# Flour Mills of Nigeria Plc

**₦10.11 billion Series 1 3-Year 15.5% Fixed Rate Senior Unsecured Bond Due 2021 &**
**₦10 billion Series 2 5-Year 16% Fixed Rate Senior Unsecured Bond Due 2023**
**under the ₦70 billion Bond Issuance Programme**

## 2021 Bond Review Rating Report

Agusto&Co.

*Research, Credit Ratings, Credit Risk Management*

# Flour Mills of Nigeria Plc.

**₦10.11 billion Series I 3-Year 15.5% Fixed Rate Senior Unsecured Bond Due 2021 and ₦10 billion Series II 5-Year 16% Fixed Rate Senior Unsecured Bond Due 2023 under the ₦70 billion Bond Issuance Programme**

Issue Rating (Series I & II):

**A-**

Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.

**Outlook:** Stable
**Issue Date:** 23 September 2021
**Expiry Date:** 30 September 2022

*The rating is subject to annual monitoring and review.*

**Industry: Fast Moving Consumer Goods**

**Issuer Rating: A-**
**Expiry Date: 30 September 2022**


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## RATING RATIONALE

- Agusto & Co. affirms the **"A-"** rating assigned to Flour Mills of Nigeria Plc.'s ('**Flour Mills'**, '**FMN'** '**Issuer**' or 'the **Company'**) ₦10.11 billion Series I 3-Year 15.5% Fixed Rate Senior Unsecured Bond Due 2021 ('Series I') and ₦10 billion Series II 5-Year 16% Fixed Rate Senior Unsecured Bond Due 2023 ('Series II'), which are both termed "the Bonds". The assigned Issue rating mirrors the standalone rating of Flour Mills as the Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank pari passu with other senior debts. In addition, FMN's operating cash flow remains the primary source of redeeming the Bonds.

- The Issuer's financial condition for the financial year ended 31 March 2021 (FY2021) reflected good profitability and cash flow, adequate working capital and moderate leverage. We have also taken into cognisance the Company's qualified and experienced management team as well as its strong position as a market leader in the flour milling industry. FMN's significant investment in backward integration programmes, diversified product portfolio and extensive distribution channels are considered as rating positives. The rating is however moderated by the frail macro-economic environment with rising unemployment and inflation levels pressuring consumer purchasing power. We also note the Company's high dependence on imported wheat (accounting for 90% of input costs) considering Nigeria's unstable foreign exchange (forex) market.

- Flour Mills of Nigeria Plc issued the Series I & II Bonds in November 2018 to refinance its existing debt obligations. The Series I Bond principal (₦10.11 billion) is redeemable in October 2021 as a bullet payment on the maturity date while the Series II Bond Principal (₦10 billion) is being repaid in semi-annual instalments (subsequent to the expiration of a one-year moratorium period) until maturity of the Bond in October 2023.

***This Issue rating report should be read in conjunction with the 2021 corporate rating report of Flour Mills of Nigeria Plc.***

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- The coupon rate on the Series I (15.5%) and Series II (16%) Bonds are being paid semi-annually over the three-year and five-year tenor of the Bonds respectively. As at 31 August 2021, the Issuer had made five coupon payments amounting to ₦3.96 billion to the Series I Bondholders. As at the same date, Flour Mills had made five coupon payments and three principal repayments totalling ₦7.51 billion to the Series II Bondholders.

- Agusto & Co. believes the Issuer has adequate capacity to meet the obligations on the Bonds as and when due on the back of its good cash generating capacity. Therefore, we attach a **stable** outlook to Flour Mills of Nigeria Plc's Series I & II Bonds.

**Figure 1: Strengths, Weakness, Opportunities and Challenges**

**Strengths**

- Market leadership in the flour milling industry
- Strategic investment in backward integration programmes
- Strong brand name in the food industry
- Well diversified product offering
- Adequate working capital
- Good cash flow
- Qualified and experienced management team

**Weakness**

- High dependence on imported wheat exposing FMN to foreign exchange volatilities

**Opportunities**

- Nigeria's large and growing population
- High consumption of staple foods in Nigeria
- Export potentials to neighbouring African countries following Nigeria's participation in the African Continental Free Trade Agreement (AfCFTA)

**Threats**

- Weakening consumer purchasing power
- Frail macroeconomic climate
- Intense competition across its core segments

# BOND STRUCTURE & UTILISATION OF BONDS PROCEEDS

In November 2018, Flour Mills of Nigeria Plc. issued ₦20.11 billion Bonds in two series – Series I and Series II - under its ₦70 billion Bond Issuance Programme. The Series 1 Bond is a ₦10.11 billion 3-Year 15.5% Fixed Rate Senior Unsecured Bond Due 2021 while the Series II Bond is a ₦10 billion 5-Year 16% Fixed Rate Senior Unsecured Bond Due 2023.

The Series I Bond was issued to the public for subscription through a book building process and listed on Financial Markets Dealers Quotation (FMDQ) and the Nigerian Exchange Group. The 15.5% fixed coupon rate on the ₦10.11 billion Series I Senior Unsecured Fixed Rate Bond is being paid semi-annually on the coupon payment date over the three-year duration of the Bond. The Series I Bond principal will be redeemed in lump sum on the final maturity date in October 2021.

Similar to the Series I Bond, the Series II Bond is listed on FMDQ and the Nigerian Exchange Group. The Series II Bond coupon of 16% is being paid semi-annually over the five-year period. The Bond Principal is however subject to a one-year moratorium from the issue date after which it is being redeemed in semi-annual instalments until its maturity in October 2023.

Both Bonds constitute direct, unconditional, senior and unsecured obligations of the Issuer and rank pari passu (with all other existing senior and unsecured obligations of the Issuer) without any preference among themselves, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

In line with Series I & II executed Transaction Documents (Pricing Supplements & Trust Deeds), the Bond obligations shall be met from the Company's operating cash flow as and when due. The net proceeds of the Series I & II Bonds (₦19.7 billion) were used to refinance FMN's existing bank borrowings, which were repaid immediately upon completion of the Bond raising exercise in November 2018.

**Table 1: Utilisation of Bond proceeds – Series I & II**

| S/No. | Purpose | Facility type | Amount (₦' Billion) | Completion date |
|---|---|---|---|---|
| 1. | Zenith Bank Plc. | Short term loan | 9.0 | Immediately |
| 2. | FBN Quest Merchant Bank Limited | Short term loan | 8.4 | Immediately |
| **3.** | Fidelity Bank Plc | Overdraft | 2.3 | Immediately |
| | **Total** | | **19.7** | |

*Source: Bonds Pricing Supplement*

# UPDATE ON BOND REPAYMENT

In accordance with the Series I and II Trust Deeds, Flour Mills maintains a payment account, which is under the custody and administration of three trustees - ARM Trustees Limited, Stanbic IBTC Trustees Limited and United Capital Trustees Limited - for the benefit of Bondholders. The Issuer funds the payment account from its operating cash flow to meet the Bond obligations (interest payments and principal repayments) over the tenor of the Bonds. FMN ensures the appropriate funds to cover the next principal amount and coupon is paid into the payment account at least 7 business days before the due date.

As at 31 August 2021, the Issuer had made five coupon payments amounting to ₦3.96 billion to the Series I Bondholders. As at the same date, Flour Mills had paid ₦7.51 billion to the Series II Bondholders being five coupon payments (₦3.76 billion) and part repayment of the Bond principal (₦3.75 billion).

# OUTLOOK

Despite the economic disruptions following the emergence of corona virus (COVID-19), Flour Mills of Nigeria recorded a 35.7% revenue growth in FY2021 primarily driven by the rise in sales volumes (particularly for its food division). In the financial year end 31 March 2021, the Issuer's ability to generate cash remained good supported by favourable trade terms with both its suppliers and customers with sales made predominantly on cash basis.

Since the issuance of the Series I and II Bonds in November 2018, the Company has continued to meet the Bond obligations as and when due. As at 31 August 2021, the Issuer had paid a total of ₦3.96 billion and ₦7.51 billion to the Series I and II Bondholders respectively. Going forward, we expect the Company to meet the maturing obligation of the Series I Bond as well as continue to honour the payment obligations on the Series II Bond premised on its strong cash flow and good credit track record.

In the near term, Flour Mills of Nigeria Plc plans to raise additional funds from the debt capital market to refinance short-term obligations and fund capital expenditure. The Company's expansion drive including the launching of innovative products and backward integration investments is expected to support revenue growth in the near term.

Based on the aforementioned, we hereby attach a **stable** outlook to Flour Mills of Nigeria Plc's Series I and II Bonds

***This Issue rating report should be read in conjunction with the 2021 corporate rating report of Flour Mills of Nigeria Plc.***

# FINANCIAL SUMMARY

| STATEMENT OF FINANCIAL POSITION AS AT | 31-Mar-21 | | 31-Mar-20 | | 31-Mar-19 | |
|---|---|---|---|---|---|---|
| | ₦'000 | | ₦'000 | | ₦'000 | |
| **ASSETS** | | | | | | |
| IDLE CASH | 27,624,715 | 7.3% | 16,032,397 | 5.1% | 9,978,297 | 3.2% |
| MARKETABLE SECURITIES & TIME DEPOSITS | | | | | | |
| CASH & EQUIVALENTS | 27,624,715 | 7.3% | 16,032,397 | 5.1% | 9,978,297 | 3.2% |
| FX PURCHASED FOR IMPORTS | 18,711,367 | 4.9% | 11,563,084 | 3.7% | 7,010,242 | 2.2% |
| ADVANCE PAYMENTS AND DEPOSITS TO SUPPLIERS | | | 5,979,860 | 1.9% | 5,180,351 | 1.6% |
| STOCKS | 60,829,868 | 16.0% | 50,348,034 | 16.0% | 52,482,577 | 16.7% |
| TRADE DEBTORS | 6,355,974 | 1.7% | 7,091,166 | 2.3% | 9,269,399 | 3.0% |
| DUE FROM RELATED PARTIES | 67,207,562 | 17.7% | 58,781,846 | 18.7% | 64,934,163 | 20.7% |
| OTHER DEBTORS & PREPAYMENTS | 26,702,613 | 7.0% | 12,975,360 | 4.1% | 13,688,988 | 4.4% |
| **TOTAL TRADING ASSETS** | **179,807,384** | **47.3%** | **146,739,350** | **46.7%** | **152,565,720** | **48.6%** |
| INVESTMENT PROPERTIES | 54,789 | 0.0% | 56,844 | 0.0% | 58,899 | 0.0% |
| OTHER NON-CURRENT INVESTMENTS | 62,258,329 | 16.4% | 44,666,634 | 14.2% | 44,005,134 | 14.0% |
| PROPERTY, PLANT & EQUIPMENT | 89,251,566 | 23.5% | 89,144,006 | 28.4% | 88,803,208 | 28.3% |
| SPARE PARTS, RETURNABLE CONTAINERS, ETC | 16,150,260 | 4.2% | 11,345,872 | 3.6% | 15,747,437 | 5.0% |
| GOODWILL, INTANGIBLES & OTHER L T ASSETS | 5,175,482 | 1.4% | 6,281,957 | 2.0% | 2,899,492 | 0.9% |
| TOTAL LONG TERM ASSETS | **172,890,426** | **45.5%** | **151,495,313** | **48.2%** | **151,514,170** | **48.2%** |
| **TOTAL ASSETS** | **380,322,525** | **100.0%** | **314,267,060** | **100.0%** | **314,058,187** | **100.0%** |
| *Growth* | 21.0% | | 0.1% | | -2.6% | |
| **LIABILITIES & EQUITY** | | | | | | |
| SHORT TERM BORROWINGS | | | 1,553,349 | 0.5% | 1,519,149 | 0.5% |
| CURRENT PORTION OF LONG TERM BORROWINGS | 15,020,385 | 3.9% | 10,275,267 | 3.3% | 55,425,053 | 17.6% |
| LONG-TERM BORROWINGS | 68,598,529 | 18.0% | 46,741,771 | 14.9% | 21,795,459 | 6.9% |
| **TOTAL INTEREST BEARING LIABILITIES (TIBL)** | **83,618,914** | **22.0%** | **58,570,387** | **18.6%** | **78,739,661** | **25.1%** |
| TRADE CREDITORS | 58,128,996 | 15.3% | 50,866,921 | 16.2% | 49,112,957 | 15.6% |
| DUE TO RELATED PARTIES | 2,291,922 | 0.6% | 7,962,168 | 2.5% | 11,530,500 | 3.7% |
| ADVANCE PAYMENTS AND DEPOSITS FROM CUSTOMERS | 26,634,314 | 7.0% | 13,790,645 | 4.4% | 12,036,155 | 3.8% |
| OTHER CREDITORS AND ACCRUALS | 17,888,966 | 4.7% | 13,231,546 | 4.2% | 5,925,169 | 1.9% |
| TAXATION PAYABLE | 4,690,116 | 1.2% | 2,566,482 | 0.8% | 775,960 | 0.2% |
| DIVIDEND PAYABLE | 2,586,437 | 0.7% | 2,370,330 | 0.8% | 2,177,173 | 0.7% |
| DEFERRED TAXATION | 13,498,453 | 3.5% | 10,665,100 | 3.4% | 8,150,526 | 2.6% |
| OBLIGATIONS UNDER UNFUNDED PENSION SCHEMES | 11,105,613 | 2.9% | 7,926,591 | 2.5% | 6,680,813 | 2.1% |
| MINORITY INTEREST | | | | | | |
| REDEEMABLE PREFERENCE SHARES | | | | | | |
| **TOTAL NON-INTEREST BEARING LIABILITIES** | **136,824,817** | **36.0%** | **109,379,783** | **34.8%** | **96,389,253** | **30.7%** |
| **TOTAL LIABILITIES** | **220,443,731** | **58.0%** | **167,950,170** | **53.4%** | **175,128,914** | **55.8%** |
| SHARE CAPITAL | 2,050,197 | 0.5% | 2,050,197 | 0.7% | 2,050,197 | 0.7% |
| SHARE PREMIUM | 75,377,444 | 19.8% | 75,377,444 | 24.0% | 75,377,444 | 24.0% |
| IRREDEEMABLE DEBENTURES | | | | | | |
| REVALUATION SURPLUS | | | | | | |
| OTHER NON-DISTRIBUTABLE RESERVES | (107,916) | 0.0% | (113,016) | 0.0% | (94,316) | 0.0% |
| REVENUE RESERVE | 82,559,069 | 21.7% | 69,002,265 | 22.0% | 61,595,948 | 19.6% |
| **SHAREHOLDERS' EQUITY** | **159,878,794** | **42.0%** | **146,316,890** | **46.6%** | **138,929,273** | **44.2%** |
| **TOTAL LIABILITIES & EQUITY** | **380,322,525** | **100.0%** | **314,267,060** | **100.0%** | **314,058,187** | **100.0%** |

| STATEMENT OF COMPREHENSIVE INCOME | 31-Mar-21 | | 31-Mar-20 | | 31-Mar-19 | |
|---|---|---|---|---|---|---|
| | ₦'000 | | ₦'000 | | ₦'000 | |
| TURNOVER | 535,881,585 | 100.0% | 394,884,217 | 100.0% | 370,205,529 | 100.0% |
| COST OF SALES | (478,166,108) | -89.2% | (354,952,741) | -89.9% | 337,073,874) | -91.1% |
| GROSS PROFIT | **57,715,477** | **10.8%** | **39,931,476** | **10.1%** | **33,131,655** | **8.9%** |
| OTHER OPERATING EXPENSES | (30,545,913) | -5.7% | (25,327,395) | -6.4% | (19,203,128) | -5.2% |
| OPERATING PROFIT | **27,169,564** | **5.1%** | **14,604,081** | **3.7%** | **13,928,527** | **3.8%** |
| OTHER INCOME/(EXPENSES) | 11,046,498 | 2.1% | 14,837,358 | 3.8% | 22,401,709 | 6.1% |
| PROFIT BEFORE INTEREST & TAXATION | **38,216,062** | **7.1%** | **29,441,439** | **7.5%** | **36,330,236** | **9.8%** |
| INTEREST EXPENSE | (10,032,461) | -1.9% | (11,903,754) | -3.0% | (16,025,840) | -4.3% |
| PROFIT BEFORE TAXATION | **28,183,601** | **5.3%** | **17,537,685** | **4.4%** | **20,304,396** | **5.5%** |
| TAX (EXPENSE) BENEFIT | (8,011,112) | -1.5% | (4,955,114) | -1.3% | (986,742) | -0.3% |
| PROFIT AFTER TAXATION | **20,172,489** | **3.8%** | **12,582,571** | **3.2%** | **19,317,654** | **5.2%** |
| NON-RECURRING ITEMS (NET OF TAX) | (958,134) | -0.2% | (313,458) | -0.1% | 241,868 | 0.1% |
| MINORITY INTERESTS IN GROUP PAT | | | | | | |
| PROFIT AFTER TAX & MINORITY INTERESTS | **19,214,355** | **3.6%** | **12,269,113** | **3.1%** | **19,559,522** | **5.3%** |
| DIVIDEND | (5,657,551) | -1.1% | (4,862,796) | -1.2% | (4,100,396) | -1.1% |
| PROFIT RETAINED FOR THE YEAR | **13,556,804** | **2.5%** | **7,406,317** | **1.9%** | **15,459,126** | **4.2%** |
| SCRIP ISSUES | | | | | | |
| OTHER APPROPRIATIONS/ ADJUSTMENTS | | | | | (27,954,389) | |
| PROFIT RETAINED B/FWD | 69,002,265 | | 61,595,948 | | 74,091,211 | |
| PROFIT RETAINED C/FWD | **82,559,069** | | **69,002,265** | | **61,595,948** | |
| | | | | | | |
| Proof | | | | | | |
| | | | | | | |
| | | | | | | |
| ADDITIONAL INFORMATION | **31-Mar-21** | | **31-Mar-20** | | **31-Mar-19** | |
| Staff costs (₦'000) | 23,592,436 | | 20,357,166 | | 17,493,506 | |
| Average number of staff | 3,809 | | 3,680 | | 3,566 | |
| Staff costs per employee (₦'000) | 6,194 | | 5,532 | | 4,906 | |
| Staff costs/Turnover | 4% | | 5% | | 5% | |
| Capital expenditure (₦'000) | 12,148,474 | | 10,760,439 | | 14,223,147 | |
| Depreciation expense - current year (₦'000) | 11,014,579 | | 10,048,791 | | 8,513,230 | |
| (Profit)/Loss on sale of assets (₦'000) | - | | - | | - | |
| Number of 50 kobo shares in issue at year end ('000) | | | | | | |
| Market value per share of 50 kobo (year-end) | | | | | | |
| Market capitalisation (₦'000) | | | | | | |
| Market/Book value multiple | | | | | | |
| | | | | | | |
| Non-operating assets at balance sheet date (₦'000) | | | | | | |
| Market value of tradable assets (₦'000) | | | | | | |
| Revaluation date - Investment properties | | | | | | |
| Revaluation date - Other properties | | | | | | |
| Average age of depreciable assets (years) | | | | | | |
| | | | | | | |
| Sales at constant prices - base year 1985 (₦'000) | | | | | | |
| Auditors | KPMG | | KPMG | | KPMG | |
| Opinion | CLEAN | | CLEAN | | CLEAN | |

| CASH FLOW STATEMENT FOR Y/E | 31-Mar-21 | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 |
| **OPERATING ACTIVITIES** | | | |
| Profit after tax | 20,172,489 | 12,582,571 | 19,317,654 |
| ADJUSTMENTS | | | |
| Interest expense | 10,032,461 | 11,903,754 | 16,025,840 |
| Minority interests in Group PAT | - | - | - |
| Depreciation | 11,014,579 | 10,048,791 | 8,513,230 |
| (Profit)/Loss on sale of assets | - | - | - |
| Other non-cash items | 5,100 | (18,700) | (27,976,149) |
| | | | |
| **Potential operating cash flow** | **41,224,629** | **34,516,416** | **15,880,575** |
| | | | |
| **INCREASE/(DECREASE) IN SPONTANEOUS FINANCING:** | | | |
| Trade creditors | 7,262,075 | 1,753,964 | 14,532,479 |
| Due to related parties | (5,670,246) | (3,568,332) | 10,949,155 |
| Advance payments and deposits from customers | 12,843,669 | 1,754,490 | 3,163,123 |
| Other creditors & accruals | 4,657,420 | 7,306,377 | 533,293 |
| Taxation payable | 2,123,634 | 1,790,522 | (321,092) |
| Deferred taxation | 2,833,353 | 2,514,574 | (1,654,809) |
| Obligations under unfunded pension schemes | 3,179,022 | 1,245,778 | 666,853 |
| Minority interest | - | - | - |
| | | | |
| **Cash from (used by) spontaneous financing** | **27,228,927** | **12,797,373** | **27,869,002** |
| | | | |
| **(INCREASE)/DECREASE IN WORKING ASSETS:** | | | |
| FX purchased for imports | (7,148,283) | (4,552,842) | (36,097) |
| Advance payments and deposits to suppliers | 5,979,860 | (799,509) | (125,407) |
| Stocks | (10,481,834) | 2,134,543 | 8,926,703 |
| Trade debtors | 735,192 | 2,178,233 | (3,586,512) |
| Due from related parties | (8,425,716) | 6,152,317 | (22,848,665) |
| Other debtors & prepayments | (13,727,253) | 713,628 | (5,522,905) |
| | | | |
| **Cash from (used by) working assets** | **(33,068,034)** | **5,826,370** | **(23,192,883)** |
| | | | |
| **CASH FROM (USED IN) OPERATING ACTIVITIES** | **35,385,522** | **53,140,159** | **20,556,694** |
| | | | |
| | | | |
| **RETURNS TO PROVIDERS OF FINANCING** | | | |
| Interest paid | (10,032,461) | (11,903,754) | (16,025,840) |
| Dividend paid | (5,441,444) | (4,669,639) | (3,904,975) |
| | | | |
| **CASH USED IN PROVIDING RETURNS ON FINANCING** | **(15,473,905)** | **(16,573,393)** | **(19,930,815)** |
| **OPERATING CASH FLOW AFTER PAYMENTS TO PROVIDERS OF FINANCING** | **19,911,617** | **36,566,766** | **625,879** |
| | | | |
| **NON-RECURRING ACTIVITIES** | | | |
| Non-recurring items (net of tax) | (958,134) | (313,458) | 241,868 |
| | | | |
| **CASH FROM (USED IN) NON-RECURRING ACTIVITIES** | **(958,134)** | **(313,458)** | **241,868** |
| | | | |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Capital expenditure | (12,148,474) | (10,760,439) | (14,223,147) |
| Sale of assets | 1,026,335 | 370,850 | 743,958 |
| Purchase of other long term assets (net) | (21,287,553) | | |
| Sale of other long term assets (net) | - | 359,655 | 30,383,108 |
| | | | |
| **CASH FROM (USED IN) INVESTING ACTIVITIES** | **(32,409,692)** | **(10,029,934)** | **16,903,919** |

| | | | |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Increase/(Decrease) in short term borrowings | (1,553,349) | 34,200 | (14,947,051) |
| Increase/(Decrease) in long term borrowings | 26,601,876 | (20,203,474) | (9,146,744) |
| Proceeds of shares issued | - | - | - |
| | | | |
| **CASH FROM (USED IN) FINANCING ACTIVITIES** | **25,048,527** | **(20,169,274)** | **(24,093,795)** |
| | | | |
| | | | |
| **CHANGE IN CASH INC/(DEC)** | **11,592,318** | **6,054,100** | **(6,322,129)** |
| **OPENING CASH & MARKETABLE SECURITIES** | **16,032,397** | **9,978,297** | **16,300,426** |
| | | | |
| **CLOSING CASH & MARKETABLE SECURITIES** | **27,624,715** | **16,032,397** | **9,978,297** |

| KEY RATIOS | | | |
|---|---|---|---|
| **FOR THE YEAR ENDED** | **Mar-21** | **Mar-20** | **Mar-19** |
| **PROFITABILITY** | | | |
| PBT as % of Turnover | 5% | 4% | 5% |
| Return on equity | 18% | 12% | 14% |
| Sales growth | 35.7% | 6.7% | -0.3% |
| | | | |
| | | | |
| | | | |
| **CASH FLOW** | | | |
| Interest cover (times) | 3.5 | 4.5 | 1.3 |
| Principal payback (years) | 4.2 | 1.6 | - |
| | | | |
| | | | |
| | | | |
| **WORKING CAPITAL** | | | |
| Working capital need (days) | 29 | 35 | 55 |
| Working capital deficiency (days) | - | - | 46 |
| | | | |
| | | | |
| | | | |
| **LEVERAGE** | | | |
| Interest bearing debt to Equity | 35% | 29% | 49% |
| Net Debt/Avg Total Assets Exc. Cash and Rev. Surplus | 59% | 50% | 54% |

# RATING DEFINITIONS

| | |
|---|---|
| **Aaa** | Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner. |
| **Aa** | High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner. |
| **A** | Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner. |
| **Bbb** | Satisfactory quality debt with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner. |
| **Bb** | Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner. |
| **B** | Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner. |
| **C** | Very weak capacity to pay returns and principal. Debt instrument with very high credit risk. |
| **D** | In default. |

**Rating Category Modifiers**

*A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.*

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