

VILLARES METALS SA - 480370 2 (SUPPLEMENTARY REPORT) 05-JAN-2018.HTM PAGE NO. :

MIRA INFORM REPORT

Report No. :	480370.2
Report Date :	05.01.2018

IDENTIFICATION DETAILS

Name :	VILLARES METALS SA
Formerly Known As :	ELETROMETAL METAIS ESPECIAIS LTDA.
Registered Office :	Rua Alfredo Dumont Villares,155 - Jardim Santa Carolina (Nova Veneza) 13178-902 - Sumaré/Sp
Country :	Brazil
Financials (as on) :	31.03.2017
Date of Incorporation :	31.10.1961
Com. Reg. No.:	671.208.310.111
Legal Form :	Privately Held Corporation
Line of Business :	Subject is engaged in iron and steel foundry industry.
No. of Employees :	1373

RATING & COMMENTS

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

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Satisfactory
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Payment Behaviour :	Slow but Correct
Litigation :	Exist

NOTES :

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

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2017)	Current Rating (30.09.2017)
Brazil	A2	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

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BRAZIL - ECONOMIC OVERVIEW

Brazil is the eighth-largest economy in the world, but is recovering from a recession in 2015 and 2016 that ranks as the worst in the country's history. Falling commodity prices reduced export revenues and investment, which weakened the Brazilian real and cut tax revenues. The weaker real made existing public debt, which was largely denominated in foreign currency, more expensive. Lower tax revenues strained the government budget.

Economic reforms proposed in 2016 aim to slow the growth of government spending and reduce barriers to foreign investment. Government spending growth helped to push public debt to 70% of GDP at the end of 2016 up from 50% in 2012. Policies to strengthen Brazil's workforce and industrial sector, such as local content requirements, may have boosted employment at the expense of investment.

Former President Dilma ROUSSEFF was impeached and convicted in August 2016 for moving funds among government budgets; the economy has also been affected by multiple corruption scandals involving private companies and government officials. Sanctions against the firms involved — some of the largest in Brazil — has limited their business opportunities, producing a ripple effect on associated businesses and contractors. In addition, investment in these companies has declined because of the scandals.

Brazil is a member of the Common Market of the South (Mercosur), a trade bloc including Argentina, Paraguay, Uruguay, and Venezuela. After the Asian and Russian financial crises, Mercosur adopted a protectionist stance to guard against exposure to the volatility of foreign markets. Brazil and its Mercosur partners have pledged to open the bloc to more trade and investment, but changes require approval of all five members, which makes policy adjustments too difficult to enact.

Source : CIA

COMPANY NAME AND ADDRESS

VILLARES METALS S/A

ADDRESSES:

MAIN ADDRESS: RUA ALFREDO DUMONT VILLARES,155 - JARDIM SANTA CAROLINA
(NOVA VENEZA)
ZIP CODE/CITY: 13178-902 - SUMARÉ/SP
PHONE: 19 3303-8006 / 19 3303-8000
FAX: 19 3303-8164
E-MAIL: eder.dallorto@villaresmetals.com.br
WEB SITE: www.villaresmetals.com.br

BRANCHES:

ADDRESS: RUA ALFREDO DUMONT VILLARES,155 - JARDIM SANTA CAROLINA
ZIP CODE/CITY: 13178-902 SUMARÉ/SP
PHONE: 19 3303-8000
FAX: 19 3303-8696
CNPJ: 42.566.752/0004-07
STATE REGISTER: 671.087.638.111

ADDRESS: RUA PADRE MADUREIRA,431 - ÁRVORE GRANDE
ZIP CODE/CITY: 18013-210 SOROCABA/SP
PHONE: 15 4009-9301
FAX: 15 4009-9459
CNPJ: 42.566.752/0006-79
STATE REGISTER: 669.259.259.110

ADDRESS: RUA ALFREDO DUMONT VILLARES,155 - JARDIM SANTA CAROLINA
ZIP CODE/CITY: 13177-900 SUMARÉ/SP
PHONE: 0800-7070577

REPRESENTATIVE OFFICES:

BELO HORIZONTE/MG
FAX: 31 3444-5257
CELLULAR: 31 9982-2140

CAMPINAS/SP
FAX: 19 3227-7079
CELLULAR: 19 9773-1064/9211-6417

CURITIBA/PR
FAX: 41 3585-2000
CELLULAR: 41 9972-3421

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PORTO ALEGRE/RS
FAX: 51 3241-3250
CELLULAR: 51 9968-6913

JOINVILLE/SC
FAX: 47 3455-2056
CELLULAR: 47 9984-3289

RIO DE JANEIRO/RJ
FAX: 21 2481-1697
CELLULAR: 21 9966-7223

SÃO PAULO/SP
FAX: 11 4238-6495
CELLULAR: 11 8181-9138

CAXIAS DO SUL/RS
FAX: 54 3211-0046
CELLULAR: 54 8121-6999

FOREIGN TRADE OFFICE:
BUENOS AIRES/ARGENTINA
LAVALLE, 643 - 3º PISO - OFICINA "H"
PHONE: 54-11-4322-7882
FAX: 54-11-4322-2210

LEGAL DATA:

MAIN ACTIVITIES:

IRON AND STEEL FOUNDRY INDUSTRY.

LEGAL FORM:

PRIVATELY HELD CORPORATION

INCORPORATION DATE:	31/12/1961
REGISTER DATE:	31/12/1961
BALANCE SHEET FILING DATE:	31/03
TAX CONTRIBUTOR NUMBER(CNPJ):	42.566.752/0001-64
STATE REGISTER:	671.208.310.111

SHARE CAPITAL:	R\$ 438.876.666,86
LAST REGISTER OF CAPITAL:	31/10/2005

BOARD OF DIRECTORS:

ARMIN ANDREAS WUZELLA	PRESIDENT DIRECTOR
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MARCELO DE ABREU MARINZEK
AUGUSTO CESAR FERREIRA LARA

DIRECTOR
DIRECTOR

AUTHORIZED USE OF SIGNATURE

THE DIRECTORS ARE AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY.

SHAREHOLDERS / PARTNERS:

VOESTALPINE EDELSTAHL GMBH	99,99%
BOLDRINI E CIA LTDA	0,01%

AFFILIATES / SUBSIDIARIES:

VILLARES METALS INTERNATIONAL B.V.
VOESTALPINE BÖHLER WELDING GERMANY GMBH
AÇOS BOHLER-UDDEHOLM DO BRASIL LTDA.
ACEROS BÖHLER UDDEHOLM S.A.
IS INTERSTEEL STAHLHANDEL GMBH
BOHLER-UDDEHOLM CORPORATION
BÖHLER PACIFIC PTE LTD.
ACEROS BOHLER UDDEHOLM, S.A. DE C.V.
UDDEHOLMS AB
BOHLER UDDEHOLM COLOMBIA SA
BÖHLER INTERNATIONAL GMBH
EDRO SPECIALTY STEELS, INC.
BÖHLER-UDDEHOLM LTD.
OTHERS

COMPANY'S BACKGROUND

THE SUBJECT WAS ESTABLISHED ON OCTOBER 31, 1961 TO BE ENGAGED IN THE SAID LINE OF BUSINESS AND UP TO DATE IT IS STILL OPERATING WITHIN THE GENERAL SCENE REPORTED HEREIN.

ON FEBRUARY 10, 1992 SUBJECT CHANGED ITS CORPORATE NAME FROM ELETROMETAL METAIS ESPECIAIS LTDA. TO ELETROMETAL S/A METAIS ESPECIAIS. FOLLOWING THIS ON JANUARY 30, 1996 THE SUBJECT ADOPTED THE PRESENT REGISTERED NAME.

ON DECEMBER 23, 2003 THE CONTROLLER AÇOS VILLARES S.A. SIGNED WITH BÖHLER-UDDEHOLM AG, COMPANY HEADQUARTERED IN VIEN, AUSTRIA, AN INVESTMENT AGREEMENT WHICH, UPON COMPLETED SOME REQUIREMENTS, WILL RESULT IN THE TRANSFERENCE OF SUBJECT'S CONTROLLING SHAREHOLDING TO THAT COMPANY. THE OPERATION WILL BE CARRIED OUT THROUGH THE INCREASE OF SUBJECT'S SHARE CAPITAL, TO BE PAID-UP BY BÖHLER. THE RESOURCES OF THE CAPITAL INCREASE, IN THE AMOUNT OF R\$ 217.348.000,00, AND CONTINGENCY PRICE ADJUSTMENT BY

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INVESTMENTS AND WORKING CAPITAL, WILL BE USED TO PAY TO THE CURRENT CONTROLLER ACOS VILLARES S.A., BY THE ASSUMPTION OF ALL SUBJECT'S FINANCIAL LIABILITIES.

BÖHLER-UDDEHOLM AG IS ONE OF THE LARGEST PRODUCERS OF HIGH ALLOY STEEL, AND WORLD LEADER IN STEEL-TOOLING.

FURTHER DETAILS ABOUT THE SUBJECT'S HISTORY ARE SO FAR NOT KNOWN.

PUBLIC INFORMATION:

PROTESTS:

1 PROTEST,TOTAL AMOUNT R\$ 10.000,00

DETAILS OF LATEST PROTESTS:

NOTARY OFFICE:	DATE:	VALUE:
1º CARTORIO DE SUMARE/SP	03/05/2017	R\$ 10.000,00

LAWSUITS:

	DATE:	COURT OF LAW:
1 STATE LAWSUIT	05/06/14	VARA DE SUMARÉ/SP
1 FEDERAL LAWSUIT	29/09/15	3ª VARA DE CAMPINAS/SP

(RESEARCH DATE: 18/12/2017)

FINANCIAL INFORMATION

GENERAL BALANCE SHEETS AS OF 31/03/2017, 31/03/2016 AND 31/03/2015.
(FIGURES ARE IN THOUSANDS OF REAIS).

ASSETS

CURRENT:	31/03/2017	31/03/2016	31/03/2015
CASH AND BANKS	11.765	21.985	9.904
CLIENTS	133.598	141.810	141.533
INVENTORY	309.159	319.694	306.647
RECOVERABLE TAXES	29.065	29.925	9.260
DERIVATIVES OPERATIONS	170	40.537	
	-----	-----	-----
TOTAL CURRENT ASSETS	483.757	553.951	467.344

LONG-TERM RECEIVABLES:

RECOVERABLE TAXES	5.431	4.515	5.316
DEFERRED TAXES	59.355	32.670	6.367

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OTHER CREDITS	3.758		
TOTAL LONG-TERM RECEIVABLES	68.544	37.185	11.683
FIXED ASSETS:			
INVESTMENTS	11.352	15.749	14.395
FIXED ASSETS	551.591	547.717	532.675
INTANGIBLE	1.654	4.129	8.341
TOTAL FIXED ASSETS	564.597	567.595	555.411
TOTAL ASSETS	1.116.898	1.158.731	1.034.438
<u>LIABILITIES:</u>			
CURRENT:	31/03/2017	31/03/2016	31/03/2015
LOANS AND FINANCING	216.597	302.338	138.873
SUPPLIERS	129.971	213.304	224.391
TAXES & CONTRIBUTIONS	1.761	2.299	1.791
LABOR OBLIGATIONS	34.538	36.929	31.920
DIVIDENDS			104
DERIVATIVES OPERATIONS	30.203	10.181	
TOTAL CURRENT LIABILITIES	413.070	565.051	397.079
LONG TERM LIABILITIES:			
LOANS AND FINANCING	235.708	40.233	100.288
PROVISION FOR CONTINGENCIES	15.816	15.108	5.961
LABOR PROVISIONS	51.681	57.122	
TAXES AND CONTRIBUTIONS	1.114		
TOTAL LONG TERM LIABILITIES	304.319	112.463	106.249
NET EQUITY:			
SHARE CAPITAL	438.877	438.877	438.877
CAPITAL RESERVES	5.160	5.160	4.918
LEGAL RESERVES		25.906	25.588
OTHER COMPREHENSIVE INCOME	-9.176	3.505	1.003
PROFIT RESERVES		7.769	60.724
ACCRUED PROFIT (LOSS)	-35.352		
TOTAL NET EQUITY	399.509	481.217	531.110
TOTAL LIABILITIES	1.116.898	1.158.731	1.034.438

PROFIT AND LOSS ACCOUNTS AS OF 31/03/2017, 31/03/2016 AND 31/03/2015.

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(FIGURES ARE IN THOUSANDS OF REAIS).

	31/03/2017		31/03/2016		31/03/2015
NET SALES	862.892		982.396		914.970
(-) COST OF SOLD GOODS	796.780		791.747		744.174
	-----		-----		-----
GROSS PROFIT	66.112		190.649		170.796
OPERATING REVENUE (EXPENSE)	-95.390		-131.971		-136.586
FINANCIAL REVENUE(EXPENSE)	-64.181		-50.553		-16.930
	-----		-----		-----
OPERATIONAL PROFIT (LOSS)	-93.459		8.125		17.280
CONTRIBUTION/INCOME TAX	24.432		-1.761		-6.321
	-----		-----		-----
NET PROFIT (LOSS)	-69.027		6.364		10.959
<u>RATIOS:</u>					
	31/03/2017		31/03/2016		31/03/2015
QUICK RATIO	,42		,41		,40
CURRENT RATIO	1,17		,98		1,18
ACCOUNTS RECEIVABLE TURNOVER	6,46	TIME	6,93	TIME	6,46
		S		S	
DAYS' SALES IN RECEIVABLES	13,93	DAYS	12,99	DAYS	13,92
INVENTORY TURNOVER	2,58	TIME	2,48	TIME	2,43
		S		S	
ACCOUNTS PAYABLE PERIOD	14,68	DAYS	24,25	DAYS	27,14
RETURN ON ASSETS	,77	TIME	,85	TIME	,88
		S		S	
SALES TURNOVER ON NET EQUITY	2,16	TIME	2,04	TIME	1,72
		S		S	
NET WORTH TIE-UP	1,38		1,14		1,00
INDEBTEDNESS	1,80		1,41		,95
EQUITY RATIO	35,77	%	41,53	%	51,34
WORKING CAPITAL RATIO	17,11	%	-1,96	%	17,70
GENERAL SOLVENCY	1,56		1,71		2,06
RETURN ON NET EQUITY	-17,28	%	1,32	%	2,06
RETURN ON SALES (PROFIT MARGIN)	-8,00	%	,65	%	1,20
GROSS PROFIT MARGIN	7,66	%	19,41	%	18,67
OPERATIONAL RESULT	-10,83	%	,83	%	1,89
SALES TURNOVER ON LIABILITIES	2,09	TIME	1,74	TIME	2,30
		S		S	
FOREIGN CURRENCY ON ASSETS					
FOREIGN CURRENCY ON LIABILITIES					

COMMENTS ON THE FINANCIAL INFORMATION:

FOLLOWS ATTACHED WORKSHEET WITH MAIN FINANCIAL RATIOS

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THE FIGURES AVAILABLE SHOW A REGULAR FINANCIAL STANDING. THE LEVEL OF INDEBTEDNESS IS HIGH BUT IT IS NOTED NORMAL CURRENT RATIO AND POSITIVE WORKING CAPITAL. ON THE OTHER HAND, IT SHOWS DROP IN SALES AND MADE NEGATIVE RESULT.

REAL ESTATE:

OWNED PREMISES ARE VALUED AT R\$ 78.966.000,00

VEHICLES:

OWNED VEHICLES ARE VALUED AT R\$ 6.578.000,00

MACHINES:

OWNED MACHINES AND EQUIPMENTS ARE VALUED AT R\$ 623.168.000,00

INSURANCE

INSURANCE COMPANY:
COVERAGE:
VALUE:

NOT AVAILABLE
FIRE, CIVIL LIABILITY, THEFT AND OTHERS
R\$ 1.005.000.000,00

BANKING REFERENCES

	BRANCH/PHONE:	CITY:
BANCO SANTANDER (BRASIL) S/A	11 3012-7037	SÃO PAULO/SP
BANCO DO BRASIL S/A	11 2128-7226	SÃO PAULO/SP
BANCO BRADESCO S/A	11 2178-4148	SÃO BERNARDO DO CAMPO/SP

REMARKS: IN BRAZIL THE BANKS ARE PROHIBITED BY LAW TO PROVIDE INFORMATION OR ANY KIND OF COMMENTS ABOUT THEIR CLIENTS. DUE TO THIS LAW PROHIBITION WE ARE UNABLE TO PROVIDE ANY BANKING DETAILS.

ACCORDING TO THE CENTRAL BANK OF BRAZIL OFFICIAL REPORT, THE COMPANY HAS NO RETURNED CHECKS UP TO DATE. (IN THE TERMS OF "CIRCULAR 1682 BRAZILIAN CENTRAL BANK"). DATE RESEARCHED DECEMBER 18, 2017.

ACTIVITIES COMMENTS

SUBJECT IS ENGAGED IN IRON AND STEEL FOUNDRY INDUSTRY.

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IMPORT AND EXPORT:

IMPORTS FROM:
ITALY, UNITED STATES, CHILE, AUSTRIA, GERMANY AND SWITZERLAND

EXPORTS TO:
UNITED STATES, ARGENTINA, ITALY AND HOLLAND.

MAIN CLIENTS:

DOMESTIC CLIENTS:	CITY:	PHONE:
AÇOS TREFITA LTDA	SÃO PAULO/SP	11 2795-2555
ARMCO BRASIL S/A	SÃO PAULO/SP	11 6915-2600
CARBINOX IND. E COM. LTDA	MOGI DAS CRUZES/SP	11 4795-9000
DORMER	SÃO PAULO/SP	11 5660-3034
EATON CORPORATION BRASIL	SÃO JOSÉ DOS CAMPOS/SP	12 3331-3233
JATI-SERVIÇOS COM. E IMP. DE AÇOS LTDA	SÃO PAULO/SP	11 2172-0405
SALGUEIRO IND. E COM. DE AÇO LTDA	SÃO PAULO/SP	11 2274-0133
SIFCO S/A	JUNDIAÍ/SP	11 7398-1500
TAURUS SL	PORTO ALEGRE/RS	51 3021-3000
TRW BRASIL S/A	SANTO ANDRÉ/SP	11 3416-4400
VETCO GRAY	JANDIRA/SP	11 4772-3300
WELLSTREAM DO BRASIL INDÚSTRIA E SERVIÇOS	RIO DE JANEIRO/RJ	21 2107-6500

FOREIGN CLIENTS:

FOREIGN CLIENTS:	COUNTRY:
EATON	ITALY
OH & R/TIMKEN	UNITED STATES
STELL INDUSTRIA	UNITED STATES

STAFF:

THE COMPANY HAS: 1373 EMPLOYEE(S)

CONCEPT AND FULFILMENT

THE SUBJECT IS A WELL-ESTABLISHED AND LARGE-SIZED COMPANY. IT BELONGS TO AN IMPORTANT INDUSTRIAL GROUP AND OPERATES WITH A GROWING SCALE OF ACTIVITIES AND AN EXCELLENT REPUTATION.

THE COMPANY HAS TRADE RELATIONS WITH SEVERAL SUPPLIERS IN BRAZIL. THE SUPPLIERS EXTEND CREDIT FACILITIES TO THE SUBJECT IN TERMS AND AMOUNTS ACCORDING TO THE COMPANY'S NEEDS AND SO FAR NO PAYMENT PROBLEMS ARE NOTED.

MOST OF THE SUPPLIERS WHICH PROVIDED INFORMATION REPORTED PROMPT PAYMENTS, THUS THE

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SUBJECT HAS A GOOD PAYMENT RECORD.

THE LAWSUITS REPORTED ARE NOT RELATED WITH TRADE DEBTS. THEY ARE RELATED TO TAX DEBTS THAT FOR ANY REASON THE COMPANY HAS NOT YET PAID. NEVERTHELESS WE POINT OUT THAT THE SAID LAWSUITS DO NOT AFFECT THE COMPANY'S TRADE REPUTATION.

THE PROTEST IS IRRELEVANT.

MAIN SUPPLIERS:

DOMESTIC SUPPLIERS:

CIA BRASILEIRA DE PETRÓLEO IPIRANGA		PHONE:	19 3874-1538
CIA DE FERRO LIGAS DA BAHIA - FERBASA	POJUCA/BA		71 3645-8740
CIA DE GÁS DE SÃO PAULO - COMGAS	CAMPINAS/SP		19 3797-9750
CIA NIQUEL TOCANTINS			11 6956-8600
COLETTI COM. SUCATAS DE FERRO E AÇOS LTDA			19 3433-4897
CPFL COMERCIALIZAÇÃO BRASIL LTDA	CAMPINAS/SP		19 3756-8936
SUPERGÁSBRAS DISTRIBUIDORA DE GAZ S/A			19 3874-2464
VOTORANTIM METAIS NIQUEL S.A	SÃO PAULO/SP		11 2159-3116
WHITE MARTINS GASES INDUSTRIAIS S/A			12 3232-4666

FOREIGN SUPPLIERS:

CODELCO	COUNTRY:	
CORPORACION NACIONAL DEL COBRE DE CHILE - CODELCO	CHILE	
CRONIMET FERROLEGIERRUNGEN GMBH	SANTIAGO, CHILE	(562) 690-3000
GLENCORE INTERNATIONAL AG - RIO DE JANEIRO	GERMANY	+49 721 95225-0
INTERALLOYS TRADING AND BUSINESS	BAAR, SWITZERLAND	21 3873-3304
MOLIBDENOS Y METALES S/A - MOLYMET	AUSTRIA	+43 1 504-0651
	SANTIAGO, CHILE	56-2 3683632

PAYMENT HISTORY:

26 SUPPLIERS REPORTED PAYMENTS:

AMOUNT OF INVOICES PAID: 137

TOTAL OF PROMPT PAYMENTS: 93,2%

TOTAL OF DELAYED PAYMENTS: 6,8%

HIGHEST INVOICE: R\$ 168.177,00

HIGHEST CREDIT: R\$ 168.177,00

FINAL OPINION

THE SUBJECT IS A WELL-ESTABLISHED COMPANY IN BUSINESS FOR SEVERAL YEARS. IT SHOWS REGULAR FINANCIAL STANDING BUT THE COMPANY KEEPS OPERATING NORMALLY AND KEEPS MEETING ITS TRADE AND FINANCIAL COMMITMENTS PROPERLY.

BASED ON THE OVERALL INFORMATION AVAILABLE THE SUBJECT MAY BE CONSIDERED FOR NORMAL

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TRADE COMMITMENTS. CREDIT FACILITIES ARE STILL ADVISABLE WITHIN TERMS AND AMOUNTS ADEQUATE TO THE SUBJECT'S SCALE OF BUSINESS.

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FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 63.39
UK Pound	1	INR 85.74
Euro	1	INR 76.74
BRL	1	INR 19.58

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

INFORMATION DETAILS

Analysis Done by :	PRI
Report Prepared by :	DNS

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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)

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