

## MIRA INFORM REPORT

Report No. :	538418
Report Date :	10.11.2018

### IDENTIFICATION DETAILS

Name :	C.I. SYSTEMS (ISRAEL) LTD.
Formerly Known As :	C. I. LTD.
Registered Office :	P.O. Box 147 (2310101), 6 Hamechkar Street, Ramat Gavriel Industrial Zone, Migdal Haemek 2306990
Country :	Israel
Financials (as on) :	30.06.2018
Date of Incorporation :	18.12.1977
Legal Form :	Private Limited Company
Line of Business :	<p><b>It operate via 2 segments:</b></p> <ol style="list-style-type: none"> <li><b>Defense and the scientific:</b> developers, manufacturers, exporters and marketers of electro optical testing and measurement equipment for the defense and the scientific fields. This segment comprised 80.5% of 2017 consolidated sales (86% in 2016).</li> <li><b>Micro-electronics:</b> developers, manufacturers, exporters and marketers of electro optical testing and measurement equipment for the micro-electronic field. This segment comprised 19.5% of 2017 consolidated sales (14% in 2016).</li> </ol>
No. of Employees :	128 [C.I. Group 2017]

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :** A

Credit Rating	Explanation	Rating Comments
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A	Acceptable Risk	Business dealings permissible with moderate risk of default

<b>Status :</b>	Satisfactory
<b>Payment Behaviour :</b>	Slow but correct
<b>Litigation :</b>	Clear

**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto: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 & ADDRESS**

### **C.I. SYSTEMS (ISRAEL) LTD.**

Telephone 972 4 644 88 88

Fax 972 4 654 35 70

Email: [cis@ci-systems.com](mailto:cis@ci-systems.com)

P.O. Box 147 (2310101)

6 Hamechkar Street

Ramat Gavriel Industrial Zone

Migdal Haemek 2306990 Israel

## **HISTORY & LEGAL FORMATION**

Originally established as a private limited company and incorporated as per file No. 51-077092-8 on the 18.12.1977.

Originally registered under the name C. I. LTD., which changed to the present name on the 23.06.1988.

Converted into a public limited company and registered as such as per file No. 52-003928-0 on the 17.05.1993.

At a later date published a prospectus offering shares to the public on the Tel Aviv Stock Exchange.

## **SHARE CAPITAL**

Authorized share capital NIS 15,000,000.00, divided into - 15,000,000 ordinary shares of NIS 1.00 each, of which 11,121,000 shares amounting to NIS 11,121,000.00 were issued.

## **SHAREHOLDERS**

1. C. I. TECHNOLOGIES INC., 78.32%, a foreign company registered in the USA, controlled by Dr. Robert Buckwald (29.1%) and Dr. Dario Cabiv (25.2%) and an additional 90 American investors,
2. Dr. Robert (Bob) Buckwald, 1.53%,
3. Shares are also traded on the Tel Aviv Stock Exchange.

## **DIRECTORS**

1. Dr. Erwin Graham Jackson, Chairman,

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2. Dr. Robert Buckwald, General Manager,
3. Dr. Yael Ilan,
4. Yoram Atzmon,
5. Arnon Ratzkovsky.

## **BUSINESS**

Heading C.I. Group (being the chief company), operating via 2 segments:

1. **Defense and the scientific:** developers, manufacturers, exporters and marketers of electro optical testing and measurement equipment for the defense and the scientific fields. This segment comprised 80.5% of 2017 consolidated sales (86% in 2016).
2. **Micro-electronics:** developers, manufacturers, exporters and marketers of electro optical testing and measurement equipment for the micro-electronic field. This segment comprised 19.5% of 2017 consolidated sales (14% in 2016).

77% of 2017 sales were export (68% in 2016), mainly to the Far East (39.6%), Europe and the USA (both ~18%).

Sales are to Governments, armed forces, laboratories, universities, research centers, etc.  
Amongst clientele: Israeli Ministry of Defense, US Armed Forces, and more.

Operating from rented premises, on an area of 3,000 sq. meters, in 6 Hamechkar Street, Ramat Gavriel Industrial Park, Migdal Haemek. Also operating from US subsidiary location, on an area of 600 sq. meters, in California, USA, and French subsidiary rented location, on an area of 250 sq. meters, in Paris, France.

Website: [www.ci-systems.com](http://www.ci-systems.com)

Having 128 employees in the C.I. Group as of end of 2017 (had 123 employees in the end of 2016).

## **MEANS**

**Consolidated B/S shows:**

	<b>US\$ (thousands)</b>	
	<b><u>31.12.2017</u></b>	<b><u>30.06.2018</u></b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	5,655	6,257
Customers	4,823	5,503
Other debtors	572	714
Stock	<u>5,837</u>	<u>6,039</u>
	16,887	18,513
<b>Noncurrent assets</b>		
Fixed assets (net)	1,569	1,688
Other assets	<u>2,463</u>	<u>2,324</u>

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	<u>4,032</u>	<u>4,012</u>
	<u>20,919</u>	<u>22,525</u>
	=====	=====
<b>LIABILITIES</b>		
Current liabilities	6,834	7,647
Long-term liabilities	1,077	1,075
Equity	<u>13,008</u>	<u>13,803</u>
	<u>20,919</u>	<u>22,525</u>
	=====	=====

Current market value US\$ 17.6 million.

Investment in R&D in 2017 was US\$ 1,210,000 (US\$ 1,183,000 in 2016, US\$ 1,105,000 in 2015).

Accrued orders to the 18.03.2018: US\$ 11,756,000 in the Defense and the scientific segment and US\$ 1,186,000 in the Micro-Electronics segment.

There are several charges for unlimited amounts registered on the company's assets in favor of banks.

## **REVENUES**

### **Consolidated Statement of Income**

**US\$ (thousands)**

**Year ended 31.12**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Sales	19,360	20,485	23,624
Gross profit	7,158	7,290	8,495
Operating income	831	1,131	1,147
Pre-tax income	845	1,068	1,545
Net income (loss)	<u>673</u>	<u>940</u>	<u>1,483</u>
	=====	=====	=====

Consolidated first 6 quarters of 2018 sales were US\$12,709,000 (4% increase compared to the parallel period in 2017), making a gross profit of US\$ 4,592,000, an operating income of US\$ 1,030,000 and a net income of US\$ 807,000.

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## **OTHER COMPANIES**

C. I. SYSTEMS INC., 100%, assemblers and marketers of subject's products in the USA, as well as service providers

CI SYSTEMS FRANCE, 100%, assemblers and marketers of subject's products in France and Belgium, as well as service providers.

## **BANKERS**

According to our (since we could not speak to subject's officials, we are unable to verify the u/m bank data):  
Bank Leumi Le'Israel Ltd., Migdal Haemek Branch (No. 987).

## **CHARACTER AND REPUTATION**

Nothing unfavorable learnt.

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

Subject is a long established business. It is utilizing 95% of its production capacity.

In January 2018 subject received an order for micro-electronic equipment from a client in South East Asia, in volume of US\$ 1.07 million.

In November 2018 subject reported it signed a purchasing agreement with a European company to acquire from subject a hazardous gas detection system.

According to the Central Bureau of Statistics (CBS) sales for export from the manufacture of computers, electronic & optical products, medical & dental instruments and supplies in 2017 were US\$ 12,038 million, 6.5% decrease from 2016, a similar rate of decrease in 2016 from 2015 (in 2015 export rose by 10% from 2014). Export of electronic components and boards (out of the above) totaled US\$ 3,240 million, close to 19% decrease from 2016 (noted 35% decrease in 2016 from 2015, then export rose by 35% from 2014).

In the first 5 months of 2018, sales for export from the manufacture of computers, electronic & optical products, medical & dental instruments and supplies rose by 26.5% compared to the parallel period in 2017.

According to the CBS, import of raw materials for the local Machines and Electronics Manufacturing in 2017 fell 5% from 2016, reaching US\$ 10,197 million. That represents a reverse in trend from the last previous years: in 2016 import climbed 4.3% from 2015, in 2015 and 2014 import rose by 2.3% and 2.2 %, respectively from the previous years.

In the first 5 months of 2018, the trend reversed again, with import showed 17% rise compared to the parallel period in 2017.

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According to the CBS, investments (capital formation) in imported machinery and other equipment (M&E) by the hi-tech industries in the branches of computers, electronic and optical production (quantity change percent change on previous year) increased in 2017 by 21.2%, reaching NIS 11,625.5 million. That continues the upward trend from 2016, then investment in imported M&E climbed by close to 200%, 2015 (rose by 15%) and 2014 (rose by 9%).

## **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 72.73
UK Pound	1	INR 94.87
Euro	1	INR 82.52
ILS	1	INR 19.72

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	PRI
<b>Report Prepared by :</b>	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)