

Asyad Group: Full Speed Ahead with Bottomline for Treasury

Evolving from an almost entirely manual treasury set-up to one where the latest technology is being deployed has advantages far beyond process efficiency. TMI talks to Muhsin Alrustom, Group Chief Financial Officer, Asyad Group, to hear just how far ahead of the game its Bottomline TreasuryXpress system is taking it.

By **Tom Alford**,
Deputy Editor

Sometimes great changes inspire even greater progress. When Oman Shipping was brought under the wings of the Omani government-owned Asyad Group, its vital treasury technology project would soon reach beyond its own domain and into the entire group of 15-plus maritime, port, free-zone and land-based logistics businesses.

Under the guidance of Alrustom, a project to implement the Bottomline TreasuryXpress platform – which he'd initiated in his former role as Group Treasurer for Oman Shipping – took on heightened importance.

Indeed, as his promotion to CFO of the newly combined business was announced, he was already developing plans for the centralisation of treasury.

As part of his

expanded remit, Alrustom has inherited a set of responsibilities that will underpin the continuing transformation of the group under the Asyad branding. With the implementation of TreasuryXpress within Asyad Shipping already providing much-needed coherence to that firm's treasury activities, it made perfect sense to him to push for a wider roll-out of the platform. Now it is set to deliver coherence and a range of other improvements to the whole group.

The genesis of the project is to be found in the dominant manual processing that had long-afflicted Asyad Shipping's treasury operations. In particular, with minimal internet banking, payments instructions were having to be printed, signed, scanned and sent for onward processing. Implementing web banking could have helped, but the nature of the shipping business meant this was never a straightforward option.

ASYAD GROUP

Asyad Group is a \$4bn government-owned logistics business based in Oman. Its wholly-owned maritime entity Asyad Shipping operates a fleet of 60 vessels enabling various services to be offered including the transportation of crude oil, liquefied natural gas (LNG), chemical products, dry bulk, and containers. It previously operated under the name of Oman Shipping before being incorporated in the Asyad Group.

As a shipping company, Asyad operates globally across multiple sectors. It currently has a fleet of 60 vessels. As per industry practice, these are typically registered in offshore jurisdictions such as Panama and the Marshall Islands, flying so-called 'flags of convenience'. This makes each vessel a special-purpose entity (SPE) in its own right. Each has its own bank account and financing structure which, given the size of facility needed for each vessel (a VLCC or Very Large Crude Carrier may cost in the region \$120m) is often arranged through banking consortia.

With around 35 banking relationships and more than 200 accounts covering the fleet, and manual processes dominating, when Alrustom arrived at Asyad Shipping (then Oman Shipping), he quickly realised that cash flow visibility was limited. "It would take four days just to provide the latest cash balances," he recalls. "The team found this particularly frustrating."

From business case to selection

While there was no overriding event that spurred him into action, Alrustom could see that lack of visibility meant accurate forecasting and rapid decision-making was heavily compromised, and that this was exacerbated by the delays and errors caused by manual sign-off for payments. "The biggest hurdle for us was the visibility of information, not being able to pool cash and to invest it with the right bank at the right time, or draw down on our facilities and match the maturities of our investments with our cash needs," he recalls.

All this made it readily apparent that not only would treasury processes and procedures require restructuring but also that a treasury management system (TMS) was needed to harness the advantages of the restructure.

So alongside tighter definition of each treasury role, with essential segregation of front-, middle- and back-office duties, the incoming system would need to complement the integration between the firm's existing enterprise resource planning (ERP) system and its multiple banking partners – and eventually deliver a central treasury function.

But the changes that TreasuryXpress would bring were not all about tackling the negatives. Alrustom's goal has always been to move treasury from its traditional

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status as a cost centre, to that of a "cost-saving centre", with a longer-term aim of establishing the function as a profit centre. Selecting the right system – with the necessary level of scalability to fulfil its eventual role as a group treasury system – was a vital part of his plan.

Given his long-term background in international treasury, Alrustom was well-acquainted with the TMS market, having first-hand experience of some systems. Although he had in mind a long-list of "usual suspects", being part of a government-owned organisation demanded an exceptionally rigorous selection process be adhered to. "We had to go through a highly transparent RFP [request for proposal] and tendering process," he remembers.

This process ensured that once the need had been identified, and Asyad's procurement team had drafted the tendering document, the list of vendors could be approached. The next phase applied a host of commercial and technical criteria, with a detailed scoring mechanism, to ensure all needs could be met. With TreasuryXpress making the cut following a successful proof-of-concept demonstration and detailed Q&A session, it was awarded the contract in mid-2019.

Project kick-off

With the new TMS being integrated with the existing ERP for cash management and payments functionality, alignment with all 35 banks and the 200 accounts was required to ensure SWIFT messaging (mostly MT101s and MT940s) could be fully incorporated. This was a major undertaking, with the team opting for a phased rather than 'big bang' implementation approach.

The practical project work was controlled in the main by Alrustom who, with significant experience of core treasury system implementations (both ERPs and TMSs), was able to plan and manage

proceedings, in partnership with a dedicated team from TreasuryXpress.

The first phase covered cash management and debt management. In effect, the new front office was set up to deal with cash management, financing, and funding strategy. This frees up the middle office to take on debt management, risk management, and compliance, while the back office handles treasury operations such as payments, funding, and cash calls from the other operating units. It also ensures IT safeguarding procedures around the new TreasuryXpress platform.

With the team efficiently restructured, and individual members assigned to leverage their abilities, the initial goal to achieve full visibility across all bank accounts and the group's hedging and debt portfolio took around six months, with all SWIFT MT message flows at this stage being aligned with TreasuryXpress.

With alignment of systems, all Asyad Group signatories need only to log into one platform, which means irrespective of the bank from which a payment is being originated, the process is largely identical. The only missing part at this stage was the payment factory, says Alrustom. "Given that we now have phase-one connectivity between the banks and TreasuryXpress, the second connective tier between the ERP and the TMS is now progressing," he notes.

Indeed, this is where the majority of the expected project issues have arisen, says Alrustom. With the file formats for payments, and the reverse during reconciliations, differing for each bank, it was deemed "a bit challenging", he admits, but states that all was duly managed by the ERP provider and TreasuryXpress. "From my prior experience of implementations, none of this was surprising, and we had a strong team on both sides to mitigate these issues."

As a minor niggle, it was necessary for TreasuryXpress to reconvert the system

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language to Asyad's preferred English from the Arabic that was provided. And with the group operating as a USD-denominated entity, the switch from the Omani rial was also requested and, in all cases, delivered.

Beyond the basics

While providing full cash visibility and aggregation of positions are worthy goals, TreasuryXpress has enabled Asyad Group to go further. Its fleet renewal strategy is a case in point. As part of the group's robust business planning, its shipping portfolio in particular demands careful control. With more than 60 vessels under management, each bearing considerable value, at some point individual assets will need replacing. Not least of the reasons for keeping vessels of this type in prime condition, and under a certain age, is that Asyad's customers, including several oil majors, demand it.

Fleet renewal is thus an ongoing and costly practice. "Having visibility over funding and cash, the cost of financing, and the maturities of our loans, has really helped us in terms of timing the sale of assets and refinancing facilities," says Alrustom.

"In 2019 alone, we were able to refinance five of our facilities with a combined saving of over \$21m. That would not have happened if we didn't have the visibility that TreasuryXpress gives us," he states. With this kind of power at the touch of a button, treasury has gained a seat at the decision-making table. "It's certainly transformed the view of the treasury function within the company."

Indeed, one of the most strategic activities within Asyad Group is the implementation of centralised treasury. This brings the diverse group of logistics-focused entities under one umbrella, with an in-house banking facility already established.

For Alrustom, having specialised services provided by head office treasury to all the other business units has significantly reduced the number and cost of transfers

and other bank services. While this minimises interactions with the banks, he says it elevates remaining interactions to a more strategic level.

In-house banking, and in particular its "game-changing" cash-pooling functionality, has also facilitated appreciable savings in terms of lending capabilities within the operating units. Furthermore, it has enabled optimal treasury investments in both short- and longer-term portfolios. In fact, with a financing income of more than \$12m reported in Asyad Group's 2020 annual statement, Alrustom is convinced of the benefits of in-house banking which, he again acknowledges, "would not have been possible without the TMS".

Advanced thinking

Treasury's cost-centre status may have been consigned to the past but progress continues. "Digitalisation has proved its worth to us," notes Alrustom. With TreasuryXpress now part of the Bottomline family, he says access to payments expertise and advanced technologies is something he is seeking to leverage. "We're in the logistics sector and we can see it's moving to become very asset-light and technology-intensive," he explains.

Artificial intelligence (AI) is likely to become a key part of that expansion. Before the arrival of TreasuryXpress, about 80% of the team's work was operational, and 20% analytical. "The aim is to reverse this state," says Alrustom.

He understands that the adoption of AI could generate some initial nervousness about job security, but knows too that it can enable value-added work to become the norm. Indeed, he comments, "we still need the treasury expertise of the individual; AI will just help us in making sound judgements".

What's more, with blockchain's successful incorporation into smart trade contracts, in digital letters of credit for example, Alrustom is looking to TreasuryXpress to assist Asyad

Group's further expansion into the realms of integrated logistics provision. Knowing that he has already assured the group's progress with his move to integrated and centralised treasury, it's very likely that the partnership will succeed here too. ■



MUHSIN ALRUSTOM

Group CFO, Asyad

Alrustom has more than 15 years' experience in the logistics and maritime sectors and, as a finance professional, has operated and developed financial processes and systems, and managed corporate financing, hedging, and liquidity needs.

Prior to joining Asyad earlier this year, he was General Manager of Treasury, Oman Shipping Company following a tenure in Dubai as Treasury Manager, Oman Trading International. He has also held positions at DP World, which included a two-year stint at the company's European regional office in London.

Alrustom holds a degree in accounting from Sultan Qaboos University as well as professional qualifications from the Institute of Management Accountants and the Association of Corporate Treasurers.