

TReDS

How it works and why should you use it?



M1xchange is an RBI approved TReDS (Trade Receivable Discounting System) platform. TReDS is an institutional mechanism set up in order to facilitate the financing of trade receivables of MSMEs from their respective corporate buyers through multiple financiers. TReDS is a much required boost to the Indian economy, it solves one of the most prevalent problem of erratic cash flow in MSMEs sector caused due to slow paying invoices.

TReDS involves a digital mechanism having 3 stakeholders, the corporate buyer, the MSME supplier and the financier. Being a completely digital platform the transactions are 100% transparent and the overall administration cost for vendor financing, payments and settlements are significantly reduced lowering the overall cost of trade.

How M1xchange TReDS Work?

The process of bill discounting initiates with uploading of a valid invoice by the Supplier or Buyer depending on the type of factoring is opted. Primarily there are two ways how Invoice discounting on TReDS work:

1. Factoring: Supplier bearing the interest
2. Reverse Factoring: Buyer Bearing the interest



Factoring

The process of Factoring starts when a Supplier uploads and invoice on M1xchange TReDS platform. Once a valid invoice is uploaded on M1xchange, the buyer then checks the validity of the uploaded invoice and approves the same. Upon approval the financiers starts to bid on the invoice at discounted rates, the rate at which a financiers place their bids depends on buyer's rating. The supplier then accepts the bid as per their discretion, upon acceptance payment is processed the next day and supplier's account is credited with the discounted amount.

This process gives flexibility to the suppliers to choose the best suitable financier on financing cost.



Reverse Factoring

The process of reverse factoring is mostly similar to the process of factoring. In Reverse factoring valid invoice is uploaded on the system by the Buyer. The invoice then goes directly to the Financiers on the platform to start the bidding process. Once the financiers start to bid on the invoice the bids start getting visible to the supplier and the buyer. The supplier then accepts the bid. Upon acceptance, payment is processed the next day and supplier's account is credited with the discounted amount.





According to an independent survey by Bloomberg Quint, M1xchange is leading the TReDS sphere and has emerged out to be the biggest and fastest growing TReDS platform in terms of Volumes of Bills Discounted.

Benefits of using TReDS for your business

Coming to the overall benefit of this system. Suppliers enjoy collateral free without recourse financing at a rate much lower than a bank loan. The corporate buyers on the other hand gets an extension on days payable helping them better manage their working capital. Since the corporates are enabling their MSME supplier get paid in a matter of few days, they are in a comfortable position to negotiate on the overall cost of procurement. Financiers are able to build quality PSL Asset portfolio in MSME space with reduced risk of default.

The onboarding process on M1xchange is very simple and involves minimum documentation. There are separate teams created for Transaction, enquiry helpdesk, Banking and Sales, this structure improves the serviceability on the platform and reduce turnaround time significantly for our stakeholders.

Advantages of M1xchange TReDS Platform:

- Bank Agnostic
- Large Expertise in Vendor Lifecycle Management
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- End to End process automation with connectivity to ERP & Tally
- Vision & Potential for expansion in other trade products & international markets
- Extensibility, Usability & Scalability of Product