



DataPro

CORPORATE RATING REPORT

ZEENAB FOODS LIMITED

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By Marina Water Front
Lagos, Nigeria
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May, 2024

ZEENAB FOODS LIMITED

Long-Term Rating:

A

Short Term Rating: A1

Rating Outlook: Positive

Trend: Up

Currency: Naira

Date Issued: 10 May, 2024

Valid Till: 9 May., 2025

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 N'000	2022 N'000	2021 N'000	2020 N'000	2019 N'000
Turnover	21,905,031	17,443,618	13,239,160	7,700,400	5,982,500
Profit Before Tax	3,867,555	2,260,430	3,085,422	1,943,968	334,434
Equity	10,833,449	7,384,873	7,124,444	4,327,578	2,578,953
Non-Current Asset	9,968,422	8,303,615	8,529,116	3,536,658	2,329,078
Total Asset	13,873,327	10,691,509	10,065,242	4,891,579	3,468,215
Non-Current Liability	-	990,000	1,800,000	-	-

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 the 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 were 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
- Low Debt Profile
- Good Asset Utility
- Diversified Income Sources
- Stable Management

Negative Rating Factor:

- Macro Economic Constrains

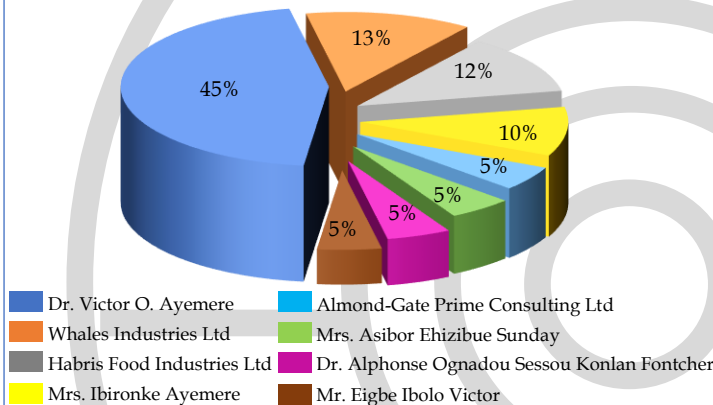
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BACKGROUND

Zeenab Foods Limited ("The Company") was incorporated on September 5, 2011. It commenced operations in the same year, specializing in food processing and agro-commodity trading.

The Company's primary activities include rice milling, agricultural commodities export and supplying agricultural commodities for the **United Nations** World Food Programme. It processes, packages a diverse range of products such as **Rice, Millet, Beans, Sorghum, Dried Split Ginger, Sesame seeds and Cassia Tora**. The operating model involves building and integrating business strategies that capture the entire agricultural commodities value chain from farm gate to the processing facilities for onward distribution to local and international consumers.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Zeenab Foods Ltd

The Company is headquartered in Abuja. However, its branches are in Kano, Lagos and Edo States. It also maintains a trade centre in China. It has a workforce of 114 employees.

Dr. Victor Ayemere holds 45% of the Company's Shares. Other significant Shareholders with shareholdings exceeding 10% include **Habris Food Industries Limited, Whales Industries Limited, and Mrs. Ibironke Ayemere**.

DIRECTORS' PROFILE

The following persons served as directors during the year under review; **Prof Emmanuel Dele Olaolu – Chairman, Dr. Victor O. Ayemere – Chief Executive Officer, Mr. Adamu Adamu Audu, Mrs. Ibironke Ayemere, Mr. Bolaji Richard Audu, Engr. Daniel Igbinoba, Mrs. Fatima Wujat Bissallah, Jingjing Yang, Dr. Alphonse Ognadou Sessou Komlan Fontcher, Wang Yike and Dharmendra Yadav**.

The Directors' profile is as follows:

- Name:** Professor Emmanuel Dele Olaolu
Position: Chairman
Profession: Business Management & Finance
Year of Experience: 40 years
Education:
 - B.Sc. - Banking & Finance, University of Lagos
 - MBA - University of Lagos
 - MBA - Lagos State University, Ojo

Job Experience:

- PhD Business Administration, Babcock University.
- University of London, School of Oriental and African Studies (SOAS), United Kingdom
- Fellow, Chartered Institute of Bankers of Nigeria (FCIB)
- Board Chairman, Zeenaab Foods Limited, Abuja.
- Sitting Professor in the Department of Business Management & Marketing, Baze University, Abuja.
- Regional Director (North), Wema Bank Plc and five other banks, where he held various executive management positions (1985 – 2015).
- Senior Faculty and Consultant to Financial Institutions Training Centre (FITC) and Lagos Business School

Board Membership: 2024

2. **Name:** Dr. Victor O. Ayemere (Phd)
Position: Managing Director/CEO
Profession: Accountancy, Banking and Entrepreneurship
Year of Experience: 25 years
Education:

- B.Sc. Accounting, University of Port Harcourt
- M.Sc. International Business Baze University, Abuja
- PhD. International Business, Baze University, Abuja

Job Experience:

- Relationship Manager, Diamond Bank Plc
- Business Manager, Guaranty Trust Bank
- Branch Manager, Bond Bank Plc
- Central Bank of Nigeria
- Current President, Benin Oil Palm Cluster Group
- Deputy National President, Cassia Tora Producers, Processors, and Exporters Associations of Nigeria.

Board Membership: 2019

3. **Name:** Mr. Adamu Adamu Audu
Position: Executive Director/Operation
Profession: Accountancy, Banking & Entrepreneurship
Year of Experience: 26 years
Education:

- HND - Kaduna State Polytechnic
- Postgraduate studies at Bayero University, Kano

Job Experience:

- Over 20 years of experience in the Banking Sector

Board Membership: Since 2024

4. **Name:** Mrs. Ibironke Ayemere
Position: Executive Director (Corporate Service)
Profession: Finance, Branding & Communication
Year of Experience: 20 years
Education:

- B.Sc. - University of Lagos
- M.Sc. - University of Lagos.

Job Experience: • Government and Private Project: Worked on several projects in Abuja, Lagos, Rivers, and Edo states.

Board Membership: Since 2024

5. **Name:** Mr. Bolaji R. Audu
Position: Executive Director (Sales & Marketing)
Profession: Banking & Marketing
Year of Experience: 26 years
Education:
 - B.Sc. Economics University of Ilorin, Kwara State
 - M.Sc. Economics Lagos State University Lagos.**Job Experience:**
 - Lagos State Board of Internal Revenue
 - Legacy Magnum Trust Bank
 - Sterling Bank (formerly NAL Bank)**Board Membership:** Since 2024
6. **Name:** Yang JingJing
Position: Non-Executive Director
Profession: Business Consultant
Year of Experience: 21 years
Education:
 - Peking University- Guanghai School of Management**Job Experience:**
 - China Everbright Group**Board Membership:** Since 2024
7. **Name:** Mrs. Fatima Bissallah Wujat
Position: Executive Director- Domestic Operations
Profession: Business Management and Finance
Year of Experience: 15 years
Education:
 - B.Sc. Agriculture, Ahmadu Bello University, Zaria
 - M.Sc. - Bayero, University Kano, Nigeria.**Job Experience:**
 - Zenith Bank Plc
 - StabicIBTC Bank Plc
 - Yarmanya Farms & Enterprises Kaduna, Nigeria
 - Zeenab Foods Limited**Board Membership:** Since 2024
8. **Name:** Wang Yike
Position: Independent Non-Executive Director
Profession: Business and Financial Advisory
Year of Experience: 32 years
Education:
 - B.Sc. - Shandong University School of Management, People's Republic China.**Job Experience:**
 - He has worked in both public and private sectors, before setting up his consulting firm, providing business and financial advisory services.**Board Membership:** Since 2024

- 9. Name:** Dr. Alphonse Sossou Kolman Fontche
Position: Independent Non-Executive Director
Profession: Medical Practitioner and Entrepreneurship
Year of Experience: 26 years
Education:
 - MBBS - Abdou Moumouni University in Niamey
 - MBA - Abdou Moumouni University in Niamey**Job Experience:**
 - He is a practicing medical doctor and an astute businessman across the francophone nations**Board Membership:** Since 2024
- 10. Name:** Engr. Daniel Igbinoba Doleyi
Position: Executive Director
Profession: Production Engineering
Year of Experience: 20 years
Education/Professional:
 - B.Sc. University of Benin, Edo state**Qualification**
 - OSHA-Manager from the Institute of Occupational Safety & Health Academy, USA.
 - Nigerian Institute of Safety Professionals.
 - Nigerian Institute of Management**Board Membership:** Since 2024

SECTOR REVIEW

Nigeria stands as the leading economy in Africa with a population exceeding 200 million people. Despite its potential, the nation encountered economic challenges exacerbated by the COVID-19 pandemic, witnessing a decline in Gross Domestic Product (GDP) growth to 2.74% in 2023 from 3.10% in 2022, marking the slowest growth since the 2020 recession.

The manufacturing sector experienced a notable decline, with growth dropping to 1.40% in 2023 compared to 2.45% in 2022. However, the Non-Oil sector played a significant role, contributing 95.30% to Nigeria's GDP in Q4 2023. Key contributors included Financial Institutions, Telecommunication, Agriculture, Trade, Construction, and Manufacturing (especially Food, Beverage, and Tobacco). Annual non-oil sector growth in 2023 stood at 3.04%, while the oil sector witnessed a growth of -2.22%.

Despite the resilience of the Non-Oil sector, challenges persist, including inflation, government policy changes, insufficient funding, volatility in the FX market, and increased finance and material costs. Nigeria faces its worst economic crisis in years, with surging inflation reaching an all-time high of 29.9% as of March 2024. Monetary policies, including an increase in the Monetary Policy Rate (MPR) to 22.75%, have further weakened the local currency against the US Dollar, with the official exchange rate at N1412.57 and the parallel market rate at N1500 as of May 8, 2024.

The manufacturing sector has borne the brunt of these challenges, facing diminished purchasing power due to naira devaluation and cashless policies. Operators within the Food Processing Sector are particularly affected, grappling with passing production costs to consumers while retaining loyalty.

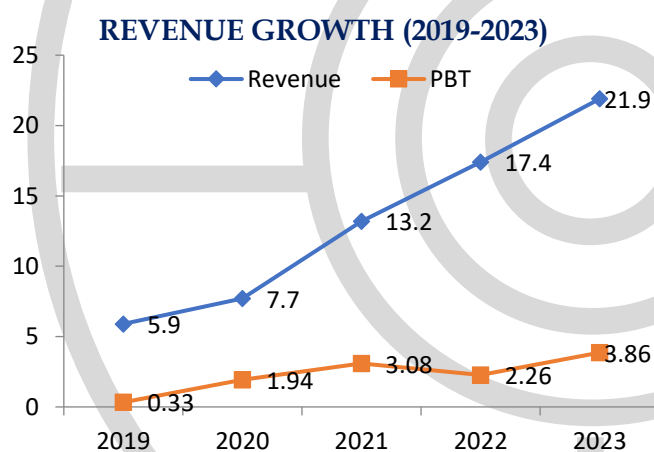
Despite the current economic challenges, the Nigerian manufacturing sector holds potential for recovery. Adaptation to changing market dynamics, innovation in cost management, and strategic consumer engagement will be pivotal for survival and growth.

FINANCIAL PERFORMANCE

The financial analysis is based on the Audited Financial Statements of the Company for the five years ended 31st December 2023 as well as the 2023 Audited was provided.

• EARNINGS PROFILE

The Company grew its Revenue consistently during the reviewed period. Revenue



Source: Zeenab Foods Ltd

recorded an increase of 25% from ₦17.4b (Yr.22) to ₦21.9b (Yr.23). This increase was majorly driven by sales volume and enhanced production capacity.

The rice segment remained the primary contributor to Total Earnings, comprising 37% of sales. Other segments such as beans, millet, ginger, sesame, and cassia tora contributed 17%, 25%, 14%, 4%, and 2% respectively. Geographically, Revenue was generated from two

key locations, Abuja and Kano with Abuja sales accounting for 57% of Total Earnings.

• PROFITABILITY

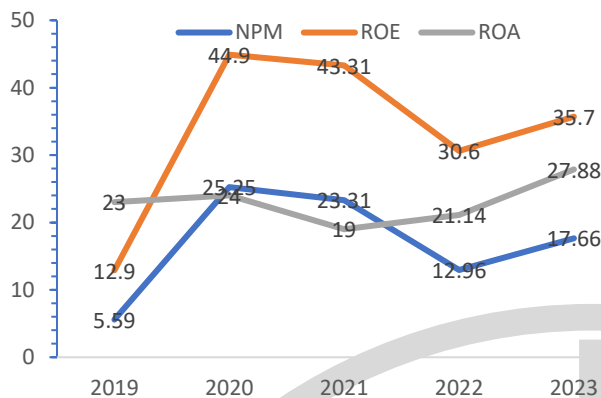
Item	2023	2022
Gross Profit	4,755,936	3,693,365
Total Expenses	1,375,381	1,168,261
Profit Before Tax	3,867,555	2,260,430

Source: Zeenab Foods Ltd

Due to inflationary pressures, Gross Profit margin remained at 21% for the years under review despite improved sales performance. However, in absolute term, Gross Profit grew from ₦3.6b (Yr.22) to ₦4.7b (Yr.23)

Operation Cost comprised of Administrative Expenses, Impairment Provisions and Finance Cost. This grew by 18% to ₦1.3b (Yr.23). This was traced majorly to the growth in administrative expenses.

PROFITABILITY TREND (2019-2023)



Source: Zeenab Foods Ltd

The Company maintained Operating Expenses to Revenue ratio at 4% for the years 2022 and 2023. There was also a significant decrease of 28% in Finance Costs which reduced to ₦309m (Yr.23) in absolute term.

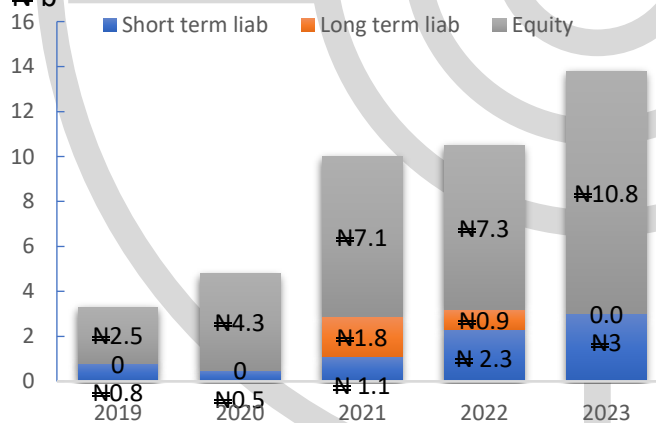
The Company's profitability was supported by effective cost management, significant rise in Gross Profit and decline in Finance Cost. Consequently, Pre-Tax Profit

rose by 71% to ₦3.8b (Yr.23). All Profitability indices performed well in the period under review. Net Profit Margin grew from 13% (Yr.22) to 18% (Yr.23). Similarly, Return on Equity also surged from 31%(Yr.22) to 36% (Yr.23).

• CAPITALIZATION

Equity appreciated by 47% in the year 2023 to ₦10.8b (Yr. 23). This was driven by Earnings Retention. However, Share Capital remained the same in the years 2022 and 2023.

FUNDING OF OPERATIONS



Source: Zeenab Foods Ltd

Total Assets increased significantly by 30% in the year 2023. It grew from ₦10.6b (Yr. 22) to ₦13.8(Yr. 23) as a result of acquisitions of Land, Property, Plants and Equipment.

Total Liabilities stood at ₦3b (Yr.23) representing a 9% growth compared with the prior year value. The Group's Liabilities comprised of Non-Interest-Bearing Liability (11%) and Interest-Bearing Liabilities (89%). The Interest-Bearing

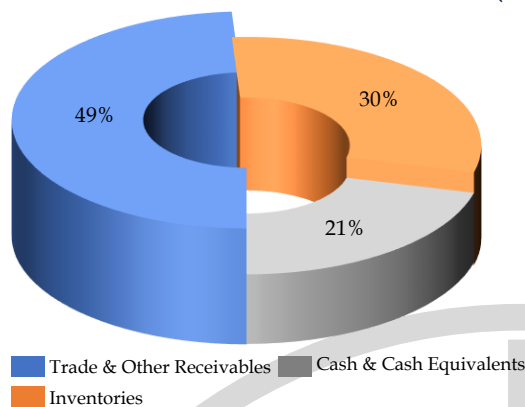
components consisted of various short-term loan acquired from NEXIM and other Commercial Banks. As at 31st December, 2023 Loans balance was ₦2.6b.

The funding of Total Assets provided by Equity was 78% in the year 2023. The balance of the Company Assets was funded by Liabilities.

• ASSET UTILITY

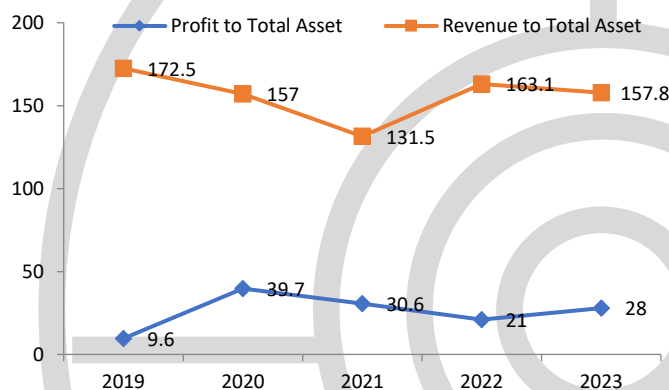
The company currently operates from its factory in Abuja, with branches in *Kano, Lagos and Edo States*. In the year 2023, the factory capacity utilized for all products

COMPOSITION OF CURRENT ASSETS (2023)



Source: Zeenab Foods Ltd

ASSET UTILIZATION TREND (2019-2023)



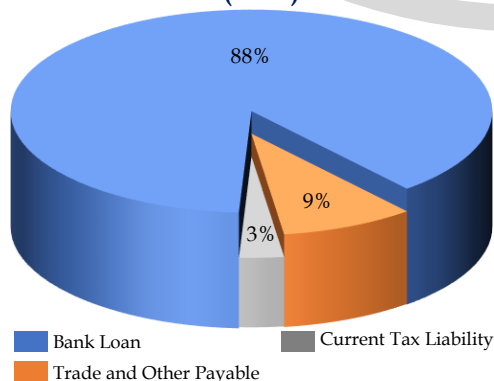
Source: Zeenab Foods Ltd

Assets. However, Return on Asset improved to 28% (Yr.23) compared with 21% (Yr.22).

• LIQUIDITY

The Total Liabilities of the Company comprised solely of short-term obligations. As at the end of year 2023, Total Debt increased by 107% to ₦2.68b (Yr. 23). The Company

COMPOSITION OF CURRENT LIABILITIES (2023)



Source: Zeenab Foods Ltd

stood at 80%. Total Asset deployed to operation rose significantly by 30% to ₦13.8b (Yr.23). In line with the nature of business, Assets of the Company comprised majority of Property, Plants and Equipment which accounted for 72% of the Total Value. The Company made significant investments in the purchase of Non-Current Assets. Amount deployed in the year 2023 was ₦2.1b (Yr.23).

The Current Assets comprised of Cash, Inventories and Trade Receivable. Inventories constituted 30% of the Company's Current Asset. However, Trade Receivable from third parties accounted for 49% of the Company's Current Asset.

The ability of the Company to effectively utilize Assets for Revenue generation declined from 163% (Yr.22) to 157% (Yr.23). This was largely due to the increase in Revenue not matching the growth in

Revenue not matching the growth in Revenue. However, Return on Asset improved to 28% (Yr.23) compared with 21% (Yr.22). This was largely due to the increase in Revenue not matching the growth in Revenue. However, Return on Asset improved to 28% (Yr.23) compared with 21% (Yr.22). The Company paid ₦1.2b from its outstanding Loans in the year 2023. However, it was able to contract a NEXIM facility of N1b to facilitate export and local supply of Ginger, Cassia, Tora Seeds and other agricultural commodities. This is in addition to short term financing contracted with other Commercial Banks at interest rates ranging from 9% to 20%. Borrowings constituted 88% of the Company's Total Liabilities and

amounted to ₦2.6b (Yr.23). Other components of Current Liabilities included Trade and Payables as well as Tax.

Current Assets value in the year 2023 amounted to ₦3.9b. The Company generated a cashflow of ₦2.3b from its operation. Its ability to settle short-term maturing obligation was a healthy ratio of 128%.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The Board composition included five (5) Executive Directors and six (6) Non-Executive Directors including the Chairman. The positions of Chairman and Managing Director/Chief Executive Officer are held by different persons.

The Board currently comprises three (3) Committees

- Board Governance, Remuneration, Establishment and General-Purpose Committee.
- Statutory Audit Committee
- Board Strategy, Investment, Finance Committee

The Company recognizes that it has Price Volatility, Credit, Exchange Rate, Market, Operational, Interest Rate, Foreign Currency and Liquidity Risks. In line with details contained in its Annual Report, the Company has in place measures to deal with its various risks.

REGULATORY ENVIRONMENT

The products of the Company are subject to the regulation of *National Agency for Food and Drug Administration (NAFDAC)*, *Manufacturing Association of Nigeria (MAN)*, and *Standard Organization of Nigeria (SON)*.

RISK FACTORS

In the course of our review of the Company documents, we observed the following risk factors:

• LIQUIDITY RISK

This is the risk arising from inability to meet obligations as they fall due.

Based on our review, The Company's Liquid Assets provided adequate coverage for most of its Current Liabilities.

• INTEREST RATE RISK

This is the risk of loss to income arising from adverse movements in Interest Rates.

The liabilities of the Company are sourced from providers which required Interest charge. The inability of the Company to attract funds at favorable terms may affect Earnings, especially where the burden could not be passed to the customers.

• CREDIT RISK

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

Based on our review, the Company's Total receivables for the year 2023 amounted to 20% of its Total Assets. Therefore, the inability of its trading partners to honor their obligations as and when due may have adverse effect on the Company's profitability.

• REPUTATIONAL RISK

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

Based on our review, there was no negative public information or adverse press report against the Company or its Board of Directors.

FUTURE OUTLOOK

The expansion plan of the Company includes acquisition and embarking on the following projects:

- Increase the rice mill from the present 120-ton capacity per day mill to 240-ton capacity per day.
- Expand Zeenab China Office to two (2) more provinces within China to receive agro commodity exported from Nigeria.
- Set up Zeenab USA and UAE Offices to receive exportable agro commodities

CONCLUSION

The Rating of the Company is supported by its Experienced Management Team, Good Liquidity, Low Debt Profile Good Asset Utility and Diversified Income Sources.

Consequently, we assigned a Rating of "A"

FINANCES

Financial Position as at

	Dec, 2023		Dec, 2022		Dec, 2021
	N'000	Δ%	N'000	Δ%	N'000
Capital Employed					
Property, Plant and Equipment	9,937,208	20.28	8,261,997	(2.54)	8,477,094
Intangible Asset (Software)	31,214	(25.00)	41,618	(20.00)	52,022
Current Asset s	3,904,905		2,387,894		1,536,126
Current Liabilities	(3,039,879)	31.22	(2,316,635)	103.07	(1,140,798)
Non-Current Liabilities		(100.00)	(990,000)	(45.00)	(1,800,000)
Net Assets	10,833,448	46.70	7,384,874	3.66	7,124,444
Funds Employed					
Share Capital	5,000	0.00	5,000	0.00	5,000
Deposit for Shares				(100.00)	2,000,000
Retained Earnings	10,828,449	(246.73)	(7,379,873)	(244.15)	5,119,444
	10,833,449	(246.90)	(7,374,873)	(203.52)	7,124,444
Revenue	21,905,031	25.58	17,443,618	31.76	13,239,160
Profit/ Loss Before Tax	3,867,555	53.16	2,525,104	21.08	2,085,422
Profit After Tax	3,448,575	52.56	2,260,430	(19.18)	2,796,867
Total Comprehensive Income for t	3,448,575	52.56	2,260,430	(19.18)	2,796,867

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 10th May, 2024

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

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our **short-term** ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long-term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	(<i>Superior</i>) Assigned to companies which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	(<i>Excellent</i>) Assigned to companies which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	(<i>Very Good</i>) Assigned to companies which have very good financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	(<i>Fair</i>) Assigned to companies which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have an ability to meet their

current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator	Meaning	Explanation
BB	Moderate Risk	<i>(Marginal)</i> Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	<i>(Weak)</i> Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	<i>(Poor)</i> Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	<i>(Very Poor)</i> Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

SHORT-TERM RATING

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for timely payment of financial commitments. May have an added “+” to denote any exceptionally strong credit feature.
A1	Good credit quality	A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality	The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non investment grade.
B	Speculative	Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk	Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations.