

SEE HOW AN
INDIAN MULTINATIONAL

AUTOMOTIVE

COMPANY PROVIDED
INSTANT WORKING-CAPITAL ACCESS
TO ITS VENDORS WITH TReDS



OVERVIEW

Our client is an Indian multinational automobile market leader in the bus segment and the third largest manufacturer of buses in the world. It is the second largest commercial vehicle company in India in the medium and heavy commercial vehicle (M&HCV) segment and the third largest manufacturer of trucks in the world. In India the client operates from nine plants with more than 500 vendor's network base which includes Dealers, suppliers, SMEs etc. The client also makes spare parts and engines for industrial and marine applications.

Our client, over many years built a large network of dealers and vendors including SME vendors. Many of these were key strategic vendor relationships built and nurtured over time.

The client recognized that this network constituted not just a valuable asset, but also a key competitive advantage. A key constraint in a manufacturing-focused industry was access to working capital, at affordable rates, with minimal effort, and our client wanted to make working capital accessible for its vendors, reduce risk, create manufacturing capacity and keep their vendors financially secure.



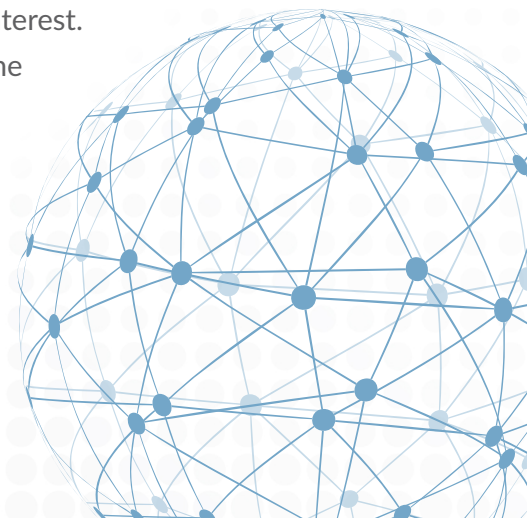
THE CHALLENGE

As earlier mentioned a key constraint in a manufacturing-focused industry was access to working capital. At the same time, the client executed a program which reached only few key vendors, as these vendors were already well run and had access to working capital already. The true beneficiaries would have to be the many SMEs who supplied to the company.

As a part of our client's contract with its SME vendor network, the company makes the payments against invoices within 45 days of order delivery. The company often receives request of early payments from its suppliers. At times, to maintain a healthy relationship among its suppliers, the corporate would consider such early payment request and process the payment post deduction of interest. This would of course mean additional liquidity requirement for our client. Vendors would also often take help of traditional factoring for invoice discounting of its invoices, but this would involve a lot of paperwork and the payment takes approximately 7-10 days to reach the MSME supplier. The other alternative was bilateral Working Capital borrowing but this would come at a higher rate of interest.

Our client understands the value of working capital for its suppliers 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 client was ready to implement an innovative forward looking solution to provide working capital at scale, without manual intervention.



THE SOLUTION

After careful analysis of various supply chain solutions our client adopted the TReDS platform which works well for solving working capital issues for the suppliers without taking extra burden of collaterals. M1xchange TReDS platform brought a key innovation – Digital Marketplace to sell the receivables of these vendors to banks & NBFCs. The process is completely digital from submission of invoices to receiving the payments. This democratized access to funding in the entire vendor base, and any vendor, no matter how small, could access funds in a 100% automated, on-demand fashion manner.

Through the TReDS program the vendors can opt to be paid earlier as the M1 TReDS can convert outstanding receivables of these vendors into cash at a very competitive discount rate by leveraging our clients outstanding credit quality. This allowed vendors the flexibility to obtain liquidity on their terms, and for the client to deliver funding at an entire supply chain level, and cater to each vendor's unique needs without any manual efforts.

Thanks to TReDS our client's vendors are able to receive payments within 24 hrs to 72 hrs without having to wait until the due date of the payment.

THE IMPACT

The benefits to vendors were substantial without impacting our client financially. Before TReDS working capital was stuck in invoices for 45-90 days, Adopting TReDS has provided the following advantages to the vendor

- A collateral free and without recourse financing
- Hassle free and paperless documentation (one time) through a secure digital platform
- TAT of 2 days from invoice upload on the platform / crunch credit period from 45 to almost NIL
- Competitive rate of financing

Access to ready working capital has “Changed The Game” for many SMEs, allowing them to diversify and expand their business and manufacturing capacity while maintaining adequate financial health even through the COVID-19 lockdown. All this without putting any additional financial burden on our client as this was off Balance Sheet for our client as well.



Hassle-free payment



Quick payment in 24-72 hours



Paperless documentation



Accessible working capital



Secure digital platform



Diversified business



Expanded capacity



Financial security



TOMORROW'S MONEY TODAY

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