

MIRA INFORM REPORT

Report No. :	529486
Report Date :	18.09.2018

IDENTIFICATION DETAILS

Name :	GINEGAR PLASTIC PRODUCTS LTD.
Formerly Known As :	<ul style="list-style-type: none"> • GINEGAR PLASTIC PRODUCTS • BIG-SHELEF LTD
Registered Office :	Ginegar 3658000
Country :	ISRAEL
Financials (as on) :	30.06.2018 (Consolidated)
Date of Incorporation :	1969
Legal Form :	Limited Partnership
Line of Business :	Developers, manufacturers, exporters and marketers of HDPE film - cover films and polyethylene sheets for agricultural applications (mainly cover products for greenhouses and for soil protection and disinfection).
No. of Employees :	443 employees

RATING & COMMENTS

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

MIRA's Rating :

A+

Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

Status :	Good
Payment Behaviour :	Regular
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.

ECGC Country Risk Classification List

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
South Korea	A1	A1

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

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SOUTH KOREA - ECONOMIC OVERVIEW

After emerging from the 1950-53 war with North Korea, South Korea emerged as one of the 20th century's most remarkable economic success stories, becoming a developed, globally connected, high-technology society within decades. In the 1960s, GDP per capita was comparable with levels in the poorest countries in the world. In 2004, South Korea joined the trillion-dollar club of world economies.

Beginning in the 1960s under President PARK Chung-hee, the government promoted the import of raw materials and technology, encouraged saving and investment over consumption, kept wages low, and directed resources to export-oriented industries that remain important to the economy to this day. Growth surged under these policies, and frequently reached double-digits in the 1960s and 1970s. Growth gradually moderated in the 1990s as the economy matured, but remained strong enough to propel South Korea into the ranks of the advanced economies of the OECD by 1997. These policies also led to the emergence of family-owned chaebol conglomerates such as Daewoo, Hyundai, and Samsung, which retained their dominant positions even as the government loosened its grip on the economy amid the political changes of the 1980s and 1990s.

The Asian financial crisis of 1997-98 hit South Korea's companies hard because of their excessive reliance on short-term borrowing, and GDP ultimately plunged by 7% in 1998. South Korea tackled difficult economic reforms following the crisis, including restructuring some chaebols, increasing labor market flexibility, and opening up to more foreign investment and imports. These steps lead to a relatively rapid economic recovery. South Korea also began expanding its network of free trade agreements to help bolster exports, and has since implemented 16 free trade agreements covering 58 countries—including the United State and China—that collectively cover more than three-quarters of global GDP.

In 2017, the election of President MOON Jae-in brought a surge in consumer confidence, in part, because of his successful efforts to increase wages and government spending. These factors combined with an uptick in export growth to drive real GDP growth to more than 3%, despite disruptions in South Korea's trade with China over the deployment of a US missile defense system in South Korea.

In 2018 and beyond, South Korea will contend with gradually slowing economic growth - in the 2-3% range - not uncommon for advanced economies. This could be partially offset by efforts to address challenges arising from its rapidly aging population, inflexible labor market, continued dominance of the chaebols, and heavy reliance on exports rather than domestic consumption. Socioeconomic problems also persist, and include rising inequality, poverty among the elderly, high youth unemployment, long working hours, low worker productivity, and corruption.

Source : CIA

COMPANY NAME AND ADDRESS

GINEGAR PLASTIC PRODUCTS LTD.

(Also trading also as GINEGAR PLASTIC ENTERPRISES)

Telephone 972 4 654 42 22

Fax 972 4 654 42 11

Email: gpp@ginegar.co.il

GINEGAR 3658000 ISRAEL

HISTORY & LEGAL FORMATION

Originally founded in 1969, and on the 09.03.1973 registered as a limited partnership under the name GINEGAR PLASTIC PRODUCTS, as per file No. 55-000205-9. Converted into a private limited company and registered as per file No. 51-241699-1 on the 25.12.1996, under the name BIG-SHELEF LTD., which changed to GINEGER PLASTIC ENTERPRISES CO. (1996) LTD. on the 10.06.1997, which changed to the present name on the 27.07.1998.

On 06.02.2006 published a prospectus offering shares to the public on the Tel Aviv Stock Exchange (raising a sum of NIS 77.8 million) and subject converted into a public limited company (keeping the same latter registration number).

SHARE CAPITAL

Authorized share capital NIS 1,000,000.00, divided into -
100,000,000 ordinary shares of NIS 0.01 each,
of which 15,179,767 shares amounting to NIS 151,796.67 were issued.

SHAREHOLDERS

GINEGAR INDUSTRIES (1996) LTD., 28.33%, owned by AMGAN INDUSRIES LTD., 51% (controlled by Simon Brown & family and Ms. Bernice Heller -via I.N.B INVESTMENTS LTD.- and by Shmuel Vlodinger), and Kibbutz Ginegar, 49%, a cooperative society, operating a communal agricultural settlement,
ISRAEL DISCOUNT BANK LTD., 15.15%, a public limited company, whose shares are traded on the on the Tel Aviv Stock Exchange, a banking institution,

POLYON BARKAI LIMITED PARTNERSHIP, 12.81%, owned by Kibbutz Barkai, a cooperative society, operating a communal agricultural settlement,
Institutional investors: MIGDAL Group (11.55%), YELIN LAPIDOT (8.71%) and PASAGOT (7.17%),
Shares are also traded on the Tel Aviv Stock Exchange.

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In February 2013 FIMI Investment Fund (who entered as an investor in 2005) sold some 10% of subject's shares for NIS 16.5 million. In June 2013 FIMI sold the remainder of its holdings (17%) to DISCOUNT CAPITAL MARKETS LTD., part of ISRAEL DISCOUNT BANK Group, in consideration of NIS 31.3 million (see more CHARACTER).

DIRECTORS

Shmuel Vlodinger, Chairman,
Hanoch Papoushodo,
Assaf Ra'anan,
Dan Eick,
Avi Livne,
Roni Stan,
Itay Mehl,
Ms. Michal Avtalyon- Rishoniy,
Uri Marom,
Eitan Perlman.

GENERAL MANAGER

Moshe Ron.

BUSINESS

Developers, manufacturers, exporters and marketers of HDPE film - cover films and polyethylene sheets for agricultural applications (mainly cover products for greenhouses, and for soil protection and disinfection). This is GINEGAR Group's main activity (82% of activities in 2017, 88% of activities in 2016 and 2015).

Also manufacturers, exporters and marketers of allied plastic agricultural products and heavy-duty bags for industrial uses. This segment comprised 18% of GINEGAR Group's revenues in 2017, 12% in 2016 and 2015. Most of this segment's sales are local.

In 2012 subject completed the acquisition of the activities of POLYSACK PLASTIC INDUSTRIES LTD. (see more in CHARACTER).

77% of 2017 sales are for export (74% of 2016 and 2015). Exports are worldwide.
~48% of the raw materials purchase in 2017 is imported.

Among local clients: HAIFA CHEMICALS, ADMIR TECHNOLOGIES, GROFIT PLASTICS FACTORY, OMNI AGRICULTURE, MARGALLOT - TRADE & FUMIGATION SERVICES, JOLYBAR, etc.

Among local suppliers: CARMEL OLEFINS (main supplier), NAYER 2002, KAFRIT INDUSTRIES, TOSAF COMPOUNDS, TOAM IMPORT & EXPORT, POLYRAM PLASTIC INDUSTRIES, etc.

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Among foreign suppliers: EXXONMOBILE, DOW CHEMEICALS.

Operating from owned premises (offices, storage facilities and plants), on an area of 38,077 sq. meters, of which 8,000 sq. meters are built + additional rented (from Kibbutz Ginegar) storage facility on some 6,000 sq. meters, in Kibbutz Ginegar (near the Sea of Galilee), from rented plant facilities, on an area of 15,000 sq. meters, in Kibbutz Nir Itzhak (POLYSACK activities), and from rented plant facilities, on an area of 11,000 sq. meters, in Kibbutz Neot Mordechai. Also operating from plants in Italy (FLEXTECH) and in Brazil, and facilities the USA and in India. Note: "Kibbutz" is a typical local cooperative agricultural settlement/ village.

Having over 443 employees serving the Group as of end of 2017, of which 302 employees in Israel, 37 employees in Italy, 97 in Brazil and 7 in the USA.

MEANS

Consolidated B/S shows:

	<u>NIS (thousands)</u>	
	<u>31.12.2017</u>	<u>30.06.2018</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	36,308	41,450
Customers		197,401
Other debtors		16,465
Stock		142,311
		<u>392,485</u>
Non-current assets		
Goodwill and intangible assets (net)		36,668
Fixed assets (net)		153,496
Other non-current assets		3,825
		<u>193,989</u>
		<u>586,474</u>
	=====	=====
<u>LIABILITIES</u>		
Current liabilities		
Non-current liabilities		269,400
Equity		110,062
		<u>207,012</u>
		<u>586,474</u>
	=====	=====

Current market value US\$ 99 million.

In May 2017 subject received a loan of US\$ 7.5 million for the acquisition of 60% of FLEXTECH of Italy.

In 2017 subject invested NIS 1,955,000 in R&D (NIS 1,701,000 in 2016, NIS 1,667,000 in 2015).

Subject is an "Approved Enterprise" and as such entitled for State support and tax relief. In 1999, the Israel Investment Centre (IIC) approved a US\$ 600,000 investment to expand subject's plant in Ginegar. IIC approved a further US\$ 3.61 million investment plan to expand the plant in 2002.

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In 2011 the IIC approved an investment plan of NIS 1.3 million of which 50% a grant.
In 2012 and 2013 subject received from the Chief Scientist grants in volume of NIS 766,000 and NIS 180, 000 respectively.

There are over 20 charges for unlimited and limited amounts (on total sum of several NIS tens million) registered on the company assets (financial assets, fixed assets, equipment and vehicles), in favor of The First International Bank of Israel Ltd., Mizrahi Tefahot Bank Ltd., Bank Leumi Le'Israel Ltd., Bank Hapoalim Ltd. and leasing companies.

REVENUES

Consolidated Statement of Income

	<u>NIS (thousands)</u>		
	<u>Year ended 31.12</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Sales	477,940	468,790	506,405
Gross profit	100,720	103,917	107,722
Operating profit	42,061	44,605	42,207
Profits before tax on income	33,377	39,013	35,314
Net profit	27,455	36,172	30,150
	=====	=====	=====

Consolidated first 6 months of 2018 sales were NIS 245,985,000 (10.8% increase compared to the parallel period of 2017), making a gross profit of NIS 53,570,000, an operating income of NIS 18,628,000, and a net income of NIS 10,368,000.

OTHER COMPANIES

GINEGAR PLASTIC INC., 100%, U.S.A., distribution arm of subject in North America (began activities in January 2010 – before was non active).

POLYSACK INDUSTRIES LTDA, 100%, Brazil.

GINEGAR SPECIALITY PLASTIC PVT LTD., 100%, India.

GINEAGR HOLDING ITALY SRL, holding FLEXTECH SRL, 60%, Italy, fully owns FLEXTECH SHEET EXTRUSION SRL and PLAST VB SRL, manufacturers of plastic sheet.

GINEGAR INDUSTRIES (1996) LTD., a holding company, also owns:

AMICO GINEGAR LTD., holds 74.5% in AMICOTUBE LTD., manufacturers and marketers of cardboard cylinders for the industry and cardboard molds for the construction and other industries, as well as for packaging.

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Kibbutz GINEGAR also controls:
GINEGAR HOLDINGS LP.
KIBBUTZ GINEGAR INDUSTRIES LTD.

Shmuel Vlodinger is involved in other companies, also via KAZO LTD., WINSLO INVESTMENT LTD., and KAZO INVESTMENTS (1998) LTD.

Kibbutz Barkai holds POLYON BARKAI LP, as well as holdings in other companies and societies.

BANKERS

Bank Leumi Le'Israel Ltd., Haifa Main Branch (No. 876), Haifa, account No. 44200/47.
The First International Bank of Israel Ltd., Afula Branch (No. 111), Afula,
account No. 209767.

A check with the Central Banks' database did not reveal anything detrimental on subject's a/m accounts.

Bank Hapoalim Ltd., Afula Branch (No. 727), Afula.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

Subject is considered among the 6 largest companies in their field in the world.

Subject estimates its market share in Israel in the polyethylene sheets to be 60% for greenhouses, 50% for ground covering and some 40% in the polyethylene nets.

According to a research of AMI, GINEGAR Group's market share in North America is 14%-15%, in Africa and India above 50%, and in Brazil 20%.

Subject is ISO 9001 certified.

Kibbutz Ginegar was established in 1922 and has some 200 members.

Kibbutz Barkai, established in 1949, has some 200 members.

Both Kibbutz's operate communal agricultural settlements, also cultivating large areas of agricultural land, field crops, and operate dairy farming, poultry etc.

ISRAEL DISCOUNT BANK is Israel's 3rd largest banking institution, publicly traded with current market value US\$ 4,161.8 million.

Shmuel Vlodinger, is a well-known businessman, with holdings in other companies, mainly in the food, agricultural and environmental areas.

In 1998 subject acquired from POLYON BARKAI INDUSTRIES (1993) LTD. its entire manufacturing line of plastic sheets for agriculture, in consideration of 28% of subject's shares.

In November 2007 subject completed a major deal, acquiring HYPLAST N.V., a Belgian company and its subsidiary KLERKS PLASTIC RECYCLING N.V., manufacturers and recyclers of plastic sheets for the agriculture and industry sectors (from RIJNLANDSE PLASTICS GROEP B.V.), for a sum of € 6.8 million.

In 2014 subject sold its holding in HYPLAST for € 15.5 million.

In October 2012 subject completed the acquisition of all the activities and assets of POLYSACK PLASTIC INDUSTRIES LTD. established 1974 (and its subsidiary POLYSACK ADVANCED TECHNOLOGIES FOR AGRICULTURE LTD., as well as all the shares of Brazilian subsidiary POLYSACK INDUSTRIES LTDA), manufacturers, exporters and marketers of polyethylene sheets, extruded and decorative nets, agricultural films, knitted sacks and shade cloths for agricultural and recreational use. POLYSACK encountered grave financial difficulties and currently under liquidation. Subject paid a total of around NIS 25 million + additional payment according to sales.

In November 2015 subject established GINEGAR SPECIALITY PLASTIC to market products in India, GINEGAR SPECIALITY signed an agreement with an Indian manufacturer to exclusively product for it.

In May 2017 subject completed the acquisition of 60% of FLEXTECH of Italy for € 6.96 million.

In February 2018 subject signed an agreement (MoU) for the acquiring of 25% of an Indian company, which also serves as subject's distributor in India, in consideration of US\$ 1.75 million. In September 2018 the deal was signed, expected to be completed by the next 60 days.

According to a market research firm published in mid-2014 (ordered by the Ministry of Economy), total revenues of the local Plastic & Rubber Industry reached US\$ 5 billion, half of which was for export (which is comprised US\$ 2.3 billion from goods, the rest from raw products).

Sales breakdown: 30% of the branch's sales are for the Household, 23% - Agriculture, 16% - Packaging, 9% - Building sector, 9% Industry, 5% Furniture, 4% - Compounds (rest is to other fields).
There were 23,700 workers employed in the Plastic & Rubber branch in 2013.

According to the Central Bureau of Statistics (CBS), import of Plastic and Rubber raw material for the local industry totaled US\$ 2,544 million in 2017, 10.7% rise from 2016 (that in US\$ terms, marked 3.6% rise in NIS terms). In 2016 import rose by 4% from 2015, after 12% decrease from 2014. Import of such in the first 5 months of 2018 showed 16% increase (10% in NIS terms) compared with the parallel period in 2017, totaling US\$ 1,199.3 million.

Plastic & rubber raw materials consumption by the local industry is of around 1 million tons, 70% of which derives from import, the rest from local production (which is comprised mainly of simple raw materials).

According to the CBS, sales for export from the manufacturing of Plastic and Rubber products in 2017 rose by 7.6% from 2016, summing up to US\$ 2,214.4 million, which comes after 6.3% increase in 2016 and 7% decrease in export in 2015, each from the previous year. Export of such in the first 5 months of 2018 climbed by 12% compared with the parallel period in 2017.

From the CBS data, investment in imported machinery and equipment by the Plastic & Rubber industries in 2017 totaled at NIS 556.7 million, marking 9.8% increase from 2016 (change in quantity), after 15.2% increase in 2016, 13.2% increase in 2015 and 5.2% increase in 2014, each from the previous year.

SUMMARY

Good for trade engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.55
UK Pound	1	INR 94.94
Euro	1	INR 84.40
KRW	1	INR 0.064

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

INFORMATION DETAILS

Analysis Done by :	VIV
Report Prepared by :	SDA

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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)