



PRESENTS

ANALYSIS OF BUSINESS CREDIT (MID-CORPORATE AND SMES) AND WRITING CREDIT REPORTS



Background: There is a growing need for banks and financial institutions (BFIs) to assess credit proposals by identifying the borrower's needs and repayment capacity. Further, the laws and regulations also require monitoring of credit facilities as well as surprise checks to ensure proper utilization of drawings made under the facilities. Nepal Rastra Bank (NRB) has issued regulations and guidelines for term loans, working capital loans, loans against listed shares, loans against gold or silver, housing loans, automobile loans, etc. They expect BFIs to assess the borrower's creditworthiness before advancing credit facilities. It can be possible only if the employees engaged in the appraisal of credit proposals possess the requisite skills. The traditional approach of relying more on real estate mortgages is becoming unfeasible due to the scale of borrowing needs of the borrower, their organizational structure, the need for financing in the NRB-prescribed sectors, and the NRB guidelines for working capital financing. On the other hand, there are some limitations and weaknesses that pose challenges in carrying out the proper assessment, viz., the quality and disclosures of the financial statements, the financial literacy of the borrower, managerial incompetence in providing accurate information, etc. The employees of BFIs will have to be agile and skilled to make decisions, even in the given circumstances. Given the above, BFIs will have to consciously update and sharpen the credit skills of their existing and potential employees. It will enable them to make appropriate decisions in advancing and administering credit facilities under market conditions.

Program Details

Date & Time: 4th to 7th March, 2024 (3:30pm - 7:00pm)

Duration: 8 session/12 hrs. (each session of 1.5 hrs)

Venue: NBI Hall, Kathmandu

Target Audience/Level: Relationship Managers, Assistant Relationship Managers, Branch Managers, Credit Officers, and Credit Risk Officers who are involved in preparing or reviewing credit assessment reports (credit memorandum, credit assessment report, credit facilities report, etc.).

Course Outline

Prerequisite : At least 2 years of experience in writing or reviewing credit proposals.

Course pedagogy : Study based on a simulated case representing a typical borrower operating in the local market. The case paper and a format of an Excel-based spreadsheet will be provided to the participants in advance along with some reference questions. To be eligible for the course, the participants will have to prepare the spreadsheet and submit it one day before the course commences. Further, they must be prepared to discuss the matters raised in the reference questions during the session. The participants will have to make brief presentations on the topic as per the instructions of the course facilitator.

End-of-session test : The course will conclude with an end-of-session exam based on the case. Participants securing at least 60 percent shall be provided a "Certificate of Completion," and a "Certificate of Participation" shall be provided to all other participants.

Deadline for the Nomination: We kindly ask for the nomination to be submitted one week prior to the program date, specifically by February 23rd, 2024. This allows us to distribute the case study to participants beforehand, enabling them to review it prior to the program.

Course Contents

Session 1

Analysis of non-financial factors:

- **Industry or market characteristics:** Demand and supply situation, competitive environment, impact of other externalities, e.g., economic cycles, fashion, technology, regulations, taxes, duties, natural environment, etc.
- **Business-specific characteristics:**
 - * **Ownership and management:** Shareholding structure, binding factors of the investors, evaluation of investors and management (depth, breadth, track record, character, etc.)
 - * **The business:** Value offerings and long-term sustainability, sourcing, selling and distribution, buyer profile, production or operations, etc.

Session 2

Analysis of financial factors:

- **Reasons for borrowing, need assessment, and structure of credit facilities:** The primary borrowing cause and credit facilities (type and amount of credit facilities) that would suit the need and control the risks.
- **Analysis of historical financial statements:** Preparing a spreadsheet of the financial statements and carrying out the following analysis:
 - * **Income statement analysis:** Identify the strengths of weaknesses of the business in generating sustainable profits and margins based on vertical and horizontal analysis of the spreadsheet.
 - * **Balance sheet analysis:** Structure of the balance sheet and identifying the strengths and weakness in the sources and uses of funds based on vertical and horizontal analysis of the spreadsheet.
 - * **Cash flow analysis:** Analysis of strengths and weaknesses of cash waterfall, proper use of cash drawn by way of credit facilities, and repayment of debts.
 - * **Ratio analysis:** Analysis and interpretation of key ratios e.g., sales, profitability, liquidity, solvency, cash flows, debt service, etc. including the trend.
- **Analysis of projected financial statements: Scenario building and assessment of risks.**

Course Outline

Session 3	Analysis of security, collaterals, and guarantee: <ul style="list-style-type: none">• Nature of charge, amount, and valuation of assets securing the credit facilities.
Session 4	Credit administration, controls, and covenants: <p>Reviewing and devising plans for credit administration, controls, and negative or positive covenants.</p>

Facilitator's Profile



Mr. Ajay Shrestha

A Senior Banker carries 3 decades of professional banking experience having started career journey from Standard Chartered Bank Nepal Ltd. (the then Nepal Grindlays Bank Ltd.) and moving to NMB in a senior position subsequently to Bank of Kathmandu Ltd. in the post of CEO. He has an expertise in Credit & Corporate Banking.

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