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VALUE TALK

A MONTHLY NEWSLETTER BY ADD VALUE CONSULTANTS

Add Value Consultants is a leading Management Consulting Firm serving Indian Industries. This Newsletter is an endeavor to provide updates, understanding and sharing of global practices to the Business Owners, Managers, Academicians and Executives.

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Editorial Note

Dear Readers,

Businesses Struggle from multiple issues now a days.For many MSMEs, getting an order is not the biggest challenge—getting paid on time is.A business may have a healthy order book, adequate production capacity and growing sales, yet still struggle for cash because customers delay payments. The result is a dangerous cycle: the MSME continues paying salaries, suppliers, electricity bills and bank EMIs while waiting for money that has already been earned.

Sales generate revenue. Collections generate cash. And cash keeps an MSME alive.

For every MSME, the question should no longer be only “How much did we sell?” but also “How quickly can we convert our sales into cash?”

With an expert article in this issue, we have tried to address this pain area.

Have a Great Time...!!!

Regards,
Chetan Bhojani

YOUR PROFIT IS ON PAPER — BUT WHERE IS YOUR MONEY?

For every business, a sale is not necessarily a realisation.

- A company may report excellentturnover and profitability, but if substantial amounts restrain outstanding with customers, the business may still face serious cash-flow pressure. Profit creates value; timely collection creates liquidity.

- One of the most common mistakes businesses make is treatingrecovery as an accounts-department issue alone. By the time amatter reaches the legal department, invoices may be months or years old, documents may be incomplete and the commercial relationship may have deteriorated. A better approach is to treat receivables management as legal risk management.

- Before supplying goods or services on credit, businesses should undertake basic customer due diligence, clearly record credit limits, payment periods, interest on delayed payment and consequences of default.

- Purchase orders, invoices, delivery challans, transport records, emails, account statements and acknowledgements should besystematically preserved.

- Where payment is delayed, the response should not always be "wait for another promise". A structured escalation mechanism can be adopted:
  Due date —> reminder —+ reconciliation —• formal demand —+ legal strategy —•recovery proceedings.

- For eligible micro and small enterprises, the MSMED Act provides a specific statutory framework concerning delayed payments, including statutory interest and reference of disputes to the Facilitation Council. The law therefore makes timely documentation and monitoring particularly important.

- The same principle applies to ordinary commercial transactions. A legally recoverable debt can become difficultto recover when limitation, evidence, contractual terms or identification of the correct contracting party is neglected.

Advocate Mr. Gajendra M. Jani , GM Jani & Associates Law Firm Rajkot,ghandhidham

Having consolidated professional experience of 22 years in statutory and legal profession. Expert in handling Commercial, Insurance, Banking, Recovery etc disputes through MSEFC

The lesson for management is simple:
Do'not wait until an outstanding receivable becomes a "legal case".
A strong business does not merely increase sales. It also builds a system to convert sales into timely cash.
Legal awareness is not about creating disputes. It is about preventing avoidable losses before they become disputes.

Sessions on “Beyond Performace: Builing the next chapter of Growth”

Mr. Chetan Bhojani, Director, Add Value group of companies conducted session on “Beyond Performace: Builing the next chapter of Growth” for the officers of Indian Postal services.

Sessions on “International Business” by Mr. Chetan Bhojani