

Trade and Supplier Finance for GCC Industrials

A Working Capital Optimisation Framework

Authored by CK Adya

Independent Researcher, London Business School

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Abstract

Industrial and trading companies in the Gulf Cooperation Council (GCC) frequently tie up substantial capital in their working-capital cycle, in receivables awaiting collection, in inventory awaiting sale, and in the gap between paying suppliers and being paid by customers. This trapped working capital constrains growth and depresses the return on capital employed, yet it can be released through trade and supplier finance, a family of instruments that finances the working-capital cycle and frees the capital locked within it. This paper sets out a working-capital optimisation framework for GCC industrials. Using an indicative dataset calibrated to 2026 conditions, it analyses the cash conversion cycle, maps the trade finance toolkit of invoice discounting, supplier finance, receivables purchase and inventory finance, and provides a framework for matching the instrument to where the cash is trapped. It quantifies the liquidity that can be released and its effect on the return on capital employed, examines the structuring and the provider perspective, and addresses the risks. The analysis finds that trade finance can release a substantial share of the trapped working capital at a modest cost, materially improving the return on capital employed and funding growth without dilutive equity, and that the right instrument depends on where in the cycle the cash is trapped. Three indicative case studies, a sensitivity analysis, an international comparison and an implementation roadmap support the framework, which is intended for owners and finance leaders of GCC industrial and trading companies.

Keywords: Cash conversion cycle, GCC, industrials, invoice discounting, supplier finance, trade finance, working capital

1. Introduction

An industrial or trading company lives and dies by its working capital. Between buying or making its product and being paid for it, the company must fund the gap, the cash tied up in inventory awaiting sale and in receivables awaiting collection, less the credit its suppliers extend. This working-capital gap is a permanent claim on the company capital, growing with its sales, and it constrains the company growth and depresses its return on capital. Yet much of this trapped capital can be released through trade and supplier finance, and how a company manages its working capital is a central determinant of its financial performance.

This paper sets out a working-capital optimisation framework for GCC industrial and trading companies. It treats the working-capital cycle as something to be actively managed and financed, rather than a passive consequence of operations, and it shows how the trade finance toolkit can release the capital trapped in the cycle, improving the return on capital and funding growth without dilutive equity. For a mid-market industrial or trading company in the region, this optimisation is frequently the most accessible and least dilutive source of capital available, and it is too often neglected.

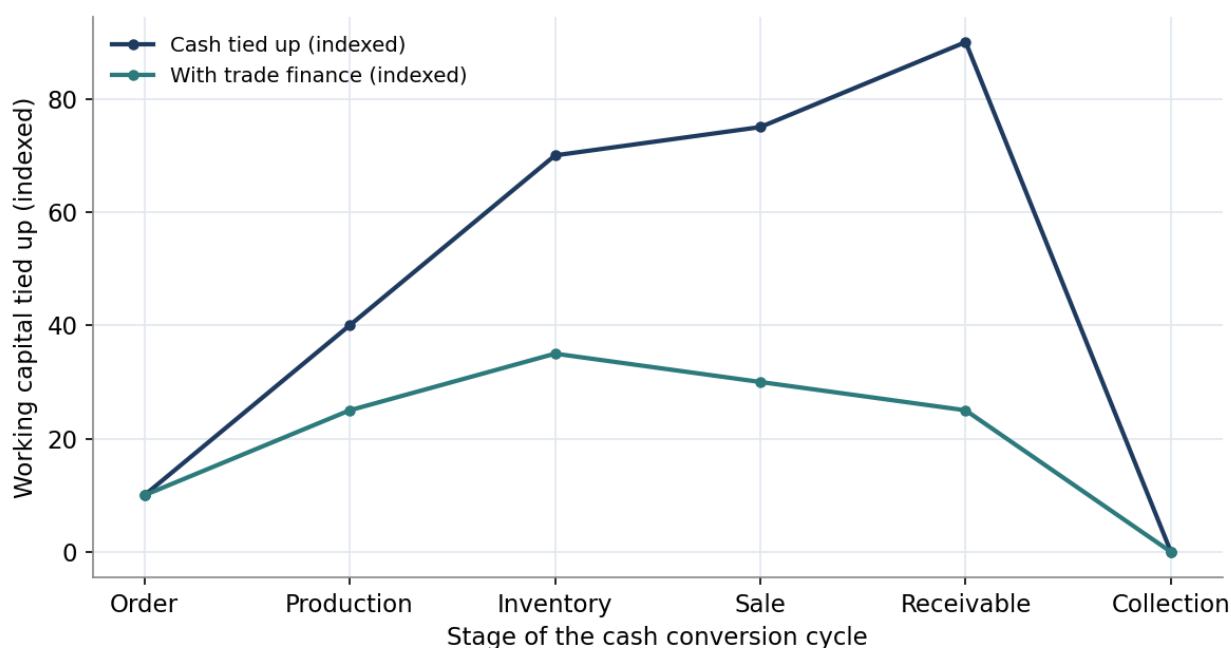
The central argument is that trade finance can release a substantial share of the trapped working capital at a modest cost, materially improving the return on capital employed and funding growth, and that the right instrument depends on where in the cycle the cash is trapped, in receivables, in supplier payments, or in inventory. A company that understands its cash conversion cycle and matches the right instrument to where the cash is trapped can optimise its working capital, while one that ignores it leaves capital locked unproductively in the cycle. The paper develops the framework for this optimisation.

The figures used throughout are indicative, calibrated to observable GCC conditions in early 2026 but not drawn from any specific transaction. The paper proceeds from the cash conversion cycle (Section 2), through the trade finance toolkit (Section 3), the optimisation framework (Section 4), the liquidity released and its effect on returns (Section 5), structuring (Section 6), the provider perspective (Section 7), risk (Section 8), GCC-specific considerations (Section 9), three case studies (Section 10), sensitivity analysis (Section 11), an international comparison (Section 12), common errors (Section 13), an implementation roadmap (Section 14), a strategic perspective (Section 15), a conclusion (Section 16) and limitations (Section 17).

2. The Cash Conversion Cycle

The cash conversion cycle measures the time between a company paying for its inputs and being paid by its customers, and it is the foundation of working-capital analysis. The cycle runs from the purchase or production of inventory, through the holding of inventory awaiting sale, the sale on credit creating a receivable, and the collection of the receivable, less the period for which the company suppliers extend it credit. The longer the cycle, the more capital the company ties up to fund it, and the cycle length, multiplied by the daily sales, gives the working capital the company must fund.

Figure 1. Cash Tied Up Across the Conversion Cycle, With and Without Trade Finance



Trade finance reduces the capital tied up across the cycle. Not a forecast.

Figure 1 illustrates the capital tied up across the cycle, and how trade finance reduces it. Without trade finance, the capital tied up rises through production and inventory, peaks as the receivable

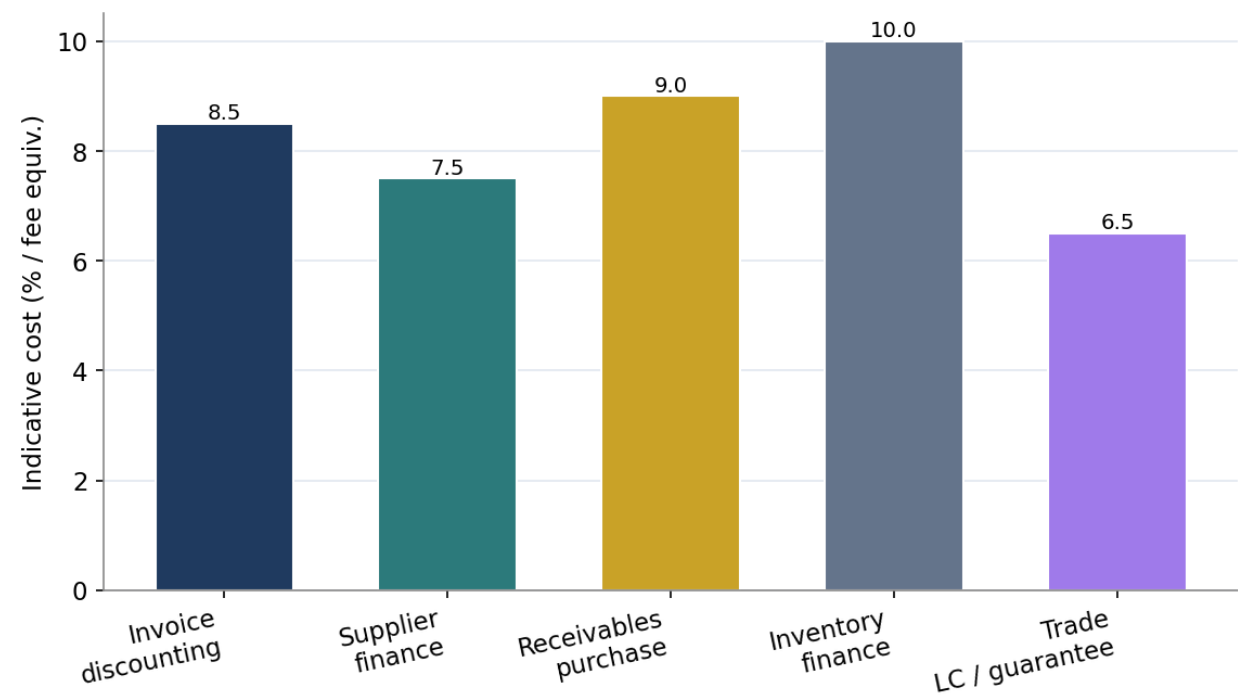
awaits collection, and is released only on collection. With trade finance, the capital tied up at each stage is reduced, because the inventory, the receivable and the supplier payment are financed rather than funded from the company own capital. The area between the two curves is the working capital that trade finance releases, freeing it for productive use.

The cash conversion cycle varies by industry and by company, and understanding a company specific cycle is the first step in optimising its working capital. A manufacturer with long production and a slow-paying customer base has a long cycle and a large working-capital need; a distributor with fast inventory turnover and quick collections has a shorter cycle. The company that measures its cycle, identifies where the cash is trapped, in inventory, in receivables, in the supplier gap, and targets the trade finance to release it, can optimise its working capital, while the company that does not measure its cycle cannot manage it.

3. The Trade Finance Toolkit

The trade finance toolkit, illustrated in Figure 2, provides instruments matched to each part of the cycle. Invoice discounting and factoring advance cash against receivables, accelerating the collection of the cash trapped in receivables. Supplier or payables finance extends the company supplier payment terms while ensuring the supplier is paid, freeing the cash trapped in the supplier gap. Receivables purchase sells the receivables outright, transferring the collection risk. Inventory or warehouse finance advances cash against inventory, releasing the cash trapped in stock. Trade letters of credit and guarantees facilitate trade by providing payment assurance.

Figure 2. The Trade Finance Toolkit and Indicative Cost



Each instrument targets a different part of the cycle and a different trapped pool of cash. Invoice discounting targets the receivables; supplier finance targets the payables gap; inventory finance targets the stock. A company optimising its working capital matches the instrument to where its cash is trapped, using invoice discounting if its cash is trapped in slow-paying receivables, supplier finance if it is trapped in a short supplier gap, and inventory finance if it is trapped in

stock. The toolkit allows the company to target the specific part of its cycle that traps the most cash, releasing it efficiently.

Table 1. The Trade Finance Toolkit

Instrument	Targets	Effect	Indicative cost
Invoice discounting	Receivables	Accelerates collection	~8.5%
Supplier finance	Payables gap	Extends terms, supplier paid	~7.5%
Receivables purchase	Receivables	Sells, transfers risk	~9.0%
Inventory finance	Stock	Finances inventory	~10.0%
Trade LC / guarantee	Trade transaction	Payment assurance	~6.5% equiv.

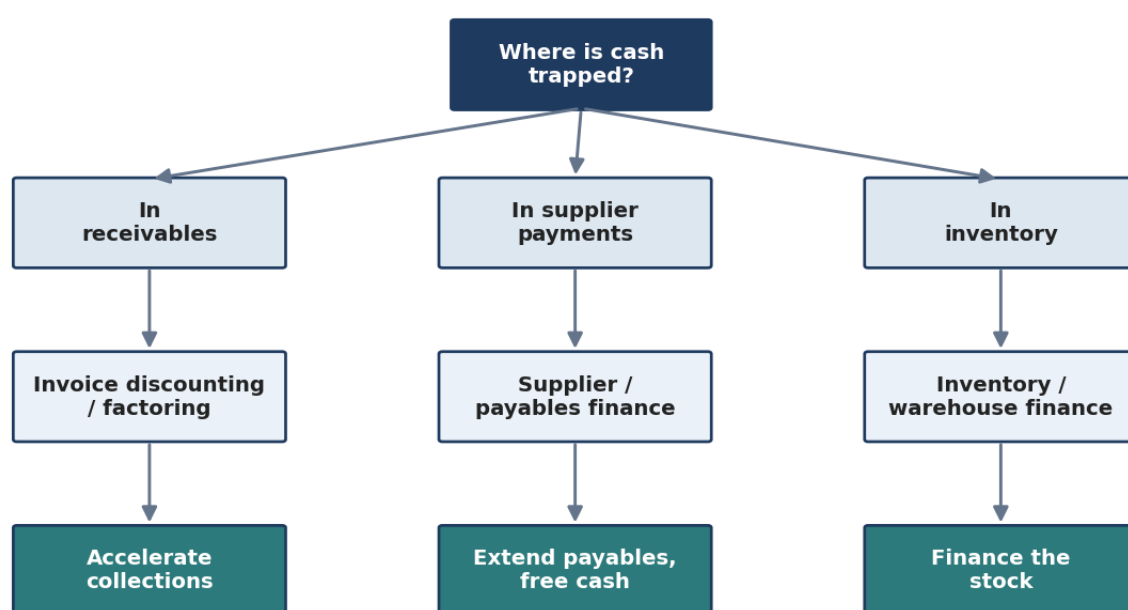
Indicative ranges calibrated to GCC conditions in early 2026. Not transaction-specific.

The instruments can be combined into a programme that addresses the whole cycle, using invoice discounting on the receivables, supplier finance on the payables, and inventory finance on the stock, to release the cash trapped at every stage. A comprehensive working-capital programme that addresses the whole cycle releases far more capital than a single instrument addressing one part, and it is the approach a company seriously optimising its working capital should take. The combination of instruments into an integrated programme is the most effective use of the toolkit.

4. The Working-Capital Optimisation Framework

The optimisation framework matches the instrument to where the cash is trapped, illustrated in Figure 3. A company whose cash is trapped in slow-paying receivables should use invoice discounting or factoring to accelerate the collection. A company whose cash is trapped because its suppliers demand quick payment while its customers pay slowly should use supplier finance to extend its effective payment terms. A company whose cash is trapped in inventory should use inventory finance to release it. The framework directs the company to the instrument that addresses its specific trapped pool.

Figure 3. Working-Capital Optimisation by Where Cash Is Trapped



Indicative framework. The location of the trapped cash determines the instrument.

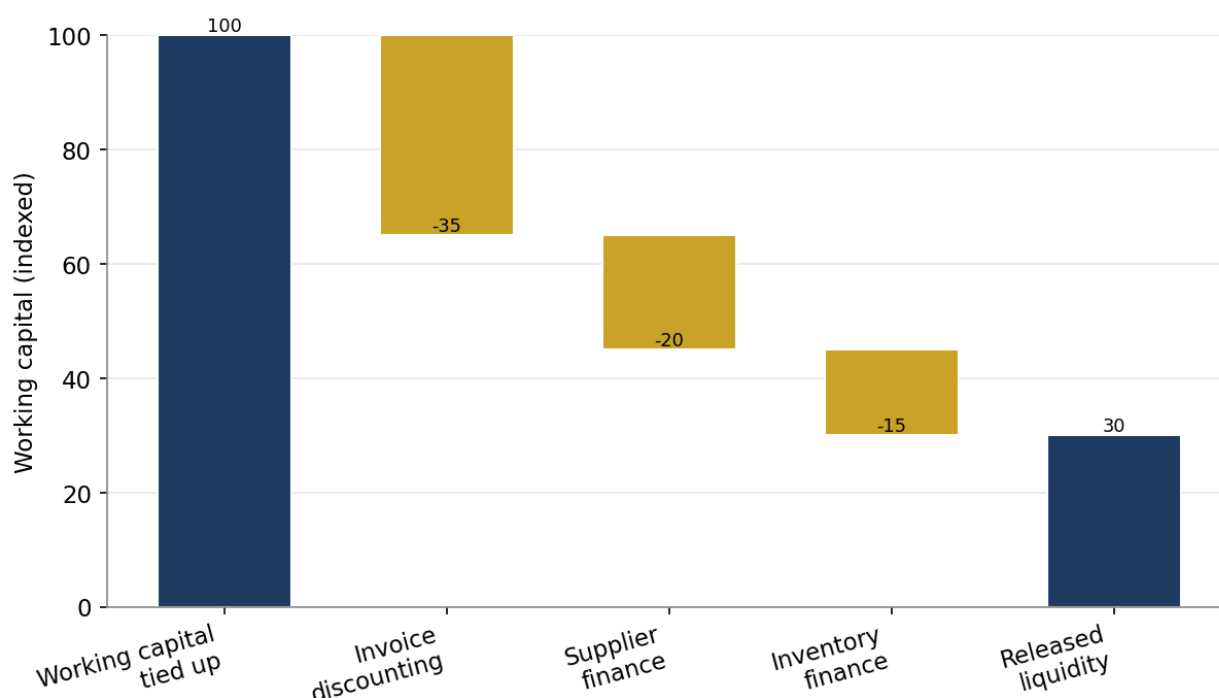
Applying the framework requires the company to diagnose where its cash is trapped, which the cash conversion cycle analysis reveals. A company that measures the days its cash spends in inventory, in receivables, and the days of credit its suppliers extend, can see where the largest trapped pool is and target it. The diagnosis is the prerequisite to the optimisation, and a company that has not measured its cycle cannot know which instrument will release the most cash. The framework, in essence, is to measure the cycle, find the largest trapped pool, and apply the instrument that releases it.

The framework also weighs the cost of the finance against the value of the released capital. Trade finance has a cost, and releasing capital is worthwhile only if the company can deploy the released capital at a return exceeding that cost, or if the released capital relieves a genuine constraint on the company growth. For a growing company constrained by working capital, the released capital funds growth that earns well above the finance cost, making the optimisation clearly worthwhile; for a company with no use for the released capital, the optimisation may not justify its cost. The framework therefore considers not only where the cash is trapped but what the company will do with the cash once released.

5. Liquidity Released and the Effect on Returns

The value of working-capital optimisation is in the liquidity it releases and the effect on the return on capital employed, illustrated in Figure 4. By financing the working-capital cycle, the company releases a substantial share of the capital previously tied up in it, and this released capital either funds growth or is returned, improving the return on the capital the company employs. Because the return on capital employed is the profit divided by the capital employed, releasing trapped capital, reducing the denominator, raises the return even before the released capital is redeployed.

Figure 4. Working Capital Released by the Trade Finance Toolkit



The instruments release a substantial share of the trapped working capital. Not a forecast.

The improvement in the return on capital employed is the central financial benefit of the optimisation. A company that releases, say, a third of its working capital through trade finance reduces the capital it employs by that amount, raising its return on capital employed proportionately, and if it redeploys the released capital into growth that earns above the finance cost, the benefit is greater still. For a mid-market industrial or trading company, this improvement in the return on capital can be substantial, and it is achieved without raising dilutive equity, which makes working-capital optimisation one of the most attractive sources of capital available.

The released capital can fund growth without dilution, which is its most valuable use. A growing company constrained by working capital, unable to fund the inventory and receivables that growth requires, can use trade finance to release the capital to fund the growth, breaking the constraint without raising equity. This is frequently the difference between a company that can grow and one that cannot, and it makes working-capital optimisation a growth enabler as well as a return enhancer. The company that optimises its working capital funds its growth from the capital it already has, locked unproductively in its cycle, rather than from expensive external equity.

6. Structuring Trade Finance

Trade finance is structured around the underlying trade flows and the assets they create, the receivables, the payables, the inventory, and the structuring determines the cost, the risk transfer and the operational burden. Invoice discounting may be structured with or without recourse, with recourse leaving the company liable if the customer does not pay and non-recourse transferring the risk to the financier at a higher cost. Supplier finance is structured around the company payment obligations, with the financier paying the supplier early and the company paying the financier on extended terms. Inventory finance is secured against the stock, often with the financier taking control of the inventory.

The structuring also addresses the operational integration, because trade finance, unlike a term loan, is integrated into the company trading operations, advancing against invoices as they are raised, paying suppliers as they are due, and financing inventory as it is held. This integration requires the company systems and processes to support the finance, providing the financier with the data on the receivables, payables and inventory that it finances, and a company optimising its working capital must ensure its systems can support the trade finance programme. The operational integration is part of the structuring, and a poorly integrated programme creates friction that a well-integrated one avoids.

The structuring can be bilateral, with a single financier, or programmatic, with a facility that finances the trade flows on an ongoing, revolving basis. A programmatic structure, in which the financier finances the receivables, payables or inventory as they arise on a committed, revolving basis, suits a company seeking ongoing working-capital support, and it turns trade finance from a series of transactions into a continuous source of liquidity. The programmatic approach is the most effective for a company seriously optimising its working capital, and it is increasingly available as the regional trade finance market develops.

7. The Provider Perspective

Trade finance is provided by banks and, increasingly, by specialist trade finance and private credit providers, and understanding their perspective is essential to accessing it. The provider underwrites the underlying trade flows and the assets they create, assessing the quality of the receivables, the creditworthiness of the customers, the value of the inventory, and the reliability of the company trading. It advances against these assets, secured by them, and it relies on the trade flows to repay the finance, which is why the quality and reliability of the company trading is central to its assessment.

The provider values the self-liquidating nature of trade finance, where the finance is repaid by the trade flows it finances, the receivable when it is collected, the inventory when it is sold, which makes trade finance lower-risk than a general term loan and supports a competitive cost. A provider financing good-quality receivables from creditworthy customers, or marketable inventory, takes a relatively low risk, because the trade flows reliably repay the finance, and it prices accordingly. This is why trade finance can be cheaper than general borrowing, and why a company with good-quality trade assets can access it on attractive terms.

Understanding the provider perspective tells the company how to access trade finance well. It should present good-quality, well-documented trade assets, creditworthy customers, marketable inventory, reliable trading data, and a well-integrated operational process, to give the provider the comfort it needs and access the finance on good terms. A company with poor-quality receivables, weak customers, or unreliable data will find trade finance harder and more expensive to access, while one with strong trade assets and good systems will find it readily available and cheap. The quality of the trade assets and the systems is the key to accessing trade finance well.

8. Risk Considerations

Trade finance carries risks that the company must manage. The principal risk in receivables finance is the customer default risk, where a customer does not pay the financed receivable, which falls on the company in a recourse structure and on the financier in a non-recourse one. A company using recourse invoice discounting retains the customer credit risk and must manage it

through its credit control, while a company seeking to transfer the risk can use non-recourse finance at a higher cost. The choice depends on the company appetite to retain the credit risk against the cost of transferring it.

A second risk is the dilution risk in inventory finance, where the inventory financed may decline in value or prove unsaleable, leaving the financier under-secured and the company exposed. Marketable, non-perishable inventory carries less of this risk than specialised or perishable stock, and the financier assesses the inventory marketability in setting its advance and its terms. A third risk is the concentration risk, where a company dependent on trade finance from a single provider is exposed if that provider withdraws, which a company can manage by maintaining relationships with multiple providers.

A broader risk is over-reliance on trade finance to mask an underlying working-capital problem. Trade finance releases trapped capital, but it does not address the underlying cycle length, and a company that uses trade finance to fund an inefficient, over-long cycle is treating the symptom rather than the cause. The most effective optimisation combines trade finance with genuine improvement of the cycle itself, reducing the inventory days, accelerating the collections, and negotiating better supplier terms, so that the company both finances and shortens its cycle. Trade finance is a tool for releasing trapped capital, not a substitute for managing the cycle that traps it.

9. Considerations Specific to the GCC

The GCC has a developed trade finance market, reflecting the region role as a trading hub, with banks and specialist providers active in financing the trade flows that pass through the region. This depth is an advantage for GCC industrials and traders, which can access a competitive trade finance market for their working-capital needs. The region trading orientation, with substantial import, export and re-export activity, makes trade finance a core part of the regional financial system, and a company in the region can draw on this developed market.

The compliant dimension applies to trade finance as elsewhere, and Shariah-compliant trade finance, based on structures such as Murabaha, is well developed in the region, serving the compliant companies and capital that conventional structures cannot. A company seeking compliant trade finance can access a developed compliant market, and a provider able to offer compliant structures serves the compliant demand. The availability of both conventional and compliant trade finance is a feature of the developed regional market, and it ensures that the full range of companies can access working-capital finance.

The regional payment culture and the creditworthiness of regional customers shape the receivables finance market, since the willingness of financiers to advance against receivables depends on the reliability of payment. A company with creditworthy customers and reliable payment can access receivables finance readily, while one with weak customers or unreliable payment finds it harder. The development of credit information and the improvement of payment culture in the region are supporting the receivables finance market, and a company that trades with creditworthy customers and documents its receivables well can access the finance on good terms.

10. Indicative Case Studies

Three indicative cases show trade finance in action. The figures are synthetic and constructed for analytical clarity, not drawn from any specific transaction.

10.1 Case A: manufacturer receivables

Case A is a manufacturer whose cash is trapped in slow-paying receivables from its customers, which uses invoice discounting to accelerate the collection, advancing cash against the receivables as they are raised. The released capital funds the manufacturer growth, breaking the working-capital constraint that had limited it, and the cost of the discounting is well below the return the manufacturer earns on its growth. The case illustrates receivables finance releasing the cash trapped in slow collections and funding growth.

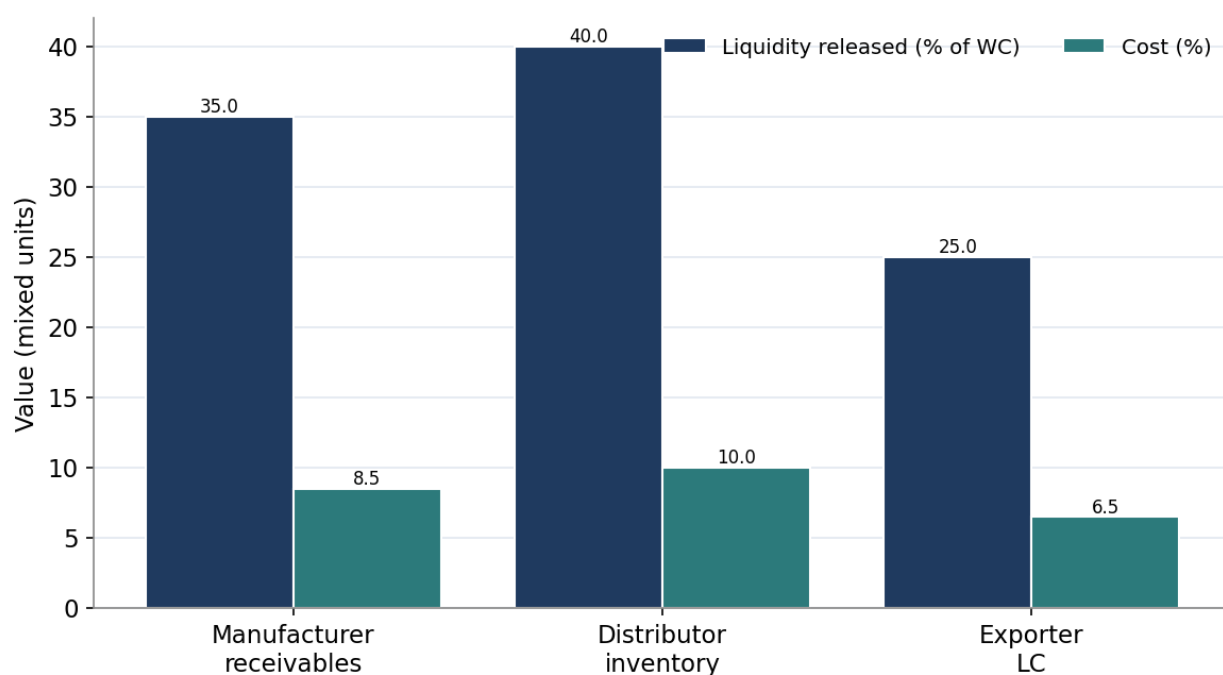
10.2 Case B: distributor inventory

Case B is a distributor whose cash is trapped in the inventory it must hold to serve its customers, which uses inventory finance to release the capital tied up in stock, advancing cash against the inventory it holds. The released capital allows the distributor to hold the inventory its business requires without tying up its own capital, improving its return on capital and funding its growth. The case illustrates inventory finance releasing the cash trapped in stock for a distribution business.

10.3 Case C: exporter letter of credit

Case C is an exporter that uses trade letters of credit to facilitate its export trade, providing its customers with payment assurance and itself with the confidence to ship, while financing the gap between shipment and payment. The letters of credit enable the export trade and finance the working-capital gap it creates, supporting the exporter growth in its international markets. The case illustrates trade letters of credit facilitating and financing international trade for an exporter.

Figure 5. Liquidity Released and Cost by Case



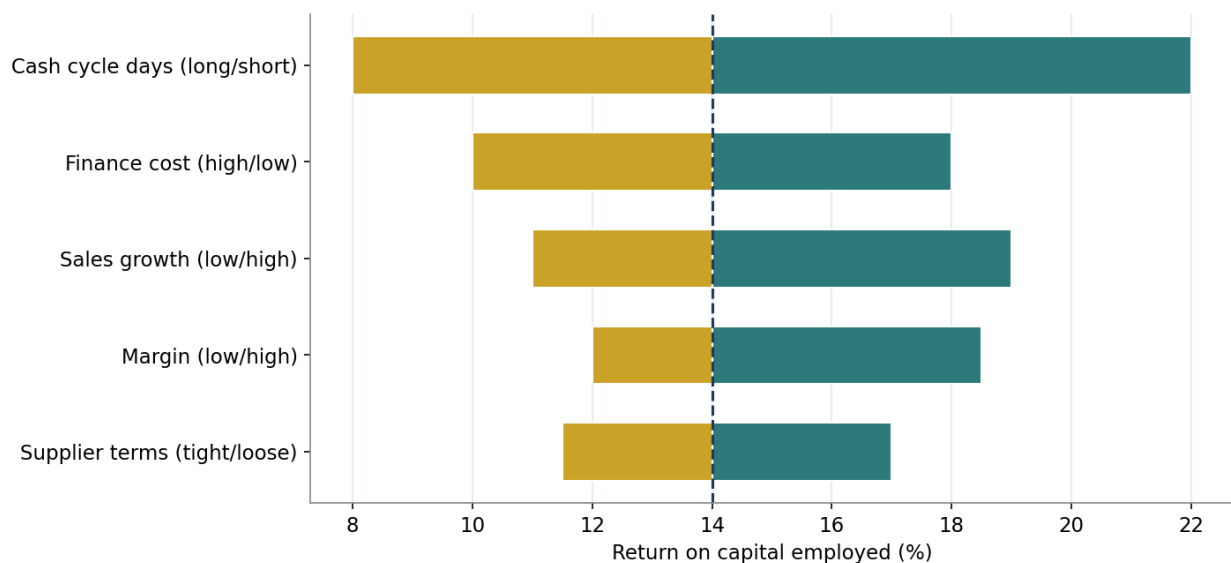
Synthetic figures for analytical comparison. Not a forecast.

Figure 5 compares the three cases on the liquidity released and the cost. Each releases a substantial share of the working capital at a modest cost, funding growth and improving the return on capital, and each targets the specific part of the cycle, receivables, inventory, the trade gap, where the company cash is trapped. The cases illustrate the framework in action, matching the instrument to where the cash is trapped and releasing it at a cost well below the return the company earns on the released capital.

11. Sensitivity and Scenario Analysis

A tornado analysis identifies the variables that most influence the return on capital employed for a company optimising its working capital. Figure 6 presents the result.

Figure 6. Sensitivity of Return on Capital Employed to Key Variables



Each bar shows the return on capital employed when the labelled variable moves to its low or high case. Dashed line is the base case. Indicative.

The analysis shows that the cash cycle length dominates the return on capital employed, with the finance cost, the sales growth and the margin also significant. The prominence of the cycle length confirms the central message: the working-capital cycle, the time the company cash spends trapped in inventory and receivables, is the principal driver of the capital the company employs and therefore of its return on that capital. A company that shortens its cycle, through both trade finance and genuine operational improvement, improves its return on capital most, while one that allows its cycle to lengthen depresses it. The cycle is the lever, and trade finance is one of the tools for managing it.

Table 2. Scenario Matrix for Return on Capital Employed

Scenario	Cash cycle	Trade finance	Return on capital
Optimised	Short	Comprehensive	~20%
Base	Moderate	Partial	~14%
Unoptimised	Long	None	~9%
Constrained	Long, growing	None	~6%

Indicative scenarios. Not a forecast.

The scenario matrix shows the substantial improvement in the return on capital that optimisation delivers. The optimised company, with a short cycle and comprehensive trade finance, earns far more on its capital than the unoptimised company with a long cycle and no trade finance, and the constrained company, with a long and growing cycle and no finance, earns least of all and may be unable to grow. The matrix underlines that working-capital optimisation is not a marginal improvement but a substantial one, capable of materially raising the return on capital and breaking the growth constraint, and that the company that neglects it leaves substantial value uncaptured.

12. International Comparison

Trade and supplier finance is a large, mature, global market, central to the financing of international and domestic trade, with well-developed instruments, deep provider markets, and increasing digitisation that is reducing costs and improving access. The GCC market, reflecting the region trading role, is well developed within this global market, and it is benefiting from the global trends toward digitisation and the entry of specialist and technology-enabled providers that are making trade finance more accessible and efficient.

The international experience offers lessons for GCC industrials and traders. It shows that trade finance is a core, durable tool for working-capital optimisation, that the combination of instruments into integrated programmes releases the most capital, and that digitisation is reducing the cost and operational burden, making the tools accessible to smaller companies. As the GCC market absorbs these trends, trade finance is becoming more accessible and efficient for regional companies, and a company that embraces the digital, programmatic approach to trade finance can optimise its working capital more effectively than one relying on traditional, transactional finance. The global trend toward accessible, digital trade finance is a tailwind for regional companies.

13. Common Errors and How to Avoid Them

A recognisable set of errors recurs in working-capital management.

- **Not measuring the cycle.** Failing to measure the cash conversion cycle leaves the company unable to see where its cash is trapped. The remedy is to measure the cycle and identify the trapped pools.
- **Masking an inefficient cycle.** Using trade finance to mask an inefficient cycle treats the symptom rather than the cause. The remedy is to combine trade finance with genuine operational improvement of the cycle.
- **Single-provider reliance.** Relying on a single trade finance provider creates concentration risk if it withdraws. The remedy is to maintain relationships with multiple providers.
- **Neglecting asset and system quality.** Neglecting the quality of trade assets and systems makes trade finance harder and dearer to access. The remedy is to maintain good-quality, well-documented trade assets and supporting systems.

Each of these errors is avoidable through the disciplined approach the framework encourages: measure the cycle, combine finance with operational improvement, diversify providers, and maintain quality assets and systems. The company that does so optimises its working capital effectively, while the one that does not leaves capital trapped, masks inefficiency, or accesses finance on poor terms.

14. Implementation Roadmap

1. Measure the cash conversion cycle, identifying the days the company cash spends in inventory and receivables and the credit its suppliers extend.
2. Identify where the largest pools of cash are trapped, in receivables, in inventory, or in the supplier gap.
3. Match the trade finance instrument to where the cash is trapped, using invoice discounting, inventory finance or supplier finance accordingly.
4. Combine the instruments into an integrated, programmatic working-capital facility that addresses the whole cycle.
5. Combine the trade finance with genuine operational improvement of the cycle, reducing inventory days, accelerating collections, and negotiating supplier terms.
6. Maintain good-quality, well-documented trade assets and supporting systems to access the finance on good terms, and diversify providers.
7. Deploy the released capital into growth or returns, ensuring it earns above the finance cost.

15. Strategic Perspective: Working Capital as a Source of Capital

The strategic insight of this paper is that the working-capital cycle is itself a source of capital, frequently the largest and least-used source available to a mid-market industrial or trading company. The capital trapped in the cycle, in inventory and receivables, is capital the company has already committed, and releasing it through trade finance and operational improvement provides funding without raising external equity or debt. For a company seeking to grow, this internal source of capital, released from its own cycle, is often the most accessible and least dilutive available.

Treating working capital as a source of capital, rather than a passive consequence of operations, is a strategic shift that distinguishes the well-managed company from the poorly-managed one. A company that actively manages and finances its cycle releases capital, funds growth, and earns a high return on its capital; a company that neglects its cycle leaves capital trapped, constrains its growth, and earns a low return. The discipline of working-capital optimisation is therefore a strategic capability, and the company that builds it has a source of capital and a return advantage that the company that neglects it lacks.

The broader strategic point is that working-capital optimisation connects to the company whole financing strategy. A company that optimises its working capital reduces its need for external financing, improves its return on capital, and strengthens its balance sheet, which improves its access to and cost of any external financing it does need. The optimisation is therefore not an isolated treasury function but a strategic capability that improves the company whole financial position, and the company that masters it positions itself to grow efficiently and to finance itself well, which is a durable competitive advantage in the capital-intensive industrial and trading sectors.

16. Conclusion

The working-capital cycle traps substantial capital in the inventory and receivables of GCC industrial and trading companies, constraining their growth and depressing their return on capital, and this paper has argued that trade and supplier finance can release this trapped capital at a modest cost, materially improving the return on capital and funding growth without dilution. The

right instrument depends on where the cash is trapped, in receivables, in inventory, or in the supplier gap, and a company that measures its cycle and matches the instrument to the trapped pool can optimise its working capital effectively.

The deeper insight is that the working-capital cycle is itself a source of capital, frequently the largest and least-used available to a mid-market company, and that treating it as such, actively managing and financing it, is a strategic capability that releases capital, funds growth and improves returns. The company that builds this capability, combining trade finance with operational improvement of the cycle, gains a source of capital and a return advantage that the company that neglects its working capital lacks. In the capital-intensive industrial and trading sectors of the GCC, working-capital optimisation is one of the most accessible and least dilutive sources of capital, and the framework in this paper is intended to help companies capture it.

17. Limitations and Directions for Further Research

This paper is framework-oriented and relies on indicative data, and its conclusions are directional rather than precise. The cycle lengths, costs and returns are calibrated to observable conditions but are not empirical estimates, and they vary by industry and company. The trade finance market is digitising rapidly, which is changing the cost and accessibility of the instruments.

Several extensions would strengthen the analysis. An empirical study of cash conversion cycles and trade finance use across GCC industrial and trading sectors would replace the indicative figures with data. An analysis of the effect of digitisation on the cost and accessibility of trade finance in the region would sharpen the analysis. And a study of how trade finance availability behaves through a downturn, when provider appetite may contract, would illuminate the concentration and reliance risks. Each is a natural subject for a later paper in this series.

Appendix A. Base Case Assumptions

Table 3. Base Case Assumptions

Parameter	Value	Parameter	Value
Invoice discounting cost	~8.5%	Supplier finance cost	~7.5%
Inventory finance cost	~10.0%	Trade LC cost	~6.5% equiv.
Working capital released	~30-40%	ROCE uplift	Several points
Cash cycle (base)	Moderate	Recourse	Optional
Currency	AED (USD peg)	Compliant option	Murabaha
Programme	Revolving	Digitisation	Increasing

Indicative parameters used to generate the figures and case studies. Not transaction-specific.

Appendix B. Glossary of Terms

Table 4. Glossary of Key Terms

Term	Definition
Cash conversion cycle	Time between paying for inputs and being paid by customers.

Working capital	Capital tied up in inventory and receivables less payables.
Invoice discounting	Advancing cash against receivables.
Factoring	Selling receivables to a financier.
Supplier finance	Extending payment terms while the supplier is paid early.
Inventory finance	Advancing cash against stock.
Letter of credit	A trade instrument providing payment assurance.
Recourse	The company remains liable for customer non-payment.
Self-liquidating	Finance repaid by the trade flows it finances.
Return on capital employed	Profit divided by the capital the company employs.

Definitions provided for reference.

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About the Author

Chennakeshav Adya is an independent researcher and corporate finance practitioner with more than twenty years of international experience across business strategy, transformation, and strategic finance. He has originated and led transactions across real estate, technology, and clean energy in the UAE, the United Kingdom, India, Europe, and the Americas, and has advised developers, corporates, family offices, and fund managers on capital raising and structuring. He is a guest speaker at London Business School and writes on startups, capital markets, and the application of technology in finance. The views expressed in this paper are his own and do not constitute investment advice.