

From: Supply Chain Solutions

To: Credit Committee

Date: November 15th 2012

Re: Buyer Financing Program-GSB Flood for Siam Kubota Corporation Co., Ltd. ("SKC")



การประชุมครั้งที่ 89/2556

1. Background

Buyer financing program is one of Supply Chain Solutions which the program offers O/D facility to a buyer of sponsors. The facility is controlled to pay sponsor via electronic platform, no cheque book is allowed. The facility is 100% covered and secured by TCG's guarantee. Current Buyer Financing Program's sponsors include SCCC, LG, PTT and Auto dealer (Toyota, Honda, Isuzu and Mitsubishi). Credit Committee has approved Buyer Financing Program to use GSB and TCG flood program.

Reference

1. Resolution of credit committee approval No.61/2012 dated 14 August 2012: Approval framework of buyer financing facility for Siam Kubota Corporation.
2. Resolution of credit committee approval No 79/2012 dated 15 October 2012: Approval framework of buyer financing facility for Siam Kubota Corporation. (Inventory control)
3. Resolution of credit committee approval No.79/2012 dated 15 October 2012: Auto Dealers-Buyer Financing Program for Toyota, Honda and ISUZU

2. Purpose of the request

- To approve Buyer Financing Program – GSB Flood for Siam Kubota Corporations
- To approve DOA of Buyer Financing Program-GSB Flood for Siam Kubota Corporations

3. Proposal and Rational

- The proposal is to provide dealers of Siam Kubota Corporations to use Buyer Financing Program with GSB and TCG Flood program. The dealers were impacted directly and indirectly as Siam Kubota Corporations could not deliver vehicles to them during flood. (Evidence shown in Siam Kubota Corporation Audited financial statement)
- The program will be co-worked with Siam Kubota Leasing (SKL) agrees to directly remit payment to dealer's account at the bank to settle O/D outstanding under the program



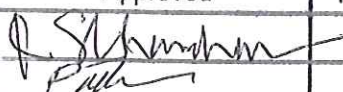
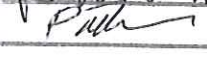
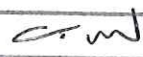
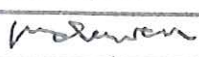
๖๖ Buyer Financing Program - GSB Flood for Siam
Kubota Corporation Co. Ltd.

มติที่ประชุมคณะกรรมการพิจารณาซื้อ

ครั้งที่ ๘๗ / ๒๕๕๕

๐๙ พฤศจิกายน ๒๕๕๕

Date of Meeting..... 19 NOV 2012

Committees	Signature	
	Approved	Rejected
1.CRO		
2.HCOB		
3.HSME		
4.Mr.Nuttawit		
5.Miss Maleewan		

Comments:

เรียน ผ. (๑๙ พฤศจิกายน ๒๕๕๕)

เพื่อพิจารณาและดำเนินการต่อไป



นายกรวิการ์ พุทธิงกูณ

รศ.ดร.วิมล

(นายคณฤช จันทาโก)

เลขาธิการ

คณะกรรมการพิจารณาซื้อ

4. Detail of Program:

4.1 Facility and Limit

Type: Overdraft (OD)

Maximum Limit: THB 30 M per customer

Set up Limit: Total sales \geq 200 MB / year : Limit 30 MB per customer.

Total sales $<$ 200 MB / year: Calculate limit =

Average purchase volume per month x credit term (max 2 months)
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4.2 Inventory Control

Check by Krungsri's Operations team on quarterly basis. (existing condition)

4.3 Collateral

4.3.1 TCG (SBCG): TCG Flood Program is required for all customers participating in this program. Loss coverage of TCG Flood Program is 30% and guarantees up to 7 years

- Customer can cancel line after year 3 without prepayment fee. (no continue use TCG on 4th year)
- Customer has to sign agreement to allow Bank to deduct annual TCG fee from their OD Account.

4.3.2 Personal Guarantor: Owner or director or share holder at least 1 person(not more than 2 persons). This is subjected to CM discretion to pick to guarantor / guarantors.

4.4 Interest Rate: : 1st – 3rd Year : 3.0% p.a.
: 4th Year onward: Min. MOR – 2.0% p.a.

4.4.3 Fee:

Management Fee: Up to 1.0% p.a. (can be waived by Head of SME Banking)

TCG (SBCG) Fee: Exempted for first 3 years (till Dec 2015), thereafter at 1.75% p.a.

Front-End Fee: None

Cancellation Fee: None

Prepayment Penalty Fee: None

Service Fee: None



4.5 Dealers Selection Criteria : Risk Acceptance Parameters

A. Financial Criteria:	<ul style="list-style-type: none"> a) Positive Networth b) Profit 2 years in the latest 3 years c) Years in business ≥ 3 years d) $D/E \leq 3.0 \times$ e) Inventory at approve date \geq request limit f) Siam Kubota Leasing : Leasing volume $\geq 60\%$ of total sales/year
B. Credit Criteria: (as per Normal Buyer Financing Program)	<ul style="list-style-type: none"> a) Not in blacklist (applicable to the juristic entity and the owners) b) Not in negative list / Blacklist c) Pass bankruptcy check, legal and fraud check: <ul style="list-style-type: none"> - Not have an account status 020, 030, 031, 032, 033, 040 - Never SM in the last 12 months - Max 2 times SM in the last 24 months - Never NPL in last 24 months - No OD over limit for >30 days consecutively - No claims against LG / LC / AVAL's - Credit Rating not worse than rating 6 d) Not in banks watch list e) Not existing TDR with BAY f) Personal Guarantee of the owner or collateral if MNC
C. Additional Parameters for TCG (SBCG):	<ul style="list-style-type: none"> - Individual or Juristic person with Thai nationality - Fixed asset (excluding land) not over 200 MB

4.6 Credit Application : Short Form, same as Buyer Financing Program up to 30 MB

4.7 Condition : Siam Kubota Corporation (SKC) , Siam Kubota leasing (SKL) sign MOU with BAY

Main Term and condition of MOU

- ☐ Kubota must provide monthly report details :
 1. Purchasing volume from Siam kubota Corporation
 2. Report stock from Siam kubota Corporation
 3. Approved leasing amount from Siam Kubota Leasing
- ☐ If buyer defaults with BAY, Kubota will assist in obtaining buyer payment, including temporarily suspending the shipment of goods to buyer.
- ☐ Kubota immediately inform to Bank before terminate business relationship with buyer. Kubota / Bank give a written notice at least 3 months before terminate MOU



4.7 Monitoring

- OD movement report as per other Buyer Financing Program
- Inventory control : (process checking inventory on page 7)

	Report from	Frequency
Check Inventory	1. SKC and	Monthly report , deliver every 3 months
	2. Check by Krungsri's Operations	Every 3 months
Credit checking.	NCB	Every 6 months
purchasing volume	SKC	Monthly report , deliver every 3 months
Approved leasing amount	SKL	Monthly report , deliver every 3 months

If reports and NCB show poorer performance/ balance sheet , CM can reduce the limit which is in discretion EVP SME Credit Risk Division.

4.8 Delegation of Authority (DOA): is the Same DOA to approve Auto Dealers – Buyer Financing Program for Toyota, Honda and ISUZU (Reference: 3. Resolution of credit committee approval No.79/2012 dated 15 October 2012: Auto Dealers-Buyer Financing Program for Toyota, Honda and ISUZU)

Your approval is highly appreciate

Proposed By:

Agreed by:



(Songpart Hemchan)

Vice President

Supply Chain Solutions



(Yuke Sutarat)

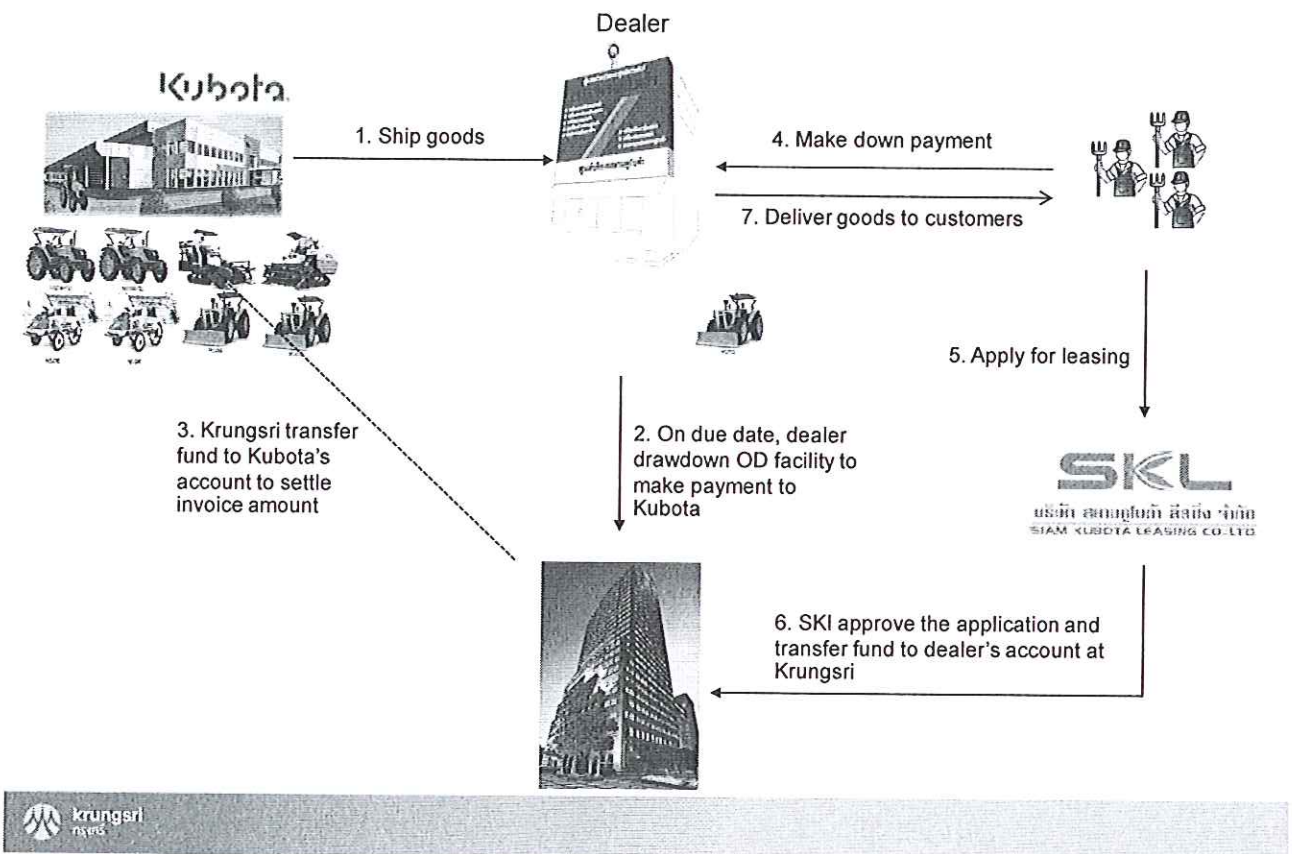
Executive Vice President

SME Credit Risk Division

Contact person: Songpart # 3754



Transaction Flow



Key Risk and Mitigations

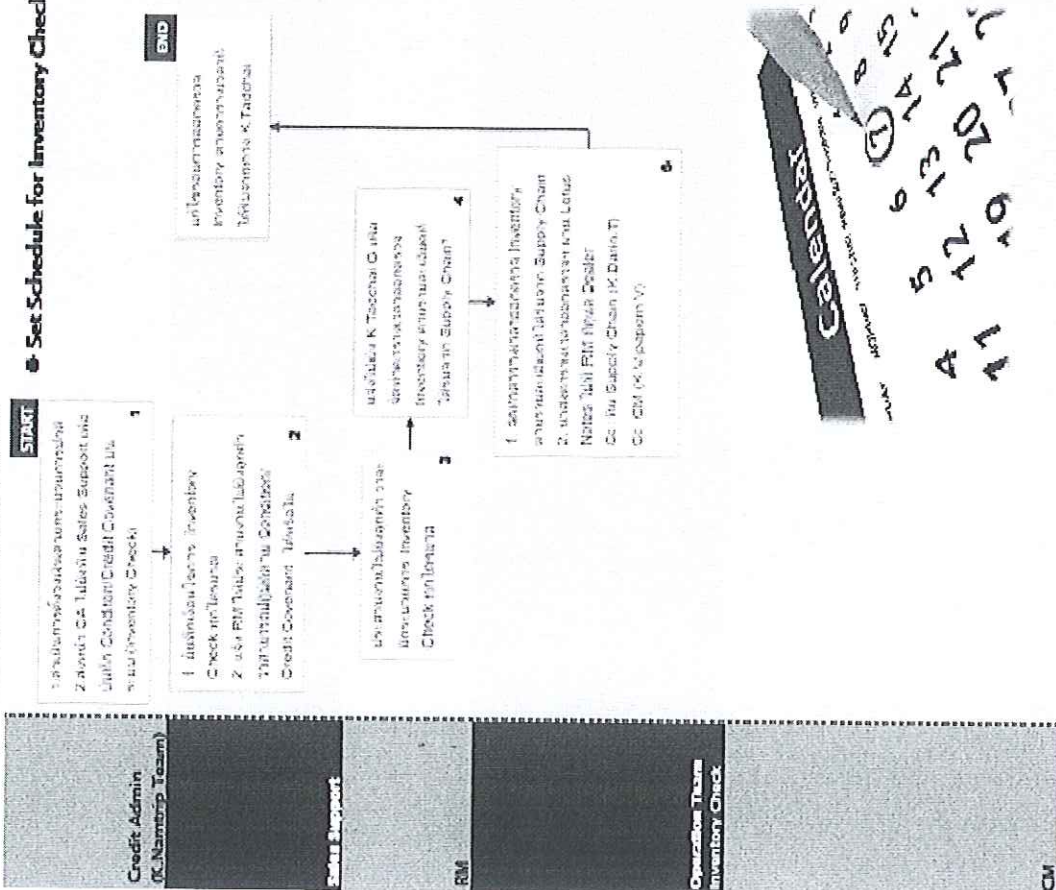
Risk	Mitigations
Credit Risk	<ul style="list-style-type: none"> All funds must be paid to the SKC by bank which is reducing the risk of diversion of funds SKL agrees to directly remit payment to dealer's account at the bank to settle O/D outstanding under the program All Credit limit of customers who participating in this program, covered by Thai Credit Guarantee Corporation (TCG) – Flood program. Loss coverage of TCG Flood Program is 30% and guarantees up to 7years
Performance Risk	<ul style="list-style-type: none"> Based on past experience, these 79 executive dealers have 20 – 30 years relationship with SKC and all of them are grade A dealers selected from 263 diesel engine dealers. Responsible RM to perform stock checking against sale report provided by SKC on quarterly basis.

Risk	Mitigations
<p>Demand Risk</p> <ul style="list-style-type: none"> - Weather condition & diseases has direct impact on crops and demand for tractors - Unstable income of farmers impede farmers' ability to afford Kubota's products 	<ul style="list-style-type: none"> • SKC products e.g. tractor are considered as the necessity products as it is revenue generator for the farmers • Impact of weather condition might delay the demand for SKC's product, nevertheless demand for such product, especially tractors remain exist given low adoption rate of tractors in Thailand • Leasing service with flexible payment scheme from SKL enable farmers to afford SKC's product, thus spurring demand for such products • Support from SKC in terms of extended credit term served as cushion and significant funding source for dealers with large stock piling up
<p>Competition Risk</p>	<ul style="list-style-type: none"> • SKC is the largest distributor of agricultural machinery in Thailand. It has 80% market share. Japanese's Yanmar and US's John Deere trail behind, each with market share of 10% • Each dealer has own customer base in its coverage area due to its familiarity and network in the area • SKC's policy to discourage sales across area help lower level of competition among the dealers

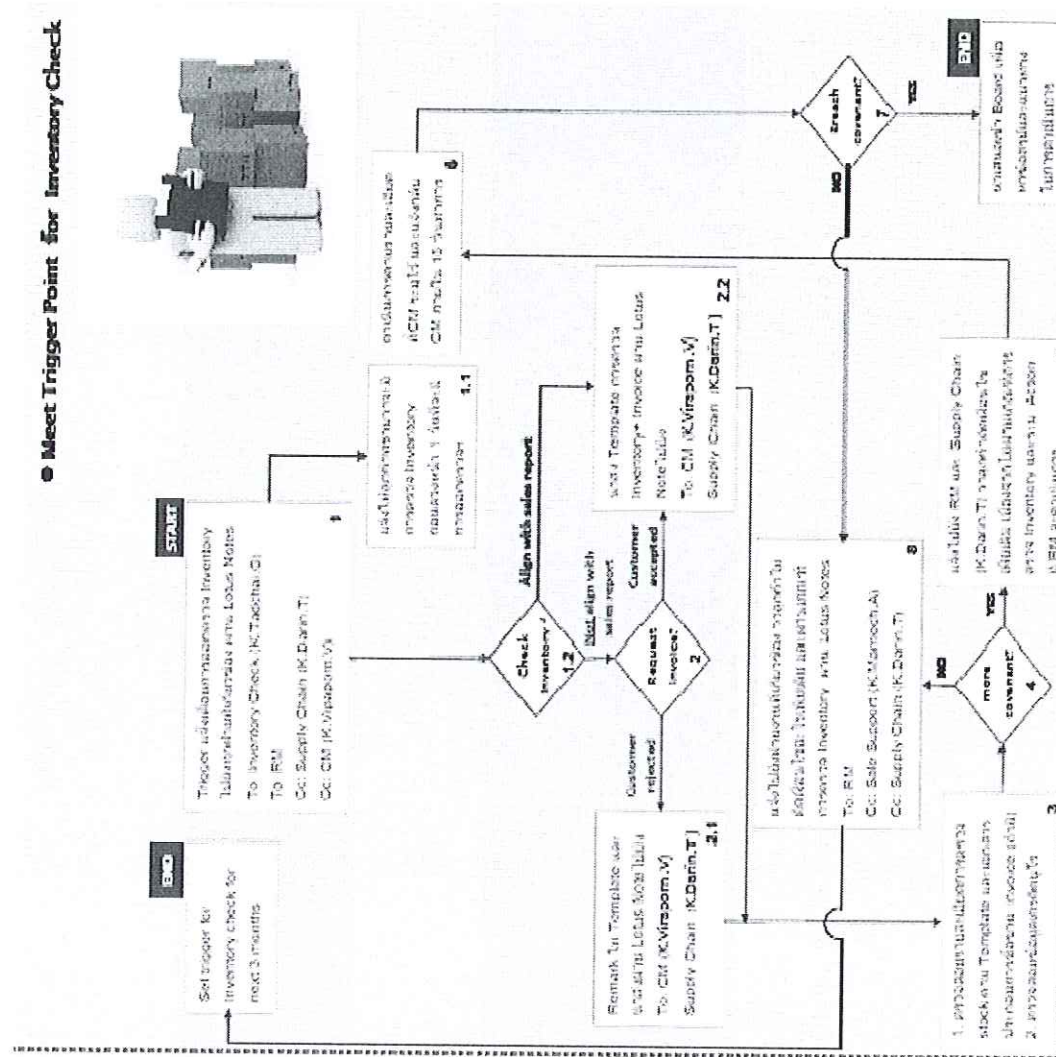




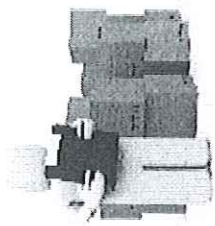
Workflow process of Inventory Check



Set Schedule for Inventory Check



● Meet Trigger Point for Inventory Check



Remark

¹ The Supply Chain Link Sales Volume Research Institute.

^c Inventory check by quarterly