



DataPro



CORPORATE RATING REPORT

ADOZILLION HOMES AND REALTY LIMITED

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163-165 Broad Street,
By Marina Water Front
Lagos, Nigeria
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December, 2023

ADOZILLION HOMES AND REALTY LTD

Long-Term Rating:

BBB

Short Term Rating: A1

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 8 Dec., 2023

Valid Till: 7 Dec., 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

	2023 ₦'000	2022 ₦'000	2021 ₦'000
Gross Earning	4,850,728	4,141,590	2,558,705
Profit before Tax	678,624	658,543	277,245
Total Asset	5,017,227	4,343,138	3,046,643
Equity	1,435,610	855,824	254,368
Total Liabilities	3,581,616	3,487,314	2,792,275
Fixed Asset	914,289	1,167,507	1,070,724

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 **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 current obligations, but its 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 its current healthy profile in the medium to long term period.

Overall, the following were observed:

Positive Rating Factors:

- Good Liquidity
- Good Revenue Profile
- Good Asset Utility

Negative Rating Factors:

- Macro-Economic Constraints

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BACKGROUND

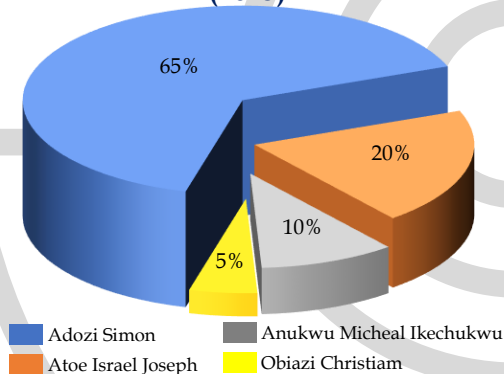
Adozillion Homes and Realty Limited ("The Company") was incorporated on 10th September, 2020 and commenced business on the 3rd of October, 2020.

The Company provides personalized luxury accommodation solutions to individuals and businesses. The principal activities of the business include Real Estate Development, Project Management, Landscaping & Modelling, Architectural Designing & Creativity as well as Facilities Management.

Real Estate Projects managed by the Company includes *Mufasa Apartments, Monte Carlo Lagos* and *Eco Value Garden City*. Mufasa Apartments consists of Block A, B, C and X, with A fully completed and subscribed for. These makes up for a total of 4,140 Square meters. The Company plans to acquire 20 acres of prime land (Mufasa Prime) in Ibeju Lekki and Epe.

Eco Value Garden City is under construction while *Monte Carlo Lagos* is yet to commence construction.

ANALYSIS OF SHAREHOLDING STRUCTURE (2023)



Source: Adozillion Homes and Realty Limited

The registered office of the Company is in Ajah, Lagos State. However, it operates from Ikate Elegushi, Lekki area of Lagos State with 27 direct and 65 indirect employees.

The Company's Shares are held majorly by *Mr Adozi Simon Nwachukwu*. He had 65% of the Company's Shares as at September, 2023. The balance of the Shares were distributed among three (3) other individuals.

DIRECTORS' PROFILE

The following are serving members of the Board as at the reviewed period; *Mr. Lekan Ogunbanwo - Chairman; Mr. Adozi Simon - Managing Director/CEO; Israel Atoe; Michael Anukwu; Barr. Christian Obiazi and Olarenwaju Akinyebi.*

The Directors' profile is as follows.

- Name:** Lekan Ogunbanwo
Position: Chairman
Years of Experience: 45 years
Education •B.Sc. in English Language

- Work Experience:**
- Plus Tv Africa
 - Lagos State Government
 - Lagos TV/Radio Lagos
 - Radio/Lagos Eko Fm
 - Lagos State Broadcasting Corporation (LSBC)

Year of Board Membership: 2023

2. **Name:** Adozi Simon
Position: Managing Director/CEO
Years of Experience: 11 years
Education:
- Bachelor of Engineering
 - Masters in Entrepreneurship Management-Lagos Business School
- Experience:**
- Adozillion Homes and Realty Limited
 - Real Estate Millionaires’ Realtor Limited
 - PWAN Limited
 - Innovectives Limited

Year of Board Membership: 2020

3. **Name:** Israel Atoe
Position: Head of Operations/Finance
Years of Experience: 10 Years
Education:
- MBA, Business Administration and Management
 - MBA - University of Lagos
- Work Experience:**
- Adozillion Homes and Realty Limited
 - Sage
 - Sheds Financials
 - Bloo Cloud Tek Consult
 - Crowe Dafinone
 - Genesis Entertainment

Year of Board Membership: 2021

4. **Name:** Michael Anukwu
Position: Project Director
Years of Experience: 10 years
Education:
- M.Sc. - University of Lincoln, UK
 - B.Sc.- Enugu State University of Science and Technology, Enugu
- Work Experience:**
- Adozillion Homes and Realty Limited
 - Fran Construction and Co Limited
 - Shelt + Arc Building LLC

Year of Board Membership: 2023

5. **Name:** Olarenwaju Akinyebi
Position: Non- Executive Director
Years of Experience: 10 Years

Education/Professional
Qualification

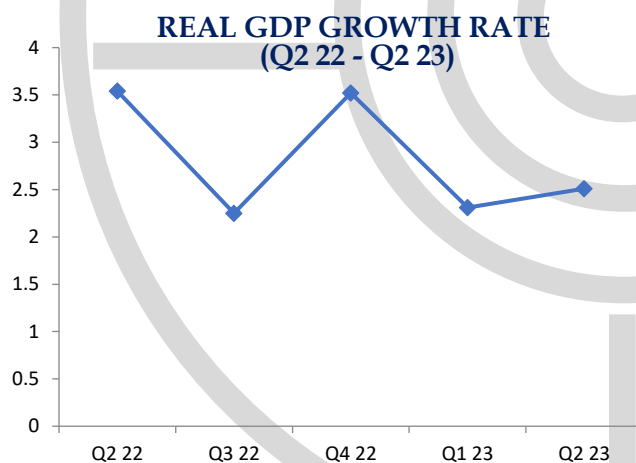
- Degree in Engineering
- Six Sigma certification (CSSC) USA

Year of Board Membership: 2023

6. **Name:** Barr. Christian Obiazi
Position: Non- Executive Director
Years of Experience: Over 10 Years
Education:
 - Bachelor of Laws (LL. B)
 - Master of Laws (LL. M)**Work Experience:**
 - Sahara Springs Limited.
 - Ika North East Local Government (Special Advisor)**Year of Board Membership:** 2023

SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population of over 200 million people. The Country's Gross Domestic Product (GDP) grew by 2.51% (year-on-year) in real terms in the second quarter of 2023. This growth rate declined from 3.54% recorded in the second quarter of 2022. The reduction in growth is attributed to challenging economic conditions being experienced.



Source: Nigeria Bureau of statistic

The growth was driven mainly by the non-oil sectors, with top-contributing sectors being Agriculture (23%), Trade (16.8%), Telecommunications (16.06%), which grew by 1.5%, 2.4% and 9.7%, respectively. According to the data released by the NBS, the real GDP growth recorded in the Real Estate sector for the second quarter of 2023, stood at 1.87%, lower than the growth recorded in the second quarter of 2022 by 2.54% points and

higher by 0.17% points compared to Q1 2023. Quarter-on-quarter, the sector grew by -0.57% in Q2 2023. It contributed 5.29% to real GDP in Q2 2023, lower than the 5.33% it recorded in the corresponding quarter of 2022.

The Oil benchmark for the year 2023 budget is \$70 per barrel and 1.69 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$74.27 as at December 7th, 2023 according to oilprice.com). However, Nigeria is battling with the challenge of foreign currency scarcity arising from lower Oil receipt and limited export capacity of the Country.

The Monetary Policy Committee (MPC) of the CBN at its fourth meeting for the year raised the Monetary Policy Rate (MPR) further by 25bps from 18.50% to 18.75% in July, 2023. This was done to manage inflation which remains on a steady increase. Headline Inflation rose to 27.3% in October, from 26.72% recorded in the previous month. The rise in MPR could have the effect of limiting borrowing from Financial Institutions due to the high costs and lead borrowers to find alternative sources of finance.

In order to achieve a Unified Foreign Exchange regime, the CBN has collapsed the multiple exchange rate windows. This is in addition to allowing the free float of the Naira against the US dollars. Consequently, the value of the Naira to the Dollar at the official market closed at ₦886.65/\$1 as at December 7th, 2023 while the parallel market value stood at an average of ₦1,175/\$1.

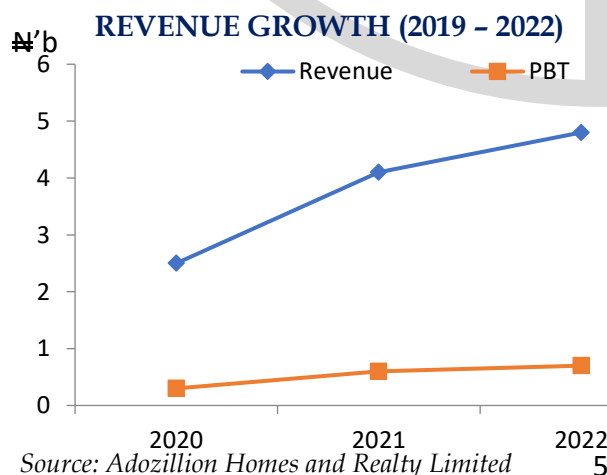
Nigeria's home ownership level for its population of 200 million, is far behind its peers including South Africa, whose level is 67.7% for a population of 56 million. However, Periodic reports has always shown trajectory that tends to suggest that there's improvement in the housing component of the sector.

Experts have noted a number of factors responsible for this disparity or mismatch, including the persistent increase in fuel prices and inflation which is the reason for the high building material prices and labour costs. Rising demand, emerging middle class, rapid urbanisation, the level of infrastructure and high cost of securing and registering land title also contribute largely.

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 & PROFITABILITY

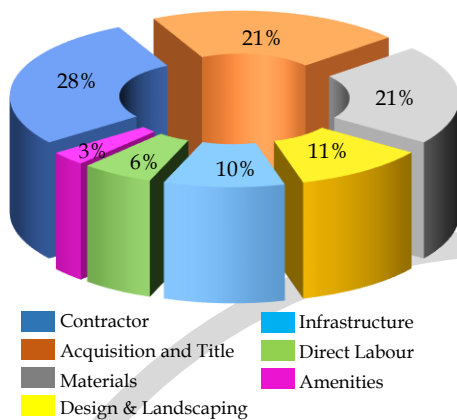


The financial year end of the Company is September. Therefore, we reviewed the account for the three (3) year period ending September, 2023.

In the financial year ended September 2023, Revenue from the sale of finished houses and serviced plots of Land increased by 17% to ₦4.8b. Revenue was accrued mainly

from three projects namely: *Mufasa Apartments, Monte Carlo Lagos and Eco Value Garden City.*

COMPOSITION OF DIRECT EXPENSES



Source: Adozillion Homes and Realty Limited

Other sources of Revenue included Service Charge which accounted for 5% of total Income.

In the year 2023, Cost of Sales increased by 24% to ₦3.3b. This included costs of acquisition & titles, designing & landscaping, infrastructure, amenities, direct labour and contractors.

Gross Profit recorded marginal increase during the year. However,

efficiency level as evidenced by the Gross Profit Margin declined from 37% (Yr. 22) to 33% (Yr. 23) owing to the level of increase in Cost of Sales which outweighed the growth in Revenue.

• **PROFITABILITY**

Total Operating Expenses grew from ₦1.2b (Yr. 22) to ₦1.3b (Yr.23). The increase was majorly due to Directors’ Emoluments. Personnel Expenses decreased while Depreciation remained unchanged at ₦53.2m (Yr. 23). Net Finance Costs relating to interest expenses grew marginally from ₦4.3m (Yr. 22) to ₦5.9 (Yr. 23).

Consequently, Pre-Tax Profit recorded a marginal increase of 3% from ₦658.5m (Yr. 22) to ₦678.6 (Yr. 23). The Company recorded a Net Profit margin of 14% as against 16% in the year 2022. The decline in profitability levels was due to rising costs of building materials and additional interest costs.

• **CAPITALIZATION**

Shareholders’ Fund has consistently increased over the past three years, stemming

Item	₦	%
Non-Current Assets	914,289,012	18
Current Assets	4,102,937,656	82
Total Assets	5,017,226,668	100

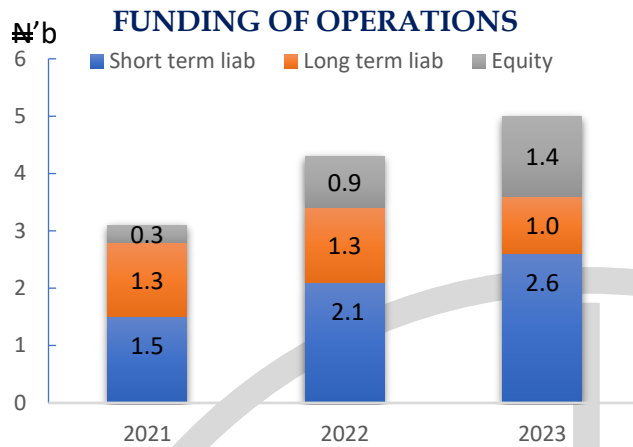
Source: Adozillion Homes and Realty Limited

from stable profitability profile. Equity Capital increased by 29% from ₦855.8m (Yr. 22) to ₦1.4b (Yr. 23) while Issued Share Capital was maintained at ₦1m.

As at the financial year ended 30th September 2023, the Company recorded Total Assets amounting to ₦5.0b, a 15% increase from the prior year’s value. Current Assets accounted for 82% of the Total Asset base and enhanced its growth in the financial year under review.

The Non-Current Assets comprised of Property, Plants and Equipment (PPE) as well as Long-term investments in real estate. No additions were made to these assets

during the year. However, transfers were made from Investments to Inventory (serviced plots). This brought the value of the Non-Current Assets down by 22% from ₦7.1b (Yr. 22) to ₦914m (Yr.23).



Source: Adozillion Homes and Realty Limited

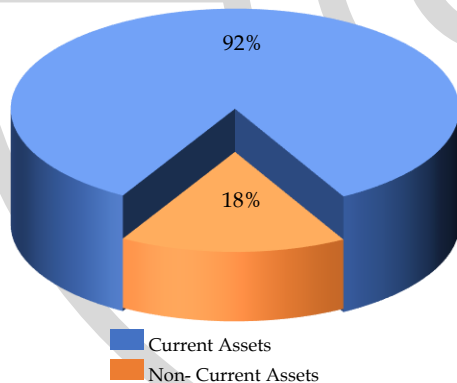
Total Liability funding comprising Current and Non-Current Liability amounted to ₦3.6b as against ₦3.5b recorded in the prior period. A bulk of liability funding for the year were current in nature. This class of obligations included Payables to

Clients (97%), Tax (2%) and others (1%).

As a result of the declining growth rate of liabilities and the increase in Shareholders' Fund, the Company's funding mix was positively altered in the year under review. Equity Funding improved from 20% (Yr.22) to 29% (Yr. 23).

• **ASSET UTILITY**

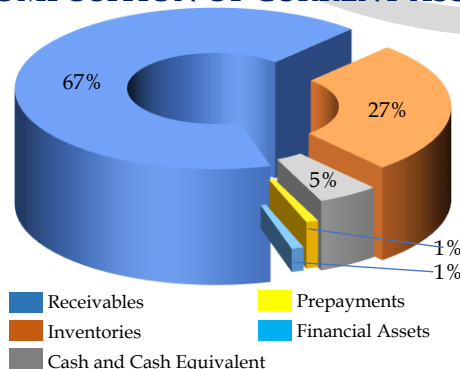
DISTRIBUTION OF TOTAL ASSETS



Source: Adozillion Homes and Realty Limited

The business of the Company is capital intensive. Current Assets contributed 82% of the Total Asset base during the year, contributing largely to its increase. Major components including Cash, Trade Receivables and Inventory increased by 257%, 11% and 90% respectively.

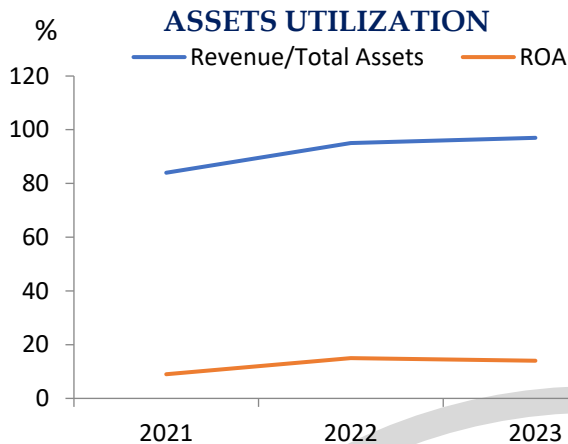
COMPOSITION OF CURRENT ASSETS



Source: Adozillion Homes and Realty Limited

PPE declined from ₦517.5m (Yr. 22) to ₦464.3m (Yr.23) due to depreciation charge in the year. The Company also made investments in land amounting to ₦650m during the year.

The efficiency of the Company at utilizing its Assets to generate Revenue recorded 95% and 97% for the years 2022 and 2023 respectively. However, the ability of the



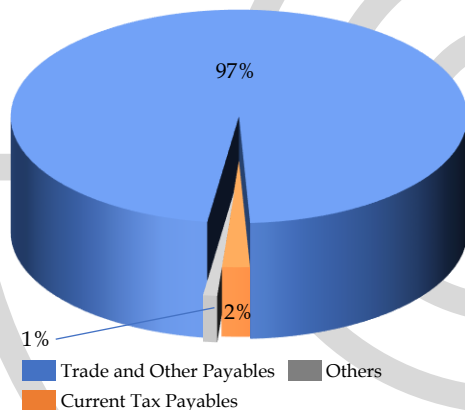
Source: Adozillion Homes and Realty Limited

Company to effectively utilize Assets for the purpose of generating Profit dipped from 15% (Yr. 22) to 14% (Yr. 23).

• **LIQUIDITY**

The Company is highly liquid with Short Term Assets making up for 82% of the Total Asset Base. As at 31st September 2023, working assets fully catered for Short Term Liabilities.

COMPOSITION OF CURRENT LIABILITIES



Source: Adozillion Homes and Realty Limited

During the year under review, the Company's debt profile was largely in the short term. Trade payables including amounts owed to vendors, contractors and customers accounted for 70% of the total debt during the period.

The Company recorded Operating Cash inflow of ₦316.1m (Yr. 23) as against ₦144.9m in the year 2022. Ability to settle short term obligations using Current Assets

was adequate. It rose from 148% (Yr.22) to 159% (Yr.23).

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by the Board of Directors which consists of three (3) Executives and three (3) Non-Executives including the Chairman.

The Company recognizes that its operation is exposed to Market, Liquidity, Credit, Operational and Reputational Risks. The Company Risk Policy provides how these risks will be managed. The policy also identifies the roles of critical stakeholders in the company concerning risk management, especially the Board.

RISK FACTORS

- **LEGAL RISK**

This is the risk that the Company will be exposed to legal actions that may lead to payment 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**

Based on our review, the Company maintained adequate coverage for its short-term liabilities using its current assets. This improved from 148% (Yr. 22) to 159% (Yr. 23).

- **INTEREST RISK**

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

Based on our review, the Company's borrowings during the year were non-interest advances from its directors. As a result, 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 Financial Assets and Receivables. Amounts in the hands of third parties during the year accounted for 55% of its Total Assets. Therefore, inability of its trading partners to pay as at when due may affect the Company's profitability.

CONCLUSION

We have reviewed the document relating to the operation of the Company. The Rating is supported by Good Liquidity, Good Revenue Profile and Good Asset Utility.

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

FINANCES

Financial Position as at

	Sept., 2023		Sept., 2022		Sept., 2021
	₱	Δ%	₱	Δ%	₱
ASSETS					
Property and Equipment	464,289,012	(10.28)	517,506,768	(9.32)	570,724,524
Long term Investments	450,000,000	(30.77)	650,000,000	30.00	500,000,000
Cash and cash equivalent	189,017,582	257.47	52,875,765	(8.74)	57,937,314
Financial Assets	26,330,052	1.64	25,905,975	0.12	25,875,000
Other Receivables & Prepayments	2,738,591,221	11.13	2,464,272,149	45.18	1,697,405,733
Prepayments	51,168,801	(9.46)	56,517,084	125.16	25,100,342
Inventory	1,097,830,000	90.58	576,059,880	239.66	169,600,000
	5,017,226,668	15.52	4,343,137,621	42.55	3,046,642,913
Liabilities					
Director's Loan	1,000,000,000	(25.37)	1,340,000,000	-	1,340,000,000
Payables to Clients and Vendors	2,507,277,978	20.86	2,074,614,572	46.47	1,416,452,417
Other Liabilities	15,501,852	(0.70)	15,611,430	30.69	11,945,791
Tax Payable	58,836,711	3.06	57,087,730	139.09	23,876,603
Total Liabilities	3,581,616,541	2.70	3,487,313,732	24.89	2,792,274,811
Net Asset	1,435,610,127	67.75	855,823,889	236.45	254,368,102
Share and reserves					
Share capital	1,000,000	-	1,000,000	-	1,000,000
Retains earning	1,434,610,127	67.83	854,823,889	237.38	253,368,102
Shareholders funds	1,435,610,127	67.75	855,823,889	236.45	254,368,102
Profit & Loss Account					
Total revenue	4,850,728,206	17.12	4,141,590,000	61.86	2,558,705,300
Profit before income tax	678,623,668	3.05	658,543,517	137.53	277,244,705
Profit for the year	619,786,957	3.05	601,455,787	137.38	253,368,102
Transfer to retained earnings	619,786,957	3.05	601,455,787	137.38	253,368,102
Dividend Paid	40,000,719	-	40,000,719	-	-

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 8th December, 2023

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.