

Highly Commended Winner Best in Class Treasury Solution in India

Xiaomi Corporation

Yiyong Wu, Group Treasury Head



Xiaomi Corporation was founded in April 2010 and listed on the Main Board of the Hong Kong Stock Exchange on July 9th 2018. Xiaomi is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core.

Automation, SCF and FX solutions help Xiaomi's expansion into India



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The challenge

Xiaomi faced challenges due to its rapid global expansion. However, there is never a 'one-size-fits-all' treasury model. In India, one of the overseas markets that Xiaomi first entered and currently one of the most important markets, Xiaomi's treasury management supported global operations and business growth, based on local market environment.

The solution

Payment automation – to achieve automated processing efficiency and eliminate error-prone human intervention, host-to-host (H2H) integration with banking partners is critical and they adopted such practice, which allows daily payment/collection execution following group authorisation policy out of India seamlessly.

Xiaomi India also set up API connectivity with its bank, Citi, for user acquiring/growth incentive payment of Mi Pay marketing. Different from the daily B2B treasury

payments, Xiaomi adopted the API solution which works best in large volume B2C payment scenarios to optimise user experience.

Supply chain optimisation – enlightened by the SCF experience in EU with some major telecom operators, Xiaomi India set up its own SCF programme to support its local OEMs and suppliers who have higher liquidity demands during the COVID-19 pandemic and lowers the overall cost incurred in the trade flow.

Dynamic FX exposure management – by 2020, 99% of Xiaomi's smartphone and 100% of Mi TVs sold in India are made in India following the COVID supply chain disruption. The intensified local assembly model leads to higher level of complexity in supply chain and treasury management, and USD/INR volatility only adds to the complication.

Xiaomi took an enterprise view in managing the INR exposure and both its HQ and local treasury team worked closely with its global banking partner Citi to

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monitor India regulation updates and macroeconomic developments and develop a solution that incorporates (i) seamless settlement with its OEM partners, (ii) centralised FX booking naturally at Xiaomi's major trading platform, and (iii) flexibility of hedging to minimise the impact of INR volatility.

Innovation autonomy – Xiaomi's treasury team leveraged historical data from its business relationships with dealers/entrepreneurs to build a robust risk management framework and assess those dealers' creditworthiness, based on which Xiaomi India partners with local consumer banks to provide dealer financing to those small-size entrepreneurs.

Xiaomi trade/supply chain finance solution – acknowledging the special and important relationship between buyers and sellers, Xiaomi has been actively managing its supply chain not only in India, but also in other markets.

Best practice and innovation

By leveraging the supply chain finance programme and Citi's automated e-platform, Xiaomi extends strong support to its suppliers on a paperless basis. This supports the liquidity needs of Xiaomi's suppliers, lowers the overall cost in the trade flow, and achieves further sales expansion even under the tough pandemic environment. This also helps Xiaomi India to maintain

its payment terms and further strengthens its supply chain ecosystem.

In a highly regulated market like India, managing the volatile INR, Xiaomi found ways to centrally manage such exposure at its trading centre and still dealt with the local market directly, so it would be able to achieve optimal FX pricing based on local liquidity, whilst maintaining hedging flexibility depending on overall exposure and market conditions.

Xiaomi India creates a virtuous cycle where its dealers' economic conditions and Xiaomi's smartphone sales grow hand in hand. It lowered financing cost and extend the payment terms of Xiaomi dealers, which in turn helped boost the sales of Xiaomi products and tighten the relationship with dealers.

Key benefits

- Increased automation.
- FX volatility managed.
- Dealer relations enhanced.

"The excellence of our treasury management, embodied by innovative supply chain solutions, proactive FX approaches and advanced technology architectures, contribute to our admirable achievement in complex markets like India," says Yiyong Wu, Group Treasury Head.



Citi partnered with Xiaomi to achieve automation through its host-to-host solution and new technology CitiConnect® API, it combined global standards but also took local market nuance to support business growth. Xiaomi also collaborated with Citi through its digital supply chain finance solution to support its suppliers in India under the pandemic situation, which is only a snapshot of Xiaomi's top-notch management of their supply chain eco-system globally. Xiaomi's group treasury team has been exploring and practicing various scalable solutions, by embracing the challenges along the way as Xiaomi continues to grow towards its ever-grand aspiration.

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