

## **Tawarruq – Stock Financing Case Study**

A UK manufacturer required stock financing for its inventory covering raw materials and finished product.

The company approached BLME for a trade facility which was initially provided on a *murabaha* basis whereby the manufacturer acts as agent for the Bank in procuring raw material, this is delivered direct to the manufacturer and the supplier invoices the Bank. A deferred payment obligation is generated allowing the manufacturer to finance its stock requirement during the conversion period to allow it to purchase raw materials and produce finished goods.

The initial structure assisted the manufacturer in its cash flow in that not only was financing provided but the manufacturer was able to benefit from recovery of the VAT input which was being financed under the *murabaha*.

Subsequently, the facility was amended to a *tawarruq* structure to enable the manufacturer to purchase LME traded metals which enable the manufacturer to finance

- a) its purchase of raw materials from a number of UK suppliers and;
- b) its receivables to meet its cash conversion cycle.

BLME were able to provide short term revolving working capital financing in a Sharia'a compliant manner to support a UK manufacturing company in its procurement of raw materials.