

## Daraju Industries Limited

Rated Entity	Rating class	Rating scale	Rating	Outlook
Daraju Industries Limited	Long-term issuer	National	BBB <sub>(NG)</sub>	Stable
	Short-term issuer	National	A3 <sub>(NG)</sub>	

### Analytical entity

Daraju Industries Limited (Daraju or the company) was established in 1988, initially operating as an importer and trader of household items. In 2008, the company expanded into manufacturing and has since grown into one of Nigeria's leading producers of personal and home care products targeted at the low-end value segment of the FMCG sector. Daraju offers a wide range of products spanning detergents, oral care, skin care, baby care, and packaging and printing materials. The company benefits from strong institutional backing through Ashwah Holdings Limited (Ashwah Holdings or the group), an investment holding company jointly owned by Destrier Limited Mauritius (53.3%), CAPE IV (28.9%), DEG (15%), and Emerging Opportunities Holding (2.8%). Daraju also has sister companies under Ashwah Holdings that, while independently managed and serving third-party customers, remain in early stages of development. These entities are horizontally integrated to complement Daraju's operations, with Daraju still serving as their primary customer and the main driver of the group's performance.

Given Daraju's significance, we have adopted a group credit analytical approach that consolidates the financial statements of Ashwah Holdings, comprising Daraju and other subsidiaries. This approach reflects Daraju's central role, as the company accounts for more than 90% of the group's revenue and assets as of 31 December 2024.

### Credit profile summary

#### Strengths

- Solid business model characterized by strong operational integration and efficiency across the value chain
- Adequate liquidity coverage supported by sizeable unutilised credit facilities and shareholder support
- Good Naira revenue trajectory, supported by price adjustments and increasing volumes

#### Weaknesses

- Exposure to global commodity price swings and imported inflation
- Weak leverage metrics from elevated debt and high finance costs
- Heavy import dependence amid supply chain disruptions and adverse currency movements

### Rating summary

The ratings of Daraju reflect the credit strengths and weaknesses of Ashwah Holdings Limited (Ashwah Holdings or the group). Daraju is the dominant member of the Ashwah Holdings group, accounting for over 90.0% of group revenue and assets in the financial year ended 31 December 2024. The ratings underscore sound earnings margin recovery, underpinned by pricing flexibility as well as the diverse access to funding which is expected to mitigate refinancing risk

and reduce liquidity pressure. However, leverage remains weak due to persistently high working capital needs inherent to the business as well as weaker absolute earnings.

## Outlook statement

The Stable Outlook reflects GCR's view that the group would continue to have access to diverse sources of liquidity, which together with improved procurement processes will anchor stronger working capital controls and more conservative liquidity management.

## Rating triggers

A positive migration of the rating is dependent on an improvement in capacity utilisation which translates to improved cash flows and leverage metrics. Conversely, the ratings could be downgraded if there is any perceived deterioration in access to sources of liquidity, which heightens refinancing risk and liquidity pressure. Likewise, significant increase in working capital pressure due to weaknesses in the procurement process against our expectations of sustained advantages from import substitution could lead to a downward rating migration. Continued limitations in the proforma consolidated financial statements would also be negatively viewed.

## Risk score summary

Rating Components & Factors	Risk scores
<b>Operating environment</b>	<b>6.25</b>
Country risk	3.50
Sector risk	2.75
<b>Business profile</b>	<b>0.75</b>
Competitive position	0.75
Sustainability	0.00
<b>Financial profile</b>	<b>(1.00)</b>
Earnings	0.50
Leverage and capital structure	(2.00)
Liquidity	0.50
<b>Comparative profile</b>	<b>0.00</b>
Group support	0.00
Peer analysis	0.00
<b>Total risk score</b>	<b>6.00</b>

## Analytical contacts

**Primary analyst**  
Lagos, Nigeria

Idris Oyekan  
IdrisO@GCRratings.com

Analyst: Corporate and Public Sector  
+234 1 904 9462

**Committee chair**  
Johannesburg, ZA

Patricia Zvarayi  
PatriciaZ@GCRratings.com

Senior Analyst: Financial Institution Ratings  
+27 11 784 1771

## Related criteria and research

Criteria for the GCR Ratings Framework, May 2024  
Criteria for Rating Corporate Entities, May 2024  
GCR Ratings Scales, Symbols & Definitions, May 2023  
GCR Country Risk Scores, August 2025  
GCR Nigeria Corporate Sector Risk Scores, June 2025

## Ratings history

Daraju Industries Limited					
Rating class	Review	Rating scale	Rating	Outlook	Date
Long-term issuer	Initial	National	BBB <sub>(NG)</sub>	Stable	April 2021
Short-term issuer	Initial	National	A3 <sub>(NG)</sub>		April 2021
Long-term issuer	Last	National	BBB <sub>-(NG)</sub>	Stable	July 2024
Short-term issuer	Last	National	A3 <sub>(NG)</sub>		July 2024

## Operating environment

### Country risk

Nigeria's economic outlook is cautiously optimistic, supported by recent fiscal and monetary reforms aimed at restoring macroeconomic stability and investor confidence. The government has made commendable progress in revenue generation, policy reforms, and external reserve accumulation. The passage of the 2025 tax law is a key milestone, designed to broaden the tax base, digitize revenue collection, and incentivize investment in strategic sectors such as agriculture, manufacturing, compressed natural gas (CNG), and renewable energy. However, these gains are tempered by persistent structural challenges, including high inflation, rising debt servicing costs, and under-investment in human capital. Achieving the objectives of the ongoing policy corrections will depend on the government's ability to sustain reform momentum, manage transitional shocks, and address the highlighted vulnerabilities. Over the past two years, Nigeria's economic resilience has been tested by abrupt but necessary reforms. The liberalisation of the Naira, deregulation of petrol prices, and the partial removal of electricity subsidies have triggered inflationary pressures and exchange rate volatility. Details of the discrete country risk scores are outlined in GCR's Country Risk Score report published in August 2025, available for download at <https://gcratings.com/wp-content/uploads/2025/08/20250822-Country-Risk-Publication.pdf>

### Sector risk

The Nigerian FMCG sector suffered severe earnings shocks and steep foreign exchange losses over the 24 months period to December 2024, attributable to the adverse impact of currency devaluation and heightened inflation. Price hikes and the diminishing consumer disposable income levels constrained volume growth. This notwithstanding, we take cognisance of product innovations and cost optimisation strategies that aim to stabilise operations and enhance margins. We also note the concerted efforts of companies in the sector to reduce foreign currency exposures related to import requirements through backward integration and local input sourcing, while USD-denominated loans have either been replaced with local debt or redeemed via proceeds from equity issuances. Therefore, we expect a gradual return to profitability and reversal of negative tangible equity over the next 18 months, underpinned by upward price reviews and cost containment measures, amid relative stability in the foreign exchange market. Conversely, competitive pressures should persist given the low entry barriers and availability of substitutes, but overall sectorial output would remain bolstered by the essential and non-discretionary nature of the products, favourable demographics, and rapid urbanisation. Details of the discrete sector risk scores are outlined in GCR's Sector Risk Score report published in June 2025, available for download at <https://gcratings.com/wp-content/uploads/2025/06/Nigeria-Corporate-Sector-Risk-Scores-30-June-2025.pdf>

## Business profile

### Competitive position

Ashwah Holdings' competitive position is supported by Daraju's leading domestic position in the home care and personal care segment of the Nigerian FMCG market. The group benefits from strong brand recognition within the mass market, driven by affordable and competitively priced products relative to peers. This continues to strategically

position the group as consumers trade-down from premium products to affordable ones amid strained household income levels. Its diversified product portfolio across home care, fabric care, baby care, oral care, and personal care segments, continues to support wide customer reach and reduces dependence on any single category. The group maintains a broad market footprint with distribution across 33 states, though revenues remain concentrated in a few key regions. While competition remains intense, the group's robust operational scale, cost efficiency, and continuous product innovation underpin steady revenue generation and customer retention.

The group benefits from synergies of vertical integrations with some of the subsidiaries providing ancillary services to its core manufacturing business. Accordingly, Ashwah holdings has control over some aspects of the value chain which has resulted in moderation in working capital requirements, strengthened its supply chain and supported cost efficiencies. However, capacity utilisation has been persistently low across multiple product lines, constraining operating efficiency. The group has a robust customer base including major off takers such as Shell Western Supply and Trading Limited, Vitol Group, BP Plc, among others. Overall, we expect Ashwah Holdings to sustain competitive operations, with earnings margins trending above industry average and in line with its historical trend.

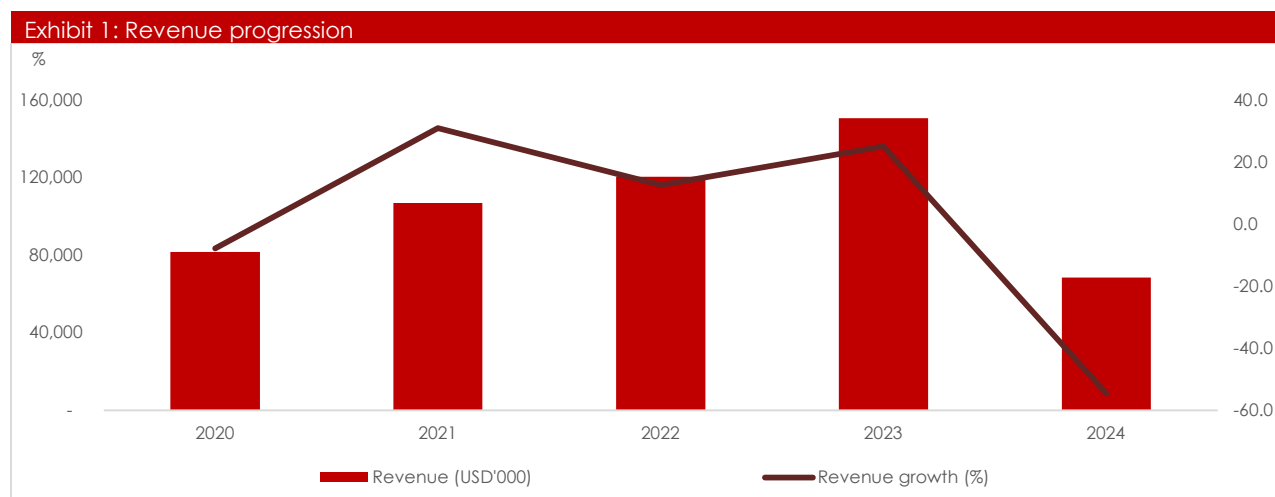
### Sustainability

The sustainability assessment is neutral to the ratings. Ashwah Holdings has a diverse shareholding structure comprising investment holding and venture capital companies. The board has demonstrated balanced objectives, retaining profits in most years to fund expansion, while shareholders continue to provide liquidity and funding support. The board structure is well-constituted. However, the absence of audited financial statements for Ashwah Holdings and some subsidiaries, as well as limited disclosures in the pro forma consolidated accounts, weigh on transparency and could lead to a weaker governance factor assessment.

### Financial profile

#### Earnings

The group has sustained solid revenue growth, though this is obscured by the impact of presenting the financials in USD. Daraju (contributing over 90% of group revenue), whose revenues are entirely Naira-denominated, recorded a 56% topline increase to NGN98 billion (USD64 million) in 2024, supported by price hikes and stronger traded volumes.



Source: Ashwah Holdings audited financial statements (AFS) for 2020-2024

In contrast, Ashwah Holdings posted a 54% revenue decline to USD68.5 million (2023: USD150.7 million), translating to a negative 4.3% CAGR over the five-year period due to the effect of adverse foreign exchange movement as the largely

Naira-based earnings are translated to USD (group reporting currency). Despite this, the underlying businesses remain on a strong growth path, with Daraju benefiting from inflation-led price adjustments and volume gains in key product lines. Looking ahead, Naira-denominated revenue is expected to strengthen further, driven by price realignments and market share gains following the exit of major competitors. However, from a USD perspective, top-line performance will remain pressured by the weak Naira.

Group EBITDA margin rebounded to 11.5% in 2024 (2023: 6.5%) as the price increases and import substitution offset the effect of adverse foreign exchange movements and inflationary pressures on input costs. We expect stability in the exchange rate and strong Naira revenues to support some recovery in USD denominated turnover on translation. Accordingly, we project a 5% to 6.5% revenue growth, and core earnings margins sustained around 11.5% over the outlook period as inflation cools off.

### Leverage and capital structure

Leverage and capital structure assessment remains key rating constraints. The reported group debt has declined steadily over the past two years, partly reflecting repayments and the currency translation effect on the outstanding balance. This notwithstanding, the metrics remain weak on subdued earnings and a high share of short-term debt that elevates refinancing risk. Specifically, net debt to EBITDA stayed flat at 3.9x in 2024, reflecting the lower earnings. We expect improvements in net debt to EBITDA towards the 3.0x-3.5x range over the outlook period as earnings recover and debt reduces. Operating cash flow coverage of gross debt weakened to 17.7% in 2024 from 25.8% in 2023. Positively, the shift to local sourcing of raw materials has reduced the use of letters of credit and foreign currency exposure. Accordingly, the group has reported consecutive working capital releases due to the shift in its procurement strategy as well as favourable supplier credit terms reversing the working capital pressures from a stockpile of inventories hitherto. Conversely, net interest coverage improved to 1.0x in 2024 (2023: 0.5x) but remains low due to high funding costs, with recovery to 1.75x – 2.0x expected over the next 18 months on earnings growth.

Exhibit 2: Funding profile (USD'000)	2020	2021	2022	2023	2024
Short term debt	35,526	44,283	59,146	39,386	26,794
Long term debt	13,036	13,160	22,426	10,194	10,194
<b>Total debt</b>	<b>48,562</b>	<b>57,443</b>	<b>81,572</b>	<b>49,955</b>	<b>36,988</b>
Cash	(7,781)	(3,943)	(28,436)	(13,813)	(6,191)
<b>Net debt</b>	<b>40,781.0</b>	<b>53,500.1</b>	<b>53,136.0</b>	<b>36,142</b>	<b>30,797</b>
EBITDA	10,116	8,609	14,177	9,247	7,848
Net interest	(5,162)	(7,273)	(8,056)	(18,664)	(7,948)
Operating cash flow	1,424	(16,444)	(5,369)	12,873	6,541
<b>Key ratios:</b>					
Total debt: EBITDA (x)	4.8	6.7	5.8	5.4	4.7
Net debt: EBITDA (x)	4.0	6.2	3.7	3.9	3.9
EBITDA: net interest (x)	2.0	1.2	1.8	0.5	1.0
OCF: gross debt (%)	2.9	neg	neg	25.8	17.7

Source: Ashwah Holdings audited financial statements (AFS) for 2020-2024

The group's core business, Daraju, also intends to continue to access the Nigerian capital markets to reduce finance costs and mitigate interest rate risk. Refinancing risk is a downside to the rating as the loan book is short tenured (about 72% as of 31 December 2024), catering to working capital needs. Overall, we expect moderate improvements in earnings to translate to stable but elevated leverage metrics.

### Liquidity

Liquidity is primarily supported by the group's established relationships with local financiers, including fifteen banks, as well as access to the debt capital market. These liquidity sources are expected to mitigate the inherent liquidity

pressure associated with the concentration to short-term debt. We have factored the group's cash holdings of USD4.1 million and committed facilities of USD19 million as of 31 April 2025 into the liquidity assessment, which is expected to complement net operating cash flows in 2025 and 2026. We have also considered a portion of the revolving credit facilities which would become immediately available for redraw down once repaid. Likewise, we have included a portion of uncommitted facility in our assessment due to the working capital nature of the business and demonstrated funding relationship with the financier. There are no dividend payment plans, nor significant capital expenditure plans save for small replacement requirements. The liquidity sources versus uses coverage is therefore estimated at 1.5x over the eight-month period to 31 December 2025 and 1.4x over the 20-month period to 31 December 2026.

## Comparative profile

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### Peer analysis

The peer analysis is neutral to the ratings.

### Group support

Group support is not applicable to the ratings.

## Rating adjustment factors

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### Structural adjustments

No structural adjustments have been made to GCR's Anchor Credit Evaluation in arriving at the final ratings.

### Instrument ratings

No adjustments for instrument ratings are applicable

## Glossary

Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Downgrade	The rating has been lowered on its specific scale.
Financial Statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Receivables	Any outstanding debts, current or not, due to be paid to a company in cash.
Redemption	The repurchase of a bond at maturity by the issuer.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Short Term	Current; ordinarily less than one year.

## Salient points of accorded ratings

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GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Ashwah Holdings Limited's unaudited proforma consolidated financial statements for 2020 - 2024;
- Daraju Industries Limited's audited annual financial statements for 2019 - 2023;
- Daraju Industries Limited's audited draft financial statements for 2024;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties;
- Information specific to the rated entity and/or industry was also received.

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