



# DataPro



## **CORPORATE RATING REPORT**

## **LAGOS FREE ZONE COMPANY**

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December, 2024

# LAGOS FREE ZONE COMPANY

## Long-Term Rating:

# BBB

Short Term Rating: A2

Previous Rating: BBB-

Rating Outlook: Negative

Trend: UP

Currency: Naira

Date Issued: 6 Dec., 2024

Valid Till: 5 Dec., 2025

## Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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## EXECUTIVE SUMMARY

	2023 USD'000	2022 USD'000	2021 USD'000	2020 USD'000	2019 USD'000
Turnover	13,850	4,472	3,787	3,740	1,788
Pre-tax-Profit	30,524	13,132	15,334	39	(20,970)
Equity	323,384	331,191	318,059	302,725	284,423
Non Current Assets	446,467	478,973	480,077	478,090	480,077
Total Asset	522,712	546,615	540,128	509,249	478,978

### 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 an 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 Earning Profile
- Strong Brand Presence
- Good Asset Base

### Negative Rating Factor:

- Low Asset Utility

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## BACKGROUND

**Lagos Free Zone Company ("The Company")** previously known as **Lekki Export Processing Zone Limited** was incorporated on the 29<sup>th</sup> of January 2002. In pursuance to the provisions of the **Nigeria Export Processing Zones Authority Act (NEPZA)** of 1992, the Company's status was subsequently changed from Export Processing Zone to Free Trade Zone Company in 2006.

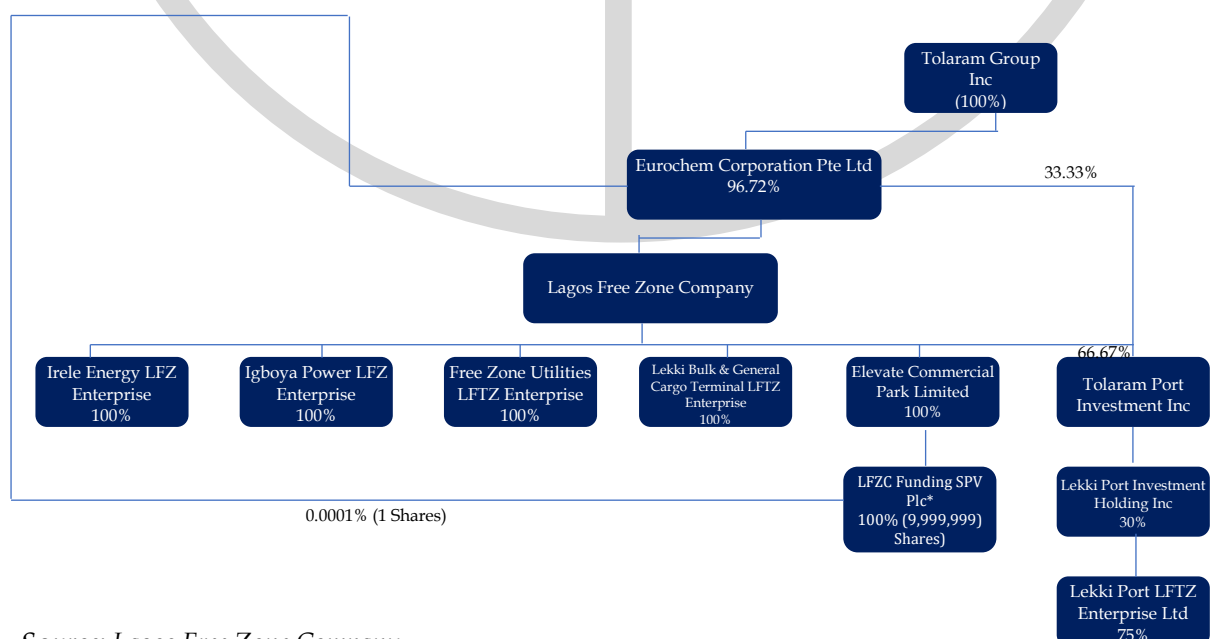
The Company commenced operations in October 2008. However, the first factory within the Zone was established between 2007-2008. It has license to operate as a Free Zone till 2067.

The Lagos Free Zone is the first privately owned in Nigeria. It is located in **Itoke Village, Ibeju Lekki Local Government Area, Lagos State, Nigeria**. It occupies a land size of 850 hectares.

The principal activity of the Company is the development and Operation of the Lagos Free Zone and the provision of Zone Management Services to entities registered within the Zone. By extension, it provides Industrial Infrastructure, Logistics and Real Estate services to operators within the Zone. These infrastructures include warehouses, standard industrial factories, police stations, fire stations, helipad, truck parks, medical facilities, residential apartments and information technology.

**Tolaram Group** is the main promoter and Ultimate Parent Company of **Lagos Free Zone Company (LFZ)**. However, the Company is majorly owned by **Eurochem Corporation Pte Limited** (96.72%) a subsidiary of the **Tolaram Group Inc.** Other minority Shareholders hold the remaining 3.28%.

### CORPORATE STRUCTURE



Source: Lagos Free Zone Company

## DIRECTORS' PROFILE

The following served as directors during the year under review; *Mr. Mohan K Vaswani-Chairman; Mr. Haresh Aswani, Tolaram; Navin Nahata; Dinesh Rathi and Adesuwa Ladoja -CEO/MD.*

The Directors' profile is as follows.

1. **Name:** Mr. Mohan K Vaswani  
**Position:** Chairman (Non-Executive Director)  
**Years of Experience:** 52 years  
**Job Experience:** Tolaram
2. **Name:** Mr. Haresh Aswani  
**Position:** Non-Executive Director  
**Years of Experience:** Over 30 years  
**Job Experience:**
  - Singapore Business Federation
  - Tolaram
3. **Name:** Mr. Navin Nahata  
**Position:** Executive Director  
**Years of Experience:** 22 years  
**Education:** Chartered Accountant  
**Job Experience:** Tolaram
4. **Name:** Mr. Dinesh Rathi  
**Position:** Executive Director  
**Years of Experience:** 22 years  
**Education:** Chartered Accountant  
**Job Experience:**
  - Lucky Fibres
  - Unilever Group
  - ICICI Bank
5. **Name:** Mrs. Adesuwa Ladoja  
**Position:** CEO/MD (Executive Director)  
**Years of Experience:** 30 years  
**Education:**
  - Bachelor of Law – Obafemi Awolowo University
  - Masters of Law- University of London**Job Experience:**
  - Ajumogobi and Okeke
  - KPMG

## SECTOR REVIEW

Nigeria is one of the leading economies 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 the National Bureau of Statistics, the performance of the 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.

In real terms, the non-oil sector grew by 2.80% during the second quarter of 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. This sector was driven in the second quarter of 2024 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.

The Trade Sector grew by 0.70 % in the second quarter of 2024. However, this was 1.71% points lower than the rate recorded in Q2 of 2023, 1.31% and 0.53% points lower than Q1 2024 at 1.23% growth rate. The slow growth was largely due to depreciation of the Naira and erosion of purchasing power.

Nigeria is battling with the challenge of foreign currency arising from lower oil revenue receipts and limited export capacity of the Country. In June 2023, the Central Bank of Nigeria floated the Naira after unifying all segments of the forex market, which resulted in significant devaluation of the local currency. The Naira depreciated against the Dollar at the official market to close N1,628.06/\$1 as at December 4th, 2024, while the parallel market value was an average of N1,700/\$1.

The Monetary Policy Committee (MPC) of the CBN at its meeting in November, 2024, raised the Monetary Policy Rate (MPR) by 25bps from 27.25% to 27.50% amid soaring inflation and skyrocketing food prices. The increase in MPR was done to manage inflation which has been on a steady rise. Headline Inflation as at October 2024 was 33.88%. The raise effectively translated to high cost of borrowing for business operators.

Manufacturing has been one of the sectors at the receiving end of Nigeria's deficient infrastructure, port bureaucracy and scarcity of foreign exchange. This is in addition to the current energy crisis constantly driving up cost of production. Therefore, a Free Trade Zone that provides access to needed production inputs and facilities will attract demand from manufacturers.

## FINANCIAL PERFORMANCE

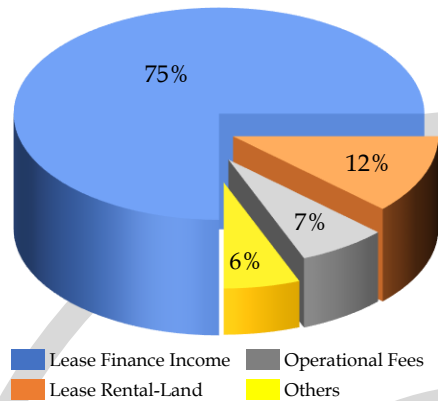
### • EARNINGS PROFILE

In the financial year 2023, Revenue generated by the Company from its primary activities was enhanced from \$4.5m (Yr.22) to \$13.9m (Yr. 23). The major revenue



source was Lease Finance Income. It amounted to \$10.4m and constituted 75% of Revenue for the year 2023.

#### DISTRIBUTION OF REVENUE (2023)



Source: Lagos Free Zone Company

Asides Lease Finance Income, Lease Rental – Land and Operational Fees also contributed significantly to the Revenue recorded for the year 2023. These aggregately accounted for 20% of Revenue in the financial year.

Direct cost associated with documentation, examination, outbound documentation and licenses, registration as well as permits increased by 17% (Yr. 23). Accordingly, on the account of

increased Revenue generation capacity, Direct Cost to Revenue declined from 3% (Yr. 22) to 1% (Yr. 23). Consequently, Gross Profit Margin improved to 99% in the financial year.

Administrative Expenses grew from \$6.3m to \$8m between the years 2022 and 2023. Its major components were Depreciation, Repairs & Maintenance as well as Staff Costs. These amounted to \$4.4m and represented 55% of Administrative Expenses. Additionally, Finance Costs relating to Interest on Loans increased by 40% in the year 2023.

The Company recorded an Exchange Gain of \$40.8m (Yr. 23) as against \$22m (Yr. 22). This was mainly associated with revaluation of monetary Liabilities and Borrowings (net of Assets) using the autonomous market rate of ₦1,200/USD (Yr. 23) as against ₦740/USD (Yr. 22). This greatly enhanced the Company's Pre-Tax Profit from \$13.1m in the year 2022 to \$30.5m in the year 2023.

## CAPITALIZATION

#### BREAKDOWN OF TOTAL ASSETS (2023)

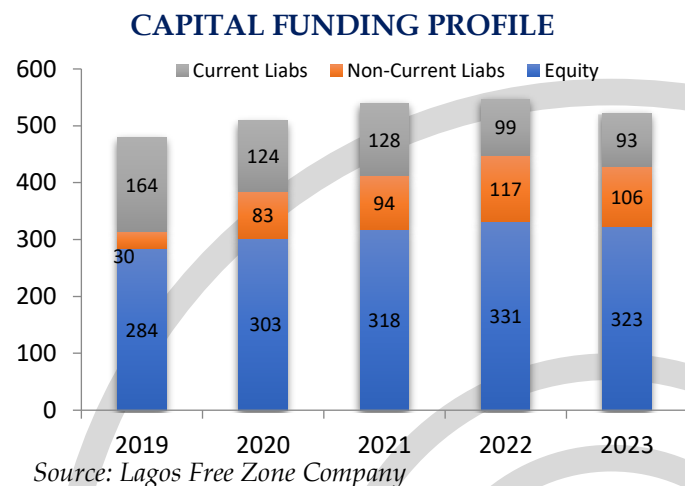
ITEM	\$'000	%
Current Assets	76,245	15
Non-Current Assets	446,467	85
<b>Total Assets</b>	<b>522,712</b>	<b>100</b>

Source: Lagos Free Zone Company

The Company's Total Assets amounted to \$522.7m as at the financial year ended 2023. This reflected a 4% decline from the preceding year's value. Its major components were Property, Plants and Equipment (PPE) in the year 2023.

These constituted 73% and 62% of Non-Current Assets and Total Assets respectively. The decline in PPE was the major contributor to the decrease in value of Total Asset in the financial year.

Payables, Deferred Revenue and Borrowings were the components of both Current and Non-Current Liabilities. However, the obligations of the Company were largely Non-Current to the tune of 53%. In absolute term, Liabilities totaled \$199.3m (Yr. 23) as against \$215.4m (Yr. 22).



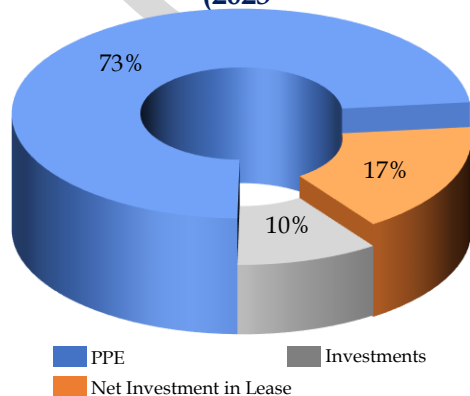
Share Capital remained fixed at \$223.7m in the years 2022 and 2023. However, the Company grew its Retained Earnings balance from \$28.8m (Yr. 22) to \$59.3m (Yr. 23) on the account of Profit retention. Notwithstanding, overall Equity marginally declined by 2% as at the year-ended 31<sup>st</sup> December, 2023. This was largely due to the reduction in its Revaluation Reserves from \$51.9m (Yr. 22) to \$13.6m (Yr. 23). This brought Reserve balance to \$40.4m as against \$78.7m in the years 2022 and 2023 respectively.

In real terms, Equity amounted to \$323m in the financial year and \$331.2m in the preceding year. However, the Company recorded an Equity to Total Asset Ratio of 62% (Yr. 23) as against 61% (Yr. 22).

## • ASSET UTILITY

The Company has an 850 Ha. Free zone land (including 90 Ha. of port land) which it is developing to be the industrial hub in the Lekki Region. The Zone is being developed in 4 phases and zone 1 (300 Ha.) is to be completed by H1 '2025.

## COMPOSITION OF NON-CURRENT ASSETS (2023)



Some of the entities operating within the facility of the Company include: *BASF, Lekki Port, Kellogg's, Raffles, Insignia, Colgate, TG Arla, Sana Group and China Harbour.*

The Non-Current Assets deployed towards operations formed a big chunk of the Company's Assets. As at the year-ended 2023, this Asset class amounted to \$446.5m, representing 85% of Total Assets. The Company had investments

valued at \$42.3m in the year 2023. These were holdings in Related Companies.

The Non-Current portion of Net Investment in Lease amounted to \$88.4m in the financial year 2023. This represented 17% of Non-Current Assets in the year 2023.

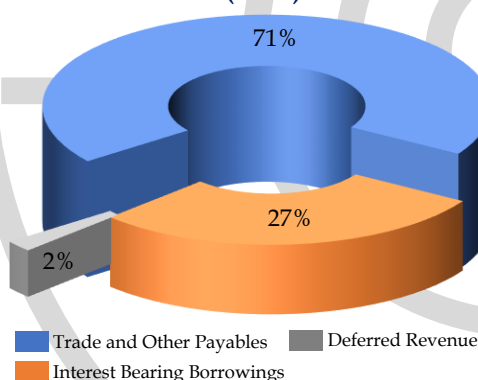
Current Assets increased from \$67.9m (Yr. 22) to \$76.2m (Yr. 23). This was majorly influenced by the Net Investment in Lease which amounted to \$10.9m in the financial year. Other Current Assets included Receivables, Inventory as well as Cash & Cash Equivalents.

The Company's profitability was reflective in its Return on Assets in the financial year. Therefore, ability to effectively utilize Assets in generating Profit improved from 2% (Yr. 22) to 6% (Yr. 23).

## • LIQUIDITY

Liabilities were both Current and Non-Current in nature in the financial year 2023. Non-Current Liabilities formed bulk of its obligation. This Liability class declined by 9% and accounted for 53% of Total Liabilities.

### COMPOSITION OF CURRENT LIABILITIES (2023)

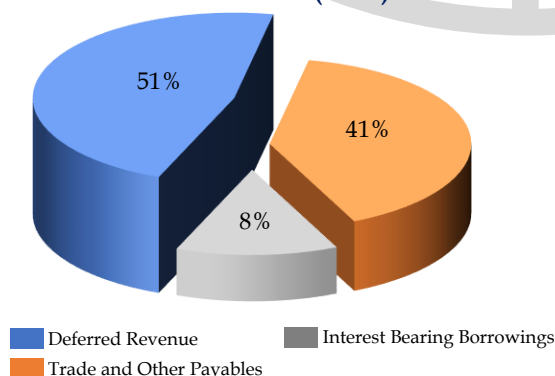


Source: Lagos Free Zone Company

Its major Component was Deferred Revenue. This comprises advance billings on operating lease agreements with various entities. In the year 2023, it amounted to \$54.4m as against \$54.9m (Yr. 22).

Long-term Payables to related entities represented 41% of Non-Current Assets as at the year-ended 2023. It amounted to \$43.2m (Yr. 23), reflecting an 8% decrease compared with the preceding year's position.

### COMPOSITION OF NON-CURRENT LIABILITIES (2023)



Source: Lagos Free Zone Company

The Current portion of Payables formed bulk of the Current Liabilities to the tune of 71% (Yr. 23). Asides amounts due to related entities, it also included payables and accruals to other third parties.

Interest Bearing obligations of the Company were largely Current. Total Borrowings as at 31 December, 2023 stood at \$33.7m as against \$43.7m (Yr. 22). These were Commercial Papers issued as well as



DCRR Loans held by the Central Bank as CRR but released to fund greenfield and brownfield projects.

After adjusting the Company's current obligations from its Liquid Assets a deficit of \$17m was ascertained. This translated to a Current Ratio of 82% in the financial year. This is below the benchmark of 100%.

#### DEBT PROFILE AS AT SEPTEMBER (2024)

S/No	Facility Type: Long Term / Tenure Short Term	Lender	Facility Amount	Tenor	Utilisation Amount	Maturity
1.	DCRR Long Term Loan	First City Monument Bank	10,000.00	15 years	8,750.00	March 2035
2.	DCRR Long Term Loan	Titan Trust Bank	2,500.00	15 years	2,314.00	March 2035
3.	Short Term Loan	Commercial Paper	14,219.17	232 days	14,219.17	Dec. 2024
4.	Short Term Loan	First Bank of Nigeria	40,000.00	12 months	6,500.00	Dec. 2024
	<b>TOTAL</b>		<b>NGN66,719.17m</b>		<b>NGN31,783.17m</b>	

Source: Lagos Free Zone Company

## CORPORATE GOVERNANCE & RISK MANAGEMENT

The Company is registered as a Free Zone Company and its affairs are regulated by the *Nigeria Export Processing Zones Authority*.

The affairs of the Company are directed by its Board of Directors which consists of three (3) Executive Directors and two (2) Non-Executive Directors. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company recognizes exposure to: Interest Rate, Liquidity, Currency and Credit Risks. However, there are measures in place to deal with these risks according to information provided in its financials.

## RISK FACTORS

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

- INTEREST RATE RISK**

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

Based on our review, the Company contracted Term loans from Banks, Short -term loans, Commercial Papers and Bonds. Total Borrowings of the Company as at 31<sup>st</sup> December, 2023 was \$33.7m. Therefore, adverse movement in Interest Rates could impair profitability.

- **EXCHANGE RATE RISK**

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

Based on our review, we observed that the Company imports significant materials from outside Nigeria. This therefore exposes it to exchange rate risk. We expect the effect of this risk to be minimal as the Company also earns foreign currency from its operation.

- **CREDIT RISK**

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

As at 31<sup>st</sup> December, 2023 about 2% of Total Assets were concentrated in third parties. Consequently, Credit Risk is minimized.

- **LEGAL RISK**

This is the risk that the Company will be exposed to legal actions that may lead to paying of significant fees.

Based on our review, the Company is involved in six (6) cases in the ordinary course of its business. These litigations attract monetary claims. Therefore, operation and profitability of the Company could be impaired if the cases are not ruled in its favor.

## **FUTURE OUTLOOK**

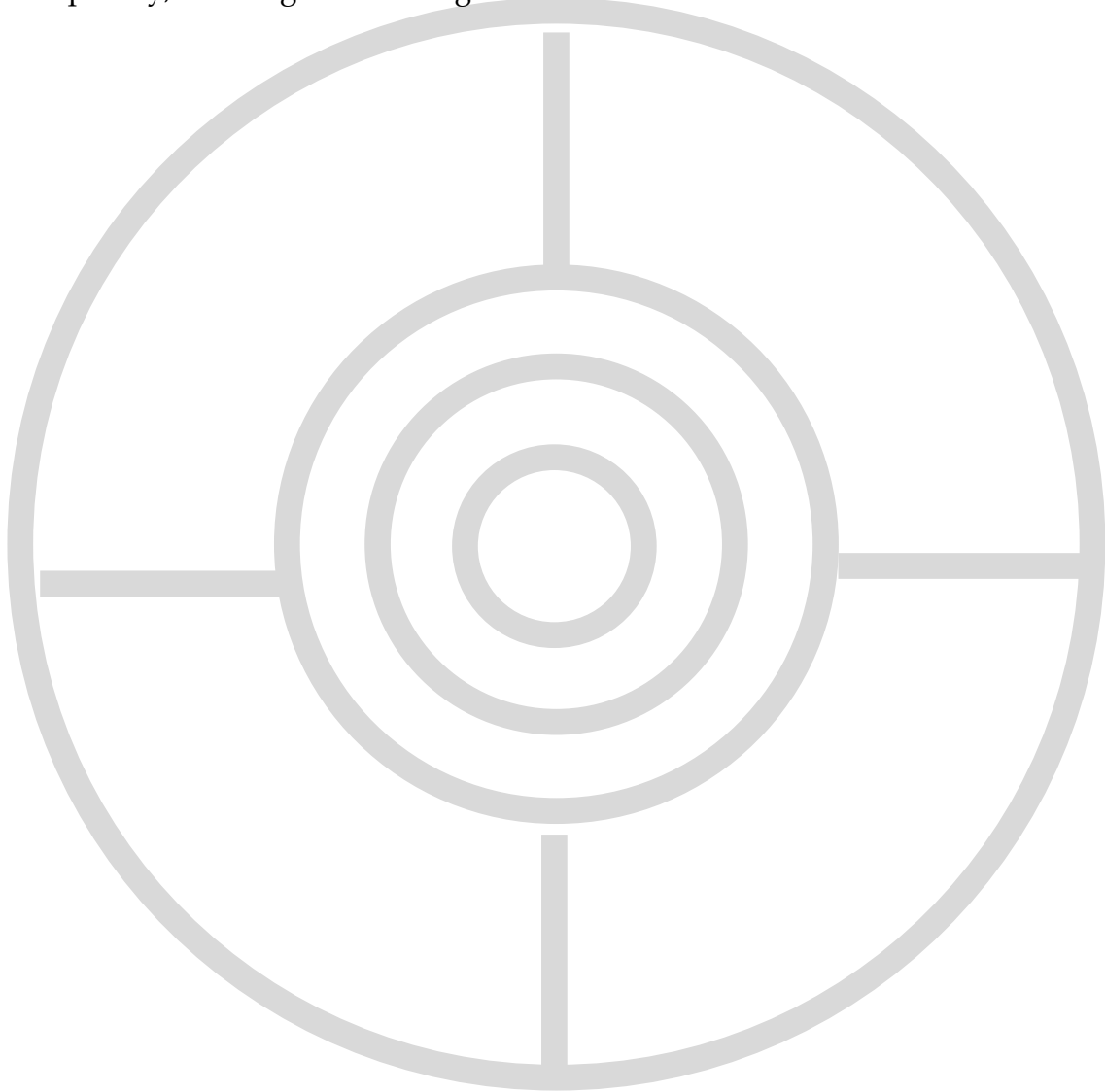
Currently, the Company has an 850 Ha. free zone land (including 90 Ha. of Port land) and is developing the zone in 4 Phases. The first Phase involves developing 300 Ha. of land to be completed by H1'2025. Accordingly, many facilities have been put in place including Truck Park, Medical Facility Warehouse, SIF, Residential Buildings, Fire Station, Police Command, Fibre Optics, Security Command and Single Window Clearance.

In addition, the Company plans to expand on existing projects such as building more warehouses and Residential buildings including other revenue generating assets.

## CONCLUSION

The Rating of the Company is supported by its diversified earning profile, good asset base and strategic location of the zone.

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



## FINANCES

### Financial Position as at

	Dec., 2023 USD'000	Δ%	Dec., 2022 USD'000	Δ%	Dec., 2021 USD'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	326,033	(25.50)	437,606	1.88	429,551
Intangible assets	201	10.44	182	68.52	108
Investments	42,295	4.95	40,300	(19.89)	50,304
Right-of-use of assets	422	(29.78)	601	427.19	114
Net Investment in Lease	77,516	-	-	-	-
Receivables from related companies	-	-	-	-	-
<b>Total non-current assets</b>	<b>446,467</b>	<b>(6.73)</b>	<b>478,689</b>	<b>(0.29)</b>	<b>480,077</b>
<b>Current assets</b>					
Trade and other receivables	13,004	10.89	11,727	5.36	11,130
Inventory	393		284		-
Net Investment in Lease	10,875		-		-
Receivables from related companies	33,200	0.75	32,952	(15.95)	39,205
Cash and cash equivalents	18,773	(18.25)	22,963	136.34	9,716
<b>Total current assets</b>	<b>76,245</b>	<b>12.25</b>	<b>67,926</b>	<b>13.11</b>	<b>60,051</b>
<b>Total assets</b>	<b>522,712</b>	<b>(4.37)</b>	<b>546,615</b>	<b>1.20</b>	<b>540,128</b>
<b>Capital and reserves</b>					
Share capital	223,745	-	223,745	-	223,745
Retained earnings	59,275	106.17	28,751	84.11	15,616
Other reserves	40,364	(48.71)	78,695	(0.00)	78,698
Total equity attributable to owners of the company	<b>323,384</b>	<b>(2.36)</b>	<b>331,191</b>	<b>4.13</b>	<b>318,059</b>
<b>Non-current liabilities</b>					
Deferred revenue	54,442	(0.89)	54,933	(3.11)	56,695
Borrowings	8,391	(42.72)	14,649	(25.93)	19,777
Payables to related companies	43,198	(8.28)	47,098		17,665
<b>Total non-current liabilities</b>	<b>106,031</b>	<b>(9.13)</b>	<b>116,680</b>	<b>23.95</b>	<b>94,137</b>
<b>Current liabilities</b>					
Deferred revenue	1,595	(10.94)	1,791	(1.43)	1,817
Borrowings	25,291	(12.91)	29,040	(17.56)	35,227
Other payables and accruals	257	(48.29)	497	(24.12)	655
Payables to related companies	66,154	(1.87)	67,416	(25.29)	90,233
<b>Total current liabilities</b>	<b>93,297</b>	<b>(5.52)</b>	<b>98,744</b>	<b>(22.82)</b>	<b>127,932</b>

	Dec., 2023 USD'000	Δ%	Dec., 2022 USD'000	Δ%	Dec., 2021 USD'000
Revenue	13,850	209.70	4,472	18.09	3,787
Direct costs	-181	16.77	-155	4.73	(148)
<b>Gross Profit</b>	<b>13,669</b>	<b>216.63</b>	<b>4,317</b>	<b>18.63</b>	<b>3,639</b>
Administrative expenses	-8,019	26.92	-6,318	37.11	(4,608)
Other gains	40,773	85.32	22,001	14.88	19,151
Others expenses	-3,206	7.98	-2,969	26.13	(2,354)
Finance income	2,342	(65.61)	6,811	173.10	2,494
<b>Finance costs</b>	<b>-15,035</b>	<b>40.38</b>	<b>-10,710</b>	<b>258.43</b>	<b>(2,988)</b>
Profit Before Taxation	<b>30,524</b>	<b>132.44</b>	<b>13,132</b>	<b>(14.36)</b>	<b>15,334</b>
Income tax expenses	-	-	-	-	-
<b>Profit for the Year</b>	<b>30,524</b>	<b>132.44</b>	<b>13,132</b>	<b>(14.36)</b>	<b>15,334</b>
Income, net of Tax reclassified	-	-	-	-	-
<b>Income for the Year</b>	<b>30,524</b>	<b>132.44</b>	<b>13,132</b>	<b>(14.36)</b>	<b>15,334</b>



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**Signed:**   
**Name:** Oladele Adeoye  
**Designation:** Chief Rating Officer  
**Date:** 6<sup>th</sup> December, 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

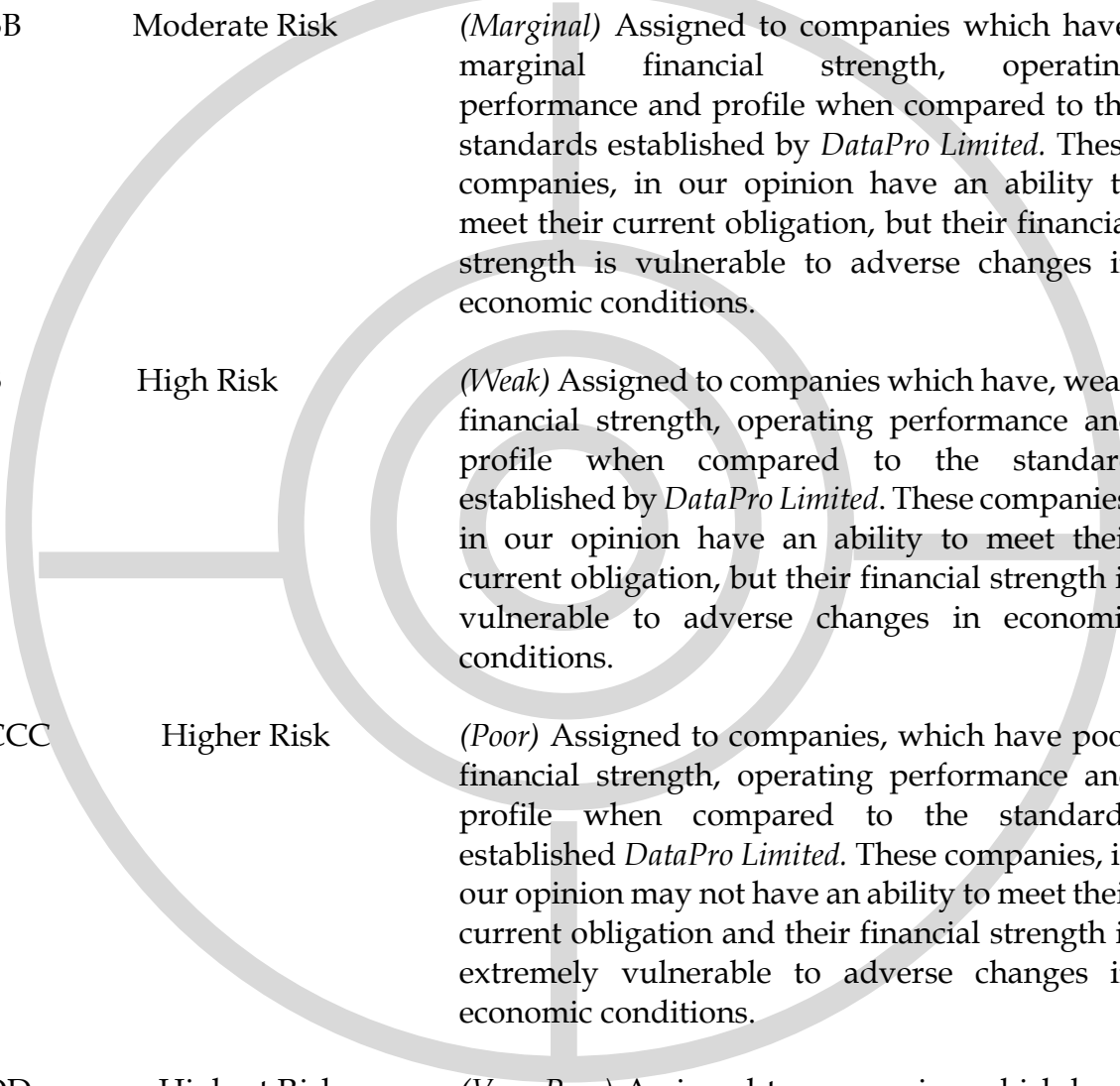
#### Investment Grade

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.