



# CATALYST FOR CHANGE

Easa Saleh Al Gurg Group transformed its treasury with the implementation of a TMS. CFO Werner Flaig reveals how

For Dubai-based retail and manufacturing conglomerate Easa Saleh Al Gurg Group (ESAG), getting an accurate view of its daily cash flow across the entire group used to be a challenge. Each of the 23 entities within the group acted autonomously by managing their cash independently. Between them, they had more than 250 accounts across 11 bank relationships.

Besides having a lack of visibility over its banking arrangements, the group incurred transaction costs as a result of making intercompany payments as if they were external. So ESAG took the decision to deploy a treasury management system (TMS) and create an in-house bank (IHB) to help centralise cash pools and reduce costs. The group's objective was to establish a dedicated centralised treasury that would achieve significant cost savings and provide a central database for all transactions. Most importantly, the group would be able to obtain consolidated bank balances for the first time ever.

At the heart of ESAG's new treasury structure is SunGard's AvantGard Quantum TMS. With the system, FX exposures are tracked, recorded and consolidated prior to trading. Meanwhile, real-time market data forms the basis of every transaction and all FX transactions are entered, confirmed, matched and settled on the same day to mitigate risk exposure.

The implementation of a TMS was the catalyst for many changes at ESAG. It was the starting point for the group to review and make the necessary changes to its existing processes and to move towards achieving world-class use of a TMS.

## First IHB in the Gulf Cooperation Council

The concept of an IHB is not a new one, but it is seen as one of the ways to gain a better view of cash in a 'decentralised' group structure. One of the group entities of ESAG acts as the IHB to the others, performing all the functions of an outside bank. For example, each legal entity has 'virtual bank accounts' with the IHB in each of the currencies it requires. Each entity is accountable for its own IHB accounts just as if they were external, receiving interest for credit balances and paying interest for debit balances as with an external bank account.

The IHB is able to charge a higher rate of interest to entities exceeding their maximum working capital limit or not managing working capital well. It promotes best practice and standardises processes by ensuring that all entities work from the same daily bank statements. It can perform intercompany payments without additional charges and facilitate better bank relationship management.

One of the main benefits of an IHB is the cash concentration facility. While maintaining external bank accounts for receivables and collections, the balances are automatically transferred to the group IHB account for trading. Likewise, if the external bank account becomes overdrawn, the IHB account will transfer funds to cover it.

## Transparency, efficiency and control

The creation of an IHB was an integral component in the successful transformation of ESAG's treasury function, but it was the implementation of the TMS that promoted the changes. It has provided the group with

significantly enhanced transparency and visibility, which has enabled the centralised negotiation of tariffs, terms and conditions. A central view of accurate and real-time daily data is now available to senior management and shareholders, which, in turn, has achieved significant cost savings.

Payment processing was consolidated in a payment factory in January 2012, completing the standardisation of several business-critical financial processes across the group. The end result of having complete visibility and control over group transactions has meant better working capital management and optimised allocation of free cash flow. As ESAG expands further globally, it plans to make further use of its TMS as it implements cross-border cash concentration across its treasury operations.

For more on SunGard AvantGard Quantum, visit [www.sungard.com/avantgard](http://www.sungard.com/avantgard)

**SUNGARD®**



**Werner Flaig** is CFO of Easa Saleh Al Gurg Group

To find out more about ESAG's treasury transformation, see page 10. You can also learn more about the group at [www.algurg.com](http://www.algurg.com)