**RHB INDOCHINA BANK**

**CONSUMER LOAN APPLICATION**

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| **From: City Mall Olympic Branch**  **To: Head Office**  **PART 1** | | | | | | | | | |  | **CA No: RHBIBL-0002-2012-0025** | | | | | |
| BORROWER :  **Mr. Eng Kheang and Mdm. Chiv Lytha** | | | | | | | | | |  | GROUP NAME: N/A | | | | | |
| Credit Grade | | | Security Coverage (%) | | | | Borrowing Relationship Since: | | |  | Credit Grade | | Security Coverage (%) | | Exposure | |
| **2** | | | **166.67** | | | | **October 2012** | | |  | N/A | | N/A | | N/A | |
| **Self-Employed** / Employed | | | | | | **Jewelry Shop** | | | | | | | | | | |
| **Industrial Type** | | | | | | **Manufacture** | | | | | | | | | | |
| Borrower’s KYC Level | | | | | | **Low** | | | | | | Related/Connected Party : Yes/**No** | | | | |
| Branch : | | | | | | **City Mall Olympic Branch** | | | | | | Date: 25 July 2014 | | | | |
| To: | | | | | | **Deputy Country Head** | | | | | | From: Chiv Hak | | | | |
| **Request** | | | | | | * **To Convert HL to Overdraft** * **To seek approval for waiver of processing fee of 1%** | | | | | | Product Code: N/A | | | | |
| **Facility Type** | | | | | | **Current limit (USD)** | | | **Proposed Limit (USD)** | | | **O/S @** | | **Pricing (ECOF @ 5.25%)** | | |
| **Term Loan** | | | | | | **0.00** | | | **120,000.00** | | | **0.00** | | **ECOF + 4.75%p.a. on daily rest subject to minimum 10.00%p.a** | | |
| **Total** | | | | | | **0.00** | | | **120,000.00** | | | **0.00** | |  | | |
| Next Review Date: **One year from disbursement date.** | | | | | | | | | | | | | | | | |
| **1.0** | **PURPOSE / TERMS / TENURE OF FACILITIES** | | | | | | | | | | | | | | | |
| **USD120,000**  **(New)**  **Overdraft** | | | | | **Purpose:** | | | **For Working Capital** | | | | | | | | |
| **Interest rate:** | | | **ECOF + 4.75 %p.a. on daily rest subject to minimum 10%p.a** | | | | | | | | |
| **Tenure:** | | | **1 year subject to yearly review** | | | | | | | | |
| **Repayment:** | | | **Repayable on demand and interest in arrears to be serviced monthly** | | | | | | | | |
| **Processing fee:** | | | **Waive** | | | | | | | | |
| **Commitment fee:** | | | **1.0% p.a. on unutilized OD limit** | | | | | | | | |
| **Renewal fee:** | | | **1% on OD limit upon yearly review** | | | | | | | | |
| **Prepayment:** | | | **1% on approved limit if the facility is cancelled and/ or reduced prior to expiry of tenure.** | | | | | | | | |
| **2.0** | | **CONDITION PRECEDENT AND OTHER TERMS & CONDITIONS** | | | | | | | | | | | | | | **Remark** |
| **2.1 Existing Conditions Precedent and Other Terms & Conditions (HL)** | | | | | | | | | | | | | | | | |
| **1.** | | **Acceptance of Letter Offer (HL: October 2012)** | | | | | | | | | | | | | | **Complied** |
| **2.** | | **Payment of processing fee 1% of approved limit** | | | | | | | | | | | | | | **Complied** |
| **3.** | | **Release of facilities subject to:-** | | | | | | | | | | | | | |  |
|  | | **3.1** | | **Compliance of Terms under Condition Precedent.** | | | | | | | | | | | | **Complied** |
|  | | **3.2**  **3.3** | | **Completion of relevant security documentation. All loan/ security documents which are required herein and/ or such other documents as may be required by the Bank and/ or its solicitors shall have been executed by the Borrower and/or the relevant security parties, registration fee duly paid registered at such registries as the Bank may deem necessary.**  **Receipt of Valuation Report from RHBIBL’s panel valuer on the subject property not less than USD200,000** | | | | | | | | | | | | **Complied**  **Complied** |

Note: The processing fee is requested to waive as it is an existing HL which converted to Overdraft. However, via Memo requested on 22 July 2014, the processing fee is charged with 1% on reinstated amount (USD335.46).

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| **2.2** | **New** | | | | | | | | | | | | |
| **1.** | **Acceptance of Letter Offer** | | | | | | | | | | | | **New** |
| **2.** | **Payment of processing fee 1% of approved limit ( Waive)** | | | | | | | | | | | | **New** |
| **3.** | **Release of facilities subject to:-** | | | | | | | | | | | |  |
|  | **1.** | | **Compliance of Terms under Condition Precedent.** | | | | | | | | | | **New** |
|  | **2.** | | **Completion of relevant security documentation. All loan/ security documents which are required herein and/ or such other documents as may be required by the Bank and/ or its solicitors shall have been executed by the Borrower and/or the relevant security.** | | | | | | | | | | **New** |
| **3.0** | **SECURITY & DOCUMENTATION** | | | | | | | | | | | | |
| **3.1** | **Existing Security Documentation HL** | | | | | | | | | | | | **Remark** |
|  | **.** | | **Facility Agreement for USD120,000 HL: October 2012** | | | | | | | | | | **Complied** |
|  | **.** | | **Mortgage Agreement as a subsidiary instrument (October 2012)** | | | | | | | | | | **Complied** |
|  | **.** | | **1st Ranking Hypothecator ( 1st Party Legal Charge) created for USD120,000.00 in favor of RHBIBL over the following property:-** | | | | | | | | | | **Complied** |
| **3.2** | | **New Security Documentation of Overdraft (USD120,000)** | | | | | | | | | | | **Ascribed Value (US$)** |
| **3.2.1**  **3.2.2** | | **Facility Agreement for US$120,000.00 as principal instrument.**  **Hypothec Agreement as subsidiary instrument.** | | | | | | | | | | |  |
| **3.2.3** | | **1st Ranking Hypothecator (1st party legal charge) in favor of RHB Indochina Bank over the following property:** | | | | | | | | | | | **USD200,000** |
| **Title Details** | | | | | |  | | | | | | |
| **A parcel of land with a double and half-storey flat house held under title No. 12010605-0195 issued by Phnom Penh Department of Land Management, Urban planning and Construction on 18 September 2007.** | | | | | | | | | | | | |
| Tenure | | | | **Freehold** | | | | | | | | |
| Land Use | | | | **Residential** | | | | | | | | |
| Land Condition | | | | **N/A** | **Land Area** | | | | : **127sqm** | | | |
| **Building Area** | | | | : **264.15sqm** | | | |
| Registered Owner / Relationship | | | | **Mr. Eng Kheang and Mdm. Chiv Lytha**  **(Husband and Wife)** | | | | | | | | |
| Occupant | | | | **Owner Occupied (Jewelry Shop)** | | | | | | | | |
| Restriction in Interest | | | | **No** | | | | | | | | |
| Encumbrances | | | | **Charged to RHBIBL dated on Oct 2012** | | | | | | | | |
| Formal Valuation By: | | | | **HBC** | | | **Date:** | **09 Oct 2012** | | | | |
| OMV: | | | | Land: 127sqmxUSD1,252/sqm = USD159,000  Building:264.15sqmxUSD155.21/sqm =USD41,000  **Total: USD200,000**  As quoted by “HBC” on 17 July 2014 with Mr. Rith, Valuation Officer, it remains unchanged. | | | | | | | **FSV** | **: NA** |
| Verbal Checked By: | | | | **“KRE” on 17 July 2014 with Mr. Cheavly, Valuation Manager**  Land: 127sqm x USD1,574.80/sqm: USD200,000  Building: 264.15sqmx USD113.57/sqm: USD30,000  **Total: USD230,000.00** | | | | | | | | |
| Marketability Factor of….. and “as is basis” | | | | The property is located in commercial area and it is 100 meter from CIMB Bank (Mao Tsetong Branch) and surrounding by many commercial buildings such as restaurant and shop houses. | | | | | | | | |
| Insurance By: | | | | Campu Lonpac Insurance company | | | | | | Date: 22 Oct 2014 | | |
| Mortgagee Clause | | | | **Yes** | | | | | | | | |
| Address Of Property | | | | **No. 65CEo, St. 193, Sangkat Toul Svay Prey1, Khan Chamkamorn, Phnom Penh.** | | | | | | | | |
| Cross Charge (if applicable) | | | | **Yes** | | | | | | | | |

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| **PART 2 (FOR NEW**/ENHANCEMENT) | | | | | | | |  |  |  |
| **4.0 Background Profile** | | | | | | | | | | | |
| **4.1** | **Applicant and Joint Applicant's Information** | | | | | | | | | | |
|  | **Applicant** | : Mr. Eng Kheang | **Date of Birth** | : 18-10-1972 | | **ID/**Passport No.**:** 010145385 | | | | | |
|  | **Joint**  **Applicant** | : Mdm. Chiv Lytha | **Date of Birth** | : 05-09-1981 | | **ID/**Passport No.**:** 010134996 | | | | | |
|  | **Address** | |  |  | | --- | --- | | : No. 65BEo, St. 193, Sangkat Toul Svay Prey1, Khan Chamkamorn, Phnom Penh |  | | | | | | | | | | |
|  | **Business Type** | : Jewelry Shop | | | | | | | | | |
|  | **Buz. Address** | : No. 65BEo, St. 193, Sangkat Toul Svay Prey1, Khan Chamkamorn, Phnom Penh | | | | | | | | | |
|  | **Relationship**  **Telephone No.** | : Husband and Wife.  : 012 220751, 012515077,011741929 & 011276622 | | | **Since** | | : N/A | | | | |

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| **4.2 Business Background**  **4.2.1 Business Industry**  Gold jewels have always remained a stable investment and also it’s a way of passing the treasure to the coming generations. An investment in gold is always safe and intelligent because it can be converted into cash anytime. People buy gold in the form of rings, bangles, necklaces, bracelets etc.  Diamond jewels have always remained a woman's best friend and they are still the most preferred exquisite stone for an engagement ring. Diamonds are certainly endless and most anticipated stuffs. It is the hardest stone in the world that is used for beautification and conversely it is used to create tools to cut some of the very hardest materials.  In Cambodia, precious metals are one of the favorite methods to store value. Savings in gold or jewelry is common as these assets serve the purpose of evaluating social status of the households in the society while they are easily convertible to cash in times of need. On the other hand, it’s precious and worthy across all cultures and times in Cambodia as gold jewelry forms part of the dowry given to bride during weeding festival or special occasion.  **4.2.2 Business Information**  Mr. Eng Kheang (42 years old) and Mdm. Chiv Lytha (33 years old) are related as husband and wife. They have operated their business as Gold Seller since 1998. The shop is located at House No. 65BEo, St. 193, Sangkat Toul Svay Prey1, Khan Chamkamorn, Phnom Penh. From family business to current company- Eng Kheang Impex Co., Ltd, which was established in February 2014, the business was supported by twenty two gold smiths. The Borrowers financed by RHBIBL in 2012 to part purchase a double and half-storey flat (Collateral).   1. **Customers**   The orders are made by regular customers ranging from friends, relatives and dealers which they target on 70% wholesale and 30% retail sale. A set of jewelry including a ring, bracelet, necklace and earrings is produced within one or two days at most per goldsmith to finish a pair of earrings, bracelet or ring based on fashion.  Many customers came to their shop to order jewelry by imitating style from catalogue. Beside retail customers’ order, the applicant supplies a set of jewelry ranging from diamond, platinum and gold to many wholesale dealers in Phnom Penh basis and they also increase in market share from year to year.   |  |  |  | | --- | --- | --- | | **No.** | **Wholesale Customers' Name** | **Location** | | 1 | Mr. Kourng | Store in Olympic | | 2 | Phkay Meas (Golden Star) | Store in Olympic | | 3 | Angkor | Store in Central Market | | 4 | Mr. Seang | Chbar Ampov | | 5 | Mrs. Srey | Toul Tampong | | 6 | Mr. Sokchea | Kandal market | | 7 | Mrs. Lina | Kandal market |   Note: It accrued USD28K for account receivable as at 30 June 2014.   1. **Inventory**  |  |  |  | | --- | --- | --- | | **No.** | **Items** | **Price Estimate (USD)** | | 1 | Diamond Jewelry | 90,000.00 | | 2 | Gold Jewelry | 20,000.00 | | 3 | Platinum Jewelry | 30,000.00 | | 4 | Gems | 20,000.00 | | **Total** | | 160,000.00 |   The inventory was estimated at the sum of USD160,000 as at 30 June 2014.   1. **Suppliers**   Due to the price competition, the Borrowers always have several choices to select good suppliers in order to set a reasonable price to sell out to their clients while they mostly purchase raw material for producing jewelry from the suppliers as below:   |  |  |  |  | | --- | --- | --- | --- | | **No.** | **Name** | **Product/Service** | **Country** | | 1 | Ly Hour | Gold | Cambodia | | 2 | Hongkong | Diamond & Gems | Hongkong |   The purchasing order is made via an e-mail or phone call as a rapid and efficient way of dispatching orders to overseas suppliers and they usually use RHBIBL for outward TT. According to outward remittance record, the Borrowers have transferred fund to foreign supplier via RHBIBL since Sept 2013 with the total amount of the of USD922,300 as at 31 December 2013 and USD899,706.96 as at 30 June 2014 “outward remittance record is enclosed for reference”  Note: It accrued USD20K for account payable as at 30 June 2014.   1. **Competitors and Strategy**   As soured by the borrowers, they noted that there are 2 competitors who sell similar products with the same scale of business within 1 kilometers radius such as Mr. Tharo and Mr. Song Ratha. However, the applicant’s shop is outstanding followed by the two shops.  To outclass competitors the borrowers advised that they base their business on their reputation and they will not risk selling anything less than pure gold to damage that reputation. The process of buying and sale is always made through issuing the receipt which allows clients to sell the gold back to the original shop. The amount of gold lost is only 5% or upon renewal fee of jewelry.    **4.2.3 Banking Information**  Via CBC check on 18 July 2014, the Borrowers have no borrowing with other banks or FIs.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Conduct of HL (Past 12 Months)**  **Account No. : 4-0001-0003946-00000** | | | | | | **No.** | **Installment Amount** | **Due Date** | **Payment Date** | **Days Past Due** | | 1 | 2,550.00 | 23-07-2013 | 26-07-2013 | 3 | | 2 | 2,550.00 | 23-08-2013 | 26-08-2013 | 3 | | 3 | 2,550.00 | 23-09-2013 | 25-09-2013 | 2 | | 4 | 2,550.00 | 24-10-2013 | 24-10-2013 | - | | 5 | 2,550.00 | 23-11-2013 | 23-11-2013 | - | | 6 | 2,550.00 | 23-12-2013 | 29-12-2013 | 6 | | 7 | 2,550.00 | 23-01-2014 | 23-01-2014 | - | | 8 | 2,550.00 | 24-02-2014 | 24-02-2014 | - | | 9 | 2,550.00 | 24-03-2014 | 27-03-2014 | 3 | | 10 | 2,550.00 | 23-04-2014 | 30-04-2014 | 7 | | 11 | 2,559.91 | 23-05-2014 | 27-05-2014 | 4 | | 12 | 2,550.00 | 23-06-2014 | 23-06-2014 | - |   **Comment:** The repayment was overdue within 7 days during the last 12 months. The 7 days of arrears was in April 2014 due to the oversea trip to Hongkong.  **4.2.4 Financial Information**  **Income Statement**   |  |  |  |  | | --- | --- | --- | --- | | **Description** | **31 Dec 2012** | **31 Dec 2013** | **30 Jun 2014** | | **Revenue** | **12-mth (USD)** | **12-mth (USD)** | **6-mth (USD)** | | - Jewelry Sale | 1,851,392.38 | 2,036,531.61 | 1,038,631.12 | | - Service Fee | 121,888.80 | 134,077.68 | 68,379.62 | | **- Total Revenue** | **1,973,281.18** | **2,170,609.29** | **1,107,010.74** | | **Cost of Goods Sold** |  |  |  | | - Gold, Gem and Diamond Cost | 1,758,822.76 | 1,934,705.03 | 986,699.57 | | **Gross Profit** | **214,458.42** | **235,904.26** | **120,311.17** | | **Operating expenses** |  |  |  | | - Salary expense | 81,648.00 | 89,812.80 | 45,804.53 | | - Utilities expense | 6,156.00 | 6,771.60 | 3,453.52 | | - Living and other expenses | 24,624.00 | 27,086.40 | 13,814.06 | | **Total Operating expenses** | **112,428.00** | **123,670.80** | **63,072.11** | | **EBIT** | **102,030.42** | **112,233.46** | **57,239.06** | | **Average** | **8,502.53** | **9,352.79** | **9,539.84** |   The profit margin is 5% while the Borrowers have recently imported raw material, i.e. gem and diamond from Hongkong to produce jewelry and the purchase order was done via e-mail while they usually remit fund via RHBIBL.  **Income Projection**     |  |  |  |  | | --- | --- | --- | --- | | **Description** | **31 Dec 2014** | **31 Dec 2015** | **31 Dec 2016** | | **Revenue** | **12-mth (USD)** | **12-mth (USD)** | **12-mth (USD)** | | - Jewelry Sale | 2,138,358.19 | 2,245,276.10 | 2,357,539.91 | | - Service Fee | 140,781.56 | 147,820.64 | 155,211.67 | | **- Total Revenue** | **2,279,139.76** | **2,393,096.75** | **2,512,751.58** | | **Cost of Goods Sold** |  |  |  | | - Gold, Gem and Diamond Cost | 2,031,440.28 | 2,133,012.30 | 2,239,662.91 | | **Gross Profit** | **247,699.47** | **260,084.45** | **273,088.67** | | **Admin & Operating expenses** |  |  |  | | - Salary expense | 94,303.44 | 99,018.61 | 103,969.54 | | - Utilities expense | 7,110.18 | 7,465.69 | 7,838.97 | | - Living and other expenses | 28,440.72 | 29,862.76 | 31,355.89 | | **Total Operating expenses** | **129,854.34** | **136,347.06** | **143,164.41** | | **EBIT** | **117,845.13** | **123,737.39** | **129,924.26** | | **Average** | **9,820.43** | **10,311.45** | **10,827.02** |   The Borrowers advised that revenue is expected to increase by 5% from 2014 to 2016 due to the reason that good reputation leads to increase market share in wholesale and savings in gold or jewelry is common as these assets serve the purpose of evaluating social status of the households in the society while the increase in the living standard of Cambodian with capita annual income which leads more and more people to purchase more jewelry.  **4.2.5 Loan Purpose**  Borrowers have proposed to concert HL of USD120,000 to Overdraft facility for working capital in the Jewelry Business.   |  |  |  | | --- | --- | --- | | **No.** | **Items** | **Price Estimate (USD)** | | 1 | Diamond | 100,000.00 | | 2 | Gold | 30,000.00 | | 3 | Natural Stone | 30,000.00 | | **Total** | | **160,000.00** | | **% RHBIBL** | | **75%** |   **Note:** The memo request for reinstate the HL to original amount was approved on 23 July 2014. As required, the CA proposal is for converting the HL into OD facility. However, the reinstate amount has not yet done.  **Disbursement method**   * Upon blocking TD, the HL of USD120K will be converted into ODand release to the Borrowers' account maintained with RHBIBL   **Post Drawdown Condition**   * The Borrowers are to submit documents, i.e. Outward TT form of the purchase raw material from foreign suppliers in evidence with the amount of not less than USD160K within 1 month from disbursement date.   **4.2.6 Collateral Information**  The collateral comprises a parcel of land which accommodates a two and half-storey flat house, which located at No. 65CEo, St. 193, Sangkat Toul Svay Prey1, Khan Chamkamorn, Phnom Penh. The subject property is in the commercial zone and it is operated as Jewelry Business Shop.  Referred to verbal check with the following panel valuers:-   |  |  |  |  | | --- | --- | --- | --- | | Indicative Valuation | **Formal Report** | **Verbal Check** | **Verbal Check** | | **A land with two and half-storey flat** | **09 October 2012** | **17 July 2014** | **17 July 2014** | | **“HBC”** | **“HBC”** | **“KRE”** | | **(USD)** | **(USD)** | **(USD)** | | **Land: 127sqm** | **159,000** | **159,000** | **200,000** | | **Building: 264.15sqm** | **41,000** | **41,000** | **30,000** | | **Total** | **200,000** | **200,000** | **230,000** | | **%MOF** | **60%** | **60%** | **52.17%** |   We adopted HBC value as more reasonable than KRE. As the quoted value from the panel valuers on 17 July 2014, the value remains the same.   |  |  |  | | --- | --- | --- | | **5.0** | **Repayment Risk Analysis** | | | **5.1** | **Income Assessment**/ Employment | | |  | a) Monthly average income (From Jan 2014-June 2014) |  | |  | * Income from business and property rental | **USD9,539.84** | |  | b) Less: Total commitment (include other FIs) |  | |  | * RHBIBL @OD: USD120K (Assuming full utilization) | **USD1,000.00** | |  | c) Balance uncommitted | **USD8,539.84** | |  | d) Estimated/ disclosed net worth | **USD2,500,000.00** | |  | **Whether within Bank's Lending Criteria** | **Y/N** | |  | 1/3 income | **Y** | |  | 45% income | **Y** | |  | Age (Borrowers) | **42 & 33 Years** | |  | Tenure | **1 Year subject to annual review** | |  | Price | **ECOF+ 4.75 % p.a. on daily rest subject to minimum 10% p.a.** | |  | Margin of Finance | **60%** | |  | Length of Business | **16 Years** | |  | Income Justification | **Yes** | |  | Repayment Record (for refinancing cases) | **N/A** | |  | Unexpired leased term | **N/A** |  |  | | --- | | **6.0 Conduct of Account (including related borrowings)** | | 6.1 Track record/Utilization/Repayment record.  Upon CBC check, Borrowers have no borrowing with other banks or FIs.  6.2 Credit/Debit Turnover (with the Bank &/or other FIs) :  Conduct of Account:  Account Name: Eng Kheang Impex Co., Ltd.  Account Number: 1010002000006567   |  |  |  |  | | --- | --- | --- | --- | | **Month** | **Debit (USD)** | **Credit (USD)** | **Balance (USD)** | | **Apr-2014** | 141,096.27 | 141,242.00 | 145.73 | | **May-2014** | 87,653.26 | 87,700.00 | 192.47 | | **Jun-2014** | 324,450.42 | 324,610.00 | 352.05 | | **Jul-2014** | 185,352.50 | 185,050.00 | 49.55 | | **Total** | **738,552.45** | **738,602.00** | **739.80** | | **Average** | **184,638.11** | **184,650.50** | **184.95** |   **Comment:** The current account commenced from April 2014 after the Borrowers got the company license from Ministry of Commerce. The average credit and debit turnover was USD184,650.50 and USD184,638.11 respectively during the last four months. | | 6.3No adverse credit findings/reports (including the company – if self-employed)  Good credit report  6.4 Trade Credit Checks *(If applicable)*  The borrowers have long term experience and well-established network on their business site.     * 1. Credit Scoring (If applicable)   Grade 2 |  |  |  |  |  | | --- | --- | --- | --- | | 1. **Recommendation** | |  |  | | * The jewelry business is operated with 16 years of experience and they can occupy the leading market out of the 2 competitors due to long experience and good networking with existing customers by offering more competitive advantage in the pricing. * The Borrowers have transferred fund to foreign supplier via RHBIBL since Sept 2013 and they also make monthly purchase order from foreign supplier amounting to average sum of USD149K upon the RHBIBL’s outward remittance record. * The existing HL’s repayment with RHBIBL was slightly late within 7 days of grace period. However, the Jewelry Shop is growing with stable income and profitability from family business to company. * The charged property is located in Phnom Penh prime area and it is about 100m from CIMB Bank and it is a medium density of commercial shop house, covering the margin of finance of 60%. | |  |  | | Prepared By:  ............................................  Hour Chamroeun  Senior Associate/Credit Officer | Recommended for Approval By:  ............................................  Chiv Hak  AVP/Branch Manager |  |  | |