

HANDBOOK ON SANCTION OF EXPORT CREDIT

(Rupee & Foreign Currency)

General Principles

- Need Based Export credit shall be extended.
- **No export credit** to:
 - Wilful defaulters
 - Entities in RBI Caution List / ECGC SAL (Specific Approval List) without approval.
- Compliance with **KYC / AML / CDD – (Customer Due Diligence)**.
- End-use to be strictly export-related

Eligible Borrowers

- Manufacturer Exporters
- Merchant Exporters
- Sub-suppliers to exporters
- Exporters of services
- Construction contractors executing contracts abroad

Credit Application Process:

Credit Applications are processed in Loan Origination System (LOS) of the Bank. LOS captures GST, PAN, CIN and Udyam Number and are validated through an API. Required GST data are pulled with the consent of the borrower. Likewise, individual data about promoter/guarantor are either updated from the core banking solution (for an existing borrower) or validated through Aadhar API with OTP.

Besides the above, loan requirement, viz. quantum, nature of facility etc, sales estimate, projection, previous three-year financial statements, partnership deed or the like documents, orders on hand, KYC documents, bank account statement for the past 12 months wherever required are all uploaded in a separate folder. Another page of LOS to contain Primary & Collateral Security details.

All the above data are summarised and corrections if any are made. Once the summary is reviewed by the borrower/official, the credit application is submitted with an OTP from the borrower. The customer do receive an SMS about the details of application submitted electronically to the Bank. We can also track the stage of the proposal in the LOS.

The system (LOS) with in-built delegation of powers, place the proposal to the concerned authority and sanction is issued to the applicant.

ASSESSMENT OF EXPORT CREDIT

Basis of Assessment for both Pre and Post shipment credit.

Assessment shall consider:

- Availability of necessary infrastructure or arrangements for export activity.
- Past export performance.
- Confirmed export orders / LCs on hand.
- Production cycle.
- Tenor of PCL based on production cycle and/or shipment schedule.
- Running Account PCL for exporters with good track record.
- Sanction of Non-Fund Based Limits wherever required for procurement of raw material as a separate limit or as sub limit to PCL.
- EDPMS/IDPMS outstanding if any with our/other banks.
- Country Risk.
- Buyer Risk - ECGC cover availability.
- Standalone Post Shipment Limit shall be sanctioned. Whereas standalone Pre Shipment Limit shall NOT be sanctioned.
- Quantum shall be normally FOB value of goods to be exported deducting applicable margin.
- Interchangeability among Pre-shipment and post-shipment shall be considered on genuine requirements like bunching of export orders etc. within the overall sanctioned limit.
- Margin normally at 25% for Packing Credit. However, NIL margin for post-shipment credit.
- Validity of sanction shall be normally for 12 months and renewable every year.

TYPES OF EXPORT CREDIT FACILITIES

1. Pre-Shipment Credit (in Indian Rupees/Foreign Currency)
2. Post-Shipment Credit (in Indian Rupees/Foreign Currency)
3. Advances against Duty Drawback (in Indian Rupees only)
4. Advances against Undrawn Balances on Export Bills
5. Advances against Retention Money

Pre-shipment is extended for financing procurement, processing, manufacturing, packing and transport (export) of goods and services. While post-shipment normally a bill finance meant for financing after export.

Pre-Shipment Credit

Nature

- For financing procurement, processing, manufacturing, packing and transport (export) of goods/services

Types

- Packing Credit Loan (PCL) – INR
- Packing Credit in Foreign Currency (PCFC)
- Running Account Packing Credit
- Clean Packing Credit (selective)

Period

- Actual requirement based on production cycle and normally up to **180 days**
 - May be extended beyond 180 days based on:
 - Production cycle
 - Commodity-specific requirements
 - As per RBI guidelines
 - **Beyond 180 days – with Central Office Credit Committee approval.**
 - If PCL is not adjusted by submission of export documents within 360 days shall cease to be treated as export credit.
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Post-Shipment Credit

Nature

- Financing after shipment (export bill finance) till realisation of export proceeds

Types

- Foreign Bills Purchased / Negotiated (FBP/FBN)
- Export Bills Discounted (EBD)
- Advances against Undrawn Balances
- Advances against Retention Money

Period

- Demand Bills: FEDAI Normal Transit Period (NTP)
 - Usance Bills: Usance period plus NTP.
 - Maximum Up to 365 days from the date of shipment including NTP and grace period if any.
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Interest

- As per RBI-prescribed export credit rates / Bank circulars for both INR and Foreign Currency borrowing (FCY RoI is based on Alternate Reference Rate of the respective currency).
 - If export does not materialise:
 - Charged at domestic lending rate + penal interest
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ECGC COVER

Export Credit Insurance for Banks. (ECIB)

- ECIB – Packing Credit (WTPC) – Premium payable by exporters.
- ECIB – Post Shipment (WTPS – non-LC) – Premium payable by Banks.
- (Above two whole turnover coverage are mandatory for all exporters).
- In addition to, whole turnover ECGC coverage, ECGC Buyer-wise Policy shall be obtained as per sanction terms.

OTHERS :

Hypothecation of raw materials, assignment of receivables, collateral security, production of stock statement, stock and other insurance are as per sanction terms.
