

# Understanding Supply Chain Finance

## CASE STUDY #11

### Vendor Financing



## Introduction

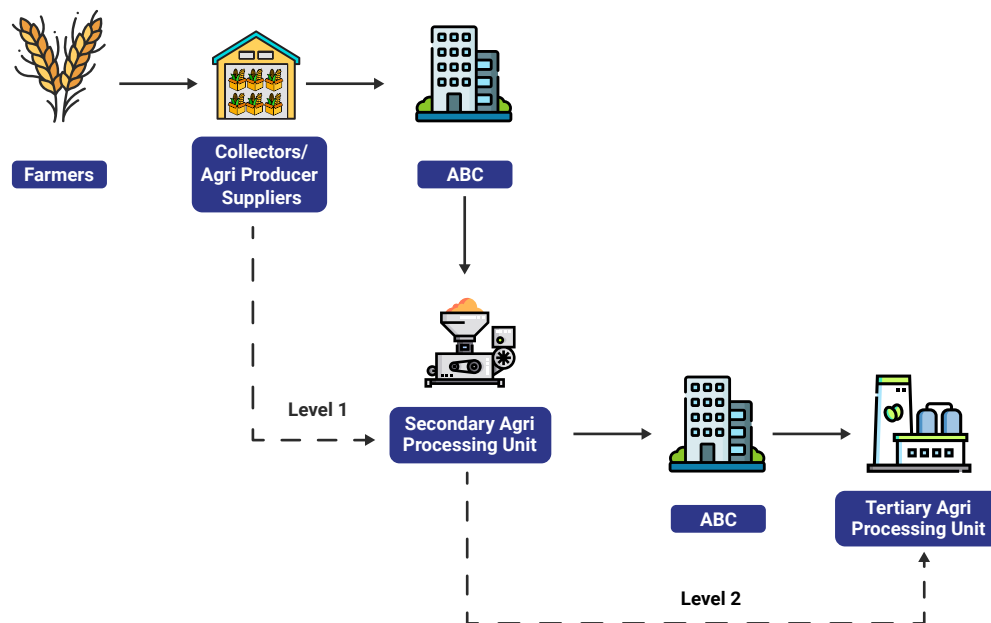
In this case study, we explore a vendor financing transaction between Vivriti Capital and a large enterprise (an anchor) in the agriculture trading space. The anchor referred hereon as ABC Pvt Ltd, is an online B2B marketplace provider for agriculture produce suppliers/collectors and agri-processors, removing the intermediaries such as traders and commission agents from the supply chain. The suppliers of the ABC procure agricultural produce directly from the farmers and hence offer zero to limited credit period. However, ABC extends 45 to 60 days credit period to its buyers (agri-processors), which creates a working capital gap. To mitigate this, ABC connects its vendor network with Vivriti Capital for a supply chain financing solution.

As a standard practice, Vivriti Capital conducts a critical evaluation of the client on financial, operating, and governance parameters and the outlook of the industry where the company operates before providing any financing solution. Below are the key findings of due diligence and credit committee recommendation.

## Company Background

ABC is based out of tier-1 metro city and has been operational for over five years. Its online B2B marketplace solves the problems related to supply chain of the agri-products that needs processing and is sold to the customers through their platform. The suppliers share

details by quoting the availability of agri-produce on the platform while the agri-processors (secondary) place their orders on the platform, which are fulfilled by ABC. The end-consumers of ABC are FMCG players acting as tertiary agri-processors, who grade and sort output of secondary agri-processors to do further processing. ABC deals in trade of processed and semi-processed fruits, vegetables, and spices, and has recently added nutraceuticals into its product portfolio.



## Industry Background

- India has the second-largest agricultural land area in the world with the largest area under wheat, rice, and cotton. The Indian agricultural sector grew 5.5% YoY in FY25 driven by higher production and trade volumes.
- About 85% of the agricultural land holding is owned by small and marginal farmers. Given their limited capacity to bear the transportation costs to take their harvests to mandis, large traders and retail chains prefer procuring from intermediaries rather than directly from farmers. This has resulted in establishment of agri-trade companies that procure commodities directly from the farmer's fields and function as effective linkages between the farm production and retail chains.
- Due to growing product demand and supportive government measures such as Financial Assistance Scheme, National Agriculture Market (e-NAM), and Farmer Producer Organizations (FPOs), the agriculture supply chain ecosystem is expected to become more efficient through improved market access and better price discovery.

## Credit Committee Recommendation

**Promotor Profile:** The promoters of the ABC have an experience of over a decade in their respective domain and collectively hold ~45% of the stake in the company. Their strong market expertise and deep skin-in-the-game are expected to drive long-term growth.

**Stable Financials:** ABC recorded a topline growth of 30% YoY in FY25. The company is currently in a growth phase and not yet profitable but due to entry into new markets and addition of high-margin nutraceutical products in the portfolio, its bottom line is expected to improve in FY26. Moreover, it maintains a healthy liquidity position and high solvency ratios with timely payments to lenders.

**Customer Base:** ABC's customer base includes rated, unrated and SME manufactures, and traders with a decent credit history. Its top five customers contribute ~30% to the total revenue.

**Expansion Across Products and Markets:** ABC has expanded its product portfolio by adding plant-based formulations/extract, where margins are relatively higher. It has recently ventured into export markets in Europe, Middle East, and Asia.

## Conclusion

Based on favourable underwriting and positive credit committee recommendation, Vivriti Capital provided vendor financing limit to ABC's supplier network. The solution helped ABC enjoy a credit period of 75 days for supplier payments, mitigating the payments-receipts mismatches, helping both the parties optimise their working capital.

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