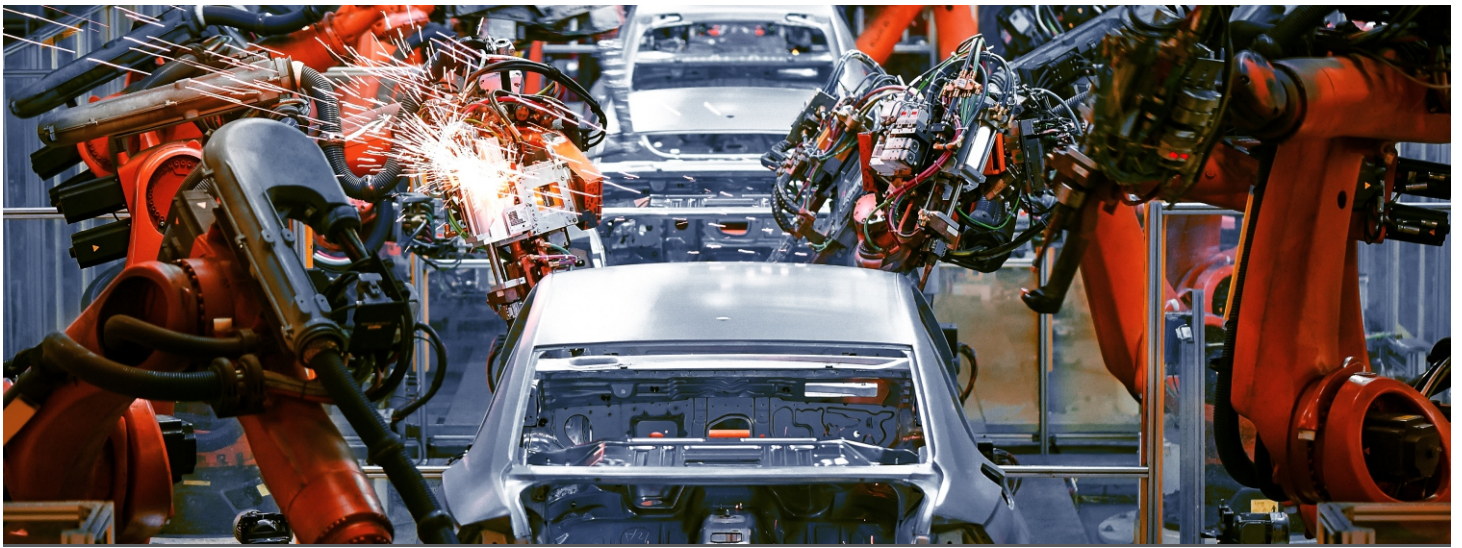




TOMORROW'S MONEY TODAY

An AUTOMOBILE OEM Optimized Its Working Capital And Helped Its MSME Suppliers

Get Early Payments Resulting In Increased Business Volume



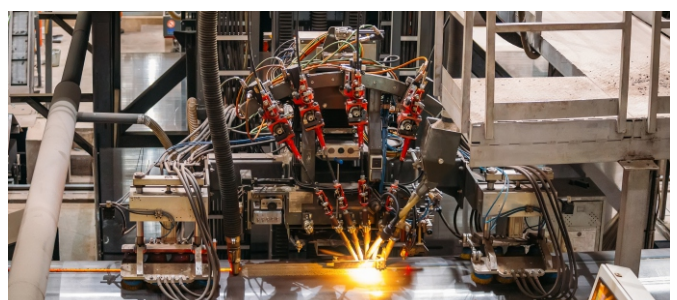
OVERVIEW

ABC Industries (name changed to maintain confidentiality) is a three-decade-old company and a leading automotive components manufacturer with manufacturing facilities in India and abroad. In India, the organization supplies to large automobile manufacturers, and has an MSME supplier base across 40 manufacturing locations in the country.

As part of the contract, the company has agreed to make the payments against MSME invoices within 45 days of order delivery. ABC Industries enjoys a good corporate credit rating, so its MSME suppliers are assured of timely payments. However, the company often receives request of early payments from its MSME suppliers. At times, to maintain a healthy relationship among its suppliers, the corporate releases the payment as early as possible. As an effect, this decision hampers their monthly projections and working capital. Its MSMEs often take help of traditional factoring for invoice discounting of its MSMEs invoices, but it involves a lot of paperwork and payment takes approximately 7-10 days to reach the MSME supplier. ABC industries understands the value of working capital for their MSMEs to keep the production up and running, but also does not want to overburden its finance team with required paperwork for every factoring transaction as well.

The Problem

ABC Industries has a big order to fulfil in the next two months for one of the major automobile sector clients. Unfortunately, one of its major MSME suppliers has denied to take up the order, citing working capital shortage and some of the invoices from that MSME supplier are also pending with ABC industries for payment with due date of next month. ABC industries cannot make early payments to the MSME because of its own financial reasons. If the MSME goes to the financial institutions to avail a business loan, in normal circumstances the rate of interest will be around 13-14% with collateral and 18-22% without a collateral. The MSME is not interested in taking a loan at such a high rate of interest, but at the same time is interested in taking the order from ABC Industries.



The Solution

ABC Industries comes to know about TReDS, and in the meantime on-boards a Gurgaon-based TReDS platforms to enable early payment of the pending invoices at discounted rates. The corporate urges its MSME suppliers to on-board the same platform as well. With one-time documentation and KYC formalities, the MSMEs get registered on platform in simple steps. The suppliers uploads the invoices on TReDS portal, which is approved online by ABC Industries. Once the invoice is approved, it is open for bidding by various financiers on the platform. As soon as the MSME supplier accepts the best suited bid, the discounted amount is credited to its bank account within 1-2 days.

All the MSMEs suppliers of ABC Industries registered on M1xchange can discount all their invoices raised to ABC Industries and receive early payments at interest rate as low as 9%. There is no requirement of collateral or guarantor and past performance record for the business. The invoice amount is now to be paid to the financier by ABC industries at extended due date as per their mutual terms.

With this move, ABC Industries has enabled early payments for its MSME suppliers, which directly helps them financially and indirectly enhances the vendor ecosystem of ABC Industries. Since the organization is helping its MSMEs get early payment at lower interest rate without collateral, ABC Industries is in a better position to negotiate on the cost of procurement. The organization also extends its days payable up to 90 days as per its term with the financier. This helps them to better optimize its own working capital.

In order to avoid any kind of duplicity of invoice, the transactions on the portal are secured using block chain technology and the process is completely transparent.

Impact Of Invoice Discounting On TReDS

ABC Industries has not only helped its MSME get quick & cheap access to working capital, but has also significantly improved the business and production capabilities of its MSME supplier. ABC Industries can now fulfil its order to the large auto manufacturer. On the other hand now, its MSME can buy new machinery, increase the headcount and pitch in for bigger orders.

TReDS has provided a collateral-free and without-recourse financing with hassle-free and paperless documentation through a secure and digital platform. The corporate improved its vendor relationship and optimize its working capital by extending its days payable up to 90 days, but most importantly it gets to fulfil the order by helping its MSME supplier. The MSME Supplier now enjoys better working capital management while increasing the options of expanding the business faster.



Benefits of TReDS

- Key benefits of invoice discounting and exchange services
- Creates a better vendor ecosystem
- Does not add as borrowing or any additional liability on the balance sheet
- Does not use the cash flows of the buyer for the pre-payment
- Much faster turnaround time than unconventional supply chain facilities by the banks
- Gives power to the buyer to negotiate on the cost for procurement from MSME suppliers
- Minimal paperwork one-time and thereafter invoices are discounted digitally
- Security of digital platform for confidentiality of information
- Minimizes duplicate payments and other operational risks
- Can be integrated with ERP systems and avoids manual processes

TALK TO US

Write to us at sales@m1xchange.com to know more about TReDS and its benefits for your organization.

Or talk to our helpdesk team on **1800-103-7261** (10 AM - 6 PM)

www.m1xchange.com

