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605, Palmspring, Near D'Mart, Link Road,
Malad (West), Mumbai - 400 064. INDIA
Tel : 91-22-40448000 (44 lines)
Fax : 91-22-40448045 / 40448046
E-mail : mira@mirainform.com
info@mirainform.com
Website : http://www.mirainform.com
http://www.miraglobalcheck.com
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MIRA INFORM REPORT

Report No. :	526458
Report Date :	30.08.2018

IDENTIFICATION DETAILS

Name :	GIZA SPINNING & WEAVING CO SAE
Registered Office :	162 Gowhar El Kaid Street Darrasa, El Azhar Cairo
Country :	Egypt
Financials (as on) :	31.12.2017
Date of Incorporation :	1989
Com. Reg. No.:	81455
Legal Form :	Egyptian Joint Stock Company
Line of Business :	Subject engaged in the manufacture and export of garments, including trousers and T-shirts, shirts, trousers, shorts, leggings and pyjamas as well as household textiles and soft furnishings.
No. of Employees :	5,800

RATING & COMMENTS

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

MIRA's Rating :	A

Credit Rating	**Explanation**	**Rating Comments**
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Good
Payment Behaviour :	Regular

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3 decades of excellence

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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 (31.12.2017)**	**Current Rating (01.04.2018)**
Egypt	C1	B2

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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EGYPT - ECONOMIC OVERVIEW

Occupying the northeast corner of the African continent, Egypt is bisected by the highly fertile Nile valley where most economic activity takes place. Egypt's economy was highly centralized during the rule of former President Gamal Abdel NASSER but opened up considerably under former Presidents Anwar EL-SADAT and Mohamed Hosni MUBARAK. Agriculture, hydrocarbons, manufacturing, tourism, and other service sectors drove the country's relatively diverse economic activity.
Despite Egypt's mixed record for attracting foreign investment over the past two decades, poor living conditions and limited job opportunities have contributed to public discontent. These socioeconomic pressures were a major factor leading to the January 2011 revolution that ousted MUBARAK. The uncertain political, security, and policy environment since 2011 has restricted economic growth and failed to alleviate persistent unemployment, especially among the young.
In late 2016, persistent dollar shortages and waning aid from its Gulf allies led Cairo to turn to the IMF for a 3-year, $12 billion loan program. To secure the deal, Cairo floated its currency, introduced new taxes, and cut energy subsidies - all of which pushed inflation above 30% for most of 2017, a high that had not been seen in a generation. Since the currency float, foreign investment in Egypt's high interest treasury bills has risen exponentially, boosting both dollar availability and central bank reserves. Cairo will need to make a sustained effort to implement a range of business reforms, however, to induce foreign and local investment in manufacturing and other labor-intensive sectors.

Source : CIA

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SUMMARY

Company Name	: GIZA SPINNING & WEAVING CO SAE
Also Known As	: GIZA SPINNING MILLS SAE
Country of Origin	: Egypt
Legal Form	: Egyptian Joint Stock Company
Registration Date	: 1989
Commercial Registration Number	: 81455, Giza
Tax Card Number	: 100-066-577
Issued Capital	: £E 200,000,000
Paid up Capital	: £E 200,000,000
Total Workforce	: 5,800
Activities	: Manufacture and export of garments
Financial Condition	: Good
Payments	: Regular
Operating Trend	: Steady
Person Interviewed	: Ismail Ibrahim, Accounts Manager

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COMPANY NAME

GIZA SPINNING & WEAVING CO SAE

ALSO KNOWN AS: GIZA SPINNING MILLS SAE

ADDRESS

REGISTERED & PHYSICAL ADDRESS

Street : 162 Gowhar El Kaid Street
Area : Darrasa, El Azhar

Town : Cairo
Country : Egypt

Telephone : (20-2) 25929632
Facsimile : (20-2) 25929632
Mobile : (20-12) 5481193
Email : marzouk@gizaspin.com / info@gizaspin.com

Premises

Subject operates from a large suite of offices that are rented and located in the Central Business Area of Cairo.

Branch Office (s)

Location	Description
• 16 Osman Ibn Affan Street Salah El Din Square Darassa, El Azhar	Office premises
• Kafr Hakim 225,000 Embaba, Giza Sixth of October City Tel: (20-2) 38900210 /11/12/13 Fax: (20-2) 38900214 / 38900216	Owned factory covering an area of square metres

KEY PRINCIPALS

Name	Position

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• Mohamed Ghazal Abd El Hamid Marzouk	Chairman
• Fadel Mohamed Ghazal Abd El Hamid Marzouk	Vice Chairman
• Sherif Mohamed Ghazal Abd El Hamid Marzouk	Director
• Mahmoud Ghazal Abd El Hamid Marzouk	Director
• Mohamed Moustafa Abbad	Director
• Fathi Abu Mousa	Commercial Manager
• Mohamed Zayed	Finance Manager
• Taher Salah	Import Manager
• Ehab Al Issawi	Planning Manager
• Hassan El Sayed	Factory Manager
• Gamal Zaki	Engineering Manager
• Talaat El Khatib	Administration Manager
• Ismail Ibrahim	Accounts Manager

LEGAL FORM & OWNERS

Date of Establishment : 1989

Legal Form : Egyptian Joint Stock Company

Commercial Reg. No. : 81455, Giza

Tax Card No. : 100-066-577

Issued Capital : £E 200,000,000

Paid up Capital : £E 200,000,000

Name of Shareholder (s)	*Percentage*
• Mohamed Ghazal Abd El Hamid Marzouk	54.5%
• Fadel Mohamed Ghazal Abd El Hamid Marzouk	15.0%

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- Sherif Mohamed Ghazal Abd El Hamid Marzouk 15.0%
- Mahmoud Ghazal Abd El Hamid Marzouk 15.0%
- Dr Naglaa El Genid Ali 0.5%

Notes to the legal Form A Joint Stock Company (SAE) can be both a public or private company the capital of which is divided into shares of equal value; the liability of the shareholder is confined to the value of the shares to which he subscribes, and he is not liable for the debts of the company except within the limit of those shares. A JSC may be 100% owned by foreign investors and there should be at least three shareholders. The minimum capital of JSC companies is EGP 250,000 or EGP 500,000 if it is a public company.

AFFILIATED COMPANIES

- Giza Co for Upper Egypt Development
  El Minya
  Cairo

OPERATIONS

Activities: Engaged in the manufacture and export of garments, including trousers and T-shirts, shirts, trousers, shorts, leggings and pyjamas as well as household textiles and soft furnishings.

Subject also offers printing and dyeing services.

Subject is ISO 9001: 2008 and 14001:2004 accredited.

Production Capacity:

- 1.5 million units per month.
- 3,750 ton per year of spinning yarns
- 2,400.000 metres per year of weaving yarns
- 3,000 ton per year knitted fabrics
- 5,000 ton per year printed fabrics
- 1,193,966 dozen per year of garments

Import Countries: India, Hong Kong, Israel, Germany, Switzerland and Asia

Clients:

- Gap
- Benetton
- Mantafil
- Colin's

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- PVH
- Bosifil
- Next
- Nok
- Koton
- Chef Work

Export Countries: United States of America, Canada, Russia, Hong Kong, India, Turkey, France, Spain and Germany

Brand Names: NOK NOK and GTC

Operating Trend: Steady

Subject has a workforce of approximately 5,800 employees.

FINANCIAL DATA

Financial highlights provided by local sources are given below:

Currency: Egyptian Pounds (EGP)

Year	**Sales**
Year Ending 31/12/15:	EGP 465,000,000
Year Ending 31/12/16:	EGP 470,000,000
Year Ending 31/12/17:	EGP 480,000,000

Local sources consider subject's financial condition to be Good.

Note: According to Egyptian Commercial Law, only Joint Stock Companies SAE (Listed on the Stock Market) are required to publish their financial information. Financial information on other legal forms can only be obtained from the companies / businesses directly

BANKERS

- Egyptian American Bank
  4 & 6 Hassan Sabri
  Zamalek
  PO Box: 1825
  Cairo
  Tel: (20-2) 33416150

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Website : http://www.mirainform.com
http://www.miraglobalcheck.com
http://www.miraglobalcollections.com

Fax: (20-2) 33420265

- Export Development Bank of Egypt
  108 Mohi El Din Abu El Ezz Street
  Mohandessin
  Cairo 11111
  Tel: (20-2) 33619005 / 33385877
  Fax: (20-2) 33385940 / 33385938

- Bank of Alexandria
  Heliopolis Branch
  Cairo
  Tel: (20-2) 36332958 / 36351980 / 22417294
  Fax: (20-2) 36381604

- National Bank of Egypt
  24 Sherif Street
  Cairo
  Tel: (20-2) 33924175
  Fax: (20-2) 33924143

PAYMENT HISTORY

Regular

SANCTION LIST CHECKS

The subject and its shareholders have been checked in the following sanctions list databases:

Sanctions list	Results
United Nations Sanctions	No matches
Australian Sanctions	No matches
Bureau of Industry and Security (US)	No matches
EU Financial Sanctions	No matches
Office of the Superintendent of Financial Institutions (Canada)	No matches
OFAC - Specially Designated Nationals (SDN)	No matches
UK Financial Sanctions (HMT)	No matches

US Consolidated Sanctions	No matches

GENERAL COMMENTS

During the course of this investigation the following sources were consulted:

- Internal database
- Journals, directories, media & web searches
- Local Registry office
- Interview with Ismail Ibrahim, Accounts Manager

Giza Spinning & Weaving Co SAE is well established in the local market and specialises in the manufacture and export of ready made garments, including trousers and T-shirts, as well as home textiles and soft furnishings. It exports approximately 80% of its production.

The company is run in a professional manner and is owned by members of the Marzouk family, who are trusted members of the local business community.

During the course of this investigation nothing detrimental was uncovered regarding subject's operating history or the manner in which payments are fulfilled. As such the company is considered to be a fair trade risk.

COUNTRY OUTLOOK

Recent Developments
The first quarter of FY17 (July to June) marked a slowdown in growth recording 3.4 percent compared to 5.1 percent in the same quarter last year, with annual growth in FY16 registering 4.3 percent. Growth was constrained by severe shortages in hard currency, an overvalued exchange rate and sluggish growth in Europe, Egypt's main trading partner. Key sectors continue to experience negative growth, particularly tourism and the oil and gas extractives sector that has been suffering from underinvestment and arrears.

The annual fiscal deficit in FY16 increased to 12.1 percent of GDP, up from 11 percent the year before. However, in the first half of FY17 the deficit declined to 5.4 percent of GDP, down from 6.4 percent in the same period last year. The improvement in the first half is solely driven by a decline in total expenditures, which compensates for a drop in total revenues. Lower expenditures were driven by a decrease in subsidies and public wages as a percentage of GDP.

The most recent data for the first quarter of FY17 show an overall surplus in the balance of payments of 0.5 percent of projected GDP, compared to a deficit of 1 percent during the same period of the previous year. The improvement in external accounts was mainly due to the narrowing trade deficit induced by an increase in merchandise exports (by 11.2 percent) and a decline in merchandise imports (by 4.8 percent). Meanwhile, Suez Canal receipts further deteriorated by 4.8 percent and net private transfers also declined by 21.8 percent. As a result, the current account deficit widened to 1.4 percent of GDP compared to 1.1 percent in the same quarter of

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the previous year. More positively, FDI inflows increased to US$1.9 billion over the same period, up from US$1.4 billion the previous year.

To stimulate growth and address major macroeconomic imbalances, the government embarked on a major economic reform program. The key features include (i) the liberalization of the exchange rate regime; (ii) fiscal consolidation through a combination of expenditure and revenue measures, notably cuts in fuel subsidies, containment of the wage bill and introduction of VAT; and (iii) reforms to the business environment and addressing impediments to industrial activity.

The reform program was supported by an IMF Extended Fund Facility of US$12 billion which contributes to cover Egypt's financing needs, the rest of which has been covered through disbursements under the World Bank, the African Development Bank and a number of bilateral loans, in addition to a recent issuance of Eurobonds in the amount of US$4 billion. Following the floatation, the exchange rate displayed strong overshooting (hitting its lowest rate of 19.5 in December compared to a pre-float fixed rate of 8.8), but has subsequently strengthened as foreign investor confidence picked up and backlogs of USD orders to finance imports eased. Net international reserves reached US$26.4 billion at-end January (6 months' imports), up from a pre-floatation level of US$19 billion.

Currency weakening has led to a sharp rise in inflation, which reached its highest recorded level of 30.2 percent in February 2017. Following the currency floatation, the CBE increased interest rates by 300 basis points (bringing the cumulative increase to 550 basis points since March 2016) to absorb excess liquidity and curb inflation. High inflation has contributed to the aggravation of social conditions, given the persistently high unemployment (12.6 percent in 2016). The recently adopted reform program involves efforts to improve social safety nets, notably through the partial reallocation of freed up resources from reduced energy and food subsidies; the expansion of cash transfer programs; and an increase in the general pension budget by 15 percent. Nonetheless, the mitigation of recent adverse
shocks will continue to depend on an effective targeting mechanism.

Outlook

GDP is expected to grow by 3.9 percent in FY17, and will be largely driven by public investment and to some extent net exports. Private investment is expected to pick up only in the second half of FY17, supported by enhanced competitiveness following the depreciation of the currency and the gradual implementation of business climate reforms. Tourism is also expected to steadily recover on the back of a weaker currency. Yet, growth will likely be undermined by slower growth of private consumption, which is expected to be negatively affected by record high inflation rates. Prudent monetary policy is projected to bring inflation down over the forecast horizon after the one off effects of depreciation, subsidy reforms, and the introduction of VAT dissipate.

The fiscal deficit is projected to narrow to 10.5 percent in FY17, contingent on the government's commitment and ability to sustain its fiscal consolidation plan. With the implementation of the VAT, the expected increase in the VAT rate to 14 percent from the current 13 percent, and efforts to improve tax collection, revenues are expected to improve, while expenditures will continue to be contained.

The current account deficit is expected to start improving in FY17, supported by a positive exchange rate effect and an increase in remittances transferred through formal channels.

In the near term high inflation is likely to have negative short-term effects on households. Current efforts to improve

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targeting in the food smart-card program, currently used to protect the vulnerable population from food price shocks and ensure a minimum level of food security, could provide additional resources for an improved safety net.

Risks and challenges
Policy slippage and absence of real-sector reforms may negatively impact the anticipated economic recovery. Deteriorating security risks can adversely affect the recovery of the tourism sector, traditionally a main source of revenue and foreign currency.

On the social front, resources from fuel subsidy reform to be allocated to social programs may be lower than expected
due to currency depreciation, but efforts should continue to improve the efficiency of the safety net system. Sustained high unemployment may lower households' ability to improve their living conditions.

Key Economic Indicators	2014	2015	2016*	2017*	2018	2019
Real GDP Growth (%)	2.9	4.4	4.3	3.9	4.6	5.3
Inflation Rate (%)	10.1	10.4	10.2	20.1	14.2	11.3
Current Account Balance (% of GDP)	-0.9	-3.8	-6.1	-5.5	-4.4	-3.8
Fiscal Balance (% of GDP)	-11.5	-11.0	-12.1	-10.5	-9.2	-7.3

* forecast

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FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.50
UK Pound	1	INR 90.63
Euro	1	INR 82.34
EGP	1	INR 3.95

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

INFORMATION DETAILS

Analysis Done by :	NIS
Report Prepared by :	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)