

Business Monday

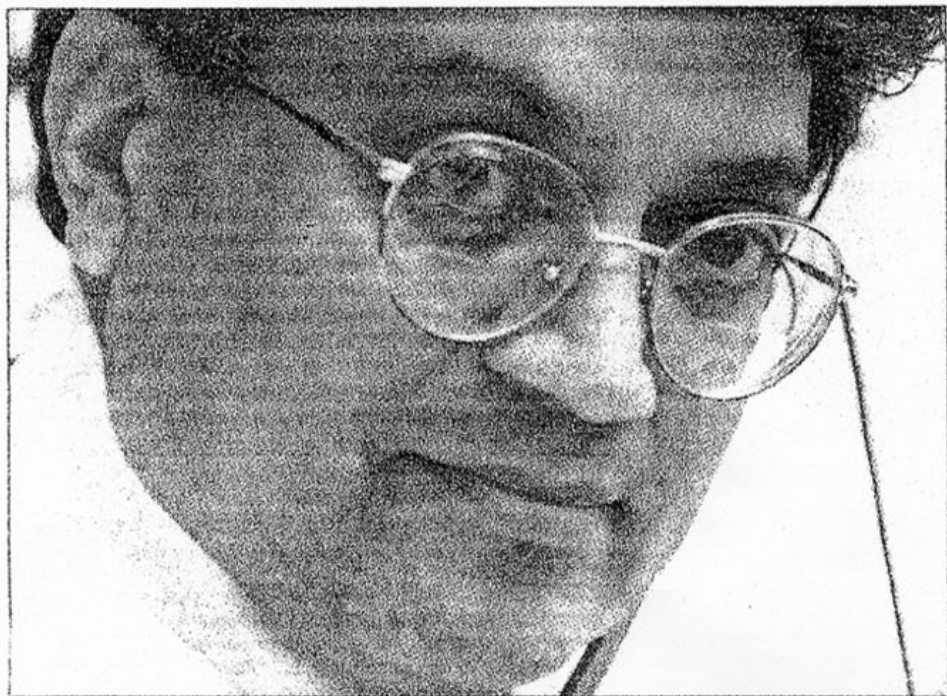
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The Charlotte Observer

SECTION D

MONDAY, MARCH 31, 2003

FIRST PERSON



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Padam Dhakad advises loan seekers to remember that every loan has to go through the "Three C's" of underwriters' scrutiny: cash flow, credit and collateral.

Need capital? Come prepared

Slow economy doesn't kill shot at loan, but it means more scrutiny

Padam Dhakad is the founder of financial consulting firm Dhakad Associates Inc., which helps businesses find financing for acquisitions and other activities. He also has conducted workshops on the topic. He talked with staff writer Rick Rothacker about obtaining financing in today's difficult economy.

It's very challenging. However, those businesses that are fully prepared with complete information in their loan package are getting capital for their business ventures. The lenders are scrutinizing the information with a microscope. So be prepared to explain and defend what you present.

With the downward trend in the economy, sales and profitabil-

ity numbers have declined. This has created a very uneasy climate, especially in loan approvals. We have to work very hard and go many extra miles to find a lender who will meet or come close to the clients' needs.

For many businesses, Small Business Administration lenders and nonbank lending institutions are more accessible.

Basically every loan has to go through the 'Three Cs' of underwriters' scrutiny: cash flow, credit and collateral.

Franchises can be light on collateral and still succeed in securing a loan, because of the successful track record of the name brand. For lenders, cash flow then becomes a better yardstick in loan analysis.

Today it is very important to be careful when you start, acquire or expand your current business. Get as much professional assistance to ensure that you are not jumping into problems. Get appraisal, market feasibility studies and other intelligence so you have a good feel for market conditions.

While it's hard to predict a list of good or not good business prospects, one can easily say that a prudent analysis is very critical. What's true in real estate - location, location and location - is true for businesses seeking loans: cash flow, cash flow and cash flow.

During these tough times, if the buyer has resources and capacity to weather the storm it may be a terrific time to purchase undervalued businesses.

Before you expand or acquire a new business, make sure that you have done your homework and have conducted due diligence to support your gut feeling. Many entrepreneurs have a terrific hunch that their venture will work. However, those hunches have to square with reality and include room for the unexpected.

The most important components for success in any business are good planning and ample capitalization.

First Person is edited for clarity and length.