

ធនាគារ អេស ប៊ី ឥណ្ឌូចីណា
RHB Indochina Bank

Credit Evaluation – Loans and Credit Administration							
Date	:	07/07/2017			Branch	:	KTU
From	:	Credit Evaluation – Loans and Credit Administration					
To	:	Head, International Credit, GCSO & Head, Corporate Banking					
1.0 Borrower Information							
Borrower:	1	Phsar Big A Co., Ltd			Nature of business/ Employment	1	Importer of sugar/MSG
	2					2	
	3						
Guarantor:	1	Mr. Chan Vay			Borrowing R's ship since:	New	
	2	Mdm Chan Sarun					
	3						
CRR Grade	4						
2.0 Term Sheet							
New/ Additional	Facility	Existing Limit (USD)	+/-	Proposed Limit (USD)	O/S balance	Tenure	Interest rate ECOF = 5.50% p.a.
New	OD	/	+6,400K	6,400K	-	1 year	ECOF + 2.50% subject to min 8.00%
Total		/	+6,400K	6,400K			
Fees	Processing fee	:	1% on approved limit				
	Prepayment fee	:	To be waived				
	Renewal fee	:	To be waived				
	Commitment fee	:	1% on unutilized limit				
Loan Purpose:	- To refinance from Kookmin Bank and additional for working capital.						
Request/ Deviation:	- To seek approval for waiver of prepayment fee on partially/fully settled amount. - To seek approval for waiver of renewal fee						

3.0 Comment by Credit Evaluation:	
1.	The company is a single member private limited company officially registered with MoC on Sep 2007 with paid up capital of USD25K wholly owned by Mr.Chan Vay who is the founder while the business is now manage by her daughter Mdm Chan Sarun. Noted that Mr.Chan Vay is in advance age i.e. 78 years old as while the operations is handled by the daughter Mdm Sarun. The principal business is importer of MSG under brand name "Spoon" and Thailand white sugar to local distributors. As reported by LU, they are one of the largest Importer for sugar & MSG from Thailand.
2.	The existing facility with Kookmin Bank is separated to TL1 & TL2. TL1 of USD2.5M is interest servicing only with 6 months maturity with roll over option while TL2 of USD300K is the same structure with longer roll over period of 3 years. Both loans were with interest rate of 7.25%. Borrower is willing



- to move the account to us if we are able to provide in OD instead of renewal of the facilities with Kookmin every 6 months & 3 months respectively despite our interest rate is higher. Both facilities is only 7 months old with Kookmin while repayment has been problem free.
3. The borrower also has another working capital line with MBB totaling USD9M (USD1M OD & USD8M revolving credit line) with good conduct since Feb 2016 where the facility was acquired from ANZ as per LOO furnished.
 4. In total, borrower's working capital requirement inclusive of this new proposal stands at USD15.4 where the working capital requirement is still justifiable based on 2017 projected financials.
 5. Comment on financials:-
 - i. The reported revenue of USD94.4M for 2016 can be justified via average monthly deposit of USD4M and also sales invoices furnished for the last 2 months of USD4.9M & USD4.3M purchase order which could justify the reported revenue of USD9.4M.
 - ii. With the large sales transaction, borrower's A/R is reportedly maintained manually where they keep track of their A/R via all unpaid invoices. There is no aging list despite sales volume up to USD9M per month while borrower's customers are mainly large wholesaler & supermarket chains in Phnom Penh. The deposit is mainly maintained with MBB where they conducted their purchases and also their main banker with USD9M credit line.
 - iii. The reported profit margin of around 4.7% is well within the acceptable range for wholesale importers. The average EBIT of USD439K provides strong DSR of 2.77x where under sensitized scenario with a reduced profit by 30%, DSR is still acceptable at 1.94x
 - iv. There is no balance sheet maintained by the customer as the company has no assets as all are registered under owner and her daughter's name which is common practice for private businesses in Cambodia. There is no information to gauge on their gearing or current ratio while the loans are secured by fixed assets with us.
 6. There's also no formal industry information for sugar & MSG imports and trading while the information gathered is from informal source while noted that competition is mild in this sector as the business requires high capital to operate and need to have large scale to support the market share and pricing competitiveness where borrower has been operating for more than 10 years. The business reputation and market standing can be trusted.
 7. The security coverage is minimal at 1.01x (ascribed value) secured by vacant land, residential house and their warehouse in Phnom Penh. Other than P2 which is a vacant land, the other 2 collateral is well located within Phnom Penh commercial/industrial area. However, CED opined that the security coverage should maintained at 1.10x since Kookmin Bank's facility is only USD2.8M where we are granting more than 2x the limit granted by Kookmin Bank but we are also aware that borrower has similarly applied with Philip Bank of USD7.0M for the same purpose.
 8. Key Issue:-
 - i. Large trading firm with no proper aging list to gauge the concentration risk.
 - ii. Borrower requested all facility in OD where our exposure will not be reduced with no cushion in case there are deterioration in security value with minimal security coverage of 1.01x. The facility should be part TL part OD to have gradual reduction of our exposure.

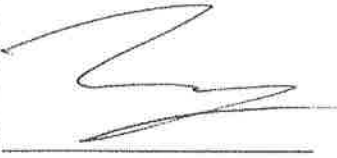
4.0

Recommendation by Credit Evaluation

1. I would concur on branch's recommendation for Management's approval subject to:-
 - i. Lower Limit at USD6.0M (TL at USD2.8M to refinance from Kookmin with loan tenor of 8 years and OD at USD4.2M) *3.2 million*
 - ii. Prepayment fee of 1% to apply to all facilities above (discretionary waiver subject to approval from GCSO).

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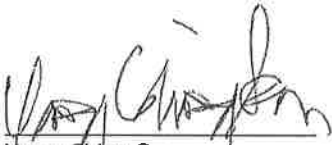
Concurred by:



Tang Siew Hon
Senior Manager
Date: 07/7/2017

Concurred by:


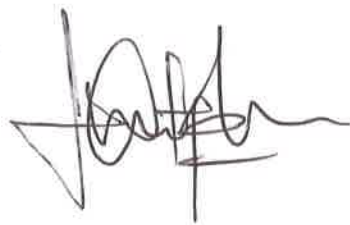

As discussed and recommended by
CED



Yong Ching San
Head, Credit Management
Date: 12/7/17

1. Ideally the working capital line should be on structured basis similar to Maybank i.e. Invoicing Financing where utilization is against invoices. This way, the Bank would have certain degree of control over the fund utilization compare to straight cashline products (OD/TL). However, we were informed that currently RHBIBL does not have the infrastructure to support the product. Going forward, RHBIBL should introduce trade products to be more competitive in the market.
2. Our security position is significantly inferior because we are granting 2.3x of Kookmin's current approved limit. However total WC line of USD15.4 (including this proposal) is justified. We also acknowledge that we are competing with other banks to secure the business.
3. The projected DSR for 2017 is satisfactory at 3.4x. Conduct of accounts with Maybank and Kookmin Bank are satisfactory albeit with occasional delays.

Support CED's recommendation for lower amount of USD6.0 million.

<p>Jointly Approved / Declined</p>  <p>Husnuddin Abdul Mokti Head, International Credit Date: 14/7</p>	 <p>Christopher Loh Group Chief Strategy Officer Date: 17/7</p>	 <p>Ms. Wendy Ting Head, Group Corporate Banking Date: 17/7</p>
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- Prepayment fee of 1% to be levied on all facilities
- renewal fee can be waived if it is a death case.

