



MECURE INDUSTRIES LIMITED



DataPro Limited

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June, 2021

MECURE INDUSTRIES LIMITED

This report is provided by **DataPro** subject to the terms & condition stipulated in our **Terms of Engagement**

CORPORATE RATING REPORT

References

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

EVALUATION

VALID TILL: June, 2022

Long-term Rating: **BBB⁺**

Short term Rating: **A1**

Previous Rating: **BBB**

Rating Outlook: **Stable**

Trend: **Up**

Currency: **Naira**

EXECUTIVE SUMMARY

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
Turnover	17,418,183	15,813,495	15,172,872	11,233,039	11,801,095
Pre Tax Profit	946,325	815,371	901,723	527,509	4,326,041
Equity	4,682,876	4,024,393	3,720,480	3,292,939	4,468,629
Fixed Asset	6,570,153	3,378,555	1,186,919	724,933	3,911,677
Total Asset	16,734,287	13,690,767	12,211,509	8,001,937	10,959,437
Long-term Debt	10,173,241	7,964,738	6,726,288	3,925,442	6,043,678

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 **BBB⁺** indicates **Slight Risk**. It shows fair financial strength, operating performance and business profile when compared to the standard established by **DataPro**. This Company, in our opinion, has the ability to meet its ongoing obligations, but its financial strength is vulnerable to adverse changes in economic conditions.

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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- Rating

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- Report Type:
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- Client:
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RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used was based on industry and market intelligence including public information.

The quantitative information was obtained from the Company's audited and management accounts.

The risk factors were assessed using the Company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of subject's current healthy profile in the medium to long term period.

Overall, the following were observed:

Strengths:

- Strong Brand Presence
- Stable Management
- Strong Liquidity

Weakness:

- High cost of input

SUMMARY

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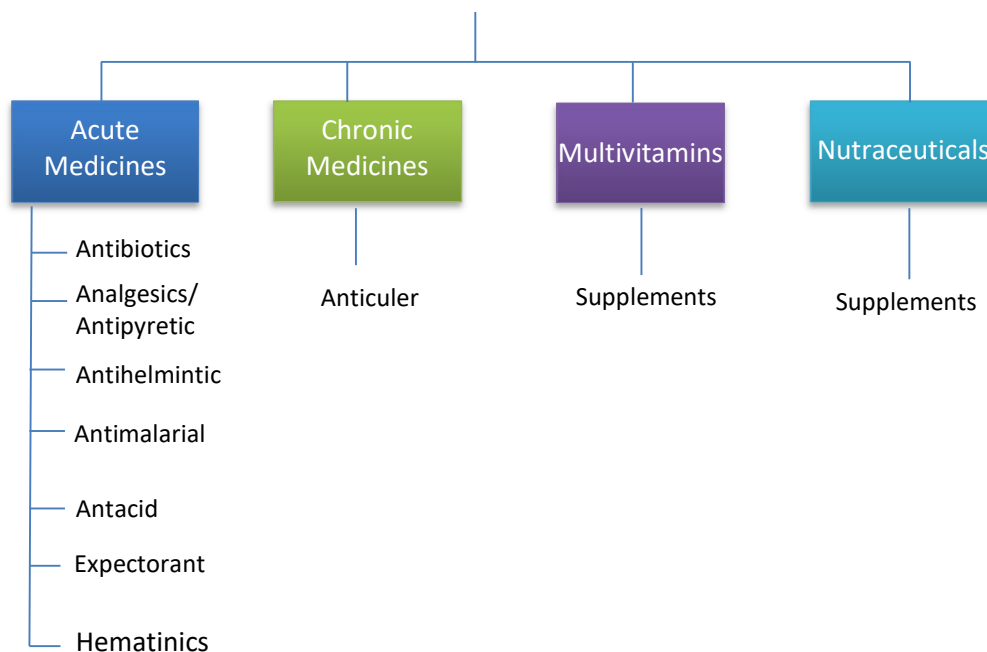
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BACKGROUND

MeCure Industries Limited ("The Company") was incorporated in March, 2005 as a Private Limited Liability Company. However, the Company is currently engaging **Nigerian Exchange Limited (NGX)** for the purpose of listing by introduction by the 3rd Quarter of 2021.

The primary activities of the Company involve the manufacturing and distribution of Pharmaceutical and Nutraceutical Products. The Company's products and services include **Acute Ailment Medication, Chronic Ailment Medication, Nutraceuticals, Multivitamins and Chemotherapy Medication**. The Company is the first in Nigeria to introduce tropical packs, unit dosage and tablets in a capsule formation.

DISTRIBUTION OF EXISTING PRODUCTS AND SERVICES



Source: MeCure Industries Limited

MeCure Industries Limited presently operates in four (4) locations in Nigeria which are in Lagos, Abia, Anambra and Kano States. It serves its customers via a workforce of 758 employees. The Company has a market share of 2.2% based on industry size of \$2 billion.

The Company has subsidiaries and related companies in Healthcare, E Health and IT sectors.

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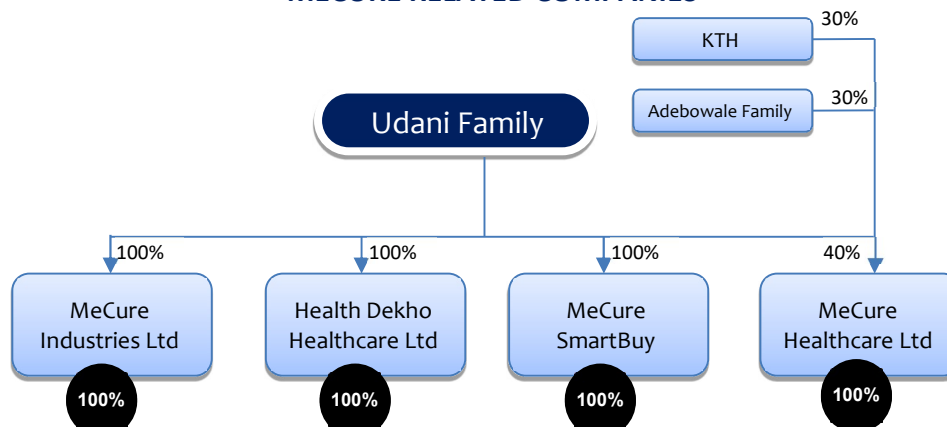
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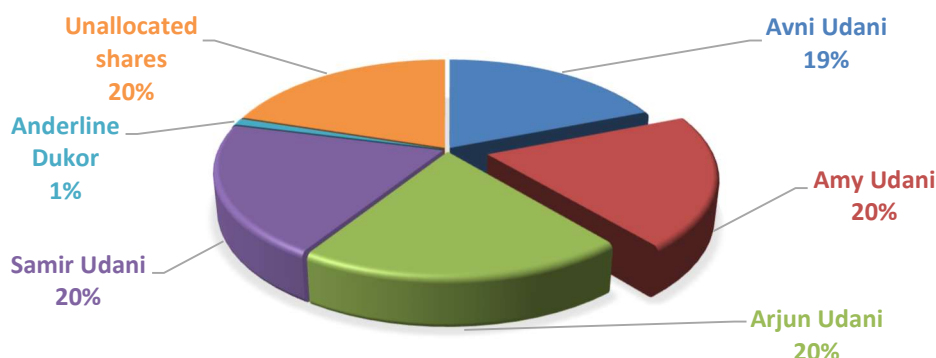
MECURE RELATED COMPANIES



Source: MeCure Industries Ltd

MeCure Industries Limited currently has 20,000,000 shares which are owned by the **Udani family**. However, the Company's Shareholdings structure is as presented.

ANALYSIS OF SHAREHOLDINGS STRUCTURE



Source: MeCure Industries Ltd

DIRECTORS PROFILE

The following served as directors during the year under review; **Mr. Samir Udani – Chairman**, **Mr. Arjun Udani**, **Mrs. Avni Udani**, **Mrs. Dukor Andrenaline Ndidi**, **Mrs. Ayotunde Owoigbe**, **Mr. Chidi Okoro**, **Dr. Ajie Obiefuna** and **Mrs. Amy Udani**

The Directors' profiles are as follows.

- Name:** Samir Udani
Position: Chairman
Years of Experience: 35years
Education: •University Institute of Chemical Technology,

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- | | |
|-----------------------------|---|
| | India |
| Job Experience: | •B.Sc. Mumbai University, India |
| Board Membership: | •MeCure Industries Limited |
| | Since 2005 |
| 2. Name: | Arjun Udani |
| Position: | Non-Executive Director |
| Years of Experience: | 12 years |
| Education: | •B.Sc - Mumbai University, India |
| | •Stanford University, California |
| Job Experience: | •MeCure Industries Limited |
| | •Renaissance Life Science, Mumbai |
| Board Membership: | Since 2011 |
| 3. Name: | Avni Udani |
| Position: | Non-Executive Director |
| Years of Experience: | 15 years |
| Education: | •Diploma - Mumbai University, India |
| | •B.Sc - Mumbai University, India |
| | •M.Sc - Mumbai University, India |
| Job Experience: | •MeCure Industries Limited |
| Board Membership: | Since 2008 |
| 4. Name: | Dukor Andrenaline Ndidi |
| Position: | Executive Director |
| Years of Experience: | 23 years |
| Education: | •B. Pharm - University of Nigeria, Nsukka |
| | •M. Sc - University of Lagos |
| Job Experience: | •MeCure Industries Limited |
| | •Renaissance Pharmaceutical |
| Board Membership: | Since 2007 |
| 5. Name: | Ayotunde Owoigbe |
| Position: | Independent Director |
| Years of Experience: | 19 years |
| Education: | •LL.B -University of Lagos |
| Job Experience: | •MeCure Industries Limited |
| 6. Name: | Chidi Okoro |
| Position: | Independent Director |
| Years of Experience: | 30 years |
| Education: | •B.Pharm - University of Nigeria |
| | •MBA - University of Lagos |

- Masters, IE Business School
- Emzor and Glaxosmithkline
- MeCure Industries Limited

Job Experience:

7. **Name:** Dr. Ajie Obiefuna
Position: Executive Director
Education:
 - B.Sc, Medicine & Surgery (MBBS), University of Nigeria
 - Masters in Pharmacology, University of Lagos
 - Masters, IE Business School**Job Experience:**
 - Lagos State University (LUTH)
 - MeCure Industries Limited

8. **Name:** Mrs. Amy Udani
Position: Non-Executive Director

SUMMARY

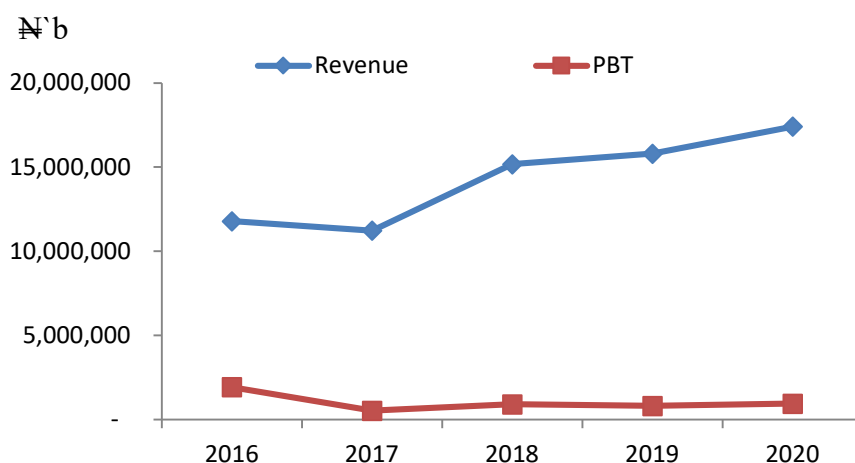
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FINANCIAL PERFORMANCE
EARNINGS PROFILE
REVENUE GROWTH (2016 – 2020)


Source: MeCure Industries Limited

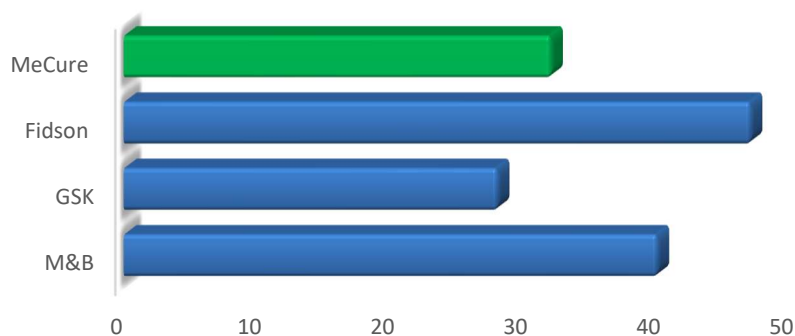
MeCure Industries Ltd continued its positive Revenue trend during the year under review. Its Revenue grew by 4% from ₦15.2b (Yr.18) to ₦15.8b (Yr.19). During the year 2020 it grew further by 10% to ₦17.4b.

The growth was due to the increase in the sales of its finished goods. The Company derives its revenue from the sale of Pharmaceutical and Nutraceuticals products. The Company generated all its sales from Nigeria.

Cost of sales grew by 11% from ₦10.7b (Yr.19) to ₦11.8b (Yr.20). The growth was due to the increase in the amount of raw materials purchased by the business during the year under review. This stood at ₦10.7b (Yr.19). During the year 2020 it increased to ₦11.2b.

Despite the growth in Revenue, the increase in the Cost of Sales impaired Gross Profit Margin which declined marginally from 33% (Yr. 19) to 32% (Yr. 20). The Gross Profit Margin recorded by the Company also fell below the average performance of its peers in the industry. The peer comparison is as presented.

PEER COMPARISON: GROSS PROFIT MARGIN (2020)

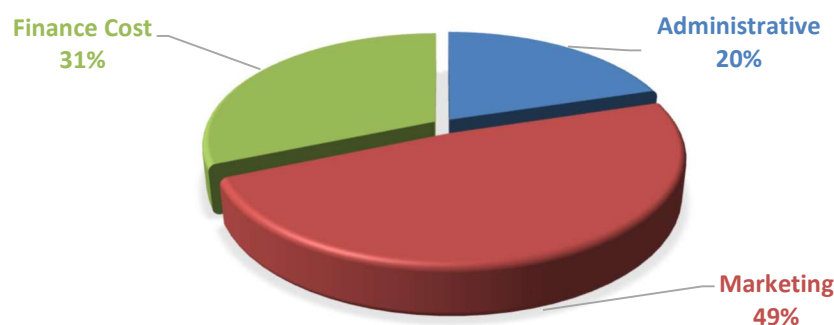


Source: DataPro Limited

The Total Expenses incurred by the Company comprised of Administrative Expenses, Marketing and Finance Cost. This grew by 5% in the year 2020. It increased from ₦4.3b (Yr.19) to ₦4.6b (Yr.20). The growth was driven by increases in all segments of Operating Expenses during the year 2020.

The major component of Operating Cost was Administrative Expenses. It remained relatively same as it was in the year 2019. This cost item was largely concentrated in Personnel Expenses and Amortization.

COMPOSITION OF OPERATING EXPENSES (2020)



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Finance Cost constituted 31% of Total Expenses. It comprised of Bank Interest and Bank Commission & Charges. It grew from ₦1.3b (Yr.19) to ₦1.4b (Yr.20). This growth was due to increase in Bank Interest incurred on Term Loan during the year under review.

The growth in Revenue outpaced the increase in Operating Expenditure. Consequently, Profit Before Tax went up by 16% from ₦0.8b (Yr. 19) to ₦0.9b (Yr. 20)

• CAPITALIZATION

Shareholders' Funds continued to grow during the year under review. It stood at ₦3.7b, ₦4b and ₦4.7b during the years 2018, 2019, 2020 respectively. It grew by 16% from 2019 to 2020. The growth in Equity was due to increased Retained Earnings during the year under review. It increased by 16% from ₦4b (Yr.19) to ₦4.7b (Yr.20).

Total Assets had grown by 22% as at the year ended 31st December 2020. It rose from ₦13.7b (Yr.19) to ₦16.7b (Yr.20). This growth was driven by increases in Current and Non-Current Assets of the business over the year.

BREAKDOWN OF THE TOTAL ASSET

ITEM	2020	%
Current Asset	10,164,135	60.4
Non Current Asset	6,570,153	39.6
Total Asset	16,734,287	100.0

Source: MeCure Industries Ltd

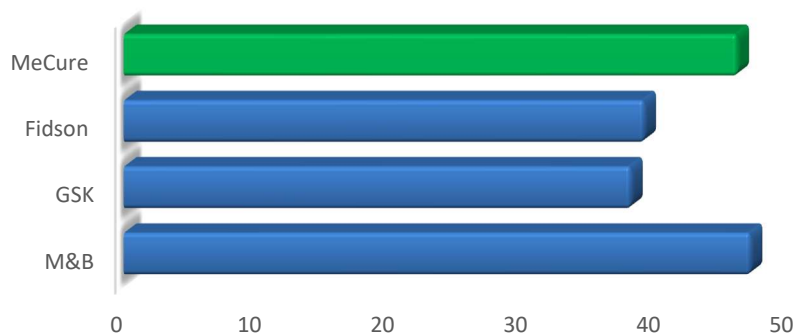
The expansion in Non-Current Asset was due to additional investment of ₦3.1b (Yr. 20) as against ₦2.8b (Yr. 19) in the Property, Plant and Equipment of the Company. On the contrary, surge in Current Assets was largely influenced by Receivables from Related Parties.

These Receivables were Loans Repayment and Short-Term Non-Interest Borrowings by the Company on behalf of **MeCure Healthcare Limited, MeCure Infraproject Limited and MeCure WeCare Limited**. The outstanding balance of these borrowings was ₦1.8b (Yr. 20) as against ₦0.9b (Yr.19)

Equity as a proportion of Total Asset was 46% (Yr. 20) as against 47% (Yr.19). Liabilities funded 54% of Total Assets during the year under review. Out of the Total Liabilities of the Company, about 82% (Yr. 20) represented Interest Bearing Borrowings.

The Funding mix of the Company compared well with its peer in the industry. The comparative is as presented.

PEER COMPARISON: EQUITY TO TOTAL ASSETS (2020)

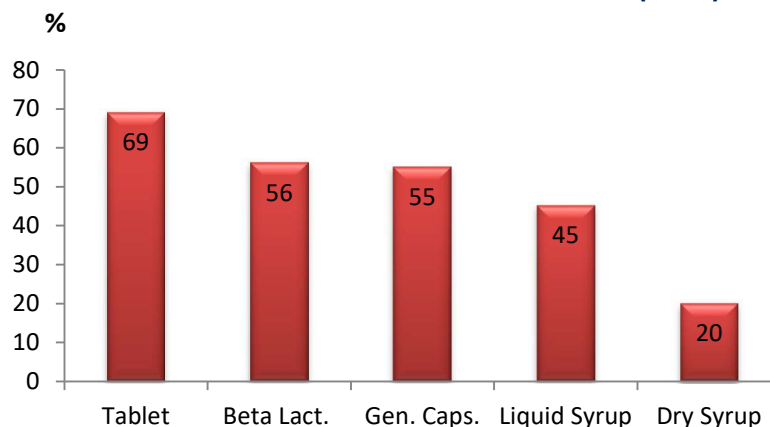


Source: DataPro Limited

ASSET UTILITY

The Company produces medicines in three main forms. These are tablets, capsules (beta lactum capsule and general capsule) and syrup (dry and liquid syrup). **MeCure** is yet to fully utilize its installed capacity. Its current capacity utilization is as presented.

PRODUCTION CAPACITY UTILIZATION (2020)



Source: MeCure Industries Ltd

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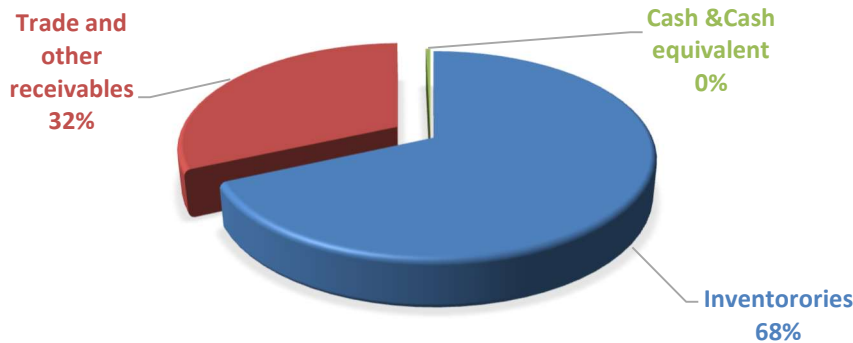
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Total Assets consisted of Current (60%) and Non-Current Assets (40%) in the year 2020. The Current Assets were the larger of the two during the year and it increased by 17% from ₦8.6b (Yr.19) to ₦10.1b (Yr.20). Inventory was the largest component of Current Assets during the year 2020. The breakdown of Current Assets is as follows

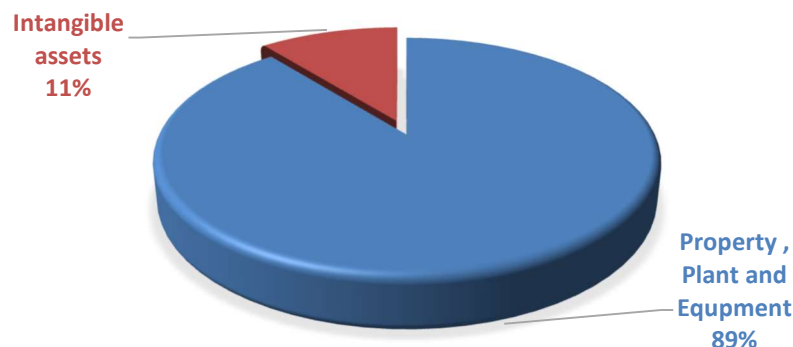
COMPOSITION OF CURRENT ASSETS (2020)



Source: MeCure Industries Ltd

Non-current assets grew from ₦5b (Yr.19) to ₦6.5b (Yr.20). This was a 30% growth in percentage terms. It comprised of Property, Plant & Equipment and Intangible Assets.

COMPOSITION OF NON-CURRENT ASSETS (2020)



Source: MeCure Industries Ltd

The effective utilization of Assets to generate Revenue declined from 116% (Yr.19) to 104% (Yr.20). Similarly, ability to utilize assets to generate profit reduced from 6% (Yr.19) to 5% (Yr.20). However, the Company attainment in this regard performed above its peers during the year 2020. The comparison is as presented.

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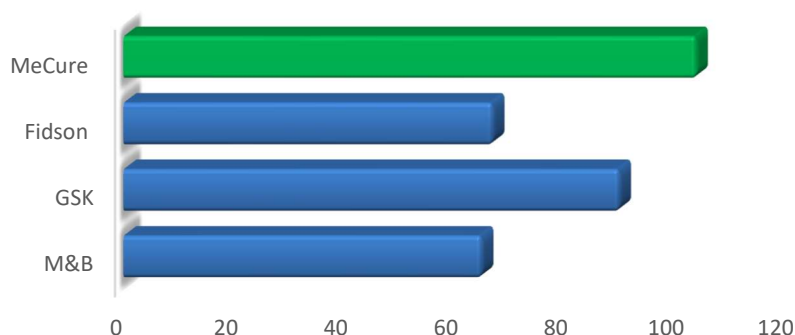
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PEER COMPARISON: REVENUE TO TOTAL ASSETS (2020)

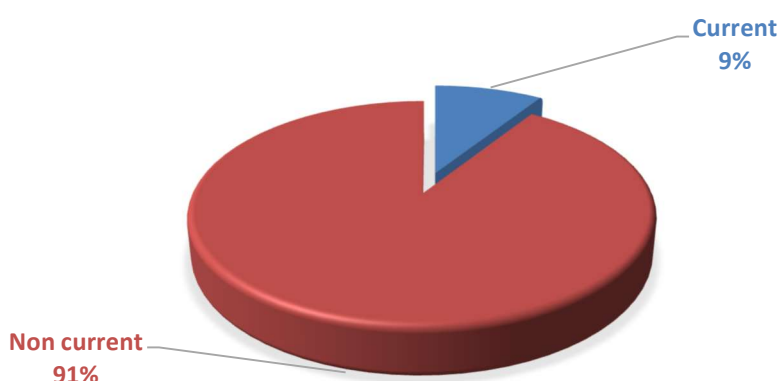


Source: DataPro Limited

LIQUIDITY

MeCure Industries limited Total Liabilities grew by 25% from ₦9.7b (Yr.19) to ₦12b (Yr.20). The liabilities are largely long term in nature as shown:

COMPOSITION OF TOTAL LIABILITIES AS AT 2020



Source: MeCure Industries Ltd

Current Liabilities constituted 9% of the Total Liabilities. However, it grew from ₦1.7b (Yr.19) to ₦1.8b (Yr.20). It comprised of Bank Overdraft, Trade and Other Payables and Tax Liabilities. The growth was due to increased Current Tax Liabilities in the year under review. Current Tax liabilities constituted the highest portion of Current Liabilities accounting for 58% in the year 2020.

SUMMARY

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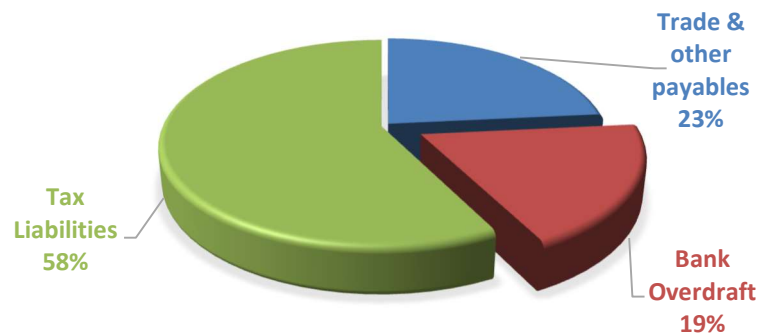
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COMPOSITION OF CURRENT LIABILITIES



Source: MeCure Industries Ltd

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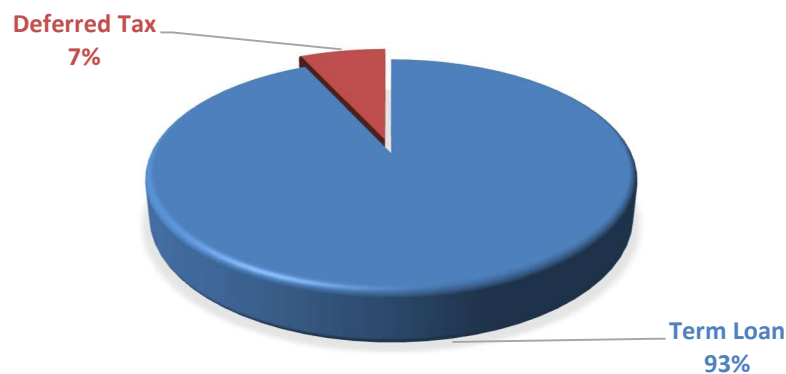
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Non-Current Liabilities summed up to ₦10.1b (Yr.20). This is an increase of 28% compared to ₦8b recorded in the year 2019. Increased Long-Term Borrowings accounted for this growth. The Company took advantage of the Capital Market through the issuance of ₦3b bonds to refinance its existing obligations in the year 2020.

The Long-Term Borrowing of the Company grew from ₦7b (Yr.19) to ₦9.5b (Yr.20). This Component made up 93% of the Long-Term Liabilities while the balance represented Deferred Tax Liabilities.

COMPOSITION OF NON-CURRENT LIABILITIES (2020)



Source: MeCure Industries Ltd

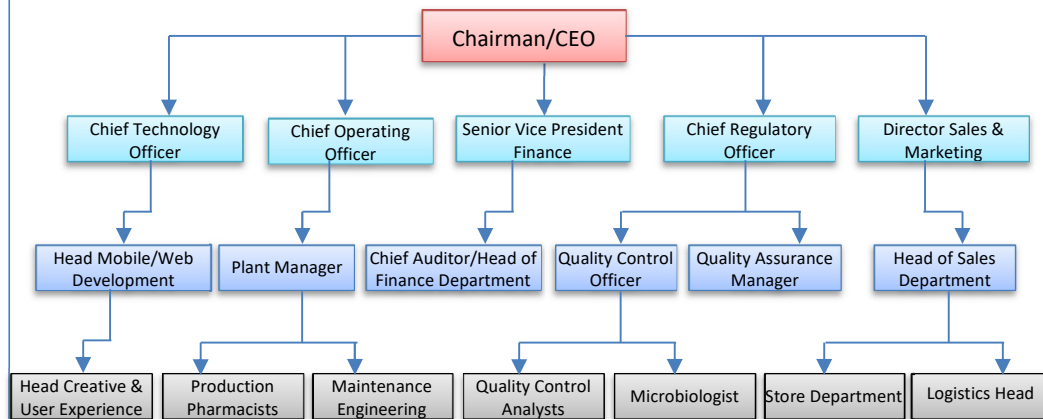
MeCure Industries Limited generated a positive cash flow from its operation in the year 2019. Cash generated from operation was ₦1b (Yr.19) as against ₦2.2b recorded in the year 2019. The Company maintained a Current Ratio of 561% (Yr. 20). This indicates a strong ability to meet maturing obligations.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The Company's Governance framework comprises of two (2) organs which are the Board of Directors and the Executive Committee. The Board of Directors consists of four (2) Executive Directors, two (2) Non-Executive Directors and two (2) Independent Non-Executives. The Executive Committee is comprised of the Executive Director and the senior management team.

The Company's corporate organogram structure is as highlighted.

ORGANISATION STRUCTURE



Source: MeCure Industries 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 between the Nigeria Naira and US Dollars.

Based on our review, we observed that the Company imports one of its most significant raw materials from outside Nigeria. This therefore exposes it to Exchange Rate risk.

INTEREST RISK

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

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Based on our review, the proportion of Short-Term Borrowings contracted by the Company is minimal compared to its operation. Consequently, it has marginal exposure to Interest Rate Risk.

• CREDIT RISK

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

Based on our review, Trade and other receivables represent 32% of the Company's total asset. However, a larger proportion of the Receivables are inter-company related.

• GOVERNANCE RISK

This is the risk arising from the Company inability to continue to operate due to board related challenges.

We observed that the Company is legally owned by the **Udani family** with no Shareholders' Agreement. The appropriate checks and balances may not be fully attained as expected in an organization of this nature.

REGULATORY ENVIRONMENT

The products and affairs of the Company are subject to the regulations of **Federal Ministry Of Health (FMOH), National Agency for Food Drug Administration and Control (NAFDAC), Standards Organisation of Nigeria (SON)** and **Pharmacists Council of Nigeria (PCON)**.

FUTURE OUTLOOK

The Company intends to increase production capacity and manufacture new molecules. It also intends to increase the number of its distributors from 100 to 230 by 2022.

The Company is also targeting a 5% market share in the next 3-5 years.

CONCLUSION

The Rating of the Company is supported by its strong brand presence, experienced management team, strong liquidity and diversified income sources.

However, it is constrained by its high cost of input. Consequently, we assigned a Rating of **"BBB⁺"**

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FINANCES

Financial Position as at

	Dec, 2020 N'000	Δ%	Dec, 2019 N'000	Δ%	Dec, 2018 N'000
Capital Employed					
Ordinary share capital	20,000	-	20,000	-	20,000
Retained Earnings	4,662,876	16.44	4,004,393	8.21	3,700,480
Total equity	4,682,876		4,024,393		3,720,480
Represented by:					
Non-current assets	6,570,153	29.19	5,085,525	32.12	3,849,282
Current assets	10,164,135	18.12	8,605,242	2.91	8,362,227
Non-current liabilities	(10,173,241)	64	(7,964,738)	43	(6,726,288)
Current liabilities	(1,878,170)	128	(1,701,637)	86	(1,764,741)
Net assets/(liabilities)	4,682,877		4,024,392		3,720,480
Net assets/(liabilities) per share (Naira)	234.14		201.22		186.02
Revenue	17,418,183	10.15	15,813,495	4.22	15,172,872
Gross profit	5,568,371	7.92	5,159,904	3.65	4,977,962
Net operating expenses	(3,173,314)	4.93	(3,024,159)	3.88	(2,911,081)
Operating profit	2,395,057	12.14	2,135,745	3.33	2,066,881
Finance cost	(1,448,732)	9.72	(1,320,374)	13.32	(1,165,159)
Profit before tax ation	946,325	16.06	815,371	(9.58)	901,723
Tax (expense)credit	(287,842)	(43.72)	(511,458)	7.86	(474,181)
Profit for the year	658,483	(194.71)	303,913	(219.63)	427,541
Basic and diluted earnings/(loss) per share (Naira)	32.92		15.20		21.38

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Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 30th June, 2021

For and on behalf of:
DataPro Limited
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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+.

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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.

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• Client:

MeCure
Industries
Limited

• Date Compiled

30-Jun-21

Non-Investment Grade

Indicator	Meaning	Explanation
BB	Moderate Risk	(Marginal) Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by DataPro Limited. These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	(Weak) Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by DataPro Limited. 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	(Poor) Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established DataPro Limited. 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	(Very Poor) Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by DataPro Limited. 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.

SUMMARY

BBB⁺

• Rating

• **Report Type:**
Corporate
Rating

• **Client:**
MeCure
Industries
Limited

• **Date Compiled**
30-Jun-21

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.