

## Chilly, Inc.

Chilly, Inc. (CI) manufactures and distributes parts and supplies for air conditioners. The company was formed in 1983 and has grown to the existing size through a planned but ambitious expansion of manufacturing capacity. The industry for air conditioners has five major manufactures (including CI) that control a significant portion of the domestic market.

All manufacturers in this industry use unskilled labor in large assembly line type plants. Significant annual machinery purchases are required to remain competitive. The company has four manufacturing facilities on the East Coast, with the main plant in Roanoke, VA. The company maintains four warehouses across the country which allows marketing of the product throughout the United States.

CI purchases most of required raw materials from South American vendors on open account. The company has good relations with these suppliers and usually receives 60 day payable terms. During 0005, CI opened one new plant in Georgia which resulted in some one-time expenses that reduced profitability during that period. The new plant is expected to improve efficiencies and will enable CI to dramatically increase sales.