

MIRA INFORM REPORT

Report No. :	545968
Report Date :	22.12.2018

IDENTIFICATION DETAILS

Name :	ABIC BIOLOGICAL LABORATORIES LTD.
Registered Office :	P.O. Box 489, BEIT SHEMESH (9910401) P.O. Box 1098, TEL AVIV (6101001) 2 Hanagev Street Motorola Building Airport City 7019900
Country :	Israel
Financials (as on) :	30.09.2018
Date of Incorporation :	23.05.1972
Legal Form :	Private limited company
Line of Business :	Developers, manufacturers, marketers and exporters of vaccines and compounds for animals, mainly poultry vaccines. In addition, manufactures various vaccines for livestock: bovine, sheep and goat vaccines.
No. of Employees :	1500 (Group)

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.

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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

ABIC BIOLOGICAL LABORATORIES LTD.

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2 Hanagev Street

Motorola Building

AIRPORT CITY 7019900 ISRAEL

HISTORY & LEGAL FORMATION

A private limited company, incorporated as per file No. 51-060828-4 on the 23.05.1972.

Originally registered under the name BIOLOGICAL PREPARATIONS TEVA 1972 LTD., which changed to M. B. T. BIOLOGICAL LABORATORIES TEVA LTD. on the 06.09.1978, then changed to ABIC BIOLOGICAL LABORATORIES TEVA LTD. on the 07.09.2003.

Subject was part of ABIC Group, originally founded in 1939, and was part of the Chemical Division of TEVA PHARMACEUTICAL INDUSTRIES LTD.

In late 2008 TEVA decided to move out of the veterinary field, which was strategically no longer part of its core activities. The veterinary activities in Israel have been conducted by subject and sister company ABIC VETERINARY PRODUCTS LTD., considered to be Israel's largest veterinary products manufacturers.

In December 2008 the Antitrust Authorities approved the merger of activities of ABIC VETERINARY PRODUCTS LTD., established 1964, with subject. (Importers, marketers and distributors of veterinary products (animal medications and vaccines), serving poultry growers and livestock farmers in the country.)

Consequently, on the 24.11.2008 name was changed to the present one.

SHARE CAPITAL

Authorized share capital NIS 10,000,100.00, divided into:-

100 voting shares (issued),

10,000,000 ordinary shares (562,500 shares issued), all of NIS 1.00 each,

of which shares amounting to NIS 562,600.00 were issued.

SHAREHOLDERS

Subject is fully owned by fully owned PHIBRO ANIMAL HEALTH LTD., fully owned by PHIBRO ANIMAL HEALTH CORPORATION ("PAHC") of the U.S.A., a public limited company, whose shares traded on the NASDAQ (NASDAQ:PAHC), controlled by Jacob (Jack) Bendheim (of the USA).

In February 2009, PAHC completed the acquisition of subject and ABIC VETERINARY PRODUCTS LTD. from TEVA PHARMACEUTICAL INDUSTRIES for US\$ 44 million.

In March 2011 as part of a re-organization in PAHC Group, subject and subsidiary ABIC VETERINARY PRODUCTS LTD. became PHIBRO ANIMAL HEALTH's fully owned subsidiaries.

DIRECTORS

1. Jonathan Bendheim, General Manager,
2. Jacob (Jack) Bendheim, of USA,
3. Richard Johnson, of USA,
4. Doron Cohen.

BUSINESS

Developers, manufacturers, marketers and exporters of vaccines and compounds for animals, mainly poultry vaccines. In addition, manufactures various vaccines for livestock: bovine, sheep and goat vaccines.

Part of PHIBRO ISRAEL Group.

60% of subject's and ABIC VETERINARY sales are export.

Local distribution is also carried out by subsidiary ABIC VETERINARY PRODUCTS.

Sole local representatives of (in subject's field):

NOVARTIS ANIMAL HEALTH SERVICES,
JANSSEN ANIMAL HEALTH,
INTERVET INTERNATIONAL.

Operating from office premises in 2 Hanegev Street, Airport City, and from a plant, warehouse and distribution center, on total rented area of 3,000 sq. meters, in 3 Hamelacha Street, Western Industrial Zone, Beit Shemesh.

Website: www.phibroisrael.com

Having some 350 employees in KOFFOLK Group - incl. ABIC Group (similar to the end of 2016, 300 employees in the beginning of 2016, 270 employees in the end of 2014).

Had 90 employees serving subject and parent ABIC VETERINARY PRODUCTS, as of end 2014.

Having some 1,500 employees serving PAHC Group as of 30.06.2018.

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MEANS

We were informed that PHIBRO acquired subject and its 2 subsidiaries for US\$ 44 million.

Consolidated (KOFFOLK Group and ABIC Group) stock was valued at US\$ 26 million in mid-2014 (similar to mid-2013 and in the beginning of 2012).

Subject is an "Approved Enterprises" and as such enjoys tax benefits and State incentives. In June 1998, the Israel Investment Center (IIC) approved a US\$ 1.5 million investment plan for the expansion of subject's plant. In April 2002, IIC approved a further US\$ 1.58 million investment plan for the expansion of subject's plant.

FINANCIAL

Financial data is included in the consolidated B/S of parent company, PHIBRO ANIMAL HEALTH CORP. (fiscal year ends 30.06), which shows:

	<u>US\$ (thousands)</u>	
	<u>30.09.2018</u>	<u>30.06.2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	25,860	29,168
Other financial assets	50,000	50,000
Accounts receivable	134,815	135,742
Other current assets	23,324	22,381
Inventory	<u>185,794</u>	<u>178,170</u>
	419,793	415,461
PP&E (net)	130,786	130,108
Intangible assets	51,888	51,978
Goodwill	27,348	27,348
Other non-current assets	<u>48,660</u>	<u>46,784</u>
	678,475	671,679
	=====	=====
LIABILITIES		
Current liabilities	128,731	143,221
Non-current liabilities	357,687	343,504
Equity	<u>192,057</u>	<u>184,954</u>
	678,475	671,679
	=====	=====

PAHC current market value US\$ 1.287 billion.

There are no charges for registered on the company's assets.

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REVENUES

Consolidated sales of ABIC Group (subject's and ABIC VETERINARY PRODUCTS LTD.):

2014 sales were circa US\$ 48 million, 60% of which were for export.

2015 sales were circa US\$ 48 million, 60% of which were for export.

2016 sales were circa US\$ 40 million, 52% of which were for export.

2017 sales were circa US\$ 47 million, 53% of which were for export.

PHIBRO ANIMAL HEALTH sales:

2014 sales were US\$ 80 million, 70% of which were for export.

2015 sales were US\$ 80 million, 70% of which were for export.

2016 sales were US\$ 83 million, 70% of which were for export.

2017 sales were US\$ 84 million, 75% of which were for export.

PHIBRO ANIMAL HEALTH CORP.
Consolidated Statement of Income

	US\$ (thousands)		
	Year ended 30.06		
	2018	2017	2016
Revenues	819,982	764,281	751,526
of which Animal Health	531,727	497,745	486,140
of which vaccines	72,083	65,033	52,140
Gross profit	266,879	248,243	239,032
Operating income	98,926	97,934	85,744
Profits before taxes on income	88,070	80,543	76,761
Net income	64,883	64,615	82,728
	=====	=====	=====

PAHC consolidated sales for the first 3 months of fiscal year 2019 ending 30.09.2018 were US\$ 200,153,000 (of which US\$ 131,189,000 Animal Health, of which US\$ 17,215,000 vaccines), making a gross profit of US\$ 65,805,000, an operating income of US\$ 22,853,000 and a net income of US\$ 16,314,000.

OTHER COMPANIES

ABIC VETERINARY PRODUCTS LTD., 100%.

ASSIA ANIMAL HEALTH LIMITED, 100% Kenya (relatively low activity),

PHIBRO ANIMAL HEALTH LTD. (formerly KOFFOLK (1949) LTD.), manufacturers, marketers and exporters of fine chemicals and animal health & nutrition products. Also owns:

KOFIMEX LTD., manufacturers and marketers of veterinary medicines,

AGROZAN LTD., marketing of animals feed supplements,

PLANALQUIMICA INDUSTRIAL LTDA, Brazil.

PHIBRO ANIMAL HEALTH HOLDINGS LTD., has been inactive since its incorporation in December 2008 (plans for this company did not materialized).

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PHIBRO ANIMAL HEALTH CORPORATION (PAHC), manufacturers and marketers of a broad range of animal health and nutrition products to the poultry, swine and cattle markets. Also a manufacturer and marketer of performance products for the ethanol, wood preservation and personal care industries.

Subject is part of PAHC Animal Health & Nutrition Division, including also:

PRINCE AGRI PRODUCTS, INC., suppliers of premium ingredients i.e. trace minerals, enhancing nutrients etc.

Other companies of "PAHC":

PHIBRO-TECH, INC., a metal-based manufacturer, recycler and marketer of performance chemicals, serving the metal finishing, printed circuit board, catalyst, and related industries (part of the Performance Products Division).

PHIBROCHEM, International Sourcing Specialist.

FERRO METAL & CHEMICAL CORPORATION LTD., manufactures and distributes on a worldwide basis a range of specialty chemicals,

PHIBROWOOD, supplier of technologically advanced, environmentally friendly, wood preservation treatment products.

BANKERS

According to our (since we could not speak to subject's accountant, we are unable to verify the u/m bank data):

Union Bank of Israel Ltd., Tel Aviv Main Branch (No. 063), Tel Aviv.

Mizrahi Tefahot Bank Ltd., Ramat Siv Petach Tikva Branch (No. 431), Petach Tikva.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

Despite our efforts, we were unable to speak with subject's accountant as she was always unavailable.

Subject was part of ABIC Group in TEVA PHARMACEUTICAL Group, originally founded in 1939, and was part of the Chemical Division of TEVA PHARMACEUTICAL INDUSTRIES LTD.

In late 2008 TEVA decided to move out of the veterinary field, which was strategically no longer part of its core activities.

The veterinary activities in Israel have been conducted by subject and ABIC VETERINARY PRODUCTS, considered to be Israel's largest veterinary products manufacturers.

Subject is a member of IFAH - an international organization of veterinary manufacturers. It meets the local GMP standards.

Subject is a member of PHIBRO ANIMAL HEALTH CORPORATION (formerly known as PHILLIP BROS. CHEMICALS INC.), a global player in the veterinary field, which operates around the world with 900 employees, selling products to 2,500 customers in over 50 countries.

In June 2010 parent company PAHC, following a private share issuing (some 30%) to a private investor, completed a successful purchase offer for its shares which were traded on the AIM London Stock Exchange and shares were de-listed from trade and PAHC became a private limited company.

On the 11.04.2014 PAHC issued shares on the NASDAQ and reconverted into a public limited company.

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In an interview with Mr. Jonathan Bendheim in July 2017, he stated that ABIC is a world leader in the vaccinations for poultry and birds (Israel being a main route for bird migration). He further said that in the beginning of 2017 Group acquired activity in fish vaccination.

According to the Central Bureau of Statistics (CBS) data, sales for exports of pharmaceuticals (mainly human uses, also veterinary use) in 2017 reached US\$ 7,538 million, compared to export of US\$ 6,905.8 million in 2016, US\$ 6,809.4 million in 2015, US\$ 6,485.3 million in 2014, and US\$ 6,317.7 million in 2013. Over 90% of sales by the local Pharmaceutical Industry are for export.

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 70.04
UK Pound	1	INR 88.70
Euro	1	INR 80.21
ILS	1	INR 18.63

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

INFORMATION DETAILS

Analysis Done by :	PRI
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)

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