



DataPro



CORPORATE RATING REPORT

PRIMA CORPORATION LIMITED

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December, 2021

PRIMA CORPORATION LIMITED

Long-Term Rating:

A⁻

Short Term Rating: A1

Previous Rating: A⁻

Rating Outlook: Positive

Trend: Even

Currency: Naira

Date issued: 2 Dec, 2021

Valid Till: Nov., 2022

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

This report is provided by DataPro subject to the Terms & Condition stipulated in our Terms of Engagement

EXECUTIVE SUMMARY

| | 2020 ₦'000 | 2019 ₦'000 | 2018 ₦'000 | 2017 ₦'000 | 2016 ₦'000 |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Turnover | 30,415,191 | 27,662,896 | 25,664,987 | 21,229,430 | 18,521,603 |
| Pre-tax-Profit | 555,111 | 1,096,406 | 1,558,497 | 1,106,655 | 1,219,597 |
| Equity | 9,282,030 | 9,131,797 | 9,592,957 | 9,345,426 | 8,572,866 |
| Non Current Assets | 15,458,348 | 14,008,749 | 12,634,866 | 10,749,373 | 11,329,696 |
| Total Asset | 37,159,775 | 37,529,958 | 43,600,595 | 24,441,877 | 25,022,199 |
| Long-term Debt | 7,343,751 | 4,205,079 | 1,070,527 | 2,282,268 | 2,397,775 |

Rating Explanation

The Short-Term Rating of **A1** indicates *Good Credit Quality* and Satisfactory Capacity for timely payment of financial commitments.

The Long-Term Rating of **A⁻** indicates *Low Risk*. It shows Very Good Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Company, in our opinion, has a strong ability to meet its ongoing obligations.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Company's Audited and Management Accounts.

The risk factors were assessed using the Company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of subject's current healthy profile in the medium to long term period.

Overall, the following were observed:

Strengths:

- Very Good Product Demand
- Good Liquidity
- Good Support from Associates

Weaknesses:

- High Debt Profile
- High Operating Cost

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BACKGROUND

Prima Corporation Limited (“*The Company*”, “*PCL*”) was incorporated 27th of March 1974 and commenced operations on the 1st of October 2004.

The Company is into the production and distribution of *Preforms and Caps* which are mainly used by beverages and water bottling companies in Nigeria. *PCL* has capacity for the manufacturing of different varieties of Preforms such as: 24gm, 26gm, 28gm and 29gm.

The Company is the largest producer of *Preforms and Caps* in Nigeria. Aside Nigeria, the company also directly exports its products to Ghana, Cameroon, Chad, Niger and Liberia. This spread, makes it the largest distributor of Preforms and Caps in West Africa.

The Company employs over 200 staff. Prima Corporation Limited’s head office and factory are located in Lagos, Nigeria. The Company maintains twelve (12) depots and sells its products to over 600 customers which include individuals and corporate bodies. However, multinational companies are its major customers. This category of customers accounts for 83% of its Sales.

The Company is associated and affiliated to other entities listed as follows.

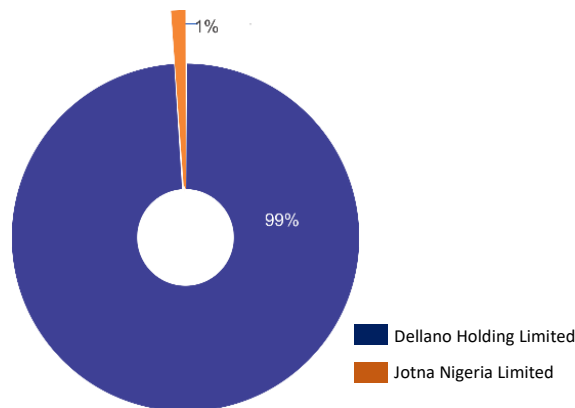
ASSOCIATED AND AFFILIATED COMPANIES

| S/N | NAME | LINE OF BUSINESS | LOCATION |
|-----|----------------------------|--|----------------|
| 1 | The La Casera Co. Plc | CSD & Water | Lagos, Nigeria |
| 2 | Jotna Nigeria Ltd | Management Services | Lagos, Nigeria |
| 3. | Enggee Pet Enterprises Ltd | Manufacturing of PET resin | Lagos, Nigeria |
| 4 | PG Swift Logistics Ltd | Delivery of Preforms and Caps to its customers | Lagos, Nigeria |
| 5. | KHS Ventures F.Z.E | Provides Raw Materials to Prima Corporation | Dubai, UAE |
| 6. | Farewell | Production of C02 | Lagos, Nigeria |
| 7. | MLH Global Services | Trading | Lagos, Nigeria |

Source: Prima Corporation Limited

The ownership of the company is shared between *Dellano Holdings Limited* and *Jotna Nigeria Limited*. *Dellano* Holdings owns 99% of the shares of *Prima Corporation Limited*.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Prima Corporation Limited

DIRECTORS PROFILE

The following served as Directors during the year under review:

The Directors' profiles are as follows:

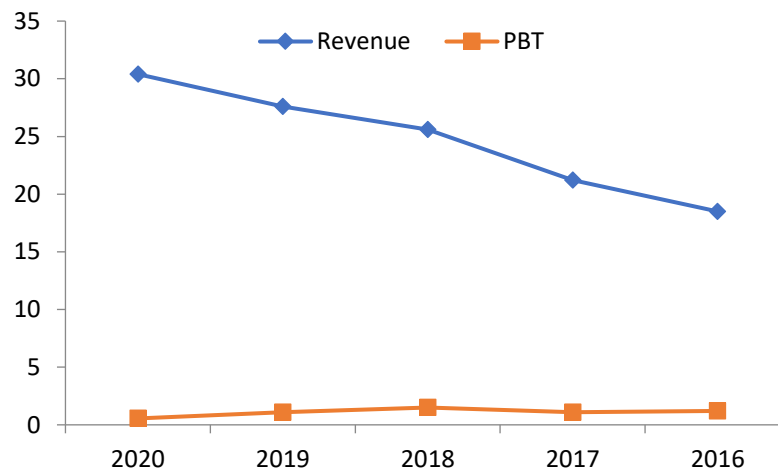
- 1. Name:** Mahinder Vaswani
Position: Chairman/CEO
Education: •Oxford University
Experience: Jotna Group
Experience (Years): 36 years
Board Membership: 2004
- 2. Name:** Brent Grant
Position: Managing Director
Education: •Cardiff University
•John Cardiff University
Experience: OVS
Board Membership: Since 2017
- 3. Name:** Dele Mohammed Belgore
Position: Director
Education: •LL.B - Hull University England
•LL.M - Bristol University, England
•Nigerian Bar
Experience: •Nigeria Merchant Bank
•Chief Rotimi Williams Chambers
•Sofunde, Osakwe, Ogundipe & Belgore
Board Membership: Since 2010

| | |
|----------------------------|------------------------|
| 4. Name: | Tina Agboola |
| Position: | Non-Executive Director |
| Education: | Finance Graduate |
| Experience: | Retired Civil Servant |
| Experience (Years): | 35years |
| Board Membership: | Since 2010 |

FINANCIAL PERFORMANCE

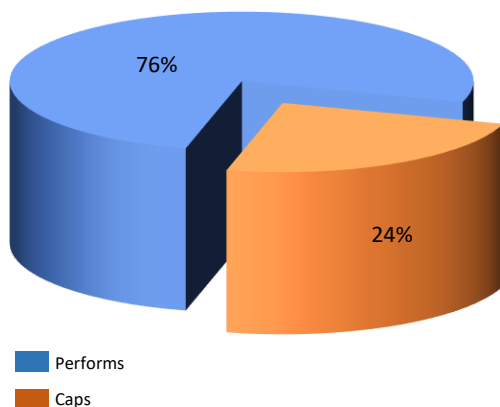
• EARNINGS PROFILE

REVENUE GROWTH (2015 – 2020)



Source: Prima Corporation Ltd

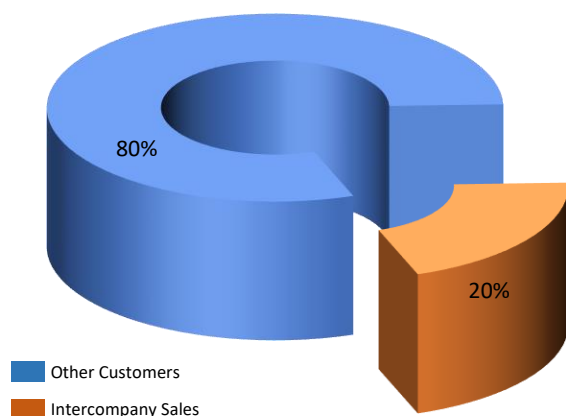
COMPOSITION OF REVENUE BY PRODUCTS (2020)



Source: Prima Corporation Ltd

Prima Corporation Limited has continuously increased its Revenue over the last five years. During the year 2020, Revenue to the Company rose by 10% from ₦27.6b (Yr. 19) to ₦30.4b (Yr. 20). The Company generated its Revenue from the sale of *Preforms and Caps*.

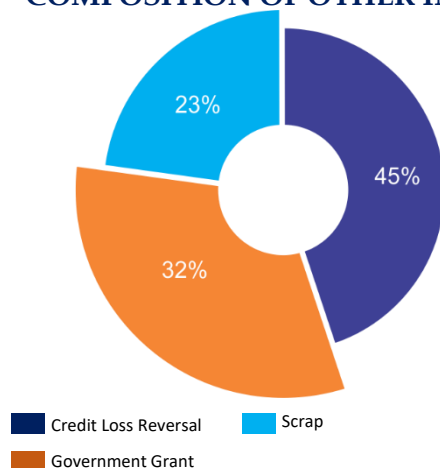
COMPOSITION OF REVENUE BY CUSTOMER (2020)



Source: Prima Corporation Ltd

The Company Revenue was also analyzed by nature of customers. These are sales to other customers and intercompany sales. The Company made 20% of its Revenue in 2020 from Intercompany Sales.

COMPOSITION OF OTHER INCOME (2020)



Source: Prima Corporation Ltd

In addition to Revenue generated from primary activities during the year, the Company also generated Income from Other Sources. These include Revenue from the Sale of Scrap as well as Government Grants arising from the difference between the Nominal Amount and Fair Value of loan obtained from the Bank of Industry (BOI). Other Income amounted to ₦316.5m (Yr. 20).

The rate of growth in the Cost of Sales was very close to the increase in Revenue. Cost of Sales went up by 9% from ₦22.5b (Yr.19) to ₦24.5b (Yr20). Consequently, Gross Profit Margin remained relatively same at 19%. However, Gross Profit in absolute term went up during the year 2020 from ₦5.1b (Yr. 19) to ₦5.8b (Yr. 20).

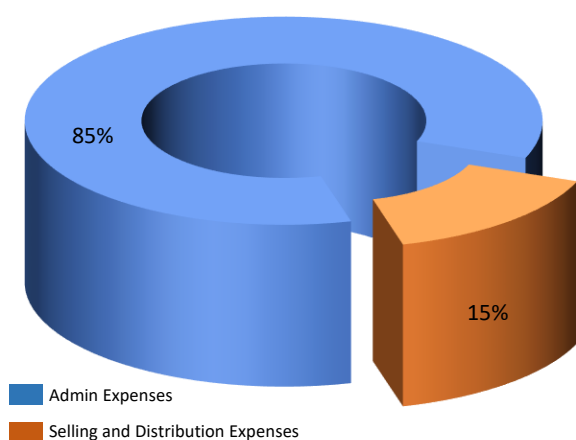
COMPONENT OF TOTAL ASSETS

| Item | 2020 ₦000 | 2019 ₦000 |
|--------------------|--------------|--------------|
| Revenue | 30,415,191 | 27,662,896 |
| Cost of Sales | (24,575,782) | (22,466,058) |
| Gross Profit | 5,839,409 | 5,196,838 |
| Operating Expenses | (3,108,726) | (2,446,020) |
| Other Income | 316,565 | 1,011,995 |
| Operating Profit | 3,047,248 | 3,762,213 |

Source: Prima Corporation Ltd

The rate of growth in the Cost of

COMPOSITION OF OPERATING EXPENSES (2020)



Source: Prima Corporation Ltd

The Company incurred Exchange Loss of ₦0.7b in the year 2020. This pushed the Administrative Expenses from ₦1.7b (Yr.19) to ₦2.6b (Yr.20). In view of the significant rise in Administrative Cost, The Operating Expenses surged from ₦2.4b (Yr.19) to ₦3.1b (Yr.20). However, Selling and Distribution component of Total Operating Expenses went down from ₦177m (Yr. 19) to ₦167m (Yr. 20).

As a result of the increase in Operating Expenses, Operating Profit declined from ₦3.8b (Yr. 19) to ₦3b (Yr. 20). The decline in Operating Profit influenced the 49% decrease in the Profit Before Tax of the Company. Profit before Tax went down from ₦1b (Yr. 19) to ₦0.6b (Yr. 20).

Consequently, all profitability indices of the company declined accordingly. However, the Profit Before Tax generated within the first six month of the Company operation in the year 2021 has crossed ₦1b.

• CAPITALIZATION

The Share Capital and Premium of the Company remained unchanged in the years 2019 and 2020. Also, Revaluation Reserve balance for both years was ₦1.9b. Retained Earnings growth was insignificant on account of decline in Profit from ₦5.4b (Yr.19) to ₦5.5b (Yr.20). Therefore, Equity increased marginally by 2% during the year under review.

The value of the Company's Total Assets reduced marginally by 1% in the year 2020. The Assets of the Company are largely current in Nature. Current Assets accounted for 41% of the Company's Total Assets.

BREAKDOWN OF THE TOTAL ASSETS

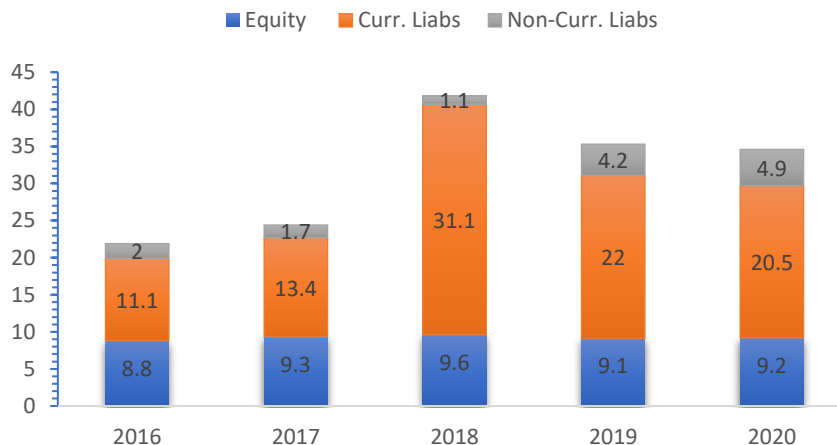
| Item | 2020 ₦ | % |
|--------------------|------------|-----|
| Non-Current Assets | 15,458,348 | 41 |
| Current Assets | 21,701,427 | 59 |
| Total Assets | 37,529,958 | 100 |

Source: Prima Corporation Ltd

Equity as a proportion of Total Assets was 25% (Yr. 20) as against 24% (Yr. 19). This meant that the Debt funding of the Company's Assets declined to 75% in the year 2020.

The Company's Total Debts were largely current in nature. However, Total Debt reduced during the year from ₦22b (Yr. 19) to ₦20.5b (Yr. 20). Non-Current Liabilities of the Company amounted to ₦7.3b in the year under review.

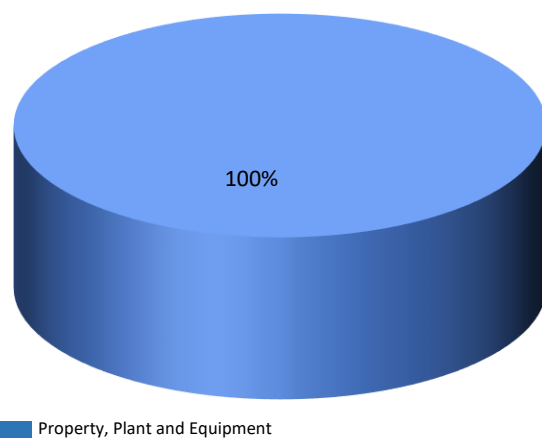
CAPITAL FUNDING PROFILE



Source: Prima Corporation Ltd

ASSET UTILITY

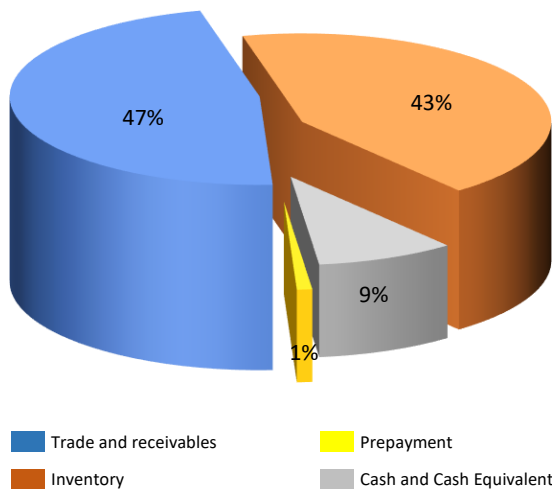
COMPOSITION OF NON-CURRENT ASSETS



The Non-Current Assets of the Company accounted for 42% of its Total Assets. These largely comprised of Property, Plant and Equipment as well as Right of Use Assets. Total Non-Current Assets grew during the year by 11% from ₦14b (Yr. 19) to ₦15.4b (Yr. 20).

Source: Prima Corporation Ltd

COMPOSITION OF CURRENT ASSETS

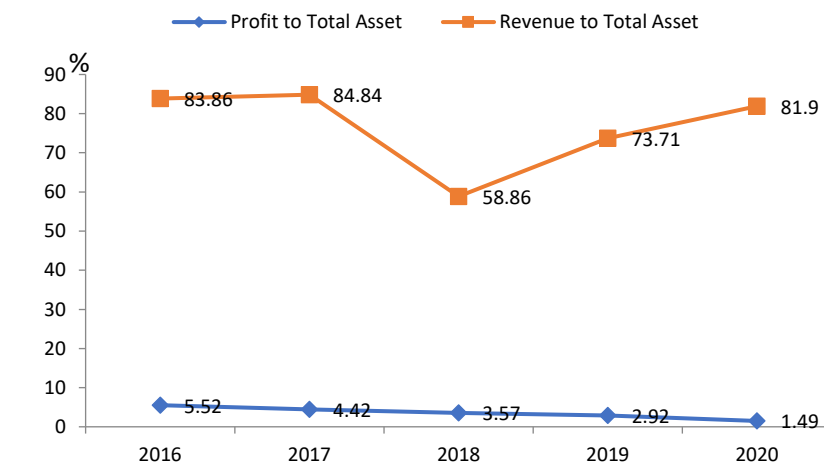


Source: Prima Corporation Ltd

The Current Assets value for the year 2020 was ₦21.7b. This represented a decline of 8% compared with the year 2019 balance. The major components of Current Assets are Inventories as well as Trade and Receivables. Substantial reduction in the amount due from related parties led to the overall deceleration in the Current Assets of the Company.

The ability of the Company to effectively use Asset to generate Revenue continued to improve during the year 2020. It grew from 74% (Yr. 19) to 82% (Yr. 20). However, Return on Total Assets went down from 3% (Yr. 19) to 2% (Yr. 20).

ASSET UTILIZATION TREND (2016 - 2020)

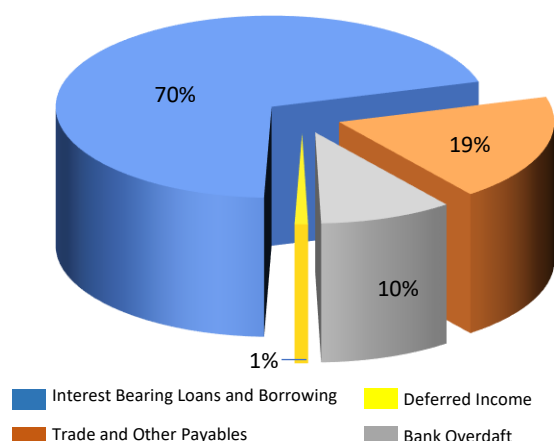


Source: Prima Corporation Ltd

• LIQUIDITY

The Total Debt of the Company comprised of Non-Current Liabilities amounting to (₦7.3b) and Current Liabilities (₦20.5b) at the end of the year under review. Overall, the Total Liabilities of the Company went down marginally during the year by 2% from ₦28.3b (Yr. 19) to ₦27.8b (Yr. 20).

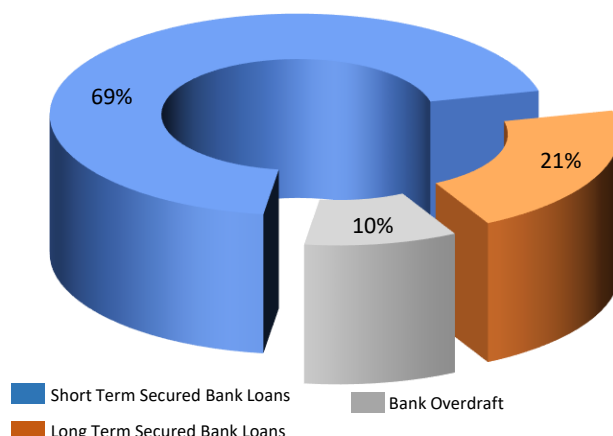
COMPOSITION OF CURRENT LIABILITIES



Source: Prima Corporation Ltd

The reduction in the Total Liabilities was due to the decline in Current Interest Bearing Liabilities and Bank Overdraft. Interest Bearing Liabilities fell from ₦15.6b (Yr. 19) to ₦14.1b (Yr. 20). Similarly, Bank Overdrafts taken by the Company reduced from ₦3.7b (Yr. 19) to ₦2.1b (Yr. 20). Other Current Liabilities include Trade and other Payables, Deferred Income and Current tax Payable.

COMPOSITION OF INTEREST-BEARING LOANS (2020)



Source: Prima Corporation Ltd

The Debt profile of the Company was a mix of Short-term and Long-term Secured Loans as at the end of the year 2020.

The company continued to generate Positive Cashflows from its operating activities in the year under review. However, this figure went down from ₦10.9b (Yr. 19) to ₦4.8b (Yr. 20).

Ability to settle its current obligations using its Liquid Assets remained strong during the year 2020. This was 107% (Yr. 19) and

106% (Yr. 20).

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by its Board of Directors which consists of four (4) members.

The company recognizes that it is exposed to Market Risk, Credit Risk and Liquidity Risk. Details regarding the management of these risks are contained in its Annual Report.

RISK FACTORS

In the course of our review, we observed the following risks:

- **CREDIT RISK**

This is the risk arising from the inability of counterparties to honor their obligations as and when due.

Based on our review, about ₦10.1b (Yr. 20) representing 27% of the company's Total Assets are Trade, Loans and other receivables due to the Company. Therefore, the credit quality of these counterparties may have an adverse effect on the Company.

However, blue chip companies accounted for 84% of the Company's receivables. Consequently, the effect of credit risk on the company is minimal.

- **LIQUIDITY RISK**

This is the risk arising from the inability of the Company to pay obligations as and when due.

Based on our review, Prima Corporation maintained a current ratio of 106% (Yr. 20).

- **EXCHANGE RATE RISK**

This is the risk arising from adverse movement in exchange rate between naira and other currencies of the Company's operations.

Based on our review, we observed that the Company imports 15% of the PET required for manufacturing Preforms and 70% of HDPE/PP for Caps. Therefore, adverse movement in exchange rate may affect the profitability of the Company.

However, we noted that the Company has increased capacity to obtain its required raw materials within Nigeria to about 90%. Efforts are being made to ensure that this improved to 100%.

FUTURE OUTLOOK

The Company intends to invest in replacement of its equipments. This is to enable it replace the existing 32 *Cavity Machine* with 128 *Cavity Machine* within the period 2021 and 2024.

It also has plans to renovate existing Cap machines within the same period. This is in addition to setting up a new 65000MT facility in another location by the year 2025.

CONCLUSION

The Rating of the Company is supported by its Strong Business Profile, Good Business Support from its Associate Companies and Good Liquidity Profile.

However, it is constrained by its high debt profile. Consequently, we assigned a Rating of "A-"

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 2nd December, 2021

For and on behalf of:
DataPro Limited
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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long-term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

| Indicator | Meaning | Explanation |
|-----------|--------------|---|
| AAA | Lowest Risk. | (<i>Superior</i>) Assigned to companies which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a Excellent ability to meet their ongoing obligations. |
| AA | Lower Risk | (<i>Excellent</i>) Assigned to companies which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a very strong ability to meet their ongoing obligations. |
| A | Low Risk | (<i>Very Good</i>) Assigned to companies which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a strong ability to meet their ongoing obligation. |
| BBB | Slight Risk | (<i>Fair</i>) Assigned to companies which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have an ability to meet their |

current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

| Indicator | Meaning | Explanation |
|-----------|---------------|--|
| BB | Moderate Risk | <i>(Marginal)</i> Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions. |
| B | High Risk | <i>(Weak)</i> Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions. |
| CCC | Higher Risk | <i>(Poor)</i> Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions. |
| DD | Highest Risk | <i>(Very Poor)</i> Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions. |

SHORT-TERM RATING

| Indicator | Meaning | Explanation |
|-----------|------------------------|---|
| A1+ | Highest credit quality | Indicates the strongest capacity for timely payment of financial commitments. May have an added “+” to denote any exceptionally strong credit feature. |
| A1 | Good credit quality | A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings. |
| A2 | Fair credit quality | The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non-investment grade. |
| B | Speculative | Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions. |
| C | High default risk | Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations. |