

LOANS FOR SMALL MERCHANTS



Kasikornbank introduces 'Micro Loan', a new product focusing on small merchants, street stalls and producers with total annual sales of Bt10 million or less, aimed at boosting their working capital or funding their business expansion. Maximum credit of the five-year loan is Bt3 million.

China showcases Xinjiang Autonomous Region as east-west corridor for Silk Road Economic Belt

SOMLUCK SRIMALÉE
THE NATION
XINJIANG, CHINA

THE XINJIANG Uyghur Autonomous Region serves as the east-west corridor under China's policy to build a "Silk Road Economic Belt" to strengthen policy coordination, connectivity, unimpeded trade, currency flows and people-to-people exchanges among countries along the route.

"In 2014, Xinjiang invested over 1 trillion yuan on fixed assets, up 25 per cent from 2013 and 3.6 times that of 2009," said Li Xuejun, publicity chief for the Communist Party's

regional committee. "The investment developed its infrastructure, community, medical system, etc."

He said the goal was to make Xinjiang the corridor between the West and the East because of its geographic proximity to both regions. He was speaking at the opening of a Silk Road Economic Belt press workshop in Xinjiang yesterday.

He said this seminar was needed to provide more information about China's policy to develop Xinjiang.

Xinjiang has a population of 23 million, 60 per cent of whom are members of ethnic minorities. Throughout its history, Xinjiang has been home to many religions such as

Shamanism, Zoroastrianism, Buddhism, Taoism, Manichaeism, Nestorianism, Islam, and Catholicism.

Thanks to the strong investment in Xinjiang since 2009, its gross domestic product has grown by an average of 10 per cent a year. Last year, its GDP grew by 11.1 per cent, higher than the national average in China. Annual urban disposable income stood at 23,214 yuan (Bt130,000) per capita, and per capita net income of rural residents was 9,411 yuan.

Meanwhile, Xinjiang has continued to expand its investments to achieve its goal of linking trade

between the East and the West.

"We cannot [say how much], but we have continued to have an investment plan in Xinjiang," said Gao Jianlong, president of the Xinjiang Academy of Social Sciences.

To link with Asean, Xinjiang has invested in transport corridors via India to Myanmar.

In 2013, Chinese President Xi Jinping during visits to Southeast Asian countries proposed the joint construction of the Silk Road Economic Belt and 21 Maritime Silk Roads, an initiative of great significance. Xinjiang is an important gateway for China to advance its westward trade expansion, Li said.

Pattaya landlord to open luxury boutique hotel in December

BT300M MONTRRA PATTAYA TO FEATURE 23 UNITS; PRIVACY, EXCLUSIVE SERVICES IN FOCUS

SUCHAT SRITAMA
THE NATION

A PATTAYA landlord is entering the hotel business with a Bt300-million luxury boutique property, which is scheduled to open its doors in December, targeting high spenders from Thailand and abroad.

Pongstorn Sangruchi, owner and managing director of the venture, said the project – the Montra Pattaya – would feature 23 units on 4 rai (6,400 square metres) of land.

The scheduled opening date is December 1, in the high season, and room rates will range from Bt8,000 to Bt15,000 per night.

"This will be the first hotel project for the family business after renting out land and developing properties for many decades. It is an opportunity to enter the hotel business, and we are going for a luxury one," he said.

Currently, most five-star hotels in Pattaya are either international brands or some of the big local chains, but the Montra Pattaya is a

new player set to capture people who prefer to stay at a property offering privacy and exclusive services, he explained.

The development is located right next to the Royal Varuna Yacht Club on Phra Tumnak Hill.

The major investment cost is the land, at Bt240 million, with construction work costing Bt60 million.

As it is the business's first hotel project, the developer has joined hands with a Singapore-based hospitality firm, Miners Hospitality, which is responsible for the design, management, sales and marketing, as well as branding.

Mendes O Cavin, founder of Miners Hospitality and managing partner of the project, said his company had recruited and was training staff before the hotel's opening in three months' time.

The company is also working on different aspects of sales and marketing for the boutique hotel's target markets, he said.

For the local segment, it will market through social media and online



Pongstorn Sangruchi, left, yesterday announces the planned opening of a new boutique hotel in Pattaya. The property will be managed by Miners Hospitality, a company owned by Mendes O Cavin, also pictured.

channels, while a special marketing team is set to focus on overseas markets and wholesale business.

"Aside from the main local market, we are aiming at upper-tier European, Indian and Chinese cus-

tomers speaking English, including those from Hong Kong, Taiwan, China and Singapore," said Cavin.

He added that the future of Pattaya over the next five years was a bright one, even if at the moment

it did not appear that way.

He believes the Thai tourism industry will bounce back from recent setbacks and that Pattaya will become one of Thailand's most-visited destinations, along with Phuket and Chiang Mai.

For its first project in the Kingdom, Miners Hospitality has come up with a contemporary concept of design and lifestyle, with the architecture blending in with the beautiful, tall-treed canopy environment and the property offering a smoothly blended touch of modern interior and the attributes of Thai culture, said the managing partner.

The word "montra" means "magic", which best describes the unique and innovative products and services offered at the property, he added.

Pongstorn said his family was already planning more developments on a 120-rai plot next to the project over the next three years.

In its initial blueprint, another hotel consisting of 150 rooms is included. This second property will be positioned as a five-star hotel.

Meanwhile, Miners Hospitality is undergoing two more projects in Pattaya, and its first in Bangkok.

Banks' SME 'loan exposure main risk to asset quality'

THE NATION

FITCH RATINGS believes that Thai banks' exposure to the SME segment is increasingly becoming the main source of downside risk to asset quality, and is likely to contribute to higher non-performing loans (NPLs) over the next 12 to 18 months.

Nevertheless, larger and more diversified banks should be relatively well-positioned to cope with these risks without significant ratings pressure, it said.

Small and medium-sized enterprises account for the largest segment of Thai bank lending, at about 39 per cent of total loans as of end-June 2015, compared with exposure of 30 per cent to large corporates and 31 per cent to consumers.

SME loan growth in recent years was strong, particularly during 2011-2013, with average annual growth of about 14 per cent. This was driven by expanded lending to smaller SMEs with relatively weaker credit profiles, due to intensifying competition and the prospect for wider margins, said the ratings firm.

Nevertheless, SME loan growth slowed markedly to 3.4 per cent last year, and stood at 3.7 per cent in the first half of this year as the banks became more cautious, in line with the weak economy.

The operating environment still appears unfavourable, with relatively low economic growth, volatile financial markets and muted business sentiment, said Fitch.

Furthermore, high leverage in the economy – with private-sector leverage at 150 per cent of gross domestic product as of the end of March – means that debt-repayment ability can quickly deteriorate if conditions worsen further.

Asset quality for SMEs has remained mostly intact. There was only a moderate increase in the NPL ratio for SME loans during the first half, to 3.4 per cent from 3.1 per cent at end-2014, while special-mention loans – delinquent loans not yet classified as NPLs – were flat at 2.4 per cent.

Fitch believes that asset-quality risks may be masked in the short term by debt restructuring and the authorities' initiatives to support the SME segment, such as low-interest policy loans and the credit guarantee scheme.

However, asset quality could deteriorate more sharply if economic conditions weaken and as supportive measures begin to lapse, it warned.

The size and diversity of the segment means that SME clients' credit profiles vary significantly for each bank and across the sector.

Fitch expects larger banks with well-established franchises to be in a better position to compete for stronger and larger SME clients, and therefore to be less exposed to asset-quality risks.

These larger banks also tend to have more diversified revenues and loan books, and a stronger loss-absorption capacity in general.

The Thai banking sector as a whole has reasonable buffers, in term of reserves and capitalisation, which should enable it to cope with a normal cyclical economic downturn, said the company.

The average loan-loss reserve coverage ratio for the sector remained strong at about 136 per cent at end-June, while the average Tier-1 capital ratio was at 14 per cent.

In addition, SMEs loans are generally well-collateralised, and some smaller banks also use partial guarantees from the state-owned Thai Credit Guarantee Corporation to mitigate the risks, said the ratings agency.

Most Bangkokians lament poor economy: survey

THE NATION

MOST BANGKOK residents believe that the Thai economy is still weak and many lament having to dig into their savings to manage their expenses, according to a survey conducted last month by Nation University's Research Institute.

The survey was conducted from August 22-29 on 1,118 residents of the capital aged between 15 and 60 years.

Regarding their personal financial status, 35.06 per cent of the respondents believed their personal savings level had dropped as they had to use some of their savings because their expenses exceeded their incomes. They cited rising costs of living, credit-card payments and mortgage and automobile-loan instalments.

About 58 per cent of the respondents felt that the Thai economy was relatively weak, but 8.77 per cent believed the situation would improve by year-end and 17.53 per cent by February.

A total of 31.48 per cent of respondents believed that their incomes in August had dropped since last December, while 48.03 per cent cited higher expenses during the period. These expenses resulted in 35.60 per cent of them having less personal savings than last year.

The survey found that 30.47 per cent of the respondents spent most of their income on daily commuting and essential daily expenses, followed by credit-card payments, personal (home and auto) loan payments (20.61 per cent) and household expenses.

Despite the rising expenses, only 4.30 per cent plan to spend less, and if they do cut back they will do so mostly in terms of shopping and vacation trips. About 54 per cent of the survey respondents plan to spend more in the area of housing, followed by vacation trips, automobiles and mobile/IT communication devices.

CAT Telecom to form mobile service JV with Tesco Lotus, launch set for early next year

USANEE MONGKOLPORN
THE NATION

CAT Telecom plans to set up a 50:50 joint venture with hypermarket-chain operator Tesco Lotus to provide mobile-phone services on the mobile virtual network operator (MVNO) basis, said CAT's acting chief executive officer.

Colonel Sanpachai Huvanandana said the service is expected to be launched early next year. CAT will lease its 850-megahertz network to the joint venture, while Tesco Lotus will develop a SIM-card distribution channel, offer cellular services and draw up a marketing plan.

The service will initially target the country's 3 million Tesco Clubcard members.

Earlier, Tesco proposed to lease CAT's network to become an MVNO before changing the proposal to set up the MVNO joint venture with the state agency. The joint venture will last until CAT's telecom licence expires in 2025.

An MVNO does not have its own network but leases one from a telecom operator to provide services. CAT has four MVNO partners: Real Move and True Move H Universal Communication of True Corp, 168 Communications, and Data CDMA. Real Move is its biggest MVNO, using 80 per cent of its total capacity on the 850MHz spec-

trum to serve 13.5 million subscribers.

Meanwhile, Sanpachai said CAT was considering seizing the bank guarantee of 168 Communications worth Bt50 million after it allegedly failed to pay the transmission-network rental fee of Bt90 million.

In a separate matter, UK-based Tesco has pushed ahead with a plan to open new stores and regional distribution centres to capitalise on the government's anticipated economic stimulus.

Tesco Lotus, the British company's Thai branch, says it is on course with its own investment plan, opening new Express stores and hypermarkets nationwide, most recently in Surin's Prasat district.

In addition to the store openings, the retailer's second regional distribution centre, worth Bt2.5 billion and located in Surat Thani province, will become fully operational at the end of this month, with 52,000 square metres of total space.

John Christie, chief executive of Tesco Lotus, said he was confident in the strong fundamentals of the Thai economy and committed to providing quality products at low prices for customers, especially during tough times. The opening of the new distribution centre will create nearly 700 new jobs.

"We continue to invest as per the plan we set out at the beginning of the year, opening new stores in strategic locations across

Thailand, helping to strengthen local economies nationwide," he said.

"This year's investment plan includes the opening of 50 Tesco Lotus Express stores, which we have already successfully achieved, and five Tesco Lotus large-format stores, the most recent one was the 9,400sqm store in Prasat district, Surin province, in anticipation of the Asean Economic Community and trade activities along the Thai-Cambodian border.

"Our second regional distribution centre, which will be fully operational by the end of this month, is located in Surat Thani and poised to serve the growing customer base in the South of Thailand.

"By opening new stores, we are able to make contributions in terms of stimulating the local economy and employing local people, directly and indirectly. Small and medium-sized businesses in the area can also rent space in our stores, in turn generating income and distributing wealth among the locals.

"Tesco Lotus is confident that the government's plan to boost the spending power of low-income earners will help stimulate not only the retail sector, but also the economy as a whole. During tough times, Tesco Lotus is ready to help alleviate the financial burden our customers have, by providing quality products at reasonable prices," Christie concluded.

ThaiBev implements Manhattan's management solution

THE NATION

THAI Beverage, one of Asia's largest beverage producers and the company behind the world-famous Chang beer brand, has completed a multi-site implementation of Manhattan Associates' warehouse management solution (WMS) to support its global distribution.

The project was successfully delivered by a joint team from Manhattan, ThaiBev's distributor arm Thai Beverage Logistics, and TCC Technology Co.

The Manhattan solution, hosted at TCCT's

data centre, has enabled ThaiBev to improve service levels for its trade customers around the world and fulfil customer orders more profitably.

ThaiBev says Manhattan's solutions are enabling it to deliver on its "2020 Vision" – a strategy underpinning its expansion ambitions and which encompass five business imperatives: growth, diversity, brand, reach and professionalism.

Aligning with the "reach" imperative specifically, Manhattan's technology has improved product availability, putting more of ThaiBev's

brands within reach of more consumers in Thailand and across its international markets. The combination of software from Manhattan, hosting infrastructure from TCCT, and TCCT's knowledge of ThaiBev's business requirements has enabled ThaiBev to standardise its service capability and business approach locally and internationally.

"In Thailand alone, Thai Beverage Logistics operates a supply network comprising three regional [distribution centres] and a series of provincial warehouses," said Kosit Suksingha, senior vice president of ThaiBev.