

MIRA INFORM REPORT

Report No. :	538719
Report Date :	12.11.2018

IDENTIFICATION DETAILS

Name :	HUNAN ER-KANG PHARMACEUTICAL CO., LTD.
Registered Office :	167 Kangping Road, Liuyang National Economic & Technical Development Zone, Changsha, Hunan Province 410331 PR China
Country :	China
Financials (as on) :	30.09.2018
Date of Incorporation :	22.10.2003
Unified social credit code .:	914301007558022471
Legal Form :	Shares Limited Company
Line of Business :	Subject registered business scope includes manufacturing chemical raw materials, chemical products, pharmaceutical special equipment, food additives, chemical preparations, starch and starch products, pharmaceutical excipients, medicinal capsules; selling pharmaceutical raw materials, pharmaceutical excipients, medicinal capsules, health foods, foods, prepackaged foods, bulk foods, food additives; R & D and sales of chemical products; biotechnology development services, consultation, exchange services, transfer services; wholesale of mechanical equipment, hardware products and electronic products; retail of general machinery and equipment; research and development of health foods; Internet transactions of medicines and medical devices; Internet drug transactions; Internet services for drugs and medical devices; operating and acting as an agent of importing and exporting various kinds of commodities and technology, excluding the goods forbidden by the government; technology development, consultation and technology transfer of pharmaceutical excipients; selling its owned products.
No. of Employees :	1,477

RATING & COMMENTS

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

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MIRA's Rating :	A+
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Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

Status :	Excellent
Payment Behaviour :	Regular
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.

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
China	A1	A1

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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CHINA - ECONOMIC OVERVIEW

Since the late 1970s, China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role. China has implemented reforms in a gradualist fashion, resulting in efficiency gains that have contributed to a more than tenfold increase in GDP since 1978. Reforms began with the phaseout of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment. China continues to pursue an industrial policy, state support of key sectors, and a restrictive investment regime. From 2013 to 2017, China had one of the fastest growing economies in the world, averaging slightly more than 7% real growth per year. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2017 stood as the largest economy in the world, surpassing the US in 2014 for the first time in modern history. China became the world's largest exporter in 2010, and the largest trading nation in 2013. Still, China's per capita income is below the world average.

In July 2005 moved to an exchange rate system that references a basket of currencies. From mid-2005 to late 2008, the renminbi (RMB) appreciated more than 20% against the US dollar, but the exchange rate remained virtually pegged to the dollar from the onset of the global financial crisis until June 2010, when Beijing announced it would resume a gradual appreciation. From 2013 until early 2015, the renminbi held steady against the dollar, but it depreciated 13% from mid-2015 until end-2016 amid strong capital outflows; in 2017 the RMB resumed appreciating against the dollar – roughly 7% from end-of-2016 to end-of-2017. In 2015, the People's Bank of China announced it would continue to carefully push for full convertibility of the renminbi, after the currency was accepted as part of the IMF's special drawing rights basket. However, since late 2015 the Chinese Government has strengthened capital controls and oversight of overseas investments to better manage the exchange rate and maintain financial stability.

The Chinese Government faces numerous economic challenges including: (a) reducing its high domestic savings rate and correspondingly low domestic household consumption; (b) managing its high corporate debt burden to maintain financial stability; (c) controlling off-balance sheet local government debt used to finance infrastructure stimulus; (d) facilitating higher-wage job opportunities for the aspiring middle class, including rural migrants and college graduates, while maintaining competitiveness; (e) dampening speculative investment in the real estate sector without sharply slowing the economy; (f) reducing industrial overcapacity; and (g) raising productivity growth rates through the more efficient allocation of capital and state-support for innovation. Economic development has progressed further in coastal provinces than in the interior, and by 2016 more than 169.3 million migrant workers and their dependents had relocated to urban areas to find work. One consequence of China's population control policy known as the "one-child policy" - which was relaxed in 2016 to permit all families to have two children - is that China is now one of the most rapidly aging countries in the world. Deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table, especially in the North - is another long-term problem. China continues to lose arable land because of erosion and urbanization. The Chinese Government is seeking to add energy production capacity from sources other than coal and oil, focusing on natural gas, nuclear, and clean energy development. In 2016, China ratified the Paris Agreement, a multilateral agreement to combat climate change, and committed to peak its carbon dioxide emissions between 2025 and 2030.

The government's 13th Five-Year Plan, unveiled in March 2016, emphasizes the need to increase innovation and boost domestic consumption to make the economy less dependent on government investment, exports, and heavy industry. However, China has made more progress on subsidizing innovation than rebalancing the economy. Beijing has committed to giving the market a more decisive role in allocating resources, but the Chinese Government's policies continue to favor state-owned enterprises and emphasize stability. Chinese leaders in 2010 pledged to double China's GDP by 2020, and the 13th Five Year Plan includes annual economic growth targets of at least 6.5% through 2020 to achieve that goal. In recent years, China has renewed its support

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for state-owned enterprises in sectors considered important to "economic security," explicitly looking to foster globally competitive industries. Chinese leaders also have undermined some market-oriented reforms by reaffirming the "dominant" role of the state in the economy, a stance that threatens to discourage private initiative and make the economy less efficient over time. The slight acceleration in economic growth in 2017—the first such uptick since 2010—gives Beijing more latitude to pursue its economic reforms, focusing on financial sector deleveraging and its Supply-Side Structural Reform agenda, first announced in late 2015.

Source : CIA

COMPANY NAME AND ADDRESS

COMPANY NAME Hunan Er-Kang Pharmaceutical Co., Ltd.
CURRENT ADDRESS 167 Kangping Road, Liuyang National Economic & Technical
Development Zone, Changsha, Hunan Province 410331 PR
China
TEL. NO. 86 (0) 731-84659108
FAX NO. 86 (0) 731-83282158

EXECUTIVE SUMMARY

DATE OF REGISTRATION : OCTOBER 22, 2003
UNIFIED SOCIAL CREDIT CODE : 914301007558022471
LEGAL FORM : SHARES LIMITED COMPANY
CHIEF EXECUTIVE : SHUAI FANGWEN (LEGAL REPRESENTATIVE)
REGISTERED CAPITAL : CNY 2,056,722,014
STAFF : 1,477
BUSINESS CATEGORY : MANUFACTURING & TRADING
REVENUE : CNY 1,546,326,000 (CONSOLIDATED, JAN. 1, 2018
TO SEP. 30, 2018)
EQUITIES : CNY 5,728,375,000 (CONSOLIDATED, AS OF SEP.
30, 2018)
WEBSITE : www.hnerkang.com
E-MAIL : 300267@hnerkang.com
PAYMENT : REGULAR
MARKET CONDITION : COMPETITIVE
FINANCIAL CONDITION : FAIRLY GOOD
OPERATIONAL TREND : FAIRLY STEADY
GENERAL REPUTATION : FAIRLY GOOD

Adopted abbreviations (as follows)

SC - Subject Company (the company inquired by you)

N/A – Not available

CNY – China Yuan Ren Min Bi

OPERATIONAL TREND & GENERAL REPUTATION

This section aims at indicating the relative positions of SC in respect of its operational trend & general reputation

Operational Trend:-

Upward

Steady

Fairly Steady

General Reputation:-

Excellent

Good

Fairly Good

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Ordinary	Average
Fair	Fair
Stagnant	Detrimental
Downward	Not known
Not known	Not yet be determined
Not yet be determined	

LEGAL STATUS & HISTORY

SC was established as shares limited company of PRC with State Administration of Industry & Commerce (SAIC) under Unified Social Credit Code: 914301007558022471.

SC's Import and Export Enterprise Code: 4300755802247

SC's registered capital: CNY 2,056,722,014

SC's paid-in capital: CNY 2,056,722,014

Registration Change Record:-

Date	Change of Contents	Before the change	After the change
2014-4-18	Registered Capital	CNY 239,200,000	CNY 454,480,000
2015-5-19	Registered Capital	CNY 454,480,000	CNY 908,960,000
2016-2-2	Registered Capital	CNY 908,960,000	CNY 10,828,361,007
2016-9-28	Registered Capital	CNY 10,828,361,007	CNY 2,056,722,014

Current Co search indicates SC's shareholders & chief executives are as follows:-

Name of Shareholder (s) (As of Sep. 30, 2018)	% of Shareholding
Shuai Fangwen	41.44
Hunan Shuaijia Investment Co., Ltd.	11.24
Peng Xingni	4.52
Cao Zexiong	2.77
Xia Zhe	2.26
Central Huijin Asset Management Co., Ltd.	1.68
Other Shareholders	36.09

SC's Chief Executives:-

Position	Name
Legal Representative and Chairman	Shuai Fangwen
General Manager	Liu Aijun
Deputy General Manager	Wang Xiangfeng
	Shi Xiangyan

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RECENT DEVELOPMENT

SC is a listed company in Shenzhen Stock Exchange Market with the code of 300267.

SHAREHOLDER CHART & BACKGROUND

<i>Name (As of Sep. 30, 2018)</i>	<i>% of Shareholding</i>
Shuai Fangwen	41.44
Hunan Shuaijia Investment Co., Ltd.	11.24
Peng Xingni	4.52
Cao Zexiong	2.77
Xia Zhe	2.26
Central Huijin Asset Management Co., Ltd.	1.68
Other Shareholders	36.09

Hunan Shuaijia Investment Co., Ltd.

Date of Registration: November 19, 2009
Unified Social Credit Code: 91430100696236037C
Chief Executive : Cao Zaiyun
Registered Capital: CNY 16,000,000

MANAGEMENT

Shuai Fangwen , Legal Representative and Chairman

- Gender: M
- Age: 52
- Nationality: China
- Qualification: University
- Working experience (s):

At present, working in SC as legal representative and chairman, also working in Hunan Icare Health Co., Ltd. and Guangdong Yueerkang Pharmaceutical Co., Ltd., Huanan Er-kang Zhengyang Drug Capsule Co., Ltd. and Hunan Dongting Citric Acid Chemistry Co., Ltd. as legal representative

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Liu Aijun , General Manager

- Gender: M
- Age: 44
- Nationality: China
- Working experience (s):

At present, working in SC as general manager

Wang Xiangfeng , Deputy General Manager

- Gender: M
- Age: 51
- Nationality: China
- Qualification: University
- Working experience (s):

At present, working in SC as deputy general manager, also working in Zhongshan Kaibosi Starch Technology Co., Ltd. as legal representative

Shi Xiangyan , Deputy General Manager

- Gender: F
- Age: 47
- Nationality: China
- Qualification: University
- Working experience (s):

At present, working in SC as deputy general manager

BUSINESS OPERATION

SC's registered business scope includes manufacturing chemical raw materials, chemical products, pharmaceutical special equipment, food additives, chemical preparations, starch and starch products, pharmaceutical excipients, medicinal capsules; selling pharmaceutical raw materials, pharmaceutical excipients, medicinal capsules, health foods, foods, prepackaged foods, bulk foods, food additives; R & D and sales of chemical products; biotechnology development services, consultation, exchange services, transfer services; wholesale of mechanical equipment, hardware products and electronic products; retail of general machinery and equipment; research and development of health foods; Internet transactions of medicines and medical devices; Internet drug transactions; Internet services for drugs and medical devices; operating and acting as an agent of importing and exporting various kinds of commodities and technology, excluding the goods forbidden by the government; technology development, consultation and technology transfer of pharmaceutical excipients; selling its owned products.

SC is mainly engaged in manufacturing and selling chemical drug substance

Brand: Er-Kang

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SC's products mainly include: bulk, drug, pharmaceuticals adjuvant, etc.

SC sources its materials 100% from domestic market. SC sells 80% in domestic market and 20% to overseas market.

The buying terms of SC include Check, T/T and Credit of 30-60 days. The payment terms of SC include Check, T/T, L/C and Credit of 30-60 days.

Major Customers

=====
Hunan Er-Kang (Hk) Company Limited
Procaps S.A.
Niche Products Inc.
Orochem Technologies Inc.

Staff & Office:

SC is known to have approx. 1,477 staff at present.

SC owns an area as its operating office and factory, but the detailed information is unknown.

RELATED COMPANY

SC is known to have following subsidiaries at present.

Hunan Icare Health Co., Ltd.
Hunan Er-kang Medical Management Co., Ltd.
Hunan Zikang Daily Necessities Co., Ltd.
Hunan Tongtai Capsule Co., Ltd.
Zhongshan Kaibosi Starch Technology Co., Ltd.
Nanning Guizhilong Medicinal Excipients Co., Ltd.
Guangdong Yueerkang Pharmaceutical Co., Ltd.
Huanan Er-kang Zhengyang Drug Capsule Co., Ltd.
Hunan Dongting Citric Acid Chemistry Co., Ltd.
Etc.

PAYMENT

Overall payment appraisal:

() Excellent () Good (X) Average () Fair () Poor () Not yet be determined

The appraisal serves as a reference to reveal SC's payments habits and ability to pay. It is based on the 3 weighed factors: Trade payment experience (through current enquiry with SC's suppliers), our delinquent payment and our debt collection record concerning SC.

Trade payment experience: SC did not provide any name of trade/service suppliers and we have no other sources to conduct the enquiry at present.

Delinquent payment record: None in our database.

Debt collection record: No overdue amount owed by SC was placed to us for collection within the last 6 years.

BANKING

Basic Bank:

Bank of China Liuyang Economic & Technology Development Zone Sub-branch

AC#: 600257351510

FINANCIALS

Consolidated Balance Sheet

Unit: CNY'000	As of Dec. 31, 2017	As of Sep. 30, 2018
Cash	1,411,762	1,016,595
Notes receivable	123,082	109,014
Accounts receivable	335,463	328,086
Advances to suppliers	83,928	269,235
Other receivable	14,950	15,737
Inventory	703,785	972,837
Non-current assets within one year	0	0
Other current assets	52,355	352,773
	-----	-----
Current assets	2,725,325	3,064,277
Long-term investment	46,557	29,300
Fixed assets	1,760,364	1,731,889
Construction in progress	818,960	858,287
Intangible assets	265,928	257,450
Goodwill	27,843	27,843

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HUNAN ER-KANG PHARMACEUTICAL CO., LTD. - 538719

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Long-term prepaid expenses	134	76
Deferred income tax assets	16,598	14,464
Other non-current assets	58,358	56,501
	-----	-----
Total assets	5,720,067	6,040,087
	=====	=====
Short-term loans	0	0
Notes payable & Accounts payable	89,118	86,813
Wages payable	23,233	13,835
Taxes payable	16,214	25,837
Advances from clients	52,109	93,345
Other payable	64,085	27,280
Other current liabilities	0	0
	-----	-----
Current liabilities	244,759	247,110
Non-current liabilities	63,607	64,602
	-----	-----
Total liabilities	308,366	311,712
Equities	5,411,701	5,728,375
	-----	-----
Total liabilities & equities	5,720,067	6,040,087
	=====	=====

Consolidated Income Statement

Unit: CNY'000	As of Dec. 31, 2017	Jan. 1, 2018 to Sep. 30, 2018
Revenue	2,827,885	1,546,326
Cost of sales	1,780,900	879,593
Taxes and surcharges	19,394	15,761
Sales expense	172,752	165,545
Management expense	200,900	102,399
Finance expense	19,752	-22,472
Asset impairment loss	31,753	9,561
Investment income	-68,770	-18,060
Non-business income	2,137	2,697
Non-business expenditure	744	3,337
Profit before tax	590,593	349,242
Less: profit tax	75,794	55,280
Profits	514,799	293,962

Important Ratios

	As of Dec. 31, 2017	As of Sep. 30, 2018
*Current ratio	11.13	12.40
*Quick ratio	8.26	8.46
*Liabilities to assets	0.05	0.05
*Net profit margin (%)	18.20	19.01
*Return on total assets (%)	9.00	4.87

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*Inventory / Revenue $\times 365/270$	91 days	170 days
*Accounts receivable/ Revenue $\times 365/270$	44 days	58 days
*Revenue/Total assets	0.49	0.26
*Cost of sales / Revenue	0.63	0.57

FINANCIAL COMMENTS

PROFITABILITY: FAIRLY GOOD

- The revenue of SC appears fairly good in its line.
- SC's net profit margin is fairly good.
- SC's return on total assets is fairly good.
- SC's cost of sales is low, comparing with its revenue.

LIQUIDITY: AVERAGE

- The current ratio of SC is maintained in a fairly good level.
- SC's quick ratio is maintained in a fairly good level.
- The inventory of SC appears large.
- The accounts receivable of SC appears average.
- SC has no short-term loans.
- SC's revenue is in a fair level, comparing with the size of its total assets.

LEVERAGE: FAIRLY GOOD

- The debt ratio of SC is low.
- The risk for SC to go bankrupt is low.

Overall financial condition of the SC: Fairly Good.

CONCLUSIONS

SC is considered large-sized in its line with fairly good financial conditions. Taking into consideration of SC's general performance, reputation as well as market conditions

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.73
UK Pound	1	INR 94.87
Euro	1	INR 82.52
CNY	1	INR 10.42

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

INFORMATION DETAILS

Analysis Done by :	DIV
Report Prepared by :	KET

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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)