



## Export AR Purchase and Supplier Finance Programme Produces Process, Cost Efficiencies for ABB

ABB is one of the world's leading engineering companies, helping customers to use electrical power effectively and to increase industrial productivity in a sustainable way. Headquartered in Switzerland, ABB's operations in India include 14 manufacturing facilities with over 8,000 employees. The company serves customers through an extensive countrywide presence with more than 18 marketing offices, eight service centres, three logistics warehouses and a network of over 800 channel partners.

ABB in India was using a paper-based approach for supplier financing that employed multiple banking partners with disaggregated and different processes. "With the ABB Group increasingly leveraging the Indian operations for projects, products, services, engineering and R&D, we were looking for a one-stop-shop trade finance solutions provider to structure a holistic trade finance solution that took care of both our invoice discounting and supplier financing needs," says Sundaram Nagasamy, Vice President and Country Treasurer, ABB India.

### Export AR Purchase

ABB's export accounts receivable (AR) purchase requirements were very specific — limited residual recourse, 100% financing of the receivables without any margins and very fast turnaround on documentation and execution. Deutsche Bank India was able to structure such a solution for ABB under the auspices of its AR financing programme. The bank arranged obligor lines from its branches overseas specifically for this solution and structured the offering to meet all client requirements and address internal credit concerns.

In order to structure this solution successfully, Deutsche Bank was required to assume and diffuse the risks involved. The end result was a solution that met all of ABB's requirements, providing it with credit protection for its export receivables — with limited residual recourse — and an improved working capital cycle through an off balance sheet solution.

### Supplier Financing

The second element to the solution provided by Deutsche Bank was a supplier financing scheme. With over 5,000 suppliers spread over a vast physical geography and more than 30,000 transactions taking place every month, there was certainly scope for assisting ABB in streamlining its financial supply chain.

Deutsche Bank has had several discussions to understand ABB's requirements, which necessitated a very demanding service level agreement. Payment files run at ABB prior to

10 a.m., electronic remittance of funds to suppliers takes place by 1 p.m. and payment advices and air waybills are e-mailed to suppliers by the end of the day. Payment files on ABB's enterprise resource planning (ERP) system are directly uploaded to db direct internet, Deutsche Bank's electronic banking platform, through a specially designed interface.

Deutsche Bank's solution focused on a number of key areas. First, a technology-based approach greatly increased straight-through processing, enabling seamless payments and providing a much needed efficiency boost in light of thinning margins in the client's core business. Second, by optimising working capital arrangements for both ABB and its suppliers, relationships between the two were reinforced and all parties were more able to focus on their core areas of competency.

"The integrated approach adopted by Deutsche Bank toward supplier financing has enabled ABB to benefit from both process and cost efficiencies through error-free processing, seamless integration and paperless transactions," Nagasamy says. "The consolidation with a strategic banking partner has also led to overall cost reduction in terms of substantial savings of man-hours and costs due to supply reductions."