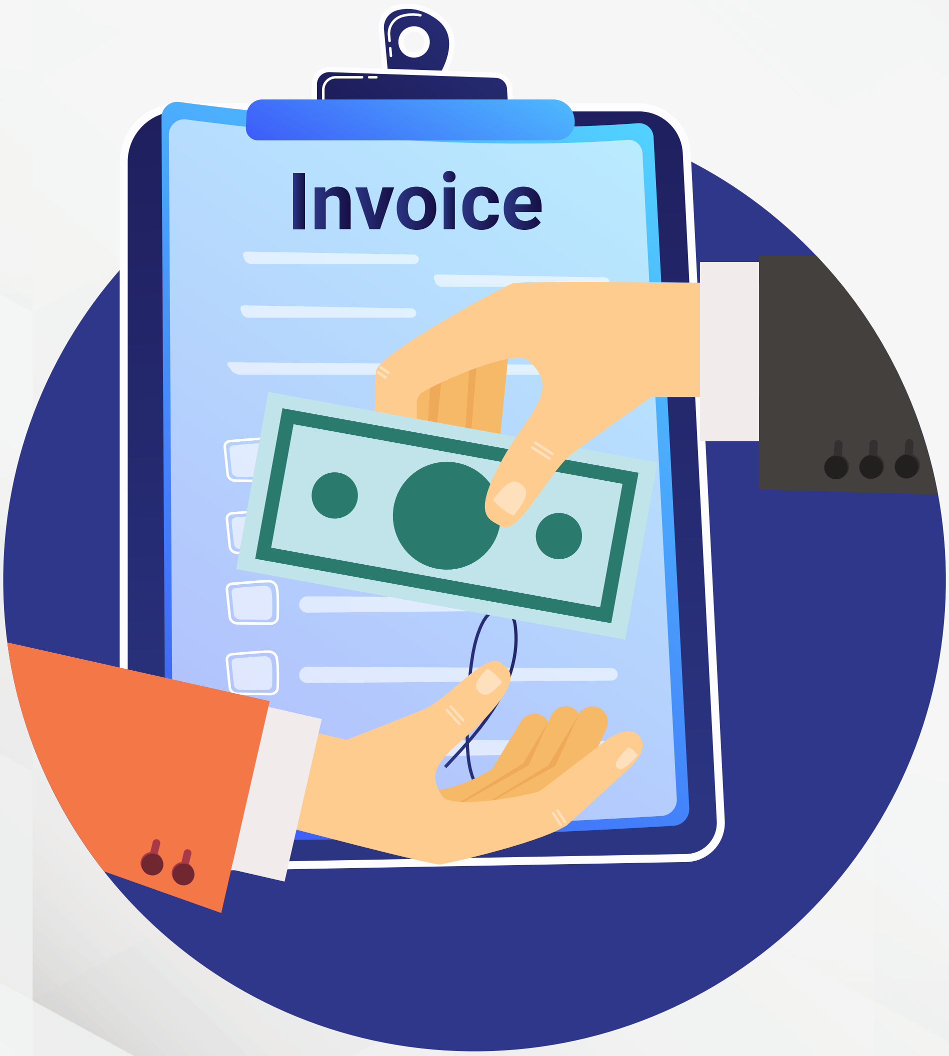
vivriti CAPITAL
Ambitions Unleashed

Understanding Supply Chain Financing Solutions

- Purchase Financing



Introduction

Purchase financing is a supply chain financing solution that helps dealer raise funds to make upfront payment to its Supplier (a large enterprise or anchor) against its confirmed purchases. This enables dealers with the flexibility to manage their cash flows in an effective way while providing sellers with quick access to required funds for large orders without depleting their working capital. By using purchase finance solution, both dealers and sellers benefit from improved cash flow.

Parties involved in this transaction

The Dealer: The one seeking capital to fund the purchase of intermediate goods.

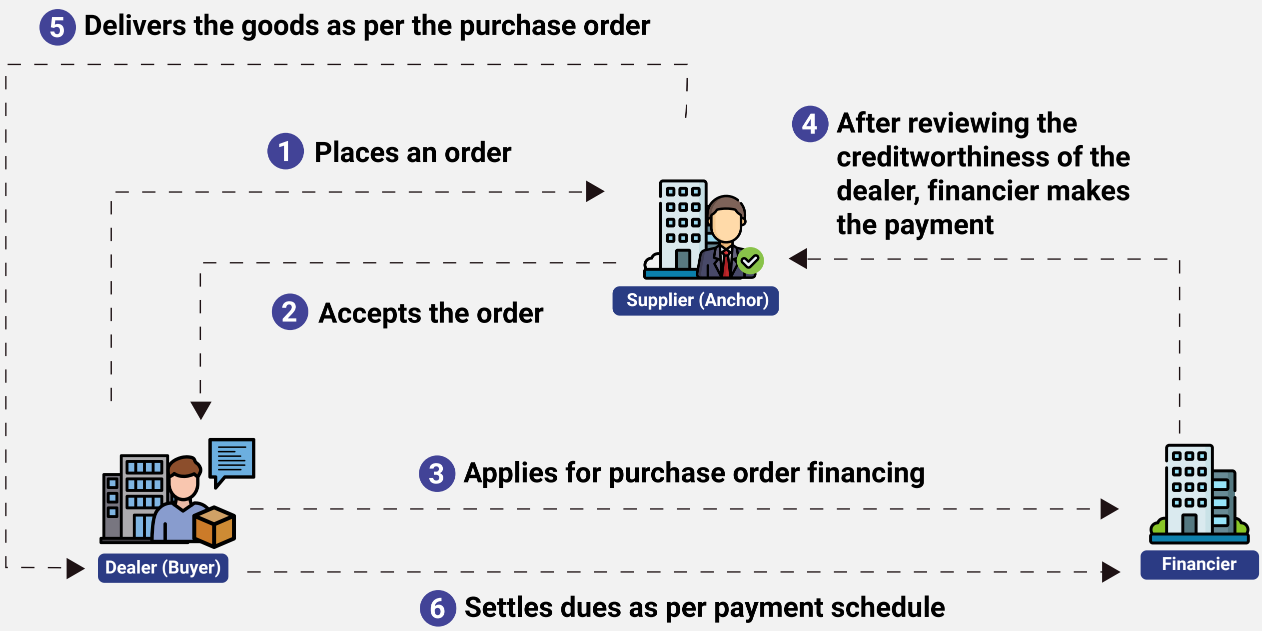
The Financier: The one providing financing to the buyer against confirmed purchases based on either Purchase Order or Purchase Invoice.

The Supplier: The provider of the intermediate goods to dealer.

Types of Purchase Financing

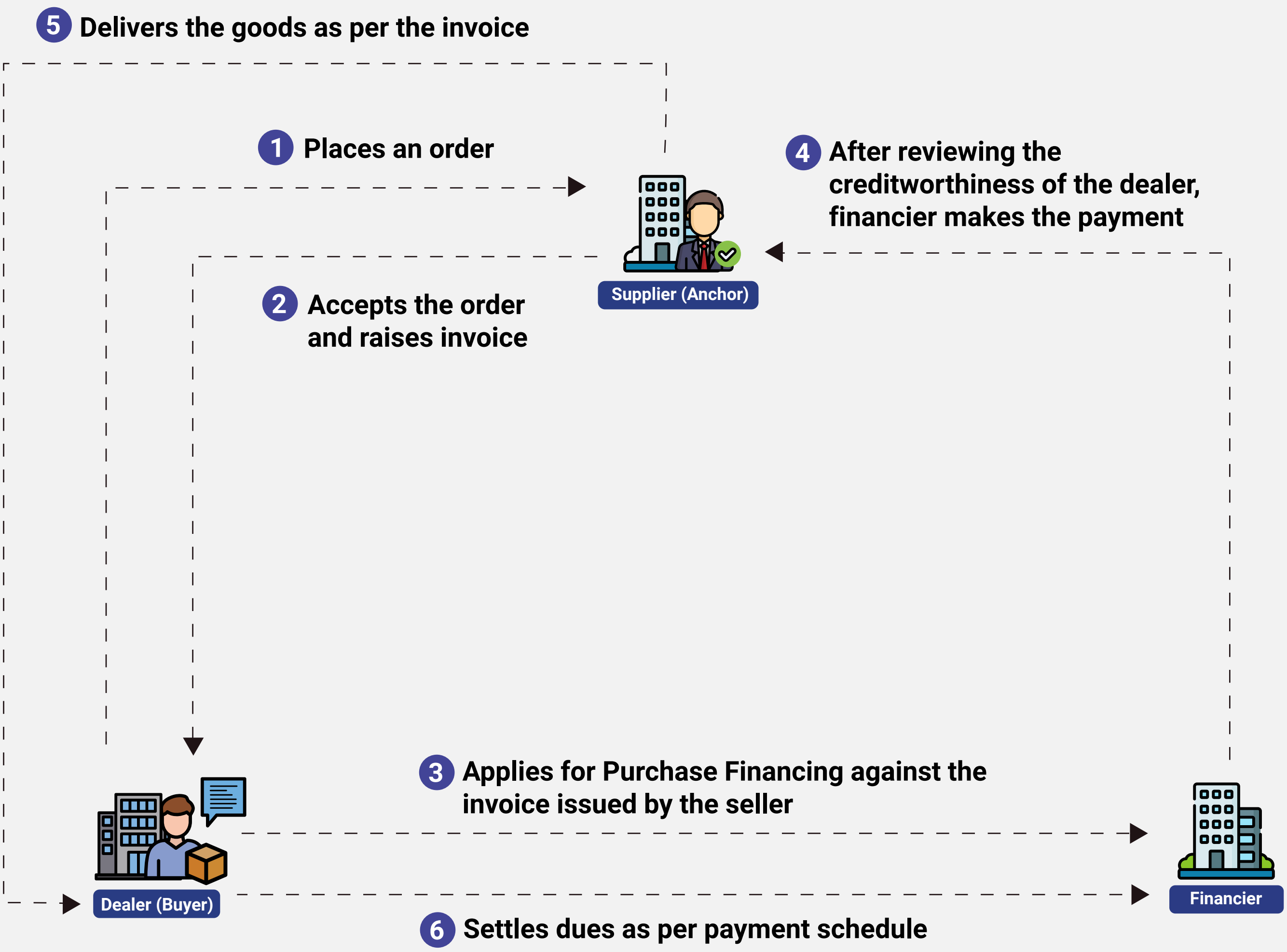
Purchase order financing

Purchase order financing enables businesses with immediate access to funds against purchase order confirmed by the anchor. It allows dealers to pay the suppliers before invoices are generated, ensuring timely payment to vendors/anchors. It is an off-balance sheet arrangement that helps anchor bridge their working capital gaps and ensure timely sales realisation.



Purchase invoice financing

Purchase invoice financing allows the businesses to avail credit by using the invoice issued by the anchor. It is an off-balance sheet arrangement that helps anchors bridge their working capital gaps and ensure timely sales realisation.



Benefits of Purchase Financing Solution

Quick Funding: Immediate payments to suppliers can help build trust, creating way for dealers to negotiate more favourable payment terms going ahead reducing the overall cost of borrowing.

Cashflow Management: With purchase financing, businesses get the flexibility to manage their payment obligations while suppliers get quicker upfront payments, this optimises working capital for both the buyers and sellers.

Builds Supplier Relations: Timely payments to suppliers ease their cash flow pressures, strengthening the trust. This financial stability can encourage suppliers to collaborate more closely with the buyer and prioritise orders in times of shortages.

Streamlines Inventory: With purchase financing, businesses can source intermediate goods without depleting its working capital base. This also helps the dealers in maintaining adequate inventory during peak sales seasons without straining their cash reserves.

Collateral Free Funding: As purchase financing is based on confirmed purchase orders or invoices issued by the seller, no collateral is required.

Conclusion

Purchase financing solution is ideal for small and mid-size businesses looking to fulfil large orders but lack upfront capital. By obtaining quick access to short term funds, businesses can focus on their core operations or invest in growth opportunities like expanding production capacity, entering new markets, or launching new products.