



DataPro

CORPORATE RATING REPORT

NEVEAH LIMITED

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September, 2024

NEVEAH LIMITED

Long-Term Rating:

BBB⁺

Short Term Rating: A1

Previous Rating: BBB⁺

Rating Outlook: Positive

Trend: UP

Currency: Naira

Date Issued: 3 Sept., 2024

Valid Till: 2 Sept., 2025

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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EXECUTIVE SUMMARY

	Dec. 2023 N'000	Dec. 2022* N'000	May 2021 N'000	May 2020 N'000	May 2019 N'000
Turnover	19,545,286	6,937,529	2,340,330	1,245,856	2,040,011
Profit Before Tax	435,620	(562,096)	43,057	76,531	17,400
Equity	330,546	(145,464)	141,471	100,045	26,451
Non-Current Asset	4,577,563	1,923,668	230,561	22,597	13,669
Total Asset	13,235,855	12,980,444	463,960	273,066	210,606
Non-Current Liabs	264,903	154,757	-	-	183,038

**Restated figures for the 7-months period ended December 2022*

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.

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:

- Diversified Earning Profile
- Good Asset Utility

Negative Rating Factors:

- High-Cost of Sales
- Concentration Risk

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BACKGROUND

Neveah Limited ("The Company") was incorporated as a Limited Liability Company on July 25, 2014. It commenced operations on the same day as a Commodities Trading Company.

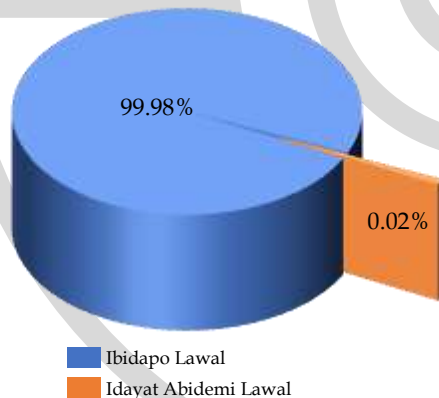
The Company is registered with the *Nigerian Export Promotion Council (NEPC)*, authorizing it to export commodities from Nigeria. The principal activity of the Company is the exportation of Solid minerals and Agro Commodities. Its main mineral products are; *Tin Concentrate, Columbite, Lead Ore* and *Zircon Sand*. The main Agro Commodities exported by the Company are: *Dried Split Ginger, Hibiscus flower, Hibiscus Siftings* and *Soya Bean Seeds*.

The products of the Company are sourced from over 20 major suppliers in *Kano, Kaduna and Jos*. These products are exported to other Countries such as *Luxembourg, Germany, Portugal, and China*.

The major markets of the Company are in Europe, North America and Asia. These are in addition to: Switzerland, Germany, Portugal, Czech Republic, Netherland, Greece, Poland, Spain, United States, Mexico, Hong Kong, United Arab Emirates, Vietnam, Bahrain, Turkey and China.

The Company is a member of *Minor Metals Trade Association (MMT), Union for Bio-Ethical Traders/Rain Forest Alliance, Abuja Chamber of Commerce* and *Lagos Chamber of Commerce*. It operates from its head-office in Abuja. However, its branches are in *Plateau, Ebonyi, Kano* and *Kaduna*. Its workforce was 89 as at the year-end, 2023.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Neveah Limited

The ownership of the Company is divided between *Ibidapo Lawal* and *Idayat Abidemi Lawal*. However, *Ibidapo Lawal* accounted for the major portion of 99.98%

DIRECTORS' PROFILE

The following served as directors during the year under review: *Mr Oluwabiyi Emmanuel Ajibade- Chairman; Mr. Ibidapo Idris Lawal-Managing Director; Mrs. Abidemi Idayat Lawal* and *Mr. Akindoyin Akinbiyi Olaposi*.

The Directors' profile is as follows:

1. **Name:** Mr. Oluwabiyi Emmanuel Ajibade
Position: Chairman
Profession: Owner of BPL Nigeria Limited
Years of Experience: 18 years
Education:
 - IE Business School, Madrid
 - University of Lagos**Job Experience:**
 - BPL Nigeria Limited
 - Assar International, Singapore
 - Ghana Commodities Limited, Accra
 - RenewEnInc, Delaware, USA
 - Oando Plc
 - Telnet Enterprise Systems
 - Xstream Networks**Board Membership:** Since 2021
2. **Name:** Mr. Ibidapo Idris Lawal
Position: Managing Director/CEO
Profession: Owner of Neveah Limited
Years of Experience: 16 years
Education:
 - Lebow College of Business, Drexel University
 - Lead City University, Ibadan**Job Experience:**
 - Neveah Limited
 - Activo Global Investment Limited**Board Membership:** Since 2014
3. **Name:** Mrs. Idayat Abidemi Lawal
Position: Independent Director
Profession: Retired Director from the Civil Service Commission
Years of Experience: 37 years
Education:
 - University of Ibadan
 - Lagos State College of Education**Job Experience:**
 - Oyo State Local Government Service Commission
 - Post Primary Schools Board
 - Ibadan Municipal Primary Schools Board**Board Membership:** Since 2014
4. **Name:** Dr. Akindoyin Akinbiyi Olaposi
Position: Independent Director
Profession: Cloud Architect & Data Engineer
Years of Experience: 14 Years
Education:
 - Imperial College London, UK
 - University of Leeds
 - Obafemi Awolowo University**Job Experience:**
 - HSBC UK
 - Kainos Software Ltd, London
 - Joseph Hage Aaronson LLP, London

- Price Waterhouse Coopers LLP UK
- GAM UK Ltd, United Kingdom
- J.P. Morgan Chase and Co.
- Huawei Technologies Co. Nigeria Ltd

Board Membership: Since 2021

SECTOR REVIEW

Nigeria has a population in excess of 200 million making it the biggest in Africa. In the first quarter of 2024, the Country's GDP grew by 2.98% (year-on-year) in real terms. This growth rate is higher than the 2.31% recorded in the first quarter of 2023 and lower than the fourth quarter of 2023 growth of 3.46%.

The Country 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. It is a leader in various types of Agricultural production. Four sub-activities make up the Agricultural sector: Crop Production, Livestock, Forestry and Fishing.

The Agricultural sector in the first quarter of 2024 grew by 0.18% (year-on-year) in real terms, an increase of 1.08% points from the first quarter of 2023, and a decrease of 1.92% points from the fourth quarter of 2023 which recorded a growth rate of 2.10%. It grew on a quarter-on-quarter basis at -32.25%. However, the sector contributed 21.07% to overall GDP in real terms in Q1 2024, lower than the contribution in the first quarter of 2023 and lower than the fourth quarter of 2023 which stood at 21.66% and 26.11% respectively.

However, the Agriculture Sector as a whole 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.

Notwithstanding, 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 included: *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. 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.

The Country is endowed with different categories of natural resources such as energy minerals like coal and lithium, metallic minerals like gold and lead-zinc and industrial minerals like limestone and barite. Nigeria was a major exporter of tin, columbite and coal between 1960 and 1970. However, the discovery of Oil has drifted attention away from maximizing the potential in this regard.

To redirect the country's economy, a new national focus and strategy on mining evolved and this culminated in the enactment of the Nigerian Minerals and Mining Act (the Act or NMMA) in 2007.

In 2016, the erstwhile Ministry of Mines and Steel Development issued a revised sector growth and development roadmap (Roadmap for the Growth and Development of the Nigerian Mining Industry – the “Roadmap”). This effort was directed towards addressing key challenges identified in the sector and outlining strategies for rapid development and utilization of key minerals and metals.

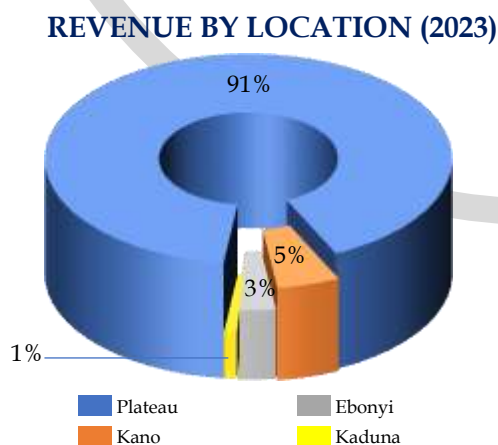
Despite the several efforts of Government to revamp the sector, the success recorded have been minimal. This is evident in the sector's contribution to the country's GDP. According to NBS, the Mining Sector only contributed 0.77% to the GDP in 2023.

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

FINANCIAL PERFORMANCE

• EARNINGS PROFILE

By a resolution and approval of the members of the Board dated 20th April 2023, the accounting year end of the Company was changed from 31st May to 31st December. By extension, 2022 financials were adjusted to reflect the adoption of the new accounting period.



Source: Neveah Limited

To this effect, we reviewed the Company's Audited Financial Statements for the 7-months period ended 31st December, 2022 and the full year period ended 31st December, 2023.

The Company recorded enhancement in its Revenue generation in the year 2023. Therefore, Revenue derived from principal activities surged to ₦19.5b (Yr. 23). This reflected a notable increase when compared to the amount recorded for the period ended 31st December, 2022.

Revenue was derived from the Sale of Agro-Products, Solid Minerals and Haulage Services in the year 2023. Of all streams of Revenue, Solid Minerals was the most prevalent. It amounted to ₦18.3b and constituted 94% of the Revenue generated in the financial year.

In terms of geographical location, the Company earned 91% of its Total Revenue from Plateau State in the year-ended 2023.

• PROFITABILITY

Revenue from the Company's Primary activities failed to absorb associated Direct Costs. Consequently, the Company recorded a Gross Loss in the full year-end 2023 and 7-months period ended in 2022. However, Income from secondary sources suppressed the effect of the loss on profitability. These Income categories amounted to ₦8.2b (Yr. 23) and ₦6.4b (Yr. 22). These were majorly Grant & Commission Income and Exchange Gain. Grant represented Income earned from an initiative of *the Central Bank of Nigeria (CBN)* known as "*RT200 FX Programme.*"

Additionally, a Revaluation Gain on Investment Property (₦27.8m) was reported in the year 2023.

Asides Cost directly attributed to Production and Sales of products, the Company had other Expense categories. These included: Selling and Distribution Expenses, Administrative Expenses as well as Impairment Charge, Finance Costs and Loss on Derivative Financial Instrument.

Overall, the Company recorded a Profit Before Tax of ₦435.6m (Yr. 23) as against a Loss of ₦562m (Yr. 22). This translated to a very low margin of 2%.

• CAPITALIZATION

The Company's Share Capital maintained a fixed position at ₦500m as at the year ended 31st December, 2023. However, Total Equity was strengthened from a negative balance of ₦145.5m in the 7-months period ended 31st December, 2022 to a positive of ₦330.5m (Yr. 23).

This was majorly on the account of improved Profitability which had a significant impact on Retained Earnings. Additionally, no Dividend was paid-out in the year-ended 2023. Therefore, Retained Earnings closed at a negative balance of ₦257.7m (Yr. 23) as against ₦645.5m (Yr. 22). In addition, a Revaluation Surplus of ₦88.3m was recorded on Land and Building in the year 2023.

COMPOSITION OF TOTAL ASSETS

ITEM	2023 ₦'000	%	2022 ₦'000	%
Current Asset	8,658,292	65	11,056,776	85
Non-Current Asset	4,577,563	35	1,923,668	15
Total Asset	13,235,855	100	12,980,444	100

Source: Neveah Limited

As at the period ended 30th June, 2024, Equity was enhanced to ₦1.3b. This reflected a notable growth of over 100% when compared with the balance in the year-end 2023.

Total Assets deployed towards operations were both Current and

Non-Current in nature. However, the Current portion accounted for 65% of the Company's Assets in the year 2023. In absolute terms, Total Assets amounted to ₦13.2b, representing a slight increase of 2% from prior year's position.

As at the year-ended 31st December, 2023, the ability of the Company to fund its Assets by Equity was just 2%. This implies that the Company's operations are largely funded by Debt, particularly Short-term Borrowings.

• ASSET UTILITY

PRODUCTS SOLD BY VOLUME (2023)

CLASS	PRODUCT	QUANTITY (KG)
Solid Minerals		
	Tin	1,350,000
	Columbite	475,000
	Lead	1,240,296
	Zircon	143,921
	TOTAL	5,358,933
Agro Commodities		
	Dried Split Ginger	319,000
	Hibiscus Flower	183,875
	Hibiscus Siftings	220,814
	Soya Beans Seeds	781,134
	TOTAL	1,504,823

Source: Neveah Limited

PEER COMPARISON FOR AGRO-COMMODITIES (SHARE BY PRODUCT)

Product	Neveah Ltd	Olam Ltd	Loquat Classic Ltd	Refem Millers	Toons Consolidated Company Ltd
Dried Split Ginger (%)	2.30	5.45	-	5.45	4.55
Hibiscus Flower (%)	1.25	-	12.50	14.06	12.50
Hibiscus Siftings (%)	4.40	-	10.00	10.00	10.00

Source: Neveah Limited

PEER COMPARISON FOR SOLID MINERALS (SHARE BY PRODUCT)

Product	Neveah Ltd	Malcom Minor Metals Ltd	Donald &Chyke Ltd	Akingems Int. Ltd
Columbite (%)	26.32	13.16	10.53	10.53
Tin Concentrate (%)	47.31	13.67	9.58	8.69
Lead (%)	4.79	5.78	7.07	2.45

Source: Neveah Limited

Total Assets employed by the Company for its operation amounted to ₦13.2b in the financial year. This reflected a 2% growth from the value of Assets in the 7-months period ended 2022.

Current Assets comprised of Inventories, Trade and Other Receivables, Call in Arrears, Derivative Financial Instruments as well as Cash and Cash Equivalents. The closing balance of all these Assets declined as at the year-end 2023, excluding Call in Arrears and Receivables.

Call in Arrears maintained a balance of ₦340m in the 7-months period ended 2022 and the full year ended 2023. This represented the value of Ordinary Shares which remained unpaid.

Trade and Other Receivables closed at a balance of ₦4.1b (Yr. 23). This represented a 102% increase when compared with the balance of the prior year-end. It also accounted for the major portion of Current Assets in the year 2023.

However, the surge in Receivables had only a trifling effect on the overall value of Current Assets. This was due to the reduction in the value of other components. Therefore, Current Assets totaled ₦8.7b (Yr. 23) as against ₦11b (Yr. 22).

The Company's Non-Current Assets represented 35% of the Total Asset value in the financial year 2023. This class of Asset was also responsible for the growth in Total Assets.

Additional Property, Plants and Equipment (PPE) valued at ₦2.8b was acquired to support the Company's business operation. Hence, PPE closed at a balance of ₦4.3b (Yr. 23) as against ₦1.7b (Yr. 22).

The Company's ability to effectively generate Revenue using its Assets improved to 148% (Yr. 23) from 53% in the previous period. In addition, Return on Total Assets (ROA) was 3% in the financial year.

• LIQUIDITY

The Company's Liabilities were largely Current in the year 2023. Non-Current Liabilities accounted for only 2% of the Total Obligations in the financial year. It comprised of Term-Loans and Lease Liability.

The major component of Current Liabilities was Short-term Borrowings. It amounted to ₦12b and constituted 94% of the Total Liabilities as at the year-end 2023. These were loan facilities from Commercial and Merchant Banks as well as Commercial Papers issued. These facilities were obtained to finance working capital and enhance the export of its products.

Ability of the Company to settle short term maturing obligations using its Current Assets was 68% (Yr. 23). This falls below the benchmark of 100%.

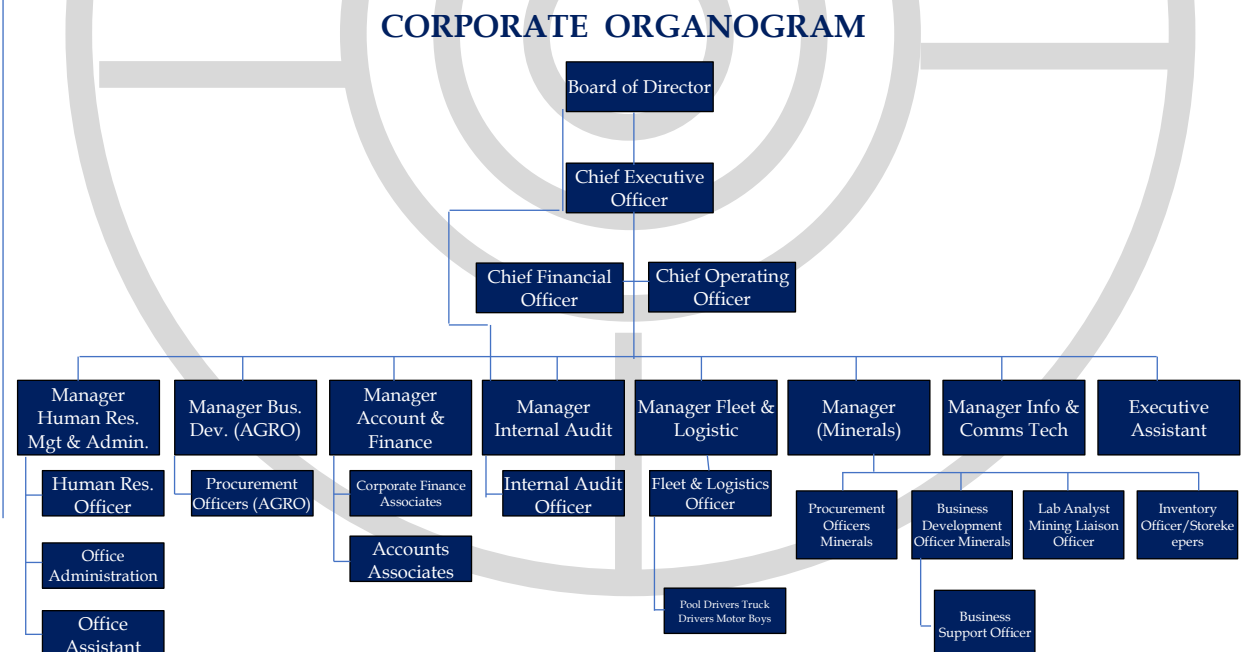
The Company generated a negative Net Cash Flow of ₦1.9b from its operations as at the financial year end. However, this improved to a positive Net Cash Flow of ₦3.2b as at the period ended, June 30 2024.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The activities of the Company are directed by its Board of Directors consisting of the Chairman, One (1) Executive Director and two (2) Independent Directors.

The Company recognizes that it has Market, Currency, Interest Rate, Price, Credit and Liquidity Risks. In accordance with details contained in its financial report, the Company has in place measures to deal with its various risks.

The Company's corporate organogram structure is as presented.



Source: Neveah Limited

RISK FACTORS

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

- **LIQUIDITY RISK**

This is the risk that the Company will be unable to pay its obligations as and when due.

Based on our review, the Company's current ratio was 68% as at the year ended December 31st 2023. This falls below our benchmark of 100%.

- **MARKET RISK**

This is the risk that adverse changes in market prices, such as foreign exchange rates and interest rates will affect ultimately the Company's income.

The Company by its operation deals in export of Mineral and AgroCommodities. Therefore, adverse movement in foreign exchange may affect the Company's income.

- **SECURITY RISK**

This is the risk of loss to income or disruption to operation as a result of security challenges.

Based on our review, we observed that the Company's operations are located in areas with significant history of security challenges. Therefore, the occurrence of such security events may lead to business disruptions.

- **GOVERNMENT RISK**

This is the risk of loss of business arising from Government policy.

In our review, the business generates significant income from solid minerals which is an area of interest to Government. Therefore, unfavorable Government policy could impair the Company's trading activities.

- **CONCENTRATION RISK**

This is the risk of disruption to income arising from undue exposure to limited supplier or buyer.

We observed in the course of our review that two (2) customers of the Company accounted for 69% of its Revenue in the year 2023. Therefore, adverse decisions made by these buyers could impair the Company's ability to generate Revenue.

REGULATORY ENVIRONMENT

The operations of Company is regulated in accordance with the provisions of the *Nigerian Mineral & Mining Act 2007*, *Companies and Allied Matters Act (CAP 20) Laws of the Federation of Nigeria* and *Nigeria Export Promotion Council*.

However, its activities are directly under the regulation of **Ministry of Mines and Steel Development**. The Company currently holds two licenses. The Company holds **Certificate of Mineral Buying Centre** which remains valid till 20th of September, 2024. It also holds **License to Possess or Purchase Minerals** which remains valid till 18th of February, 2025.

FUTURE OUTLOOK

The Company intends to strategically grow and expand its business within the next three (3) to five (5) years. The strategic areas cover business diversification, market expansion, product expansion, streamlining distribution channels and value addition.

Its business diversification aims at constructing an aluminum and copper recycling plant in Nigeria. This initiative is designed to diversify its revenue streams and stimulate significant business growth.

The market expansion strategy involves identification of new markets with a view to grow demand for its agro commodities and solid minerals across **Europe, North America, South America and Asia**. This will strengthen the Company's economics of scale and reduce concentration risk to a particular export destination.

The Company also aims to add new commodities to its business offerings as part of its product expansion strategy. The commodities to be added are: **Ilmenite, Monazite, Zinc Ore**, as well as **Cashew, Cotton, Stoneflower, Orange and Lime Peels and Cocoa Beans**. This is expected to reinforce its competitive position, strengthen relationships with off-takers, and expand its supplier network.

To further improve on profitability, and expand its gross profit, the Company intends to shift from traditional distribution models to direct exporting to end-users. This will in turn reduce the amount of logistics and transportation as well as support more efficient delivery mechanisms which will ultimately lead to better trade terms.

In addition to the aforementioned, a key aspect of the Company's expansion strategy is to increase the value added to its products by processing raw materials in a sustainable manner into finished goods for global export.

CONCLUSION

The Rating of the Company is supported by Good Revenue Profile and Diversified Income Sources.

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

FINANCE

Statement of Financial Position

	Dec. 2023		Dec. 2022		May, 2021
	₱'000	Δ%	₱'000	Δ%	₱'000
Capital & Reserves					
Share capital	500,000	-	500,000	4,900.00	10,000
Retained earnings	(257,713)	(60.07)	(645,464)	(590.96)	131,471
Revaluation Reserve	88,259	-	-	-	-
	<u>330,546</u>	(327.24)	<u>(145,464)</u>	(202.82)	<u>141,471</u>
Asset Employed					
Property, Plants & Equipments	4,577,563	137.96	1,923,668	734.34	230,561
Current assets	8,658,292	(21.69)	11,056,776	4,637.29	233,399
Total Assets	13,235,855	1.97	12,980,444	2,697.75	463,960
Total Liabilities	<u>(12,905,309)</u>	(1.68)	<u>(13,125,908)</u>	3,970.19	<u>(322,489)</u>
NET ASSETS	<u>330,546</u>	(327.24)	<u>(145,464)</u>	(202.82)	<u>141,471</u>
Profit and Loss Account					
Revenue	19,545,286	181.73	6,937,529	196.43	2,340,330
Profit before taxation	435,620	(177.50)	(562,096)	(1,405.47)	43,057
Taxation	(47,870)	(66.46)	(142,733)	2,119.45	(6,431)
Profit after tax	387,750	(155.01)	(704,829)	(2,024.40)	36,626

Signed: 
Name: **Oladele Adeoye**
Designation: Chief Rating Officer
Date: 3rd September, 2024

For and on behalf of:
DataPro Limited
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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.