



COMMODITIES MANAGEMENT SOFTWARE FOR  
**METAL FABRICATORS**

THE COMPLETE COMMODITIES TRADING AND  
HEDGING PLATFORM FOR METAL FABRICATORS

Integrated process and risk management





## SIMPLIFYING THE COMPLEX

Metal fabrication businesses are essentially simple in concept: metal is purchased at one price, value is added during the fabrication process and then the end product is sold at a sales price, hopefully making a profit at the end. However, this simplicity masks the complexities arising from the dependency of both the purchase and sales price on the prevalent market price for the underlying metal. For many fabrication businesses the ability to make a predictable profit from their activities requires the use of sophisticated hedging strategies using LME future markets or derivative contracts to eliminate metals price, (and currency) risk.

Even for a relatively small fabrication business, managing the hedge book and ensuring that, as far as is possible, all price risk is removed from the equation now requires a proper system – changes in regulation, reporting requirements and other external factors mean that spreadsheet solutions are no longer the answer. For larger, multi-national organisations the

challenge is even greater. For the CFO's of such an organisation, it is now essential that all reported figures can be tracked back via a comprehensive audit trail to their originating transactions. The penalties for failing to do this can be severe – even to the point of custodial sentences.

**And this is where Brady plc can help.** Brady offers a market leading integrated supply chain and risk management solution for organisations involved in the metals markets.

From mine to market, Brady's comprehensive functionality and straight-through processing capability addresses the trading requirements for the purchase and sale of all components of the metal lifecycle. So, you can now manage the trading of raw materials and fabricated products and their respective financial hedges, as well as associated foreign exchange and money market transactions in a single application.

## GET THE COMPLETE PICTURE

The key components of Brady's functionality include:

### Contract Capture

Your physical contracts can either be captured directly into the system using the inbuilt physicals functionality (which can also be used to manage the logistics side of your operations). Alternatively, it can be simply interfaced to your ERP system to load physical orders (purchases and sales), amendments to physical orders and fulfilments, allowing you to get a complete picture of your physical position and exposure in your risk management system.

Hedge transactions can be captured directly into the system using the trade capture functionality within the application. Once trades have been captured they are immediately available to all of the other functions within the system.

### Hedge Accounting

For fabrication business a key reason for implementing a trading and risk management solution is to enable them to manage all of the requirements of hedge accounting, whether under FAS 133 or IAS39 or local regulations. In order to address this requirement, the system allows you to enter many to many linkages between hedge and physical transactions so that you can designate one hedge to several physical trades, several hedges to several physical trades, or several hedges to several physical trades (for example, you may purchase 100 tonnes of

metal in two physical trades of 40 tonnes and 60 tonnes and hedge this with three LME trades of 2 lots, 1, lot and 1 lot).

Once the original designations have been captured, the system allows you to re-designate hedges against physical trades, roll hedge positions in the event that physical delivery is delayed and all of the other requirements of hedge accounting under FAS 133 or IAS39.

The system also provides comprehensive reporting of sales and purchase order profitability once the hedge gain (or loss) has been taken into account.

### Position Keeping and Risk Management

Once your physical and financial positions have been captured you can at any time get a valuation of your position using the latest market data. This can be at any level from your overall position down to individual trade level.

There are sophisticated tools to enable you to model the impact of price movements on your metals position – again from your overall position right down to individual trade level. If you use average price and options contracts as part of your hedging strategy the full range of risk management calculations ("the Greeks") used by the most sophisticated trading houses are available.



# maximise

## Corporate Treasury

Supports generic corporate treasury requirements including foreign exchange, money market and cash management functions. This means that all of your exposures and risk can be captured in a single system, obviating the need for a dedicated corporate treasury solution.

## Value at Risk

Increasingly Value at Risk "VaR" is seen as an important measure for fabrication businesses to be able to summarise the financial risk within your business, both to management and to external parties such as shareholders and regulators. Brady's system includes an optional VaR engine, using the same underlying risk engine as is used for all other risk calculations within the system. Our VaR engine is optimised for the specific requirements of the metals industry – unlike many of the standalone VaR engines available in the market.

## Physical Management

Additionally you can use the integrated Physicals module to manage the logistics and inventory management aspects of your metals operations as well as your commercial operations. Provides

comprehensive functionality to support all aspects of physical metal handling from the originating order to despatch. Alternatively, if you have already invested in an ERP solution to control your logistics and manufacturing operations, it is a simple matter to integrate with these systems in order to take physical positions into Brady's solution to enable them to be valued within the system. If you choose to use the Physicals module, you can also produce provisional and final invoices from the system.

## Profit and Loss

This can be used to determine the actual profit (or loss) on an individual physicals contract after the impact of hedging is taken into account. This can be used as direct input to other corporate systems, such as the general ledger, via the in-built General Ledger Interface.

## Reporting

There are comprehensive reporting tools to allow the creation of tailored reports on all key management areas, such as contracts, deliveries, pricing, stock levels, invoicing, valuation and profit and loss.

## WHY CHOOSE BRADY FOR METAL FABRICATORS

Brady's system gives fabrication business the unprecedented opportunity to manage all of their contractual, market and trading information for all types of metal products in one place so that you have a complete picture of your risk exposure and financial position in one place.

This means that you can:

- **Control workflows** – from ERP and production management systems to risk management and hedging
- **Manage data** – with one centralised and up-to-date source of commercial data
- **Streamline administration** – with a comprehensive view of your entire trading operation
- **Eliminate spreadsheet and work-around solutions** – replacing them with a properly engineered solution, giving you a full audit trail of all financial movements
- **Maximise profitability** – by improving operational synergy, reducing management costs and strengthening competitive positions

## About Brady

Brady plc (BRY.L) is a leading global provider of trading and risk management software to the global commodity markets.

On a single platform Brady combines fully integrated and comprehensive solutions supporting the entire commodity trading operation for refined and unrefined metals, ranging from capture of financial and physical trading, through risk management, handling of physical operations, to back office financials and treasury settlement.

Brady has more than 25 years of expertise in the commodity markets with over 100 customers worldwide that depend on Brady's software solutions to deliver vital business transactions across their global operations.

Brady's clients include many of the world's largest miners, refiners, producers and financial institutions, including tier one banks and a large number of London Metal Exchange (LME) Category 1 and 2 clearing members.

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