

RHB INDOCHINA BANK LTD
CREDIT APPLICATION FORM CA-1
(PART I – FACILITY SUMMARY)

Application No: RHBIBL/0002/2018/0004	Branch: CMO
Borrower: Mr. Eung Leang Seng, Mdm. Mao Kimsean, and Miss. Eung Maugkim	
Group/ Parent Company: N/A	

1.0 REQUEST TYPE		2.0 ACCOUNT INFORMATION	
New	✓	From	RHBIBL, CMO
Additional		Date of Submission to Cr Mgmt	20-02-2018
Renewal		Date Rec'd Complete Doc	12-02-2018
Amendment		Current Limit Expiry Date	N/A
Restructuring		Next Limit Expiry Date	N/A
Others		Relationship Since	New
For Affirmation by Group Credit Co		Account Status	Normal
Connected Party	NO	EAM	NO
Exceptional Credit	NO	AST Monitoring	NO

3.0 BORROWERS RISK RATING	STANDALONE		LGD Rating	Expected Loss Rating	Final Rating (For credit decision only)
Borrowers	Current CRR Rating	New CRR Rating			
Mr. Eung Leang Seng, Mdm. Mao Kimsean, and Miss. Eung Maugkim	n/a	4			4
Rating Override	Yes	No	✓		
If yes, how many notches?					
Remark (To provide reason for override)					
Corporate Guarantor	Current CRR Rating	New CRR Rating			
N/A					
Remark (To provide reason for credit risk rating movement or final rating notch down)					

External Rating (if any)	RAM	MARC	S&P	Fitch	Moody's
N/A					
Remarks					

Group	Current Rating	New Rating	Core Business & Group Activities
N/A			

4.0 DETAILS OF REQUEST
<ol style="list-style-type: none"> To seek approval a new 10- year Term Loan facility of USD3.0 mil @ 8.0% p.a (ECOF+2.5%) to reimburse the purchase of land and subsequently use as working capital. To seek approval a new Overdraft facility of USD0.5 mil for additional working capital. To seek approval processing fee only 0.5% of approved limit To seek approval the renewal fee only 0.5% of OD limit. To seek approval the commitment fee only 0.5% of OD limit. To adopt valuation of the property by latest OMV from valuers instead of the sales purchase value To allow DSR at 1.63x as the remaining uncommitted balance is high at USD76K per month

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5.0 FACILITY DETAILS (USD'000)						
Facility Type	O/S as at 06/11/2017	Existing Limit	Increase/ Decrease +/-	New Limit	Pricing (Current ECOF@5.5%)	Purpose
TL	-	-	3,000	3,000	ECOF+2.5% on monthly rest, subject to min 8.0%	To reimburse the purchase of land and subsequently use as working capital.
OD	-	-	500	500	ECOF+2.5% on daily rest, subject to min 8.0%	For additional working capital.
Grand Total	-	-	+3,500	3,500		

6.0 REPAYMENT TERMS		
Facility	Tenor/ Repayment Terms	
TL (USD3.0mil)	Tenure : 10 years Processing Fee : 0.5% on total approved amount Repayment : 120 monthly installments of USD36,398.28 Prepayment penalty : 1st to 3rd year: 3% on the prepayment amount if the facility is fully/ partially settle before expiry date. 4th year onward: Waived or 1% on the prepayment amount if the facility is refinanced to other FI. Renewal fee : N/A Commitment fee : N/A	
OD (USD500k)	Tenure : 1 Year, subject to annual review Processing Fee : 0.5% on approved amount Repayment : interest to be serviced monthly Commitment Fee : 0.5% p.a. on unutilized amount Prepayment : 1% on approved limit if the facility is cancelled and/ or reduced prior to expiry of tenure. Renewal Fee : 0.5% on OD limit upon annual review	

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7.0 COMMENTS ON CONDUCT OF ACCOUNT

➤ **CBC Checking:**

CBC checking on all guarantors on 12 Feb 2018 reveals that the borrower has loan with other 4 lenders as below:-

No.	Bank	Facility	Since	Maturity	Limit	o/s @ Jan'18	Monthly Installment*
1	PPCB	WCL	2/1/2018	1/1/2019	600,000	600,000	2,975
2	ANZ	Se. C.Card	16/11/2015	30/01/2028	25,000	-	5,000
3	Canadia	WCL	16/12/2015	3/12/2025	160,000	137,944	2,125
4	Canadia	WCL	9/12/2014	1/11/2018	1,000,000	265,009	24,885
5	Canadia	WCL	6/4/2017	27/03/2022	700,000	613,750	14,500
6	Canadia	Se. C.Card	18/07/2017	31/07/2022	10,000	0	2,000
7	Canadia	WCL	8/7/2017	29/06/2022	1,000,000	919,032	20,700
8	Canadia	OD	6/4/2017	27/03/2022	800,000	800,025	6,000
9	Shinhan	Personal	4/12/2017	4/12/2019	700,000	700,000	4,455
10	PPCB	Se. C.Card	4/1/2018	31/1/2022	10,000	5	2,000
11	CCB	OD			1,500,000	1,500,000	9,375
12	Toyota Tsusho	Car Loan	30/01/2017	22/02/2018	43,562	3,866	3,911
Total					6,548,562	5,539,631	97,926
Total (exclude No.4 & No.12)					5,505,000	5,270,756	69,130

Note: (*) Assumed fully utilized for OD, while the rest is based on the CBC Report

➤ **World Check and AML Checking:** There was no adverse record found.

➤ **Conduct of Account:**

Bank name: Canadia Bank
A/C name: Mao Kimsean
A/C number: (1005)001-0000254385

Month	No.	Deposit	No.	Withdrawal	Month-End Balance	Day Excess
Beginning					(806,429.3)	
Jan-17	16	67,567.7	9	68,747.2	(805,249.8)	2
Feb-17	18	182,502.0	9	184,413.6	(803,338.2)	2
Mar-17	21	207,109.0	19	216,191.4	(794,255.8)	0
Apr-17	7	933,809.0	30	1,044,893.0	(683,171.8)	0
May-17	32	459,210.6	30	351,967.1	(790,415.4)	0
Jun-17	22	881,795.7	33	942,890.7	(729,320.3)	0
Jul-17	12	1,386,496.5	42	1,363,148.6	(752,668.2)	0
Aug-17	31	278,582.5	46	225,674.6	(805,576.1)	2
Sep-17	22	532,129.7	33	532,502.2	(805,203.6)	5
Oct-17	9	82,395.8	8	96,886.6	(790,712.8)	0
Total	190	5,011,598.5	259	5,027,315.0		
Average	16	417,633.2	22	418,942.9	(775,991.2)	
Average OD Utilization					97.00%	

WCL/TL of USD1,000K
A/C No. 001-0003-2277-29

No	Due Date	Amount (USD)	Payment Date	Day in arrears	Remark
1	9/1/2017	24,885.0	16/1/2017	7	
2	9/2/2017	24,885.0	14/2/2017	5	

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3	9/3/2017	24,885.0	9/3/2017	0	
4	9/4/2017	24,885.0	8/4/2017	0	
5	9/5/2017	24,885.0	11/5/2017	2	
6	9/6/2017	24,885.0	9/6/2017	0	
7	9/7/2017	24,885.0	8/7/2017	0	
8	9/8/2017	24,885.0	10/8/2017	1	
9	9/9/2017	24,885.0	11/9/2017	2	
10	9/10/2017	24,885.0	11/10/2017	2	

WCL/TL of USD700K

A/C No. 001-0004-4190397

No	Due Date	Amount (USD)	Payment Date	Day in arrears	Remark
1	6/5/2017	14,500.0	6/5/2017	0	
2	6/6/2017	14,500.0	6/6/2017	0	
3	6/7/2017	14,500.0	8/7/2017	2	
4	6/8/2017	14,500.0	7/8/2017	1	
5	6/9/2017	14,500.0	6/9/2017	0	
6	6/10/2017	14,500.0	6/10/2017	0	

Bank name: Cambodian Commercial Bank

A/C name: Mao Kimsean Trading Co., Ltd

A/C number: 001-300581-1-840

Month	No.	Deposit	No.	Withdrawal	Month-End Balance	Day Excess
Jan-17	16	1,366,819.7	20	1,381,803.2	(1,493,391.9)	0
Feb-17	22	1,383,407.0	28	1,368,283.2	(1,508,515.7)	1
Mar-17	28	1,842,775.0	46	1,851,560.8	(1,499,729.9)	0
Apr-17	16	1,383,678.0	19	1,375,001.7	(1,508,406.2)	4
May-17	19	1,834,890.4	29	1,863,228.2	(1,480,068.4)	0
Jun-17	21	1,975,443.0	32	2,252,608.6	(1,202,902.8)	0
Jul-17	36	2,311,365.6	27	2,301,758.8	(1,212,509.7)	0
Aug-17	20	1,665,422.2	25	1,372,435.0	(1,505,496.9)	1
Sep-17	23	2,065,739.0	17	2,062,211.2	(1,509,024.7)	5
Oct-17	20	2,483,812.6	19	2,484,094.2	(1,508,743.1)	1
Nov-17	14	1,991,739.9	11	1,991,421.8	(1,509,061.2)	1
Dec-17		1,597,393.0	21	1,599,837.7	(1,506,616.5)	1
Total	235	21,902,485.4	294	21,904,244.3		
Average	20	1,825,207.1	25	1,825,353.7	(1,453,705.6)	
Average OD Utilization					96.91 %	

Comment:-

- Loan with CCB is under the company name, Mao Kimsean Trading Co., Ltd. While the excess of OD in both Canada Bank and the late of Term Loan/Working Capital Loan is frequent, the borrower is responsive to the payment by never allowing the excess to reach the grace period of 7days.
- The excess reflects a tight cash flow of the borrower after the borrower spent more than USD6M in the last 6 months to purchase the property that we are now propose to reimburse the fund to inject back into borrower's business.

1.0 EARNINGS/RETURN ON ASSET (ROA)

	Ave Utilization	Last 12 months gross income	Current RARORC/ RRWA/ ROA	Next 12 months gross income	Projected RARORC/ RRWA/ ROA
	(%)	(USD'000)	(%)	(USD'000)	(%)
Borrower					

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1.0 EARNINGS/RETURN ON ASSET (ROA)					
	Ave Utilization	Last 12 months gross income	Current RARORC/ RRWA/ ROA	Next 12 months gross income	Projected RARORC/ RRWA/ ROA
Group					
Explanation required if ROE is below target (12%):					

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8.0 SECURITY DETAILS (USD'000)

Description (Type, Location, Size, Owner's Name)		OMV	FSV	Value per CP
<u>Tangible Security</u>				
<u>New (To be Obtained)</u>				
1. Facility Agreement for USD3.5 mil as the principal instrument.				
2. 1 st party 1 st legal charge over the following property as subsidiary instrument				
Title No.	: 18010406-0550			
Registered Owner	: Mr. Eung Maugkim (joint borrower)			
Tenure	: Freehold			
Encumbrances	: Nil			
Description	: A parcel of vacant land			
Size	: Land: 5,032 sqm Building: Nil			
Address	: Lot No. 550, Village No.4, Sangkat #4, Khan Mittapheap, Sihanouk Ville.			
Valuation Report by	: 1/ Khmer Real Estate Date: 05/Feb/2018 Land: USD1,395 per sqm Building: Nil OMV: USD7,019.64K 2/ 9 Base Date: 05/Feb/2018 Land: USD1,431 per sqm Building: Nil OMV: USD7,201.0K	7,019.64	5,615.71	3,509.82
SPA	: Date: 28/Jun/2017 Land: USD1,200 per sqm Building: Nil OMV: USD6,038.4K			
Fire Insurance	: N/A			
Total		7,019.64	5,615.71	3,509.82
Security Coverage (times)		2.01x	1.60x	1.00x
<u>Supporting Security</u> N/A				No value ascribed

Security Analysis (covers risk of disposability, valuation, location, restrictions-in-interest etc)

The property is located in a newly developing area, which is potentially can be developed as the hotel, or Condominium unit. The property is easily accessible from a paved road.

Surrounding is the nice beach, hotel, bungalow, restaurants, and especially the China town project, which is currently 50% completed.

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2.0 PERSONAL/CORPORATE GUARANTEES:			
Name	Risk Grade	Estimated Networth	Remarks

3.0 EXISTING SECURITY DOCUMENTATION COMPLIANCE				
Item	Compliance			Explanations If Answer Is Negative And Actions Taken To Rectify
	Yes	No	N/A	
N/A				

4.0 CONDITIONS PRECEDENT & COVENANTS			
Details	Complied		To Comply
	Yes	No	
<u>Existing Conditions Precedent</u> N/A			
<u>New Conditions Precedent</u>			
1. Acceptance of Letter of Offer			✓
2. Payment of processing fee of 0.5% on total approved limit			✓
3. Submission of documentary evidence that the loan limit of USD1,000K (Loan Account No. 001-0004-4190397) with Canadia Bank has been settled.			✓
4. Submission of documentary evidence that the car loan with Toyota Tsusho has been settled.			✓
5. Release of facilities subject to:-			
i. Compliance of Terms under Condition Precedent.			✓
ii. 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 Applicants and/or the relevant security parties, registration fee duly paid and registered at such registries as the Bank may deem necessary.			✓
<u>Disbursement conditions:</u>			
OD of USD500K and TL of USD3,000K will be disbursed to borrower's account upon blocking of the title deed and the above CP has been complied.			✓
<u>Existing Covenants (Continuing Covenants)</u>			
N/A			
<u>New Covenants</u>			
N/A			
<u>Explanation required if any existing terms & conditions are not complied with.</u> N/A			

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1.0 ACCOUNT INFORMATION	2.0 CLASSIFICATION
Date Established : 1992	CIS No :
Registration No : N/A	Sector Code : Wholesale Trade
Business Activity : Importer and wholesaler of construction material	Purpose Code :
	Exempt/Non-Exempt :
	Priority Sector :
Business Address : No. 662Eo, Street/NR#2, Sangkat Chak Angre Krom, Khan Meanchey, Phnom Penh	Staff Code :
	State Code :
Business Premise is : Owned	Schedule Code :
Premise Owned by : Borrower	Race Code : Resident
	NRCC Status : NRCC
Contact Person : Mdm. Mao Kimsean	
Contact No/ Fax : 012 709 554	

3.0 SHAREHOLDERS (S)/ DIRECTORS (D)/ GUARANTORS (G) DETAILS					
Name	Age	Relation-ship	% share-holding	Years with Co	Experience/Qualification
Mr. Eung Leang Seng	58	Father	50%	> 20Y	> 20Y
Mdm. Mao Kimsean	44	Mother	50%	> 20Y	> 20Y
Miss. Eung Maugkim	21	Daughter	N/A	2Y	Graduated from

4.0 KEY MANAGEMENT					
Name	Age	Area of Responsibility	Years of Exp	Years with Co	Qualification
Mr. Eung Leang Seng	58	Overall	> 20Y	> 20Y	> 20Y
Mdm. Mao Kimsean	44	Overall	> 20Y	> 20Y	> 20Y
Miss. Eung Maugkim	21	Assistant	2Y	2Y	Graduated from
No. of Staff – (Full Time) 70					
<u>Succession Plan for Key Personnel:</u> <i>The business is established as a family business where the prime mover Mdm Mao Kimsean is still at her prime age. Under circumstances where Mdm. Mao Kimsean cannot manage the business, the business can be taken over by the senior management which comprises of her immediate family members.</i>					

5.0 DETAILS OF KEY SUPPLIERS/ BUYERS				
Buyers (Name / location / telephone) (top 3 in terms of volume)	% of Total Sales	Years of Relation-ship	Terms of credit	Mode of Payment (DA, DP, LC, open a/c)
Viglacera Halong Joint- Stock Company	< 30%	> 10 years	No	Bank Transfer
Dong Nai Brick and Tiles Coporation	< 20%	> 10 years	No	Bank Transfer
SCG	< 10%	> 10 years	No	Bank Transfer

Sellers (Name / location / telephone) (top 3 in term of volume) Types of Product Traded	% of Total Purchases	Years of Relation-ship	Terms of credit	Mode of Payment (DA, DP, LC, open a/c)
Borey Orkide Villa	< 5%	> 10 years	30 days	Cheque
Si Kheang Depot	< 5%	> 10 years	30 days	Cheque
Prum Heang Depot	< 5%	> 10 years	30 days	Cheque

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6.0 MAIN COMPETITORS	TYPE OF PRODUCTS /SERVICES
1) Heng Asia	1) Construction materials
2) Hout Chea / Street 2004	2) Construction materials
3) Hout Chay/ Street 271	3) Construction materials

7.0 DETAILS OF OTHER BANKERS/ FINANCIAL INSTITUTIONS

Name of Banker/ FI	Facility Type	Pricing	Total Facilities (USD'000)				Brief Description of Security
			Secured Portion	Clean Portion	Total	O/s @ Jan'18	
Canadia Bank (Eung Leang Seng & Mao Kimsean)	OD	9.00%	800.0		800.0	800.0	Warehouses
	WCL/TL1	9.00%	160.0		160.0	137.9	
	WCL/TL2	9.00%	1,000.0		1,000.0	265.0	
	WCL/TL3	8.75%	700.0		700.0	613.7	
	WCL/TL4	8.75%	1,000.0		1,000.0	919.0	
	C.Card	N/A	10.0		10.0	-	
PPCB (Eung Leang Seng & Mao Kimsean)	WCL/TL	N/A	600.0		600.0	600.0	Land and Building
	C.Card	N/A	10.0		10.0	-	
CCB (Mao Kimsean Trading Co., Ltd)	OD	7.5%	1,500.0		1,500.0	1,500.0	Residence
Shinhan (Eung Leang Seng & Mao Kimsean Eung Maugkim)	WCL	N/A	700.0		700.0	700.0	N/A
Toyota Tsusho (Eung Maugkim)	Car Loan	N/A	43.5		43.5	3.8	Vichicle
ANZ	C.Card	N/A	25.0		25.0	-	Cash
Total			6,548.5		6,548.5	5,539.4	

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1.0 Request / Rationale

The amount of USD3.0M is proposed as Term Loan as borrower has entered into the purchase agreement to purchase a vacant land in Sihanouk Ville as per SPA dated 28 June 2017.

The full payment to the seller has been done while the land has already been transferred to borrower (Miss. Eung Maugkim), and will offer to us as secured property.

As such, the financing margin for the reimbursement is 49.68%, which is allowable for the vacant land.

Although the purchase land is still vacant land, the borrower is planning to build a hotel over the land in the future, but not yet committed for the time frame as she will need to conduct more study on the budget and potential investment from her son-in-law or bank financing.

The land is considered as one of the best locations to build hotel as it is front to the beach. Surrounding is the increasing popular beach, hotels, bungalow, restaurants, and especially the China town project, which is currently 50% completed.

With combined additional OD of USD500K, the total amount of USD3.5mil will be used as working capital of the borrower's construction material supply business, where the WC requirement of the business is up to USD14,098K in 2018 as per below calculation:-

Items	Actual 2017	Proj. 2018
Z) Monthly sales (USD)	2,508.4	2,759.3
A) Debtor turnover (days)	15.9	15.9
B) Stockholding turnover (days)	137.4	137.4
C) Creditor turnover (days)	-	-
D) Asset Conversion Cycle = $[(A + B) - C]/30$	5.1	5.1
E) Monthly WC need = $(D \times Z)$	12,816.6	14,098.3
Existing + proposed WC lines	5,539.6	9,039.6
(Shortfall)/Excess in WC lines	(7,276.96)	(5,058.62)

Note: The debt turnover days, and stockholding turnover days is calculated based on the obtained A/R report and Inventory report, where the borrower claimed that they do not have A/P with the suppliers

As such the combined limited of USD3.5mil will make the total WC line to the borrower at USD9.04mil which is still well below the current working capital requirement of USD12.8mil and expect to grow to USD14.1mil in 2018.

Processing fee, OD renewal fee, and OD commitment fee of 0.5% is proposed as there is strong competition in the market, while we noted that other competitors such as CIMB, Hong Leong Bank, and Taiwanese banks can offer as low as 7.0% p.a.

DSR at 1.63x is requested as uncommitted balance of USD68.9K per month is high enough to sustain the borrower's expense, while DSR will keep improving in the subsequent year.

Latest OMV from valuers instead of the purchased value is requested as the SPA was made since June 2017, where as in the last 6 to 7 month, the land value in SHV has been significant increased. As per our local knowledge, the influx of Chinese investor to the province has made the property increase as much at least 50% in the past 6 months.

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Background Information on Borrower

- Mr. Eung Leang Seng and Mdm. Mao Kimsean are related as husband and wife and Ms. Eung Maugkim is their daughter, who is fully engage in the business operation. Currently, they are residing at House#662, Street/NR#2, Sangkat Chak Angre Krom, Khan Meanchey, Phnom Penh. They have two other children studying abroad.
- Mr. Eung Leang Seng and Mdm. Mao Kimsean has started business from a small shop in 1992, and the business has been growing significantly during the first booming of construction activity in Cambodia during 2006-2008. She has set up a company for the import of product from Thailand, Malaysia, China and Vietnam under Mao Kimsean Trading Co., Ltd
- Ms. Eung Maugkim just completed her bachelor degree from Singapore and starts to help her parent since 2016.
- The business is located at No. 662Eo, Street/NR#2, Sangkat Chak Angre Krom, Khan Meanchey, Phnom Penh, next to the borrower residence.
- The borrower's business mainly involved in the import and wholesales of construction materials such as roofing tiles, floor tiles, wall tiles, stone, natural stone for wall decoration, Bathroom Fixtures & Accessories, terracotta, pebble and so on. (Photo of business premise is attached)
- The borrower has big warehouse cum showroom of around 5,000sqm and two other warehouses in Takhmao of around 5,000sqm, and in Chrey Thom near Vietnamese border of around 1.5ha. (Photo of warehouse in Takhmao is attached, while the warehouse near Vietnamese border is for temporary transit and cheap product only)
- Majority of the purchase is from Vietnamese suppliers, which account about 40% of total annual purchase, while the rest is from Thailand (20%), China (10%), and Malaysia (<10%).
- To get special discount, all of the purchase is paid in advance, i.e, 30% during the order, and the remaining 70% to pay before the delivery of products. The borrower's suppliers are:-

No.	Supplier Name	Country	Product/brand	Purchase
1	SCG	Thailand	Roof tiles, Terracotta, Roman tiles, Excella, Neustiles, Modern	< 10%
2	Viglacera Halong Joint- Stock Company	Vietnam	Roofing tiles, Terracotta, Step nose, Walling tiles	< 30%
3	Dong Nai Brick and Tiles Coporation	Vietnam	Roofing tiles, Terracotta, Step nose, Walling tiles	< 20%
4	Vietnameese Ceramic Joint-Stock Company	Vietnam	Roofing tiles, Terracotta, Step nose, Walling tiles	< 5%
5	Hoang Ha Group Joint-Stock Company	Vietnam	Roofing tiles, Terracotta, Step nose, Walling tiles	< 5%
6	Song Anh Co., Ltd	Vietnam	Stone	
7	Hongloan. Co., Ltd	Vietnam	Natural Stone	< 5%
8	Quanzhou Minmnetals (Group) Corperation	China	Roofing tiles	< 5%
9	China Houson Building Materials Co., Ltd	China	Terracotta, Walling tiles	< 5%
10	Fujian Tain Ya Culture Stone Co., Ltd	China	Natural Stone, Pebble, Flower port	< 5%
11	Xiamen Smarter Stone Co., Ltd	China	Natural Stone, Pebble, Flower port	< 5%
12	Cong Ty Co Phan Gom Dat Viet	Vietnam	Roofing tiles, Terracotta, Step nose, Walling tiles	< 5%
13	Fengxin Internation Trade Co., Ltd	China	Roofing tiles, Accessory	< 5%
14	Butterfly Ceramic SDN BHD	Malaysia	Roofing- Accessory, Stone	< 5%

**RHB INDOCHINA BANK LTD
CREDIT APPLICATION FORM CA-1
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- Most of their customers are resellers in Phnom Penh and Provinces, but there are also many housing developer such as Peng Hout, Orkide Villa, Phnom Penh Thmey, Maha Sen Sok and several other construction companies purchase from the borrower for their construction projects. Below is the borrower's top 10 customers, which account around 30% of total

No.	Customer Name	Business	Monthly Purchase (USD'000)
1	Borey Orkide Villa	Developer	100-130
2	Si Kheang Depot	Reseller- Chom Chao	80-100
3	Prum Heang Depot	Reseller- Sen Sok	80-100
4	Sok Chamroeun Depot	Reseller- Dang Kao	80-100
5	Por Hong Depot	Reseller- Phnom Penh Thmey	80-100
6	Land & House Construction	Contractor	80-100
7	Borey Maha Sensok	Developer	60-70
8	Borey Pipup Thmey	Developer	60-70
9	Borey Peng Huot	Developer	60-70
10	Borey Phnom Penh Thmey	Developer	60-70
Total			650-900
Total avg. monthly sales			2,508

- The business has a total of 70 staffs, 40 of them are workers and drivers. The prime mover of the business is Mdm Mao Kimsean, supported by 3 managers, her husband and her daughter.
- Other than the trading business, the borrower also have other source of income from room rentals to factories workers, which generated income of at least USD5,000 from several locations.
- The borrower has some business venture with her another daughter and son's in-law in a hotel in Siem Reap, while the hotel is currently under construction and to be operational by 2019.

2.0 Industry Outlook

Robust Economy Growth

Cambodia's economy has grown rapidly during the past decade and has recorded an average GDP growth of 7.0% year-on-year since 2010.

Although official statistics on Cambodia's total economic growth in 2017 have not been released yet, according to the Asian Development Bank's updated annual economic publication, Asian Development Outlook (ADO) 2017, released in late September, predictions denoted slightly higher economic growth of 7.1 percent for both 2017 and 2018 respectively. The continued expansion at a robust pace is propelled by export diversification, growth in the tourism and construction sectors, and a supportive fiscal policy.

Construction investment up 22 percent

The combined value of approved construction projects reached \$6.42 billion in 2017, an increase of 22.31 percent, according to a report from the Ministry of Land Management, Urban Planning and Construction released yesterday.

Rising disposable incomes, increase of population and the robust economic growth have contributed to the booming real estate construction in the past few years.

Across the country, 3,052 new construction projects, equaling 10.74 million square metres, broke ground.

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Chek Soknim, the CEO of Century 21 Mekong, told Khmer Times he was optimistic about the future, and noted that skyscrapers are playing a more important role in the local property market.

“Many high-rise buildings are appearing in Phnom Penh. It is a factor that is helping raise construction investment capital,” said Mr Soknim.

Sear Chailin, the CEO of CL Realty, said the buoyant construction industry is a result of stability in the nation.

“The property situation in the country is very favorable overall, with Cambodia becoming a strong investment destination,” he said. “Compared to other Asean nations, we have very investor-friendly policies.”

From 2000 to 2017, the ministry issued construction permits for 39,903 projects, which amounted to an investment capital of \$37.77 billion.

Source <http://www.phnompenhpost.com/business/adb-stays-hopeful-forecast-kingdom/>
Publication date 27 September 2017
<http://www.khmertimeskh.com/5098744/construction-investment-22-percent/>
Publication date 29 December 2017

3.0 Financial Highlights

The borrower submitted us financial statement from the business of supplying construction material which can be summarized as below:-

Income Statement (USD'000)	FY2015	FY2016	FY2017
	Jan-Dec	Jan-Dec	Jan-Dec
Sales Revenue	20,347.2	25,516.6	30,101.2
Cost of Goods Sold	18,240.0	22,780.0	26,699.0
Gross Profit	2,107.2	2,736.6	3,402.2
Expenses			
<i>Worker Salary (Internal)</i>	30.0	37.5	43.9
<i>Worker Salary (External)</i>	19.8	23.8	28.8
<i>Staff Salary</i>	258.0	319.6	375.8
<i>Transportation</i>	150.0	215.0	303.8
<i>Petrol</i>	60.0	87.5	100.9
<i>Maintenance</i>	5.4	18.5	32.9
<i>Tax</i>	10.2	21.0	30.0
<i>Electricity</i>	5.0	6.0	7.5
<i>Water</i>	0.5	0.6	0.8
<i>Interest</i>	35.0	52.0	85.0
<i>Family expenses</i>	27.6	32.0	43.2
<i>Other</i>	30.0	185.0	216.0
Total Expenses	631.5	998.5	1,268.7
Net Profit	1,475.7	1,738.2	2,133.6
Average monthly Net Profit	123.0	144.8	177.8
GPM	10.4%	10.7%	11.3%
NPM	7.25%	6.81%	7.09%
Sales Growth		25.4%	18.0%
COGS Growth		24.9%	17.2%
Opex growth		58.1%	27.1%

Financial Evaluation/Comments:

RHB INDOCHINA BANK LTD
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- The business has been growing year on year with the top line of 2017 surged by 18% after a similar increased in 2015.
- The main driver for the continued expansion of sales is the booming of the housing construction not just in Phnom Penh, but also across the country especially, Sihanouk Ville and Siem Reap. Based on the combined value of approved construction projects reached \$6.42 billion in 2017, the construction sector will continue to boom in the coming years.
- The comfort of financial statement is based on following factors:-
 - Net Profit margin is only 7.2%, which is well achievable and in line with most of importers and wholesalers. Most of our retail construction customers reports profit margin of around 12% to 16%.
 - Average monthly credit turnover in the borrower's main operating account in Cambodian Commercial Bank and Canadia Bank is 2,243K, which is 89.4% reflective the average monthly report sales of USD2,508K. As the business is family business, the remaining 10% of sales should be in the form of petty cash for urgent payment of the suppliers and daily expense and so on

Average Monthly Sales	2,508.44
AMC-CCB	1,825.35
AMC-CNB	417.63
AMC-Total	2,242.99
Reflection Rate	89.4%

Financial Projection and Repayment Capacity

On strong network of the borrower, supported by the increased demand and purchasing power in Cambodia, the business will continue in the uptrend in the coming years. We project that the business will grow at least 10% annually based on the increase of approved construction value up to 23% in 2017.

Income Statement (USD'000)	FY2017	FY2018	FY2019	FY2020
	Jan-Dec	Projection	Projection	Projection
Sales Revenue	30,101.2	33,111.36	36,422.50	40,064.75
Cost of Goods Sold	26,699.0	29,368.92	32,305.81	35,536.39
Gross Profit	3,402.2	3,742.4	4,116.7	4,528.4
Expenses				
Total Expenses	1,268.7	1,459.0	1,677.8	1,929.5
Net Profit	2,133.6	2,283.5	2,438.9	2,598.9
Average monthly Net Profit	177.8	190.3	203.2	216.6
GPM	11.3%			
NPM	7.09%	6.90%	6.70%	6.49%
Monthly Commitment	108.9	108.9	108.9	108.9
DSR	1.63	1.75	1.87	1.99
Uncommitted balance	68.9	81.4	94.4	107.7

Income Statement (USD'000)	FY2017	FY2018	FY2019	FY2020
	Jan-Dec	Projection	Projection	Projection
Sales Revenue	30,101.2	34,616.42	38,078.06	41,885.87
Cost of Goods Sold	26,699.0	30,703.87	33,774.26	37,151.68
Gross Profit	3,402.2	3,912.6	4,303.8	4,734.2
Expenses				
Total Expenses	1,268.7	1,522.4	1,750.8	2,013.4
Net Profit	2,133.6	2,390.2	2,553.0	2,720.8
Average monthly Net Profit	177.8	199.2	212.8	226.7

RHB INDOCHINA BANK LTD
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GPM	11.3%	11.3%	11.3%	11.3%
NPM	7.09%	6.90%	6.70%	6.50%
Monthly Commitment	108.9	108.9	108.9	108.9
DSR	1.63	1.83	1.95	2.08
Uncommitted balance	68.9	90.3	103.9	117.9
Sales Growth	18.0%	15.0%	10.0%	10.0%
COGS Growth	17.2%	15.0%	10.0%	10.0%
Opex growth	27.1%	20.0%	15.0%	15.0%

Financial Evaluation/Comments:

- The 15% growth projection of sales in 2017 is not low but based the past performance which grew 25% in 2016 and another 18% in 2017, and the increase of approved construction value in 2017, which will translate into purchasing in 2018 and 2019, the 15% projection should be well achievable. We project a lower growth of 10% in 2019 and beyond.
- We give a higher operating expense growth 20% and COGS growth at 15%. The resulting net profit increases an average of USD195K in the next 3 years.
- As the Borrower agreed with our Condition Precedent is to settle o/s loan of USD264K with Canadia Bank and car loan with Toyota Tsusho will be fully paid before the loan drawdown, the repayment capacity based on the FY2017's performance is sufficient at 1.63x. DSR would be improved in the subsequent year on the projected increase of net profit.
- The commitment for term loan/ working capital loan is based on the installment amount in the CBC Report, while the OD is assumed of full utilization, and credit card 's commitment is 20% of the limit. The total commitment is calculated as below:-

No.	Bank	Facility	Limit	o/s @ Jan'18	Installment 2018
1	PPCB	WCL	600,000	600,000	2,975.1
2	ANZ	Se. C.Card	25,000	-	5,000.0
3	Canadia	WCL	160,000	137,944	2,125.0
4	Canadia	WCL	1,000,000	265,009	
5	Canadia	WCL	700,000	613,750	14,500.0
6	Canadia	Se. C.Card	10,000	0	2,000.0
7	Canadia	WCL	1,000,000	919,032	20,700.0
8	Canadia	OD	800,000	800,025	6,000.0
9	Shinhan	Personal	700,000	700,000	4,454.7
10	PPCB	Se. C.Card	10,000	5	2,000.0
11	Toyota Tsusho	Car Loan	43,562	3,866	
12	RHB	WCL	3,000,000	3,000,000	36,398.3
13	RHB	OD	500,000	500,000	3,333.3
14	Company	OD	1,500,000	1,500,000	9,375.0
Total			10,048,562	9,039,630	108,861.4

Note: the installment for loan No.4 and No.12 is excluded as this will be settled before the loan disbursement

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Sensitized Scenario

We sensitized the repayment capacity based on the following two scenarios:

1. Average monthly net profit drop by 15%
2. Average monthly net profit drop by 30%

<i>Description (USD'000)</i>	<i>2017</i>	<i>Sensitized 1</i>	<i>Sensitized 2</i>
	<i>Actual</i>	<i>Profit drop 15%</i>	<i>Profit drop 30%</i>
Average monthly Net Profit	177.80	151.13	124.46
Total Commitment	108.86	108.86	108.86
DSR (x)	1.63	1.39	1.14
Uncommitted Balance	68.93	42.27	15.60

In worst case scenario, DSR drops to 1.14x, but remain sufficient to repay the loan. Although the DSR is low, the remaining uncommitted balance is high enough for the borrower's expense, while keeping the paying the monthly commitment.

4.0 Key Credit Issues

Sector (please specify): Wholesales Trade			Subsector (please specify): Import		
Sector Lending Direction	<input checked="" type="checkbox"/> Get Market Share	<input type="checkbox"/> Accelerate	<input checked="" type="checkbox"/> Organic	<input type="checkbox"/> Slowdown	<input type="checkbox"/> Reduce
Subsector Outlook	<input checked="" type="checkbox"/> Strong		<input type="checkbox"/> Neutral		<input type="checkbox"/> Weak
If Sector Falls Under Slowdown or Reduce, Justification for Maintain or Increase Exposure :					

4.2 Product Risks

<i>Risk</i>	<i>Mitigation</i>
Competition Risk	<p>There are many competitors with similar size in the same business. The borrower, however, withstand the competition in the market by directly making purchase from the factory, and thereby reducing cost of goods, while maintain the quality of the product to stay competitive in the market.</p> <p>Based on the borrower's profit margin, the borrower has already made thin profit to build hundreds of loyal customers with good selling term that ensure the repeat of purchase from those customers.</p>
Slowdown of Construction	<p>Since the property market recovered from early 2014, construction of Borey and Condominium become flourished. There are so many projects that just start and/or in planning to meet the market demand.</p> <p>According to City Hall data from 2013, the most recent year for which figures were available, more than 11,800 weddings were celebrated across the capital, nearly double the previous year's total of 6,380. The figure is expected to increase more in the subsequent year. This mean the demand for new home, especially the Borey would remain strong.</p> <p>The combined value of approved construction projects reached \$6.42 billion in 2017, an increase of 22.31 percent, according to a report from the Ministry of Land Management, Urban Planning and Construction. Across the country, 3,052 new</p>

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	<p>construction projects, equaling 10.74 million square metres, broke ground.</p> <p>The stability in the country and the investor-friendly policies is noted as the reason for the country become a strong investment destination.</p> <p>With ongoing construction of Borey and Condominium across the Capital, the applicant's business as the suppliers of construction material is well position to benefit from their service to developers and construction companies.</p>
Collection Risk	<p>The borrower allows purchase on credit from customers and accumulated up to USD1.3mil. Such practice, however, is allowed only to repeated customers who have built credit from small amount. As per A/R report, only around 20 customers has the A/R amount over USD10K with the borrower, while more than 80% of customers is limited below the USD10K.</p>

SUMMARY & RECOMMENDATIONS

We would recommend for approval of the TL, and OD, totaling USD3.5 mil in view of:-

- The borrower as well as prime mover has more than 25 years' experience in the business, resulting in low business risk.
- The applicant is a prominent businessmen with viable business and sufficient repayment capacity with DSR will be improved from year to year
- The borrower's integrity observed by us during the site visit along with the physical check on the business operations reflects a lower credit risk to us.
- The secured property is located in a high demand location

RECOMMENDATION BY LENDING UNIT

<p>(Signature)</p>  <p>Srean Raksme Senior Manager, Mobile Credit Date 20 Feb 2018</p>	<p>(Signature)</p>  <p>Keang Chanveasna Branch Manager Date 20 Feb 2018</p>
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