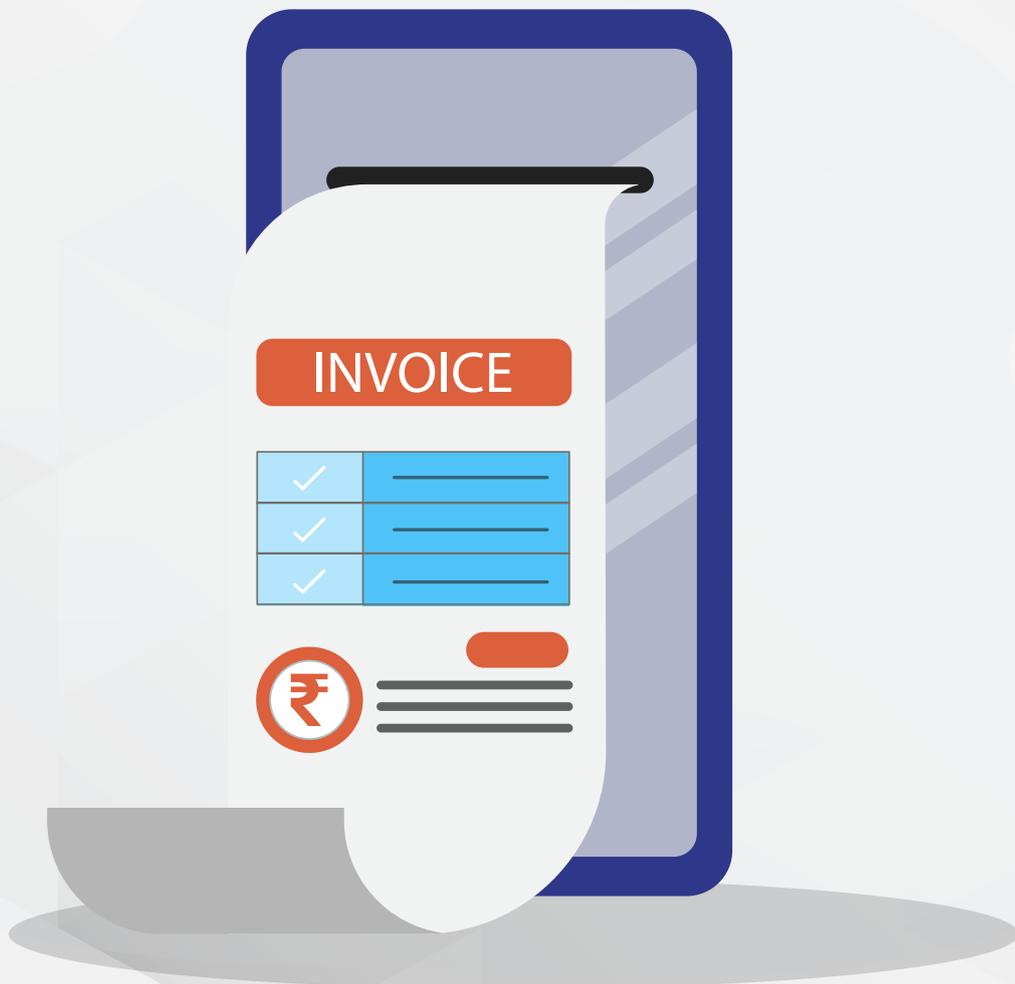




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C A P I T A L
Ambitions Unleashed

Understanding Supply Chain Financing Solutions

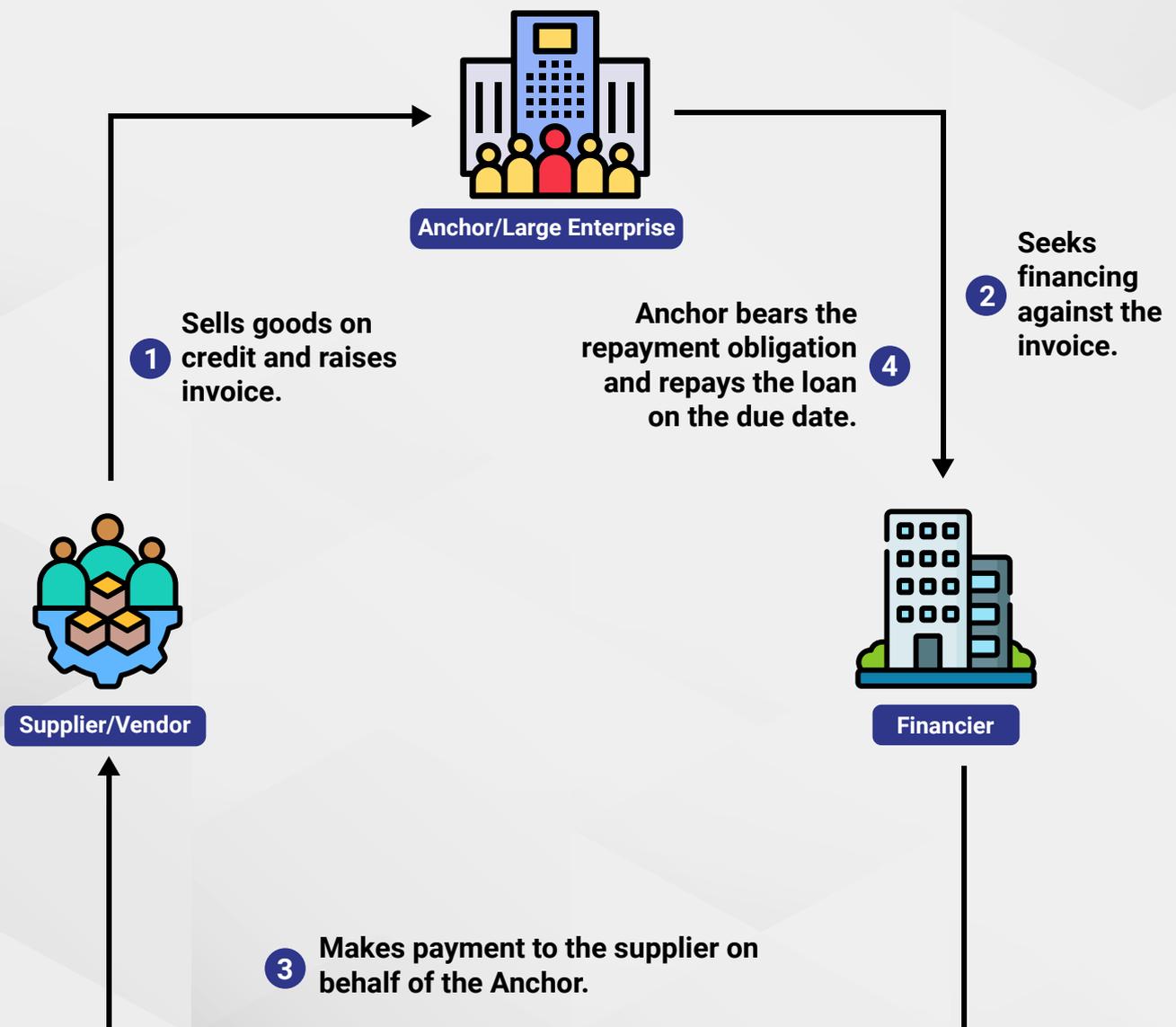
- Anchor Purchase Bill Discounting



Introduction

Anchor purchase bill discounting (PBD) is a financial arrangement in which the anchor seeks short-term funds to manage its working capital and payables cycle in a better manner. The vendor/supplier of the anchor raises an invoice for goods and services supplied against which payment is due. A disconnect in anchor's payables timeline and their invoice repayment period creates a working capital gap for anchor. Similarly, a delay in payment lengthens the supplier's receivable cycle, causing strain on the cash flow. To mitigate this and manage the payments efficiently, anchor secures financial assistance from the financier, ensuring timely payments to the supplier. Anchor settles the loan (principal and interest) on the due date.

How Anchor PBD Works?



Benefits of Anchor PBD



Improves Working Capital:

With bill discounting, anchors get immediate financing to manage their payment obligations while suppliers benefit from timely sales realisation. This enables both the anchors and suppliers to efficiently manage their working capital.



Collateral-Free Financing:

The financing relies on the creditworthiness of the anchor eliminating the need for any asset-based security.



No Impact on Balance Sheet:

The financing does not have any impact on the balance sheet of the supplier as it is an off-balance sheet funding.



Assured Payment:

The risk of delayed payment is minimised as the re-payment from the anchor is managed by the financier on the due date.

How does this Solution work for Mid-Market Enterprises?

Despite contributing significantly to GDP, mid-market enterprises (MMEs) in India often face credit gaps as traditional lenders view them as high-risk segment due to their limited credit records. Mid-market enterprises operating in auto ancillary, pharma, logistics, consumer durables, chemical, heavy metal, and hospitality industries typically have large cash conversion cycles and high operating costs. Hence, they seek short-term financing to keep their supply chain stable and reduce production disruptions.

Flexible and transaction-related financing such as anchor PBD enables them to access immediate financing, allowing them to improve cashflow and scale production volumes. The NBFCs that focus on the mid-market segment offer such solutions with repayment terms and structures that are tailored to suit the unique needs of MMEs.

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