



DataPro

CORPORATE RATING REPORT

CUTIX PLC

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February, 2024

C U T I X P L C

Long-Term Rating:

A

Short Term Rating: A1

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 5 Feb., 2024

Valid Till: 2 Feb., 2025

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

This report is provided by DataPro subject to the Terms & Condition stipulated in our Terms of Engagement

EXECUTIVE SUMMARY

	2023 ₦'000	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000
Turnover	9,225,071	7,852,391	6,745,521	5,025,500	5,434,107
Pre-tax-Profit	1,193,668	1,161,802	907,431	585,505	679,331
Equity	3,232,800	2,767,160	2,214,333	1,805,637	1,613,091
Non-Current Assets	1,110,989	1,074,550	1,054,399	862,348	880,425
Total Asset	5,796,787	5,086,471	4,801,452	3,627,990	2,861,338
Long-term Debt	231,837	210,185	278,610	508,516	215,754

Rating Explanation

The Short-Term Rating of **A1** indicates *Good Credit Quality* and Satisfactory capacity for timely payment of financial commitments.

The Long-Term Rating of **A** indicates *Low Risk*. It shows Very Good Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Company, in our opinion, has strong ability to meet its ongoing obligations.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information 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 Factor:

- Strong Revenue Profile
- Experienced Management Team
- Good Liquidity Profile

Negative Rating Factor:

- Macroeconomic constraint

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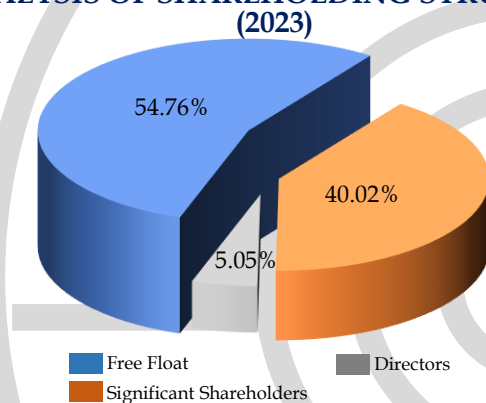
BACKGROUND

Cutix PLC (*"The Company"*) was incorporated on the 4th of November, 1982 and commenced business on that same day. The company at inception was a Private Limited Liability Company. This status changed on the 12th of August 1987, when it became a *Second Tier* quoted company of the *Nigerian Exchange (NGX)*. Subsequently, it was quoted under the *First Tier* of the NGX on February 18th 2008.

The Company was established as an indigenous firm to manufacture electric wires and cables. Its product offerings include: House Wiring Cables, All Aluminum Conductors (AAC), Copper Conductors, Aluminum Service Cables, Automotive Cables, Appliance Cables, Low Voltage Power Cables and Solar Cables.

The Company's Head Office is located in Anambra State, with branches in Aba, Abuja, Enugu, Lagos, Nnewi, Obosi, Port Harcourt and Uyo. It services customers via a workforce of 258.

ANALYSIS OF SHAREHOLDING STRUCTURE (2023)



Source: Cutix Plc

The Company is owned by 8,700 Shareholders as at April, 2023. The significant Shareholders having stakes above 5% in the Company accounted for 40% of the total Shareholdings. However, Directors interest was slightly above 5% and other shareholders had about 55% of the Company.

The Company invested in **Adswitch Plc** as its wholly owned subsidiary. The subsidiary deals in Gear Switch Panels as its principal activity. The value of the Company's investment in this subsidiary as at the financial year end 2023 was ₦107m.

DIRECTORS' PROFILE

The following served as directors during the year under review; **Amb. Okwudili Nwosu** – Chairman; **Mrs. Ijeoma Agnes Oduonye** – MD/CEO; **Barr. (Mrs.) Ifeoma Nwahiri**; **Sir Matthias Aghara Umego**; **Dr. Chidozie Nsoedo**; **Mrs. Ike Godwin Okonkwo**; **Mrs. Ijeoma Chichebe Ezeasor**; **Mr. Muritala Ariyo Olushekun**; **Prince Orizu Charles Obianefo** and **Ifeanyi Francis Uzodike**,

The Directors' profile is as follows.

- | | |
|-------------------|--|
| 1. Name: | Amb. Okwudili Nwosu |
| Position: | Chairman |
| Education: | •Morehouse College, Atlanta, Georgia USA |

- Georgia Institute of Technology
 - MBA – Auburn University, Alabama, USA
 - Harvard University Graduate School of Business, Boston
- Job Experience:**
- Cutix Plc
 - Nigerian Ambassador to Burundi

Board Membership: 2016

2. **Name:** Mrs. Ijeoma Agnes Oduonye
Position: Managing Director/CEO
Education:
 - Federal Polytechnic Oko
 - Lagos Business School
 - IESE Business School, Spain
 - Chukwuemeka Odumegwu-Ojukwu University**Job Experience:**
 - Cutix Plc
 - Nnewi Chamber of Commerce
 - Electrical/Electronic Sectorial Group
 - Manufacturers Association of Nigeria (MAN)**Board Membership:** 2018
3. **Name:** Barr. (Mrs.) Ifeoma Nwahiri
Position: Non-Executive Director
Education:
 - LLB - Imo State University, Owerri
 - Nigerian Law School, Abuja
 - Member – Negotiation and Conflict Management Group
 - Member – Chartered Institute of Arbitration (UK)
 - Member – Chartered Institute of Taxation**Job Experience:**
 - Laud Chambers
 - Soul Mill Limited
 - Cutix Plc**Board Membership:** 2016
4. **Name:** Sir Matthias Aghara Umego
Position: Independent Non-Executive Director
Education:
 - Institute of Management and Technology, Enugu
 - COREN Member – Mechanical Engineering Technologist**Job Experience:**
 - Premier Breweries Plc
 - Cutix Plc**Board Membership:** 2018

5. **Name:** Dr. Chidozie Nsoedo
Position: Non-Executive Director
Education:
 - B.Eng - London Southbank University, UK
 - PhD – University of Manchester, UK
 - University of Hull, UK
 - University of Portsmouth, UK

- Job Experience:**
- University of Portsmouth, UK
 - Queen Mary University, London UK
 - First Systems Refinishes Ltd and Samhays Ltd.

Board Membership: 2018

6. **Name:** Mr. Ikechukwu Godwin Okonkwo
Position: Non-Executive Director
Education:
 - Institute of Management and Technology (IMT), Enugu
 - Federal Polytechnic Oko**Job Experience:**
 - Cutix Plc
 - Keywest Properties Ltd.
 - Ponsel Nig. Ltd**Board Membership: 2020**

7. **Name:** Mrs. Ijeoma Chichebe Ezeasor
Position: Independent Non-Executive Director
Education:
 - B.Sc. – University of Nigeria
 - Member – Institute of Strategic Management of Nigeria
 - Member – Nigerian Environmental Society
 - Academy of International Business
 - International Academy of African Business and Development
 - International Society for Market and Development
 - Think Tank South East Economic Summit Group**Job Experience:**
 - Council Member – Manufacturers Association of Nigeria
 - Secretary-General – National Shippers Association of Nigeria
 - Council Member – Enugu State Ease of Doing Business Council
 - National Consultative Committee on International Trade Services (NCCITS)

8. **Name:** Mr. Muritala Ariyo Olushekun
Position: Non-Executive Director
Education:
 - Yaba College of Technology
 - MBA – University of Lagos
 - Member – IESE Business School, Barcelona, Spain
 - Harvard Business School, Boston USA
 - INSEAD Business School, Fontainebleau, France
 - Lagos Business School
 - New York Institute of Finance**Job Experience:**
 - Centre-Point Merchant Bank Plc
 - Capital Assets Limited
 - Chartered Institute of Stockbrokers
 - NSE Consult Ltd.

- Central Securities Clearing Systems Plc
- First Trust Mortgage Bank Plc
- Unity Registrars Ltd
- Co-Link Investment Management Ltd
- Applied Logic Ltd.

9. Name: Prince Orizu Charles Obianefo

Position: Independent Non-Executive Director

Education:

- University of Jos
- Nigerian Law School, Abuja
- Nnamdi Azikiwe University, Akwa
- Obafemi Awolowo University
- Fellow – The Chartered Institute of Arbitrators (UK)
- Fellow – Institute of Chartered Mediators and Conciliators
- Fellow – Nigerian Institute of Management

Job Experience:

- Orji Nwafor Orizu and Associates
- Obi Orizu and Co.
- Orizu Petroleum Ltd.

10. Name:

Ifeanyi Francis Uzodike

Position: Non-Executive Director

Education:

- Seton Hall University, South Orange, New Jersey, U.S.A
- EN-Project Nig. Ltd
- Pacific Engineering Ltd.
- Nnamdi Oyeka & Co.
- United Jersey Bank, New Jersey
- Cutix Plc

Job Experience:

SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population in excess of 200 million. In the second quarter of 2023, Nigeria's Gross Domestic Product (GDP) grew by 2.51% (year-on-year) in real terms. This growth rate is lower than the 3.54% recorded in the second quarter of 2022. The *Nigerian Bureau of Statistics (NBS)* blamed this decline on the challenging economic conditions being experienced.

The Manufacturing Sector comprise of thirteen activities. They include Oil Refining; Cement; Food, Beverages and Tobacco; Textile, Apparel, and Footwear; Wood and Wood products; Pulp Paper and Paper products; Chemical and Pharmaceutical products; Non-metallic Products, Plastic and Rubber products; Electrical and Electronic; Basic Metal and Iron and Steel; Motor Vehicles and Assembly; and Other Manufacturing.

In real terms, Manufacturing Sector's year-on-year growth was 2.20% in the second quarter of 2023. This was 0.81% points lower than the rate recorded in Q2 2022 and

0.59% points higher than Q1 2023. The growth rate of the sector on a quarter-on-quarter basis stood at - 14.98%.

The Oil benchmark for the year 2024 budget is \$77.96 per barrel at 1.78 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$77.33 as at 2nd of February, 2024 according to oil price.com). Nigeria is battling with the challenge of foreign currency scarcity arising from lower Oil receipt and limited export capacity of the Country.

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. The value of the Naira to the Dollar at the CBN official is N1413.62/\$1 as at February 2, 2024, while the parallel market value was N1,500/\$1.

The Monetary Policy Committee (MPC) of the CBN at its fourth meeting in July 2023 raised the Monetary Policy Rate (MPR) by 25bps to 18.75%. This was done to manage inflation which rose to 24.08% in July 2023, from 22.79% recorded in the previous month. However, inflation rate has gone up to its highest level of 28.92% in December, 2023. 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.

The consistent rise in inflation continues to erode purchasing power with possible effect on the Manufacturing and Trade Sectors of the Economy. However, the Company caters largely for the upper end of the Retail segment. This class of customers place premium on quality than price.

Therefore, ability to continue to offer the right quality whilst creatively taking advantage of market opportunities remain a critical success factor of the Company.

FINANCIAL PERFORMANCE

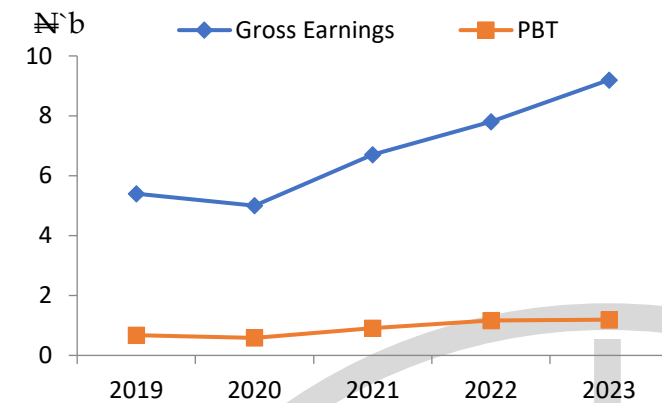
• EARNINGS PROFILE

The performance of the Company in terms of Revenue generation steadily progressed over the last five years, excluding the year 2020 due to Covid-19 impact.

In the year ended April 30th 2023, Revenue derived from principal activities amounted to ₦9.2b. This reflected an 18% surge from prior year's figure.

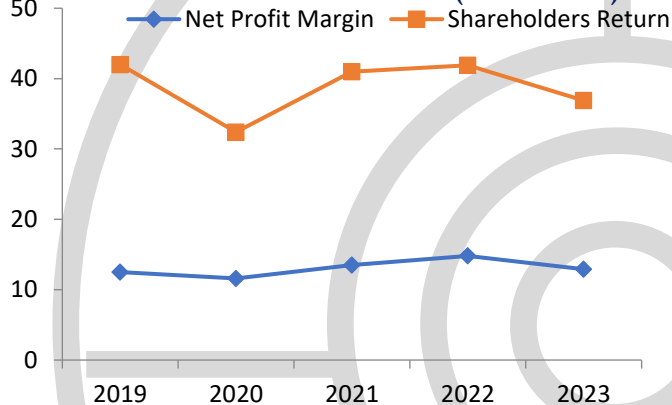
Cables and Wire were the most prominent of all products manufactured, constituting 64% of Revenue. However, its contribution to Revenue growth was only 11% as

REVENUE GROWTH (2019 - 2023)



Source: Cutix Plc

PROFITABILITY INDICES (2019 - 2023)



Source: Cutix Plc

(Yr. 22) to ₦0.18b (Yr. 23).

Pre-Tax Profit marginally increased by 3% in the year 2023. This growth rate lagged behind the increase in Revenue. Consequently, Net Profit Margin declined from 15% (Yr. 22) to 12% (Yr. 23).

• CAPITALIZATION

The Share Capital of the Company was ₦1.76b in the years 2022 and 2023. However, the reserves component of the Equity grew from ₦1b (Yr.22) to ₦1.5b (Yr.23). This was largely due to the profit retention of ₦0.8b in the year under review. The Company was able to pay Dividend amount of ₦0.4b in respect of 2023 financial year.

BREAKDOWN OF THE TOTAL ASSET 2023

Item	₦'000	%
Non-Current Assets	1,110,898	19
Current Assets	4,685,894	81
Total Assets	5,796,790	100

Source: Cutix Plc

against Amoured Cable (82%). Income earned from the Production and Sales of Amoured Cable gained traction from ₦2.1b (Yr. 22) to ₦3.2b (Yr. 23).

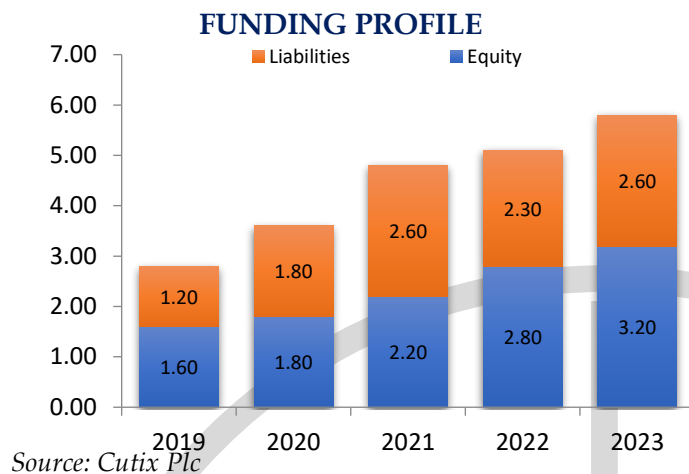
Direct Costs associated with production including Raw Material, Wages, Supplies and Depreciation scaled up by 21%. Due to the inherent nature of the Company's operations, Raw Material dominated its Cost of Sales. It heightened from ₦4.9b (Yr. 22) to ₦5.9b (Yr. 23). The growth in Direct Cost surpassed that of Revenue in the financial year. Consequently, Gross Profit Margin declined from 27% (Yr. 22) to 25% (Yr. 23).

Total Operating Expenses increased by 19% in the year 2023. It comprised of Administrative Expenses as well as Selling and Distribution Expenses. However, Finance Cost decreased from ₦0.2b

Consequent upon this adjustment, the value of Shareholders' Fund as at the year-end 2023 was ₦3.3b reflecting an increase of 14% over the prior year.

In absolute term Total Assets amounted to approximately ₦5.8b.

This reflected a 14% increase compared with the previous year.



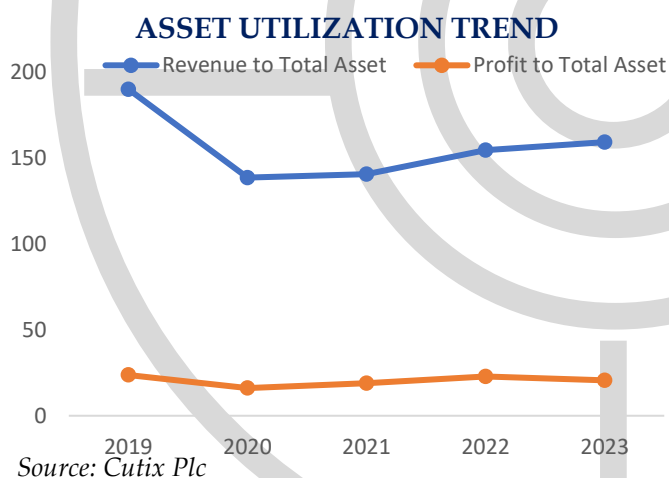
Bulk of the assets were held as Current Assets in the year 2023. Non-Current Assets only formed 19% of the Total Assets.

Funding of operations by Equity improved from 54% to 56% in the years 2022 and 2023 respectively.

This implied that the Company's Assets were largely funded by Equity.

• ASSET UTILITY

The Company started production with one extrusion line in 1984. Since then, several machines have been installed and commissioned to expand its product lines and capacity. Included in such installations were Wire Processing Lines, Plastic Compounding Line, Double Twist Buncher and Drum-to-Drum Winding Machine.



In the year 2023, factory installed capacity was increased to 3,000 metric, while capacity utilization was 1,200 metric tons of cable metals. This reflects a 40% production capacity utilization.

Property, Plants and Equipment (PPE), Intangible Assets, Long-term Prepayments and Investments were the components of Non-Current Assets as at the year 2023. PPE formed bulk of the Non-Current

Assets at 87% and increased by 4%.

The ability of the Company to effectively utilize Assets to generate Revenue improved from 154% (Yr.22) to 159% (Yr.23). However, its ability to use Total Assets in the generation of Profit declined from 15% (Yr.22) to 13% (Yr.23).

• LIQUIDITY

Total Liabilities heightened by 11%, from ₦2.3b (Yr. 22) to ₦2.6b (Yr. 23). The financial obligations of the Company were majorly current in nature. As at the year 2023,

Liabilities of this nature summed up to ₦2.3b as against ₦2.1b (Yr. 22). This represented 11% increase and constituted 91% of Total Liabilities in the financial year.

The Short-term Borrowings of the Company were Commercial Papers and loans from Banks. This category amounted to ₦1.3b (Yr. 23) reflecting a 24% rise from prior year's figure. Besides this, other components of Current Liabilities included Trade and Other Payables and Current Tax Liabilities.

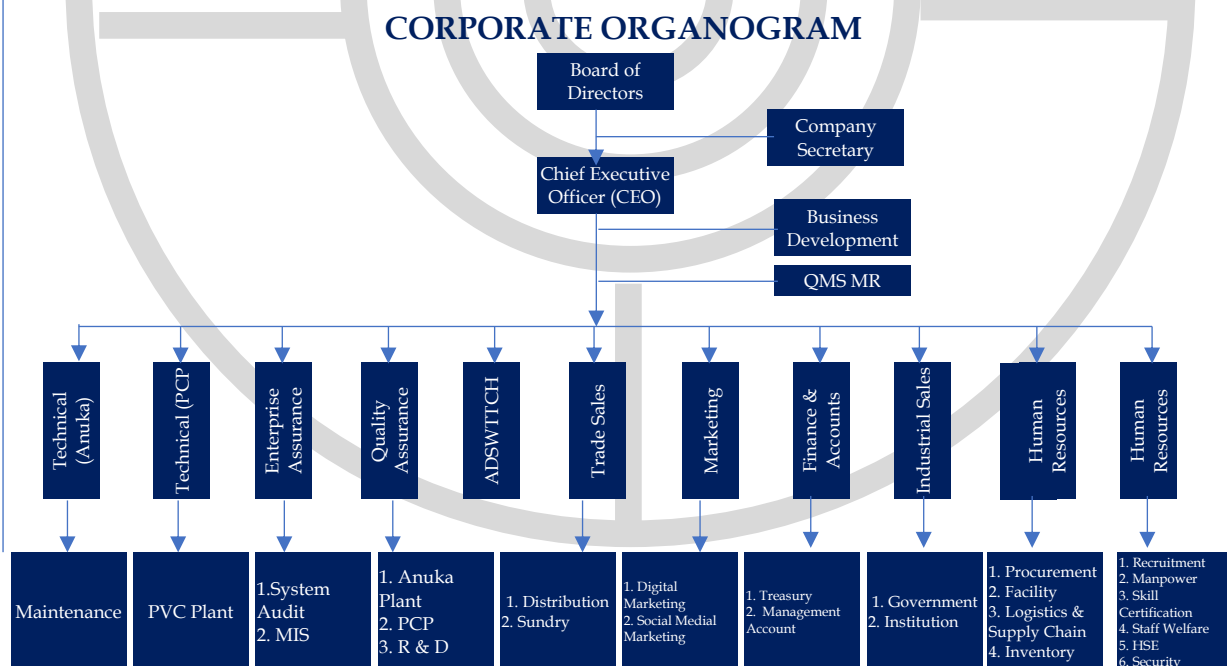
Non-Current Liabilities was solely Deferred Tax. It grew by 10% in the year under review.

A positive Net Cashflow of ₦0.6b (Yr. 23) was generated from operations as against ₦1.2b in the prior year. The ability to settle Short-term maturing obligations using Current Assets was enhanced from 190% (Yr.22) to 201% (Yr.23).

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by its Board of Directors consisting of One (1) Executive Director, Five (5) Non-Executive Directors and three (3) Independent Non-Executive Director.

The Company's Corporate Organogram is as highlighted.



Source: Cutix Plc

The Board determines the overall strategy of the Company and follows up on its implementation. Also, it supervises the performance with a view to ensure adequate management of the Company.

The Board of Directors work through Audit, Risk and Compliance as well as the Governance, Nomination and Compensation Committees.

The Board via the Audit, Risk and Compliance Committee performs Enterprise Risk Management. This include reviewing the adequacy of the internal controls, framework, policies and processes deployed in identifying principal risks of the business.

RISK FACTORS

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

- **FOREIGN EXCHANGE RATE RISK**

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

We observed that one of the major suppliers of the Company is located in London. Therefore, adverse movement in exchange rate may impair its profitability.

To minimize this exposure, the Company has a backward integration program in place to produce major raw materials locally instead of importing them.

- **CREDIT RISK**

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

Based on our review, Net Trade and Other Receivables constituted 27% of the Company's Total Asset. Therefore, inability of debtors to pay as and when due would have adverse effect on Profitability.

CONCLUSION

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

Consequently, we assigned a Rating of "A"

FINANCES

Financial Position as at

	April, 2023 ₦'000	Δ%	April, 2022 ₦'000
Assets			
Non - current assets			
Property, Plant & Equipment	964,723	4.06	927,040
Intangible assets	1,517	(50.02)	3,035
Longterm Prepayments	37,120	3,299.27	1,092
Investment	107,538	(25.00)	143,383
	1,110,898	3.38	1,074,550
Current assets			
Inventories	2,954,063	8.67	2,718,392
Trade and other receivables	1,565,008	34.85	1,160,583
Other Prepayment	53,616	3,275	12,354
Cash & Bank balances	113,205	6,546	120,592
	4,685,892	13,143	4,011,921
	5,796,790	22,986	5,086,471
Equity and Liabilities			
Equity			
Share capital	1,761,322	-	1,761,322
Retained Earnings	1,471,479	46.29	1,005,838
	3,232,801	16.83	2,767,160
	3,232,801	16.83	2,767,160
Liabilities			
Non - current liabilities			
	231,837	10.30	210,185
	231,837	10.30	210,185
Current liabilities			
Short-term Borrowings	1,303,228	23.70	1,053,511
Trade & Other Payables	648,972	(5.35)	685,648
Current Tax Liabilities	379,952	2.70	369,969
	2,332,152	10.57	2,109,128
Total liabilities	2,563,989	10.55	2,319,313
Total Equity and Liabilities	5,796,790	13.96	5,086,473
Revenue	9,225,071	17.48	7,852,391
Profit Before Tax	1,193,668	2.74	1,161,802

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 5th February, 2024

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.