



DataPro

CORPORATE RATING REPORT

ZYLUS HOMES AND PROPERTY LIMITED

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Lagos, Nigeria
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May, 2023

ZYLUS HOMES AND PROPERTY LIMITED

Long-Term Rating:

BBB

Short Term Rating: A2

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 29 May., 2023

Valid Till: 28 May., 2024

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

	2022 N'000	2021 N'000	2020 N'000
Turnover	11,500,726	10,250,387	6,231,149
Pre-Tax-Profit	1,033,291	1,286,986	3,840,323
Shareholders Fund	5,752,776	4,007,688	3,830,068
Non-Current Assets	3,699,138	2,905,114	76,692,159
Long Term Debt	3,343,623	2,048,805	2,478,825

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 the ability to meet its ongoing obligations, but its financial strength is vulnerable to adverse changes in economic

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:

Positive Rating Factors:

- Good Profitability
- Good Liquidity
- Diversified source of Revenue

Negative Rating Factor:

- Macro Economic Constraints

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BACKGROUND

Zylus Homes and Property Limited ("The Company") is a Real Estate Company operating in Nigeria. It was incorporated and commenced operations in March, 2020 as a Private Limited Liability Company.

The principal activity of the Company is Real Estate, Property Investment and Consulting Services. The Company has up to 20 Estate locations in Nigeria. These Estates are broadly classified into *Lekki Pride I, Lekki Pride II, Lekki Pride III* and *Zylus Court*.

Lekki Pride I and *Zylus Court* contain a total of 98 and 49 units of homes respectively. *Lekki Pride II* is under construction and will have 75 units of homes after full construction. *Lekki Pride III* has about 6 Hectares of Land with infrastructures installed.

The Authorized Share Capital of the Company as at 31st December, 2023 was ₦200,000,000.00. The Shares of the Company are held by *Oga for Property Investment Limited* (99%) and *Mr. Oluwatosin Olakunle Olatujoye* (1%)

DIRECTORS' PROFILE

The following served as directors during the year under review: *Mr. Olumide Emmanuel - Chairman; Mr. Olakunle Oluwatosin Olatujoye - Managing Director/CEO; Mr. Lawal Lateef Olaoluwa; Mr. Sonekan Wasiu Olasunkanmi; Mr. Adeleke Hafees Adeseun; Tam George Abiye; Ijeoma Theo-Nwangwu and Steven Ajayi-James*

The Directors' profile is as follows.

1. **Name:** Mr. Olumide Oladapo Emmanuel
- Position:** Chairman
- Profession:** Author and Wealth Creation Agent
- Years of Experience:** 30 years
- Education:**
 - Executive M.B.A- University of Huddersfield, UK
 - Harvard Business School
 - Doctor of Life Coaching- Los Angeles Development Institute, USA.
 - Doctor of Entrepreneurial Leadership- Los Angeles Development Institute, USA
- Job Experience:**
 - Common Sense Group
 - Truth of Calvary Ministries
 - The Entrepreneurship Academy
 - National Transformation Network
 - The Billionaires Conclave
 - Olumide Emmanuel Ventures

2. **Name:** Mr. Oluwatosin Olatujoye
Position: Managing Director
Profession: Entrepreneur and Sales Expert
Years of Experience: 20 years
Education:
 - PAN Atlantic University
 - Metropolitan School of Business and Management
 - London Business School**Job Experience:**
 - Common Sense Group
 - American International Insurance Company
 - Zylus Homes and Property Limited**Year of Board Membership:** 2022
3. **Name:** Mr. Steven Ajayi-James
Position: Non-Executive Director
Profession: Civil Engineer
Years of Experience: 15 years
Education:
 - MPM- University of Lagos
 - Alfred & Victoria Associate
 - B.Tech (Hons) Ladoke Akintola University of Technology, Ogbomoso
 - PMP- Project Management Institute
 - PMP- Project Management Institute**Year of Board Membership:** 2023
4. **Name:** Mr. Sonekan Wasiu Olasunkanmi
Position: Executive Director
Profession: Finance Expert
Years of Experience: 7 years
Education:
 - B.Sc- Federal University of Agriculture Abeokuta
 - PGD - International Digital Marketing College, UK
 - Lagos Business School
 - Rome Business School**Job Experience:**
 - Zylus Homes and Property Limited
 - SOKAM Construction Company**Year of Board Membership:** 2022
5. **Name:** Mr. Lateef Lawal Olaoluwa
Position: Executive Director
Profession: Human Resources Manager/Entrepreneur
Years of Experience: 7 years
Education:
 - B.Sc- Lagos State University
 - MBA-Babcock University, Ilishan.
 - PGD- International Digital Marketing College, UK
 - Rome Business School
 - Chartered Institute of Human Resources Management**Job Experience:**
 - Zylus Homes and Property Limited

- Affiliate NNPC
- Stanbic IBTC Bank

Year of Board Membership:2022

6. **Name:** Mr. Adeleke Hafees (FCA)
Position: Non-Executive Director
Profession: Accountant
Years of Experience:20 years
Education:
 - B.Sc (Accounting)- Crescent University Abeokuta
 - Association of Accounting Technician (AAT)
 - Institute of Chartered Accountant of Nigeria**Job Experience:**
 - Trustline Capital Limited
 - Federal University of Agriculture
 - Co-link Investment

Year of Board Membership:2022

7. **Name:** Abiye Tam George
Position: Non-Executive Director
Profession: Legal Practitioner
Years of Experience:15 years
Education:
 - B.L -Nigerian Law School, Enugu
 - LL.B - Rivers State University of Science and Technology, Port-Harcourt
 - Diploma in Law - Rivers State College of Art and Science, Port-Harcourt**Job Experience:**
 - Abiye Tam-George Legal (ATG Legal)
 - Tamabofri Educational Services, Lagos
 - Institute of Communication and Corporate Studies, Lagos
 - African bar Association
 - African Women Lawyers Association
 - International Federation of Women Lawyers, Lagos
 - Nigerian Bar Association Lagos

Year of Board Membership:2023

8. **Name:** Ijeoma Theo-Nwangwu
Position: Non-Executive Director
Profession: Marketer/Entrepreneur
Years of Experience:25 years
Education:
 - B.A (English/Literature)- Abia State University
 - MBA (Marketing) - Delta State University**Job Experience:**
 - Global Telmart Resources Limited
 - Eauxwell Nigeria Limited

Year of Board Membership:2022

SECTORAL REVIEW

Nigeria is Africa's largest economy with GDP in excess of \$500b. It is equally the most populous African country with population above 200million. However, the Country is facing challenges of infrastructure as well as housing deficit. Addressing these challenges therefore require continuous investments in the construction industry and by extension the Real Estate sector.

Nigeria's Annual Gross Domestic Product (GDP) growth rate slowed to 3.10% in 2022, compared to 3.40% in 2021. However, the economy grew by 3.52% (YoY) in real terms in the fourth quarter of 2022 (Q4 2022) compared to 2.25% in the preceding quarter.

According to the data released by the NBS, the Real Estate Sector's contribution to nominal GDP in Q3, 2022, stood at 4.96% as against 5.27% recorded in Q3 2021 but higher than 4.95% reported in Q2, 2022. The Sector grew by 18.92% YoY in third quarter of 2022 and 16.38% higher than the preceding quarter. The sector returned to positive growth with 2.81% year-on-year in the last quarter of 2020 following six consecutive quarters of negative growth since first quarter 2019.

Thereafter, the sector has been recording marginal growth. However, housing component continues to struggle with widening deficit of about 22 million units while rental market activity increases almost on daily basis, with an estimated 80 percent of the population participating.

Nigeria's home ownership level for its population of 200 million, is far behind it peers including South Africa, whose level is 67.7% for a population of 56 million. However, periodic reports have always shown trajectory that tends to suggest that there is improvement in the housing component of the sector.

Experts have noted a number of factors responsible for this disparity or mismatch to include inflation which is the reason for the high cost of building material and labour costs. The Russia-Ukraine war has created an economic crisis around the world leading to the worst inflation in more than 40 years in some western countries. Nigeria is highly impacted as more than 70 percent of construction and building inputs are imported.

Rising demand, emerging middle class, rapid urbanization, the level of infrastructure and high cost of securing and registering land title have kept land prices high.

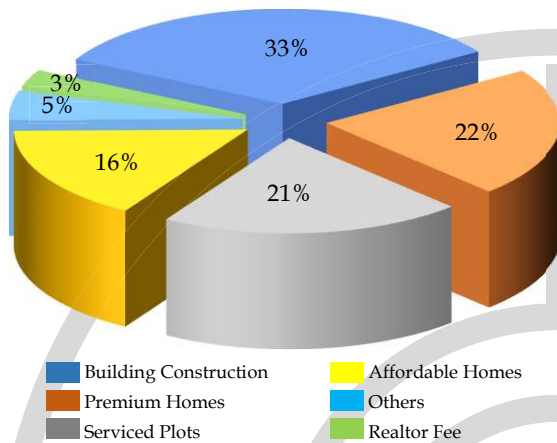
Despite this range of pressing challenges, Nigeria's real estate sector is set to continue expanding. The sector is expected to benefit from the high rural to urban rate of migration, which has increased demand for residential and retail real estate. Furthermore, the continuous urbanization of the economy is bound to drive demand for commercial real estate. In the medium to long term, the fundamental case for real

estate investment remains strong, especially given Nigeria's apparent infrastructure deficit, relative to its rapid urbanization.

FINANCIAL PERFORMANCE

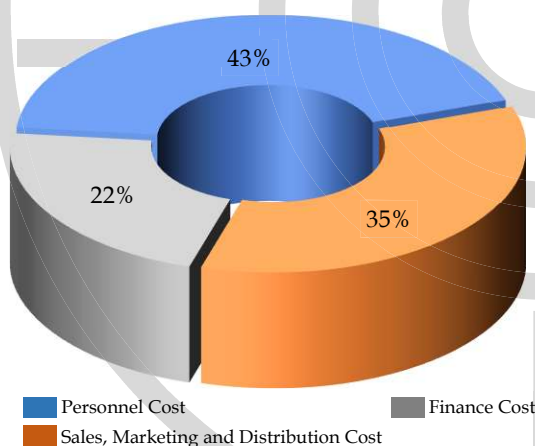
EARNINGS PROFILE

COMPOSITION OF REVENUE BY PRODUCTS



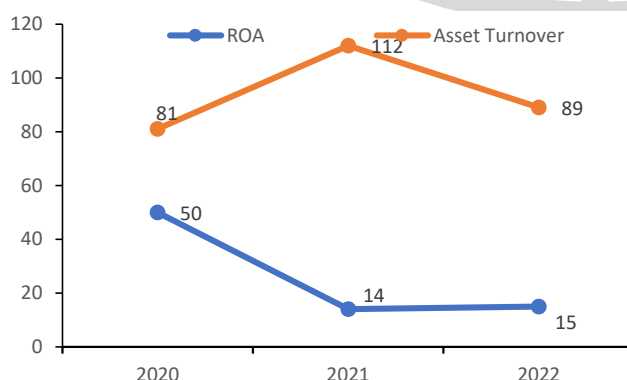
Source: Zylus Homes and Property Ltd

REVENUE GROWTH (2020 - 2022)



Source: Zylus Homes and Property Ltd

PROFITABILITY RATIO



Source: Zylus Homes and Property Ltd

In the year 2022, Revenue from the Company's main activities increased by 12% to ₦11.5b. This comprised of income from sale of property (Land and Building under construction), Property Investment and Consulting Services.

The Company earned a bulk of its revenue from Building Construction, Sale of Serviced Plots and Premium Homes. Other income during the period were drawn from Interest Earnings, Consulting and Advisory services.

Direct Cost of Sales grew by 6% to ₦8.6b. This includes Acquisition Expenses, Site Development, Building Operations, Sales Mobilization, Incentives, Commission and Incidental Costs.

In absolute term, Gross Profit recorded an increase during the year 2022. As a result, efficiency level measured by Gross Profit Margin improved from 17% (Yr. 21) to 25% (Yr. 22). This was due to the marginal increase in cost of sales.

Finance Cost includes Finance Charges, Bank Charges and Lease Rentals. This rose by 36% to ₦98m as a result of the increase in Interest Bearing Borrowings contracted during the year under review.

Total Operating Expenses rose from ₦329m (Yr. 21) to ₦848m (Yr.22). This comprised of expenditure relating to Selling, Marketing and Administration.

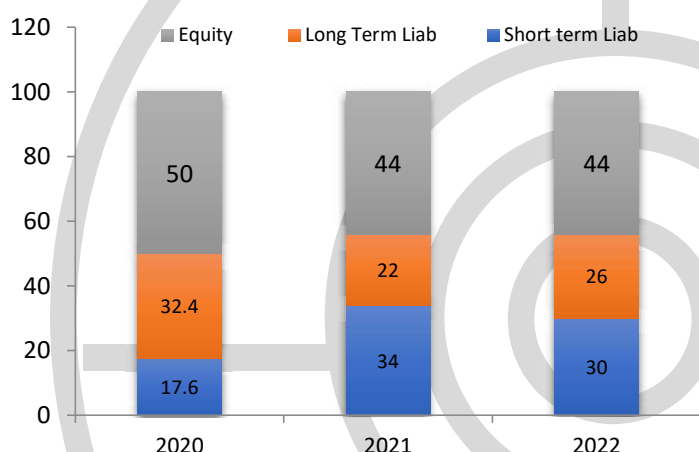
Pre-Tax Profit went up from ₦1.3b (Yr. 21) to ₦1.9b (Yr. 21). Consequently, all Profitability Indices increased during the year under review.

As at February 2023, Revenue had grown to ₦3.2b. Operating Profit and Net Profit Before Tax also recorded ₦517m and ₦399m respectively.

• CAPITALIZATION

Equity increased by 43% from ₦4.0b (Yr. 21) to ₦5.8b (Yr. 22). This was due to improved profitability during the year. Therefore, Retained Earnings moved from ₦2.0b (Yr. 21) to ₦3.7b (Yr. 22) contributing to the overall increase in Equity value.

FUNDING OF OPERATIONS (2020 - 2022)



Source: Zylus Homes and Property Ltd

Total Liability funding also increased by 40% to ₦7.2b compared with ₦5.1b recorded in 2021. During the year under review, Loan amounting to ₦843b was acquired from Commercial Banks and a Finance House. The Directors also provided fund to the Company at no cost in order to augment its working Capital.

Other major Current Obligations of the Company include Payables and income Tax liabilities.

Long term obligation included deferred tax liabilities of ₦371m for the year 2020 and 2021.

In view of the increased Borrowings and Retained Earnings recorded during the year, Equity funding of operation remained unchanged at 44% for the years 2021 and 2022.

• ASSET UTILITY

COMPOSITION OF TOTAL ASSETS (2021 - 2022)

ITEM	2022 ₦'000	%	2021 ₦'000	%
Non-Current Assets	3,699,138	29	2,905,114	32
Current Assets	9,242,584	71	6,226,462	68
Total Assets	12,941,722	100	9,131,575	100

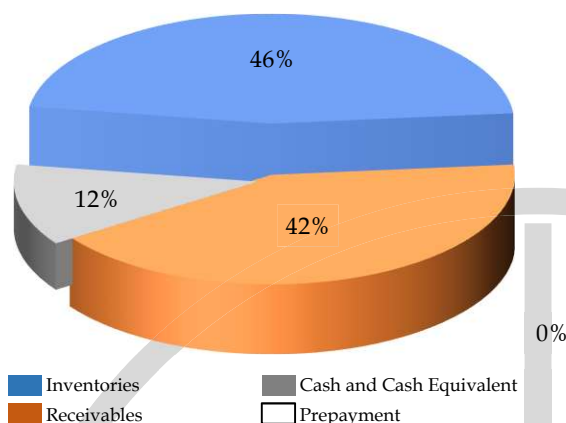
Source: Zylus Homes and Property Ltd

Total Assets increased by 42% from ₦9.1b (Yr. 21) to ₦12.9b (Yr. 22).

The Growth in Total Asset during the year can be traced

majorly to the increase in Current Asset. This class of Assets accounted for 71% (Yr. 22) of Total Assets.

COMPOSITION OF CURRENT ASSETS



Source: Zylus Homes and Property Ltd

Increased investment in Property during the year pushed Inventory value from ₦3.5b (Yr. 21) to ₦4.2b (Yr. 22). Receivables also surged to ₦3.9b (Yr. 22) owing to increase in Credit Sales. The Receivables were mostly current (30 days) and not considered to be impaired as at the end of the year.

Others include Prepayments and Cash Balances with Banks and *AIICO Capital Plc.*

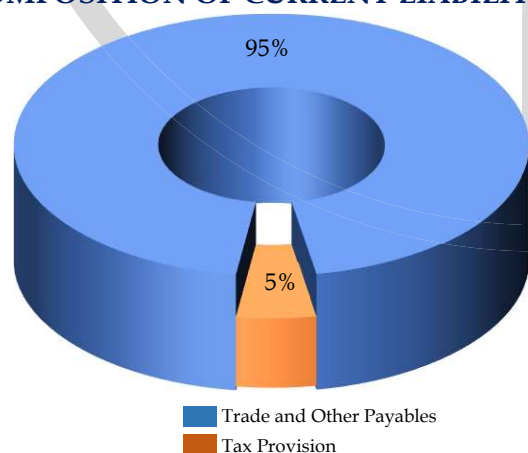
Non-Current Assets comprises Property, Plants and Equipment (PPE), Investment Property and Intangible Assets. This class of Assets also increased by 27% from ₦2.9b to ₦3.7b due to additional investments of ₦869m in the year 2022.

The ability to utilize Asset for profit generation rose to 15% (Yr. 22) from 14% (Yr. 21). However, the efficiency of the Company at utilizing Assets to generate revenue decreased from 112% (Yr. 21) to 89% (Yr. 22).

LIQUIDITY

Total Liabilities comprised of Current and Non-Current Liabilities. It increased by 40% from ₦5.1b (Yr.21) to ₦7.2b (Yr.22).

COMPOSITION OF CURRENT LIABILITIES



Source: Zylus Homes and Property Ltd

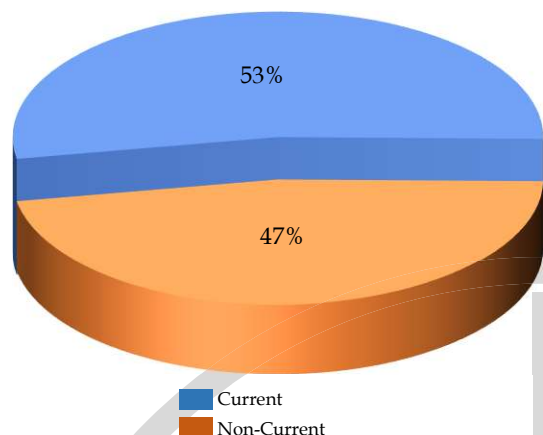
Total Obligations for the year were majorly short term in nature, with current liabilities accounting for nearly 53% of the Total Liabilities in the year under review.

The most significant component of Current Liabilities are Payables. This also accounted for 50% of the Total Liability funding for the year. Other components include Current Tax Liabilities.

During the year under review, the Company took loan facilities from Banks amounting to ₦843.5m (Yr.22). The Directors

also increased their funding from ₦2.0b (Yr.21) to ₦2.5b (Yr.22). These made up for the Non-Current portion of the Company's Liability funding.

COMPOSITION OF TOTAL LIABILITIES



Source: Zylus Homes and Property Ltd

The Company recorded Operating Cash inflow of ₦187.7m (Yr. 22) as against ₦264.5m recorded in the year 2021. However, Cash Balance for the year recorded a 100% increase. Consequently, the Company's Current assets provided adequate cover for its Current Liabilities as at the year-end 2022. Ability to settle short term obligations using Current Assets

rose from 202% (Yr.21) to 240% (Yr.22).

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by its Board of Directors which consists of the Three (3) Executive Directors and Five (5) Non-Executive Directors including the Chairman.

The oversight functions of the Board are carried out by its various Committees.

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 action that could lead to legal risk.

- 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 or its Board of Directors.

• LIQUIDITY RISK

This is the Risk arising from the Company's inability to pay its obligation as and when due.

Based on our review, the Company maintained a healthy current ratio of 240% (Yr. 22) as against 202% (Yr. 21).

• 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 ₦843.5m which are long term in nature. Therefore, adverse movement in interest rate will have little impact on 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 is exposed to credit risk through its Receivables. This amounted to ₦3.9b for the year 2022 translating to 30% of its Total Assets. Therefore, inability of its trading partners to pay as at when due may affect the Company's profitability.

• DAMAGE RISK

This is the risk arising from physical damage to the Company's buildings and projects arising from environmental and social factors.























The Company invests in the development and sales of affordable homes, including luxury apartments. Therefore, damage to physical structure of the buildings may have dire consequences on Earnings and Profitability.

CONCLUSION

The Rating of the company is supported by its Good Profitability, Liquidity and Revenue Profile.

Consequently, we assigned a Rating of **"BBB"**

FUTURE OUTLOOK

	Dec, 2022		Dec, 2021		Dec, 2020
	₦'000	Δ%	₦'000	Δ%	₦'000
Income					
Revenue	11,500,726	12	10,250,387	96	5,225,906
Cost of Sales	(8,633,285)	1	(8,571,937)	106	(4,154,697)
Profit from sales of Trading Properties	2,867,441 	71	1,678,450 	57	1,071,209
Other Income	12,017	21	9,934	(63)	27,014
Finance Costs	(98,111)	37	(71,622)	819	(7,791)
Operating Profit	2,781,347 	72	1,616,762 	48	1,090,432
Sales, Marketing and Distribution	(154,867)	345	(34,828)	(35)	(53,281)
Personnel Cost	(194,492)	65	(118,192)	121	(53,507)
Depreciation and Amortisation	(107,164)	158	(41,509)	330	(9,646)
Other Operating Expenses	(391,533)	189	(135,247)	25	(108,338)
Profit before Taxation	1,933,291 	50	1,286,986 	49	865,660
Taxation	(188,204)	118	(86,260)	44	(59,698)
Profit after taxation	1,745,087 	45	1,200,726 	49	805,962
Assets					
Non Current Assets					
Property, Plant and equipment	918,146	145	374,694	586	54,658
Investment Properties	2,754,915	9	2,529,786	152	1,002,305
Intangible Assets	26,076	4,013	634	107	306
	3,699,137 	27	2,905,114 	175	1,057,269
Current Assets					
Inventory	4,238,224	20	3,542,553	341	803,115
Receivables	3,887,040	81	2,149,843	40	1,537,540
Prepayment	13,453	17	11,544	27	9,104
Cash and Cash Equivalents	1,103,867	111	522,522	10	475,056
	9,242,584 	48	6,226,462 	120	2,824,815
Total Assets	12,941,721 	42	9,131,576 	135	3,882,084
Equity and Liabilities					
Share capital	1,000	-	1,000	-	1,000
Deposit for shares	2,000,000	-	2,000,000	33	1,500,000
Retained Earnings	3,751,776	87	2,006,688	149	805,962
Total equity	5,752,776 	44	4,007,688 	74	2,306,962
Non Current Liabilities					
Borrowing	843,555	1,631	48,737		
Director Loan Account	2,500,068	25	2,000,068	128	876,519
	3,343,623 	63	2,048,805 	134	876,519
Current Liabilities					
Payables	3,655,063	23	2,969,352	440	550,000
Other payables	2,056	(89)	19,470	(78)	88,905
Current Tax Liabilities	188,204	118	86,260	44	59,698
Total Liabilities	3,845,323 	25	3,075,082 	340	698,603
Total Equity and Liabilities	12,941,721 	42	9,131,576 	135	3,882,084

Signed: 
Name: **Oladele Adeoye**
Designation: Chief Rating Officer
Date: 30 May, 2023

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.	(Superior) 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	(Excellent) 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	(Very Good) 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	(Fair) 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	(Marginal) 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	(Weak) 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	(Poor) 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	(Very Poor) 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.