



DataPro



CORPORATE RATING REPORT

VALENCY AGRO NIGERIA LIMITED

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September, 2022

VALENCY AGRO NIGERIA LIMITED

Long-Term Rating:

A⁻

Short Term Rating: A1

Previous Rating: BBB⁺

Rating Outlook: Positive

Trend: UP

Currency: Naira

Date issued: 2 Sept., 2022

Valid Till: 1 Sept., 2023

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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EXECUTIVE SUMMARY

	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018 ₦'000
Turnover	64,127,807	45,935,957	31,922,859	17,966,613	4,793,052
Pre-tax-profit	2,032,144	1,575,198	900,034	953,162	47,209
Shareholders' Funds	10,803,179	7,663,483	4,823,529	3,375,660	2,261,488
Fixed Asset	9,939,373	6,302,967	5,592,495	5,120,218	4,595,935
Total Asset	65,812,644	39,099,055	30,099,579	12,141,861	8,053,402
Long-term Debt	7,206,657	7,206,657	-	-	-

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 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 its current healthy profile in the medium to long term period.

Overall, the following were observed:

Strengths:

- Experienced Management Team
- Very Good Asset Utilization
- Good Profitability

Weakness:

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BACKGROUND

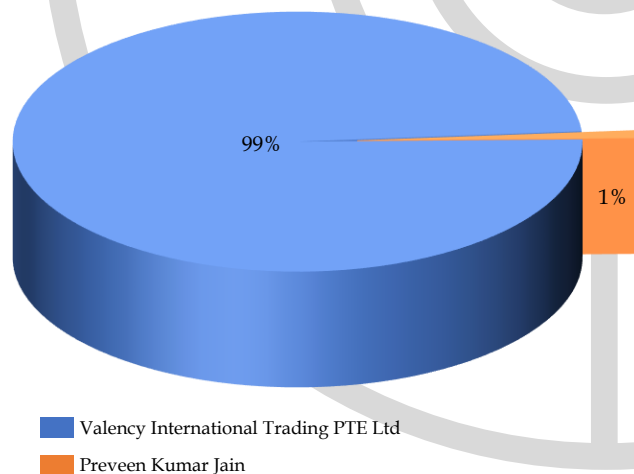
Valency Agro Nigeria Limited (*"The Company"*) was formerly known as **Valency Cashew Processing Limited**. The Company was incorporated on the 11th of December 2013 and began operations in April 2015. The Company changed its name to **Valency Agro Nigeria Limited** on the 20th May, 2019.

The principal activities of the Company include: the processing of Raw Cashew Nuts, Cocoa Beans, Sesame, Ginger, Black Eye Beans, Pigeons Peas, Soybean and Sheanut. Its **Nutrinutz** brand of edible cashew nut comes in three (3) variants. The products are: **Nutrinutz Chilli Pepper**, **Nutrinutz Roasted and Salted** and **Nutrinutz Honey coated**.

Through an already established extensive global reach, it developed sourcing networks directly with farm gate suppliers and manufacturing processors. Through these networks, the Company engages in export of Potatoes, Rubber, Groundnut, Rice, Pepper, Kapok, Sage, Cotton coal, Mango, Vegetables, Palm, Agriculture and Mineral resource. The Company has a trade and supply chain across Africa and Asia.

The Company has also expanded its presence across the value chain with operations in logistics, warehousing and through its own processing facilities.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Valency Agro Nigeria Limited

Presently, the Company has production and processing facilities in Lagos, Ogun and Kano State including Ogbomosho in Oyo State, Keffi in Nasarawa State, Ankpa and Anyigba in Kogi State.

The Authorized Share Capital of the Company is made up of 500,000,000 Ordinary shares of ₦1 each, with 495,100,000 Issued and fully paid up. The Company is owned significantly by **Valency International Trading PTE Ltd (Parent)**.

DIRECTORS' PROFILE

The following served as Directors during the year under review; **Dhanuka Sunil-CEO; Basba Nand Balodi; Ituah Ighodalo; Shiv Sethia and Uchechukwu Wigwe**

The Directors' profile is as follow.

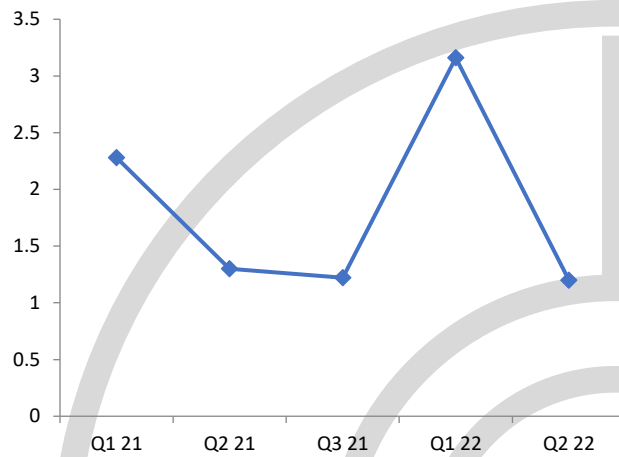
- 1. Name:** Sunil Dhanuka
Position: Chief Executive Officer
Education: Chartered Accountant & Cost Account
Years of Experience: Over 31 years
Job Experience:
 - Tower Aluminum Nigeria Plc
 - United Global Resources Ltd
 - Triton Aqua Africa Ltd
 - Valency Agro Nigeria Ltd
- 2. Name:** Basba Nand Balodi
Position: Executive Director
Years of Experience: 35 years
Job Experience:
 - Swiss Singapore Overseas Enterprises Pte Ltd
 - Valency Agro Nigeria Ltd
- 3. Name:** Ituah Olajide Ighodalo
Position: Non-Executive Independent Director
Education:
 - B. Sc - University of Ibadan
 - M. Sc - University of Hull
 - Harvard Business School
 - Institute of Chartered Accountant of Nigeria**Years of Experience:** Over 20 years
Job Experience:
 - PricewaterhouseCoopers
 - Ighodalo & Co.
 - Valency Agro Nigeria Ltd
- 4. Name:** Shiv Sethia
Position: Chief Financial Officer
Education: Chartered Accountant
Years of Experience: 10 years
Job Experience:
 - WACOT Ltd
 - Valency Agro Nigeria Ltd
- 5. Name:** Uchechukwu Wigwe
Position: Non-Executive Independent Director
Education: •
Years of Experience: 20 years
Job Experience:
 - Wigwe & Partners
 - Valency Agro Nigeria Ltd

INDUSTRY OVERVIEW

The Agricultural sector in Nigeria is one with very high potentials for employment generation, food security and poverty reduction. The industry has been largely dominated by subsistence farming over the past years. However, there are now signs of improvement due to introduction of technology.

The sector grew by 1.20% (year-on-year) in real terms for the second quarter of 2022. However, it decreases by 1.96% and 0.10% compared with the preceding quarter and corresponding period of 2021 respectively.

**AGRICULTURE REAL GROWTH RATE
(Q3 20 – Q3 21)**



Source: Nigeria Bureau of Statistics

The industry contributed 23.24% to Nigeria's GDP in real terms in Q2 2022, with crop production being the major driver of the sector. This is evident as it accounts for 91.99% of the overall nominal growth of the sector in the Q2 2022. Other sub activities which make up Agricultural sector include: Livestock (1.7%), Fishing (0.5%) and Forestry (0.3%).

The Agriculture Sector has been faced with major challenges including lack of access to finance, resource shortages, insufficient supply to meet the growing population demand, inadequate and outdated system of farming, absence of value addition and supply-chain linkages

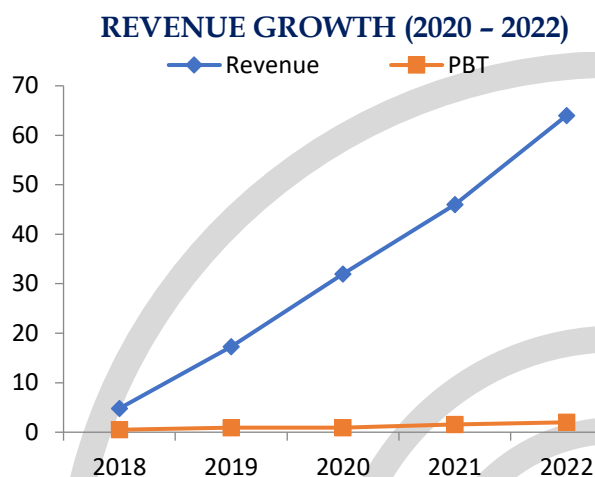
Reforms in the sector have been driven by government policies aimed at encouraging more mechanized farming and thereby, leading to a more agro-allied nation. The Agriculture Promotion Policy which succeeded the Agriculture Transformation Agenda was developed in 2016 as a national policy framework for driving the growth and development of the Sector in Nigeria. Other initiatives include: *The Nigeria-Africa Trade and Investment Promotion Programme*, *The Edo State Oil Palm Programme (ESOPP)*, *The Nigerian Oil Palm Policy (Draft)*, *CBN Commercial Agriculture Credit Scheme*, *CBN ₦50bn Targeted Credit Facility* (COVID-19 pandemic response) and *CBN Backward Integration Programme*.

In January, 2021, Nigeria signed the *Africa Continental Free Trade Area Agreement (AFTCA)*. The aim of the Agreement is to foster agricultural transformation and advancement in Africa in order to promote food security and competitiveness through the improvement of regional agricultural value chain and investment in production.

Growth opportunities abound for operators in the industry on account of availability of arable lands, support initiatives from government and the growing population of the country. Additionally, *AFTCA* will also provide access to larger market for operators in the sector.

FINANCIAL PERFORMANCE

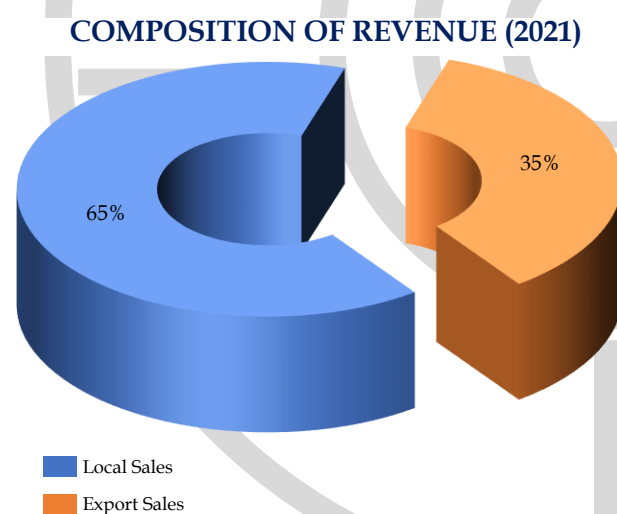
EARNINGS PROFILE



Source: Valency Agro Nigeria Limited

The Company has over the last five (5) years achieved significant increase was 40% rising from ₦45.9b (Yr. 21) to ₦64b (Yr.22). Local Sales dominated the Revenue source by 65%.

The Company Cost of Sales comprised of purchase of Raw materials. This is in addition to cost incurred on processing of cashew kernels as well as clearing and forwarding, quality inspection, quality claim and warehouse rent.



Source: Valency Agro Nigeria Limited

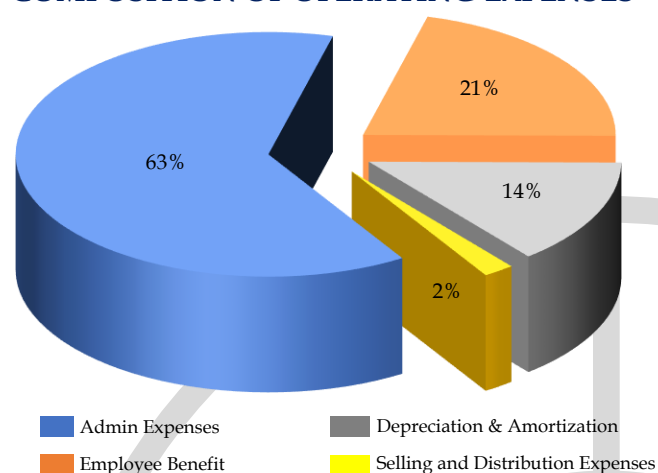
Increase in Costs of Sales lagged behind Revenue during the year 2021. Direct Cost rose from ₦42b (Yr.21) to ₦57b (Yr.22) by 37%. Consequently, Gross Profit Margin improved from 8% (Yr.21) to 11% during the year 2022.

PROFITABILITY

Expansion in operation led to the significant rise in total Operating Cost. The Operating Expenses grew by 100% from ₦1.6b (Yr. 21) to ₦3.2b (Yr. 22). Administration Expenses accounted for the largest proportion of total Operating Cost during the year under review.

Other Income which includes Earnings from sources outside the Company's principal activities amounted to ₦322m (Yr. 22). This was a marginal decline compared with ₦328m earned in the year 2021.

COMPOSITION OF OPERATING EXPENSES



Source: Valency Agro Nigeria Limited

Foreign Exchange gained during the year was ₦40.9m less than ₦145m (Yr. 21). Also, Finance costs increased significantly from ₦1.4b (Yr. 21) to ₦3b (Yr. 22). This was due to additional Borrowing contracted during the financial year 2022.

The rise in Operating Profit moderated the brunt of increase in Finance Cost. Consequently, Pre-Tax Profit went up by 30% from ₦1.56b (Yr. 21) to ₦2.0b (Yr.22).

However, Net Profit Margin remained relatively same at 3% in the years 2021 and 2022.

CAPITALIZATION

Share Capital remained same at ₦495m for the year 2021 and 2022. The main growth driver of the Company's Equity was Profit retention and revaluation reserve. Therefore, Equity went up from ₦7.2b (Yr.21) to ₦10.8b (Yr.22).

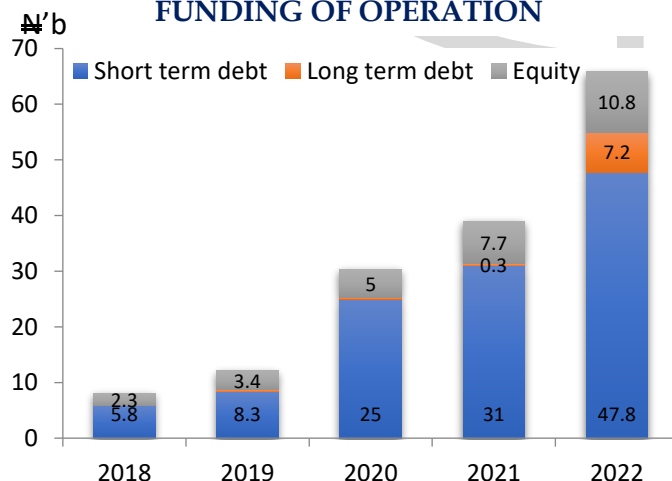
BREAKDOWN OF TOTAL ASSETS

Item	2021 ₦	%
Non-Current Assets	9,939,373,426	15
Current Assets	55,873,270,218	85
Total Asset	65,812,643,644	100

Source: Valency Agro Nigeria Limited

Total Assets stood at ₦65.8b in the year 2022. It increased by 68% from ₦39b (Yr. 21) to ₦65.8b (Yr. 22) as a result of additional investment in Property Plant & Equipment (PPE) as well as significant growth in Current Assets.

FUNDING OF OPERATION



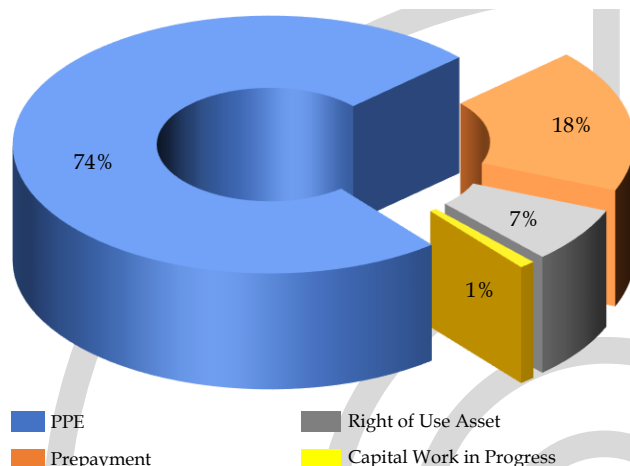
Source: Valency Agro Nigeria Limited

Equity Financing was 16% (Yr. 22) as against 18% in the previous year. The balance was financed by both short and long term liabilities. Borrowings accounted for 90% of the Company's Total Liabilities. Majority of the Liabilities were in short term during the year under review.

• ASSET UTILITY

The Company operates the largest cashew processing plant in Nigeria. Its facilities are spread across six (6) states in Nigeria. These are: **Lagos, Ogun, Oyo, Ondo, Benue** and **Kano**. Total Assets comprised of Non-Current and Current Assets. The

COMPOSITION OF NON-CURRENT ASSETS



Source: Valency Agro Nigeria Limited

contribution of Current Assets to Total Assets was 85% in the year 2022. Non-Current Assets comprised of **PPE**, Right of Use Assets, Prepayments and Capital Work-in-Progress. The value of Non-Current Assets increased by 60% from ₦6.3b (Yr. 21) to 9.9b (Yr. 21). Acquisition of PPE and growth in Prepayments contributed to the increase.

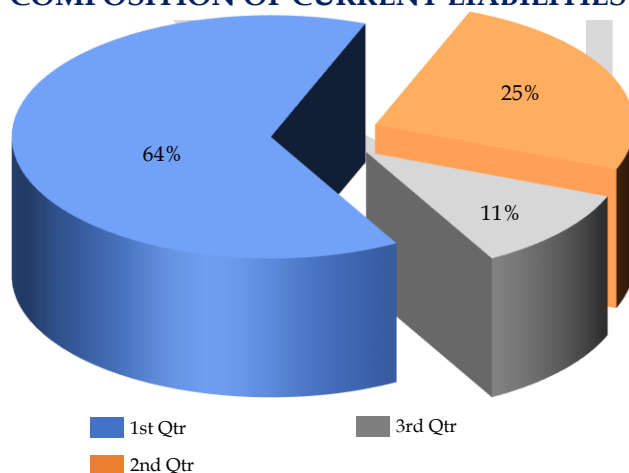
The ability of the Company to use Assets to generate Revenue grew in the year under review. This was

85% (Yr. 21) and 103% (Yr. 22). Additionally, the ability of the Company to utilize assets to generate profit declined marginally from 4% (Yr. 21) to 3% (Yr. 22).

• LIQUIDITY

Total Liabilities increased by 72% from ₦32b (Yr. 21) to ₦55b (Yr. 22). Liabilities were majorly short-term in nature, with current obligations accounting for nearly 86%.

COMPOSITION OF CURRENT LIABILITIES



Source: Valency Agro Nigeria Limited

The Growth in Liabilities was due to increased borrowings during the reviewed period. Short term portion of the Borrowings rose from ₦19b (Yr.21) to ₦42b (Yr.22) and accounted for 77% of Total Liabilities. Aside Borrowings, other components of Current Liabilities include Trade and Income Tax Payables.

Borrowings are existing short-term facilities with Commercial Banks in Nigeria. The value of its existing loan obligation as at March 2022 is ₦42.2b. These are various Bank Loans used for the financing of the Working Capital of the Company.

The details of existing indebtedness are as presented:

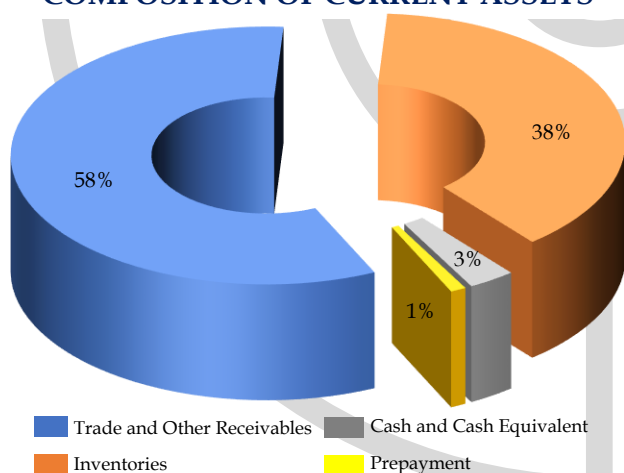
VALENCY LOAN PORTFOLIO AS AT MARCH 2022

S/N	BANK	FACILITY TYPE	LOAN ₦
1	Zenith Bank	Short Import Finance	6,350,000,000
2.	Coronation Bank	Import and Export Finance	9,439,290,884
3.	Fidelity Bank	LC Confirmation Line	2,914,879,488
4.	NEXIM Bank	Working Capital Finance	-
5.	Wema Bank	Import and Stock Finance	8,250,000,000
6.	Okito Credit		1,425,352,142
7.	United Bank for Africa		1,000,000,000
8.	Unsecured Loan		8,981,534,142
9	Interest payable on Loan		297,996,554
		TOTAL	42,159,053,210

Source: Valency Agro Nigeria Limited

The Current Assets of the Company comprised of Inventories, Prepayments, Trade and Other Receivables as well as Cash and Cash Equivalents. However, Trade and Other Receivables represented the largest portion of the Company's Current Assets in the year 2021. It accounted for 53% of the total value.

COMPOSITION OF CURRENT ASSETS



Source: Valency Agro Nigeria Limited

The cashflow from operation in the year 2022 was a negative balance of ₦21b. This was due to huge stockholding at the financial year end as well as increase in Receivables. The Company credit period of trade Receivables are between 30-60 days. However, ability to settle short-term maturing obligation based on

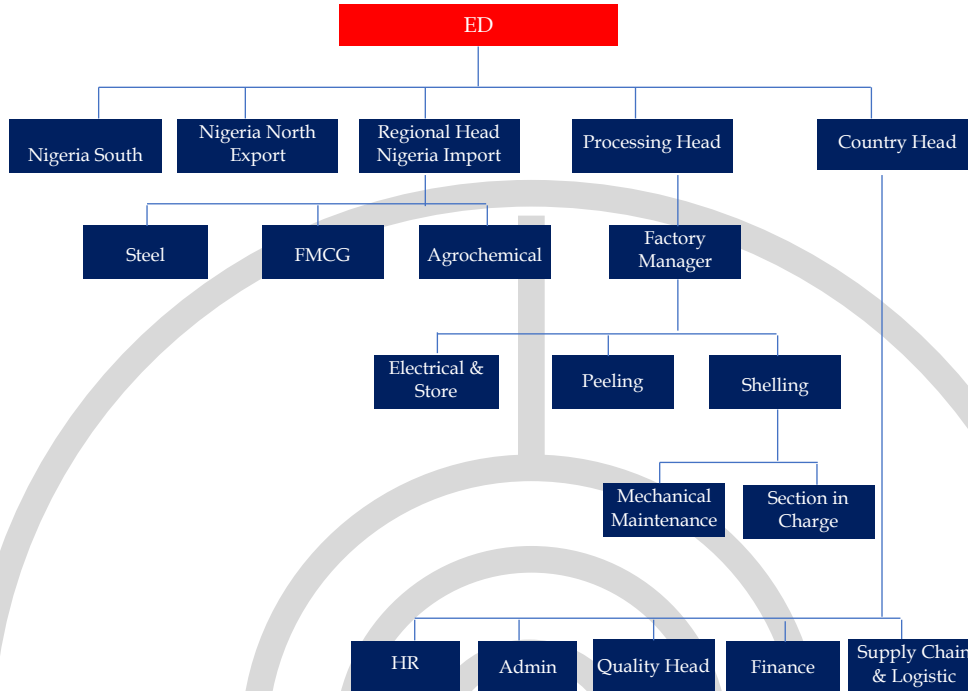
current ratio dipped to 117% (Yr. 22) as against 133% (Yr. 21).

CORPORATE GOVERNANCE & RISK MANAGEMENT

The Company's day-to-day affair is directed by its directors and implemented by the Executive Director.

The Company's corporate organogram structure is as highlighted.

ORGANIZATION STRUCTURE



Source: Valency Agro Nigeria Limited

The Company recognizes its risks and has developed various measures to manage them. The risk management procedure of the organization is as presented.

VALENCY RISK APPROVAL PROCESS



Source: Valency Agro Nigeria Limited

RISK FACTORS

In the course of our review, we observed the following significant risks.

- LEGAL RISK**

This is the risk that the Company will be exposed to legal actions that may lead to paying of significant fees.

In the course of our review, we did not come across any litigation in which the Company is involved as a party.

• REPUTATIONAL RISK

This is the risk that the Company may be exposed to reputational damage of its brand which may lead to loss of business.

In the course of our review, there was no negative public information or adverse press report against the Company.

• CREDIT RISK

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

Based on our review, a significant amount of ₦35b representing 54% of the Company's total assets are concentrated in third parties.

• LIQUIDITY RISK

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

Based on our review, the Company maintained a current ratio of 117% (Yr. 22) and 133% (Yr. 21) as against our benchmark of 100%.

• EXCHANGE RATE RISK

This is the risk arising from adverse movement in Exchange Rate between the Naira and other currencies of the Company's operations.

Based on our review, the Company sources 100% of its production inputs locally and exports 35% of its production. Therefore, adverse movement in Foreign Exchange may affect profitability.

FUTURE OUTLOOK

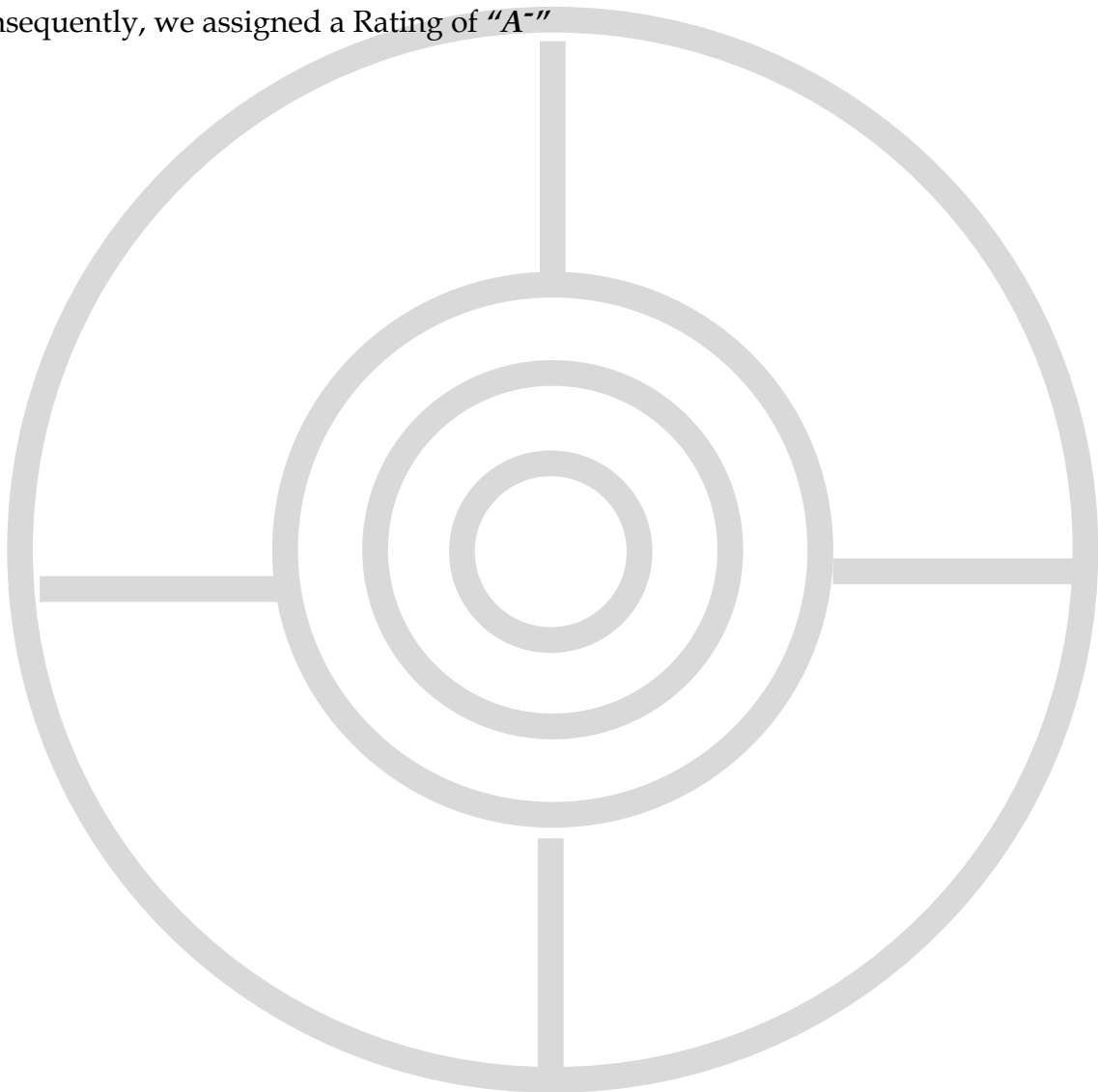
The Company's projections over a three (3) year period beginning from the year 2020 involve: Projects relating to Local Starch Based Custard Manufacturing Unit, Oil Seed Crushing Complex, Sesame Sortexting and Hulling Plant and Rice Milling.

These projections are expected to increase the Company's sales value in the next four (4) years to ₦341.9b and Profit Before Tax to ₦11.5b

CONCLUSION

The Rating of the Company is supported by its strong Earning Profile, Good Profitability and Experienced Management Team.

Consequently, we assigned a Rating of "A"



FINANCES

Financial Position as at

	Mar., 2022		Mar., 2021		Mar., 2020
	N	Δ%	N	Δ%	N
ASSETS/LIABILITIES					
Property, Plants & Equipm	7,299,517,782	41.32	5,165,197,036	12.88	4,576,009,287
Other Non-Current Assets	2,639,855,644	132.02	1,137,770,017		1,016,485,642
Net Current Liabilities	8,070,461,952	-0.27	8,092,422,703	#####	(432,387,532)
TOTAL ASSETS/Liabilities	18,009,835,378	25.11	14,395,389,756	178.97	5,160,107,397
Financed Bu					
Share Capital	495,100,000	0.00	495,100,000	#####	10,000,000
Revaluation Reserve	5,358,738,959	41.90	3,776,437,198	13.29	3,333,359,761
Retained Earnings	4,949,339,678	69.66	2,917,195,817	97.09	1,480,169,362
Shareholder's Funds	10,803,178,637	50.28	7,188,733,015	49.03	4,823,529,123
Non Current Liabilities	7,206,656,741	0.00	7,206,656,741	#####	336,578,274
Total Equity and Liabilities	18,009,835,378	25.11	14,395,389,756	178.97	5,160,107,397
Statement of Profit or Loss and Other Comprehensive Income					
Revenue	64,127,807,012	39.60	45,935,957,466	43.90	31,922,858,806
Profit beofre taxation	2,032,143,860	29.87	1,564,787,431	73.86	900,034,450
Tax Written Back/ (Expenses)		-100.00	(127,760,980)	(265.40)	77,242,048
Profit after taxation	2,032,143,860	41.41	1,437,026,451	47.04	977,276,498

Signed: 
Name: **Oladele Adeoye**
Designation: Chief Rating Officer
Date: 2nd September, 2022

For and on behalf of:
DataPro Limited
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By Marina Water Front
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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.