

MIRA INFORM REPORT

Report No. :	528333
Report Date :	04.09.2018

IDENTIFICATION DETAILS

Name :	YERUSHALMI BROTHERS DIAMONDS LTD.
Registered Office :	21 Tuval Street, Diamond Exchange, Yahalom Bldg., Ramat Gan 5252236
Country :	Israel
Year of Establishment :	1975
Legal Form :	Private Limited Company
Line of Business :	Importers, traders, polishers, processors and exporters of diamonds of various kinds.
No. of Employees :	27 (2017)

RATING & COMMENTS

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

MIRA's Rating :	B
-----------------	---

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.

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.

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 the well-being of 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 benefiting 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

YERUSHALMI BROTHERS DIAMONDS LTD.

Telephone 972 3 575 01 51
Fax 972 3 575 01 52
Email: info@yerushalmi.com

21 Tuval Street
Diamond Exchange, Yahalom Bldg.
RAMAT GAN 5252236 ISRAEL

HISTORY & LEGAL FORMATION

Originally established in 1975 as a non-registered business. Converted into a private limited company and registered as such as per file No. 51-118058-0 on the 26.02.1987.

SHARE CAPITAL

Authorized share capital NIS 2,640.00, divided into -
2,640 ordinary shares of NIS 1.00 each, of which 100 shares amounting to NIS 100.00 were issued.

SHAREHOLDERS

1. Aharon Yerushalmi, 34%,
2. Zion Yerushalmi, 33%,
3. Binyamin Yerushalmi, 33%.

DIRECTORS

1. Binyamin (Beni) Yerushalmi, General Manager,
2. Aharon Yerushalmi,
3. Zion Yerushalmi.

BUSINESS

Importers, traders, polishers, processors and exporters of diamonds of various kinds.
Most sales are for export.

Operating from offices premises, owned by the shareholders, in 21 Tuval Street (also referred to as 54 Bezalel Street), Diamond Exchange, Yahalom Building (19th Fl., suite No. 71), Ramat Gan (subject's offices capture half the floor). Also operating from a plant in Botswana. In addition having facilities in India and international network of 7 offices in New York, Los Angeles, Hong Kong, Shanghai, Shenzhen, Taiwan and Singapore.
Subject operates in China under the brand name "Amorosso".
Website: www.yerushalmi.com

Having 27 employees in Israel as of 2017 (same as in 2013), and several hundred employees serving subject's plant in Botswana.

MEANS

Financial data not forthcoming, however known to be financially solid.
Subject is a DE BEERS' DCT Sightholder.

There are 2 charge for an unlimited amount registered on the company's assets (financial assets and fixed assets), in favor of the First International Bank of Israel Ltd. (charges placed in January 2011 and November 2016).

REVENUES

2007 sales were US\$ 210,000,000 (of which 77% for export – see below).
According to the published by the Israel Supervisor on Diamonds in the Ministry of Industry and Trade, subject sales for export of polished diamonds were:
2007 export was US\$ 161,000,000.
2008 export was US\$ 150,000,000.
2009 export was US\$ 136,000,000.
Subject's officials informed us that a/m figures are only of polished diamonds, and that subject's 2009 turnover is well much higher than US\$ 136,000,000.

According to a media article from June 2015, subject's 2015 sales were US\$ 110,000,000, yet subject's official told us that sales were much higher.

Later sales data not forthcoming.

OTHER COMPANIES

YERUSHALMI BROS. BOTSWANA LTD., Botswana.
YERUSHALMI BROS DIAMONDS (HK) LTD., Hong Kong.
YERUSHALMI BROTHERS DIAMONDS USA INC., USA.

BANKERS

The First International Bank of Israel Ltd., Avney Hen Branch (No. 126), Ramat Gan.
Union Bank of Israel Ltd., Diamond Exchange Branch (No. 62), Ramat Gan.

CHARACTER AND REPUTATION

In February 2005 it was reported that subject's shareholders were released on bail regarding allegations of tax fraud of NIS 5.6 million. No further details were found on that matter, we believe the matter was resolved (usually in compromise/ ransom payment).

Apart from that, nothing unfavorable learnt (including not in any current affair).

Despite our efforts, we were unable to speak with subject's officials, as they were always unavailable. We left messages which so far remain unanswered.

In 2006 subject received a 'Superbrand' status in China.
In July 2008 it was reported that subject won the "Excellent Exporter" award for year 2007 from the Israeli Ministry of Industry & Trade.

Subject is considered one of Israel's 10 leading diamond companies.
According to the report published by the Israel Supervisor on Diamonds in the Ministry of Industry and Trade, subject was ranked 4th in the 2009 list of Israel's largest polished diamonds exporters. This marks a higher ranking than in earlier years, when subject was ranked as follows: 5th in 2008, 6th in 2007 and 6th in 2006. Since 2010, subject refrains from being reported in the Israel Supervisor on Diamonds top exporters lists (which is up to the company's own discretion).

Export (net) of polished diamonds from Israel in the first 9 months of 2017 totaled US\$ 3,383 million, which represents 11.8% decrease compared to the parallel period in 2016, while export of net rough diamonds fell 10.4% in this period, reaching US\$ 1,796 million. That is in contrast to the figures in 2016, which showed signs of recovery for the Israeli diamond trade, coming after the export of diamonds from Israel experienced a drastic fall by 20% in 2015 from 2014 (down 40% from 2011).

Net export of polished diamonds in 2016 decreased by 6.4% from 2015, reaching US\$ 4,675 compared to US\$ 4,993 million in 2014 (after 0.6% rise in 2014 and 11.6% in 2013), however net rough diamonds exports jumped 23.1% to US\$2,702 million (in 2015 fell 28.3% from 2014, after 4.2% rise in 2014, and a mere rise in 2013). Yet the figures are well away from its peak on the eve of the crisis with export of polished diamonds of US\$ 7 billion.

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.

In total, diamonds export (polished and rough) in 2017 were expected to sum up to US\$ 7 billion, 7% lower than in 2016, from the Ministry of Economy forecast.

The market has been volatile over the last years after experiencing its worst depression due to the global economic crisis. 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 2017.

Net imports of polished diamonds totaled US\$ 3,282 million in 2016, 5.7% decrease from 2015, while net import of rough diamonds reached US\$ 3,246 million, up 16.7% from 2015.

Net imports of polished diamonds decrease by 15.1% in the first 9 months of 2017 and totaled US\$ 2,015 million, compared to the parallel period in 2016, whereas net import of rough diamonds reached US\$ 2,089 million, down 11.6% from 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.

In 2009, Israel was ranked as the world's largest exporter of cut diamonds, followed by India, Belgium and South Africa.

Local diamond sector employs some 20,000 persons.

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). Their cases are pending.

SUMMARY

Notwithstanding the lack of updated data from subject's officials, considered good for trade engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.77
UK Pound	1	INR 91.35
Euro	1	INR 82.14
ILS	1	INR 19.72

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

INFORMATION DETAILS

Analysis Done by :	PRI
Report Prepared by :	POJ

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)