



How A Leading Automobile Manufacturing Company Increased Supply Chain Reliability

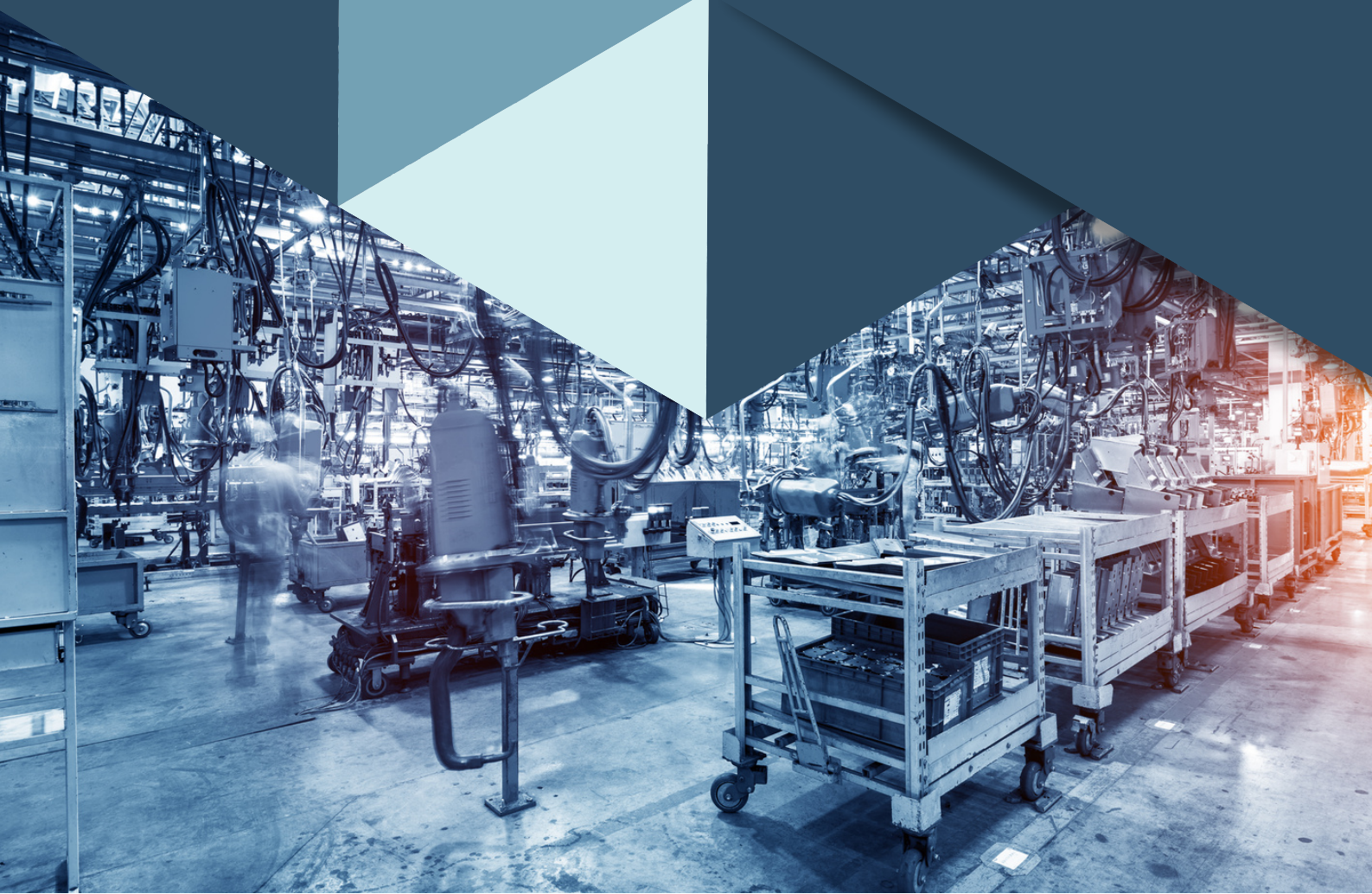
Snapshot Of The Company

Industry:
Automobile Manufacturing

Number of customers:
100000+

AR Team
(Sales+Collections+Finance): 400+

Revenue:
2000000 Crore+



THE CHALLENGES

An automobile manufacturing company was struggling with multiple and frequent supply chain disruptions. One of the major reasons was that smaller suppliers were not well financed and faced constant working capital shortage. Being a cash-rich organization they decided to strengthen their supply chain by running a Cash Discounting (CD) program. They faced the following changes while running the program:



Multiple vendors across the country

The company had multiple manufacturing plants across the country and the suppliers were spread across. As the treasury and function was centralized, it was difficult to manage such a large volume of suppliers.

Opaque Cash Discounting Process

The local procurement teams were handling relationships with the suppliers. They did the negotiations for cash discounting and there was no transparency to the AP team and to the suppliers. The AP team didn't get the request for the CD directly so they were not aware of how many suppliers wanted it and at what rate. For suppliers it was difficult to know if they are getting early payment or not. It was a long cycle to revise the rate for them.

Long turnaround time

Due to manual processes, discovering discounts and paying the suppliers became a lengthy process. This long process reduced the discounting opportunity and reduced the supplier offering CD.

Flat CD helping few

The company tried flat CD to overcome the above issues and the flat rate discouraged many suppliers from taking it. Only a few suppliers opt for it because of thin margins.

Flat CD found its way into the invoices

The suppliers who opt for flat CD increased the costs of goods/services to adjust the CD they were supposed to shell out.

THE SOLUTION

The company reached out to KredX for the solution. The Dynamic Discounting module of KredX Cash Management Solutions (CMS) was offered to the customer. After analyzing their process and use cases, the system was configured to solve the challenges they were facing. Following are the ways how the solution helped:

Cloud Based Portal

KredX CMS is a cloud based platform which can be accessed from anywhere. It provides a scalable way to run the program across 10000+ suppliers across the country. All the vendors get a portal login to find the eligible invoices for early payments and offer discounts on those.

Transparent Process

The solution removed all the intermediaries and discounts were offered directly on the portal and communicated to the treasury team. The discount rates were discovered in the bidding mechanism and rates were confidential for everyone until the bidding window ended. This ensured the transparent discount discovery for the treasury team. There was an approval time window for the bids which helped suppliers to know the status of early payment with certainty.

Quick and simple

The solution removed all the intermediaries and discounts were offered directly on the portal and communicated to the treasury team. The discount rates were discovered in the bidding mechanism and rates were confidential for everyone until the bidding window ended. This ensured the transparent discount discovery for the treasury team. There was an approval time window for the bids which helped suppliers to know the status of early payment with certainty.

Dynamic Discounting over Flat CD

The dynamic discounting ensures the rates are offered based on the number of days of early payment. This made the program more viable for the suppliers. Moreover with dynamic discounting with bidding options the suppliers are free to offer any rate rather than accept a rate which the enterprise asked for. This encouraged more suppliers to try to participate in the early payments program.

On Demand for Suppliers

The discount offer was at the discretion of suppliers. When they need the funds they can offer discounts else not. Because of this it was not perceived as a permanent cost for getting the invoice paid. So the discounting cost was not fed into the invoices and helped the procurement team. This became an easy, off-balance sheet, and no documentation source of funds for the suppliers which they can avail whenever they need.





THE RESULT

01

The early payment program of the company became 30% more acceptable to the suppliers.

02

The early payment pool that was deployed by the treasury generated 2x returns than other treasury invested portfolios.

03

The program showed a CSAT score 8.2/10 after 6 months of implementation. Prior to KredX CMS implementation the score was 5.3/10

kredX[®]

About KredX

KredX is a supply chain finance powerhouse which emerged in India, and now has an evolving global footprint. With a new-age plug-and-play ecosystem of working capital finance and cash management products, KredX provides innovative answers to the biggest problems faced by enterprises and their finance teams, around the globe. With outposts in 5 countries, more than USD 10 billion in transaction volumes, more than 500 corporates serviced, KredX is creating state-of-the-art products for India and the world.