

Credit Evaluation – Loans and Credit Administration							
Date	:	17/07/2015			Branch	:	City Mall Olympic
From	:	Credit Evaluation – Loans and Credit Administration					
To	:	Head of Credit Management & Branch Manager					
1.0 Borrower Information							
Borrower:	1	Mr. Chea Makara			Nature of business/ Employment	1	Finance Manager
	2	Mdm. Sourkea Naly				2	Motor Washing & Lubricant wholesale and retail
Guarantor:	1				Borrowing R's ship since:	New	
	2						
CRR Grade	3						
2.0 Term Sheet							
New/ Additional	Facility	Existing Limit (USD)	Proposed Limit (USD)	O/S balance	Tenure	Interest rate ECOF = 5.25% p.a.	
New	TL	-	80,000	-	10 years	ECOF + 4.75% p.a on monthly rest subject to min 10% p.a.	
Total		-	80,000	-			
Fees	Processing fee	:	1% on the approved limit				
	Prepayment fee	:	1 st to 5 th year: 3% on prepayment amount if the facility is fully/partially settled before expire date. 6 th to 10 th year: 1% on prepayment amount if the facility is fully/partially settled before expire date.				
	Renewal fee	:	-				
	Commitment fee	:	-				
Loan Purpose:	- To part finance purchase land.						
Request/ Deviation:	- N/A						

3.0 Comment by Credit Evaluation:	
<p>1. Mr. Chea Makara and Mdm. Sourkea Naly are husband and wife; currently both of them are working at VHK Business Group Co., Ltd. Moreover, Mr. Chea Makara also own the business of motor washing and lubricant wholesale and retail named "Rally" since year 2006 with average monthly income of USD4.3K. It is located at No.J311, St.271, Sangkat Tamnub Teuk, Khan Chamkamorn, Phnom Penh.</p> <p>2. The applicant used to granted loan facility with RHBIBL at amount of USD23K since July 2013 and closed at April 2015, moreover; the repayment were promptly paid.</p>	

Borrowers: Chea Makara & Sourkea Naly
CA No: RHBIBL/0002/2015/0028


3. To be noted, their supplier VHK business group is also a related company and Mdm. Soukea is also existing RHBIBL customer as guarantor for related borrowing under SHPP trading co., Ltd. The business is in trading of adhesive products from Vietnam. The facility has been promptly paid thus far.
4. Based on CBC report dated July 2015, the applicants have no borrowing with other FI.
5. The collateral is a vacant land located in Lot No.451, Phum Dey Thmey, Sangkat Phnom Penh Thmey, Khan Russey Keo, Phnom Penh. The location of collateral is a residential area of which is developing. The indicated value by ARC is USD176,000 and MOA of 45.45%. The purchase land will be constructed with a villa in the future for own occupation. IBL will be financing 41% of SPA price of USD195K of 45.45% as per OMV.
6. Borrowers have an average EBIT as of 2014 at USD5,264 and average EBIT as of Jan-June 2015 was at USD4,331 provided DSR 4.09x. If he exclude their business income and consider salary income of USD1,750, DSR will be at 1.65x.

4.0

Concurred by Credit Evaluation

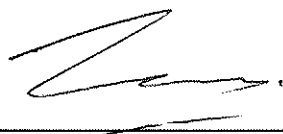
I would concur for management approval.

Prepared by:



Phlong Sambath
Senior Executive
Date: 23/07/2015

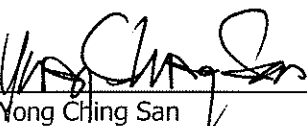
Concurred by:



Tang Siw Hon
Senior Manager
Date: 23/07/2015

Approved by:

*We should take the residential house instead
 branch to revert.*



Yong Ching San
Head of Credit Management
Date:

CA No: RHBIBL/0002/2015/00028

BORROWER :			GROUP NAME:		
Mr. Chea Makara and Mdm. Sourkea Naly			SHPP Trading Co., Ltd.		
Credit Grade	Security Coverage (%)	Borrowing Relationship Since:	Credit Grade	Security Coverage (%)	Exposure
3	220%	11/07/2013	3	318.36%	USD63,363.65
Self-Employed / Employed	Finance Manager/ Motor Washing and Lubricant wholesaler & Retailer			Industry: Wholesale & Retail sell	
Borrower's KYC Level	Low		Related/Connected Party : Yes/ <u>No</u>		

Branch :	City Mall Olympic	Date : 17 July 2015		
To:	BM & Head of Credit management			From: City Mall Olympic
Request	To seek approval for: (i) New Term Loan of USD80,000 for purchase land			Product Code: N/A
Facility Type	Current limit (USD)	Proposed Limit (USD)	O/S	Pricing (Currently ECOF@5.25%)
Term Loan ("TL")	0.00	80,000.00	0.00	ECOF + 4.75% p.a. on monthly rest subject to min 10%p.a.
Total	0.00	80,000.00	0.00	

1.0 Purpose		
Term Loan	: Part finance on purchase of land	
2.0 New Conditions Precedent and Other Terms & Conditions.	Complied	
2.1 Acceptance of Letter of Offer	New	
2.2 Payment of processing fee USD800.00	New	
2.3 <u>Release of facilities subject to:-</u>	New	
1. Compliance of Terms under Condition Precedent. 2. Completion of relevant security documentation. All loan/security documents which are required herein and/or such other documents as may be required by the Bank and/or its solicitors shall have been executed by the Borrower and/or the relevant security parties, registration fee duly paid and registered at such registries as the Bank may deem necessary. 3. To submit a formal VR which value is not less than USD176,000 from our panel valuer		176,000

3.0 Security	Ascribed Value (USD)
3.1 Facility Agreement for USD80,000 as principal instrument.	
3.2 Hypothec Agreement as subsidiary instrument.	
3.3 1st Ranking Hypothecator (1st Party Legal Charge) in favour of RHB Indochina Bank Limited over the following property:	

Title Details				USD176,000 (OMV)
A parcel of land held under title deed No. 12070508-0451 issued on 27 December 2007 by Phnom Penh Department of Land Management Urban Planning and Construction.				
Tenure	Freehold			
Land Use	Residential			
Land Condition	N/A	Build-up Area	: N/A	
		Land Area	: 549sqm	
Registered Owner / Relationship	To be transferred under name Mr. Chea Makara and Mdm. Sourkea Naly (Husband and Wife)			
Occupant	Occupied as Residence			
Restriction in Interest/	No			
Encumbrances	No			
Formal Valuation By	To be issued by KRE		Date: N/A	
OMV	Cross Check with "KRE" on 29 June 2015 with Mrs. Bin Beakna, Valuation Manager Land: 549sqm x USD330/sqm: USD181,000 Total: USD181,000		FSV : N/A	
Cross Check	"ARC" on 30 July 2015 with Mr. Vanda, Valuation Officer Land: 549sqm x USD320/sqm: USD176,000 Total: USD176,000			
Comment on the valuation	We still adopt the formal VR of ARC since it is lower and reasonable.			
Marketability Factor of the property and "as is basis"	The property is about 300m from New World Housing Developer and it is a medium density of residential area and surrounding by residential development projects.			
Insurance By:	To be insured by panel insurer		Expiry	
Mortgagee Clause	Yes			
Address of Property	Phum Dey Thmey, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh			
Cross Charge (if applicable)	No.			
OR				
4.0 Other Security	Ascribed Value (USD)			
4.1	1 st Party / 3 rd Party Memorandum of Deposit of Fixed Deposit and Letter of Set-Off (Depositors : _____ Amount: _____) (N/A)			
4.2	Personal Guarantee for _____ by Mr. _____ (ID Card No. _____) and Mdm. _____ (ID Card No. _____) (N/A)			
4.3	Corporate Guarantee (where applicable) for \$xxxxx by (Guarantor's name / Business Registration No.) (N/A)			

5.0 Terms and Conditions			
5.1	Term Loan ("TL") USD80,000	Purpose	: To partial purchase of land
		Tenor	: 10 years
		Interest Rate	: ECOF (currently at 5.25%) + 4.75 % p.a. on monthly rest subject to min 10%p.a.
		Repayment	: 120 monthly installments of USD1,057.21 each commencing one month after full Release of loan.
		Processing fee	: 1% on the total approved limit (USD800)

Prepayment

: 1st to 5th year: 3% on prepayment amount if the facility is fully/partially settled before expire date.
 6th to 10th year: 1% on prepayment amount if the facility is fully/partially settled before expire date.

5.2 Valuation Report**(To be submitted upon loan approval)****5.3 Additional terms and conditions (N/A)***(Note : For review/enhancement, insert new/additional proposed terms and conditions, if any)*

For existing loans, are previous conditions been complied with? **(N/A)**
 (Explain if 'No')

☐

Yes

☐

No

6.0 Background Profile**6.1 Applicant and Joint Applicant's Information**

Applicant : Mr. Chea Makara **Date of Birth:** 07-01-1983 **ID/Passport No.:** 010381008
Joint Applicant : Mdm. Sourkea Naly **Date of Birth:** 20-12-1983 **ID/Passport No.:** 010231399
Business Type : Deputy Directing Manager/Finance Manager/ Motor Washing and Adhesive and Lubricant Distributor.
Biz. Address : No. J311, St.271, Sangkat Tamnub Teuk, Khan Chamkamorn, Phnom Penh.
Address : No.164Eo, St.369, Sangkat Chbar Ampov 2, Khan Meanchey, Phnom Penh.
Relationship : Husband and wife. **Since** : Nil
Telephone No. : 012983888 & 012929119

6.2 Business Background**6.2.1 Business Industry**

Ministry of Commerce officials maintained that low import taxes and increased demand from consumers were the causes behind the 45.26 increase in vehicle imports in the first half of 2012 compared to the same period last year.

The data showed 486,827 vehicles, of all makes and models, were imported during the first six months of the year compared to 335,131 vehicles during the first six months of 2011; the value of the imports increased from US\$179.45 million to \$239.20 million.

Kong Putheara, director of the Department of Statistics and Information at the Ministry of Commerce, said Cambodia's economic growth and tax deductions led to an increase in vehicle imports. "The government decided to make the tax lower than that of Vietnam, so people with a decent income are able to afford a car."

Cambodia imports vehicles from Thailand, the United States, Germany, the United Arab Emirates, Taiwan and Singapore, though most Cambodians like vehicles from the US and Germany, according to Kong Putheara.

6.2.2 Business & Borrowers Information**(i) Borrower Background**

Mr. Chea Makara (aged 32) and Mdm. Sourkea Naly (aged 32) are related as husband and wife. They have current address at No.164Eo, St.369, Sangkat Chbar Ampov 2, Khan Meanchey, Phnom Penh.

Mdm. Sourkea Naly works at VHK Business Group Co., Ltd. She was entitled as a job description of Finance Manager with monthly salary of USD850.

Mr. Chea Makara is the owner of Rally Shop and he has invested his own resources into the family business as a "Rally" since year 2006 and he has operated it by supporting from 7 workers including 4 motor washing workers

and 3 sale staffs. The "Rally" is located at No. J311, St.271, Sangkat Tamnub Teuk, Khan Chamkamorn, Phnom Penh.

The Rally is in the good location where it is nearby Sovanna Shopping Mall under the rental agreement with Mr. Chea Makara as "Lessor" and Mdm. Teng San as "Lessee". The both parties entered into a three-year term of rental agreement with effective date from 09 Mar 2013 to 09 Mar 2016 while the monthly rental price is equivalent to sum of USD650 for the first year and will be increased to USD700 from the second year onward while the contract was just renewal.

"Leased contract is attached for reference"

Currently, Mr. Chea Makara also works at VHK Business Group Co., Ltd as a Deputy Managing Director with monthly salary of USD900.

(ii) Customer and Product

During our discussion with borrowers, they advised that they offer motor washing and engine oils change service with the following price.

No-	Description	Charge (USD)
1	Motor Washing	0.75
2	Engine oils change (Motor)	4.5

Note: engine oil price is variable upon the brand.

A part from motor washing service, Rally also wholesale & retail all kinds of lubricants, i.e. Valvoline Brand. Rally, however, can do the better service by not risking selling fake product rather than damage reputation and they have sale staffs to sell the products in door to door surrounding Phnom Penh City such as:

No.	Customer Name	Location
1	Cheng Ly	Doun Penh
2	Vannak	Phsar Doerm Thcov
3	Thon Kaya	Toul Svay Prey I
4	Cheang Thon	Phsar Kabkor
5	Cheang Ouk	Chak Angre Krom
6	Chea Kimsan	Russey Keo
7	Chou Kimheng	Toul Kork
8	Sok Chun	Chum Chao
9	Cheang Hab	Phsar Dermkor
10	Nget Phat	Teok Laork II

Note: invoices are enclosed for reference.

(iii) Competitor

Branch also observed that there are many competitors entering to the marketplace with offering the same service and they mentioned that they have more competitive advantage in the pricing. As confirmed by borrowers, the competitors who have the same size of business operation nearby their shops are listed as below:-

- Mr. San Sopheak
- Mdm. Tep Sophorn
- Excel and G2000 Lubricant Shop (next to Rally)
- Brak Vanny
- Song Borith

(iv) Sale Strategy

With over 8 years' of experience under family operated business, the couple usually uses payment by cash to support their business activities. Borrowers advised that they can capture a good market share among the competitors by building good networking and reputations and they are able to offer reasonable prices and door sale service via sale staffs.

7.0 Banking Information

As per the CBC Check on 17 July 2015, the borrower does not have any loan facilities at any banks.

8.0 Loan Purpose

The applicants has approached us for USD80,000 to partial finance on purchase of land located at Phum Dey Thmey, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh. As per SPA provided, the property price is USD195,000 and the borrower already deposited USD20,000 dated 23 May 2015 while the remaining balance of USD175,000 will be paid on 27 October 2015. Therefore, the request facility will be used in addition to borrower's fund to fully pay on purchase land as mentioned above.

Disbursement Method

Upon completion of signing and thumb print on legal documents and charging the title deed to RHBIBL, the loan will be released by issuing banker check to the seller upon completing of ownership transfer to borrowers & charging the TD to RHBIBL and evidence of differential sum.

9.0 Collateral Information

The offered property is about 300m from New World Housing Developer and it is a medium density of residential area and surrounding by residential development projects. The property value was indicated by two panel valuers as below:

Vacant Land	Cross Check	Cross Check
	29 June 2015	30 June 2015
	"KRE"	"ARC"
	(USD)	(USD)
Land (549sqm)	181,000 (USD330/sqm)	176,000 (USD320/sqm)
Total	181,000	176,000
MOF (%)	44.20%	45.45%

10.0 Financial Analysis**1. Income Statement**

Description (USD)	2013	2014	2015
Revenue	12-month (USD)	12-month (USD)	Jan-Jun (USD)
Motor Washing	5,952.00	6,249.60	3,281.04
Lubricant	260,760.00	273,798.00	143,743.95
Total Revenue	266,712.00	280,047.60	147,024.99
Cost of Goods Sold	213,369.96	224,037.96	117,619.98
Gross Profit	53,343.00	56,009.64	29,405.01
Operating Expenses			
Rental Expense	7,950.00	8,400.00	4,200.00
Salaries	10,920.00	11,760.00	6,300.00
Utilities	6,204.00	6,514.20	3,420.00
Total Expenses	25,074.00	26,674.20	13,920.00
Net Income	28,269.00	29,335.44	15,485.01
Salary Mr. Chea Makara	10,773.00	10,260.00	5,400.00
Salary Mdm. Sourkea Naly	9,205.44	9,690.00	5,100.00
Total Net Income	48,247.44	49,285.44	25,985.01
Monthly Average	4,020.62	4,107.12	4,330.84

The average monthly net profit was **USD4,330.84** as from Jan-Jun 2015 while the revenues are derived from Motor Washing and Lubricant sale. The rational revenue is equivalent to 5% increase from the year 2013 to the year 2015. As it is a family business, purchase and sale invoices are not promptly recorded. However, summary of daily sale is provided.

2. Income Projection

Description	2016	2017	2018
Revenue	12-month (USD)	12-month (USD)	12-month (USD)
Motor Washing	6,892.20	7,236.84	7,598.64
Lubricant	301,862.28	316,955.40	332,803.20
Total Revenue	308,754.48	324,192.24	340,401.84
Cost of Goods Sold	247,002.00	259,352.16	272,319.72
Gross Profit	61,752.48	64,840.08	68,082.12
Operating Expenses			
Rental Expense	8,800.00	9,600.00	9,600.00
Salaries	13,440.00	14,280.00	15,120.00
Utilities	7,182.00	7,541.10	7,918.15
Total Expenses	29,422.00	31,421.10	32,638.15
Net Income	32,330.48	33,418.98	35,443.97
Salary Mr. Chea Makara	11,340.00	11,907.00	12,502.32
Salary Mdm. Sourkea Naly	10,710.00	11,245.56	11,807.88
Total Net Income	54,380.48	56,571.54	59,754.17
Monthly Average	4,531.71	4,714.30	4,979.51

3. Repayment Analysis

Description (USD)	Jan-Jun 2015	2016	2017	2018
Average monthly income	4,330.84	4,531.71	4,714.30	4,979.51
RHBIBL's monthly instalment	1,057.21	1,057.21	1,057.21	1,057.21
DSR	4.09x	4.28x	4.45x	4.71x

4. Sensitized Scenario

We assumed that borrowers will have a 20% drop in all their average monthly income so the repayment will be as below:

Description (USD)	Jan-Jun 2015	2016	2017	2018
Average monthly income	3,464.67	3,625.37	3,771.44	3,983.61
RHBIBL's monthly instalment	1,057.21	1,057.21	1,057.21	1,057.21
DSR	3.27x	3.42x	3.56x	3.76x

Borrowers advised that revenue is expected to increase by 5% from 2016 to 2018 based on the reason that Cambodia's economic growth and tax deductions led to an increase in vehicle imports. "The government decided to make the tax lower than that of Vietnam, so people with a decent income are able to afford a car."

11.0 Repayment Risk Analysis**11.1 Income Assessment / Employment**

a) Average Monthly Income (Average EBIT Jan-Jun 2015)	USD4,330.84
b) Less: Total Commitment (include other FIs) RHBIBL TL: USD80,000 @ USD1,057.21 Total	USD1,057.21
c) Balance Uncommitted	USD3,273.63
d) Estimated / disclosed net worth	USD176,000.00

Whether within Bank's Lending Criteria	Y/N
1/3 income	Y
45% income	Y
Age	32 & 32 Years
Tenor	10 years
Pricing	ECOF (currently at 5.25%)+4.75%p.a. on monthly rest subject to minimum 10%p.a
Margin Of Finance	45.45%
Length of Employment / Business	08 Years
Income Justification	Yes
Repayment Record (for refinancing cases)	Yes
Unexpired leasehold term	N/A

12.0 Conduct of Account (including related borrowings)**12.1 Track record/Utilization/Repayment record.**

As per the CBC Check on July 2015, the borrower does not have any loan facilities at any banks.

12.2 Credit/Debit Turnover (with the Bank &/or other FIs) :

The borrower does not have any account maintained at any banks.

12.3 No adverse credit findings/reports (including the company – if self employed)

☐ No adverse record finding

12.4 Trade Credit Checks (If applicable)

According to cross check, the applicants are a good and honest person with good reputation.

12.5 Credit Scoring (If applicable)

Grade 3.

13.0 Recommendation

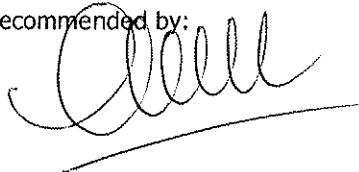
- The borrowers' businesses have been operated successfully around 8 years with a strong position in market especially with their wholesale.
- They have a strong financial position where the revenues from that business and their salaries are sustainable to secure the proposed loan with DSR of 4.09x.
- The secured collateral is in the moderate location of Phnom Penh and has comfortable security coverage.

Prepared by:



Sok Ratanak
Assistant Manager /Credit Relationship

Recommended by:



Chiv Hak
Branch Manager

Credit Policy : In Compliance
D/P Check: BM + HOC
AML/CFT Check: No name matched

DP Check (Amount in USD)		
Description	Borrower + related borrowers (RHBIBL only)	Borrower + related borrowers (RHB Banking Group)
Total Exposure	USD80,000	N/A
Less standalone facilities	N/A	N/A
Total exposure excluding standalone facilities	USD80,000	N/A
Of which		N/A
Secured facilities	USD80,000	N/A
Unsecured facilities	N/A	N/A
This application is within DP of	BM + HOC	N/A