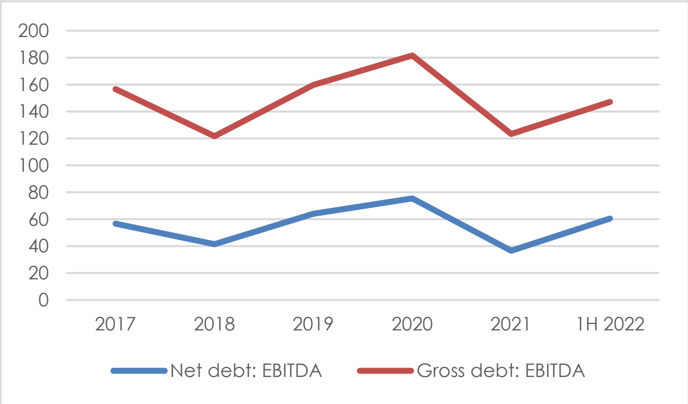
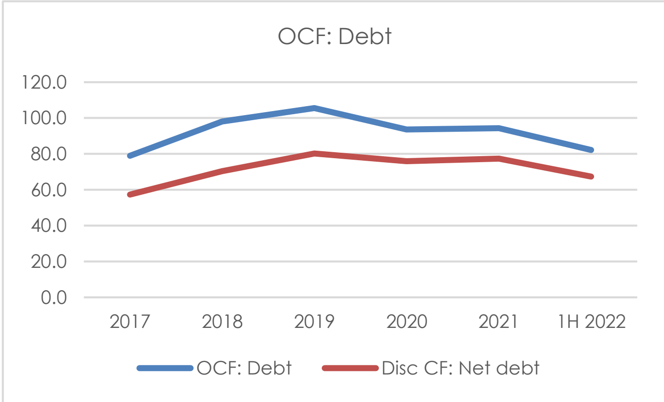


Figure 4: OCF Coverage (%)



Working capital oversight is considered strong, but the absorption reported in recent periods has largely been driven by the commissioning of additional capacity at Okpella plants, which has necessitated additional inventory to sustain production activities. The accumulation and unwinding of creditors to fund trading assets also adds to variability of working capital. Trade receivables have little impact on working capital movements as sales are mainly on cash basis prior to dispatch of goods, with a few large wholesalers allowed up to 15 days' credit, if a bank guarantee is in place. Overall, DCP has reported strong operating cash flow over the years, underpinned by its robust earnings and the strong working capital oversight. OCF coverage of debt registered at 164% in 1H FY22, reflective of its strong cash generation which should continue to comfortably cover the rising debt level in the medium-term.

Table 4: Funding profile (N'bn)

	FY19	FY20	FY21	1H FY22
ST Debt	262,040	337,084	403,580	342,608
LT Debt	114,726	166,680	184,581	300,870
Total Debt	**376,766**	**503,764**	**588,161**	**643,478**
Cash	(123,903)	(145,835)	(339,843)	(194,466)
Net Debt	**252,863**	**357,929**	**248,318**	**449,012**
ST debt: Total debt	70%	67%	69%	53%
EBITDA	*394,410*	*474,533*	*678,715*	*371,212*
Net Interest	*(36,582)*	*(30,805)*	*(53,708)*	*(12,574)*
Operating cash flow	*397,733*	*472,035*	*555,400*	*264,198*
Key ratios:				
Net debt: EBITDA (x)	0.64	0.75	0.40	0.60
EBITDA: net int. (x)	10.8	15.4	12.6	29.5
OCF: gross debt (%)	106%	94%	94%	164%

Source: DCP financials

Liquidity

High CAPEX requirements have curtailed liquidity assessment. However, the Company's robust cash generation and strong access to capital bode positively.

DCP's liquidity assessment is considered modest, underpinned by expectation that cash flows will remain strong, along with about N194.5bn in cash at end-June 2022 and N279bn in unutilised committed funding lines. Nevertheless, the assessment is somewhat constrained by the very high level of short-term debt, as well as the historically high dividend pay-out ratios. About 53% of its debt is within the short-term maturity bucket, but DCP is addressing this concentration through additional bond issue. Overall, the uses vs. sources liquidity coverage is estimated to be above 1x over the 18-month period to December 2023.

Table 5: Uses vs. Sources Liquidity Projections (N'm)

Sources	**FY22**	**FY23**	**FY24**
Operating cash flow	272,678	608,125	679,997
Cash on hand	194,466	324,486	379,062
Facilities - commited	278,978	300,000	300,000
Facilities - non-commited			
Proposed Bond issue			
Total sources	**746,122**	**1,232,611**	**1,359,059**
Uses			
Debt redemption	342,608	298,452	195,984
Capex	156,110	216,584	166,575
Investments	-	-	-
Dividends	-	316,964	396,492
Other uses			
Total uses	**498,718**	**832,000**	**759,051**
Uses versus sources – 12 months	1.5	1.5	1.8
Uses versus sources – 24 months	1.0	1.2	-

Source: GCR

Senior Secured Bond Issuances

DCP launched a N3000bn Debt Issuance Programme in October 2017. Under the Programme, DCP raised N100bn from the capital market in Series 1 Bonds Issue in April 2020. The Bonds are direct, unconditional, senior and unsecured obligations, ranking *pari passu* with all other senior and unsecured obligations of the Issuer. Interest accrual commenced from the Issue date and interest is payable semi-annually in arrears (in April and October) until maturity. The principal amount will be repaid in full on the maturity date. The Issuer has made the first and second coupon payments on due date, in line with transaction documentation. The Trustees did not report any breach of negative pledge or covenants by the Issuer.

In May 2021, DCP registered another N300bn Multi-Instrument Bond Programme ("the new Programme") with Securities and Exchange Commission after the first N300bn Programme has elapsed. Subsequently, an initial N50bn was raised in Series 1 Senior Unsecured Bonds under the new Programme. The N50bn Series 1 Senior Unsecured Bond is split into N3.64bn Tranche A, N10.45bn Tranche B and N35.91bn Tranche C, with varying interest rates and maturities in 2024, 2026 and 2028, respectively. The Bonds constitute direct, unconditional, senior, unsubordinated, and unsecured obligations of the Issuer. The bond net proceeds are being utilised for Nigerian expansion projects, refinancing of short-term debts and working capital funding.

In April 2022, the Issuer raised an additional N116bn in Series 2 Fixed Rate Senior Unsecured Bonds Issue under the new Programme, with the following tranches:

- Tranche A – 11.85% N4.269bn, with a tenor of five years, and maturity in April 2027,
- Tranche B – 12.35% N23.335bn, with a tenor of seven years, and maturity in April 2029,
- Tranche C – 13.00% N88.396bn, with a tenor of ten years, and maturity in April 2032.

Being senior unsecured debt of DCP, the existing N100bn Series 1 Bonds, the N50bn Series 1 Tranche A-C Bonds and the N116bn Series 2 Bonds rank pari passu with all other senior unsecured creditors. As such, the Bonds bear the same national scale long term rating accorded to DCP. Accordingly, any changes to DCP's long term Issuer rating would impact the Bond rating.

Comparative Profile

Peer analysis
The peer analysis is neutral to the ratings.

Group support
Group support is not applicable to the ratings.

Rating Adjustment Factors

Structural adjustments

A negative adjustment has been applied to DCP's ratings to reflect the relatively weaker creditworthiness of DIL, as GCR considers DCP to be a core part of the Group, accounting for about 75.9% of group revenue in FY21. DIL's high debt levels is a ratings constraint, however, the Group's fertilizer and refinery projects should begin to contribute to group income from FY23. Accordingly, GCR expects the debt metrics to gradually improve over the outlook period on earnings and cash flows from the fertilizer plant and refinery.

Instrument ratings
No adjustments for instrument ratings are applicable.

Risk Score Summary

Risk score	
Operating environment	**5.25**
Country risk score	3.50
Sector risk score	1.75
Business profile	**2.50**
Competitive position	2.50
Management and governance	0.00
Financial profile	**4.50**
Earnings	2.00
Leverage & capital structure	2.50
Liquidity	0.00
Comparative profile	**(2.25)**
Group support	(2.25)
Peer analysis	0.00
Total Risk Score	**10.00**

Glossary

Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Income	Money received, especially on a regular basis, for work or through investments.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to Dangote Cement Plc. The ratings above were solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the ratings.

Dangote Cement Plc participated in the rating process *via* tele-conferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Dangote Cement Plc and other reliable third parties to accord the credit ratings included:

- 2021 audited annual financial statement, and prior four years annual financial statements;
- Six-month management accounts to 30 June 2022;
- Internal and/or external management reports;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties;
- Information specific to the rated entity and/or industry was also received;
- Executed transaction documents for the N100bn Series 1 Senior Unsecured Bonds and the N50bn Series 1 Tranche A-C Senior Unsecured Bonds.