

Term Loan Appraisal

Sr. No.		
1.0	Purpose: Banks and Financial Institutions grant Term loans to the units for acquisition of fixed assets for the purpose of running the organization. The Bank should ensure the safety of their funds by careful analysis of the project with special reference to successful completion and continued ability of the unit to earn a surplus to meet the repayment obligations.	
2.0	Bank should scrutinize the following areas.	
2.1	Technical feasibility	
2.2	Economic viability	
2.3	Financial viability	
2.4	Managerial competence	
3.0	Technical feasibility:	
3.1	Infrastructure:	
	Location advantages	Good transport facility
		Nearness to market
		Availability of power/ fuel
		Availability of water
		Availability of skilled labor.
		Government incentives
		Availability of RM
		Availability of communication network.
3.2	Land & Building	Type of accommodation
		Ownership/ rental
		Area
3.3	Raw Material	Availability at reasonable cost
		Indigenous / Imported/ controlled
		Storage facility
		Stock holding
3.4	Plant & Machinery	Imported / Indigenous
		Ready availability / to be fabricated
		Quotations, delivery period, cost
		Life, Spares, Service, guarantee etc.
		Installation
		Production Capacity, utilization
3.5	Technology	Manufacturing process, technical know-how, by-products.
		Local / Foreign
		Advantages of alternate technologies
		Stable / fast changing

3.6	Personnel	Key personnel – Availability Training facility
3.7	Government permissions, licenses	
4.0	Economic viability	
4.1	Product	Features, plus points over other products. Competitors, major customers Demand & Supply- existing / future. Market share-present/proposed Market segment- local/ nationwide Export prospects Quality control Indian/ Foreign specifications Standard product/ to be produced against order booking. Direct marketing/ through agents Cost of production, margin
5.0	Financial viability:	
5.1	Project cost & Means of Finance	Debt-equity ratio.
5.2	Projected profitability statements	
5.3	Funds Flow statements	
5.4	Break even analysis & margin of safety, capacity utilization.	
5.5	Debt service coverage ratio	Net profit after tax + Depreciation + Interest Divided by Yearly installment including Interest.
5.6	Sensitivity analysis	
6.0	Managerial competence	Promoters, Qualification, experience Family reputation in the market. Credit worthiness report from their Bankers. Scrutiny of their I.T. / W.T. returns.