

# Highly Commended Winner Best Working Capital Management Solution

## SRF Limited

Sugandha Singhal, Global Treasury Head



SRF Limited is headquartered in Gurgaon, Haryana, India and is a manufacturer of intermediate chemicals.

### SRF optimises working capital with smart solution suite



*Sugandha Singhal, Global Treasury Head and Rahul Jain, President & CFO*

#### The challenge

Over the last five years SRF has invested close to US\$750m across geographies and has witnessed rapid growth. Geographical expansion has required its treasury to be an enabler across business units and geographies. The treasury team at SRF works closely with business teams to deliver on the following key priorities:

- Working capital optimisation.
- Credit risk mitigation.
- Reduction in days sales outstanding (DSO).
- Increase in days payables outstanding (DPO).
- Increased debt capacity.

The scale that SRF wanted to achieve with its global programme was no easy task.

#### The solution

The SRF team and its bank, Citi, conducted a three-month detailed data analysis from the previous three years.

**Distribution finance** – the AR financing solution gives SRF the flexibility to cover a substantial portion of its sales portfolio. The solution design required careful assessment of historical performance of the selected portfolio. The portfolio due diligence was an important

factor in determining the risk participation percentage by SRF in the form of a first loan default guarantee (FLDG). The solution is delivered via a digital platform.

**Insurance bank AR financing** – the credit mitigating solution allowed SRF to target customers with credit standing with insurance appetite. The solution design required working with the SRF team to identify coverable customers and explore maximum coverage through dialogues with insurance companies. The solution is delivered via a digital platform.

**Export letter of credit (LC) discounting** – the solution involved identifying credit-worthy banks for the core banking partner and working with customers to restrict LC issuance with the selected banks. These LCs were then centrally discounted by the core banking partner.

**Usance payable at sight LC** – the multi-geography LC backed financing solution allowed SRF to manage DPOs without modifying existing payment terms with vendors. The solution generated additional credit period for SRF by extending payment terms under the LC.

**Supplier finance programme** – large customers of SRF have their own supplier finance programmes with multiple banks. These banks were evaluated. Citi was chosen by SRF, as its existing export discounting programme was already with the bank and having two programmes offers flexibility and better rate negotiation

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power to SRF in terms of choosing financing under their export discounting programme or customer's supplier financing programme.

## Best practice and innovation

The solution demonstrates the following key methodologies during solution design:

**Data-driven approach** – the bank did an analysis of the entire receivable and payable data for SRF's business units across geographies.

**Ecosystem focus** – the solutions have been designed to enable SRF's ecosystem to deliver at its best by not force-fitting solutions, but by the careful design of each solution to fit the end needs of users.

**Co-creation** – SRF and Citidemonstrated a collaborative approach by working together to develop solution parameters acceptable to SRF, the bank and SRF's ecosystem partners.

**Focus on analytics** – designed MIS and other data that could be used by clients to develop analytical insights into the entire programme and supplier/customer behaviours.

**Compliance compatible** – designed to generate statements, MIS and other documents that were required by the client to satisfy tax authorities and other regulators.

## Key benefits

- Optimised working capital:
  - 40 days DSO reduction.
  - 34 days DPO increase.
- Off balance sheet financing leading to balance sheet strength.
- Cheaper source of funding.
- Credit risk mitigation.
- Debt covenant management.

"The solutions we implemented are clearly best in class. Besides the clear benefits that it brought to our business, the scalability of the digital solutions coupled with strong data analytics now empowers us to be agile as we further grow our business in our vision to go global," concludes Sugandha Singhal, Global Treasury Head.



Citi is delighted to have partnered with SRF to meet their unique objectives. SRF and Citi took a co-creation approach to understand and evaluate the unique aspects of multiple business units to deliver a sophisticated suite of solutions. Data driven analytics and ecosystem focus helped us in precisely tailoring each solution to meet specific requirements of every ecosystem participant. Citi's global strength helped in delivering globally consistent solution across geographies. A number of teams at SRF and Citi came together to deliver a multitude of benefits including DPO extension, DSO reduction, credit risk mitigation and optimised working capital.

**Mohneet Gujral, Global Solution Sales, Treasury and Trade Solutions, Citi India**

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