

MIRA INFORM REPORT

| | |
|---------------|------------|
| Report No. : | 523648 |
| Report Date : | 11.08.2018 |

IDENTIFICATION DETAILS

| | |
|-------------------------|---|
| Name : | T.N.C. INDUSTRIAL CO., LTD. |
| Registered Office : | 19Fl., No. 1071, Chung Cheng Rd., Taoyuan Dist., Taoyuan City |
| Country : | Taiwan |
| Financials (as on) : | 31.12.2017 |
| Date of Incorporation : | 30.06.1954 |
| Com. Reg. No.: | 38033305 |
| Legal Form : | Joint Stock Company |
| Line of Business : | Manufacturing and sales of chemical products |
| No. of Employees : | 252 [2018] |

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

| | |
|-----------------|----|
| MIRA's Rating : | A+ |
|-----------------|----|

| Credit Rating | Explanation | Rating Comments |
|---------------|-------------|--|
| A+ | Low Risk | Business dealings permissible with low risk of default |

| | |
|---------------------|---------|
| Status : | Good |
| Payment Behaviour : | Regular |
| Litigation : | -- |

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

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ECGC Country Risk Classification List

| Country Name | Previous Rating (31.12.2017) | Current Rating (01.04.2018) |
|--------------|---------------------------------|--------------------------------|
| Taiwan | A1 | A2 |

| Risk Category | ECGC Classification |
|----------------------|---------------------|
| Insignificant | A1 |
| Low Risk | A2 |
| Moderately Low Risk | B1 |
| Moderate Risk | B2 |
| Moderately High Risk | C1 |
| High Risk | C2 |
| Very High Risk | D |

TAIWAN - ECONOMIC OVERVIEW

Taiwan has a dynamic capitalist economy that is driven largely by industrial manufacturing, and especially exports of electronics, machinery, and petrochemicals. This heavy dependence on exports exposes the economy to fluctuations in global demand. Taiwan's diplomatic isolation, low birth rate, rapidly aging population, and increasing competition from China and other Asia Pacific markets are other major long-term challenges.

Following the landmark Economic Cooperation Framework Agreement (ECFA) signed with China in June 2010, Taiwan in July 2013 signed a free trade deal with New Zealand - Taipei's first-ever with a country with which it does not maintain diplomatic relations - and, in November of that year, inked a trade pact with Singapore. However, follow-on components of the ECFA, including a signed agreement on trade in services and negotiations on trade in goods and dispute resolution, have stalled. In early 2014, the government bowed to public demand and proposed a new law governing the oversight of cross-Strait agreements, before any additional deals with China are implemented; the legislature has yet to vote on such legislation, leaving the future of ECFA uncertain. President TSAI since taking office in May 2016 has promoted greater economic integration with South and Southeast Asia through the New Southbound Policy initiative and has also expressed interest in Taiwan joining the Trans-Pacific Partnership as well as bilateral trade deals with partners such as the US. These overtures have likely played a role in increasing Taiwan's total exports, which rose 11% during the first half of 2017, buoyed by strong demand for semiconductors.

Taiwan's total fertility rate of just over one child per woman is among the lowest in the world, raising the prospect of future labor shortages, falling domestic demand, and declining tax revenues. Taiwan's population is aging quickly, with the number of people over 65 expected to account for nearly 20% of the island's total population by 2025.

The island runs a trade surplus with many economies, including China and the US, and its foreign reserves are the world's fifth largest, behind those of China, Japan, Saudi Arabia, and Switzerland. In 2006, China overtook the US to become Taiwan's second-largest source of imports after Japan. China is also the island's number one destination for foreign direct investment. Taiwan since 2009 has gradually loosened rules governing Chinese investment and has also secured greater market access for its investors on the mainland. In August 2012, the Taiwan Central Bank signed a memorandum of understanding (MOU) on cross-Strait currency settlement with its Chinese counterpart. The MOU allows for the direct settlement of Chinese renminbi (RMB) and the New Taiwan dollar across the Strait, which has helped Taiwan develop into a local RMB hub.

Closer economic links with the mainland bring opportunities for Taiwan's economy but also pose challenges as political differences remain unresolved and China's economic growth is slowing. President TSAI's administration has made little progress on the domestic economic issues that loomed large when she was elected, including concerns about stagnant wages, high housing prices, youth unemployment, job security, and financial security in retirement. TSAI has made more progress on boosting trade with South and Southeast Asia, which may help insulate Taiwan's economy from a fall in mainland demand should China's growth slow in 2018.

Source : CIA

COMPANY NAME AND ADDRESS

Company Name: T.N.C. Industrial Co., Ltd.
Supplied Name: TNC INDUSTRIAL CO LTD
Trading Address: 19Fl., No. 1071, Chung Cheng Rd., Taoyuan Dist., Taoyuan
City, Taiwan
Supplied Address: 19FL, NO.1071, CHUNG CHENG ROAD TAOYUAN TAIWAN
R.O.C
Telephone Number: +886-3-356-6289
Fax Number: +886-3-356-2400
E-mail: crystalh@tnc.com.tw
sams@tnc.com.tw

Note: The exact name and address are as above.

COMPANY IDENTIFICATION DETAILS

Registered Name: T.N.C. Industrial Co., Ltd.
Registered Address: 19Fl., No. 1071, Chung Cheng Rd., Taoyuan Dist., Taoyuan
City, Taiwan
Date of Foundation: 1954-06-30
Registration Number: 38033305
Registry: Department of Commerce, Ministry of Economic Affairs,
R.O.C.
Registered Capital: NTD 2,500,000,000 (USD 82,500,000)
Paid-up Capital: NTD 1,278,139,000 (USD 42,178,587)
Legal Representatives: Hongxin Lin
Legal Form: Joint Stock Company
Principal Activities: Manufacturing and sales of chemical products.
Staff: About 252 employees (As of 2018.3.31)
Listed at Stock Exchange: Yes, Stock Code: 1724
Date of Last Annual Return: 2018-06-27

HISTORY

Subject was incorporated on 1954-06-30 with registered number 38033305 as Joint Stock Company in Taiwan.

Subject listed on Taiwan Stock Exchange on 1995-03-30.

CORPORATE STRUCTURE

Factory

| | |
|------------------------------|--|
| Name: | Taoyuan Factory |
| Address: | No. 29-25 ,3 Lin ,Luzhu District, Taoyuan City, Taiwan |
| Date of Foundation: | 1969-01-01 |
| Date of Registration: | 1981-07-01 |
| Factory Registration Number: | 99628279 |
| Factory Manager: | Changxin Wu |
| Status: | In Production |
| Date of Last Annual Return: | 2014-12-18 |
| Major Products: | 185 Artificial fiber 199 Other chemical products 184 Synthetic resin, plastic and rubber |
| Telephone Number: | +886-3-324-1126 |
| Fax Number: | +886-3-324-1128 |

Related Companies

| | |
|------|---|
| 1 | |
| Name | China Nitrocellulose Company (Hong Kong) |
| 2 | |
| Name | Xinxiang TNC Chemical Ltd. (Mainland China) |
| 3 | |
| Name | Korea CNC Ltd. (Korea) |

SHAREHOLDERS

Major Shareholders

| Name | Subscription Shares |
|---------------------------------|---------------------|
| Hongxin Lin | 2,979,981 |
| Chongyi Wu | 75,333 |
| Qiufumei Lin | 770,955 |
| Zhengyi Xu | 622,101 |
| Kuang Ming Enterprise Co., Ltd. | 51,387,783 |
| Gengbu Lin | 15,059 |
| Yicen Lin | 1,078,051 |
| Guoyan Ye | 150,141 |

Shareholder Information:

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Registered Name: Kuang Ming Enterprise Co., Ltd.
Registered Address: No.211, Sec.2, Hai Shan Rd., Luzhu Dist., Taoyuan City,
Taiwan
Date of Foundation: 1973-05-14
Registration Number: 43645121
Registry: Department of Commerce, Ministry of Economic Affairs, R.O.C.
Registered Capital: NTD 500,000,000
Paid-up Capital: NTD 497,952,000
Legal Representatives: Qiufumei Lin
Legal Form: Joint Stock Company
Date of Last Annual Return: 2018-06-13

MANAGEMENT INFORMATION

Core Management

Directors

1

Name Hongxin Lin
Position Board Chairman

2

Name Chongyi Wu
Position Executive Director

3

Name Qiufumei Lin
Position Executive Director

4

Name Zhengyi Xu
Position Director

5

Name Wenxin Xu
Position Director

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Name Tingcan Chen
Position Director

7

Name Qinghe Wang
Position Director

8

Name Zheming Zhang
Position Director

9

Name Aiyun Wang
Position Director

10

Name Xianzheng Liang
Position Independent Director

11

Name Yingfu Mao
Position Independent Director

12

Name Gengbu Lin
Position Supervisor

13

Name Yicen Lin
Position Supervisor

14

Name Guoxian Ye
Position Supervisor

Personnel Structure

Total Employees About 252 employees (As of 2018.3.31)

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OPERATION INFORMATION

Offices & Factories

Add Headquarters
19Fl., No. 1071, Chung Cheng Rd., Taoyuan Dist., Taoyuan
City, Taiwan

Production Information

Subject is engaged in manufacturing of chemical products, etc.
Subject has a factory in Taoyuan, Taiwan for production.
It is introduced that subject has obtained the certification of ISO 9001-2008, OHSAS18001, etc.

Purchase Information

The registered activities of subject:

| Business Code | Details |
|---------------|---|
| C801010 | Manufacturing of basic chemical |
| C801020 | Manufacturing of petrochemical materials |
| C801030 | Manufacturing of precision chemical materials |
| C801100 | Manufacturing of synthetic resin and plastic |
| C802090 | Manufacturing of cleaning supplies |
| C802120 | Manufacturing of industrial additives |
| C802130 | Manufacturing of industrial use explosives |
| C802200 | Manufacturing of coating, paint, dyes and pigments |
| CC01110 | Manufacturing of computer and its peripheral equipment |
| F401010 | International trade business |
| ZZ99999 | Besides licensed business, all other business items those are not banned or restricted. |

The raw materials for production are purchased both at home and abroad.

Sales Information

Subject is engaged in sales of chemical products, etc.
Subject's products are mainly applied for coating and electronics.
Subject's sales regions cover Taiwan domestic market, Asia Pacific, USA and Middle East, etc.
Subject's major customers are manufacturers of coating and electronic products, etc.

Major Products

| Types | Products |
|----------------------|---|
| Coating chemicals | Nitrocellulose, cotton pulp and maleic resin |
| Electronic chemicals | High concentration monomer acid, etchant, monomer acid and mixed acid |
| Other chemicals | Ammonia water and hydrogen peroxide |

| | |
|--------------------------|-----|
| Import and export right: | |
| Import right | Yes |
| Export right | Yes |

SETTLEMENTS

Purchase

Domestic Purchase

| | |
|---------------|--------------------|
| Products | Raw material, etc. |
| Payment Terms | T/T, Cash, etc. |

Import

| | |
|---------------|--------------------|
| Products | Raw material, etc. |
| Payment Terms | L/C, T/T, etc. |

Sales

Domestic Markets

| | |
|---------------|-------------------------|
| Product | Chemical products, etc. |
| Selling Terms | T/T, Cash, etc. |

Export

| | |
|---------------|-------------------------|
| Product | Chemical products, etc. |
| Selling Terms | L/C, T/T, etc. |

FINANCIALS

Balance Sheet

Unit: NTD/000

| Consolidated | 2017-12-31 | 2016-12-31 |
|--|------------|------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | | |
| Total cash and cash equivalents | 175,012 | 223,008 |
| Notes receivable, net | | |
| Notes receivable, net | 19,068 | 24,984 |
| Notes receivable due from related parties, net | | |
| Notes receivable due from related parties, net | 40 | 3 |
| Accounts receivable, net | | |
| Accounts receivable, net | 433,896 | 414,444 |

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| | | |
|--|-----------|-----------|
| Accounts receivable due from related parties, net | | |
| Accounts receivable due from related parties, net | 24 | 933 |
| Other receivables | | |
| Other receivables, net | 5,528 | 9,161 |
| Other receivables due from related parties | | |
| Other receivables due from related parties, net | 0 | 61,603 |
| Inventories | | |
| Total inventories | 299,696 | 275,137 |
| Prepayments | | |
| Total prepayments | 46,288 | 56,649 |
| Total current assets | 979,552 | 1,065,922 |
| Non-current assets | | |
| Non-current financial assets at cost | | |
| Non-current financial assets at cost, net | 22,659 | 22,659 |
| Investments accounted for using equity method | | |
| Investments accounted for using equity method, net | 51,567 | 52,680 |
| Property, plant and equipment | | |
| Total property, plant and equipment | 1,386,261 | 1,305,947 |
| Investment property, net | | |
| Investment property, net | 285,658 | 291,141 |
| Intangible assets | | |
| Total intangible assets | 523 | 145 |
| Deferred tax assets | 27,298 | 32,328 |
| Other non-current assets | | |
| Total other non-current assets | 133,904 | 32,009 |
| Total non-current assets | 1,907,870 | 1,736,909 |
| Total assets | 2,887,422 | 2,802,831 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Short-term borrowings | | |
| Total short-term borrowings | 300,000 | 140,000 |
| Short-term notes and bills payable | | |
| Total short-term notes and bills payable | 99,914 | 99,886 |
| Notes payable | | |
| Total notes payable | 149,067 | 164,893 |
| Notes payable to related parties | | |
| Total notes payable to related parties | 69,900 | 65,662 |
| Accounts payable | | |
| Total accounts payable | 72,692 | 59,928 |
| Accounts payable to related parties | | |
| Total accounts payable to related parties | 23,490 | 24,336 |

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| | | |
|---|-----------|-----------|
| Other payables | | |
| Total other payables | 111,560 | 128,029 |
| Current tax liabilities | 3,522 | 13,024 |
| Total current liabilities | 830,145 | 695,758 |
| Non-current liabilities | | |
| Deferred tax liabilities | | |
| Total deferred tax liabilities | 44,532 | 44,389 |
| Other non-current liabilities | | |
| Total other non-current liabilities | 48,014 | 56,610 |
| Total non-current liabilities | 92,546 | 100,999 |
| Total liabilities | 922,691 | 796,757 |
| Equity | | |
| Equity attributable to owners of parent | | |
| Share capital | | |
| Ordinary share | 1,278,139 | 1,278,139 |
| Total capital stock | 1,278,139 | 1,278,139 |
| Capital surplus | | |
| Total capital surplus | 9,826 | 9,826 |
| Retained earnings | | |
| Legal reserve | 202,450 | 184,255 |
| Special reserve | 36,784 | 36,784 |
| Unappropriated retained earnings (accumulated deficit) | | |
| Total unappropriated retained earnings (accumulated deficit) | 455,477 | 515,715 |
| Total retained earnings | 694,711 | 736,754 |
| Other equity interest | | |
| Total other equity interest | -17,945 | -18,645 |
| Treasury shares | 0 | 0 |
| Total equity attributable to owners of parent | 1,964,731 | 2,006,074 |
| Total equity | 1,964,731 | 2,006,074 |
| Total liabilities and equity | 2,887,422 | 2,802,831 |

Profit and Loss Account

Unit: NTD/000

| | 2017 | 2016 |
|-------------------------------------|-----------|-----------|
| Consolidated | | |
| Total operating revenue | 2,100,577 | 2,100,890 |
| Operating costs | | |
| Total operating costs | 1,800,811 | 1,706,973 |
| Gross profit (loss) from operations | 299,766 | 393,917 |
| Gross profit (loss) from operations | 299,766 | 393,917 |
| Operating expenses | | |
| Selling expenses | | |
| Total selling expenses | 104,385 | 130,391 |
| Administrative expenses | | |
| Total administrative expenses | 48,286 | 59,921 |
| Research and development expenses | | |

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| | | |
|--|---------|---------|
| Total research and development expenses | 10,178 | 13,405 |
| Total operating expenses | 162,849 | 203,717 |
| Net other income (expenses) | | |
| Net other income (expenses) | 8,672 | 8,015 |
| Net operating income (loss) | 145,589 | 198,215 |
| Non-operating income and expenses | | |
| Other income | | |
| Total other income | 3,450 | 7,490 |
| Other gains and losses | | |
| Other gains and losses, net | -37,801 | -9,330 |
| Finance costs | | |
| Finance costs, net | 2,822 | 1,956 |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | | |
| Share of profit (loss) of associates and joint ventures accounted for using equity method, net | -1,956 | 25,875 |
| Total non-operating income and expenses | -39,129 | 22,079 |
| Profit (loss) from continuing operations before tax | 106,460 | 220,294 |
| Tax expense (income) | | |
| Total tax expense (income) | 19,071 | 38,341 |
| Profit (loss) from continuing operations | 87,389 | 181,953 |
| Profit (loss) | 87,389 | 181,953 |
| Other comprehensive income | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | |
| Gains (losses) on remeasurements of defined benefit plans | -1,950 | -1,513 |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | -332 | -257 |
| Components of other comprehensive income that will not be reclassified to profit or loss | -1,618 | -1,256 |
| Components of other comprehensive income that will be reclassified to profit or loss | | |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | | |
| Share of other comprehensive income | 843 | -29,833 |

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| | | |
|--|--------|---------|
| of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | | |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss | 143 | -5,072 |
| Components of other comprehensive income that will be reclassified to profit or loss | 700 | -24,761 |
| Other comprehensive income, net | -918 | -26,017 |
| Total comprehensive income | 86,471 | 155,936 |
| Profit (loss), attributable to: | | |
| Profit (loss), attributable to owners of parent | 87,389 | 181,953 |
| Comprehensive income attributable to: | | |
| Comprehensive income, attributable to owners of parent | 86,471 | 155,936 |
| Basic earnings per share | | |
| Total basic earnings per share | 0.68 | 1.42 |
| Diluted earnings per share | | |
| Total diluted earnings per share | 0.68 | 1.41 |

Cash Flows

| | | |
|---|---------|---------|
| Unit: NTD/000 | | |
| Consolidated | 2017 | 2016 |
| Profit (loss) from continuing operations before tax | 106,460 | 220,294 |
| Profit (loss) before tax | 106,460 | 220,294 |
| Adjustments | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 220,997 | 198,327 |
| Amortization expense | 81 | 90 |
| Provision (reversal of provision) for bad debt expense | 1,090 | -5,855 |
| Interest expense | 2,373 | 1,801 |
| Interest income | -402 | -238 |
| Share of loss (profit) of associates and joint ventures accounted for using equity method | 1,956 | -25,875 |
| Loss (gain) on disposal of property, plant and equipment | -20 | 1,030 |
| Total adjustments to reconcile profit (loss) | 226,075 | 169,280 |
| Changes in operating assets and liabilities | | |

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| | | |
|--|----------|----------|
| Changes in operating assets | | |
| Decrease (increase) in notes receivable | 5,916 | -5,488 |
| Decrease (increase) in notes receivable due from related parties | -37 | -3 |
| Decrease (increase) in accounts receivable | -20,542 | -20,238 |
| Decrease (increase) in accounts receivable due from related parties | 909 | -131 |
| Decrease (increase) in other receivable | 3,633 | 267 |
| Decrease (increase) in inventories | -24,559 | -27,837 |
| Decrease (increase) in prepayments | 10,361 | -31,238 |
| Total changes in operating assets | -24,319 | -84,668 |
| Changes in operating liabilities | | |
| Increase (decrease) in notes payable | 17,835 | 3,094 |
| Increase (decrease) in notes payable to related parties | 4,238 | 11,314 |
| Increase (decrease) in accounts payable | 12,764 | 9,265 |
| Increase (decrease) in accounts payable to related parties | -846 | 3,881 |
| Increase (decrease) in other payable | -16,555 | 13,299 |
| Increase (decrease) in other operating liabilities | -10,546 | -36,680 |
| Total changes in operating liabilities | 6,890 | 4,173 |
| Total changes in operating assets and liabilities | -17,429 | -80,495 |
| Total adjustments | 208,646 | 88,785 |
| Cash inflow (outflow) generated from operations | 315,106 | 309,079 |
| Interest received | 402 | 238 |
| Interest paid | -2,287 | -1,796 |
| Income taxes refund (paid) | -23,211 | -27,644 |
| Net cash flows from (used in) operating activities | 290,010 | 279,877 |
| Cash flows from (used in) investing activities | | |
| Proceeds from capital reduction of financial assets at cost | 0 | 501 |
| Proceeds from capital reduction of investments accounted for using equity method | 61,603 | 82,163 |
| Acquisition of property, plant and equipment | -329,644 | -236,548 |
| Proceeds from disposal of property, plant and equipment | 175 | 2,976 |
| Acquisition of intangible assets | -459 | -150 |
| Increase in other non-current assets | -101,895 | -8,584 |
| Net cash flows from (used in) investing activities | -370,220 | -159,642 |

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| | | |
|---|------------|------------|
| Cash flows from (used in) financing activities | | |
| Increase in short-term loans | 1,558,600 | 1,040,000 |
| Decrease in short-term loans | -1,398,600 | -1,100,000 |
| Increase in short-term notes and bills payable | 28 | 99,886 |
| Cash dividends paid | -127,814 | -127,814 |
| Net cash flows from (used in) financing activities | 32,214 | -87,928 |
| Net increase (decrease) in cash and cash equivalents | -47,996 | 32,307 |
| Cash and cash equivalents at beginning of period | 223,008 | 190,701 |
| Cash and cash equivalents at end of period | 175,012 | 223,008 |
| Cash and cash equivalents reported in the statement of financial position | 175,012 | 223,008 |

Note: Subject didn't submit its individual financial information; we obtained its consolidated financials as above for reference.

The above financial figures are based on the IFRSs Accounting System.

BANKER

Name: Mega International Commercial Bank Limited

PUBLIC RECORD

Mortgage

No chattel mortgage record of subject has been found within the recent 3 months.

Lawsuit

Trial Number: 2006, Taolaojian, 10
Date of Trial: 2006-11-29
Reason: Payment for retirement allowance
Claimant: Not Stated
Defendant: T.N.C. Industrial Co., Ltd.

SPECIAL NOTE

Interview Details

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| | |
|------------|---|
| Name | Mr. Deng |
| Department | Sales Department |
| E-mail: | <u>henryt@tnc.com.tw</u> |

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FOREIGN EXCHANGE RATES

| Currency | Unit | Indian Rupees |
|-----------|------|---------------|
| US Dollar | 1 | INR 68.95 |
| UK Pound | 1 | INR 88.19 |
| Euro | 1 | INR 79.00 |
| TWD | 1 | INR 2.25 |

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

| | |
|-----------------------------|-----|
| Analysis Done by : | NIY |
| Report Prepared by : | SYL |

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RATING EXPLANATIONS

| Credit Rating | Explanation | Rating Comments |
|---------------|------------------|--|
| A++ | Minimum Risk | Business dealings permissible with minimum risk of default |
| A+ | Low Risk | Business dealings permissible with low risk of default |
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |
| B | Medium Risk | Business dealings permissible on a regular monitoring basis |
| C | Medium High Risk | Business dealings permissible preferably on secured basis |
| D | High Risk | Business dealing not recommended or on secured terms only |
| NB | New Business | No recommendation can be done due to business in infancy stage |
| NT | No Trace | No recommendation can be done as the business is not traceable |

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)