



RHB BANKING GROUP

☒ RHB Indochina Bank Ltd☐ RHB Bank Bhd**CREDIT APPLICATION (CA2)**

(Form for joint approval)

Application No. : RHBIBL-0004-2018-0066 Branch: KTL

Request Type☒ New☐ Additional☐ Renewal☐ R&R**Approving Authority**☒ Joint Approval: DLA Level 4 Reason for escalation:☐ Group CCO & Head of Business:

Part 1.0	CUSTOMER PROFILE
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1.1	CUSTOMER INFORMATION		
Borrower	Mr. Kha Sokong and Mdm. Kong Chanthea	CIS No.	New
Group/ Ultimate Parent	N/A	Registration No.	N/A
Ultimate Borrower's Beneficial Owner	N/A		
Business Address	No. 51, St. A-02a (Borey Crystal), Ta Khmao Commune, Ta Khmao District, Kandal Province		
NBC Sector	Wholesale Trade	Sub Sector	N/A
Core Business	Transportation Service and Selling Plastic Bottles Waste		
Date of Incorporation	2005	Relationship Since	New
Review Due Date	N/A	Next Review Date	N/A
BNM Reporting	<input type="checkbox"/> Broad Property Sector (Non Exempt) <input type="checkbox"/> Bridging Loan <input type="checkbox"/> Bullet/ Balloon Repayment		

1.2	CUSTOMER RISK STATUS					
Model Used: <input type="checkbox"/> LC <input type="checkbox"/> MM <input type="checkbox"/> GPF <input type="checkbox"/> IPRE <input type="checkbox"/> NBF1 <input type="checkbox"/> SCRM <input type="checkbox"/> CBRR						
Borrower/ Guarantor	Standalone		Final Rating (For credit decision only)	Watchlist Status		Exceptional Credit
	Current CRR Rating	New CRR Rating		EAM	AST	
Mr. Kha Sokong and Mdm. Kong Chanthea	3	3	3	Yes/ No	Yes/ No	Yes/ No
Guarantor/ N/A	N/A	N/A	N/A			
Comments: N/A						

1.3	SHAREHOLDERS (S) / DIRECTORS (D)/ GUARANTOR (G) DETAILS						
Name/ IC / Passport No./ BRN	Age	Relationship	% of shareholding	Years with Co	Experience/ Qualification	Estimated Network	
Mr. Kha Sokong	33	Husband	100%	2010	2010	160K	
Mdm. Kong Chanthea	26	Wife		2010	2010		
No. of Employee: 5							
Succession Plan for key Personnel: N/A							
CBC / World Check Findings (if any): There are no entries matching to World Check. And the borrowers have not maintained loan with other Banks/MFIs.							
Connected party: Yes / No		(If yes, please comment)					



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Part 2.0	DETAILS OF REQUEST
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2.1	Brief details of new, additional or renewal request. <ul style="list-style-type: none"> - To request 3-Year TL of KHR80Mil to part finance on purchase vacant land (P2 to be charged). - To request OD limit of KHR200Mil to use as working capital in business.
2.2	Please state brief details of waivers, deviation of guidelines & notations. <ul style="list-style-type: none"> - To request without cross-charge.

Part 3.0	FACILITY DETAILS
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3.1	FACILITY (KHR'000,000)					
Facility Type	O/S as at 09-Jul-18	Existing Limit	Increase/ Decrease (+/-)	New Limit	Pricing (ECOF: 5.5% p.a.)	Purpose
3-Year TL	-	-	+80	80	ECOF + 3.0% p.a. on monthly rest subject to min 8.5% p.a.	To part finance on purchase land
OD	-	-	+200	200		To use as working capital in business
Total	-	-	+280	280		

3.2	Repayment Terms (KHR'000,000)	
Facility Type	Tenor/ Terms of Repayment	
TL 80 (New)	Interest Rate	: ECOF + 3.0% p.a. on monthly rest subject to min 8.5% p.a.
	Tenure	: 3 Years
	Repayment	: 36 monthly installment of KHR2.53Mil
	Processing Fee	: 1% on approved amount
	Prepayment	: 1 st -3 rd Year: 3% on prepayment amount if the facility is fully/partially settled before expiry date.
OD 200 (New)	Interest Rate	: ECOF + 3.0% p.a. on monthly rest subject to min 8.5% p.a.
	Tenure	: 1 Year
	Repayment	: Repayable on demand and interest in arrears to be serviced monthly
	Processing Fee:	: 1% on approved amount
	Commitment fee	: 1% p.a. on unutilized OD limit
	Renewal fee	: 1% of the total approved limit
	Prepayment	: 1% on prepayment amount if the facility is fully/partially settled before expire date



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3.3	GROUP EXPOSURE PROFILE (KHR'000,000)								
Exposure With	Borrower			Related Borrowers**			Borrower + Related Borrowers (SCEL**)		
	Secured*	Clean	Total	Secured*	Clean	Total	Secured*	Clean	Total
RHB Indochina Bank	280	-	280	-	-	-	280	-	280
RHB Bank Limit: Standalone:									
RHB Labuan/ Islamic/ Investment/ Leasing									
SCEL**									
Beyond SCEL***									
Total RHB Group	280	-	280	-	-	-	280	-	280
Total Credit (RHB Group Exp+Other Banks)	280	-	280	-	-	-	280	-	280

* Based on value as per Credit Policy

** Aggregated based on Power of Control (PoC) and Economic Dependency (ED)

*** All other exposure derived based on Power of Control (before disaggregation)

Part 4.0	DETAILS OF OTHER BANKERS/ FINANCIAL INSTITUTIONS						
No.	Name of Banker/ FI	Facility Type	Pricing	Approved Amount (USD'000)	Outstanding as at 31-Jan-2018 (USD)	Security	Security Coverage
	N/A						
Total							
Credit Bureau Findings: Noted, applicants are inquired with Shinhan Bank based on CBC report in 20 Jul 2018. As confirmed by applicants, the request loan is not yet approved. And they decides to apply with us since the Shinhan bank is too slow.							
World check: No name matched.							

Part 5.0	SECURITY DETAILS
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5.1	SECURITY DESCRIPTION		
Security Description		OMV (USD'000)	Security Value (as per CP)
New TL: KHR80Mil 1. Facility Agreement stamped for TL of KHR80Mil as the principal instrument. 2. Open All Monies 1 st party and 1 st legal charge over the following property as subsidiary instrument Property 1: (To be obtained) Title No.: ៩០០០២១៣៨៣ Registered owner: Mr. Kha Sokong and Mdm. Kong Chanthea		127.7	89.3



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Description: 3-Storey Linked House
 Land: 106 sqm
 Built-up: 265 sqm
 Address/Location: No. 51, St. A-02a (Borey Crystal), Ta Khmao Commune, Ta Khmao District, Kandal Province.

Tenure: freehold
 Lease expiry: N/A

Insurance: To be issued by bank's panel
 Expiry date: N/A

Verbal Check by:

Valuer	Date	OMV/FSV (USD)	
CPL	05-Jul-18	Land cost: USD61,480	(USD580/sqm)
		Building cost: USD79,500	(USD300/sqm)
		Total: USD140,980	
LUCKY	05-Jul-18	Land cost: USD53,000	(USD500/sqm)
		Building cost: USD74,730	(USD282/sqm)
		Total: USD127,730	

Comment: We adapt to the indicative value of LUCKY as it is reasonable value and lower than CPL's.

New/ Additional (To Be Obtained)

N/A

Total

127.7**89.3**

Security Coverage (Times) - Against OD facility

2.55x**1.78x****New OD: KHR200Mil**

- Facility Agreement stamped for OD of KHR200Mil as the principal instrument.
- Open All Monies 1st party and 1st legal charge over the following property as subsidiary instrument

Property 2: (To be obtained)

Title No.: 08110604-1437
 Registered owner: Mr. Kha Sokong and Mdm. Kong Chanthea
 Description: Vacant Land
 Land: 644sqm
 Built-up: N/A
 Address/Location: Kampong Samnanh 1 Village, Kampong Samnanh Commune, Ta Khmao District, Kandal Province.

Tenure: freehold
 Lease expiry: N/A

Insurance: N/A
 Expiry date: N/A

Verbal Check by:

Valuer	Date	OMV/FSV (USD)	
CPL	05-Jul-18	Land cost: USD141,680	(USD220/sqm)
		Total: USD141,680	
LUCKY	05-Jul-18	Land cost: USD103,040	(USD160/sqm)
		Total: USD103,040	

103**51.5**



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Comment: We adapt to the indicative value of LUCKY as it is reasonable value and lower than CPL's.	
New/ Additional (To Be Obtained) N/A	
Total	103 51.5
Security Coverage (Times) - Against TL facility	5.15x 2.57x

2	SECURITY ANALYSIS
<ul style="list-style-type: none"> - P1 and P2 are not cross charge, the P1 to be secured OD facility while the P2 to be secured TL facility. - MOA (P1) is 39.15% and SC (P1) is at 1.78x (ascribe value) - MOA (P2) is 19.41% and SC (P1) is at 2.57x (ascribe value) - The P1 is the current applicant's resident where is located in Borey Chrystall - Takmao City where is surrounded by many developing area such as Borey New World, Hospitals, Schools, Banks/MFIs, etc. Noticeably, the Ta Khmao City has been projected to construct new Mall, AEON 3, and new Airport based on Social Media News. - The P2 is located about 2Km from P1. It is a vacant land surrounded by residents and developing area. The property is suitable for resident and warehouse. 	
5.3	GURRANTORS
N/A	

Part 6.0	CONDITIONS PRECEDENT & COVENANTS
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6.1	CONDITIONS PRECEDENT			
No.	Details	Complied		To
		Yes	No	comply
1	<u>New TL: KHR80Mil and OD: KHR200Mil</u> <ul style="list-style-type: none">- Acceptance of Letter of Offer- Payment of Processing fees <u>Release of facilities subject to:-</u> <ul style="list-style-type: none">- Compliance of Terms under Condition Precedent.- 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, duly stamped and registered at such registries as the Bank may deem necessary.- Submission of Formal VR on the P1 and P2 from our bank's panel, LUCKY, with total OMV of not less than USD230.7K <u>Disbursement Method:</u> Upon blocking TD of P1 and P2, TL and OD will be released as follow: <ul style="list-style-type: none">- OD of KHR200Mil will be disbursed into the borrower's account maintained with RHBIBL.- TL of KHR80Mil will be disbursed by issuing a banker's cheque to seller subject to submission of SPA and of differential sum on the purchased land (P2). Or reimbursed is allowed subject to evidence of full settlement has been paid by the borrower.			 <



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6.2	COVENANTS / OTHER TERMS & CONDITIONS			
No.	Details	Complied		To comply
		Yes	No	
1	Existing N/A			
2	New N/A			
Comments:				

Part 7.0	CREDIT ASSESSMENT
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7.1

BORROWER BACKGROUND

- Applicants, Mr. Kha Sokong (Age: 33) and Mdm. Kong Chanthea (Age: 26), are related as husband and wife. They are residing in No. 51, St. A-02a (Borey Crystal), Ta Khmao Commune, Ta Khmao District, Kandal Province, where is the P1 to be charged with us.
- Presently, they have ventured in transportation service and selling bottle's plastic trash since 2012. The business is operated as small family business so Patent and other Business License are not made so far.
- **Transportation service:** The applicant has engaged in business for many years. Presently, there are 2 Trucks for transportation service. As informed by applicant, they transports foods such fish, snail, vegetables, etc. from main wholesale to local dealers across a City and 3 provinces consist of Phnom Penh, Kandal, Battambang, and Banteay Meanchey Province. Daily expenses are always payment such as food, custom post fee (along street), petroleum, etc. with totaling of about 60% or 65% against total revenue. Their potential customer is Mr. Leng You who is a potential fish trading and farm in Ta Khmao Province, and he is also our loan customer at BKK.
- **Selling Plastic Bottle Waste:** It is managed by Mr. Kha Sokong and assisted by 3 staffs to collect Plastic Bottle Waste from Phnom Penh and Ta kmao City. Those are sold to Plastic Recycling Factory who is owned by Mr. Leng You as well. Noted, the plastic waste have been recycled and processed to produce new plastic bottle. As disclosed by applicant, there are currently 3 main businessmen in Phnom Penh who invests in Plastic Recycling Factory. Presently, the applicant supplies a small part of customer's demand since they have not enough fund to purchase plastic bottle waste for stock and expand their networking (Suppliers) from other locations.
- Their suppliers are Plastic end-user and wholesale plastic bottle collectors.

Collectors----->Applicant ----->Plastic Recycle Factory (Mr. Leang You).

Description	Selling price	Source of bottle	Times/month
Plastic bottle waste	USD0.30/ton	BTB, SRP, SNK	At least 10 per truck
Transportation Service	USD375/transport	PP, BTB, SRP, SNK	At least 15 per truck

Note:

- There are 2 trucks for the applicant's business recently.
- USD0.30 per ton for plastic bottle waste, and there are at least 10 times per truck for collection from some provinces such as BTB, SRP, and SNK
- Applicant earns at least USD375 per transport or more than subject to destinations.
- Most destinations of plastic bottle collection and transportation service of fishes are in the same zone. (Going with fishes and turn back with plastic bottle waste)
- Source of bottle collection is targeted in potential provinces for tourists who are enjoyed in drink.
- Since Mr. Leng You is the main applicant's customer, all payments are made in end of each month. In this view, the applicants have to pay all daily expenses first before bill payment from their buyers.
- Based on sale record, the average fee is at USD375/trans. It is reasonable for transportation service due



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- to the distance of each destination such BTB, SRP, and SNK.
- Patent and other related documents for business are not applied as the applicant has operated as a family business. All bottle plastic wastes are collected from end users and directly deliver to their customer's warehouse.

Main Buyer**Fish Business:**

Mr. Leng You is the main applicant's customers who has involved in the fish farm business since he is young with their family. Mr. Leng You just fully managed the business from 2010. He is reportedly to be born from a fish farmer family in 1990s. He used to assist his parent in fish farm business since he was a kid. Mr. Leng You also employed Mr. Tik, his cousin who are fish farm expertise from Vietnam for more than 10 years, as the farm's general manager to assist in the business. The fish trading and farming business was granted license from Letter Approval from Kandal Governor No. 578 អនុញ្ញាត (Kandal, dated 29/05/2014) and last updated letter of approval signed off by Minister of Agriculture, Forestry and Fishery No. 349 អនុញ្ញាត (dated 15/06/2016) (letter of approval is furnished). The approval is allowing the Borrower to do farming on 50 ha of land in Koh Thom District with some type of fish to trade and transport to sell to wholesalers nationwide. Mr. Leng You is also operating trading business by importing fish from Vietnam to sell in some provinces' fish market and Mr. Kha Sokong is a supporter to transport fishes to Mr. You' customer. The fish farm cover nearly 50 hectare of land consist of 18 fish ponds with total investment of about USD2.0 million situated along National Road 21B in Koh Thom District, Kandal Province (around 2 km from Vietnamese and Cambodian border). Currently they are mainly doing fish trading business and farming a fish species named as Snakeskin Gourami (Kanthor), Wallago attu (Sandai) and Ophiocephalus striatus (Rors) Fish.

Plastic Bottle Factory

Mr. Leng You is also operating a plastic manufacturing factory since March 2016. The business is main operating by Mr. Chhay Kimheng (Mr. Leng You's brother in law). The construction of factory started since early of 2015 with total investment of USD1.6Million (exclude land price). There are 2 sites of manufacturing called a) recycling raw material factory and b) finished bottle factory.

Plastic waste ---> Cleaning waste ---> Categorizing plastic ---> Hot Cleaning plastic ---> Small piece of plastic raw material

- **Rental Income:** Applicant earn rental income on their property as follow:

Lessee	: Hang Sokdy
Lessor	: Kha Sokong
Property type	: Warehouse
Property address	: No. 5P & 6P, Svay Rolum Commune, Sa Ang District, Kandal Province.
Tenure	: 1 year (01-Aug-17 to 01-Aug-2018) subject to annual renewal
Monthly Rental Fee	: USD300
Deposit	: USD600

7.2

JUSTIFICATION OF REQUEST

To request 3-Year TL of KHR80Mil to part finance on purchase vacant land (P2 to be charged) due to:

- Based on the furnished SPA, Mr. Kha Sokong has purchased a vacant land from his close friend with total price of USD130K. He paid of USD110K already and the balance of USD20K is being a loan with flat interest USD600 per month till the loan is fully settled by the applicant. Noted, the TD has been completed ownership transfer to the applicants and the final payment has not been paid. Based on verbal check with CPL and LUCKY, MOF shall be as follow:

Description	SPA 03 Nov 2017	CPL 05-Jul-18	LUCKY 05-Jul-18
P2 to be charged with us Vacant Land (664sqm) TD: 08110604-1437	USD130,000	USD141,680	USD103,040
Kampong Samnanh 1 Village, Kampong Samnanh Commune,			



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Ta Khmao District, Kandal Province

MOF or MOA (TL: USD20K against P2)

15.38%

14.11%

19.40%

SC (ascribe value)

3.25 Times

3.54 Times

2.57 Times

Comment: LU adapt the min. verbal check with LUCKY as it is reasonable price and lower than SPA's and CPL's.

- Therefore, the applicant request 3-Year TL of KHR80Mil (equaling to USD20K) to part finance on purchase land as above mentioned.

To request OD limit of KHR200Mil to use as working capital in business due to:

WC Line Requirement:

Items	Historical	Projected	Remarks
	2018 (Monthly)	2019 (Monthly)	
Z) Monthly sales (USD)	26,780.30	28,119.32	
A) Debtor turnover (days)	30	30	
B) Stockholding turnover (days)	35	35	
C) Creditor turnover (days)	0	0	
D) Asset Conversion Cycle = (A + B) – C/30	2.17	2.17	
E) Monthly WC need = (D x Z)	58,023.98	60,925.18	
Existing + proposed WC lines (OD: USD450K)	50,000.00	50,000.00	
(Shortfall)/Excess in WC lines	(8,023.98)	(10,925.18)	

Justification

- Based on sale record, average sale reported of USD26.7K per month derived from selling plastic waste.
- A/R or Debtor turnover (Days) is up to 30 days while A/P or Creditor turnover (Days) must be directly paid on sale. In this view, the applicant extremely need WC for facilitate their sale transactions from their suppliers. All goods are stocked by collecting every day from suppliers for plastic waste.
- The above WC table is not included the transportation service business. But it is actually need WC for manage their daily expenses as well since they have to expense daily operation.
- Based on WC table calculation, the monthly WC need shall be at USD58K per month to be smoothly on their daily business.
- In addition, the applicant has just purchased vacant land worth of USD130K dated 12 Nov 2017.
- Therefore, they request OD limit of KHR200Mil (equaling to USD50K) to use as working capital in business.

To request without cross-charge due to:

- The applicant may sell out the P2. However, they plan to construct rooms for rental in future.

7.3

INDUSTRY LENDING DIRECTION**Sector:** Retail Trade**Within Industry Lending Limit? Yes / No** (as at 17-Jul-2018)☐ Most attractive☐ Highly attractive☐ Attractive☒ Selective☐ Unattractive☐ Most unattractive

If Sector falls under unattractive or most unattractive, justification for maintain or increase exposure: N/A



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7.4	SOURCE OF REPAYMENT		
	Historical 2017 (Monthly)	Projected 2018 (Monthly)	Remarks
A) EBITDA	USD4,384.65	USD4,846.41	
B) Other recurring Income: Property Rental (Warehouse)	USD300.00	USD363.00	
C) Total cash flow available for debt service (A + B)	USD4,684.65	USD5,209.41	
D) Existing debt repayment	N/A	N/A	
E) Proposed additional Debt Repayment RHBIBL, 3-Year TL: KHR80Mill RHBIBL, OD: KHR200Mil (Installment is estimated in USD currency)	USD631.35 USD354.16	USD631.35 USD354.16	
F) Total debt repayment (D + E)	USD985.51	USD985.51	
DSR [(A+B)/(D+E)]	4.75x	5.28x	
G) Other source of income (scheduled/dividend repayment)	N/A	N/A	
Adjusted DSR [(C + G)/F]	N/A	N/A	

7.5	EXTERNAL RATING (Applicable to PLCs only)			
Moody's EDF9 Score (%) as at dd/mm/yyyy				
Borrower:		Guarantor:		
Share Price Movement over past 12 months:				
DD/MM/YY (Current price)	High	Low		
Implied Rating	S&P	Moody's		
Comments:				
RAM	MARC	S&P	Fitch	Moody's
Comments:				



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7.6	CUSTOMER PROFITABILITY								
Facility	Average Utilization	Last 12 mths Gross Income	Current RAROC	Current RRWA	Current ROA	Projected 12 mths Gross Income	Projected RAROC	Projected RRWA	Projected ROA
N/A									
Reasons/ account strategy if less than model recommended target return.									

7.7	ANCILLARY BUSINESS/ CROSS SELLING
N/A	

7.8	CONDUCT OF ACCOUNT ANALYSIS																																											
<u>Bank Statement</u>																																												
ACLEDA (Account No. : 2400-01-340900-1-8)																																												
Account name: Mr. Kha Sokong																																												
<table><tr><th>Month</th><th>Debit (USD)</th><th>Credit (USD)</th><th>Balance (USD)</th></tr><tr><td></td><td></td><td>Balance Forward</td><td>40,456.21</td></tr><tr><td>Jan-18</td><td>29,513.50</td><td>10,032.49</td><td>20,975.20</td></tr><tr><td>Feb-18</td><td>5,007.37</td><td>10,009.21</td><td>25,977.04</td></tr><tr><td>Mar-18</td><td>13,017.29</td><td>7.13</td><td>12,966.88</td></tr><tr><td>Apr-18</td><td>10,020.25</td><td>14,006.36</td><td>16,952.99</td></tr><tr><td>May-18</td><td>18.38</td><td>19,009.80</td><td>35,944.41</td></tr><tr><td>Jun-18</td><td>15.59</td><td>14.76</td><td>35,943.58</td></tr><tr><td>Total</td><td>57,592.38</td><td>53,079.75</td><td></td></tr><tr><td>Average</td><td>9,598.73</td><td>8,846.63</td><td>24,793.35</td></tr></table>					Month	Debit (USD)	Credit (USD)	Balance (USD)			Balance Forward	40,456.21	Jan-18	29,513.50	10,032.49	20,975.20	Feb-18	5,007.37	10,009.21	25,977.04	Mar-18	13,017.29	7.13	12,966.88	Apr-18	10,020.25	14,006.36	16,952.99	May-18	18.38	19,009.80	35,944.41	Jun-18	15.59	14.76	35,943.58	Total	57,592.38	53,079.75		Average	9,598.73	8,846.63	24,793.35
Month	Debit (USD)	Credit (USD)	Balance (USD)																																									
		Balance Forward	40,456.21																																									
Jan-18	29,513.50	10,032.49	20,975.20																																									
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Mar-18	13,017.29	7.13	12,966.88																																									
Apr-18	10,020.25	14,006.36	16,952.99																																									
May-18	18.38	19,009.80	35,944.41																																									
Jun-18	15.59	14.76	35,943.58																																									
Total	57,592.38	53,079.75																																										
Average	9,598.73	8,846.63	24,793.35																																									
<p>Comment: For last 6 months, total turnover credit and debit reported USD53K and USD57.5K derived monthly deposit and withdrawal of USD8.8K and USD9.5K respectively. The conduct of account has been satisfactory conducted with common transactions are cash deposit, local transfer, and withdrawal.</p>																																												
Part 8.0	GUIDED RISK ANALYSIS TEMPLATE																																											

We have reviewed the facility as required and confirmed the following:

8.1	Management Risks	✓	Low		Medium		High
<ul style="list-style-type: none">There is no proper financial recorded, since it is a family business. However, the borrowers are still operating business well and profitable from year to year.							

8.2	Industry Risks		Low	✓	Medium		High
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Government to Push Fish Farming

The demand of fish is considered to be high demand as the local and family fish producers is considered to be low skill and high cost, thus the selling price in the market is also considered high. Since the Borrower has more than 10 years' experience and assisted from technical specialist from Vietnam, the market selling price is the competitive advantage for him.

The government has set an annual target of producing 1.2 million tons of fish in farms within the next three years to support high local demand and to reduce the flood of imports from neighboring countries, according to the Ministry of Agriculture, Forestry and Fisheries. The market now depends on imported fish from neighboring countries, Mr. Thouk said, and that is costing ordinary people too much. The flood of imported fish in the market has also raised concerns over food safety, with many claiming that imported fish are of poor quality and treated with antibiotics that can affect people's health.

"Imported fish feed is one of the big factors which pushes the cost of farming fish," Mr. Sophal said. "Unless the price of feed comes down, fish farmers cannot sell their products at a low price." The demand for fish per person has increased from an estimated 52.5 kilograms per year to 63 kilograms, Mr. Thouk said. The current production of 700,000 tons per year will not be enough to supply the increase in consumption in the coming years, he said.

(Source: <https://www.khmertimeskh.com/news/28196/government-to-push-fish-farming/>)

Plastic Waste

Southeast Asian nations are taking measures to reduce pollution from plastic waste and promote the recycling of plastic products in keeping with the focus of this year's Earth Day on April 22, but efforts in Vietnam, Laos, Cambodia, and Myanmar are falling short.

According to a 2017 article in Science Advances, the worldwide total volume of plastic has reached 8.3 billion tonnes, the equivalent of more than 800,000 Eiffel Towers. Of this enormous amount, 6.3 billion tonnes have been disposed as waste. In Cambodia, according to the ACRA Foundation, around 10 million plastic bags are used in Phnom Penh every day. Urban Cambodians use more than 2,000 plastic bags every year. The biggest problem is that plastic does not biodegrade easily. So it stays around for thousands of years. And slowly, it leaks chemical substances harmful for the environment, animals and people.

In April 2018, the Ministry of Environment introduced new regulation for the use of plastic bags. Major supermarkets such as Aeon and Lucky have begun to charge 400 riel (\$0.10) per bag. The Ministry of Environment is also considering plans for jute bags as an alternative, and the school curriculum is being updated to help educate future generations on the harm caused by plastics.

Hence, the production of bottle plastic recycling is a main role to cut down the world's pollution from plastic as well.

8.3	Product Risks		Low	✓	Medium		High
N/A							

8.4	Supplier / Buyer Risks		Low	✓	Medium		High
N/A							
Adverse findings from Trade Quality Assurance Department (if any)							
Supplier/ Buyer		Due Diligence Findings			Action Taken		
N/A							

8.5	Production Risks (applicable to manufacturing company only)	✓	Low		Medium		High
N/A							

8.6	Other Risks (e.g. Specialised Lending, Project / Contract Financing)	
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RHB BANKING GROUP

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Application No. : RHBIBL-0004-2018-0066

Branch: KTL

N/A

8.7 FINANCIAL HIGHLIGHTS & ANALYSIS**Income Statement**

Description	2016 12 Months	2017 12 Months	2018 5 Months (Jan to May)
Revenue			
Transportation Service	125,861.11	135,334.53	60,633.75
Selling Plastic Bottle Waste	290,030.65	305,295.42	133,901.50
Total Revenue	415,891.76	440,629.95	194,535.25
Expenses			
COGS- Plastic Bottle Waste	275,529.12	290,030.65	127,206.43
Petroleum	42,032.53	44,244.77	19,405.60
Salary's staff	16,245.00	17,100.00	7,500.00
Custom Post Fee	19,494.00	20,520.00	9,000.00
Food	9,747.00	10,260.00	4,500.00
Others	10,830.00	11,400.00	5,000.00
Total Expenses	373,877.65	393,555.42	172,612.03
Net income	42,014.12	47,074.53	21,923.23
Average	3,501.18	3,922.88	4,384.65
Monthly rental income (warehouse)	-	-	300.00
Total net income			4,684.65

Comment:

- Based on the furnished income statement as at May 2018, sale was increased by 7% and 5% on transportation business and selling plastic business respectively.
- COGS (Plastic Bottle Waste) was 95%.
- In overall, total expenses was about 89% where generate net income of USD4.38K per month.
- Total revenue reported of USD194.5K derived from transportation service business and selling plastic bottle waste. And average revenue of USD38.9 per month is justified by summary sale invoice for last 3 months with average monthly of USD26.7K for selling plastic waste and USD12.1K for transportation service. There is about 22.62% channeled with ACLEDA bank where the balance was kept in hand for daily business operating expense.
- Besides, the applicant also generate fixed income from warehouse rental of USD300 per month subject to one year renewal.

Income Projection

Description	2019 12 Months	2020 12 Months	2021 12 Months
Revenue			
Transportation Service	155,707.47	166,606.99	178,269.48
Selling Plastic Bottle Waste	337,431.78	354,303.37	372,018.54
Total Revenue	493,139.25	520,910.36	550,288.02
Expenses			
COGS- Plastic Bottle Waste	320,560.19	336,588.20	353,417.61



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Petroleum	48,902.11	51,347.22	53,914.58
Salary's staff	18,900.00	19,845.00	20,837.25
Custom Post Fee	22,680.00	23,814.00	25,004.70
Food	11,340.00	11,907.00	12,502.35
Others	12,600.00	13,230.00	13,891.50
Total Expenses	434,982.30	456,731.42	479,567.99
Net income	58,156.95	64,178.94	70,720.03
Average	4,846.41	5,348.25	5,893.34
Monthly rental income (warehouse)	363.00	399.30	439.23
Total net income	5,209.41	5,747.55	6,332.57

Comment:

- Sale is projected to increase by 7% for transportation service and 5% for plastic waste business in next 3 years based on past sale recorded and trend of business growth.
- COGS are expected to remain unchanged.
- All expenses are projected to increase 5%
- Warehouse rental income is project to increase 5%.

Current DSR Scenario

Average Monthly Net Income (USD)	2017	2018	2019	2020
Net Income	4,684.65	5,209.41	5,747.55	6,332.57
RHBIBL TL	631.35	631.35	631.35	631.35
RHBIBL OD	354.16	354.16	354.16	354.16
Total commitment	985.51	985.51	985.51	985.51
DSR (Time)	4.75x	5.28x	5.83x	6.42x

Note: Monthly installment is estimated in USD currency.

Sensitized DSR Scenario: (50% drop of net income)

Average Monthly Net Income (USD)	2017	2018	2019	2020
Net Income	2,342.32	2,604.70	2,873.77	3,166.28
RHBIBL TL	631.35	631.35	631.35	631.35
RHBIBL OD	354.16	354.16	354.16	354.16
Total commitment	985.51	985.51	985.51	985.51
DSR (Time)	2.37x	2.64x	2.91x	3.21x



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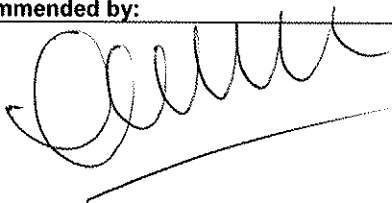
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Part 9.0	RECOMMENDATION BY LENDING UNIT
SUMMARY & RECOMMENDATION <ul style="list-style-type: none">- Applicants have experienced in business for many years. And they are referral customer from Mr. Leng You who is existing loan customer at BKK.- The business has been running well and profitable from year to year with average monthly net income of USD4.38K and warehouse rental income of USD300.- DSR is 4.75x and Sensitive DSR is 2.37x (50% drop of income)- The applicant has not maintained loan with other Banks/MFIs.- 2 Collaterals are located in favorable area and marketable where to be charged with us. MOA is- P1 and P2 are not cross charge, the P1 to be secured OD facility while the P2 to be secured TL facility. MOA (P1) is 39.15% and SC (P1) is at 1.78x (ascribe value). MOA (P2) is 19.41% and SC (P1) is at 2.57x (ascribe value) <p>Reminder: All credit submission must have financial statements (audited or management accounts) which are not older than 6 months from the date of submission. Also, in any case, audited account must not be more than 12 months old from the date of submission. In the event that the above could not be complied, LU is to make notification detailing (i) the reason for audited financials; (ii) justifying the reasons why it is in order to accept the outdated financials; (iii) committing the date when the updated financials can be obtained & (iv) indicating in details other sources of information i.e. updated sales report, current account summary, cash balances, CCRIS, etc.</p>	
Prepared by:	Recommended by:
	
Sok Ratanak Assistant Manager-Credit Relationship Date: 26-Jul-2018	Chiv Hak Senior Manager Date: 26-Jul-2018



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Part
10.0

INDEPENDENT EVALUATION/ RECOMMENDATION/ APPROVAL

10.1

CREDIT EVALUATION MEMORANDUM/ RECOMMENDATION

Within Lending Limits:

☐ Yes

☐ No

Issues / Findings / Breaches (if any)

No.	Issues / Findings	Comments / Mitigations
1		
2		
3		

No.	Policy Breaches	Comments / Mitigations
1		
2		
3		

Recommendation

Evaluated by:

Name:

Position:

Date:



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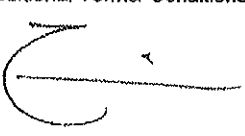
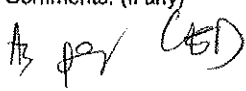
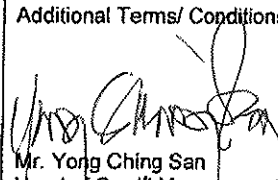
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CREDIT APPLICATION (CA2)

(Form for joint approval)

Application No. : RHBIBL-0004-2018-0066

Branch: KTL

10.2	APPROVAL
Approver 1	<p>Decision: <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Declined</p> <p>Comments: (if any)</p> <p>Additional Terms/ Conditions/ Covenants: (if any)</p> <p></p> <p>Mr. Nhim Borey Branch Manager</p> <p>Date: 26-07-2018</p>
Approver 2	<p>Decision: <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Declined</p> <p>Comments: (if any)</p> <p></p> <p>Additional Terms/ Conditions/ Covenants: (if any)</p> <p></p> <p>Mr. Yong Ching San Head of Credit Management</p> <p>Date: 26/7/18</p>

No.	Decline Code/Reason (tick the relevant code for declined proposal)
D001	First Level Screening Not Carried Out by LU (e.g. : CCRIS, CTOS, NP69 findings)
D002	High risk of impairment (1 or more AST/MST)
D003	Inappropriate/ unsuitable credit structure
D004	Repayment capacity inadequate/ unmitigated
D005	No justification/ rationale for request in CA
D006	Unacceptable level of risk
D007	Unsatisfactory financial performance/ key financial indicators
D008	Unsatisfactory conduct of account
D009	WC requirement not adequately justified/ mitigated
D010	Project viability not adequately justified/ mitigated
D011	High clean exposure not justified & mitigated
D012	Others (provide description)

Credit Evaluation – Loans and Credit Administration							
Date	:	10/08/2018	Branch	:	✓ KTL		
From	:	Credit Evaluation – Loans and Credit Administration					
To	:	Head, Credit Management & Branch Manager					
1.0 Borrower Information							
Borrower:	1	Mr.Kha Sokong (33)	Nature of business/ Employment	1	Wholesale of plastic waste		
	2	Mdm Kong Chanthea (26)		2			
	3						
Guarantor:	1		Borrowing R's ship since:	New			
	2						
	3						
CRR Grade	3						
2.0 Term Sheet							
New/ Additional	Facility	Existing Limit (KHR)	+/-	Proposed Limit (KHR)	O/S balance	Tenure	Interest rate ECOF = 5.50% p.a.
New	TL		+80M	80M	-	3 years	ECOF + 3.0% subject to min 8.50%p.a.
New	OD		+200M	200M	-	1 years	
Total			+280M	280M			
Fees	Processing fee	✓	1% on approved limit				
	Prepayment fee	✓	1 st – 3 rd year: 3% (TL) 1% on prepayment amount (OD)				
	Renewal fee	✓	1% on renewed limit				
	Commitment fee	:	1% on uncommitted balance.				
Loan Purpose:	<ul style="list-style-type: none"> TL: to part finance purchase of a parcel of vacant land OD: As working capital 						
Request/ Deviation:	<ul style="list-style-type: none"> To seek approval not to cross charge P1 & P2. 						
3.0 Comment by Credit Evaluation:							

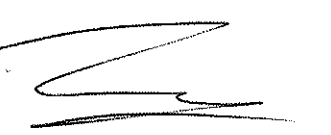
1. Borrowers are husband & wife where Mr.Kha owned 2 trucks for transport service provided to Mr.Leng You who is a local fish farm to transport the fish & other food imports from Vietnam to other retailers. Besides that, he is also a middlemen purchasing plastic waster in and around Phnom Penh to be sold to Mr. Leng You as well who also operating a plastic recycling factory. All the above 2 business activity does not require license/patent as he is conducting on personal capacity and all business and property is located in Takhmao province.
2. The purpose of the TL is to pay off the balance purchase price of a parcel of vacant land for USD130K where the USD20K is about 15% of the purchase price while the OMV valued at USD103K. The OD will be used to support the plastic waste collection business as credit term of one month is granted to the buyer while borrower also needs to pay upfront to their supplier in order for them to collect the waste for delivery.
3. Comment on financials:-
 - Both businesses has been profitable for the past 3 years where 68.5% of revenue is generated from the waste plastic business with transportation contributed the balance. The monthly revenue of USD38.9K in 2018 can only be verified via 3 months sales record furnished by borrower from March to May with average sales of USD38.9K.
 - The profit margin of 10% is deemed reasonable for such nature of business while their existing SA with Aceda Bank is active with AMD of USD8.8K with no borrowings to date.
 - Average EBIT of USD4.7K provides adequate DSR of 4.75x while under sensitized scenario with a reduction of 50%, DSR is still positive at 2.37x
4. TL will be secured by the 3 storey linked house which is the residence of the borrower at Borey Crystal in Takhmao while OD will be secured by the vacant land purchase where the overall security coverage is strong at 2.01x (ascribed value). However, collateral is not located in prime area as Takhmau is not the major commercial area where disposability is only fair at best.
5. Key issue:-
 Single source of buyer as both the transportation and waste business is to Mr.Leng You in which any failure in the buyer's business would have devastating effect on the borrower's repayment while the rental income of the warehouse is only USD300. However, we take note on the low MOA while TL is only for short 3 years tenor only.

4.0

Recommendation by Credit Evaluation

1. I would concur on branch's recommendation for Management's approval subject to:-
 - i. TL at KHR100M to be secured by P2 instead of P1 and the drawdown of the KHR20M to go to borrower's account while KHR80M as per original CA
 - ii. OD at KHR120M instead secured by the 3 storey linked house.

Concurred by:


 Tang Siew Hon
 Senior Manager
 Date: 10/08/2018