



Universal Sportsbiz Private Limited

Background

A major problem faced by SME suppliers pertains to the locking up of their working capital for weeks in a row. There are instances of suppliers having to wait in excess of two to three months, post-delivery of products or services, to get their due payments. It is difficult for suppliers with limited cash flow to cope up with such long, dry spells of non-payments.

Going further, suppliers start getting lured by other buyers who agree to some upfront payment, or well-timed payments to ease their cause. They keep paying a fortune to keep their business thriving; they do so by seeking more debts to settle the earlier ones. This is harmful to the overall productivity of these suppliers. Who is at loss in this case? Most certainly, the factory owners (buyers). Ultimately, they may have to settle for inferior quality goods that impact the profitability of their business in negative ways.

Consider the following:

Vendor X supplies a number of parts, say A, B, and C.

Vendor X has to:

- Procure certain raw materials to convert them into A, B, and C after processing. The vendor needs to make timely payments to the suppliers of these raw materials to ensure smooth procurement and production channels.
- Pay the salaries of staff and workers employed within factory premises.
- Pay for electricity and other services on a monthly basis.

If Vendor X faces acute cash crunch due to the rigorous payment terms of buyers (factory owners), paying for the above-mentioned expenses would become a tricky affair.

How Invoice Discount fits in the picture

Universal Sportsbiz Private Ltd. (USPL) has come up with an interesting solution to this problem. This is in the form of enabling working capital against the deliverables ensured by its suppliers. USPL does the needful by connecting the vendors in need of working capital to Indifi. Indifi helps small businesses gain unsecured business loans by setting up a credit line against their invoices. Thereafter, in a relatively acceptable period of time, USPL makes full payment for the deliverables.

USPL – A Brief Background

USPL was started by Anjana Reddy in the year 2012. It primarily deals with the sale of sports memorabilia and autographed merchandise attributed to leading sportspersons like Sachin Tendulkar, Rafael Nadal, and Cristiano Ronaldo among many others.

USPL holds claim to reputed global brands like Ms. Taken, Imara, and Wrogn in its portfolio. Interestingly, Wrogn is a men's casual wear brand endorsed by Virat Kohli- the cricket team captain of India. USPL brands are currently available at Shoppers Stop, exclusive brand stores, and multiple online fashion portals like Myntra. In pursuance of its omni-channel distribution strategy, USPL has launched company-owned outlets in all major metropolitan cities in India as well.

USPL Partners with Indifi

USPL has partnered with Indifi – a leading SME lending portal in India – to provide apt working capital solutions for suppliers delivering goods to the company. These suppliers can avail access to Indifi's credit line to ensure smooth operations and in-time production without stressing about expense payments.

This happens in the following way:

Typically, USPL has a payment cycle of 45-60 days for its vendors. While raising a purchase order, the company checks with its vendor if any upfront payment is required. If yes, the supplier is connected with Indifi for setting up a credit line against the invoice. The vendor can get credit against 70-80 percent of the invoice value. Usually, this amount is disbursed within 24 hours and in a completely digital way.

The result is that the supplier is not left cash-strapped for a seemingly long period of time and can continue supplying quality products to USPL without bothering about ready cash availability. The amount received upfront from Indifi can be invested into the business for taking care of the timely procurement of raw materials, payment of salaries /other recurring expenses, daily cash payments, etc. This essentially means that the supplier does not face further cash crunch and can carry on with his or her business with relative ease.

Invoice Discounting

Invoice discounting offers a win-win scenario for everyone involved in the supply chain. The vendors are happy as their routine work carries on undisturbed. Alongside, USPL is satisfied as it gets products of acceptable quality and in good time. As the company does not have to worry about suppliers' stability, it can optimize its own working capital cycles accordingly.

Tarun Saraf, the CEO of USPL, is very optimistic about the helpful role of invoice discounting in facilitating smooth business operations. He visualizes the role of CFOs as value creators. In the words of Saraf, "I have seen this role change - from being enablers to being active strategic tools for a company's growth. CFOs are no longer just treasurers - they now drive strong value creation for their organization, they can now play an active role in managing a corporate supply chain."

The Way Forward

More often than not, big businesses are dependent on the timely support of small vendors to keep their supply lines in order. Given this scenario, well-established organizations have their own duties to perform when it comes to keeping their suppliers happy.

They should understand the obligations and constraints faced by their vendors. From making payments to raw material suppliers/other vendors to settling miscellaneous bills and releasing staff salaries in time, small businesses have a lot on their cards. They should not be harassed by their buyers (factory owners) in the name of payment terms and non-availability of authorized personnel to sign their due checks.

By enabling invoice discounting through Indifi, USPL has introduced helpful solutions to make small vendors happy and eager to associate with its operations in future.