**Abstract**

In the times when banks are helplessly chasing corporate defaulters in legal battles, there is a need to predict the distress of the company by using some model. Studies related to financial distress are mainly focused on certain variables that may be able to make a distinction between a financially healthy and distress firm. The intend of the studyis to construct a statistical model which will make use of certain financial ratios which will be helpful in finding whether a company will fall into distress or not in future. Multiple discriminant analysis has been applied to diffrentiate between financially distress and nondistress companies. The final model predicted 95% of the cases accurately prior to distress.

**Keywords** - Corporate, Defaulters, Financially distress, Model, Multiple discriminant analysis, Ratios.