



DataPro



CORPORATE RATING REPORT

WEST AFRICAN SOY INDUSTRIES LIMITED

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December, 2023

WEST AFRICAN SOY INDUSTRIES LTD

Long-Term Rating:

A⁻

Short Term Rating: A1

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 16 Dec., 2023

Valid Till: 15 Dec., 2024

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

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EXECUTIVE SUMMARY

	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018 ₦'000
Turnover	105,381,197	80,666,268	41,848,054	19,300,689	18,814,413
Pre-Tax-Profit	5,493,279	4,272,043	1,232,738	387,631	606,257
Shareholders Fund	16,557,137	9,562,286	5,004,323	1,712,327	1,429,585
Non-Current Assets	24,216,718	24,653,393	22,852,988	22,967,393	11,550,735
Total Asset	103,803,831	77,712,759	62,745,408	50,875,115	34,463,175

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 current 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:

Positive Rating Factors:

- Experienced Management Team
- Strong Earnings Growth
- Good Liquidity Position
- Good Brand Presence

Negative Rating Factors:

- High Debt Profile
- High Finance Cost

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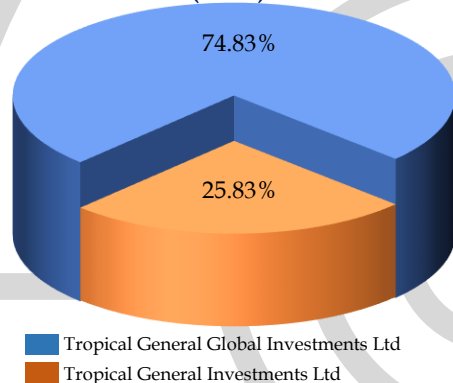
BACKGROUND

West African Soy Industries Limited ("The Company") formerly known as *West African Cotton Oil Mills Limited* was incorporated on June 3rd, 2004. However, it commenced business on April 28th, 2017.

The Company is engaged in the processing of Soy and other oil seeds as well as nuts. It is active in the soybean value chain through its out-grower farming activities by providing agri-inputs to farmers and procuring farm produce through offtake arrangements. Its multi oilseeds processing plant is located in Sagamu, Ogun State.

The Company produces a variety of products from the processing of oil seeds including Soyabean Meal, Soya Lecithin, Processed Soyabean, Soya Fatty Acid, Refined Soya Oil, Acid Oil, Refined Palm Oil and Refined Palm Kernel Oil.

ANALYSIS OF SHAREHOLDING STRUCTURE (2022)



Source: WASIL

The Company currently operates a 200,000 MT oil seed crushing complex and a 150,000 MT Refinery in Ogun State. The Facility is the largest Soybean crushing plant in Africa.

The Company is a subsidiary of *Tropical General Investments Limited* (British Virgin Islands). The administrative headoffice is located in Lagos. The Company has a staff strength of 762.

The ownership of the Company as at 31 December, 2022 is shared between *Tropical General Investments Limited* (25.83%) and *Tropical General Global Investments Limited* (74.17%).

DIRECTORS' PROFILE

The following served as Directors during the year under review; *Cornelis G. Vink (MFR) - Chairman; Deepanjan Roy-Managing Director; Rahul Savara; Jerome O. Shogbon and Farouk M. Gumel.*

The Directors' profile is as follows:

- Name:** Cornelis G. Vink (MFR)
Position: Chairman
Profession: Qualified Engineer
Years of Experience: Over 50 years
Education: •Bachelor in Textile Engineering

Job Experience: • Founder & Chairman, TGI Group
Year of Board Membership (Years): 2004.

2. **Name:** Deepanjan Roy
Position: Managing Director
Profession: Food Technologist
Years of Experience: Over 24 years
Education: • MBA-India Institute of Management
Job Experience: • CHI Limited
 • West African Soy Industries Limited

3. **Name:** Rahul Savara
Position: Director
Profession: Chartered Accountant
Years of Experience: Over 35 years
Education: • Delhi University
Job Experience: • TGI Group
Year of Board Membership: 2004

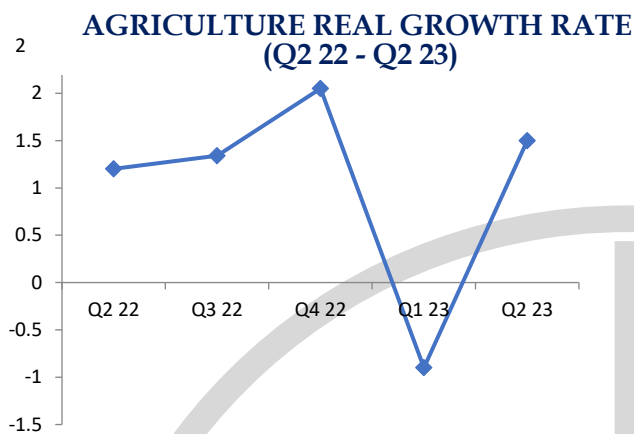
4. **Name:** Jerome O. Shogbon
Position: Director
Profession: Business Executive
Years of Experience: 40 years
Education: • B.Sc - Illinois State University
 • MBA in Finance and Administration
Job Experience: • TGI Group
Year of Board Membership: 2014

5. **Name:** Farouk M. Gumel
Position: Director
Profession: Chartered Accountant
Years of Experience: 23 years
Education: • BS - University of Northampton
 • MS - Newcastle University
Job Experience: • PwC (UK, US, Nigeria)
 • TGI Group
 • WACOT Rice Limited
 • Nigeria Sovereign Investment Authority
 • Union Bank of Nigeria
Year of Board Membership: 2001

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 data from the NBS, the Nigeria Agricultural Industry recorded 1.5% nominal growth year-on-year in Q2 2023, showing an improvement from the growth of 1.20% recorded in the same quarter of 2022.

The Sector grew by 2.05% (Q4 2022), accounting for a lesser growth relative to the fourth quarter of 2021. The performance was significantly hampered by severe incidences of flood experienced across the Country in the year 2022.

The Agriculture Sector remains the foundation of the Nigerian Economy, contributing 23% to the Country's GDP and representing up to 35% of total national Employment in the year 2022. The sector has however contributed less to aggregate GDP in the second quarter of 2023 compared to the second quarter of 2022. The sector is broadly divided into four sectors in Nigeria- Crop production, fishing, livestock and forestry. Nigeria has an arable land area of 34 million hectares for permanent crops and 28.6 million hectares on meadows and pastures.

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 (\$76.55 as at December 15th, 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 28.20% in November, from 27.33% 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

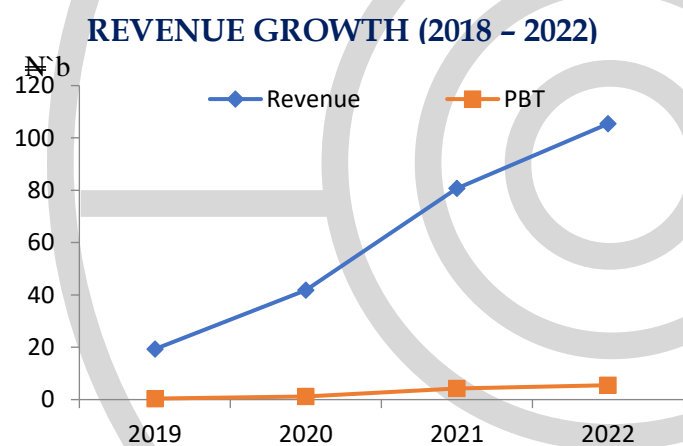
official market closed at ₦861.65/\$1 as at December 15th, 2023 while the parallel market value stood at an average of ₦1300/\$1.

The Nigerian Soybean market boasts of a total volume of about 1-1.3 million MT annually and the major market players include *WASIL, Olam, Apples and Pears Limited, Rom Oil (FMN Group), Garewa Oil Mills, and Abuja Nigeria Limited.*

Soybean processing outputs are soya meals which are both for domestic and export consumptions, and soya oil products majorly for the domestic markets. Value added activities in the industry comprise of soybean farming, crushing, milling, refining and logistics activities within the value chain. Ability to take advantage of the growing domestic and international markets will enhance the Revenue and profitability of the operators.

FINANCIAL PERFORMANCE

• EARNINGS PROFILE



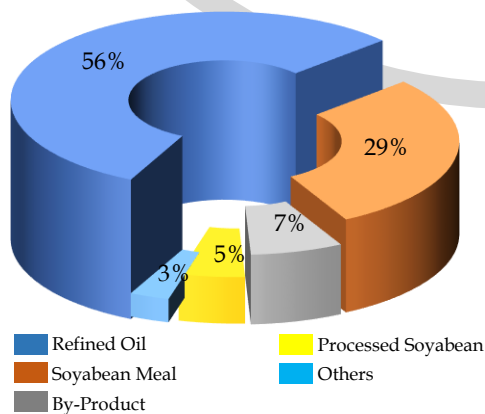
Source: WASIL

We reviewed the Company's Financials based on its Audited Account covering the years 2018-2022 and Unaudited Management Account for the six months ended June, 2023.

In the year 2022, Revenue from the Company's ordinary course of business increased by 31% to ₦105.4b. Export sales made up for 19% of Total Revenue.

Refined Oil contributed 56% to Total Sales in the year 2022 accounting for the largest proportion of Revenue. Other major contributions were from sale of Soybean Meal and By-Products.

COMPOSITION OF REVENUE BY PRODUCT

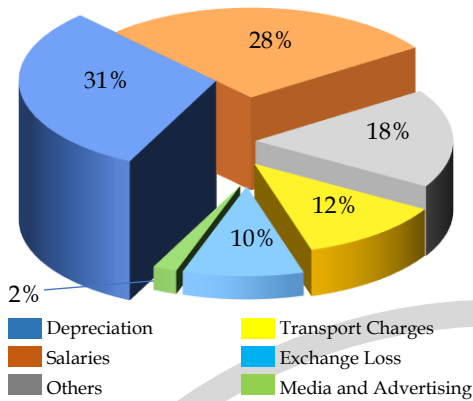


Source: WASIL

Write Back of Excess Impairment and other income was ₦28.8m (Yr. 22) rising from ₦141.3m (Yr. 21).

Cost of production grew by 28% from ₦68.5b (Yr. 21) to ₦88.0b (Yr. 22). This included purchases,

COMPOSITION OF TOTAL EXPENSES



Source: WASIL

transport, export related costs, repairs and maintenance amongst others. In absolute term, Gross Profit increased by 42% to ₦17.4b during the year 2022. However, Gross Profit Margin recorded marginal growth from 15% (Yr. 21) to 16% (Yr. 22).

• PROFITABILITY

Item	2022 ₦'000	2021 ₦'000
Gross Profit	17,378,089	12,169,267
Operating Expenses	(5,821,815)	(4,951,794)
Other Income	28,775	141,310
Net Finance Cost	(6,091,770)	(3,086,740)
Profit Before Tax	5,493,279	4,272,043

Source: WASIL

The Operating Expenses grew by 17% to ₦5.8b (Yr. 22). This comprised of expenses relating to selling, distribution and administration.

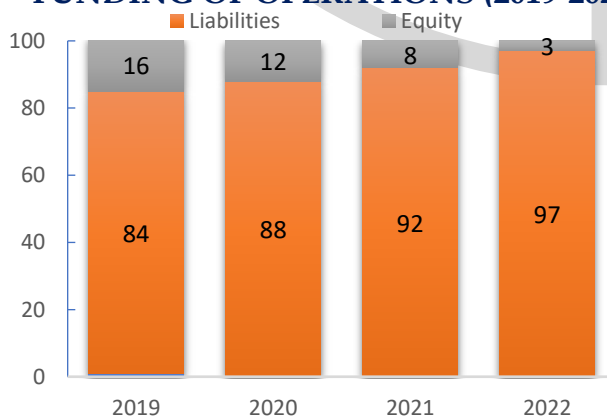
Finance Cost doubled in the year 2022. It went up from ₦3.1b (Yr.21) to ₦6.1b (Yr.22). This related to interest incurred on Loans,

Overdraft, Charges and Leases. The most significant component was interest on Loans amounting to ₦6b.

The significant growth in Revenue recorded in the year 2022 compensated for the brunt of rising cost components. Consequently, Pre-Tax Profit went up from ₦4.3b (Yr. 21) to ₦5.5b (Yr. 22). Therefore, Net Profit Margin remained unchanged at 5% for the years 2022 and 2023.

• CAPITALIZATION

FUNDING OF OPERATIONS (2019-2022)



Source: WASIL

Current Assets constituted 77% of Total Assets in the reviewed period. Increase in Inventories and Receivables saw the Asset Base expand from ₦77.7b (Yr. 21) to ₦103.8b (Yr. 22). Non-Current Asset contribution dropped from 32% (Yr. 21) to 22% (Yr. 22) due to depreciation charged in the year.

Borrowings represented 90% of Total Liabilities. The Company's

Borrowings are majorly in the short-term accounting for 56% of its total. The proportion of the debt maturing within a year reduced from 60% (Yr. 21) to 56% (Yr. 22%).

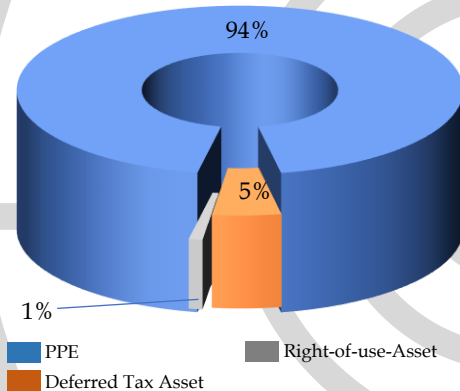
Shareholders' Funds accounted for less than 10% of funding prior to 2021, but impact of spike in accumulated profits in the years 2021 and 2022 saw the proportion of Equity gradually rise to 12% and 16% of funding respectively in both years.

• **ASSET UTILITY**

ITEM	2022 ₦'000	%
Current Assets	79,587,113	77
Non-Current Assets	24,216,718	23
Total Assets	103,803,831	100

Source: WASIL

DISTRIBUTION OF NON-CURRENT ASSETS



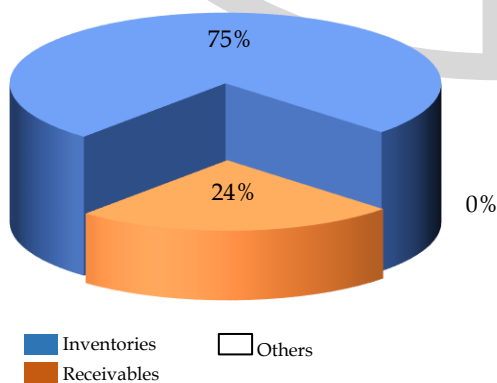
Source: WASIL

The Company has a total installed capacity of 1,350MT per day for all its products, accounting for a Factory Capacity Utilization of 76% in the period. Non-Current Assets stood at an average of ₦24b during the year under review. The decline in the value of PPE, slightly impacted the value of Non-Current Assets. However, this was offset by the increase in deferred assets. Right of Use Assets made up for less than 1% of Total Asset.

Current Asset accounted for 77% of Total Assets and was majorly responsible for its increase. Significant growth was recorded in Inventories and Receivables. Amounts due from third parties

grew from ₦3.9b (Yr. 21) to ₦19.3b (Yr. 22). This comprised majorly amounts due from affiliated Companies.

COMPOSITION OF CURRENT ASSETS



Source: WASIL

Cash reserve declined during the year. It comprised Cash and Bank Balances in Naira and Dollar net of Overdrafts.

Overall, Total Assets increased by 33% from ₦77.7b (Yr. 21) to ₦103.8b (Yr. 22).

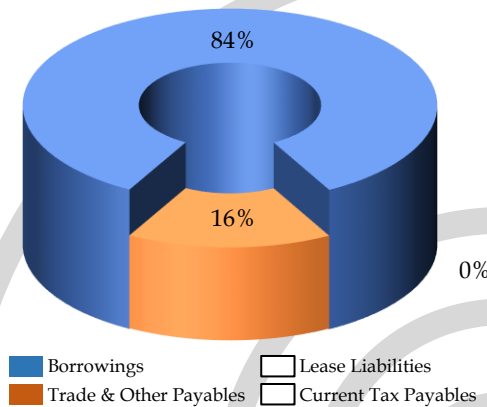
The ability of the Company to utilize its Assets in generating Revenue declined marginally from 104% (Yr. 21) to 102% (Yr. 22). However, the

efficiency of the Company at utilizing its asset for profit generation remained at an average of 5% for the years 2021 and 2022.

• **LIQUIDITY**

The Company is funded mainly by Liabilities. In the year 2022, the Company’s Total Liabilities was ₦87.2b translating to 28% growth compared with the previous year. The growth was majorly on account of the spike in Borrowings during the year.

COMPOSITION OF CURRENT LIABILITIES



Source: WASIL

Obligations for the year were majorly short term in nature with Current Liabilities accounting for nearly 61% of the Total Liabilities. Other component of liabilities were Payables and Tax payables.

During the year under review, the Company recorded current and non-current Interest-Bearing Borrowings from commercial Banks amounting to ₦78.5b (Yr.22). As at 30th April, 2023, debt levels had dropped to

₦74.3b.

Due to high stockholding and substantial amount of receivables, Operating Cash flow recorded a net deficit balance of ₦18.6b (Yr. 22). The Company’s liquidity profile improved due to the increase in its Current Assets. Ability to settle Short Term Obligations using Current Assets increased from 121% (Yr.21) to 150% (Yr.22).

REGULATORY ENVIRONMENT

The operation of the Company is subject to the regulation of the *Nigerian Export Promotion Commission (NEPC)* and the *Nigerian Investment Promotion Commission (NIPC)*.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by its Board of Directors. The Board comprised of five (5) members including the Chairman.

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

The Company recognizes that it has Market, Credit and Liquidity Risks. In line with details contained in its Annual Report and information provided, the Company has in place measures to deal with its various risks.

RISK FACTORS

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

- **LIQUIDITY RISK**

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

Based on our review, the liquidity profile of the Company improved from 121% to 150% as at the year-end 2022. Borrowings are typically short-term in nature.

- **MARKET RISK**

This is the risk that changes in market prices, such as Foreign Exchange Rates and Interest Rates will affect the company's income or the value of its holdings of financial instruments.

The Company incurred Interest Bearing Borrowings during the year under review. As a result, adverse movement in Interest and Foreign Exchange Rate could impair profitability.

- **CREDIT RISK**

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

Based on our review, about 19% of the Company's Total Assets were concentrated in third parties (mostly affiliated Companies) in the year 2022. Its exposure to credit risk is through Trade Receivables. The inability of the primary obligors to honor their obligations may affect the capacity of the Company to generate income.


CONCLUSION

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

Consequently, we assigned a Rating of "A⁻"

FINANCES

	Dec, 2022		Dec, 2021		Dec, 2020	
	₦'000	Δ%	₦'000	Δ%	₦'000	
Employment of Funds						
Property, Plants & Equipment	22,872,148	(4.28)	23,894,054	5.65	22,617,080	
Right of use Asset	215,393	44.94	148,613	(24.04)	195,657	
Deferred Tax Assets	1,129,177	84.89	610,726	1417.29	40,251	
Total	24,216,718	(1.77)	24,653,393	7.88	22,852,988	
Current Assets						
Inventories	59,531,279	40.43	42,392,719	47.96	28,652,304	
Trade Receivable	19,292,195	395.60	3,892,663	(57.69)	9,199,371	
Prepayments	377,690	46.71	257,438	(0.50)	258,719	
Cash and Cash Equivalents	385,952	(94.08)	6,516,546	265.68	1,782,026	
Total Current Assets	79,587,116	50.00	53,059,366	33.01	39,892,420	
Total ASSETS	103,803,834	33.57	77,712,759	23.85	62,745,408	
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	2,000,000	96.73	1,016,604	0.00	1,016,604	
Share Premium	1,440,000	0.00	1,440,000	0.00	1,440,000	
Retained Earnings	13,117,137	84.60	7,105,682	178.90	2,547,719	
Total equity	16,557,137	73.15	9,562,286	91.08	5,004,323	
NON-CURRENT LIABILITIES						
Borrowings	34,048,836	40.23	24,280,000	(19.07)	30,000,000	
Total Non-Current Liabilities	34,048,836	40.23	24,280,000	(19.07)	30,000,000	
Current LIABILITIES						
Borrowings	44,505,859	24.79	35,665,450	42.84	24,968,095	
Trade and Other Payables	8,651,482	9.27	7,917,600	199.68	2,641,991	
Lease Liabilities	-	-	115,714	15.95	99,796	
Current Tax Payables	40,517	(76.40)	171,709	450.30	31,203	
Total Current Liabilities	53,197,858	21.26	43,870,473	58.14	27,741,085	
TOTAL EQUITY AND LIABILITED	103,803,834	33.57	77,712,759	23.85	62,745,408	
STATEMENT OF COMPREHENSIVE INCOME						
Revenue	105,381,197	30.64	80,666,268	92.76	41,848,054	
Cost of Sales	88,003,108	28.48	68,497,001	103.34	33,685,826	
Gross Profit	17,378,089	42.80	12,169,267	49.09	8,162,228	
Other Income	28,775	(79.64)	141,310	(63.98)	392,265	
	17,406,864	41.40	12,310,577	43.91	8,554,493	
Less						
Operating Expenses	5,821,815	17.57	4,951,794		3,365,063	
Finance Costs	6,091,770	97.35	3,086,740	(21.99)	3,956,692	
Profit Before Tax	5,493,279	28.59	4,272,043	246.55	1,232,738	
Income Tax (Expenses)/Credit	518,176	(9.13)	570,261	309.50	139,258	
Profit After Tax from Continuing Oper	6,011,455	24.14	4,842,304	252.94	1,371,996	
Total Comprehensive Income for the y	6,011,455	24.14	4,842,304	252.94	1,371,996	

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 16th 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.