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# Full Loan Request: Taunton Commercial Mixed Use Refinance

<b>Date:</b>	5/4/2023
<b>Main Site:</b>	1) Unit A, Brue Way, Highbridge Industrial Estate, Highbridge, TA9 4AW 2) Factory Unit on the east side of Brue Way, Highbridge 3) Land & buildings on the West side of Commerce Way, Highbridge.
<b>Property Description:</b>	Three original detached factory/warehouse buildings appearing to date from the 1950s, linked at the rear by two extensions constructed in 1993 and 2011.
<b>Loan Summary:</b>	We are asked to provide a gross loan advance of £1,995,000 in order to refinance the existing Taunton Commercial Mixed Use loan, and to raise capex for the Subject Asset.



HIGHLIGHTS			
<b>Loan Type</b>	Commercial Term Loan	<b>SIPP Eligible</b>	Yes
<b>Property Value</b>	£3,500,000	<b>Passing Income</b>	£230,000
<b>Gross Loan</b>	£1,995,000	<b>Loan to Value (LTV)</b>	57%
<b>Blended Interest Rate</b>	7.72%	<b>Loan Term</b>	36 months

Tranche	Risk	LTV	Loan Amount	Gross Interest	Net Interest	Interest Cover
<b>B</b>	Medium	51-65%	£245,000	8.57%	7.71%	1.49x
<b>A</b>	Low	0-50%	£1,750,000	7.60%	6.84%	1.73x

PROPERTY			
<b>Market Value</b>	£3,500,000***	<b>Passing Income</b>	£230,000
<b>Vacant Possession Value</b>	£3,500,000	<b>Estimated Rental Value</b>	£245,000
<b>Tenure</b>	Freehold	<b>Asset Class</b>	Warehouse
<b>EPC Rating (min. E)</b>	C	<b>Planning Use</b>	B8, E

\*\*\* Please note that this loan was underwritten based on a valuation figure of £3,500,000. The valuation figure as noted in the RICS valuation report available for download, states a MV of £3,750,000. However, we are on this occasion, keeping with the original risk, LTV, and pricing figures as stated above.

## Property Details

The Subject Property is comprised of detached factory/warehouse buildings dating from the 1950's, linked at the rear by two extensions constructed in 1993 and 2011.

### Unit 2 (a.k.a. Units A & B);

The original building occupying the northern portion of the site comprises four concrete frame bays with concrete block walls to an eaves height of c.2.8 metres and corrugated asbestos sheet roofing with sky lights.

The front two bays were converted to provide modern office, showroom, and amenity accommodation in 2022. The western front and southern exterior elevations of these two bays feature modern composite metal cladding.

The fit out to the offices includes carpeted concrete floors, painted plasterboard walls, perimeter trunking, double glazed UPVC framed windows, suspended ceilings with inset LED lighting.

The accommodation is arranged with an entrance foyer, open plan and partitioned offices and ladies and gents and disabled access W.C.'s to the first bay; showroom, canteen, meeting room and server room to the second bay; and open warehousing to the third and fourth bays.

To the rear is a lean-to bay constructed in 1993, with steel frame, profile steel wall cladding, profile steel clad roof with skylights and an eaves height of c4.25 metres.

To the eastern elevation is a gents toilet block. This bay leads through to a narrow bay to the southern end, of similar construction, which features a short link corridor to a further bay to the rear of Unit 3 constructed in 2011.

### Unit 3 (a.k.a. Unit C);

The original building to the southern part of the site comprises two larger bays with steel frames, part rendered concrete walls to an eaves height of c3.5 metres and corrugated asbestos sheet roofing with skylights.

The roof to the eastern bay of the building has been overlaid with profile sheet cladding and the western bay has had profile steel sheeting inserted beneath the original roof lining. Internally, these bays provide open warehouse and production space.

The overall combined gross internal floor area amounts to 55,852 sq ft, and there are 37 flat surface car parking spaces. The overall site is 2.41 acres.



## Location Report

Highbridge is a former market town situated on the edge of the Somerset Levels near the mouth of the River Brue.

The county town of Taunton lies some 16 miles to the south and the Sedgemoor District centre of Bridgwater is situated approximately 7 miles to the south.

Highbridge closely neighbours Burnham-on-Sea, forming part of the combined parish of Burnham-on-Sea and Highbridge and shares a town council with the resort town.

The town is well placed with good communication links via the M5 motorway at junction 22, some 2 miles to the north west of the Subject Property.

Main line train services to Bristol and the wider network are available from Highbridge & Burnham train station, approximately 500 metres to the west of the Subject Property, and the region is served by Bristol airport, some 18 miles to the north east.

The Subject Property is centrally located within Walrow Industrial Estate, approximately 1 mile to the south east of Highbridge town centre. Brue Way is a no through road, accessed from the B3139, 60 metres north of the property.

Neighbouring industrial occupiers include various local businesses, including self-storage sites to the north and south east, a bathroom manufacturer to the east, a haulage yard to the south west and several light industrial units to the west.

While this is considered a secondary industrial location, there has been extensive development in the wider area over the past few years due to the ongoing expansion of the Hinckley Point nuclear power station.



## Tenant Commentary

The Property is let to Engineering Fabrication Solutions Limited for a term of 10 years with effect from 21 June 2019, at a rent of £230,000 per annum, subject to upwards only annual rent reviews.

The lease is on fully repairing and insuring terms and contracted outside the Landlord & Tenant Act 1954 Part II.

The tenant operates a sheet-metal fabrication and assembly plant, specialising in Data Centre solutions, electrical fixings, specialised racks and sheet metal fabrication and assembly.

Their net worth as at 31/12/2021 was £924,975. Please see <https://www.e-fs.co.uk/>

We have been provided with statements for the UK bank account showing rental receipts from EFS Ltd as expected.

## Valuation Commentary

A valuation of the property was carried out by Barnsdales Valuations Limited on 28th March 2023, a copy of which can be seen in the supporting documents. The valuation concludes the following:

- the Subject Property is close to the M5, and on an established industrial estate
- the Property is considered suitable security for lending purposes
- there is no hope value or synergistic value associated with the adjoining buildings
- there is no higher alternative use value
- the Property is considered marketable and should perform in line with its peers
- the valuer does not consider that values will rise in the short to medium term
- the buildings have an estimated economic life of 25 assuming appropriate maintenance is undertaken
- should the property come to the market for sale, it would sell within 6-12 months
- the Property would be suitable for sale via an auction, which could reduce the timescales for sale
- should the property come to the market for rent, it would let within 6-12 months
- the Subject Property's use as industrial/warehouse is the most suitable for occupation
- the potential occupational demand for this type of Property is currently good
- please note that this loan was underwritten based on a valuation figure of £3,500,000. The valuation figure as noted in the RICS valuation report available for download, states a MV of £3,750,000. However, we are on this occasion, keeping with the original risk, LTV, and pricing figures as stated above.

## Valuation Numbers

<b>Market Value</b>	£3,500,000	<b>Vacant Possession Value</b>	£3,500,000
<b>Passing Rent</b>	£230,000	<b>Estimated Rental Value</b>	£245,000
<b>Rent psf</b>	£4.12	<b>Re Instatement Value</b>	£5,400,000

## Report on Title

A Report on Title will be supplied by Paris Smith LLP acting on behalf of Proplend Security Ltd, and it's comments thereon can be viewed under documents.

LOAN			
<b>Gross Loan</b>	£1,995,000	<b>Loan Purpose</b>	Refinance and Capital Raise
<b>Loan Term</b>	36 months		
<b>Loan to Value (LTV)</b>	57%	<b>LTV Covenant</b>	60%
<b>Interest Cover Ratio (ICR)</b>	1.49x	<b>ICR Covenant</b>	1.25x
<b>Rate of Interest</b>	7.72%	<b>Interest Expense (p.a.)</b>	£154,014

<b>Serviceability</b>	Rental income of £230,000 per annum is being received, with interest payments due of £154,014 p.a.
<b>Interest Reserve</b>	Proplend will retain £38,487 (3 months interest) from the gross loan amount which will be held on account.

Fees			
<b>Arrangement Fee</b>	2%	<b>Broker Fee</b>	N/A
<b>Early Repayment</b>	N/A	<b>Exit Fee</b>	1% - only incurred if the loan is not fully redeemed within the agreed 36-month loan term.

Existing Facility			
<b>Lender</b>	Proplend	<b>Expiry</b>	21-07-2023
<b>Amount Outstanding</b>	£1,269,000	<b>Status</b>	Active - Good Standing
<b>Rate</b>	7.40%	<b>Existing Facility Description</b>	Proplend

## Business Plan During Loan Term

Since the drawdown of our original loan the order book and client demand has grown, and more warehouse space has been taken up hence the increase in passing rent.

The Borrower is expanding their product range and scaling up by importing more raw steel and taking benefit of economies of scale.

The additional capital raised from the refinance will be fully deployed in further automating the production line, re-branding the trading web site and as working capital. From Q2, they will look to increase output by introducing double work shifts.

The objective over the life of the loan term is to gradually increase turnover, improve margins and eventually refinance for a longer term.

## Exit Strategy

The Borrower will look to refinance the debt as above via a long-term commercial mortgage to exit our loan.

In the event that the business strategy does not fully materialise, in line with the valuation report, the option to sell or sub let one of the units is favourable, given the local demand.

## Security

<b>Charge</b>	First Legal Charge	<b>Debenture</b>	Debenture Not Required
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<b>Property Insurance</b>	PSL Interest to be Noted on Completion
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## BORROWER

<b>Name</b>	Singh Ratnam and Priya Singh
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<b>Registration</b>	Personal Capacity
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<b>Main Business Activity</b>	The Borrowers are commercial property investors, borrowing in their personal capacity.
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Sponsor	
<b>Name</b>	Singh Ratnam and Priya Singh
<b>Age</b>	56 & 48 respectively
<b>Relevant Experience</b>	<p>Singh Ratnam is a qualified Chartered Accountant FCCA (UK), and has over 20 years of finance, marketing and business management experience.</p> <p>He is married to Mrs. Priya Singh and is also the Chairman and Group CFO of Chennai Jewellers LLC.</p> <p>Priya Singh is the Managing Director of Chennai Jewellers LLC, who have sixteen retail outlets in Dubai, Sharjah, and Abu Dhabi, throughout the United Arab Emirates, where they are resident.</p> <p>They employ approximately 200 staff and have an annual turnover in excess of £50m sterling.</p> <p>Aside from property investment, their other business interests include;</p> <ol style="list-style-type: none"> <li>1. Symbiotic Infotech Computer LLC, Abu Dhabi</li> <li>2. Exotica Furnishings LLC, Abu Dhabi</li> <li>3. Symbiotic Homes, Chennai, India</li> <li>4. Eurotech Gas Services LLC, Dubai</li> <li>5. Eurotech Gas Distribution LLC, Dubai</li> <li>6. Eurotech Gas Equipments Trading LLC, Dubai</li> <li>7. KP Trading, Chennai, India</li> <li>8. Chencap Securities, Chennai, India</li> <li>9. M Tutor Private Limited, Chennai, India.</li> <li>10. Olympus Middle East Accounting Services LLC, Dubai</li> <li>11. ARK Auditing, Dubai</li> <li>12. ARK Tax Agencies, Sharjah</li> <li>13. Chennai Tailoring Est. Sharjah</li> <li>14. Ascenso Telecom &amp; Enterprise Soluitons MEA FZC (Fujairah)</li> <li>15. SIH General Trading LLC (Dubai)</li> <li>16. Metrological Material Testing Lab Services LLC (Dubai).</li> </ol>
<b>Credit History</b>	Clear.

Term Loan Risk Rating	
Risk Category	Rating
Financial Ratios	MEDIUM
Asset Class Outlook	LOW
Property Risk	MEDIUM
Tenants   Leases	MEDIUM
Borrower   Sponsor	LOW
Risk Rating [3.5 to 10.02]	6.04
Risk Level	MEDIUM LOW

Lender Risks	Mitigant	Risk Level
<p><b>The Borrower is not able to successfully execute their business plan.</b></p>	<p>The Borrower is an experienced entrepreneur, and has overseen the tenant's growth at the Subject Property in the last three years.</p> <p>If the Borrower is unable to refinance as planned, we may wish to make an offer for a subsequent loan approaching maturity, if the Borrower and tenant continue to perform.</p> <p>Selling the Property remains an alternative exit route, albeit not the preferred one.</p>	Low

Lender Risks	Mitigant	Risk Level
<p><b>The Borrower stops making monthly interest payments to Lenders due to loss of lease income and or tenants whose leases had ended, had exercised a lease break or have gone into receivership.</b></p>	<p>The Borrower and the tenant have demonstrated a proven track record in the last 36 months, with all rental obligations and in turn, our monthly interest payments met in a timely manner.</p> <p>The Borrowers are wealthy individuals, and have invested in the Property and the tenant's business.</p> <p>The valuer notes that the Property is under-rented. Should a void arise, the owner has the flexibility of attracting new tenants from a wider base, with incentives to occupy, whilst still being able to service the debt.</p> <p>The Property also offers flexibility in its configuration, to attract a single, or multiple occupants.</p>	<p>Medium</p>
<p><b>The Borrower is unable to repay the loan principal at the end of the loan term because they have not been able to sell or re-finance the property.</b></p>	<p>As above, there are multiple potential exit routes, by way of external remortgage, sale, and by way of a subsequent loan through ourselves, given the lease terms and LTV.</p>	<p>Low</p>

Lender Risks	Mitigant	Risk Level
<p><b>The Property falls in value due to either macroeconomic or property specific reasons</b></p>	<p>Given the wider economic environment, commercial property values may fall, however, the gross loan advance is at a modest LTV in a commercial property sector that is holding its capital and income values.</p> <p>At the time of drawdown, the gross loan advance equates to:</p> <ul style="list-style-type: none"> <li>- 57% of OMV</li> <li>- 57% of VPV</li> <li>- 57% of the 180-day value.</li> </ul>	<p>Low</p>

## Conditions Precedent

The following actions have been completed prior to credit approval:

- Satisfactory AML/KYC checks in respect of the Borrowers / Directors / Shareholders
- Clear credit searches against the Directors / Shareholders
- Formal, independent valuation addressed to Proplend Security Limited by a RICS qualified valuer confirming market value of the property.
- Satisfactory completion of all stated security requirements / Report on Title.
- Adequate insurance cover with the interest of Proplend Security Limited noted
- Proplend Ltd diligence to be satisfied that interest payments can be serviced
- Loan to value not to exceed 57% on draw down

## Documents

The following documents are available to download via the Loan Request screen:

- A Draft Standard Loan Contract
- A copy of the Valuation Report

The Report On Title and Lettings Report produced by Paris Smith LLP will be made available as soon as it is received.

## PROPLEND DISCLAIMER - PLEASE NOTE:

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