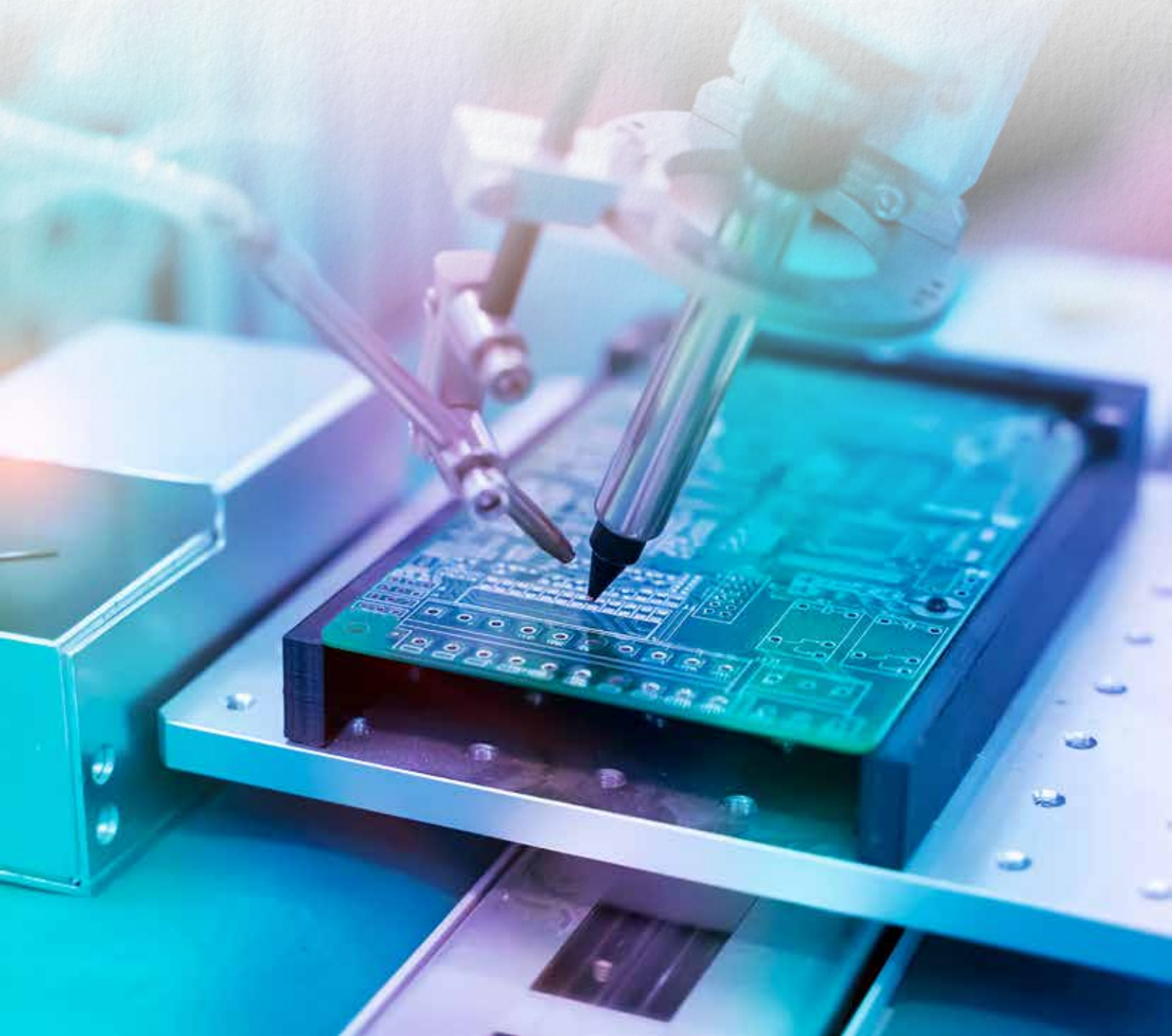


INDIA'S TOP

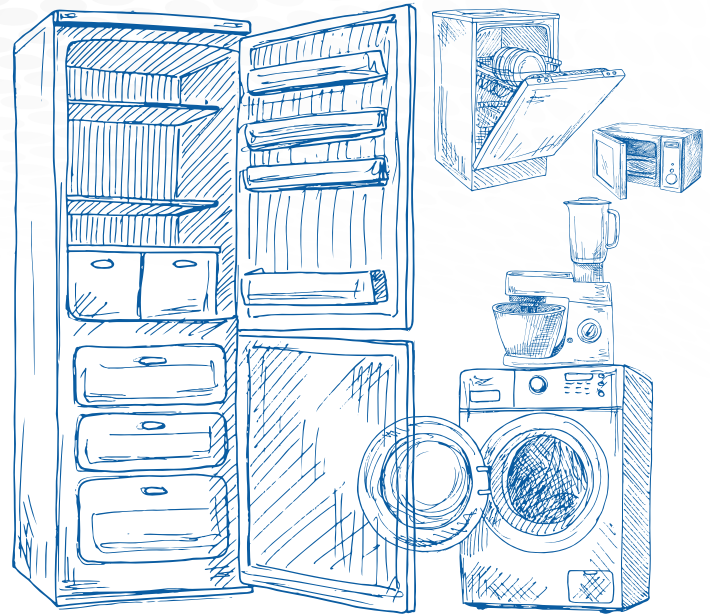
Consumer Electronics Manufacturer

Enables Instant Working Capital for Its
Vendors With TReDS.



CLIENT OVERVIEW

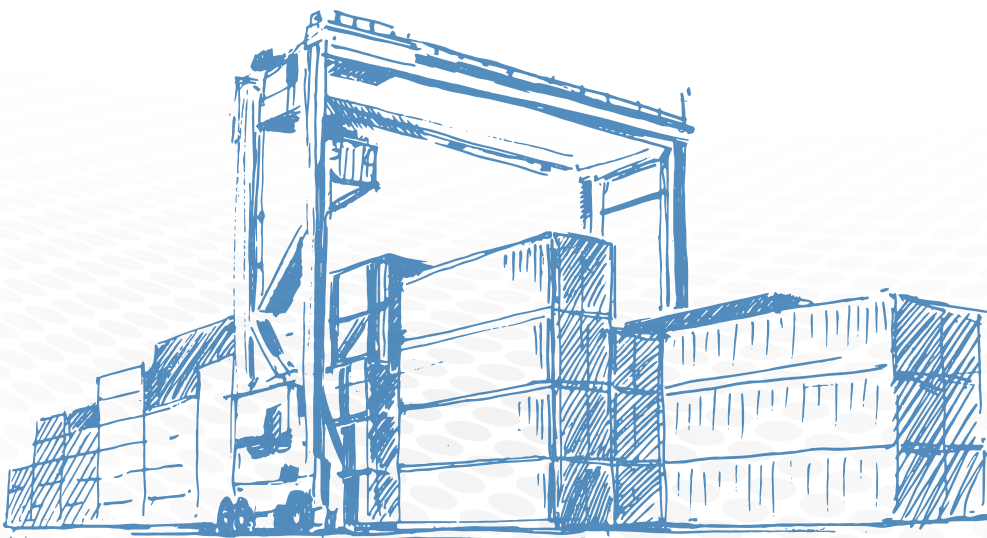
The client operated in consumer electronics manufacturing - Lighting, home appliance, mobile phone segments, and reverse logistics operations. Additionally, the company undertakes the manufacturing of security surveillance equipment. The company has, over the last couple of years, added new principles in the segment. This in-turn has supported growth in segmental volumes and revenues. In the home appliances segment, the company has a range of 100% original design manufacturing (ODM) products. This segment, along with its backward integration in the lighting segment, has supported profitability improvements in recent years.



THE VOLATILE SITUATION

In line with its nature of business, the client needs to have an undisturbed supply of raw material. The vendors are predominantly MSMEs (Electronic components, packing material, and raw material), that have been built and nurtured over time.

The client recognized that this network is not just a valuable asset, but also a key competitive advantage. One of the key challenges in this industry is the high volatility in raw material procurement prices. Most of the vendors are dependent on their working capital borrowing to purchase raw materials. Given the profile of these vendors, their borrowing rates are significantly higher.



THE PRESENT CHALLENGE

A major challenge with the client was that they weren't comfortable with a standard vendor finance program, which might reach only a couple of top vendors, because it wouldn't cater to the majority of them. They wanted a program, which might handle most of their vendors, many of which happen to be MSMEs. The corporate makes the payments against invoices within 45 days of order delivery, as a part of the contract with its SME vendor network.



To require a competitive edge on the staple prices and to ensure prompt supply, vendors need to purchase staples beforehand to cater to the requirements of the customer, which demands more liquidity. Vendors would often seek the support of traditional factoring for discounting its invoices, but this can involve tons of paperwork and therefore the payment takes approximately 10-12 days to succeed. The opposite alternative was bilateral WC borrowing, but this can come at a high rate of interest.



The need became urgent early in 2020, especially for the vendors when the COVID-19 crisis further rattled supply chains amid a countrywide lockdown. Movement restrictions across geographies prompted vendors to invite early payments against their invoices from their customers. As most of their clients and MSMEs belong to Tier 3 and Tier 4 cities, they do not have access to a proper source of finance. Generally, MSMEs source loans from Banks/NBFCs at high-interest rates.

Our client understands the worth of competitive capital for its suppliers to keep the assembly up and running, but also didn't want to overburden their internal team with additional administrative work which might be needed for each conventional factoring / vendor finance transaction too. The client was able to implement an innovative forward-looking solution to supply capital at scale, without manual intervention.



THE M1 IMPACT

The ready advantage of TReDS was right within the simplicity of process – **Approved Invoice > Financier Bids > Early Payments In T+1 Days.**

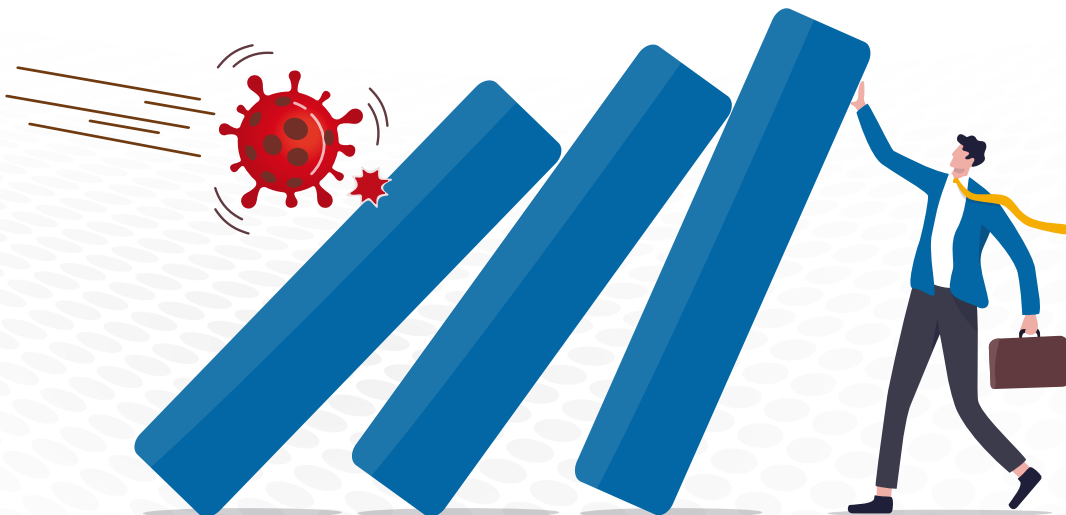
These benefits get multiplied when the discounting happens at a very competitive ROI of ~5% which allows vendors the pliability to get liquidity on their terms, and for the client to deliver funding at a whole supply chain level. It catered to every vendor's needs with no manual efforts.



Here's how an esteemed vendor of our client, who has discounted bills worth ~INR 75 Cr on M1xchange, benefitted through TReDS.

"We need to procure raw materials in bulk to cater to the requirements of our buyers. this needs a good cash flow / working capital. Before registering with the platform, we were having capital facilities with a nationalized bank where the ROI was around 12% and therefore the same was backed by collateral. After approaching the platform, at present we are incurring an ROI of ~5%, and that too without the necessity of any collateral."

Access to ready capital has "**Changed the Game**" for several SMEs, allowing them to diversify and expand their business and manufacturing capacity while maintaining adequate financial health even during the COVID-19 lockdown.





As a result of adoption of the M1xchange program, our client MSMEs have freed-up capital of ~ INR 250 Cr to support their operational expenses.



The straight reduction of ROI by half of the traditional financing models has saved around INR 4.55 Cr for the vendors collectively.



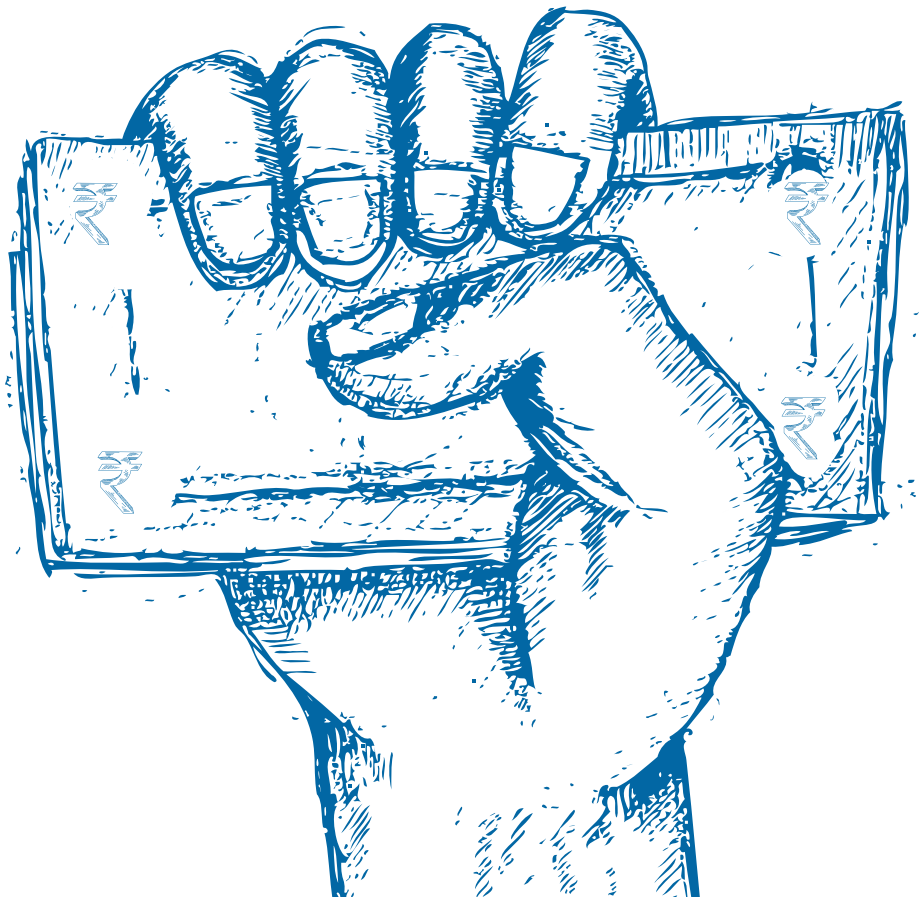
With the advantage of supply chain financing, MSMEs' volumes are growing vendors, especially in Tier 2 & Tier 4 cities like Kanpur, Aurangabad, Bareilly, Sonapat, Ludhiana. 90% of those vendors are from Small & Micro Enterprises.



COVID-19 was an uncertain period for vendors. M1xchange has ensured the availability of liquidity for MSMEs in both lockdown phase 1 & 2, especially for the period of February-July as it was the height season for purchasing staples. From April-July 2020, we've discounted invoices worth INR 96 Cr & for April-June 2021 we've discounted invoices worth INR 81 Cr at a mean rate of interest of 5.9 % PA.



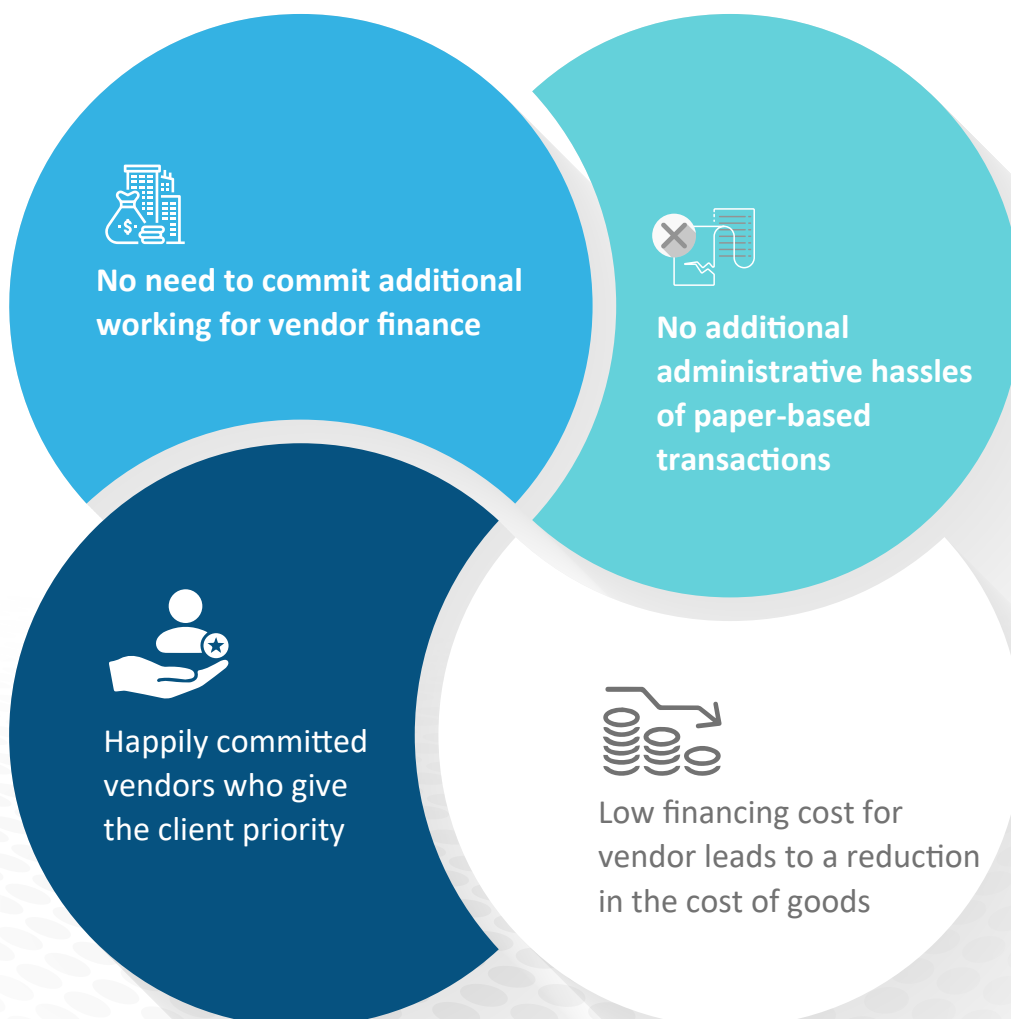
Banks were quite supportive during Covid-19, and nearly 17 Banks placed bids for discounting the invoices of our clients. 10 were public sector banks, 3 Private sector banks, and 2 each for foreign banks & NBFCs.



SUMMARY

- ▶ Shifting to TReDS for digital supply chain financing has benefitted both our client and its vendors immensely by bringing down the value of the transactions, and enhancing the vibrancy of the availability chain. This reflects within the good financial health of vendors despite the impact of COVID-19, and therefore the resultant lockdowns.
- ▶ Significant advantage of TReDS for vendors
- ▶ Huge cost savings as interest rates have halved from conventional channels to TReDS (12% to 6%)
- ▶ Substantial savings on administrative charges (Hundi/BOE/Courier)
- ▶ Ease of transaction – Completely digital through laptops/mobiles

SIGNIFICANT ADVANTAGE OF TReDS FOR CLIENT





TOMORROW'S MONEY TODAY

Mynd Solutions Pvt. Ltd.

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