

Working Capital *as a Strategic Growth Lever* in Manufacturing

July 2026 Edition





Why working capital is more than
a financial metric and one of the
most important drivers of
sustainable manufacturing
growth?



PUBLICATION TYPE	Industry Perspective
INDUSTRY	Manufacturing
FOCUS AREAS	Working Capital Cash Flow Business Performance Sustainable Growth
READING TIME	5 minutes
PUBLICATION CODE	VSP-MFG-003

ABOUT
VALUESCOPE™
PERSPECTIVES

ValueScope™ Perspectives is Cuma's thought leadership series exploring the strategic, operational and financial issues shaping India's mid-market businesses. Each publication offers practical perspectives designed to help business leaders identify opportunities to create, recover and sustain enterprise value.

Working Capital as a Strategic Growth Lever in Manufacturing

Growth is often associated with new customers, larger factories, additional capacity and increased production. Yet many manufacturing businesses discover that as sales increase, cash becomes tighter.

The business is growing, but so is the pressure on working capital.

- More raw materials need to be purchased.
- Higher inventory levels are maintained to meet customer demand.
- Receivables take longer to convert into cash.
- Suppliers seek quicker payments.

Before long, a profitable business finds itself borrowing more simply to support day-to-day operations. This is where many manufacturing leaders view working capital as a financing problem. In reality, it is a business performance issue.

Working capital is far more than a financial metric reported on the balance sheet. It reflects how efficiently an organisation plans production, manages inventory, negotiates with suppliers, serves customers and converts sales into cash. When these activities work together effectively, working capital becomes a powerful enabler of growth. When they don't, it quietly limits the organisation's ability to invest, expand and compete.

Consider two manufacturers with similar revenues and comparable profitability. One consistently converts inventory into sales, collects receivables on time and manages supplier relationships strategically. The other carries excess inventory, experiences delayed collections and relies heavily on short-term borrowing.



Although both businesses may report similar profits, their ability to fund future growth is fundamentally different. The first has created financial flexibility. The second has created financial dependence.

This is why leading manufacturers do not treat working capital as the sole responsibility of the finance team.

- Sales influences receivables through customer payment terms.
- Procurement affects inventory levels and supplier relationships.
- Production planning determines how much inventory is held and for how long.
- Operations influence production efficiency and material utilisation.

Finance provides visibility, but every function contributes to the outcome. Working capital is therefore a reflection of how well the entire business operates. Improving it is rarely about reducing inventory indiscriminately or collecting receivables more aggressively. Those actions may provide short-term benefits but can also create unintended consequences if they are not aligned with customer demand and operational realities.

A ValueScope™ Question?

If your manufacturing business received a 25% increase in customer orders tomorrow, would your working capital position enable you to capture that opportunity—or become the very constraint that limits your growth?



Instead, the objective should be to build a business that converts effort into cash more efficiently. That means improving forecasting, strengthening production planning, aligning procurement with demand, managing customer credit thoughtfully and creating greater visibility across the operating cycle.

Businesses that achieve this are often better positioned to respond to new opportunities.

- They can invest in capacity with greater confidence.
- Support larger customer orders without excessive borrowing.
- Navigate market uncertainty with stronger cash reserves.
- And make strategic decisions based on opportunity rather than financial constraint.

In manufacturing, growth does not begin when a new order is received. It begins when the business has the financial capacity to fulfil that order efficiently and profitably. Working capital provides that capacity.

The strongest manufacturing businesses understand that working capital is not simply cash tied up in operations. It is one of the most important strategic assets available to support sustainable growth.



The Value Lens

Working capital is not simply a source of liquidity. It is a strategic capability that determines how confidently a manufacturing business can grow.



DISCOVER

Understand where cash is being tied up across inventory, receivables, payables and production, and identify the operational decisions that influence cash conversion.



RECOVER

Improve planning, inventory management, receivables and procurement practices to unlock cash, strengthen liquidity and reduce dependence on external financing.



CREATE

Use stronger working capital performance to improve financial flexibility, support strategic investment and create the capacity for sustainable business growth.

Growth is not constrained by a lack of opportunity. It is often constrained by a lack of financial flexibility to pursue it.



EXECUTIVE REFLECTION

WORKING CAPITAL AS A STRATEGIC GROWTH LEVER IN MANUFACTURING

Use this reflection guide to assess your working capital performance—and unlock capital to fuel growth, strengthen resilience and build value.

6 QUESTIONS FOR LEADERS

- 1 INVENTORY EXCELLENCE**
Do we have the right inventory in the right place, in the right quantity, at the right time?
Rate yourself 1–5
- 2 RECEIVABLES ACCELERATION**
How effectively do we convert sales into cash and minimize days sales outstanding?
Rate yourself 1–5
- 3 PAYABLES OPTIMIZATION**
Are we leveraging supplier terms and programs to optimize payable days without straining relationships?
Rate yourself 1–5
- 4 CASH & BANK EFFICIENCY**
Are we maximizing cash conversion, optimizing bank relationships and avoiding idle cash?
Rate yourself 1–5
- 5 PROCESS & DATA DISCIPLINE**
Do we have visibility, controls and analytics to make fast, fact-based working capital decisions?
Rate yourself 1–5
- 6 RESILIENCE & VALUE CREATION**
Is our working capital strategy building resilience today and creating enterprise value for tomorrow?
Rate yourself 1–5

WHAT TO LOOK FOR

- FINANCIAL OUTCOMES**
 - Stronger cash flow
 - Lower borrowing & finance cost
 - Higher return on capital
- OPERATIONAL OUTCOMES**
 - Smoother operations
 - Shorter cycle times
 - Fewer stockouts & expediting
- STRATEGIC OUTCOMES**
 - Invest in growth opportunities
 - Strengthen supplier & customer trust
 - Build market & competitive advantage
- EARLY WARNING SIGNS**
 - Rising inventory days
 - Increasing DSO
 - Cash flow volatility
- REMEMBER**
Cash is not just a number in the bank. It is the fuel that powers growth, innovation and resilience.

FROM INSIGHT TO ACTION

- ASSESS Measure current working capital performance. > PRIORITIZE Focus on the highest impact levers first. > ACT Execute with ownership and clear timelines. > MONITOR Track KPIs and cash conversion cycle regularly. > IMPROVE Institutionalize best practices for continuous gains.

Small improvements in working capital can unlock significant capital. Compound those gains—and fuel sustainable growth.

- LOWER FINANCE COST
- FASTER GROWTH
- GREATER RESILIENCE
- HIGHER ENTERPRISE VALUE

Where Do You Go From Here?

Every manufacturing business generates working capital. The real question is whether it is being managed deliberately or simply reacting to the demands of day-to-day operations.

Organisations that consistently outperform their peers understand that improving working capital is not about restricting growth—it's about creating the financial flexibility to pursue it with confidence.

At Cuma, we work with manufacturing businesses to evaluate the operational and financial drivers that influence working capital performance, helping leadership teams unlock cash, strengthen resilience and support long-term growth without compromising operational effectiveness.

The next question isn't how much working capital your business has.

It's whether your working capital is creating the capacity to grow?



About Cuma

Cuma is a strategy and performance advisory firm helping India's mid-market businesses create sustainable enterprise value through strategic clarity, operational excellence, financial discipline and organisational capability.

Published by

ValueScope™ Perspectives by Cuma

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