



GPC-SPV COMPANY PLC



DataPro Limited

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

Aug, 2021

GPC-SPV COMPANY PLC

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BOND RATING REPORT

UP to ₦20b Series 1 Under the ₦50b Bond Issuance Programme

References

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

EVALUATION

VALID TILL: July, 2022

DataPro Rating:	AAA
Security Type:	Up To ₦20b Series 1 Senior Guaranteed Fixed Rate Bond Under the ₦50b Issuance Programme
Maturity Profile:	Medium Term (10yrs.)
Maturity Date	2031
Rating Outlook:	Stable
Currency:	Naira
Rating Watch	Applicable

EXECUTIVE SUMMARY

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
Turnover	7,252,114	6,278,574	5,462,687	5,482,687	4,019,601
Pre Tax Profit	938,196	1,737,512	1,208,546	1,384,305	823,603
Equity	5,641,883	4,536,267	3,078,258	2,569,039	563,169
Fixed Asset	11,795,936	2,470,544	3,070,787	1,851,385	3,556,247
Total Asset	14,403,440	7,213,362	6,880,400	5,373,617	6,029,028
Long-term Debt	6,617,461	1,653,765	2,308,631	1,842,290	3,966,695

RATING EXPLANATION

The Long Term Rating of **AAA** indicates Lowest Risk. It shows superior financial strength, operating performance and business profile when compared to the standard established by **DataPro**. This Issuer, in our opinion, have excellent ability to meet their current obligations under the Issue.

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.

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THE ISSUE

The **Issue** ("**The Bond**") is an Up to ~~₦20~~**₦20** billion 10-Year Senior **Guaranteed Fixed Rate Series 1 Bond** under the ~~₦50~~**₦50** billion Debt Issuance Programme of **the Issuer**. The term of **the Bond** is 10 years falling due in the year 2031.

GPC-SPV Company PLC (the Issuer) is a **Special Purpose Vehicle (SPV)** sponsored by **GPC Energy and Logistics Limited (the Sponsor)**.

The **Issue** is a senior guaranteed obligation of **the Issuer**. It shall constitute direct, unsubordinated obligations of **the Issuer** and the Co-Obligor. The Bonds shall at all times rank pari passu and ratably without any preference among themselves. The payment obligations under the issue shall rank at least equal to all other debts and monetary obligations of **the Issuer**, present and future but in the event of insolvency only to the extent permitted by law.

The Bond is backed by the unconditional and irrevocable **Guarantee** of **InfraCredit Limited (The Guarantor)**. This is by way of continuing guarantee in respect of all Schedule Principal Amount and Coupon payable by **the Issuer**. In the case of claim under the **Guarantee**, **the Guarantor** shall pay no later than the applicable schedule payment Due Date or the last day of any Grace Period granted to **the Issuer**.

The Lead Issuing House to the Bond is Planet Capital Limited while the Joint Issuing Houses are **EDC Capital Limited and Light House Capital Limited**.

Other parties to the Issue are: **PAC Trustees Limited (The Trustees)**, **PAC Registrars Limited (Registrar)**, **Detail Commercial Solicitors (Solicitor to the Issuer)**, **Sefton Fross (Solicitor to the issue)**, **Deloitte & Touche (Reporting Accountant)**.

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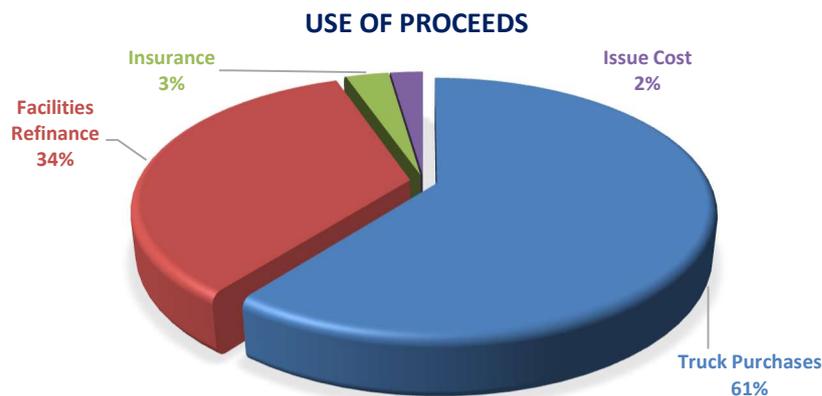
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REDEMPTION AND USE OF PROCEEDS

The Bonds shall be redeemed by amortization of the Principal and semi-annual payment of the applicable Coupon on the relevant Due Date until maturity. However, there is a two-year Moratorium on the principal payment commencing from the Issue Date.

The obligations under *the Bond* shall be paid through a Sinking Fund to be maintained by *the Trustees*. The Sinking Fund shall be funded from the *Sponsor's* cashflows.

The Net proceeds of the *Series 1 Bonds* shall be used to Subscribe for the Intercompany Notes issued by *GPC Energy and Logistics Limited*, as well as the cost and expenses of the *Issue*. The proceeds of the intercompany bonds from *GPV-SPV Company PLC* will be utilized by the *Sponsor* as presented.



Source: GPC Energy and Logistics Limited

TRANSACTION STRUCTURE

The Transaction Structure involves the Sponsor setting up a *Special Purpose Vehicle* specifically to finance its funding requirements. Accordingly, the Net Proceeds of the Bonds shall be used by the *Issuer* to finance the purchase of the Intercompany Notes from the *Sponsor* in accordance with the terms of the *Master Note Issuance Agreement*.

The graphical illustration of the Transaction structure is as presented:

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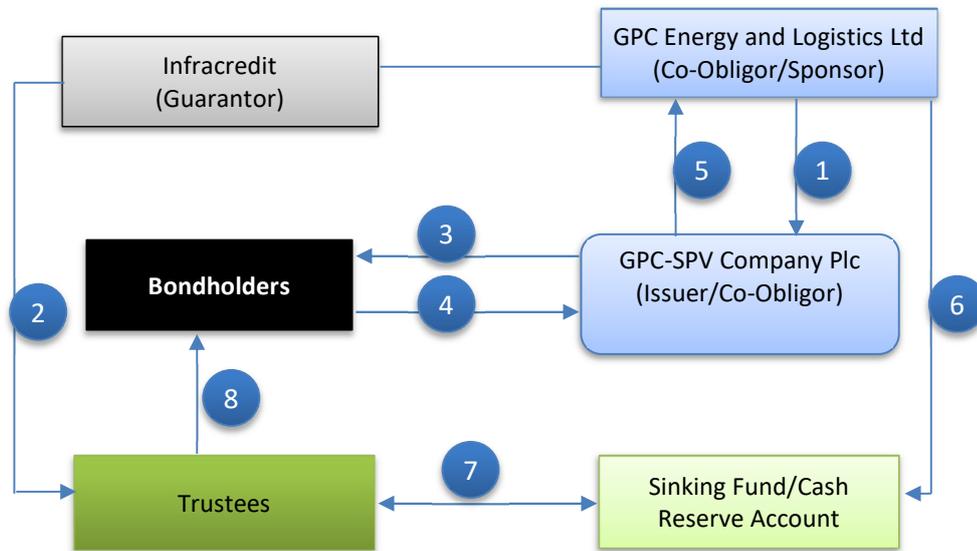
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TRANSACTION STRUCTURE


Source: GPC Energy and Logistics Limited

Activities under the structure

1. **GPC Energy and Logistics Limited (obligor)** sponsors the Issuer to raise the Bond.
2. InfraCredit guarantees the Issue (Full Credit Guarantee)
3. **GPC- SPV Company Plc** issues bonds to the investing public.
4. Investors subscribe to the **GPC- SPV Company Plc Bond Issue**.
5. **GPC- SPV Company Plc** invests proceeds of the Bond issuance in **GPC Energy and Logistics Limited Intercompany Bond issuance**. Therefore, **GPC-SPV Company Plc** is the obligor while **GPC Energy and Logistics Limited** remain co-obligors.
6. **GPC Energy and Logistics Limited** makes payment into the sinking fund towards biannual interest and principal repayment on the **GPC-SPV Company Plc bonds**.
7. The Trustees manage the **Sinking Fund Account**.
8. The Trustees make biannual interest and principal payment to the bondholders.

THE GUARANTOR

Infrastructure Credit Guarantee Company Limited ("The Guarantor") was incorporated in Nigeria on the 20th of October 2016 as a private limited company trading under the business name and style of "**InfraCredit**".

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InfraCredit provides local currency guarantees to enhance the credit quality of debt instruments issued to finance creditworthy infrastructure assets that conform with its eligibility criteria in Nigeria. Its Guarantee enable infrastructure companies to issue Bonds by providing a 'credit wrap' that secures timely repayment of principal and interest to investors.

InfraCredit was established by the **Nigeria Sovereign Investment Authority ("NSIA")**, an independent agency responsible for the management of Nigeria's Sovereign Wealth Fund, in collaboration with **GuarantCo**, a supranational funded by five **G12 Countries**: the **UK (DFID)**, **Switzerland (SECO)**, **Sweden (SIDA)**, the **Netherlands (DGIS through FMO)** and **Australia (DFAT)**.

InfraCredit Authorised Share Capital is ₦50,000,000,000 divided into 50,000,000,000 ordinary shares of ₦1.00 each. Its issued Share Capital is 21,529,000,002 ordinary shares of ₦1.00 each. Its capital structure is composed of Three Tiers totaling \$178,000,000.00: Core Capital of \$82 million, Subordinated Capital of \$71 million and Callable Capital of \$25 million.

The Core Capital comprises of **Nigeria Sovereign Investment Authority ("NSIA")** \$25 million and two groups of investors namely International Development Finance Institutions; the **Africa Finance Corporation ("AFC")** \$25million and Private Institutional Investors, **InfraCo Africa**; \$27million.

Following the Core Capital is the Subordinated Capital of \$71 million from two institutional investors, **KFW Development Bank**; \$71million and **African Development Bank**; \$10million.

The third category of capital is the Callable Capital of \$25million contributed by **GuarantCo**. All of this has helped position **InfraCredit** to support eligible infrastructure credits in Nigeria.

The **Guarantor** currently has Long Term Credit Rating of **"AAA"** from two Rating Agencies in Nigeria. The assigned Rating is based on the support provided by the Guarantor's Shareholders.

The role of the Guarantor under the issue is to guarantee the payment obligation under the Bond.

THE ISSUER

GPC Energy and Logistics Limited ("The Company") was incorporated in November 2009. It commenced operation in the year 2010 as a Private Limited Company.

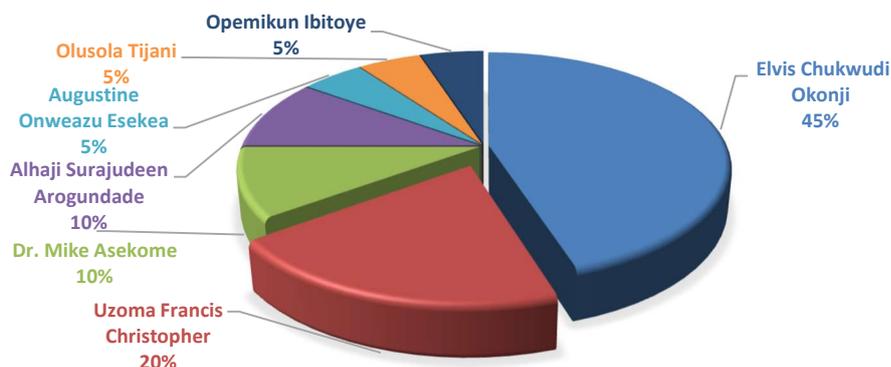
The principal activity of the Company is to carry on the business of haulage and general transportation of goods by all means of transport such as land, sea and inland waterways.

GPC Energy and Logistics Limited presently operates in elevens (11) locations in Nigeria with its head office located in Lagos. It serves its customers via a workforce of 762 employees and currently covers around 2,800,000 kilometers. The Company has the capacity to haul dry goods only. The Company's market share is estimated at 3.38%.

The Company presently served notable organizations such as: **Guinness Nigeria PLC, Lafarge Africa PLC, Nestle Nigeria PLC, Nigerian Breweries PLC, PZ Cussons Nigeria PLC and TAK Logistics Limited.**

The Company currently has 100,000,000 shares which are distributed as follows:

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: GPC Energy and Logistics Ltd

Directors Profile

The following served as directors during the year under review; **Dr Mike Asekome- Chairman, Elvis Chukwudi Okonji- MD/CEO, Damisa Saliu Abubakar, Opemikun Anjorin Ibitoye, Olusola Tijani, Ime Ibatt, Francis Uzoma Christopher, Vivian Okwudike and Jimoh Famuyiwa.**

The Directors' profiles are as follows.

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- Name:** Dr Mike Asekome
Position: Chairman
Years of Experience: 42 years
Education:
 - B.Sc - University of Ibadan
 - MBA - University of Benin
 - M.Sc - University of Ibadan
 - PhD - University of Benin**Job Experience:**
 - First Bank of Nigeria
 - Sheltacare Mortgage Bank
 - EMB Finance
 - Midas Bank Plc
 - Michael Stevens Consulting
 - Partnership Company Ltd
 - Boldev Consulting Nigeria
 - Benson Idahosa University, Benin City**Year of Board:** 2020
Appointment
- Name:** Elvis Chukwudi Okonji
Position: MD/CEO
Years of Experience: 24 years
Education:
 - B.Sc - University of Calabar
 - MSc - University of Uyo
 - SMP - Lagos Business School**Job Experience:**
 - Midas Merchant Bank Limited
 - Gulf Bank of Nigeria Plc
 - First Atlantic Bank Plc
 - Bank PHB Plc
 - GPC Energy and Logistics Ltd**Year of Board:** 2011
Appointment
- Name:** Damisa Saliu Abubakar
Position: Executive Director
Years of Experience: 23 years
Education:
 - Institute of Administration
 - Institute of Logistics & Transport
 - Master's in Public Administration**Job Experience:**
 - GPC Energy and logistics Ltd
 - Rano Oil and Gas Services Ltd
 - Nepal Oil and Gas Ltd
 - Allied Energy Resources Ltd
 - Midas Bank Plc

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	<ul style="list-style-type: none"> •Concord Press of Nigeria Ltd
Year of Board:	2009
Membership	
4. Name:	Opemikun Anjorin Ibitoye
Position:	Executive Director
Years of Experience:	15 years
Education:	<ul style="list-style-type: none"> •B.Eng- University of Ilorin
Job Experience:	<ul style="list-style-type: none"> •First Bank of Nigeria Plc •Bank PHB Plc •GPC Energy and Logistics Ltd
Year of Board:	2011
Membership	
5. Name:	Olusola Tijani
Position:	Executive Director
Years of Experience:	19 years
Education:	<ul style="list-style-type: none"> •Bsc (Ed). Economics •Msc. Economics
Job Experience:	<ul style="list-style-type: none"> •Economic Intelligence Group •NAL Bank/ Sterling Bank •FinBank •Fidelity Bank •GPC Energy & Logistics Ltd
Year of Board:	2020
Membership	
6. Name:	Ime Ibatt
Position:	Executive Director
Years of Experience:	21 years
Education:	<ul style="list-style-type: none"> •The Polytechnic, Calabar •University of Calabar
Job Experience:	<ul style="list-style-type: none"> •Uyison Nig Ltd Calabar •Cooperative Dev. Bank Ltd •Universal Trust Bank Ltd •Multigas Tech. Nig, Kaduna •Akwa Savings & Loans Ltd, Uyo •James Mbom & Co. (Chartered Accts.) •GPC Energy & Logistics Ltd
Year of Board:	2020
Membership	
7. Name:	Francis Uzoma Christopher
Position:	Non-Executive Director
Years of Experience:	22 years

Education:

- Federal University of Yola
- Institute of Bankers, Ireland
- Distinction Diploma - Dife Dublin

Job Experience:

- Crown Flour Mills
- Construction and Design Ltd
- Allison Fisheries Ltd
- Consolidated Resources Ltd

Year of Board: 2021
Membership

8. Name: HRM Jimoh Famuyiwa
Position: Independent Director
Years of Experience: 12 years
Education:

- PZ Technical Training School
- ABB University Switzerland
- Lafarge Training School South Africa

Job Experience:

- PZ Industries LTD
- Rochco Plastic Industries
- Lafarge African Portland Cement, Ewekoro
- Aderinsoye Royal Nigeria Limited

Year of Board: 2020
Membership

9. Name: Vivian Okwudike
Position: Independent Director
Years of Experience: 9 years
Education:

- B.Sc- Madonna University
- MBA- Obafemi Awolowo University

Year of Board: 2020
Membership

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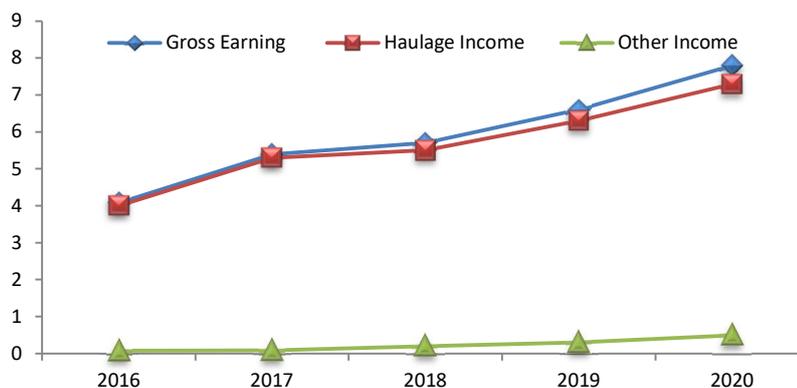
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FINANCIAL PERFORMANCE

• EARNINGS PROFILE



Source: GPC Energy and Logistics Ltd

GPC Energy and Logistics Limited derived its core earnings from haulage of dry goods. This constituted 94% of the Total Earnings. Haulage Income grew by 16% from ₦6.3b (Yr. 19) to ₦7.3b (Yr. 20). This source of Revenue entails income derived primarily from business of Freight and Logistic Services. The top six customers of the Company accounted for 100% of its Haulage Revenue in the year 2020.

The Company earned revenue from other sources apart from its principal activities. These sources are: Investment Income, Sale of Scrap and Insurance Claim. Total Earnings from these sources amounted to ₦478.8m (Yr. 20) as against ₦320.8m (Yr. 19). However, Investment Income was the biggest contributor to Other Income. It accounted for 86% during the year under review.

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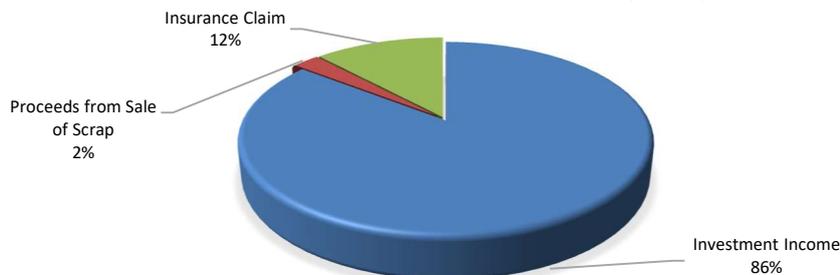
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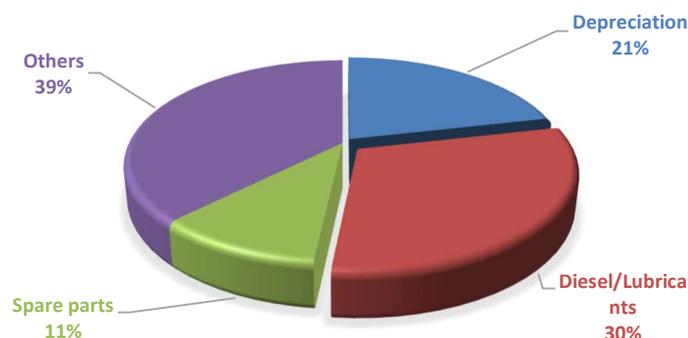
DISTRIBUTION OF OTHER INCOME (2020)



Source: GPC Energy and Logistics Ltd

The Company's Direct Cost grew by 44% from ₦3.9b (Yr.19) to ₦5.6b (Yr.20). The Direct Cost comprises of purchase of Tyres & Tubes, Spare Parts Replacement and Other Expenses attributable directly to rendering of services. About 30% of the Company's raw materials (such as Trucks, Trailers, Spare parts, Diesel etc.) are not sourced locally. The distribution of the Cost of Sales is as presented:

COMPOSITION OF DIRECT COST (2020)



Source: GPC Energy and Logistics Ltd

The growth in Cost of Sales outpaced the increase in Revenue during the year 2020. This led to the decrease in Gross profit margin from 38% (Yr.19) to 23% (Yr.20).

Total Expenses grew by 29% from ₦958.3m(Yr.19) to ₦1.2b(Yr.20). It comprised of Administrative Expenses and Finance Costs. However, the major component was Administrative Expenses which increased from ₦724.4m(Yr.19) to ₦843.9m(Yr.20). Staff Costs, Director's expenses and Professional expenses are the major components of Administrative Expenses during the year under review.

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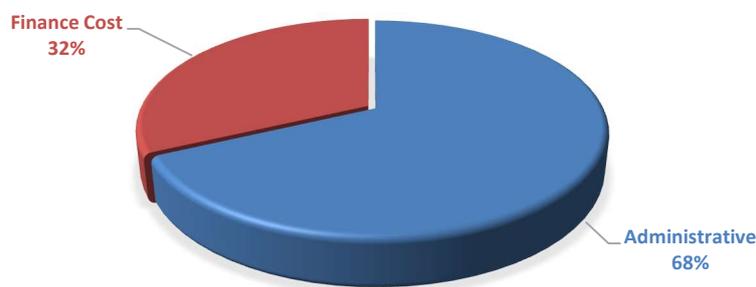
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COMPOSITION OF OPERATING EXPENSES (2020)



Source: GPC Energy and Logistics Ltd

Finance cost constituted 32% of the Total operating expenses. It relates to the interest on Term Loan from **Union Bank of Nigeria** and **Fidelity Bank Plc**. Finance Cost increased from ₦234.1m(Yr.19) to ₦396.7m(Yr.20).

In view of the growth in Total Expenses which outweighed the Revenue, Profit Before Tax declined by 46% from ₦1.7b (Yr. 19) to ₦938m (Yr. 20). Similarly, all profitability indices went down during the year under review.

- CAPITALIZATION

Shareholders' Fund grew by 24% from ₦4.5b (Yr. 19) to ₦5.6b (Yr.20). The growth in Retained Earnings was responsible for the increase. Other elements of Shareholder Funds remained the same in the year 2019 and 2020.

Total Assets increased by 100% from ₦7.2b(Yr.19) to ₦14.4b(Yr.20). The activities of the Company is capital intensive with Non-Current Assets accounting for a major proportion of 82% of the Total Assets. Continuous

investment in Property, Plant and Equipment enhanced the asset base expansion from ₦2.5b (Yr. 19) to ₦11.8b (Yr.20).

BREAKDOWN OF THE TOTAL ASSET

ITEM	₦'000	%
Current Assets	2,607,504	18.10
Non-Current Assets	11,795,937	81.90
Total Assets	14,403,440	100.00

Source: GPC Energy and Logistics Ltd

The proportion of Total Equity to Total Asset declined from 63% (Yr. 19) to 39% (Yr. 20). Liabilities funded 61% of Total Assets in the year under review. However, Interest Bearing Borrowings accounted for 74% of the Liabilities. The Interest-Bearing Borrowings included a Term loan from *Union Bank of Nigeria*.

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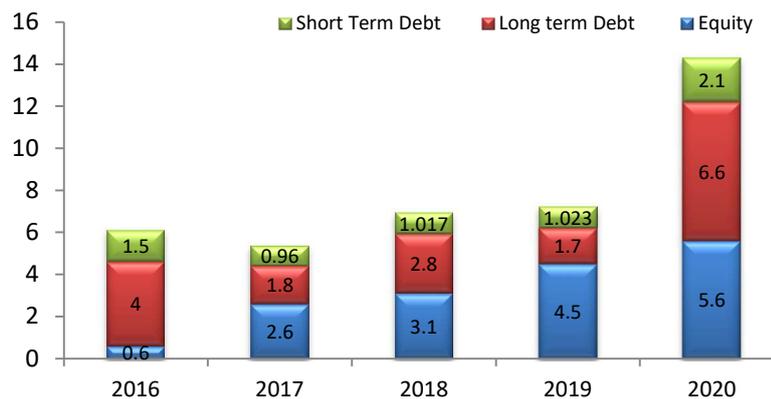
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CAPITAL FUNDING PROFILE (2016 – 2020)



Source: GPC Energy and Logistics Ltd

- ASSET UTILITY

GPC Energy and Logistics Limited presently has capacity to cater for dry cargo which involves movement of finished manufactured goods, majorly *Fast Moving Consumer Goods (FMCGs)*. Dry Cargo is solely responsible for 100% of the Company's Revenue. The Company currently operates at 100% of its capacity. The Assets of the Company deployed to rendering services during the year 2020 included 558 trucks, which delivered 14,500 tons of goods daily or 5.3million per year.

The Company's total Assets comprised of Current Assets and Non-Current Assets. However, Non-Current Assets constituted the largest chunk of 82% of the Total assets. It increased from ₦5.2b(Yr.19) to ₦11.8b(Yr.20).

Non-Current Asset comprised majorly of Property, Plant & Equipment. The growth in Property, Plant & Equipment was solely attributable to the Capital Expenditure of ₦10.5b incurred by the Company during the year 2020.

The Current Assets contributed 18% to the Total Assets. Current Assets increased by 31% from ₦2b(Yr.19) to ₦2.6b(Yr.20). The growth in Current Asset was supported by moderate growth in Trade and Other Receivables, Cash and Cash equivalent, and Inventory. However, Short term Investment declined from ₦151m(Yr.19) to ₦100m(Yr.20).

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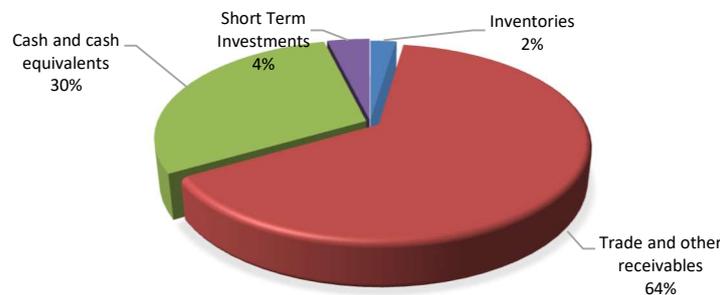
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COMPOSITION OF CURRENT ASSETS (2020)



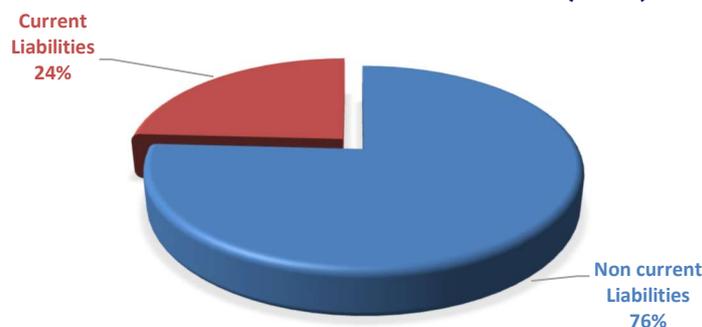
Source: GPC Energy and Logistics Ltd

The ability of the Company to effectively utilize Assets to generate Revenue declined from 87%(Yr.19) to 50%(Yr.20). Similarly, the effective utilization of assets to generate profit reduced from 24% (Yr.19) to 7% in the year 2020.

- LIQUIDITY

Total Liabilities increased from ₦2.7b(Yr.19) to ₦8.8b(Yr.20). The Company's Liabilities were categorized into Current and Non-Current. The growth in Total Liabilities was largely due to the increase in Non-Current Liabilities which grew from ₦1.7b(Yr.19) to ₦6.7b(Yr.20).

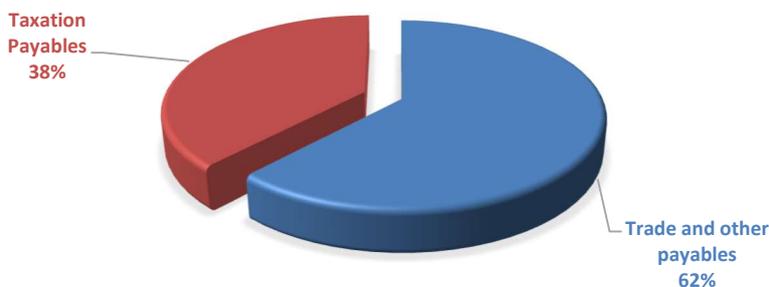
COMPOSITION OF TOTAL LIABILITIES (2020)



Source: Source: GPC Energy and Logistics Ltd

Current Liabilities constituted 24% of Total Liabilities. It comprised of Trade & Other Payables and Taxation payables. These two components grew by 234% and 30% respectively in the year 2020.

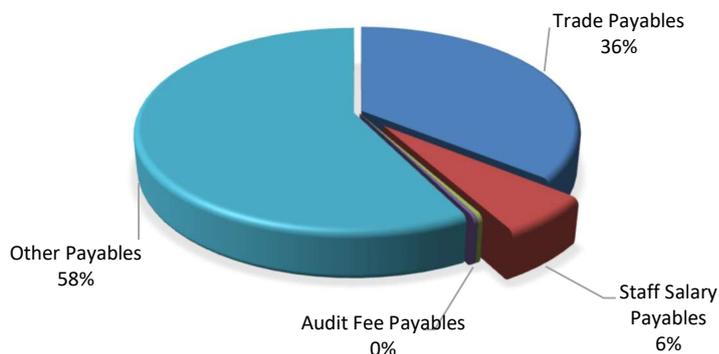
COMPOSITION OF CURRENT LIABILITIES (2020)



Source: GPC Energy and Logistics Ltd

Trade & Other payables constituted 62% of the Current Liabilities. These are Non-Interest Bearing Liabilities falling due within a year.

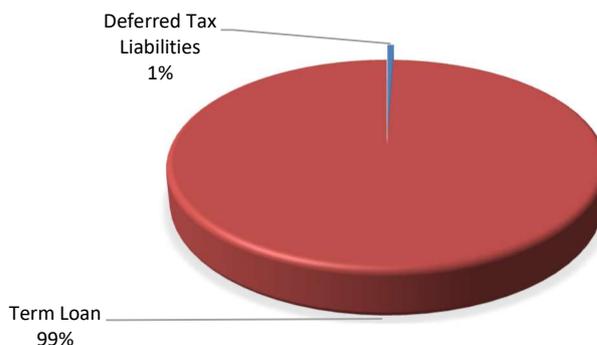
COMPOSITION OF TRADE & OTHER PAYABLES (2020)



Source: GPC Energy and Logistics Ltd

The Non-Current Liabilities constituted 76% of the Total Liabilities. It grew from ₦1.7b (Yr.19) to ₦6.6b (Yr.20). The Non-Current Liabilities comprised of Deferred Tax liabilities and Term Loan.

COMPOSITION OF NON-CURRENT LIABILITIES



Source: GPC Energy and Logistics Ltd

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Term Loan constituted 99% of the Non-Current Liabilities. It increased from ₦1.2b(Yr.19) to ₦6.6b (Yr.20). The Term Loans were facilities contracted from **Union Bank of Nigeria**.

The breakdown of the loan portfolio of the Company as at December 2020 is as shown:

DEBT OBLIGATION SCHEDULE

BANK	PURPOSE OF LOAN	DATE OF MATURITY	AMOUNT DISBURSED ₦000	OUTSTANDING BALANCE ₦000
UNION	Clearing and Logistics for 150 Man Trucks	2023	₦3,181,624.29	₦2,887,884.25
UNION	Importation of 150 Units of Sinotruk Trailers	2021	\$ 3,027.00	\$2,270.50
UNION	Importation of 150 Units of MAN Tractors	2024	€ 8,452.82	€6,959.50

Source: GPC Energy and Logistics Ltd

GPC Energy and Logistics Limited continued to generate positive cashflows from its operations. Cash generated from operations increased from ₦2.2b (Yr. 19) to ₦2.6b (Yr.20). However, the Current ratio for the Company declined from 194% (Yr. 19) to 122% (Yr.20).

POLITICAL ENVIRONMENT

President Muhammadu Buhari secured a second term in office after the 2019 presidential election while the major contender Alhaji Atiku Abubakar contested the result. The country has survived the usual political tension associated with the conduct and outcome of the general electoral process.

However, the Nigerian security landscape has been consistently shaped by the war against **Boko Haram** terrorists in the Northeastern region of the country since 2011.

Currently, the country is faced with the **COVID-19** Pandemic with the death toll now 2,121 as at 4th of July, 2021.

However, the death rate has dropped significantly and vaccination centres have been opened across the country.

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On internal security, there have been consistent calls for the holistic reform of the Nigeria Police (NP) through the **#ENDSARS** movement by the youth.

The protests organized by the **#ENDSARS** movement were hijacked by hoodlums leading to unprecedented attack on police formations nationwide thus further deteriorating national security.

There is increasing rate of banditry, kidnapping and terrorist attacks in some part of the country. This coupled with incessant calls for political and economic reforms are beginning to test the ability of the Federal Government to properly address the issues.

Apart from the security challenges and the ability of the Government to manage the Pandemic, no major political consideration appears to pose serious threat to the ability of the Issuer to honour its obligations under the Issue.

ECONOMIC ENVIRONMENT

Nigeria is the leading economy in Africa. It has a population of nearly 200 million people. It is a mixed economy with expanding manufacturing, financial service, communications, technology and entertainment sectors.

The Nigerian economy officially slipped into the second recession in the past 5 years in the 3rd Quarter of the year 2020. This was as a result of the two consecutive negative growths recorded in the 2nd and 3rd Quarter of the year 2020, reflecting residual effects of the restrictions to movement and economic activity implemented across the country in early Q2 in response to the COVID'19 pandemic.

The Nigerian economy improved in the first quarter of 2021 by 0.51% (YoY) in real terms. This is higher than 0.11% recorded in Q4 2020, showing a slow but continuous recovery.

In the Quarter under review, aggregate GDP stood at N40,014,482.74 million in nominal terms, indicating a YoY nominal growth rate of 12.25% when compared to the first quarter of 2020 which recorded aggregate GDP of N35, 647,406.08 million. The Nigerian economy can be aggregated into the Oil and Non-Oil sectors.

The Non-Oil sector grew by 0.79% in real terms during the Q1 2021. It contributed 90.75% to the nation's GDP. The non-oil sector was driven mainly by Telecommunications, Agriculture, Construction and Financial Institutions.

The Oil sector contracted by 7.27% recording a real GDP growth rate of -2.21% (YoY) in the first quarter of 2021. It contributes 9.25% to the total real GDP in the referenced quarter as against 9.5% (Q1 2020) and 5.87% (Q4 2020). The global disruption caused by the COVID-19 pandemic and the attendant economic lockdowns affected the Federal Government's 2020 budget implementation. Average daily production in the first quarter of 2021, stood at 1.72 million barrels per day (mbpd), lower than 2.07mbpd recorded in the same quarter of 2020.

Additionally, the Federal Government has continued to borrow with a view to finance its growing deficit budget. The capacity of the Federal Government to address infrastructural gaps in the country amidst growing cost of the borrowing is a major economic concern.

Nigeria's local currency has been hitting low records on the Parallel and Over-the-counter spot markets since early March 2020 when the **Central Bank of Nigeria (CBN)** adjusted value of the Naira. The official Exchange Rate to the dollar as at July was ₦410 while the Exchange Rate at the parallel market stood at ₦498.

The **Central Bank of Nigeria** reduced the **Monetary Policy Rate (MPR)** by 100 basis point from 12.50% to 11.50% which is lowest since 2016. This was done to support the recovery of output growth and price stability. However, according to the **Nigeria Bureau of Statistics** inflation rate eased for the second straight month to 17.93% in May from 18.12% in April 2021, following a slight slowdown in prices of food and non-alcoholic beverages & Tobacco.

The **Sponsor's** operation is in the transportation sector with particular interest in the haulage of dry cargoes. Consequently, general improvements in the economy especially the Non-Oil sector will support the **Issuer's** ability to pay obligations under **the Issue**.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company is directed by its Board of Directors which consists of five (5) Executive Directors and four (4) Non-Executive Directors.

SUMMARY

- Rating

AAA

- Report Type:
Bond Rating

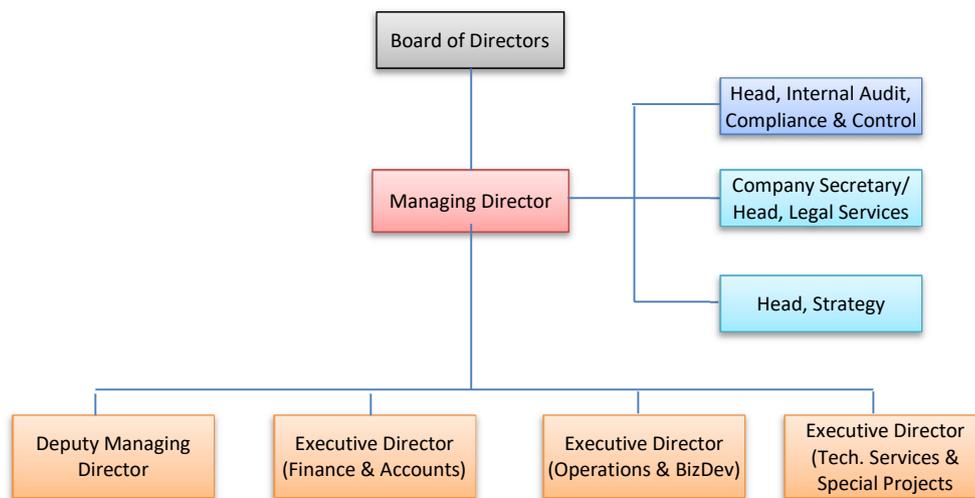
- Client:
GPC-SPV
Company Plc

- Date Compiled
3-Aug-21

The Company recognizes that it has Credit Risk, Market Risk, Interest Rate Risk and Regulatory Risk. In line with details contained in its annual report and information provided, the Company has in place measures to deal with its various risks.

The Company's organogram is as presented.

THE CORPORATE ORGANOGAM



Source: GPC Energy and Logistics Ltd

RISK FACTORS

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

- **EXCHANGE RATE RISK**

This is the risk of loss to income as a result of adverse movement in the Exchange Rate.

Based on our review, we observed that the Company is heavily dependent on imported trucks and spare parts. This therefore exposes it to exchange rate risk and increasing its importation cost.

- **INTEREST RISK**

This is the risk of loss to income arising from adverse changes in interest rates.

SUMMARY

- **Rating**

AAA

- **Report Type:**
Bond Rating

- **Client:**
GPC-SPV
Company Plc

- **Date Compiled**
3-Aug-21

Based on our review, the Company incurred Interest Bearing Borrowings of ₦6.6b (Yr.20). Therefore, adverse movement in interest rate could impair the Company's profitability.

- **CREDIT RISK**

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

Based on our review, we observed that Trade and Other Receivables constituted a proportion of 12% of the Company's total asset.

- **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 four (4) cases in the ordinary course of its business and all the cases were instituted against **GPC Energy and Logistics Limited**. The total potential claims/damages claimed against the Company amounted to ₦43.7m as at December 2020.

- **OPERATIONAL RISK**

This is the risk of loss resulting from failed internal processes, people, systems, controls or from external events.

Based on our review, the nature of business of the Company is transportation which is prone to accidents, loss, or damage of clients' goods under custody, theft, fire, injuries to staff, etc. However, the Company has measures in place to mitigate the risk.

- **COUNTERPARTY RISK**

This is the risk of loss of revenue arising from inability of counterparties to honor their contractual obligation.

Based on our review, we observed that the Company currently served six (6) clients which accounted for 100% of its revenue. Consequently, disruption to the business of these counterparties or refusal to renew their contract on expiration could have adverse effect on the Company's Revenue.

SUMMARY

- **Rating**

AAA

- **Report Type:**
Bond Rating

- **Client:**
GPC-SPV
Company Plc

- **Date Compiled**
3-Aug-21

LEGAL OPINION

The following were observed from the document reviewed.

- **GPC Energy and Logistics Limited** is a legal entity and is capable of participating in a transaction of this nature.
- Each of the obligations under the Bond issued in definitive form constituted legally valid, binding and enforcement obligations of the Issuer under Nigerian Law.
- The Transaction Documents with all their respective schedules and appendices are legal, valid, binding and enforceable under Nigerian Law in accordance with their terms.
- Each of the transaction documents is in proper legal form.

SUMMARY

- Rating

AAA

- Report Type:
Bond Rating

- Client:
GPC-SPV
Company Plc

- Date Compiled
3-Aug-21

REGULATORY ENVIRONMENT

The affairs of the Company are governed by the laws of the **Federal Republic of Nigeria** and subject to the regulations of the **Federal Road Safety Corps (FRSC)**.

The Company is currently registered as a Class B Operator of Group B under the **Road Transport Safety Standardization Scheme (RTSSS)** of the **FRSC**.

ISSUE QUALITY

- **The Sponsor** has the ability to continually generate Revenue from its operation.
- The historical ability of **the Sponsor** to generate pre-tax profit in the last five years (2016 - 2020).
- The governance structure around **the Bond** Issuance Program will limit **the Sponsor's** interference in administering Coupon and Principal payment under **the Issue**.
- The Bondholders have a direct, unsubordinated and unconditional obligation owed to them by **the Issuer**.
- **The Issue** is fully backed by the guarantee of **InfraCredit**.

CONCLUSION

The payment of obligations under *the Issue* is dependent on the *Sponsor's* Cashflow. However, the Rating is largely supported by the full Guarantee provided by *the Guarantor*.

Consequently, we assigned a rating of **AAA**.

SUMMARY

- Rating

AAA

- Report Type:
Bond Rating

- Client:
GPC-SPV
Company Plc

- Date Compiled
3-Aug-21

Signed: 
Name: **Oladele Adeoye**
Designation: Chief Rating Officer
Date: 3rd August, 2021

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, dataprong@gmail.com
Website: www.datapronigeria.net

SUMMARY

- Rating

AAA

- Report Type:
Bond Rating

- Client:
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USER GUIDE

DataPro's credit rating is an opinion of an issuer's 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+.

SUMMARY

- Rating

AAA

- Report Type:
Bond Rating

- Client:
GPC-SPV
Company Plc

- Date Compiled
3-Aug-21

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk	<i>(Superior)</i> Assigned to issuers which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	<i>(Excellent)</i> Assigned to issuers which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	<i>(Very Good)</i> Assigned to issuers which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	<i>(Fair)</i> Assigned to issuers which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, 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 issuers which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, 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 issuers which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These issuers, 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 issuers which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These issuers, 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 issuers which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, 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.

SUMMARY

- **Rating**

AAA

- **Report Type:**
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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.

SUMMARY

- **Rating**

AAA

- **Report Type:**
Bond Rating

- **Client:**
GPC-SPV
Company Plc

- **Date Compiled**
3-Aug-21