

MIRA INFORM REPORT

Report No. :	542479
Report Date :	06.12.2018

IDENTIFICATION DETAILS

Name :	DOR CHEMICALS LTD.
Registered Office :	P.O. Box 10036 (2611001) 18 Katzenstein Street Bay Industrial Zone HAIFA 2624892
Country :	Israel
Date of Incorporation :	30.10.1963
Legal Form :	Public Limited Company
Line of Business :	<ul style="list-style-type: none"> Manufacturers, exporters and marketers of chemicals and petro-chemicals for the industries, e.g. Methanol, Urea, Hydrogen, MTBE, formalin, resins, adhesives Recyclers of chemical dissolvents
No. of Employees :	220

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 :	Satisfactory
Payment Behaviour :	Slow but Correct
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.

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ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
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

DOR CHEMICALS LTD.

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Email: info@dorchemicals.com

P.O. Box 10036 (2611001)

18 Katzenstein Street

Haifa Bay Industrial Zone

HAIFA 2624892 ISRAEL

HISTORY & LEGAL FORMATION

Originally established as a private limited company, incorporated as per file No. 51-041819-7 on the 30.10.1963.

Converted into a public limited company and registered as such as per file

No. 52-004237-5 on the 30.08.1995, and in parallel published a prospectus, offering shares to the public on the Tel Aviv Stock Exchange.

In April 2010, following a successful tender offer for subject's shares held by the public (some 2.5%, in consideration of NIS 8.85 million), shares were de-listed from trade, and subject reconverted into a private limited company (keeping the same registration number).

SHARE CAPITAL

Authorized share capital NIS 50,000,000.00, divided into -

50,000,000 ordinary shares of NIS 1.00 each,

of which 42,257,182 shares amounting to NIS 42,257,182.00 were issued.

SHAREHOLDERS

Subject is owned by members of Dankner family, via the following holding companies and individuals:

1. SAURON LTD., 52.4%,
2. A.M.T. (G.D.) 2006 LTD., 18.1%,
3. Ms. Lea Dankner, 12.1%,
4. HAGRID INVESTMENTS LTD., 11.8%,
5. Gil Dankner, 2.9%,
6. Ms. Arlene Rhoda Dankner, 2.7%.

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DIRECTORS

1. Gil Dankner, General Manager,
2. Eliezer Sandberg,
3. Ms. Arlene Rhoda Dankner,
4. Ido Levin,
5. Reuven Bachar,
6. Oz Israeli,
7. Avraham Ortal,
8. Lior Shmueli,
9. Gavriel Rubin.

BUSINESS

1. Manufacturers, exporters and marketers of chemicals and petro-chemicals for the industries, e.g. Methanol, Urea, Hydrogen, MTBE, formalin, resins, adhesives, etc.
2. Recyclers of chemical solvents.

Subject ceased its manufacturing of polypropylene multi-layer sheets (BOPP), which was known as "Dor Film" Division.

15% of sales are for export.

Subject's plant is connected via underground piping to the OIL REFINERIES facilities in the Haifa Bay and to the terminal at Haifa Port.

Subject has the special approvals for its plant operation (very strict rules).

Main clients: OIL REFINERIES, PAZ ASHDOD REFINERY, CARMEL CHEMICALS (subsidiary), TEVA PHARMACEUTICAL INDUSTRIES. Other clients: DORMEX TRADE & INVESTMENTS, DAVIK SDE BOKER, CARGAL FLEXIBLE PACKAGING, SHARON LABORATORIES, JOLYBAR, ELECTRO CHLORINE CHEMICAL INDS., LOBOPRINT, AVCO CHEMICALS, etc.

Main local supplier: CARMEL OLEFINS.

Forwarding services: BELL-MAR SHIPPING.

Operating from owned premises (headquarters and plant), on an area of 140,000 sq. meters, in 18 Katzenstein Street, Haifa Bay Industrial Zone, Haifa.

Also operating from owned facility ("Dor Ecology") in Neot Hovav Eco Park, in the Negev region.

Website: www.dor-group.com

Having 220 employees.

MEANS

Current financial data not forthcoming, however subject owns much valuable real estate properties, both the premises it is operating from in Haifa Bay Industrial Zone, and in Bar-Lev Industrial Zone, Misgav - 40,000 sq. meters which used to serve its "Dor Film" plant, now closed and the area is leased to 3rd parties.

Current stock is valued at NIS 300 million.

Subject's market value in March 2010, about a month prior to its delisting from trade stood on US\$ 85 million.

Subject is an "Approved Enterprise" and as such enjoys tax benefits and State incentives. The Israeli Investment Centre (IIC) approved subject's investment plans for the "Dor Film" plant in Misgav (now closed).

There are several charges for unlimited amounts registered on the company's assets (all assets), in favor of the State of Israel, Bank Hapoalim Ltd., Israel Discount Bank Ltd., Mizrahi Tefahot Bank Ltd., Bank Leumi Le'Israel Ltd., The First International Bank of Israel Ltd., Mercantile Discount Bank Ltd. and a company.

REVENUES

Latest Statement of Income data published on the Stock Exchange (while traded): consolidated 2009 sales were NIS 446.46 million, making a gross profit of NIS 73.8 million, an operating income of NIS 40.35 million and a net income of NIS 35.38 million.

Subject's CFO told us in that 2010 and 2011 sales are around NIS 500 million, and sales in the several later years were about the same scales.

In the current interview, the CFO said that annual sales in 2016, 2017 and 2018 (projected) are NIS 350 – NIS 400 million.

OTHER COMPANIES

DOR CHEMICALS TRADING (1996) LTD., 100%, importers and marketers of the intermediate material methanol.
CARMEL CHEMICALS LTD., 100%, manufacturers, exporters and marketers of Amino Molding Compounds and Urea and Melamine Formaldehyde Molding Compounds, which are chemical raw materials for the plastic industry.

CARMEL RESINS LTD., 100%, manufacturers, marketers and exporters of resins and adhesives for a variety of industries.

ELEX CONTROL SYSTEMS LTD., manufacturers and marketers of adhesives, producer of AD-Blue, an advanced pollution control additive used as a consumable in selective catalytic reduction (SCR).

DOR ECOLOGY LTD., 100%, recyclers of organic solvent for the chemical industry.

CONLOG CONTROL LTD., manufacturers of Cystrip - Plastic Media Blast.

DOR FILM INTERNATIONAL LTD., 100%, non-active.

Also known to have several other smaller holdings.

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Members of the Dankner family has other holdings as well.

BANKERS

Bank Leumi Le'Israel Ltd., Haifa Main Branch (No. 876), Haifa,
account No. 254400/19.

The First International Bank of Israel Ltd., Haifa Main Branch (No. 6), Haifa, account No. 21253.

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

Bank Hapoalim Ltd., Haifa Business Branch (No. 562), Haifa.

CHARACTER AND REPUTATION

While being publicly traded, in the mid-2000s, there was a Securities Authorities investigation in suspicion of violation of the securities laws, which ended in convictions of senior officials not subject or its present owners/directors.

In April 2015 the Supreme Court Judge reversed a District Court ruling which did not approve a settlement in a class action lawsuit against subject, also in a matter related to the time it was publicly traded (claim of a false presentation of its economic situation), allowing the settlement where subject would pay the plaintiffs total of NIS 3 million and several other arrangements.

During the first half of 2015 the Ministry of Environment issued twice closure orders to subject's plant in the Haifa Bay due to a list of failures, including leaks of toxic materials and omissions beyond the allowed quantity, as well as attempts to cover-up, after sudden inspections made. The plant received approvals for re-opening sometime afterwards, but a NIS 1.8 million penalty laid. Subject's officials commented that they meet strict rules, and the faults concerned were immediately treated and resolved.

These events took place after several years earlier, subject was also caught in environment violations and revoked subject's Toxic Permit for periods.

Subsidiary CARMEL CHEMICALS was also entangled in environmental violations.

In November 2016 the Haifa Magistrate Court convicted partially CARMEL CHEMICALS and Mr. Gil Dankner, its General Manager, in environmental violations (and acquitted from several other charges).

In September 2017 it was reported that subject's executives were summoned to a hearing by the Ministry of Environment (Haifa District), regarding a leak of a dangerous gas which also caused a public health hazard. No further data found on matter.

In January 2018 the Court ruled that a fine on subject of NIS 150,000 due to a felony committed in 2012 of causing waste/ toxic waste spillage, would remain (former General Manager and COO at the time of the felony were also convicted).

Subject was and has been involved in other motions for class action lawsuits (some as part of a group of other defendants), but we did not find indications on any significant results at present (some motions are closed in settlement before reaching Court proceedings).

There are also other legal proceedings subject has been involved in (as plaintiff and as defendant), though none appear significant at this stage.

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Apart from the above, nothing unfavorable learnt.

Despite our efforts, we were unable to speak with subject's CFO as he was always unavailable. We left messages which so far remain unanswered.

In 2010, after a long dispute, subject shares held by the public were acquired by Dankner family via SAURON LTD. and A.M.T. (G.D.) LTD. (after raising the sum per share paid to the public holders), and were erased from trade on the Stock Exchange.

Later, there were also legal disputes among Dankner family members (the Family owns subject) regarding shares allocation in subject following the death of the older generation. The matter was eventually resolved in mediation.

Subject is a leading company in their fields, the leading local BOPP (Biaxially Oriented PolyPropylene) supplier. Subsidiary DOR CHEMICALS TRADING is the largest local importer of methanol, with 90% of the market share. According to a report from March 2012, Israel's local consumption of methanol is some 70 -80 thousand tons per year.

Subject is ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certified.

Dankner family is a known wealthy family involved in Israel's business arena, with investments including industrial, trade and plenty of real estate assets.

In 2007 subject announced it signed a cooperation agreement with a subsidiary of EILAT ASHKELON PIPELINE CO. LTD. (a State-owned company, operating the oil pipeline from the Eilat port in the South to the center of the country), for establishing a new joint company which will built and operate a chemical containers farm in Ashkelon. Initial investment in the project estimated at US\$ 4.2 million.

In 2009 subject acquired from Mr. Itzhak Reuven all the activities and assets of the companies he owns for total of NIS 29 million: PETROCHEM RECYCLING CO. LTD. and two other PETROCHEM companies, who deal in recycling and production of dissolvent. The acquisition is of activity which is synergetic to subject's chemical activity as part of expansion scheme. The purchase includes lands (on which the operation is carried out). Activities were transferred to DOR ECOLOGY.

In 2010 subject acquired the business activities of VEROLIT CHEMICAL MANUFACTURING CO. LTD., incorporated in 1944, manufacturers and marketers exporters of glues, adhesives for the industry and for the private sector, and shifted it into CARMEL RESINS. In December 2013, the Group also acquired the industrial chemicals and adhesives manufacturing activities of HAMA CHEMICALS.

In February 2009 subject announced it signed an agreement with a main and long standing client, OIL REFINERIES LTD. (ORL, Israel's largest oil refinery) regarding the supply and services subject provides ORL. In essence, the new agreement worsens subject's position, in that a significant portion of activity of import and supply MTBE which subject thus far provided will cease and subject would only process MTBE for ORL. The volume of income from the new arrangement is significantly lower than before.

During 2011 DOR CHEMICALS Group went through a structural change, in which CARMEL RESINS became a subsidiary of subject, which obtained the shares from Dankner family which held them directly.

In March 2015 it was reported that subject intends to erect a plant for methanol production based on natural gas in Ramat Hovav site, and another plant to be erected for synthetic fuels, with a total investment of NIS 2 billion. So far we did not learn of such plant erected.

From the Ministry of Economy publication, total estimated revenues of the local Chemical & Oils Industrial branch in 2012 amounted to NIS 120 billion (comprising some 30% of Israel's total industrial turnover), divided into: Refinery, Petrol & Petrochemicals - NIS 55 billion; Pharmaceuticals - NIS 32 billion; Sub-branches – NIS 22 billion (incl. industrial chemicals, pesticides & disinfections materials, and fertilizers); Others – NIS 11 billion (incl. paints, cosmetics, cleaning materials and other chemistry products).

According to the Central Bureau of Statistics (CBS) data, sales for export by the Chemicals & Chemical products Industry in 2017 marked 13.2% increase from 2016 and summed up at US\$ 7,772.6 million, a reverse trend from 2016, when export fell 14% from 2015, and significantly lower compared also to 2014 (export US\$ 10,976 million) and 2013 (US\$ 11,248 million). Export in the first 5 months of 2018 reached US\$ 3,783.5 million, 15.5% increase compared to the parallel period in 2017.

According to CBS data, investments in imported machinery & equipment for the Manufacture of Chemicals & Chemical Products (excl. for pharmaceuticals and refinery manufacturing) in 2017 summed up to NIS 503.1 million, close to 30% decrease (quantity percent change on previous year), after in 2016 investment noted 37% increase and 15% decrease in 2015.

SUMMARY

Notwithstanding the lack of updated data from subject's officials, considered good for trade engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.51
UK Pound	1	INR 89.44
Euro	1	INR 79.83
ILS	1	INR 18.99

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

INFORMATION DETAILS

Analysis Done by :	PRI
Report Prepared by :	DNS

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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)