

MIRA INFORM REPORT

Report No. :	530411
Report Date :	17.09.2018

IDENTIFICATION DETAILS

Name :	STX HEAVY INDUSTRIES CO., LTD.
Registered Office :	381, Nammyeon-ro, Seongsan-gu, Changwon-si, Gyeongsangnam-do, Korea 51530
Country :	South Korea
Financials (as on) :	30.06.2018
Date of Incorporation :	06.15.2001
Com. Reg. No.:	609-81-48213
Legal Form :	Listed Company
Line of Business :	Manufacture of Internal Combustion Piston Engines
No. of Employees :	596

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

Maximum Credit Limit:	
Status :	Satisfactory
Payment Behaviour :	No Complaints
Litigation :	Clear

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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 (31.12.2017)	Current Rating (01.04.2018)
South Korea	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

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 joined the trillion-dollar club of world economies.

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 lead 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	STX HEAVY INDUSTRIES CO., LTD. (Ex. Company Name : STX METAL CO., LTD.,")
Registered Address	381, Nammyeon-ro, Seongsan-gu, Changwon-si, Gyeongsangnam-do, Korea
Zip Code	51530
Tel	+82-55-282-1131
Fax	+82-55-284-8200
E-mail	sdlee285@stxenpaco.co.kr;hj4018@stxenpaco.co.kr
Website	www.stxhi.co.kr
Trading Address	381, Nammyeon-ro, Seongsan-gu, Changwon-si, Gyeongsangnam-do, Korea (Old Address System : 452-7, Nae-dong, Changwon-si, Gyeongsangnam-do, Korea)
Tel	+82-55-280-0700
Fax	+82-55-284-8200
Other Address-Shinchon Factory	21, Gongdan-ro, Seongsan-gu, Changwon-si, Gyeongsangnam-do, Korea (Old Address System : 67-14, Sinchon-dong, Changwon-si, Gyeongsangnam-do, Korea)
Tel	+82-55-239-3822
Fax	+82-55-239-3888
Other Address-Daegu Factory	357-77, Hosan-dong, Dalseo-gu, Daegu, Korea
Type	Import/Export
Industry	Manufacture of Internal Combustion Piston Engines
Main Business	Turbocharger, Cylinder Block, Cylinder Head, Piston, Camshaft, Connecting Rod, Crankshaft, Cylinder Liner
Established (mm/dd/yyyy)	06/15/2001

Detailed Products

Activity	Detailed Products (UNSPSC)
Sell	Turbocharger(26101720)
Sell	Connecting rods(26101711)
Sell	Machine tools(23171600)
Sell	Camshaft(26101903)
Sell	Marine craft systems and subassemblies(25111900)
Sell	Crankshaft(26101749)
Sell	Cylinder block(26101905)
Sell	Pistons(26101736)
Sell	Cylinder liners(26101764)
Sell	Engine components and accessories(26101700)
Buy	Cushioning supplies(24141600)
Buy	Governors(26101766)
Buy	Pumps(40151500)

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Buy Oil dip sticks or tubes(26101725)
Buy Pistons(26101736)
Buy Motor starter controls(39121521)

CEO's

Name Chung Tae-Hwa
Address Suite 205-204, 107, Eonju-ro, Gangnam-gu, Seoul, Korea
Date of Birth 08/11/1952
Title President & CEO
Nationality Korean

Profiles

Capital (KRW) 62,092,115,000
Employees 596
Formation Listed Company(Korea Stock Exchange : 071970) as of 05/15/2009
Foreign Direct Investment Corporation
A Company of STX Group

Bank Details Korea Development Bank-Changwon Branch
Woori Bank-Chungbu Branch
Shinhan Bank

Corporate Registered No. 194211-0048381
Business Registered No. 609-81-48213
Permit & Licenses 07/12/2001 EM Mark

Shareholder Position Int'l Trade No.: 11924865

Name	Shares	%
KOREA DEVELOPMENT BANK(110135-0000937)	8,567,322	34.49
WOORI BANK(110111-0023393) & OTHERS	16,269,524	65.51
TOTAL	24,836,846	100.00

Company History 06/15/2001 Incorporated as Enpaco Co., Ltd.
01/01/2005 Changed company name to STX Enpaco Co., Ltd.
06/12/2006 Split off the par value to 2,500 KRW from 5,000 KRW
03/25/2010 Changed company name to STX Metal Co., Ltd.
01/03/2013 Changed company name to the present name
01/03/2013 Increased the authorized shares to 200,000,000 shares from 40,000,000 shares
01/03/2013 Changed company name to the present name after acquiring STX HEAVY INDUSTRIES CO., LTD.(194111-0009004)
05/06/2013 Applied for Institutional Creditors' Management
09/12/2013 Agreed on Execution on Management Normalization with Institutional Creditors' Management
08/01/2015 Acquired CHEIL ENGINEERING CO., LTD.(110111-0564024)
12/30/2015 NTS Busan Regional Tax Office imposed Penalty Taxes(27,421,565,610 KRW) on the subject
07/22/2016 Applied for Corporate Reviving Procedure to Seoul Central District Court

08/01/2016 Decided to start Corporate Reviving Procedure(2016HOIHAP100149) by the order of Seoul Central District Court
01/13/2017 Decided to Corporate Reviving Plan(2016HOIHAP100149) by the order of Seoul Central District Court
01/13/2017 Increased the authorized shares to 700,000,000 Shares from 200,000,000 KRW
01/10/2018 Increased capital to 62,092,115,000 KRW from 61,663,377,500 KRW
07/24/2018 The Subject has been separated and established SAE-A STX ENTECH CO., LTD.(110111-6830411)

DETAILED INFORMATION

Management

Job Description	Name	Nationality	Date of Birth	Inauguration Date
President & CEO	Chung Tae-Hwa	Korean	08/11/1952	11/12/2013
Sr. Executive Director	Park Ki-Moon	Korean	09/19/1961	03/27/2015
Sr. Executive Director	Ahn Seok-Hwan	Korean	07/26/1959	03/31/2017
Agent of Trustee	Kim So-Hyun	Korean	05/13/1986	03/24/2017
Auditor	Yeon Jong-Ho	Korean	12/17/1954	03/14/2017

Financials

Year / Unit : KRW	Sales	Assets	Net Income
06/2018	102,452,109,715	727,143,198,444	32,538,197,641
2017	246,721,178,059	744,332,661,901	737,241,309,329
2016	408,131,794,091	846,362,315,473	-718,601,922,408
2015	1,048,429,670,441	1,416,330,344,538	-5,103,324,704
2014	1,002,438,547,765	1,482,857,528,043	-136,007,435,209
2013	1,084,749,455,954	1,827,325,996,889	-580,046,551,244
2012	1,400,267,910,275	2,001,398,343,187	-32,629,343,122
2011	1,686,602,479,378	1,878,817,920,256	40,615,552,857
2010	955,036,395,221	1,064,928,475,640	8,508,333,723
2009	1,001,464,759,296	835,409,255,037	32,027,814,372
2008	1,021,414,681,695	693,674,062,909	51,175,781,436
2007	702,076,330,195	342,042,228,119	37,497,592,023
2006	464,070,376,713	263,748,177,681	8,366,978,207
2005	405,266,680,721	226,934,683,029	4,243,366,751
2004	405,620,722,705	248,078,421,485	4,290,818,370
2003	248,988,092,949	219,153,120,534	-7,716,805,920

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FINANCIAL DESCRIPTION

Authorized Capital(KRW)	1,750,000,000,000
Paid-Up Capital(KRW)	62,092,115,000
Total Issues Shares	24,836,846

Balance Sheet

Unit : Korean Won	01/01/2018~06/30/2018	As of 12/31/2017	As of 12/31/2016
Total Assets	727,143,198,444	744,332,661,901	846,362,315,473
Current Assets	158,052,678,536	222,720,861,592	284,040,901,296
Cash & Cash Equivalents	28,485,918,658	32,036,211,909	68,340,894,715
Other Financial Assets	20,038,860,229	49,356,994,836	8,532,303,283
Trade Receivables	25,846,611,620	48,451,650,595	66,014,999,116
Other Receivables- Construction	2,737,519,952	1,558,388,460	11,315,541,129
Inventories	77,739,643,451	69,475,756,758	105,965,225,651
Advance Payments	1,763,358,250	4,950,133,276	5,881,368,020
Prepaid Expenses	353,806,225	483,644,715	990,029,268
Other Receivables	1,048,075,302	16,365,316,614	16,972,562,842
Other Current Assets			3,937,633
Prepaid Taxes	38,884,849	42,764,429	24,039,639
Non-Current Assets to be Sold	229,191,546,173	1,043,896,679	1,190,280,000
Non-Current Assets	339,898,973,735	520,567,903,630	561,131,134,177
Investment_Real Estates		102,630,456,635	103,521,601,014
Other Financial Assets	5,627,352,630	2,447,888,020	443,560,000
Marketable Financial Instruments	2,526,532,700	5,498,467,304	2,000,000
Investment_Subsidiaries			4,632,301,224
Other Long-Term Receivables	10,744,249,336	11,698,438,120	16,506,193,865
Long-Term Trade Receivables	3,607,089,243	3,721,365,980	3,947,693,926
Tangibles	314,312,808,774	388,409,136,226	424,342,298,478
Intangibles	3,080,941,052	6,162,151,345	7,735,485,670
Total Liabilities	554,494,737,359	597,996,127,198	1,458,681,915,552
Current Liabilities	225,892,768,853	315,388,936,688	1,420,327,697,383
Trade Payables	18,418,042,249	33,158,652,943	157,819,421,712
Construction Debts	247,856,696	21,148,202,193	31,401,182,582
Advance Receipts	50,509,825,423	50,680,087,415	75,029,909,292
Account Payables	6,313,870,676	27,334,686,626	129,741,672,596
Accrued Expenses	30,378,835,509	46,433,578,480	197,367,403,061
Current Corporate Reviving Debts	106,390,569,284	103,718,134,074	
Short-Term Borrowings		19,251,000,000	116,607,446,703
Other Current Liabilities	13,322,495,549	13,121,510,622	3,278,230,101
Other Provisions	311,273,467	543,084,335	932,818,795

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Others	39,634,711,033	0	708,149,612,541
Non-Current Liabilities	288,967,257,473	282,607,190,510	38,354,218,169
Corporate Reviving Debts	254,405,937,604	247,598,944,821	
Provisions	466,258,101	1,281,092,881	1,426,482,495
Deferred Income Tax Credit	29,590,782,656	29,590,782,656	29,539,033,406
Confirmed Salaries	4,444,279,112	4,046,370,152	4,203,066,168
Other Non-Current Liabilities	60,000,000	90,000,000	134,000,000
Long-Term Payables			3,051,636,100
Capital Stock	62,092,115,000	61,663,377,500	64,918,067,500
Capital Surplus	633,381,328,234	629,522,690,734	303,669,601,880
Capital Adjustment	-306,345,914,782	-302,028,350,154	-41,284,800
Others	57,685,908,057	57,685,908,057	57,685,908,057
Profit Surplus	-274,164,975,424	-300,507,091,434	-1,038,551,892,716
Total Equity	172,648,461,085	146,336,534,703	-612,319,600,079
Liab. & Shareholder's Equity	727,143,198,444	744,332,661,901	846,362,315,473

Income Statement

Unit : Korean Won	01/01/2018~06/30/2018	As of 12/31/2017	As of 12/31/2016
Sales	102,452,109,715	246,721,178,059	408,131,794,091
Cost of Sold Goods	98,812,994,132	212,007,484,631	522,109,694,965
Gross Profit	3,639,115,583	34,713,693,428	-113,977,900,874
Selling & Admin. Expenses	10,375,406,951	5,485,710,206	170,107,613,259
Operating Income	-6,736,291,368	29,227,983,222	-284,085,514,133
Other Income	5,514,602,487	22,761,930,863	5,696,572,203
Other Expenses	99,171,468	35,909,360,012	281,519,570,715
Finance Income	5,380,516,438	755,388,264,304	16,591,928,780
Finance Expenses	15,349,593,685	34,402,385,733	154,674,231,626
Income Before Taxes	-11,289,937,596	737,066,432,644	-697,990,815,491
Income from Continuous Business	-11,289,937,596	-174,876,685	20,611,106,917
Income from Stopped Business	43,828,135,237	737,241,309,329	-718,601,922,408
Net Income	32,538,197,641	737,241,309,329	-718,601,922,408

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	11,159,789,781	6,686,434,491	-7,113,306,060
Net Income	32,538,197,641	737,241,309,329	-718,601,922,408
Adjustment	-24,408,366,479	-730,933,182,155	585,801,603,722
Changes in Asset/ & Liability	2,567,059,785	13,695,325,600	127,596,812,373
Interests Received	540,565,464	720,839,225	659,635,836
Dividends Received			521,700,000
Income Taxes	-77,666,630	-14,037,857,508	-3,091,135,583

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Cash Flows from Investing	22,915,536,939	-35,792,440,336	24,954,205,105
Cash Flows from Financing	-19,751,612,969	-7,186,854,837	-26,264,437,669
Increase/Decrease in Cash		-36,304,682,806	-8,385,981,432
Cash at the Beginning of Year	32,036,211,909	68,340,894,715	76,726,876,147
Cash at the End of Year	28,485,918,658	32,036,211,909	68,340,894,715

(*)The Subject needs to be monitored because Total Current Liabilities exceed Total Current Assets as much as 67,840,000,000 KRW as of 06/30/2018.

**PRODUCTS, TECHNOLOGIES, SERVICES
DESCRIPTION**

Main Products & Services
Cylinder Block
Crank Shaft
Cylinder Liner
Turbo Charger
Cylinder Head
Piston
Cam Shaft
Connecting Rod
Cargo Pump System
H.F.O Supply Unit
Purifier System

TRADE PARTNERS & COMPETITORS

Suppliers
HYUNJIN MATERIALS CO., LTD.(180111-0062008)
POSCO SPECIALTY STEEL CO., LTD.(194211-0025248)
YONGHYUNBMCO., LTD.(180111-0414837)
HYUNDAI HEAVY INDUSTRIES CO., LTD.(181211-0000386)

Customers
MAN DIESEL A/S
MIBA GLEITLAGER GMBH
QINGDAO STX MACHINERY
STX OFFSHORE & SHIPBUILDING CO.,LTD.(180111-0002814)
MOE
ENI IRAQ B.V.
STX ELECTRIC POWER CO., LTD.(144711-0019225)
STX ENGINE CO., LTD.(194211-0066763)

Competitors
SEKWANG CO., LTD
914-8, WORAM-DONG, DALSEO-GU, DAEGU, KOREA
TEL:+82-53-583-7901 FAX:+82-53-583-7904

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DOOSAN ENGINE CO., LTD.
69-3, SINCHON-DONG, CHANGWON-SI, GYEONGSANGNAM-DO,
KOREA
TEL:+82-55-260-6000 FAX:+82-55-282-0588

KSP CO., LTD.
1658-6, SONGJEONG-DONG, GANGSEO-GU, BUSAN, KOREA
TEL:+82-51-831-6270~9 FAX:+82-51-831-6273

RELATED PARTIES (SUBSIDIARIES, JOINT-VENTURE & AFFILIATES)

Affiliates	STX CHINA SHIPBUILDING HOLDINGS CO., LTD.(HONG KONG) (20.25% held by the subject company)
	DALIAN HAEDUK POWERWAY CO., LTD.(CHINA) (34.00% held by the subject company)
Subsidiary	STX BANGJISAN DEVELOPMENT (DAIRYEN) CO., LTD. (30.00% held by the subject company) ILSEUNG CO., LTD.(184611-0036728) (100.0% held by the subject company)
	STX WINDPOWER B.V (100.0% held by the subject company) 8219 PK LELYSTAD THE NETHERLANDS
Corporate Ownership Major Shareholders Cooperative Enterprise	STX HI MALAYSIA SDN. BHD. (100.0% held by the subject company) STX ENGINE CO., LTD.(194211-0066763) STX ENGINE CO., LTD.(194211-0066763) -Technical Support from MAN B&W DIESEL A/S(TURBO CHARGER) KOSAKA(CARGO PUMP SYSTEM)

SALES BY REGION (ACTIVITY & MARKETS)

Sales/ Unit :Mil KRW	06/2018	2017	2016
Export	36,981	58,598	127,534
Domestic	65,471	193,838	288,955
Total	102,452	252,436	416,489

The Subject deals with the companies in China and Denmark.

COURT ACTION

Case No.	Court	Plaintiff(s)/ Creditor(s)/ Applicant(s)	Defendant(s) / Debtor(s)/ Respondent(s)	Cause	Amount (Thousand KRW)	Status
	Seoul Central District Court	Daesun Construction Co., Ltd.(Korea)	The Subject Company	Constructi on Receivable s	1,711,000	proceeding
	Changwon District Court	Park Jong- Moon	The Subject Company	Claim for Compensa tion from Damages	533,000	The Subject has won partially.

(*)There are 6 cases filed as Defendant(s)/ Debtor(s)/ Respondent(s) amounting 757,000,000 KRW, except for the above cases as of 06/30/2018.

NEWS CLIPPING

Not Available

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 71.81
UK Pound	1	INR 94.15
Euro	1	INR 83.97
KRW	1	INR 0.064

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

INFORMATION DETAILS

Analysis Done by :	PRIY
Report Prepared by :	SDA

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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)