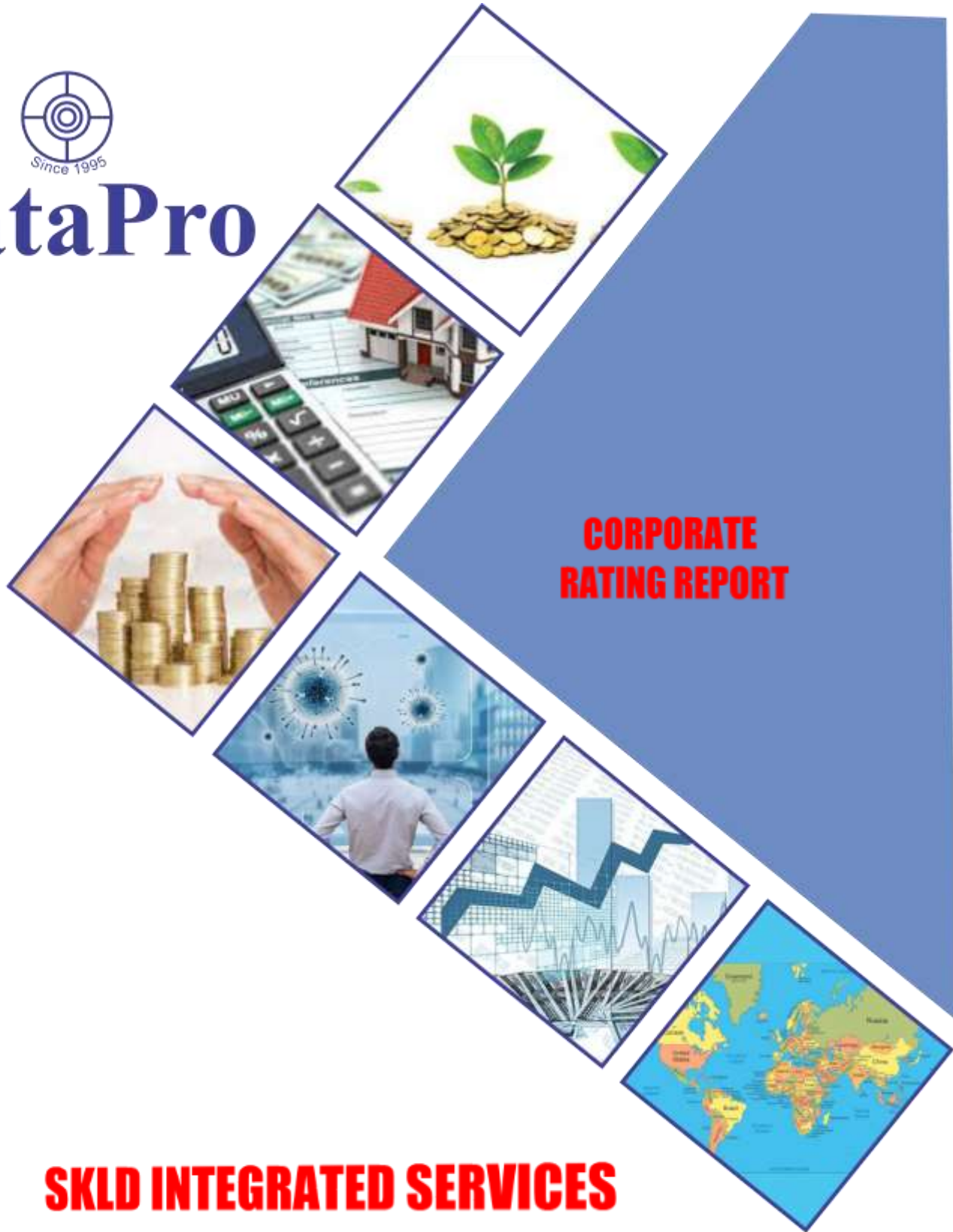




# DataPro



## **CORPORATE RATING REPORT**

## **SKLD INTEGRATED SERVICES LIMITED**

Ground Floor, Foresight House  
163-165 Broad Street,  
By Marina Water Front  
☎ 234-1-4605395, 4605396  
Email: [info@datapronigeria.com](mailto:info@datapronigeria.com)  
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February, 2022

# SKLD INTEGRATED SERVICES LIMITED

## Long-Term Rating:

**BBB<sup>+</sup>**

Short Term Rating: A2

Rating Outlook: Stable

Trend: Up

Currency: Naira

Date Issued: 9 Feb., 2022

Valid Till: 8 Feb., 2023

## 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

	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000
Turnover	2,016,012	1,015,498	1,203,432	1,000,389	640,489
Profit Before Tax	68,629	(64,352)	38,954	28,786	25,260
Equity	838,971	11,199	97,229	78,881	60,475
Non Current Asset	237,390	84,130	103,938	50,240	29,870
Total Asset	1,307,143	818,457	590,218	485,926	317,926
Non Current Liabs	168,187	243,171	20,195	7,619	3,733

### 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<sup>+</sup>** 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.

## 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 subject's current healthy profile in the medium to long term period.

Overall, the following were observed:

### Strengths:

- Diversified Earning Profile
- Strong Brand Presence
- Good Market Position

### Weaknesses:

- Low Profit Margin
- Limited Production Capacity

*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.*

## BACKGROUND

**SKLD Integrated Services Limited ("The Company")** formerly known as School Kits Limited was incorporated on the 11<sup>th</sup> of July, 2000 and commenced operations on 9<sup>th</sup> September, 2000.

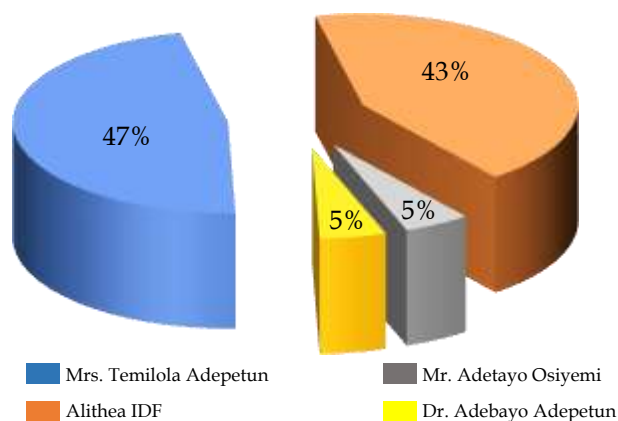
It is one of the leading indigenous producers and distributors of educational and relief materials in Nigeria.

The Company's activities include sales of educational and office supplies through a one stop e-commerce store and retail outlets located in **Lagos** and **Abuja**, Nigeria. The Company specifically deals in the remote sales, wholesale supply and distribution of **Marcel Hughes Apparel**, **Weavevortex**, **Casio**, **Skit Store**, **SKLD Relief** and **Qualatex brands**. It is also involved in the production of school uniforms, safety apparel, corporate apparel and functional wear.

Aside its partnership with **Casio** and **Qualatex**, The Company is also engaged by local and international organizations for the distribution of relief humanitarian materials. These organizations include the **United Nation Children Emergency Fund (UNICEF)**. The Company has five (5) retail stores in commercial hubs in Lagos and Abuja. It is also exploring other high potential distributorship deals. Its manufacturing line operates at 100% capacity and produces over 10,000 garments in a month.

The Company is structured into four (4) Strategic Business Units. These are: Retail, Humanitarian Relief Supply, Distributorship and Wholesale. Based on the structure it maintains, it is able to serve on a Business (B2B) and Business to Consumer (B2C) basis.

### SHAREHOLDING OF SHAREHOLDING STRUCTURE



Source: SKLD Integrated Services Ltd

The major shareholders of the Company are: **Mrs Temilola Adepotun (47.1%)** and **Alithea IDF (42.9%)**. Other significant shareholders are **Dr Adebayo Adepotun** and **Mr Tayo Osiyemi** with 5% each.

## DIRECTORS' PROFILE

The following persons served as directors during the year under review; **Mr. Michael Olusegun Olukoya - Chairman**, **Mrs. Temilola Adepotun - Managing Director/CEO**, **Dr. Adebayo Adepotun**, **Mrs. Subuola Abraham**, **Mr. Ayotomi Rotimi** and **Mr. Tayo Osiyemi**

The Directors' profiles are as follows:

1. **Name:** Mr. Michael Olusegun Olukoya  
**Position:** Chairman  
**Years of Experience:** 24 years  
**Education:** B.Sc (Economics) - University of Lagos  
**Job Experience:**
  - NEXTZON Business Services
  - Heirs Alliance Group
  - Guaranty Trust Bank Plc
  - Kakawa Asset Management Ltd
  - Accenture
  
2. **Name:** Mrs. Temilola Adepotun  
**Position:** Managing Director/CEO  
**Years of Experience:** 35 years in Insurance, Economic planning and Treasury  
**Education:**
  - B.Sc (Economics)- University of Lagos
  - Chartered Institute of Insurance London**Job Experience:**
  - Ashland Oil Nigeria
  - Addax Petroleum**Board Membership:** Since 2000
  
3. **Name:** Mrs. Subuola Abraham  
**Position:** Non- Executive Director  
**Years of Experience:** 25 years  
**Education:**
  - B.A. (Hons) - University of
  - Chartered Institute of Bankers**Job Experience:**
  - Guaranty Trust Holding Company
  - United Bank for Africa Plc
  - Citigroup
  - Pershing Securities
  - ABN AMRO**Board Membership:** Since 2018
  
4. **Name:** Mr. Adebayo Adepotun  
**Position:** Non-Executive Director  
**Years of Experience:** 35 years  
**Education:**
  - College of Medicine, University of Lagos
  - M.Sc (Clinical Tropical Medicine)-London School of Hygiene and Tropical Medicine.**Job Experience:**
  - Midi-tone Limited
  - Midi-vision Limited
  - Cue Media Limited**Board Membership:** Since 2018

5. **Name:** Mrs. Ayotomi Rotimi  
**Position:** Non-Executive Director  
**Years of Experience:** 22 years  
**Education:** •B.Sc (Business Administration)- University of Lagos  
**Job Experience:** •Xclamations  
•L.A.X Nigeria
6. **Name:** Mr. Tayo Osiyemi  
**Position:** Deputy Managing Director  
**Education:** •B.Sc- Chemical Engineering- Obafemi Awolowo University  
•Project Management Professional (PMP)  
**Job Experience:** •Safeline Microfinance Bank  
•Reveal Audio and Acoustic Limited  
•Nexton Business Services

## INDUSTRY OVERVIEW

Wholesale and retail sales are the second largest sectorial contributor to Nigeria's GDP in the year 2021. With a contribution of 16.86% it comes second after the agricultural sector (25.08%), and before the real estate sector (6.85%).

The Nigerian Trading and Manufacturing sector manifests low cyclicity as it relates to School Kits due to the essential nature of education. Most input and finished products associated with School Kits are imported in Nigeria. Generally, local manufacturing contributes less than 5 percent to the Nigerian economy. Over the years, this has continued to decline steadily because of the enormous challenges manufacturers face in the country.

In the second quarter of 2020, the contribution of manufacturing to GDP was 11.79%. As at the corresponding period of 2021, it rose to 14.18%. But it was lower than the first quarter of 2021 at 15.27%. Capacity utilization has also dropped consistently.

Among many other challenges, manufacturers in Nigeria are faced with lack of basic infrastructure, poor electricity supply, insecurity, inconsistent government policy, scarcity of Foreign Currency and inability to access funds for business expansion. Though there have been several incentives to boost manufacturing in terms of bailout of specific industries like textile, the manufacturing industry remains a shadow of itself as importation has been used to meet local needs in Nigeria since 1980.

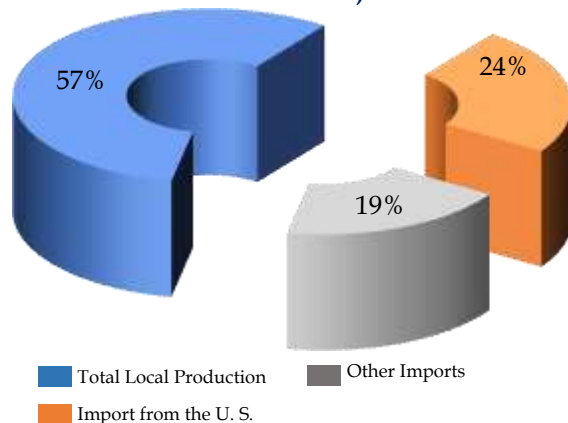
The impact of the COVID-19 pandemic, rising inflation, border closure and other issues, accounted for the significant changes in behavioural pattern for retailers, distributors and manufacturers in the year 2021.



The School Kits Market is seasonal with the potential annual market size of school related products estimated to be ₦42 billion. In 2018, about 27.9 million children were enrolled in elementary schools in Nigeria. In the same year, about 6.8 million students were enrolled in both private and public secondary schools. In the academic year, 2021/2022, Nigeria Universities counted 1.8 million undergraduate students and 242,000 post graduate students. In view of Nigeria's growing population which is

projected to reach 260m by the year 2030, enrollment in schools is expected to escalate with attendant effect on demand for educational materials and kits.

#### MARKET SIZE ANALYSIS, (EDUCATIONAL SUPPLIES) 2020



Source: International Trade Administration

Foreign suppliers are favored in Nigeria for the provision of technology-based solutions. Casio is a dominant brand in the Calculator market. According to International Trade Administration (Country Commercial Guide), Nigeria recorded zero export from 2016 to 2020 while total imports of

educational supplies stood at \$70.6m as at the year 2020.

As a result of the essential nature of school kits and humanitarian aids, there is less vulnerability to economic cycles. Notwithstanding this, disruptions to the sector performance emanated from the impact of global shocks on the supply chain/logistics and volatility in the foreign exchange market, given the high import dependence for school material and production equipment.

In the 2021 education budget, Nigeria allocated 6.3% of the national budget to the Federal Ministry of Education amounting to ₦742.5 billion (\$1.8 billion). Out of this, ₦615.1 billion (\$1.5 billion) is proposed to go into the recurrent expenditure of the ministry covering personnel and overhead costs while ₦127.3 billion (\$300 million) is devoted to capital expenditure. This is the sector's lowest allocation in 10 years.

Several opportunities exist for suppliers of educational products, and educational service providers across Nigeria.

The humanitarian response strategy developed by the United Nations office for the Coordination of Humanitarian affairs (OCHA) for 2019 to 2021 reveals a 3-year plan to spend \$848 million on 14 sectors partnering with 69 organizations. Also, the space poses opportunities from other global institutions who are in constant search for competent procurement partners.

The Company in taking advantage of the limitless opportunities within the School Kit sector is redefining itself to solve attendant problems associated with importation and

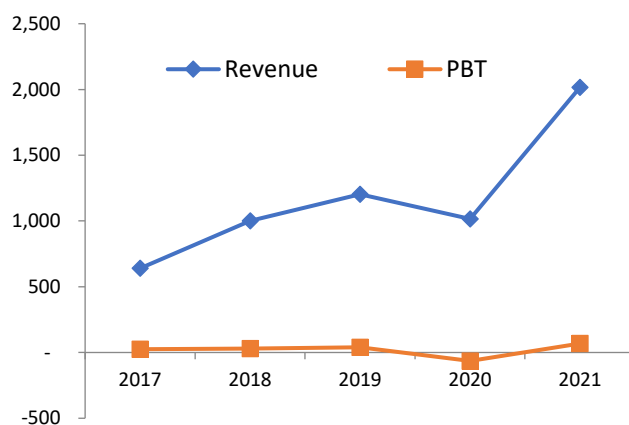
distribution. First in this regard is to enhance its production capacity in producing school uniform for middle income segment of the market while it continues to import for the high end bracket. It is also diversifying into other line of retailing to de-risk its cashflow from the seasonality of school business. Its logistics and distribution business has also been boosted by its humanitarian aids engagement as well as partnership with notable manufacturers such as Casio.

Therefore, the ability to attract more partnerships, funding as well as improved production capacity will impact the Company positively.

## FINANCIAL PERFORMANCE

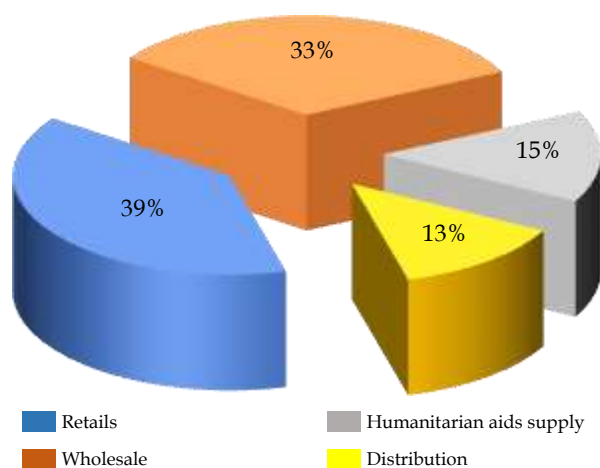
### • EARNING PROFILE

REVENUE GROWTH (2017 – 2021)



Source: SKLD Integrated Services Limited

COMPOSITION OF REVENUE BY BUSINESS SEGMENT FOR THE YEAR 2021



Source: SKLD Integrated Services Limited

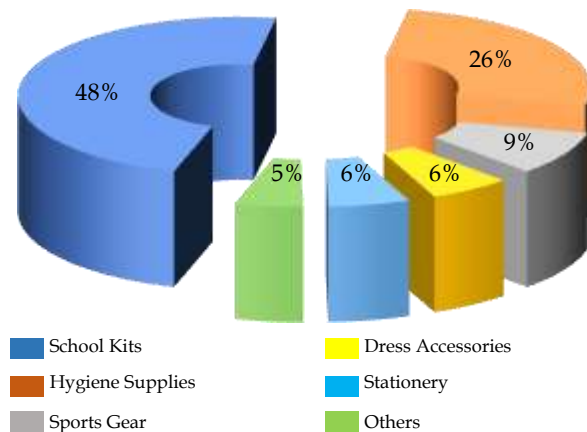
We reviewed the audited financials of the Company covering 2017 to 2020. In addition, we also reviewed unaudited financials covering 12 months operation period ending October 31, 2021. The Company year-end is October 31.

Based on the financials, The Company grew its Earnings during the period under review except in the year 2020. Revenue for the year 2020 dipped by 15% largely due to lockdown of business operations especially Schools at the peak of Covid-19 pandemic. However, there was improvement in the period ending October 2021 with 99% growth bringing Revenue to N2b.

The increase in Revenue was due to enhanced production capacity and acquisition of additional retail outlets driven by market demands. The Company has a well-diversified Revenue base. The largest contributor to Revenue was the Retail Business Unit accounting for 39% of total Sales.

In terms of product, the biggest Revenue was generated from School Kits. The Company generated 48% of its Revenue from this source in the year 2021. Aside the

### PRODUCT CONTRIBUTION TO TOTAL EARNINGS FOR THE YEAR 2021



Source: SKLD Integrated Services Limited

School Kits, Hygiene Supplies also contributed significant proportion of 26% to total Revenue.

The five-year audited Accounts indicated a growth-led trend. While a decline of 15% was recorded in gross earnings in 2020, it doubled in 2021 bringing Revenue up to ₦2b. The increase in Revenue was due to volume growth and price increase to offset rising cost of raw materials. Given the fact that SKLD is a commodity dependent entity, its profitability is highly sensitive to

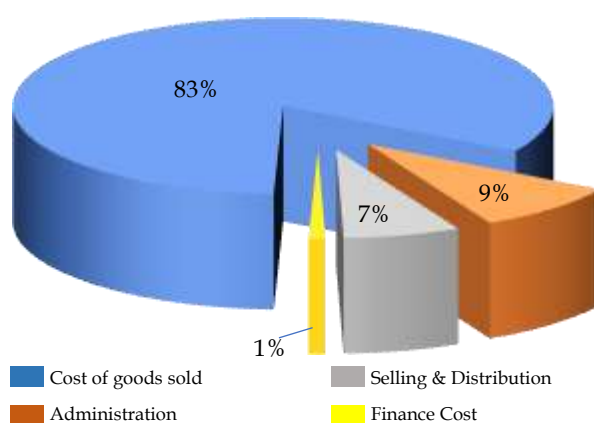
general price and exchange rate volatility.

### • PROFITABILITY

Item	2021	2020	2019
Gross Profit	731,612,377	330,877,234	432,591,163
Total Expenses	551,578,407	351,666,695	340,815,699
Profit Before Tax	68,628,796	(64,352,277)	38,954,305

Source: SKLD Integrated Services Limited

### COMPOSITION OF TOTAL EXPENSES FOR THE YEAR 2021



Source: SKLD Integrated Services Limited

The Company has implemented a number of cost containment initiatives. These include direct control of its logistics function and expanding its local production to cushion imported inflation and foreign exchange pressures. This paid off in the year 2021 given the increase in Gross Profit Margin from 33% (Yr.20) to 36% (Yr. 21).

In line with the Company expansion plans and inflationary pressures, Operating Expenses comprising of Selling, General and Administrative Costs rose from ₦351m (Yr. 20) to ₦551m (Yr.19). The major cost driver was Personnel Cost.

The significant rise in Revenue moderated the effect of the increase

in Expenditure. Consequently, the Company achieved a Pre-Tax Profit of ₦68.6m (Yr. 20) as against a loss of ₦64.4m (Yr.19).



## • CAPITALIZATION

Total Assets comprised of Current and Non-Current Assets. The value of the Company's Total Assets increased by 60% during the year 2021 from ₦818m (Yr. 20) to ₦1.3b (Yr.21).

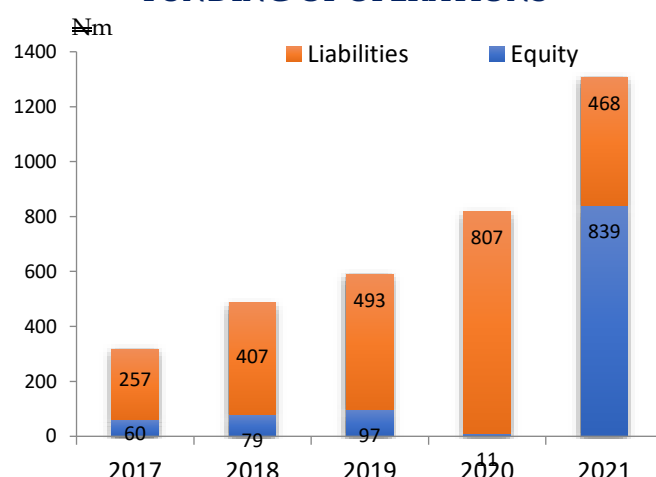
### BREAKDOWN OF THE TOTAL ASSET

ITEM	2021	%
Current Asset	1,069,753,255	82%
Non Current Asset	237,389,761	18%
Total Asset	1,307,143,017	100%

Source: SKLD Integrated Services Limited

The increase was largely due to additional investments in Property Plants and Equipments. Current Assets growth was equally significant at 46% in the year 2021. The Company held more Inventories at the end of the year 2021. Therefore, Total Asset value grew from ₦818m (Yr. 20) to ₦1.3b (Yr. 21)

### FUNDING OF OPERATIONS



Source: SKLD Integrated Services Limited

The Company was able to raise long term financing as Deposits for Shares during the year 2021. This is in addition to improved profitability leading to surge in Retained Earnings from ₦0.4m (Yr. 20) to ₦40m (Yr.21). Therefore, Equity rose significantly from ₦11.2m (Yr.20) to ₦0.8b (Yr.21).

Total Liabilities in the year 2021 was ₦468m compared to ₦807m recorded in 2020. This was due to the reduction in Loans and Financial obligations during the

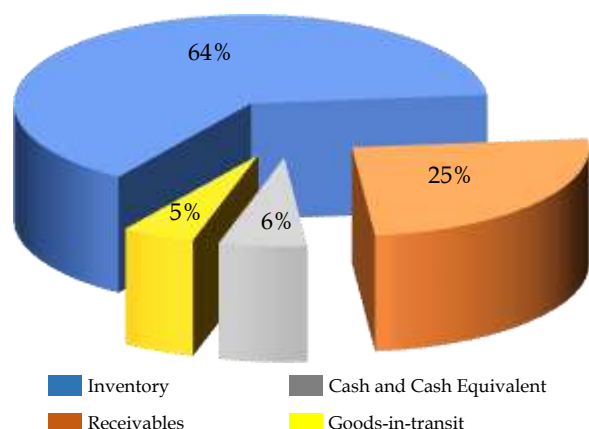
year. Other major items of Total Liabilities include Payables, Tax Liabilities, Dividend Payable, Retirement Benefit and Advances from Customers.

The growth in Equity surpassed the increase in Total Assets. This is in addition to decrease in the company's Total Liabilities. As a result, equity funding of operation in the year 2021 rose from 1% (Yr.20) to 64%.

## • ASSET UTILITY

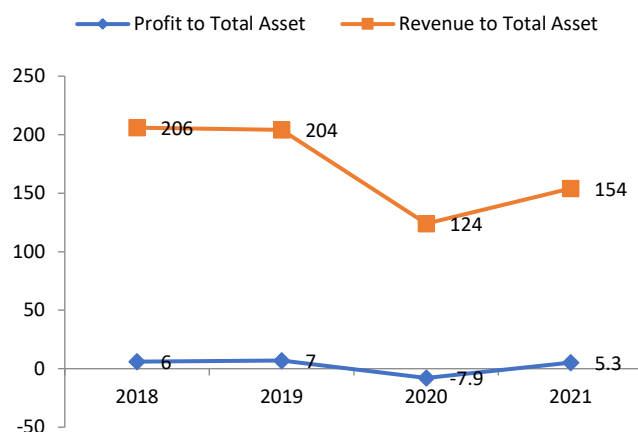
The Company has five (5) retail stores in the commercial hub of Lagos and Abuja. Its manufacturing line operates at 100% capacity and produces over 10,000 garments in a month. The factory size is 300SQM with 40 sewing machines.

### COMPOSITION OF CURRENT ASSETS FOR THE YEAR (2021)



Source: SKLD Integrated Services Limited

### ASSET UTILIZATION TRENDS (2018-2021)



Source: SKLD Integrated Services Limited

The total value of the Company's Asset in the year 2021 was ₦1.3b. However, Property, Plant and Equipment comprised of 18%. The Company spent ₦223.3m in acquiring this class of Assets during the year 2021.

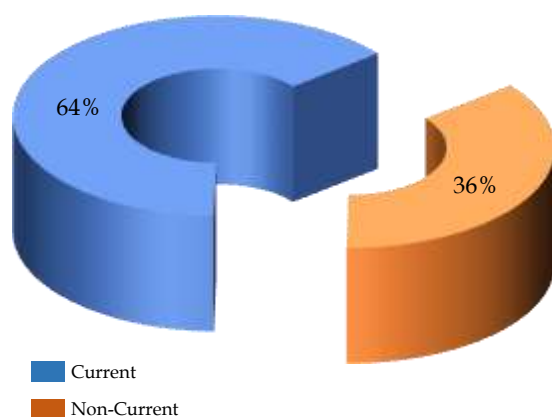
Short-Term Assets has been characterized by higher Inventory holdings and large cash payment to suppliers to cater for increased market demand.

Inventories accounts for 64% of Short-term Assets with trade and other receivables, goods in transit and cash making up for the remaining portion.

The increase in Revenue is yet to match Asset growth. Ability of the Company to effectively generate Revenue using its Assets increased from 124% (Yr.20) to 154% (Yr.21). Despite the increase, the Company is yet to return to its Pre-Covid level of efficiency.

## • LIQUIDITY

### COMPOSITION OF TOTAL LIABILITIES (2021)



Source: SKLD Integrated Services Limited

As at 31 October 2021, SKLD Total Liabilities stood at ₦468m, representing a 42% decrease from the previous year, due to a fall in both Current and Non-Current Liabilities. As at the year-end, Current Liabilities accounted for 64% of the Company's total obligations, while Non-Current Liabilities contributed the balance of 36%.

Similarly, Interest bearing Borrowings accounted for 67% of

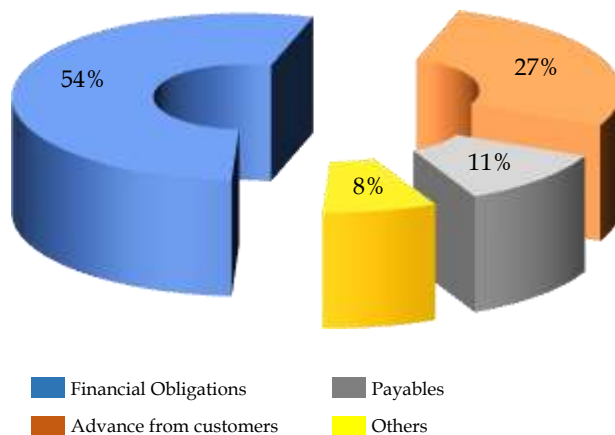
the Company's Total Liabilities, while Non-Interest-Bearing Loans represented the balance of 33%.

#### DEBT PROFILE OF THE COMPANY AS AT DEC, 2021

S/N	LENDER	PURPOSE	MATURITY	INTEREST	PRINCIPAL
1	Variant	Working Capital	7/1/23	25%	95,083,333
2	Variant	Working Capital	6/4/22	25%	43,000,000
3	Variant	Asset & Working Capital	29/4/22	25%	40,000,000
4	Access	Asset Financing	19/3/24	15%	61,340,000
5	Access	Asset Financing	9/7/22	15%	4,695,034
6	Access	Asset Financing	24/10/22	15%	6,822,189
7	FCMB	Asset Financing	31/8/22	13%	23,694,355
8	FCMB	Asset Financing	31/3/24	16%	21,500,000
9	FCMB	Working Capital	24/4/22	30%	30,000,000
10	Adeolu	Working Capital	9/1/22	3%	20,000,000
	Total				348,134,911

Source: SKLD Integrated Services Limited

#### COMPOSITION OF CURRENT LIABILITIES (2021)



Source: SKLD Integrated Services Limited

Total Liabilities were majorly Current Obligations. As at 31 October 2021, the Company's Short-term Liabilities went down by 47% resulting in a four-year low at ₦299m (Yr. 21). It comprised of Trade Payables, Financial Obligation, FCMB Asset Finance, Retirement Benefits, Dividend Payable, and Advance from Customers.

The Company generated short term surplus over its current liabilities.

However, Fund from operation was a negative balance of ₦391m. The excessive stockholding during the period accounted for the negative balance. Ability to settle short term obligations using liquid assets increased from 130% (Yr.20) to 356% (Yr.21).

## CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by its Board of Directors which consists of two (2) Executives and four (4) non-Executives.

The Company recognizes that it has Credit Risk, Interest Rate Risk, Liquidity Risk and Currency risk. In line with details contained in its annual report, the Group has in place measures to deal with its various risks.

## RISK FACTORS

- **LIQUIDITY RISK**

This is the risk that the company will be unable to pay its obligations when they fall due.

Based on our review, the Company maintained a current ratio of 357% as at year end 2020 and its Loans are typically long-term in nature.

- **FOREIGN EXCHANGE RISK**

This is the risk of loss to income arising from adverse movement in Exchange Rates.

The Company is involved in the importation of certain aspects of its stocks. Consequently, adverse movement in Exchange Rate may impair profitability.

- **CREDIT RISK**

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

Credit sales make up for less than 10% of overall Revenue. To minimize the risk, the Company has a policy of selling on credits to customers with appropriate credit history. There is also a limit to the amount of credit exposure to any particular Customer.

- **GOVERNMENT POLICY RISK**

This is the risk of loss of income arising from unfavourable government action.

A significant part of the Company's activities is involved in the importation of high end educational material. In view of persistent scarcity of foreign exchange, businesses that are related to importation are constantly coming under the review of government from time to time. Therefore, adverse government policy could impair the company's business or its revenue.

## FUTURE OUTLOOK

The Company's vision is to become the preferred School kits provider in the Nigerian Manufacturing and Trading industry. Consequently, the Company intends to further create value with planned focus on the following:

- Consolidate the Company position as the industry leader in retailing school supplies across Africa by aggressively growing its national and regional footprints across Nigeria and Africa.
- Establish the *Marcel Hughes Brand* as Nigeria's top of the range and respected school apparel line and grow the brand and its market share by expanding its local garment production capacity
- Diversify its inventory mix across its retail outlets to optimize its resources and significantly increase its return on Asset for year-round profitability
- Significantly improve operating efficiency:
  - Containerize shipment of raw materials and goods to improve gross margin by 6% to 10%
  - Implement enterprise-wide process re-engineering and complete implementation of ERP platform.
- Make a cumulative Revenue and Net profit of ₦21b and ₦4.7b respectively over the next 5 years.

## CONCLUSION

The Rating of the Company is supported by its market leadership position, experienced management team and diversified income sources.

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




## FINANCES

Financial Position as at

	Oct, 2021 ₦'000	Δ%	Oct, 2020 ₦'000	Δ%	Oct, 2019 ₦'000
<b>ASSETS EMPLOYED</b>					
Property, Plant and Equipment	235,415,979	188.76	81,525,244	(19.77)	101,618,868
Intangible assets	1,618,032	(28.07)	2,249,468	18.39	1,900,093
Other Financial Assets	355,750	-	355,750	(15.04)	418,750.00
Net Working Capital	769,768,207	352.17	170,239,233	1,162.30	13,486,427
	<b>1,007,157,968</b>	<b>295.94</b>	<b>254,369,695</b>	<b>116.62</b>	<b>117,424,138</b>
<b>CAPITAL AND RESERVES</b>					
Share Capital	10,850,000	-	10,850,000	-	10,850,000
Deposit for shares	788,000,000		-		-
Reserves	(12,500)	(77.92)	(56,600)	352.80	(12,500)
Retained Earnings	40,133,787	9,791.11	405,756	(99.53)	86,391,212
Loans	139,860,000	(31.55)	204,333,333		-
FCMB Asset finance	-		10,510,524		-
Deferred Tax	28,326,682	-	28,326,682	40.26	20,195,426
<b>Shareholders Funds</b>	<b>1,007,157,969</b>	<b>295.94</b>	<b>254,369,695</b>	<b>116.62</b>	<b>117,424,138</b>
<b>REVENUE AND PROFITS</b>					
REVENUE	2,016,011,658	98.52	1,015,497,566	(15.62)	1,203,431,941
Profit Before Taxation	68,628,796	(206.65)	(64,352,277)	(265.20)	38,954,305
Profit after Taxation		(100.00)	(75,135,456)	(511.26)	18,269,788

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Signed:   
Name: **Oladele Adeoye**  
Designation: Chief Rating Officer  
Date: 9th February, 2022

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](mailto:info@datapronigeria.net), wdataprong@gmail.com  
Website: [www.datapronigeria.net](http://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 *DataPro Limited*. 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.