GGA INDIA PRIVATE LIMITED · DIAGNOSTIC · SALES TO CASH CONVERSION

A sale that never becomes cash is not a sale. It is a cost with an invoice attached.

A company exists to sell. It survives on what reaches the bank. When a large share of what is sold never completes that journey, something specific is wrong — and it is one of only four things. This paper sets out how to tell which, using data the company already has.

Type: diagnostic framework, evidenced across mandates
For: promoters, boards and management teams Read time: eight minutes
Currency: ₹ (1 crore = 10 million)

4 Possible causes — and only four	**₹6.50 cr** New sales needed to replace ₹1 crore lost, at 20% EBIT	**2.4%** What a receivable returns after five years of nobody acting
38.5% Of one book blocked before a customer was ever contacted	**48 hours** To establish which of the four you have	

THE ARGUMENT

Revenue is a claim. Cash is a fact. A business that measures itself on the first and cannot produce the second has not yet found out which part of itself is broken.

> *The year closed at target. The bank balance says otherwise. Somewhere between those two facts is a number nobody has been asked to produce.*

01 Executive summary

> **How to read the evidence in this paper.** MEASURED computed directly from client line-item data. MODELLED arithmetic built on stated assumptions. OBSERVED a pattern recorded across assignments rather than calculated. Every percentage states the denominator it is taken against; figures on different denominators are not comparable and are never averaged.

The premise. A company sells in order to make money, and money is not made until it is in the bank. Where a material share of billing does not complete that journey, the business has a defect somewhere — and the defect is diagnosable.

1. **For management diagnosis, GGA groups the principal causes into four operating families.** The customer was wrong, the product or service was wrong, the sales decision was wrong, or the collection process was wrong. Every unconverted rupee traces to one of these.
2. **They look identical on an ageing report and require opposite remedies.** A book failing on credit assessment needs a different intervention from one failing on documentation, and applying the wrong one wastes a year.
3. **They can be told apart from data the company already holds.** If the same customers pay other suppliers on time, it is not the customer. If disputes cluster by product line, it is the product. If bad debt clusters by territory, it is the sales decision. If blocked value sits with internal teams, it is the process.
4. **Across fifteen mandates, the fourth cause was the largest.** On a logistics book 78.0% of blocked value required action by the seller's own teams; on a messaging book 38.5% of the opening balance was blocked before any customer was contacted.
5. **Unconverted revenue is not deferred profit. It is destroyed profit.** At a 20% EBIT margin, ₹1 crore written off requires ₹6.50 crore of new business to restore — which the same sales organisation must now find.
6. **And cash is what funds everything else.** Salaries, suppliers, capacity, the next product. A business that grows its receivable rather than its cash acquires the appearance of growth and none of the capability.

02 What a company is actually for

A sale is a claim on a customer. Cash is the settlement of that claim. Between the two sit delivery, documentation, approval, and a decision by somebody in the customer's organisation to release money. None of that is automatic, and a business that treats the first as equivalent to the last is measuring an intention rather than an outcome.

The distinction is not accounting pedantry. Revenue recognised at invoice pays no salary, funds no supplier, buys no capacity and finances no product development. Only cash does. Everything a company plans to do next is contingent on the second number, and most companies manage the first.

Revenue is a claim. Cash is a fact. A business that measures itself on the first and cannot produce the second has not yet found out which part of itself is broken.

Which reframes the question a board should be asking. Not "why are receivables high" — that describes the symptom. But: *of everything we sold, what proportion reached the bank, how long did it take, and where did the rest stop?* That question has an answer, and the answer identifies the defect.

It also has an uncomfortable corollary. If a large share of what the company sells does not convert, then the activity generating those sales is not producing what the company exists to produce. The sales are real; the outcome is not. And the longer the gap persists, the harder it becomes to argue that the selling was the valuable part.

03 The four causes

This is a GGA diagnostic taxonomy for management use, not an exhaustive accounting classification. Most books contain more than one.

What can go wrong between a sale and the bank

CAUSE	WHAT ACTUALLY HAPPENED	WHAT IT LOOKS LIKE
The customer was wrong	Sold to a party who could not pay, or never intended to. A credit assessment failure at the point of sale.	Balances with no recoverable counterparty — businesses closed, absconded, dissolved. Concentrated in specific accounts rather than spread.
The product or service was wrong	Delivered something that did not match what was promised. The customer is withholding payment for a defensible reason.	Disputes clustering by product line, branch or delivery period. Short shelf life, specification failure, service quality, late delivery.
The sales decision was wrong	The order should not have been taken on those terms — or was taken on terms nobody could collect. Volume chosen over realisation.	Unhonoured schemes, verbal credit far beyond invoice terms, stock dumped at period end, bad debt clustering by territory or salesperson.
The collection process was wrong	The invoice was never made payable, never routed to anyone who could act, or acted on far too late.	Missing agreements, absent purchase orders, undeliverable invoices, unevidenced delivery, incomplete onboarding, approvals sitting undecided.

All four produce the same line on an ageing report and none of them responds to the same remedy. A company that has not diagnosed which it has will apply collection pressure to a product problem, or a credit policy to a documentation problem, and neither will work.

Across fifteen GGA mandates, the fourth cause was consistently the largest — which is counterintuitive, because it is the only one nobody in the business is measured on. On a logistics book, 78.0% of blocked value required action by the seller's own commercial, billing, pricing or operations teams. On a maintenance book, 61.4%. On a technology services book, 38.5% of the entire opening balance could not be collected by anybody until the seller fixed it first.

04 How to tell which one you have

The diagnosis does not require new data. It requires four cuts of a ledger the company already produces.

Four tests, four answers

TEST	IF IT SHOWS THIS	THE CAUSE IS
Are these customers paying other suppliers?	They pay others and not you	Not the customer. Look at product, terms or process
	They pay nobody, or cannot be located	The customer. A credit assessment failure
Do disputes cluster by product line, branch or delivery period?	Concentrated in one line or period	The product or service
	Spread evenly across the book	Not the product
Does aged debt cluster by territory or salesperson?	Heavily concentrated	The sales decision, and it has a name attached
	Evenly distributed	Not sales-specific; look upstream at process
Who must act next on each blocked balance?	Mostly internal teams	The collection process
	Mostly the customer	One of the first three

The third test is the one most often skipped and most often decisive. On one book examined, six territories out of eighteen held 74.6% of the risk pool, with a single territory holding 25.4%. A problem distributed that unevenly is not a market condition — it reflects how credit was granted and supervised in specific places, which makes the remedy far smaller than a policy change affecting everybody.

The fourth test is the fastest. Take last month's overdue report and classify every balance by the person who must act next, then count how many of those names sit outside finance. On the mandates examined, that share ran between 27% and 78%.

Four questions, one afternoon, and the diagnosis is no longer a matter of opinion. Until it is done, every function in the business has a theory and none of them can be tested.

05 What non-conversion actually costs

Unconverted revenue is routinely discussed as delayed cash. It is not. Past a point it is destroyed profit, and profit has to be earned again at the margin the business actually makes.

Replacing ₹1 crore written off, after three years of carrying it

	AT 8% EBIT	AT 10% EBIT	AT 20% EBIT
Additional sales needed to replace the principal	₹12.50 cr	₹10.00 cr	₹5.00 cr
Financing already spent carrying it three years	₹0.30 cr	₹0.30 cr	₹0.30 cr
Additional sales needed to restore the position	**₹16.25 cr**	**₹13.00 cr**	**₹6.50 cr**

And the window in which it can be avoided is short. On a trade channel book worked over five years, recovery yield fell from 35.2% inside one year to 9.9% at three to four years and **2.4% beyond five**. Nothing about the customers changed. What changed is that nobody acted while acting still worked.

At a 20% margin, one crore lost takes ₹6.5 crore of new business to undo — and the sales organisation defending that customer is the organisation that will have to find it.

And without cash there is no next year

Cash funds two entirely different things and both stop at once when it does not arrive. Current obligations — salaries, suppliers, statutory dues, the interest on whatever was borrowed to bridge the gap. And future capability — capacity, hiring, product development, the ability to take a large order without financing it externally.

A company that converts faster can redeploy faster. On a leasing book collecting roughly nine rupees in ten within the month, that conversion rate sets how many times the same capital turns in a year, and therefore the growth rate. On a book where balances aged past five years returned 2.4%, the capital did not turn again at all.

Which is why the receivable is a strategic constraint rather than a finance metric. Sales targets, capacity plans and investment decisions are all limited by the same number, and it is rarely the number being managed.

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06 The question nobody asks out loud

If a large share of what a company sells never becomes money, what is the selling for?

The question sounds rhetorical and is not. Every function in the business is being paid, rewarded and promoted against activity that is assumed to produce cash. Where it demonstrably does not, the assumption is wrong somewhere — and the organisation continues operating on it because nobody has been asked to check.

Three things follow, and they are uncomfortable in proportion to how true they are.

- **A sales target measured on despatch is measuring the wrong event.** A team rewarded for shipping is behaving exactly as designed when it ships to a customer who will not pay. The defect is in the measure, and only the board can change a measure.
- **Reported profit and realised cash are different measures.** Accrual accounting recognises revenue before cash by design. But where a material share of recognised revenue later fails to convert, the economic quality of that revenue deteriorates — and the reported margin describes an outcome that has not fully happened.
- **And a business plan funded by cash that has not arrived is a plan for a different company.** Capacity commitments, hiring and investment decisions taken against expected cash become obligations regardless of whether the cash appears.

A company exists to sell. It survives on what reaches the bank. Where those two diverge for long enough, the second one decides the outcome — whatever the first one says about performance.

None of which is an argument against selling. It is an argument for closing the loop — measuring the sale at the point the money arrives rather than the point the invoice is raised, and diagnosing the gap rather than tolerating it. A business that does that will sell less to the wrong customers and considerably more to the right ones.

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07 What to do about it

Five steps, in order. The first two cost nothing.

1. **Measure conversion, not just revenue.** Of what was billed in a period, what proportion reached the bank, and when? On recurring-billing books this is more informative than days sales outstanding, and almost nobody produces it.
2. **Run the four tests.** Customer, product, sales, process — four cuts of an existing ledger, one afternoon. The diagnosis stops being contested the moment it is evidenced.
3. **Size each cause in rupees.** A cause without a number attached does not compete for attention against a sales target that has one.
4. **Fix the largest first, and expect it to be the process.** On fifteen mandates it consistently was — and it is the cheapest of the four to correct, because it requires decisions rather than renegotiation.
5. **Close the loop back into how sales is measured.** Where a period-end despatch is not paid within a defined window, the credit attaching to it should reverse. Targets that count despatch will produce despatch.

And establish the position neutrally before deciding anything. GGA runs a revenue quality analysis at no charge, returned within 48 hours of receiving a debtor ageing. It separates the four causes and sizes each. No

obligation is attached and no proposal is included — the purpose is to put a diagnosis in front of the chief executive before anybody proposes a remedy.

THE WHOLE ARGUMENT, IN ONE LINE

A company exists to sell. It survives on what reaches the bank.

08 Method and limitations

This paper is a diagnostic framework rather than a case study. The four-cause structure is drawn from GGA's work across fifteen mandates in nine sectors; the individual figures quoted come from those mandates and are published in full in the separate studies, each with its own method section.

Figures describe individual books, not averages. Where a percentage relates to one mandate, that is stated. The books differ too widely in composition, vintage and sector for an average across them to carry meaning, so the consistency claimed is of pattern rather than of magnitude.

The write-off arithmetic is illustrative. It assumes a 10% cost of capital, a three-year carry and the stated EBIT margins, and it ignores tax effects and any partial recovery. Readers should substitute their own margin and cost of capital, both of which change the answer materially.

The four causes are mutually exclusive as a diagnosis and frequently coexist in a book. The tests are designed to establish which dominates, not to produce a single verdict for an entire ledger.

Tax treatment is stated as a general feature of the Indian framework and varies by classification. This is not tax advice. No client, customer or individual is identified.

09 Definitions

Terms as used in this paper

TERM	DEFINITION
Conversion	The proportion of billed value that reaches the bank, and the time it takes. Distinct from revenue recognised and from days sales outstanding.
Unconverted revenue	Billed value that has not become cash and, past a point, will not. Destroyed profit rather than delayed cash.
Credit assessment failure	A sale made to a party who could not pay or never intended to. The first of the four causes, and the only one visible before the sale.
Made payable	The state in which an invoice can be validated and approved by the customer. An invoice not yet made payable is not late; it does not exist in the customer's queue.
Recovery yield	Value converted to cash as a proportion of the balance in an age band. Falls steeply with age in trade channel books.
Revenue quality analysis	A diagnostic separating billed value by whether it converted, why it did not, and which of the four causes applies. Run by GGA at no charge within 48 hours of receiving the data.

10 Frequently asked questions

Why do sales not convert into cash?

For management diagnosis, GGA groups the principal causes into four operating families. The customer was wrong — sold to a party who could not or would not pay. The product or service was wrong — what was delivered did not match what was promised, so payment is withheld for a defensible reason. The sales decision was wrong — the order was taken on terms nobody could collect. Or the collection process was wrong — the invoice was never made payable, never routed to anyone who could act, or acted on far too late. All four look identical on an ageing report and require opposite remedies.

How do I tell which cause applies to my receivables?

Four tests against your existing ledger. Are these customers paying other suppliers on time — if yes it is not the customer. Do disputes cluster by product line, branch or delivery period — if yes it is the product or service. Does aged debt cluster by territory or salesperson — if yes it is the sales decision, and it has a name attached. And who must act next on each blocked balance — if mostly internal teams, it is the process. Four cuts, one afternoon.

Is unpaid revenue just delayed cash?

Only briefly. Past a point it is destroyed profit that must be earned again at the margin the business actually makes. At a 20% EBIT margin, ₹1 crore written off requires ₹5 crore of additional sales to replace the principal, and ₹6.50 crore once three years of financing at a 10% cost of capital is included. Recovery yield on one trade channel book fell from 35.2% inside a year to 2.4% beyond five — the window in which the loss can be avoided is short.

Why does cash flow matter more than reported profit?

Because cash funds two things that both stop at once when it fails to arrive: current obligations — salaries, suppliers, statutory dues, interest — and future capability, meaning capacity, hiring, product development and the ability to take a large order without financing it externally. Revenue recognised at invoice pays none of those. Reported profit and realised cash are different measures, and accrual accounting recognises revenue before cash by design — but where a material share of it later fails to convert, the economic quality of that profit deteriorates.

What is the most common reason B2B invoices go unpaid in India?

Across fifteen mandates in nine sectors, the collection process was consistently the largest cause — which is counterintuitive, because it is the one nobody in the business is measured on. On a logistics book, 78.0% of blocked value required action by the seller's own commercial, billing, pricing or operations teams. On a maintenance book, 61.4%. On a technology services book, 38.5% of the entire opening balance was blocked before any customer was contacted.

Should sales targets be based on despatch or on collection?

On collection, or the measure will produce despatch. A team rewarded for shipping behaves exactly as designed when it ships to a customer who will not pay — the defect is in the measure rather than the person, and only the board can change a measure. A practical version: where a period-end despatch is not paid within a defined window, the commission or credit attaching to it reverses.

How can a company establish the diagnosis quickly?

GGA runs a revenue quality analysis at no charge, returned within 48 hours of receiving a debtor ageing and, where available, an invoice-level extract. It separates the four causes — customer, product, sales, process — and sizes each in rupees. No obligation is attached and no proposal is included; the purpose is to establish the diagnosis before anybody proposes a remedy.

What does it mean if aged debt is concentrated in a few territories?

That the cause is the sales decision rather than the market. On one book examined, six territories of eighteen held 74.6% of the risk pool with a single territory holding 25.4%. A problem distributed that unevenly reflects how credit was granted and supervised in

specific places, which makes the remedy far smaller and cheaper than a base-wide policy change — and it is one query away in any ERP.

RUN IT ON YOUR OWN BOOK

What your ageing is worth · Which bands your collections came from · Score every dealer A to E

Three free calculators. Everything runs in your browser; nothing is transmitted.

About GGA India Private Limited

Operating since 2002, GGA India Private Limited is a revenue intelligence, assurance and realization firm — 200+ specialists across 17 cities. One logic runs across the firm:
Intelligence → Assurance → Realization.

Its operating idea is Intelligence → Assurance → Realization. Revenue creates possibility; realized revenue funds execution. Until the money is in the bank, a sale is a hypothesis.

Four lines of business: **B2B Revenue Realization** (institutional, channel, project and government receivables), **India Desk** (foreign companies with Indian receivables), **Global Receivables Desk** (Indian exporters recovering overseas), and **Special Situations** (insurers, ARCs, factors, banks, alternative investors and TReDS — insurance trade claims, purchased debtor portfolios, post-default recovery).

Engagements run on a success-fee model. Client money never passes through GGA's accounts: debtors pay the client directly and GGA invoices its fee afterwards.

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