IKHAYA CREDIT ANALYTICS
Financial Modelling for Credit Risk · Level I: Foundation

CASE

Profit Up, Cash Down

Nyabarongo Building Supplies Ltd and Inzira Commercial Bank Plc

This case was written for classroom discussion. Nyabarongo Building Supplies Ltd, Inzira Commercial Bank Plc and every person and figure in it are fictional. Any resemblance to real entities is coincidental.

Wednesday, 18 March 2026

Aline Uwase, senior credit analyst in Inzira Commercial Bank's corporate credit department in Kigali, opened the email at 7:40. It was from David Habineza, the relationship manager for Nyabarongo Building Supplies Ltd, and it was short: the client's audited FY2025 accounts were attached, the company needed its overdraft raised from RWF 1.5 billion to RWF 2.5 billion, and the managing director wanted an answer by Friday. "Best year they have ever had," David had written. "Sales up 30%, profit up 18%, covenants all fine. This should be straightforward."

Aline opened the accounts. The income statement said what David said. Then she turned to the balance sheet and stopped.

The company

Nyabarongo Building Supplies was founded in 2009 by Emmanuel Gatera, a civil engineer who had started by trading iron sheets from a single shop in Nyabugogo. By 2025 it was one of Kigali's larger independent distributors of building materials: cement, reinforcement steel, roofing sheets, tiles and finishes. It ran a head office and yard in Gikondo, depots in Musanze and Huye, and employed about 140 people.

Sales came from three channels: construction contractors (about 60% of revenue), retail hardware shops (30%) and walk-in customers (10%). Contractors bought on 30 to 90 days' credit; hardware shops on 14 to 30 days; walk-ins paid cash. Cement was bought from two local producers, and steel and finishes were imported through agents, mostly priced in US dollars.

Inzira had banked the company since 2016. The relationship had been uneventful: an overdraft for working capital, a term loan for vehicles and the Gikondo yard, and no arrears on either.

2025: the year of growth

In early 2025 Nyabarongo won supply contracts with three large contractors working on public housing and road projects. Volumes rose quickly. To secure stock, Mr Gatera bought steel ahead of expected price rises and a weaker franc, and he built a new warehouse in Masaka for RWF 900 million, funded mostly by an RWF 800 million term loan from Inzira drawn in mid-2025.

Two other things happened that the relationship manager's email did not mention. The company's main cement supplier shortened its credit terms after another distributor defaulted on it. And Nyabarongo advanced money to Nyabarongo Construction Ltd, a building company owned by Mr Gatera; the balance stood at RWF 280 million at year end, with no written terms.

The economy

The backdrop was turning. Inflation in Rwanda had been rising through late 2025, and in February 2026 the National Bank of Rwanda raised the Central Bank Rate by 50 basis points to 7.25%. Contractors on public projects were reported to be waiting longer for payment. Imported steel had become more expensive as the franc weakened.

The relationship manager's case

David's note to credit set out the request (Exhibit 4). Sales had grown by 30% and net profit by 18%. The company had met its net debt to EBITDA and current ratio covenants. The overdraft was almost fully drawn at RWF 1,480 million because of growth, and the extra RWF 1 billion would fund the new contracts. Security was strong: the Masaka warehouse alone was valued

at RWF 2.2 billion. Two competitors were courting the client, he added, and a slow answer could lose the relationship.

Aline's problem

Aline had seen growth stories before. What she wanted to know was simple: where had the cash gone, and would the extra billion come back? She had until Thursday evening to send her recommendation to the Head of Credit, Ms Claudine Mukamana: support the request, cut it, or restructure it.

> *Your task: put yourself in Aline's position. Using the exhibits and the Day 1 workbook, decide what you would recommend, and be ready to defend it.*

Questions for preparation

1. Is Nyabarongo more creditworthy at the end of FY2025 than at the end of FY2024? What is your evidence?
2. Build the credit cash flow. Where did the cash go in FY2025?
3. The covenants on leverage and the current ratio passed. Why might that be reassuring on paper but misleading?
4. How much of the requested RWF 1 billion would fund growth, and how much would fund weaker working capital?
5. What would you recommend, and on what conditions?

Exhibits

Exhibit 1. Income statements, years to 31 December (RWF millions)

	FY2023	FY2024	FY2025
Revenue	8,400	9,600	12,480
Cost of sales	6,552	7,536	9,922
Gross profit	1,848	2,064	2,558
Operating expenses (excl. D&A)	1,000	1,080	1,300
EBITDA	848	984	1,258
Depreciation and amortisation	120	130	170
EBIT	728	854	1,088
Interest expense	180	210	330
Profit before tax	548	644	758
Income tax	153	180	212
Net profit	395	464	546

Exhibit 2. Balance sheets at 31 December (RWF millions)

	FY2022	FY2023	FY2024	FY2025
Cash and bank	282	378	356	47
Trade receivables	916	1,036	1,210	1,881
Due from related party	0	0	40	280
Inventory	936	1,077	1,259	1,903
Property, plant and equipment	1,200	1,230	1,280	2,010
Total assets	3,334	3,721	4,145	6,121
Trade payables	710	790	908	1,087
Accruals	50	50	54	65
Tax payable	34	46	54	64
Bank overdraft	450	600	700	1,480
Term loan: current	150	150	200	250
Term loan: non-current	800	650	450	1,000
Total liabilities	2,194	2,286	2,366	3,946
Share capital	500	500	500	500
Retained earnings	640	935	1,279	1,675
Total equity	1,140	1,435	1,779	2,175

Exhibit 3. Other information (RWF millions)

	FY2023	FY2024	FY2025
Capital expenditure	150	180	900
Dividends paid	100	120	150
Term loan drawn	0	0	800
Term loan repaid	150	150	200

Exhibit 4. Facilities, covenants and the request

Item	Detail
Overdraft	Limit RWF 1,500m; drawn RWF 1,480m at 31 December 2025; requested limit RWF 2,500m
Term loan	RWF 1,250m outstanding; RWF 250m due in FY2026
Covenants (annual)	DSCR at least 1.20x; net debt to EBITDA at most 2.50x; current ratio at least 1.20x
Security	Mortgage over the Masaka warehouse (valued at RWF 2,200m, March 2025); debenture over stock and receivables
Relationship manager’s view	Strong growth and profit; covenants met; security ample; competitive risk if the bank is slow