ARM's chief executive Pradeep Paunrana said the credit will be used in current and new project. PHOTO | FILE

By VICTOR JUMA

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IN SUMMARY

• ARM expects to complete building a grinding plant in Tanga next year with capacity to produce 2,500 tonnes of cement per day.
• This will add to the new plant in the same locality that was recently commissioned with capacity to produce 3,200 tonnes of clinker and 4,000 tonnes of cement per day.
• ARM will also expand the capacity of its Rwanda cement grinding plant to 2,000 tonnes per day.

ARM Cement has borrowed Sh4.5 billion from CfC Stanbic Bank to finance its expansion plans.

ARM has several ongoing and proposed projects in the capital-intensive cement business, with the firm betting on expansion to boost its bottom line.
The loan is a signal that the Nairobi Securities Exchange-listed company prefers to use a mix of debt, internal reserves and possibly shareholder funds to finance its multi-billion-shilling ventures.

“The credit adds to our existing facilities and will be used in current and new projects,” said ARM’s chief executive Pradeep Paunrana in an interview Tuesday.

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ARM will also expand the capacity of its Rwanda cement grinding plant to 2,000 tonnes per day. The firm has also announced plans to build its biggest cement factory in Kitui with an output of up to 2.5 million tonnes per year.

The new loan will add onto its debt load, but ARM is betting on the increased output to boost its cash generation and grow market share in the increasingly competitive regional cement market.

READ: ARM steps up expansion plans across East Africa
The stock of its debt — including short and long-term loans — increased 7.2 per cent to Sh31.8 billion in the half-year ended June.

The firm’s creditors include Lagos-based Africa Finance Corporation (AFC) which advanced it $50 million (Sh4.5 billion) in 2012 in the form of a convertible bond.

AFC has the option of converting the debt security into ARM’s shares any time during a six-year period at a fixed price of $3.20 per share (Sh288) before the cement firm split its stock five times early last year.

This means that the new conversion rate stands at about Sh57.6 per share, giving AFC a potential 45.8 per cent gain based on ARM’s current trading price of Sh84.
It remains to be seen whether AFC will swap its debt for ARM’s shares, a move that has the potential of freeing the cement firm to use cash earmarked for the debt redemptions for use in its operations.