

**PHILIPS**

sense and simplicity

# Funding growth with Working Capital

To enhance cash visibility and gain working capital efficiency, Philips India turned to Citi for a comprehensive solution covering financing and receivables management for its distribution chain.



Tridib K Das  
Director  
Corporate Control & Treasury  
Philips Electronics India Limited

**T**ridib K Das at Philips Electronics India has an important task – to efficiently fund the company’s production cycle and allocate internal capital to its best uses. Strategically, India stands as an important and attractive market for Philips. The global leader in healthcare, lifestyle and lighting is planning a massive expansion of its business to smaller cities and rural areas.

To achieve this level of organic growth, Philips realized it needed to maximize its working capital allocation, which was largely tied up within its supply chain. “Ideally, we would like to generate much of the funding that we need from internal sources. This means that we need control of and visibility to all aspects of our working capital. On one side, this refers to our debtors – the 6,000 or so dealers and distributors across India whom we supply from our 30 depots. On the other side, it is our creditors – the 500 plus suppliers to our 10 manufacturing centers in India,” says Das.

Philips, like many other corporations in India, finds the nationwide collections mechanism a major challenge. Payments in India are overwhelmingly made by check, which must be presented to one of 1,038 clearing locations across the country. The company also feels pressure from the lack of air and rail links to some of the more remote cities it targets. And most importantly for Philips is that the reliance on its distributors to source their own funding has proven to be a bottleneck for the growth demands.

To help Philips meet its aggressive growth plan, Citi developed a comprehensive solution covering both services and financing. Couriers move checks from dealers and distributors to 50 Citi facilities across the country. The bank then discounts the checks, and the proceeds are credited to Philips. Citi helps Philips’ key suppliers meet the demands of a rapidly growing business through financing

of their bills. As Philips’ cash management bank in India, Citi handles over 1,000 monthly payments to its suppliers. Citi supports Philips’ key distributors with channel finance, which makes it easier for the distributors to provide credit to their customers and to expand more rapidly.

To achieve its goal of enhancing the liquidity and cash visibility, Philips leverages Citi’s cutting-edge platforms and technology. Says Das: “By working with Citi, we know what are our likely receipts will be over the next two business days. Our back office helps us to estimate more accurately the payment side; as a result the cash planning is easier. There is also far less likelihood that we need to access expensive external sources of cash.” Citi’s e-banking platforms allow Philips to have a clear picture of the incoming payments from dealers and distributors. Aside from this, the company’s commercial relationships with its key distributors and suppliers are strengthened.

## Partnering for Growth

Citi’s long-standing presence in Asia Pacific – and nationwide network in India – makes it an ideal partner for a multinational company that is looking to grow rapidly in this important market. Whether through collections and discounting of checks, financing solutions in the supply chain, credit insurance, outsourced payments solutions or through platforms such as CitiDirect® Online Banking, CitiConnect<sup>SM</sup> for Trade and TreasuryVision®, Citi makes working capital management and cash planning more efficient.

At Citi, we look at working capital management as part of a wider change management program to re-engineer internal processes. Through Citi’s innovative solutions, excess funds tied up in supporting the company’s production cycle are maximized. The successful execution of a successful working capital strategy will ultimately help companies generate more free cash with each production turn, and therefore reduce their reliance on external sources of capital.

For more information, please visit [www.transactionservices.citi.com](http://www.transactionservices.citi.com)