

Case Study:

financejunction improves process efficiency through eFinance mode

Client Industry	Iron & Steel
Geography	India
Department	Sales & Distribution
Problem	Limited buying power of distributors and substantial credit periods
Solution	Supply Chain Finance
Results	<ul style="list-style-type: none"> i) Designed, developed , implemented the end-to-end finance solution ii) Ramp-up of the solution covering 100% distribution base iii) Streamlined the payment and collection process iv) Optimized the supply chain performance

The Client

An Indian Steel Major with operations in 27 countries and having a total crude steel production capacity of around 30 million tonnes.

The Business Challenge

They operate through 6 profit centers viz. Flat Products, Long Products, Tubes SBU, Bearings SBU, Rings & Agrico & SSL (Special Steels). All these six profit centers had their exiting distribution chain through which their finished (prime) product was sold.

Before 2001 they used to sell their prime products to the distributors attached to various profit centers on interest free credit terms. The credit tenure used to vary from 15 days to 90 days depending on the geography in which the distributors used to operate. Credit Sales translated into high debtors and fear of bad debts in a falling market scenario impacted the top-line of the company adversely.

Solution- financejunction launches Channel Finance

financejunction launched Channel Finance service - a short term revolving line of credit, in for the Steel Major with an objective to convert credit sales into cash sales thus improving their margins. This also translated into better supply chain visibility for them.

financejunction's Channel Finance service been widely successful with transactions growing from Rs.60 crores in Fy02 to Rs.2600 crores in Fy11. The scheme initially targeted for the big ticket size distributors of the Steel Major but became so popular that eventually it was extended to all their distributors across the India. Today financejunction's channel finance covers a pan India distributor network of more than 160.

The Approach- Delivery Mechanism

Unlike traditional channel finance the e-channel finance application/platform designed, developed & hosted by financejunction (mjunction) is tripartite in nature. The application is integrated with the ERP system of the Steel Major on one side and on the other side it has a back-to-back integration with the Core Banking System of various banks in India which makes the transaction seamless as well as complete "Straight Through Processing" without any manual intervention.

financejunction's channel finance application acts as a financing aggregator for the Steel Major where with a single integration touch point, the company & its distributors have access to multiple banks for their financing need and requirements.

Results & Benefits

Through financejunction's Channel Finance service, the Steel Major achieved-

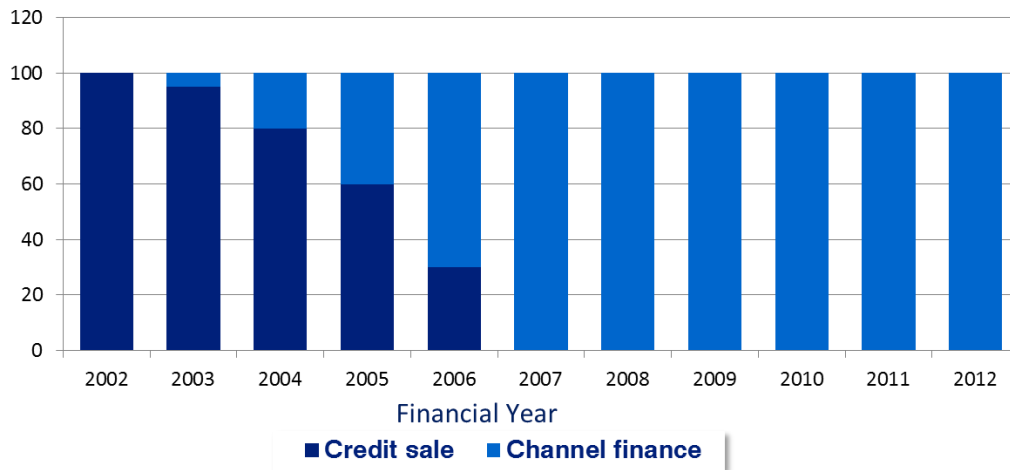
- 100% secured payment
- 100% timely payment
- Increased buying power of the distributors
- Improved Balance Sheet
- Single window in terms of supply chain visibility

Benefits to their distributors-

- Competitive cost of funds
- No Security / Collateral Attached
- Hassle free documentation

- Increased buying power due to added liquidity
- Straight through processing (STP)

Penetration of financejunction’s Channel Finance service in the Steel Major’s Supply Chain



Continual & sustainable increase in channel Finance as a proportion of Sale towards regular Distribution Channel of the Steel Major. Credit Sales of the Steel Major have steadily decreased over the period from Fiscal 02 to Fiscal 12