

India's leading  
**automotive  
components  
manufacturer**  
finds a perfect balance  
between fulfilling compliance  
obligations without  
disturbing its liquidity pool.  
**Thanks to TReDS.**



## OVERVIEW

Our client is a leading automotive components manufacturer with manufacturing facilities in India and abroad. In the three decades of its existence, the company has earned a good name and supplies automotive components to several large automobile manufacturers within India. To support its manufacturing requirements across 40 locations within India, the company works with several MSMEs and enjoys healthy business relationships with them.

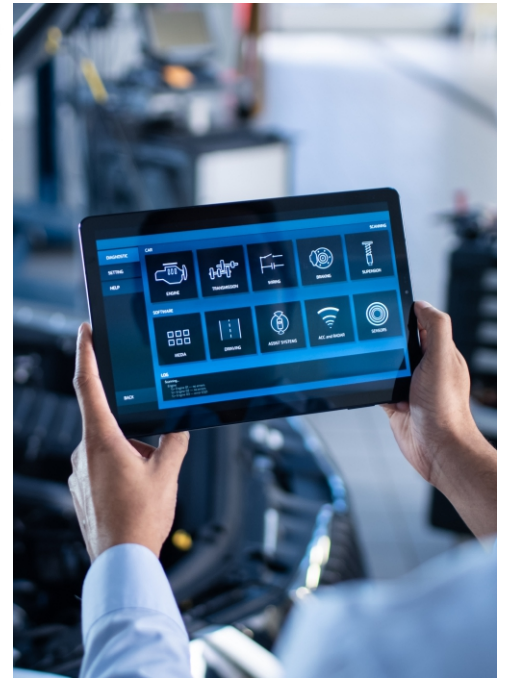
The company has signed agreements with most of its suppliers. The company follows a policy of paying its MSME suppliers within 45 days of delivering goods. To streamline the supplier payments and reduce the workload of its finance team, the corporate follows a fortnightly payment cycle. That's where the problem begins. It's not very often that the 45th day of the invoice coincides with their payment cycle. In such cases, the corporate has only two options - either push



## OVERVIEW

The payment to the next payment cycle or make an early payment in the previous payment cycle. Pushing the payment to the following fortnight delays the payment beyond 45 days, leading to compliance hassles. On the other hand, making a pre-payment hurts their cash flows and also alters the overall vendor dynamics if some vendors are early paid and others are not whatever be the underlying reason.

The MSMEs often use the traditional factoring for invoice discounting, but it involves much paperwork, and payment takes approximately 7-10 days to reach the MSME. Our client understands the importance of working capital for an MSME to keep their production up and running and knows how this affects their liquidity and cash flows. As a result, the corporate is looking for a way to support its MSME suppliers without burdening its finance team and avoiding the huge paperwork associated with each factoring transaction.



## THE CHALLENGE

A simple solution is to ignore their requests and strictly follow the fortnight payment cycle. However, it may delay some payments, resulting in a financial problem for suppliers and legal hassles for the corporate.

The second option is to look for a new set of suppliers. However, the client has been working with them for a long time. These suppliers know their quality standards and have been adhering to them. The client was in no mood to disturb this relationship, nurtured carefully for many years. These vendors were a vital part of the supply chain and an asset for the company.

The third option is to maintain the status quo and continue accepting the suppliers' requests or early pay the suppliers by 15 days. This would remove the risk of delays but disturb the company's liquidity pool and also upset the overall vendor dynamics if some vendors are early paid and others are not whatever be the underlying reason .

Apart from these conventional methods, one innovative method was TReDS, which ensured the vendor get earlier than 45 days while the client pays exactly on the due date (45 days in this case), as per their payment cycle. This is a win-win situation for our client and their suppliers.



## THE M1 SOLUTION

Our client carefully considered all the supply chain options to solve this challenge. Post analyzing different solutions carefully, the client adopted TReDS to make timely payments to their vendors without disturbing their cash flows. It also helped the clients avoid the risk of non-adherence to mandatory compliances and put additional pressure on their assets and maintaining its vendor equilibrium. The innovative solution brought by M1xchange was discounting the vendor invoices for faster payments without disturbing the client's cash flow.

## HOW DID IT HELP?

Our client encouraged their vendors to make use of the M1 TReDS platform. Once they raised an invoice, they would upload it on the M1xchange portal. Once our client approved the invoice, the invoice was available to the financiers for bidding to 'buy' this invoice. The vendor had the freedom to select the bid and get the payment within T+1 days.



Once the vendor receives the payment on say T+ 1 day, the our client pays the financier on the due date ( 45 days in this case). This way, the client could balance its cash flow without affecting its image and avoiding compliance hassles.



**Mynd Solutions Pvt. td.**

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