



An introduction to TReDS Platform

22 May 2020

TReDS

(Trade Receivable Discounting System)

- A new concept by RBI to facilitate financing of Trade Receivables of MSMEs from multiple financiers through online bidding process.

Introduction

MSMEs are back bone of Indian Economy and despite their important role in overall economic growth, they continue to face constraints;

- **In obtaining adequate & timely finance from Banking Channels**
- **In terms of high cost borrowings**
- **In terms of their ability to convert trade receivables into liquid funds**

TReDS aims to resolve these problems by leveraging the strong Credit strengths of large corporate customers of MSMEs and it can be the powerful tool to improve the financial health of MSMEs.

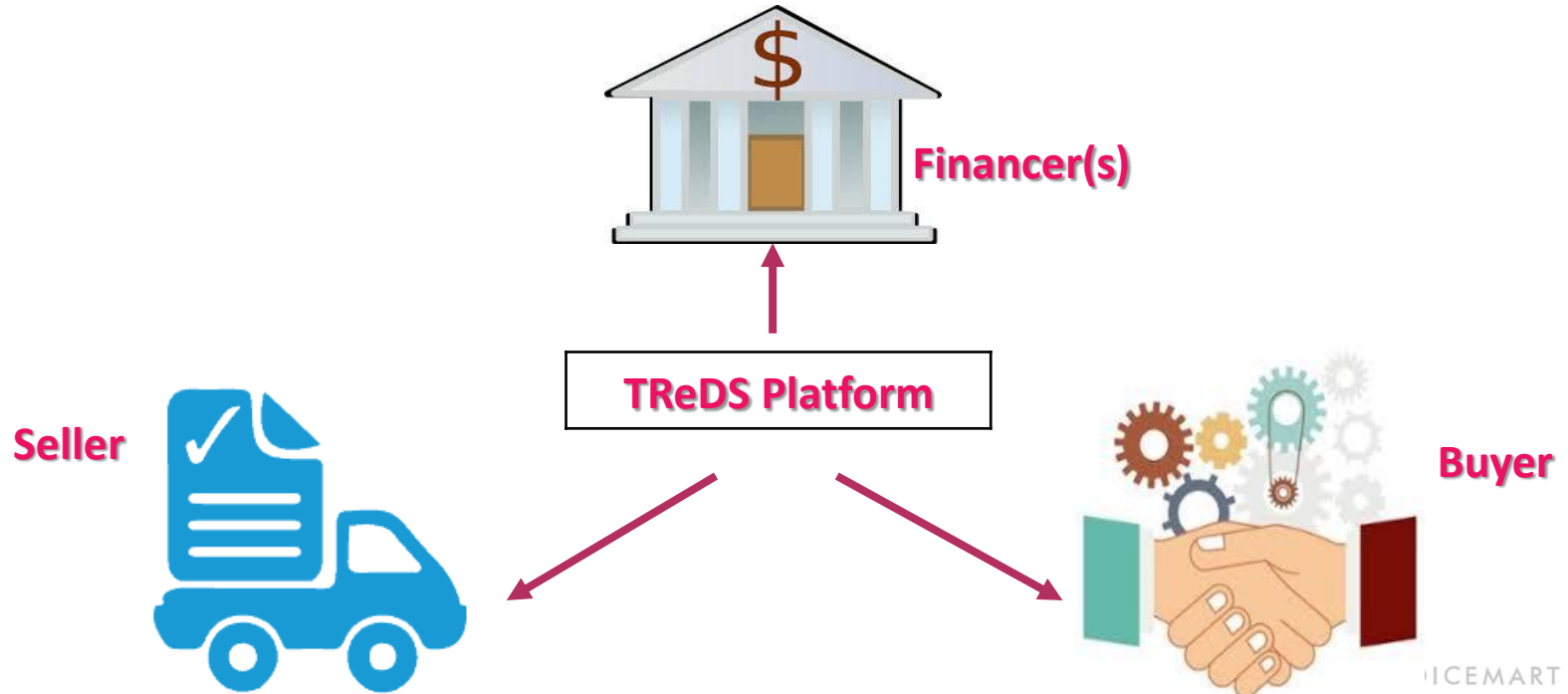
Invoicemart ?



- RBI has issued a license to “A. TReDS Ltd” to operate TReDS Platform
- A. TReDS Ltd is a joint venture between Axis Bank & mjunction
- ‘Invoicemart’ is a name of the platform operated by A.TReDS Ltd.

TReDS ?

- TReDS is an online digital platform, which essentially brings the following 3 key stakeholders together to address working capital needs of MSMEs.





Performance

□ Participants

| | |
|--------------------------|---------------|
| No. of Buyers | : 604 |
| No. of Financiers | : 37 |
| No. of Sellers | : 4536 |

□ Business

| | |
|----------------------------|--------------------------|
| Throughput | : Rs. 7658 Crores |
| Invoices discounted | : 4,94,583 |
| Avg. Invoice Value | : Rs.1.54 lakhs |

Financiers:

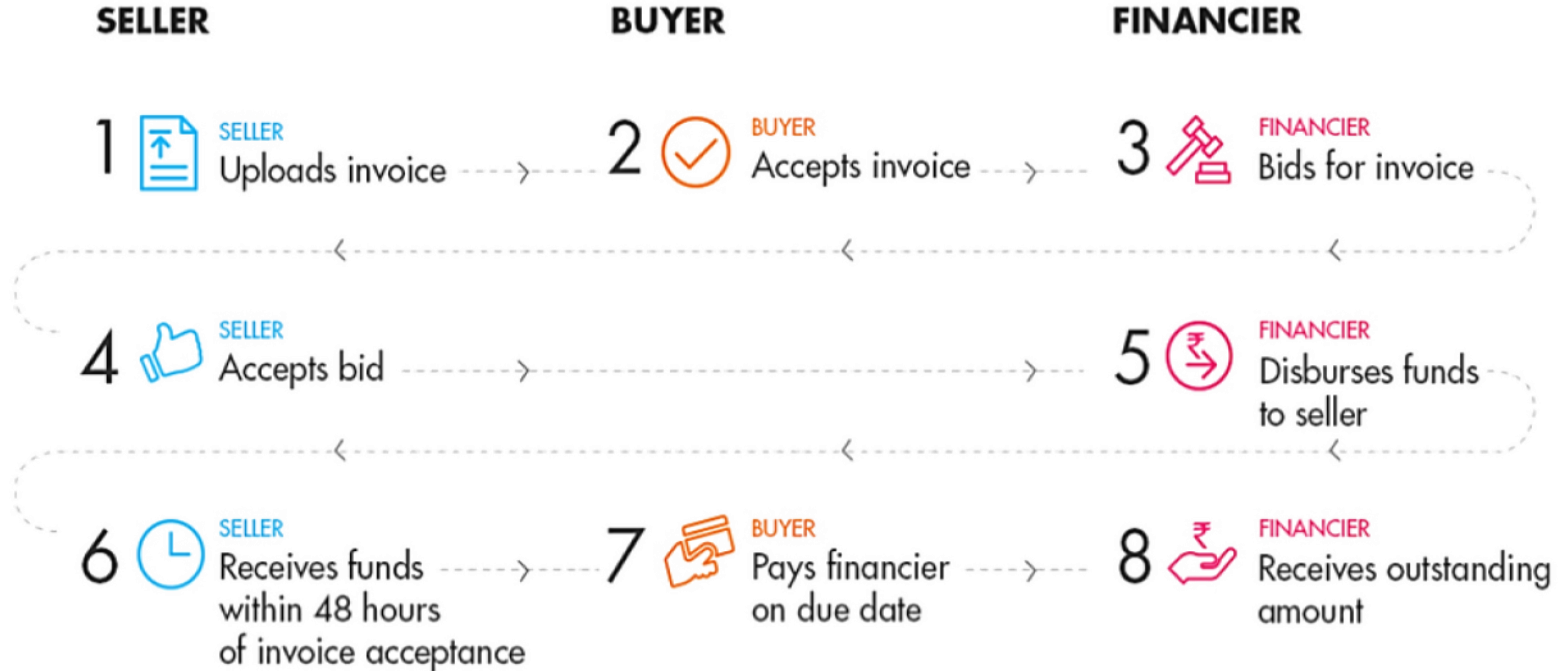




Concepts

Concept 1 - Factoring

(Interest to be borne by Seller)



Illustration

| | <u>Seller</u> | <u>Buyer</u> | <u>Financier</u> |
|---------|-------------------------------------|---------------------------|-----------------------------|
| Step-1: | Supplies with 45 days credit Period | GRN Generated | - |
| Step-2: | Uploads Invoice on Invoicemart | Accept Invoice | Provides Bid |
| Step-3: | Accept the Lowest Bid | - | Disburse Funds to seller |
| Step-4: | Receipt of funds (Net of Interest) | - | - |
| Step-5: | - | Pay financier on due date | Receipt of funds from Buyer |

- Supplier will borne interest and gets funds immediately
- No cost to the Buyer and helping the seller in improving the liquidity will better the relationship.

Concept 2 - Reverse Factoring (Option-1)

(Interest to be borne by Seller)



Illustration

| | <u>Seller</u> | <u>Buyer</u> | <u>Financier</u> |
|----------|-------------------------------------|---------------------------|-----------------------------|
| Step-1: | Supplies with 45 days credit Period | GRN Generated | - |
| Step-2: | - | Uploads Invoice | - |
| Step-3: | Accept Invoice | - | Provides Bid |
| Step-4: | Accept the Lowest Bid | - | Disburse Funds to seller |
| Step-5: | Receipt of funds (Net of Interest) | - | - |
| Step -6: | - | Pay financier on due date | Receipt of funds from Buyer |

- Supplier will borne interest and gets funds immediately
- No cost to the Buyer and helping the seller in improving the liquidity will better the relationship.

Concept 2 - Reverse Factoring (Option-2)

(Interest to be borne by Buyer)

BUYER

FINANCIER

SELLER

1



BUYER

Uploads invoice

2



FINANCIERS

Bids for invoice

3



BUYER

Accepts best bid

4



FINANCIER

Disburses funds to seller



SELLER

Receives funds within 48 hours

5



BUYER

Pays financier on due date

6



FINANCIER

Receives total amount



INVOICEMART

Reverse Factoring (Option-2)

Case-1: Credit Period Extension

- Buyer can extend credit period up to 180 days from the due date of invoice.
- Interest for the extended period to be borne by Buyer.
- Vendor gets paid on due date.
- No loan liability on Buyer since Trade Payable/Creditor shall continue in Buyer's books till the completion of extended credit period.

Reverse Factoring

Case-2: Early Payment

- Buyer can use early payment option towards the vendors with no credit period.
- Vendor gets paid as soon as GRN is generated and invoices are accepted
- Buyer has flexibility to pay within 180 days
- Interest for the selected period (up to 180 days) to be borne by Buyer
- No loan liability on Buyer since Trade Payable/Creditor shall continue in Buyer's books till makes the payment to the Financier.

Reverse Factoring - Case Study for memg

Illustration

| | <u>Seller</u> | <u>Buyer</u> | <u>Financier</u> |
|---------|-------------------------------------|----------------------------------|--------------------------|
| Step-1: | Supplies with 45 days credit Period | GRN Generated | - |
| Step-2: | - | Uploads Invoice # | Provides Bid |
| Step-3: | - | Accept the Bid | Disburse funds to Seller |
| Step-4: | Receipt of Funds (Full amount) | Payment of upfront Interest | Receipt of interest |
| Step-5: | - | Payment of Principle on due date | Receipt of funds |

Buyer can upload invoice and enjoy extended credit period up to 180 days from the date of disbursement of funds to seller by financier.

□ Benefits for Participants

Benefits for Buyers



1

Flexible Payment Terms

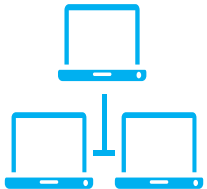
Invoicemart enables buyers to get flexible payment terms, leading to better working capital management



2

Improved Procurement Terms

Empowering sellers to receive quick payments enables buyers to gain better control over their procurement



3

Seamless ERP Integration

Invoicemart can integrate seamlessly with leading ERP systems, significantly reducing processing costs



4

Streamlined Payments to Suppliers

Invoicemart settles all transactions seamlessly, so buyers don't have to manage multiple vendor payments

Benefits for MSME sellers



1

Unlock your Working Capital

Invoicemart helps suppliers unlock working capital and get paid within 48 hours of selling an invoice



2

No loan liability

With Invoicemart, suppliers get paid for their receivables; thus there's no loan liability



3

No recourse to seller

Sellers have no repayment obligation for the funds received via Invoicemart



4

Lower cost of funds

Invoicemart's transparent bidding mechanism enables efficient price discovery, ensuring lower cost of funds

Benefits for Financiers

1

Priority Sector Lending Benefits



Funds disbursed via Invoicemart qualify for Priority Sector Lending

2

Low Risk



Invoicemart gives financiers access to short-term, granular and self-liquidating exposure

3

Business Expansion



Invoicemart gives access to top rated corporates and their MSME suppliers on a single platform

4

Easy Reconciliation



Invoicemart provides customized reports and data extraction for easy reconciliation

How it is different from Vendor Finance

| Parameter | Vendor Finance | Invoicemart |
|----------------|--|--|
| Tenor | Typically 90 days | Up to 180 days |
| Loan liability | Either corporate or vendor | No loan liability on vendor or corporate |
| Documentation | Separate agreements with each financier | Single agreement with platform |
| Pricing | Higher interest rates (No PSL accreditation) | Near MCLR (because of PSL accreditation) |

Key features of Invoicemart Platform

We aim to empower users to make their own decisions in real time, and eliminate bureaucracy



Open API

APIs for integration with customer business systems for significantly smoother transactions



Sandbox testing environment

Environment to enable customers to test the application



Video FAQs

Modular micro-videos for contextual help at all steps of the workflow



Analytics enabling Call to Action

Call to action dashboard serves to remind customers of key actions to be taken



In app tools for self management

Users can configure the application according to their needs

We are working on multiple initiatives which will significantly enhance the value proposition for all participants

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Visit us on : www.invoicemart.com

Thank you !