

FACILITY APPROVAL MEMORANDUM

Prepared by: Uti Maleghemi
Department: CBG
Location : Opebi
Date : February 2017

Borrower : Nidaco Nigeria Limited (“the Company”)

Ownership : Mr. Johari Akram (Nigerian) – 75%
Mr. Nidal Al. Johari (Syrian) – 12.5%
Mrs. Raghidah Jarmakari (Syrian) – 12.5%

Location : Plot 2/4, Fatai Atere Way, Matori, Lagos.

Risk Rating : 3

Business : Steel Fabrication, Civil Engineering and Construction

Related Company : Biella Nigeria Limited

Facility Type : Bond and Guarantee Line – Renewal

Facility Amount : N300,000,000.00 (Three Hundred Million Naira only)

Purpose : To enable the company meet part of the pre-conditions for the award of contracts and/or secure advance payments on such contracts.

Beneficiary : Federal and State Governments, Government Parastatals, reputable Private Organizations and High Networth Individuals.

Tenor : 2 years (renewable annually)

Issuance : Upon compliance with all necessary pre-conditions.

Management Fee : 0.5% flat (N1,500,000.00) on the Bond and Guarantee Line amount payable upfront upon acceptance of the offer, being fee charged for putting in place the guarantee line for Nidaco Nigeria Limited.

Commitment Fee : 0.5% flat (N1,500,000.00) on the Bond and Guarantee Line amount payable upfront upon acceptance of the offer, being fee charged for putting in place the guarantee line for Nidaco Nigeria Limited.

Security :
1. 30% Cash backing on Advance Payment Sum.
2. Personal Guarantee of the Company’s Managing Director/Chief Executive Officer, Mr. A. F.Johari supported by a duly notarized Statement of Personal Networth. – In place

CONDITIONS PRECEDENT TO UTILIZATION

The facility shall be available to Nidaco Nigeria Limited upon receipt by the bank of the following:

1. Duly accepted Offer Letter for the facility signed by authorized signatories of the company

2. Duly executed Board Resolution accepting the facility and naming those mandated to accept the offer on behalf of the company
3. Duly executed Counter Indemnity of Nidaco Nigeria Limited to pay upon demand if any Bond/Guarantee is called in.
4. Duly executed Letter of Set-Off by Nidaco Nigeria Limited
5. Duly executed Personal Guarantee of the Managing Director/Chief Executive Officer, Mr. A. F. Johari supported by a duly notarized Statement of Personal Net worth.

OTHER CONDITIONS

- A late repayment fee of 1% flat per month (approximately 12% p.a.) over the approved lending rate shall be applied on the outstanding unpaid obligation without recourse to Nidaco Nigeria Limited.
- All legal fees, stamp duties and other costs associated with the documentation, execution and administration of this facility will be for the account of Nidaco Nigeria Limited.
- All legal or other costs and expenses arising from the facility or of enforcing the terms and conditions herein should such occasion ever arise shall be claimed from Nidaco Nigeria Limited.
- It is expected that Nidaco Nigeria Limited will continue to improve on its business relationship with the Bank through the operation of its current account.
- Nidaco Nigeria Limited agrees to continue to carry on and maintain its business in conformity with all Health, Safety and Environmental Laws applicable in Nigeria, whether required by the Bank or not, and supply evidence to verify its fulfilment of this obligation to the Bank.
- Nidaco Nigeria Limited also acknowledges that non-compliance with any Health, Safety and Environmental laws shall be an event of default, and the Bank shall at its discretion take steps to compel Wihu with all Health, Safety and Environmental obligations, at a cost to be borne.
- The Bank may apply any credit balance (whether or not due and in whatever currency), which is at any time held by any branch of the Bank in favour of Nidaco Nigeria Limited, towards the satisfaction of any of the company's liabilities on any or other accounts, whether such liabilities be actual or contingent, primary or collateral and several or joint.
- Regular updates on the progress of the contracts for which the Bank has issued a bond/guarantee shall be supplied to the Bank. This will include but will not be limited to pictures of the project and certificates duly issued by the project supervisor appointed by the beneficiary of the bond/guarantee.
- The Bank may use any information relating to Nidaco Nigeria Limited for evaluating the credit application. The Bank may at its sole discretion as it shall consider appropriate give to and receive from credit bureaus and reference agencies whether based locally or abroad, other financial institutions, regulatory and law enforcement agencies and relevant third parties information about Nidaco Nigeria Limited, including information on your Directors and other personnel, transactions and conduct on your account together with details of any non-payment or delayed payments for the purpose of assisting them and/or the Bank in making lending or rating decisions about Nidaco Nigeria Limited.

All other terms and conditions as contained in the Facility Agreement shall be binding upon Nidaco Nigeria Limited.

COMPANY BACKGROUND AND OPERATIONS

Nidaco Nigeria Limited was incorporated in Nigeria in 1988 as an engineering construction company, mainly steel fabrication and design work. The company's Administrative Head Office is located at Plot 2/4, Fatai Atere Way, Matori, Lagos. The company's main objective is to meet the construction needs of its client's in the Public and Private sectors of the economy.

Nidaco's clientele base spans across companies in various sectors of the economy as follows:

- May & Baker Plc
- Daywaterman College
- House on the Rock Church
- Procter & Gamble
- Vita Construction
- Bi-Courtney Consortium Limited
- Nampak
- Westcom Wireless
- Ikoyi Hotel
- Sara Foods Nigeria Limited
- British High Commission
- G. Cappa Plc
- Texaco Nigeria
- Arab Contractors
- MTN South Africa
- Prince Ebeano & Co
- Coral Beach Estate Limited

Nidaco has over 28 years' experience in the Nigerian construction sector and has gathered reputation from the long list of executed projects which are attributable to high quality and timely delivery of projects.

The company has a good track record of fast mobilization and prompt project execution. Its specialty is in Steel Structure Fabrication. The prime objective of the management of Nidaco is to provide services in a manner which conforms to contractual and regulatory requirements. In order to achieve this objective, the company continues to recognize the salient inputs of modern project management approach and the benefits of technological advancement while not allowing profit maximization to overshadow the global trend of environmental protection and timely service delivery.

The company has carved a niche for itself amongst the major employers in the construction industry through the quality and pace of completion of executed projects. The table below shows contracts executed by the company and it is worthy of note that GTBank issued Advance Payment Guarantees of over N2bn for some of these projects.

Completed Projects

S/N	Project	Contract Sum (N'mm)	Client	Year of completion
1	Domestic Airport, Ikeja (Steel work)	138	Bi-Courtney Consortium Limited	2007

2	Remodelling of Procter & Gamble Factory, Ibadan	177	Procter & Gamble	2007
3	AIM Consultants, Royal Chocolate, Victoria Island	50	AIM Consultants	2007
4	Ikoyi Hotel, Ikoyi	42	Ikoyi Hotel	2007
5	Popham Walter Diesel Tank, Lagos	12	Popham Walter Odusote	
6	Sara Food – New Factory Warehouse, Apapa	45	Sara Foods Nigeria Limited	2007
7	New Pharma Plant Factory for May & Baker Plc	240	May & Baker Plc	2008
8	Construction of Central Warehouse at May & Baker new Pharma Plant at Idiroko	51	May & Baker Plc	2008
9	Construction of the Church Main Auditorium Roof Steel Works	109	House on the Rock Church	2008
10	Day Waterman College, Abeokuta – Phase 1	101	Day Waterman College	2009
11	New Pharma Plant Factory for May & Baker Plc	240	May & Baker Plc	2009
12	Construction of Central Warehouse at May & Baker new Pharma Plant at Idiroko	51	May & Baker Plc	2010
13	Construction of the Church Main Auditorium Roof Steel Works	109	House on the Rock Church	2010
14	Day Waterman College, Abeokuta – Phase 2	101	Day Waterman College	2010
15	Stanbic-IBTC Bank at Ajoose Adeogun Street, Victoria Island	82	Vita Construction	2010
16	Stanbic-IBTC Bank at Allen Avenue, Ikeja, Lagos	82	Vita Construction	2011
17	External works, minor buildings and structures at Ibis Lagos Airport Hotel	113	MO&A Project Partner	2011
18	Residential development for Dr. Victor Adesimbo Kiladejo at Jagun Street, Off PPL Road, Okokomaiko, Ojo, Lagos	116	Cost Model Associates	2012
19	Remodeling of Procter & Gamble Factory, Ibadan – Phase 2 for Procter & Gamble	180	Procter & Gamble	2012
20	Construction of Stainless steel Tanks & Erection of Fabricated Structural for Fermentation - Section	210	Allied Atlantic Distilleries	2013
21	Construction of Steel works for Extension of empty store	130	Nigeria Breweries	2013
22	Construction of steel roof for Fountain of Life Church	90	Fountain of Life Church	2014

23	Construction and Installation of Front Steel Shed in New Governor's Office in Enugu	200	Arab Contractors	2015
24	Construction of the foundation and concrete framed structure of the proposed Prince Ebeano Supermarket at Lake View Park, Ajah, Lagos.	367	Prince Ebeano & Co	2015
25	Construction of a block of 24 flats at Lekki Free Trade Zone, Ibeju-Lekki, Lagos.	631	Coral Beach Estate Limited	2016
	TOTAL	3,669		

SCHEDULE OF EXPECTED PROJECTS

S/N	Project	Contract Sum (N'mm)	Client	Contract Requirement
1	Development of GTBank Lekki Branch, Admiralty Way, Lekki, Lagos.	19.8	GTBank	Just awarded in January, 2017. Mobilization of contractors in progress.
	TOTAL	19.8		

The company works in affiliation with the following consultants to ensure it conforms to contractual and regulatory requirements:

Architects

S/N	Name	Location
1	INCUI Limited	7b Adebisi Da-Silva Close, Surulere, Lagos
2	Design Group Nigeria	11 Ajasa Street, Onikan, Lagos
3	PACS Associates	20 Evo Road, GRA, Port Harcourt, Rivers

Quantity Surveyors

S/N	Name	Location
1	Cost Model Associates	20 Oweh Street, Fadeyi, Lagos
2	Isaac James Associates	11 Raymond Street, Sabo, Yaba, Lagos
3	Jabaks Consultants	90 Shyllon Street, Palmgrove, Lagos

Engineers

S/N	Name	Location
1	Morgan Omonitan & Abe Limited	241 Igboere Road, Lagos
2	Multidine-Pacific Nigeria Limited	21 Idowu Olaitan Street, Gbagada Phase II, Lagos
3	Encon International Limited	21 Igboere Road, Lagos
4	Masodak Associates	186 Ikorodu Road, Lagos

It is worthy of note that most of the consultants have their accounts in the Bank.

Board and Management

The company's management comprises highly intelligent, competent and well experienced professionals who are committed to the course of Nidaco Nigeria Limited. These individuals are men of high integrity with good characters and technical competence.

Mr. Akram F. Johari- Managing Director/Chief Executive

Mr. A.F Johari is a Civil Engineer. He has over 28 years of experience in the construction sector. He has acquired a lot of experience as a Project Manager. He coordinated the construction of Kaduna State stadium, Bristow Helicopter Terminal, Fort-Knox Investment Storage Facility at Oregon, etc. He has been the MD/CEO of NIDACO since inception in 1988 and can comfortably be regarded as the “Administrative Power” house of the Company.

Mr. H. F. Johari- Executive Director of Finance

He holds a Bachelor of Science degree in Mechanical Engineering from the Regional Engineering College, Calicut, Kerala-India. He has been in the employment of NIDACO since 1990. He oversees all activities related to plant supplies and maintenance. He is a Syrian by Origin.

Mr. J. A Ajiroba- Finance Controller

He holds a Higher National Diploma in Accounting from the Polytechnic of Ibadan. He has been with Nidaco Nigeria Limited since inception. He is a member of the Institute of Chartered Accountant of Nigeria (ICAN). He takes financial decision for the company.

Other Project Technical team is as follows:

	Name	Position	Profession	Years of Experience
1	Engr O. O. Balogun	Projects Engineer	Civil Engineer	18
2	Engr Dayo Ogunsan	Site Engineer	Civil Engineer	13
3	Engr Edia Uhumwangho	Structural Engineer	Civil Engineer	17
4	Bola Baruwa	Projects Quantity Surveyor	Quantity Surveying	12

INDUSTRY ANALYSIS

The building and construction sector in Nigeria involves all activities surrounding the establishment and erection of physical structures such as infrastructures, commercial and industrial structures and buildings. The size of the industry is estimated to be about N300 billion as at 2013. It is vital to the growth of an economy since it is responsible for putting in place, the physical infrastructure necessary to support the growth of other sectors of the economy. Despite its critical importance to the development process, however, the sector's impact on the Nigerian economy has been negligible, contributing no more than 1.5% to GDP per annum in real terms over the last five years.

Modern construction activity in Nigeria dates back to the colonial era when expatriates construction companies first came to Nigeria to meet the needs of the colonial administration and the European trading firms. During the post-independence era, the number of construction companies increased

with the entry of new companies, largely European origin. The nature of any construction project determines the number of construction companies that may be assigned to it i.e. large commercial and industrial plants are either turnkey projects or are assigned to a consortium of companies.

Construction companies can be classified into top tier, middle tier and lower tier companies. The top tiers are those with turnover exceeding N15billion. These class, though few in number accounts for the bulk of the industry's turnover and largely engage in civil engineering projects and the construction of infrastructures. Julius Berger Nig. Plc falls into this tier.

The middle tier companies generate turnovers between N1billion and N15billion and constitute the largest number of companies in the sector. Companies in this tier include P.W. Nigeria Limited, RCC Limited, CCECC Nigeria Limited, Cappa & D'alberto Plc, Borini Prono, ITB Nigeria Limited. The lower tier companies generate turnovers of less than N1billion and are largely indigenous companies involved in trade and specialty construction.

The categories of services offered by companies in the sector can be classified into civil engineering construction, building construction and trade and specialty construction. The projects that are won are determined by the degree of personal contacts with the people awarding the contracts, the track record of the contractor, the quality of execution of previous contracts, and to a lesser extent the bid price.

The source of projects for the industry can be categorized into The Public sector, Oil & Gas and the Private Sector. The Public sector accounts for over 50% of the turnover of the industry, the Other Private sector for less than 10% of the industry turnover, while the Oil & Gas sector accounts for the remainder. However, the Public Sector is also responsible for most of the huge outstanding receivables that the industry carries. The construction companies have been hard hit since this millennium because of the downturn in the economy and the characteristic Federal Government delay in making payment for jobs executed. The major construction names have therefore begun to re-invent themselves by developing skills and capacities for serving the Oil & Gas and the Private sectors.

The huge debt which the federal government owes the construction industry and the operators decision to engage in build-as-you-earn mode have generally increased the cost to government of executing contracts as the major players have increased their margins significantly to cater for such costs as mobilizing on and off site and the effect of the devaluation of the naira. Government on its own has attempted to combat this by setting up the due process mechanism. However, these companies have largely been able to maintain their turnover and earnings from the contract awards in the oil and gas sector of the economy.

The recent move by the federal government to repay all outstanding money owed to construction companies through the issuance of bonds will go a long way in boosting the image of the federal government in fulfilling its contractual obligations and also strengthen the confidence in the industry as a whole.

Industry Characteristics

- The business is cyclical, with activities corresponding to the budget of federal and state governments and liquidity in the money market.
- There's climatic influence, with the sector experiencing pronounced lull from March to September due to the rainy season.
- There's over dependence on public sector clients.
- It is capital intensive and technologically sophisticated requiring significant investment in skilled labour, plant and machinery

- It is import dependent with high cost profile
- There's marginal local participation and ownership
- It has a large investment in contract receivables
- There is pronounced capacity underutilization, especially for top and middle tier companies
- It is highly leveraged though non-interest-bearing debt until the guarantee crystallizes

Key Success Factors

- Track record for quality and timely execution of projects
- Ability to mitigate settlement risk, especially for public sector projects
- Access to short and long term finance.
- Competitive project pricing
- Regular contract award
- Degree of personal contacts of top management

BANKING RELATIONSHIP

With GTBank

Nidaco commenced banking relationship with GTBank in May 2008. Several Advance Payment Guarantees have been issued on behalf of the company without any record of default.

Below is the company's account performance analysis with GTBank in the last one year:

	Turnover	Lodgement
Month	N'mm	N'mm
Feb-16	114	94
Mar-16	91	92
Apr-16	78	66
May-16	156	148
Jun-16	37	43
Jul-16	67	60
Aug-16	52	58
Sep-16	30	26
Oct-16	57	57
Nov-16	123	128
Dec-16	69	62
Jan-17	71	102
TOTAL	945	936

As a result of the increase in the clientele base of the customer and different contracts awarded, the company had increased collections into its account in the months of May and November 2016 as well as January 2017. We are confident that this will be the trend going forward as we remain the company's sole Bank.

WITH OTHER BANKS

The company currently maintains non-borrowing relationship with Zenith bank and UBA. However, its only other active account is the one in UBA. Below is the company's account performance analysis with other Banks in the last one year:

	Turnover	Lodgement
Month	N'mm	N'mm
Feb-16	1	5
Mar-16	5	2
Apr-16	0	0
May-16	0	0
Jun-16	25	25
Jul-16	0	0
Aug-16	0	0
Sep-16	0	0
Oct-16	0	0
Nov-16	0	0
Dec-16	0	0
Jan-17	1	1
TOTAL	32	33

From the table above, over 90% of its business is done with GTBank.

SCHEDULE & STATUS OF BONDS/ GUARANTEES AVAILED TO NIDACO

S/N	Project	Contract Sum (N'mm)	Client	Status
1	New Pharma Plant Factory for May & Baker Plc	240	May & Baker Plc	Fully Discharged
2	Construction of Central Warehouse at May & Baker new Pharma Plant at Idiroko	51	May & Baker Plc	Fully Discharged
3	Construction of the Church Main Auditorium Roof Steel Works	109	House on the Rock Church	Fully Discharged
4	Day Waterman College, Abeokuta – Phase 1	101	Day Waterman College	Fully Discharged
5	Stanbic-IBTC Bank at Ajoye Adeogun Street, Victoria Island	82	Vita Construction	Fully Discharged
6	Stanbic-IBTC Bank at Allen Avenue, Ikeja, Lagos	82	Vita Construction	Fully Discharged
7	External works, minor buildings and structures at Ibis Lagos Airport Hotel	113	MO&A Project Partner	Fully Discharged
8	Residential development for Dr. Victor Adesimbo Kiladejo at Jagun Street, Off PPL Road, Okokomaiko, Ojo, Lagos	116	Cost Model Associates	Fully Discharged

9	Remodeling of Procter & Gamble Factory, Ibadan – Phase 2 for Procter & Gamble	180	Procter & Gamble	Fully Discharged
10	Construction and Installation of Front Steel Shed in New Governor's Office in Enugu	200	Arab Contractors	Fully Discharged
11	Construction of the foundation and concrete framed structure of the propped Prince Ebeano Supermarket at Lake View Park, Ajah, Lagos.	367	Prince Ebeano & Co	Fully Discharged
12	Construction of a block of 24 flats at Lekki Free Trade Zone, Ibeju-Lekki, Lagos.	631	Coral Beach Estate Limited	Fully Discharged
	Total	2,272		

THE REQUEST

We are seeking approval to renew the existing N300mm Bond and Guarantee Line availed to Nidaco Nigeria Limited for another 2 years (subject to annual review). The company has carved a niche for itself in the steel fabrication sub-sector of the construction industry due to the quality it has maintained on all the jobs executed. Consequently, it has become a preferred contractor in this field. As a result of this, there has been an increase in the level of patronage which has resulted into an increase in the company's clientele base.

We consider this renewal and increase imperative as this will enable the customer meet part of the pre-conditions required for the award of contracts from its increasing clientele base such as reputable private organizations, high net worth individuals, Government parastatals, Federal and State Governments.

This facility shall remain secured as follows:

1. 30% Cash backing on the Advance Payment Sum.
2. Personal Guarantee of the Managing Director/Chief Executive Officer Mr. A. F. Johari supported by a duly notarized Statement of Personal Networth.

TRANSACTION DYNAMICS

The transaction dynamics for the facility is as highlighted below:

1. Upon approval of the facility, Nidaco accepts the terms and conditions of the facility.
2. Upon winning of a contract bid by Nidaco, copies of award letter and contract agreements are submitted for processing of Advance Payment Guarantee to cover funds approved for release by employer.
3. Bonds/Guarantee is raised in line with employers' standard format and released to Nidaco for submission.
4. Upon receipt of funds, Nidaco is allowed to utilize up to 70% of the advance payment sum and regularly update the Bank with interim valuation showing recovered portion of advance payment.
5. Upon full recovery of advance payment guarantee or expiration, the guarantee is cancelled whether returned or not.

FINANCIAL ANALYSIS

It should be noted that in our opinion, the audited Financial Statement of the company probably has been adjusted and does not reflect the true financial position of the company. Therefore, the company's Management Financial Statement which appears more accurate when compared with the audited Financial Report was used for the financial analysis.

SALES AND PROFITABILITY

	2013 (Mgt)	2014 (Mgt)	2015 (Mgt)
Sales (N 'mm)	1,152	1,207	1,389
Change in Sales (%)	19.37	4.79	15
CGS/Sales (%)	67	79	80
SGA/Sales (%)	14	13	12
GPM (%)	33	20	20
NPAT (N'mm)	186	43	65

Nidaco's sales have been on a steady increase from N1.2bn in 2013 to N1.4bn in 2015. This is mainly due to increased patronage as the company continues to increase its clientele base while securing contracts from same based on the quality it maintained on all the jobs executed during the period under review. The company has carved a niche for itself in the steel fabrication sub-sector of the construction industry and has become a preferred contractor in this field.

CGS/Sales increased during the period under review as a result of the increase in the price of steel and other costs in the country. The company was able to maintain a good profit margin for the period under review. However, the drop in GPM in 2014 to 20% was as a result of an increase in cost of sales for that year due to an increase in the prices of its major raw materials such as iron steel.

The company remained profitable during the period under review and we expect this trend to continue.

ASSET MANAGEMENT

	2013 (Mgt)	2014 (Mgt)	2015 (Mgt)
Working Investment (N 'mm)	571	645	677
WI/Sales (%)	50	53	21
ARDOH (days)	104	100	87
APDOH (days)	25	18	12
INVDOH (days)	141	139	126

The company's Working Investment has been positive over the reviewed period; a reflection of the high receivable and inventory contents of its trading asset. This is typical with players in this industry. The company stockpiles its raw materials when the prices fall and in anticipation of contracts that would be awarded as this will enhance immediate mobilization to site. The company's raw materials includes, round steel, steel plates, electrodes, galvanizing paints, etc which are used for steel fabrication.

Nidaco's ARDOH is acceptable when compared with the industry average. This is because the company works mostly for private organizations. The company's projects are mostly backed by advance payments which are sufficient for the execution of the project and as such, the receivables are in retention which the company will not be able to collect until the whole project is completed which

takes an average of 4 months. However, it's APDOH during the period under review is driven by the advance payment sums received on the jobs yet to be executed.

INVDOH was maintained at an average of 135 days which supports its policy of stock-piling its major raw materials for 5 months in anticipation of the expected contracts.

Overall, the company succeeded in efficiently and effectively managing its assets towards generating good returns.

LIQUIDITY & LEVERAGE

	2013 (Mgt)	2014 (Mgt)	2015 (Mgt)
Working Capital (N'mm)	705	961	851
Current Ratio (%)	11	12	18
Quick Ratio (%)	7	7	10
GTB Leverage	0.09	0.08	0.05
Networth (N 'mm)	813	861	926

Working capital has been positive and also increased throughout the reviewed period, an indication that the company will be able to meet its short term obligations as and when due. This is evidenced in its current and quick ratios higher than the acceptable industry standard.

The company is lowly geared as shown in its GTB leverage figures recorded during the period under review. This can be attributed to the non-borrowing nature of the company. It is important to note that most of its transactions are funded via advance payment from its clients backed by contingent liabilities from commercial banks.

Also, the company's networth has increased over the years showing that the owners of the business are committed to maintaining it as a going concern by ploughing back into the business a significant portion of the profit realised during these years. Networth has grown from N813mm in 2013 to N926mm in 2015.

CASHFLOW ANALYSIS

	2013 (Mgt)	2014 (Mgt)	2015 (Mgt)
NOPAT (N'mm)	202	62	84
COPAT(N'mm)	222	82	105
Finance Payments (N'mm)	-16	-18	-18
Free Cash Flow (FCF)	206	64	88

The Company's free cash flow has been positive thus confirming its ability to generate sufficient cash to cover its operations and as well meet its finance payments.

RISK ANALYSIS

Performance Risk

This is the risk that the company will fail to perform according to the agreed terms of the awarded contracts.

Mitigant

Based on historical trend, NIDACO is known for good performance track record. The company is endowed with seasoned engineers and other technocrats who have been instrumental to the successful contract execution in time past. This is expected to span into the foreseeable future.

Diversion Risk

This is the risk that the advance payment received on a project will be used for other purposes and this might hinder the performance of the primary project.

Mitigant

Based on the proven integrity of the company, we expect the company's usual culture of independent project management will continue. The company also has a track record of keeping to agreed terms and conditions on its contracts. However, 30% of the advance payment guarantee sum will be in pledge funds account until the expiration of the bond.

CREDIT CONSIDERATIONS

1. Nidaco Nigeria Limited has been in this line of business since 1988 (over 28 years ago) and has recorded an impeccable track record of performance so far. Also, its clientele base has grown over the years due to its commitment and timely delivery of awarded contracts.
2. The company's management is competent and stable. Its affairs are also subject to the policies of a strong management team which comprises of professionals with proven track records in their respective areas of responsibility.
3. In total, we have issued 24 Bonds/Guarantees which are in excess of N2billion on behalf of the customer in time past and all these have been successfully discharged with no record of any Bond/Guarantee being called for non-performance.
4. Nidaco Nigeria Limited remains going concern and very viable. This approval will demonstrate our commitment and support to the growth of the company.
5. Approval will help ward off competition and enable us retain our position as the customer's preferred bank.

Based on the foregoing, kindly approve.

Kindly approve.

APPROVAL INFORMATION

Account Officer:	UTI MALEGHEMI	_____
Relationship Manager:	BAMIDELE BASHIRU	_____
Group Head:	DEBORAH ODO-EFFIMI	_____
Divisional Head:	ISA OMAGU	_____
Approval:	CATHY ECHEOZO	_____