



# DataPro



## **CORPORATE RATING REPORT**

## **DARAJU INDUSTRIES LIMITED**

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April, 2022

# DARAJU INDUSTRIES LIMITED

**Long-Term Rating:**

**BBB**

**Short Term Rating:** A2

**Previous Rating:** BBB

**Rating Outlook:** Negative

**Trend:** Even

**Currency:** Naira

**Date issued:** 6 Apr., 2022

**Valid Till:** 5 Apr., 2023

**Reference:**

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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

## EXECUTIVE SUMMARY

	2021 N'000	2020 N'000	2019 N'000	2018 N'000	2017 N'000
Turnover	38,971,318	29,044,815	30,597,476	30,646,781	28,813,245
Profit Before Tax	(1,809,048)	(156,213)	872,068	1,596,299	1,653,417
Equity	3,372,980	5,182,029	5,454,155	4,860,707	2,570,435
Non Current Assets	14,723,514	17,798,716	15,459,771	8,745,783	5,023,423
Total Asset	33,155,945	28,966,790	26,190,700	18,874,561	14,293,614
Non Current Liabs	5,852,515	7,270,315	(5,948,006)	(2,599,781)	(3,398,076)

### Rating Explanation

The Short-Term Rating of **A2** indicates *Fair Credit Quality* and adequate capacity for timely payment of financial commitments.

The Long-Term Rating of **BBB** indicates *Slight Risk*. It shows Fair Financial Strength, Operating Performance and Business Profile when compared to the standard established by *DataPro*. This Company, in our opinion, has an ability to meet its ongoing obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

## 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 health profile in the medium to long term period.

Overall, the following were observed:

### Strengths:

- Stable Management
- Diversified Earning Profile
- Strong Brand Presence

### Weaknesses

- High Debt Profile
- Weak Profitability

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## BACKGROUND

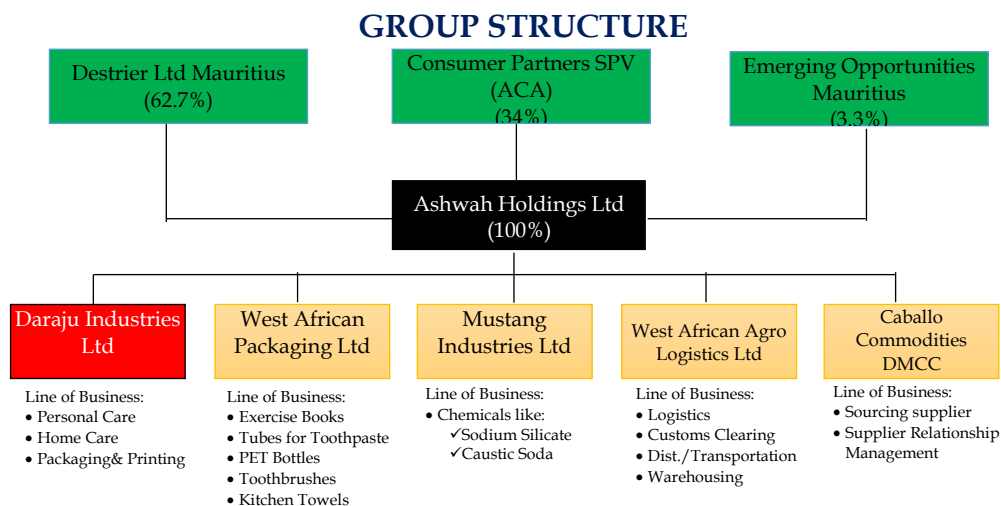
*Daraju Industries Limited ("The Company" or "Daraju") is a Private Limited Liability Company, established in 1988 and incorporated in 1989. The Company began operations as an importer and trader of toothpaste and other household items in Nigeria. The Company's main focus is on local trading and manufacturing.*

The Company began production with its *MYMY* (My Country, My product) brand of toothpaste focusing on national pride. Presently, it produces a wide range of households product with a vision of entry into the food industry. The product portfolio of the Company include brands such as: *RANA, MYMY Toothpaste, Xtreme Toothpaste, MYMY Excel, MYMY Exercise Book, MYMY Fressia, MYMY Farha, Active Plus, MYMY Sparkle and Green Dishwashing Liquid.*

Aside its operations in Nigeria, the Company also has offices set up in India, China, Ethiopia and Dubai and is in the process of setting up operations in Cameroon and South Korea.

The Company has its head office situated at Ladipo, Lagos with warehouses/ regional offices located in Onitsha, Kano, Ota, Abuja, Asaba, Ibadan and Ladipo in Nigeria.

The Company is a direct wholly owned subsidiary of *Ashwah Holdings Limited*. However, it is beneficially owned by *Destrier Limited Mauritius* which accounted for 62.7% of its Parent Company.



Source: Daraju Industries Limited

## DIRECTORS PROFILE

The following served as directors during the year under review; *Mr. Olusegun Adebajji - Chairman, Mr. Peeyush B. Garg -Managing Director, Mr. Jayaraman Sivarama Krishnan, Mr. Macaulay E. Oscar and Mrs. Afua Djimi*

The Directors' profiles are as follows:

1. **Name:** Mr. Olusegun Adebajji  
**Position:** Chairman  
**Education:**
  - OND - Yaba College of Technology
  - Chartered Association of Certified Accountants (FCCA)
  - Institute of Chartered Accountants of Nigeria (FCA)**Job Experience:** •African Capital Alliance  
**Board Membership:** Since 2018
  
2. **Name:** Peeyush B. Garg  
**Position:** Managing Director/CEO  
**Education:**
  - Electrical Engineering
  - Management**Job Experience:** •Daraju Industries Limited  
**Board Membership:** Since 1988
  
3. **Name:** Mr. Jayaraman Sivarama Krishnan  
**Position:** Executive Director  
**Education:**
  - Institute of Chartered Accountants of India
  - Institute of Cost and Management Accounts of India**Job Experience:** •Daraju Industries Limited  
**Board Membership:** Since 2013
  
4. **Name:** Mr. Macaulay Oscar  
**Position:** Executive Director  
**Education:**
  - B. Sc - University of Lagos
  - M. Sc - Lagos State University**Job Experience:**
  - Nagode Industries Limited
  - Daraju Industries Limited**Board Membership:** Since 2013
  
5. **Name:** Mrs. Afua Djimi  
**Position:** Non-Executive Director  
**Education:**
  - B Sc - University of North Carolina
  - MBA - Harvard University**Job Experience:**
  - African Capital Alliance
  - Delwik Group**Board Membership:** N/A

## OPERATING SECTOR REVIEW

Trade was the second largest contributor to Nigeria's GDP in the year 2021 with 15.7%. It came second after the Agricultural Sector (25.08%) but ahead of Information and Communication (15.5%) and Manufacturing (9%).

With a value of ₦6.5 trillion, it increased by 3.35% year on year from ₦6.29 trillion recorded in the previous year. The sector has been largely affected by the double-figure contraction of the oil refining sub-sector of the economy.

Local manufacturing contributes less than 5 percent to the Nigerian economy. Over the years this has continued to decline steadily because of the enormous challenges manufacturers face. In the second quarter of 2020, the contribution of manufacturing to GDP was 11.79%, as at the corresponding period of 2021, it rose to 14.18% but lower than the first quarter at 15.27%. Capacity utilization has also dropped consistently.

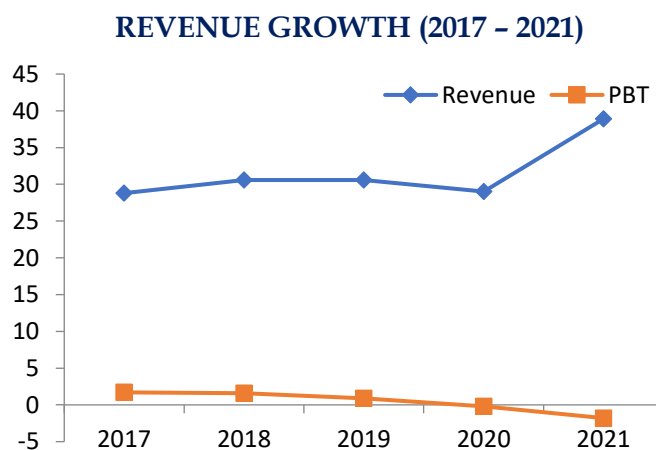
Among many other challenges, manufacturers in Nigeria are faced with lack of basic infrastructure, poor electricity supply, insecurity, inconsistent government policy and inability to access funds for business expansion. Though there have been several incentives to boost manufacturing in terms of bailout of specific industries like textile, the manufacturing industry remains a shadow of itself as manufactured goods have constituted the biggest imports in Nigeria since the 1980s.

Due to the insufficiency of local production versus demand, there is intense import competition against local products. The imposition of higher tariffs on imported finished goods and funding incentive to local players by the government are some of the government efforts in support of the sector.

The Russia-Ukraine war which started in Q1 of 2022 has added to energy crisis globally by way of increased oil prices. Manufacturers in Nigeria are facing huge energy crisis with poor public supply and high cost of diesel threatening continuous production. Survival in the sector depends on ability to pass increase in cost of inputs to the consumer without jeopardizing customer loyalty.

## FINANCIAL PERFORMANCE

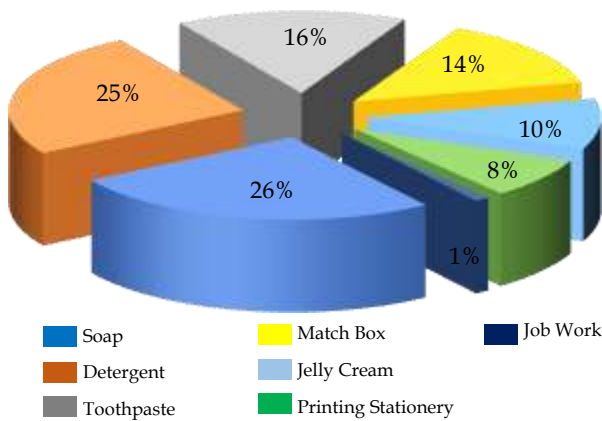
### • EARNING PROFILE



Source: Daraju Industries Limited

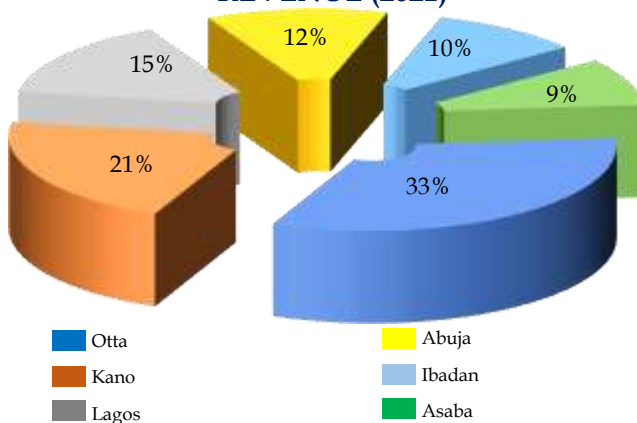
*Daraju Industries Limited* derives its major Earnings from the sale of its various products. Except for the decline of 5% recorded in the year 2020, the Company maintained a consistent growth trend. The latest increase for the year 2021 was a surge of 34% resulting in absolute sales figure of ₦38.9b. The increase in Revenue was due to volume growth and price increases.

**COMPOSITION OF REVENUE (2021)**



Source: Daraju Industries Limited

**GEOGRAPHICAL DISTRIBUTION OF REVENUE (2021)**



Source: Daraju Industries Limited

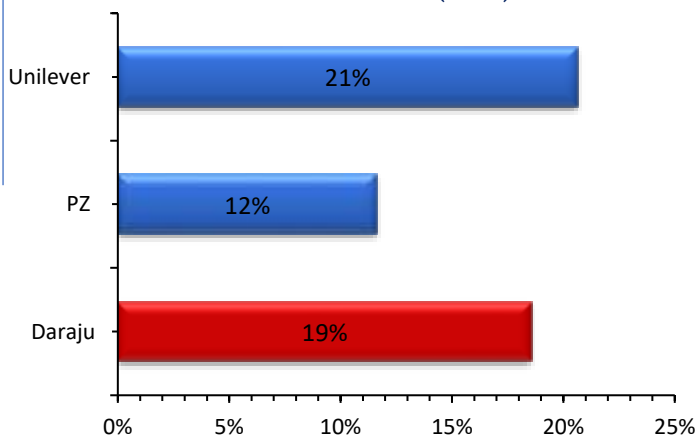
The product segment analysis revealed that the Detergent Business grew by 27% and accounted for 25% of the Company's total Revenue in the year 2021. However major contributor to Revenue was the Soap Business based on sales contribution of 26%.

Geographically, the Company sales are largely concentrated in the South West region of Nigeria. This region accounted for 58% of total Sales. The States within the South West where the Company derived its sales are *Oyo, Ogun and Lagos*. Other locations where Revenue is derived include: *Kano, Asaba and Abuja*

**• PROFITABILITY**

The Direct Cost of Sales went up by 43% from ₦24.4b (Yr. 20) to ₦33.8b (Yr. 21). The

**GROSS PROFIT MARGIN PEER COMPARISON (2021)**

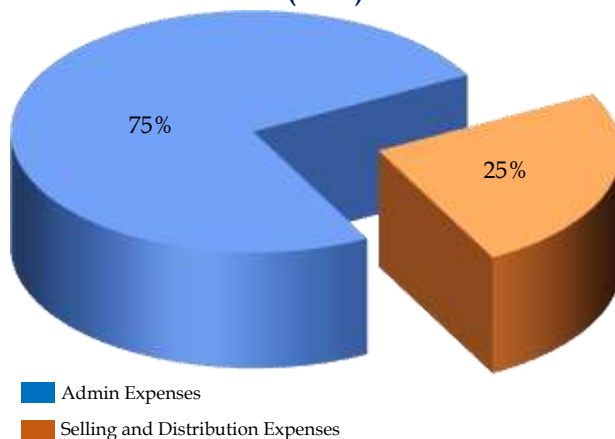


Note \*PZ's results were as at the year ended, May 2020 while others were as at December, 2020

Source: DataPro Limited

Company implemented a number of cost containment initiatives. These include some level of direct control of its logistics function and expansion of its local production to cushion imported inflation and foreign exchange pressures. However, the increase in Cost of Sales outweighed the growth in Revenue. Consequently, Gross Profit went down by 5% from ₦5.4b recorded in the year 2020 to ₦5.1b (Yr. 21).

**COMPOSITION OF OPERATING EXPENSES (2021)**



Source: Daraju Industries Limited

The Operating Expenses comprised of Administrative Overhead and Marketing Expenses. It increased by 43% from ₦1.9b (Yr. 20) to ₦2.4b (Yr.21). The major cost driver was Personnel Expenses.

On account of an enlarged Revenue base, The Company recorded 5% Operating Profit Margin in the year 2020. This ranked higher than its peers. However, the Company recorded operating margin of less than 1% in the year 2021 on account of increased cost of operation.

Other Income of ₦106 million include earnings derived from activities outside the ordinary course of the Company’s business.

Despite the growth in Revenue recorded during the year, Profit Before Interest and Tax dipped by 23%. This was due to the high Cost of Sales and Operating Expenses. Depreciation increased from ₦1.7b (Yr. 20) to ₦1.9b (Yr.21) following the acquisition of more production machines. Interest cost accruing from Loans and Borrowings, overdraft and lease liability increased by 31% during the year.

As a result of the persistent increase in operational expenses and finance cost, *Daraju* recorded negative Pre-Tax Losses from its operations in the year 2020 and 2021. The loss position increased significantly from ₦156m (Yr. 20) to ₦1.8b (Yr. 21). This impaired further all profitability indices in the year under review.

• **CAPITALIZATION**

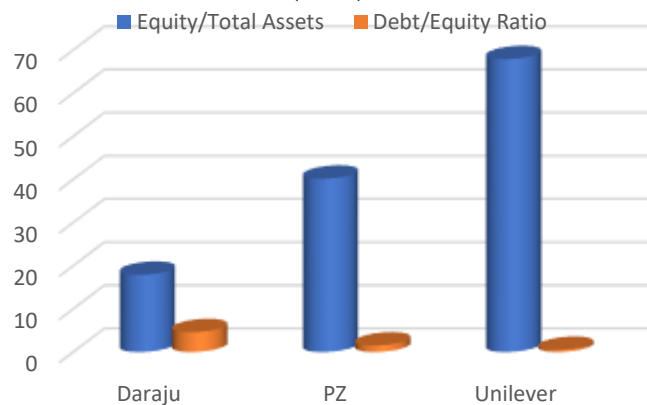
**BREAKDOWN OF THE TOTAL ASSET**

ITEM	2021 ₦'000	%
Current Asset	18,432,431	56%
Non Current Asset	14,723,514	44%
Total Asset	33,155,945	100%

The Company’s Asset base advanced materially from ₦28.9b (Yr. 20) to ₦33.2b (Yr. 21). This is underpinned by a 65% growth in Current Assets.

Total Liabilities in the year 2021 was ₦29.7b compared with ₦23.7b (Yr.20). This can be attributed to Short-Term Loans and financial obligations during the year. Other major items of Total Liabilities include Provisions, Trade and Sundry Creditors. The Company’s debt was raised to finance various projects and augment Working Capital. Gross Debt, comprising Loans from Banks, Shareholder and the Group went up by 8% to ₦21.7b (Yr. 21).

**PEER COMPARISON OF FUNDING PROFILE (2021)**



Note \*PZ's results were as at the year ended, May 2020 while others were as at December, 2020  
 Source: DataPro Limited

Equity as a proportion of Total Assets was 10% in the year 2021. This implies that 90% of the company's operation was financed by debt.

The Interest-Bearing Loans as a proportion of the Total Liabilities was 69% (Yr. 20) and 66% (Yr. 21). We anticipated decrease in Long-Term Loan as the Company completes projects tied to those obligations. Additionally, Management anticipates revenue increase as the projects begin operations

The details of the Company borrowing as at December, 2021 is as follows.

**SCHEDULE OF INTEREST-BEARING BORROWINGS (DECEMBER, 2021)**

INSTITUTION	NAIRA LOANS (NGN)	INTEREST P.A	USD LOANS	OVERDRAFT (NGN)	BANK FINANCE (NGN)
Standard Chartered Bank		14%	537,755,086	1,036,456,320	1,574,211,406
FBNQuest Merchant Bank	2,530,000,000	18%	453,194,284	490,154,788	3,473,349,073
Eco Bank	1,709,991,581	18.5%		295,456,875	1,413,534,705
Globus Bank		18%	75,009,691	1,900,712,896	1,975,722,587
Union Bank	1,954,010,697	18%	522,197,115	2,319,387	2,473,888,425
Zenith Bank	500,000,000	15%		166,241,482	666,241,482
Coronation	2,000,000,000	15.5%	1,717,175,881	219,469,883	3,936,645,765
Access Bank				150,791,943	150,791,943
Stanbic				39,958,701	39,958,701
GT Bank				176,497,004	176,497,004
Fidelity			60,565,684		60,565,684
First Bank	146,345,603	18.5%	383,811,278		530,156,881
<b>Total Bank Finance</b>	<b>8,840,347,881</b>		<b>3,749,709,020</b>	<b>3,881,506,754</b>	<b>16,471,563,654</b>
Net USD Loans Included in Bank Finance					8,202,802

Source: Daraju Industries Limited

**• ASSET UTILITY**

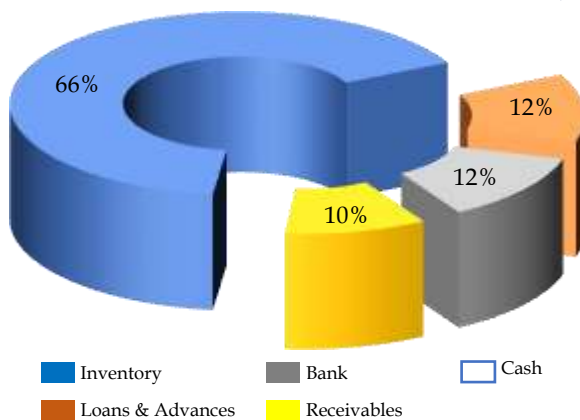
The Company has its production infrastructure situated on a land size of 35,563sqm land. The factory is located in *Ogun State* with due consideration for proximity to gas supply.

**PLANT CAPACITY UTILIZATION 2021**

PLANT	DATE OF CURRENT ADDITION	PLANT CAPACITY	PLANT UTILIZATION
Detergent	2018	64,800MT	38.8%
Soap	2019	43,200MT	39.8%
Toothpaste	2014	5,940MT	75.1%
Jelly	2019	4,860MT	59.1%
Wet Wipes	2012	19,440 Cartons	0.1%

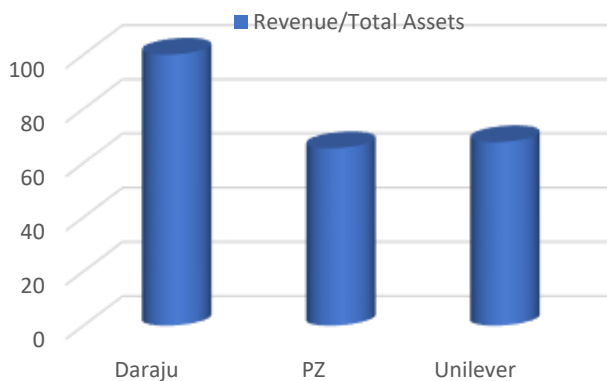
Source: Daraju Industries Limited

**COMPOSITION OF CURRENT ASSETS (2021)**



Source: Daraju Industries Limited

**PEER COMPARISON BASED ON ASSET UTILIZATION (2021)**



\*PZ's results were as at the year ended, May 2020 while others were as at December, 2020

Source: Daraju Industries Limited

The Company deployed a Total Assets of ₦28.9b (Yr. 20) and ₦33b (Yr. 21) to operations. This comprised of both Current Assets and Non-Current Assets.

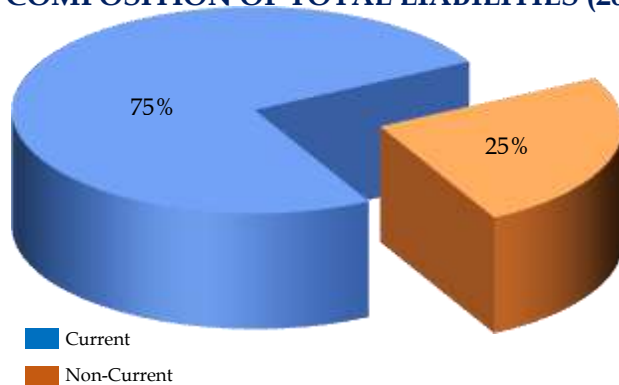
Current Assets constituted 56% of Total Assets in the year under review. It grew significantly by 65% from ₦11b (Yr. 20) to ₦18b (Yr. 21), owing to inventory increase from ₦7b (Yr. 20) to ₦12b (Yr. 21). Although Receivables level was up by over 500% during the year 2021, risk of collection is moderated by the system put in place by the Company. Other items of Current Assets include Loans, Cash and Bank balances.

The Business is capital intensive With Property, Plant and Equipment making up for 99% and 97% of the Non-Current Assets in the year 2020 and 2021 respectively. Intangible and other Right-of-use Assets both contributed 2% to total Non-Current Assets during the year.

The ability of the Company to efficiently use assets to generate Revenue increased during the year under review. It was 100% (Yr. 20) and 117% (Yr. 21). It also compared well with its major competitors in the year 2020.

• LIQUIDITY

COMPOSITION OF TOTAL LIABILITIES (2021)

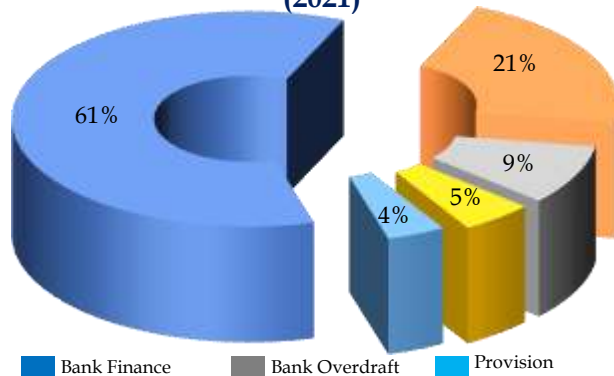


■ Current  
■ Non-Current

Source: Daraju Industries Limited

As at 31 December 2021, Total Liabilities stood at ₦29.8b. This was 25% increase arising from the growth in Current Liabilities. Current Liabilities accounted for 75% of the Company’s total obligations while Non-Current Liabilities represented the balance of 25%.

COMPOSITION OF CURRENT LIABILITIES (2021)



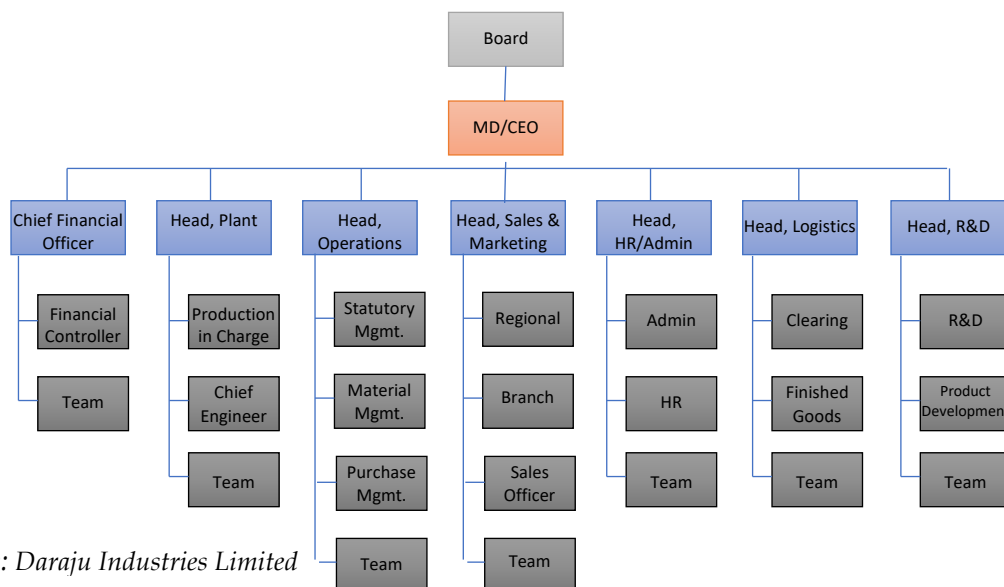
■ Bank Finance    ■ Bank Overdraft    ■ Provision  
■ Trade Creditor    ■ Sundry Creditors

Source: Daraju Industries Limited

Ability to settle Short Term obligations using liquid assets increased from 74% (Yr.20) to 82% (Yr.21).

**CORPORATE GOVERNANCE & RISK MANAGEMENT**

The affair of the Company is directed by its Board of Directors which consists of three (3) Executives and two (2) Non-Executive. The corporate organogram is as presented:



Source: Daraju Industries Limited

## RISK FACTORS

In the course of our review, we paid attention to the following significant risks.

- **LIQUIDITY RISK**

This is the risk that the company will be unable to pay its obligations as and when due.

Based on our review, the Company maintained a Current Ratio of 82% as at year end 2021. Loans are typically long-term in nature.

- **EXCHANGE RATE RISK**

This is the risk arising from adverse changes in Foreign Exchange Rates.

The Company is exposed to foreign exchange risks arising from importation of production inputs. Therefore, adverse changes in Exchange Rates will impair profitability.

*Daraju* is scaling up its local production capacity with a view to hedging against Foreign exchange and negative import regulations.

- **CREDIT RISK**

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

Credit Sales accounted for 5% of Total Assets. The Company has an average credit collection period of 30 days. Consequently, the effect of credit risk is expected to be minimal.

- **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.

## REGULATORY ENVIRONMENT

The Operations of *Daraju Industries Limited* is regulated in accordance with the provisions of the *Companies and Allied Matters Act (CAP 20) Laws of the Federation*

*of Nigeria, Federal Ministry of Health, National Administration for Food Drug Administration and Control (NAFDAC), Standards of Organizations (SON) and the Federal Competition and Consumer Protection Commission (FCCPC).*

There is no information suggesting that the Company' is in breach of any compliance obligation.

## FUTURE OUTLOOK

The Company intends to expand the production capacity of its plants. Additionally, it intends to explore cheaper sources of funding in order to refinance its existing loans.

## CONCLUSION

The Rating of the Company is supported by its Very Good brand presence, experienced management team and diversified income sources.


However, it is constrained by its high debt profile and weak profitability. Consequently, we assigned a Rating of **"BBB"**

## FINANCES

Position as at

	Dec, 2020		Dec, 2019		Dec, 2018
	₦'000	Δ%	₦'000	Δ%	₦'000
<b>ASSETS AND LIABILITIES:</b>					
Property, plant and equipment	17,552,938	16.12	15,116,071	73.60	8,707,390
Investment in Subsidiary	-	-	-	-	100
Intangible assets	77,362	-42.76	135,149	252.93	38,293
Right-of-use assets	168,416	-19.24	208,551	-	-
Net current (liabilities)/assets	(3,864,423)	-4.76	(4,057,610)	215.69	(1,285,295)
Non current liabilities	(8,752,264)	47.15	(5,948,006)	128.79	(2,599,781)
Net assets	<u>5,182,029</u>	-4.99	<u>5,454,155</u>	12.21	<u>4,860,707</u>
<b>SHAREHOLDERS' FUND</b>					
Issued share capital	80,000	-	80,000	-	80,000
Share premium	1,011,000	-	1,011,000	-	1,011,000
Retained earning	<u>4,091,029</u>	-6.24	<u>4,363,155</u>	15.74	<u>3,769,707</u>
	<u>5,182,029</u>	-4.99	<u>5,454,155</u>	12.21	<u>4,860,707</u>
Revenue	29,044,814	-5.07	30,597,476	(0.16)	30,646,781
Profit before taxation	(156,213)	-117.91	872,068	(45.37)	1,596,299
<b>Taxation</b>	<u>(25,913)</u>	-86.26	<u>(188,620)</u>	(55.49)	<u>(423,762)</u>
Profit/(loss) after tax	<u>182,126</u>	-73.35	<u>683,448</u>	(41.71)	<u>1,172,537</u>

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**Signed:**   
**Name:** Oladele Adeoye  
**Designation:** Chief Rating Officer  
**Date:** 6th April, 2022

For and on behalf of:

**DataPro Limited**  
Ground Floor, Foresight House  
By Marina Water Front  
163/165 Broad Street, Lagos Island, Lagos.  
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Cell: 0805-530-3677  
Email: [info@datapronigeria.net](mailto:info@datapronigeria.net), dataprong@gmail.com  
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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.