



LOAN REPAYMENT PREDICTION AND PRICING ANALYSIS

Company: Manufacturing Company Example
Statement: Manufacturing Company Statement
Reference Industry: 3086 - Plastics Foam Products (40 companies)



Based on estimated operating period liquidity, there may be a low probability of satisfactory loan repayment performance. See the following analysis to assess the estimated risk of loan payment

Long-Term Liquidity Comparative Performance Scales

Return on Asset Investment



Current performance shows that earnings on invested assets are below or at the average for this industry and this performance may lead to long-term lack of liquidity.

1 2 3 4 5

Spread Between Earnings on Debt and Cost of Debt



Current performance shows that earning on debt is near cost of debt resulting in a small positive spread. This spread could quickly become negative if earnings decline or if interest rates increase.

1 2 3 4 5

Gross Profit Margin



Current performance shows that gross profit margin is well above the average for the industry and this is likely to lead to long-term liquidity if this performance level is maintained.

1 2 3 4 5

Assets to Sales



Current performance shows that sales on invested assets are well below the average for the industry and that this firm is unlikely to have long-term liquidity.

1 2 3 4 5

Operating Period Liquidity Comparative Performance Scales

Net Balance Position



Although above the industry average, the estimated cash liquidity of the company is negative and this raises concerns about operating period cash liquidity.

1 2 3 4 5

Age of Inventory



The age of inventory of this firm is well above the average for the industry and increases the risk of cash shortages.

1 2 3 4 5

Collection Period



The accounts receivable collection period of this firm is well above the average for the industry and increases the risk of cash shortages.

1 2 3 4 5

Payment Deferral Period



The payment deferral period of this firm is in an appropriate range for the industry and should not create cash problems if current performance is maintained.

1 2 3 4 5

Cash Conversion Cycle



The cash conversion cycle of this firm is well above the average for the industry and this increases the risk of cash shortages.

1 2 3 4 5



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Operating Liquidity Projection

Projection Basis:	
Loan Amount Requested	\$125,000
Additional Cash Inflow	\$250,000
Sales Growth (%)	-2

Additional Working Capital Available <i>Estimated</i>	\$370,000
Plus:	
Beginning Working Capital Available	\$5,879,935
Equals:	
New Working Capital Available	\$6,249,935


Less:

Additional Minimum Cash Required	(\$4,454)
Plus:	
Change in Inventory <i>Estimated</i>	(\$100,000)
Plus:	
Change in Accounts Receivable <i>Estimated</i>	(\$125,000)
Less:	
Change in Accounts Payable <i>Estimated</i>	\$10,000
Plus:	
Beginning Working Capital Required	\$6,421,922
Equals:	
New Working Capital Required	\$6,182,469

Equals:


New Net Balance Position	\$67,466
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 It is estimated that this company will have long-term and current operating period liquidity that will allow for satisfactory loan payment performance. See the following analysis to assess the estimated risk of loan payment performance.

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 Current performance shows that earning on debt is near cost of debt resulting in a small positive spread. This spread could quickly become negative if earnings decline or if interest rates increase.
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Gross Profit Margin


 Current performance shows that gross profit margin is well above the average for the industry and this is likely to lead to long-term liquidity if this performance level is maintained.
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Assets to Sales


 Current performance shows that sales on invested assets are well below the average for the industry and that this firm is unlikely to have long-term liquidity.
 1 2 3 4 5

Pro-forma Operating Period Liquidity Performance Scales


Net Balance Position

 The estimated cash liquidity position of the firm is above the average for this industry and loan payment is likely during the next operating period is likely if this performance level is maintained.
 1 2 3 4 5


Age of Inventory

 The age of inventory of this firm is well above the average for the industry and increases the risk of cash shortages.
 1 2 3 4 5


Collection Period

 The accounts receivable collection period of this firm is well above the average for the industry and increases the risk of cash shortages.
 1 2 3 4 5

Payment Deferral Period

 The payment deferral period of this firm is in an appropriate range for the industry and should not create cash problems if current performance is maintained.
 1 2 3 4 5


Cash Conversion Cycle

 The cash conversion cycle of this firm is well above the average for the industry and this increases the risk of cash shortages.
 1 2 3 4 5


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General Evaluation Performance Scales


Debt Service Coverage

 This firm appears to have weak or inadequate debt service coverage.
 1 2 3 4 5


Collateral Coverage and Liquidity

 This firm appears to have strong and liquid collateral coverage.
 1 2 3 4 5


Management Team

 This firm appears to have a weak management team without functional areas being covered.
 1 2 3 4 5


Market Viability

 This firm appears to have a strong, experienced management team with all functional areas covered.
 1 2 3 4 5


Product/Service Viability

 This firm appears to have an inadequate product/service mix.
 1 2 3 4 5

Financial Management

 This firm appears to have average financial management.
 1 2 3 4 5

Risk Identification and Management

 This firm appears to be weak in the area of risk identification and management.
 1 2 3 4 5


Suggested Interest Rate

6.21 %


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Industry Specific Evaluation Performance Scales


Location

 Compared to competitors, this firm is thought to have a location that is average for the market.
 1 2 3 4 5


Manufacturing Assets and Capacity

 This firm appears to have a strong asset base and appropriate capacity to support operations.
 1 2 3 4 5


Direct and Indirect Competition

 This firm serves a market that is thought to have intense competition and this may cause financial performance problems in the future.
 1 2 3 4 5


Gross Profit Margin Over-Time

 Compared to competitors, this firm appears to have had very strong gross profit margins historically.
 1 2 3 4 5

Information Systems

 Compared to competitors, this firm is thought to have an average information system.
 1 2 3 4 5

Product Line

 This firm appears to have a good mix of sustainable and competitive products.
 1 2 3 4 5

Technical Expertise of Staff

 No information available.
 1 2 3 4 5


Changing Distribution Channels in Market

 This firm is thought to serve a market where distribution channels are volatile or shrinking.
 1 2 3 4 5

Supplier Mix

 No information available.
 1 2 3 4 5

Reliance on a Small Number of Key Employees

 Compared to competitors, this firm is thought to have inadequate technical expertise and staff covering key technical areas of operation.
 1 2 3 4 5

Suggested Interest Rate

6.19 %