CHAPTER 5
PERFORMANCE APPRAISAL OF THE BANK

5.1 Introduction

Export-Import Bank of India (Exim bank) was set up by an Act of the Parliament “The Export-Import Bank of India Act, 1981”. It was established for providing financial assistance to exporters and importers. It also functions as the principal financial institution for co-ordinating the working of institutions engaged in financing export and import of goods and services. Exim Bank has two broad business streams:

I. For financing to export credit agencies around the world
II. To financing of export oriented units which are non-traditional.

Since inception, Exim Bank has been the principal financial institution in the country for financing project exports and exports on deferred credit terms.

i. Supply of goods / equipment on deferred payment terms
ii. Civil construction contracts
iii. Industrial turnkey projects

Table 5.1: Loan Portfolio

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Amount (Rs in millions)</th>
<th>Percentage Rise</th>
<th>Average Growth during last decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005-06</td>
<td>175931</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2006-07</td>
<td>228862</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2007-08</td>
<td>287767</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2008-09</td>
<td>341564</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>5</td>
<td>2009-10</td>
<td>390357</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2010-11</td>
<td>456558</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>2011-12</td>
<td>538898</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>2012-13</td>
<td>643530</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>2013-14</td>
<td>745983</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>2014-15</td>
<td>849100</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)
Exim Bank extends funded and non-funded facilities for overseas turnkey projects, civil construction contracts, technical and consultancy service contracts as well as supplies. It can be observed as per table no 5.1 that average growth in loan portfolio is of about 19% per year. The percentage calculated is in comparison with the previous year value. Therefore the increase in percentage rise in the year 2014-15 be it 14% is much more than the percentage rise in the year 2006-07 in terms of actual value.

The loan portfolio shows a consistent growth in last decade to around five fold. The strength of this portfolio depends on factors like turnkey projects, construction projects and similar types of major industrial projects.

Source (EXIM bank of India web portal www.eximbamkindia.in)

Chart 5.1: Loan Portfolio

The graph is of increasing type. The portfolio started with Rs 175931 millions disbursed in terms of loan in 2005-06, whereas in the year 2014-15 this loan amount increased to Rs 849100 millions. This goes around five folds in a decade i.e. 487%.
Table 5.2: Guarantee Portfolio

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Amount (Rs in millions)</th>
<th>Percentage Rise</th>
<th>Average Growth during last decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005-06</td>
<td>34023</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2006-07</td>
<td>35360</td>
<td>+4.0%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2007-08</td>
<td>34556</td>
<td>-2.0%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2008-09</td>
<td>34501</td>
<td>-0.1%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2009-10</td>
<td>22736</td>
<td>-34.0%</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2010-11</td>
<td>30557</td>
<td>+25.6%</td>
<td>+7.9%</td>
</tr>
<tr>
<td>7</td>
<td>2011-12</td>
<td>32407</td>
<td>+29.8%</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>2012-13</td>
<td>47440</td>
<td>+31.7%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>2013-14</td>
<td>53668</td>
<td>+13.0%</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>2014-15</td>
<td>55209</td>
<td>+3.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)

The table 5.2 shows guarantee between two parties with EXIM bank increased from Rs 34023 millions to Rs 55209 millions i.e. about 162% in a decade. This graph shows a consistent growth in a span of ten years. The percentage calculated is in comparison with the previous year value. Therefore the increase in percentage rise in the year 2014-15 be it +3% is much more than the percentage rise in the year 2006-07 in terms of actual value.

With this it can be interpreted that there has been increase in the credibility of the EXIM bank amongst the importers and exporters. This also shows the smooth and fair dealings of the EXIM bank. It can be seen from the table that around 7.9% increase has been recorded in this decade.
The graph shows that EXIM bank increased guarantees from Rs 34023 millions to Rs 55209 millions i.e. about 162% in a decade. This graph shows some ups and downs in the middle section, but since last four years there has been a consistent growth.

The figures in the table 5.3 themselves speaks the success story of EXIM bank. If seen from the table, the values before tax in 2005-06 are Rs 3769 millions and in year 2014-15 increased to Rs 11354 millions. This is increase of performance to 301%. In case of profit after paying tax increase from Rs 2702 millions in the year 2005-06 to Rs 7259 millions in year 2014-15. This also increased to 269% in a decade. It can be seen from table that average increase in performance before tax can be around 14% & is around 13% in case of after tax.
<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Before Tax</th>
<th>Rise</th>
<th>Average during last decade</th>
<th>After Tax</th>
<th>% Rise</th>
<th>Average during last decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005-06</td>
<td>3769</td>
<td>-</td>
<td>-</td>
<td>2702</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2006-07</td>
<td>3909</td>
<td>4%</td>
<td>2994 11%</td>
<td>5135</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>3</td>
<td>2007-08</td>
<td>5334</td>
<td>36%</td>
<td>3330 11%</td>
<td>6751</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>4</td>
<td>2008-09</td>
<td>6101</td>
<td>14%</td>
<td>4774 43%</td>
<td>7423</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>2009-10</td>
<td>7724</td>
<td>27%</td>
<td>5836 22%</td>
<td>7098</td>
<td>-8%</td>
<td>2%</td>
</tr>
<tr>
<td>6</td>
<td>2010-11</td>
<td>8677</td>
<td>12%</td>
<td>6751 16%</td>
<td>7259</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>7</td>
<td>2011-12</td>
<td>10126</td>
<td>17%</td>
<td>6751 16%</td>
<td>8677</td>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>8</td>
<td>2012-13</td>
<td>10888</td>
<td>8%</td>
<td>7423 10%</td>
<td>10888</td>
<td>2%</td>
<td>13%</td>
</tr>
<tr>
<td>9</td>
<td>2013-14</td>
<td>10202</td>
<td>-6%</td>
<td>7098 -8%</td>
<td>10202</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>10</td>
<td>2014-15</td>
<td>11354</td>
<td>11%</td>
<td>7259 2%</td>
<td>11354</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)

The chart 5.3 shows the increase in revenue and tax for the country. From above figures it can be calculated that in last ten years the EXIM bank paid a tax of Rs 24782 millions. And there has been increase in tax payment of the bank by 384%. The percentage calculated is in comparison with the previous year value. Therefore the increase in percentage rise in the year 2014-15 be it 11% before tax and 2% after tax, is much more than the percentage rise in the year 2006-07 in terms of actual value.
<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Net Profit</th>
<th>% Rise</th>
<th>Average Rise during last decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005-06</td>
<td>868</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2006-07</td>
<td>956</td>
<td>10.14%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2007-08</td>
<td>1008</td>
<td>5.44%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2008-09</td>
<td>1157</td>
<td>14.78%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2009-10</td>
<td>1500</td>
<td>29.65%</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2010-11</td>
<td>1850</td>
<td>23.33%</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>2011-12</td>
<td>2050</td>
<td>10.81%</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>2012-13</td>
<td>2630</td>
<td>28.29%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>2013-14</td>
<td>3390</td>
<td>28.90%</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>2014-15</td>
<td>4330</td>
<td>27.73%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)

If seen table 5.4 the net profit after all the overheads has been cleared, it is seen that from year 2005-06 to 2014-15 from Rs 868 million to 4330 million by 499%. The percentage calculated is in comparison with the previous year value.
Therefore the increase in percentage rise in the year 2014-15 be it 27.73% is much more than the percentage rise in the year 2006-07 in terms of actual value.

Strong fundamentals of the Bank have been reflected in the Bank’s business performance. Net profit amounted to Rs 868 million, registering an increase of 15 per cent over the year 2004-05. Net Profit stood at Rs 4330 million compared to Rs 3390 million in the year 2013-14. An overall profit range of 23% is observed as per the analysis.

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Const.</th>
<th>Elect.</th>
<th>M/c Tools</th>
<th>Process M/c</th>
<th>Textile M/c</th>
<th>Average Rise</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2009-10</td>
<td>0.9</td>
<td>3.1</td>
<td>0.3</td>
<td>5.9</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2010-11</td>
<td>1.1</td>
<td>3.7</td>
<td>0.2</td>
<td>7.8</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2011-12</td>
<td>1.4</td>
<td>4.1</td>
<td>0.2</td>
<td>9.4</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2012-13</td>
<td>1.6</td>
<td>4.2</td>
<td>0.3</td>
<td>9.4</td>
<td>0.4</td>
<td>3%</td>
</tr>
<tr>
<td>5</td>
<td>2013-14</td>
<td>1.6</td>
<td>4.3</td>
<td>0.2</td>
<td>9.8</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2014-15</td>
<td>1.7</td>
<td>4.5</td>
<td>0.2</td>
<td>10.1</td>
<td>0.5</td>
<td></td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)

It is seen in the table 5.5 that around 3% rises is recorded as an average for capital goods export. India’s foreign investment inflows as per table no. 5.5 from 2009-10 to 2014-15 has been on the increasing side which raised more than a two-fold in 2013-14. Net portfolio investment in India rebounded to US$ 40.8 billion in 2014-15 from US$ 4.8 billion seen last year, attributed to the sharp rise in the inflow of funds by Foreign Institutional Investors (FIIs). India’s merchandise exports and imports raised over the period 2009-10 to 2014-15. With regard to the commodity composition of India’s main exports, major commodity groups such as gems and jewellery, electronic goods, plantation, petroleum crude and products, agri and allied products, plastic and rubber articles, and ores and minerals, registered negative growth during past five to six years. Though the average seen is of 3% rise, the EXIM bank has to try to increase this rise to 5%.
The capital goods industry is a strategic segment for India’s manufacturing sector. Some of the prominent capital goods produced in India include heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, printing machinery, dairy machinery, industrial refrigeration, and industrial furnaces.

The performance of the Indian electronic goods sector as per table 5.6 has been frail over the past few years. In spite of dismal growth rates in the last year, overall performance during 2009-10 to 2014-15 remained declining in export section and increased to a very small level of 8% for India’s electronics exports and imports respectively.

Source (EXIM bank of India web portal www.eximbamkindia.in)

Chart 5.5: Capital Goods Export

Table 5.6: Electronics Goods (billion US$)

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Export</th>
<th>Rise</th>
<th>Avg</th>
<th>Import</th>
<th>Rise</th>
<th>Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2009-10</td>
<td>5.6</td>
<td></td>
<td></td>
<td>21.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2010-11</td>
<td>8.7</td>
<td>55%</td>
<td></td>
<td>26.6</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2011-12</td>
<td>9.4</td>
<td>8%</td>
<td></td>
<td>32.7</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2012-13</td>
<td>8.4</td>
<td>-11%</td>
<td></td>
<td>31.4</td>
<td>-4%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2013-14</td>
<td>7.7</td>
<td>-8%</td>
<td></td>
<td>31.0</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2014-15</td>
<td>5.4</td>
<td>-30%</td>
<td></td>
<td>32.1</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)
Imports of electronics goods during the period 2009-10 were valued at US$ 21 billion, whereas it reached to maxima of US$ 32.7 billion during year 2011-12, thereby reducing to US$ 32.1 billion in year 2014-2015. There has been no sudden rise in exports section of electronic goods. If seen the chart 5.6 the export of electronics goods in year 2009-10 were about US$5.6 billion declined to US$5.4 billion in the year 2014-15.

Table 5.7: Services (billion US$)

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Services</th>
<th>Rise</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2009-10</td>
<td>36</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2010-11</td>
<td>44</td>
<td>22%</td>
<td>18.5%</td>
</tr>
<tr>
<td>3</td>
<td>2011-12</td>
<td>64</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2012-13</td>
<td>67</td>
<td>5%</td>
<td></td>
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<tr>
<td>5</td>
<td>2013-14</td>
<td>73</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2014-15</td>
<td>80.8</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)
The services sector as per table no 5.7 and chart 5.7 remained the dominant sector and increased from US$36 billion to US$80.8 billion during 2009-10 to 2014-15. It is estimated to have grown by 10.6 per cent in 2014-15 from 9.1 per cent in the previous year, mainly reflecting growth of financial, real estate and professional services. On an average around 18.5% rise has been observed in service sector. The percentage calculated is in comparison with the previous year value. Therefore the increase in percentage rise in the year 2014-15 be it 11% is much more than the percentage rise in the year 2010-11 in terms of actual value.

Table 5.8: Petro & Pharma Export (Billion US$)

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Year</th>
<th>Petrochemical</th>
<th>Rise</th>
<th>Pharmaceutical</th>
<th>Rise</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2009-10</td>
<td>28.2</td>
<td>-</td>
<td>5.2</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2010-11</td>
<td>36.4</td>
<td>29.1%</td>
<td>6.7</td>
<td>29%</td>
</tr>
<tr>
<td>3</td>
<td>2011-12</td>
<td>56.7</td>
<td>55.8%</td>
<td>8.5</td>
<td>27%</td>
</tr>
<tr>
<td>4</td>
<td>2012-13</td>
<td>60.9</td>
<td>7.4%</td>
<td>10.1</td>
<td>19%</td>
</tr>
<tr>
<td>5</td>
<td>2013-14</td>
<td>63.2</td>
<td>3.8%</td>
<td>11.1</td>
<td>9.9%</td>
</tr>
<tr>
<td>6</td>
<td>2014-15</td>
<td>56.8</td>
<td>-10.1%</td>
<td>11.6</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Indian Government started encouraging energy companies to invest in refineries at the end of the 1990s, and the investment helped the country to become a...
net exporter of petroleum products in 2001, despite being a net importer of crude oil. Amid an increasingly challenging environment of declining demand and rising competition exports of petroleum products witnessed as per table no. 5.8 a sharp decline of (-) 10.1 per cent during 2014-15, to reach a level of US$ 56.8 billion from US$ 63.2 billion during the year 2013-14. The percentage calculated is in comparison with the previous year value. Therefore the increase in percentage rise in the year 2014-15, be it -10.1%, is much more than the percentage rise in the year 2010-11 in terms of actual value.

Indian pharmaceutical companies have not been affected much by the global slowdown, largely because of cost advantages in production. Performance on the export front has been rather modest; exports of pharmaceutical products increased by 29% in 2010-11 over the previous year to aggregate US$ 6.7 billion. However, exports witnessed a complete turnaround, growing by a healthy US$ 11.6 billion from US$ 6.7 billion during 2009-10 to 2014-15.

![Petro-Pharma Chart](chart5.8.png)

*Source (EXIM bank of India web portal www.eximbamkindia.in)*

**Chart 5.8 – Petro-Pharma**

However, in the recent years, though there has been an increase in exports in terms of absolute value, y-o-y growth has shown a declining trend in USD terms mostly due to weakening of rupee. The exports of pharmaceutical products were valued at US$ 11.6 billion in 2014-15 as shown in chart 5.8.
Table 5.9: Chemical Bifurcation (billion US$)

<table>
<thead>
<tr>
<th>Sr</th>
<th>Year</th>
<th>Inorganic</th>
<th>Organic</th>
<th>Insecticides &amp; Pesticides</th>
<th>Dyeing &amp; Tanning</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2009-10</td>
<td>1</td>
<td>7.4</td>
<td>1.1</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2010-11</td>
<td>1.9</td>
<td>9.1</td>
<td>1.1</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2011-12</td>
<td>1.8</td>
<td>11.7</td>
<td>1.4</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2012-13</td>
<td>1.3</td>
<td>12.1</td>
<td>1.7</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2013-14</td>
<td>1.4</td>
<td>12</td>
<td>1.9</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2014-15</td>
<td>1.3</td>
<td>10.8</td>
<td>1.7</td>
<td>2.6</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source (EXIM bank of India web portal www.eximbamkindia.in)

The chemical industry is a significant contributor to India’s national economic growth. In terms of exports, as per table no 5.9 chemical and related products witnessed a y-o-y growth of 11 per cent between the year 2009-10 and 2014-15. As per the figures of table 5.9 it has been clear that the organic chemicals export shows higher revenue generation as compared with other chemicals.

Chart 5.9 – Chemical Export Bifurcation

The growth of chemical export is shown in chart 5.9 comparing inorganic chemicals, organic chemicals, Insecticides & pesticides and dyeing and tanning chemicals. From the chart it can be seen that Organic chemicals export is higher as compared with other chemicals. An overall 11% increase in export of chemicals is observed.
5.2 Area of Operation of EXIM Bank of India

In addition to project exports, Exim Bank also extends fund-based and non-fund-based facilities to deemed export contracts as defined in Foreign Trade Policy of GOI, e.g.,

1. Secured under funding from Multilateral Funding Agencies like the World Bank, Asian Development Bank, etc.;
2. Contracts secured under International Competitive Bidding;
3. Contracts under which payments are received in foreign currency.

Pre-shipment credit

Exim Bank's Pre-shipment Credit facility, in Indian Rupees and foreign currency, provides access to finance at the manufacturing stage - enabling exporters to purchase raw materials and other inputs. Exim Bank may consider extending pre-shipment credit and post-shipment credit for periods exceeding 180 days, on case-to-case basis and subject to the merits of the case.

Supplier's Credit

This facility enables Indian exporters to extend term credit to importers of eligible goods at the post-shipment stage. Post-shipment Supplier’s Credit can be extended to Indian exporters upto the extent of the deferred credit portion of the export contract, either in Rupees or in Foreign currency.

Export Project Cash-Flow Deficit Financing Programme

Indian project exporters incur expenditure in rupee or foreign currency while executing contracts. Exim Bank's facility helps them meet these expenses for Project Export Contracts and contracts in India categorized as Deemed Exports in the Foreign Trade Policy of India.

Capital Equipment Finance Programme

This programme has been conceived to cater to capital expenditure for procurement of capital equipment to be utilized across multiple contracts. The programme provides direct access to Exim Bank’s finance for eligible Indian companies for procurement of indigenous and imported capital equipment for executing overseas projects / deemed export projects.
**Exporters of Consultancy and Technological Services**

Exim Bank offers a special credit facility to Indian exporters of consultancy and technology services, so that they can, in turn, extend term credit to overseas importers.

**Guarantee Facilities**

Indian companies can avail of guarantee facilities of different types to furnish requisite guarantees to facilitate execution of export contracts and import transactions.

**Advance Payment Guarantee:** Issued to project exporters to secure a project mobilization advance as a 10 to 20 percent of the contract value, which is generally recovered on a pro-rata basis from the progress payment during project execution.

**Performance Guarantee:** PG for up to 5-10% of contract value is issued valid until completion of maintenance period and/or grant of Final Acceptance Certificate by the overseas employer/client.

**Retention Money Guarantee:** This enables the exporter to obtain the release of retained payments from the client prior to issuance of Project Acceptance Certificate / Final Acceptance Certificate.

**Other Guarantees:** e.g. in lieu of customs duty or security deposit for expatriate labour, equipment etc.

**Buyer's Credit**

Overseas buyers can avail of Buyer's Credit from Exim Bank, for import of eligible goods from India on deferred payment terms. As per Memorandum PEM guidelines, RBI has authorised Exim Bank to extend overseas buyer’s credits upto USD 20mn for project exports without seeking approval of RBI. The facility enables exporters/contractors to expand abroad and into non-traditional markets. It also enables exporters/contractors to be competitive when bidding or negotiating for overseas jobs.

**Benefits to Foreign Customers**

- Enables overseas buyers to obtain medium-and long-term financing
- Competitive interest rate against host country's high cost of borrowing.

The primary objective of providing Export Capability Creation loans is to facilitate export production and international competitiveness of borrower companies. Exim Bank provides a comprehensive range of products and services covering financial needs of the borrower companies at all stages of their business cycle. The
Bank’s vision is to develop commercially viable relationships with a target set of externally oriented companies by offering them a comprehensive range of products and services aimed at enhancing their internationalisation efforts.

**Overseas Investment Finance:** Indian companies establishing joint ventures overseas are provided finance towards their equity contribution in the joint venture. Policies of EXIM Bank Loans to Indian Companies Loans to Foreign Companies & financial Intuitions Loans to Commercial Banks in India.

**Research & Development Finance for Export Oriented Units:**

Exim Bank encourages Indian exporters to invest more in their R&D spending in order to develop new products/processes/ IPRs for enhancing export capabilities. Considering the need to bridge the funding gap of Indian exporters in R&D space, the Bank has a dedicated R&D Financing Programme. Under the said Programme, financing for R&D can be extended to any export oriented company/ SPV promoted by companies, irrespective of the nature of industry. The financing covers both capital and revenue expenditure including inter alia:

- Land and building, civil works for housing eligible R&D activities;
- Equipments, tools, computer hardware/ software, miscellaneous fixed assets used in eligible R&D activities;
- Acquisition of technology from India or overseas at the “proof of concept” or design stage, which will be used to develop new product/ process.
- Salaries of R&D personnel, support staff during the R&D project phase including training costs;
- Cost of regulatory approvals, filing and maintenance of patent registration;
- Product documentation and allied costs during the R&D project phase.
- Costs of materials, surveys, technology demonstration studies and field trial
- Any other costs to enhance R&D capability.

**Lending Programme for Export Oriented Units:**

Exim Bank provides term loans to export oriented Indian companies to finance various capital expenditures including certain soft expenditures in order to improve their export capability and to enhance their international competitiveness. Loans/Guarantees are extended for the following purposes: Expansion, modernization, upgradation or diversification projects including acquisition of
equipment, technology etc.; export marketing; export product development; setting up of Software Technology Parks;

**Finance for MSMEs**

Apart from the Corporate Banking facilities, there are additional services that Exim Bank offers to support Small and Medium Enterprises. Exim Bank has arranged for a credit line from the Asian Development Bank (ADB) for providing foreign currency term loans to the MSME borrowers in certain specific lagging states of India, viz. Assam, Madhya Pradesh, Orissa, Uttar Pradesh, Chhattisgarh, Jharkhand, Rajasthan and Uttarakhand. These foreign currency term loans can also finance domestic capital expenditure of the borrowers in Indian Rupees, besides meeting their foreign currency capital expenditure requirements. The assistance to these MSMEs will help in increasing competitiveness in the relatively backward states and help in integrating them into the mainstream economy.

**Technology & Innovation Enhancement and Infrastructure Development Fund (TIEID):**

With a view to facilitate credit flow to the MSME sector at competitive rates, Exim Bank has set up a Technology and Innovation Enhancement and Infrastructure Development (TIEID) fund of USD 500mn exclusively for MSMEs, to augment their export competitiveness and internationalisation efforts, by partnering with banks / FIs. TIEID seeks to meet long term foreign currency loan requirements of Indian exporting entities in the MSME sector for meeting capital expenditure, through refinancing of Banks / FIs against their eligible SME financing portfolio.

**Lending Programme for Financing Creative Economy:**

The Creative Industries are those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and Job creation through the generation and exploitation of intellectual property viz., Advertising, Architecture, Art and Antiques Market, Crafts, Design, Designer Fashion, Film and Video, Interactive Leisure Software, Music, Performing Arts, Publishing, Software and Computer Services, Television and Radio etc. In view of the large untapped potential for increasing exports by the creative industries and in order to provide a strategic focus to this sector and enhance Exim Bank’s presence in the
creative economy space, and as a corollary, in the MSME segment, Exim Bank has introduced a Programme specifically for financing the Creative Economy.

**Line of Credit (LOC)** is a financing mechanism through which Exim Bank extends support for export of projects, equipment, goods and services from India. Exim Bank extends LOCs on its own and also at the behest and with the support of Government of India. Exim Bank extends Lines of Credit to:

a) Foreign Governments or their nominated agencies such as central banks, state owned commercial banks and para-statal organizations;
b) National or regional development banks;
c) Overseas financial institutions;
d) Commercial banks abroad;
e) Other suitable overseas entities.

The above mentioned recipients of LOCs act as intermediaries and on lend to overseas buyers for import of Indian equipment, goods and services. LOC is a financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters to enter new export markets or expand business in existing export markets without any payment risk from the overseas importers.

**Research & Analysis**

Exim Bank’s Research & Analysis Group (RAG) offers a vast range of research products. The Bank’s team of experienced economists and strategists provide insights on aspects of international economics, trade and investment through qualitative and quantitative research techniques. RAG monitors the global trends in the world and domestic economies and the impact of these trends, especially on India and other developing economies. RAG caters to the constituents within the Bank, as well as to those external to the Bank such as Government, RBI, exporters/importers, trade & industry associations, external credit agencies, academic institutions and researchers.

The research work carried out in the Group under the broad classification of regional, sectoral and policy related studies are published in the form of Occasional Papers, Working Papers, Books, etc. These research studies primarily envisage identifying avenues for enhancing India's international engagement. The group also undertakes country profiles, which assess the economic, political, currency and credit
risks involved, along with the export opportunities in the country concerned. Further the profiles provide short-to-medium term economic outlook of a country, indicating the economic risk involved in doing business with country. As a part of the support services and with an objective to provide contemporary information to Indian traders and investors, the group disseminates information on export opportunities and highlights developments that have a bearing on Indian exports, through its quarterly bulletin, Eximius: Export Advantage. The newsletter comprises of regional and industry outlooks, Bank’s activities, opportunities in multilateral funded projects and contract awards, review on select traded currencies and countries, and a section on the happenings during the quarter. The newsletter is a free publication, effectively distributed to a wide network of scholars, economists, institutions, Government of India offices, and export promoting organisations. The Bank also brings out a bi-monthly publication titled ‘Agri Export Advantage’ in English, Hindi and 10 regional languages (Assamese, Bengali, Gujarati, Kannada, Marathi, Malayalam, Oriya, Punjabi, Tamil, and Telugu). The newsletter provides stakeholders of Indian agribusiness with updates on global agri-environment and markets, research reports on agri-commodities, international issues related to agri-business, prospective areas of agribusiness, agricultural trade and trade policies, regulatory issues in international trade, WTO Government schemes and assistance, latest international news brief and Bank's activities to promote agri-export from India. The Bank Brings out a bilingual ‘Indo-China Newsletter’ featuring areas of cooperation between India and China.

**Marketing Advisory Services**

Exim Bank plays a promotional role and seeks to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank through its Marketing Advisory Services helps Indian exporting firms in their globalisation efforts by proactively assisting in locating overseas distributor(s)/buyer(s)/ partner(s) for their products and services. The Bank assists in identification of opportunities overseas for setting up plants or projects or for acquisition of companies overseas. MAS Group leverages the Bank's high international standing, in-depth knowledge and understanding of the international markets and well established institutional linkages, coupled with its physical presence, to support Indian companies in their overseas marketing initiatives on a success fee
basis. Exim Bank has been able to successfully place a range of products in overseas as well as domestic markets.

**Export Advisory Services Group**

The Export Advisory Services Group offers a diverse range of information, advisory and support services, which enable exporters to evaluate international risks, exploit export opportunities and improve competitiveness. Value added information and support services are provided to Indian projects exporters on the projects funded by multilateral agencies. The Group undertakes customised research on behalf of interested companies in the areas such as establishing market potential, defining marketing arrangements, and specifying market distribution channels. Developing export market entry plans, facilitating accomplishment of international quality certification and display of products in trade fairs and exhibitions are other services provided. The Bank provides a wide range of information, advisory and support services, which complement its financing programmes. These services are provided on a fee basis to Indian companies and overseas entities. The scope of services includes market-related information, sector and feasibility studies, technology supplier identification, partner search, investment facilitation and development of joint ventures both in India and abroad.

**Multilateral Funded Projects Overseas**

The Bank provides a package of information and support services to Indian companies to help improve their prospects for securing business in projects funded by the World Bank, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development.

**Exim Bank as a Consultant**

The Bank’s experience in evolving as an institution supporting international trade and investment, in addition to functioning as an export credit agency in a developing country context, is of particular relevance in other developing countries. The Bank has been sharing its experience and expertise by undertaking consultancy assignments. Exim Bank also shares its experience and expertise through provision of on-site exchange of personnel programmes aimed at providing a first-hands experience to the employees of its institutional partners.
**Requirement for Getting Packing Credit**

This facility is provided to an exporter who satisfies the following criteria: a ten-digit importer exporter code number allotted by DGFT. Exporter should not be in the caution list of RBI. If the goods to be exported are not under OGL (Open General License), the exporter should have the required license /quota permit to export the goods. Once the proper sanctioning of the documents is done, the bank ensures whether the exporter has executed the list of documents mentioned earlier or not. Disbursement is normally allowed when all the documents are properly executed. Sometimes an exporter is not able to produce the export order at the time of availing packing credit. So, in these cases, the bank provides a special packing credit facility and is known as Running Account Packing.

Exporter needs to submit stock statement giving all the necessary information about the stocks. It is then used by the banks as a guarantee for securing the packing credit in advance. Bank also decides the rate of submission of these stocks. Apart from this, authorized dealers (banks) also physically inspect the stock at regular intervals. Packing Credit Advance needs to be liquidated out of the export proceeds of the relevant shipment, thereby converting pre-shipment credit into post-shipment credit. This liquidation can also be done by the payment receivable from the Government of India and includes the duty drawback, payment from the Market Development Fund (MDF) of the Central Government or from any other relevant source. In case if the export does not take place, then the entire advance can also be recovered at a certain interest rate. RBI has allowed some flexibility in this regulation under which substitution of commodity or buyer can be allowed by a bank without any reference to RBI. Hence in effect the packing credit advance may be repaid by proceeds from export of the same or another commodity to the same or another buyer. However, bank need to ensure that the substitution is commercially necessary and unavoidable.
5.3 Eligibility Criteria for Different Policies of EXIM Bank

- Turnkey Projects are those which involve supply of equipment along with related services, like design, detailed engineering, civil construction, erection and commissioning of plants and power transmission & distribution
- Construction Projects involve civil works, steel structural works, as well as associated supply of construction material and equipment for various infrastructure projects.
- Technical and Consultancy Service contracts, involving provision of know-how, skills, personnel and training are categorised as consultancy projects. Typical examples of services contracts are: project implementation services, management contracts, supervision of erection of plants, CAD/ CAM solutions in software exports, finance and accounting systems.
- Supplies: Supply contracts involve primarily export of capital goods and industrial manufactures. Typical examples of supply contracts are: supply of stainless steel slabs and ferro-chrome manufacturing equipments, diesel generators, pumps and compressors.

In addition to project exports, Exim Bank also extends fund-based and non-fund-based facilities to deemed export contracts as defined in Foreign Trade Policy of GOI, e.g.,

- Secured under funding from Multilateral Funding Agencies like the World Bank, Asian Development Bank, etc.;
- contracts secured under International Competitive Bidding;
- Contracts under which payments are received in foreign currency.

Different policies

Credit Policy

- Repo rate reduced, in phases, from 8.0 per cent in June 2014 to 7.5 per cent in March 2015. Reverse repo rate also stood automatically adjusted.
- Statutory Liquidity Ratio (SLR) reduced, in phases, from 22.5 per cent in June 2014 to 21.5 per cent in February 2015.
- Export credit refinance (ECR) facility replaced with the provision of system level liquidity.
**Trade Policy**

- The 20:80 scheme and restrictions placed on import of gold by Nominated Banks / Agencies / Entities has been withdrawn.
- Exporters are entitled to additional incentives of 1 per cent of FOB value of exports in addition to other benefits under the FTP if exports are made from land customs station located in the North Eastern Region (NER).
- 24x7 Customs clearance facility for specified imports viz. goods covered by ‘facilitated’ Bills of Entry and specified exports viz. factory stuffed containers and goods exported under free Shipping Bills was made available at 18 sea ports and 17 air cargo complexes.
- Indian trade portal (www.indiantradeportal.in) launched, providing vital information to Indian industry on forty-two export markets.

**Investment Policy**

- FDI in Defense Industry permitted through the Government route up to 49 per cent, where, higher FDI can be allowed on case to case basis. Further, portfolio investment which was not permitted earlier has now been allowed up to 24 per cent under automatic route.
- FDI in construction, operation and maintenance of identified railway transport infrastructure up to 100 per cent has been permitted through the automatic route. In sensitive areas, from security point of view, FDI beyond 49 per cent would be allowed on a case to case basis; and the norms for FDI in Construction Development Projects (which already permits 100 per cent FDI through automatic route) have been further liberalised. The minimum land area restriction has been removed for serviced plots.
- FDI up to 100 per cent under automatic route is permitted in the medical devices sector.
- ‘Make in India’ programme launched to facilitate investment, foster innovation, enhance skill development, protect intellectual property, and build best-in-class manufacturing infrastructure in twenty-five identified sectors.
- An Investor Facilitation Cell has been created to guide, assist, and handhold investors.
Foreign Trade Policy (2015 to 2020)

- Two new schemes announced - Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS).
  - MEIS combines five schemes, viz. Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, and Vishesh Krishi Gram Udyog Yojna (VKGUY), rewarding export of notified goods to notified markets (categorized into 3 groups, viz. Country Group A, B and C) as a percentage of realized FOB value in free foreign exchange.
  - SEIS is available to ‘Service Providers located in India’ as against the earlier Served Form India Scheme available to ‘Indian Service Providers’; and SEIS reward rates specified for export of notified services would be based on net foreign exchange earned.
- FTP 2015-20 divided notified markets in 3 categories:
  - Category A for Traditional Markets (30): European Union (28), USA and Canada;
  - Category B for Emerging & Focus Markets (139): Africa (55), Latin America and Mexico (45), CIS countries (12), Turkey and West Asian countries (13), ASEAN countries (10), Japan, South Korea, China, Taiwan; and Category C for Other Markets (70).
- All scrips issued under MEIS and SEIS and the goods imported against these scrips would be fully transferable and usable for payment of custom duty, excise duty and service tax.
- The MEIS and SEIS incentive schemes will now be extended to units located in SEZ.
- Higher reward under MEIS for products with high domestic content and more value addition in India.
- For increasing India’s participation in global value chain, FTP 2015-20 introduced 1725 lines of Intermediate Goods, 1109 lines of Capital Goods sector (to strengthen Manufacturing Base) and 1730 lines of Consumer Goods sector (sector to propel quantum jump in export with strengthening of ‘Make in India’ Initiative) under this scheme.
• The criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings. The nomenclatures of Status Holders were also changed.

• Export Obligation reduced from 90 per cent to 75 per cent for domestic procurement under EPCG scheme to boost the ‘Make in India’ initiative.

• Free Foreign Exchange earned through international credit cards and other instruments, as permitted by RBI shall also be taken into account for computing the value of the exports.

• A Committee on Quality Complaints and Trade Disputes (CQCTD) is to be constituted across 22 offices of regional authorities of Directorate General of Foreign Trade (DGFT).

Pre-shipment credit Eligibility

Exim Bank's Pre-shipment Credit facility, in Indian Rupees and foreign currency, provides access to finance at the manufacturing stage - enabling exporters to purchase raw materials and other inputs. Pre-shipment credits are usually extended by exporters’ commercial banks for period upto 180 days. Exim Bank extends pre-shipment / post-shipment credit either directly or in participation with commercial banks. In order to offer one-stop banking products to export clients, the Bank has also been offering short-term pre / post shipment credit either directly or through exporter’s bankers. Exim Bank may consider extending pre-shipment credit and post-shipment credit for periods exceeding 180 days, on case-to-case basis and subject to the merits of the case.

Supplier's Credit Eligibility

This facility enables Indian exporters to extend term credit to importers (overseas) of eligible goods at the post-shipment stage. Post-shipment Supplier’s Credit can be extended to Indian exporters upto the extent of the deferred credit portion of the export contract, either in Rupees or in Foreign currency. The period of deferred credit and moratorium will generally depend on the nature of goods [List A and List B of Memorandum PEM] or nature of projects, as per guidelines contained in the Memorandum PEM of RBI.
Buyer's Credit Eligibility:

Buyer's Credit is extended to a foreign project company that intends to award the project execution to an Indian project exporter. The financing will be available to all kinds of projects and service exports from India. Facility is available for development, upgrading or expansion of infrastructure facilities; financing of public or private projects such as plants and buildings; professional services such as surveyors, architecture, consultations, etc.

Buyer’s Credit under NEIA Eligibility:

Exim Bank extends the credit directly to overseas buyer of projects from India without recourse to Indian exporter. Borrower should be overseas sovereign governments or government owned entities. Amount of Loan should generally not be more than 85% of the contract value. Sovereign guarantee is needed where the borrower is other than the foreign government. Any other security may be stipulated on a case-to-case basis.

Overseas Investment Finance Programme

Exim Bank encourages Indian companies to invest abroad for, inter alia, setting up manufacturing units and for acquiring overseas companies to get access to the foreign market, technology, raw material, brand, IPR etc. For financing such overseas investments, Exim Bank provides:

a) Term loans to Indian company’s upto 80% of their equity investment in overseas JV.

b) Term loans to Indian company’s upto 80% of loan extended by them to the overseas JV.

c) Term loans to overseas JV/ WOS towards part financing
   (i) capital expenditure towards acquisition of assets,
   (ii) working capital,
   (iii) equity investment in another company,
   (iv) acquisition of brands/ patents/ rights/ other IPR,
   (v) acquisition of another company,
   (vi) any other activity that would otherwise be eligible for finance from Exim Bank had it been an Indian entity.

d) Guarantee facility to the overseas JV/ WOS for raising term loan/ working capital.
Eligibility to avail finance or services:

Exim Bank’s funded/ non-funded assistance is generally with recourse to the Indian promoter Company. Exim Bank financing is available in Indian Rupees (to the Indian borrower) and in foreign currency [as per extant RBI guidelines]. The tenor range is usually 5-7 years with a suitable moratorium, and repayments in suitable monthly/ quarterly instalments. Promoter margin is minimum 20% and security will include inter alia appropriate charge on the assets of the overseas entity, Corporate Guarantee of the Indian promoter backed by appropriate charge on its assets, Political and/ or commercial risk cover, Pledge of shares held by the Indian promoter in the overseas venture etc.

Research & Development Finance for Export Oriented Units Eligibility:

- Export oriented firms with exports (actual/projected) of at least Rs 5 crores or 10% of annual turnover.
- R&D finance is generally extended upto 7 years. However, longer tenors with suitable interest resets would be permissible. Structured repayment can be considered to match the cash flow.
- Upto 80% of the total project cost can be funded.
- Security to include, inter alia, appropriate charge on the assets, Corporate Guarantee, charge/ assignment on the regulatory approval/ IPR, personal guarantee etc.

Pre-shipment/Post-shipment Credit Programme Eligibility

- Indian exporters with a track record.
- The limit should be within the MPBF of Borrower’s assessed bank finance.
- Margin of 15-20% under pre-shipment and 0-10% under post-shipment.
- Adequate security to be provided. Typical security includes appropriate charge on the current assets including export receivables, ECGC cover etc.

Lending Programme for Export Oriented Units Eligibility:

Manufacturing/trading/services companies with a minimum export orientation (actual / projected) of 10% of their annual turnover, or exports of Rs 5 crore p.a., whichever is lower [inclusive of exports through Export/Trading Houses], are eligible to avail finance from Exim Bank. Exim Bank financing is available in Indian Rupees and in foreign currency [as per extant RBI guidelines]. The tenor range is usually 7-10
years with a suitable moratorium, and repayments in suitable monthly/quarterly instalments. Promoter margin is minimum 20% and appropriate charge on the fixed assets of the company/project plus any other acceptable security including personal guarantees may be stipulated.

**SME-ADB Line Eligibility:**

To meet long term foreign currency loan requirements of Indian exporting entities in the MSME sector for financing their eligible capital expenditure, pertaining to inter alia setting up of new facilities, expansion/modernization of existing facilities, acquisition of equipment and plant & machinery, setting up of testing/R&D facilities, setting up of captive power plants/co-generation plant, setting up of infrastructure facilities like effluent treatment plants, storages/warehouses, etc. The Tenor of the loan will be upto 7 years including suitable moratorium.

**Technology & Innovation Enhancement and Infrastructure Development Fund Eligibility:**

Scheduled Commercial Banks / Financial institutions in India having acceptable credit risk for on-lending to MSME units.

Ultimate Beneficiary of the Foreign Currency funds provided to eligible Banks/FIs shall be MSME units in India having a minimum export orientation of 10% of annual turnover or exports of Rs 5 crores p.a in absolute terms, whichever is lower. The loan should be used to meet long term foreign currency loan requirements of Indian exporting entities in the MSME sector for meeting eligible capital expenditure. Eligible capital expenditure include technology upgradation, capacity creation, common infrastructure development like captive power plant, common effluent treatment plant, hazardous waste disposal facility, testing facilities etc.

**Lending Programme for Financing Creative Economy Eligibility:**

The illustrative list of industry sectors include Heritage {Traditional Cultural Expressions (Art & Crafts, Festivals, Celebrations etc), Cultural Sites (Historical Monuments, Museums, Libraries, Archives etc)}; Arts {Visual Arts (Painting, Sculpture, Antique, Photography etc), Performing Arts (Live Music, Theatre, Dance, Opera, Puppetry etc)}; Media { Publishing & Printed Media (Books, Newspapers, Press & other Publications), Audio Visuals (Film, TV & Radio, Broadcasting etc), New Media (Digitised Content, Software, Video Games, Animations etc); Functional
Creations { Design (Interior, Graphic, Fashion, Jewellery, Toys etc), Creative Services (Architecture, Advertising, Creative R & D, Cultural Services, Digital Services etc)}

Finance for Grassroots Enterprises Eligibility:

The organisations eligible for support should meet various criteria including, but not limited to the following:

- Should be a legal entity registered under respective State/Central Govt. Act as a Society, Trust, Co-operative, Private Limited Company, Producer Company, or NGO etc;
- Should be working with communities at grassroots level for promoting income generating activities (IGAs) based on the traditional skills using indigenous or locally available materials in the areas of product development & design, capacity building, market development etc.;
- Should have proven track record of creating /adopting sustainable livelihood model which could be up-scaled and replicated across the geographies sharing similar characteristics (demographic, cultural, socio-economic similarities, etc)
- Should be exporting, directly or indirectly

Marketing Advisory Services Eligibility:

Any company/firm wanting to export its quality products/services is eligible to avail this benefit as long as it does not fall in the negative list of India's Foreign Trade Policy and International Conventions. Marketing Advisory Services are provided across all the sectors. Information required from the company is as under:-

- Company profile
- Product Brochures
- Printed material & Prices
- Existing export markets & target markets
- Minimum order quantity
- Quality certifications
- Samples, as and when required
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<td>MEIS combines five schemes, viz. Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, and Vishesh Krishi Gram Udyog Yojna (VKGUY), rewarding export of notified goods to notified markets as a percentage of realized FOB value in free foreign exchange.</td>
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<td>SEIS is available to ‘Service Providers located in India’ as against the earlier Served Form India Scheme available to ‘Indian Service Providers’; and SEIS reward rates specified for export of notified services would be based on net foreign exchange earned.</td>
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<td>MEIS and SEIS goods imported would be fully transferable and usable for payment of custom duty, excise duty and service tax.</td>
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<td>MEIS and SEIS incentive schemes will now be extended to units located in SEZ.</td>
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<td>Higher reward under MEIS for products with high domestic content and more value addition in India.</td>
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<td>For increasing India’s participation in global value chain, FTP 2015-20 introduced 1725 lines of Intermediate Goods, 1109 lines of Capital Goods sector and 1730 lines of Consumer Goods sector under this scheme.</td>
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<td>The criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings. The nomenclatures of Status Holders were also changed.</td>
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<td>Export Obligation reduced from 90 per cent to 75 per cent for domestic procurement under EPCG scheme to boost the ‘Make in India’ initiative.</td>
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<td>Free Foreign Exchange earned through international credit cards and other instruments, as permitted by RBI shall also be taken into account for computing the value of the exports.</td>
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<td>A Committee on Quality Complaints and Trade Disputes (CQCTD) is to be constituted across 22 offices of regional authorities of Directorate General of Foreign Trade (DGFT).</td>
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5.4 Payment Criteria of EXIM Bank

Term finance is provided to Indian exporters of eligible goods and services which enable them to offer deferred credit to overseas buyers. Deferred credit can also cover Indian consultancy, technology and other services. Commercial banks participate in this programme directly or under risk syndication arrangements.

Finance is available from Exim Bank for companies executing export contracts involving cycle time exceeding six months. The facility also enables provision of rupee mobilization expenses for construction / turnkey project exporters.

Exim Bank provides term loans / deferred payment guarantees to 100% export. Oriented units, units in free trade zones and computer software exporters. In collaboration with International Finance Corporation. Exim Bank provides loans to enable small and medium enterprises upgrade export production capability. Facilities for deeded exports; Deemed exports are eligible for funded and non-funded facilities from Exim Bank.

Indian companies establishing joint ventures overseas are provided finance towards their equity contribution in the joint venture.

Finance for export marketing

This programme, which is a component of a World Bank loan, helps exporters implement their export market development plans. Credit is directly offered to foreign entities for import of eligible goods and related services, on deferred payment. Besides foreign Governments, finance is available to foreign financial institutions and Government agencies to on-lend in the respective country for import of goods and services from India. Relending facility is extended to banks overseas to enable them to provide term finance to their clients world-wide for imports from India. Commercial Banks in India who are authorized to deal in foreign exchange can rediscout their short term export bills with Exim Banks, for an unexpired usance period of not more than 90 days. Authorized dealers in foreign exchange can obtain from Exim Bank 100% refinance of deferred payment loans extended for export of eligible Indian goods.

Exim Bank participates with commercial banks in India in the issue of guarantees required by Indian companies for the export contracts and for execution of overseas construction and turnkey projects.
**Major programmes of Exim bank**

Pre Shipment Finance is issued by a financial institution when the seller wants the payment of the goods before shipment. The main objectives behind pre-shipment finance or pre export finance are to enable exporter to:

- Procure raw materials.
- Carry out manufacturing process.
- Provide a secure warehouse for goods and raw materials.
- Process and pack the goods.
- Ship the goods to the buyers.
- Meet other financial cost of the business.
- Packing Credit
- Advance against Cheques/Draft etc. representing Advance Payments.

**Requirement for getting packing credit**

This facility is provided to an exporter who satisfies the following criteria

- A ten digit importer exporter code number allotted by DGFT.
- Exporter should not be in the caution list of RBI.
- If the goods to be exported are not under OGL (Open General License), the exporter should have the required license /quota permit to export the goods.

Packing credit facility can be provided to an exporter on production of the following evidences to the bank.

- Formal application for release the packing credit with undertaking to the effect that the exporter would be ship the goods within stipulated due date and submit the relevant shipping documents to the banks within prescribed time limit.
- Firm order or irrevocable L/C or original cable / fax / telex message exchange between the exporter and the buyer.
- Licence issued by DGFT if the goods to be exported fall under the restricted or canalized category. If the item falls under quota system, proper quota allotment proof needs to be submitted. The confirmed order received from the overseas buyer should reveal the information about the full name and address of the overseas buyer,
description quantity and value of goods (FOB or CIF), destination port and the last date of payment.

The Quantum of Finance is granted to an exporter against the LC or an expected order. The only guideline principle is the concept of Need Based Finance. Banks determine the percentage of margin, depending on factors such as:

- The nature of Order.
- The nature of the commodity.
- The capability of exporter to bring in the requisite contribution.

Before making any an allowance for Credit facilities banks need to check the different aspects like product profile, political and economic details about country. Apart from these things, the bank also looks into the status report of the prospective buyer, with whom the exporter proposes to do the business. To check all these information, banks can seek the help of institution like ECGC or International consulting agencies like Dun and Brad street etc. The Bank extended the packing credit facilities after ensuring the following

- The exporter is a regular customer, a bona fide exporter and has a good standing in the market.
- Whether the exporter has the necessary license and quota permit (as mentioned earlier) or not.
- Whether the country with which the exporter wants to deal is under the list of Restricted Cover Countries (RCC) or not.

**Disbursement of packing credit advance**

Once the proper sanctioning of the documents is done, bank ensures whether exporter has executed the list of documents mentioned earlier or not. Disbursement is normally allowed when all the documents are properly executed. Sometimes an exporter is not able to produce the export order at time of availing packing credit. So, in these cases, the bank provides a special packing credit facility and is known as Running Account Packing. Before disbursing the bank specifically check for the following particulars in the submitted documents

- Commodity to be exported
- Quantity
- Value (either CIF or FOB)
- Last date of shipment / negotiation.
Any other terms to be complied with The quantum of finance is fixed depending on the FOB value of contract / LC or the domestic values of goods, whichever is found to be lower.

Normally insurance and freight charged are considered at a later stage, when the goods are ready to be shipped. In this case disbursals are made only in stages and if possible not in cash. The payments are made directly to the supplier by drafts/bankers/cheques. The bank decides the duration of packing credit depending upon the time required by the exporter for processing of goods. The maximum duration of packing credit period is 180 days; however bank may provide a further 90 days extension on its own discretion, without referring to RBI.

**Follow up of packing credit advance**

Exporter needs to submit stock statement giving all the necessary information about the stocks. It is then used by the banks as a guarantee for securing the packing credit in advance. Bank also decides the rate of submission of these stocks. Apart from this, authorized dealers (banks) also physically inspect the stock at regular intervals.

Packing Credit Advance needs be liquidated out of as the export proceeds of the relevant shipment, thereby converting pre-shipment credit into post-shipment credit. This liquidation can also be done by the payment receivable from the Government of India and includes the duty drawback, payment from the Market Development Fund (MDF) of the Central Government or from any other relevant source. In case if the export does not take place then the entire advance can also be recovered at a certain interest rate. RBI has allowed some flexibility in to this regulation under which substitution of commodity or buyer can be allowed by a bank without any reference to RBI. Hence in effect the packing credit advance may be repaid by proceeds from export of the same or another commodity to the same or another buyer. However, bank need to ensure that the substitution is commercially necessary and unavoidable. Bank considers a packing credit as an overdue, if the borrower fails to liquidate the packing credit on the due date. And, if the condition persists then the bank takes the necessary step to recover its dues as per normal recovery procedure. Packing Credit can only be shared on the basis of disclaimer between the Export Order Holder (EOH) and the manufacturer of the goods. This disclaimer is normally issued by the EOH in order to indicate that he is not availing
any credit facility against the portion of the order transferred in the name of the manufacturer. This disclaimer is also signed by the bankers of EOH after which they have an option to open an inland L/C specifying the goods to be supplied to the EOH as a part of the export transaction. On basis of such an L/C, the sub supplier bank may grant a packing credit to the sub supplier to manufacture the components required for exports. On supply of goods, the L/C opening bank will pay to the sub supplier's bank against the inland documents received on the basis of the inland L/C opened by them. The final responsibility of EOH is to export the goods as per guidelines. Any delay in export order can bring EOH to penal provisions that can be issued anytime. The main objective of this method is to cover only the first stage of production cycles, and is not to be extended to cover supplies of raw material etc. Running account facility is not granted to sub suppliers. In case the EOH is a trading house, the facility is available commencing from the manufacturer to whom the order has been passed by the trading house. Banks however, ensure that there is no double financing and the total period of packing credit does not exceed the actual cycle of production of the commodity.

**Running account facility**

It is a special facility under which a bank has right to grant pre-shipment advance for export to the exporter of any origin. Sometimes banks also extent these facilities depending upon the good track record of the exporter. In return the exporter needs to produce the letter of credit / firms export order within a given period of time. Post Shipment Finance is a kind of loan provided by a financial institution to an exporter or seller against a shipment that has already been made. This type of export finance is granted from the date of extending the credit after shipment of the goods to the realization date of exporter proceeds. Exporters don’t wait for the importer deposit funds.

**Basic features of post shipment finance**

The features of post-shipment finance are:

- **Purpose of Finance**: Post-shipment finance is meant to finance export sales receivable after the date of shipment of goods to the date of realization of exports proceeds. In cases of deemed exports, it is extended to finance receivable against supplies made to designated agencies.
- **Basis of Finance**: Post-shipment finances are provided against evidence of shipment of goods or supplies made to the importer or seller or any other designated agency.

- **Types of Finance**: Post-shipment finance can be secured or unsecured. Since the finance is extended against evidence of export shipment and bank obtains the documents of title of goods, the finance is normally self liquidating. In that case it involves advance against undrawn balance, and is usually unsecured in nature. Further, the finance is mostly a funded advance. In few cases, such as financing of project exports, the issue of guarantee (retention money guarantees) is involved and the financing is not funded in nature.

- **Quantum of Finance**: As a quantum of finance, post-shipment finance can be extended up to 100% of the invoice value of goods. In special cases, where the domestic value of the goods increases the value of the exporter order, finance for a price difference can also be extended and the price difference is covered by the government. This type of finance is not extended in case of pre-shipment stage. Banks can also finance undrawn balance. In such cases banks are free to stipulate margin requirements as per their usual lending norm.

- **Period of Finance**: Post-shipment finance can be off short terms or long term, depending on the payment terms offered by the exporter to the overseas importer. In case of cash exports, the maximum period allowed for realization of exports proceeds is six months from the date of shipment. Usually, the documents need to be submitted within 21 days from the date of shipment.

**Financing for various types of export buyer's credit**

- **Physical exports**: Finance is provided to the actual exporter or to the exporter in whose name the trade documents are transferred.

- **Deemed export**: Finance is provided to the supplier of the goods which are supplied to the designated agencies.
- **Capital goods and project exports:** Finance is sometimes extended in the name of overseas buyer. The disbursal of money is directly made to the domestic exporter.

Buyer's Credit is a special type of loan that a bank offers to the buyers for large scale purchasing under a contract. Once the bank approved loans to the buyer, the seller shoulders all or part of the interests incurred. The post shipment finance can be classified as:

**Export bills purchased/ discounted (DP & DA bills):** Export bills (Non L/C Bills) is used in terms of sale contract/order may be discounted or purchased by the banks. It is used in indisputable international trade transactions and the proper limit has to be sanctioned to the exporter for purchase of export bill facility.

**Export bills negotiated (bill under L/C):** The risk of payment is less under the LC, as the issuing bank makes sure the payment. The risk is further reduced, if a bank guarantees the payments by confirming the LC. Because of the inborn security available in this method, banks often become ready to extend the finance against bills under LC. However, this arises two major risk factors for the banks:

1. The risk of non-performance by the exporter, when he is unable to meet his terms and conditions. In this case, the issuing banks do not honour the letter of credit.
2. The bank also faces the documentary risk where the issuing bank refuses to honour its commitment. So, it is important for the negotiating bank, and the lending bank to properly check all the necessary documents before submission.

**Advance against export bills sent on collection basis:** Bills can only be sent on collection basis, if the bills drawn under LC have some discrepancies. Sometimes exporter requests the bill to be sent on the collection basis, anticipating the strengthening of foreign currency. Banks may allow advance against these collection bills to an exporter with a concessional rates of interest depending upon the transit period in case of DP Bills and transit period plus usance period in case of usance bill. The transit period is from the date of acceptance of the export documents at the bank’s branch for collection and not from the date of advance.

**Advance against export on consignments basis:** Bank may choose to finance when the goods are exported on consignment basis at the risk of the exporter for sale and eventual payment of sale proceeds to him by the consignee. However, in this case
bank instructs the overseas bank to deliver the document only against trust receipt/undertaking to deliver the sale proceeds by specified date, which should be within the prescribed date even if according to the practice in certain trades a bill for part of the estimated value is drawn in advance against the exports. In case of export through approved Indian owned warehouses abroad the times limit for realization is 15 months.

**Advance against undrawn balance:** It is a very common practice in export to leave small part undrawn for payment after adjustment due to difference in rates, weight, quality etc. Banks do finance against the undrawn balance, if undrawn balance is in conformity with the normal level of balance left undrawn in the particular line of export, subject to a maximum of 10 percent of the export value. An undertaking is also obtained from the exporter that he will, within 6 months from due date of payment or the date of shipment of the goods, whichever is earlier surrender balance proceeds of the shipment.

**Advance against claims of duty drawback:** Duty Drawback is a type of discount given to the exporter in his own country. This discount is given only, if the in house cost of production is higher in relation to international price. This type of financial support helps the exporter to fight successfully in the international markets. In such a situation, banks grants advances to exporters at lower rate of interest for a maximum period of 90 days. These are granted only if other types of export finance are also extended to the exporter by the same bank. After the shipment, the exporters lodge their claims, supported by the relevant documents to the relevant government authorities. These claims are processed and eligible amount is disbursed after making sure that the bank is authorized to receive the claim amount directly from the concerned government authorities.

**Crystallization of overdue export bills:** Exporter foreign exchange is converted into Rupee liability, if the export bill purchase/negotiated/discounted is not realize on due date. This conversion occurs on the 30th day after expiry of the NTP in case of unpaid DP bills and on 30th day after national due date in case of DA bills, at prevailing TT selling rate ruling on the day of crystallization, or the original bill buying rate, whichever is higher.

**Post-shipment credit in foreign currency:** The exporters have the option of availing of exports credit at the post-shipment stage either in rupee or in foreign currency. The credit is granted under the Rediscounting of Export Bills Abroad Scheme (EBR) at
LIBOR linked interest rates. The Scheme covers export bills with usance period upto 180 days from the date of shipment. Discounting of bills beyond 180 days requires prior approval from RBI. The exporters have the option to avail of pre-shipment credit and post-shipment credit either in rupee or in foreign currency. If pre-shipment credit has been availed of in foreign currency, the post-shipment credit necessarily to be under the EBR scheme. This is done because the foreign currency pre-shipment credit has to be liquidated in foreign currency. Provision of personnel, furnishing of knowhow, skills, operation and maintenance services and management contracts.

**Export credit:** Exim Bank provides pre-shipment and post shipment credit in Indian rupees and foreign currency. Finance is extended for short term i.e. upto 6 months as also for medium/long term i.e. beyond 6 months for eligible products and projects. Medium/long term export credit is projects. Medium/long term export credit is extended by way of supplier's credits i.e. through the Indian exporter with recourse to the exporter or buyer's credits i.e. directly to the overseas buyer with no recourse to the Indian exporter. Certain RBI guidelines apply for such medium/long term export credit. Exim Bank has been recently permitted by RBI to cover inter-alia agricultural commodities and processed foods under the Lines of Credit. Export contracts under Lines of Credits are financed without recourse to the exporter i.e. off balance sheet finance whilst the importer gets credit. Exim Bank extends loans for executing deemed export contracts. Exim Bank also issues guarantees overseas on behalf of Indian exporters.

**Payment methods in export and import trade:** There are 3 standard ways of payment methods in the export import trade international trade market:

- Clean Payment
- Collection of Bills
- Letters of Credit L/C

**Clean payments:** In clean payment method, all shipping documents, including title documents are handled directly between the trading partners. The role of banks is limited to clearing amounts as required. Clean payment method offers a relatively cheap and uncomplicated method of payment for both importers and exporters. There are basically two types of clean payments:

  a) **Advance Payment:** In advance payment method the exporter is trusted to ship the goods after receiving payment from the importer.
b) Open Account: In open account method the importer is trusted to pay the exporter after receipt of goods. The main drawback of open account method is that exporter assumes all the risks while the importer get the advantage over the delay use of company's cash resources and is also not responsible for the risk associated with goods.

**Payment collection of bills:** The Payment Collection of Bills also called “Uniform Rules for Collections” is published by International Chamber of Commerce (ICC) under the document number 522 (URC522) and is followed by more than 90% of the world's banks. In this method of payment in international trade the exporter entrusts the handling of commercial and often financial documents to banks and gives the banks necessary instructions concerning the release of these documents to the Importer. It is considered to be one of the cost effective methods of evidencing a transaction for buyers, where documents are manipulated via the banking system. There are two methods of collections of bill:

a) **Documents against payment D/P:** In this case documents are released to the importer only when the payment has been done.

b) **Documents against acceptance D/A:** In this case documents are released to the importer only against acceptance of a draft.

**Letter of credit L/C:** Letter of Credit also known as Documentary Credit is a written undertaking by the importers bank known as the issuing bank on behalf of its customer, the importer (applicant), promising to effect payment in favour of the exporter (beneficiary) up to a stated sum of money, within a prescribed time limit and against stipulated documents. It is published by the International Chamber of Commerce under the provision of Uniform Custom and Practices (UCP) brochure number 500. Various types of L/Cs are:

a) **Revocable & Irrevocable Letter of Credit (L/C)** A Revocable Letter of Credit can be cancelled without the consent of the exporter. An Irrevocable Letter of Credit cannot be cancelled or amended without the consent of all parties including the exporter.

b) **Sight & Time Letter of Credit** If payment is to be made at the time of presenting the document then it is referred as the Sight Letter of Credit. In this case banks are allowed to take the necessary time required to check the documents. If payment is to be made after the lapse of a particular time period as stated in the draft then it is referred as the Term Letter of Credit.
c) **Confirmed Letter of Credit (L/C):** Under a Confirmed Letter of Credit, a bank, called the Confirming Bank, adds its commitment to that of the issuing bank. By adding its commitment, the Confirming Bank takes the responsibility of claim under the letter of credit, assuming all terms and conditions of the letter of credit are met.