

MIRA INFORM REPORT

Report No. :	532460
Report Date :	09.10.2018

IDENTIFICATION DETAILS

Name :	ROSY BLUE SALES LTD.
Formerly Known As :	R.B. DIAMOND SALES LTD.
Registered Office :	1 Jabotinsky Street, Diamond Exchange, Maccabi Bldg., Ramat Gan 5252001
Country :	Israel
Date of Incorporation :	08.05.1988
Legal Form :	Private Limited Company
Line of Business :	Dealers, Processors, Polishers, Importers, Exporters and Marketers of Diamonds, Mostly Princess Diamonds, of 0.20 till 3 Karat.
No. of Employees :	25

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 :	Slow but correct
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 (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

ROSY BLUE SALES LTD.

Telephone 972 3 575 05 20

Fax 972 3 575 08 36

Email: telaviv@rosyblue.com

1 Jabotinsky Street

Diamond Exchange, Maccabi Bldg.

Ramat Gan 5252001 Israel

HISTORY & LEGAL FORMATION

A private limited company, incorporated as per file No. 51-129366-4 on the 08.05.1988. Subject is part of ROSY BLUE Group, established 1960. Originally registered under the name R.B. DIAMOND SALES LTD., which changed to the present name on the 09.11.1995.

SHARE CAPITAL

Authorized share capital of NIS 10,000.00, divided into:-

10,000 ordinary shares of NIS 1.00 each, of which 100 shares amounting to NIS 100.00 were issued.

SHAREHOLDERS

1. ROSY BLUE ENTERPRISES SARL, 70%, of Luxembourg, part of ROSY BLUE Group, an international diamond firm, headquarters in Belgium, owned by Mehta Family,
2. Sumeen Mehta, 15%, a foreign citizen of Belgium,
3. Anish Farik, 15%, a foreign citizen.

DIRECTORS

1. Anish Farik, General Manager,
2. Sumeen Mehta.

BUSINESS

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Dealers, processors, polishers, importers, exporters and marketers of diamonds, mostly princess diamonds, of 0.20 till 3 karat.

Subject is part of ROSY BLUE Group.

70% - 80% of sales are for export.

Operating from rented office premises, on an area of 300 sq. meters, in 1 Jabotinsky Street, Diamond Exchange, Maccabi Building (B2 Mezzanine Floor), Ramat Gan. The Group operates from manufacturing facilities and sales branches worldwide (12 offices in 7 countries).

Having 25 employees.

Having reportedly several thousand employees serving ROSY BLUE Group, a group of companies in the whole group, which subject being part of.

MEANS

Financial data not forthcoming, known to be financially solid.

ROSY BLUE NV Group is a DTC (Diamond Trading Company) Sightholder. Affiliate ROSY BLUE (INDIA) PVT. LTD. is also a DCT Sightholder.

ROSY BLUE NV 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 3 charges for unlimited amounts registered on the company's assets (all assets), in favor of Israel Discount Bank Ltd. and Mizrahi Tefahot Bank Ltd. (2 charges placed in 2014, 1 charge placed in 2000).

REVENUES

Annual sales claimed to be over US\$ 100 million, 70%-80% for export.

According to the data published by the Israel Supervisor on Diamonds in the Ministry of Industry & Trade, export of polished diamonds by subject (actual overall sales are higher, as there are local sales of polished diamonds and may have sales of rough diamonds as well), were as follows:

2012 sales for export (net) were US\$ 74 million.

2013 sales for export (net) were US\$ 82 million.

2014 sales for export (net) were US\$ 64.35 million.

2015 sales for export (net) were US\$ 60 million.

2016 sales for export (net) were US\$ 52 million.

2017 sales for export (net) were US\$ 44 million.

OTHER COMPANIES

ROSY BLUE Group, established 1960, originally established in Mumbai, India and headquartered in Belgium, with an annual turnover of around US\$ 2 billion. Having diamond factories, trade offices and retail facilities worldwide. Operating in 3 lines: Rough Diamond Procurement, Rough Diamond Manufacturing, and Polished Diamonds. The Group includes the following subsidiaries worldwide:

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ROSY BLUE NV; ROSY BLUE HONG KONG LTD; ROSY BLUE (SHANGHAI) DIAMOND CO. LTD.; ROSY BLUE TRADING INC; ROSY BLUE JEWELLERY (HK) LIMITED; ROSY BLUE DMCC; ROSY BLUE INC; ROSY BLUE TRADING (PTY) LTD; ROSY BLUE INVESTMENTS SARL; ROSY BLUE ENTERPRISES SARL, ROSY BLUE (INDIA) PVT. LTD., ROSY BLUE DIAMOND CO., LTD., and other affiliated companies.

BANKERS

Israel Discount Bank Ltd., Diamond Exchange Branch (No. 80), Ramat Gan.
Mizrahi Tefahot Bank Ltd., Diamond business Center Branch (No. 466), Ramat Gan.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

This is a veteran family diamond business, enjoying good reputation in the branch, part of the renowned ROSY BLUE Group, one of the world's largest manufacturers of quality polished diamonds and finished jewellery.

According to the report published by the Israel Supervisor on Diamonds in the Ministry of Economy and Industry, subject was ranked 9th in the leading polished diamonds exporters list for 2017, after being ranked 7th in the 2016 list, 8th in the 2015 list, 11th in 2014, 9th in 2013, 11th in 2012, 10th in 2011, and 11th in 2010 list (note: some diamond firm refused to publish data on their export).

In November 2003 it was reported that subject received an Esteem Badge from the Israel-Asia Friendship Chamber, for its large export volume.

In the first half of 2018 ROSY BLUE Group (via one of its foreign subsidiaries) foreign affiliate) became a minority shareholder in LEO SCHACHTER DIAMONDS LTD., a world leading diamond company and also one of the veteran and leading diamond firms in Israel. That comes after over 30 years of close cooperation between the two groups.

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

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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 2nd 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 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

Good for trade engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.92
UK Pound	1	INR 96.85
Euro	1	INR 85.06
ILS	1	INR 20.34

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

INFORMATION DETAILS

Analysis Done by :	PRI
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)