

MIRA INFORM REPORT

Report No. :	526616
Report Date :	31.08.2018

IDENTIFICATION DETAILS

Name :	PALBAM 2008 AC LTD.
Registered Office :	Ein Harod Ihud 1896000
Country :	Israel
Date of Incorporation :	1939
Legal Form :	Private Limited Company
Line of Business :	A metalwork factory, specializing in Stainless Steel and Titanium made materials, directly and via subsidiaries, manufacturers and marketers in 3 segments: 1. Defense area: manufacturing parts for ELBIT SYSTEM Group and others. 2. Cleanrooms area ("Palbam Class"): manufacturing clean rooms furniture and equipment. 3. Institutional Kitchens area (via 50% subsidiary KIROSKAY and PALBAM KITCHENS): wide array of metal solutions for the industrial kitchen market place, erecting projects in the institutional kitchens field.
No. of Employees :	90

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 :	Regular

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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)
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 & ADDRESS

Correct Name: **PALBAM 2008 AC LTD.**
(Also known as PALBAM METAL WORKS*)
Telephone 972 4 653 07 00
Fax 972 4 653 19 04
Email: info@palbam.co.il
Ein Harod Ihud 1896000 Israel

HISTORY & LEGAL FORMATION

Originally established in 1939 as an industrial department of Kibbutz Ein Harod Ihud.
Converted into a private limited company and registered as such as per file No. 51-011867-2 on the 25.10.1953.

All activities were transferred into a general partnership, PALBAM METAL WORKS EIN HAROD IHUD, registered as such as per file No. 54-012131-6 on the 17.03.1997.

As of 01.01.2008, all activities were transferred into subject, an agricultural cooperative society (ACS), registered as such as per file No. 57-005013-8 on the 30.12.2007, following which the general partnership, PALBAM METAL WORKS, turned inactive (with no assets as well).

*Subject is also known as PALBAM 2008 AGRICULTURAL COOPERATIVE SOCIETY LTD., or PALBAM 2008 ACS LTD.

OWNERSHIP

1. Kibbutz Ein Harod Ihud, 90%, a co-operative society, operating a communal agricultural settlement,
2. Shaul Ben-Or, 10%.

DIRECTORS

1. Itay Raz, Chairman,
 2. Shaul Ben-Or, General Manager,
- And 3 other Kibbutz Ein Harod Ihud members directors (names unavailable).

BUSINESS

A metalwork factory, specializing in Stainless Steel and Titanium made materials, directly and via subsidiaries, manufacturers and marketers in 3 segments:

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4. Defense area: manufacturing parts for ELBIT SYSTEM Group and others.
5. Cleanrooms area ("Palbam Class"): manufacturing clean rooms furniture and equipment.
6. Institutional Kitchens area (via 50% subsidiary KIROSKAY and PALBAM KITCHENS): wide array of metal solutions for the industrial kitchen market place, erecting projects in the institutional kitchens field.

Group's sales are to high-tech companies, food companies, hotels, the Ministry of Defense, etc.
10% of sales are for export.

Subject imports raw materials for production.

Operating from premises (offices, storage facilities and a plant), owned by Kibbutz Ein Harod Ihud, on an area of 8,000 sq. meters, in Kibbutz Ein Harod.

Note: "Kibbutz" is a typical local cooperative agricultural settlement/ village.

Having 90 employees.

MEANS

Work is based on orders, inventory level varies a lot.

Subject is an "Approved Enterprise" and as such enjoys tax benefits and State incentives.

In 1999, the Israeli Investment Center approved a US\$ 2.1 million investment plan for the expansion of subject's plant.

REVENUES

Consolidated sales are reported for the PALBAM Group, which includes subject and subsidiary KIROSKAY:

2016 sales claimed to be NIS 100,000,000, of which 10% were for export.

2017 sales claimed to be NIS 110,000,000, of which 10% were for export.

Sales for the first half of 2018 claimed to be NIS 60,000,000, of which 10% were exports.

OTHER COMPANIES

KIROSKAY COOPERATIVE SOCIETY CS LTD., 50%, registered in 2013, activities established in 1973, importers and marketers of catering equipment and appliances, for restaurants, institutional kitchens and catering field, as well as machinery for the food industry. Holds 100% in PALBAM KITCHENS LTD., the two have 60 employees, 2017 consolidated sales NIS 81 million.

BAREL PALBAM ACS LTD., 100%, inactive.

AERO MAGNESIUM ACS LTD., 76%, designers, manufacturers and marketers of magnesium-based aviation products.

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Kibbutz Ein Harod Ihud main other holding:

RICOR SYSTEMS 2011 ACS LTD., 75%, designers, manufacturers, exporters and marketers of cryogenic coolers for the defense & military, infrared, scientific instrumentation and semiconductor industries. Having 205 employees. 2017 sales US\$ 50 million. Fully owns QENERGY ACS LTD., energy production from various heat sources and RICOR USA, INC. Also being a main shareholder in SERAPHIM OPTRONICS LTD., developers, manufacturers and marketers of electro-optical systems

BANKERS

Bank Hapoalim Ltd., Afula Business Branch (No. 472), Afula.
Israel Discount Bank of Ltd., Afula Branch (No. 002), Afula.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

Subject is a long established business.
Subject is ISO 9001:2000 certified.

In September 2013 KIROSKAY ACS was established, and in parallel the professional kitchen activities were transferred to PALBAM KITCHENS, which became KIROSKAY ACS's fully owned subsidiary.

Kibbutz Ein Harod was established in 1921 (in 1952 there was a separation in the Kibbutz, into "Ein Harod Ihud" and "Ein Harod Meuhad"). Having some 300 members. They cultivate 12 million sq. meters of agricultural land, including field crops, fruit plantations (avocado, citrus), cattle and sheep farms, fishing pools, etc. The Kibbutz also operates a boarding house and engaged in other small business ventures.

In December 2005, it was reported that the subject was selected, among several other local companies, by the European Commission to take part in the Aeronautics field research program (for advanced materials), as part of the EU 6th R&D Framework Program.

According to a report from June 2013, the professional kitchens market is valued at NIS 350 million annually.

The Central Bureau of Statistics (CBS) data on import of metals raw materials to the local industries: Import of Iron and Steel in 2017 summed up to US\$ 2,198 million, 13.7% increase from 2016 (US\$ terms, 6.5% rise in NIS currency terms), after 1.6% decrease in 2016 from 2015 (-3% in NIS terms); Import of Precious Metals in 2017 rose by 10.6%, summing up to US\$ 178 million (up 3.7% in NIS terms), after 6% rise in 2016 from the previous year; Import of Non-ferrous Metals marked 14.3% rise in 2017 from 2016 to US\$ 782.5 million (7.1% in NIS terms), after 7% decrease in 2016 from 2015. In the first 5 months of 2018, the following increase trend noted (compared to the parallel period in 2017, in \$ terms): 45% in import of Iron and Steel; 14% in import of Precious Metals; 14.5% in import of Non-ferrous Metals.

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According to the CBS, export by the local Manufacturing of Fabricated Metal Products, Machinery & Equipment and Domestic Appliances witnessed 1.6% decrease in 2017 from 2016 to US\$ 5,851.5 million, after 8.4% increase in 2016 from 2015 and 9.1% decrease in 2015 from 2014.

The CBS data on investment in imported machinery and other equipment for the manufacturing industry in 2017 (quantity change percent change on previous year): investments in the manufacture of basic metal totaled NIS 202.8 million, representing 24.5% decrease, after close to 30% increase in 2016; investments in the manufacture of fabricated metal products was NIS 1,047 million, 14.2% increase, after decrease by 1.1% in 2016.

SUMMARY

Good for trade engagements.

Note: Since February 2013 Israel Post has started using a new area code method of 7 digits (the old method of 5 digits is no longer valid).

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.73
UK Pound	1	INR 92.15
Euro	1	INR 82.72
ILS	1	INR 19.72

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

INFORMATION DETAILS

Analysis Done by :	VIV
Report Prepared by :	TPT

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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)