

MIRA INFORM REPORT

Report No. :	547895
Report Date :	31.12.2018

IDENTIFICATION DETAILS

Name :	GALATEA LTD
Formerly Known As :	DIGI GRAPH LTD
Registered Office :	P.O. Box 1561, Rosh Pina (1200000) Merom Galil Industrial Park Dalton Industrial Zone Dalton 1381000
Country :	Israel
Financials (as on) :	31.03.2018 (consolidated)
Date of Incorporation :	01.11.1987
Legal Form :	Private Limited Company
Line of Business :	Subject is engaged in Developers, manufacturers, exporters and marketers of technology and products applicable to the fully automated detecting and mapping of internal inclusions in rough and polished diamonds.
No. of Employees :	Not Available

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

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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 (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

GALATEA LTD.

Telephone 972 4 699 01 21
Fax 972 4 698 70 77
Email billkessler@sarine.com
P.O. Box 1561, ROSH PINA (1200000)
Merom Galil industrial Park
Dalton Industrial Zone
DALTON 1381000 ISRAEL

HISTORY & LEGAL FORMATION

A private limited company, incorporated as per file No. 51-123885-9 on the 01.11.1987.
Originally registered under the name DIGI GRAPH LTD., which changed to the present name on the 09.03.2004.

SHARE CAPITAL

Authorized share capital NIS 200,000.00, divided into -
20,000,000 ordinary shares of NIS 0.01 each,
of which 4,179,019 shares amounting to NIS 41,790.19 were issued.

SHAREHOLDERS

Subject is fully owned by SARINE TECHNOLOGIES LTD., a public limited company whose shares are traded on the Singapore Stock Exchange, controlled by Ehud Harel and Hanoh Stark.

Note: SARIN's main shareholders are institutional investors.

In May 2004 SARINE TECHNOLOGIES acquired 100% of subject for the sum of US\$ 10.8 million of which US\$ 9 million in cash.

In January 2015 SARIN RESEARCH AND DEVELOPMENT LTD. (which held some 33.4% of SARINE TECHNOLOGIES) and INTERHIGHTECH (1982) LTD. (which held some 15% of SARIN TECHNOLOGIES), transferred all their holdings in the Company to their respective shareholders.

DIRECTORS

1. David Block, General Manager of SARINE TECHNOLOGIES,
2. Uzi Levami,
3. Zeev Kessler.

GENERAL MANAGER

Ran Ziskind.

BUSINESS

Developers, manufacturers, exporters and marketers of technology and products applicable to the fully automated detecting and mapping of internal inclusions in rough and polished diamonds.

Some 95% of sales are export.

Group sales are mainly to India (69% of sales 2017, 79% in 2016 sales, 70.6% of 2015 sales).

Sales are to diamond institutes, diamond manufacturers, diamond dealers, gem laboratories, and retailers.

Among SARINE Group clientele: Gemological Institute of America (GIA), International Gemological Institute, Central Gemological Laboratory, European Gemological Laboratory, TIFFANY & CO., BAUER, WDC, DCLA, GIA, KARP IMPEX, KP SANGEV, etc.

Operating from large rented premises, in Merom Galil industrial Park, Industrial Zone, Dalton.

Having over 170 employees in SARINE Group in Israel. Current actual number of employees in subject and in the Group not forthcoming.

MEANS

SARINE TECHNOLOGIES LTD. current market value SGD 306.95 million.

SARINE Group invested US\$ 10,519,000 in R&D in 2017 (US\$ 10,844,000 in 2016).

Financial data is included in the consolidated B/S of parent company, SARINE TECHNOLOGIES LTD., which shows:

<u>US\$ (thousands)</u>	
<u>31.03.2018</u>	<u>31.12.2017</u>

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ASSETS

Current assets		
Cash and cash equivalents	20,218	16,736
Short term investments	15,271	12,381
Trade and other receivables	20,396	20,157
Inventory	<u>6,341</u>	<u>7,200</u>
	62,226	56,474
Non-current assets		
P. P. & E	15,337	15,646
Intangible asset (net)	6,222	6,648
Other non-current assets	<u>1,599</u>	<u>1,595</u>
	<u>23,158</u>	<u>23,889</u>
	85,384	80,363
	=====	=====

LIABILITIES

Current liabilities	11,151	9,437
Long-term liabilities	205	208
Equity	<u>74,028</u>	<u>70,718</u>
	85,384	80,363
	=====	=====

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

REVENUES

Subject's sales figures not forthcoming.

SARINE TECHNOLOGIES LTD.
Consolidated Statement of Income
US\$ (thousands)
Year ended 31.12

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sales	58,644	72,524	48,453
Gross profit	39,346	50,289	32,549
Operating profit	9,416	21,210	5,499
Profits before taxes on income	9,433	21,965	5,302

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Net profit	5,764 =====	17,980 =====	3,587 =====
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SARINE TECHNOLOGIES consolidated sales for the first 3 months of 2018 were US\$ 16,661,000 (2.4% increase compared to the parallel period in 2017), making a gross profit of US\$ 11,366,000, an operating profit of US\$ 3,564,000 and a net profit of US\$ 3,108,000.

OTHER COMPANIES

SARINE TECHNOLOGIES LTD., parent company, developers, manufacturers, exporters and marketers of precision technology products based on automated three-dimensional (3-D) geometric measurement for the processing of diamonds and gems. Subsidiaries (100% unless otherwise stated):

SARINE COLOR TECHNOLOGIES LTD. (Israel), developers, manufacturers and marketers of instruments for assessing the light performance.

SARINE POLISHING TECHNOLOGIES LTD. (Israel), service centers in Israel providing customers with inclusion detection and mapping.

SARINE HOLDINGS USA LTD. (Israel), An Israeli holding company for the Group's North American subsidiaries. Holds: SARINE NORTH AMERICA INC. (USA), operating company for SARINE Group's North American operations; SARINE IGT 10H INC. (USA), SARINE IGT 10I INC. (USA), SARINE IGT 10JKL INC. (USA), latter 3 are real estate companies

SARINE TECHNOLOGIES INDIA PRIVATE LTD. (India), SARINE Group's operation arm in India.

SARINE HONG KONG LTD. (Hong Kong), SARINE Group's operating arm in the Far East.

IDEX ONLINE SA, 23%, a publisher of a leading trade magazine and an operator of a web portal in the Diamond field.

BANKERS

Bank Hapoalim Ltd., Ra'anana Business Branch (No. 394), Ra'anana.

Bank Leumi Le'Israel Ltd., Diamond Exchange Business Branch (No. 743), Ramat Gan.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

SARINE TECHNOLOGIES is considered a leading company in their field.

In May 2016 SARINE signed an agreement with the Israeli Diamond Exchange in which SARINE will provide information on inclusion mapping performed by members on rough diamonds to increase transparency in deals (SARINE Group's systems are the only ones performing inclusion mapping).

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In April 2018, SARINE reported that K-Uno brand of Japan, is the world's first jewelry retailer to adopt SARINE's artificial intelligence based, automated 4Cs grading report.

The diamonds market has been volatile over the last years after experiencing its worst depression due to the global economic crisis, then recovered in 2010 but fell again in 2012. According to Israel's Diamond Administration (IDA) at the Ministry of Economics, profit margins have been decreasing due to smaller gaps between rough (increasing) and polished (decreasing) diamond prices.

In addition, the local diamond sector has been negatively affected by other significant factors: the production of counterfeit diamonds, whose quality keeps improving (harming the raw diamonds market), the entrance of new rules by the local Tax Authorities on the Diamond Exchange for enforcing money laundering, and the "underground bank" affair.

As a result, local diamond dealers reported on difficulties in executing transactions and bad atmosphere in the branch. Signs of recovery appeared towards the last quarter of 2016 – mainly due to the growing stability of the market and the industry's agreement with the Israel Tax Authority in December, yet the market is still volatile, as witnessed with the endurance of the depression trend during most of 2017.

SUMMARY

Good for trade engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.98
UK Pound	1	INR 88.66
Euro	1	INR 80.18
ILS	1	INR 18.58

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

INFORMATION DETAILS

Analysis Done by :	VAR
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)