

## MIRA INFORM REPORT

<b>Report No. :</b>	525286
<b>Report Date :</b>	18.08.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	POWER HEAT EXCHANGER SDN. BHD.
<b>Registered Office :</b>	242, 237-2b & 238-2b, Jalan Haruan 5/6, Pusat Komersil Oakland 2, 70300 Seremban, Negeri Sembilan
<b>Country :</b>	Malaysia
<b>Financials (as on) :</b>	31.12.2017
<b>Date of Incorporation :</b>	03.12.2008
<b>Com. Reg. No.:</b>	840573-T
<b>Legal Form :</b>	Private Limited (Limited By Share)
<b>Line of Business :</b>	The Subject is principally engaged in mechanical engineering and fabrication services.
<b>No. of Employees :</b>	10 [2018]

**RATING & COMMENTS**

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :**

B

Credit Rating	Explanation	Rating Comments
B	Medium Risk	Business dealings permissible on a regular monitoring basis

<b>Status :</b>	Moderate
<b>Payment Behaviour :</b>	No Complaints
<b>Litigation :</b>	Clear

**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Malaysia	A2	A2

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**MALAYSIA - ECONOMIC OVERVIEW**

Malaysia, an upper middle-income country, has transformed itself since the 1970s from a producer of raw materials into a multi-sector economy. Under current Prime Minister NAJIB, Malaysia is attempting to achieve high-income status by 2020 and to move further up the value-added production chain by attracting investments in high technology, knowledge-based industries and services. NAJIB's Economic Transformation Program is a series of projects and policy measures intended to accelerate the country's economic growth. The government has also taken steps to liberalize some services sub-sectors. Malaysia is vulnerable to a fall in world commodity prices or a general slowdown in global economic activity.

The NAJIB administration is continuing efforts to boost domestic demand and reduce the economy's dependence on exports. Domestic demand continues to anchor economic growth, supported mainly by private consumption, which accounts for 53% of GDP. Nevertheless, exports - particularly of electronics, oil and gas, and palm oil - remain a significant driver of the economy. In 2015, gross exports of goods and services were equivalent to 73% of GDP. The oil and gas sector supplied about 22% of government revenue in 2015, down significantly from prior years amid a decline in commodity prices and diversification of government revenues. Malaysia has embarked on a fiscal reform program aimed at achieving a balanced budget by 2020, including rationalization of subsidies and the 2015 introduction of a 6% value added tax. Sustained low commodity prices throughout the period not only strained government finances, but also shrunk Malaysia's current account surplus and weighed heavily on the Malaysian ringgit, which was among the region's worst performing currencies during 2013-17. The ringgit hit new lows following the US presidential election amid a broader selloff of emerging market assets.

Bank Negara Malaysia (the central bank) maintains adequate foreign exchange reserves; a well-developed regulatory regime has limited Malaysia's exposure to riskier financial instruments, although it remains vulnerable to volatile global capital flows. In order to increase Malaysia's competitiveness, Prime Minister NAJIB raised possible revisions to the special economic and social preferences accorded to ethnic Malays under the New Economic Policy of 1970, but retreated in 2013 after he encountered significant opposition from Malay nationalists and other vested interests. In September 2013 NAJIB launched the new Bumiputra Economic Empowerment Program, policies that favor and advance the economic condition of ethnic Malays.

Malaysia signed the 12-nation Trans-Pacific Partnership (TPP) free trade agreement in February 2016, although the future of the TPP remains unclear following the US withdrawal from the agreement. Along with nine other ASEAN members, Malaysia established the ASEAN Economic Community in 2015, which aims to advance regional economic integration.

Source : CIA

## **EXECUTIVE SUMMARY**

REGISTRATION NO.	: 840573-T
GST NO.	: N/A
COMPANY NAME	: <b>POWER HEAT EXCHANGER SDN. BHD.</b>
FORMER NAME	: N/A
INCORPORATION DATE	: 03/12/2008
COMPANY STATUS	: EXIST
LEGAL FORM	: PRIVATE LIMITED (LIMITED BY SHARE)
LISTED STATUS	: NO
REGISTERED ADDRESS	: 242, 237-2B & 238-2B, JALAN HARUAN 5/6, PUSAT KOMERSIL OAKLAND 2, 70300 SEREMBAN, NEGERI SEMBILAN, MALAYSIA.
BUSINESS ADDRESS	: 14, JALAN P2/13, SEKSYEN 2, BANDAR TEKNOLOGI KAJANG, 43500 SEMENYIH, SELANGOR, MALAYSIA.
TEL.NO.	: 03-87241210
FAX.NO.	: 03-87241211
EMAIL	: ENQUIRY@PHESB.COM
WEB SITE	: WWW.PHESB.COM
CONTACT PERSON	: SYED MOHD HATTA BIN SYED MUSTAFA ( MANAGING DIRECTOR )
INDUSTRY CODE	: 71102
PRINCIPAL ACTIVITY	: MECHANICAL ENGINEERING AND FABRICATION SERVICES
AUTHORISED CAPITAL	: MYR 500,000.00 DIVIDED INTO ORDINARY SHARE 500,000.00 OF MYR 1.00 EACH.
ISSUED AND PAID UP CAPITAL	: MYR 250,000.00 DIVIDED INTO ORDINARY SHARES 250,000 CASH OF MYR 1.00 EACH.
SALES	: MYR 998,282 [2017]
NET WORTH	: MYR 329,089 [2017]
STAFF STRENGTH	: 10 [2018]
BANKER (S)	: MALAYAN BANKING BHD
LITIGATION	: CLEAR
DEFAULTER CHECK	: CLEAR
FINANCIAL CONDITION	: FAIR
PAYMENT MANAGEMENT	: NO COMPLAINTS
CAPABILITY	: AVERAGE
COMMERCIAL RISK	: HIGH
CURRENCY EXPOSURE	: MODERATE
GENERAL REPUTATION	: SATISFACTORY
INDUSTRY OUTLOOK	: AVERAGE GROWTH

## **HISTORY / BACKGROUND**

The Subject is a private limited company and is allowed to have a minimum of one and a maximum of forty-nine shareholders. As a private limited company, the Subject shall have a minimum one director. A private limited company is a separate legal entity from its shareholders. As a separate legal entity, the Subject is capable of owning assets, entering into contracts, sue or be sued by other companies. The liabilities of the shareholders are to the extent of the equity they have taken up and the creditors cannot claim on shareholders' personal assets even if the Subject is insolvent. The Subject is governed by the Companies Act, 1965 and the company must file its annual returns, together with its financial statements with the Registrar of Companies.

The Subject is principally engaged in the (as a / as an) mechanical engineering and fabrication services.

The Subject is not listed on Bursa Malaysia (Malaysia Stock Exchange).

### **Former Address(es)**

#### **Address**

**As At  
Date**

238-2B, JALAN HARUAN 5/6, PUSAT KOMERSIAL OAKLAND 2, 70300, NEGERI SEMBILAN,  
MALAYSIA

25/04/2018

### **Share Capital History**

<b>Date</b>	<b>Authorised Shared Capital</b>	<b>Issue &amp; Paid Up Capital</b>
04/06/2015	MYR 500,000.00	MYR 250,000.00
29/07/2009	MYR 100,000.00	MYR 100,000.00
03/12/2008	MYR 100,000.00	MYR 40,000.00

The major shareholder(s) of the Subject are shown as follows :

### **Current Shareholder(s) :**

<b>Name</b>	<b>Address</b>	<b>IC/PP/Loc No</b>	<b>Shareholding</b>	<b>(%)</b>
MR. SYED MOHD HATTA BIN SYED MUSTAFA +	42, JALAN RAKAN 3, TAMAN RAKAN, BATU 11, 43200 CHERAS, SELANGOR, MALAYSIA.	800901-10- 5797	200,000.00	80.00
MS. NOR AZIANA BINTI MUSTAFA +	42, JALAN RAKAN 3, TAMAN RAKAN, 43200 CHERAS, SELANGOR, MALAYSIA.	801126-08- 5856	50,000.00	20.00
			----- 250,000.00 =====	----- 100.00 =====

+ Also Director

### **Former Shareholder(s) :**

<b>Name</b>	<b>Country</b>	<b>IC/PP/Loc No</b>	<b>Shareholding</b>	<b>Last Updated</b>
YUSRI ANUAR BIN YAHAYA	MALAYSIA	750915- 14-6095	40,000.00	N/A

## **DIRECTORS**

### **DIRECTOR 1**

Name Of Subject : MS. NOR AZIANA BINTI MUSTAFA  
Address : 42, JALAN RAKAN 3, TAMAN RAKAN, 43200 CHERAS, SELANGOR, MALAYSIA.  
Other Address(es) : BLOK 1.G.08, TAMAN ANGSANA HILIR, JALAN HILIR 7, KAMPUNG PANDAN  
DALAM, 55100 KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA.  
New IC No : 801126-08-5856  
Date of Birth : 26/11/1980  
Nationality : MALAYSIAN  
Date of : 03/01/2012  
Appointment

### **INTEREST CHECK**

Interest in : see below  
companies  
Interest in business : none in our databank  
Former interest : see below

### **INTEREST IN COMPANY**

<b>N</b>	<b>Local No</b>	<b>Company</b>	<b>Designation</b>	<b>App Date</b>	<b>Shareholding</b>		<b>Profit/(loss ) After Tax</b>	<b>Financial Year</b>	<b>Status</b>	<b>As At</b>
					<b>No.</b>	<b>%</b>				
1	84057 3T	POWER HEAT EXCHANG ER SDN. BHD.	Director	03/01/20 12	50,000. 00	20.0 0	MYR22,251 .00	2017	-	26/07/20 18

### **FORMER INTEREST**

<b>No</b>	<b>Local No</b>	<b>Company</b>	<b>Designation</b>	<b>App Date</b>	<b>Withdrawn Date</b>	<b>Shareholding</b>	<b>Status</b>
1	649462T	KUASA MOTIVASI SDN. BHD.	Director	04/03/2008	08/05/2012	-	-
2	649462T	KUASA MOTIVASI SDN. BHD.	Shareholder	-	-	33333.00	-

### **DIRECTOR 2**

Name Of Subject : MR. SYED MOHD HATTA BIN SYED MUSTAFA  
Address : 42, JALAN RAKAN 3, TAMAN RAKAN, BATU 11, 43200 CHERAS, SELANGOR,  
MALAYSIA.  
Other Address(es) : BLOK IG08, TAMAN SRI ANGSANA HILIR, JALAN HILIR 7, KAMPUNG PANDAN  
DALAM, 55100 KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA.  
New IC No : 800901-10-5797  
Nationality : MALAYSIAN

**POWER HEAT EXCHANGER SDN. BHD. - 525286**

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Date of Appointment : 03/12/2008

**INTEREST CHECK**

Interest in companies : see below  
Interest in business : none in our databank  
Former interest : none in our databank

**INTEREST IN COMPANY**

N o	Local No	Company	Designation	App Date	Shareholding No.	%	Profit/(loss) After Tax	Financial Year	Status	As At
1	82633 1P	MEMBER S NETWORK SDN. BHD.	Director	22/09/2015	50,000.00	50.00	MYR(12,902.00)	2016	-	26/07/2018
2	84057 3T	POWER HEAT EXCHANGER SDN. BHD.	Director	03/12/2008	200,000.00	80.00	MYR22,251.00	2017	-	26/07/2018

**FORMER DIRECTOR(S)**

Name	Address	IC/PP No	Appointed Date	Withdrawn Date
YUSRI ANUAR BIN YAHAYA	R5-1-102, BLOCK 5, PANGSAPURI SRI MENANTI, BANDAR SRI DAMANSARA, KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA	750915-14-6095	03/12/2008	03/01/2012

Note : The above information was generated from our database.

**MANAGEMENT**

1) Name of Subject Position : SYED MOHD HATTA BIN SYED MUSTAFA  
: MANAGING DIRECTOR

## **AUDITOR**

<b>Firm No</b>	<b>Firm Name</b>	<b>Address</b>	<b>As At Date</b>
AF1342	HUZAINI & CO.	105-3B, LORONG HARUAN 5/4, OAKLAND COMMERCE SQUARE, 70300 SEREMBAN, NEGERI SEMBILAN, MALAYSIA.	31/12/2017

## **COMPANY SECRETARIES**

1) Company Secretary	:	MR. KHAIRUL RIDHA BIN SELAMAT @ KELIWON
IC / PP No	:	A3484075
New IC No	:	761105-01-7287
Address	:	105, JALAN TITIWANGSA 2, TAMAN BUKTI, AMPANGAN, 70400 SEREMBAN, NEGERI SEMBILAN, MALAYSIA.
Date of Appointment	:	03/12/2008

## **BANKING**

Banking relations are maintained principally with :

- 1) Name : MALAYAN BANKING BHD

### **ENCUMBRANCE (S)**

No encumbrance was found in our databank at the time of investigation.

### **CIVIL LITIGATION CHECK - SUBJECT COMPANY AS A DEFENDANT**

*\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.*

No legal action was found in our databank.

No winding up petition was found in our databank.

### **CRIMINAL RECORDS CHECK - SUBJECT COMPANY AS A DEFENDANT**

*\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.*

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No criminal record was found in our databank.

#### **CIVIL LITIGATION CHECK - SUBJECT COMPANY AS A PLAINTIFF**

*\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.*

No plaintiff record was found in our databank.

#### **CRIMINAL RECORDS CHECK - SUBJECT COMPANY AS A PLAINTIFF**

*\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.*

No plaintiff record was found in our databank.

#### **DEFAULTER CHECK AGAINST SUBJECT**

*\* We have checked through the Subject in our defaulters' database which comprised of debtors that have been listed by our customers and debtors that have been placed or assigned to us for collection.*

No defaulter record & debt collection case was found in our defaulters' databank.

#### **RED ALERT FROM CENTRAL BANK OF MALAYSIA**

*\* A check has been conducted with the Central Bank of Malaysia whether the Subject has carried out any illegal or suspicious financial activities.*

The Subject has not been carried out any illegal money services business without licence under the Money Services Business Act 2011.

The Subject has not been placed under the Financial Consumer Alert list by the Central Bank of Malaysia.

#### **INVESTOR ALERT BY SECURITIES COMMISSION MALAYSIA & BURSA MALAYSIA**

*\* A check has been conducted with the Securities Commission Malaysia whether the Subject has involved in any unlicensed capital market activities under the Securities Laws and Bursa Malaysia should the Subject is listed as Practice Note (PN) 17 or Guidance Note (GN) 3.*

The Subject has not been carried out any unlicensed capital market activities.

## **PAYMENT RECORD**

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**SOURCES OF RAW MATERIALS:**

Local : YES  
Overseas : YES

The Subject refused to provide any name of trade/service supplier and we are unable to conduct any trade enquiry. However, from financial historical data we conclude that :

**OVERALL PAYMENT HABIT**

Prompt 0-30 Days [ ]	Good 31-60 Days [ ]	Average 61-90 Days [ ]
Fair 91-120 Days [ ]	Poor >120 Days [ X ]	

**CLIENTELE**

Local : YES	Percentage : 100%
Domestic : MALAYSIA	
Markets	
Overseas : NO	
Credit Term : N/A	
Payment Mode : CHEQUES	

**OPERATIONS**

Services : MECHANICAL ENGINEERING AND FABRICATION

Total Number of Employees:

YEAR	2018	2017	2016	2015	2014	2013
GROUP	N/A	N/A	N/A	N/A	N/A	N/A
COMPANY	10	10	10	15	15	10

Branch : NO  
Other Information:

The Subject is principally engaged in the (as a / as an) mechanical engineering and fabrication services.

The Subject's core business is in trading and engineering support services sector, as specializes in the field of Heat Transfer Technology.

The Subject fabricates, refurbishes and repairs on all type of Heat Exchanger.

The main industries covered are in Power Generation, Offshore, Marine, Petrochemical & Oleo chemical, Oil & Gas, Refinery & Palm Oil Mill industries.

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The Subject provides its services according to its customers' requirements.

## **RECENT DEVELOPMENT**

We have checked with the Malaysian National News Agency's (BERNAMA) database, but no recent development was noted during the time of inspection.

## **CURRENT INVESTIGATION**

Latest fresh investigations carried out on the Subject indicated that :

Telephone Number Provided By : 03-87241210  
Client  
Current Telephone Number : 03-87241210  
Match : YES  
Address Provided by Client : NO 36 JALAN P 2/11 SEXSYEN 2, BONDAR TEKNOLOGI KALANG  
43500 SEMENYIN SELANGOR DARUL EHSAN  
Current Address : 14, JALAN P2/13, SEKSYEN 2, BANDAR TEKNOLOGI KAJANG,  
43500 SEMENYIH, SELANGOR, MALAYSIA.  
Match : NO  
Latest Financial Accounts : YES

### **Other Investigations**

We contacted one of the staff from the Subject and he provided some information.

The address provided is the Subject's former business address.

## **FINANCIAL ANALYSIS**

### **Profitability**

Turnover	: Erratic	[ 2013 - 2017 ]
Profit(Loss) Before Tax	: Decreased	[ 2013 - 2017 ]
Return on Shareholder Funds	: Unfavourable	[ 6.76% ]
Return on Net Assets	: Acceptable	[ 23.27% ]

The fluctuating turnover reflects the fierce competition among the existing and new market players. The Subject's profit fell sharply because of the high operating costs incurred. The unfavourable return on shareholders' funds could indicate that the Subject was inefficient in utilising its assets to generate returns.

### **Working Capital Control**

Debtor Ratio	: Favourable	[ 45 Days ]
Creditors Ratio	: Unfavourable	[ 125 Days ]

The favourable debtors' days could be due to the good credit control measures implemented by the Subject. The

unfavourable creditors' ratio could be due to the Subject taking advantage of the credit granted by its suppliers. However this may affect the goodwill between the Subject and its suppliers and the Subject may inadvertently have to pay more for its future supplies.

**Liquidity**

Liquid Ratio	:	Favourable	[	1.38 Times	]
Current Ratio	:	Unfavourable	[	1.38 Times	]

A minimum liquid ratio of 1 should be maintained by the Subject in order to assure its creditors of its ability to meet short term obligations and the Subject was in a good liquidity position. Thus, we believe the Subject is able to meet all its short term obligations as and when they fall due.

**Solvency**

Interest Cover	:	Unfavourable	[	2.84 Times	]
Gearing Ratio	:	Unfavourable	[	1.43 Times	]

The Subject's interest cover was low. If its profits fall or when interest rate rises, it may not be able to meet all its interest payment. The Subject was highly geared, thus it had a high financial risk. The Subject was dependent on loans to finance its business needs. In times of economic downturn and / or high interest rate, the Subject will become less profitable and competitive than other firms in the same industry, which are lowly geared. This is because the Subject has to service the interest and to repay the loan, which will erode part of its profits. The profits will fluctuate depending on the Subject's turnover and the interest it needs to pay.

**Overall Assessment :**

The Subject recorded lower profits as its turnover showed an erratic trend. The Subject's management was unable to control its costs efficiently as its profit showed a downward trend. The Subject was in good liquidity position with its total current liabilities well covered by its total current assets. With its current net assets, the Subject should be able to repay its short term obligations. If there is a fall in the Subject's profit or any increase in interest rate, the Subject may not be able to generate sufficient cash-flow to service its interest. The Subject's gearing level was high and its going concern will be in doubt if there is no injection of additional shareholders' funds in times of economic downturn and / or high interest rates.

**Overall financial condition of the Subject : FAIR**

**MALAYSIA ECONOMIC / INDUSTRY OUTLOOK**

Major Economic Indicators:	2014	2015	2016	2017*	2018**
Population ( Million)	30.0	31.0	31.6	32.1	32.9
<b>Gross Domestic Products ( % )</b>	<b>6.0</b>	<b>4.6</b>	<b>4.2</b>	<b>5.3</b>	<b>5.4</b>
Domestic Demand ( % )	6.4	6.2	4.3	6.3	6.4
<b>Private Expenditure ( % )</b>	<b>7.9</b>	<b>6.9</b>	<b>7.8</b>	<b>7.4</b>	<b>7.3</b>
Consumption ( % )	6.5	6.1	5.1	6.9	6.8
Investment ( % )	12.0	8.1	10.0	9.3	8.9
<b>Public Expenditure ( % )</b>	<b>2.3</b>	<b>4.2</b>	<b>3.3</b>	<b>5.3</b>	<b>5.5</b>
Consumption ( % )	2.1	4.3	2.0	2.7	1.3
Investment ( % )	2.6	(1.0)	1.1	3.4	3.8
Balance of Trade ( MYR Million )	82,480	91,577	88,145	94,593	96,993
Government Finance ( MYR Million )	(37,414)	(37,194)	(38,401)	(39,887)	(39,790)
<b>Government Finance to GDP / Fiscal Deficit ( % )</b>	<b>(3.4)</b>	<b>(3.2)</b>	<b>(3.1)</b>	<b>(3.0)</b>	<b>(2.8)</b>
Inflation ( % Change in Composite CPI)	3.2	4.0	2.1	3.5	3.0
Unemployment Rate	2.9	3.1	3.4	3.4	3.3

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Net International Reserves ( MYR Billion )	428	441	451	450	423
Average Risk-Weighted Capital Adequacy Ratio ( % )	4.00	3.50	-	-	-
<b>Average 3 Months of Non-performing Loans ( % )</b>	<b>2.10</b>	<b>2.00</b>	<b>1.90</b>	-	-
Average Base Lending Rate ( % )	6.85	6.79	6.81	6.73	-
Business Loans Disbursed( % )	18.6	2.2	-	-	-
Foreign Investment ( MYR Million )	43,486.6	43,435.0	-	-	-
Consumer Loans ( % )	-	-	-	-	-
<b>Registration of New Companies ( No. )</b>	<b>49,203</b>	<b>45,658</b>	<b>43,255</b>	<b>47,871</b>	-
Registration of New Companies ( % )	6.1	(7.2)	(5.3)	10.7	-
<b>Liquidation of Companies ( No. )</b>	<b>33,226</b>	<b>34,667</b>	<b>36,778</b>	<b>38,632</b>	-
Liquidation of Companies ( % )	0.5	4.3	6.1	5.0	-
<b>Registration of New Business ( No. )</b>	<b>332,723</b>	<b>364,230</b>	<b>376,720</b>	<b>484,029</b>	-
Registration of New Business ( % )	1.0	9.0	3.0	29.0	-
<b>Business Dissolved ( No. )</b>	<b>26,966</b>	-	-	-	-
Business Dissolved ( % )	48.5	-	-	-	-
Sales of New Passenger Cars ( ' 000 Unit )	588.3	591.3	514.6	527.8	-
Cellular Phone Subscribers ( Million )	44.0	44.2	44.0	-	-
Tourist Arrival ( Million Persons )	27.4	25.7	30.2	30.1	-
Hotel Occupancy Rate ( % )	63.6	58.8	61.2	-	-
Credit Cards Spending ( % )	5.8	6.8	6.3	-	-
Bad Cheque Offenders (No.)	-	-	-	-	-
Individual Bankruptcy ( No.)	22,351	18,457	19,588	18,227	-
Individual Bankruptcy ( % )	1.7	(17.4)	6.1	(7.0)	-
<b>INDUSTRIES ( % of Growth ):</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>2018**</b>
<b>Agriculture</b>	<b>2.0</b>	<b>1.3</b>	<b>(5.1)</b>	<b>5.6</b>	<b>2.4</b>
Palm Oil	6.7	7.0	(12.7)	11.8	-
Rubber	(10.4)	(11.0)	(6.3)	10.8	-
Forestry & Logging	(4.2)	(7.2)	(3.0)	(15.0)	-
Fishing	2.7	2.1	2.2	0.2	-
Other Agriculture	6.2	6.0	5.1	2.4	-
Industry Non-Performing Loans ( MYR Million )	303.8	343.7	420.3	-	-
% of Industry Non-Performing Loans	1.4	1.5	1.8	-	-
<b>Mining</b>	<b>3.3</b>	<b>5.3</b>	<b>2.2</b>	<b>0.5</b>	<b>0.9</b>
Oil & Gas	3.0	3.5	4.5	-	-
Other Mining	46.6	47.1	42.6	-	-
Industry Non-performing Loans ( MYR Million )	63.5	180.1	190.0	-	-
% of Industry Non-performing Loans	0.3	0.8	0.8	-	-
<b>Manufacturing #</b>	<b>6.1</b>	<b>4.9</b>	<b>4.4</b>	<b>5.5</b>	<b>5.3</b>
<b>Exported-oriented Industries</b>	<b>7.1</b>	<b>6.5</b>	<b>4.3</b>	<b>6.5</b>	-
Electrical & Electronics	11.8	9.2	6.8	9.3	-
Rubber Products	(1.3)	5.1	5.0	6.9	-
Wood Products	7.8	7.0	7.8	7.3	-

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Textiles & Apparel	10.8	7.5	7.5	7.4	-
<b>Domestic-oriented Industries</b>	<b>7.7</b>	<b>4.7</b>	<b>3.4</b>	<b>6.2</b>	-
Food, Beverages & Tobacco	6.1	8.9	7.5	11.0	-
Chemical & Chemical Products	1.4	3.5	4.5	3.5	-
Plastic Products	2.7	3.9	5.1	-	-
Iron & Steel	2.8	1.6	2.2	-	-
Fabricated Metal Products	2.8	4.6	5.6	4.6	-
Non-metallic Mineral	6.9	6.8	6.3	5.4	-
Transport Equipment	14.4	5.2	(3.1)	4.7	-
Paper & Paper Products	4.7	3.2	5.4	5.8	-
Crude Oil Refineries	13.0	14.3	13.7	-	-
<i>Industry Non-Performing Loans ( MYR Million )</i>	<i>5,730.8</i>	<i>4,243.7</i>	<i>4,214.1</i>	-	-
<i>% of Industry Non-Performing Loans</i>	<i>25.6</i>	<i>19.0</i>	<i>18.5</i>	-	-
<b>Construction</b>	<b>11.7</b>	<b>8.2</b>	<b>7.4</b>	<b>7.6</b>	<b>7.5</b>
<i>Industry Non-Performing Loans ( MYR Million )</i>	<i>1,666.4</i>	<i>1,638.0</i>	<i>1,793.9</i>	-	-
<i>% of Industry Non-Performing Loans</i>	<i>7.5</i>	<i>7.3</i>	<i>7.9</i>	-	-
<b>Services</b>	<b>6.6</b>	<b>5.1</b>	<b>5.6</b>	<b>5.9</b>	<b>5.8</b>
Electric, Gas & Water	3.8	3.6	5.4	2.5	2.6
Transport, Storage & Communication	7.70	7.55	6.85	7.35	7.30
Wholesale, Retail, Hotel & Restaurant	7.70	6.65	6.65	7.05	6.65
Finance, Insurance & Real Estate	5.15	2.90	4.70	5.70	5.90
Government Services	6.3	4.0	4.9	4.4	4.5
Other Services	4.8	4.7	4.8	5.3	5.3
<i>Industry Non-Performing Loans ( MYR Million )</i>	<i>5,373.5</i>	<i>6,806.6</i>	<i>7,190.6</i>	-	-
<i>% of Industry Non-Performing Loans</i>	<i>24.1</i>	<i>30.5</i>	<i>31.5</i>	-	-

\* Estimate / Preliminary

\*\* Forecast

# Based On Manufacturing Production Index

## **INDUSTRY ANALYSIS**

### **MSIC CODE**

71102 : Engineering services

### **INDUSTRY CONSTRUCTION**

:

The construction sector consists of four subsectors: residential, non-residential, civil engineering and special trade works. During a period of rapid economic expansion, the sector generally outperforms Gross Domestic Product (GDP) growth.

During a period of rapid economic expansion, the sector generally outperforms Gross Domestic Product (GDP) growth. The construction sector is expected to grow by 8% to RM170 billion for year 2017, boosted by the numerous mega infrastructure projects in the country. The total allocation for Budget 2017 is RM260.8 billion — an increase of 3.4% from the revised Budget 2016.

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The non-residential property subsector grew by 4.9% to RM6.4 billion in the first half of 2017 (1H17). This growth was due to the rebound in starts for shops (29.3%, compared with a 46.7% contraction in 1H16 and serviced apartments (14%, compared with a 35% contraction in 1H16). However, construction starts in the industrial and small office home office (SoHo) declined 9.7% and 16.1% respectively (1H16: -76.7% and -24.9%), mainly due to moderation in the O&G-related industries.

The industry indeed has a bright future, considering numerous mega infrastructure projects that will continue to fuel the construction demand. The projects include the Refinery and Petrochemical Integrated Development (Rapid) in Pengerang, East Coast Rail Line from Port Klang to Tumpat, High-Speed Rail from Kuala Lumpur to Singapore, Pan Borneo Highway in Sabah and Sarawak, Damansara-Shah Alam elevated highway, light rail transit from Bandar Utama to Johan Setia, West Coast Expressway from Banting to Taiping and mass rapid transit line 2.

In addition, there are commercial real estate projects which will boost construction demand even further such as Bandar Malaysia and Cyberjaya City Centre. Construction industry is one of the key sector which will propel the nation into prosperity. Bank Negara Malaysia has raised the country's gross domestic product outlook to between 4.3% and 4.8% for 2017 and analysts have a consensus view that it will be driven by primary sectors and construction projects.

#### **OVERALL INDUSTRY OUTLOOK : Average Growth**

## **CREDIT RISK EVALUATION & RECOMMENDATION**

Incorporated in 2008, the Subject is a Private Limited company, focusing on mechanical engineering and fabrication services. Having been in the industry for over a decade, the Subject has achieved a certain market share and has built up a satisfactory reputation in the market. It should have received supports from its regular customers. With an issued and paid up capital of MYR 250,000 contributed by individual shareholders, the Subject may face difficulties in its attempt to further expand its business in the future. Thus, the Subject should put more efforts on its business to gain higher market share while competing aggressively in the market.

Investigation revealed that the Subject concentrates only on the local market. This narrow market segment has placed the Subject at high business risk and limits its business expansion opportunities. Any adverse changes to the local economy might have a negative impact on the Subject's business performance. The Subject's business operation is supported by 10 employees. Overall, we regard that the Subject's management capability is average. This indicates that the Subject has greater potential to improve its business performance and raising income for the Subject.

The Subject's business performance showed a reverse trend as both its turnover and pre-tax profit have decreased compared to the previous year. The Subject has generated an unfavourable return on shareholders' funds indicating that the management was inefficient in utilising its funds to generate return. The Subject is in good liquidity position with its current liabilities well covered by its current assets. Hence, it has sufficient working capital to meet its short term financial obligations. The high gearing ratio clearly implied that the Subject was supported by more debt than equity. Thus, the Subject is exposed to high financial risk.

The Subject's suppliers are from both the local and overseas countries. This will eliminate the risk of dependency on deliveries from a number of key suppliers and insufficient quantities of its raw materials. Overall the Subject has a good control over its resources.

The poor payment habit may affect the goodwill between the Subject and its suppliers and the Subject may

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inadvertently have to pay more for its future supplies.

The industry shows an upward trend and this trend is very likely to sustain in the near terms.

In view of the above, we recommend credit be granted to the Subject with close monitoring.

## **PROFIT AND LOSS ACCOUNT**

### **THE FINANCIAL STATEMENTS WERE PREPARED IN ACCORDANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS(FRS)**

#### **POWER HEAT EXCHANGER SDN. BHD.**

Financial Year End	2017-12-31	2016-12-31	2015-12-31	2014-12-31	2013-12-31
Months	12	12	12	12	12
Consolidated Account	Company	Company	Company	Company	Company
Audited Account	YES	YES	YES	YES	YES
Unqualified Auditor's Report (Clean Opinion)	YES	YES	YES	YES	YES
Financial Type	FULL	FULL	FULL	FULL	FULL
Currency	MYR	MYR	MYR	MYR	MYR
TURNOVER	998,282	1,388,533	881,295	947,210	1,059,850
Other Income	-	-	-	120	7,036
Total Turnover	998,282	1,388,533	881,295	947,330	1,066,886
Costs of Goods Sold	(428,586)	(720,720)	(430,277)	(513,338)	(686,948)
Gross Profit	569,696	667,813	451,018	433,992	379,938
PROFIT/(LOSS) FROM OPERATIONS	49,603	76,118	15,138	15,385	13,683
PROFIT/(LOSS) BEFORE TAXATION	49,603	76,118	15,138	15,385	13,683
Taxation	(27,352)	(32,871)	(13,972)	(13,086)	(7,612)
PROFIT/(LOSS) AFTER TAXATION	22,251	43,247	1,166	2,299	6,071
<b>RETAINED PROFIT/(LOSS) BROUGHT FORWARD</b>					

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As previously reported	48,884	42,901	41,735	39,436	33,365
As restated	48,884	42,901	41,735	39,436	33,365
PROFIT AVAILABLE FOR APPROPRIATIONS	71,135	86,148	42,901	41,735	39,436
TRANSFER TO RESERVES - General	7,954	(37,264)	-	-	-
RETAINED PROFIT/(LOSS) CARRIED FORWARD	79,089	48,884	42,901	41,735	39,436
	=	=	=	=	=
<b>INTEREST EXPENSE (as per notes to P&amp;L)</b>					
Hire purchase	-	-	-	9,147	5,727
Lease interest	6,478	7,687	8,897	-	-
Term loan / Borrowing	20,498	15,703	18,264	20,139	11,441
Others	-	8,177	-	469	18,944
	26,976	31,567	27,161	29,755	36,112
	=	=	=	=	=
DEPRECIATION (as per notes to P&L)	67,559	65,385	63,051	58,517	21,923
Total Amortization And Depreciation	67,559	65,385	63,051	58,517	21,923
	=	=	=	=	=

**BALANCE SHEET**

**POWER HEAT EXCHANGER SDN. BHD.**

**ASSETS**

**EMPLOYED:**

FIXED ASSETS LONG TERM	122,827	176,472	213,203	254,414	212,056
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**INVESTMENTS/OTHER ASSETS**

Others	231,673	208,752	-	-	-
TOTAL LONG TERM INVESTMENTS/OTHER ASSETS	231,673	208,752	-	-	-
TOTAL LONG TERM ASSETS	354,500	385,224	213,203	254,414	212,056
<b>CURRENT ASSETS</b>					
Contract work-in-progress	116,861	-	24,383	-	-
Trade debtors	123,127	196,847	67,262	226,068	169,960
Other debtors, deposits & prepayments	16,100	24,100	60,079	53,171	45,185
Amount due from director	-	-	154,945	-	-
Cash & bank balances	390,727	199,264	147,396	144,958	203,243
TOTAL CURRENT ASSETS	646,815	420,211	454,065	424,197	418,388
TOTAL ASSET	1,001,315	805,435	667,268	678,611	630,444

**CURRENT LIABILITIES**

Trade creditors	147,318	57,619	14,649	18,420	86,635
Other creditors & accruals	12,400	45,419	27,189	10,975	11,886
Hire purchase & lease creditors	-	-	-	21,055	13,279
Short term borrowings/Term loans	266,416	200,749	75,588	53,500	53,500
Provision for taxation	17,753	21,557	2,651	15,389	10,580
Lease payables	24,684	23,474	22,265	-	-
TOTAL CURRENT LIABILITIES	468,571	348,818	142,342	119,339	175,880
NET CURRENT ASSETS/(LIABILITIES)	178,244	71,393	311,723	304,858	242,508

**LONG TERM LIABILITIES**

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Long term loans	97,954	17,992	77,878	91,604	124,965
Lease obligations	104,976	129,661	153,135	175,400	-
Hire purchase creditors	-	-	-	-	126,422
Deferred taxation	725	2,126	1,012	1,691	3,994
Others	-	-	-	148,842	59,747
	-----	-----	-----	-----	-----
<b>TOTAL LONG TERM LIABILITIES</b>	<b>203,655</b>	<b>149,779</b>	<b>232,025</b>	<b>417,537</b>	<b>315,128</b>
	-----	-----	-----	-----	-----
<b>TOTAL NET ASSETS</b>	<b>329,089</b>	<b>306,838</b>	<b>292,901</b>	<b>141,735</b>	<b>139,436</b>
	=====	=====	=====	=====	=====
	==	==	==	==	==
<b>FINANCED BY:</b>					
<b>SHARE CAPITAL</b>					
Ordinary share capital	250,000	250,000	250,000	100,000	100,000
	-----	-----	-----	-----	-----
<b>TOTAL SHARE CAPITAL</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>100,000</b>	<b>100,000</b>
<b>RESERVES</b>					
Retained profit/(loss) carried forward	79,089	48,884	42,901	41,735	39,436
Others	-	7,954	-	-	-
	-----	-----	-----	-----	-----
<b>TOTAL RESERVES</b>	<b>79,089</b>	<b>56,838</b>	<b>42,901</b>	<b>41,735</b>	<b>39,436</b>
	-----	-----	-----	-----	-----
<b>SHAREHOLDERS' FUNDS/EQUITY</b>	<b>329,089</b>	<b>306,838</b>	<b>292,901</b>	<b>141,735</b>	<b>139,436</b>
	=====	=====	=====	=====	=====
	==	==	==	==	==

**FINANCIAL RATIO**

**POWER HEAT EXCHANGER SDN. BHD.**

**TYPES OF FUNDS**

Cash	390,727	199,264	147,396	144,958	203,243
Net Liquid Funds	390,727	199,264	147,396	144,958	203,243
Net Liquid Assets	178,244	71,393	311,723	304,858	242,508
Net Current Assets/(Liabilities)	178,244	71,393	311,723	304,858	242,508
Net Tangible Assets	329,089	306,838	292,901	141,735	139,436
Net Monetary Assets	(25,411)	(78,386)	79,698	(112,679)	(72,620)

**PROFIT & LOSS ITEMS**

Earnings Before Interest & Tax (EBIT)	76,579	107,685	42,299	45,140	49,795
Earnings Before Interest, Taxes, Depreciation And	144,138	173,070	105,350	103,657	71,718

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Amortization (EBITDA)

**BALANCE SHEET  
ITEMS**

Total Borrowings	469,346	348,402	306,601	341,559	318,166
Total Liabilities	672,226	498,597	374,367	536,876	491,008
Total Assets	1,001,315	805,435	667,268	678,611	630,444
Net Assets	329,089	306,838	292,901	141,735	139,436
Net Assets Backing	329,089	306,838	292,901	141,735	139,436
Shareholders' Funds	329,089	306,838	292,901	141,735	139,436
Total Share Capital	250,000	250,000	250,000	100,000	100,000
Total Reserves	79,089	56,838	42,901	41,735	39,436

**GROWTH RATIOS (Year  
on Year) (%)**

Revenue	(28.11)	57.56	(6.96)	(10.63)	10.55
Profit/(Loss) Before Tax	(34.83)	402.83	(1.61)	12.44	20.75
Profit/(Loss) After Tax	(48.55)	3,609.01	(49.28)	(62.13)	121.09
Total Assets	24.32	20.71	(1.67)	7.64	28.96
Total Liabilities	34.82	33.18	(30.27)	9.34	38.11

**LIQUIDITY (Times)**

Cash Ratio	0.83	0.57	1.04	1.21	1.16
Liquid Ratio	1.38	1.20	3.19	3.55	2.38
Current Ratio	1.38	1.20	3.19	3.55	2.38

**WORKING CAPITAL  
CONTROL (Days)**

Stock Ratio	43	0	10	0	0
Debtors Ratio	45	52	28	87	59
Creditors Ratio	125	29	12	13	46

**SOLVENCY RATIOS  
(Times)**

Gearing Ratio	1.43	1.14	1.05	2.41	2.28
Liabilities Ratio	2.04	1.62	1.28	3.79	3.52
Times Interest Earned Ratio	2.84	3.41	1.56	1.52	1.38
Assets Backing Ratio	1.32	1.23	1.17	1.42	1.39

**PERFORMANCE RATIO  
(%)**

Operating Profit Margin	4.97	5.48	1.72	1.62	1.29
Net Profit Margin	2.23	3.11	0.13	0.24	0.57
Return On Net Assets	23.27	35.10	14.44	31.85	35.71
Return On Capital Employed	14.37	23.58	8.06	7.78	10.64

Return On Shareholders' Funds/Equity	6.76	14.09	0.40	1.62	4.35
Dividend Pay Out Ratio (Times)	0	0	0	0	0

**NOTES TO ACCOUNTS**

Contingent Liabilities	0	0	0	0	0
------------------------	---	---	---	---	---

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.23
UK Pound	1	INR 89.37
Euro	1	INR 79.97
MYR	1	INR 17.01

**Note** : Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

Analysis Done by :	PRA
Report Prepared by :	SYL

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)