kredX CMS
Cash Management Solutions

How A B2B Wholesaler Increased Their Cash Flow With KredX CMS

Snapshot Of The Company

Industry:
B2B Wholesaler

Number of customers:
1500+

Revenue:
700 Cr+

AR Team:
100+

THE CHALLENGES

One of India's leading B2B Wholesale Chain was spending hours daily to reconcile the invoices due to large volume of returns and ad hoc logistics charges. The delay in invoice closure and logging credit notes was causing delay in statutory payments like GST. The lack of formal follow-ups channels and delayed outstanding reports from the finance team lead to high DSO. Following were the major challenges:

No Data Visibility

The ERP was used only for accounting and there was no dashboard to track invoice aging, delays etc. The management was not able to track the store level payment delays and other metrics.

Reconciling Large Volume of Invoices and Payments

The invoice volume and number of payments presented a challenge and many of the payments did not contain the remittance details. Ad-hoc charges like logistics etc and frequent returns were usual affairs and made the process even more complex.

Delayed GST Payment Caused By Delayed Invoice Closure

The delays in the book closure and repayment tracking resulted in frequent delays in GST filing which attracted penalties and audit issues.

High DSO

Due to a lack of structured collection mechanism, it was mostly handled by sales representatives in an ad-hoc manner. This resulted in payment delays by the dealers and distributors short of working capital. The lack of a structure made it easy for the habitual defaulters to find ways to delay payments.

No Structured Channels for Communications

There were no structured communication channels to communicate with the customers. Many of the discussions were telephonic or in-person. So all the details about returns, payments etc were offline. The formal communication for collections happened when the case was 90+ days delinquent.

THE SOLUTION

KredX Collections and KredX Cash Application modules were implemented by the company. With Cash Application, automatic reading of remittances using OCR was applied to identify the short payments due to returns, logistics charges etc and it raised exceptions with suggested action. A strict TAT was followed by the finance ops team to resolve these exceptions. The sales and collections agents got real-time outstanding reports and Collections App sent out automated email and SMS follow-ups.

Collector's Dashboard

A custom dashboard came in handy for the sales team to track the outstanding across various customers and helped them do a prompt follow up to speed up the collections.

Automated Payment Reminders

KredX Collections module's automated dunning feature was used to send automated reminders to the customers. Since emails were not the primary communication channel for the customer persona, the reminders were also sent through SMS and Whatsapp channels.

Automated Credits Capture and Mapping

The cash application was configured to receive daily bank statements and it parsed the statements to capture the credits and map the credits with the customers. It used fuzzy logic to map customers using details from the narration of the transactions.

Automated Remittance Capture and Digitization

The system collected all the remittances which were received on emails in a mailbox within the cash application. The remittances from various sources were consolidated and digitized using the proprietary OCR engine. The system also accommodated the option to capture remittance communicated over the call or in-person by manual entry.

Best Fit Invoice Knock-off

For the cases where remittances were not provided the smart invoice knocking off algorithm was at work. It took various parameters like invoice due date and invoice amount and tried to best fit the credit across the open invoices.

Automated Cash Posting

Once the remittances were digitized, those were mapped with the credits and invoices in the system to generate the cash posing entries automatically. The system was configured for the tolerances and within those limits all the matched entries were passed to ERP without manual intervention.

Exception Handling

The entities which were not matching properly were raised as exceptions and assigned to required people to take quick action. The full collection was done or the invoices were mapped with reduction reasons so that those can be analyzed later. All the information for short payment or write-off was recorded with audited approvals.

THE RESULT

01 Within 90 days of implementation, the solution reduced 20% in DSO which went on to improve further by 12% in the next quarter.

02 The cash posting was automated by 45% and with exceptions and actionable suggestions, the overall cash posting saw about 55% increase in efficiency.

03 The 90+ days delinquency which was around 8% of their total customers before, got reduced to 3.2% post implementation.

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About KredX

KredX is a supply chain finance powerhouse which emerged in India, and now has an evolving global footprint. With a new-age plug-and-play ecosystem of working capital finance and cash management products, KredX provides innovative answers to the biggest problems faced by enterprises and their finance teams, around the globe. With outposts in 5 countries, more than USD 10 billion in transaction volumes, more than 500 corporates serviced, KredX is creating state-of-the-art products for India and the world.