

MIRA INFORM REPORT

Report No. :	544305
Report Date :	18.12.2018

IDENTIFICATION DETAILS

Name :	BITUM PETROCHEMICAL INDUSTRIES LTD.
Formerly Known As :	DELEK THE ISRAEL FUEL CORP. LTD. BITUM CHEMEICAL WORKS
Registered Office :	P.O. Box 10175 (2611101) 4 Hayetzira Street Haifa Bay Industrial Zone Haifa 2629004
Country :	Israel
Date of Incorporation :	1948
Legal Form :	Private Limited Company
Line of Business :	Developers, manufacturers, exporters and marketers of asphalt and insulating substances, for building construction, infrastructure (roads).
No. of Employees :	60 employees (2016)

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 :	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.

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

BITUM PETROCHEMICAL INDUSTRIES LTD.

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P.O. Box 10175 (2611101)

4 Hayetzira Street

Haifa Bay Industrial Zone

HAIFA 2629004 ISRAEL

HISTORY & LEGAL FORMATION

Originally established as a non-registered business in 1948 under the name BITUM CHEMICAL WORKS. Converted into a private limited company and registered as such as per file No. 51-032448-6 on the 08.11.1961 under the present name after DELEK THE ISRAEL FUEL CORP. LTD. purchased 60% of subject's shares.

SHARE CAPITAL

Authorized share capital NIS 500.00, divided into -
5,000,000 ordinary shares of NIS 0.0001 each,
of which 1,980,000 shares amounting to NIS 198.00 were issued.

(Note: The currency in share capital was originally in *Old Israeli Shekel* whose nominal value was 1 thousandth of the current *New Israeli Shekel* (NIS), converted in 1986).

SHAREHOLDERS

1. IBECO LTD. (shares are held by BANK LEUMI LE'ISRAEL TRUSTEE COMPANY LTD. as a trustee), 60%, owned by Yaakov Mashal,
2. I.C.P. MARKETING & INVESTMENTS LTD., 40%, owned by Moshe Mashal.

On 31.12.2010 IBECO LTD. acquired 60% of subject from DELEK THE ISRAEL FUEL CORP. LTD., part of the DELEK GROUP, as well as acquiring all the shares of BEN ZION DISHON LTD. (which held 40% in subject) from the Dishon Family, reaching full ownership of subject.

In practice, Yaakov Mashal and family hold 100% of subject as of January 2011 (via IBECO and I.C.P.).

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DIRECTORS

1. Yaakov Mashal, Chairman,
2. Moshe Mashal, General Manager,
3. Ido Mashal,
4. Roy Mashal.

BUSINESS

Developers, manufacturers, exporters and marketers of asphalt and insulating substances, for building construction, infrastructure (roads, etc.).

Providing a wide range of quality products for isolating basements, washrooms, terraces, different roofs, etc.

Sales are seasonal, whereas in the winter (end of Q4 and Q1) sales level decline.

Sales are to main infrastructure and public and private construction projects.

12% of BITUM Group's sales are for export in 2016 (current export rate unavailable). Export is to some 16 European countries, USA, South Africa and Australia.

Among local clients: AYALON CITIES ASSOCIATION, SHAPIR CIVIL & MARINE ENGINEERING, ELECTRA BUILDING, ELCTRA INFRASTRUCTURE HOFREY HASHARON, A. Z. - MARKETING OF EATHERPROOFING AND SEALING MATERIALS, HERMANN BURG, MELGOL, TURAN CERAMIC, TUBOUL BUILDING SUPPLIES, etc.

Among local projects in which subject's product are implemented: NOKIA STADIUM – YAD ELIYAHU, TEL HASOMER HOSPITAL, GRAND CANION – HAIFA Shopping Mall, BEZALEL ART CENTER, Dan Hotel – Eilat, RAB BYNET, and more.

Among foreign projects: STANDARD BANK – South Africa, MARINKI THEATER – Russia, New Kiev Metro, and more.

Among local suppliers: HAAMA, YEHEZKEL AHARON (CHEMIFRID) GLUES, RAMI GRINWALD, OROM COLORANTS, etc.

Operating from premises (offices, storage facilities and plant), on an area of 14,000 sq. meters (of which 10,000 sq. meters are owned, rest is rented), in 4 Hayetzira Street, Haifa Bay Industrial Zone, Haifa, and from a marketing center, on an area of 2,500 sq. meters, rented, in 22 Nachshon Street, Sgula Industrial Zone, Petach Tikva. Both premises serve subject and subsidiary.

Website: www.bitum.co.il

As of 2016 had 60 employees serving BITUM Group, i.e. subject and subsidiary BITUM LTD. Current number of employees not forthcoming.

MEANS

Consolidated stock was valued at NIS 10,000,000 in mid-2016. Current stock value unavailable.

Other financial data not forthcoming, however owned property in Haifa Bay (where subject operates from) is highly valued.

There are 6 charges for unlimited and limited amounts (in total of several NIS hundred thousands) registered on the company's assets (financial assets and fixed assets), in favor of Bank Leumi Le'Israel Ltd. and Bank Hapoalim Ltd.

REVENUES

2014 consolidated sales claimed to be NIS 112,000,000, 12% were for export.

2015 consolidated sales claimed to be NIS 123,000,000, 12% were for export.

Later sales figures not forthcoming.

OTHER COMPANIES

BITUM LTD., 100%, established 1991, importers and marketers of sealing and insulation products for construction.

IBECO LTD., a holding and real estate company, owned by Yaakov Mashal.

Yaakov Mashal also holds shares several other holding, real estate and investments companies, among them Y. MASHAL & SONS ENTREPRENEURSHIP LTD., (fully owned), LEV AFEK LTD., EUROUP LTD., T.M.C.TRASPORTATION LTD., A.A.M.S INVESTMENTS LTD. and more.

BANKERS

Bank Leumi Le'Israel Ltd., Halutzei Hataasiya Business Branch (No. 889), Haifa, account No. 165600/74.

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

Bank Hapoalim Ltd., Hamifratz Business Branch (No. 169), Haifa.

CHARACTER AND REPUTATION

There is a pending lawsuit filed in 2012 to the Tel Aviv District Court by foreign company BELLODRIA against subject on NIS 2.5 million. No further data found on the case's content (file no. 37524-07-12, next debate 14.01.2019).

Apart from the above, nothing unfavorable learned.

So far we were unable to obtain information from subject's General Manager, Mr. Yaakov Mashal, the authorized person to disclose data on the company, as he was too busy, asking us to send him an email with our request, which we sent. We shall update you in case he returns to us with fresh data.

Subject is a long established company.

BITUM ISRAEL is a leading company in the field of sealing and insulating products and enjoys good reputation. Until the end of 2010 it was part of the leading DELEK GROUP concern, operating in the oil, petrol and energy fields.

Subject is ISO 9001:2008 certified, as well as having approvals from many standard institutes worldwide.

Yaakov Mashal is a well-respected businessman, who also used to serve as a Director in BANK LEUMI LE'ISRAEL LTD., Israel's 2nd largest bank, as well as Chairman and general manager of several other companies.

In 2004 it was reported that BITUM supplied products to the Olympic Village construction and Airport renovation in Greece, via local distributor S.A. METXIOTIS. Also in 2004 it was reported that BITUM started exporting sealing products to Hungary, after receiving certification from the Hungarian Standard Institute. BITUM signed a 5 years contract worth US\$ 1 million.

In June 2016 subject and Italian company COPERNIT filed a NIS 1.6 million lawsuit against rival PAZKAR. Case is pending (no. 59837-06-16), further details unavailable.

From the Central Bureau of Statistics (CBS) data, investments (Gross Domestic Capital Formation) in construction for dwelling (residential buildings) in 2017 rose by 1.2% from the previous year (quantity change), which follows increase of 8.1%, 1.5% & 6% in 2016, 2015 & 2014, respectively.

Investments in construction not for dwelling (public institutions, commercial and industrial building) rose in 2017 by 6.3% (after 2.6% rise in 2016, 1.1% in 2015 and 2% in 2014), while investments in other construction works (e.g. roads, infrastructure) saw 16.6% climb in 2017, continuing the upward trend (by 3.8%) in 2016 (after declining by 4.2% in 2015 and -15.5% in 2014).

According to the CBS, the investment in construction for dwelling in the 1st half of 2018 plunged 14% compared to the parallel period in 2017.

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 71.67
UK Pound	1	INR 90.20
Euro	1	INR 81.07
ILS	1	INR 18.75

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

INFORMATION DETAILS

Analysis Done by :	VIV
Report Prepared by :	POJ

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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)