

## MIRA INFORM REPORT

<b>Report No. :</b>	532459
<b>Report Date :</b>	08.10.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	PENFORD (ISRAEL) LTD.
<b>Registered Office :</b>	P.O. Box 3008 (5213001), 21 Tuval Street, Diamond Exchange, Yahalom Bldg., Ramat Gan, 5252236
<b>Country :</b>	Israel
<b>Date of Incorporation :</b>	02.07.1980
<b>Legal Form :</b>	Private Limited Company
<b>Line of Business :</b>	Traders, importers, exporters and marketers of diamonds (mainly rough).
<b>No. of Employees :</b>	12

### RATING & COMMENTS

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

<b>MIRA's Rating :</b>	A
------------------------	---

Credit Rating	Explanation	Rating Comments
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

**DISCLAIMER :** This Report is **PRIVATE & CONFIDENTIAL** and it is prepared at the request of and for its use by the Subscriber only. The Subscriber shall use the contents of the Report merely as an aid to its business. Mira Inform Private Limited ("MIPL") has collated information/data in the Report, which have not been verified unless otherwise specifically mentioned in the Report. The Subscriber shall independently verify the accuracy and correctness of the information/data before in any way acting upon the same. MIPL shall not be liable for any harm, injury, loss or damage caused to the Subscriber due to default by the Subscriber's debtors/beneficiaries in fulfilling their obligations of any nature whatsoever. This Report or any of its portion shall not be used as a documentary evidence or otherwise before any investigative agencies or forum of law. This Report is confidential and proprietary to MIPL. The Subscriber and/or any other person(s) may not reproduce, publish or disclose any of the contents of the Report to others without the express authorization of MIPL. This Report is prepared and issued to the Subscriber without any risk, responsibility or liability on the part of MIPL or its officials.

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 AND ADDRESS**

RE: PENFORD (ISRAEL) LTD.

Telephone 972 3 575 01 74

Fax 972 3 575 29 56

P.O. Box 3008 (5213001)  
21 Tuval Street  
Diamond Exchange, Yahalom Bldg.  
Ramat Gan, 5252236, Israel

## **HISTORY & LEGAL FORMATION**

A private limited company, incorporated as per file No. 51-085590-1 on the 02.07.1980, as part of the global Steinmetz Family diamond businesses founded in 1949.

\* Note: Registered Latin name is "PANFORD (ISRAEL) LTD.", although subject's officials confirmed correct spelling is "PENFORD".

## **SHARE CAPITAL**

Authorized share capital NIS 200,000.00, divided into -  
200,000 ordinary shares of NIS 1.00 each,  
of which 171,550 shares amounting to NIS 171,550.00 were issued.

## **SHAREHOLDERS**

1. PENFORD (LONDON) LIMITED., 84%, a BVI company, controlled/ owned by Daniel Steinmetz and Nir Livnat,
2. Daniel Steinmetz, 16%.

In the past, subject was known to be owned by part of STEINMETZ Diamond Group (hereinafter SDG), owned by Steinmetz family, including brothers Benny Steinmetz and Daniel Steinmetz. Based on media reports there were changes in the group's structure, including where Benny Steinmetz sold his part (37.5%) in SDG to Daniel Steinmetz who now holds 75%, and Nir Livnat holds the remaining 25% in SDG. In Mid 2014 we were informed by subject's officials that SDG is currently in liquidation procedures, however they refused to elaborate any further on matter. To-date, subject is part of DIACORE Group.

**DISCLAIMER** : This Report is **PRIVATE & CONFIDENTIAL** and it is prepared at the request of and for its use by the Subscriber only. The Subscriber shall use the contents of the Report merely as an aid to its business. Mira Inform Private Limited ("MIPL") has collated information/data in the Report, which have not been verified unless otherwise specifically mentioned in the Report. The Subscriber shall independently verify the accuracy and correctness of the information/data before in any way acting upon the same. MIPL shall not be liable for any harm, injury, loss or damage caused to the Subscriber due to default by the Subscriber's debtors/beneficiaries in fulfilling their obligations of any nature whatsoever. This Report or any of its portion shall not be used as a documentary evidence or otherwise before any investigative agencies or forum of law. This Report is confidential and proprietary to MIPL. The Subscriber and/or any other person(s) may not reproduce, publish or disclose any of the contents of the Report to others without the express authorization of MIPL. This Report is prepared and issued to the Subscriber without any risk, responsibility or liability on the part of MIPL or its officials.

## **SOLE DIRECTOR**

Daniel (Danny) Steinmetz

## **GENERAL MANAGER**

David (Dudi) Shiana (also manages Group's diamond operations in Israel).

## **BUSINESS**

Traders, importers, exporters and marketers of diamonds (mainly rough).

Operating from office premises, owned by the shareholders, on a large area of several hundred sq. meters, in 21 Tuval Street (also previously referred to as 54 Bezalel Street), Yahalom Building (28<sup>th</sup> Floor), Diamond Exchange, Ramat Gan (shares premises with sister companies of the Group).

In mid-2014 we were informed that some years earlier the Group sold the 500 sq. meters on the 17<sup>th</sup> Floor and purchased new offices, area of 1,000 sq. meters on the 28<sup>th</sup> Floor.

DIACOR Group is operating from headquarters in Geneva, Switzerland, and subsidiaries in several countries, including manufacturing facilities in Botswana, South Africa, Namibia and New York, USA.

Website: [www.diacore.com](http://www.diacore.com) (Group's website)

Having 12 employees (same as in 2017 and 2016, had 14 employees in 2014, same as in the last previous years).

Estimated to be having around 500 employees in DIACOR Group worldwide.

## **MEANS**

Financial data not forthcoming, known to be financially solid.

Affiliate DIACOR INTERNATIONAL LTD., which is part of DIACORE Group, has been a DCT Sightholder for many years.

Subject is also included in ALROSA's Long-term Customers of the Contract Period 2018-2020. ALROSA is the world's largest diamond producer by volume.

There are 2 charges for unlimited amounts registered on the company's assets, in favor of The First International Bank of Israel Ltd. (charges were placed in 2003 and in 2005).

## **REVENUES**

Subject's sales figures not forthcoming.

According to a media report from 2016 the turnover of DIACOR Group estimated to be between US\$ 500 million to US\$ 700 million.

## **OTHER COMPANIES**

ASCOT DIAMONDS (ISRAEL) LTD., 100% owned by subject, processors and polishers, traders, importers, exporters and marketers of cut diamonds.

DIACORE Group includes:

PENFORD (LONDON) LIMITED, parent company,  
DIACOR INTERNATIONAL LTD., Switzerland,  
DIACORE BELGIUM N.V., Belgium,  
ASCOT DIAMONDS NV, Belgium,  
DIACOR MARKETING LTD., U.K.,  
DORSET DIAMONDS INC., USA,  
DIACORE BOTSWANA (PTY) LTD., Botswana,  
ASCOT DIAMONDS (PTY) LTD., South Africa,  
DIACORE INDIA PVT LTD., India,  
NAMCOT DIAMONDS (PROPRIETARY) LTD., Namibia,  
EVERIDGE DMCC, Dubai U.A.E.  
DIACORE DIAMONDS NAMIBIA (PTY) LTD., Namibia.

## **BANKERS**

The First International Bank of Israel Ltd., Diamond Exchange Branch (No. 26), Ramat Gan.

## **CHARACTER AND REPUTATION**

Nothing unfavorable learned.

Subject's CFO as refused to disclose financial data, as well as data on the Group.

DIACORE Group is a multinational group, one of the world's largest diamond miners, with wide operations in South Africa, Namibia, and other African countries. The Group has also large manufacturing and retail operations, specializing in large, fancy colored and rare stones.

Steinmetz family is affluent, with many other holdings, including real estate.

DIACOR is reported to be purchasing diamonds from De Beers in volumes of US\$ 30-US\$ 50 million per annum, making them one of De Beers most important and largest clients.

**DISCLAIMER** : This Report is **PRIVATE & CONFIDENTIAL** and it is prepared at the request of and for its use by the Subscriber only. The Subscriber shall use the contents of the Report merely as an aid to its business. Mira Inform Private Limited ("MIPL") has collated information/data in the Report, which have not been verified unless otherwise specifically mentioned in the Report. The Subscriber shall independently verify the accuracy and correctness of the information/data before in any way acting upon the same. MIPL shall not be liable for any harm, injury, loss or damage caused to the Subscriber due to default by the Subscriber's debtors/beneficiaries in fulfilling their obligations of any nature whatsoever. This Report or any of its portion shall not be used as a documentary evidence or otherwise before any investigative agencies or forum of law. This Report is confidential and proprietary to MIPL. The Subscriber and/or any other person(s) may not reproduce, publish or disclose any of the contents of the Report to others without the express authorization of MIPL. This Report is prepared and issued to the Subscriber without any risk, responsibility or liability on the part of MIPL or its officials.

It was reported in 2015, that The Israel Diamond Exchange (IDE) has set up a new project to give 40 young diamantaires the opportunity to buy rough diamonds every month from De Beers through subject. Nonsightholder businesses have been able to purchase De Beers rough diamonds since August 2014, but this is the first time that a special allocation has been offered to a group selected by the IDE Industry Committee and subject's General Manager Dudi Shiama. The monthly allocation will be worth up to US\$200,000 and subject will be giving the young diamantaires 60 days credit, with the understanding that the diamonds will be cut in Israel.

Export (net) of polished diamonds from Israel in 2017 totaled US\$ 4,478 million, some 4% lower than in 2016 and 2015 (US\$ 4,675 million and US\$ 4,996 million, respectively), and well below 2014 (US\$ US\$ 6,269 million) and from its peak on the eve of the crisis in the branch, with export of polished diamonds of US\$ 7 billion.

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 below.

As a result, local diamond dealers report 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.

Export (net) of rough diamonds fell 10.4% in the first 9 months of 2017 (compared to the parallel period in 2016), reaching US\$ 1,796 million (summed up to US\$ 2,702 million in all 2016, 23% higher than 2015).

Net imports of polished diamonds in 2017 totaled US\$ 2,700 million, compared to US\$ 3,282 million in 2016.

Net import of rough diamonds summed at US\$ 3,246 million in 2016, up 16.7% from 2015, and reached US\$ 2,089 million in the first 9 months of 2017, down 11.6% compared to 2016.

The United States continued to be Israel's major market for polished diamonds, accounting for 45% of the market in the first 9 months 2017 (was 39% in 2016). Hong Kong is 2<sup>nd</sup> largest market with 30% of exports (26% in 2016), followed by Switzerland 9% (7%), Belgium 8% (8%), and the rest of the world account for the remaining 8% of Israel's polished diamond export.

An affair of an "underground bank" (known as the "Check List" Affair) shocked the local diamond branch, after in late January 2012 Police raided the Diamond Exchange (after a long undercover operation), arrested several individuals for investigation, caught diamonds and various assets worth NIS millions, and blocked several bank accounts.

It is suspected that a group of people, including diamond dealers, run an illegal bank in the Diamond Exchange compound for loans, money transfer abroad based on fictitious transactions and exchange in volume of NIS 1 billion for several years.

The affair led to several of reported bankruptcies of local diamond firms, a decrease of up to 70% in transactions in 2012, and for a while to paralysis (especially in raw diamonds purchase) due to uncertainty among local and foreign dealers. Later in 2012 the Police decided to lower the profile of the investigation for a while (pressure from

**DISCLAIMER** : This Report is **PRIVATE & CONFIDENTIAL** and it is prepared at the request of and for its use by the Subscriber only. The Subscriber shall use the contents of the Report merely as an aid to its business. Mira Inform Private Limited ("MIPL") has collated information/data in the Report, which have not been verified unless otherwise specifically mentioned in the Report. The Subscriber shall independently verify the accuracy and correctness of the information/data before in any way acting upon the same. MIPL shall not be liable for any harm, injury, loss or damage caused to the Subscriber due to default by the Subscriber's debtors/beneficiaries in fulfilling their obligations of any nature whatsoever. This Report or any of its portion shall not be used as a documentary evidence or otherwise before any investigative agencies or forum of law. This Report is confidential and proprietary to MIPL. The Subscriber and/or any other person(s) may not reproduce, publish or disclose any of the contents of the Report to others without the express authorization of MIPL. This Report is prepared and issued to the Subscriber without any risk, responsibility or liability on the part of MIPL or its officials.

the diamond branch due to the continuing damage inflicted and the Government (losing US\$ hundred millions from decrease in tax collection), but resumed investigation in 2013.

In mid-2014, based on the Police and Tax Authorities recommendations, the State Attorney started the process of filing indictments against central defendants in the affair, initially against dealers who provided foreign currency services to the "bank" (in June 2015 the court made the first conviction in the affair, sending a foreign currency dealer who pretended also to be a diamond dealer, for 4 years prison, a fine and confiscation of assets in volume of NIS millions, part of a plea bargain). Since late 2015 indictments for severe charges pressed against 11 diamond dealers and their firms for tax felonies committed and issuing fictitious invoices in volumes of millions US\$ (latest indictments filed by the Tel Aviv District Attorney in August 2016). In the case of one of the prosecuted, a plea bargain was reached in May 2018 (fines and serving community services). Other cases are pending.

## ***SUMMARY***

Notwithstanding the refusal to disclose financial data, considered good for trade engagements.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.58
UK Pound	1	INR 95.89
Euro	1	INR 84.70
ILS	1	INR 20.45

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

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	VIVR
<b>Report Prepared by :</b>	SYL

**DISCLAIMER :** This Report is **PRIVATE & CONFIDENTIAL** and it is prepared at the request of and for its use by the Subscriber only. The Subscriber shall use the contents of the Report merely as an aid to its business. Mira Inform Private Limited ("MIPL") has collated information/data in the Report, which have not been verified unless otherwise specifically mentioned in the Report. The Subscriber shall independently verify the accuracy and correctness of the information/data before in any way acting upon the same. MIPL shall not be liable for any harm, injury, loss or damage caused to the Subscriber due to default by the Subscriber's debtors/beneficiaries in fulfilling their obligations of any nature whatsoever. This Report or any of its portion shall not be used as a documentary evidence or otherwise before any investigative agencies or forum of law. This Report is confidential and proprietary to MIPL. The Subscriber and/or any other person(s) may not reproduce, publish or disclose any of the contents of the Report to others without the express authorization of MIPL. This Report is prepared and issued to the Subscriber without any risk, responsibility or liability on the part of MIPL or its officials.

**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)