

A Note on CMA Data

Overview & Documents Required

The Credit Monitoring Arrangement (CMA) report has been in operation since October 1988. Between 1965 and 1988, the Credit Authorisation Scheme (CAS) was the key instrument of credit control. CAS is being used by RBI to regulate bank credits exceeding the prescribed credit limits directly. Under the Credit Authorisation Scheme (CAS), prior approval by the RBI for credit above specified limits was required. These conditions and the limits of credit were revised from time to time. Initially, the Credit Authorisation Scheme (CAS) was viewed as a measure to prevent utilisation of scarce credit resources by some large borrowers. Later, the recommendations by the Chore Committee and Tandon Group were incorporated in the CAS scrutiny of credit proposals by banks. Generally, the RBI authorisation involved long delays, which was disliked by the banks and their customers. Also, their system of monitoring the disbursement of bank credit was a concern.

CMA report also known also is known as Credit Monitoring Arrangement report is the report showing the projected performance and the past performance of a business in financial terms. It is compiled with all the required financial ratios and metrics to help Financial Analysts and Bankers to ascertain the financial health of a business.

Most of the Banking and Financial Institution request the applicant (Business Loan Applicant) to prepare a Credit Monitoring Arrangement report (CMA report) in order to understand the flow and application of funds in a business. A CMA report which is professionally prepared can enhance the chances of obtaining a bank loan.

Under the Credit Monitoring Arrangement (CMA), banks have been permitted for sanctioning credit proposals (of large borrowers) after detailed analysis of the past performance. There is another requirement for the Banks. They need to submit the large credit proposals to the Reserve Bank of India for post-sanction scrutiny. These proposals involve working capital limits of Rupees 500 lakhs (5 crores) and above and/or term loan in excess of Rupees 200 lakhs (2 crores).

Which are the statements covered in the CMA report?

It covers the following statements:

Particulars of Current & Proposed Limits

The first statement in the Credit Monitoring Arrangement (CMA) report states about the existing fund & non-fund based credit limits, their usage limits and history. In addition to this, the statement also contain the proposed or applied limit of the borrower. This document is a basic document which is to be provided by the borrower to the banker.

Operating statement

This is the second statement which indicates the borrower's business plan showing the Current Sales, profit before & after tax, sales projections, direct & indirect expenses, and profit position for 3 to 5 years. These requirements are case to case specific on the basis of the borrowers [working](#)

[capital](#) request. This is a scientific analysis of existing & projected profit-generating capacity of the borrower.

Analysis of Balance Sheet

This is the third statement in the CMA data, this statement contains an analysis of the current & projected financial years. It helps in providing a comprehensive analysis of current & non-current assets, current & non-current liabilities and cash & bank position of the borrower. This statement also specifies the net worth position of the borrower for the future projected years. As the name says, it is the analysis of the Balance sheet and gives a complete picture of the financial position of the borrower.

Comparative Statement of Current Asset & Current Liabilities

This is the fourth statement which provides the comparative analysis of the movement of the current assets & liabilities. Basically, this analysis helps to decide the capacity of the borrower to meet the working capital requirements and the actual working capital cycle for the projected period.

Calculation of Maximum Permissible Bank Finance (MPBF)

This is the fifth statement and a very important one. This includes a calculation which indicates the Maximum Permissible Bank Finance. It shows the borrower's capacity to borrow money.

Fund Flow Statement

The next statement is the Fund flow analysis for the current & projected period. In this analysis, it indicates the fund position of the borrower with reference to the projected balance sheets and MPBF (Maximum Permissible Bank Finance) calculations. The main objective of this statement is to capture the movement of the fund for the given period.

Ratio Analysis

This is the last statement in Credit Monitoring Arrangement report (CMA report) which provides key [financial ratios](#) for the Financial Analysts and Bankers use. The basic key ratios are GP (Gross profit) ratio, Net profit ratio, Current ratio, Quick ratio, Stock turnover ratio, Net worth, the ratio of Net worth to Liabilities, DP limit, MPBF, Asset turnover, Current asset turnover, Working capital turnover, Fixed asset turnover, Debt-Equity ratio etc.