



DataPro

CORPORATE RATING REPORT

PRECISE LIGHTING LIMITED

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September, 2024

PRECISE LIGHTING LIMITED

Long-Term Rating:

BBB

Short Term Rating: A1

Rating Outlook: Positive

Trend: Up

Currency: Naira

Date Issued: 4 Sept., 2024

Valid Till: 3 Sept., 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	1,100,691	1,043,604	1,013,648	647,160	403,600
Pre-Tax Profit	221,605	329,783	314,629	212,945	30,033
Equity	1,131,366	906,838	737,668	283,420	134,844
Non-Current Assets	983,643	826,396	459,945	211,039	25,141
Total Asset	2,303,611	1,583,752	1,160,445	551,339	253,343
Long-term Debt	500,963	326,410	194,672	100,091	38,969

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:

- Diversified Revenue Portfolio
- Experienced Management Team
- Good Capitalization

Negative Rating Factors:

- High Input Cost
- Highly Import Dependent

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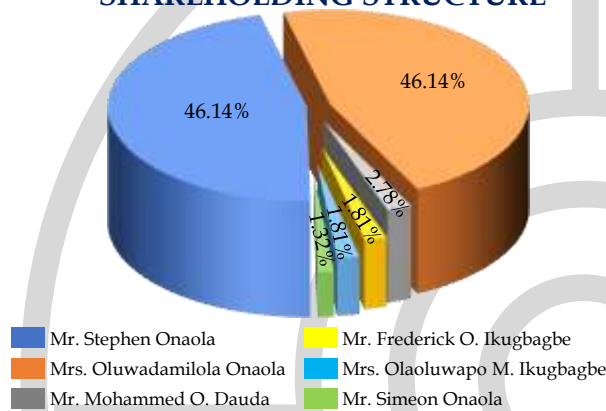
BACKGROUND

Precise Lighting Limited ("The Company") was incorporated as a Private Limited Liability Company on December 19, 2011. However, it commenced operations on 2nd of January, 2012.

The Company operates as a comprehensive distributor and retailer specializing significantly in a range of lighting products and services for both residential and commercial markets. Its core activities include: Lighting Solutions, Furniture and Interior Design, Escalators and Lifts as well as Gym Equipment and Fitness Solutions.

Since inception, the Company has successfully provided LED lighting solutions to various commercial and residential projects in Nigeria. Its clients include *Providus Bank, Seagle, Black Bell, Comercio Partners, Minimalist & Co, Indigem Homes, MISA Limited and Grand Square.*

SHAREHOLDING STRUCTURE



Source: Precise Lighting Limiteds

The Shareholders of the Company are: *Mr. Stephen Onaola, Mrs. Oluwadamilola Onaola, Mr Frederick Oludotun Ikugbagbe, Mrs Olaoluwapo Mofolusho Ikugbagbe, Mr. Simeon Onaola and Mr. Mohammed Oriyomi Dauda.*

DIRECTORS' PROFILE

The following served as directors during the year under review; *Mr. Dayo Olaiya - Chairman; Mr. Stephen Onaola-Managing Director/CEO; Mrs. Oluwadamilola Onaola; Mr. Lanre Depiver and Mrs. Oluremi Ogundairo*

The Directors' profile is as follows.

- Name:** Mr. Dayo Olaiya
Position: Chairman
Profession: Real Estate Developer
Years of Experience: Over 20 years
Year of Board Membership: 2021
- Name:** Mr. Stephen Onaola
Position: MD/CEO
Profession: Engineer
Years of Experience: Over 10 years
Education: •B.Sc. (Mechanical Engineering) – Leicester University

Job Experience: •M.Sc. – Leicester University
 •Precise Lighting Ltd.
Year of Board Membership: 2021

3. Name: Mrs. Oluwadamilola Onaola
Position: Executive Director
Profession: Business Manager
Years of Experience: Over 10 years
Education: •M.Sc. in Business Management
 •LLB. – De Montfort University
Job Experience: • Precise Lighting Ltd.
Year of Board Membership: 2021

4. Name: Mr. Lanre Depiver
Position: Non-Executive Director
Profession: Business Consultant
Years of Experience: Over 20 years
Education: •B.Sc. in Accounting
 •M.Sc. in Strategy and Planning
 •MBA in International Business
Job Experience: •Legal Entity Controller – Coca-Cola
 •Regional Finance Director – Oracle Corporation
 •Group CFO – Cellulant Corporation
Year of Board Membership: 2021

5. Name: Mrs. Oluremi Ogundairo
Position: Non-Executive Director
Profession: HR Professional
Years of Experience: Over 10 years
Year of Board Membership: 2021

SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population in excess of 200 million. In the second quarter of 2024, the Country's GDP grew by 3.19% (year-on-year) in real terms. This growth rate is higher than the 2.51% recorded in the second quarter of 2023 and higher than the first quarter of 2024 growth of 2.98%.

According to National Bureau of Statistics, the performance of GDP in the second quarter was driven mainly by the Services sector. It recorded a growth of 3.79% and contributed 58.76% to the aggregate GDP.

The non-oil sector grew by 2.80% in real terms during quarter Q2 2024. This rate was lower by 0.78% points compared to the rate recorded in the same quarter of 2023 which was 3.58% and relatively same with the 2.80% recorded in the first quarter of 2024. In Q2 2024, This sector was driven mainly by Financial and Insurance (Financial

Institutions); Information and Communication (Telecommunications); Agriculture (Crop production); Trade; and Manufacturing (Food, Beverage, and Tobacco), accounting for positive GDP growth.

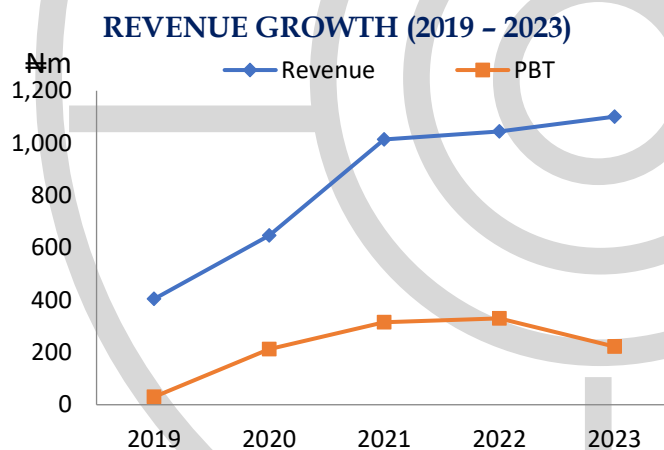
In the second quarter of 2024, Trade sector's year-on-year growth stood at 0.70%. This was 1.71% points lower than the rate recorded in Q2 2023 at 2.41%, and 0.53% points lower than Q1 2024 at 1.23% growth rate.

The lighting industry is one of the fast-growing industries with lots of potential in Nigeria. Although, there are several challenges facing the lighting industry in Nigeria including; supply chain distribution, economic instability, high inflation and competition from low-cost imports.

However, growth opportunities abound for operators in the industry on account of the increasing demand for energy-efficient lighting, urbanization as well as infrastructure development within the country.

FINANCIAL PERFORMANCE

• EARNINGS PROFILE

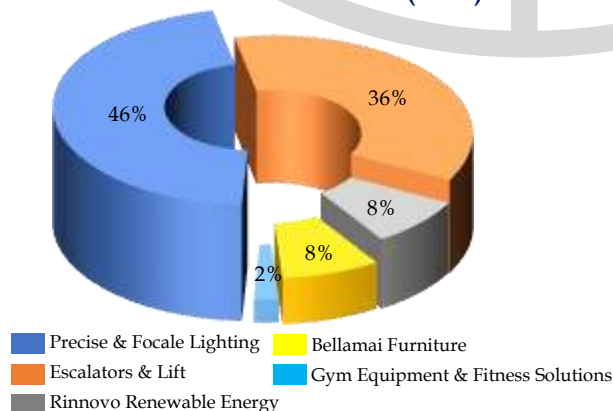


Source: Precise Lighting Limited

The Company's Revenue maintained an upward trajectory over the last five years. In the financial year 2023, Revenue from contracts with customers increased from ₦1b (Yr. 22) to ₦1.1b (Yr. 23). This reflected a 5% growth rate from the previous year figure.

Revenue was derived from Light Fittings, Bellamai Furniture, Escalators & Lift, Rinnovo Renewable Energy and Gym Equipment and Fitness Solutions.

REVENUE BREAKDOWN (2023)

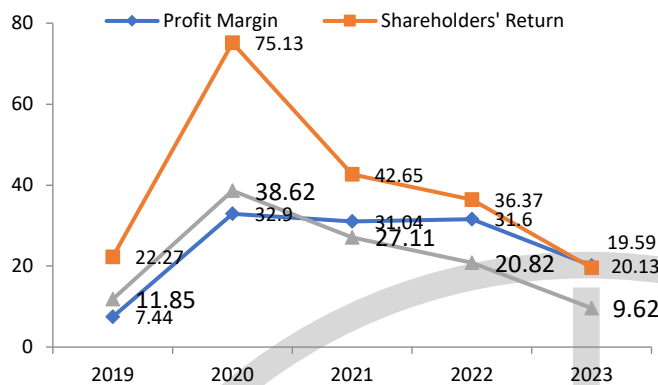


Source: Precise Lighting Limited

The Company also earned Income from delivery charges paid by customers in the financial year.

Cost of Sales including Inventories and Work in Progress amounted to ₦491.5m (Yr. 23) as against ₦441.9m (Yr. 22). This resulted to a Cost to Income Ratio of 45% in the year 2023 and 42% in the year 2022.

PROFITABILITY INDICES (2019 - 2023)



Source: Precise Lighting Limited

Other Expenses relating to operation amounted to ₦307.5m for the year ended 2023. This was 38% higher than the prior year figure. Additionally, Finance Costs related to Interest paid in the financial year was ₦65.7m (Yr. 23) as against ₦49.2m (Yr. 22).

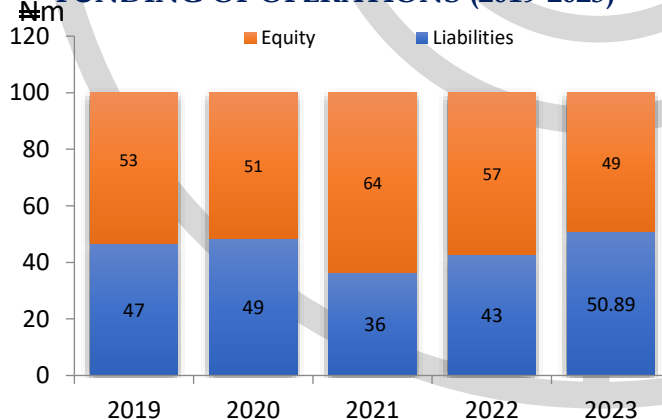
The increase in Total Expenses outweighed the growth recorded in Revenue for the year ended 2023. Therefore, Profit Before Tax fell by

33% from ₦329m (Yr. 22) to ₦236.5m (Yr. 23). Consequently, Profit Margin declined from 32% in the year 2022 to 20% (Yr.23).

• CAPITALIZATION

The Share Capital of the Company remained fixed at ₦284.8m in the years 2022 and 2023. Included in the Equity was Share Premium of ₦282.6m. On the account of consistent profit earned over the five-year period (2019 - 2023), Retained Earnings maintained an upward trend. As at 31st December, 2023, Retained Earnings closed at a balance of ₦846.5m as against ₦622m in the prior year. Therefore, overall Equity was enhanced by 25% in the financial year.

FUNDING OF OPERATIONS (2019-2023)



Source: Precise Lighting Limited

The Company's Assets were both Current and Non-Current in nature. However, Current portion formed a big chunk of the Total Assets. As at 31st December, 2023, the Company's Total Assets stood at ₦2.3b. This reflected a significant growth of 45% when compared with last year's position.

Following the major shifts in the Company's Net-worth and Total Assets, Equity funding of operations

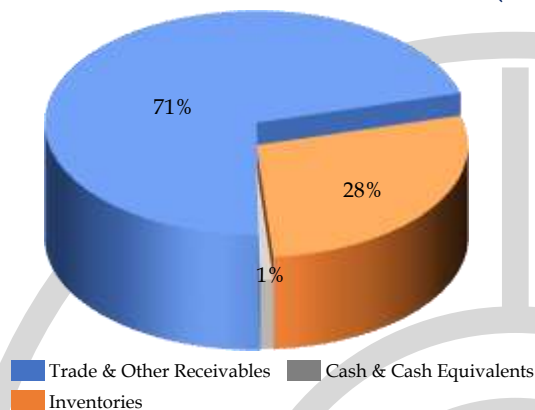
declined by 8%. This resulted to a funding mix of 49% Equity and 51% Debt.

As at the period ended 31st May, 2024, Share Capital and Share Premium remained the same. However, Shareholders' Equity was strengthened to ₦1.3b.

• ASSET UTILITY

The Company's Current Assets constituted 57% of the Total Assets deployed towards operation in the year 2023. This class of Asset was also the major driver of the growth in Total Assets. It increased by 74% from ₦757.4m to ₦1.3b in the years 2022 and 2023 respectively.

COMPOSITION OF CURRENT ASSETS (2023)



Source: Precise Lighting Limited

Inventories, Trade and Other Receivables as well as Cash and Cash Equivalents were the components of Current Assets in the financial year. Trade and Other Receivables was the most prevalent component of Liquid Assets. It accounted for 71% of the total value as at the year ended 31st December, 2023.

Non-Current portion of Total Assets grew from ₦826.4m (Yr. 22) to ₦983.6m (Yr. 23). Its main component was Property, Plants and Equipment (PPE).

The ability of the Company to effectively utilize Assets for Revenue generation declined from 66% (Yr. 22) to 48% (Yr. 23). Similarly, capacity of the Company in using its Assets to generate Profit was 10% (Yr. 23) as against 21% (Yr. 22).

• LIQUIDITY

In absolute term, Total Liabilities amounted to ₦1.2b (Yr. 23). This represented a 73% significant rise from the prior year position. This decline was driven by both Current and Non-Current Liabilities.

Current Liabilities grew by 92%, while Non-Current Liabilities increased by 53% in the financial year. The Non-Current portion of Liabilities represented 43% of the Company's Total Obligations in the year 2023. Financial Liabilities at fair value was its major component. These were Banks Loans of ₦481.9m (Yr. 23) as against ₦287.7m (Yr. 22).

Current Liabilities comprised Trade and Other Payables, Current Tax Payable and other Liability. It heightened from ₦350.5m (Yr. 22) to ₦671.3m (Yr. 23). This was majorly on the account of Trade and other Payables, which grew by 145%.

Current Assets adequately provided coverage for the Current Liabilities. This translated to a Liquidity surplus of ₦648.7m (Yr. 23). The Liquidity Ratio reflected a healthy coverage of 197% (Yr. 23).

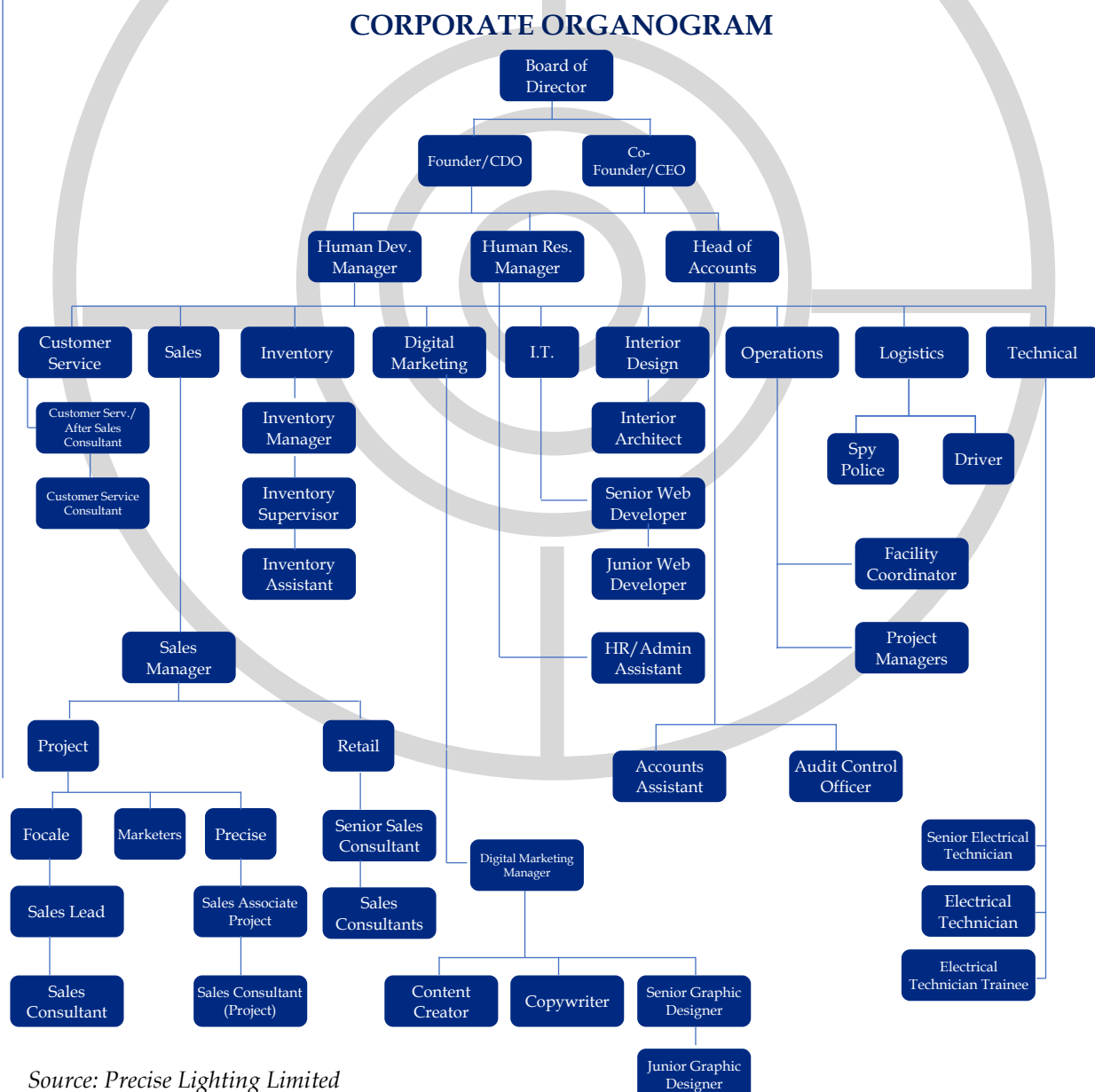
CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by its Board of Directors. As at the reporting date the Board consisted two (2) Executives and three (3) Non-Executives (including the Chairman).

The Company recognizes the following major risks: Market Competition, Supply Chain Disruptions, Technological Obsolescence and Regulatory Compliance Risks.

In line with information provided, the Company has in place measures to deal with its various risks.

The Company's Corporate Organogram structure is as presented.



Source: Precise Lighting Limited

RISK FACTORS

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

- **INTEREST RISK**

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

Based on our review, the Company had Interest Bearing Borrowings from Banks, amounting to ₦481.9m. Therefore, adverse movement in interest rate could impair profitability.

- **CREDIT RISK**

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

Based on our review, amount concentrated in the hands of third parties was ₦938.8m (Yr. 23). This represented 41% of the Company's Total Assets. Therefore, inability of obligors to pay their debt will impact the profitability of the Company.

- **LIQUIDITY RISK**

This is the risk arising from the inability of the Company to pay obligations as and when due.

Based on our review, the Company maintained a healthy current ratio of 197% (Yr. 23). This is well above our benchmark of 100%.

- **IMPORT RELATED RISK**

This is the risk of impediments to operation arising from significant dependence on import of resale items or production inputs.

Based on our review, the Company depends largely on imported items for resale which currently contribute over 80% of its revenue. Consequently, disruptions arising from market or logistic risk could affect revenue and profitability.

FUTURE OUTLOOK

The Company's expansion plans on its products and services are as stated:

- **Precise Lighting:** The Company intends to expand its current store operations in Lagos and explore opening another store in Abuja.

- **Focale Lighting:** Increase inventory and enhance operations to cater to affordable lighting solutions and open additional stores in strategic locations within Lagos.
- **Bella Mai:** Grow the product range and inventory for luxury furniture.
- **RINNOVO:** Invest in expanding the range of renewable energy products, including solar panels and hybrid inverters.
- **PowerLift Pro:** Enhance stock and distribution of luxury gym equipment.
- **Warehouse Development:** Establish a central warehouse in Lagos for streamlined distribution and logistics. Lease a warehouse in Abuja to support the new store.
- **Retail Expansion:** Open new FOCALE stores in key Lagos locations and set up new Precise Lighting store in Abu.

CONCLUSION


The Rating of the Company is supported by its Diversified Revenue Portfolio, Good Capitalization and Experienced Management Team.

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

FINANCES

Financial Position as at

	Dec, 2023		Dec, 2022		Dec, 2021
	₦'000	Δ%	₦'000	Δ%	₦'000
Assets					
Non-Current Assets	983,643	19.03	826,396	79.67	459,945
Current Assets	1,319,968	74.29	757,355	8.12	700,500
TOTAL ASSETS	2,303,611	45.45	1,583,751	36.48	1,160,445
EQUITY AND LIABILITIES					
Share Capital	284,831	0.00	284,831	0.00	284,831
Retained Income	846,535	36.10	622,007	37.36	452,837
	1,131,366	24.76	906,838	22.93	737,668
LIABILITIES					
Non-Current Liabilities	500,963	53.48	326,410	67.67	194,672
Current Liabilities	671,282	91.52	350,504		228,104
Total Liabilities	1,172,245	73.17	676,914	60.11	422,776
TOTAL EQUITY AND LIABILITIES	2,303,611	45.45	1,583,752	36.48	1,160,444
Revenue	1,100,691	5.47	1,043,604	2.96	1,013,648
Profit Before Tax	221,605	-32.80	329,783	4.82	314,629
Taxation	(11,943)	-92.56	(160,612)	11.37	(144,211)
Profit After Tax	224,528	32.72	169,170	(0.73)	170,418

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 4th September, 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 *DataPro Limited*. 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	(Marginal) 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	(Weak) 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	(Poor) 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	(Very Poor) 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.