

Credit Evaluation – Loans and Credit Administration							
Date	:	27/10/2016	Branch	:	CMO		
From	:	Credit Evaluation – Loans and Credit Administration					
To	:	Head, Credit Management & Deputy Country Head					
1.0 Borrower Information							
Borrower:	1	Mr.Chea Makara	Nature of business/ Employment	1	Wholesale of lubricants		
	2	Mdm Sourkea Naly		2			
	3						
Guarantor:	1		Borrowing R's ship since:	July 2013			
	2						
	3						
CRR Grade	4						
2.0 Term Sheet							
New/ Additional	Facility	Existing Limit (USD)	+/-	Proposed Limit (USD)	O/S balance	Tenure	Interest rate ECOF = 5.50% p.a.
Chea Makara & Sourkea Naly							
Existing	TL1	73.8K	-	73.8K	73.8K	8 years	ECOF + 4.75%p.a. subject to min 10.25%
New	TL2		+140K	140K	-	10 years	ECOF + 3.50%p.a. subject to min 9%p.a.
Bou Sothearak & Kea Chea Chea							
Existing	HL	53.3K	-	53.3K	53.3K	10 years	ECOF + 4.75%p.a. subject to min 10.25%p.a.
Existing	TL	14K	-	14K	14K	10 years	ECOF + 4.75%p.a. subject to min 10.25%
SHPP Trading Co.,Ltd							
Existing	TL	51.1K	-	51.1K	51.1K	8 years	ECOF + 4.75%p.a. subject to min 10.25%
Total		192.2K	+140K	332.2K	192.2K		
Fees	Processing fee	:	1% on approved limit				
	Prepayment fee	:	1 st – 5 th year: 3% 6 th – 8 th year: 1%				
	Renewal fee	:	NA				
	Commitment fee	:	NA				
Loan Purpose:	- To part finance the construction of a double storey villa						
Request/ Deviation:	- To reduce interest rate for existing TL1 interest from 10.25%p.a. to 9%p.a. - Annual review of existing facility						

3.0

Comment by Credit Evaluation:


1. Borrowers are our existing customer since July 2013 with their existing business in wholesaling of vehicle lubricant under brand of Valvoline from USA has remained unchanged. Both the borrower is also management staff for VHK Business Group Co.,Ltd which is the importer for Valvoline in Cambodia with combined monthly salary of USD3K.
2. The related account under SHPP & Mr.Bou Sothearak with total group exposure of USD192.2K is satisfactory conducted. The related borrower i.e. Mr.Sothearak & Mdm Kea shared 50% business with borrower on the wholesaling of Valvoline products while another Vehicle Grease under Super Tex brand is 100% owned by them. Noted that the latest business patent for the shop has been misplaced.
3. The purpose of the loan is to part finance the construction cost of a double storey villa on the land currently charged to us where we have finance the purchase in 2013. The total construction cost is quoted at USD213.1K to be undertaken by contractor i.e. Nest Architecture. Construction agreement has yet to be signed while construction approval is under processing and to be from Khan level only. The construction cost quoted at USD350 psqm is consider fair and reasonable as per cross checking with other panel valuer i.e. CARE & Bonna.
4. Comment on financials:-
 - i. The reported monthly revenue of USD45.4K can be partly substantiated via average monthly deposit of USD16.51K maintained with us which reflects 36% of the reported revenue while the rest are in cash basis. Branch has also summarized 4 months sales invoices from May to Aug 2016 with average sales of USD36.7K or 81% reflection rate while the shortfall is due to cash purchases without invoices issued.
 - ii. Average monthly EBIT of USD8K inclusive of salary income provides adequate DSCR of 2.68x. Assuming the salary income was excluded, DSR is still acceptable at 1.68x.
 - iii. Revenue is projected to grow nominally up to 8% for the next 3 years based on past financial record and is acceptable and reasonable.
5. Security coverage would be at 1.25x (ascribed value) upon completion of the villa in 11 month time. The collateral is located in suburb of Phnom Penh about 1KM away from Hanoi Street. Marketability is only fair while noted the house to be constructed is for owner occupation.

4.0

Recommendation by Credit Evaluation

1. I would concur on branch's recommendation for Management's approval subject to:-
 - i. Latest business patent for the Rally Shop to be furnished in the next review
 - ii. LU is to follow up on final construction approval from Land office before final loan drawdown failing which to submit RFV for any waiver of the approval with justification

Concurred by:


Tang Siew Hon
Senior Manager
Date: 28/10/2016



RHB BANKING GROUP

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

(Form for joint approval)

Application No. : RHBIBL-0002-2015-0028-1 Branch: City Mall Olympic Branch

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

Part 1.0	CUSTOMER PROFILE
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1.1	CUSTOMER INFORMATION			
Borrower	Mr. Chea Makara and Mdm. Sourkea Naly	CIS No.	120002387	
Group/ Ultimate Parent	SHPP & Bou Sothearak	Registration No.	03729	
Ultimate Borrower's Beneficial Owner	N/A			
Business Address	No. J311, Street 271, Sangkat Tomnup Tek, Khan Chamkarmon, Phnom Penh			
NBC Sector	Wholesale	Sub Sector	N/A	
Core Business	<ul style="list-style-type: none">Deputy Managing Director (Mr. Chea Makarka)Operation Manager (Mdm. Sourkea Naly)Motor Washing & Lubricant wholesale			
Date of Incorporation	2006	Relationship Since	July 2013	
Review Due Date	05-11-2016	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. Chea Makara and Mdm. Sourkea Naly	3	4	4	Yes/ No	Yes/ No	Yes/ No
Guarantor/ N/A	N/A	N/A	N/A			
Comments: CRR score is changed to 4 due to the DSR and Security Coverage.						

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. Chea Makara	33	Husband	50%	2006	N/A	USD10K<x>USD50K
Mdm. Sourkea Naly	33	Wife	50%	2006	N/A	
No. of Employee: 8						
Succession Plan for key Personnel: Wholesale						
CBC / World Check Findings (if any): There are no entries matching						
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 seek approval for additional TL of USD140K to construct a Villa.
2.2	Please state brief details of waivers, deviation of guidelines & notations. <ul style="list-style-type: none"> To annual review the existing facility. To reduce interest rate from 10.25% p.a. to 9% p.a. for existing TL1.

Part 3.0	FACILITY DETAILS
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3.1	FACILITY (USD'000)					
Facility Type	O/S as at 05-10-16	Existing Limit	Increase/ Decrease (+/-)	New Limit	Pricing (ECOF: 5.50%)	Purpose
10-Year TL1 USD80K (Existing)	73.8	73.8	-	73.8	ECOF + 4.75% p.a. on monthly rest subject to min 10.25% p.a.	To part finance on land
10-Year TL2 USD140K (New)	-	-	+140	140	ECOF + 3.50% p.a. on monthly rest subject to min 9% p.a.	To part finance on construction of a Villa
Total	73.8	73.8	140	213.8		

3.2	Repayment Terms	
Facility Type		Tenor/ Terms of Repayment
TL1 USD80K (Existing)	Interest Rate:	ECOF + 4.75% p.a. on monthly rest subject to min 10.25% p.a.
	Tenure:	8 Years
	Repayment:	96 monthly installment of USD1,224.54
	Processing Fee:	1% on approved amount
	Prepayment:	1 st -5 th Year: 3% and 6 th -8 th Year: 1% on prepayment amount if the facility is fully/partially settled before expiry date.
TL2 USD140K (New)	Interest Rate:	ECOF + 3.50% p.a. on monthly rest subject to min 9% p.a.
	Tenure:	10 Years
	Repayment:	120 monthly installment of USD1,773.46
	Processing Fee:	1% on approved amount
	Prepayment:	1 st -5 th Year: 3% and 6 th -10 th Year: 1% on prepayment amount if the facility is fully/partially settled before expiry date.



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3.3	GROUP EXPOSURE PROFILE (USD'000)								
Exposure With	Borrower			Related Borrowers**			Borrower + Related Borrowers (SCEL**)		
	Secured*	Clean	Total	Secured*	Clean	Total	Secured*	Clean	Total
RHB Indochina Bank	213.8	-	213.8	118.5		118.5	332.3	-	332.3
RHB Bank Limit: Standalone:									
RHB Labuan/ Islamic/ Investment/ Leasing SCEL**									
Beyond SCEL***									
Total RHB Group	213.8	-	213.8	118.5		118.5	332.3	-	332.3
Total Credit (RHB Group Exp+Other Banks)	213.8	-	213.8	118.5		118.5	332.3	-	332.3

* 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	Outstanding as at	Security	Security Coverage
	N/A						
	Total						
Credit Bureau Findings: N/A							
Worldcheck: 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)
Existing 1. Facility Agreement stamped for USD80K as the principal instrument. 2. Open All Monies 1st party 1st legal charge over the following property as subsidiary instrument Property Charged: Title No.: 12070508-0451 Registered owner: Mr. Chea Makara and Mdm. Sourkea Naly Description: Vacant Land to be constructed as a Villa. It is projected to take about 11 months for completion of construction. Land: 549sqm Built-up: USD608sqm (after 100% completion of construction) Address/Location: Phum Dey Thmey, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh. OMV: USD177K, formal valuation by ARC dated 12-09-2015		381.8	267.3



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Tenure: freehold
Lease expiry: N/A
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.

Fire Insurance: To be insured by bank's panel after completion of construction on the property charged.
Expiry date: N/A

Verbal Check for full completion of villa:

Valuer	Date	OMV/FSV (USD)
1) CARE	05-10-2016	Land cost: USD181,170 (USD330/sqm) Building cost: USD200,640 (USD330/sqm) Total: USD381,810
2) ARC	05-10-2016	Land cost: USD219,600 (USD400/sqm) Building cost: USD212,800 (USD350/sqm) Total: USD432,400
3) BRG	05-10-2016	Land cost: USD192,150 (USD350/sqm) Building cost: USD200,640 (USD330/sqm) Total: USD392,790

Comment: We are agreeable to indicative value of CARE as it is reasonable value and lower than ARC's and BRG's.

New/ Additional (To Be Obtained)

- Facility Agreement stamped for USD140K as the principal instrument.
- Open All Monies 1st party 1st legal charge over the following property as subsidiary instrument

Total	381.8	267.3
Security Coverage (Times) - Existing & New/ additional of USD213.8K	1.78x	1.25x

5.2

SECURITY ANALYSIS

- Overall MOA of the property would be 55.99% with secure coverage of 1.25x (ascribe).
- The collateral is located in favorable area surrounded by Borey, shop houses, school, residences, etc.
- It is projected to construct a 2-Storey Villa with the approximately area of 608sqm (after full completion) on the land area of USD549sqm, located in Phum Dey Thmey, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh which is currently charged to RHBIBL.

Part
6.0**CONDITIONS PRECEDENT & COVENANTS**

6.1

CONDITIONS PRECEDENT

No.	Details	Complied		To comply
		Yes	No	
1	<u>Existing</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 	✓ ✓		



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	<p>the Bank may deem necessary.</p> <ul style="list-style-type: none"> Submission of Formal Valuation Report of not less than USD176K by the bank's panel of RHBIBL. <p><u>Disbursement Method:-</u> 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 borrower and charging the TD to RHBIBL and evidence of differential sum.</p>	✓		
2	<p><u>New</u></p> <ul style="list-style-type: none"> Acceptance of Letter of Offer Payment of Processing fees <p><u>Release of facilities subject to:-</u></p> <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. <p><u>Disbursement Method:-</u> After blocking of Title deed, the additional TL2 of USD140K will be progressively released to borrower RHBIBL's account as below:</p> <ul style="list-style-type: none"> USD40,000 subject to completion of foundation with invoice payment of not less than USD57,142.86 & site visit photo with construction license from authority (Sangkat/Khan) and submission a construction agreement with total cost is not less than USD213,117.11 USD25,000 upon completion of ground floor beam with invoice payment of not less than USD35,714.29 and site visit photo USD25,000 upon completion of a 1st floor beam with invoice payment of not less than USD35,714.29 and site visit photo USD30,000 upon completion of all masonry work and roofing with invoice payment not less than USD55,974.25 Balance of USD20,000 upon 100% completion of the Villa Building with invoice payment of not less than USD28,571.43K & site visit photo and submission a formal valuation report not less than USD381,810. 			<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>

Comments:

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

- Mr. Chea Makara (aged 33) and Mdm. Sourkea Naly (aged 33) are related as husband and wife. They have current resident at No.164Eo, St.369, Sangkat Chbar Ampov 2, Khan Meanchey, Phnom Penh. A couple has been our loan customer since July 2013 with initial approved limit of USD21K and fully settled in April 2015. Presently, they have maintained TL of USD80K (O/S: USD73.8K as at 05-10-2016).

Employment

- Mr. Chea Makara and Mdm. Sourkea Naly have employed with VHK Business Group Co., Ltd. since 2012. Presently, Mr. Makara and Mdm. Naly are holding position as Deputy Managing Director and Operation Manager with gross monthly salary of USD1,500 and USD1,500 respectively. (Employment letters are enclosed).
- VHK Business Group Co., Ltd. is a local company where imported the exclusive Lubricant Oil from USA, Valvoline, to distribute across the Cambodia. It is operated business more than 5 years in Cambodia. Further, the Valvoline products have been established since 1866 and displayed more than 130 countries in worldwide. Presently, the company is operated along Street 336, Sangkat Phsar Deumkor, Khan Toul Kork, Phnom Penh.
- Besides, Mdm. Sourkea Naly also is a shareholder of SHPP Trading Co., Ltd with 30% share. The company is the existing loan customer who maintained loan of USD70K (O/S: USD51.1K as at 05-10-2016).
- Established in 2011, SHPP Trading Co., Ltd. is a company imported many kinds of tapes from Vietnam. It is situated at the first floor of the Raly Shop, along street 271, Sangkat Tomnup Tek, Khan Chamkarmon, Phnom Penh.

Self-Employed (Raly Shop)

- Raly Shop was founded by Mr. Chea Makara in 2006. Previously, the shop offered many products of oil engine and serviced motor washing. Then, he decided to sell all kinds of Valvoline products (Lubricant Oil) only as he has good knowledge on them. And the serviced motor washing is still remained unchanged.
- Since July 2015, the borrower have invested on selling Lubricating Grease, Branch name of SUPER TEC, and exclusively imported from Thailand. Mdm. Sourkea Naly further mentioned that all payments to suppliers are used OTT service with RHBIBL under account SHPP Trading Co., Ltd since the company is representative to authorized importing the exclusive product, SUPER TEC.
- Both Valvoline and Super Tex are offered together at the Raly Shop, located in No. J311, Street 271, Sangkat Tomnup Tek, Khan Chamkarmon, Phnom Penh. Presently, there are totally 8 staffs for business operating, i.e. 3 salesman, 2 admins, and 3 motor washing workers. The office is rent with monthly rental fee of USD1,000 and tenure of one year (01-Mar-2016 to 28-Feb-2017). Mdm. Naly revealed that the renewal is made only one year while the previous agreement was made of tenure 3 years. It is because the lessor was at a broad while we were doing a renewal agreement. But the lessor has authorized Mr. Duk Kosal, representative of Mdm. Teng San for renewal agreement.
- Meanwhile, revenue from selling lubricant oil (Valvoline) is a joint business with Mdm. Kea Chea Chea and 50% share each. Note that Mdm. Kea is also existing customer under loan account of Mr. Bou Sothearak and Mdm. Kea Chea Chea.
- Raly Shop is offered a wholesale to local dealers both Phnom Penh and some provinces. Sometimes, a retail sale also provided to buyers who stay around the shop and the customer who used motor washing service.
- For payment method, a credit-term within 14 days for potential customers while the borrower has granted up to 7 days from suppliers. Up to date, A/R, A/P, and Inventory are summed up of about USD5K, USD3K, and USD40K respectively, verbally disclosed by borrowers. Noted that, VHK is a sole supplier for Raly Shop for Valvoline product. As it is a family business, a financial report is not properly recorded even account receivable and aging list are reported based on invoices.
- There are many competitors entering to the current market share with offering the same industry. As confirmed by the borrower, the competitors are operated in the same location such as:
 - Excel and G2000 Lubricant Shop (Selling Lubricant Oil)
 - Brak Vanny Shop (Selling Lubricant Oil)
 - San Sophak Shop (Selling Lubricant Oil)

However, they still have optimistic on sale while they have more competitive advantage in pricing as they are staff of VHK.



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7.2

JUSTIFICATION OF REQUEST

- The borrower bought a vacant land located in Phum Dey Thmey, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh in 2015 with total price of USD195K by financing from RHBIBL of USD80K on 05-11-2015 and secured loan by the purchased land.
- Now, the borrower plans to construct a Villa for their residence on the charged property to RHBIBL. The construction is projected to build a Vila (2-storey) and estimated total building of 608sqm with total cost of about USD213.1K (USD350.52/sqm quoted by constructor).
- Construction tenure is about 11 months. (Construction photo is enclosed)
- Based on the cross check with the bank's panel, the property construction value was indicated as follows:

Villa (2-Storey)	Cross Check (USD)			
	BGR	ARC	CARE	Constructor
Building area : 608sqm (Approximately measurement)	350/sqm	400/sqm	330/sqm	350.52/sqm
Total value	212,800	243,200	200,640	213,117.11
MOF (%)	65.79%	57.56%	69.78%	65.69%

- Construction Cost Breakdown**

Purposes	Total Amount (USD)	Drawdown Limit	MOA (%)	Projected Completion
Foundation	57,142.86	40,000.00	70.00%	Sep-17
Storey (Eo)	35,714.29	25,000.00	70.00%	
Storey (E1)	35,714.29	25,000.00	70.00%	
All masonry work and roofing	55,974.25	30,000.00	53.60%	
Window, door, & equipment	28,571.43	20,000.00	70.00%	
Total	213,117.11	140,000.00		

Comment: The borrowers request additional loan of USD140,000 for part finance on construction with total cost of USD213,117.11 i.e. MOA = 65.69%. Since the purpose of loan is under construction plan, the facility should be progressive drawdown upon the completion of construction and it should not more than 70% of expanse for each drawdown. But the borrowers have insisted to progressively drawdown as mentioned in table above in order to facilitate their cash flow in business

Disbursement Method

After blocking of Title deed, the additional TL2 of USD140K will be progressively released to borrower RHBIBL's account as below:

- USD40,000** subject to completion of foundation with invoice payment of not less than USD57,142.86 & site visit photo with construction license from authority (Sangkat) and submission a construction agreement with total cost is not less than USD213,117.11
- USD25,000** upon completion of ground floor beam with invoice payment of not less than USD35,714.29 and site visit photo
- USD25,000** upon completion of 1st floor beam with invoice payment of not less than USD35,714.29 and site visit photo
- USD30,000** upon completion of all masonry work and roofing with invoice payment not less than USD55,974.25
- Balance of USD20,000** upon 100% completion of the Villa Building with invoice payment of not less than USD28,571.43K & site visit photo and submission a formal valuation report not less than USD381,810.



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7.3	INDUSTRY LENDING DIRECTION
Sector: Wholesale Within Industry Lending Limit? Yes / No (as at 13-Oct-2016)	
<input type="checkbox"/> Most attractive <input type="checkbox"/> Highly attractive <input checked="" type="checkbox"/> Attractive <input type="checkbox"/> Selective <input type="checkbox"/> Unattractive <input type="checkbox"/> Most unattractive	
If Sector falls under unattractive or most unattractive, justification for maintain or increase exposure: N/A	

7.4		SOURCE OF REPAYMENT	
	Historical 2016 (Jan to Sep) (Monthly)	Projected 2017 (Monthly)	Remarks
A) EBITDA - Valvoline (50% share) - Super Tex	USD1,637.19 USD3,397.11	USD1,707.01 USD3,980.41	<ul style="list-style-type: none"> DSR based on latest reported financial in 2016 (9-Month) stands at 2.68x. Total revenue and salary are projected to increase in 2017 based on the past year recorded. So, DSR to be further improved to 2.95x.
B) Other recurring Income: Mr. Makara's Salary Mdm. Naly's Salary	USD1,500.00 USD1,500.00	USD1,575.00 USD1,575.00	
C) Total cash flow available for debt service (A + B)	USD8,034.30	USD8,837.42	
D) Existing debt repayment RHBIBL 8-Year TL1: USD80K	USD1,223.98	USD1,223.98	
E) Proposed additional Debt Repayment 10-Year TL: USD140K	USD1,773.46	USD1,773.46	
F) Total debt repayment (D + E)	USD2,997.44	USD2,997.44	
DSR [(A+B)/(D+E)]	2.68x	2.95x	
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:



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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:

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				
Applicants have maintained account with us since November 2015, the conduct account is summarized as follows:					
Bank: RHBIBL					
Mr. Chea Makara and Mdm. Sourkea Naly					
Sep/15 to Aug/16					
Month	No. of Transaction	Debit (USD)	No. of Transaction	Credit (USD)	Balance (USD)
Balance Forward					36,523.65
Sep-15	5	10,050.00	25	8,080.00	34,553.65
Oct-15	6	84,335.00	14	50,402.00	620.65
Nov-15	7	89,510.00	12	90,704.00	1,814.65
Dec-15	8	4,120.62	12	2,517.46	211.49
Jan-16	6	53,313.61	6	54,450.00	1,347.88
Feb-16	4	3,613.93	2	2,300.00	33.95
Mar-16	9	36,313.93	2	62,900.00	26,620.02



RHB BANKING GROUP

☒ RHB Indochina Bank Ltd☐ RHB Bank Bhd**CREDIT APPLICATION (CA2)***(Form for joint approval)*

Application No. : RHBIBL-0002-2015-0028-1

Branch: City Mall Olympic Branch

Apr-16	6	27,868.93	1	1,286.00	37.09
May-16	2	1,413.93	2	1,600.00	223.16
Jun-16	3	1,416.55	2	1,279.62	86.23
Jul-16	2	1,313.93	1	1,300.00	72.30
Aug-16	4	1,380.98	1	1,325.00	16.32
Total	62	314,651.41	80	278,144.08	
Average	5	26,220.95	7	23,178.67	5,469.78

Comment:

- TL1 of USD80K was released on 05-11-2015
- By excluding the limit of TL1, total turnover credit and debit reported USD198.14K and USD234.65K, derived monthly deposit and withdrawal of USD16.51K and USD19.55K respectively.
- Common transactions are cash & check deposit and cash withdrawal.

RHBIBL

Conduct of TL1: USD80K

Period: Dec/15 to Sep/16

Account No. : 40001001497200000

Account Name: Mr. Chea Makara and Mdm. Sourkea Naly

No.	Installment Amount	Due Date	Payment Date	Days Past Due
1	1,213.93	07-Dec-15	08-Dec-15	1
2	1,213.93	05-Jan-16	06-Jan-16	1
3	1,213.93	05-Feb-16	05-Feb-16	0
4	1,213.93	05-Mar-16	05-Mar-16	0
5	1,213.93	05-Apr-16	05-Apr-16	0
6	1,213.93	05-May-16	06-May-16	1
7	1,213.93	06-Jun-16	07-Jun-16	1
8	1,213.93	05-Jul-16	06-Jul-16	1
9	1,223.98	05-Aug-16	05-Aug-16	0
10	1,223.98	05-Sep-16	06-Sep-16	1

Comment: Monthly installments have been promptly paid for the last 10 months; however, there was one day overdue since the borrower deposited on the due day.

RHBIBL

Conduct of TL: USD70K

Period: Oct/15 to Sep/16

Account No. : 40001000972300000

Account Name: SHPP

No.	Installment Amount	Due Date	Payment Date	Days Past Due
1	1,296.81	30-Oct-15	30-Oct-15	0



RHB BANKING GROUP

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Application No. : RHBIBL-0002-2015-0028-1

Branch: City Mall Olympic Branch

2	1,296.81	30-Nov-15	30-Nov-15	0
3	1,296.81	30-Dec-15	30-Dec-15	0
4	1,296.81	30-Jan-16	30-Jan-16	0
5	1,296.81	29-Feb-16	01-Mar-16	1
6	1,296.81	30-Mar-16	30-Mar-16	0
7	1,296.81	30-Apr-16	30-Apr-16	0
8	1,296.81	30-May-16	30-May-16	0
9	1,296.81	30-Jun-16	01-Jul-16	1
10	1,303.54	30-Jul-16	01-Aug-16	2
11	1,303.54	30-Aug-16	30-Aug-16	0
12	1,303.54	29-Sep-16	05-Oct-16	6

Comment: Monthly installments have been promptly paid for the last 12 months; however, there was a few overdue since the borrower was busy with business.

RHBIBL

Conduct of TL1: USD60K

Period: Oct/15 to Sep/16

Account No. : 40001001082900000

Account Name: Bou Sothearak and Kea Chea Chea

No.	Installment Amount	Due Date	Payment Date	Days Past Due
1	793.00	09-Oct-15	09-Oct-15	0
2	793.00	10-Nov-15	10-Nov-15	0
3	793.00	09-Dec-15	09-Dec-15	0
4	793.00	11-Jan-16	11-Jan-16	0
5	793.00	09-Feb-16	12-Feb-16	3
6	793.00	09-Mar-16	09-Mar-16	0
7	793.00	09-Apr-16	09-Apr-16	0
8	793.00	09-May-16	10-May-16	0
9	793.00	09-Jun-16	09-Jun-16	0
10	793.00	09-Jul-16	09-Jul-16	0
11	801.00	09-Aug-16	10-Aug-16	1
12	801.00	09-Sep-16	09-Sep-16	0

Comment: Monthly installments have been promptly paid for the last 12 months; however, there was a few overdue since the borrower was busy with business.



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Application No. : RHBIBL-0002-2015-0028-1

Branch: City Mall Olympic Branch

RHBIBL

Conduct of TL2: USD15K

Period: Oct/15 to Sep/16

Account No. : 40001001579000000

Account Name: Bou Sothearak and Kea Chea Chea

No.	Installment Amount	Due Date	Payment Date	Days Past Due
1	227.61	19-Feb-16	23-Feb-16	4
2	227.61	19-Mar-16	19-Mar-16	0
3	227.61	19-Apr-16	19-Apr-16	0
4	227.61	19-May-16	19-May-16	0
5	227.61	20-Jun-16	20-Jun-16	0
6	227.61	19-Jul-16	19-Jul-16	0
7	229.56	19-Aug-16	19-Aug-16	0
8	229.56	19-Sep-16	19-Sep-16	0

Comment: Monthly installments have been promptly paid for the last 8 months; however, there was 1 day overdue since the borrower was busy with business.

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 promptly financial recorded, since it is a family business. However, the borrowers are operating business well and profitable from year to year. 				

8.2	Industry Risks	✓	Low	Medium	High
	<ul style="list-style-type: none"> Many lubricants companies are manufacturing gear oils and selling in Cambodia. As per country has lot of heavy machineries being used in many operations in the city and in mining fields. Cambodia has lot of demand of lubricants oils for heavy duty equipment as hydraulic system oils in the mines area mostly use compressor oils like compressor oil ISO 32, compressor oil ISO 46, compressor oil ISO 68 and compressor oil ISO 100. Meanwhile, the number of registered vehicles in Cambodia grew by 14 per cent last year, with more than 3.2 million vehicles now registered, including 2.7 million motorbikes, according to figures released yesterday by the Ministry of Public Works and Transport. The growing middle class has adopted the new lifestyle where they travel more than they did before and they purchase new vehicles to enjoy travel with their family, friends, and colleagues," said Ngorn Saing, CEO at RMA Cambodia, which sells the Ford, Jaguar, and Land Rover car brands. All in all, demand of lubricant is still strongly increased on current demand based on the above figure. 				

8.3	Product Risks	Low	✓	Medium	High
	<ul style="list-style-type: none"> Demand for product and services are increasing. Fake products are mixed in market. But risk can be mitigated due to a long experience and good relationship with suppliers. 				

8.4	Supplier / Buyer Risks	Low	✓	Medium	High
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RHB BANKING GROUP

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Application No. : RHBIBL-0002-2015-0028-1 Branch: City Mall Olympic Branch

- Products are imported from USA and Thailand which are well known as a strong developed country; however, it tends to meet a bit concern in economy recently.
- Credit-terms are offered to potential customers to strengthen/built relationship stronger.

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)	<input checked="" type="checkbox"/>	Low	Medium	High
<ul style="list-style-type: none"> • Not highly labour intensive or where affirmative is not a major concern. • Product is in good working condition and well maintained. • Pricing allows positive returns. 					

8.6	Other Risks (e.g. Specialised Lending, Project / Contract Financing)
N/A	

8.7	FINANCIAL HIGHLIGHTS & ANALYSIS
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Income Statement

Lubricant Oil & Moto Washing (Raly Shop)	Income Statement		
	2014	2015	2016
	12-Month	12-Month	(Jan to Sep) 9-Month
Revenues			
Motor Washing	6,249.60	6,627.70	4,813.83
Lubricant Oil (Valvoline)	273,798.00	290,362.78	233,996.10
Total Revenue	280,047.60	296,990.48	238,809.93
COGS	224,037.96	233,137.53	185,435.91
Gross profit	56,009.64	63,852.95	53,374.02
Operating Expense			
Rental Expense	8,400.00	8,400.00	8,400.00
Salaries	11,760.00	12,600.00	10,064.25
Utilities	6,514.20	6,908.40	5,440.37
Total Expenses	26,674.20	27,908.40	23,904.62
Net Income	29,335.44	35,944.55	29,469.41
50% share of Mr. Chea Makara	14,667.72	17,972.28	14,734.70
Average	1,222.31	1,497.69	1,637.19

Comment:

- FY-2016, total revenues from selling Valvoline and Motor Washing reached of USD238.8K (i.e. USD26.5K per month) for the last 9 months, increased by 7% against to USD296.9K (i.e. USD24.7K) in Y2015 where 90% of total revenue are wholesale.
- Profit and Net Profit Margin are 78% and 12% while the operating expense is 10%. Noticeably, the profit is satisfactory grew from year to year while the COGS was decreased from 80%, 79%, and 78% in 2014, 2015, and 2016 respectively. It is because of good relationship with a long time business with suppliers, the borrower is offered a discount rate as Mdm. Naly confirmed.



RHB BANKING GROUP

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- As at Sep 2016, the average monthly sale report of USD26.5K derived from selling lubricant and motor washing. It is justified by the furnished summary sale invoice for latest 4 months (May-Aug 2016), i.e. USD23.4K per month or 89.93% of total revenue. Moreover, it can be more defensible through the average monthly deposit of USD16.51K with RHBIBL, i.e. 62.30% of total sale. Also, they have maintained account with Campu and Canadia Bank but it is fairly active as the borrowers almost always keep cash in hand for daily business transactions.
- Since it is a family business, so financial statement is not properly kept however, some sale invoices are provided).

Lubricating Grease (Raly Shop)	Income Statement		
	2014	2015	2016
	N/A	(Jul to Dec) 6-Month	(Jan to Sep) 9-Month
Revenues			
Lubricant Grease (Super Tex)	-	107,447.96	169,654.68
COGS	-	84,024.31	132,330.65
Gross profit	-	23,423.66	37,324.03
Operating Expense			
Rental Expense	-	-	-
Salaries	-	4,275.00	6,750.00
Utilities	-	-	-
Total Expenses	-	4,275.00	6,750.00
Net Income	-	19,148.66	30,574.03
Monthly average	-	3,191.44	3,397.11

Comment:

- Borrowers have invested in selling lubricating Grease (Super Tex) since July 2015.
- FY-2016, total revenue reported of USD169.6K for the last 9 month (USD18.8K per month), increased by 5% against to USD107.4K (USD17.9K per month).
- Based on the furnished sale invoice (May/16 to Aug/16) of Super Tex, the average monthly sale reported of USD12.9K, i.e. 68.84% of sale. Note that, all invoices are not proper report as it is a family business.
- However, it is just started about one year; the profit of business is satisfied as the borrower already existing customers who purchase lubricant oil, Valvoline.
- Profit and Net Profit Margin are 78% and 18% respectively. The rental and utilities expenses are not included as it is operating in Naly Shop together with selling lubricant oil (Valvoline).

Average Monthly's Income	Actual 2016 (Monthly)
Valvoline (Raly Shop)	1,637.19
Super Tex (Raly Shop)	3,397.11
Mr. Chea Makara's Salary	1,500.00
Mdm. Sourkea Naly's Salary	1,500.00
Total income	8,034.30



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CREDIT APPLICATION (CA2)

(Form for joint approval)

Application No. : RHBIBL-0002-2015-0028-1

Branch: City Mall Olympic Branch

Income Projection

Lubricant Oil & Moto Washing (Naly Shop)	Income Statement		
	2017	2018	2019
	12-Month	12-Month	12-Month
Revenues			
Motor Washing	6,931.92	7,486.47	8,085.39
Lubricant Oil (Valvoline)	333,834.44	357,202.85	382,207.05
Total Revenue	340,766.36	364,689.32	390,292.44
COGS	264,298.39	284,457.67	304,428.10
Gross profit	76,467.97	80,231.65	85,864.34
Operating Expense			
Rental Expense	14,000.00	14,400.00	14,400.00
Salaries	13,955.76	14,513.99	15,094.55
Utilities	7,543.97	7,845.73	8,159.56
Total Expenses	35,499.73	36,759.72	37,654.11
Net Income	40,968.24	43,471.93	48,210.23
50% share of Mr. Chea Makara	20,484.12	21,735.96	24,105.11
Average	1,707.01	1,811.33	2,008.76

Lubricating Grease (Naly Shop)	Income Projection		
	2017	2018	2019
	12-Month	12-Month	12-Month
Revenues			
Lubricant Grease (Super Tex)	237,516.55	249,392.38	261,862.00
COGS	185,262.91	194,526.06	204,252.36
Gross profit	52,253.64	54,866.32	57,609.64
Operating Expense			
Rental Expense	-	-	-
Salaries	4,488.75	4,713.19	4,948.85
Utilities	-	-	-
Total Expenses	4,488.75	4,713.19	4,948.85
Net Income	47,764.89	50,153.14	52,660.79
Monthly average	3,980.41	4,179.43	4,388.40

Comment:

- Revenue projected to increase by 8%, 7%, and 5% for Motor Washing, Valvoline, and Super Tex in next 3 years based on the previous year recorded.
- COGS both of Valvoline and Super Tex are projected unchanged while the rental and utilities expenses are still in one of Naly Shop.
- The borrower's salary is expected to increase by 4% to 5% in the next 3 years.



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Application No. : RHBIBL-0002-2015-0028-1

Branch: City Mall Olympic Branch

Average Monthly's Income	Projection		
	2017	2018	2019
	Monthly	Monthly	Monthly
Valvoline (Raly Shop)	1,707.01	1,811.33	2,008.76
Super Tex (Raly Shop)	3,980.41	4,179.43	4,388.40
Mr. Chea Makara's Salary	1,575.00	1,653.75	1,736.44
Mdm. Sourkea Naly's Salary	1,575.00	1,653.75	1,736.44
Total income	8,837.42	9,298.26	9,870.03

Current DSR Scenario

Average Monthly EBIT (USD)	2016	2017	2018	2019
Monthly EBIT	8,034.30	8,837.42	9,298.26	9,870.03
RHBIBL's 8-Year TL1: USD80K	1,223.98	1,223.98	1,223.98	1,223.98
RHBIBL's 10-Year TL2: USD140K	1,773.46	1,773.46	1,773.46	1,773.46
Total commitment	2,997.44	2,997.44	2,997.44	2,997.44
DSR (X)	2.68x	2.95x	3.10x	3.29x

Sensitized DSR Scenario (50% drop)

Average Monthly EBIT (USD)	2016	2017	2018	2019
Monthly EBIT	8,034.30	8,837.42	9,298.26	9,870.03
RHBIBL's 8-Year TL1: USD80K	1,223.98	1,223.98	1,223.98	1,223.98
RHBIBL's 10-Year TL2: USD140K	1,773.46	1,773.46	1,773.46	1,773.46
Total commitment	2,997.44	2,997.44	2,997.44	2,997.44
DSR (X)	1.34x	1.47x	1.55x	1.65x

Part 9.0	RECOMMENDATION BY LENDING UNIT
<p>SUMMARY & RECOMMENDATION</p> <ul style="list-style-type: none"> Borrowers are experienced in business more than 10 years. And the business is profitable and stable from year to years. They have been our loan customer since 2013. Mdm. Sourkea Naly is also a shareholder of SHPP Trading Co., Ltd with 30% shares. Monthly installments have been promptly paid for the last 10 months. Repayment capacity of borrower is well substantiated from average monthly net income of USD5.03K and salary of USD3K where translated DSR of 2.68x. Loan is mitigated risk since the TL2 is progressively drawdown upon the purpose of construction. About 69.78% based on CARE's indicative value on building will be financed from RHBIBL for villa construction cost upon the approval as per request. In overall, MoA is 55.99% with secure coverage of 1.25x (ascribe). Collateral locates in good location with higher security coverage and marketable. <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>	



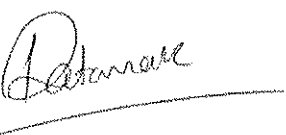
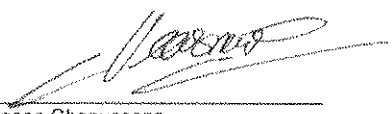
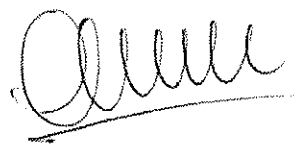
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CREDIT APPLICATION (CA2)

(Form for joint approval)

Application No. : RHBIBL-0002-2015-002B-1		Branch: City Mall Olympic Branch	
Prepared by:		Recommended by:	
			
Sok Ratanak Assistant Manager Date: 12.10.2016		Keang Chanveasna Branch Manager Date: 12.10.2016	
		Recommended by:	
			
		Chiv Hak Senior Manager Date: 12.10.2016	



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CREDIT APPLICATION (CA2)

(Form for joint approval)

Application No. : RHBIBL-0002-2015-0028-1 | Branch: City Mall Olympic Branch

Part 10.0	INDEPENDENT EVALUATION/ RECOMMENDATION/ APPROVAL
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10.1	CREDIT EVALUATION MEMORANDUM/ RECOMMENDATION
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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:



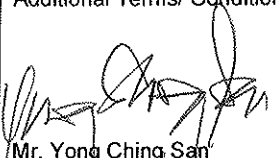

RHB BANKING GROUP

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

(Form for joint approval)

Application No. : RHBIBL-0002-2015-0028-1

Branch: City Mall Olympic Branch

10.2	APPROVAL
Approver 1	Decision: <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Declined Comments: (if any) <i>As per CED's recommendation</i> Additional Terms/ Conditions/ Covenants: (if any)  Mr. Yong Ching San Head, Credit Management Date: <i>11/11/16</i>
Approver 2	Decision: <input type="checkbox"/> Approved <input type="checkbox"/> Declined Comments: (if any) <i>As recommended by CED</i> Additional Terms/ Conditions/ Covenants: (if any)  Mr. Thoo Kim Seng Deputy Country Head Date: <i>11/11/16</i>

No.	Decline Code (Please tick the relevant code for declined proposals)
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)