

Understanding Supply Chain Finance

CASE STUDY #9 on Dealer Financing



Introduction

In this case study, we explore a dealer financing transaction between Vivriti Capital and a power transmission tower manufacturing company (referred as ABC Pvt Ltd). Dealer financing is an off-balance sheet arrangement that helps anchor bridge working capital gaps from credit sales to its dealer while dealers benefit by managing their payment obligations effectively without disrupting their core business operations.

ABC has approached Vivriti to meet their increased working capital requirements driven by rapid growth in operations and an expanding order book (mainly led by their reputed customers).

Key challenges faced by the ABC were,

1. High working capital requirement driven by bulk orders, elongated working capital cycle and near full utilisation of existing borrowing limits.
2. Increased funding requirement for procuring raw material, as suppliers extend limited credit and often require advance payments.
3. Dependence on high cost / fragmented short-term borrowing.

4. Additional working capital needs to sustain growth momentum (higher FY26 topline projection, strong order book visibility for the next 2 years).

Company Background

ABC Pvt Ltd, based out of a tier-2 metropolitan city, has a market presence of over five decades. The company manufactures power transmission, microwave and windmill towers, railway electric infrastructure, steel structures for solar, and substation structures.

The company's manufacturing process involves two major steps:

1. Fabrication of raw materials (iron and steel components in various forms and shapes) as per client requirement.
2. Galvanizing the finished component using zinc which passes through quality checks.

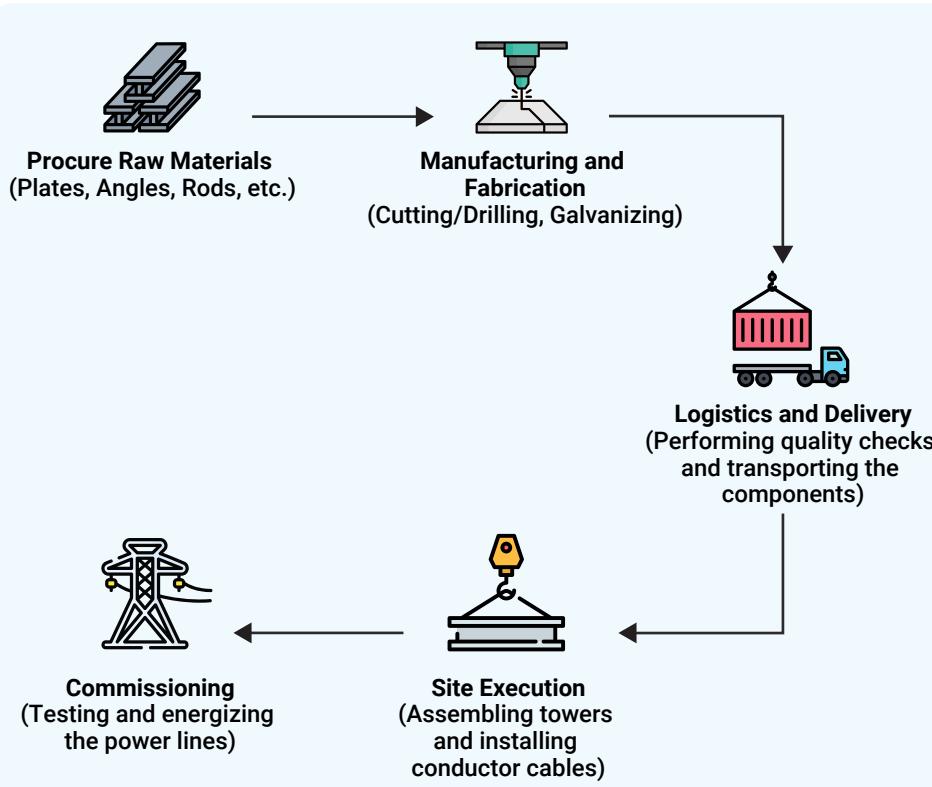
The customers assemble the final product at their location.

The company is a family-owned business, currently managed by the fourth-generation entrepreneur. ABC has a lender base of three-four private sector banks and one-two non-banking financial services companies. The promoter has an extensive industry expertise and a robust credit profile.

Industry Background

- The power transmission tower market in India is witnessing a growth driven by infrastructural developments, renewable energy (solar/wind) integration, and the rising urban/industrial electricity demand.
- Iron and Steel are the primary raw materials used in the manufacturing of transmission towers.

Overview of supply chain process in transmission tower sector:



- The Indian power transmission tower market is highly fragmented including large established players, Engineering, Procurement, and Construction (EPC) contractors, and small specialized manufacturers.

Credit Committee Recommendation

Leadership Expertise: The team has robust cumulative experience of around five decades in the industry that underscores its strong leadership and operational resilience.

Strong Order Book Visibility: ABC has a pipeline of orders under execution and billing more than 50% of the total order in the current year. The company anticipates further growth in orders, backing revenue growth projections.

Reputed Clients: The company caters to diverse top rated customer base, including government agencies and private companies across domestic and international markets.

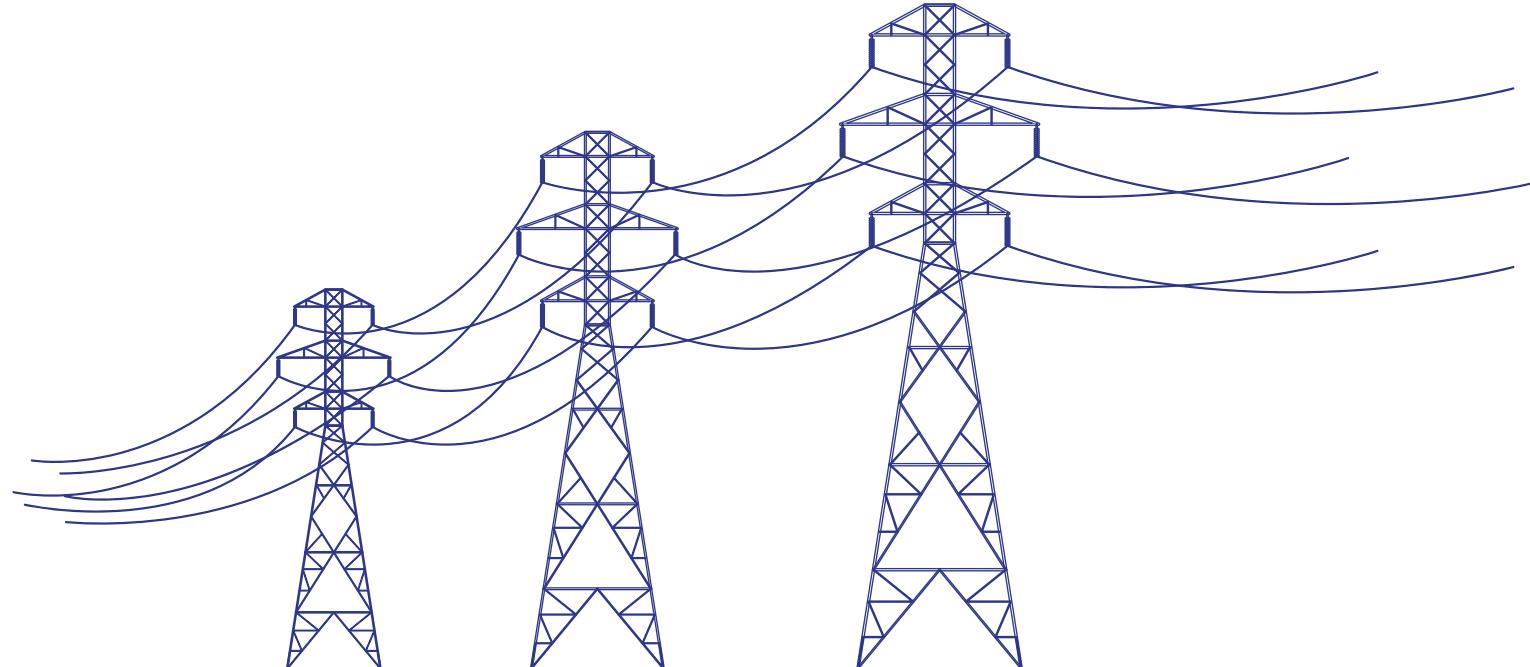
Conclusion

Vivriti Capital provided a flexible and scalable working capital-oriented solution to ABC in the form of anchor-based financing at competitive pricing. The proposed limit is in the range of INR 3-7 crore.

The financial solution was provided in a structure that complemented the company's existing working capital limits without over-leveraging. It also included seamless drawdown and repayment option that aligned with the company's cash conversion cycle.

Overall, it enabled ABC to

1. Fund their short-term operating cycle and procure the required raw material to timely execute the confirmed orders.
2. Reduce the dependence on informal and fragmented short-term funding.
3. Ease the liquidity strain arising from advance payment to suppliers, and high inventory and receivable levels during peak season.
4. Optimize liquidity, strengthen supplier relationships, and sustain growth without operational disruption.



Disclaimer:

The financial data provided in the report is only for representation and are not exact values reported by the company. The details mentioned above are for information purposes only. The information provided is the basis of our understanding of the applicable laws and is not a legal, tax, financial advice, or opinion and the same subject to change from time to time without intimation to the reader. The reader should independently seek advice from their lawyers/tax advisors in this regard. All liability with respect to actions taken or not taken based on the contents of this site are hereby expressly disclaimed.