



Company's New Cash Pool Structure in China Provides Centralisation, ERP Integration

Atlas Copco, a maker of compressed air and gas equipment, generators, construction and mining equipment, industrial tools and assembly systems with headquarters in Sweden, has operated in China since the 1920s. Due to numerous acquisitions over the years, Atlas Copco (China) found itself with a decentralised treasury, making it difficult to ensure the best use of company cash and efficiently monitor group cash positions.

Audrey Deng, Manager, Group Treasury Asia Pacific, explains: "We had more than 15 entities in different cities throughout China. We were operating using an entrusted loan facility, through which cash-rich companies could fund the cash-poor companies. However, it was not possible to do this automatically and it could only be done on a deal-by-deal basis, which meant a lot of administrative work. We also wanted to improve group visibility."

Looking for ERP Integration

The company wanted a solution that would afford strong interfacing capabilities with a range of enterprise resource planning (ERP) systems, as there was virtually no integration between the existing entities' various ERP systems.

In addition, "each entity had its own payment and collection accounts with different banks, some with local banks and some with international banks. So we dealt with all kinds of banking partners and paid different fees, which was quite complicated," Deng explains.

Atlas Copco (China) needed a more streamlined solution and looked into establishing a renminbi (RMB) cash pool that would not only meet all of its requirements but also centralise group operations and consolidate banking relationships.

The company last year selected Deutsche Bank to provide a fully automated RMB cash pool solution with pan-China cash sweeping using entrusted loans. "It has some innovative options such as sweeping reversal, maximum cover limit and interest allocation," Deng says.

STP for Payments, Collections

The solution also includes straight-through processing (STP) capabilities for payments and collections, and a host-to-host connection with the China National Advanced Payment System (CNAPS) that facilitates extremely quick processing times. Through this solution, Atlas Copco (China) has been able to achieve RMB liquidity optimisation and cost reductions, as well as improved cash visibility and enhanced end-to-end processing efficiency.

One of the main implementation challenges was the variety of ERP systems in use across the company's different entities. Deutsche Bank's electronic banking platform, db-direct internet, enabled the company to overcome this hurdle through its universal ERP integration capabilities. "We can run a payment through our ERP system and it is automatically uploaded to db-direct internet," Deng says.

Atlas Copco (China) and Deutsche Bank also met the company's goal of implementing the new cash pool structure before quarter-end closing, in just three months.

Since setting up the RMB cash pool in 2008, Atlas Copco (China) has established two additional entities, one of which has been incorporated seamlessly into the cash pool with the other to follow in the near future.