

MIRA INFORM REPORT

Report No. :	538716
Report Date :	10.11.2018

IDENTIFICATION DETAILS

Name :	SPREA MISR FOR CHEMICALS AND PLASTICS
Registered Office :	Misr Ismalia Desert Road, Km 62, Block A/1, Industrial Area A1, Third Industrial Zone, El Sharkia, PO Box 480, 10th of Ramadan City
Country :	Egypt
Financials (as on) :	31.12.2017
Date of Incorporation :	01.07.1989
Com. Reg. No.:	63011
Legal Form :	Egyptian Joint Stock Company
Line of Business :	Subject is engaged in the import, manufacture and distribution of chemical products for plastic production, urea powder, melamine, formaldehyde and related products.
No. of Employees :	650

RATING & COMMENTS

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

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Good
Payment Behaviour :	Regular
Litigation :	Clear

NOTES :

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ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Egypt	B2	B2

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

EGYPT - ECONOMIC OVERVIEW

Occupying the northeast corner of the African continent, Egypt is bisected by the highly fertile Nile valley where most economic activity takes place. Egypt's economy was highly centralized during the rule of former President Gamal Abdel NASSER but opened up considerably under former Presidents Anwar EL-SADAT and Mohamed Hosni MUBARAK. Agriculture, hydrocarbons, manufacturing, tourism, and other service sectors drove the country's relatively diverse economic activity.

Despite Egypt's mixed record for attracting foreign investment over the past two decades, poor living conditions and limited job opportunities have contributed to public discontent. These socioeconomic pressures were a major factor leading to the January 2011 revolution that ousted MUBARAK. The uncertain political, security, and policy environment since 2011 has restricted economic growth and failed to alleviate persistent unemployment, especially among the young.

In late 2016, persistent dollar shortages and waning aid from its Gulf allies led Cairo to turn to the IMF for a 3-year, \$12 billion loan program. To secure the deal, Cairo floated its currency, introduced new taxes, and cut energy subsidies - all of which pushed inflation above 30% for most of 2017, a high that had not been seen in a generation. Since the currency float, foreign investment in Egypt's high interest treasury bills has risen exponentially, boosting both dollar availability and central bank reserves. Cairo will be challenged to obtain foreign and local investment in manufacturing and other sectors without a sustained effort to implement a range of business reforms.

Source : CIA

SUMMARY

Company Name	: SPREA MISR FOR CHEMICALS AND PLASTICS
Country of Origin	: Egypt
Legal Form	: Egyptian Joint Stock Company
Registration Date	: 1 st July 1989
Commercial Registration Number	: 63011
Authorised Capital	: £E 500,000,000
Issued Capital	: £E 332,000,000
Paid up Capital	: £E 332,000,000
Total Workforce	: 650
Activities	: Manufacturers of chemical products for plastic production
Financial Condition	: Good
Payments	: Regular
Operating Trend	: Steady

COMPANY NAME

SPREA MISR FOR CHEMICALS AND PLASTICS

ADDRESS

Registered & Physical Address

Street : Misr Ismalia Desert Road, Km 62, Block A/1
Area : Industrial Area A1, Third Industrial Zone, El Sharkia
PO Box : 480
Town : 10th of Ramadan City
Country : Egypt
Telephone : (20-554) 410100 / 410097
Facsimile : (20-554) 410098
Mobile : 20-122 4810112
Email : hr@spreamisr.com / sales@spreamisr.com

Premises

Subject operates from a large suite of offices, a warehouse and a factory that are owned and located in the Industrial Area of 10th of Ramadan City.

Branch Offices

Subject has 17 factories located in 10th of Ramadan City.

KEY PRINCIPALS

Name

Hesham Moustafa Abd El Hamid Fahmy

Maged Hanna

Amr Shalbi

Moustafa Abd El Moemen

Abd El Aziz Abd El Mohin

Hitham Medhat

Position

Chairman

Finance Manager

Purchasing Manager

Human Resources Manager

Production Manager

Import Manager

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Smar Adly

Export Manager

LEGAL FORM & OWNERS

Date of Establishment : 1st July 1989

Legal Form : Egyptian Joint Stock Company

Commercial Reg. No. : 63011

Authorised Capital : £E 500,000,000

Issued Capital : £E 332,000,000

Paid up Capital : £E 332,000,000

Name of Shareholder (s)

International For Financial Investment

Egyptian Kuwait Holding

Notes to the legal Form A Joint Stock Company (SAE) can be both a public or private company the capital of which is divided into shares of equal value; the liability of the shareholder is confined to the value of the shares to which he subscribes, and he is not liable for the debts of the company except within the limit of those shares. A JSC may be 100% owned by foreign investors and there should be at least three shareholders. The minimum capital of JSC companies is EGP 250,000 or EGP 500,000 if it is a public company.

OPERATIONS

Activities: Engaged in the import, manufacture and distribution of chemical products for plastic production, urea powder, melamine, formaldehyde and related products.

Subject is ISO 14001:2004, 9001:2008 and OHSAS 18001:2007 accredited.

Import Countries: Europe and the Far East

Production Capacity: 100,000 tons per annum

Export Countries: Europe, Far East, Middle East and Africa

Brand Names: SPREA MISR

Operating Trend: Steady

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Subject has a workforce of approximately 650 employees.

FINANCIAL DATA

Financial highlights provided by local sources are given below:

Currency: Egyptian Pounds (EGP)

Year	Sales
Year Ending 31/12/14:	EGP 684,000,000
Year Ending 31/12/15:	EGP 700,000,000
Year Ending 31/12/16:	EGP 711,000,000
Year Ending 31/12/17:	EGP 720,000,000

Local sources consider subject's financial condition to be Good.

Note: According to Egyptian Commercial Law, only Joint Stock Companies SAE (Listed on the Stock Market) are required to publish their financial information. Financial information on other legal forms can only be obtained from the companies / businesses directly

BANKERS

Qatar National Bank Alahli
El Sharkia
10th of Ramadan City

Commercial International Bank (CIB)
City Centre, Plot No. 8
10th of Ramadan City
Tel: (20-15) 367294
Fax: (20-15) 367915

PAYMENT HISTORY

Regular

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GENERAL COMMENTS

During the course of this investigation the following sources were consulted:

- Internal database
- Journals, directories, media & web searches
- Local Registry office

The subject and its shareholders/owners have been searched in the following databases; Office of Foreign Assets Control (OFAC), United Nations Security Council Sanctions, Australian Sanctions List, US Consolidated Sanctions List, EU Financial Sanctions List and UK Financial Sanctions List and nothing adverse could be found on the exact names listed within the report.

Local sources report that the subject's operating history is clear with payment obligations met in a generally timely manner. The financial position is satisfactory and the company is deemed a fair trade risk.

COUNTRY OUTLOOK

Economic growth doubled (to 4.2 %) in FY15, after four years of slow growth. Yet challenges remain, and were aggravated by the recent foreign exchange crunch. Growth in FY15 (July 2014/June 2015) was attributed to the restoration of stability and improved confidence, resilient private consumption, and the government's public investments that started to crowd in private investments. The first quarter of FY16 witnessed subdued growth (of 3 %, from 5.6 % a year earlier), mainly due to foreign exchange shortages that stifled production. The inadequacy of foreign exchange along with an overvalued Pound hampered Egypt's competitiveness; lowering the volume of exports by 26 % in Q1-FY16. Unemployment inched downwards (to 12.8 % in the H1-FY15 versus 13.3 % a year earlier), albeit partially reflecting dropouts from the labour force. The labour force participation rate dropped to 46 % of the adult population (those above 15 years old) versus 50 % at end-2010. Headline inflation eased slowly in early-2016, reaching 9 % in February 2016, from an average of 11 % in the previous three months. The Central Bank of Egypt (CBE) has recently started tightening monetary policy to curb inflation, especially in light of the recent exchange rate depreciation.

The CBE allowed the official exchange rate to weaken in mid-March as pressures on external accounts intensified. Net international reserves (NIR) dropped in FY16, due to large debt repayments, the unfavourable external environment, the recent crash of the Russian airplane over Sinai, as well as the CBE's ongoing injection of foreign exchange to meet import needs and to clear forex backlogs. Thus, NIR declined to just below \$16.5 billion in October 2015, and has stabilized at this level through end-February 2016. The CBE left the official exchange rate to weaken by 14.3 % on March 14, 2016, after the parallel market premium had surged to 18 % above the official rate. The CBE held a later auction at a slightly stronger exchange rate, but still signalled a move towards more flexibility.

The fiscal stance improved in FY15 due to key consolidation measures, but the reform momentum has faded in FY16. The budget deficit reached 11.5 % of GDP in FY15 (compared to 12.2 % of GDP in FY14, and 13 % of GDP in FY13), thanks to the partial streamlining of energy subsidies, revenue-enhancement measures, and the drop in international oil prices. This was achieved whilst the government raised allocations to health, education, and infrastructure, in line with the constitutional mandate. Yet, the reform pace has slowed down in FY16, as the

energy subsidy reform program was only partially implemented, and the ratification of the VAT and the mining laws have been delayed.

The outlook is for GDP growth to slow down to 3.3 % in FY16, before rebounding thereafter. A combination of unfavourable domestic and external factors is undermining growth in FY16. Important sectors have been underperforming, notably, the extractives which continue to suffer from liquidity issues (accumulated arrears were recorded at \$3 billion in end-2015); and tourism, affected by the Russian plane crash last October. Externally, the sluggish recovery of the Euro zone is expected to weigh on Egypt's growth, while the lower oil prices and slowdown in Gulf countries might negatively impact Egyptians' remittances; hence private consumption. The deficit is expected to decline to 11.3 % of GDP in FY16, and decline further in the medium term, with continued fiscal consolidation effort. Egypt's external accounts are likely to worsen in FY16 before recovering afterwards, provided that monetary authorities continue to ease restrictions on foreign exchange and re-align the exchange rate.

Key Economic Indicators	2014	2015	2016*	2017*
Real GDP Growth (%)	2.2	4.2	3.3	4.2
Inflation Rate (%)	10.1	10.9	9.8	9.5
Fiscal Balance (% of GDP)	-12.2	-11.5	-11.3	-9.8
Current Account Balance (% of GDP)	-0.9	-3.7	-4.6	-4.6

* Forecast

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.73
UK Pound	1	INR 94.87
Euro	1	INR 82.52
EGP	1	INR 4.06

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

INFORMATION DETAILS

Analysis Done by :	NIS
Report Prepared by :	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)