



Banking Facilities For Pharma Industry

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20th Sept14

Agenda

- **Indian Pharma Sector Update**
 - **Treasurer / CFO Objectives**
 - **Cash Management Products**
 - **Trade Finance products**
 - **Short term and Long term borrowings**
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Indian Pharma Sector View

- Domestic Pharma market in FY 13 \$ 16.4 bln
 - Pharma Exports market in Fy 13 \$15.6 bln
 - Pharma imports -API & Intermediates \$ 5.0 bln (Mainly imported from China)
 - Estimated Pharma market size in 2020 \$ 85.0 bln
 - Share of Indian companies/ MNCs 73 % / 27%
 - Pharma FDI as a share of total FDI in Fy 14 5% (\$ 1.3 bln)
 - Top 3 clusters - Ahmedabad(Gujarat State), Gerome Valley(AP State) and Bangalore (Karnataka State)
 - Pharma products mainly consist of Active Pharmaceutical Ingredients(API)/ Bulk Drugs and Formulations
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Pharma Sector update Contd

- Americas account for 35% of Indian Pharma Exports followed by Europe 26%, Asia 20%, Africa 19% and rest 1%
 - Indian Pharma is one of the fastest growing markets in the world which lead to increased investments by MNCs to gain larger market share
 - Key growth constraints
 - Industry is under pressure to supply essential drugs at uneconomical prices as per DPCO(Drug Prices Contol Order) and various other regulations
 - Growing Concern regarding clinical tests
 - Fragmented supply Chain resulting in high inventory/ operations costs
 - Domestic market is dominated by retail shops
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Pharma Sector update contd

- Key MNC players – Abbot Laboratories, GlaxoSmithkline, Pfizer

Key Domestic players – Sun Pharm, Dr Reddy, Lupin, Cipla, Aurobindo, Cadilla and Glenmark

M& A activities

- The Need for new product pipelines, new product acquisitions, Patent expiries, cost containment and credit availability are key drivers to accelerate M&A activities in global Pharma industry

- Recent key M&A deals and licensing deals

- 1 Abbot / Piramal Health Care (\$ 3.7 bln)

- 2 Astro Zeneca/ Aurobindo (Licensee to manufacture)

- 3 sanofi Aventis/ Shantha Biotech (\$ 0.55 bln)

Treasurer / CFO Role and responsibilities

- Pharma industry is working capital intensive and predominantly use short term debt products to meet funding gaps
 - Treasurer aim is to maximize profitability and increase return on equity with the right combination of usage of cash management products, short term trade finance products and long term debt capital markets.
 - Unlock and leverage trapped cash through state of the art liquidity tools
 - Streamline supply chain through advanced trade solutions to accelerate goods delivery and build innovative supplier partnerships
 - Better inventory management using state of the art digital solutions
 - Improve payments efficiency by optimising payables outstanding
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Treasurer / CFO Role contd

- E-invoicing - This is on the lines of outsourcing non-core activities from corporate customer perspective. Right from receiving the invoices from suppliers, then tracking the same for approvals, making payments and updation of the system and all related work which is not a core activity for a corporate can be outsourced under this product
 - Convert to cash faster through receivable solutions to reduce sales outstanding and free up working capital borrowings
 - Judicious use of long term borrowings and tax efficient lease finance where applicable for acquisition of operating assets. This will help to cut down borrowings and improve gearing and interest cover ratios
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Treasurer/ CFO role contd

Use of digital solutions at economical costs is key to control working capital costs

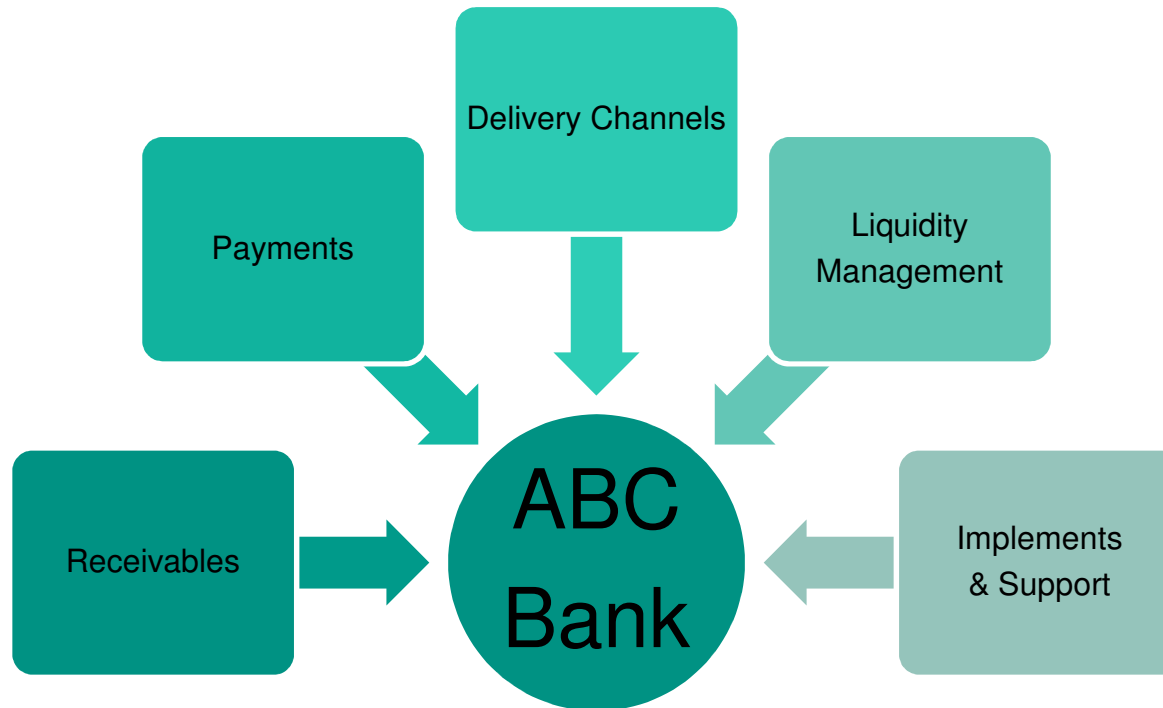
Access to cloud service enterprises to undertake short run projects instead of using expensive in house data servers and facilities

Integrate manufacturing locations, inventory and spare parts locations and product warehouse though state of the art on line digital solutions (SAP etc) to facilitate intra unit goods movements at lowest costs and to cut down the inventory holding costs



CASH MANAGEMENT

Complete Cash and Liquidity Management Solution



- Improve cost efficiency and productivity through simplifies processing
 - Accelerate collection and better forecast of Cash flow
 - Minimize funding cost and improve risk management
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Complete Cash and Liquidity Management Solutions contd

RECEIVABLES

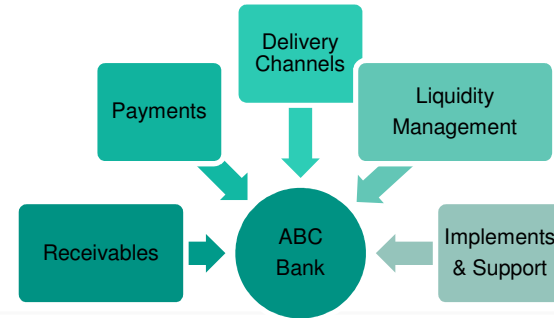
- Smart Collect Integrated
- Receivables Management
- Cheque Collection outsourcing
- Incoming Electronic Funds Transfer
- Virtual Account Services
- Cheque Warehousing

DELIVERY CHANNELS

- Access Online / Access Direct
- SWIFT Corporate Access
- Multi Currency Conversion
- Embedded FX transaction
- Real time market driven rates

IMPLEMENTATION & SUPPORT

- Client Service team and relationship Manager
- Harmonised business conditions
In documentation



PAYMENTS

- Integrated Payment Solution
- Electronic Funds Transfers
(Domestic & Cross border)
- Low Value Payments
(GIRO/ACH)
- Check Issuance Service
(Bank Check, Corporate Check,
Dividend)

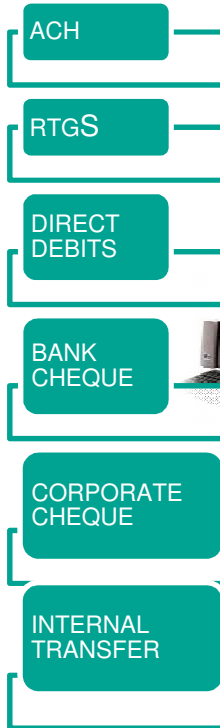
LIQUIDITY MANAGEMENT

- Zero-Balance Accounts
(Domestic & cross border)
 - Domestic National Pooling
 - Cross Currency National Pooling
 - Escrow account
 - Multi-Bank Cash Concentration
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Integrated Payable Solutions to minimise costs

CLIENT

- Vendor Payments
- Dividend Payments
- Salary Payments
- Tax Payments
- Utility Payments
- Inter-company Payments
- Loan-Repayments



**ABC
Bank**

**Transactional
FX/MCC**



BENEFITS

- Streamline Payable Processing
- Access up to date reporting Information
- Easy ERP Integration allowing Straight-through processing
- Easy reconciliation
- Improve efficiency & reduce Cost
- Embedded FX transaction With payments
- Reduced operational and Settlement risk

Features

Multiple payment methods

- All possible domestic & international payments are supported
(Both electronic & paper based)

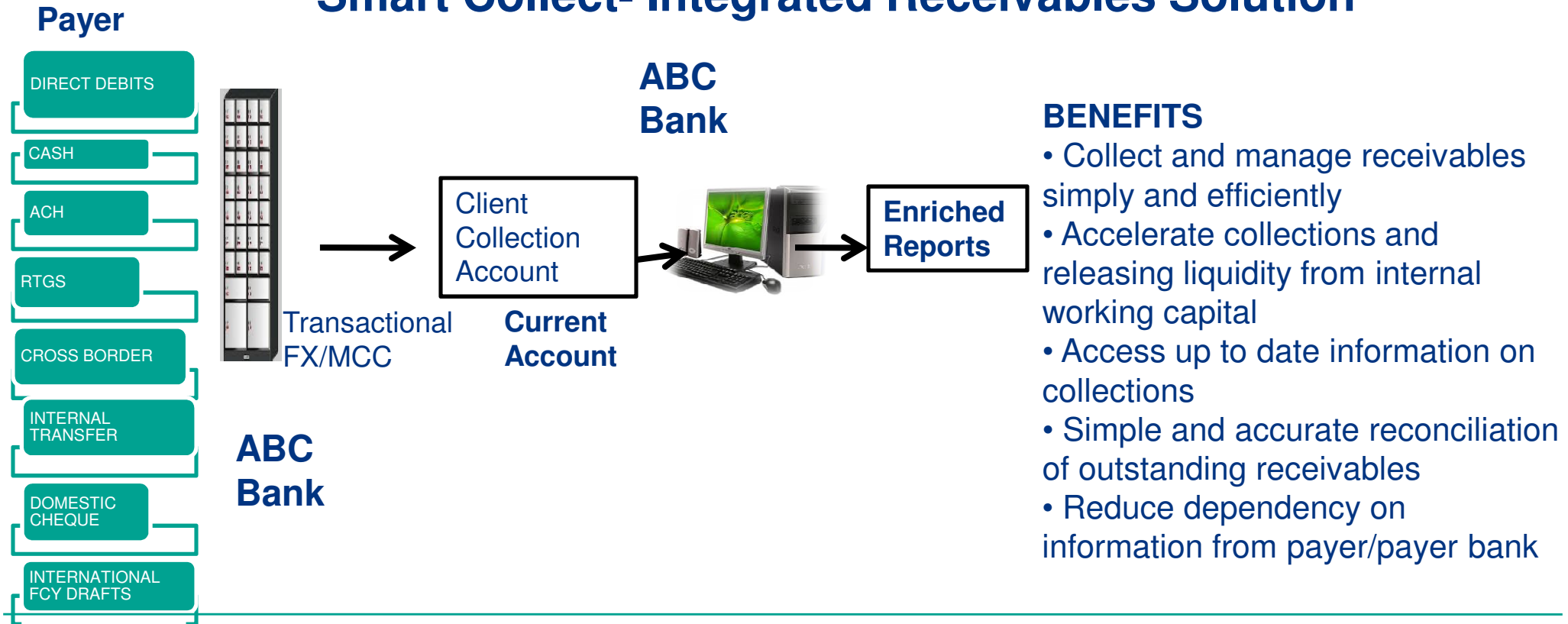
Seamless connectivity

- Multiple secure connectivity options; single standard interface for all locations/countries
- One file for all payment types
- Support all your centralisation/ Share service centre needs

Value Added Services

- Central bank reporting
 - Cheque payment outsourcing with customised cheque advice
 - Multi currency conversion(MCC) provide seamless embedding of near real-time competitive FX Conversion for payables in Non-local currencies
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Smart Collect- Integrated Receivables Solution



Features

Multiple Collection methods

- All possible domestic & international collections are supported (Both electronic & paper based)
- Cash & cheques can be deposited over the ABC bank counter

Seamless connectivity

- Multiple secure connectivity options; single standard interface for all locations/countries
- One file for all payment types
- Support all your centralisation/Share service centre needs

Value Added Services

- Integrated collection reporting
- Smart collection reconciliation: payer enriched reporting
- Email alerts
- Multi currency conversion(MCC) provide seamless embedding of near real-time competitive FX Conversion for payables in Non-local currencies

Trade Finance



Trade Value Proposition

What the Client Wants

Treasurers want to execute best strategies in Working Capital Management to increase shareholder value- generate more profit with less capital and reduced risk

Your Objectives

- Off balance sheet solutions
- Non recourse facilities
- Improved strategic suppliers relationships
- Quicker cash realization
- improved risk management
- Streamlined supply chain

How Bank Can Assist

Optimize Working Capital

- Receivables and payables products
And solutions

Improving Risk Management

- Electronic Platform for visibility and accuracy in cash forecasting
- Risk mitigation trade products- LC Confirmation, CtP, Account Receivables Purchase, Guarantees

Streamline your supply chain

- Supply Chain Finance solutions

Expand Internationally

- Trade Finance products
 - Risk mitigation trade products-LC confirmation, CtP, Account Receivables,
 - Purchases, Guarantees
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Commitment to Purchase (CTP)

CtP

- It is bilateral arrangement entered between the beneficiary/seller and the negotiating bank/paying bank, without the knowledge of the issuing bank
- It is not governed by UCP600

Objective

- To provide protection to beneficiary, in terms of the country, bank and documentary risks

Condition

- Happen when the credit did not allow/ request confirmation by another bank, but the beneficiary/seller requires a commitment by a bank in its country
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Risk mitigants - Doc preparation

- Specialized document checking services
 - Advisory services-checklist review, technical assistance
 - IMB checks to identify any fraudulent activity (for an importer)
 - Enhanced controls during the volatile markets
 - Training to third party service providers to reduce the discrepancies
 - Ensure third party documents are credit compliant
 - Work on the deviations in the LC checklist
 - Snapshot/observations mentioned in the Monthly Scorecard
 - Doc Prep system alerts for tracking the key dates-LC expiry, latest shipment date
 - Obtaining LC's from banks with good credit rating
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SFMS – An Overview & Benefits

- Structured Financial Messaging System (SFMS) is an Inter and Intra bank messaging system with a three-tier architecture

(Hub → Gateway → Branch Server (Offline/Online))

- SFMS is a modularized and integrated web-enabled multi-layered messaging software that runs on the central server (HUB), bank gateways and online/offline servers facilitating the electronic exchange of financial and non-financial messages ie. Including transmitting Trade Letter of Credits & Guarantees locally
 - SFMS caters to the message security requirements of authentication, authorization, integrity, privacy, non-repudiation and key management.
 - SFMS will help reduce frauds associated with physical LC's issued locally.
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SFMS – An Overview & Benefits contd.

- SFMS has a well-defined External Application Programs Interface (API) to send and receive messages using Straight Through Processing (STP).
 - Provides appropriate Message Query (MQ) facilities at each level
 - Banks in India would now be able to avoid paper based handling of Letters of Credits at the time of opening and negotiation of bills drawn against the Letters of Credit
 - Besides reducing transaction time and cost-thereby making trade finance operations more efficient, the electronic handling of communications would considerable reduce risk of fraudulent transactions.
 - SFMS has all the features similar to SWIFT and time will tell whether it can replace swift.
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Borrowings

Short term for tenor not exceeding 1 year

- Overdraft / Commercial paper to meet cash flow gaps at minimum bank base rate +margin
 - Discount of local sales bills or Lc backed Lcs
 - Pre shipment export credit against export contract
 - Post shipment export credit against export bills or discount of post shipment bills
 - Offshore finance / buyers credit to pay off raw material imports for tenor up to 1 year from the date of shipment
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Borrowings contd.

- Long tenor borrowings
 - Offshore finance / buyers credit to pay off capex imports for tenor up to 3 years
 - Lease finance to finance acquisition of operating assets
 - Rupee or foreign currency loan to finance capex or expansion programs
 - Borrow by way of Rupee debentures
 - ECA backed foreign currency loan for import of specified capital goods
 - Foreign currency bonds under bond issuance program
 - venture capital or PE funding
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Off Balance sheet or contingent liabilities

- Establishment of letter of Credit for purchase of local or import of goods
 - issuance of performance / advance guarantees or bid bonds
 - Confirmation of Letter of credit
 - Stand by Letter of Credit for getting assured supply of goods from seller
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Thank you
