4.1 INTRODUCTION

The Export-Import Bank of India (Exim Bank) is a public sector financial institution created by an Act of Parliament – The Export-import Bank of India Act, 1981. The business of Exim Bank is to finance Indian exports that lead to earning of foreign exchange for the country. The Bank’s primary objective 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.

Exim Bank provides a range of analytical information and export-related services. The Bank’s fee based services help identify new business propositions, source trade and investment-related information, create and enhance presence through joint network of institutional linkages across the globe and assists externally oriented companies in their quest for excellence and globalisation. Services include search for overseas partners, identification of technology suppliers, negotiating alliances and development of joint ventures in India and abroad. The Bank also supports Indian project exporters and consultants to participate in projects funded by multilateral funding agencies.

Exim Bank encourages Indian consultants to gain and enhance their international exposure by assisting them in securing assignments overseas. Assignments are awarded under the programme sponsored by International Finance Corporation (IFC) in Washington to promote private sector development in select countries and regions. Arrangements set in place cover:

- Africa Project Development Facility
- African Management Services Company
• Africa Enterprise Fund
• South-east Europe Enterprise Development Facility
• Mekong Project Development Facility
• Business Advisory and Technical Assistance Services (BATAS)
• Other Technical Assistance & Trust Funds

EXIM Bank assists these agencies in the recruitment of Indian consultants and meets the professional fees of the consultant selected by IFC. Consultancy assignments undertaken comprise pre-feasibility studies, project and investment-related services, management information systems, operations and maintenance support mainly for SMEs in a variety of sectors like agriculture, agro-industry, consumer goods, light engineering, telecom and so on. EXIM Bank provides financial assistance to Indian Companies by way of a variety of lending programmes, viz.,

**Non-Funding Areas of services**

• Bid Bond
• Advance Payment Guarantee
• Performance Guarantee
• Guarantee for release of Retention Money
• Guarantee for raising Borrowings Overseas
• Other guarantees

**Funding Areas of Services**

• Pre-shipment Rupee Credit
• Post-shipment Rupee Credit
• Foreign Currency Loan
• Overseas Buyer’s Credit
• Lines of Credit
• Loan under FREPEC programme
• Refinance of Export Loans
CHART-4.1: EXIM BANK’S MAJOR PROGRAMMES

Bank’s Major Programmes

EXPORT CREDIT
- PROJECTS
  - SUPPLIERS/BUYERS CREDIT
  - PRE-SHIPMENT CREDIT
  - GUARANTEES & L/Cs
  - EQUIPMENT FINANCE

PRODUCTS
- LINES OF CREDIT
- PRE-SHIPMENT CREDIT
- POST-SHIPMENT CREDIT
- GUARANTEES & L/Cs

SERVICES
- SUPPLIERS CREDIT
- BUYERS CREDIT
- GUARANTEES & L/Cs

FINANCE FOR EXPORT ORIENTED UNITS
- TERM LOANS
- WORKING CAPITAL
- EXPORT MARKETING
  - EXPORT PRODUCT DEVELOPMENT
- EXPORT FACILITATION
- OVERSEAS INVESTMENT FINANCE
- IMPORT FINANCE
- GUARANTEES & L/Cs

VALUE-ADDED SERVICES
- EXPORT MARKETING SERVICES
- MULTILATERAL FUNDED PROJECTS
- JOINT VENTURE FACILITATION
- CONSULTANCY SUPPORT
- WORKSHOPS & SEMINARS
- INFORMATION & ADVISORY SERVICES

Source: EXIM bank Annual Report, 2007-08, p. 24
4.2 EXPORT CREDIT

Exim Bank offers the following Export Credit facilities, which can be availed of by Indian companies, commercial banks and overseas entities. Categorization of Export Credit Programmes may be made from the viewpoint of the user in the following ways:

(A) Lending programmes for Indian Companies.
(B) Lending programmes for foreign Governments, Companies and Financial Institutions.
(C) Lending programmes for Commercial Banks in India.

4.2.1 Lending Programmes For Indian Companies

In order to provide financial help to Indian Companies, the following programmes are operated by EXIM Bank:

4.2.1a Pre-Shipment Credit

The Pre-shipment programme is available for Indian Companies. It is available to eligible exporters for importing raw materials and inputs required to produce equipments that has to be exported. It is available for companies executing export contracts involving cycle time exceeding six months or we can say where export requires long cycle time. Commercial Banks also extends this facility for depute periods at concessional interest rate. Its main purpose is to enable Indian exporters to buy raw materials and inputs where exports require long cycle time. Pre-shipment credit is provided in Indian currency and foreign currency.

4.2.1.b For Exporters of Consultancy and Technological Services

Indian Companies, executing overseas contracts involving consultancy and technology services, can avail of EXIM’S financing schemes, to offer deferred payment terms to their clients, thereby enlarging the market for Indian Consultancy exports.
• **Who can use the facility?**

Indian consultants, having corporate status or otherwise, who have secured a contract for export of services wherein deferred payment terms need to be offered to the client, can utilize the facility.

• **Nature of Credit**

The credit may be extended to the Indian Company either by EXIM Bank in participation with Commercial Banks or directly by Commercial Banks, who could seek refinance from EXIM Bank. The Indian Company in turn offers deferred payment terms to the clients.

• **Scope of the programme**

  ➢ Technology and Consultancy Services include:
  ➢ Providing personal; including skilled or unskilled workmen and person for rendering technical or other services;
  ➢ Transfer of technology, know how expertise or other skills;
  ➢ Furnishing any information, blue prints, plans or advice.
  ➢ Any other activity considered acceptable by EXIM Bank.

• **Amount of Credit**

Exporter is normally expected to obtain advance/down payment of limit of contract value and remaining portion would be covered by credit under the programme. Credit is repayable, by the Indian Company, in half yearly instalments, over a period not exceeding 5 years, with a suitable grace period. Guarantee of foreign government or a guarantee from an acceptable bank would need to be obtained. Indian company would also be required to obtain ECGC insurance cover and assign the same in favour of Banks.

• **Procedure**

In case deferred credit terms are to be offered, the Indian Company makes an application as per format (available on request from EXIM Bank) and submits it to its banker, at bid submission stage. The bank forwards the application, with its comments to
all the members of the Working Group, i.e. EXIM Bank, RBI (Exchange Control Dept.), and ECGC. EXIM Bank calls for additional information/clarification and convenes a Working Group meeting to discuss the suitable ability of the proposal and conveys the clearance. After contract is finalized, Indian Company can approach EXIM, RBI (ECD) and ECGC separately for approvals.

Disbursements would be made under the terms of Letter of credit opened by the overseas client or under any agreement between client and Indian Company or against invoices accepted by client.

4.2.1.c EXIM Facilities for Deemed Exports

EXIM Bank provides funded and non-funded facilities to overseas turnkey projects, consultancy or management services and exports of capital goods and other eligible goods including industrial manufactures. EXIM Bank considers deemed exports as eligible for support under its financing programmes. Deemed exports involving supply of capital goods and other eligible goods have access to deferred credit facility at internationally competitive interest rate. EXIM Bank can extend credit either through the supplier or directly to the buyer. Intermediating banks / institutions can also avail of refinance facility from EXIM Bank covering the full value of the term credit. EXIM Bank may, in addition, provide pre-shipment (working capital) facility, normally for large transactions involving long manufacturing cycle time.

Other facilities available from Bank relating to deemed export include issue of guarantee, and bridge financing in foreign currency. These facilities are normally availed by project exporters.

- Eligible Goods

EXIM bank finances the export of capital and producer goods and other goods, including select industrial manufacturers. Such items covered under a deemed export transaction, are eligible for EXIM financing.
• **Period of Credit**

Capital and producer goods are eligible for medium term credits, with provision for long-term credit, up to ten years, in exceptional cases. Other goods such as industrial manufacturers can also be considered, on merit, as credit-worthy up to one year, relaxable up to two years.

• **Quantum of Credit:**

Credit will normally cover 86% of the ex-worker/ for value of the supplies. Higher quantum can be considered, on merit.

• **Security**

Credit will be secured by a bank guarantee. In case of refinance facility to banks/ institutions, the concerned bank/ institution assumes credit risk.

• **Utilization of Credit**

- Credit can be routed by way of refinance of suppliers/ buyer’s bankers or by direct credit to the beneficiary of the credit.
- The beneficiary of the credit should approach EXIM Bank well before commencement of suppliers under the contract, for finalizing necessary documentation, and furnish an estimated schedule.
- Intermediating bank / institution would forward disbursement / reimbursement requests, certifying that the underlying transaction strictly conform to the contract terms as regards nature of goods, value, insurance, freight etc. and also to the terms of approval by EXIM Bank.
- The disbursement will be made through the intermediating bank, who would, in turn, ensure that matching credit is passed on to the ultimate buyer, at the specified interest rate.

4.2.2 Lending Programmes for Overseas Entities

The lending programmes are intended to provide loans to Foreign Government, companies and Financial Institutions. For this purpose EXIM bank provides buyer’s
credit to the overseas entities. This programme is offered directly to foreign importers for import of Indian capital goods and related services with repayment spread over a period of years. Generally this credit is extended for large value contracts. Thus this facility enables overseas buyers to pay cost of eligible goods imported form Indian on deferred terms. Repayment period is flexible under this programme but normally does not exceed 10 years. Credit is directly offered to foreign entities for import of eligible goods and related services, on deferred payment. Rate on interest charged from overseas buyers is 11 % p.a.

4.2.3 **Finance to Commercial Banks in India**

The following programmes are offered to Commercial Banks to extend their converge of export credit:

4.2.3.a **Export Bills Re-discounting**

Commercial Banks in India, who are authorized to deal in foreign exchange, can re-discount their short-term export bills with EXIM Bank, for an unexplored usance period of not more than 90 days.

This programme for commercial banks was introduced in March 1982. EXIM Bank provides short-term finance to the commercial banks against the export bills that have at most 90 days or more to mature. Under the scheme, the bills are discounted at 7.5 % p.a. The limit authorized by the RBI for this scheme is Rs 500 million and each commercial bank can avail a limit of Rs 100 million at a time.

4.2.3.b **Refinance of Export Credit**

Under this scheme, authorized dealers in foreign exchange can obtain from EXIM bank 100 % refinance of deferred payment loans extended for export of eligible Indian goods.
• **Details of Refinance Facility**

EXIM Bank offers 100% refinance facility, which enables a bank to extend deferred credit to an Indian exporter, against supplier's credit offered by the exporter to overseas buyer. Refinance can also be provided to cover retention money receivable after the six months period. Commercial banks, who are authorized dealers in foreign exchange in India, can provide in-principle clearance for deferred credit contracts valued up to Rs. 2 crores and avail refinance form EXIM Banks. Contract value above Rs 2 crores attracts participation finance from EXIM Bank. Project exports deferred payments terms can also avail refinance facility, under the procedures described herein.

• **Pre-Bid Clearance**

Commercial Banks, who are authorized dealers in foreign exchange, can convey in principle clearance, for bids valued upto Rs. 2 crores involving supply contracts on deferred payments terms, provided the proposal conform to the guidelines covered in Broad Terms of Suppliers credit.

• **Application**

Application is to be submitted in 8 copies to the sponsoring banker (who is an authorized dealer), at least one week in advance of the required date for bid submission, as per for DPX-I in exchange Central manual, published by Reserve Bank of India.

• **Evaluation of Bank**

Sponsoring Bank (referred to as 'Bank' hereafter) evaluate the proposal with regards to the capabilities of the exporter to execute the contract, standing of the buyer, nature of security offered, country related issue, conformity with the guidelines. Banks would also ascertain availability from the export Credit Guarantee Corporation of India Limited of the counter guarantees, and cover against of non-receipt of payment. Prior approval of EXIM Bank is not required. However, banks are required to consult EXIM Bank in advance, in case proposal contains deviation from guidelines.
• **Issue of Bid Bond**

Bank clears the proposal, and where required, issues Bid Bond. Bank issues a clearance letter to the exporter, conveying in principle commitment for various funded and non-funded facilities, required by the exporter, in case contract materializes, along with terms and conditions of the clearance. Bank also conveys in principle clearance for the proposal from exchange control angle, including if applicable, payment of commission to overseas agent (not exceeding 5% of contract value).

• **Advice of Clearance**

Bank conveys copies of clearance letter (or, if applicable, advice of non-clearance) along with copy of application received from exporter normally within ten days of receipt of application, to the following:

- Export-Import bank of India, Bombay, 400021.
- Reserve Bank of India, Mumbai- 400023
- Export Credit Guarantee, Corporation of India, Mumbai- 400021.

4.2.3.c **EXIM Refinance**

Bank may indicate along with advice of clearance, if refinance from EXIM is envisaged.

• **Post Bid Status:**

Exporters are advised to keep their bankers informed regarding the status of the bid made. Exporter are also required to obtain the status of the bid made. Exporter are also required to obtain concurrence of their bankers, before affecting major changes in the terms and conditions of the proposal, during post-bid stages.

• **Report to EXIM Bank**

In the event bid has not fructified, banks may keep EXIM advised along with reasons for bid not materializing.
**Procedure - Contract Stage:** (For contract value up to Rs. 5 crores).

- **Advice of Contract Award**

  On conclusion of export contract, exporter submits details of the contract in 8 copies, to his banks, in the prescribed format (From DPX-, in exchange Control Manual.

- **Post Award Clearance to Exporter**

  Bank reviews contract details in line with clearance earlier given, unconformity with the guidelines for deferred credit exports, and thereafter conveys to exporter advice of contract approval and confirmation of in-principle facilities earlier considered. Banks also conveys to exporter confirmation regarding clearance from exchange control angle.

- **Other Clearance**

  Bank forward copy of post-award clearance letter, along with application, to concerned agencies enumerated in earlier section. Sponsoring Bank seeks: From EXIM Bank, Bombay- formal confirmation for extending refinance facility.

**4.3 FINANCE FOR EXPORT ORIENTED UNITS**

Under this programme the following type of finance is provided to Export Oriented Unit.

**4.3.1 Export Financing Programmes for Export Oriented Units**

The EXIM bank provides term finance as well as working capital finance besides export finance to the Export Oriented Units.

**Term Finance**¹ (For Exporting Companies)

- Project Finance
- Equipment Finance
- Import of Technology & Related Services
- Domestic Acquisitions of businesses/companies/brands
- Export Product Development/ Research & Development
- General Corporate Finance

**Working Capital Finance**² (For Exporting Companies)

¹ For non-exporting units only finance for Import of Equipment is provided.
² For non-exporting units only finance for Bulk Import of Raw Material is provided.
• **Funded**
  - Working Capital Term Loans [< 2 years]
  - Long Term Working Capital [upto 5 years]
  - Export Bills Discounting
  - Export Packing Credit
  - Cash Flow financing

• **Non-Funded**
  - Letter of Credit Limits
  - Guarantee Limits

**Export Finance**

- Pre-shipment Credit
- Post Shipment Credit
- Buyers' Credit
- Suppliers' Credit [including deferred payment credit]
- Bills Discounting
- Export Receivables Financing
- Warehousing Finance
- Export Lines of Credit (Non-recourse finance)

**Equity Participation (In Indian Exporting Companies)**

- To part finance project expenditure (Project, inter-alia, includes new project/ expansion/ acquisition of business/company/ brands/research & development)

• **Lending Programme for Export Product Development**

EXIM Bank introduced in 1988-89 a lending programme which provides export development loans for purpose of research and development export product development and quality assurance activities which from part of a firm’s export programme.

• **Finance for Export Marketing**

This programme, which is a component of a World Bank Loan, helps exporters implement their export market development plan. Under this programme, finance is available to Indian companies for undertaking export-marketing activities. Such finance covers upto 50% of the total cost incurred on eligible export marketing activities. The
disbursals are in the form of grant. The export Marketing Fund (EMF) which is managed by EXIM Bank, aims at promotion of a select group of engineering export products in developed country market. Eligible activities under this programme include market research, product adaptation, product testing. EMF 1 launched in 1987 focused on the engineering sector, with objectives to increase export to industrialized market. EMF 2, which has been launched in 1989, seeks to promote export of all manufactures to the same target market, EMF – 2 provide grant finance at front-end stages. In addition, term loans are provided to enable exporters procure balancing equipments and invest in plant modernization for export.

- **Finance for Production Equipment**

  Under the Agency Credit Line concluded by EXIM Bank with International Finance Corporation (IFC) in 1986, finance by way of foreign currency term loan is available from IFC to small and medium Enterprises in the private sector for investment in plant and machinery, as well as for production and process know-how to create and enhance export capabilities. EXIM Bank provides rupee term loans on a matching basis with IFC to such enterprises.

  Activities eligible for finance are new projects with expansion and modernization plans and for import of equipments.

### 4.3.2 Refinance Facilities to Commercial Banks for Term Loan to Export Oriented Units

Under the lending programme EXIM Bank offers 100 % refinance facility on concessional terms to eligible commercial banks in respect of term loans extended by them to Export-oriented units with minimum export orientation at 25 % of their annual sales. Such units could be either

- Existing units, or
New units planning to achieve 25% export orientation to be evidenced by firm marketing arrangements, i.e., buyback, export orders on hand, selling agreement.

- **Who can seek Refinance?**
  Branches of scheduled commercial banks in India authorized to deal in foreign exchange are eligible for EXIM refinance.

- **What is refinanced?**
  *Term loans sanctioned by the eligible commercial bank to*
  - Units set up/proposed to be set up in Export Processing Zones
  - Units set up/proposed to be set up under the 100% Export-oriented Units Schemes of the Government of India
  - Existing units with minimum 25% export orientation
  - New units with minimum 25% export orientation evidenced by firm export marketing arrangements.
  *Term loans sanctioned for*
  - Setting up of new projects
  - Acquisition of additional assets for modernization/up gradation/expansion in case of existing units.
  - Acquisition of one off equipments/machinery.

- **Lending Norms**
  - The project cost not to exceed 5 crores.
  - Debt: Equity ratio for the project/borrowers company not to exceed 2:1.
  - Promoters construction not to be less than 20% of project cost
  - The units should have a firm export marketing arrangements to the satisfaction of the lending work.

*For acquisition of additional assets for modernization/up gradation/expansion in case of existing units, the following additional norms will apply*
  - The original projects should have been implemented satisfactorily.
  - There should be default on the units existing term loan and other liabilities to the lending bank/EXIM Bank.
• The EOU should have completed at least one year from the date of commencement of commercial production.

• **Terms of Refinance**
  - 100% Refinance of term Loan sanctioned by the lending bank.
  - In any year if the export orientation falls below 25%, the interest rate will be 1% less than the interest rate charged by commercial banks.

• **Lending Bank’s Obligations**
  - The lending bank should ensure adequate security for term loan extended bit.
  - The lending bank should satisfy itself about the viability of the project under financing, as well as about export marketing arrangements of the units.
  - The lending bank will repay refinance to EXIM Bank as per agreed repayment schedule, irrespective of repayment of term loan by the borrowing unit.

• **How to Access EXIM Bank’s Refinance?**
  - The branch of the eligible bank applies directly to EXIM Bank.
  - Application for sanction of refinance to be made in the prescribed format after sanction of term loan by the bank.
  - Disbursement request to be made in standard format by the bank branch availing refinance directly to EXIM Bank.

**4.4 OVERSEAS INVESTMENT FINANCE**

Indian companies establishing joint ventures overseas are provided finance towards their equity contribution in the joint venture. This enables financing of Indian promoters for setting up joint-venture companies abroad. The finance is extended to the Indian firm to meet its share in the equity capital of Joint Ventures Company. The Indian promoters by way of export of plant and machinery normally subscribe the equity capital. The following types of finances are provided under this programme.
• Finance for Indian Company's equity participation in the overseas Joint Venture (JV)/ Wholly Owned Subsidiary (WOS).

• Direct Finance (Term & Working Capital) to the overseas JV / WOS.

• Finance (for equity/debt component) for acquisition of overseas businesses / companies including leveraged buy-outs including structured financing options.

• Direct Equity by EXIM Bank in the overseas JV/ WOS of an Indian Company.

4.5 LINES OF CREDIT

Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries, to import goods and services from India on deferred credit terms. This programme was introduced in July 1982. The Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. LOC is a financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters, especially to SMEs, and serves as an effective market entry tool.

This facility enables Indian exporters to offer deferred credit terms to customers in these countries, as per terms and conditions already negotiated between EXIM Bank and the overseas Government. The exporter can obtain payment from EXIM Bank against negotiation of shipping documents, without recourse to the exporters.

• **Features of the programme:**

This facility is available to foreign governments or agencies nominated by them. Such governments/agencies are deemed to be the borrowers, with EXIM Bank as the lender terms and conditions of different lines of credit are subject to variation and particulars can be obtained for each line of credit from EXIM Bank. It would also need to be ascertained from time to time that the lines of credit have come into effect and are available for utilization.
• Procedure of Working

Procedural flow chart

1. EXIM Bank signs agreement with Borrower and announces when effective.
2. Exporter checks procedures and Service fee with EXIM Bank and negotiates contract with Importer.
3. Importer consults borrower and signs contract with exporter.
4. Borrower approves contract.
5. EXIM Bank approves contract and advises borrower and also exporter and commercial bank.
7. Commercial bank negotiates shipping documents and pays exporter.
8. EXIM Bank reimburses Commercial bank on receipt of claim by debit to borrower.

• Eligible Goods

Capital goods, plant and machinery, industrial manufactures, consumer durables and any other items eligible for being exported under the 'Exim Policy' of the Government of India.
• **Relending Facility to Banks Overseas**

Relending facility is extended to banks overseas to enable them to provide finance to their client's worldwide for imports from India. Banks overseas who offices, worldwide, can market Indian capital goods in countries where they have presence. This they can do by putting forward to importers the availability of term finance linked to Indian capital goods. Use of the medium of overseas Banks with a worldwide network of branches can enlarge the market for Indian capital goods. Overseas Banks, therefore, would intermediate between the foreign buyer and EXIM Bank, who intermediate with the supplier.

• **Who can Use the Facility?**

The borrowing bank may be a commercial bank, a Central Bank, an investment/merchant bank of a country with a good credit standing. In regard to commercial banks, leading banks in USA and in Europe will also be offered participation in the programme. Capital goods / equipments and /or services to be export from India are the goods in respect of which this facility is available. Loan is granted up to 60 % to 80 % of any single contract. Current rate would be 8.5 % p.a. subject to change when a general review of interest rates occurs.

• **Repayment Period**

Depending on the value, commencing from 6 months to 1 year after disbursement date; principle repayments and interest repayments is payable semi-annually between two to five years. Prepayments of an instalments or outstanding principal is permissible with 30 days prior notice. No fees are payable when the line of credit is signed, but as and when individual contracts are placed, a fee of ¼ % is payable by the borrowing bank to EXIM Bank.
• **Currency of Loan**

Loan under this line to the borrowing bank will be denominated in US dollars and repayment will be in the same currency. Minimum contract value US $ 100000. All payments are remitted net of all taxes.

• **Relending Conditions**

The borrowing bank will make sub-loans with in its own discretion, in developing countries with which India has trade relations. Repayment period of sub-loan shall be in conformity with the loan. Interest rate charged by the borrowing bank is expected to be no higher than 2 % above the loan interest rate, unless EXIM Bank specifically agrees to it. The relending facility will be available to the foreign importer, in the following manner:

- The borrowing bank, upon its approval of a sub-loan to an importer, opens through EXIM Bank or banks designated by the latter, irrevocable letters of credit in favour of the Indian exporter.
- The Indian exporter ships goods and present shipping documents to EXIM Bank or banks designated by the latter of negotiation.
- EXIM Bank pays the Indian exporter in the Rupee equivalent at the ruling rate for US $ value of goods shipped under the letter of credit.
- EXIM Bank or the negotiating bank in India forwards shipping documents to the borrowing bank together with an advice of having made disbursement to the supplier.

Through the medium of overseas banks, it is possible to market Indian capital goods; Indian export credit can become a strong force in this agreement. The proposed programmes provide for this purpose?

**4.6 SMALL AND MEDIUM ENTERPRISES (SME) FINANCE**

The importance of SME sector is well-recognized world over owing to its significant contribution in achieving various socio-economic objectives, such as
employment generation, contribution to national output and exports, fostering new entrepreneurship and to provide depth to the industrial base of the economy. India has a vibrant SME sector that plays an important role in sustaining economic growth, increasing trade, generating employment and creating new entrepreneurship in India.

Indian SMEs require business advisory services to enhance their international competitiveness in a highly competitive globalising world. The SMEs find the services of reputed national and international consultants as not cost effective and often, not adequately focused. Recognising this knowledge gap, Exim Bank of India has been endeavoring to provide a suite of services to its SME clients. These include providing business leads, handholding during the process of winning an export contract and thus assisting the generation of export business on success fee basis, countries/sector information dissemination, capacity building in niche areas such as quality, safety, export marketing, etc. and financial advisory services such as loan syndication, etc. the bank has also started the Debt Restructuring Scheme for Small and Medium Enterprises (SMEs). The full details of the scheme are placed at the appendix-I

4.7 AGRI FINANCE

The globalization and post-WTO scenario offers considerable scope for exports of Indian agricultural products. Exim Bank has a dedicated Agri Business Group to cater to the financing needs of export oriented companies dealing in agricultural products.

Financial assistance is provided by way of term loans, pre-shipment/post-shipment credit, overseas buyers' credit, bulk import finance, guarantees etc. Term loans with varying maturities are provided for setting up processing facilities, expansion, modernization, purchase of equipment, import of equipment/technology, financing overseas joint ventures and acquisitions etc.

The Bank has strong linkages with other stakeholders in agri sector such as Ministry of Food Processing Industries, GOI, NABARD, APEDA, Small Farmers' Agri-
Business Consortium (SFAC), National Horticultural Board etc. Apart from financing, the Bank also provides a range of advisory services to agri exporters.

The Bank also publishes a number of Occasional Papers, Working Papers on export potential of various sub-sectors in agriculture and a bi-monthly publication in different languages on global scenario in agri-business and opportunities therein.

4.8 FILM FINANCE

The Indian film industry is an integral part of the Indian socio-economic psyche and the most popular source of entertainment in the country. Indian film industry was conferred Industry Status in the year 2000 and is mainly private funded. Indian Film industry is the world's biggest film industry in terms of the number of movies produced and released in a year. In 2004, there were 934 films certified across, with Hindi accounting for 245 of them. The total number of admissions (people attending movies) is almost over 3 billion, which is almost double the US markets and three times that of the rest of Asia.

The Indian film industry comprises of a cluster of regional film industries, like Hindi, Telugu, Tamil, Kannada, Malayalam, Bengali etc. This makes it one of the most complex and fragmented national film industries in the world. The Bank has till date sanctioned loans more than Rs 33.15 corers for film production. The first three films financed by Exim Bank have been commercially successful across India and overseas markets.

Nature of Finance

- Cashflow financing for film production
- Cashflow financing for film distribution/exhibition in overseas markets
- Term loans for fixed assets finance
- Term financing for export market development

Exim bank has financed the following Films (i) Honeymoon Travels Pvt. Ltd. (ii) Kabul Express (iii) Dhoom -2 (iv) Don - The Chase Begins Again (v) Fanaa (vi) Bunty
4.9 EXIM BANK'S RURAL INITIATIVES

With the advent of globalisation, the barriers to trade are getting dismantled and the dividing line between national and global markets is slowly disappearing. While this phenomenon has resulted in expansion of market opportunities for products and services, it has also made certain sections in developing countries more vulnerable to market vagaries. Thus, the objectives of EXIM Bank's rural initiatives are two fold:

(i) Poverty reduction through export linkages

(ii) Benefit of Globalisation to grassroot rural enterprises.

With the above objectives in mind, EXIM Bank has now made its rural initiatives programme as the core to its operations, as depicted in this diagram. While the other financing programmes will give EXIM Bank the volume and the return (topline and bottomline), the rural initiatives will enable the Bank to break new ground in the operations of export credit agencies and leverage its expertise in international market to the benefit of rural poor through creation of export capability in rural enterprises. It is also recognised that these initiatives would require disproportionate amount of resources in terms of time and manpower. But, if these initiatives prove successful and give desired results, it has the potential to enhance the purchasing power of the 'bottom of the pyramid' and will have beneficial spin off effects in all sectors of the economy.

4.10 EXPORT SERVICES

EXIM Bank offers a diverse range of information, advisory and support services, which enable exporters to evaluate international risks, exploit export opportunities and improve competitiveness. 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.
4.9.1 Advisory Services

The EXIM bank provides advisory and consultancy services to Indian companies to help them in their export efforts. The following advisory services are provided by EXIM Bank.

- **Multilateral Agencies Funded Projects Overseas (MFPO)**
  
  EXIM Bank provides Information and support services to Indian companies to help improve their prospects for securing business in multilateral agencies funded projects.
  
  - Dissemination of business opportunities in funded projects
  - Providing detailed information on projects of interest
  - Information on Procurement Guidelines, Policies, Practices of Multilateral Agencies
  - Assistance for Registration with Multilateral Agencies
  - Advising Indian companies on preparation of Expression of Interest, Capability Profile
  - Bid Intervention
• **Promoting Indian Consultancy**

  For promoting Indian Consultancy abroad EXIM Bank's has entered into Tie-Ups with many International Agencies. EXIM Bank has entered into formal cooperation arrangements with International Trade Centre (Geneva) for implementing a unique Enterprise Management Development Services (EMDS) programme which is an IT based solution provider to enable small enterprises to prepare business plans with international market in focus, improvement in management practices and a decision support tool for the lenders. This one-year duration project is jointly being launched with financial support from European Union under Asia Trust Fund. If proved successful and beneficial, this programme will be replicated in other developing countries by ITC. The EXIM up has also tied-up with (i) International Finance Corporation, Washington D.C. (ii) Eastern & Southern African Trade & Development Bank (PTA Bank) (iii) African Management Services Company (AMSCO), Netherlands.

• **EXIM Bank as a Consultant**

  • Feasibility study for establishment of an export credit and guarantee facility for Gulf Cooperation Council countries.

  • Regional cooperation in export finance and export credit guarantees for ESCAP.

  • Study on promotion of international competitiveness and exports of manufactured goods for ESCAP.

  • Setting up the Afrexim Bank

  • Designing of Export Financing Programmes - Turkey

  • Setting up an EXIM Bank in Malaysia

  • Designing of Export Marketing Seminars for SMEs in Vietnam

  • Export Development Project: Ukraine
• Enterprise Support Fund: Armenia

• Establishing an Export Credit Guarantee Company in Zimbabwe

• Advisory services to Industrial Development Corporation of South Africa for international finance products

• Study on Projecting Mauritius as an Investment Hub for Indian Firms

• Blue Print for setting up of an EXIM Bank in Zimbabwe

4.9.2 Knowledge Building

The EXIM Bank also helps in enhancing the knowledge base of the country. Eximius Centre for learning conducts programmes on a wide range of topics to keep Indian companies abreast of developments in the global market. Eximius Centres for Learning at Ahmedabad, Bangalore and Pune conducts various activities such as:

• To organise seminars and workshops in areas such as international trade & investment, export marketing, quality, packaging, business opportunities in multilateral agencies funded projects, sector and country specific programmes

• Guest faculty from network partners such as IFC, World Bank, EBRD, UNIDO, Asian Development Bank, African Development Bank, CBI, the Netherlands

• Research Studies on products, sectors, countries, macro economic issues relevant to international trade and investment. Number of research studies published as: Occasional Papers: 112; and Working Papers: 15. The EXIM bank has conducted studies covering following sectors. (i) Petroleum Products (ii) Floriculture (iii) Medicinal Plants (iv) Vanilla (v) Biotechnology (vi) Machine Tools (vii) Textiles (viii) Horticulture Products (ix) Chemicals (x) Pharmaceuticals (xi) Leather (xii) Plantation.

• The bank instituted The International Economic Development Research Annual (IEDRA) Award in 1989. The objective of the Award is to promote
research in international economics, trade and development, and related financing, by Indian nationals at universities and academic institutions in India and abroad. The Award consists of a sum of Indian Rupees One Hundred Thousand and a citation.

- EXIM Bank’s has started Commencement Day Annual Lecture series from 1986 to commemorate the commencement of the Bank’s business. This has earned recognition as an important milestone in contributing to the debate and discussions on contemporary trade and development issues impacting the global economy.

4.9.3 Export Marketing Services

The Bank provides assistance to Indian companies, to enable them establish their products in overseas markets through its Export Marketing Services, starting from identification of prospective business partners to facilitating placement of final orders.

The Export Marketing service 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 efforts on a success fee basis.

In order to assist SMEs and rural enterprises, EXIM Bank has put in place an Export Marketing Service (EMS) programme. Under EMS, EXIM Bank undertakes export marketing of good quality products through its own overseas offices, its network partners abroad on 'success fee' basis. The Bank does not charge any upfront fees, but collect 2-3% of the sales value as service fee only if it is successful in securing orders for the products. The Bank has been successful in securing lucrative orders for rural

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3 The winner for the year 2007 is Dr. Arjun Jayadev, Post Doctoral Fellow, Columbia University and Assistant Professor of Economics, University of Massachusetts, for his doctoral thesis titled “Financial Liberalisation and its Distributional Consequences: An Empirical Exploration”. Dr. Jayadev received his doctoral degree from University of Massachusetts, Boston, USA in 2005.
enterprises from USA, UK, Singapore, Dubai and Johannesburg, where the Bank has its own offices.

The products supported include embroidered clothing, bamboo pens, incense sticks, pomegranate fruit juice concentrate, sandstone blocks, matches, etc. During the course of its interactions with overseas buyers, the Bank could collect lot of information on quality, packaging, design requirements and guide the Indian suppliers accordingly and thereby enhance the market acceptance of the products. EXIM Bank has been organizing specialised export marketing training programmes to SMEs and rural enterprises with faculty drawn from industry and management institutions at the Bank’s training centres located in various cities in India. Faculty support is also accessed from international trade promotion agencies like CBI (Netherlands), JETRO (Japan) for specialised inputs on market entry strategies. Bank has entered into a formal cooperation arrangement with CBI (Netherlands) to organize regular training programmes in India. Recently, two Dutch experts in handicrafts imparted training to number of Indian artisans including tribals at various centres in Indian on product quality, marketing strategy, etc. for entering European markets. The export marketing Services are offered across following sectors.

- Marine Products
- Textiles - yarns, fabrics, apparels.
- Food Processing - Ready to Serve, spices and condiments
- Office Stationery
- Ayurveda medicines/cosmetics.

Thus we have discussed the major programmes of the EXIM bank (both Funded and Non-funded) for increasing the exports from the country. The programmes discussed above are not exhaustive and only major programmes are highlighted. In the next chapter, we will evaluate the performance of the EXIM bank in term of these programmes.