

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of October 2015

**ALON BLUE SQUARE ISRAEL LTD.**  
(translation of registrant's name into English)

Europark Yakum, France Building,  
Yakum 60972 Israel  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40 F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

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Alon Blue Square Israel Ltd. (NYSE: BSI) (the "Company") announced today, further to its announcement dated October 27, 2015, that Midroog Ltd. (an Israeli rating agency, a 51% subsidiary of Moody's ("Midroog")) has announced the downgrade of Series C debentures issued by the Company, from Ba2.il to B3.il, and leaving the rating under credit review with direction uncertain.

Attached to this Form 6-K is an unofficial English translation of the Midroog report, provided by Midroog, as well as a related Consent of Rating Agency.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

ALON BLUE SQUARE ISRAEL LTD.

October 28, 2015

By: /s/ Elli Levinson-Sela  
Elli Levinson-Sela, Adv.  
General Counsel and Corporate Secretary

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# Alon Blue Square Israel Ltd.

## Monitoring report 1 October 2015

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## Alon Blue Square Israel Ltd.

Bond Rating	B3.il	Credit review
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Midroog is downgrading the bond rating (Series C) of Alon Blue Square Israel Ltd. ("Alon Square" or the "Company" or the "Group") from Ba2.il to B3.il and is keeping the rating under review with direction uncertain.

Following is a breakdown of the bond series in circulation issued by the Company and rated by Midroog:

Bond Series	Security No.	Original Date of Issue	Fixed Annual Coupon	Linkage	Book Value of Bond Balance on June 30, 2015 (NIS M)	Remainder of Bond Repayment Years Bond principal
C	1121334	Oct. 2010	2.50%	CPI	385.0	2015-2022

### Key Rating Rationale

The rating downgrade is based on our assessment of credit default due to the expected failure to pay the principal and interest on the next maturity date. We expect that the Company will not pay the upcoming payment of principal and interest of the bonds (Series C) which is due on November 4, 2015 in the amount of NIS 53 million (of this amount, NIS 48 million is principal) since, in our estimate, the Company has no immediate sources to pay the debt on time and it is expected to request a deferment of the payment date until a "qualifying transaction" is consummated with the parent company Alon Israel Oil Company Ltd (see below) the proceeds of which will be used to repay the debt.

On October 25, 2015, the Company announced a transaction for the sale of the shares of Dor Alon Energy Israel (1988) Ltd. (Dor Alon) to the parent company Alon Israel Oil Company Ltd (the Parent company or Alon Oil) for NIS 50 million where the number of shares to be sold to the Parent company will derive from the average closing price of Dor Alon share in the seven days preceding the transaction closing date where as of this date, the Company estimates that such closing will take place on November 10, 2015 (Alon Oil transaction<sup>1</sup>). The Alon Oil transaction was approved by the boards of directors of the Company and the Parent company and it was purported to replace a short term loan of NIS 50 million that Alon Oil was supposed to extend to the Company under the reorganization arrangement in the subsidiary Mega Retail Ltd. (Mega).

<sup>1</sup> The description of the Alon Oil transaction is not brought fully in this report. For additional information regarding the transaction, we refer to the Company's report dated October 25, 2015.

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According to the Company's report, the consummation of the Alon Oil transaction by the Parent company requires an advance notice period of 14 days as the Parent company committed to its bondholders. Furthermore, the Company reported that the transaction does not require the approval of Blue Square shareholders' meeting unless a shareholder or a group of shareholders holding 1% or more of Blue Square shares will object to the transaction no later than 14 days from the report date regarding said transaction.

It should be indicated that according to "the outline of short-term payments until reaching long-term agreement" for which the Company made its report on October 25, 2015, the Company intends to "maintain the principle of equality among the financial creditors of the Company" and as a result, among other things, the Company also plans to repay liabilities to banks (in the principal amount of NIS 65.2 million according to said report of the Company) and for the purpose of repayment to the banks, it intends to take new loans against pledging the shares of Dor Alon.

In light of our assessment of credit default, we have implemented in determining the rating the methodology of "loss given default" (Loss Given Default).

The current rating reflects, as of this date, an expected loss to bondholders up to 5%, which is based on the following key assumptions: the Company's marketable asset value was estimated on the basis of market value sensitivity scenarios of assets close to the date of this report; the Company's liabilities, as of this date, is not materially different than those reported by the Company on July 23, 2015 (on the basis of the data as of June 30, 2015 cutoff date); Mega's continued operations as a going concern; the value of Mega's shares held by the Company was estimated as negligible (after the guarantees extended by the Company to Mega and Mega's debts that were assigned to the Company); and assuming that the seniority level of the bondholders is equal to that of the banks and other guaranteed parties of the Company (including Mega's loans that were assigned to the Company under the debt arrangement of Mega, excluding the debt of the Company to the subsidiary Blue Square Real Estate (BSRE) in the amount of NIS 50 million which is secured by BSRE shares with 200% coverage).

We stress that despite our above assessment regarding the expected loss and various assumptions taken for its calculation, we believe that there is a considerable degree of uncertainty about the rate of actual loss, if any, arising from the complex situation of Mega, whose some of its obligations are guaranteed by the Company and as to the expectation value of these liabilities given different scenarios regarding the financial and business condition of Mega. Thus, to the extent we assess that Mega may face liquidity difficulties, then the loss rate may be higher as per our assessment, and the rating may decline. In addition, a difference may result between the value of the Company's assets as was calculated herein and the price of future asset transactions at various market conditions and different negotiations terms. To the extent we assess that the value of the Company's assets is higher than the value that was used in determining the current rating (which is based on a sensitivity analysis to the current market price of the Company's marketable assets) we may assess that loss will be lower and increase the rating according to this assessment.

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We reiterate that the rating at this stage does not embody any specific proposal for reorganization of the Company's liabilities since we have no information regarding such proposal.

We leave the rating under review with direction uncertain and we will monitor the developments in the Company and examine the need for updating the loss estimate.

## **Rating Outlook**

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### **Factors that may improve the rating**

- Asset realizations in higher value for the Company's assets than the value we estimated
- Our estimate for a material improvement in the business position of Mega and/or its value

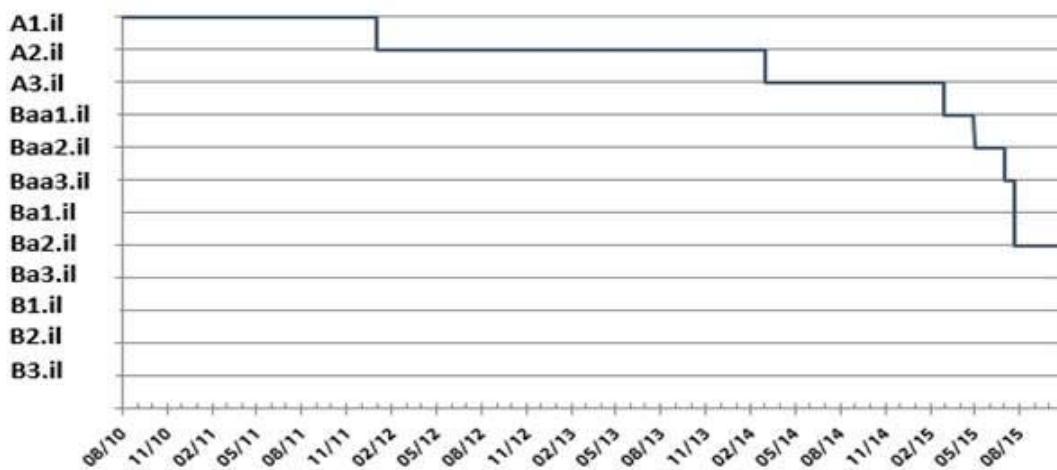
### **Factors that may lower the rating**

- Mega entering into any state of liquidation in the short term
- A material impairment in the value of the Company's assets
- Debt reorganization plan which may change the estimated loss for the bondholders
- Lending parties calling liabilities for immediate repayment

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## Rating History



## About the Company

Alon Blue Square is a public company listed on the Tel Aviv and New York stock exchanges. Alon Blue Square operates through four main subsidiaries: Mega Retail (100% holding), which concentrates the retail food business; BEE Retail (100%), which presently holds mainly about 77.5% of Na'aman Ltd. and 35% of Kfar Hasha'ashuim; Dor Alon (71.17%), which is engaged in marketing and selling fuel in Israel; Blue Square Real Estate (53.92%), which holds real estate properties, most of which are currently leased for the retail activity. The Company also has a 36.75% stake in Diners Club Israel Ltd. The company is held at a rate of 72.7% by Alon Israel Oil Company Ltd. which is a private holding company and owned by Bielsol Investments Ltd., (a private company controlled by Mr. Shraga Biran, in which Mr. David Weissman has a holding), and purchasing cooperative agencies belonging to kibbutzim. The chairman of the board is Mr. Avigdor Kaplan and the CEO is Mr. Israel Yaniv.

## Related Reports

[Alon Blue Square Israel Ltd., Monitoring Report, July 2015](#)

[Alon Blue Square Israel Ltd., Monitoring Report, July 2015](#)

[Alon Blue Square Israel Ltd., Monitoring Report, May 2015](#)

[Alon Blue Square Israel Ltd., Monitoring Report, March 2015](#)

The reports are published on Midroog's website: [www.midroog.co.il](http://www.midroog.co.il)

Date of the report: October 28, 2015

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## KEY FINANCIAL TERMS

<b>Interest</b>	Net financing expenses from Income Statement
<b>Cash Interest</b>	Financing expenses from income statement after adjustments for non-cash flow expenditures from statement of cash flows
<b>Operating profit (EBIT)</b>	Profit before tax, financing and onetime expenses/profits
<b>Operating profit before amortization (EBITA)</b>	EBIT + amortization of intangible assets.
<b>Operating profit before depreciation and amortization (EBITDA)</b>	EBIT + depreciation + amortization of intangible assets.
<b>Operating profit before depreciation, amortization and rent/leasing (EBITDAR)</b>	EBIT + depreciation + amortization of intangible assets + rent + operational leasing.
<b>Assets</b>	Company's total balance sheet assets.
<b>Debt</b>	Short term debt + current maturities of long-term loans + long-term debt + liabilities on operational leasing
<b>Net debt</b>	Debt - cash and cash equivalent – long-term investments
<b>Capitalization (CAP)</b>	Debt + total shareholders' equity (including minority interest) + long-term deferred taxes in balance sheet
<b>Capital investments</b> <b>Capital Expenditures (CAPEX)</b>	Gross investments in equipment, machinery and intangible assets
<b>Funds From Operations (FFO)*</b>	Cash flow from operations before changes in working capital and before changes in other asset and liabilities
<b>Cash Flow from Current Operations (CFO)*</b>	Cash flow from operating activity according to consolidated cash flow statements
<b>Retained Cash Flow (RCF)*</b>	Funds from operations (FFO) less dividend paid to shareholders
<b>Free Cash Flow (FCF)*</b>	Cash flow from operating activity (CFO) - CAPEX - dividends

\* It should be noted that in IFRS reports, interest payments and receipts, tax and dividends from investees will be included in the calculation of the operating cash flows, even if they are not entered in cash flow from operating activity.

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## Local Long-Term Rating Scale

<b>Aaa.il</b>	Issuers or issues rated Aaa.il are those that Midroog judges to have superior creditworthiness relative to other local issuers.
<b>Aa.il</b>	Issuers or issues rated Aa.il are those that Midroog judges to have very strong creditworthiness relative to other local issuers.
<b>A.il</b>	Issuers or issues rated A.il are those that Midroog judges to have relatively high creditworthiness relative to other local issuers.
<b>Baa.il</b>	Issuers or issues rated Baa.il are those that Midroog judges to have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
<b>Ba.il</b>	Issuers or issues rated Ba.il are those that Midroog judges to have relatively weak creditworthiness relative to other local issuers, and involve speculative elements.
<b>B.il</b>	Issuers or issues rated B.il are those that Midroog judges to have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative elements.
<b>Caa.il</b>	Issuers or issues rated Caa.il are those that Midroog judges to have extremely weak creditworthiness relative to other local issuers and are very near default, and involve very significant speculative elements.
<b>Ca.il</b>	Issuers or issues rated Ca.il are those that Midroog judges to have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
<b>C.il</b>	Issuers or issues rated C are those that Midroog judges to have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters. Additionally, a (hyb) modifier is added to all ratings of hybrid securities issued by banks and insurers. By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which could potentially result in impaired debt<sup>2</sup> if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal. A long-term rating with a (hyb) modifier reflects the relative credit risk associated with that obligation.

<sup>2</sup> For the definition of impaired debt you are welcome to view the rating scales booklet and the rating definitions in Midroog website



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Midroog, its directors, its officers, its employees and/or anybody on its behalf involved in the rating shall not be held responsible under law, unless their responsibility towards a specific person and/or entity is explicitly determined under law, for any damage and/or loss, financial or other, direct, indirect, special, consequential, associated or related, incurred in any way or in connection with the Information or a rating or a rating process, including not issuing a rating, including if they were advised in advance of the possibility of damage or a loss as said above, including but not confined to (a) any loss of profit in present or future, including the loss of other investments opportunities; (b) any loss or damage caused consequential to holding, acquisition and/or selling of a financial instrument, whether it is a subject of a rating issued by Midroog or not; (c) any loss or damage caused consequential to the relevant financial asset, that was caused, *inter alia* and not exclusively, as a result of or in respect to negligence (except for fraud, a malicious action or an action for which the law does not permit exemption from responsibility) by directors, officers, employees and/or anybody acting on Midroog's behalf, whether by action or omission.

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Midroog hereby declares that most of the issuers of financial assets that it rates, or entities for whose issue a rating was conducted, undertook to pay Midroog for the rating prior to the rating process. Midroog maintains policy and procedures in respect to the independence of the rating and the rating processes.

Midroog is a subsidiary of Moody's (hereinafter: Moody's), which owns 51% of Midroog's shares. However, Midroog's rating processes are independent and separate from Moody's and are not subject to approval by Moody's. Midroog has its own policies and procedures and its rating committee is independent in its discretion and decisions.

A rating issued by Midroog reflects Midroog's opinion on the date it had been issued, and it can change as a result of the information it was based on, and/or as a result of receiving new information and/or any other reason. Updates and/or changes of ratings are presented in Midroog's website: [www.midroog.co.il](http://www.midroog.co.il), where additional information on Midroog's Policies and Procedures and/or the operation of its rating committee can be found.

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## CONSENT OF RATING AGENCY

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-149175) of Alon Blue Square Israel Ltd. ("the Company") of the reference to our B3.il rating for the Series C bonds issued by the Company and keeping the rating under review with direction uncertain, and of the unofficial translation of our Monitoring Report dated October 2015 with respect to the foregoing, included in this Current Report on Form 6-K.

/s/ Eran Heimer  
Eran Heimer, CEO  
Midroog Ltd.

Tel-Aviv, Israel,  
October 28, 2015.

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