



# DataPro



## CORPORATE RATING REPORT

# AFRICAN NONFERROUS INDUSTRIES LIMITED

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September, 2022

# AFRICAN NONFERROUS INDUSTRIES LIMITED

## Long-Term Rating:

# A

**Short Term Rating:** A1  
**Rating Outlook:** Stable  
**Trend:** UP  
**Currency:** Naira  
**Date Issued:** 6 Sept., 2022  
**Valid Till:** 5 Sept., 2023

## Reference:

Abiodun Adeseyoju, FCA.  
Abimbola Adeseyoju  
Oladele Adeoye

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## EXECUTIVE SUMMARY

|                     | 2021<br>₦'000 | 2020<br>₦'000 | 2019<br>₦'000 | 2018<br>₦'000 |
|---------------------|---------------|---------------|---------------|---------------|
| Turnover            | 17,726,470    | 9,285,217     | 9,349,294     | 10,382,231    |
| Pre-Tax-Profit      | 4,688,886     | 3,628,780     | 2,516,195     | 2,299,353     |
| Shareholders Fund   | 14,160,454    | 8,982,035     | 5,356,012     | 2,839,979     |
| Prop. Plant & Equip | 3,513,580     | 2,736,656     | 2,891,703     | 1,416,557     |
| Long Term Debt      | 2,222,709     | 872,140       | 1,176,267     | 1,567,500     |

### 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:

- High Revenue Profile
- Experienced Management Team
- Leverage on Group Company
- Good Liquidity Profile
- Strong Market Share

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## BACKGROUND

*African Nonferrous Industries Limited ("The Company")* is a Lead manufacturing entity located in Ogun State, Nigeria. It was incorporated in October 2011 as a limited liability company but commenced operation in 2013.

The Company is reputed to be the largest manufacturer of Refined Lead in Nigeria. It specializes in the production of pure Lead from scrap batteries. The products of the Company include: Refined Lead and Antimony Lead. From Initial capacity of 10,000 MT/per annum in the year 2013, it has consistently increased its factory production capacity to 22,500 MT/year. This is projected to reach 40,000 by the year 2023.

The Company is beneficially owned by *Mr. Raj Kumar Gupta and Mr. Alok Gupta* through *Speedway Industrial Ventures Limited* which they jointly owned in equal proportion. The Shares of the Company are 99.99% held by *Speedway Industries Ventures*.

## DIRECTORS' PROFILE

The following served as directors during the year under review; *Mr. Raj Gupta - Chairman, Mr. Alok Gupta - Managing Director, Mr. Kayode Soyombo, Mr. Don Terblanche, Mr. Ravi Kant Sharma.*

The Directors' profile is as follows.

1. **Name:** Mr. Raj Gupta  
**Position:** Chairman  
**Years of Experience:** 27 years  
**Education:**
  - Graduate from United Kingdom**Job Experience:**
  - Trading and manufacturing
  - African industries Group
  
2. **Name:** Mr. Alok Gupta  
**Position:** Managing Director/CEO  
**Years of Experience:** 23 years  
**Education:**
  - B.Sc. – Chemical Engineering, Cambridge University**Job Experience:**
  - Trading and Manufacturing
  - African industries Group
  
3. **Name:** Mr. Kayode Soyombo  
**Position:** Independent Director  
**Years of Experience:** 42 years  
**Education:**
  - \*Graduate of Micro-Biology from the Reputed University

**Job Experience:** •Guinness Nigeria Plc

**4. Name:** Mr. Don Terblanche  
**Position:** Executive Director  
**Years of Experience:** 25 years  
**Education:** •Mechanical Engineer  
**Job Experience:** •Amsad Paving Stones  
 •HFP Engineering  
 •African Industries Group

**5. Name:** Mr. Ravi Kant Sharma  
**Position:** Executive Director  
**Years of Experience:** 35 years  
**Education:** •Graduate from India  
**Job Experience:** •Kew Metal Works, Nigeria  
 •Rajgarhia Group of Industries, India  
 •Bird and Company, India  
 •African Industries Group

## SECTORAL REVIEW

Nigeria is Africa’s largest economy with GDP in excess of \$500b. It is equally the most populous African country with an estimated population of 200million. The aggregate real GDP stood at ₦17.29 trillion in the second quarter of 2022. This is a marginal decline (-0.37%) when compared to ₦17.35 trillion recorded in Q1 2022. However, it grew by 3.54% year-on-year in real terms in the second quarter of 2022. (*National Bureau of Statistics*)

The Industrial Sector contributed 19.4% to the GDP. The Sector contracted by 2.3%, a further decline when compared to the 6.81% decrease recorded in the previous quarter. Over the years this has continued to decline steadily because of the enormous challenges facing manufacturers. Capacity utilization has also dropped consistently.

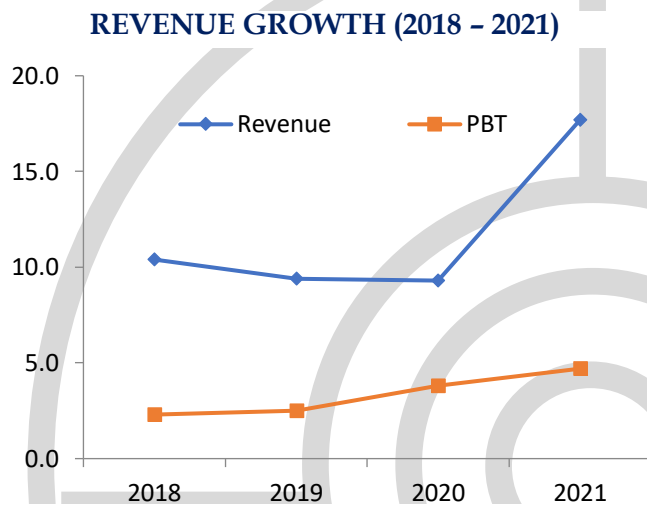
Among many other challenges, manufacturers in Nigeria are faced with lack of basic infrastructure, poor electricity supply, insecurity, inconsistent government policy and inability to access funds for business expansion. Though there have been several incentives to boost manufacturing in terms of bailout 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

### • EARNINGS PROFILE



Source: African Nonferrous Industries Limited

*African Nonferrous Industries Limited* continued to enjoy wide market share and increased revenue underpinned by consistent expansion of production capacity to sell Lead in international market. The Company Revenue gained traction during the year under review. It derived earnings from the production and sale of pure Lead and *granulla-chips* during the year. Total Earnings grew by 91% from ₦9.3b (Yr.20) to ₦17.7b (Yr.21).

During the year 2021, the Company obtained ₦250m from the Federal Government. This boosted Total Income during the year under review. However, the Company did not receive Export Incentive during the year 2021 as against ₦1b obtained in the year 2020.

The Company earned most of its Revenue from exports. Export sales during the year 2021 amounted to 99%. The rest of the Sales were generated locally.

Direct Cost grew from ₦6.5b (Yr. 20) to ₦12.8b (Yr.21). This was largely related to raw material consumed. The Company major raw material is *used-batteries*. Other significant components of Direct Cost include staff cost, power and export expenses.

The growth in direct cost surpassed that of revenue in the year 2021. Consequently, Gross Profit Margin declined to 28% (Yr.21) compared to 32% (Yr.20).

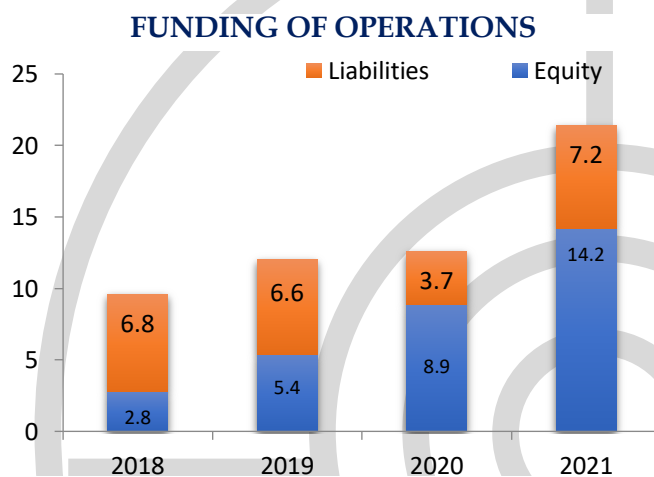
Total Administrative Expenses rose from ₦0.23b (Yr. 20) to ₦0.29b (Yr.21). The Net Finance Cost declined as a result of favourable Exchange Rate during the year 2021.

Pre-Tax Profit went up by 29% from ₦3.6b (Yr. 20) to ₦4.7b (Yr. 21). This is far less than the growth recorded in Revenue during the year under review. Consequently, Net Profit Margin declined from 39% (Yr.20) to 26% (Yr.21).

## • CAPITALIZATION

There was capital injection of ₦490m into the Company in the year 2021. This increased the Company's Share Capital to ₦500m. There was also a profit retention of ₦4.7b. Therefore, Shareholders' Fund grew by 58% from ₦8.9b (Yr. 20) to ₦14.2b (Yr. 21).

Total Assets comprised of Current and Non-Current Assets. The value at the year ended 2021 was ₦21.3b. This was 68% more than the value deployed to operation in the year 2020).



Source: African Nonferrous Industries Limited

Total Liabilities in the year doubled to ₦7.2b compared with ₦3.7b recorded in 2020. This is as a result of growth in Loans and Borrowings. A larger proportion of the Company's Liabilities are in Short term obligations. The portion of Total Liabilities represented by short term obligations in the year 2021 was ₦4.9b.

Interest Bearing Funding grew in the review period from ₦2.3b (Yr.20) to ₦5.5b (Yr.21). These are largely short term in nature. However, funding of operation by Equity fell from 71% (Yr. 20) to 66% (Yr. 2021).

## • ASSET UTILITY

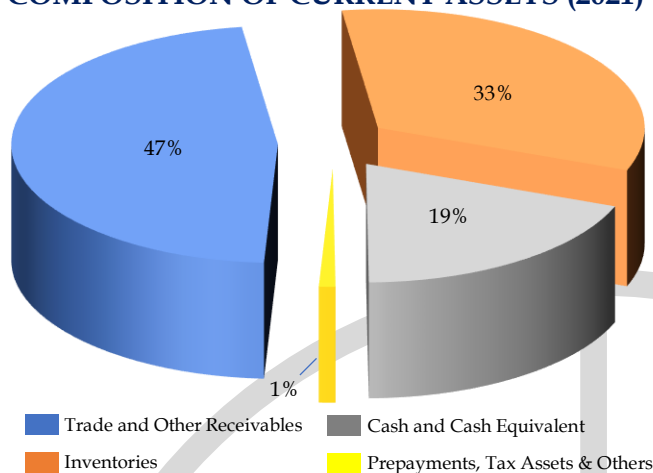
### BREAKDOWN OF TOTAL ASSETS (2020 - 2021)

| Item               | 2021<br>₦'000 | %   | 2020<br>₦'000 | %   |
|--------------------|---------------|-----|---------------|-----|
| Non-Current Assets | 3,513,580     | 19  | 2,736,656     | 23  |
| Current Assets     | 17,802,895    | 81  | 9,960,057     | 77  |
| Total Assets       | 21,316,475    | 100 | 12,696,713    | 100 |

Source: African Nonferrous Industries Limited

Total Assets deployed to operation amounted to ₦21b (Yr.21) as compared ₦12.7b (Yr.20). This is largely concentrated in Current Assets which accounted for 81% of the Total Assets.

**COMPOSITION OF CURRENT ASSETS (2021)**

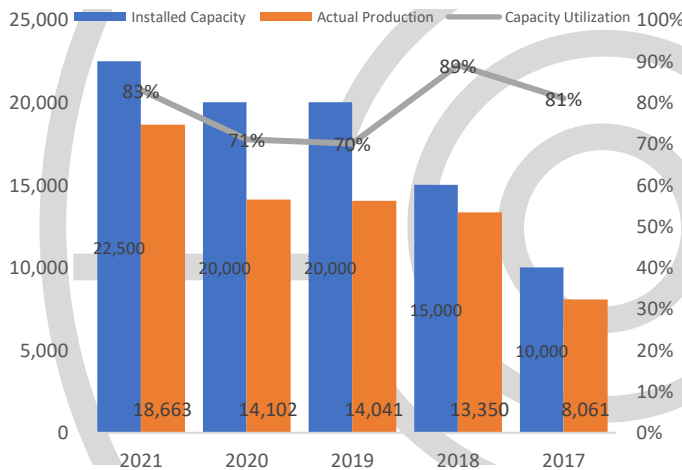


Source: African Nonferrous Industries Limited

The proportion of Non-Current to Total Assets was very minimal at 19%. It grew by 28% from ₦2.7b (Yr.20) to ₦3.5b. The Non-Current Assets is mainly Property Plant & Equipment (PPE).

The Company has an installed production capacity of 22,500 metric tons per annum with an actual production of 18,663. Capacity utilization for the period was at 83% compared to 71% (Yr.20).

**CAPACITY UTILIZATION**

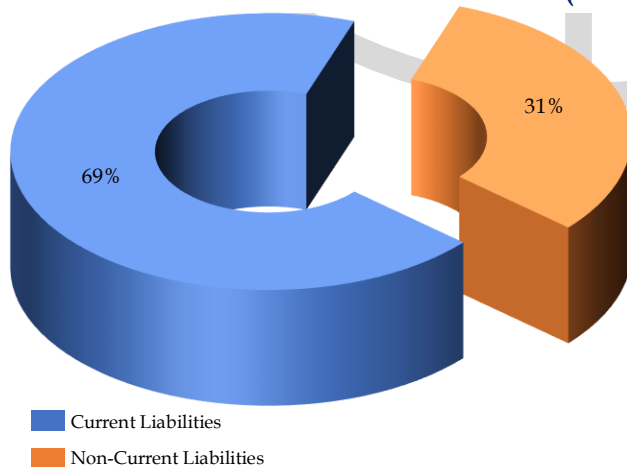


Source: African Nonferrous Industries Limited

Ability to utilize Assets for profit generation declined to 22% (Yr. 21) from 29% (Yr. 20). However, ability to effectively generate Revenue using Assets increased from 73% (Yr. 20) to 83% (Yr. 21).

**LIQUIDITY**

**COMPOSITION OF TOTAL LIABILITIES (2021)**

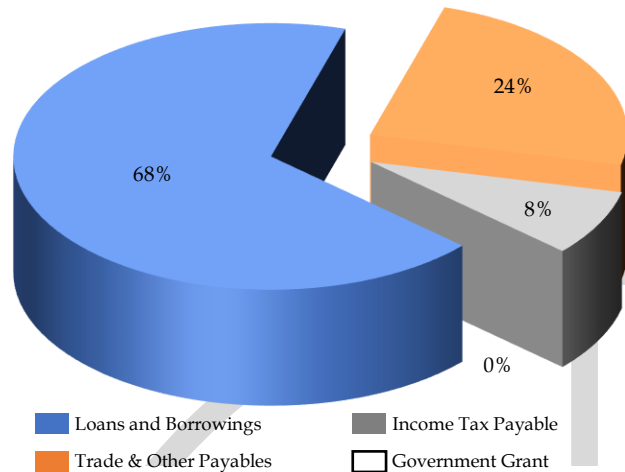


Source: African Nonferrous Industries Limited

Total Liabilities comprised of Current and Non-Current. It scaled up to ₦7.2b (Yr.21) to ₦3.7b (Yr.20). This was largely due to an increase in Loans and Borrowings.

Current Liabilities constituted 69% of the Total Liabilities. The major components of Current Liabilities are Borrowings, Trade Payables, Government Grant and Income Tax Payable. The growth in size of the Current Liabilities from ₦2.8b (Yr.20) to ₦4.9b (Yr.21) was as a

### COMPOSITION OF CURRENT LIABILITIES



Source: African Nonferrous Industries Limited

result of additional Loans and Borrowing obtained during the period as well as increase in trade and other payables.

The Company generated positive cash flow of ₦1.6b (Yr.21) from its operations. The Company’s ability to settle short term obligations using liquid assets was a healthy ratio of 360% in the year 2021.

## REGULATORY ENVIRONMENT

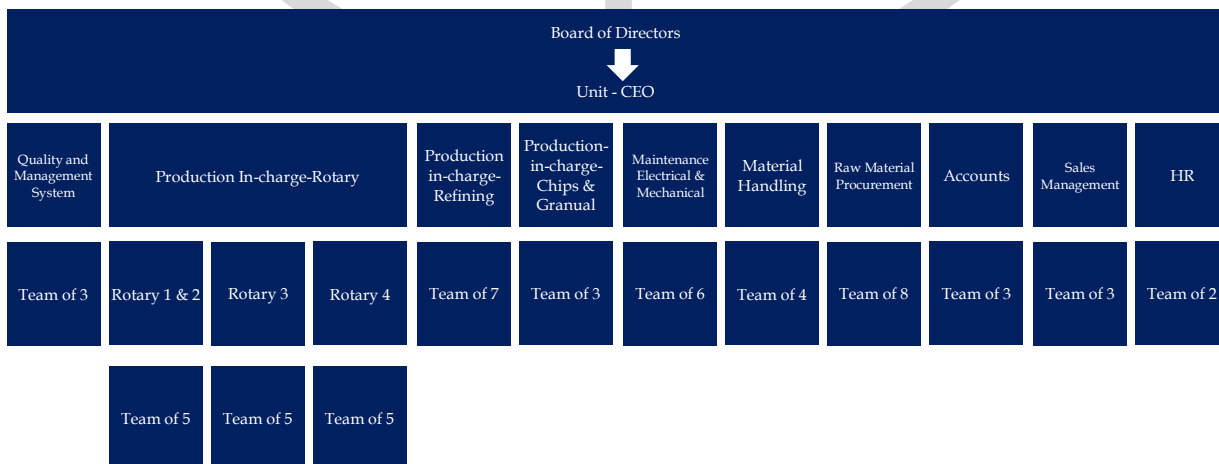
The operation of the Company is subject to *Standard Organization of Nigeria (SON)* regulation. There are other government agencies with oversight on the operation of the Company. These agencies include: *National Environmental Standards and Regulations Enforcement (NESREA), Industrial Training Fund (ITF)* and *Ogun State Fire & Safety Services*. The registration status of the Company is still current as at the time of compiling this report.

## CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by its Board of Directors which consists of three (3) Executive and two (2) Non-Executives which are also Independent Directors.

The oversight function of the Board is carried out by its various Committees.

### CORPORATE ORGANOGRAM



Source: African Nonferrous Industries Limited

## RISK FACTORS

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

- **EXCHANGE RATE RISK**

This is the risk of loss to income as a result of adverse movement in the Exchange Rate.

Based on our review, we observed that the company is largely into export of its products outside Nigeria. Therefore, adverse movement in exchange rate could have significant effect on its earnings.

- **INTEREST RISK**

This is the risk of loss to income arising from adverse changes in interest rates.

Based on our review, the company incurred interest bearing borrowings of ₦5.5b. Therefore, adverse movement in interest rate could affect its profitability.

- **CREDIT RISK**

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

Based on our review, the Company's Total receivables for the year 2021 was ₦8.5b translating to 40% of its Total Assets. Therefore, inability of its trading partners to pay as at when due may affect the Company's profitability.

## FUTURE OUTLOOK

*African Nonferrous industries Limited* is consistently upgrading its production facilities. Presently, the company is working on expanding the capacity to 40,000MT/year

## CONCLUSION

The Rating of the Company is supported by its strong Revenue Profile, Good Profitability, Good Liquidity and Experienced Management team.


Consequently, we assigned a Rating of "A"

## FINANCES

Financial Position as at

|                                   | Dec., 2021        |              | Dec., 2020       |              | Dec., 2019       |
|-----------------------------------|-------------------|--------------|------------------|--------------|------------------|
|                                   | ₦'000             | Δ%           | ₦'000            | Δ%           | ₦'000            |
| <b>ASSETS AND LIABILITIES</b>     |                   |              |                  |              |                  |
| Property, Plant and Equipment     | 3,513,580         | 28.39        | 2,736,656        | (5.36)       | 2,891,703        |
| Net current assets/ (liabilities) | 12,869,583        | 80.82        | 7,117,519        |              | 3,640,576        |
| Non current liabilities           | (2,222,709)       | 154.86       | (872,140)        | (25.86)      | (1,176,267)      |
|                                   | <b>14,160,454</b> | <b>57.65</b> | <b>8,982,035</b> | <b>67.70</b> | <b>5,356,012</b> |
| <b>Shareholder's funds</b>        |                   |              |                  |              |                  |
| Share capital                     | 500,000           | 4,900.00     | 10,000           | -            | 10,000           |
| Retains earning                   | 13,660,454        | 52.26        | 8,972,035        | 67.83        | 5,346,012        |
|                                   | <b>14,160,454</b> | <b>57.65</b> | <b>8,982,035</b> | <b>67.70</b> | <b>5,356,012</b> |
| Revenue                           | 17,726,470        | 90.91        | 9,285,217        | (0.69)       | 9,349,294        |
| Profit/ (loss) before taxation    | 4,688,886         | 29.21        | 3,628,780        | 44.22        | 2,516,195        |
| Profit/ (loss) after taxation     | 4,688,419         | 29.30        | 3,626,023        | 44.12        | 2,516,033        |

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

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. |