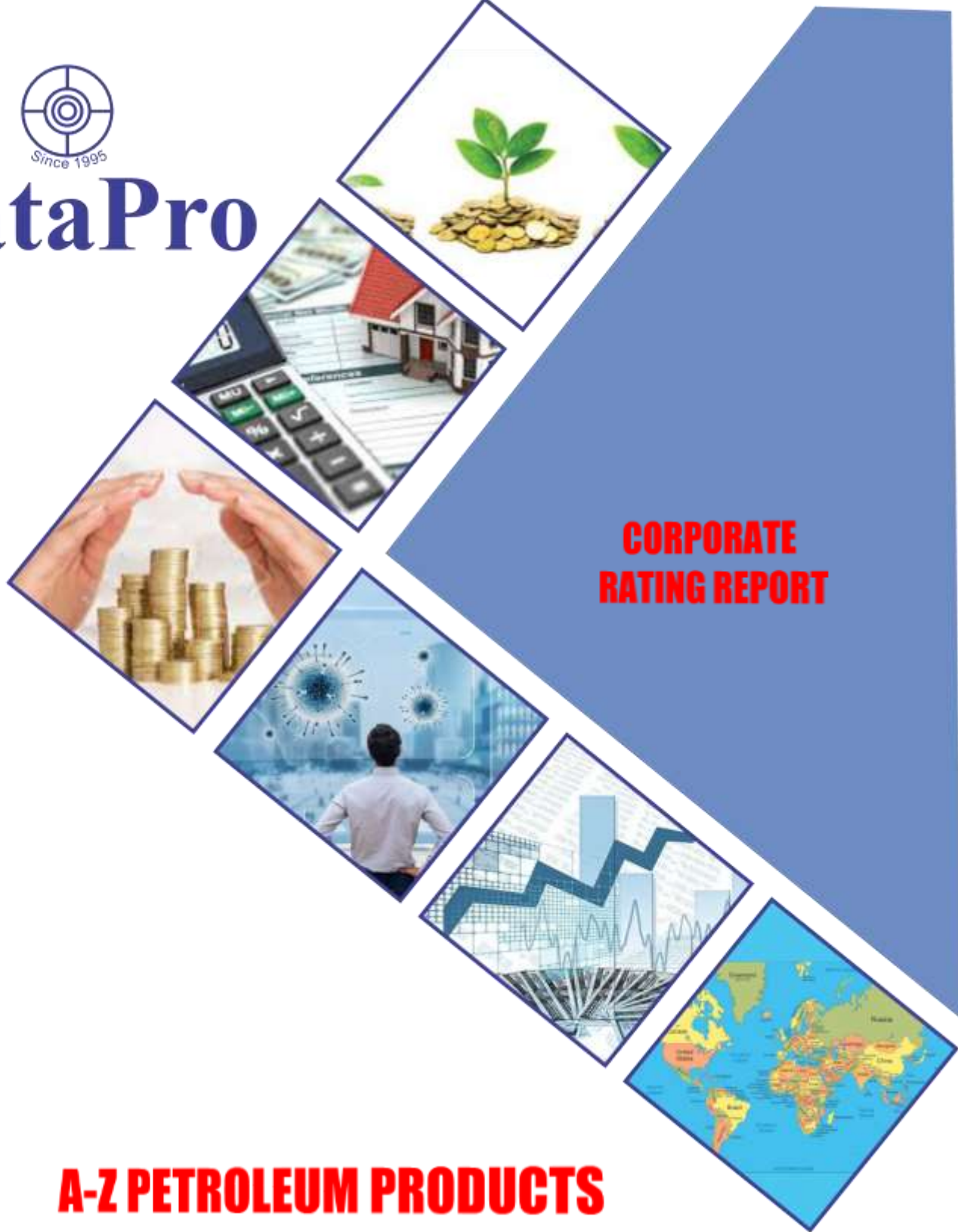




DataPro



A-Z PETROLEUM PRODUCTS

Ground Floor, Foresight House
163-165 Broad Street,
By Marina Water Front
☎ 234-1-4605395, 4605396
Email: info@datapronigeria.com
dataprong@gmail.com
Website: www.datapronigeria.net

February, 2022

A-Z PETROLEUM PRODUCTS LIMITED

Long-Term Rating:
BBB

Short Term Rating: A2
Rating Outlook: Stable
Trend: Up
Currency: Naira
Date Issued: 3 Feb., 2022
Valid Till: 4 Feb., 2023

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

	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000
Turnover	20,661,294	19,081,288	15,496,787	14,115,575
Pre-tax-Profit	1,365,748	915,491	973,507	898,378
Equity	7,465,955	6,226,369	5,502,546	4,676,635
Non Current Assets	6,879,463	6,538,300	6,360,121	6,692,449
Total Asset	12,925,111	10,611,988	9,030,160	9,124,139

Rating Explanation

The Short-Term Rating of **A2** indicates *Fair Credit Quality* and adequate 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 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 subject's current healthy profile in the medium to long term period.

Overall, the following were observed:

Strengths:

- Experience Management Team
- Very Good Financial Performance
- Good Market

Weakness:

- Governance Risk

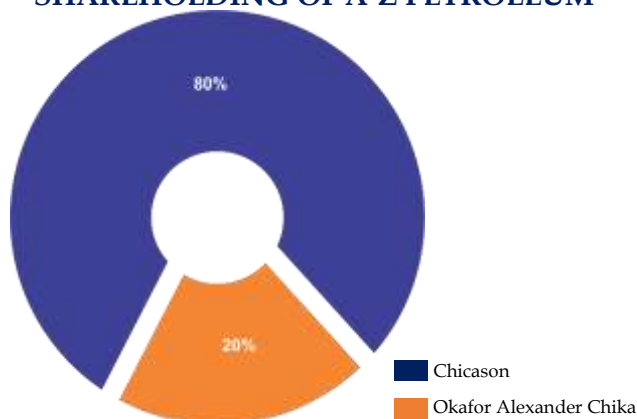
This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We 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

A-Z Petroleum Products Manufacturing and Marketing Limited ("The Company") is a Private Limited Company incorporated on the 28th of September 2015.

The principal activity of the Company is Production and Sale of Petroleum Products. The Company manufactures and markets a wide range of automotive lubricants and solvents which are distributed via her network of branches and depots in over 30 cities across 23 states. The product lines include: Base Oil, Fluorescent Dye, AZGO Oil, Grease Brands, Brake Fluids and Other Oil Brands.

SHAREHOLDING OF A-Z PETROLEUM



Source: A-Z Petroleum Products Ltd

The Company has its Registered Office in Nnewi, Anambra State where the Company also holds Manufacturing and Blending Plants. However, its Corporate Office is in Ikoyi, Lagos.

The ownership of the A-Z Petroleum Products is shared between *Chicason Group of Companies Limited* and *Okafor Alexander Chika* in the proportion of 80% and 20% respectively.

DIRECTORS' PROFILE

The directors of the Company are: *Chief (Dr) A. C. Okafor, OON-Chairman, Mr. Chux Adike – Group Managing Director, Mr. Chris K. Chigbo (FCA), Engr. (Mrs.) Philippa Ulas, Engr. Dikanna Chika Okafor, Mr. Alex Ojukwu, Engr. (Mrs.) F. Chika Okafor, Alhaji S. D. Ahmed (CON), Prof. (Mrs.) Uche Azikiwe, Prince Anene E. Nwosu (MNI), Rear Admr B.J.C. Noshiri and Alex Chibuikem Chika Okafor.*

- | | |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Name: | Chief (Dr) A. C. Okafor, OON |
| Position: | Group Chairman |
| Experience (Years): | 45 years |
| Education/Professional Qualification: | <ul style="list-style-type: none"> • Nigeria Society of Chemical Engineers (NSChE) • Nigerian Institute of Sales Management (FNISM) |
| Current/Previous Appointments: | Chicason Group |
| 2. Name: | Chux Adike |
| Position: | Group Managing Director |
| Experience (Years): | 25 years |
| Education/Professional Qualification: | <ul style="list-style-type: none"> • Msc – Economics |

Current/Previous Appointments:

- Bsc – Engineering.
- MBA - Management

- A-Z Petroleum
- NNPC NETCO
- Zenith Bank
- Fidelity Bank
- Chicason Group

3. **Name:** Mr. Chris K. Chigbo (FCA)
Position: Executive Director
Experience (Years): 31 years
Education/Professional: Fellow, Institute of Chartered Accountants of Nigeria

Current/Previous Appointments:

- Panel Kerr Forster
- Lancaster, Okoro and Co
- Ijewere and Co
- Emenite Limited

4. **Name:** Engr. (Mrs.) Philippa Ulasi
Position: Executive Director
Experience (Years): 29 years
Education/Professional Qualification:
 - (B.Engr. Hons) in Mechanical Engineering
 - MBA - Masters of Business Administration

Current/Previous Appointments:

- Chicason Group
- Nigerian Industrial Development Bank Limited (now BOI)
- Equitorial Trust Bank Limited
- Bank PHB PLC
- Spring Life Assurance Plc

5. **Name:** Engr. Dikanna Chika Okafor
Position: Executive Director
Experience (Years): 23 years
Education/Professional Qualification:
 - University of Reading, UK**Current/Previous Appointments:**
 - Powerhouse Promotions
 - Pricewaterhouse Coopers (PWC)

6. **Name:** Mr. Alex Ojukwu
Position: Director
Experience (Years): 25 years
Education/Professional

Qualification:

- Ogun State University
- Federal University of Technology Akure

Current/Previous Appointments:

- Damos Practice Limited
- Keystone Bank Limited

7. Name:

Engr. (Mrs.) F. Chika Okafor

Position:

Non-Executive Director

Experience (Years):

27years

Education/Professional Qualification:

- (B.Engr.) in Chemical Engineering
- M.Sc in Chemical Engineering
- Nigerian Society of Chemical Engineers (M.NSChE)
- American Institute of Chemical Engineers (M.AIChE)

Current/Previous Appointments:

- Promotex Industrial and Chemical Products Ltd
- A-Z Petroleum Products Limited

8. Name:

Alhaji S. D. Ahmed

Position:

Non-Executive Director

Experience (Years):

50 years

Education/Professional Qualification:

- LLB Ahmadu Bello University
- National Institute for Policy and Strategic Studies

Current/Previous Appointments:

- Nigerian Police Force, Military Governor of Yobe State, Police Service Commission
- Chicason Group

9. Name:

Prof. (Mrs.) Uche Azikiwe

Position:

Non-Executive Director

Experience (Years):

40 years

Education/Professional Qualification:

- B.A English Education
- M.Sc Curriculum Studies
- M.Sc Sociology of Education
- PhD Sociology of Education/Gender Studies
- National Institute for Policy and Strategic Studies

Current/Previous Appointments:

- University of Nigeria Nsukka

10. Name:

Prince Anene E. Nwosu

Position:

Non-Executive Director

Experience (Years):

50 years

Education/Professional Qualification:

- B.Sc (Hons) Political Science

Current/Previous Appointments:

- M.Sc University of Birmingham
- National Institute for Policy and Strategic Studies

11. Name:

Rear Admr B. J. C. Noshiri

Position:

Non-Executive Director

Experience (Years):

40 years

Education/Professional Qualification:

- B.Sc Marine Engineering and Advanced Marine Engineering
- M.Sc Strategic Studies
- Nigerian Defence Academy

Current/Previous Appointments:

- Nigerian Naval Service
- Chicason Group

12. Name:

Alex Chibuikem Chika Okafor

Position:

Non-Executive Director

Education/Professional Qualification:

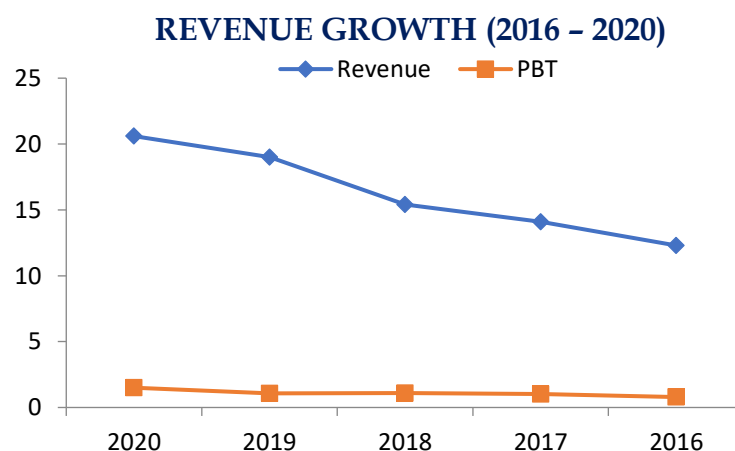
- LLB Law Northampton, University Northamptonshire, UK

Current/Previous Appointments:

- Ajumogobia and Okeke Law Firm
- Stream Sowers and Kohn, Law Firm
- Execution Edge Limited
- A-Z Petroleum Products Limited

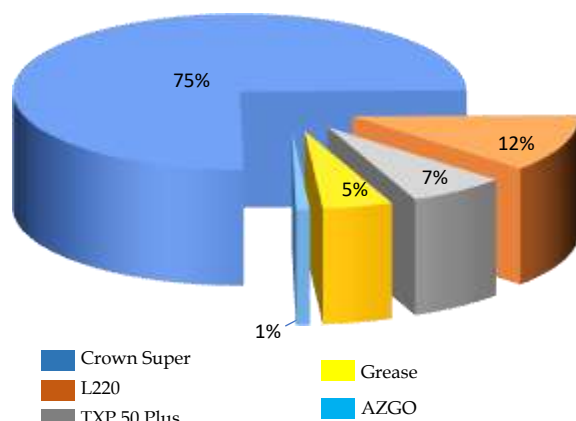
FINANCIAL PERFORMANCE

• EARNING PROFILE



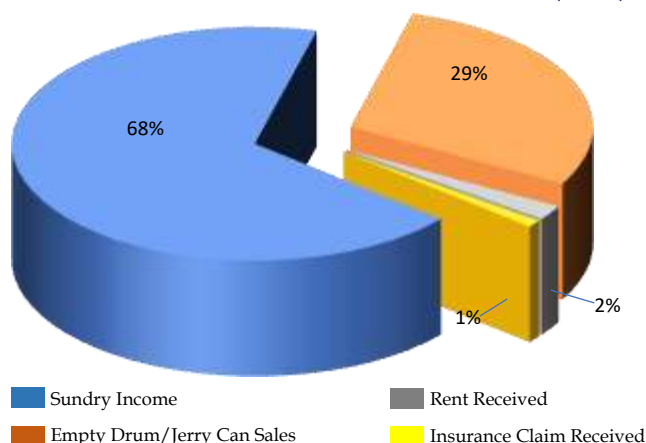
Source: A-Z Petroleum Products Ltd

COMPOSITION OF REVENUE (2020)



Source: A-Z Petroleum Products Ltd

COMPOSITION OF OTHER INCOME (2020)



Source: A-Z Petroleum Products Ltd

STATEMENT OF PROFIT

Item	2020 ₦000	2019 ₦000
Revenue	20,627,984	19,057,719
Cost of Sales	(17,491,987)	(16,630,209)
Gross Profit	3,135,997	2,427,510
Operating Expenses	(1,623,998)	(1,378,069)
Other Income	33,310	23,569
Operating Profit	1,545,309	1,073,010

Source: A-Z Petroleum Products Ltd

A-Z Petroleum Products has continuously increased its Revenue over the last five years. In the year 2020, the Company Revenue rose by 8% from ₦19b (Yr. 19) to ₦20.6b (Yr. 20). The Company generated Revenue from five (5) major sources during the year under review. These include Sale of its *Crown Super 20w/50 series, TXP 50 Plus, AZGO (Gear Oil) 85w/140, L220 (Industrial Lube Series) and Grease*.

Revenue from the Sale of Crown Super Lubricant amounted to ₦16.2b and made up 75% of the Company's Revenue in the year 2020.

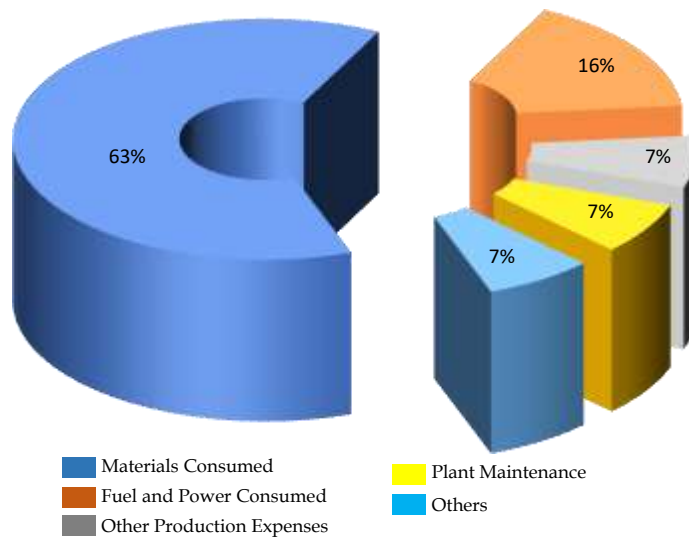
The Company also generated Income from Other Sources. This majorly consisted of Sales of Empty Jerry Cans and Sundry Income generated during the year. This class of Income grew in 2020 from ₦23.5m (Yr. 19) to ₦33.3m (Yr. 20).

The Company's Direct Costs were largely focused on Materials Consumed due to the nature of its business. This component rose from ₦10.6b (Yr. 19) to ₦11b (Yr. 20). Other major components included Fuel and Power Consumed and Plant Maintenance Expenses.

The growth rate of Direct Cost was restricted to 5%. This impacted Gross Profit Margin positively during the year under review. As a

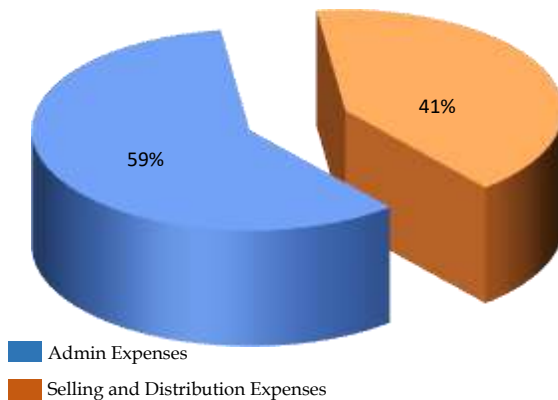
result, Gross Profit Margin improved from 13% (Yr. 19) to 15% (Yr. 20).

COMPOSITION OF COST OF SALES



Source: A-Z Petroleum Products Ltd

COMPOSITION OF OPERATING EXPENSES



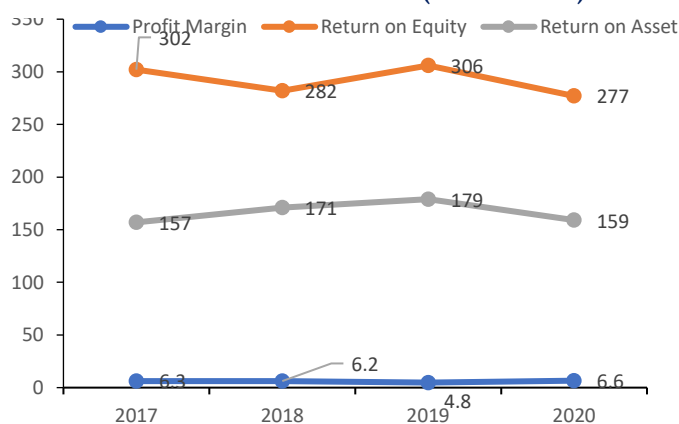
Source: A-Z Petroleum Products Ltd

The Selling and Distribution Expenses as well as the Administrative Cost contributed the rise of Operating Expenditure. Admin Expenses went up by 8% while Selling and Distribution Expenses increased by 37% in 2020.

The effect of the growth in Expenditure was moderated by increased Revenue. This led to a surge of 44% from ₦1b (Yr. 19) to ₦1.5b (Yr. 20). Consequently, Profit Before Tax of the Company grew in 2020 from ₦915m (Yr. 19) to ₦1.4b (Yr. 20).

The growth in Profit led to an improved Net Profit Margin

PROFITABILITY TREND (2016 - 2020)



Source: A-Z Petroleum Products Ltd

• CAPITALIZATION

The Shareholders' Fund of the Company increased by 20% during the year under review. This was due to the rise in profitability during the year. Retained Earnings rose from ₦6.2b (Yr. 19) to ₦7.4b (Yr. 20).

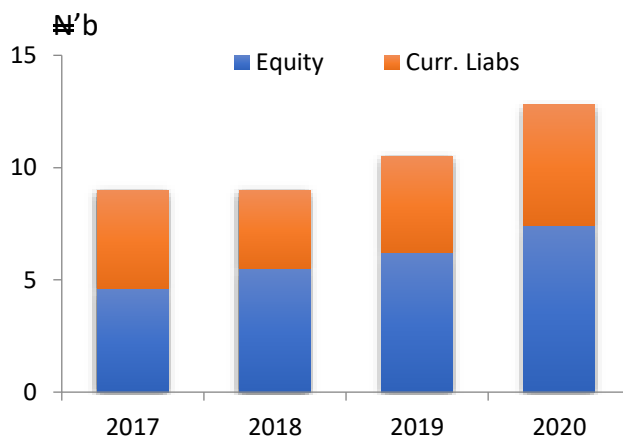
BREAKDOWN OF THE TOTAL ASSET

ITEM	2020 ₦
Non-Current Assets	6,879,463
Current Assets	6,045,648
Total Assets	12,925,111

Source: A-Z Petroleum Products Ltd

Similarly, the Total Assets of the Company rose in 2020 by 22% from ₦10.6b (Yr. 19) to ₦12.9b (Yr. 20).

CAPITAL FUNDING PROFILE



Source: A-Z Petroleum Products Ltd

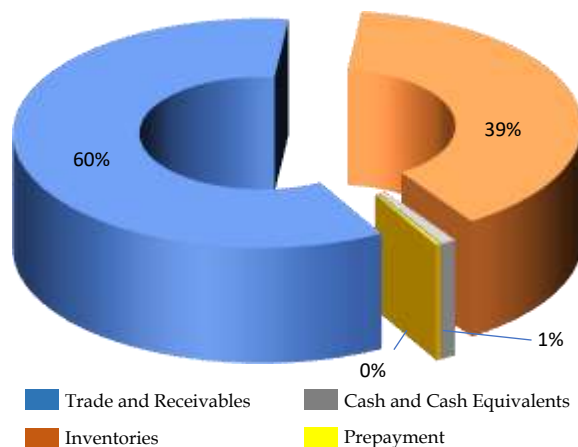
The Company's Assets were largely funded by Owners Capital. Equity to Total Assets was 58% in the year 2020 representing a marginal decline from 59% (Yr.2019).

The Company's total debts were current in nature. Current Liabilities of the Company grew in 2020 by 26% from ₦4.3b (Yr. 19) to ₦5.4b (Yr. 20).

• ASSET UTILITY

The Non-Current Assets of A-Z Petroleum Products made up 53% of its Total Assets. The Property, Plant and Equipment of the Company accounts for the majority of its Non-Current Assets. This grew during the year by 6% from ₦6.5b (Yr. 19) to ₦6.8b (Yr. 20).

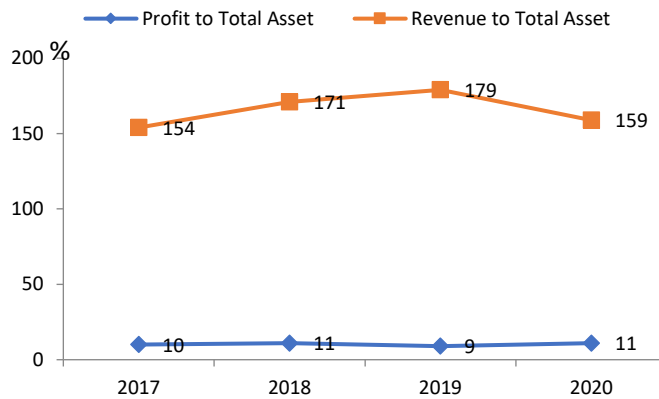
COMPOSITION OF CURRENT ASSETS



Source: A-Z Petroleum Products Ltd

The growth recorded in the Current Assets of the Company was more significant during the year 2020. Current Assets rose by 48% as at the year ended 2020. This was due to significant increases in the value of its major components which are Trade Receivables and Inventory. Other Components such as Prepayment and Cash also recorded growths.

ASSET UTILIZATION TRENDS (2016 - 2020)

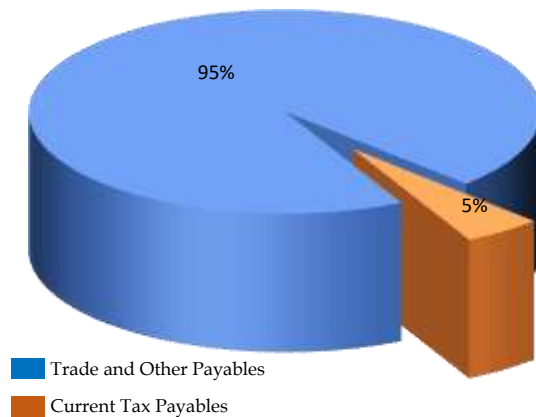


Source: A-Z Petroleum Products Ltd

The ability of the Company to effectively use Asset to generate revenue declined during the year 2020. It reduced from 179% (Yr. 19) to 159% (Yr. 20). However, Return on Total Assets rose from 9% (Yr. 19) to 11% (Yr. 20) on the back of strong profitability.

LIQUIDITY

COMPOSITION OF CURRENT LIABILITIES



Source: A-Z Petroleum Products Ltd

The total debt of the company comprised only of Current Liabilities in the year 2020. This amounted to ₦5.4b (Yr. 20) as against ₦4.3b (Yr. 19). The Current Liabilities were largely made up of Trade Payables. This grew from ₦4.1b (Yr. 19) to ₦5.1b (Yr. 20).

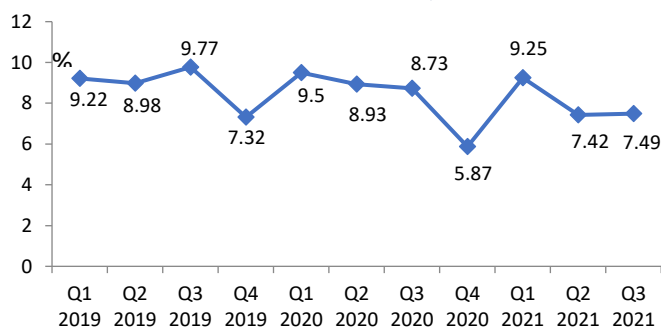
During the year 2020, the Company maintained a Quick Ratio of 68%. This is as against 64% (Yr. 19). The improved Quick Ratio was due to

the rise in the Trade and Receivables of the Company in 2020.

The Company also improved its Current Ratio during the year from 98% (Yr. 19) to 111% (Yr. 20). Cashflow from its operating activities in the year under review equally went up from ₦926m (Yr. 19) to ₦1.1b (Yr. 20).

REVIEW OF THE OIL AND GAS SECTOR

OIL AND GAS CONTRIBUTION TO GDP (Q1 2019 - Q3 2021)



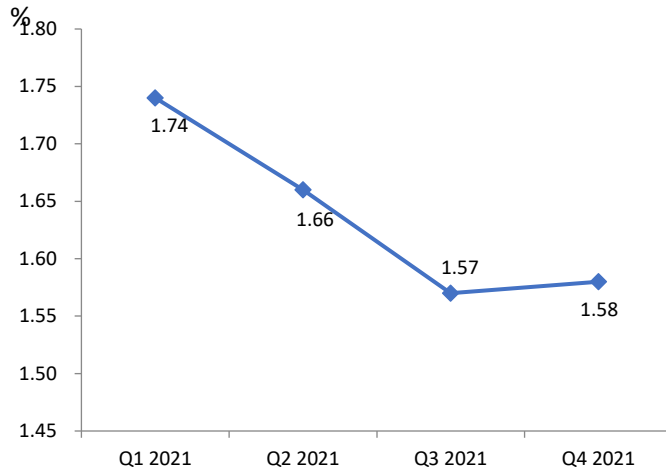
Source: Statista

The Nigerian Economy has been dependent on Oil since its discovery in 1956. As at end of 2020, the Oil and Gas sector accounted for more than 90 per cent of the country's exports and 80 per cent of the Federal Government's Revenue. However, due to the effect of the COVID-19 Pandemic on Travel,

the Oil and Gas Sector's Contribution to GDP declined in the year 2020.

The Oil benchmark for the year 2022 budget is \$62 per barrel and 1.88 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$88.01 as at February 1st, 2022 according to *businessinsider.com*).

DAILY OIL BARREL PRODUCTION IN MILLIONS (Q1 2021 - Q4 2021)



Source: Proshare NG

Due to the effects of oil thefts and attacks on oil and gas infrastructure in Nigeria, Oil Production during the year 2021 was hampered. As at Quarter 4 of 2021, Nigeria was producing 1.58 million barrels per day. A slight improvement from the previous quarter of 1.57 million barrels per day.

In August 2021, the Petroleum Industry Act (PIA) was finally passed into law. The scale of the changes introduced by the PIA cut across the administrative, regulatory and fiscal regimes, as well as the key

regulatory institutions. The passing of the Petroleum Investment Act created a new upstream regulator, the *Nigerian Upstream Petroleum Regulatory Commission (NUPRC)* which replaces the *Department of Petroleum Resource (DPR)*. It also created "*NNPC Limited*" and turned the NNPC into commercial entity that is not dependent on Government support.

The Country launched the "*Decade of Gas*" in March 2020, with a plan to power Nigeria with renewable gas by 2030. Progress was also made on a number of key gas projects. Seplat Energy completed its funding for the ANOH gas processing plant, one of the Government's Seven Critical Gas Development Projects, early in 2021.

Construction began in June, 2021 on Nigeria LNG's Train 7 project which promises to increase LNG production capacity by 35%. NNPC also announced the start of the US\$ 25 billion Nigeria-Morocco gas pipeline project which is intended to deliver gas from Nigeria to 13 countries in West and North Africa.

Currently, the Lubricant market is highly competitive and dominated by five major players which are Total Nigeria Plc, 11 Plc (formerly Mobil Oil Nigeria), Eterna Plc, Oando Plc, Ardova Plc. However, A-Z Petroleum currently has the largest market share in 3 out of 6 geopolitical zones in Nigeria.

The Lubricants market can be broken down in to various segments such as Engine Oil, Transmission and Hydraulic Fluid, Process Oil, Gear Oil, General Industrial Oil, Grease and Metalworking Fluid segments. Of all the segments, the of Engine Oil has

the largest Market Volume in Nigeria. This is due to its varying uses in the automotive and transportation segment of the market. This is the largest end user in the lubricant sector.

Previously, Nigeria was majorly focused on importing Lubricants for local use. However, in 2013, the government introduced high tariffs of around 35% to 70% under its Automotive Industry Development Plan. The plan failed because local automotive production could not meet the local demand and restrained the market with high prices.

The Lubricant Sector of the Oil and Gas industry is currently constrained by the rise of Foreign Exchange, inadequate power supply and dearth of infrastructures. Ability to manage these challenges in order to meet ever growing consumer demand will drive the sector going forward.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company is directed by its Board Members comprising of six (6) Executives and six (6) Non-Executives. The Board is headed by the Chairman who also doubles as the Chief Executive Officer.

The Board recognizes that it has Market, Liquidity, Credit, Operational and Regulatory Risk. In line with the document provided, the Board has developed procedure for its Risk Management.

RISK FACTORS

In the course of our review, we observed the following risk factors:

- **FOREIGN EXCHANGE RISK**

This is the risk arising from loss of capital or earnings due to adverse movements in the Exchange rates of assets or liabilities.

Our review revealed that some activities of the Company are sensitive to fluctuations in Foreign Exchange. Therefore, adverse movement in Exchange Rate could negatively impact Earnings.

- **LIQUIDITY RISK**

This is the risk that the company will not be able to meet its obligation as at when due. Our review revealed that the company maintained a Current Ratio of 111%.

- **GOVERNANCE RISK**

This is the risk to operation arising from lack of appropriate supervision from the Board.

Based on our review, the Chairman perform dual role as Chief Executive Officer. Therefore, anticipated level of checks and balances required on the Board may not be available.

REGULATORY ENVIRONMENT

The operation of the Company is regulated by the *Nigerian Midstream and Downstream Petroleum Regulatory Authority (NPRA)* and *Standard Organization of Nigeria (SON)*. These Agencies regulate operators in the industry for product quality and Standard.

The Products of the Company have attracted several quality awards. These include *ISO 9001: 2008* Certification and *Nigeria Industrial Standard Award*.

CONCLUSION

We have reviewed the document relating to the Company, the Rating is supported by Experience Management Team, Very Good Financial Performance and Good Market Position.

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


FINANCES

Financial Position as at

	Dec, 2021 (9 Months)		Dec, 2020		Dec, 2019
	₦'000	Δ%	₦'000	Δ%	₦'000
Employment of Funds					
Property, Plants & Equipment	7,097,098	3.16	6,879,463	5.22	6,538,300
Intangible Assets	-		-		3,242
Net Current Assets/(Liability)	1,988,851	239.11	586,492	(313.35)	(274,903)
Net Asset	<u>9,086,249</u>	21.70	<u>7,465,955</u>	19.14	<u>6,266,639</u>
Funds Employed					
Share Capital	50,000	0.00	50,000	-	50,000
Retained Earnings	9,036,249	21.85	7,415,955	19.29	6,216,639
	<u>9,086,249</u>	21.70	<u>7,465,955</u>	19.14	<u>6,266,639</u>

STATEMENT OF COMPREHENSIVE INCOME

Revenue	18,166,400	-12.08	20,661,294	8.28	19,081,288
Results from Operating Activities	1,944,837	25.85	1,545,309	44.02	1,073,010
Profit after taxation	1,791,616	31.18	1,365,748	49.18	915,491
Profit for the Year	<u>1,620,294</u>	35.10	<u>1,199,316</u>	56.96	<u>764,093</u>
Comprehensive Income for the Year	<u>1,620,294</u>	35.10	<u>1,199,316</u>	56.96	<u>764,093</u>

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 4th February, 2022

For and on behalf of:
DataPro Limited
Ground Floor, Foresight House
By Marina Water Front
163/165 Broad Street, Lagos Island, Lagos.
Tel: 234-1-4605395, 4605396
Cell: 0805-530-3677
Email: info@datapronigeria.net, wdataprong@gmail.com
Website: www.datapronigeria.net

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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	<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.