



DataPro



CORPORATE RATING REPORT

WACOT RICE LIMITED

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January, 2024

WACOT RICE LIMITED

Long-Term Rating:

A-

Short Term Rating: A2

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 31 Jan., 2024

Valid Till: 30 Jan., 2025

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

| | 2022 ₦'000 | 2021 ₦'000 | 2020 ₦'000 | 2019 ₦'000 | 2018 ₦'000 |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Gross Earnings | 40,9354,086 | 33,526,478 | 26,242,189 | 20,300,143 | 16,241,432 |
| Profit Before Tax | 3,865,859 | 3,247,111 | 3,253,915 | 1,488,605 | 56,235 |
| Equity | 22,685,260 | 18,014,525 | 14,372,541 | 10,732,964 | 8,055,217 |
| Long Term Debt | 1,395,112 | 1,733,332 | 2,128,367 | 14,514,029 | 5,249,200 |
| Total Asset | 52,511,911 | 36,034,542 | 30,489,510 | 27,672,620 | 29,512,667 |
| Non-Current Assets | 15,004,225 | 14,595,639 | 15,441,971 | 16,214,258 | 16,594,592 |

Rating Explanation

The Short-Term Rating of **A1** indicates *Good Credit Quality* and satisfactory capacity for timely payment of financial commitments.

The Long-Term Rating of **A-** indicates *Low Risk*. It shows Very Good Financial Strength, Operating Performance and Business Profile when compared to the standard established by *DataPro*. This Company, in our opinion, have a strong ability to meet its ongoing obligations.

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 its current healthy profile in the medium to long term period.

Overall, the following were observed:

Positive Rating Factors:

- Experienced Management Team
- Good Liquidity
- Good Earning Profile

Negative Rating Factor:

- Low Asset Utilization

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BACKGROUND

WACOT Rice Limited ("The Company") was incorporated as a Private Limited Liability Company on the 12th of August, 2014. The Company commenced operation three years after incorporation on the 1st of June, 2017.

The Company is into Rice Processing with Backward Integration through Out-Grower Farming. It operates one of the largest parboiled rice mills in Africa with an annual milling capacity of 120,000MT. an integrated rice mill. The Plant was commissioned in the year 2017 in Argungu, Kebbi State. The Company has Paddy rice storage capacity exceeding 70,000 MT, including 6 silos of 3,000 MT capacity each, with processed rice storage capacity of 8,000 MT.

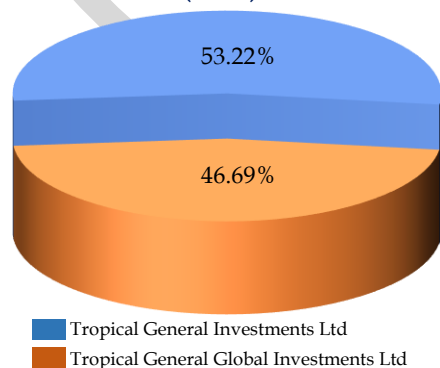
The Company produces two main brands of rice namely: *Big Bull Rice* and *Patriot Rice*. The *Big Bull Rice* brand is in Bulk Packs of 25kg and 50kg bags including Consumer Packs of 750g, 2.25kg and 10kg packs. However, the *Patriot Rice* brand comes only in 50kg packs.

The Company has farming program to meet part of its paddy processing requirements. Up to 91% of paddy procurement is done through large farmers, Paddy Aggregators and Local Buying Agents (LBAs), with terms of payment after delivery on quality satisfaction. A sizeable proportion of these suppliers are from *Kebbi State, Nigeria*.

The Company has several initiatives to promote rice production in Nigeria. Such programs include an agreement signed with the Lagos State Government on the *Imota Rice Mill* in October 2022 as well as co-investing with *USAID's West Africa Trade & Investment Hub*.

The Company is a member of the *Rice Processors Association of Nigeria (RIPAN)*, *Manufacturers Association of Nigeria (MAN)* and *Nigeria Employers' Consultative Association (NECA)*.

ANALYSIS OF SHAREHOLDING STRUCTURE (2022)



Source: WACOT Rice Limited

The Company is jointly owned by *Tropical General Investments Limited* (53.22%) and *Tropical General Global Investments Limited* (46.69%). Other Shareholders held less than 1% of Total Shares. It administratively operates from its registered office address in Lagos State with factory located in Kebbi State.

time and 645 part time employees.

The total staff strength of the Company is 832 made up of 187 full-

DIRECTORS PROFILE

The following served as directors during the year under review: *Mr. Farouk Gumel – Chairman; Rahul Savara; Jerome Olagunju Shogbon and Cornelis G. Vink.*

The Directors’ profile is as follow:

1. **Name:** Mr. Farouk Gumel
Position: Chairman
Profession: Chartered Accountant
Years of Experience: 23
Education:
 - B.Sc. – Materials Technology, University of Northampton
 - M.Sc. – Clean Technology, Newcastle University**Job Experience:**
 - PwC (UK, US, Nigeria)
 - TGI Group
 - WACOT Rice Limited
 - Nigeria Sovereign Investment Authority
 - Union Bank of Nigeria**Year of Board Membership:** 2001

2. **Name:** Rahul Savara
Position: Director
Profession: Chartered Accountant
Years of Experience: Over 35 years
Education:
 - Delhi University**Job Experience:**
 - TGI Group**Year of Board Membership:** 2004

3. **Name:** Cornelis G. Vink (MFR)
Position: Director
Profession: Qualified Engineer
Years of Experience: Over 50 years
Education:
 - Bachelor in Textile Engineering**Job Experience:**
 - TGI Group**Year of Board Membership (Years):** 2004.

4. **Name:** Jerome O. Shogbon
Position: Director
Profession: Business Executive
Years of Experience: 40 years
Education:
 - B.Sc - Illinois State University
 - MBA in Finance and Administration**Job Experience:**
 - TGI Group**Year of Board Membership:** 2014

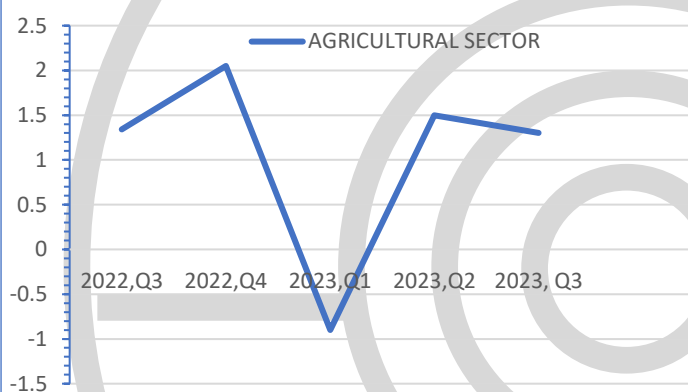
SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population of over 200 million people. The Country's Gross Domestic Product (GDP) grew by 2.54% (year-on-year) in real terms in the third quarter of 2023. This growth rate is higher than the 2.51% recorded in the second quarter of 2023 and higher than the 2.25% recorded in the third quarter of 2022.

The growth was driven mainly by the service sector which recorded a growth of 3.99% and contributed 52.70% to the aggregate GDP. Other top-contributing sectors being Agriculture (29.31%), Trade (15.19%), Information and Communication (15.97%), which grew by 1.30%, 1.53% and 6.69%, respectively.

According to the data released by the NBS, the real GDP growth recorded in the

REAL MANUFACTURING SECTOR YEAR-ON-YEAR GROWTH



Agricultural sector for the third quarter of 2023, stood at 1.30%, lower than the growth recorded in the third quarter of 2022 by 0.04% points and lower by 0.20% points compared to Q2 2023. Quarter-on-quarter, the sector grew by 39.74% in Q3 2023. It contributed 29.31% to real GDP in Q3 2023, lower than the contribution of 29.67% it recorded in the corresponding quarter of 2022.

Source: Nigeria Bureau of statistic

The sector is broadly divided into four in Nigeria- Crop production, Fishing, Livestock and Forestry. Nigeria has an arable land area of 34 million hectares for permanent crops and 28.6 million hectares on meadows and pastures.

In Q2 2023, the Nation recorded an average daily oil production of 1.22 million barrels per day (mbpd), lower than the daily average production of 1.43 mbpd (Q2 2022) by 0.22 mbpd and lower than Q1 2023 production volume of 1.51 mbpd by 0.29 mbpd. The Oil benchmark for the year 2024 budget is \$77.96 per barrel and 1.7 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$78.56 as at January 21st, 2023 according to oilprice.com). However, Nigeria is battling with the challenge of foreign currency scarcity arising from lower Oil receipt and limited export capacity of the Country.

The Monetary Policy Committee (MPC) of the CBN at its fourth meeting for the year raised the Monetary Policy Rate (MPR) further by 25bps from 18.50% to 18.75% in July, 2023. This was done to manage inflation which remains on a steady increase. Headline

Inflation rose to 28.90% in December, from 28.20% recorded in the previous month. The rise in MPR could have the effect of limiting borrowing from Financial Institutions due to the high costs and lead borrowers to find alternative sources of finance.

In order to achieve a Unified Foreign Exchange Regime, the CBN has collapsed the multiple exchange rate windows. This is in addition to allowing the free float of the Naira against the US dollar. Consequently, the value of the Naira to the Dollar at the official market closed at ₦890.51/\$1 as at January 19th, 2024 while the parallel market value stood at an average of ₦1330/\$1.

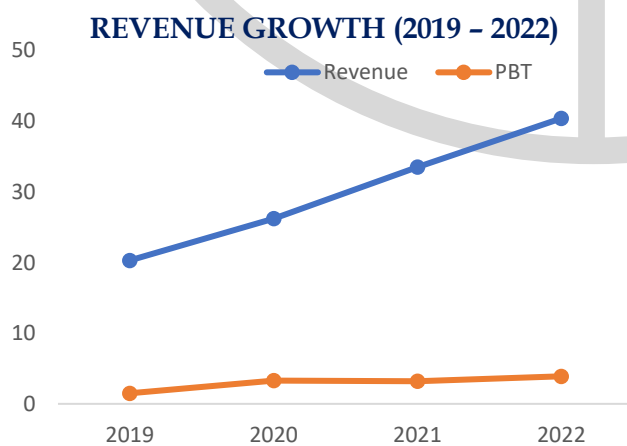
Nigeria is Africa’s largest producer of rice with over 8 million MT of paddy produced annually. Despite being Africa’s leading rice producer, supply remains inadequate with consumption growing steadily due to increasing population size. However, rice farming in Nigeria is highly fragmented with smallholder farmers cultivating about 1 hectare of land for rice production in rural areas where there is access to arable land. There are over 1.8 million farmers involved in rice farming in Nigeria and they are organized through the Rice Farmers Association of Nigeria (RIFAN).

Nigeria’s rice production has remained flat in recent years due to low levels of yield which has slightly improved to 2.4 MT per hectare. Challenges militating against the operations in the Rice Industry include; Illegal smuggling of rice, flooding, windstorm and insecurity in paddy producing States. Therefore, operators are faced with the task of passing the monetary implications of these challenges to the consumer without jeopardizing brand loyalty.

FINANCIAL PERFORMANCE

- EARNINGS PROFILE**

We reviewed the Audited Financials of the Company covering the period 2018 to 2022. This is in addition to the Unaudited Management Accounts relating to the Company’s operation for the period ended June 30, 2022.



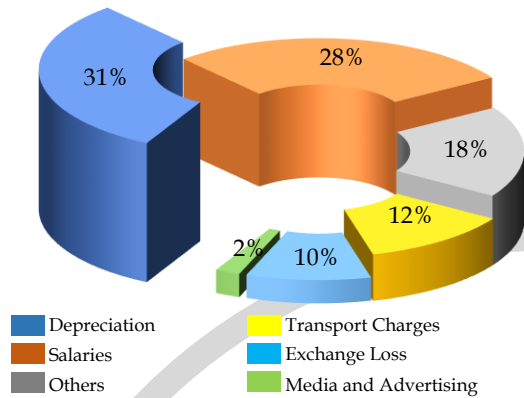
Source: WACOT Rice Limited

The Company Revenue were drawn from the Sales of Finished Rice and other By-products. Earnings from these sources amounted to ₦40.4b in the year 2022. This represented a 20% growth compared with ₦33.5b recorded in the year 2021.

Although production is carried out in the Northern part of Nigeria, the

products are sold in all regions of the country, with more than 60% of sales in the South.

COMPOSITION OF TOTAL EXPENSES



Source: WACOT Rice Limited

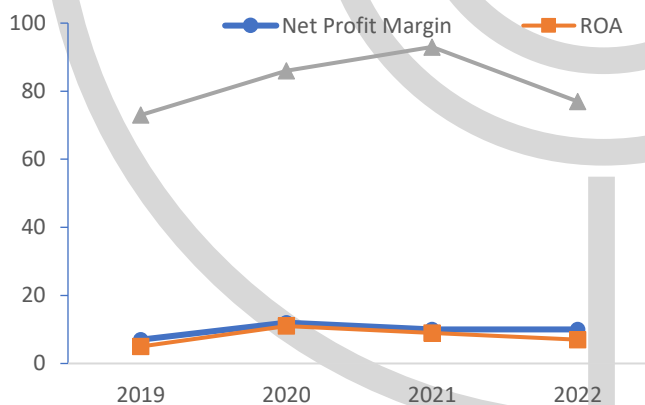
Inflation and rising costs of raw materials pushed-up Direct Expenses by 20% in the year 2022. Material Cost accounted for about 95% of Direct Costs. Revenue and Direct Costs rose by equal proportion. Consequently, Gross Profit Margin remained at 20% for the years 2021 and 2022. Revenue for the period ended, 30th September, 2023 was ₦38.9b. This compared well with FY 2022 results.

Additional income earned in the year 2022 amounted to ₦225.5m. This represented Earnings from the sales of *Destoner* and *Sweepage* rice including *Tip-broken* as well as Grant received from *West Africa Trade and Investment Hub*.

• **PROFITABILITY**

Expenses relating to Administrative, Selling and Distribution grew by 12% to ₦2.9b (Yr.22). The largest proportion of the Company running cost was concentrated in Salaries and Wages accounting for 39% of the Administrative Expenses.

PROFITABILITY RATIO



Source: WACOT Rice Ltd

During the year 2022, the Company recorded significant increase in its funding cost. This included interest on loans, overdraft and intercompany obligations which rose from ₦1.1b in the year 2021 to ₦1.6b(Yr.22).

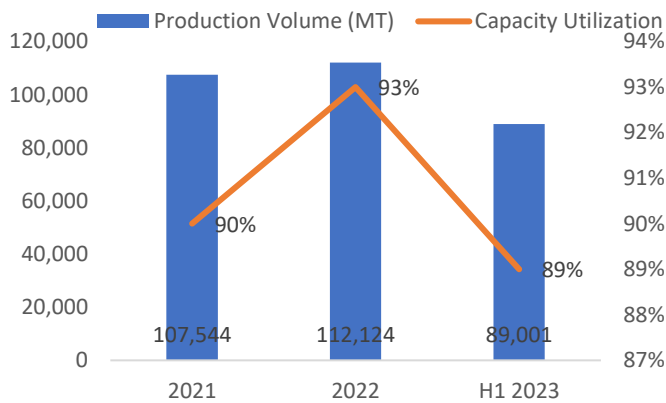
The Company recorded Pre-Tax Profit of ₦3.9b, reflecting a Net Profit Margin of 10% in the year 2022. This however dropped to 6% in the third quarter of 2023, owing to

the increase in finance cost in the period.

• **CAPITALIZATION**

As at 31st December 2022, the Company’s Total Assets stood at ₦52.5b. Inventory and Receivables contributed the bulk of Total Assets and accounted for its increase during the year.

CAPACITY UTILIZATION



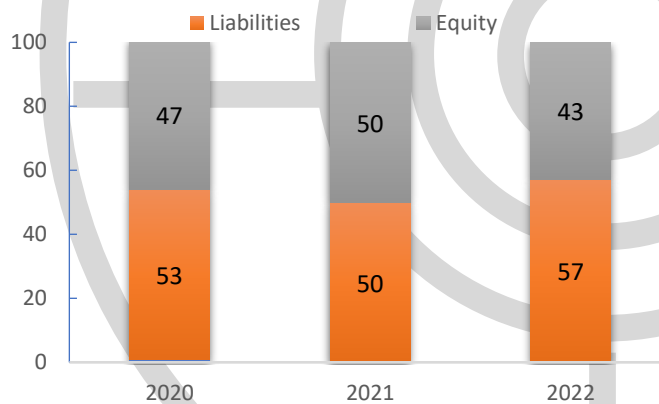
Source: WACOT Rice Limited

BREAKDOWN OF TOTAL ASSETS (2022)

| Item | ₦'000 | % |
|--------------------|------------|-----|
| Non-Current Assets | 15,004,228 | 29 |
| Current Assets | 37,507,683 | 71 |
| Total Assets | 52,511,911 | 100 |

Source: WACOT Rice Ltd

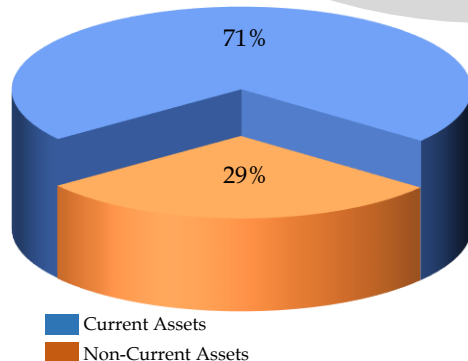
FUNDING OF OPERATIONS



Source: WACOT Rice Limited

ASSET UTILITY

DISTRIBUTION OF TOTAL ASSETS



Source: WACOT Rice Limited

The Company used more of Debt to fund its operation in the year 2022. Debt funding grew from 50% in the year 2021 to 57% of the funding structure.

The Debt mix was largely dominated by short term liabilities which represented 95% of Total Liabilities. This was significantly defined by Borrowings to the tune of 89%. The Borrowings included Loans and Trade Finance obtained from various Banks which doubled from ₦13.6b (Yr.21) to ₦26.5b (Yr.22).

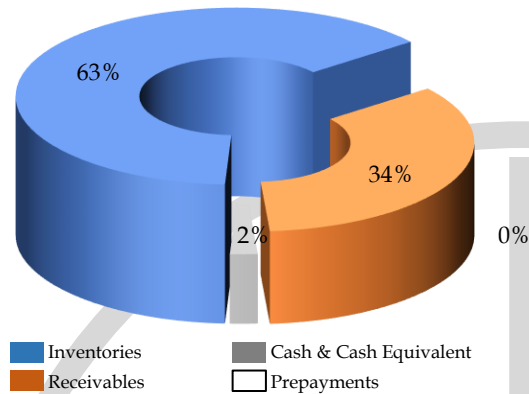
As a result of the decline in short term borrowings, the Company's funding profile improved as equity funding grew to 76% (Q3, 2023). Then Company anticipates a 6% decline in short term borrowings due to the introduction of lower-cost capital sources.

The Company's Retained Earnings contributed significantly to the growth in Equity leading to increase in Accumulated Profits from ₦12.9b (Yr.21) to ₦17.9b (Yr.22). Funding of operation by Equity was 43% (Yr. 22) less than 50% recorded in the previous year.

The Company's Non-Current Assets grew by 3% to ₦14.9b (Yr. 22). The increase was due to the additional investment in Property, Plants & Equipment during the year under review.

Current Assets dominated the asset base during the period due to the growth in Inventory and Receivables. Inventories, majorly raw materials almost doubled to ₦23.7b (Yr. 22) from ₦14.2b (Yr. 21) while Receivables surged from ₦2.2b (Yr. 21) to ₦12.9b (Yr. 22). The rise in receivables were majorly attributable to amounts due from affiliated companies which grew from ₦364.9m (Yr. 21) to ₦7.9b (Yr. 22).

COMPOSITION OF CURRENT ASSETS



Source: WACOT Rice Limited

However, Cash and Bank Balances declined from ₦4.9b (Yr. 21) to ₦782.9m (Yr. 22). Overall, Total Assets increased by 46% from ₦36.0b (Yr. 21) to ₦52.5b (Yr. 22).

The operations of the Company are carried out from its 18.65 hectares Rice Plantation in Kebbi State. The Company is yet to fully utilize its annual production capacity of 120,000MT. As at the year end, December, 2022, the capacity

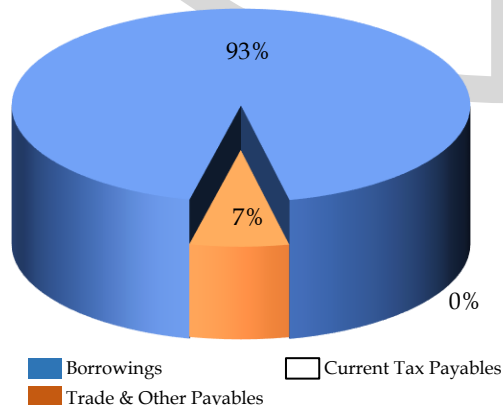
utilization rose to 95%.

The ability of the Company to effectively utilize Assets for the purpose of generating Profit dropped from 9% (Yr. 21) to 7% (Yr. 22). Similarly, the efficiency of the Company at utilizing its Assets to generate Revenue declined from 93% (Yr.21) to 77% in the year 2022. This position improved to 118% as at September, 2023, following a drop in the Company’s Receivables, Inventories and consequently its total assets.

• **LIQUIDITY**

As at 31st December 2022, the Company’s Current Assets comprised of Cash and Bank Balances, Receivables, Prepayments and Inventory. Additional investments in raw materials and increase in amounts due to third parties increased the value of Current Assets by 75% to ₦2.1b (Yr.22).

COMPOSITION OF CURRENT LIABILITIES



Source: WACOT Rice Limited

Current Liabilities grew from ₦16.3b (Yr.21) to ₦28.4b (Yr.22) due to additional Borrowings incurred during the year. This accounted for 95% of Total Liabilities.

Non-Current Liabilities comprised majorly of Deposit for Shares amounting to ₦91.9m and Deferred

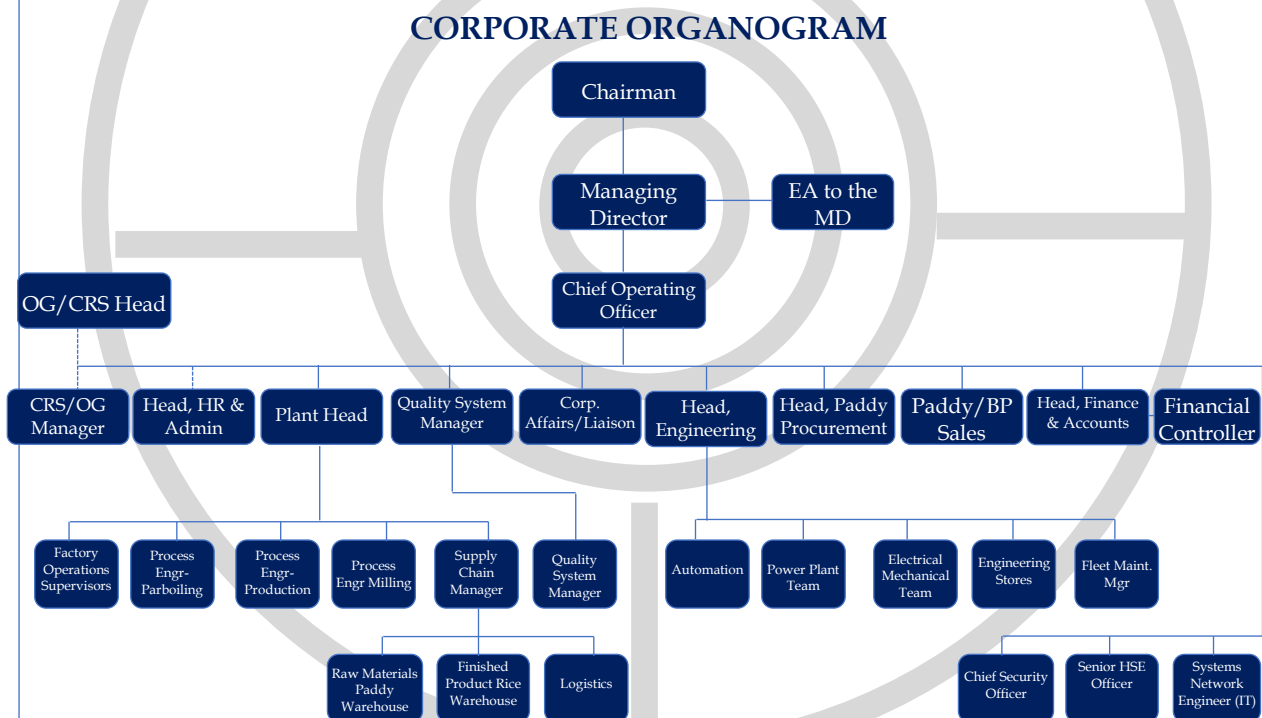
Tax Liability of ₦1.3b. Overall, Total Liabilities rose by 65% from ₦18.0b (Yr. 21) to ₦29.8b (Yr. 22).

The Company recorded Operating Cash outflow of ₦14.1b (Yr. 22) as against ₦194.4m recorded in the year 2021. There were marginal changes in its liquidity profile during the year 2022. Consequently, ability to settle short term Obligations using Current Assets was maintained at 132% in the years 2021 and 2022. This however improved significantly to 253% (Q3 2023) with the decline in short term borrowings.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by the Board of Directors which consists of the Chairman and three other Directors.

The oversight function of the Board is carried out by various Committees. The Company’s corporate organogram is as highlighted



Source: WACOT Rice Limited

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by the Board of Directors which consists of three Executive, two Non-Executives.

In the course of our review, we observed the following risk.

- **INTEREST RISK**

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

Based on our review, as at 31st December, 2022, the Company contracted short-term interest-bearing borrowings of ₦26.5b. Therefore, adverse movement in Interest Rate could impair profitability.

- **GOVERNMENT RISK**

This is the risk of loss to income due to unfavorable Government Policy. The Company operates in the Agricultural sector which currently enjoys government support through policy and direct interventions. In the event of any adverse Government policy, the Company performance may be negatively affected.

- **CREDIT RISK**

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

Based on our review, only about 25% of the Company's Total Assets were concentrated in third parties in the year 2022. However, about 61% of this amount is within the Group (*TGI*).

- **LIQUIDITY RISK**

This is the risk arising from the inability of the Company to pay obligations as and when due.

Based on our review, the Company recorded liquidity ratio of 132% in the years 2021 and 2022

FUTURE OUTLOOK

In line with its growth strategy, the Company's second line of rice milling with capacity of 130,000 MT is in commissioning phase.

This is expected to increase production capacity from 120,000 MT per annum to 250,000 MT per annum.

CONCLUSION

The Rating of the Company is supported by its Good Earning Profile, Good Liquidity and Experienced Management Team.

Consequently, we assigned a Rating of "A-"

FINANCES

Financial Position as at

| | Dec, 2022 | | Dec, 2021 | | Dec, 2020 |
|--|-------------------|----------------|-------------------|----------------|-------------------|
| | N'000 | Δ% | N'000 | Δ% | N'000 |
| Employment of Funds | | | | | |
| Property, Plants & Equipment | 14,870,443 | 1.89 | 14,593,972 | (5.42) | 15,430,275 |
| Right of use Asset | 133,785 | 7925.49 | 1,667 | (85.75) | 11,696 |
| Total | 15,004,228 | 2.80 | 14,595,639 | (5.48) | 15,441,971 |
| Current Assets | | | | | |
| Inventories | 23,674,352 | 66.22 | 14,242,605 | 94.17 | 7,335,123 |
| Trade Receivable | 12,892,428 | 477.94 | 2,230,772 | 74.97 | 1,274,958 |
| Prepayments | 157,910 | 176.15 | 57,183 | 49.79 | 38,175 |
| Cash and Cash Equivalents | 782,992 | (84.05) | 4,908,343 | (23.30) | 6,399,283 |
| Total Current Assets | 37,507,682 | 74.95 | 21,438,903 | 42.47 | 15,047,539 |
| Total ASSETS | 52,511,910 | 45.73 | 36,034,542 | 18.19 | 30,489,510 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share Capital | 1,000,000 | 87.56 | 533,150 | 0.00 | 533,150 |
| Revaluation Reserve | 3,730,859 | (17.75) | 4,536,068 | (15.08) | 5,341,277 |
| Retained Earnings | 17,954,401 | 38.69 | 12,945,307 | 52.33 | 8,498,114 |
| Total equity | 22,685,260 | 25.93 | 18,014,525 | 25.34 | 14,372,541 |
| NON-CURRENT LIABILITIES | | | | | |
| Deferred Tax | 1,303,162 | (20.61) | 1,641,382 | (19.40) | 2,036,417 |
| Deposit for Shares | 91,950 | 0.00 | 91,950 | 0.00 | 91,950 |
| Total Non-Current Liabilities | 1,395,112 | (19.51) | 1,733,332 | (18.56) | 2,128,367 |
| Current LIABILITIES | | | | | |
| Borrowings | 26,478,827 | 94.97 | 13,581,233 | 4.82 | 12,956,589 |
| Trade and Other Payables | 1,952,518 | (27.83) | 2,705,290 | 162.14 | 1,032,013 |
| Current Tax Payables | 193 | 19.14 | 162 | | |
| Total Current Liabilities | 28,431,538 | 74.57 | 16,286,685 | 16.43 | 13,988,602 |
| TOTAL EQUITY AND LIABIL | 52,511,910 | 45.73 | 36,034,542 | 18.19 | 30,489,510 |
| STATEMENT OF COMPREHENSIVE INCOME | | | | | |
| Revenue | 40354086 | 20.36 | 33,526,478 | 27.76 | 26,242,189 |
| Cost of Sales | 32152492 | 20.15 | 26,759,232 | 37.15 | 19,510,635 |
| Gross Profit | 8,201,594 | 21.20 | 6,767,246 | 0.53 | 6,731,554 |
| Other Income | 225,482 | (3.43) | 233,502 | 107.26 | 112,664 |
| | 8,427,076 | 20.37 | 7,000,748 | 2.29 | 6,844,218 |
| Less | | | | | |
| Operating Expenses | 2,920,490 | 11.73 | 2,613,883 | (10.20) | 2,910,786 |
| Finance Costs | 1,640,727 | 43.95 | 1,139,754 | 67.73 | 679,517 |
| Profit Before Tax | 3,865,859 | 19.06 | 3,247,111 | (0.21) | 3,253,915 |
| Income Tax (Expenses)/Credit | 338026 | (14.40) | 394,873 | 2.39 | 385,662 |
| Profit After Tax from Continui | 4,203,885 | 15.43 | 3,641,984 | 0.07 | 3,639,577 |
| Total Comprehensive Income | 4,203,885 | 15.43 | 3,641,984 | 0.07 | 3,639,577 |

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 31st January, 2024

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
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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. |