

## MIRA INFORM REPORT

<b>Report No. :</b>	535861
<b>Report Date :</b>	26.10.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	HNK MACHINE TOOL CO., LTD.
<b>Registered Office :</b>	83-1, Yunoegongdan-gil, Beopsu-myeon, Haman-gun, Gyeongsangnam-do, 52057
<b>Country :</b>	South Korea
<b>Financials (as on) :</b>	30.06.2018
<b>Date of Incorporation :</b>	21.04.1998
<b>Com. Reg. No.:</b>	608-81-31228
<b>Legal Form :</b>	Listed Company
<b>Line of Business :</b>	Manufacture of Metal Cutting Machinery and CNC Machine and Other Material Treating Equipment (Horizontal Boring Machines, Vertical Turning Centers, Double Column Machining Centers, CNC Machine Tool)
<b>No. of Employees :</b>	254

### RATING & COMMENTS

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

<b>MIRA's Rating :</b>	B
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Credit Rating	Explanation	Rating Comments
B	Medium Risk	Business dealings permissible on a regular monitoring basis

<b>Status :</b>	Moderate
<b>Payment Behaviour :</b>	Slow

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<b>Litigation :</b>	Clear
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**NOTES :**

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

**ECGC Country Risk Classification List**

<b>Country Name</b>	<b>Previous Rating (30.06.2018)</b>	<b>Current Rating (30.09.2018)</b>
South Korea	A1	A1

<b>Risk Category</b>	<b>ECGC Classification</b>
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**SOUTH KOREA - ECONOMIC OVERVIEW**

After emerging from the 1950-53 war with North Korea, South Korea emerged as one of the 20th century's most remarkable economic success stories, becoming a developed, globally connected, high-technology society within decades. In the 1960s, GDP per capita was comparable with levels in the poorest countries in the world. In 2004, South Korea's GDP surpassed one trillion dollars.

Beginning in the 1960s under President PARK Chung-hee, the government promoted the import of raw materials and technology, encouraged saving and investment over consumption, kept wages low, and directed resources to export-oriented industries that remain important to the economy to this day. Growth surged under these policies, and frequently reached double-digits in the 1960s and 1970s. Growth gradually moderated in the 1990s as the economy matured, but remained strong enough to propel South Korea into the ranks of the advanced economies of the OECD by 1997. These policies also led to the emergence of family-owned chaebol conglomerates such as Daewoo, Hyundai, and Samsung, which retained their dominant positions even as the government loosened its grip on the economy amid the political changes of the 1980s and 1990s.

The Asian financial crisis of 1997-98 hit South Korea's companies hard because of their excessive reliance on short-term borrowing, and GDP ultimately plunged by 7% in 1998. South Korea tackled difficult economic reforms following the crisis, including restructuring some chaebols, increasing labor market flexibility, and opening up to more foreign investment and imports. These steps led to a relatively rapid economic recovery. South Korea also began expanding its network of free trade agreements to help bolster exports, and has since implemented 16 free trade agreements covering 58 countries—including the United State and China—that collectively cover more than three-quarters of global GDP.

In 2017, the election of President MOON Jae-in brought a surge in consumer confidence, in part, because of his successful efforts to increase wages and government spending. These factors combined with an uptick in export growth to drive real GDP growth to more than 3%, despite disruptions in South Korea's trade with China over the deployment of a US missile defense system in South Korea.

In 2018 and beyond, South Korea will contend with gradually slowing economic growth - in the 2-3% range - not uncommon for advanced economies. This could be partially offset by efforts to address challenges arising from its rapidly aging population, inflexible labor market, continued dominance of the chaebols, and heavy reliance on exports rather than domestic consumption. Socioeconomic problems also persist, and include rising inequality, poverty among the elderly, high youth unemployment, long working hours, low worker productivity, and corruption.

Source : CIA

## **BASIC INFORMATION**

### **Basic**

Company Name	HNK MACHINE TOOL CO., LTD.
Registered Address	83-1, Yunoegongdan-gil, Beopsu-myeon, Haman-gun, Gyeongsangnam-do, Korea
Building	
Zip Code	52057
Tel	+82-70-7019-6514
Fax	+82-55-580-6699
E-mail	hnk@hnkkorea.com
Website	www.hnkkorea.com
Trading Address	83-1, Yunoegongdan-gil, Beopsu-myeon, Haman-gun, Gyeongsangnam-do, Korea (Old Address System : 1475-4, Yunoeri, Beopsu-myeon, Haman-gun, Gyeongsangnam-do, Korea)
Tel	+82-70-7019-6500
Fax	+82-55-580-6699
Other Address	
Tel	
Fax	
Type	Export/Import
Industry	Manufacture of Metal Cutting Machinery and CNC Machine and Other Material Treating Equipment
Main Business	Horizontal Boring Machines, Vertical Turning Centers, Double Column Machining Centers, CNC Machine Tool
Sub Business	
Established (mm/dd/yyyy)	04/21/1998

## **DETAILED PRODUCTS**

Activity	Detailed Products (UNSPSC)
Sell	Workshop machinery and equipment and supplies(23170000)
Sell	Milling machines(23101513)
Sell	Cutting tools(23153300)
Sell	Metal working machinery attachments(23172000)
Sell	Machine tools(23171600)
Sell	Lathes(23171606)

## **CEO'S**

Name	Ha Jong-Sik
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Date of Birth 10/24/1955  
Title President & CEO  
Nationality Korean

## **PROFILES**

Capital (KRW) 4,202,000,000  
Employees 254  
Formation Listed Company (KOSDAQ : 101680) as of 05/19/2009  
Bank Details KEB Hana Bank  
Industrial Bank of Korea

Corporate Registered No. 194311-0006189  
Business Registered No. 608-81-31228  
Permit & Licenses 10/24/2016 ISO9001  
Shareholder Position

Name	Shares	%
HA JONG-SIK	2,229,150	26.52
HANKOOK STEEL CO., LTD.(194311-0000537)	1,100,000	13.09
HANKOOK STEEL AND MILL CO., LTD.(194311-0036334)	948,930	11.29
OH HYUN-KYUNG	110,000	1.31
OH HYUN-SOOK	62,700	0.75
HA MAN-JAE	16,500	0.20
OTHERS	3,936,720	46.84
TOTAL	8,404,000	100.00

Company History 04/21/1998 Incorporated as the present name  
04/10/2002 Split off the par value to 500 KRW from 10,000 KRW  
03/12/2010 Increased capital to 100,000,000 shares from 20,000,000 shares  
03/17/2010 Increased capital to 4,202,000,000 KRW from 3,820,000,000 KRW  
06/05/2018 The Korea Stock Exchange held the Corporate Review Committee, and deliberated on the delisting of its sovereign rights  
07/09/2018 The Subject submitted an appeal on delisting  
07/30/2018 The Subject has been granted of improvement period on abolishment of listing until 07/30/2019

(\*)As the Company incurred operating losses for the last five years, the Company has been designated as a candidate for listing on the Company's Appraisal Committee as stipulated in Article 38-2 of the KOSDAQ Listing Rules on April 12, 2018, The transaction will be suspended until the date on which the reason for the delisting is decided. On May 4, 2018, the Company submitted the improvement plan to the KSE and the KOSDAQ market committee held on July 30, 2018 received one year improvement period.

## **DETAILED INFORMATION**

### **Management**

Job Description	Name	Nationality	Date of Birth	Inauguration Date
President & CEO	Ha Jong-Sik	Korean	10/24/1955	03/12/2010
Director	Kim Kwang-Ho	Korean	08/16/1959	03/12/2010
Director	Oh Hyun-Kyung	Korean	09/16/1963	03/22/2013
Outside Director	Cho Jung-Geun	Korean	04/29/1954	03/25/2016
Auditor	Lee Hwan-Wook	Korean	10/07/1964	03/12/2010

### **Financials**

Year / Unit : KRW	Sales	Assets	Net Income
06/2018	17,513,047,292	99,447,966,795	-6,017,673,373
2017	44,688,538,825	109,120,353,134	-27,055,550,632
2016	23,000,968,099	137,066,291,522	-21,226,811,419
2015	35,571,865,298	158,994,096,074	-13,106,342,899
2014	59,755,788,724	184,638,638,542	-11,463,428,672
2013	48,066,258,587	198,459,827,265	-3,641,712,726
2012	100,215,290,275	214,365,167,655	2,236,621,974

## **FINANCIAL DESCRIPTION**

Authorized Capital(KRW)	50,000,000,000
Paid-Up Capital(KRW)	4,202,000,000
Total Issued Shares	8,404,000

### **Balance Sheet**

Unit : Korean Won	01/01/2018~06/30/2018	As of 12/31/2017	As of 12/31/2016
Total Assets	99,447,966,795	109,120,353,134	137,066,291,522
Current Assets	73,368,601,650	81,034,506,987	95,831,436,413
Cash & Cash Equivalents	947,516,372	9,184,735,293	3,330,777,903
Current Financial Instruments	9,531,317,086	7,941,370,384	10,414,362,562
Trade Receivables	4,532,543,493	6,791,611,658	6,188,272,170
Other Receivables	632,725,858	330,845,429	318,472,389
Inventories	57,159,023,250	55,739,775,984	73,456,134,754
Other Current Assets	547,276,056	1,024,712,960	2,094,851,385
Deferred Income Tax Assets	18,199,535	21,455,279	28,565,250
Non-Current Assets	26,079,365,145	28,085,846,147	41,234,855,109
Non-Current Financial Instruments	1,857,721,596	2,045,393,720	2,023,060,842

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**HNK MACHINE TOOL CO., LTD. - 535861**

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Trade Receivables	2,940,369,300	3,520,064,142	1,226,746,197
Other Long-Term Receivables	101,092,000	101,092,000	1,092,000
Marketable Financial Instruments			10,453,605,870
Tangibles	12,908,916,799	13,298,823,136	13,527,082,260
Intangibles	1,673,113,083	1,418,077,673	2,738,561,421
Investment_Related Companies	6,598,152,367	7,702,395,476	3,366,416,764
Deferred Income Tax Assets			7,898,289,755
Total Liabilities	27,819,365,470	31,336,289,356	28,421,634,935
Current Liabilities	26,228,862,786	29,985,189,511	28,421,634,935
Trade Payables	3,863,156,309	3,748,680,125	2,443,066,215
Short-Term Borrowings	13,380,142,350	17,400,000,000	17,600,000,000
Other Payables	3,745,579,906	3,871,468,786	2,802,532,459
Other Current Liabilities	5,239,984,221	4,965,040,600	5,576,036,261
Non-Current Liabilities	1,590,502,684	1,351,099,845	0
Confirmed Salaries	1,590,502,684	1,351,099,845	0
Capital Stock	4,202,000,000	4,202,000,000	4,202,000,000
Capital Surplus	50,834,044,952	50,834,044,952	50,834,044,952
Others	-42,777,250	-42,777,250	-42,777,250
Installments			3,168,145,081
Profit Surplus	16,635,333,623	22,790,796,076	50,483,243,804
Total Equity	71,628,601,325	77,784,063,778	108,644,656,587
Liab. & Shareholder's Equity	99,447,966,795	109,120,353,134	137,066,291,522

**Income Statement**

Unit : Korean Won	01/01/2018~06/30/2018	As of 12/31/2017	As of 12/31/2016
Sales	17,513,047,292	44,688,538,825	23,000,968,099
Cost of Sold Goods	18,010,830,245	51,969,003,185	25,002,879,355
Gross Profit	-497,782,953	-7,280,464,360	-2,001,911,256
Selling & Admin. Expenses	4,599,265,029	6,514,635,531	5,315,016,066
Operating Income	-5,097,047,982	-13,795,099,891	-7,316,927,322
Finance Income	540,757,489	1,173,414,297	1,004,740,004
Finance Expenses	309,794,872	1,252,608,119	833,776,603
Other Income	42,745,656	1,004,666,872	712,596,030
Other Expenses	56,568,184	2,795,021,028	11,288,266,544
Profits from Investment on Related Companies	-1,100,076,961	-2,405,928,988	-2,521,036,432
Income Before Taxes	-5,979,984,854	-18,070,576,857	-20,242,670,867
Income Taxes Expenses	37,688,519	-8,984,973,775	-984,140,552
Net Income	-6,017,673,373	-27,055,550,632	-21,226,811,419

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**Cash Flows**

Unit : Korean Won	01/01/2018~06/30/2018	As of 12/31/2017	As of 12/31/2016
Operating Activities Cash Flows	-2,375,961,317	5,138,759,760	297,567,088
Net Income	-6,017,673,373	-27,055,550,632	-21,226,811,419
Adjustment	2,031,097,707	15,390,307,124	17,841,865,230
Changes in Asset/ & Liability	1,728,000,734	17,225,845,251	4,156,355,960
Interests Received	94,243,375	124,630,450	185,589,655
Interests Paid	-214,885,504	-546,817,264	-590,319,678
Dividends Received	0	6,682,800	7,351,080
Income Taxes	3,255,744	-6,337,969	-76,463,740
Cash Flows from Investing	-2,517,473,719	413,019	199,137,936
Cash Flows from Financing	-3,351,891,868	728,582,172	-1,540,321,049
Increase/Decrease in Cash	-8,245,326,904	-13,797,561	15,322,332
Cash at the Beginning of Year	9,184,735,293	3,330,777,903	4,359,071,596
Cash at the End of Year	947,516,372	9,184,735,293	3,330,777,903

**PRODUCTS, TECHNOLOGIES, SERVICES**  
**DESCRIPTION**

Main Products & Services Horizontal Boring Machines, Vertical Turning Centers, Double Column Machining Centers, CNC Machine Tool

Double Column Machining Center(CNC Plano Miller)  
-CNC HORIZONTAL BORING M/C  
-Floor Type CNC Horizontal Boring  
-CNC DUPLEX BORING M/C  
-CNC VERTICAL LATHE  
-CNC Horizontal Lathe  
-CNC machine for Large Ship engine-related products  
-CNC machine for machining Aircraft parts  
-Special purpose machine

Brand Name : HNK

**TRADE PARTNERS & COMPETITORS**

Competitors DOOSAN MACHINE TOOLS CO., LTD.  
40, JEONGDONG-RO 162BEON-GIL, SEONGSAN-GU, CHANGWON-SI,  
GYEONGSANGNAM-DO, KOREA

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TEL:+82-55-280-4114 FAX:+82-55-287-1140

HWACHEON MACHINE TOOL CO., LTD.  
123-17, HANAMSANDAN 4BEON-RO, GWANGSAN-GU, GWANGJU,  
KOREA  
TEL:+82-62-951-5111 FAX:+82-62-951-0086

HYUNDAI WIA CORPORATION  
153, JEONGDONG-RO, SEONGSAN-GU, CHANGWON-SI,  
GYEONGSANGNAM-DO, KOREA  
TEL:+82-55-280-9114 FAX:+82-55-285-9186

## **RELATED PARTIES**

(Subsidiaries, Joint-Venture & Affiliates)

Affiliates	HANKOOK STEEL CO., LTD.(194311-0000537) (26.38% held by the subject company)
	HANKOOK HEAVY MACHINEY CO., LTD.(194311-0016435) (7.69% held by the subject company)
	HANKOOK KAOCO CO., LTD.(194311-0031904) (40.0% held by the subject company)
	HANKOOK STEEL AND MILL CO., LTD.(194311-0036334)
Overseas Office	USA OFFICE 155 S.WILKE ROAD. SUITE 200A ARLINGTON HEIGHTS. IL 60005 USA TEL:+1-847-921-5551 FAX:+1-847-604-9206
	CHINA OFFICE ROOM 708. NORTH OFFICE TOWER BEIJING NEW WORLD CENTRE. NO. 3B CHONGWENMENWAI STREET. BEIJING. CHINA. (10062) TEL:+86-10-6706-5259/5260/5215 FAX:+86-10-6708-5210
Cooperative Enterprise	-Insured Company ACE AMERICAN FIRE & MARITIME INSURANCE CO., LTD.(110181-0007423)

## **SALES BY REGION (ACTIVITY & MARKETS)**

Sales/ Unit :Mil KRW                      06/2018                      2017                      2016

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Export	14,518	24,576	16,550
Domestic	2,995	20,112	6,451
Total	17,513	44,689	23,001

The Subject exports to North America, Asia, Middle Asia and Europe.

## **COURT ACTION**

Case No.	Court	Plaintiff(s)/ Creditor(s)/ Applicant(s)	Defendant(s)/ Debtor(s)/ Respondent(s)	Cause	Amount (Million KRW)	Status
	Changwon District Court- Masan Branch	The Subject Company	UI 13 LTD.(110114- 0172235)	3rd Party Objection	96	2nd round is proceeding

## **NEWS CLIPPING**

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**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.27
UK Pound	1	INR 94.62
Euro	1	INR 83.65
KRW	1	INR 0.064

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	NIY
<b>Report Prepared by :</b>	TRU

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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)