



DataPro



CORPORATE RATING REPORT

AGRO EKNOR INTERNATIONAL LIMITED

Ground Floor, Foresight House
163-165 Broad Street,
By Marina Water Front
Lagos, Nigeria
☎ 234-802 220 5312, 8055303677
Email: info@datapronigeria.net
dataprong@gmail.com
Website: www.datapronigeria.com

May, 2024

AGRO EKNOR INTERNATIONAL LIMITED

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

Long-Term Rating:

BBB⁺

Short Term Rating: A2

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 21 May, 2024

Valid Till: 20 May, 2025

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

EXECUTIVE SUMMARY

	2023	2022	2021	2020	2019
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	1,682,700	366,589	19,697	338,413	329,041
Pre-Tax Profit	15,759	(109,317)	(238,154)	(108,288)	43,949
Equity	271,169	237,143	138,959	170,613	278,901
Non-Curr. Assets	339,445	229,461	37,037	27,230	32,780
Long-term Debt	562,500	375,000	14,555	14,555	14,555
Total Asset	1,145,097	1,017,838	562,047	500,733	656,811

Rating Explanation

The Short-Term Rating of **A2** indicates *Fair Credit Quality* and adequate capacity for timely payment of financial commitments.

The Long-Term Rating of **BBB⁺** indicates *Slight Risk*. It shows Fair Financial Strength, Operating Performance and Business Profile when compared to the standard established by *DataPro*. This Company, in our opinion, has an ability to meet its current obligations, but its financial strength is vulnerable to adverse changes in economic conditions.

RATING SYNOPSIS

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

The qualitative information used were based on industry and market intelligence including public information. The quantitative information were obtained from the Company's Audited and Management Accounts.

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

Overall, the following were observed:

Positive Rating Factors:

- Good Revenue Profile
- Strong Capitalization
- Experienced Management Team

Negative Rating Factor:

- Weak Profitability

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BACKGROUND

Agro Eknor International Limited ("the Company") was incorporated as a private limited liability company on the 8th of January 2013. However, it commenced operations on the 2nd of February 2014. The Company's headquarter is located in Kano with operations in Katsina, Bauchi, Benue, Nasarawa and Jigawa states.

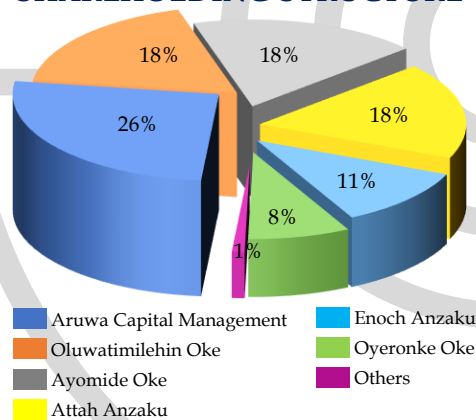
The Company is engaged in sourcing, processing, storing, transporting, and exporting of agricultural products to its clients. Specifically, it trades and exports dried hibiscus flowers to over 20 commodity import clients in Guatemala, Mexico, USA, China, Peru and others.

As part of its business model, the Company provides credit capital to over 5,000 smallholder farmers. This enables it to build on traditional agri-food production expertise and create efficient value-chain operations. By this, it had exported 15,000+ tons of agricultural products to clients globally.

The Company is regulated by *Nigeria Agricultural Quarantine Services, Standard Organisation of Nigeria (SON), Nigerian Export Promotion Council (NEPC) and National Agency for Food and Drug Administration and Control (NAFDAC)*. It is a

member of Nigeria Chamber of Commerce Industries and Agriculture.

SHAREHOLDING STRUCTURE



Source: Agro Eknor International Ltd

Aruwa Capital Management holds 25.45% of the Company's Shares. However, 54.81% of the Shares is evenly spread among *Oluwatimilehin Oke, Ayomide Oke and Attah Anzaku*. Other Shareholders are: *Enoch Anzaku, Oyeronke Oke, Adedoyin Adesanya and Olanrewaju Osayintuyi*.

DIRECTORS' PROFILE

The Directors of the Company are: *Adesuwa O. Rhodes (Chairman); Oluwatimilehin Oke (CEO); Attah Anzaku; Ayomide Oke; Kietter Turker and Dr. Jide Adedeji*.

The Directors profile is as follows.

- Name:** Adesuwa Okunbo Rhodes
Position: Chairman
Profession: Finance Professional & Business Owner
Experience (Years): Over 14 years

Education/Professional

Qualification:

- B.Sc- University of Bristol
- Chartered Institute for Securities and Investment (CIS)
- Certificate in Financial Regulation (CISI)
- Certificate in Securities (CISI)
- Certificate in Derivative (CISI)

Job Experience:

- Lehman Brothers Europe Ltd.
- TLG Capital Limited
- J.P Morgan International Limited
- Syntaxis Capital Africa
- Wells Hosa Greenhouse Farms
- The Wells Carlton Hotel & Apartments
- Aruwa Capital Management

2. **Name:** Oluwatimilehin Olufemi Oke
Position: CEO
Profession: Business Owner & Strategist
Experience (Years): Over 12 years

Education/Professional

Qualification:

- B.Sc- Covenant University, Nigeria
- M.Sc. - University of Salford, Manchester

Job Experience:

- The Co-operative Banking Group
- Agro Eknor International Limited

3. **Name:** Attah'ebwa Anzaku
Position: Executive Director
Profession: Engineering Professional

Education/Professional

Qualification:

- B.Sc- Covenant University, Ota Nigeria
- M.Sc. - University of Salford, Manchester, UK

Job Experience:

- Kaduna Refining and Petrochemical Company (KRPC)
- Nigerian National Petroleum Corporation (NNPC)
- Agro Eknor International Limited

4. **Name:** Ayomide Oke
Position: Executive Director
Profession: Business & Communication Strategist

Education/Professional

Qualification:

- B.Sc- University of Bedfordshire
- M.Sc. - Pan-African University

Job Experience:

- Agro Eknor International Limited

5. **Name:** Kietter Turker
Position: Non-Executive Director
Profession: Business & Agricultural Strategist
Experience (Years): Over 15 years

Education/Professional

Qualification: • B.Sc- Northeastern University

Job Experience: • Abarrso Tech - Somaliland
 • One Acre Fund - Kenya Program Associate
 • One Acre Fund - Kenya Director of Field Operations
 • One Acre Fund - Kenya Chief Operating Officer
 • One Acre Fund - Kenya Chief Executive Officer
 • Maisha Mlima, Kenya

6. **Name:** Dr. Jide Adedeji
Position: Non-Executive Director
Profession: Business Owner
Experience (Years): Over 30 years

Education/Professional

Qualification: • M.Sc- University of Ibadan, Nigeria
 • Ph.D. - Rutgers, The State University of New Jersey, New Brunswick, USA

Job Experience: • Hershey Foods Corp., New Brunswick
 • Brown & Williamson Corporation, Macon, GA. USA
 • Nabisco Inc., Technical Center, East Hanover, NJ. USA
 • Bush Boake Allen Inc., Montvale, NJ. USA
 • International Flavors & Fragrances, Union Beach, NJ. USA
 • Cadbury Schweppes Beverages, Trumbull, Connecticut, USA
 • Transnational Corporation, Lagos, Nigeria
 • Teragro Commodities Ltd, Lagos, Nigeria
 • Easysauces Nigeria Ltd, Lagos, Nigeria

SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population in excess of 200 million. Nigeria has a population in excess of 200 million. In the fourth quarter of 2023, the Country's GDP grew by 3.46% (year-on-year) in real terms. This is lower than the 3.52% recorded in Q4 of 2022 and higher than the Q3 of 2023 growth of 2.54%. The performance was driven mainly by the Services Sector, which recorded a growth of 3.98% and contributed 56.55% to the aggregate GDP.

The non-oil sector grew by 3.07% in real terms during the fourth quarter of 2023. This rate was lower by 1.37% points compared to the rate recorded in the fourth quarter of 2022 and 0.32% points higher than the third quarter of 2023. Growth in this sector was mainly driven by Financial and Insurance (Financial Institutions); Information and Communication (Telecommunication); Agriculture (Crop production); Trade; Construction; Manufacturing (Food, Beverage, and Tobacco) and Real Estate.

Nigeria has an arable land area of 34 million hectares: 6.5 million hectares for permanent crops, and 30.3 million hectares on meadows and pastures. The country is a leader in various types of agricultural production. Four sub-activities make up the Agricultural sector: Crop Production, Livestock, Forestry and Fishing.

In the fourth quarter of 2023, the Sector grew by 14.94% (year-on-year) in nominal terms. This reflected a decrease of 3.74% points from the fourth quarter of 2022. However, there was an increase of 11.06% in the preceding quarter. Crop Production remained the major driver of the sector. This is evident as it accounts for 90.03% of the overall nominal value of the sector in the fourth quarter of 2023.

In real terms, the sector grew by 2.10% (year-on-year) in Q4 of 2023, representing an increase of 0.06% points from Q4 of 2022, and an increase of 0.81% points from Q3 of 2023 which recorded a growth rate of 1.30%. The sector contributed 26.11% to overall GDP in real terms in Q4 2023, lower than the contribution in the fourth quarter of 2022 and lower than the third quarter of 2023 which stood at 26.46% and 29.31% respectively.

The hibiscus flower grows nearly throughout the year, though its peak production is during the dry season of November to April. The crop is largely grown in remote areas of the northern part of Nigeria by small and medium scale farmers. These areas include Jigawa, Katsina, Kano, Maiduguri, Kebbi, and Sokoto with Jigawa being the largest producing area.

Hibiscus enjoys high trade value internationally due to its diverse purposes medicine, flavoring, and cuisine, among others. Nigeria is the second-highest producer and exporter of Hibiscus. To boost the export of hibiscus flower, the ministry of agriculture is regulating the production of the crop by adopting good agricultural practices among farmers. This includes judicious pesticide use, record keeping, and adoption of integrated pest management (IPM) for safe food production.

The Agriculture Sector is faced with several challenges such as lack of access to finance, resource shortages, insufficient supply to meet the growing population demand, inadequate and outdated system of farming and absence of value addition.

However, reforms in the sector have been driven by Government policies aimed at encouraging more mechanized farming and thereby, leading to a more Agro-allied nation. The Agriculture Promotion Policy which succeeded the *Agriculture Transformation Agenda* was developed in 2016 as a National Policy Framework for driving the growth and development of the sector in Nigeria. Other initiatives include: *The Nigeria Africa Trade and Investment Promotion Programme*, *CBN Commercial Agriculture Credit Scheme*, *CBN N50bn Targeted Credit Facility* (COVID-19 pandemic response) and *CBN Backward Integration Programme*.

In January 2021, Nigeria signed the *Africa Continental Free Trade Area Agreement (AFTCA)*. The aim of the Agreement is to foster agricultural transformation and

advancement in Africa in order to promote food security and competitiveness through the improvement of regional agricultural value chain and investment in production. Growth opportunities abound for operators in the industry on account of availability of arable lands, support initiatives from government and the growing population of the country. Additionally, AFTCA will also provide access to larger market for operators in the sector.

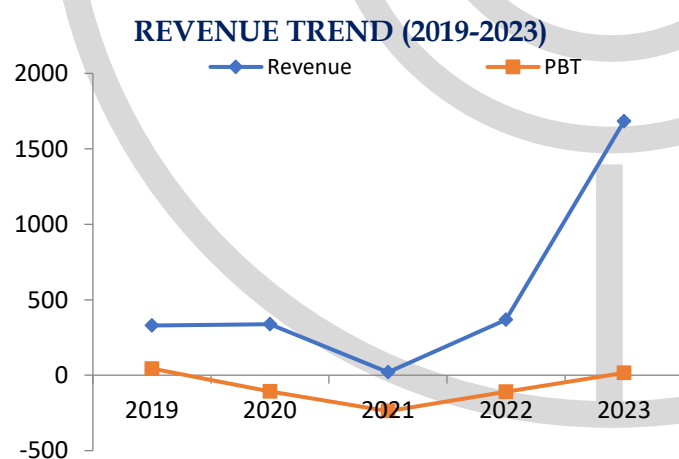
Additionally, Federal Ministry of Agriculture and Rural Development (FMARD) conceived the National Agricultural Technology and Innovation Policy (NATIP 2022-2027) to modernize the agricultural sector in line with the changing global food systems and supply chains.

Therefore, growth opportunities abound for operators in the industry on account of availability of arable lands, improving technology, support initiatives from Government and the growing population of the country.

FINANCIAL PERFORMANCE

• EARNINGS AND PROFITABILITY PROFILE

The Company's Revenue in the year 2023 amounted to N1.6b. This is the highest growth in Revenue in five (5) years. Revenue was derived from the exportation and local sales of agricultural products. Aside these, the Company also earned income from Fumigation Services which was added as part of its line of business in the year 2023.



Source: Agro Eknor International Ltd

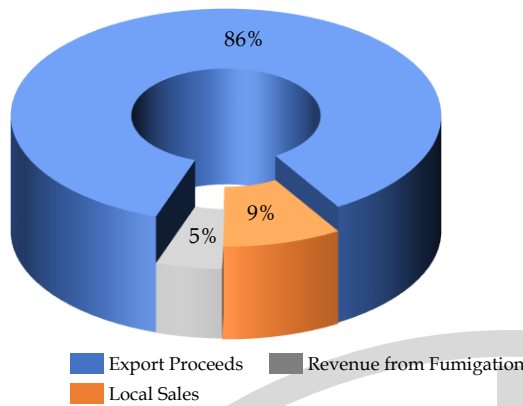
Exportation of agricultural products is the most significant source of Revenue. It surged from N0.33b (Yr. 22) to N1.4b (Yr. 23) and constituted 86% of Revenue earned in the financial year.

The Company derived Income from other sources in the year 2023. These sources included realized and unrealized foreign exchange gains. The Company earned N321m (Yr. 23) from these sources as against

N254.8m (Yr. 22).

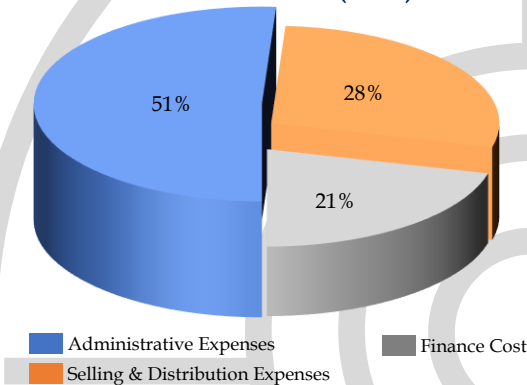
The Company's Hibiscus Flowers are sourced from its partnered farms in Nigeria. In the year 2023, 70% of its raw material was sourced from Jigawa and the rest from Kano.

DISTRIBUTION OF REVENUE (2023)



Source: Agro Eknor International Ltd

COMPOSITION OF TOTAL OPERATING EXPENDITURE (2023)



Source: Agro Eknor International Ltd

Direct Cost associated with the Sales of products heightened from N0.4b (Yr. 22) to N1.3b (Yr. 23). This is a direct consequence of the growth in Revenue for the year. However, Direct Cost as a proportion of Revenue recorded an improvement from 112% (Yr. 22) to 82% (Yr. 23). Therefore, a Gross Profit of N308.3m was recorded in the year 2023 as against a loss of N42.4m (Yr. 22).

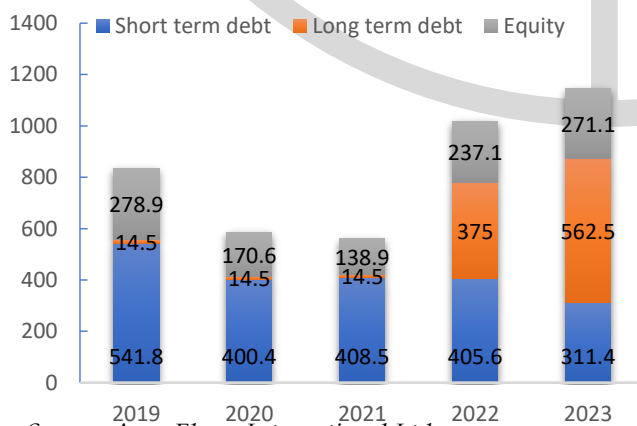
The Operating Expenditure of the Company amounted to N297.8m and N484m in the years 2022 and 2023 respectively. These were expenses arising from Administration, Selling and Distribution activities

Additionally, a Finance Cost of N129.6m was paid in the year 2023 compared with N23.8m in the prior year. This included cost on preference shares and interest charges on borrowings.

Gross Earnings adequately absorbed the Total Expenditure in the financial year. Therefore, a Profit Before Tax of N15.7m was reported as against a Loss Before Tax of N109.3m (Yr. 22).

• CAPITALIZATION

SHAREHOLDING STRUCTURE



Source: Agro Eknor International Ltd

Share Capital and Preference Share remained the same at N10m and N3.4m respectively in the year ended 2023. The Preference Shares were subscribed and fully paid by Aruwa Capital Management.

Similarly, Share Premium stood at a balance of N410.5m in both years 2022 and 2023. Deposit for Shares increased by 19% as at the year-ended 2023. The Profit Retained during the year 2023 had a

suppressant effect on the accumulated losses for the periods spanning from 2020 – 2022. Therefore, Retained Earnings improved to a negative balance of N265.6m (Yr. 23).

BREAKDOWN OF TOTAL LIABILITIES (2022-2023)

Item	2023 ₦'000	%	2022 ₦'000	%
Short-Term Liabilities	311,428	36	405,695	52
Long-Term Liabilities	562,500	64	375,000	48
Total Liabilities	873,928	100	780,695	100

Source: Agro Eknor International Ltd

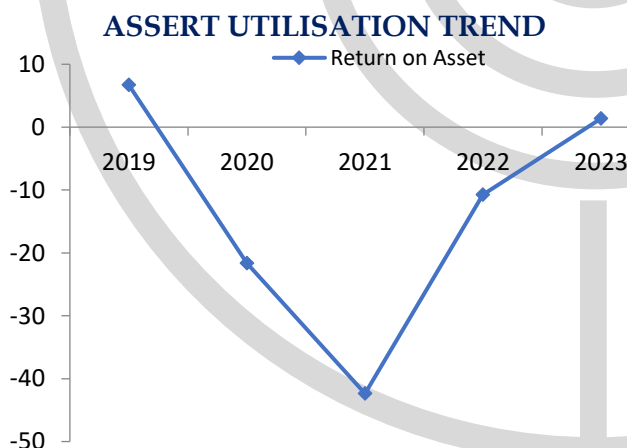
Following the major shifts in Deposits for Shares and Retained Earnings, overall Equity was strengthened by 14%. It grew from N237.1m (Yr. 22) to N271.1m (Yr. 23). Liabilities were both Short-term and Long-term in nature in the financial year. Long term

Obligations scaled up by 50% and represented 64% of Total Liabilities.

The Company's ability to fund its operations using Equity improved marginally from 23% (Yr. 22) to 24% (Yr. 23). This implied that the Company's operations were largely funded by debt.

• ASSET UTILITY

The Company has completed the installation of an agro-processing infrastructure capable of producing over 5000tons of dried hibiscus flowers annually. As at the year ended 31st of December 2023, the Company had a factory installed capacity of 3200 tons. However, the capacity utilization for its products was 1000 tons.



Source: Agro Eknor International Ltd

Total Assets deployed towards operation increased by 13% in the year 2023. The Non-Current portion of Asset comprised of Property, Plants and Equipment (PPE) including Intangible Asset (USA Market Development). These two Asset classes recorded a noticeable growth in the financial year. Property, Plants and Equipment increased from N229.4m (Yr. 22) to N339.4m (Yr. 23) while Intangible Asset grew from N54.8m (Yr. 22) to

N94.2m (Yr. 23).

Current Assets accounted for 62% of the Total Assets in the year 2023. It comprised of Inventories, Cash and Cash Equivalent as well as Trade and Other Receivables. This Asset category amounted to N711.4m representing a 3% decline compared with the prior year's figure. However, the ability of the Company to effectively use its Assets to generate Profit was only 1%.

• LIQUIDITY

Total Liabilities of the Company heightened by 12%, from N780.6m to N873.9m in the years 2022 and 2023 respectively. This change was driven by the increase in the Long-term Loan obtained for the completion of its fumigation chamber and other working capital requirements. The Loan amounted to N562.5m (Yr. 23), reflecting a 50% rise from the prior year.

The current portion of the Company's Obligations declined by 23% in the financial year. This was driven by the decrease in Trade and other Payables and Current Tax Liabilities.

Short-term Loan increased by 41% from N121.6m (Yr. 22) to N171.1m (Yr. 23). This included an overdraft facility from FCMB at an interest rate of 18% and a non-interest-bearing finance loan.

The Company had a Liquidity surplus of N399.9m(Yr.23) after adjusting for its Short-term Obligations. This implied a Current Ratio of 228% (Yr. 23) as against 181% (Yr. 22). This is above the benchmark rate of 100%. However, a negative Cashflow of N136.8m was derived from operations. This was on the account of increased Receivables recorded during the period.

FUTURE OUTLOOK

The Company has completed the installation of an agro-processing infrastructure capable of producing over 5000tons of dried hibiscus flowers annually. In the short term, it aims to secure working capital to optimize infrastructure while expanding capacity and export volume to over 9,000 tons annually.

In the medium term, the Company is leveraging on strategic partnerships with *Know-local* and *Cresso*, in order to transform into a vertically integrated diversified Agribusiness company focused on Hibiscus Flowers, Hibiscus Cordials, Oil Palm and Fonio.

The Company's strategic outlook is to build the business into a leading supplier of hibiscus products, edible oils, and Fonio to the Chinese, Latin America and AFCTA (Food and healthcare) industry, leveraging on the multi-use application of these products and its strong distribution network.

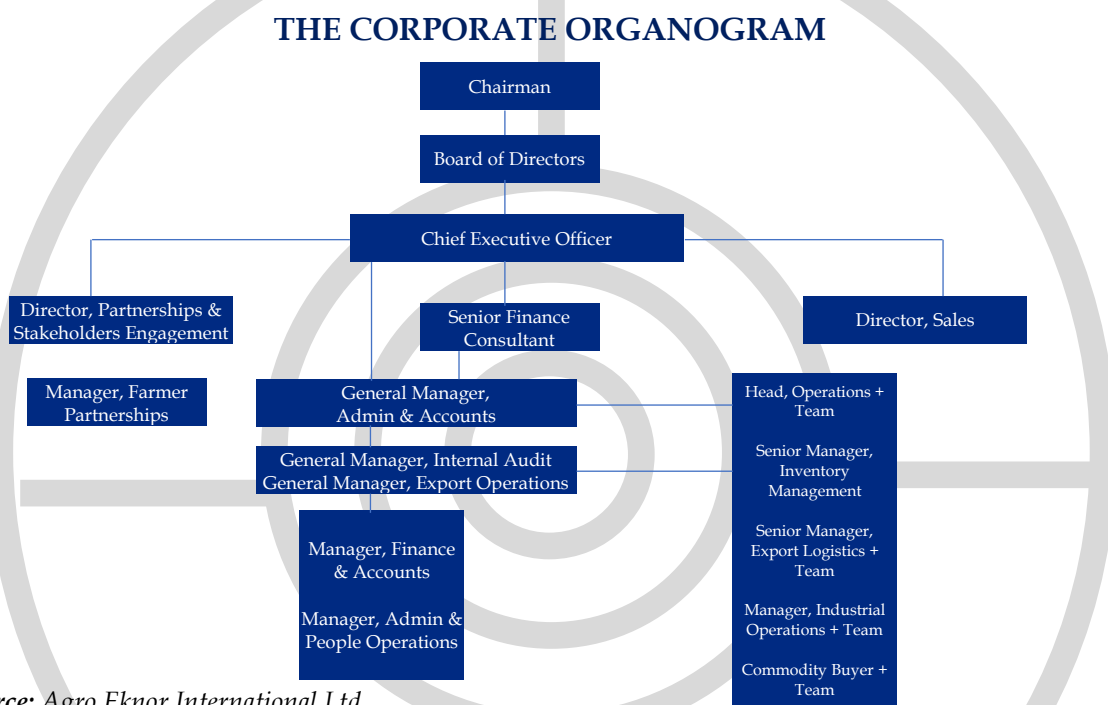
The Company is also discussing a partnership with the Kingdom of Warri towards the installation of a food-waste conversion facility targeting the production of 1,000 tons of organic fertilizers annually. Six leading agriculture companies in Nigeria have already been signed up as potential off-takers of this project.

The Company targets 40% EBITDA Margin in the financial year 2024. To achieve this, it will optimize the investment made in the fumigation plant and warehousing capacity through partnership with third parties' local aggregators in on-boarding 10,000 farmers in 2024.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by a 6-Man Board consisting of two (2) Non-Executive Directors and four (4) Executive Directors (including the Chairman).

The Corporate structure of the Company is as presented:



Source: Agro Eknor International Ltd.

RISK FACTORS

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

- REPUTATIONAL RISK**

This is the risk that the Company may be exposed to reputational damage of its brand which may lead to loss of business.

In the course of our review, there was no negative public information or adverse press report against the Company or its Board of Directors.

- **CREDIT RISK**

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

Based on our review, the Company's Total Receivables accounted for 44% of its Total Assets. Therefore, inability of its trading partners to pay as at when due will have significant effect on the Company's profitability.

- **FOREIGN EXCHANGE RISK**

This is the risk of loss to income arising from adverse movement in Exchange Rates. Most of the Company's Revenue were derived from exportation of its products. As at the financial year end 2023, foreign proceeds constituted 86% of its Revenue. Consequently, adverse movement in Exchange Rate may impair profitability.

- **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 maintained a Current Ratio of 228% as at the year ended 31st December, 2023.

CONCLUSION

The Rating of the Company is supported by its Good Revenue Profile, Strong Capitalization and Experienced Management Team.

Consequently, we assigned a Rating of **"BBB+ "**

FINANCES

Financial Position as at

	Dec., 2023		Dec., 2022		Dec., 2021
	₹	Δ%	₹	Δ%	₹
ASSETS					
USA Market Development	94,244,161	71.95	54,810,261	(14.29)	63,945,304
Property, Plant & Equipment	339,444,883	47.93	229,460,648	519.55	37,036,741
Inventory	112,688,830	(37.55)	180,434,560	32.28	136,408,313
Other Assets	22,068,765	1,260.76	1,621,800	-	1,621,800
Trade & Other Receivables	501,444,992	72.09	291,380,524	(8.58)	318,717,668
Cash and cash equivalent	75,205,154	(71.09)	260,130,404	5,925.08	4,317,457
Total Assets	1,145,096,785	12.50	1,017,838,197	81.09	562,047,283
Total Liabilities	873,927,834	11.94	780,695,420	84.52	423,087,828
Equity					
Ordinary Share capital	10,000,000	-	10,000,000	-	10,000,000
Preference Share	3,413,217	-	3,413,217	100.00	1,706,609
Share Premium	410,586,783	-	410,586,783	100.49	204,793,392
Deposit for Shares	112,823,415	19.32	94,555,000	-	94,555,000
Retains Earnings	(265,654,463)	(5.60)	(281,412,223)	63.52	(172,095,546)
Shareholders funds	271,168,952	14.35	237,142,777	70.66	138,959,455
Total Liabilities & Equity	1,145,096,786	12.50	1,017,838,197	81.09	562,047,283
Profit & Loss Account					
Revenue	1,682,699,558	359.02	366,588,550	1,761.12	19,697,153
Profit before income tax	15,758,830	(114.42)	(109,316,960)	(54.10)	(238,153,756)
Profit for the year	15,758,042	(114.42)	(109,316,960)	(54.10)	(238,153,756)

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 19th July, 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
Cell: 0805-530-3677
Email: info@datapronigeria.net, dataprong@gmail.com
Website: www.datapronigeria.net

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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.