

MIRA INFORM REPORT

Report No. :	523678
Report Date :	11.08.2018

IDENTIFICATION DETAILS

Name :	D.I.R. TECHNOLOGIES (DETECTION I.R) LTD.
Registered Office :	P.O. Box 15129, 9 Andrei Sakharov Street, Matam Towers No. 3 M.T.M Scientific Industries Center, Haifa 3508409
Country :	Israel
Date of Incorporation :	24.06.2009
Legal Form :	Private Limited Company
Line of Business :	Developers, manufacturers, exporters and marketers of infra-red imaging (thermography) inspection solutions for the pharmaceutical and food quality assurance and process control (identification of counterfeit drugs through the original package, rigorous quality assurance techniques, etc.).
No. of Employees :	27 (2015)

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 :	Good
Payment Behaviour :	No Complaints
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

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Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Israel	B1	B1

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

ISRAEL - ECONOMIC OVERVIEW

Israel has a technologically advanced free market economy. Cut diamonds, high-technology equipment, and pharmaceuticals are among its leading exports. Its major imports include crude oil, grains, raw materials, and military equipment. Israel usually posts sizable trade deficits, which are offset by tourism and other service exports, as well as significant foreign investment inflows.

Between 2004 and 2013, growth averaged nearly 5% per year, led by exports. The global financial crisis of 2008-09 spurred a brief recession in Israel, but the country entered the crisis with solid fundamentals, following years of prudent fiscal policy and a resilient banking sector. Israel's economy also weathered the 2011 Arab Spring because strong trade ties outside the Middle East insulated the economy from spillover effects.

Slowing domestic and international demand and decreased investment resulting from Israel's uncertain security situation reduced GDP growth to an average of roughly 2.8% per year during the period 2014-17. Natural gas fields discovered off Israel's coast since 2009 have brightened Israel's energy security outlook. The Tamar and Leviathan fields were some of the world's largest offshore natural gas finds in the last decade. Political and regulatory issues have delayed the development of the massive Leviathan field, but production from Tamar provided a 0.8% boost to Israel's GDP in 2013 and a 0.3% boost in 2014. One of the most carbon intense OECD countries, Israel generates about 57% of its power from coal and only 2.6% from renewable sources.

Income inequality and high housing and commodity prices continue to be a concern for many Israelis. Israel's income inequality and poverty rates are among the highest of OECD countries, and there is a broad perception among the public that a small number of "tycoons" have a cartel-like grip over the major parts of the economy. Government officials have called for reforms to boost the housing supply and to increase competition in the banking sector to address these public grievances. Despite calls for reforms, the restricted housing supply continues to impact younger Israelis seeking to purchase homes. Tariffs and non-tariff barriers, coupled with guaranteed prices and customs tariffs for farmers kept food prices high in 2016. Private consumption is expected to drive growth through 2018, with consumers benefitting from low inflation and a strong currency.

In the long term, Israel faces structural issues including low labor participation rates for its fastest growing social segments - the ultraorthodox and Arab-Israeli communities. Also, Israel's progressive, globally competitive, knowledge-based technology sector employs only about 8% of the workforce, with the rest mostly employed in manufacturing and services - sectors which face downward wage pressures from global competition. Expenditures on educational institutions remain low compared to most other OECD countries with similar GDP per capita.

Source : CIA

COMPANY NAME AND ADDRESS

Correct Name: **D.I.R. TECHNOLOGIES (DETECTION I.R) LTD.**
Telephone 972 4 850 11 90
972 4 688 60 53
Mobile 972 52 279 75 05 (Roni Mansur)
Fax 972 4 850 11 92
Email: info@dir-technologies.com
P.O. Box 15129
9 Andrei Sakharov Street
Matam Towers No. 3
M.T.M Scientific Industries Center
HAIFA 3508409 ISRAEL

HISTORY & LEGAL FORMATION

A private limited company, incorporated as per file No. 51-428794-5 on the 24.06.2009.

Subject is a spin-off of SEMI-CONDUCTOR DEVICES – AN ELBIT SYSTEMS - RAFAEL PARTNERSHIP (established 1986).

SHARE CAPITAL

Authorized share capital NIS 11,020.00, divided into -
94,000 preference AA shares (93,999 shares issued),
244,000 preference BB shares 243,243 shares (issued),
764,000 ordinary shares (203,983 shares issued), all of NIS 0.01 each,
of which shares amounting to NIS 5,412.25 were issued.

SHAREHOLDERS

1. SCP VITALIFE PARTNERS, a venture capital fund, 46.1% of ordinary shares,
2. PFIZER VENTURE INVESTMENT LLC, 88.9% of preference BB shares, venture capital arm of PFIZER INC.
3. RAFAEL ADVANCED DEFENSE SYSTEMS LTD., 100% of preference AA shares and 11.1% of preference BB shares, fully owned by the State of Israel (through the Ministry of Defense),
4. ELBIT SYSTEMS LTD., 46.1% of ordinary shares, a public limited liability company whose shares are traded on the Tel Aviv and Nasdaq Stock Exchanges (Symbol: ESLT), controlled (45.8%) by FEDERMAN ENTERPRISES LTD., owned by Federmann Family, chiefly by Michael Federmann,
5. ESOP MANAGEMENT & TRUST SERVICES LTD., 7.8% of ordinary shares.

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DIRECTORS

1. Aharon (Roni) Mansur, President and General Manager,
2. Ron Eilat,
3. William Borkoth, of Pfizer Ventures.

BUSINESS

Developers, manufacturers, exporters and marketers of infra-red imaging (thermography) inspection solutions for the pharmaceutical and food quality assurance and process control (identification of counterfeit drugs through the original package, rigorous quality assurance techniques, etc.).

Subject focuses on screening original package.

Manufacturing is via subject and subcontractors.

Over 80% of sales are export.

Among clientele: PFIZER.

Among service providers PREFERRED DEPOT (USA).

Operating from rented premises, on an area of 1,000 sq. meters, in 9 Andrei Sakharov Street, Matam Towers No. 3 (6th Floor), M.T.M. Scientific Industries Center, Haifa.

Website: www.dir-technologies.com

Had 27 employees in 2015, current number of employees not forthcoming.

Having 12,781 employees serving ELBIT SYSTEMS Group as of end of 2017.

RAFAEL Group has 7,624 employees as of end of 2017.

MEANS

According to an Israeli online Venture Capital database, in December 2016 subject raised US\$ 10 million from PFIZER.

According to our knowledge, data appearing in the a/m data base is deemed to be approved by the company's officials.

Subject enjoys the financial backing of parent companies: by State-owned RAFAEL, and by ELBIT SYSTEMS, one of the largest industrial companies in Israel, as well as of PFIZER INC.

Work is according to orders.

Main indicators from the consolidated B/S of ELBIT SYSTEMS LTD.:

(US\$, million)

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	<u>31.03.2018</u>	<u>31.12.2017</u>
Total assets	4,905.58	4,714.92
Equity	1,751.15	1,717.97

ELBIT SYSTEMS current market value US\$ 5,137.3 million.

Main indicators from the consolidated B/S of RAFAEL ADVANCED DEFENSE SYSTEMS LTD.:

	<u>(NIS, million)</u>	
	<u>31.12.2016</u>	<u>31.12.2017</u>
Total assets	10,753.34	12,330.98
Equity	3,605.12	3,982.20

Main indicators from the consolidated B/S of PFIZER INC.:

	<u>(US\$, million)</u>	
	<u>01.04.2018</u>	<u>31.12.2017</u>
Total assets	164,612	171,797
Equity	70,163	71,287

PFIZER INC current market value US\$ 238.9 billion.

There are 2 charges for the total sum of NIS 110,000 registered on the company's assets (financial assets), in favor of Bank Leumi Le'Israel Ltd. (charges placed January 2011 and January 2013).

REVENUES

2015 sales claimed to be US\$ 800,000.

Later sales data not forthcoming.

ELBIT SYSTEMS LTD. consolidated sales:

2015 sales were US\$ 3,107.6 million, making a net profit of US\$ 206.9 million.

2016 sales were US\$ 3,260.2 million, making a net profit of US\$ 238.8 million.

2017 sales were US\$ 3,377.8 million, making a net profit of US\$ 240.6 million.

Sales the first 3 months of 2018 were US\$ 818.5 million, making a net profit of US\$ 49.9 million.

RAFAEL ADVANCED DEFENSE SYSTEMS LTD. consolidated sales:

2015 sales were NIS 7,844.8 million, making a net profit of NIS 459 million.

2016 sales were NIS 8,320.1 million, making a net profit of NIS 385.5 million.

2017 sales were NIS 8,128.3 million, making a net profit of NIS 445.8 million.

PFIZER INC. consolidated sales:

2016 sales were US\$ 52,824 million, making a net profit of US\$ 7,214 million.

2017 sales were US\$ 52,546 million, making a net profit of US\$ 21,353 million.

Sales for the first half of 2018 were US\$ 26,372 million, making a net profit of US\$ 7,433 million.

OTHER COMPANIES

SCP VITALIFE PARTNERS, founded in 2002, a venture capital firm focused on life science investments in Israel and the U.S.A, operating from offices in Tel Aviv, and Philadelphia. Having US\$ 230 million under management in two funds (subject is under Fund II).

ELBIT SYSTEMS LTD., parent company, established 1937, developers, manufacturers, exporters and marketers of military systems, including aerospace, land and naval systems, command, control, communications, computers, intelligence, surveillance and reconnaissance (CISR), advanced electro optics and space technologies, EW suites, airborne warning systems, etc. throughout the world.

RAFAEL ADVANCED DEFENSE SYSTEMS LTD., established 1948, developers, designers, manufacturers, marketers and exporters of wide range of high-tech defense systems for air, land, sea and space applications.

SEMI-CONDUCTOR DEVICES – AN ELBIT SYSTEMS - RAFAEL PARTNERSHIP (ELBIT and RAFAEL hold 50% each), developers, manufacturers, exporters and marketers of infrared detectors for thermal imaging equipment and laser diodes.

Both ELBIT and RAFAEL hold many other subsidiaries.

PFIZER INC., a research-based global biopharmaceutical company, engaged in the discovery, development and manufacture of healthcare products. Its global portfolio includes medicines and vaccines, as well as consumer healthcare products. Having some 96,500 employees, and many subsidiaries

BANKERS

Bank Leumi Le'Israel Ltd., Ramat Hachayal Business Branch (No. 682), Tel Aviv, account No. 3700/90.

A check with the Central Banks' database did not reveal any negative information regarding subject's a/m account.

The First International Bank of Israel Ltd., Main Haifa Branch (no. 006), Haifa.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

Despite our efforts, we have been unable contact subject or reach any of its officials. We called both numbers in caption, and received no answer. We sent an email, so far without response. We spoke to Ms. Nitzan, of M.T.M Scientific Industries Center, who confirmed that subject is situated at their building, but told us that also she was unable to reach them on the phone in the last days.

It is possible that subject has gone on concentrated vacation.

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We called ELBIT's headquarters and spoke with an executive secretary, who confirmed that subject is active. She referred us to the mobile phone of the general manager, Mr. Roni Mansur (in caption), we called, but there is no answer, nor did he return to us.

We shall keep trying to reach subject over the next several days, and update you accordingly.

Both parent companies (ELBIT and RAFAEL) are considered world leading industries in their fields, with excellent reputation.

ELBIT SYSTEMS is a world leading company in its fields. In the prestigious American "Defense News" magazine 100 leading defense industry corporations in the world published in June 2017 ELBIT was ranked 27th leading the Israeli defense industry companies (26th place in 2016, 29th place in 2015, 30th place in 2014, 35th place in 2012 and 2013).

RAFAEL is veteran and one of the world's leading companies in design, development, production and delivery of a wide range of high-tech defense systems. Its know-how is embedded in almost all Israel Defense Forces (IDF) systems in operation today. In the "Defense News" magazine 100 leading defense industry corporations in the world, RAFAEL was ranked 37th the 2nd leading Israeli defense industry companies (41st place in 2016).

Subject is utilizing military technology for civilian uses (pharmaceutical field). Subject's is first-to-industry in its field.

PFIZER is among the world leading pharmaceutical companies.

In April 2015 subject reported it signed a five-year agreement with PFIZER providing PFIZER with access to subject's inspection and quality control solutions.

In June 2015 subject won 2015ACHEMA Innovation Award for groundbreaking PAT Solutions for Pharmaceutical Packaging Applications.

In October 2017 subject signed an agreement with PREFERRED DEPOT for the logistics support of subject's operations in the US.

SUMMARY

In principal, being an ELBIT/ RAFAEL/ PFIZER subsidiary, considered good for trade engagements. Yet, under the present circumstances, where we could not reach subject and any of its officials (although based on ELBIT CEO's secretary the company is active), we prefer not to recommend on credit at this stage, and will give our final recommendation upon reaching subject.

Note: The area code you provided (3190501) belongs to a P.O. Box in Haifa (90005), which we could not establish if is affiliated to subject

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.95
UK Pound	1	INR 88.19
Euro	1	INR 78.99
ILS	1	INR 18.65

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

INFORMATION DETAILS

Analysis Done by :	PRI
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)