

## Highly Commended Winner

### Harnessing the Power of Technology

#### UltraTech Cement Ltd

Mumbai, India

Saurabh Chakravarty, Jt President, Finance



Saurabh Chakravarty and Girish Bajaj, UltraTech Cement Ltd and Sunil Alva, Fourth Signal

## SAP transforms treasury at India's largest cement company

### The challenge

Saurabh Chakravarty, Jt President, Finance defined the aim as “transforming the treasury management function of India's largest cement company – creating a robust but flexible digital platform to support our organic and inorganic growth.”

In 2018, the company embarked on a transformation journey for its treasury management function from a disjointed spreadsheet-based system to an integrated treasury system on the SAP platform. This was unprecedented for most companies the size of UltraTech. The breadth of coverage included end-to-end treasury management processes across borrowings, investments, foreign exchange and derivatives and cash and liquidity management comprising large transaction volumes.

### The solution

In 2019, UltraTech successfully deployed a robust, scalable SAP-enabled treasury management platform to consolidate its treasury functions which can be flexibly scaled in line with the growth plans of the company.

### Best practice and innovation

Business processes, with embedded best practices, have been re-engineered and streamlined across front, middle and back office, covering various treasury management functions as follows:

**Borrowings:** real-time information on short- and long-term bank facilities, foreign currency borrowings and debt capital markets with enhanced analysis of cost of funds, leading to the achievement of the overall objective of reducing its cost of borrowings.

**Investments:** pre- and post-investment analysis of short- and long-term investments, covering mutual funds, bonds, commercial paper, fixed deposits and government securities with the overall objective of maximising its post-tax returns on investments, through rigorous monitoring of yields and tenors.

**FX and derivatives:** including seamless updating of forex exposures originating from sales and procurement business functions and integrating the hedge management policies of the company through deployment of various hedging/derivative instruments, leading to the overall objective of managing risk effectively and minimising impact of market volatility.

**Cash and liquidity management:** centralised liquidity management with bottom-up planning from 60-plus manufacturing plants and marketing zones, rolled up into a central dashboard and integrating these with bank accounts for monitoring and fund transfers – with the overall objective of managing optimal levels of liquidity as required by the business.

**Reporting:** robust and flexible reporting platform by enabling analytics, multi-dimensional MIS reporting, as well as reports to address regulatory and audit compliance. UltraTech believes that the true benefits of its treasury platform will accrue through the effective use of the robust reporting framework (with ~80 reports delivered), designed to provide actionable intelligence to management, on a real-time basis.

**Risk management:** a key highlight of the transformation initiative is the automated risk management system for UltraTech's investment in mutual funds which amounts to US\$500m. The company has built a unique cloud platform, seamlessly integrated with the SAP transactional system, to provide alerts on inherent risks in the portfolios of the entire universe of debt funds, in which the company invests.

The business benefit of this solution was almost instant, as the corporate debt market in India went through significant turmoil, triggered by the collapse of a leading financial institution in 2018. Helped by the risk management features of the solution, UltraTech was able to avoid investing in mutual funds holding toxic or sub-investment grade paper in their portfolios which significantly eroded the net asset values of many leading debt funds in India.

### Key benefits

- Reduced cost of borrowing.
- Improved return on investments.
- Risks mitigated.
- Flexible platform/future-proofed.
- Unique process to allocate interest costs to various manufacturing plants – a key regulatory requirement in India.
- Bottom-up approach for cash and liquidity management with inputs from 60-plus locations feeding a central dashboard, which in turn is linked with bank balances.



UltraTech Cement Ltd is India's largest cement company, and is part of the Fortune 500 Aditya Birla Group, a US\$44.3bn corporation. It is also one of the leading cement producers globally with 50-plus manufacturing plants and a production capacity of 114 million tonnes per annum.