

LN Metals accelerates growth with SAP & itelligence

With LN's existing systems we were struggling to administer the growing volume of business in an efficient manner, leading to an incomplete level of control. The ability to implement an SAP system that integrates trading and accounting has facilitated streamlining and focusing the process, delivering the required levels of control and enhancing risk management.

**Kevin Rhodes, Financial Director,
LN Metals International Ltd**



The Company

LN Metals was established in 1998. It specialises in the trade of non-ferrous metals, ores, concentrates, residues and by products, actively using LME futures contracts to mitigate price risk. In 2007 the Company commenced trading in minor metals and it added steel to the product range in February 2008. LN also provides consulting and advisory services to the mining industry and in October 2007 was appointed sole marketing agent for the 2008 production for Katanga Mining Plc, a DRC based copper and cobalt mining operation.

Geographically LN operates in all key regions including Europe, CIS countries, Middle East, Africa, South America and the Far East.

The Company has grown rapidly over the past 5 years with turnover increasing more than ten-fold from \$30 million to \$350 million in 2007.

The challenge

For such a fast growing Company, scalability plays a crucial role and it is paramount that the administrative functions keep pace with the trading portfolio.

LN operates in a high volume low margin environment and hence the ability for the technology infrastructure to manage large cash flows, stock management and treasury management are crucial to the business.

The Company's turnover will increase from \$350 million in 2007 to close to \$700 million in 2008. The existing technology infrastructure simply did not cater for this level of increase in business.

The main function directly affecting profitability was the level of administrative time consumed on each transaction in the back office in relation to individual contracts. With the existing systems, the Company was struggling to efficiently track the volume of business transactions, placing pressure on the back office function.

An integrated trading and accounting system was sought to streamline this process and scale-up to the growing business needs.

The SAP itelligence Business All-in-One solution

After reviewing several industry-specific solutions over a six-month period, LN finally selected the SAP Business All-in-One solution delivered by the SAP Global Services Partner itelligence. This solution was chosen as a 'future proof' choice with long term scalability

offering accounting, treasury, logistics and risk management capabilities for metal trading, as well as the assurance of a fast ROI delivered by an organisation with solid reputation in the market.

While the SAP solution provided the required integration capabilities of the front and back office, the industry expertise offered by itelligence enhanced the solution to produce a complete package with the functionality to address the outlined business challenge.

The business challenge was to cope with the price fixing complexity of metals contracts and processing the futures contracts used as risk mitigants. The system needed to handle material that has many forms: primary metal, scrap, alloy or semi-finished product.

A second issue was to support the management of risk caused by the rapidly fluctuating prices of the material and of global currencies. It was clear that a complete IT solution for the metal industry must handle these and other special requirements.

As an add-on to the SAP system, the industry solution it.metal automates the contract processing, from creation through to billing, in both purchasing and sales. The comprehensive risk management helps companies respond quickly and confidently in a fast-changing market. The system is completely integrated which means that data is only entered once. It is accepted by the system and utilised for current and subsequent steps in the process.

Other solution providers did not offer the same advantages; SAP is a global expert in this industry and the products are tailored to the non-ferrous, ferrous and minor metals industries.

Successful implementation

Rapid 6-month stage implementation (planning, customization and go live stages)

- 6 months: Purchase decision
- 6 months: Blueprinting (System specification and validation), initial testing and training
- 6 months: Final roll-out to all users

The entire process took eighteen months from start to finish. This included selecting and finalising the software solution after reviewing all products available in the marketplace.

The next six months were utilised producing the system blueprint, testing the system and training the staff to use the new SAP software.

The final implementation was then rolled out in a seamless six-month period. The project met all budget targets and deadlines as the process was smoothly integrated with the business function.

The employee buy-in to the product and the transition to the new system were also very swift: the new solution was far superior in functionality when compared to the previous technology.

Key benefits to the business

The SAP solution deployed by LN exceeded expectations in terms of offering integration of the back and front office systems leading to considerable time saving per transaction, without the need for additional infrastructure, notwithstanding the increasing volume and scale of business.

LN's ability to control stock management, cash management, accounting numbers and the metals business risk improved considerably. All these benefits were experienced within the last six months of the implementation.

With the implementation of SAP Business All-in-One as well as it.trade and it.metal partner solutions from itelligence, LN were able to replace non-integrated legacy systems and achieved substantial improvements company-wide. The software, which was tailored to meet LN's precise needs, enabled the company to support its growing business without additional headcount, improve pricing and financial accounting processes, and expedite the life cycle of a contract – from order placement to shipment and delivery.

Information is now available in real time instead of users having to deal with spreadsheets and faxes. Material management, sales and distribution processes are now integrated in one system, ensuring faster workflow. Employees can use the software to automatically generate orders, ensuring order accuracy and faster deliveries.

Beyond the monetary benefits, LN achieved the following qualitative benefits with the SAP Business All-in-One solution:

- Support for industry-specific business processes, for example management of metal positions, wholesale and retail distribution of refined metal products
- Online access to all workflow information, accelerating the order life cycle (from order placement to delivery)
- Competitive differentiation, due to fast and flexible responses to customer queries or needs as well as faster delivery times

Looking ahead

Keeping its growth trend strong is a business imperative, as LN anticipates doubling its turnover in 2008. Last year the Company expanded into Minor Metals and diversification will continue with the opening of the company's Steel trading desk in February 2008. The decision to move to ferrous metals trading was stimulated by the introduction of the LME futures contract; LN Metals is excited about the business opportunities that follow from a new futures market in such a global commodity as Steel.

Steel contracts are relevant for producers, consumers and trading companies. The SAP Business All-in-One solution was originally developed for producers subsequently being adapted for trading companies.

The Business All-in-One solution is, therefore, adaptable to all sectors of the ferrous and non-ferrous metals business offering real business benefits as experienced by LN Metals.



Certainly the key business benefit I have witnessed is the scalability. We anticipated growth of the business in 2007 and have met targets with the same amount of staff leading to considerable savings.

Kevin Rhodes, Financial Director, LN Metals



itelligence is one of the leading international full-service providers for solutions in the SAP environment, employing some 1,200 highly qualified employees in 15 countries and in 4 regions (Americas, Western Europe, Eastern Europe and Germany/Austria). In 2006 the Company recorded total turnover of €163.8 million.

In addition to consultancy, development and system integration, the licensing business and the division Outsourcing & Services incl. Hosting form the core of the itelligence portfolio. The portfolio is supplemented by complementary solutions and services.

We offer our customers a tailored solution and service portfolio for the entire life cycle of an IT investment. Our industry competence and our SAP industry solutions make us a strategic partner of medium-sized companies. Our subject competence of SAP's innovative solutions and future technologies make use a Special Expertise Partner of numerous large customers.

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