

MIRA INFORM REPORT

Report No. :	522078
Report Date :	25.07.2018

IDENTIFICATION DETAILS

Name :	PORTAL STEELS INC.
Registered Office :	B2 Sitio Gitna Tatalon St., Ugong, Valemzuela City, Metro Manila
Country :	Philippines
Financials (as on) :	2015
Date of Incorporation :	05.02.2013
Legal Form :	Private Limited Liability Corporation.
Line of Business :	General contracting business with any party, including the constructing, repairing, remodeling operation
No. of Employees :	Not Available

RATING & COMMENTS

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

MIRA's Rating : B

Credit Rating	Explanation	Rating Comments
B	Medium Risk	Business dealings permissible on a regular monitoring basis

Status :	Moderate
Payment Behaviour :	Slow
Litigation :	Clear

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)
Philippines	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

PHILIPPINES - ECONOMIC OVERVIEW

The economy has been relatively resilient to global economic shocks due to less exposure to troubled international securities, lower dependence on exports, relatively resilient domestic consumption, large remittances from about 10 million overseas Filipino workers and migrants, and a rapidly expanding services industry. During 2017, the current account balance fell into the negative range, the first time since the 2008 global financial crisis, in part due to an ambitious new infrastructure spending program announced this year. However, international reserves remain at comfortable levels and the banking system is stable.

Efforts to improve tax administration and expenditures management have helped ease the Philippines' debt burden and tight fiscal situation. The Philippines received investment-grade credit ratings on its sovereign debt under the former AQUINO administration and has had little difficulty financing its budget deficits. However, weak absorptive capacity and implementation bottlenecks have prevented the government from maximizing its expenditure plans. Although it has improved, the low tax-to-GDP ratio remains a constraint to supporting increasingly higher spending levels and sustaining high and inclusive growth over the longer term.

Economic growth has accelerated, averaging over 6% per year from 2011 to 2017, compared with 4.5% under the MACAPAGAL-ARROYO government; and competitiveness rankings have improved. Although 2017 saw a new record year for net foreign direct investment inflows, FDI to the Philippines has continued to lag regional peers, in part because the Philippine constitution and other laws limit foreign investment and restrict foreign ownership in important activities/sectors - such as land ownership and public utilities.

Although the economy grew at a rapid pace under the AQUINO government, challenges to achieving more inclusive growth remain. Wealth is concentrated in the hands of the rich. The unemployment rate declined from 7.3% to 5.7% between 2010 and 2017; while there has been some improvement, underemployment remains high at around 17% to 18% of the employed population. At least 40% of the employed work in the informal sector. Poverty afflicts more than a fifth of the total population but is as high as 75% in some areas of the southern Philippines. More than 60% of the poor reside in rural areas, where the incidence of poverty (about 30%) is more severe - a challenge to raising rural farm and non-farm incomes. Continued efforts are needed to improve governance, the judicial system, the regulatory environment, the infrastructure, and the overall ease of doing business.

2016 saw the election of President Rodrigo DUTERTE, who has pledged to make inclusive growth and poverty reduction his top priority. DUTERTE believes that illegal drug use, crime and corruption are key barriers to economic development. The administration wants to reduce the poverty rate to 17% and graduate the economy to upper-middle income status by the end of President DUTERTE's term in 2022. Key themes under the government's Ten-Point Socioeconomic Agenda include continuity of macroeconomic policy, tax reform, higher investments in infrastructure and human capital development, and improving competitiveness and the overall ease of doing business. The administration sees infrastructure shortcomings as a key barrier to sustained economic growth and has pledged to spend \$165 billion on infrastructure by 2022. Although the final outcome has yet to be seen, the current administration is shepherding legislation for a comprehensive tax reform program to raise revenues for its ambitious infrastructure spending plan and to promote a more equitable and efficient tax system. However, the need to finance rehabilitation and reconstruction efforts in the southern region of Mindanao following the 2017 Marawi City siege may compete with other spending on infrastructure.

Source : CIA

ANTECEDENT INFORMATION

Company: PORTAL STEELS INC.
Address: 1401-A ONE CORPORATE CENTER, J. Vargas St. corner Meralco, Avenue corner
Meralco Avenue, Ortigas Center, Pasig City.
Country: Philippines
Service Type: Normal
Contact Person: Colly Tan, Managing Director
Email: colly@silverdragon.sg.

FINDINGS

We conducted research and investigation on PORTAL STEELS INC. and showed the following, viz:

VERIFICATION WITH SECURITIES & EXCHANGE COMMISSION (SEC): PORTAL STEELS INC.

Legal Entity - **PRIVATE. Limited Liability Corporation.**

REGISTRATION

(Per General Information Sheet (GIS) filed Feb. 12, 2016, latest on file.)

Certificate No. : CS201302310
Date : February 05, 2013
Term : Fifty (50) years
Company Type : Stock Corporation
Telephone No. : (632) 921-0086
Corp. Tax ID No. : 008-463519-000
Email : portal_scrap@yahoo.com, Kristine Bensurto (sdz_scrap@yahoo.com)

Principal/Business Address: B2 Sitio Gitna Tatalon St., Ugong, Valemzuela City, Metro Manila

(Note: Currency in Philippine Peso, unless otherwise specified)

CAPITALIZATION

(As of 2016)

Kind of Share	No. of Shares	Par Value per Share	Amount
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Authorized Capital Stock	-	Common	-	300,000	-	100.	<u>30,000,000.</u>
Subscribed Capital	-	Common	-	75,000	-	1,000.	<u>75,000,000.</u>
Paid Up Capital	-	Common	-	18,753	-	1,000.	<u>18,753,000.</u>

PRIMARY PURPOSE

To carry on and conduct general contracting business with any party, including the constructing, repairing, remodeling operation.

STOCKHOLDERS/DIRECTORS/OFFICERS

(For Year 2016)

Name / Nationality	Position	Amount Paid
Rosalinda B. Galicia, Filipino	Chairperson & President	188,000.
Jackelyn M. Cheng, Filipino	Treasurer	NIL
Francisco Conrado P. Banzon, Filipino	Director	188,000.
Kristine G. Bensusanto, Filipino	Corporate Secretary	188,000.
Julius Mangupag, Filipino	Director	188,000.
Benito Salazar, Filipino	Director	188,000.
Huang Chang Ming, Chinese		469,000.
Xiao Mei Cong, Chinese		469,000.
SILVER DRAGON HOLDINGS INC., Fil.		8,625,000.
SILVER DRAGON SCRAP METAL INC., Fil.		<u>8,625,000.</u>
	TOTAL	<u>18,753,000.</u>

BUSINESS ACTIVITY

To provide world class level of quality service and marketing efficiency.

MEDIA REPORT:

Portal Steels, Inc. is investing P322.7 million for a steel manufacturing plant in Carmona, Cavite to supply its own requirement and to serve the local market as well. The Board of Investments (BOI) has approved the project with tax and fiscal incentives. Based on its application, the firm will produce steel billets and rebars at an annual production of 48,000 metric tons (MT) and 22,800 MT, respectively. Raw materials (scrap metals) will all be

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sourced locally. Around half of the billet production is for commercial sale in support for other rolling mill operations inside and outside the country while the other half is for its own use intended for integrated rolling mill operations. The project is expected to start commercial operations in December 2017 with 75 personnel

VERIFICATION OF ADDRESS.

a) 1401-A ONE CORPORATE CENTER Building, Ortigas Center, Pasig City

According to the Property Manager, Portal Steel Inc., is not listed as Tenant, neither as unit owner in said building, as mentioned in the request. There is not even a business name signage.

b) B2 SITIO GITNA TATALON ST., UGONG, VALENZUELA CITY.

According to the Business Permit Div., Brgy, Ugong, Valenzuela City, records shows that portal steel inc. conducts business operation thereat.

FINANCIAL CONDITION

(Audited Financial Statement for years 2015 & 2014, as compiled)
(Latest on file with SEC.)

BALANCE SHEET

	2015	2014
Current Asset		
Cash & Cash Equivalent	5,469,461.	18,146,490.
Other Current Assets	<u>2,715,359.</u>	<u>NIL</u>
Total Current Assets	<u>8,184,820.</u>	<u>18,146,490.</u>
Non Current Assets		
Property & Equipment – net	<u>11,177,549.</u>	<u>NIL</u>
Total Non Current Assets	<u>11,177,549.</u>	<u>NIL</u>
TOTAL ASSETS	<u>19,362,369.</u>	<u>18,146,490.</u>

LIABILITIES & STOCK HOLDER'S EQUITY

Current Liabilities		
Accrued Expenses & Other Payables	2,250,104.	10,000.
Other Current Liabilities	<u>190,987.</u>	<u>NIL</u>
Total Current Liabilities	<u>2,441,091.</u>	<u>10,000.</u>
TOTAL LIABILITIES	<u>2,441,091.</u>	<u>10,000.</u>
Equity		
Capital Stock	18,753,000.	18,753,000.
Retained Earnings (Deficit)	<u>(1,831,723.)</u>	<u>(616,510.)</u>

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Total Equity	<u>16,921,277.</u>	<u>18,136,490.</u>
TOTAL LIABILITIES & EQUITY	<u>19,362,368.</u>	<u>18,146,490.</u>

INCOME STATEMENT

REVENUE	<u>90,493,363.</u>	<u>NIL</u>
Gross Profit	40,231,341.	NIL
Administrative Expenses	<u>(41,446,554.)</u>	<u>(10,000.)</u>
NET LOSS FROM OPERATION	<u>(1,215,213.)</u>	<u>(10,000.)</u>

MEDIA REPORT:

"New P323-M steel billet plant to rise in Carmona, Cavite
Portal Steels, Inc. is investing P322.7 million for a steel manufacturing plant in Carmona, Cavite to supply its own requirement .

PORTAL STEELS, INC.'s P322.7 million steel plant was recently given the go-signal by the Board of Investments (BOI) to operate as a new producer of steel billets and rebars in its facility on Hong Chang compound, Carmona, Cavite. The project qualified for tax incentives under the Manufacturing activity of the Investment Priorities Plan (IPP). The firm will produce steel billets and rebars at an annual production of 48,000 metric tons (MT) and 22,800 MT, respectively with commercial operations. Around half of the billet production is for commercial sale in support for other rolling mill operations inside and outside the country while the other half is for its own use intended for integrated rolling mill operations.

The iron and steel industry provides necessary inputs for the construction of infrastructure, power generation and distribution, transportation facilities and vehicles, manufacturing machinery and equipment. The Philippine iron and steel industry roadmap aims to contribute to the country's sustainable development by manufacturing world-class products for the industry and society, and sees itself as a major producer of high-quality and safe steel products for domestic users by 2030. This can be achieved when the industry will be able to supply 70 percent of the tonnage of required apparent steel consumption.

In line with the vision to be globally cost competitive, the company embarked on an iron and steel program that aims to primarily attain operational efficiency and achieve the least cost of production. The project will be using one of the most modern billet and rebars making technology available to the local industry, in making the project capable of producing higher quality steel and more efficiency in terms of production output. Raw materials (scrap metals) will all be sourced locally.

Steel billets are considered freshly made steel which is still in the form of a metal bar or rectangle. It has distinct characteristics as compared with already furnished steel bars and products. Billets have a specific grain structure, which enables the metal to be processed more intricately and they are also known for their malleability and ductility, especially when exposed to varying temperatures during shaping and molding. It has many practical uses and application when formed into functional shapes and sizes. Rebar (short for reinforcing bar), also known as reinforcement steel, is a steel bar or mesh of steel wires used as a tension device in reinforced concrete and reinforcement masonry structures, to strengthen and hold the concrete in compression.

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According to the BOI, Portal Steels is embarking on an iron and steel program that aims to primarily attain operational efficiency and achieve the least cost of production. The firm's project in Cavite, it said, will be using one of the most modern billet and rebars making technology available to the local industry, making the project capable of producing higher quality steel and more efficiency in terms of production output. The BOI said raw materials such as scrap metals will all be sourced locally. Steel billets are freshly made steel which is still in the form of a metal bar or rectangle, while reinforcing bar is a mesh of steel wires used as a tension device in reinforced concrete and reinforcement masonry structures to strengthen and hold the concrete in compression."

Portal frames are generally low-rise structures, comprising columns and horizontal or pitched rafters, connected by moment-resisting connections. Resistance to lateral and vertical actions is provided by the rigidity of the connections and the bending stiffness of the members, which is increased by a suitable haunch or deepening of the rafter sections. This form of continuous frame structure is stable in its plane and provides a clear span that is unobstructed by bracing. Portal frames are very common, in fact 50% of constructional steel used in the UK is in portal frame construction. They are very efficient for enclosing large volumes, therefore they are often used for industrial, storage, retail and commercial applications as well as for agricultural purposes. This article describes the anatomy and various types of portal frame and key design considerations.

A portal frame building comprises a series of transverse frames braced longitudinally. The primary steelwork consists of columns and rafters, which form portal frames, and bracing. The end frame (gable frame) can be either a portal frame or a braced arrangement of columns and rafters. The light gauge secondary steelwork consists of side rails for walls and purlins for the roof. The secondary steelwork supports the building envelope, but also plays an important role in restraining the primary steelwork. The roof and wall cladding separate the enclosed space from the external environment as well as providing thermal and acoustic insulation. The structural role of the cladding is to transfer loads to secondary steelwork and also to restrain the flange of the purlin or rail to which it is attached."

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.05
UK Pound	1	INR 90.30
Euro	1	INR 80.54
PHP	1	INR 1.29

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)