Bank Optimization and Automation for better Treasury Management at Bunge India Private Limited

Introduction:

Bunge India Private limited is in a process to optimize or rationalize the whole banking process by working on the banking structure where optimal bank accounts are there, automating the whole process, integrating the same with the ERP package SAP and eventually reduce the number of bank accounts. The agenda for the executive from the finance department has been called by the CFO to make a detailed study of the process and report.

About the Company:

Bunge India Private Limited is a leading agribusiness and food company with integrated operations that encircle the globe, stretching from the farm field to the retail shelf. Whereas, Bunge India private limited is a wholly owned subsidiary of Bunge Mauritius holdings Ltd, which in turn is fully owned by Bunge Ltd, the world’s leading oilseeds processing company.

The parent company was founded in the year 1818 as a trading firm with an objective of import and export trading by Johann Peter Gotlieb Bunge in Amsterdam. Before the company was converted into the Bermuda-registered Bunge International in the year 1994, it was relocated to Antwerp by Edouard Bunge in 1859, Ernest Bunge brother of Edouard took the name of Bunge to Argentina in 1884, and in 1905 the business extended to Brazil and later on to the USA. In 2001, Bunge was listed on the New York Stock Exchange and is currently headquartered at White Plains, New York.
The core values of the organisation are a) Integrity – Honesty and Fairness in every action; b) Teamwork – Value of individual excellence and work as a team for the benefit of Bunge and their stakeholders; c) Citizenship – Contribution to the development of individuals and the social and economic fabric of our communities, and act as stewards of the environment; d) Entrepreneurship – Pricing individual initiative to meet opportunities and deliver results; and e) Openness and Trust – Openness to ideas and opinions.

It is due to the above values that are followed worldwide that this organisation has grown tremendously worldwide and currently has its global presence in many countries of North America, South America, Europe, Asia Pacific, Caribbean and Central America.

Bunge India is a wholly owned subsidiary of Bunge Mauritius holdings Ltd, which in turn is fully owned by Bunge Ltd, the world’s leading oilseeds processing company. In India, until the year 2003, Bunge India Private limited ran its operations through two entities, namely Bunge Agribusiness Private Ltd. taking care of agribusiness and Geepee Ceval Proteins and Investment Limited (Geepee Ceval).

As part of its India strategy to expand its presence in the retail side of business, Bunge India acquired the edible oils / vanaspati business and bakery fats business of Hindustan Unilever Ltd (HUL) in August 2003. Then, the company acquired the brands like Dalda and Masterline, as part of the deal. The company also consolidated its India’s operations and Bunge Agribusiness was amalgamated with Geepee Ceval. In October 2004, Geepee Ceval was renamed
Bunge India Pvt Ltd. And in February 2012, Bunge India acquired the edible oils and fats business of Amrit Banaspati Company Ltd (Amrit Banaspati) along with the Gagan and Ginni brands.

Problem:
The primary challenge was to manage the treasury at all the acquired firms located at various places and the bank accounts accompanying such firms along with the acquisition. The situation as such prevailing was quiet confusing and due to the many acquisitions, ground reality is there are multiple bank accounts in the name of Bunge India Pvt Ltd. There are three manufacturing plants all over India in Rajpura (Punjab), Trichy (Tamil Nadu), and Kandla (Gujarat), the head office being Mumbai (Maharashtra). Currently, Banking is decentralized with the plants and hence each business has different banking structure i.e different accounts for receipts (inflows) and different accounts for payments (outflows) with different banks. Treasury has the final control and monitoring the pool of accounts and overdraft accounts for working capital requirements.

Also the approval rights for payments are with few people in the management. Due to the above reasons the following gaps have been observed:-
1) it becomes a difficult and rather inefficient task to track and manage all these accounts by treasury department
2) There is less control and clarity on the payments being processed
3) The approval process takes time
4) Many payments done are also not automated and done on manual basis.
   Standard formats are also not followed in each plant
There is a need to optimize the whole process by working on the banking structure where optimal bank accounts are there, automating the whole process, integrating the same with SAP and eventually reducing number of bank accounts.

Below is the snapshot of the flow of funds from a birds eye view

![Flow of Funds Diagram](image)

It can be observed as to how having multiple accounts for each business line creates a hassle in terms of flow of funds, cash management and working capital management. The accounting also becomes a tedious task as each and every bank statement has to be continuously monitored and checked.

In order to overcome the above problems that were faced, treasury team came up with the idea of rationalization of Bank accounts and automating the process with minimum manual intervention. In the discussion, it was found that, to overcome the given problem there could be the following possibilities or patterns:-
Patterns

The discussion in the meeting room came with the patterns that can be adopted to reach a solution. First, being the option of only to optimize or rationalize bank Accounts; second, only to automate the bank Accounts and third being to optimize and automate the whole process.

The members in the meeting discussed the pros and cons in choosing the option separately and felt that:

a) **Only to optimize or rationalize bank Accounts:** This means the organization only works on the current banking structure and creates a documents called an RFP (Request for proposal), studies the RFP comparatively and eventually reduce the bank accounts.

   i) **Pros:** The hassles like tracking of all accounts, clarity on payments being processed, daily cash forecasting, preparation of consolidated fund position and working capital management will be simplified. The whole process may be simplified without changing much of the working and mythologies currently followed by the organisation in terms of accounting and payments being processed.

   ii) **Cons:** If the process is not automated, then processing payments may take time and handling voluminous transactions may become a hindrance in future. In addition advantages of Automation like improved efficiency, lower operation costs, increased productivity and improved personalization will be lost out on. While moving from a manual to electronic platform, there has to be training...
giving to each team member for each bank A/c informing them how to use the services.

b) **Only to Automate the bank Accounts:** This means that the organization only automates the whole process i.e it transforms from a manual to an electronic platform without going to the whole process of optimization of bank accounts.

i) **Pros:**
- The whole exercise of going through rationalization of bank accounts is not done in this case which saves time and also the hassle of explaining each business unit about the closure of accounts and educating them about the new bank accounts and systems.

ii) **Cons:**
- The problem of tracking all accounts, clarity on payments being processed, daily cash forecasting, preparation of consolidated fund position and working capital management will be persist and it will be a rather inefficient task for the treasury team to do so.

c) **To optimize and Automate the whole process :-** The exercise of optimization and automation can be collectively taken and processed as a project. This will be an extensive project to be taken up by the treasury team and it will ensure that the banking structure of the company as a whole is optimized and also create a robust banking platform. Ideally the organization would want to function having only 1 bank A/c through which all the transactions are routed. Since there are different products that function as different business lines, each business line to have a
virtual A/c for accounting purpose. In order to achieve this, the organization will have to identify gaps in the current banking structure and optimize the same.

i)  **Pros:** The hassles like tracking of all accounts, clarity on payments being processed, daily cash forecasting, preparation of consolidated fund position and working capital management will be simplified. The whole process may be simplified without changing much of the working and mythologies currently followed by the organisation in terms of accounting and payments being processed. In addition processing payments ay speed up and handling voluminous transactions may become standardized, simple and lucid. In addition there will be advantages of Automation like improved efficiency, lower operation costs, increased productivity and improved personalization.

ii)  **Cons:** The whole process is excessively time consuming. Also in big FMCG like Bunge there are voluminous flow of funds are an everyday process and each team used to using multiple bank accounts for various purposes it may become an additional task for the treasury team in addition to their regular routine as the work load too would increase significantly.

**Challenges**

The first and foremost challenge for any organization is to bring in change and make the stakeholders participate and accept the change. Secondly, based on the explained patterns the decision taken by the organization should lead to optimization and automation of the whole process with minimum manual
intervention. In order to achieve the same, the department of finance and the organizational system needs a modification in the operations of receipts and payments along with authorizations with accountability. The entire process requires good amount of time and resources. (refer appendix – 1)

**Conclusion/Analysis:-**

Business and technology is ever changing and it is very essential in today’s scenario for businesses to change and adapt to the new technology. Also, there is always scope for improvement and in the case of Bunge India Private Limited due to the Mergers and acquisitions there is a need to work on the banking structure. The reason being that in a growing FMCG like Bunge India Private Limited it will become very difficult to manage so many bank accounts.

The drawback or contradicting opinion to the above can be that many business lines may not be very familiar with using services like NACH and technology banking. Also, the current set up and flow of funds could be disrupted in this whole completed process which may also be the reason for the business heads to not go for the above project. The treasury team now holds the challenge to reform the banking structure not to forget that every reform comes with its set of criticism and unwillingness.
Various challenges the organization would face in order to implement Automation and Bank Optimization

1) **Time consuming**: In order to implement the whole activity, various steps need to be followed by the treasury department which will in turn increase work load.

2) **Convincing various business teams**: There have to be meetings set up with various business teams and make them understand the need for the whole process. This again may take lot of time.

3) **Understanding the current structure**: In case of Bunge India Private limited since payments is decentralised with plants and the plant controller process payments through different bank accounts, it is of utmost importance to understand the current structure and the services used by each bank account in each plant.

4) **Ensuring that the current flow of funds does not get affected**: In the whole process of the project since the volume of transactions is so huge the treasury team has to ensure that the flow of funds don’t get disrupted as the same may cause damage to the company’s reputation among its stakeholders.

5) **Educating each person involved in using bank Accounts**: In an organization such as Bunge India Private Limited there are various business line and they are further divided into various departments. Each department will have something to do with either processing payments or receiving cash. The person may not be very acquainted with banking matters and hence it becomes the responsibility of the treasury team to educate them.