

MIRA INFORM REPORT

Report No. :	532737
Report Date :	29.09.2018

IDENTIFICATION DETAILS

Name :	A. DALUMI DIAMONDS LTD
Formerly Known As :	DALUMI ASHER DIAMONDS
Registered Office :	1 Jabotinsky Street, Diamond Exchange, Maccabi Bldg., Ramat Gan, 5252001
Country :	Israel
Date of Incorporation :	1965
Legal Form :	Private Limited Company
Line of Business :	Manufacturers, cutters, polishers, importers, exporters and marketers of diamonds, rounds and all fancy shapes, especially Princess cuts and emerald fine makes; from 0.10 ct to 10cts; White and Colored goods.
No. of Employees :	500 [Dalumi Group]

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 AND ADDRESS

A. DALUMI DIAMONDS LTD.

Telephone 972 3 755 00 00
Fax 972 3 575 18 76; 613 19 32
Email: michalm@dalumi.com

1 Jabotinsky Street
Diamond Exchange, Maccabi Bldg.
Ramat Gan, 5252001, Israel

HISTORY & LEGAL FORMATION

A private limited company, incorporated as per file No. 51-305297-7 on the 24.12.2000.
Subject is continuing the activities of a sole proprietorship business originally founded in 1965 under the name DALUMI ASHER DIAMONDS, by Asher Dalumi.

SHARE CAPITAL

Authorized share capital of NIS 6,000.00, divided into: -
6,000 ordinary shares, of NIS 1.00 each,
fully issued.

SHAREHOLDERS

1. Tomer Dalumi, 20%,
2. Meir Dalumi, 15%,
3. Asher Dalumi 10%,
4. Refael YerusahImi, 10%,
5. Ms. Sigalit YerusahImi, 10%,
6. Ms. Sara Dalumi, 10%,
7. Ms. Vered Dalumi Itzhaki, 10%,
8. Yaakov Itzhaki, 10%,
9. Ms. Inbal Dalumi, 5%.

DIRECTORS

1. Asher Dalumi, General Manager,
2. Tomer Dalumi,
3. Meir Dalumi,
4. Refael (Rafi) Yerusahmi,
5. Ms. Sigalit Yerusahmi.

BUSINESS

Manufacturers, cutters, polishers, importers, exporters and marketers of diamonds, rounds and all fancy shapes, especially Princess cuts and emerald fine makes; from 0.10 ct to 10cts; White and Colored goods. Subject manufactures and sells diamond under brand names "Swana" and "Golden Diamonds".

Among local suppliers: OFER MIZRAHI DIAMONDS, etc.

Operating from owned headquarters premises, in 1 Jabotinsky Street, Diamond Exchange, Maccabi Building (10th Floor), Ramat Gan.

Also operating from a factory in mainland China, manufacturing facility in Hong Kong, and Botswana, as well as office and sales branches in New York (5th Ave), Los Angeles, Antwerp and Botswana, as well as in Hong Kong.

Website: www.dalumi.com

Had 500 employees in DALUMI Group (Israel and overseas) in 2016 (as informed by subject's officials). We could not obtain the current number of employees from the officials so far, we assume to be similar (according to DE-BEERS Sightholders publication, having 550 employees).

MEANS

Financial data not forthcoming, however has been known to be financially solid.

Subject (and in its previous legal status) has been a sight holder from DCT (subsidiary of DE BEERS) since 1993.

There are no charges registered on the company's assets.

REVENUES

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 presumed to be higher, as there are local sales of polished diamonds and may have sales of rough diamonds as well), were as follows:

2005 sales for export (net) were US\$ 149,000,000.

2006 sales for export (net) were US\$ 158,000,000.

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2007 sales for export (net) were US\$ 170,000,000.
2008 sales for export (net) were US\$ 182,000,000.
2009 sales for export (net) were US\$ 138,000,000.
Later sales data not forthcoming/ not published.

According to a report from July 2016, subject exports in volume of US\$ 200 million, and may be even higher.

OTHER COMPANIES

Also part of DALUMI Group:
DALUMI DIAMOND CORPORATION, USA,
DALUMI BOTSWANA (PTY), Botswana,
DALUMI EUROPE BVBA, Belgium,
DALUMI HONG KONG LTD., Hong Kong.

BANKERS

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

CHARACTER AND REPUTATION

Nothing unfavorable learned.

Despite our efforts, we were unable to speak with subject's CFO, being told he is abroad and due back in a weeks' time. We shall contact him upon his return and in case we receive further data, we shall update.

Subject is a veteran business, well-known in the diamond branch, being one of the leading diamond companies in Israel, with worldwide reputation.

Mr. Meir Dalumi comes from a veteran diamond dealers family. He served as the Chairman of the Diamond Exchange's Legal Committee, currently Chairman of the Strategic Planning Committee and the International Relations Committee, as well as being a member of the Diamond Exchange's arbitrator team.

According to the report published by the Israel Supervisor on Diamonds in the Ministry of Industry and Trade, subject was ranked 3rd in the list of Israel's largest polished diamonds exporters in 2009, same as in 2008, 5th in 2007, 4th in 2006. In 2005 subject was ranked 5th, in 2004 – 6th and in 2003 – 5th.

In 2010 and 2011 subject refrained from being reported in the Israel Supervisor on Diamonds top exporters lists (which is up to the company to decide if they want to be included), though it is still considered as one of the largest diamond companies in Israel.

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In 1995, DALUMI ASHER DIAMONDS received the Outstanding Exporter Award from the Ministry of Industry & Trade, and in 2008 subject received the same award.

In March 2006 subject was awarded the Outstanding Exporter in the diamond sector from the Japan – Israel Chamber of Commerce. This is the second time within 5 years to be awarded.

Rafi Yerusahmi, son-in-law of Asher Dalumi, is a member of the board of the Diamond Exchange and vice-president of the Israeli Diamond Association.

In August 2006, it was reported that subject will open a polishing factory in Botswana, after several months earlier it gained a license through and jointly with DTC for manufacturing in the country. The plant, in the capital, is expected to employ 200 workers. It was reported that as of the beginning of 2007, subject is one of 3 Israeli diamond companies that received concessions for polishing rough diamonds in Botswana.

In January 2009 it was reported that subject is one of the creditors of "Christian Bernard" jewelry chain store which filed for bankruptcy (under Chapter 7) in the USA.

Subject is a member of the Council for Responsible Jewellery Practices (CRJP), which promotes responsible business practices in a transparent and accountable manner throughout the diamond industry.

In 2011 subject opened an office in Mumbai, India.

In 2012 subject received the "Exceptional Exporter Award" from the Israel-Asia Chamber of Commerce, in the field of diamond exports to Asia

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.

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.

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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 CFO, considered good for trade engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.55
UK Pound	1	INR 94.91
Euro	1	INR 84.44
ILS	1	INR 19.93

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

INFORMATION DETAILS

Analysis Done by :	NIY
Report Prepared by :	TRU

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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)