



DataPro



CORPORATE RATING REPORT

NEHEAH LIMITED

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May, 2022

NEVEAH LIMITED

Long-Term Rating:

BBB

Short Term Rating: A1

Previous Rating: BBB

Rating Outlook: Positive

Trend: UP

Currency: Naira

Date issued: 4 May, 2022

Valid Till: 3 May, 2023

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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EXECUTIVE SUMMARY

	2021 ₦'000	2020* ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000
Turnover	2,340,330	1,245,856	2,040,011	1,129,305	456,627
Profit Before Tax	43,057	76,531	17,400	4,852	3,612
Equity	141,471	100,045	26,451	9,967	5,954
Non Current Asset	230,561	22,597	13,669	9,554	4,165
Total Asset	463,960	273,066	210,606	197,415	18,019
Non Current Liabs	-	-	183,038	186,409	11,711

*Restated figures for 2020 Audited Accounts.

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 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
- Good Asset Utility

Weaknesses:

- Corporate Governance Risk
- High-Cost of Sales

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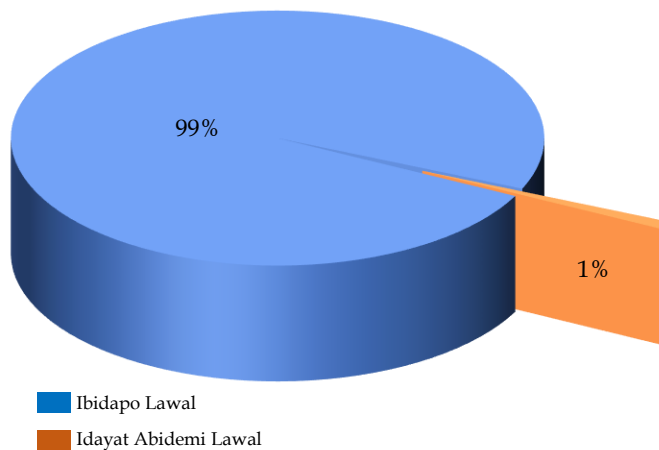
BACKGROUND

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

The Company today specializes in the exportation of Solid minerals and Agro Commodities. Its main minerals for export include; *Tin Ore, Columbite, Lead Ore, Zinc Ore, Tantalite and Wolframite*. The Agro Commodities exported by the Company are: *Dried Hibiscus flower, Dried Split Ginger, Natural White Sesame Seeds, Dried Orange peels and Hardwood Charcoal*.

The company operates from its Head office situated at the *Federal Capital Territory, Abuja* with branches in *Plateau, Ebonyi* and *Rivers States*. It serves its customers via a workforce of 33 employees.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Neveah Limited

The products of the Company are sourced from over 80 suppliers in *Kano, Kaduna and Jos*. These products are exported to other countries such as the *United States, Spain, Germany, Portugal, UAE, India and China*.

The Company shares is made up of 500,000,000 units of ₦1 each. The ownership of the Company is divided between *Ibidapo Lawal and Idayat Abidemi Lawal*.

DIRECTORS PROFILE

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

The Directors' profiles are as follows:

- Name:** Mr. Oluwabiyi Emmanuel Ajibade
Position: Chairman
Years of Experience: 16 years
Education:
 - IE Business School, Madrid
 - University of Lagos**Job Experience:**
 - BPL Nigeria Limited
 - Assar International, Singapore

- Ghana Commodities Limited, Accra
- RenewEnInc, Daleware, USA
- Oando Plc
- Telnet Enterprise Systems
- Xstream Networks

Board Membership: Since 2021

2. **Name:** Mr. Ibidapo Idris Lawal
Years of Experience: 14 years
Education:
 - Lebow College of Business, Drexel University
 - Lead City University, Ibadan**Job Experience:**
 - Neveah Limited
 - Activo Global Investment Limited**Board Membership:** Since 2015
3. **Name:** Mrs. Idayat Abidemi Lawal
Position: Director
Years of Experience: 35 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: Director
Years of Experience: 12 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
5. **Name:** Mr. Ojji Stephen Okechukwuyem
Position: Director
Years of Experience: 18 Years
Education:
 - Lagos Business School, Pan Atlantic University, Nigeria
 - Pan Atlantic University (Enterprise Development Centre)
 - University of Aberdeen

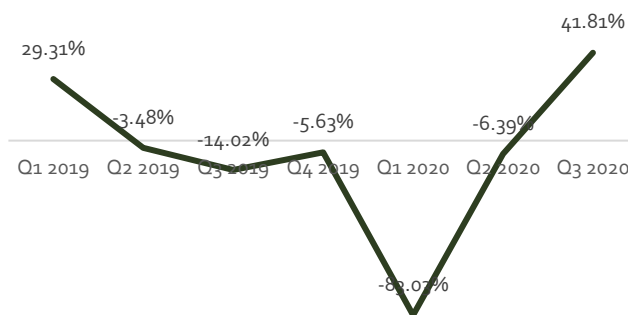
Job Experience:

- Delta State University, Nigeria
- NoCopyCopy, Lagos, Nigeria
- GOPA Consulting Group on behalf of, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Abuja, Nigeria
- Kotivu.NG
- Brimass Limited
- TSL Support Limited
- Oando Plc

Board Membership: Since 2021

INDUSTRY OVERVIEW

QUARRYING AND OTHER MINERALS GROWTH Q-o-Q



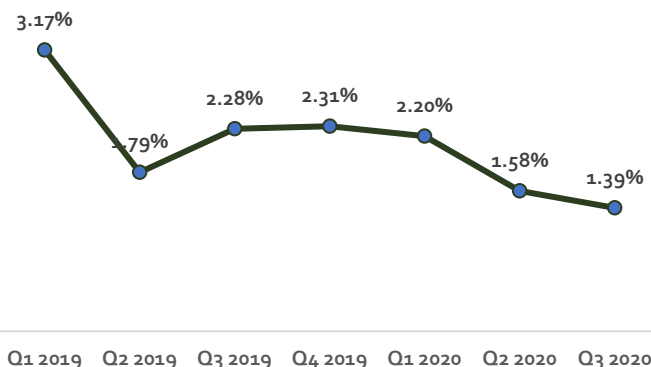
Source: NBS, AVA Capital Research

According to the *National Bureau of Statistics (NBS)*, the Mining and Quarrying sector recorded a significant decline of negative 19.92% (Q3:20) compared with 16.02% (Q2:20) and positive 5.98% (Yr.19).

The Nigerian Agricultural Economy

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. Agriculture accounts for over 20 percent of Nigeria's GDP. The country is a leader in various types of agricultural production, such as Palm Oil, Cocoa Beans, Pineapple, and Sorghum.

Q-o-Q GROWTH IN THE NIGERIAN AGRICULTURAL SECTOR

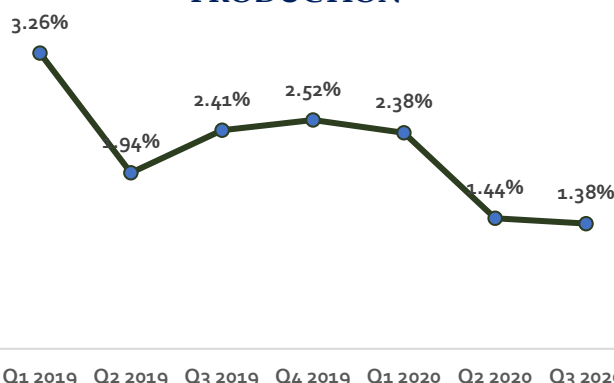


Source: NBS, AVA Capital Research

Nigeria is also the largest producer of sorghum in the world just after the United States and ranks fifth in the production of palm oil and cocoa beans. In terms of value, it is the second leading exporter of cashew nuts worldwide. Indeed, oil, fruits, nuts, seeds are among the top ten best performing export categories.

According to the National Bureau of Statistics, the Agricultural sector is made up of four sectors which include crop production, livestock, forestry and fishing. The sector grew by 13.52% year-on-year in nominal terms in Q3 2020, showing a decline of 1.36% points from the same quarter of 2019. Compared to growth of (19.90%) in the preceding quarter this represented a drop of 6.38% points.

Q-o-Q GDP GROWTH IN CROP PRODUCTION



Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020 Q2 2020 Q3 2020

Source: NBS, AVA Capital Research

Crop Production remained the major driver of the sector, accounting for 92.93% of the overall nominal growth of the sector in the third quarter of 2020. The Nigerian agriculture sector grew by 1.39% in Q3 2020 compared to 1.58% in Q2 2020 and 2.28% in Q3 2019.

The weaknesses in the commodities sectors include: low profit margins, inadequate funding, huge manual and labour inputs,

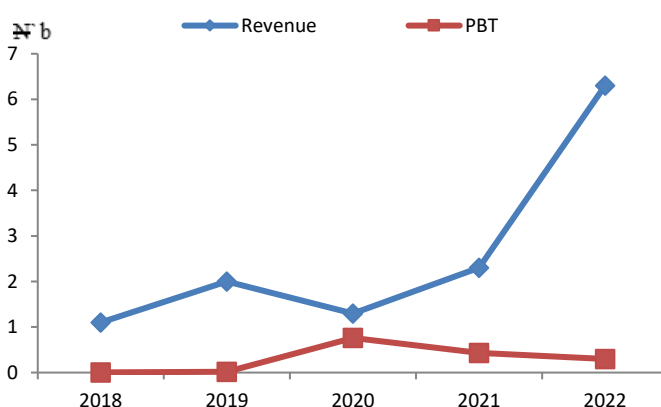
high operating costs, security concerns, government regulation, logistics and sourcing feedstock

However, opportunities in the market include: increased foreign demand and availability of mineral resources.

FINANCIAL PERFORMANCE

EARNINGS PROFILE

REVENUE GROWTH (2018 - 2022)



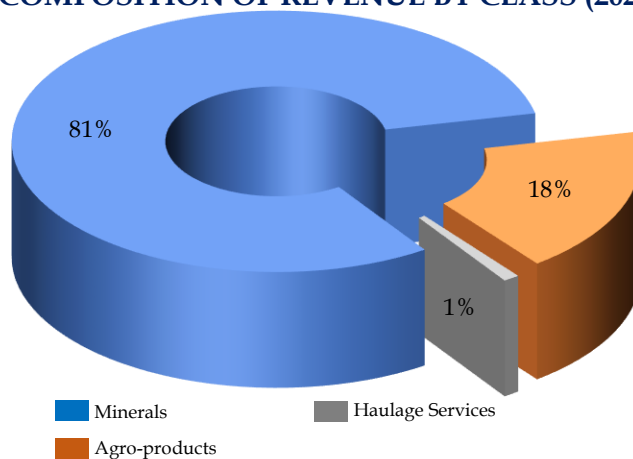
NB: figures for 2022 represent 10 months' period.

Source: Neveah Limited

Neveah Limited earns its Revenue from sale of Agro Commodities, Solid Minerals, and Haulage services. The Company revenue which is derived from solid minerals represented 80% of Total Earnings.

Columbite which is a sub-category of Solid minerals is the main driver of Revenue for the year ended 31 May, 2021. All other products contributed less than 10% individually.

COMPOSITION OF REVENUE BY CLASS (2021)



Source: Neveah Limited

Total Revenue based on the audited financials for the year 2021 was ₦2.3b as against the restated figure of approximately ₦1.3b (Yr.20). This reflects a significant increase of 88% from the previous year position. By the end of ten (10) months operating period ended March 2022, Revenue had grown to ₦6.3b.

Geographically, the Company derived 83% of its Total Revenue from Plateau State in the year 2021.

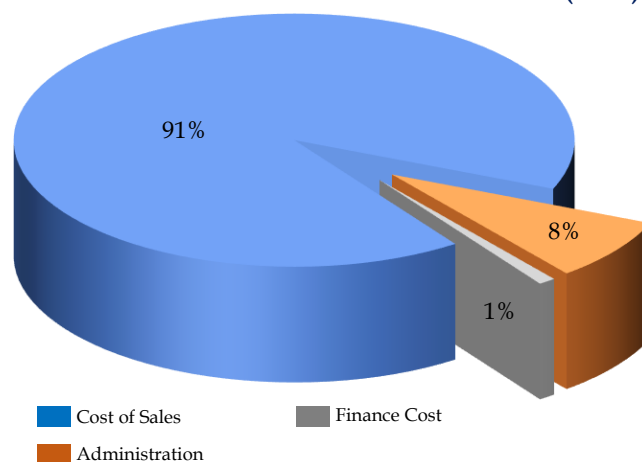
REVENUE BREAKDOWN BY LOCATION AS AT DECEMBER, 2021

CLASS	STATES	REVENUE BY LOCATION
Agro Commodities		₦'000
	Kaduna	116,567
	Kano	180,719
	Taraba	24,778
TOTAL		322,063
Solid Minerals		
	Plateau	3,038,906
	Ebonyi	274,408
TOTAL		3,313,314

Source: Neveah Limited

• PROFITABILITY

COMPOSITION OF TOTAL EXPENSES (2021)



Source: Neveah Limited

The Company experienced a Gross loss of ₦0.29b in the year 2021 as against a profit of ₦0.17b. This stemmed up from the high Cost of Sales incurred during the period. Although, the Revenue for the year significantly increased, it could not cushion the effect of the high Cost of Sales on Profit Margin.

Despite the Gross Loss made during the period, an Operating profit of ₦64m was recorded. This was due to Gains on Foreign

Exchange which influenced the growth of Other Income from ₦79.8m (Yr. 20) to ₦512m (Yr. 21).

Total Operating Expenses comprises of Administrative Expenses and Finance Costs. It recorded an increase from ₦115m (Yr. 20) to ₦254m (Yr.21). The rise in Administrative expenses was due to the increase in Salaries and wages by over 100%. Finance cost for the year 2021 amounted to ₦21m. Consequently, Pre-Tax Profit for the Year 2021 was ₦43m compared with ₦76.5m (Yr. 20).

Therefore, Net Profit also increased significantly, this resulted into a Net Profit Margin of 5% (March 2022) as against 2% (Yr. 21).

• CAPITALISATION

Shareholders' Funds grew by 41% from ₦100m (Yr. 20) to ₦141m (Yr. 21). The rise in Retained Earnings from ₦94m (Yr.20) to ₦131m (Yr.21), as well as additional shares issued during the year contributed to the growth.

Additional shares valued ₦490m were added to Share Capital in the financial year 2022. Therefore, the Share capital of the Company went up significantly from ₦10m (Yr. 21) to ₦500m as at March, 2022.

Total Asset deployed by the company accelerated by 70% from ₦273m (Y.20) to ₦464m (Yr.21). This was largely due to

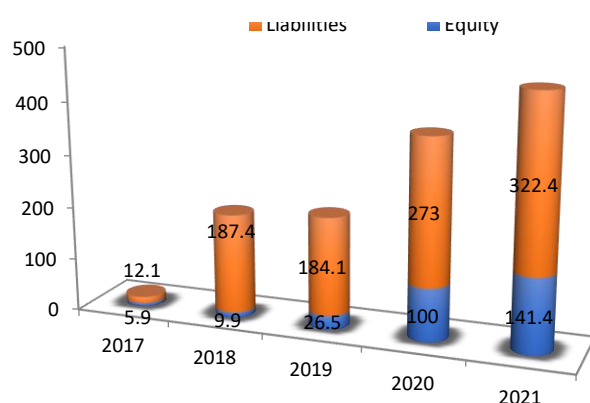
BREAKDOWN OF THE TOTAL ASSET

ITEM	2021 ₦'000	%
Current Asset	233,399	50.3
Non-Current Asset	230,561	49.7
Total Asset	463,960	100

Source: Neveah Limited

additional Property, Plant and Equipment (**PPE**) acquired in the year. **PPE** grew from ₦22m in the year 2020 to ₦230.5m (Yr.21). Additional **PPE** were purchased in the period ended March, 2022 and this led to an increase of 123% in Non-Current Assets.

FUNDING OF OPERATIONS



Source: Neveah Limited

Equity as a proportion of total asset was 30% in 2021 as against 37% in 2020. This reflected that 70% of the Company's Total Asset was financed by liabilities. The funding of operations by Equity as at March 2022 dwindled as Equity funded only 16% of the company's Total Assets.

• ASSET UTILITY

The Company has a well-diversified Revenue portfolio as it continues to offer different solid and agro commodities yearly. The trade volume across different products from 2019-2021 is as presented

PRODUCTS SOLD BY VOLUME (2019 - 2021)

Product	Unit sold (Kg) 2019	Unit sold (Kg) 2020	Unit sold (Kg) 2021
Columbite	198,661	219,557	454,287
Tantalite	0	7,591	5,229
Wolframite	0	0	10,338
Lead Ore	0	0	28,988
Dried Split Ginger	452,480	238,000	231,795
Dried Hibiscus Flower	0	129,656	237,410
Hardwood Charcoal Fines	0	95,880	0
Peanuts	0	100,400	0
White Hibiscus Flower	0	0	45,500
Orange Peels	0	0	26,000
White Hibiscus Siftings	112,000	200	297,680

Source: Neveah Limited

TARGETED AND CURRENT MARKET SHARE BY PRODUCT



Source: Neveah Limited

The Company intends to expand into additional mineral products and agro-commodities. It is also exploring new markets across various geographical locations in Europe.

PEER COMPARISON FOR AGRO-COMMODITIES (SHARE BY PRODUCT)

Product	Neveah Ltd	Olam Ltd	Loquat Classic Ltd	Refem Millers	Toons Consolidated Company Ltd
Split Ginger (%)	2.7	5.45	0	5.45	4.55
Dried Hibiscus Flower (%)	1.25	0	12.50	14.06	12.50
Hibiscus Siftings (%)	4.40	0	10	10	10

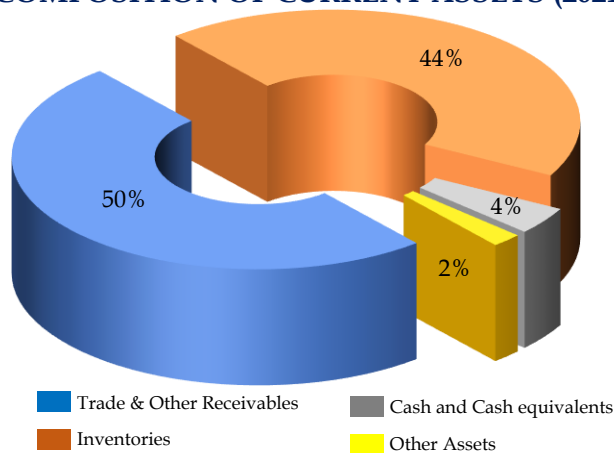
Source: Neveah Limited

PEER COMPARISON FOR SOLID MINERALS (SHARE BY PRODUCT)

Product	Neveah Ltd	Malcom Minor Metals Ltd	Donald & Chyke Ltd	Akingems Int. Ltd	Spectrum Minerals Ltd
Columbite(%)	26.32	13.16	10.53	10.53	0
Tin Ore (%)	15.38	61.54	3.85	3.85	0
Lead Ore (%)	21.28	42.55	4.26	0	0
Wolframite (%)	6.25	15.63	15.63	0	15.63
Tantalite (%)	2.44	24.39	12.20	0	24.39

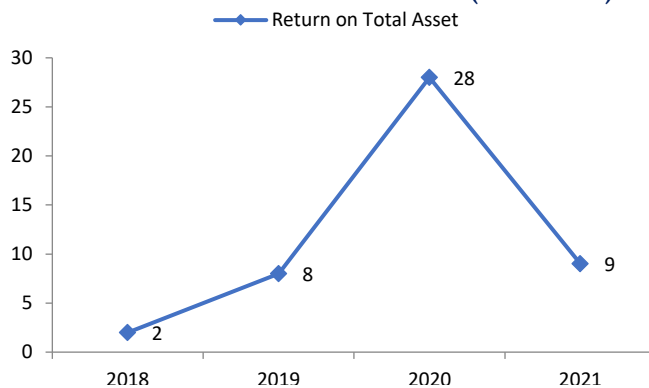
Source: Neveah Limited

COMPOSITION OF CURRENT ASSETS (2021)



Source: Neveah Limited

ASSET UTILIZATION TREND (2018-2021)



Source: Neveah Limited

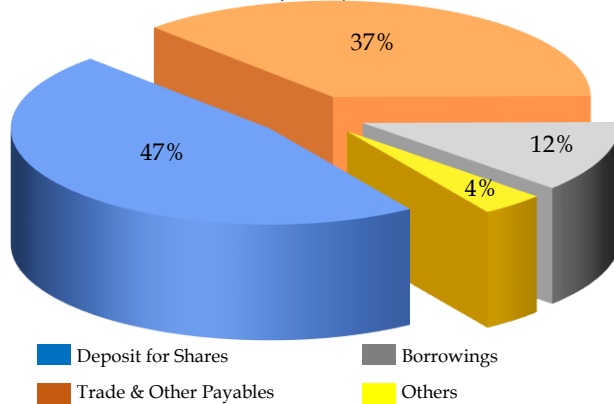
Total Assets deployed towards operation comprised of Current Assets and Non-Current Assets. The Current Assets constituted 50% of Total Assets. It reduced from ₦250m (Yr. 20) to ₦233m (Yr. 21).

The Company presently operates from rented buildings and warehouses across its business locations. Therefore, its Non-Current Assets comprised only of Plant, Properties and Equipment.

The Company's Return on Asset decreased from 28% (Yr. 20) to 9% effectively ability to generate Revenue using Assets grew from 456% (Yr. 20) to 504% (Yr. 20).

• LIQUIDITY

COMPOSITION OF CURRENT LIABILITIES (2021)



Source: Neveah Limited

The Total Liabilities of the company comprised of only Current Liabilities. It increased by 86% from ₦173m (Yr. 20) to ₦322m (Yr. 21). However, borrowings as a component increased greatly in the period ended, March 2022 to ₦4.8b.

The Company generated a positive cash flow of ₦189m from its operating activities as against ₦23m (Yr.20). Ability to settle short term obligations was 72% as at the year ended, May 2021. This is a

shortfall from the previous position of 145%. However, the Current ratio increased to 109% in March, 2022.

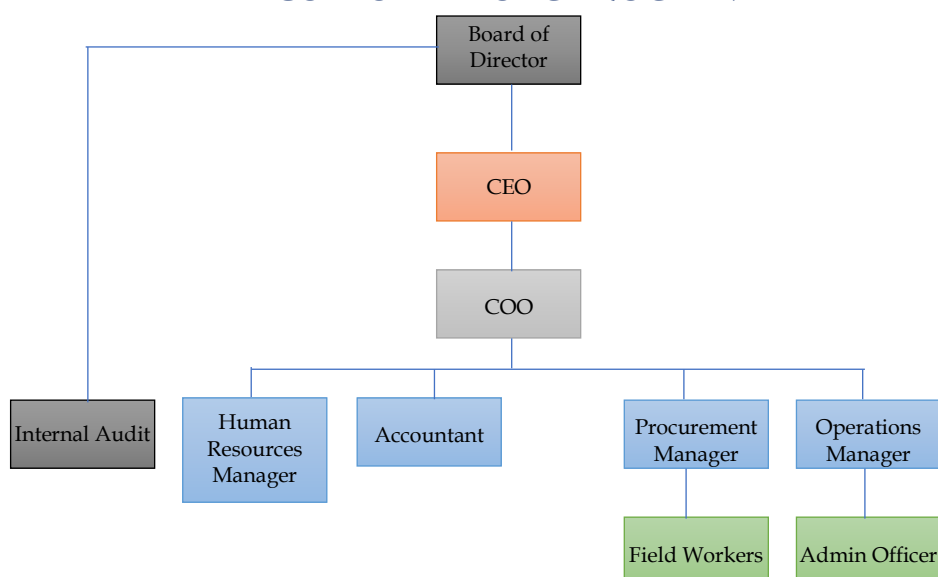
CORPORATE GOVERNANCE & RISK MANAGEMENT

The activities of the Company are directed by its Board of Directors consisting of four (4) Executive Directors and the Chairman.

The Company recognizes that it has Market Risk (Currency risk, Interest Rate Risk, Price risk), Credit Risk and Liquidity Risk. 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 highlighted.

CORPORATE ORGANOGRAM



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 recorded a current ratio of 72% as at year end 2021 and increased it to 109% in March 2022.

- **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 Agro Commodities. 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 challenges 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.

REGULATORY ENVIRONMENT

The Operations of *Neveah Limited* is regulated in accordance with the provisions of the *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 remain valid till 8th of June, 2022. It also holds License to Possess or Purchase Minerals which remains valid till 10th of August, 2022.

FUTURE OUTLOOK

The Company intends to strategically grow and expand its business within the next five (5) years. The areas of expansion include market and product expansion as well as chain of distribution.

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, Cocoa beans and Sesame Seeds*. This is expected to strengthen its competitive position and business relationship with off-takers.

To further improve on profitability, and expand its gross profit, the Company intends to expand its current business model into exporting directly to end-users. This will in turn reduce the amount of logistics and transportation.

CONCLUSION

The Rating of the Company is supported by good Revenue profile and diversified income sources.

However, it is constrained by its low profitability and low asset Utilization. Consequently, we assigned a rating of "**BBB**"


FINANCE

Statement of Financial Position

	May, 2020		May, 2019		May, 2018
	N	Δ%	N	Δ%	N
Assets					
Property, Plant and Equipment	32,143,220	135.16	13,668,600	43.06	9,554,430.00
	32,143,220	14.34	13,668,600	23.47	9,554,430.00
Current assets					
Inventories	130,027,000	(23.52)	170,025,200	(1.08)	171,873,818.00
Trade Receivables	87,705,575	1,186.76	6,815,980	(56.80)	15,776,000.00
Cash and cash equivalents	128,556,557	539.72	20,095,829	9,459.72	210,213.57
	346,289,132	75.84	196,937,009	4.83	187,860,031.57
TOTAL ASSETS	378,432,352	79.69	210,605,609	6.68	197,414,461.57
Equity and liabilities					
Equity attributable to owners of the parent					
Authorised Share Capital	10,000,000	900.00	1,000,000		
Share capital	5,200,000	420.00	1,000,000		1,000,000.00
Deposit for Shares	-		-		-
Retained earnings	59,219,579	132.68	25,450,773	183.82	8,967,123.89
Other components of equity	-		-		-
Total equity	64,419,579	143.55	26,450,773	165.38	9,967,123.89
Non-current liabilities					
Directors Accounts	210,026,326	14.74	183,037,993	(1.81)	186,408,883.57
Total non-current liabilities	210,026,326	14.74	183,037,993	(1.81)	186,408,883.57
Current liabilities					
Trade and other payables	83,931,253	41,865.63	200,000	-	200,000.00
Current taxes payable	1,093,263	19.24	916,843	9.35	838,454.11
Bank Overdraft	18,961,930		-		-
Total Current Liabilities	103,986,446	9,210.75	1,116,843	7.55	1,038,454.11
Total Liabilities	314,012,772	70.52	184,154,836	(1.76)	187,447,337.68
Total equity and liabilities	378,432,351	79.69	210,605,609	6.68	197,414,461.57

Statement of Comprehensive Income

Revenue	1,347,649,698	(33.94)	2,040,011,275	80.64	1,129,304,922.72
Cost of sales	(1,258,256,210)	(35.79)	(1,959,593,124)	85.06	(1,058,870,382.99)
Gross Profit	89,393,488	11.16	80,418,152	14.17	70,434,540.00
Other Income	10,582,912			(100.00)	105,227.09
Administrative Expenses	(57,562,745)	0.12	(57,496,381)	(6.02)	(61,179,377.00)
Finance Cost	(7,551,587)	36.77	(5,521,278)	22.46	(4,508,510.32)
Profit before tax	34,862,068	100.35	17,400,493	258.63	4,851,879.77
Income tax expenses	(1,093,263)	19.24	(916,843)	9.35	(838,454.11)
Profit after tax	33,768,805	104.86	16,483,650	310.71	4,013,425.66

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 4th May, 2022

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.