

NICHE UNDERWRITING / BORROWER FIELD GUIDE

Light-manufacturing facilities

Can production cash flow fund the real estate while maintaining equipment and working capital?

A light-manufacturing building can support production without itself creating the cash needed to repay a loan. Underwrite the operating company's orders, margins and working-capital needs alongside the property purchase. Keep an unrelated landlord's lease case separate. The preparation framework below focuses on the transition from orders to cash and the cost of keeping machinery productive; it is not a universal lender checklist.

Backlog must become produced, accepted and paid orders

Separate firm orders from quotations, cancellable demand and customer forecasts. Explain customer concentration, contractual acceptance, rejects/rework and collection terms. Build production around available labor, materials, qualified equipment and realistic yield. The financing case should identify what causes a shipment or invoice to become usable cash rather than treating the entire backlog as immediate repayment support.

Growing sales can consume the closing cash

OCC's working-asset guidance examines the operating cycle from purchasing through collections. Apply that framework to the manufacturer's own raw materials, work in progress, finished goods and receivables. Compare the timing with supplier payments and available credit; do not apply a generic advance rate. Show the property down payment separately from cash needed to fill orders.

Installed machinery and a working plant are different milestones

OSHA guidance identifies machinery safeguarding, anchoring and energy-control considerations. Qualified specialists should establish the applicable work during relocation or expansion. Translate their findings into installation, testing and downtime costs. Keep equipment liens and the building mortgage distinct; eliminate intercompany rent in combined cash while retaining external occupancy costs and all debt.

Use with the dedicated Excel model for this niche. All numerical scenarios are hypothetical. Research and calculation scope are separated throughout this guide.

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What lenders want to understand

These are preparation questions. The actual lender determines required evidence, accepted cash flow and approval conditions.

01 / Which orders can the expanded plant deliver and collect?

Provide order terms, customer concentration, acceptance criteria, historical rejects and an evidence-based production ramp.

02 / What working cash is needed before the first expanded shipment pays?

Schedule inventory, work in progress, receivables and supplier payments using the business's own terms and seasonality.

03 / What must happen before relocated machinery earns revenue?

Obtain qualified installation/safeguarding scopes, vendor commitments and commissioning milestones; include overlap occupancy and downtime.

Turn questions into an evidence ledger

For each answer, record the document date, responsible person, unresolved issue and lender response. Distinguish requested, received, reconciled and accepted. A document upload does not establish acceptance.

Hypothetical: a new contract requires more inventory

A fabricator buys a larger plant after winning a major order.

The proposed building loan fits the annual profit forecast, but materials and payroll must be funded before customer acceptance and payment. Add relocation downtime and the existing equipment debt, then test whether remaining liquidity carries the order through collection.

A workable property loan must coexist with the cash cycle that produces its repayment.

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Document checklist

Use a common financial cutoff date. Record gaps and discrepancies alongside the documents.

Document and purpose	Status / owner
Order backlog and customer-concentration schedule - Distinguish firm commitments, cancellation rights, delivery dates and forecast-only demand.	☐ Received ☐ Reconciled Owner: _____
Production and contribution-margin bridge - Connect labor, material usage, rejects, rework and outsourced processes to collected sales.	☐ Received ☐ Reconciled Owner: _____
Inventory/receivable/payable aging and credit terms - Explain the cash conversion cycle and any pledged working assets.	☐ Received ☐ Reconciled Owner: _____
Machinery register and relocation/commissioning plan - Identify liens, installation work, qualified controls review and production interruption.	☐ Received ☐ Reconciled Owner: _____
Property acquisition and combined debt/liquidity schedule - Include down payment, transition costs, external obligations and related-rent eliminations.	☐ Received ☐ Reconciled Owner: _____

Attach the financing and cash evidence

Include a signed sources-and-uses reconciliation, existing debt and equipment obligations, proposed term sheet, available equity evidence, and a dated explanation for every material model assumption. Separate restricted balances from spendable cash.

Keep personal and customer records private

Use aggregate operating evidence in this educational workbook. Share sensitive supporting documents only through the lender or advisor's appropriate secure process. The workbook contains no upload connection.

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Use your dedicated Excel model

Production and Working Cash -> Operations -> Debt and Funding -> Summary

01 / Select a case

Save an untouched copy. In Assumptions D5 select 1 for Base or 2 for Downside. Both cases feed one monthly calculation; changing the selector recalculates the workbook.

02 / Populate the niche schedule

Replace blue input cells in Production and Working Cash!D10:M21 with dated source evidence. Retain formula cells. Source columns are: Demand for finished units; Available machine hours; Machine hours / unit; Sales price / accepted unit; Material cost / unit; Production payroll cash; Other business cash costs; Inventory cost days; Receivable days; Expansion capital.

03 / Replace scenario assumptions

Replace illustrative scenario drivers, property value, acquisition uses, available equity and financing terms in Assumptions. These examples are not market benchmarks or lender requirements.

04 / Reconcile cash and financing

Trace monthly Operations into Debt and Funding. The signed funding surplus deducts closing equity and additional operating cash need; a negative result is an unfunded requirement.

05 / Resolve missing inputs

Inspect the Review checks and every unavailable result. Missing or invalid selected data is n.a.; a valid zero remains zero. Do not replace missing records with zeros.

06 / Confirm the transaction scope

Reconcile the chosen case to lender definitions and actual documents. The model covers twelve operating months and a contractual principal calculation at maturity; it does not forecast future refinancing approval.

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Calculation scope and conventions

Read these alongside the visible formulas. The source schedule is dedicated to this niche; contractual and eligibility decisions remain outside the model.

Receivable, inventory and trade-payable balances use current monthly sales/product costs times entered days divided by calendar days. Their signed changes reconcile accrual sales/costs to cash once. This simplified balance proxy is not actual aging, a borrowing base or proof of available credit. Replace opening balances with reconciled records.

Finished-unit demand is capped by available machine hours. Enter accepted units and material cost including normal scrap/rework; the model does not independently determine production yield or customer acceptance.

Inventory/payables reflect material cost only; labor is cash-paid as entered. Equipment relocations, installation and expansion belong in additional capital, while recurring maintenance is in the separate maintenance-capital assumption.

Combined cash is an operating-business and property measure, not property NOI. Other business debt, taxes/distributions and maintenance capital are deducted once before the residual property-debt proxy.

Value and acquisition price refer only to the real estate. LTV never applies to enterprise value, goodwill, inventory or equipment. The modeled loan is property debt supported by residual combined cash, not a business-acquisition valuation or program eligibility test.

Business purchases, equipment purchases at closing and goodwill are excluded from the example acquisition uses. Reconcile their separate funding and resulting debt obligations before relying on the property-only equity gap. Include additional post-closing equipment or expansion cash in the capital schedule once.

Related-party rent is shown and eliminated. External property costs exclude mortgage debt and must not also appear in business operating inputs. No intercompany transfer permission is established.

Maintenance capital is deducted before sizing. Additional expansion/property capital is deducted below residual cash. Do not enter the same cost in both places.

All amounts are fictional. Residual coverage, value and cash tests do not establish bank DSCR, program eligibility, business value or a loan commitment.

Sizing cash equals modeled annual cash NCF plus the entered lender adjustment. The adjustment does not create spendable cash.

Coverage size uses amortizing annual service. The loan is the minimum of coverage, LTV, debt yield and the requested ceiling.

The three sizing thresholds are illustrative editable inputs. Negative NCF produces zero income-supported capacity, never a negative loan.

Monthly payments use annual rate/12; IO principal is unchanged. After IO the original principal amortizes over the entered period.

Closing cash and later operating shortfalls are reconciled without counting the same cash reserve twice.

All numerical values are illustrative; no market facts or lender approval are asserted.

The twelve-month operating model omits taxes on investor returns and future refinancing costs except expressly entered items.

Author verification uses Artifact Tool recalculation, saved-XLSX reimport and separate JS arithmetic; independent application verification is recorded separately.

Legal, licensing, environmental, engineering and lender-specific recognition require actual diligence.

Property debt versus business cash

The model starts from the operating business and deducts the listed external costs and obligations. Its remaining cash is a conservative proxy for supporting proposed property debt. This is not a standalone landlord NOI, a lender-defined global DSCR or an SBA eligibility test. Do not add intercompany rent as a second revenue stream.

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A reconciled hypothetical example

Base and Downside are separate recalculations of the same model. Displayed dollars are rounded; Excel retains unrounded values.

Illustrative result	Base	Downside
Business cash collections	\$4,250,000	\$3,633,750
Residual combined cash	\$1,483,677	\$781,887
Residual cash used for sizing	\$1,483,677	\$781,887
Modeled loan	\$3,300,000	\$2,760,000
Binding sizing constraint	Requested ceiling	LTV
First-year debt service	\$240,941	\$238,213
Required closing equity	\$2,350,000	\$2,890,000
Equity left / (closing gap)	\$350,000	-\$190,000
Additional operating cash need	\$0	\$0
Equity left / (combined gap)	\$350,000	-\$190,000
Principal at modeled maturity	\$3,024,431	\$2,572,108

Base operating cash used for sizing is \$1,483,677. The modeled loan is \$3,300,000, with Requested ceiling binding. Closing uses of \$5,650,000 less that loan require \$2,350,000 of equity. Available equity is \$2,700,000; the signed combined surplus/gap is \$350,000 after any additional operating cash need. Downside changes the loan to \$2,760,000 and the combined result to -\$190,000.

Illustrative Base / Downside inputs: Real estate collateral value \$5,500,000 / \$4,600,000; Annual note rate 6.50% / 8.00%; Maximum LTV 65.00% / 60.00%; Minimum sizing DSCR 1.25 / 1.3; Minimum debt yield 9.00% / 10.00%; Amortization after IO (years) 25 / 25; Initial interest-only months 6 / 6.

Change the case and trace the result

Compare the binding sizing constraint, closing equity, monthly cash low point and maturity principal. A smaller modeled loan can increase the sponsor funding need even if the property remains cash-positive. The lender may use different income adjustments, payment conventions or collateral limits.

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Sources, limits and next steps

Sources below support identified research claims. They do not validate the fictional numerical inputs or represent a financing commitment.

OSHA: Machine Guarding - General Requirements

Machine guarding; Anchoring fixed machinery; Lockout/Tagout

Supports identifying machinery safeguarding and installation responsibilities. Relocation costs and production sensitivity analysis are our suggestions, not OSHA lending requirements.

<https://www.osha.gov/etools/machine-guarding/introduction/general-requirements>

Source checked: 2026-10-21

OCC: Accounts Receivable and Inventory Financing

Assessing the Borrower's Operating Cycle, printed pages 15-16; Evaluating Collateral

March 2000 handbook with March 2025 reputation-risk edits. Supports examining cash conversion and working-asset collateral in this lending context. No advance-rate or lender-policy threshold is adopted; niche scenarios are our analysis.

<https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/accts-rec-inventory-financing/pub-ch-accts-rec-inventory-financing.pdf>

Source checked: 2026-10-21

About this educational model

Prepared with AI assistance and independently checked against the published example. Artifact Tool recalculation and saved-file checks are recorded in the release evidence. Native Microsoft Excel recalculation has not been independently verified. Verify your edited scenario in your spreadsheet application before using its results.

Discuss your financing with Jaken Finance Group

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