



Extend your horizon, Elevate your business!

CRA
CREDIT RATING AGENCY LIMITED



COMPANY PROFILE

WHO WE ARE.

Credit Rating Agency Limited (CRA) was incorporated on 29th December 2011, with Company Registration Number 98505 under the Companies Act of the Laws of Zambia. CRA is the first and only company licensed by the Securities and Exchange Commission (SEC) to provide credit rating and related advisory services to institutions.

Rating services cover institutional ratings and ratings specific to debt instruments issued by institutions. CRA provides independent and objective assessments in accordance with international best practices. CRA is internationally affiliated and its ratings are globally recognised.

OUR CORPORATE VALUES:

- * Integrity
- * Independence
- * Analytical Rigour
- * Commitment
- * Innovation

WHO WE SERVE.

CRA is available to serve any registered entity that seeks a credit rating or related advisory service.

The entity could be a body corporate - whether listed or not listed, international or local, large or small or medium sized, startups or established, financial or non-financial, private or public sector. The entity could also be a non-corporate - such as a sovereign, government agency, municipal council or registered society.

WHY GET A CREDIT RATING.

Credit is the lifeline of business! This is a fact that has long been acknowledged by society. A quote from Daniel Webster in the US Senate in Washington DC, March 1834:

“Credit is Man’s Confidence in Man

Commercial credit is the creation of modern times and belongs in its highest perfection only to the most enlightened and best governed nations. Credit is the vital air of the system of modern commerce. It has done a thousand times more to enrich nations than all the mines of the world.”

A corporate credit rating is a measure of credit worthiness and can bring about immense benefits to your institution. The benefits can be summed up into three broad categories (the three E’s): Elevates Institutional Profile, Enhances stakeholder Engagement and Elucidates Areas For Improvements.

ELEVATES INSTITUTIONAL PROFILE

A rated entity attains a heightened status by the mere fact that it is rated. It projects a positive image of good governance as independently assessed by a rating agency. The entity is seen as embracing important governance attributes such as transparency, accountability and stewardship by the public at large.

ENHANCES STAKEHOLDER ENGAGEMENT

Probably the most tangible benefit a rating brings about is improved business relationships with key stakeholders. Most prominent are the following:

Financiers:

These could be of debt or equity finance. A rating can help achieve the following:

Easier access to local and international finance:

- Financiers are more receptive and confident dealing with a rated entity. It is a well-established fact that financiers typically ask for a credit rating as soon as they are approached for financing.

Reduces the cost of financing:

- Because financiers are clearer about the business and financial risk embedded in a rating, it becomes easier for the rated entity to negotiate better interest rates and financing terms. For instance, terms such as

collateral and personal guarantees on facilities can be excluded on the strength of a good credit rating.

Depositors:

Depositors in financial institutions will be better informed of the relative risks and this will aid them in discriminating between various financial institutions. Thus, well rated institutions will be able to increase the quantity and quality of deposits, and on more favourable terms.

Suppliers:

Suppliers and contractors to a rated entity will be more confident of settlement of outstanding dues. The rated entity may accordingly enjoy better credit terms with the suppliers and contractors.

Customers:

The impact on customers is twofold: First, is that the reduced cost of financing (as mentioned above) can enable the rated entity pass on the benefit to its customers through lower pricing, and therefore increase its market competitiveness. Second, is that customers may voluntarily opt to deal with a strongly rated company because they believe that (i) the company has the capacity to perform and deliver (especially for huge or long term projects) and (ii) they can get better credit terms. Either way, a good rating is likely to increase the volume of business with customers.

Regulators:

Regulators derive direct benefit from a rating in that they are able to rely on it as an independent assessment of the institution. This not only assists in reducing regulatory oversight time and resources, but also enhances the relationship between the institution and regulator. For financial institutions, guidance for regulators is specifically provided for under frameworks such as Basel II.

Government and Government Departments:

Government will find credit ratings very useful in their assessment of the capacity of contractors to perform, meaning that projects would not be awarded to contractors with a high credit risk profile without taking adequate mitigation of the risk.

ELUCIDATES AREAS FOR IMPROVEMENT

A corporate rating report is an independent comprehensive analysis of the business and financial risk, as seen in the present and future. The report substantiates in a transparent manner the scores on all key attributes. This provides a basis for articulating improvement actions in the annual operating plans and medium term strategic plans. Furthermore, it allows for benchmarking against other industry participants on the specific attributes scored in the rating report.

Similarly, institutions that prefer to undertake a rating advisory service before a full credit rating also benefit from specific recommendations as are typically contained in a credit rating report.

CREDIT RATINGS SERVICES IN MORE DEPTH

Our Rating Philosophy

CRA rates entities and financial instruments following the proprietary rating methodology. The methodology incorporates the latest frontier knowledge in corporate finance, strategic management and management philosophies and presents our standardized approach to the rating process used within CRA and therefore limits subjectivity and improves the objectivity of the rating outcomes. It explains our approach to the assessment of credit risk and is intended to be a reference tool for evaluating the credit profiles of companies and helps our credit risk analysts, concerned entities, investors and other interested market participants understand how the key qualitative and quantitative risk characteristics are likely to affect rating outcomes.

Another key objective of the methodology is to be an accurate and stable measure of relative credit risk which will be correlated with subsequent default and loss. We aim to ensure that our ratings represent independent opinions on the future ability of the borrowers to make payments on their financial obligations on time and in the manner agreed. These ratings are through the cycle forward looking opinions or assessments of a firms' ability to repay debt. The ratings are renewed every 12 months or at a shorter interval in the event of significant development in the market.

Since credit profiles of companies are not identical each (broad) ratings category is further differentiated by notching up or down represented by the signs (+) or (-) respectively to ensure that credit risk ratings assignments are as accurate as possible and reflect the fundamental differences in the credit profiles of companies between high, medium and low risk within each rating category.

Types of Credit Ratings Services

CRA professionally undertakes the following types of credit ratings:

1. Institutional Ratings:

This type of rating encompasses the entire institution and its ability to service debts it contracts. It is essentially a rating of the institutional viability. This rating is useful to not only potential lenders to the institution but also providers of equity and other stakeholders.

2. Debt Instrument Ratings:

This type of rating focuses on a particular debt instrument issued by an institution. These would include long term instruments such as corporate bonds and short term instruments such as commercial paper. The debt instrument would be assessed in light of the institution's projected cashflows and its specific ability to service the contracted debt.

3. Bank Loan Ratings:

These ratings are specific to banks and other financial institutions that advance credit. Bank Loan Ratings are used by banks to determine risk weights for their loan exposures, in line with the Bank of Zambia's guidelines for Implementation of the New Capital Adequacy Framework under Basel II Capital Accord. CRA rates all type of fund-based and non-fund based facilities sanctioned by Banks. This would include cash credit, working capital demand loans, Letter of Credit, Bank guarantees, Bill discounting, Project loans, Loans for general corporate purposes etc.

Ratings Advisory Services

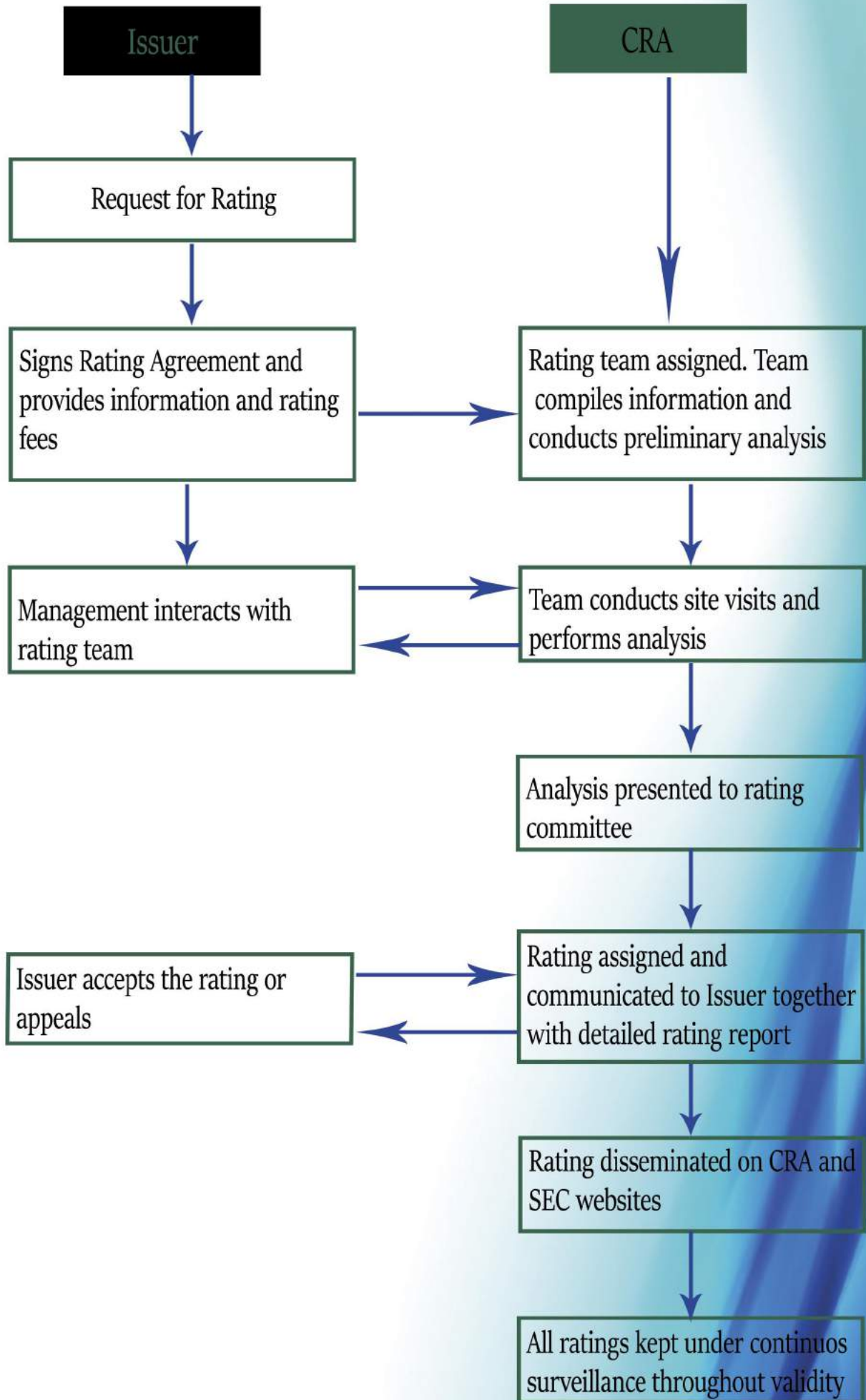
In addition to the above specific ratings, CRA provides rating advisory services. We are aware that many of our clients contemplating the first credit rating would in the first place like to have initial non-rating assessment. For such clients, we assess the likely outcome of the rating process by conducting confidential and non-public credit ratings. The clients use such a report for internal consumption. The report contains recommendations on how the clients can improve future rating outcomes. This report documents details about all the major weaknesses that significantly impact the rating outcomes and the major measures that the client is required to take to prepare for the actual credit rating. For clients about to undergo a credit rating or other financial assessments with another rating agency, CRA supports such clients throughout all stages of the process. For example, CRA assists its clients by directly engaging with the rating agencies, preparing the clients for rating agency interviews and ensure that all supporting information and analysis of that information is presented to the rating agencies in the best possible light.

Rating Process

In order to perform a rating we first identify the key quantitative and qualitative rating factors which are generally most important in assigning credit ratings in the particular industry and consequently seen as critical in the determination of a company's credit worthiness or credit risk profile. Each key rating factor also encompasses sub-rating factors each of which drives the rating of the related key rating factor. We analyse the issuer's organisational effectiveness, financial standing and operational performance using renowned management techniques such as SWOT Analysis, PESTLE Analysis and competitive rivalry using Michael Porter's 5 Forces Model. Our methodology also recognizes that relevant factors affect the credit profile of companies differently and that some rating factors may have a stronger bearing on the outcome of the rating process than other rating factors. In recognition of this possibility we always attempt to assign weights to rating factors to closely mirror circumstances existing at the time of the rating process.

We also recognize that the factors and related weights are indicative only and in some instances it may be necessary to assess whether they can still hold, at the time of the rating exercise, in the light the peculiarities as well as recent developments around the factors, the entity being rated or the industry in which that entity operates.

The rating process followed by CRA is presented diagrammatically below:



Ratings and the Rating Scale

The ratings available under our rating framework together with a detailed explanation of what each rating means is provided in the table below. Ratings falling in the rating category of AAA to BBB- represent investment grade i.e. of acceptable level of risk whilst ratings below BBB- represent investments of a riskier or speculative type. The ratings are a result of both quantitative and qualitative risk assessments and review of the Rating Advisory Committee recommendations to the Board Rating Committee. The final ratings are announced by the Board Rating Committee.

The rating methodology applies a very narrowly defined overall rating range to 1 decimal points for aggregate weighted total factor score (i.e. the sum of the product of sub-factor numerical scores and the sub-factor weights) to recognize that credit risk profiles of entities are not identical and to reflect the unique characteristics of each entity or debt issue. This means that two entities or debt instruments may be rated in the same broad credit risk category of say BBB category, but there are likely to be peculiar circumstances that differentiate one entity or debt instrument from the other and assigning an identical credit risk rating becomes inappropriate hence

Nomenclature	Long-term Rating	Short-term Rating
AAA	Highest quality, minimal credit risk	Prime
AA+	High quality, low credit risk	Prime
AA		
AA-		
A+	Upper-medium, low credit risk	Prime/subprime
A		
A-		
BBB+	Medium grade, moderate credit risk	Subprime
BBB		
BBB-		
BB+	Substantial credit risk	Not prime/Speculative
BB		
BB-		
B+	High Credit Risk	Not investment grade, very high speculative
B		
B-		
C+	Very High Credit Risk	Not investment grade, very high risk/extremely speculative
C	In default or near default, some recovery prospect	Not investment grade, Loss/extremely speculative
C-	In default or operating under administrative order	Loss or no prospect of recovery

What this means for businesses

Your Board and Management have worked extremely hard to get your business to its current level. You still see the potential for further growth, but are trapped by lack of financial resources needed to leap forward. Without financial resources this potential remains a dream. Further, you may be considering listing on LuSE's Main Exchange or on the newly introduced Alternative Investment Market in order to tap into the local capital market or access foreign capital.

CRA is here to help you access capital locally and internationally. So simply get a Rating from CRA and see how the world of funding opportunities unfolds to enable you attract funds at competitive interest rates.

WHAT ELSE DO WE DO.

Pursuant to its mandate, CRA provides a number of ancillary services to ratings. These are:

Investment/Credit Advisory



We also advise investors seeking to place their funds in institutions or financial instruments. Similarly we provide credit reviews on clients for prospective lenders. Our integrated knowledge of the market and borrowers gives us a unique bird's eye view, which individual lenders may not possess on their own.

Designated Financial Advisor



We are approved by the Lusaka Stock Exchange Limited (LuSE) as a Designated Financial Advisor to SMEs. This means that CRA is qualified to be appointed as DFA by SMEs that desire to list on the Alternative Market (i.e. Alt-M) at the LuSE for purposes of guiding such SMEs through all the procedures necessary to get listed on LuSE's Alt-M.

Public Policy Analysis



We provide analysis of public policy pronouncements and how they specifically affect the financial markets and credit environment. This also serves as an input into our credit rating reports.

Project Appraisal



We examine the viability of prospective and existing projects. Our knowledge of industries and markets empower us with the necessary insights to appraise projects well beyond the numbers and brokerage financing.

Social Performance Assessments



We work with **Inclusion Africa** who conduct Social Performance Assessments (SPAs) on behalf of Moodys. Our SPAs are conducted in accordance with Moodys methodology and enable clients benchmark globally. SPAs serve important internal and external needs of clients and can open up opportunities for new sources of financing.

Research and Training



Our ratings and all other assessments are conducted using transparent methodology. At CRA we believe our clients have to understand our methods in order to value our work. Training is conducted for prospective ratees, researchers and other interested parties.

BOARD AND SENIOR MANAGEMENT OF CRA



Professor Pinalo Chifwanakeni
Non-Executive Director

Professor Pinalo Chifwanakeni- Founder and Vice Chancellor of the University of Lusaka. Professor Chifwanakeni has a strong track record in both academia and industry. He holds Bachelors and Masters of Science degrees in accounting and finance, and is a fellow of the Chartered Institute of Management Accountants (CIMA), Zambia Institute of Chartered Accountants (ZICA) and the Zambia Institute of Banking and Financial Services (ZIBFS). Professor Chifwanakeni has in the past served as Chief Executive of ZICA and ZIBFS and as Chief Financial Officer in commercial banking. At the inaugural ZICA awards in 2012, Professor Chifwanakeni was awarded as the Most Innovative Accountant in Zambia.



Wilson Kalumba
Chief Executive Officer & Chief Rating Analyst

Wilson is a Moody's Certified Corporate Credit Rating Analyst and a holder of the Harvard Business School's Leadership Development Program Certification in Strategic Financial Analysis for Business Evaluation. He is an ACCA qualified Chartered Accountant and a Fellow Member of the Zambia Institute of Chartered Accountants. In addition Wilson is a Certified Forensic Accountant (Cr.FA) and an Associate of the Chartered Institute of Arbitrators. He obtained his MBA from Edinburgh Business School. Mr Kalumba brings 22 years of high-level experience covering regulatory matters, financial markets and international engagements. He was Assistant Director-Financial Analysis in the Bank of Zambia's Bank Supervision Department where he was in charge of financial statements analysis and carried out extensive ratings and assessments of commercial banks over many years. He led a number of project teams including the implementation of the Basle II capital accord, financial crisis contingency framework and adoption of supervisory standards such as the Basle Core Principles. Between 2001 and 2008, Wilson worked for the United Nations, in New York as a financial expert in the Sanctions Monitoring Team leading world-wide searches for financial resources of terrorist's organisations or rebel groups and assessed national governments for implementation of financial and economic sanctions. Early in his career, Wilson worked for Price Waterhouse and Coopers & Lybrand in the firms' external audit departments.



Chishimba Yumbe
Executive Director - Strategy & Business Development

Chishimba is a Moody's Certified Corporate Credit Rating Analyst and Harvard University graduate with a Masters Degree and Edward Mason Fellowship in Public Policy and Management. Chishimba also has an MBA degree from Edinburgh Business School and is a Fellow of the Association of Chartered Certified Accountants (ACCA) and the Zambia Institute of Chartered Accountants (ZICA), under which he served as Vice President from 2011 to 2014. In addition, Chishimba is a Member of the Association of Corporate Treasurers. Chishimba brings 22 years of experience in accounting, financial management and audit. He served as Director Finance at the Bank of Zambia for ten years up to July 2014, a period in which he was instrumental in improving financial management and strategic planning at the central bank. Chishimba earlier worked as management auditor at the United Nations Headquarters in New York and as audit senior at the Big Four accounting firm, KPMG. Chishimba currently serves on the University of Lusaka's Advisory Board and is an external examiner for finance courses.



Dionysius Makunka
Non-Executive Director

Mr. Dionysius Makunka-ACCA qualified Chartered Accountant and Fellow of ZICA. He holds Chartered Financial Analyst (CFA) designation and Msc in Economics and Finance from University of Manchester in UK and a BA Accountancy from Copperbelt University(CBU). Dionysius brings over 20 years of experience in regulating financial markets and institutions and in financial stability assessments.



Brian Mushimba
Non-Executive Director

Mr. Brian Mushimba holds a Bachelor of Science degree in engineering from the University of Arizona in the USA, a Master's degree in Engineering Management and a Master's degree in Business Administration (MBA), all from USA institutions. He is currently finishing up his PhD in Environmental Engineering (sustainability studies) with the University of Zambia. He is a certified Project Management Professional (PMP) and is a Registered Engineer (R.Eng) with the Engineering Institute of Zambia (EIZ). Brian currently works for Eskom, the largest electricity utility company on the African continent, as an Executive Director responsible for executing the Operations & Maintenance (O&M) mandate from the Ugandan government. in Uganda. He has a total of 15 years of international and regional working experience gained in the West (USA and Europe) and across Sub-Sahara Africa in the highly specialized Industries of energy (power generation) and building materials (Cement manufacturing and related products).



Beatrice Nkanza
Non-Executive Director

Mrs Beatrice Nkanza has more than 25 years hands on experience spanning all financial services at senior management levels. She spent 10 years in banking, 8 years in pensions administration, 6 years in the securities/ capital markets and is currently chairing the board of Focus General insurance company. Mrs Nkanza has interest in SME's. She mentors small companies in both financial and management restructuring and recently attended an ILO sponsored course focusing on SME product development and diversification. Currently Mrs Nkanza is an entrepreneur focusing on women empowerment and financial literacy. Mrs Nkanza holds a BA in Economics, post graduate diploma in financial management, and an MBA degree. She is a Fellow of the Zambia Institute of Banking and Financial Services, a member of Institute of Directors and a Trustee on the Board of Kwacha Pension Fund.



Robin Durairajah
Non-Executive Director

Mr. Durairajah is a Lawyer with extensive experience in the Zambian capital market. He holds an LLB from Sussex University in the United Kingdom and a Management Services Diploma from the Chartered Institute of Bankers, UK. As corporate advisory leader at the legal firm Chibesakunda&Co. Robin has overseen legal aspects of major stock exchange listings and bond issuances in the Zambian market. He has previously worked for the Lusaka Stock Exchange and Corpus Legal Practitioners.

CONTACT INFORMATION



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