

MIRA INFORM REPORT

Report No. :	531681
Report Date :	03.10.2018

IDENTIFICATION DETAILS

Name :	CHEMADA FINE CHEMICALS COMPANY (1996) LTD.
Registered Office :	D.N. Hanegev, NIR Yitzhak 8545500
Country :	Israel
Date of Incorporation :	1971
Legal Form :	Private Limited Company
Line of Business :	Subject operating as manufacturers, exporters and marketers of fine and specialty chemicals based on bromine compounds, for the pharmaceutical and agricultural fields.
No. of Employees :	98 [2017]

RATING & COMMENTS

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

MIRA's Rating :	C
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Credit Rating	Explanation	Rating Comments
C	Medium High Risk	Business dealings permissible preferably on secured basis

Status :	Undetermined
Payment Behaviour :	--
Litigation :	--

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 (31.12.2017)	Current Rating (01.04.2018)
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

CHEMADA FINE CHEMICALS COMPANY (1996) LTD.

Email: marketing@chemada.com
D.N. Hanegev
NIR Yitzhak 8545500 Israel

HISTORY & LEGAL FORMATION

Originally established in 1971 as a non-registered business by Kibbutz Nir Itzhak.

Converted into a limited partnership, registered as per file No. 55-000225-7 on the 23.07.1973, and operated under the name CHEMADA-NIR ITZHAK SUFA.

Converted into a private limited company and registered as such as per file No. 51-237255-8 on the 10.09.1996 (the company was registered under the name TAR – TAL LTD., and was dormant until January 1999).

On the 10.02.1999 changed its name to the present one.

On the 02.11.2017, following severe financial difficulties, a request for “suspension of proceedings” was filed to the Beer Sheva District Court as protection from creditors, which was granted on the 09.11.2017 until 12.12.2017 (warrant file No. 6503-11-17), appointing Ms. Danit Rimon, Adv., of LIPA MEIR & CO. Law Firm as trustee.

On the 04.12.2017 subject's legal status in the Registrar of Companies changed to “Active/in Liquidation – Compromise Procedure/Temporary Liquidation”, and Sub-Status: “Active”.

At this stage, we could not confirm the actual level of business and commercial activities, if at all.

SHARE CAPITAL

Authorized share capital NIS 1,031,300.00, divided into:-

1,031,300 ordinary shares of NIS 1.00 each, of which 1,029,500 shares amounting to NIS 1,029,500.00 were issued.

SHAREHOLDERS

1. Kibbutz Nir Yitzhak, 51.8% (shares are held by a fully owned subsidiary A.S. YEVULEI HA'NIR and by a trust company), a co-operative society, operating communal agricultural settlement,
2. BROMINE COMPUNDS LTD., 26%, fully owned by DEAD SEA BROMINE COMPANY LTD., a fully owned subsidiary of ISRAEL CHEMICALS LTD. (ICL), a public limited company whose shares are traded on the Tel

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Aviv Stock Exchange (TASE) and the New York Stock Exchange (NYSE:ICL), controlled (45.9%) by ISRAEL CORPORATION LTD., also publicly traded on TASE, controlled (some 54%) by OFER Group, controlled (47%) by MILLENIUM INVESTMENTS ELAD LTD., owned (via owned firms) 90% by Idan Ofer (who also holds 5% in ISRAEL CORP.) and 10% by Udi Angel,

3. SUFA BUSINESS MANAGEMENT COOPERATIVE, 22.2%, fully owned by Kibbutz Sufa, a co-operative society, operating communal agricultural settlement.

In 2000, BROMINE COMPOUNDS LTD. acquired 26% of subject's shares in consideration of US\$ 9 million, according to a company value of US\$ 35 million.

DIRECTORS

1. Ms. Viki Alon Sela,
2. Idan Elad,
3. Amit Sarid,
4. Zafir Haimi,
5. Daniel Horatio Dedrick,
6. Nir Barak,
7. Ilan Elkan,
8. Nestor Dario Dan,
9. Ms. Shani Nachshon.

Role Holders in the Company (Registered)

Ms. Naomi Flesher, Registered authorized reporting official,

Name of General Manager (if any), not forthcoming.

BUSINESS

Have been operating as manufacturers, exporters and marketers of fine and specialty chemicals based on bromine compounds, for the pharmaceutical and agricultural fields.

As noted above, as we were unable to reach subject nor speak to any of its officials, we cannot determine if subject is actually still active commercially. It is possible it is still certain commercial activity.

According to our data, almost all sales were exported (97%). Sales for export have been handled by ICL - Industrial Products (ICL-IP) Business Unit of ICL's Specialty Solutions Division.

Export is mainly to Europe, and also to Japan, USA and India.

Amongst clients (while fully commercially active: DSM, UCB (Belgium), SUMITOMO, AJINOMOT (Japan), BAYER (Germany), BASF, PFIZER, SANOFI, TEVA PHARMACEUTICALS (Israel), PERRIGO ISRAEL PHARMACEUTICALS (Israel), etc.

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40% of raw materials purchases known to be imported, the rest purchased locally. Amongst local suppliers: GADOT CHEMICALS, BROMINE COMPOUNDS, PACHMAS, ADAMA MAKHTESHIM, ELCON - MAMAB CONTROL INSTRUMENTS, DEPOTCHEM AMGAL, etc.
Customs agents: RAPHAEL KATS.

Operating from rented premises, on an area of 130,000 sq. meters, in Kibbutz Nir Yitzhak (premises owned by the Kibbutz), in the south west of the country.

Note: "Kibbutz" is a typical local cooperative agricultural settlement/ village.

Had 98 employees in 2017 (same as in 2016, had 93 employees in end of 2013). Current number of employees, if any, not forthcoming.

Having some 13,000 employees serving ICL Group (of which over 4,700 in Israel).

MEANS

According to reports from December 2017, subject had an accumulated debt of US\$ 18 million, of which US\$ 7 million to banks, US\$ 8 million to shareholders, US\$ 2 million to suppliers and US\$ 1 million to employees. It was also reported on cash flow problems which intensified in recent months (prior to December 2017) due to decrease in orders.

Subject is an "Approved Enterprise" and as such enjoys tax benefits and State incentives. In 1998 The Israeli Investment Centre (IIC) approved an investment plan of US\$ 9.5 million in the expansion of subject's plant. A further investment plan of NIS 14.72 million was approved by IIC in June 2005 for the expansion of subject's plant. In 2015 the IIC approved an investment plan of NIS 11.94 million in the expansion of subject's plant.

There are 9 charges for unlimited amounts, as well as 1 charge for the sum of NIS 1,600,000, registered on the company's assets (all assets), in favor of the State of Israel and local banks (last charge placed November 2017).

REVENUES

2012 sales claimed to be US\$ 20,500,000, of which 97% were for export.

2013 sales claimed to be US\$ 19,000,000, of which 95% were for export.

2014 sales claimed to be US\$ 22,000,000, of which 97% were for export.

2015 sales claimed to be US\$ 24,000,000, of which 97% were for export.

2016 sales claimed to be US\$ 24,000,000, of which 97% were for export.

Later sale data not forthcoming.

OTHER COMPANIES

Kibbutz Nir Yitzhak also controls:

BacSoft, operating in the field of wireless and automation control for industrial systems and production lines.

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Both Kibbutz Nir Yitzhak and Kibbutz Sufa have holdings in other societies, companies and businesses.

ISRAEL CHEMICALS LTD., a chemical concern operating internationally, mineral and natural resources excavators, processors, exporters and marketers.

Having many local and foreign subsidiaries in ICL Group. ICL consolidated 2017 sales US\$ 5,418 million, net profit US\$ 347 million, current market value US\$ 7.83 billion.

DEAD SEA BROMINE COMPANY LTD., heads, whose main subsidiary is BROMINE COMPOUNDS LTD., part of ICL Industrial Products (ICL-IP) Business Unit of ICL's Specialty Solutions Division, manufacturers exporters and marketers of bromine compounds based on minerals extracted from the Dead Sea, the world's largest bromine source, including flame retardants, drilling fluids, etc.

BANKERS

Mizrahi Tefahot Bank Ltd., Beer Sheva Business Branch (No. 426), Beer Sheva, account No. 062307.

A check with the Central Banks' database did not reveal any negative information regarding subject's a/m account.

Bank Hapoalim Ltd., Beer Sheva Business Branch (No. 177), Beer Sheva.

Bank Leumi Le'Israel Ltd., Hahashmonaim Business Branch (No. 817), Tel Aviv.

Israel Discount Bank Ltd., Beer Sheva Branch (No. 94), Beer Sheva.

CHARACTER AND REPUTATION

Subject practically reached insolvency and legally started liquidation procedures. Initially, in November 2017 subject filed for protection from creditors, a motion approved for 3 months by the Court, which appointed a trustee in view of tracing someone to acquire their activities and assets or entering an investor, designed to heal the company and return to normal activity.

However, we could not find any later indication on that move to be successful, so it is possible that the attempts for recovery ended unsuccessfully. We could not contact subject in order to ascertain the current situation: telephone Nos. 972 8 9983421; 9989801 and fax No. 972 8 9983589 - are all disconnected. We called the office of Attorney Danit Rimon, she was unavailable, we spoke with her secretary, who said she is not allowed to speak on the case and she is leaving the message to Ms. Rimon.

Subject is a long established company and is ISO 9001:2008 and ISO 14001:2004 and SI OSHAS 18001:2007 certified.

Parent company BROMINE COMPOUNDS is a world leading company in the bromine market. ICL is a multi-national concern, with estimated production of 38% of the total elementary bromine production in the world and lead in the bromine-based flame retardant products market. It is among the world's leading suppliers of minerals (ranked as the world's 6th largest potash manufacturer and the world's leading producer of specialty phosphates

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based on purified phosphoric acid and largest producer of PK fertilizers) and one of the largest industrial concerns in Israel.

Kibbutz Sufa was established in 1977. There are some 150 members.

The Kibbutz specializes in field crops, citrus plantations and poultry.

Kibbutz Nir Yitzhak was established in 1949. There are some 260 members and a total population of over 500. They have over 25,000,000 sq. meters field crops and breed livestock (cattle and poultry).

SUMMARY

In view of the above, dealings, if any, are recommended on cash in advance basis only.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.80
UK Pound	1	INR 94.88
Euro	1	INR 84.37
ILS	1	INR 20.11

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

INFORMATION DETAILS

Analysis Done by :	PRA
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)