

# Understanding Supply Chain Finance

## CASE STUDY #10 on Purchase Bill Discounting (Anchor)



## Introduction

In this case study, we explore a purchase bill discounting (PBD) transaction between Vivriti Capital and an engineering, procurement, and construction (EPC) player (referred as ABC Pvt Ltd). PBD is an arrangement wherein a large enterprise or anchor seeks short-term funds against the invoice raised by the supplier. A disconnect in receivables timeline and repayment schedule could create a working capital gap for anchor. On the other hand, a delay in payment lengthens the supplier's receivable cycle, causing a strain on his cash flow. To mitigate this, a supply chain financing solution in the form of PBD is extended to the anchor.

## Company Background

With an industry presence of over two decades, ABC is an EPC player based out of a tier-1 metro city. The company is engaged in water resource management and provides end-to-end water supply and wastewater management services. It secures orders predominantly through subcontracting and execute projects, majorly under AMRUT 2.0, which includes schemes to promote universal piped water supply with household water tap connection, and efficient sewerage and septage management across India, among other initiatives.

The company has a lender base of 2-3 private and public sector banks. However, it has been stretching payments to labour contractors and other creditors due to high working capital cycle (on account of high receivable days), with the gross current asset position extending to nearly a year.

## Industry Background

- The Indian engineering, procurement and construction (EPC) sector plays an important part in executing infrastructure and industrial projects. The EPC contractors oversee all project responsibilities from design, procurement, and construction. The EPC sector in India is highly fragmented with considerable number of small and mid-size players and few large conglomerates.
- Rapid urbanisation and industrialisation are accelerating the need for smart water management solutions. EPC contractors play a key role in developing reliable and sustainable water infrastructure ensuring efficient delivery of both water and wastewater systems. Increasing private sector participation, public-private partnerships (PPPs), and government-led initiatives such as Jal Jeevan mission and AMRUT are driving the growth of EPC water management industry in India.

## Credit Committee Recommendation

**Promoter Expertise:** The promoters of the company have an experience of over four decades in the construction business and collectively hold a majority stake in the company.

**Order Book Visibility:** The company has a healthy order book (outstanding) of INR ~2000 cr with reputed counterparties providing revenue visibility for the medium term. Majority of the order book is from central or state government authorities/agencies indicating low credit counterparty risk.

**Project Execution Capabilities:** The company has executed 100+ turnkey drainage, sewerage, and irrigation and water supply projects and has provided operations and maintenance (O&M) services in water supply and sewerage projects either individually or through joint ventures.

## Conclusion

Vivriti Capital provided an agile working capital solution in the form purchase bill discounting to ABC helping it smoothen its cash conversion cycle and align cash outflow with sales realisation. The solution helped the company make timely payments to suppliers for purchase of raw materials like steel, cement, brick, etc., and to labour contractors.

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