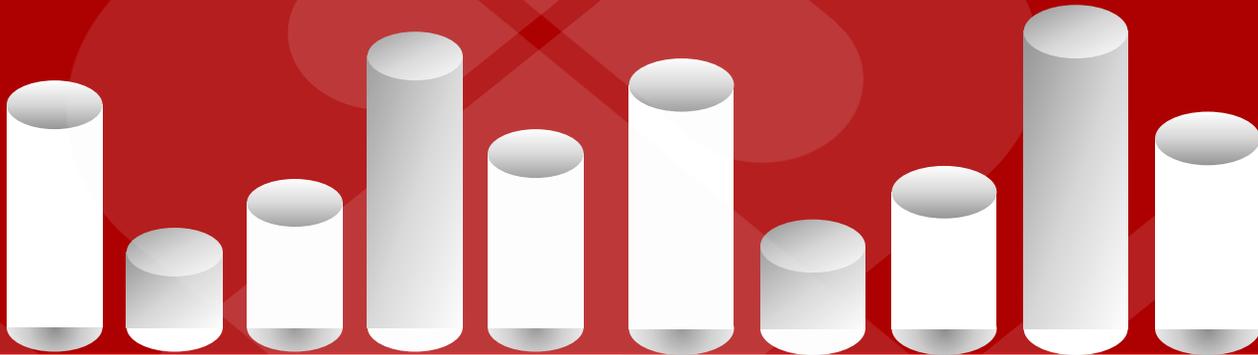


# OPTIMIZING WORKING CAPITAL



Stay Connected with  
Acquisory

[www.acquisory.com](http://www.acquisory.com)



## Introduction

In these uncertain times, where the corporates are still trying to come to terms with the changing dynamics of their working scenario, the companies with the strongest balance sheets have the best chance of surviving through. Therefore, it is a must to manage one of its most crucial components – working capital, to its optimum level.

Cash is oxygen for smooth functioning of any organization. The prevailing crisis has left the corporates in a tight spot and they are now required to make some important decisions on how to manage their working capital needs during these times.

## Why is Optimizing Working Capital the need of the Hour?

- Outstanding dues may have grown substantially in the lock down period
- Unusual extension of payment cycles
- Supply chain disruption
- Restructuring composition of fixed and variable costs
- Fluctuation in demand of products, thereby affecting inventory management
- Government and other schemes which will have a positive impact on liquidity
- Implications of non-adherence to contractual terms & obligations

### Working Capital Areas



# Optimizing Working Capital

1

## Optimize Borrowing cost

- **Evaluate Funding Options for Working Capital Requirements:** Stress test your business plan under various scenarios and decide whether additional debt/ offering of collateral or second lien on pledged assets is possible/ required
- **Moratorium Scheme:** Contact your financial advisor/ lenders to evaluate the implications of RBI's relaxation scheme & chalk out a viable plan to maximise benefits from the scheme

2

## Manage Payables

- **Vendors:** Map the jurisdictions of existing/ new vendors, substitute inter state/ country vendors with intra state vendors if possible and evaluate doing business with regional vendors as opposed to global. Understand and quantify the impact of change in supply chain on working capital
- **Renegotiate** terms for any onerous clauses in the existing contracts
- **Communicate** expected delays in payments to avoid penalties etc.
- **Manpower:**
  - Conversion of fixed component of salary to variable component
  - Deferment of bonuses & increments
  - Evaluate possibilities to hire consultants instead of permanent staff

3

## Increase Potential Savings

- **Duties and Taxes:** Extension in due dates for discharging statutory liability with low/nil interest will reduce burden on working capital. Quantify the positive impact on your business model
- **Force Majeure:** - Determine the applicability of "Force Majeure" clause and whether the same can be invoked to terminate or renegotiate terms of a contract

4

## Efficient Inventory Management

- Conversion Cycles:** Re-align business strategy and change product mix to ensure shorter cash conversion cycle
- **Order Levels:** Take informed ordering decisions-
    - Explore possibility of bulk orders to make the most of economies of scale
    - Track inventory volume and anticipate its demand in upcoming days/ months
    - Redefine reorder levels to J-I-T specially for perishable and fast-moving products
  - **Storage facilities** – Re-evaluate options if required to minimize wastage and increase durability
  - Understand & evaluate the existing clauses in **insurance** policies (whether losses arising from epidemics & pandemics are covered or excluded) in case of inventory loss & obsolescence

5

## Manage & Expediate Receivables

- **Communication**
  - Be proactive in communications, raise timely invoices with regular follow-ups
  - Re-negotiate terms of payment/ charge interest on delayed payments wherever possible
- **Hair cut:** Realisation of bad portion of receivables by offering discounts to minimise loss
- **Digital Push:** Exploit technology to encourage digital collections
- **Bill Discounting:** Consider bill discounting options to free up liquidity in the present scenario, albeit at a higher cost

6

## Other Areas

- **Strategy:** Re-visit investment strategy including stalling existing capex plans
- **Treasury:**
  - Develop treasury pooling structures for effective utilisation of available idle cash within group companies
  - Regular updation of cash flow forecasts to realistically assess the current situation

# Contact Us

## OUR OFFICES

### Delhi NCR

1116, 11th Floor, WTT, C-1,  
Sector 16,  
DND Flyway, Noida – 201301  
T: +91 120 614 300  
Fax: +91 120 6143033

### Mumbai

1<sup>st</sup> Floor, Unit No. 108, Inspire,  
BKC, Bandra Kurla Complex,  
Bandra East, Mumbai City,  
Maharashtra, 400051  
T: +91 22 68648100  
Fax: +91 22 68648132

### Bengaluru

BHIVE WORKSPACE  
7th Floor, Mahalakshmi  
Chambers, 29, MG Road,  
Yellappa Garden, Yellappa Chetty  
Layout, Ashok Nagar, Bengaluru,  
Karnataka 560001

[info@acquisory.com](mailto:info@acquisory.com)

## Our Services

### M&A Advisory

- Deal Structuring / Negotiation
- Buy Side / Sell Side Advisory
- Due Diligence
- Valuations
- M&A Integration
- Corporate Finance

### Asset Management

- Portfolio Management
- Strategic Advice
- Finance Management
- Dispute Resolution and Litigation Management
- Exit advisory
- Asset Management Tool

### Operations & Risk Consulting

- Internal Audit
- Risk Management
- IFC Review
- DAS Audit
- Compliance Management
- Process Improvement
- Cost Reduction
- Working Capital Optimization
- Data Analytics
- Physical Verification

### Assurance & Regulatory

- Compliances
- Accounting & Reporting
- Regulatory Compliance Audits
- Financial Audits
- FEMA / RBI Regulatory Compliances
- RERA Compliance
- Secretarial

### IT Risk, Forensics

- Information Security Management Services
- Forensics
- Technology Risk Solution
- Security Risk Management
- Creative Training Solution