PRESS STATEMENT:

PLACEMENT OF KHAYAH CEMENT LIMITED UNDER CORPORATE RESCUE.

The Board of Directors (“the Board”) of **Khayah Cement Limited** (“the Company”) wishes to advise that it has voluntarily placed the Company under corporate rescue in accordance with the provisions of the Insolvency **Act [Chapter 6:07]**.

The Board notes that the Insolvency Act provides for corporate rescue proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for, among others, the development and implementation of a plan to rescue the company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the company continuing in existence on a solvent basis.

The Board has carefully considered that;

(a) The Company has faced considerable challenges in meeting some of its obligations to creditors as and when they fall due for payment, driven in the main by competing demands for cash.

(b) Prospects of meeting the Company’s obligations were hampered by unanticipated and yet major equipment breakdowns on the Vertical Cement Mill and the Kiln. This resulted in significant loss of production coupled with large amounts of money being spent on repairing these critical pieces of equipment.

(c) The kiln was subsequently mothballed in 2023. The kiln is essential for producing the Company’s clinker requirements at lower and competitive costs relative to imported clinker. Clinker is the major raw material in the manufacture of cement.

(d) Following the mothballing of the kiln, the Company was forced to adopt a grinding station model to maintain a foothold in the market, pending recommissioning of the kiln. This necessitated buying in significantly more expensive clinker to support this new business model.

(e) Trade restrictions which were imposed on one of the members of the consortium that purchased a controlling stake in the Company resulted in the withdrawal of critical support and service provision by financial institutions. Certain key suppliers also withdrew their services making the purchase of goods and services very expensive.

(f) Agitation among creditors on account of debts that were outstanding for extended periods has resulted in escalations with some resorting to legal action. To avert negative legal consequences and damage to the Company's assets and reputation, the Company was obliged to make burdensome payment plans. The impact has been an extraction of working capital from current operations - constraining working capital, recovery momentum and profitability.

(g) From late August 2024, the Government of Zimbabwe changed policy resulting in an influx of lower priced imported cement. The Company could not compete with these prices on account of relatively higher production costs from the grinding station model. The result was a reduction, and ultimately a stagnation of sales volumes, revenue and operating capacity to below short-term economic levels - curtailing the Company's recovery and growth momentum. Accordingly, the viability of current operations was compromised.

(h) However, demand for cement in the country continues to be strong – driven by both private and public infrastructural projects. Equally, the Company has a strong, well known, high quality and well accepted brand in the market and often fails to meet demand because of attendant liquidity constraints. In the same vein, a change in the operating model back to the integrated model with own manufactured clinker – anchored by an efficient operational kiln will bring costs down to levels adequate to procure sustainable profit and deflect competition from cheap imports. This together with other restructuring initiatives – financially and organisationally, will lead to recovery of the business. Already, the business undertook, earlier this year, a staff rationalisation exercise at a cost of US$700 thousand that has resulted in notable reduction in monthly operating costs.

(i) Cost containment measures to improve margins and cash generating capacity have been showing promise and are ongoing. Equally and in the course of the year, the Company has shown good underlying performance with double digit month on month growth in volumes and revenue culminating in increased capacity to service its obligations.

(j) Ongoing product quality improvements in the course of the year have been embraced and well accepted by the market and have led to higher product enquiries and demand for the company's products. This has driven a rise in volumes and revenue for the greater part of the year, though working capital constraints alluded to continue to dampen the Company's ability to meet demand. Resolution of these constraints will firmly place the business on a strong financial footing.

(k) Significantly, negotiations for the financing of the kiln refurbishment are in progress with some work already having started. Subject to successful conclusion of the negotiations, recommissioning of the kiln will likely be in the first half of 2025.

(l) In addition, the Company has valuable assets in the form of land, plant, equipment, human capital and industry know-how that can be productively leveraged and exploited to bring about a worthwhile turnaround of the business.

(m) Consequently, there are reasonable prospects of rescuing the Company from its current financial position if the Company is given an opportunity to overcome these temporary hurdles. In particular, the Company seeks a supportive platform for preventing further deterioration of the balance sheet and for restructuring and mitigating the effects of legacy creditors and legacy creditor payments on the business as a basis of limiting the attendant negative effects on working capital adequacy and the ability to increase production capacity in order to develop the interim and grinding station model into a cash positive, self-sustaining model pending the long term solution resident in the resuscitation of the kiln.

On this basis, and in order to afford the Company an opportunity to recover and be restored to a sound financial footing, the Board resolved to place the Company under corporate rescue with immediate effect. It is the Board's firm belief that the corporate rescue process will facilitate a restructuring of the company and its finances while securing a basis for a profitable grinding station model including working capital capacitation pending recommissioning of the kiln.

It is necessary therefore to commence the business rescue process without any further delay and ensure that the assets and business of the Company are protected.

It should, however, be noted that the Company continues with its operations, and continues to provide good quality cement to the market.

By order of the board

Arnold .Z Chikazhe
Company Secretary & Legal Advisor

Dated at Harare on this 24th day of December 2024.

KHAYAH
Formerly Lafarge Cement Zimbabwe

Quality through generations

(Under Corporate Rescue)