

Sanofi India expedites cheque collections to free up working capital during pandemic



Adam Smith Awards Asia

Winner - Best in Class Treasury Solution in India

About

Sanofi India is an entity of Sanofi Group, a Paris-based global health care leader that provides specialty care, vaccines, and general medicine solutions in more than 170 countries, and operates over 70 manufacturing sites across 32 markets. The firm has been operating in India since 1956 with manufacturing facilities in India and is listed on both the Bombay Stock Exchange and the National Stock Exchange.

The challenge

As Sanofi India expanded its business over the years, its cash management processes became increasingly complex - with four of its legal entities having eight banking partners and up to 45 bank accounts across the country serving varying purposes.

Sanofi India also faced payment processes that were manual and paper-based, especially with cross-border payments that typically require a lot of physical supporting documentation under the existing regulations by the India central bank.

In addition, Sanofi India also had to contend with the non-optimal process of reconciling its cheques collections - which is a preferred mode of payment by distributors in India and dominated approximately 70 percent of its collections. With the abrupt onset of the COVID-19 crisis in 2020 that triggered a country-wide lockdown in India and shuttering courier services, Sanofi India needed an alternative solution to collect and bank its paper cheques from its distributors.

In summary, Sanofi India's goals were to:

- Rationalize, harmonize and standardize its banking partnerships, to gain better bargaining power through higher concentration of business to fewer banks.
- Leverage technology to automate the highly manual process of cross-border payments.
- Adopt solutions to improve the cheque collections process as well as move away from the paper intensive to electronic collections.

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The solution

J.P. Morgan was one of two banks selected at a regional and global level to support all of Sanofi India's banking needs. Sanofi India worked closely with J.P. Morgan to deliver a comprehensive cash management solution in phases.

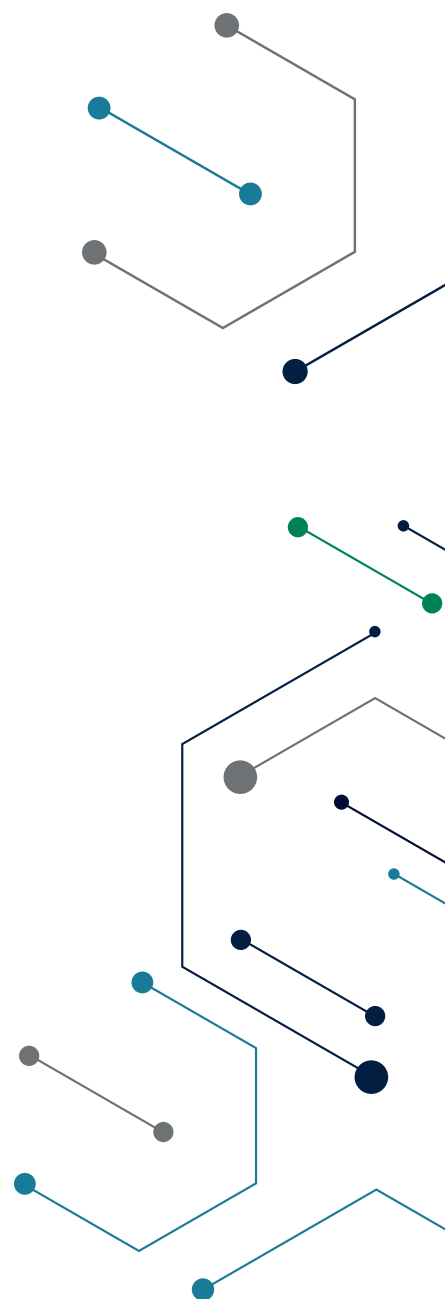
To digitize its cross-border payments and processes, the company adopted the bank's virtual branch end-to-end solutions for paperless imports as well as exports. Through the paperless import solution, payment instructions can now be transmitted digitally to the bank via host-to-host integration with Sanofi India's ERP. The solution also seamlessly integrates J.P. Morgan's online banking platform with the Reserve Bank of India's import data processing and monitoring system (IDPMS), where the bank can now validate and process Sanofi India's cross-border transactions electronically. Sanofi India also has real-time visibility of outstanding import transactions through the IDPMS for better control of its regulatory obligations.

The end-to-end exports solution provides Sanofi with full visibility, control and tracking of the entire lifecycle of goods and services export payments.

To optimize its cheque collections process, Sanofi India tapped into J.P. Morgan's extensive network of partner banks and third-party logistic providers in India. This proved critical for both Sanofi and its distributors during the height of the pandemic, when couriers were not able to pick up cheques from distributors, causing potential cash flow problems for Sanofi if collections were not being realized and possibly impacting the credit limits of its distributors who were not able to clear their payments.

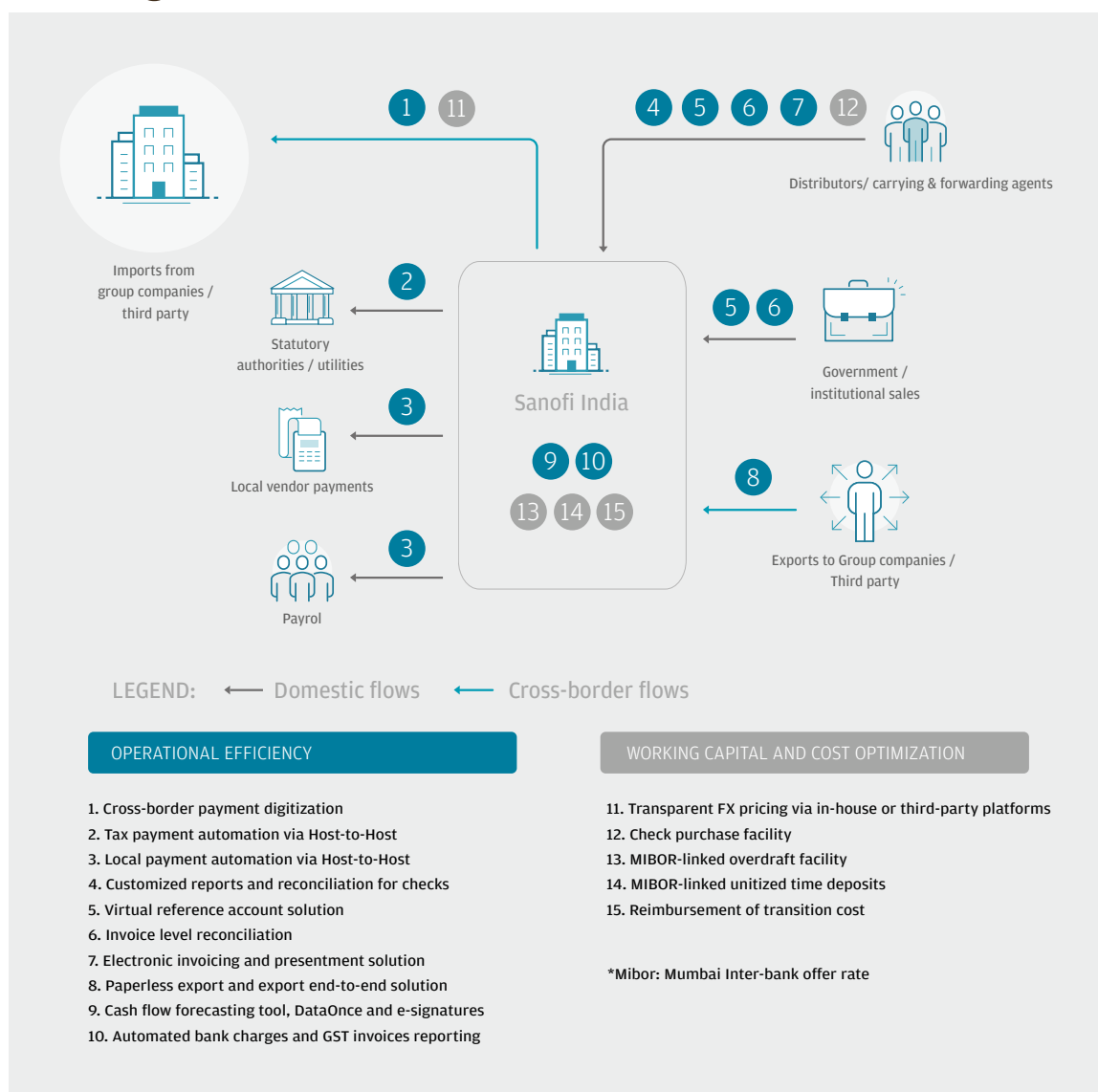
With J.P. Morgan's help, Sanofi was able to initiate a process, within just two days, where hundreds of its distributor cheques across the country were being collected by special carrying and forwarding agents and dropped off at the partner bank branches, and credited directly into Sanofi's account.

Sanofi is currently embarking on the next stage of digitizing its collections, involving the adoption of an electronic invoice presentment, payments and reconciliation solution, to transition from paper to electronic collections.



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J.P.Morgan



“Technology was a critical element in the RFP and J.P. Morgan had the systems to meet our automation expectations. We have resolved some key pain points unique to operating in India by implementing a comprehensive and holistic solution.”

- Somak Ghosh, Treasury Head, Sanofi India

J.P.Morgan

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The results

- Reduced the number of banking partners and bank accounts by 75 percent and 80 percent, respectively.
- Completely digitized cross-border payments to free up around 500 man-hours a year.
- Improved visibility of its cross-border payment processes, particularly for exports payments.
- Enhanced cheque collections by leveraging J.P. Morgan's extensive network of partner banks, and, with the use of bots, automatically consolidate the cheques into a daily report.
- Realized approximately 8,000 cheques from more than 700 distributors within two days, to free up working capital during the COVID-19 lockdown.
- Moved away from paper-based highly operational collections process to digitized electronic collections.

“From the design to implementation of the solution, the partnership between Sanofi and J.P. Morgan had been first-class, with frequent deep-dive discussions held across different lines of business and functions in multiple jurisdictions, to ensure the solution was seamlessly executed.”

- Rohit Khatri, Head of India Multinational Corporate Sales for Corporate Banking, J.P. Morgan



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