



DataPro



CORPORATE RATING REPORT

SARO LIFECARE LIMITED

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July 2024

SARO LIFECARE LIMITED

Long-Term Rating:

BBB⁺

Short Term Rating: A1

Previous Rating: BBB

Rating Outlook: Positive

Trend: UP

Currency: Naira

Date Issued: 30 July, 2024

Valid Till: 29 July, 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	13,386,288	11,106,796	8,355,759	7,222,979	7,234,272
Profit/Loss Before Tax	2,283,912	1,407,820	1,216,416	1,141,357	1,007,403
Equity	6,207,676	5,166,046	4,631,787	3,937,856	3,343,818
Non-Current Assets	1,091,534	1,180,153	1,050,407	944,570	887,202
Total Asset	16,305,735	10,399,321	7,577,137	6,864,423	5,655,265
Current Assets	15,214,201	9,219,168	6,526,730	5,919,853	4,768,063

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 the ability to meet its ongoing 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 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

- Experienced Management Team
- Good Asset Utilization
- Support From Associates

Negative Rating Factor

- Macro-Economic Constraints

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.

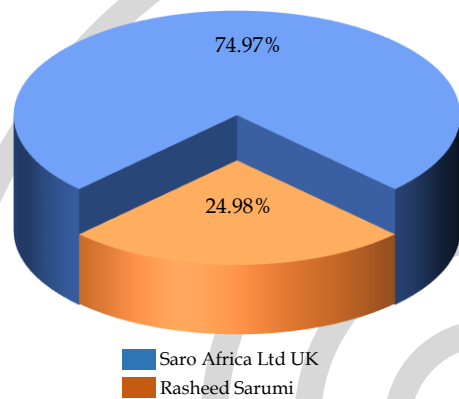
BACKGROUND

Saro Lifecare Limited ("The Company") was incorporated as a Private Limited Liability Company in Nigeria on the 16th of October 2007. The Company is a subsidiary of *Saro Africa Limited UK*.

The Company's core operations include the Manufacturing and Marketing of Personal and Home Care Products. This places the Company within the *Fast-Moving Consumer Goods (FMCG)* Industry regulated by *NAFDAC* and *SON*.

The Company carries out its operation from its Head Office located in Ibadan, Oyo State, Nigeria. It currently employs 66 full time and 19 part-time staff. The Company has no branches within the country. However, its products are made available using key distributors and strategic wholesalers within twelve (12) States across the Country.

SHAREHOLDING STRUCTURE



Source: Saro Lifecare Limited

The Company's majority Shareholder is *Saro Africa Limited UK*. This Company accounted for 74.97% of its Shares. *Rasheed Sarumi* holds 24.98% of the Shares of the Company while two (2) other shareholders hold the balance.

DIRECTORS' PROFILE

The following served as directors during the year under review: *Mr Abdul Bello - Chairman, Mrs. Oluwagbemileke Otun - Managing Director; Mr. Ayotunde Akin-Taylor; Mrs. Iquo Ukoh and Mrs. Kike Kuponiji.*

The Directors' profile is as follows:

- Name:** Mr Abdul Akhor Bello
Position: Chairman
Education:
 - Yaba College of Technology
 - Oxford University
 - Fellow of the Institute of Chartered Accountants of Nigeria**Years of Experience:** 31 years
Experience:
 - UAC Nigeria
 - UAC Property Development Company Plc
 - CAP Plc.

- 2. Name:** Mrs. Oluwagbemileke Otun
Position: Managing Director
Education:
 - B. Sc - University of Lagos
 - MBA - Lagos Business School
 - Pan African University
 - Harvard Business School**Years of Experience:** 13 Years +
Experience:
 - Gossy Warm Springs
 - Saro Lifecare Limited
 - Saro Home and Garden
- 3. Name:** Mr. Ayotunde Akin-Taylor
Position: Independent Non-Executive Director (Tenure Expired – March 2023)
Education:
 - BSc, MSc - University of Ibadan
 - MBA - University of Benin**Years of Experience:** 26 years
- 4. Name:** Mrs. Iquo Ukoh
Position: Independent Non-executive Director
Years of Experience: 31 years
Experience:
 - Nestle Nigeria
- 5. Name:** Mrs. Kike Kuponiyi
Position: Non-executive Director
Education:
 - Lagos Business School**Years of Experience:** 24 years

SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population in excess of 200 million. Nigeria has a population in excess of 200 million. In the first quarter of 2024, the Country's GDP grew by 2.98% (year-on-year) in real terms. This growth rate is higher than the 2.31% recorded in the first quarter of 2023 and lower than the fourth quarter of 2023 growth of 3.46%.

According to National Bureau of Statistics, the performance of GDP in the first quarter was driven mainly by the Services sector. It recorded a growth of 4.32% and contributed 58.04% to the aggregate GDP.

The Manufacturing Sector as a whole recorded a real GDP growth of 1.49% (year-on-year). This was lower than Q1 of 2023 and higher than Q4 of 2023 by 0.12% and 0.12% respectively. The growth rate of the Sector on a quarter-on-quarter basis stood at 1.74%.

The Real contribution to GDP in the 2024 first quarter was 9.98%, lower than the 10.13% recorded in the first quarter of 2023 and higher than the 8.23% recorded in the fourth quarter of 2023.

In real terms, Trade's year-on-year growth stood at 1.23% in the first quarter of 2024, which was 0.08% points lower than the rate recorded in Q1 of 2023 1.31%, and 0.17% points lower than Q4 2023 at 1.40% growth rate.

Manufacturers in Nigeria are faced with lack of basic infrastructure, poor electricity supply, insecurity, inflation, inconsistent government policy and inability to access funds for business expansion. Though there have been several incentives to boost manufacturing in terms of bailout, the sector remains highly underperforming as manufactured goods have constituted the biggest imports in Nigeria since the 1980s.

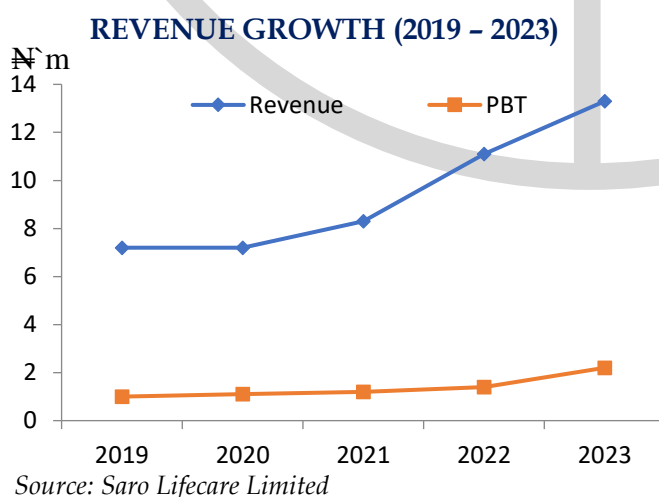
In order to achieve a Unified Foreign Exchange regime, the CBN collapsed the multiple exchange rate windows. This is in addition to allowing the free float of the Naira against the US dollars. The value of the Naira to the Dollar at the CBN official rate is N1,609.56/\$1 as at July 29, 2024.

The Monetary Policy Committee (MPC) of the CBN at its fourth meeting in July 2023 raised the Monetary Policy Rate (MPR) by 50bps to 26.75%. This was done to manage inflation which rose to 33.95% in May 2024, from 33.69% recorded in the previous month.

Operators within the manufacturing sector are faced with challenges of high input and energy cost. This is worsened in the year 2024 by unprecedented hike in cost of funding. Consequently, critical success factor is dependent largely on ability of operators to pass the burden of rising cost to the consumers.

FINANCIAL PERFORMANCE

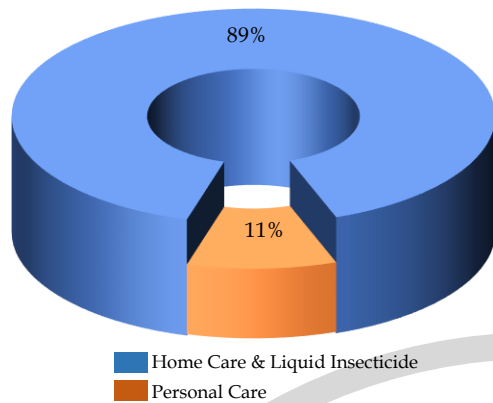
• EARNINGS PROFILE



In the financial year 2023, Revenue grew by 21%. In absolute terms, the Company recorded N13.3b compared with N11.1b in the prior year.

Revenue from Contracts with Customers were derived from Sales of Home Care & Liquid Insecticides as well as Personal Care. The reported Earnings from these sources were all from Nigeria.

COMPOSITION OF REVENUE (2023)



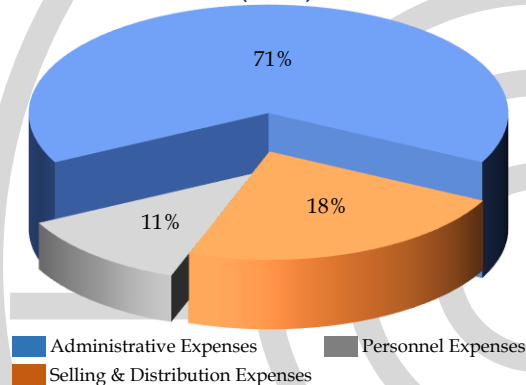
Source: Saro Lifecare Limited

years 2022 and 2023 respectively.

Revenue from the Sale of Home Care & Liquid Insecticides remained the prevalent Income stream. It constituted 89% of the Total Sales in the year 2023. Additionally, it contributed significantly to the growth in Revenue. It scaled from ₦9.9b (Yr. 22) to ₦11.8b (Yr. 23).

Revenue earned from Personal Care Products increased by 38% (Yr. 23). This Income source formed 10% and 11% of the Revenue earned in the

COMPOSITION OF OPERATING EXPENSES (2023)

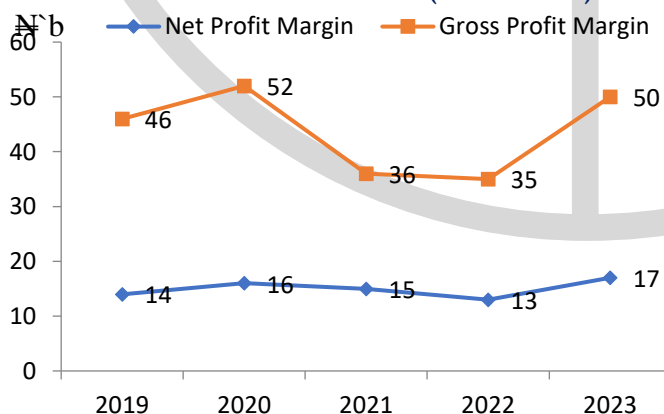


Source: Saro Lifecare Limited

The cost efficiency of the Company improved in the financial year. Direct Cost associated with sales of products decreased by 6% (Yr. 23). These were cost of raw materials consumed and production overhead. On the account of reduced Cost of Sales and increased Revenue, Gross Profit was enhanced from ₦3.8b (Yr. 22) to ₦6.6b (Yr. 23). This translated to a Gross Profit Margin of 50% (Yr. 23) as against 35% (Yr. 22).

Other Expenses relating to operations included Selling and Distribution Expenses, Personnel Expenses as well as Administrative Expenses. They aggregated to ₦4.7b in the year-end 2023. This reflected 39% increase compared with previous expenditure. Administrative Cost formed the bulk of the Operating Expenses. It rose from ₦2.3b (Yr. 22) to ₦3.3b (Yr. 23) and contributed 71% of the total operating expenses. Other components of expenses included Personnel, Selling & Distribution Cost. These also grew substantially during the year under review.

PROFITABILITY INDICES (2019 - 2023)



Source: Saro Lifecare Limited

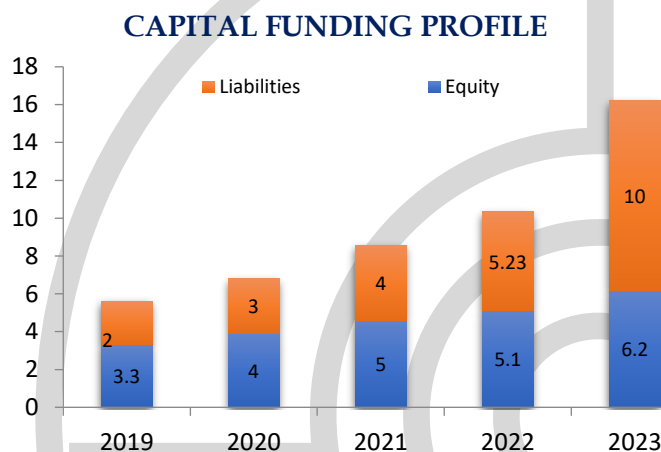
The Company earned income from secondary sources in the year 2023. This amounted to ₦366.8m (Yr. 23) as against

₦946.3m (Yr. 22). There was also Finance Income of ₦56m arising from interest earned on Fixed Deposit and Staff Loan during the year 2023.

In view of the Direct Cost efficiency attained during the year 2023, profitability was enhanced significantly. Pre-Tax increased by 62% from ₦1.4b (Yr.22) to ₦2.3b (Yr.23). This translated to the improvement in Net Profit Margin from 13% (Yr.22) to 17% in the year 2023.

• CAPITALIZATION

The highest growth rate in Total Asset over a period of years was recorded in 2023. As at the year ended 31st December 2023, Total Assets grew by 57% from ₦10.3b (Yr. 22) to ₦16.3b (Yr. 23).



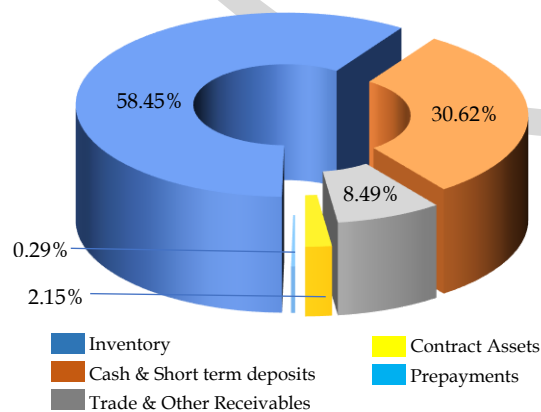
The funding of Assets was sourced from Shareholders' Fund and Current Liabilities. As at the year-end 2023, Liabilities increased by 94%. This was driven mainly by the rise in Payables.

Equity was ₦5.1b (Yr.22) and ₦6.2b in the year 2023. This reflected a growth rate of 20% in the year 2023. Most of its components remained the same in both years. These components were: Share Capital, Share Premium, Deposit for Shares and Property Revaluation Reserve. However, the Company was able to leverage its profitability to grow Equity.

The funding of operations by Equity dipped from 50% (Yr. 22) to 38% (Yr. 23).

• ASSET UTILITY

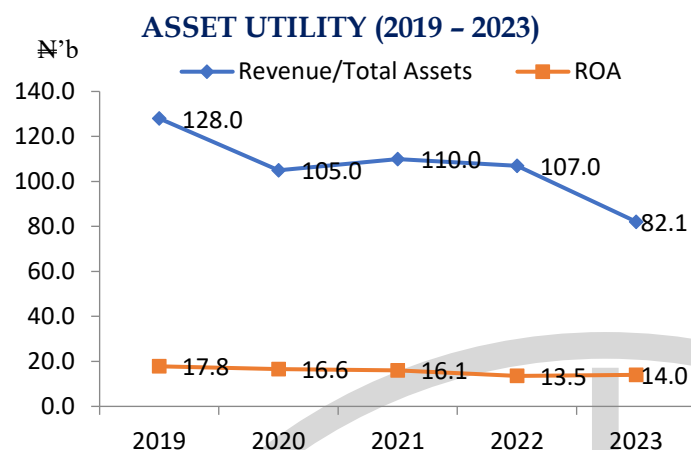
COMPOSITION OF CURRENT ASSETS (2023)



Asset deployed towards operations were largely Current in nature. This Asset class formed 93% of Total Asset value and grew by 65% in the financial year.

The Liquid Assets comprised of Inventories, Trade and Other Receivables, Contract Assets, Prepayments as well as Cash and Short-Term Deposits. However, the

Current Assets were mainly concentrated in Inventories, representing 58% of the total.



Source: Saro Lifecare Limited

Property, Plants and Equipment (PPE) was the main component of Non-Current Assets. It marginally declined by 8% as at the year ended 31st December, 2023. Other Non-Current items were Intangible Assets and Deferred Tax Asset.

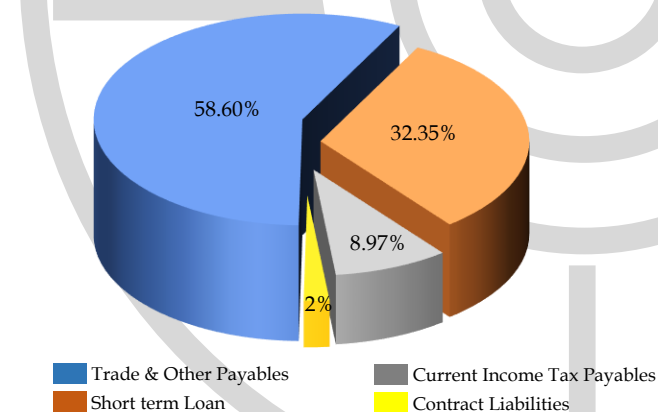
The growth in Total Assets outweighed the increase in Revenue during the year 2023. Consequently, effective generation of Revenue using Assets declined from 107% (Yr.22) to 82% (Yr.23).

In contrast, Return on Asset deployed to operation remained relatively the same at 14% for the years 2022 and 2023.

• LIQUIDITY

Liabilities were solely Current in the financial year. These were Short-Term Obligations of the Company namely; Payables, Short term Loan, Income Tax Payable and Contract Liabilities.

COMPOSITION OF CURRENT LIABILITIES



Source: Saro Lifecare Limited

Aggregately, these Liabilities amounted to ₦10b (Yr. 23) growing from a base of ₦5.2b (Yr. 22). Trade & Other Payables were the major components of the Company's Total Liabilities. It rose from ₦2b to ₦5.9b in the years 2022 and 2023 respectively.

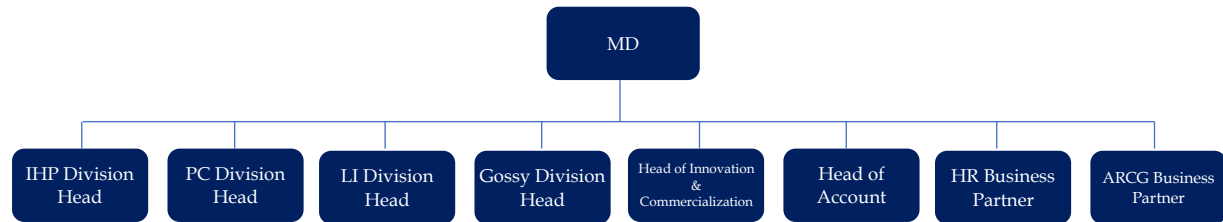
Short term Loan represented CP at an average interest rate of 24% maturing between 179-270 days.

The Liquid Assets of the Company adequately provided coverage for its Short-Term Obligations. Therefore, Current Assets as a proportion of Current Liabilities was 151% (Yr. 23).

CORPORATE GOVERNANCE & RISK MANAGEMENT

As at the year-end 2023, the Company had two (2) Executive Directors and 3 Non-Executive Directors.

The Management Structure of the Company is as presented:



Source: Saro Lifecare Limited

The Company recognized that it has Financial, Credit, Liquidity and Market Risks. Other risks recognized by the Company include: Competition, Political and Economic Instability Risks.

The documents presented for our review revealed that the Company has measures in place to manage the identified risks. Such measures include: Quality Service delivery and Monitoring of Political, Economic & Regulatory Trends and Events.

REGULATORY ENVIRONMENT AND COMPLIANCE

The Company is subjected to Regulations by the *National Agency for Food and Drug Administration Control (NAFDAC)* and *Standard of Organization (SON)*

RISK FACTORS

In the course of our review, we paid attention to the following significant risks.

- 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.

- 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 8% of the Company's Total Assets were in Receivables and Cash Deposits thereby showing insignificant credit exposure.

- **LEGAL RISK**

This is the risk of loss of income as a result of adverse judgment from a competent court of law.

Based on our review, the Company has no pending court cases.

CONCLUSION

The Rating of the Company is supported by its Experienced Management Team and Good Asset Utilization and Diversified Earning Profile.

Consequently, we assigned a Rating of ***“BBB+”***



FINANCES

Financial Position as at

	Dec., 2023		Dec., 2022		Dec., 2021
	₦'000	Δ%	₦'000	Δ%	₦'000
ASSETS AND LIABILITIES					
Property, Plant and Equipment	1,085,815	(7.99)	1,180,153	12.74	1,046,762
Intangible assets	1,747				
Deferred tax asset	3,972	-	-		3,645
Net current assets	5,116,143	27.64	4,008,265	11.92	3,581,380
Non-current liabilities	-		(22,371)	-	
NET ASSETS	6,207,677	20.16	5,166,047	11.53	4,631,787
Shareholders' Fund					
Issued share capital	50,000	-	50,000	-	50,000
Share premium	2,370,000	-	2,370,000	-	2,370,000
Deposit for shares	248,833	-	248,833	-	248,833
Property revaluation reserve	32,403	-	32,403	-	32,403
Retained earnings	3,506,441	42.26	2,464,811	27.67	1,930,551
	6,207,677	20.16	5,166,047	11.53	4,631,787
Revenue	13,386,288	20.52	11,106,796	32.92	8,355,759
Profit before taxation	2,283,912	62.23	1,407,820	15.74	1,216,416
Taxation	(770,078)	66.18	(463,413)	16.99	(396,120)
Profit after taxation	1,513,834	60.29	944,407	15.13	820,296

Signed: 
Name: **Oladele Adeoye**
Designation: Chief Rating Officer
Date: 30th July, 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.