

A comprehensive and practical 2-day workshop covering the key aspects of assessing the credit risk of corporates and small and medium enterprises in the Caribbean.

CREDIT RISK ANALYSIS OF CORPORATES AND SMEs

About the course

This practical **Credit Risk Analysis of Corporates and SMEs Workshop** is being offered with the basic objective of imparting to participants the skills, approaches and techniques used in the credit risk identification and analysis of small, medium and large manufacturing/service/retail/distribution-type companies. The programme will have a judicious mix of the conceptual frameworks and methodologies utilised in assigning a credit rating to these entities, as well as practical case studies to solidify the concepts learnt. The training will also include extensive interactive discussions with the facilitators, who are highly experienced in the credit risk assessment of corporates and SMEs across various industries / sectors in the Caribbean.

About CariCRIS

CariCRIS is the Caribbean's first regional credit rating agency. It is a unique market-driven initiative aimed at fostering and supporting the development of regional debt markets in the Caribbean. CariCRIS' mission is to contribute to the development of a vibrant, integrated Caribbean capital market by setting the highest standards of credible independent analysis and opinion to enable informed financial decisions. CariCRIS' technical consultant, CRISIL Limited, is the world's fourth largest rating agency and an associate company of Standard & Poor's (S&P). CariCRIS has pioneered the use of SME Ratings in the Caribbean and the rating is successfully being used by SMEs now to raise new funding, to renew credit lines, to access suppliers' credit, and to effect business improvements. SME Ratings are also being used by bankers as an independent credit report on the SME, which helps to quicken the loan approval process because of the comprehensiveness of the analysis and data provided on the SME.

Who Should Attend?

The course should be of particular interest to:

- Credit analysts, loan and relationship managers from commercial banks, credit unions and other lending institutions
- Fixed income analysts with brokerages & investment banks
- Dealers / Investment managers from banks, insurance companies and other financial institutions
- Mutual Fund & Pension Fund analysts/ Asset managers
- Corporate treasury managers
- Risk analysts in banks and other financial institutions
- Banking and financial sector regulators
- Micro, small and medium enterprise business owners
- Accountants and finance managers serving SMEs
- Board, Supervisory and Credit Committee members of credit unions

Profile of the facilitators

The facilitators for this training programme will comprise of Senior Rating Executives from CariCRIS. The facilitators have extensive experience in varied fields of credit risk analysis, financial analysis and economics, executed several corporate and SME credit rating assignments across various industries and have conducted several training sessions for credit officers and middle and senior management staff in commercial banks, insurance companies and credit unions.

Course Coverage

The training programme will cover the following:

SESSION 1

- Framework and methodology for the evaluation of credit risk for companies in the manufacturing/service/retail/distribution sectors including
 - Business Risk
 - Components of business risk, industry analysis framework
 - Financial Risk
 - Meaning of financial risk, understanding the key metrics used to analyse financial risk
 - Approach to forecasting future performance
 - Understanding accounting quality, key issues to lookout for
 - Adjusting ratios for off balance sheet liabilities
 - Management Risk
 - Risk assessment framework for management
 - Parameters for evaluating three key components - Competence, integrity and risk appetite
 - Project Risk
 - Understanding key components of project risk
 - Relative size, complexity, track record
 - Technology risk
 - Funding risk

SESSION 2

- Ratio analysis of manufacturing/service/retail/distribution-type companies
 - Profitability Ratios
 - Gross profit margin, operating profit margin, EBITDA margin, profit after tax margin, return on capital employed, return on assets, earnings per share
 - Solvency Ratios
 - Net worth/total assets, total debt/net worth, total debt at book value
 - Debt Protection Ratios
 - Average interest cost, net cash accruals/total debt, total debt/EBITDA, interest cover, operating cash flow/total debt,

- operating cash flow/debt servicing burden
- Liquidity Ratios
 - Current ratio, quick ratio, working capital, cash ratio
- Activity & Efficiency Ratios
 - Inventory days on hand, receivables days, trade creditors days, gross current assets, working capital turnover, net fixed asset turnover
- Limitations of these financial ratios

SESSION 3

Case Study of an actual Caribbean manufacturing/service/distribution company

- Practical, hands-on training based on formation of groups amongst participants
- Credit risk analysis and credit rating to be assigned on all key parameters covered in Sessions 1 & 2

SESSION 4

- Framework and Methodology for evaluating the credit risk of SMEs, including
 - Assessing the industry risk of a SME
 - Business risk assessment
 - Management risk assessment
 - Environmental and social risk assessment
 - Exploring SME Ratings as a credit risk tool and how can it help businesses and lending institutions to grow

SESSION 5

- Case Study
 - Practical case study analysing and assigning a rating to a SME
 - Discussion of rating assigned amongst participants and course facilitators