

MIRA INFORM REPORT

Report No. :	538446
Report Date :	12.11.2018

IDENTIFICATION DETAILS

Name :	GILAR LTD.
Formerly Known As :	VIVIAN INVESTMENT LTD
Registered Office :	P.O. Box 5042, 6 Hamatechet Street, Gilar House, Kadima Industrial Zone, Kadima, 6092000
Country :	Israel
Date of Incorporation :	1971
Legal Form :	Private Limited Company
Line of Business :	Manufacturers, importers and marketers of sealants, coatings, adhesives and related products for the building industry, including restoration products.
No. of Employees :	17 [2009]

RATING & COMMENTS

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

MIRA's Rating :	B
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Credit Rating	Explanation	Rating Comments
B	Medium Risk	Business dealings permissible on a regular monitoring basis

Status :	Moderate
Payment Behaviour :	Unknown
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

RE: **GILAR LTD.**
(Known also as SIKA ISRAEL)

Telephone 972 9 899 40 00
Fax 972 9 899 40 10
Email: sales@gilar.co.il

P.O. Box 5042
6 Hamatechet Street, Gilar House
Kadima Industrial Zone
Kadima, 6092000, Israel

HISTORY & LEGAL FORMATION

A private limited company, incorporated as such as per file No. 51-101304-7 on the 24.01.1984.

Subject is continuing the activities of a former company originally established in 1971 under the name VIVIAN INVESTMENT LTD., following the entry of a new partner.

SHARE CAPITAL

Authorized share capital NIS 5.00, divided into –
5 management shares,
4,995 ordinary shares, all of NIS 0.001 each, fully 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. NORTEL INVESTMENTS LTD., 60% of management shares and 51% of ordinary shares issued, owned by private investors (names not forthcoming, according to our past, Reshef family of Jerusalem among them),
2. Zeev Tzimet, 40% of management shares and 49% of ordinary shares issued.

DIRECTORS

1. Zeev Tzimet, General Manager,
2. Tzali Reshef.

BUSINESS

Manufacturers, importers and marketers of sealants, coatings, adhesives and related products for the building industry, including restoration products.
All sales are local.

Sole local agents of SIKA, of Switzerland (main agency).

Amongst local suppliers: NESHER ISRAEL CEMENT ENTERPRISES, MYKO – ENGINEERING, MYKO – ENGINEERING, etc.

Among subject's projects: concrete reconstruction and renovation works of the ISRAEL ELECTRIC CORP. power stations in Tel Aviv, Ashdod and Caesarea.

Among customers are major contracting and building companies, such as SOLEL BONEH, MALIBU ISRAEL, ACKERSTEIN INDUSTRIES, U. DORI CONSTRUCTION, ASHTROM GROUP, DANYA CEBUS, TIDHAR CONSTRUCTION, A. ARENSON, MELGOL, etc.

Operating from:

1. Owned premises (offices and storage facilities, a two-story building), on an area of 2,750 sq. meters, in 6 Hamatechet Street, Gilar House, Industrial Zone,
2. A plant, operating since 1990, on an area of 600 sq. meters, owned by the shareholders, in Binyamina,
3. A plant, operating since November 2008, on an area of 1,150 sq. meters, rented, in Industrial Zone Nachshonim.

Website: www.gilar.co.il

Had 17 employees as of 2009, current number of employees not forthcoming.

MEANS

Owned property in Industrial Zone, Kadima (where subject is operating from) was valued at US\$ 2 million in 2009 (valued higher to-date).

Other/ later financial data unavailable, though considered to be of a sound financial standing.

There are 4 charges for unlimited amounts registered on the company's assets (fixed assets), in favor of Bank Leumi Le'Israel Ltd., Bank Hapoalim Ltd. and a leasing company (3 charges placed in 2014 on real estate and 1 charge placed in July 2016 on a vehicle).

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REVENUES

2007 sales claimed to be NIS 44,000,000.
2008 sales claimed to be NIS 48,000,000.
Later sales data not forthcoming.

OTHER COMPANIES

NORTEL INVESTMENTS LTD., a holding company.

BANKERS

Bank Leumi Le'Israel Ltd., Jerusalem Main Branch (No. 901), Jerusalem.
Bank Hapoalim Ltd., Ra'anana Business Branch (No. 394), Ra'anana.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

Subject's CFO refused to disclose any business data.

The company is long established and enjoys a favorable business reputation.

In the past, we received favorable opinions on subject from its suppliers.

Subject is ISO 9001 and ISO 9002 certified.

Based on our records, Mr. Tzali Reshef and family own/control NORTEL INVESTMENTS LTD., subject's parent company, but subject's Accountant refused to elaborate on the ownership matter. Reshef family is well-known, owners of valuable real estate properties, via their company ARLEDAN INVESTMENTS LTD. and others, as well as investments in other companies.

We found a pending lawsuit subject filed against a foreign company THE NEEF CONSTRUCTION CHEMICALS BVBA at the Central-Lod District Court on the sum of NIS 3.25 million. The case's details unavailable.

According to Central Bureau of Statistics (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.

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The Home Design area is directly influence by the changes in the local market in general, and construction and real estate market in particular.

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.

The local building materials market is estimated at NIS 200 million per annum.

The annual volume of houses renovations according to the Renovations Contractors Association is estimated at NIS 15 billion, and the turnover of the ceramics branch is estimated to capture NIS 2.3 billion (which comprises some 80% of the branch's total volume).

From the CBS data, in 2017 the volume of building starts for dwelling (which is a dominant indicator for the trend in the building sector) amounted to 46,320 housing units, compared with 53,950 units in 2016, 53,748 units in 2015, 47,520 in 2014, 47,747 units in 2013, and 43,452 housing units as building starts in 2012), all well below the Government's goal for 60,000 building starts.

The number of building finishing in 2017 reached 47,449 housing units, compared with 46,070 units finished in 2016, 43,908 units in 2015 and 44,634 housing units in 2014.

There were 112,989 dwellings under construction as of end of 2017, compared with 114,310 dwellings in end of 2016 and 106,477 dwellings in end of 2015.

Number of dwellings transactions in 2015 reached a climax with total of 120 thousands transactions (rise in both new and second-hand apartments), but started decreasing in 2016, due to the government's policy of tax raising. That decreasing trend intensified into 2017 and 2018. In 2017 94,000 apartment were sold, representing decrease of 14% from 2016, and 10,150 apartment sold during the 1st half 2018, 22% down from 1st half of 2017.

SUMMARY

Notwithstanding the refusal to disclose business data, 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

Analysis Done by :	VIV
Report Prepared by :	SYL

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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)