

# Good case study about commercial bank loan: clinekinds inc

[Business](#), [Company](#)



The document will analyze financial positioning of ClineKinds Inc that has proposed a loan of its future operation. The goal set for the purpose of this paper is to critically analyze the financial information of the chosen company in order to have in-depth understanding about the company's positioning. It is also due to identification of the company's performance are eligible to acquire further loans for its future operations.

Currently, ClineKinds have requested the commercial banks for another loan of \$300, 000 for at least five years and more. In order to expand its business operations, introduce new products and improve its information system in the organization. However, the company has already acquired loan of \$750, 000 previously.

## **Company Profile**

ClineKinds Inc is a family-owned furniture manufacturing company in United States. The headquarters is in New York. The company has different ranges of kids' furniture as a well as other interior commodities. In addition, the company offers a wide range of interior decoration services, customized designs and interiors for kids. ClineKinds was initially formed by a banker Rus Cline. The company has successfully completed its 15 years in the industry and aims to spread its business activities.

The company has shown great talented and experienced managers that have provided greater opportunities for the business to expand its operations and attain a competitive edge in the industry. Mara Cline provides the company with design, decoration and sales expertise, Rusty Cline provide product marketing for consumer products, and Dennis Regan's is salesman in the furniture manufacturing for more than twelve years.

## **Competition Analysis**

The competition in household furniture industry has significantly increased with the passage of time. Currently, there are more than 2000 furniture manufacturing companies, and most of them are family owned business. However, the infant segmentation is narrow but has gained attention of consumers, due to which consumers are looking ahead for its juvenile products. There is a strict requirement of the product and services for juvenile furniture range due to which customers are more likely to pay for more. However, the major retailers such as Wal-Mart and K-mart are offering discounted prices for the sale of juvenile products, price selection and volume advantage. It has suppressed the sales volume of the other companies due to which the other companies are facing difficulties to sustain balance between price and quality of the product. However, Juvenile segmentation remains to be insensitive as compared to the other household market due to which it has greater opportunities for the business to expand its operation in the furniture industry. The growing competition in the industry can immensely affect the smaller and niche firms due to which company like Cline Kid can face severe challenges in times to come to sustain its competitive edge in the industry. Perhaps, the companies that extensively emphasize on quality products have the opportunities to grow in the industry.

## **Financial Review**

The financial indicators of the company highlights that there has been a significant increase in the overall profitability of the ClineKinds Inc during the

period 20x1-20x2. Operating profit margin and Gross profit margin of the company has increased to 30.26 and 5.12 from 28.33 and 4.50. It clearly indicates that the operations and revenues of the company have significantly increased during the period. In addition, increase in the net margin is clear from the financials of the company. However, the efficiency ratio indicates that the performance in terms of efficiency has declined over the years. The company has remained efficient to utilize its assets to generate profit that has also impacted overall profitability. Assets turnover has significantly contributed in the profits of the company due to which the profits of the company have improved during the year.

In contradiction, there has been a decline in the solvency measures of the company. Despite the fact, that the working capital of the company has increased during the period indicating that the assets of the company has increased as compared to its obligations. It can be because of the increasing accounts receivables of the company due to which the assets of the company has increased. Herein, it is essential for a company to improve its recovery process for the credit sales or reduce its credit sales as it can cast a major setback not only in terms of performance. It is expected to increase in the longer run. ClineKinds Inc should take initiatives to control its credit sales and speed its recovery process because if the large number of creditors defaults it can lead the company to face severe losses. Therefore, it can be said that the ratio of e liquidity of the company has declined during the period (Short, 1994). In addition, the leverage measures of the company have been continuously declined. It shows that the company's obligations are exceeding in contrast to its assets. It means that the company relies on

aggressive debt financing to persuade its business operations. The decline in the leverage measures of the company shows that the financial positioning of the company is declining due to which the approval of the further loans can be riskier for commercial banks.

It is projected that the ClineKinds Inc's revenues shall increase by 18 percent if the current loan is approved and the additional increase of \$1.2 million from the new products will improve profitability of the company. The approval of the loan will allow the company to expand its existing inventory range, modify manufacturing facilities, system and distribution capacity of the business. According to the estimated projection, it is expected that the company will be able to repay the loan of \$300,000 within the period of four years.

Analyzing the case of ClineKinds Inc it can be determined that the company has great potential to improve its operations and sales volumes during the period (Palepu & Healy, 2012). In addition, the company sustains its competitive edge in the industry because of its low costing and quality juvenile furniture. Thus, the bank should approve the request of the loan. However, aggressive credit sales of the company are the major drawback of the company that should be controlled.

## **References**

- Palepu, K. G., & Healy, P. M. (2012). *Business Analysis and Valuation*. New York: Cengage .
- Short, H. (1994). Ownership, control, financial structure and the performance of firms. *Journal of Finance*, 52, 737-783.