

Case study

PRYSMIAN SPA

About Prysmian SPA Nickel

Prysmian SPA is a leading player in the industry of high technology cables and systems for energy and telecommunications, with sales exceeding 5 billion Euros in 2008.

The group is active in the development, design, manufacturing, supply and installation of a wide range of cables for the most diverse applications in the energy and telecommunication sectors. Specialising in the development of products and services designed to meet customers' specific requirements, Prysmian's key strengths include a focus on Research & Development, the capacity to innovate products and production processes, and the use of advanced proprietary technologies.

With a history going back more than 130 years, Prysmian was formed following the acquisition of Pirelli's Cables and Systems businesses in 1995. At the time Valerio Battista, Chief Executive Officer, Prysmian, said, "our strategy is to continue working as an innovative partner with all of our customers, continuing to develop new and better products for them. We operate in a complex and changing market environment and we will continue to strive for excellence in both the products and services we provide to our clients.

The challenge

As part of the drive for excellence, Prysmian needed to replace the legacy systems that had been developed within Pirelli and which were no longer supportable. It also wanted to further improve and centralise its risk management operations and ensure that its activities complied with Legge 262 of the Italian Companies Code (similar in effect to Sarbanes Oxley).

At an earlier stage in its evaluation of possible solutions, Prysmian felt that Brady's system was potentially the best application to meet the company's needs. While it did have some initial concerns that it might be too costly and complex, following a rigorous assessment of other potential suppliers, Prysmian became convinced that Brady could address both its immediate requirements and provide the flexibility to meet future business opportunities.

“ Brady's robust risk engine and its expertise and experience in providing specialised tools for trading and risk management of base metals have provided us with a solid foundation for the continuing development and growth of our business. ”

- Head of Strategic Metals, Prysmian SPA

Why Brady

Prysmian chose to implement Brady's solution to support the organisation's European risk management operations, run by its centralised risk management company, Prysmian Metals. As well as managing risk on behalf of all of Prysmian's European affiliates, Prysmian Metals is also a Category 5 London Metal Exchange (LME) member. The Brady solution is a market leading supply chain and risk management software solution. It combines management of the physical supply chain with market-based financial valuations and corporate treasury requirements in a single, fully integrated and scalable platform. As a result, it streamlines business processes and procedures and provides a single, real-time view of the client's business across the group.

It can also be seamlessly integrated with other best of breed business applications, such as SAP and Oracle based Enterprise Resource Planning (ERP) and requirements for copper, aluminium and lead.

The key modules that have been implemented include:



Base metals - processing of base metal derivatives (LME and other exchanges)



Risk management - provides mark to market valuation of the portfolio and provides sophisticated stress testing and modelling analysis



Margining - allows the generation of margin data for customers to reconcile their broker margin call



Communications - automatically sends details of invoices/confirmations and other reports via email



Confirmations - generates confirmations/contracts



Invoicing - generates invoices for client positions

The system enables Prysmian to manage the capture and valuation of LME, OTC and other exchange-traded futures as well as averages and swaps. It also has the facility to do the same for Traded Average Price Options (TAPOs) should the company choose to. Prysmian continues to book its physical trades into its SAP system but positions are uploaded into Brady for hedging purposes. All of the hedging requirements from affiliates (mainly in Europe) are also now centrally managed in a single system. Orders for all futures contracts from the LME in the market with external brokers, such as Sempra and Barcap are then automatically executed, in order to fully hedge the affiliate position.

The solution also controls the full processing of the contracts back to the affiliates, including the assignment of prices to affiliate trades, the generation of confirmations and contracts, which are sent by email to the affiliates, the processing of the mark to market valuation, the calculation of margins in order to reconcile them with the broker margin calculations and the production of invoices, which are sent by email to the affiliates.

The Brady solution has the flexibility to be integrated more closely with its SAP system so that it can automatically post invoice, settlement and trade mark-to-market figures to the SAP general ledger monthly using the Brady General Ledger Interface. The extensive scalability of the Brady system also means that its use could be extended to cover Prysmian's US and Far Eastern operations or the operations of its affiliates, potentially including hedge accounting.



Benefits

The use of Brady's system has significantly improved the efficiency of front and back-office order processing between Prysmian, its affiliates and its brokers, as well as enhancing the risk management of Prysmian's global purchasing of metals. As a result, it is enabling Prysmian to benefit from:

- ✓ Lower costs - the solution improves the control of operational costs, especially those directly associated with the staff and the global infrastructure normally required to support operations. It also generates indirect cost savings through better controls and more streamlined processes and reporting.
- ✓ Reduced risk - the solution removes the inherent operational risks of using spreadsheets to manage vital business processes, by providing Prysmian with real-time access to consistent and accurate data and the use of preventative and detective controls.
- ✓ Increased efficiency - the solution can be easily integrated with other back-office systems to enhance the speed and accuracy of data sharing across the organisation.
- ✓ Enhanced profitability - the solution's sophisticated risk management tools enable Prysmian to eliminate metals price and currency risk, enabling the company to improve and make predictable profits.
- ✓ Greater control - the solution provides centralised risk management in a single system, providing Prysmian with a complete transparency over all activities and greater visibility into the future based on high quality information and forecasts.
- ✓ Increased flexibility - the solution has the inherent flexibility and scalability to be extended across additional markets and adapted to cater for any new business requirements, increasing Prysmian's long-term return on investment.
- ✓ Comprehensive support - the solution is backed up by a high level of customer support from Brady's expert team, with detailed knowledge of market, operational and IT issues.



About BRADY

Brady PLC is the largest independent provider of trading and risk management software to the global commodity markets with leading expertise in metals.

We have over 30 years of expertise in commodity markets with more than 10,000 users at over 200 companies worldwide, who depend on our software solutions to deliver mission critical business transactions across their global operations.

For commodities, we offer solutions for end-to-end trading lifecycle management of derivatives, physicals, raw materials and concentrates, together with hedging and risk management, logistics and inventory management, accounting and finance, for base and precious metals, raw materials, agriculture and softs and oil markets.

We are committed to keeping our customers ahead of the curve by keeping abreast of the latest market developments to drive innovation in our software, coupled with the deep knowledge and expertise of our people.

Speak to a Brady Metals Expert today and discover how Brady's software suite can support your commodity trading activity.

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