CHAPTER III
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(EXIM BANK)

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CHAPTER III
PROFILE OF EXPORT – IMPORT BANK OF INDIA
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This chapter narrates how the international competitiveness alert the financial institutions to ensure sustenance and a brief outline about the genesis and functioning of Exim Bank of India.

The globalised world economy in the post-WTO era has been increasingly characterized by dismantling of protective barriers to trade and investment. While increase in trade opportunities in global markets would necessitate external competitiveness, opening of economies to global trade would entail reduction in protective barriers in the domestic trade areas, resulting in the need for countries to enhance their domestic competitiveness concomitantly. In such a scenario, the ability to compete in both domestic and world market would depend on a country’s relative competitive strength vis-à-vis other nations.

In this context, international competitiveness would encompass higher exports, diversifying the export basket, sustaining higher rates of export growth over time, upgrading the technological skill content of export activity, and expanding the base of domestic firm, which are able to compete globally, as well as in the domestic market.

Fostering international competitiveness and there by sustaining long run growth would entail, inter alia, technological progress, innovation and human skill development. In today’s world and more so in the years ahead, competitive strength of countries would increasingly depend on the strategic behavior of firm in adapting to the changing environment and building up core competencies on the lines of comparative advantage.
Meeting the challenges on the policy front also assumes importance in a global economy, as the competitiveness and efficiency of firms is facilitated by the nature of policy environment under which firms operate, and whether macroeconomic policies allow them to achieve the requisite economies of scale and allocate efficiency in production. Growth strategies of developing economies, therefore, should be based upon policies which ensure internal and external stability in the economy, through maintaining sustainable policies and putting in place a proper safeguard system against adverse international shocks and limiting exposure to risks.

Building up competitiveness is a high priority for both developed and developing countries. Given the dynamic changes characterising key industries and the rising competition among countries, the need for countries to continuously move up the value chain and improve the attractiveness out of their vocational advantages is a challenging task for policy makers in developing countries. Competitiveness, both domestic and international, is important and challenging and should be seen not as an end in itself but as a means to an end – which is economic development.

3.1 GENESIS OF EXIM BANK OF INDIA

An act of parliament setup the export – import bank of India is September 1981. It commenced operations in March 1982. The government of India wholly owns this bank. The bank was set up for the purpose of financing, facilitating and promoting foreign trade in India. EXIM bank is the principal financial institution in the country for coordinating working of institutions engaged in financing of exports and imports. Organization of Exim bank can well be understood as given in below representation.
The major functions of the EXIM Bank are grouped as follows:

3.1.1 Export Credits

The bank provides exports of Indian machinery, manufactured goods and consultancy services on deferred payment terms. It also makes available lines of credit/buyer’s credit to overseas entities, i.e. governments, central banks, commercial banks, development finance institutions, regional development banks etc for financing export of goods and services from India. Export credits include project finance and trade finance.

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**.

6. **Exporter** ships goods.

7. **Commercial bank** negotiates shipping documents and pays **exporter**.

8. **Exim Bank** reimburses **Commercial bank** on receipt of claim by debit to **borrower**.

9. **Borrower** repays **Exim Bank** on due date.
3.1.2. Export capability creation

The assistance of finance under this category includes the following:

Finance for export product development
Finance for export marketing finance
Finance for export oriented units which includes Project finance and working capital
Production equipment finance
European Community Investment Partners (ECIP)
Asian Country Investment Partners (ACIP)
Overseas Investment Finance
3.1.3. Export Services

In addition to finance, bank provides a range of information and advisory services to Indian companies to supplement their efforts aimed at globalization of Indian business.

Supporting Groups
Planning and research
Accounts/MIS?EDP
Legal
Coordination
HRD
Establishment

3.2 PROJECT AND SERVICES EXports

Under section 47 of foreign Exchange Management Act, 1999, RBI has issued the following guidelines:

3.2.1 The Types of Exports Covered

a. Export of goods on Deferred Payment Terms

b. Turnkey Projects

c. Construction projects

d. Consultancy & Technical Services
In terms of regulation 9 of the foreign exchange management act 199, the amount representing the full export value goods exported must be realized and repatriated within 6 months from the date of export. Export where there is more than 10 percent of the value is realized beyond the prescribed period, i.e. 6 months from the date of shipment are treated as Deferred Payment Exports.

While dispersing the pre-bid clearance of project export proposals, RBI advises exports to ensure, in their own interest, that conditions laid down in memorandum PEM for submission of bids are compiled with. Project exporters, at the time of submission of bids/offers for execution of projects or export contract overseas, seek in principle commitment from EXIM Bank and other banks for post award facilities to ensure tie up of facilities. Exim Bank issues guarantees required for execution of project export contract through overseas bank or favouring overseas clients.

Exporter submit application in prescribed form along with copies of contract through its commercial bank for post-award Clearance. Exporters can directly approach EXIM Bank for proposals of value limit up to Rs 200 crores. On receipt of application and contract copies from the commercial bank, EXIM Bank approves the proposal if the same falls within the its delegated powers or convenes Working Group meeting.

In approved cases, Exim bank/working group, final approvals for fund based and non fund based facilities are granted by concerned institution and export banks.

3.2.2 Clearance of Export Proposals – criteria

These include the following:

a. Exporter’s financial position, track record
b. Status of overseas client—Government/private

c. Break-up of contract value—Indian/Third country/Local

d. Risk assessment by of buyer’s country

e. Estimate of cost and profitability

f. Currency of Payment—Convertible Currency/Local currency


h. Foreign Exchange Outgo, and

i. Facilities required by the exporter.

3.2.3 Clearance of Export Proposals—Appraisal factors

a. Payment terms include Advance Payment, Progress/Down Payment, Deferred Payment, retention Money


c. Availability of ECGC cover, where necessary

d. Important contractual clauses:
   - Pre – shipment Inspection
   - Arbitration
- Force Majeure
- Status of exporter is prime contractor/sub contractor/consortium member
- Penalty/liquidated Damages for delay in contract execution
- Price escalation
A. Funded schemes of financing

EXIM Bank provides the following sources of assistance:

1. Lines of credit
2. Suppliers credit
3. Overseas buyer’s credit
4. Loan under Financing Rupee Expenditure for Project Export contracts (FREPEC) programme.
5. Pre shipment Credit
6. Refinance of Export Loans
7. Forfaiting

B. Non – Funded schemes of financing

1. Bid Bond
2. Advance Payment Guarantee
3. Performance Guarantee
4. Guarantee for release of Retention Money
5. Guarantee for raising Barrowing overseas
6. Other Guarantees
7. Confirmation of letter of credit under the Trade Facilitation Program of the European Bank for Reconstruction and development.

3.3 FUND BASED FACILITIES

3.3.1 LINES OF CREDIT

a. Adequate security by way of acceptable letter of credit and/or guarantee from a bank in the country of import or any third country is necessary, as per RBI guidelines.

b. Period of credit is determined for each proposal having regard to the value of contracts, nature of goods covered, security and competition. Repayment period for suppliers credit facility is fixed coinciding with the repayment of post-shipment credit to exim bank as per agreed repayment schedule, irrespective of whether or not the overseas buyer has paid the Indian exporter.

Utilization of credit: EXIM bank enters into suppliers credit agreement with Indian exporter as also with exporters commercial bank in the event of the latter’s participation in the suppliers credit. The agreement covers details of draw down repayment and includes an affirmation by the Indian exporter that repayment to exim bank would be made on due date, regardless of whether due payment have or have not been received from overseas buyer. Commercial bank negotiates export document and seeks reimbursement of suppliers credit amount. Commercial bank seeks reimbursement of suppliers credit from EXIM.

The exporter repays principal amount of credit to exim bank as per agreed repayment schedule. Interest amounts are payable to exim bank half-yearly without any moratorium. RBI has laid down guidelines for project exports and exports of goods from India on deferred
payment terms. RBIs guidelines relating to project export contracts are contained in memorandum PEM published by RBI. It is priced publication and available at any time of the regional offices of RBI throughout India.

3.3.2 Overseas buyers credit

Under this type of facility credit is offered directly to overseas buyers for a specific project/contract.

3.3.2.1 FREPEC

This programme Financing Rupee Expenditure For Project Contracts (FREPEC),seeks to provide for expenses incurred by Indian companies. The purposes of this credit is to enable Indian project exporters to meet rupees expenditure incurred/required to be incurred for execution of overseas project export contracts such as for mobilization/purchase/acquisition of materials and equipment, mobilization of personnel, payments to be made in India to staff, sub-contractors, consults and to meet project related overheads in India rupees.

Indian project exporters who are to execute project contracts overseas secured on cash payment terms or those funded by multilateral agencies will be eligible for this type of facility. The purpose of the new lending programme is to give boost to project export efforts of companies with goods track record and sound financials.

As to the quantum of assistance extended under this programme, it will be up to 100 percent of peak deficit as reflected in the rupee cash flow statement prepared for the project. Exim bank will not normally take up cases involving credit requirement below rs.50 lakhs. Although, no maximum amount of credit is being proposed., while approving overall credit limit, credit-worthiness of the export=borrower would be taken into account. Where feasible credit may be extended in participation with sponsoring commercial banks.
Disbursement is made under this programme in rupees through a bank account of the borrower-company against documentary evidence of expenditure incurred, accompanied by a certificate from chartered accountant. Repayment of credit would normally be out of project receipts. Period of repayment would depend upon the project cash flow statement, but will not exceed 4 years from the effective date of project export contracts. The liability of the borrower to repay the credit and pay interest and other monies will be absolute, and will not be liability of the borrowers to repay the credit and pay interest and other monies will be absolute, and will not be dependent upon actual realization of project bills.

As regards security, hypothecation of project receivable and project moveable are considered. Where available, personal guarantees of directors of the company is also considered. The facility is available through collateral security and where cost is not prohibitive or where the borrower-company is prepared to bear the cost, packing credit guarantee of ECGC may be obtained.

3.3.2.2 Pre-shipment Rupee Credit

Pre-shipment rupee credit is extended to finance temporary funding requirement of export contracts. This facility enables provision of rupee mobilization expenses for construction/turnkey projects. Exporters could also avail of pre-shipment credit in foreign currencies to finance cost of imported inputs for manufacture of exports products to be supplied under the projects. Commercial banks also extended this facility for definite periods.

3.3.3 Refinances of Export Credit

Authorized dealers in foreign exchange can be obtain from exim bank, 100 percent refinance of deferred payment loan extended for export of eligible Indian goods.
3.3.4 Forfaiting – An Export Finance Option

Forfaiting is a mechanism of financing exports by discounting export receivables evidenced by bill of exchanges or promissory notes without recourses to the seller carrying to long term maturities on a fixed rebate basis up to 100 percent of the contract value.

The word ‘forfait’ is derived from French word ‘a forfait’ which means the surrender of rights. Simply put, forfaiting is the non-recourse to him, his rights to claims for payment on goods delivered to an importer, in return for immediate cash payment from a forfafter. As a result, an exporter in India can convert a credit sale into a cash sale, with no recourse to the exporter or his banker.

3.3.4.1 OPERATING PROCEDURE OF FORFAIT TRANSACTION

The operating mechanism for a forfait transaction is outlined below:

A negotiation: Indian exporter initiates negotiation with prospective overseas buyer with regard to order quantity, price, currency of payment, delivery period and credit terms.

b. approaching exim banks: exporter approaches exim banks to obtain an indicative forfaiting quote from the forfaiting agency. For this purpose, the exporter is required to provided the abovementioned details.

c. indicative quotas: exim bank obtains indicative quotas of discount, commitment fees and documentation fees if any, and communicates these to the exporter.

d. contract finalization: exporter finalizes the terms of the contract with the buyer. The final export offer must be structured in a manner which ensures that the amount received in foreign exchanges by the exporter after payment of forfaiting discount and other fees is equivalent to the price which he would obtain if goods were sold on cash payment terms. If
the terms are acceptable to the overseas buyer, the Indian exporter informs exim banks accordingly and requests the banks to obtain a firms quote from the forfaiting agency.

e. firm quotes: exim banks obtains a firm quote from the following agency and conveys this information to the exporter and his authorized dealer, with a request to the exporter to confirm acceptance of the forfaiting terms within a specified time limit.

f. confirmation: Indian exporter confirms acceptances of forfaiting terms to exim banks. The exporter will enter into a commercial contract with the overseas buyer and also execute a forfaiting contract with the forfaiting agency through exim banks.

g. certificate: on execution of the forfating contract exim bank issues a certificate to the exporter with a copy to the authorized dealer, regarding the commitment fee to the be paid by the exporter to the forfaiting agency. This certificate will enable the export to remit commitment fees to the forfeiting agency, in accordance with the schedule indicated in the forfating contract. In terms of the reserve bank of India guidelines governing forfeiting contracts, commitment fees will be regard as being analogous to bank charges, and will not be required to be mentioned in GR form or shipping bill prepared by the exporter, subject to the commitment fee not exceeding 1.5 percent of the contract value.

A certificate to the detailing the discount payable to the forfeiting agency to enable the Indian customs authorities to verify deduction towards forfeiting discounts declared by the exporter on GR form and hipping bill.

h. shipment: the Indian exporter ships the goods as per the schedule agreed with the overseas buyer. The forfeiting transaction will be reflected in the following three documents associated with an export transaction as stated below.
- Invoice forfaiting discount, commitment fees, etc, need be shown separately; instead, these could be built into the FOB price, stated on the invoices.

- Shipping bill and GR form details of the forfeiting costs will be included along with the other details such as FOB price, commission, insurance, normally included in the “analysis of export value” on the shipping bill. The claim for duty drawbacks if any, will be certified only with references to the FOB value of the exports stated on the shipping bill.

i. Availed bills and notes: The export contract will provide for the overseas buyer to furnish availed promissory notes. If the contract note provides for the bills of exchange, the exporter will withdraw a series of bills of exchange and send them along with shipping documents to his banker for presentation to importer, for acceptance through the latter’s banker will hand over the shipping documents to importer against acceptance of bills of exchange by the importer and the signature of the avail. Availed and accepted will be returned to exporter through his banker. Exporter will endorse availed bills of exchange with the words “without recourse” and forward them through his bank to exim bank, which in turn will send them to the forfaiting agency.

j. Payment: The forfaiting agency effects the payment of the discounted value, in accordance with EXIM bank’s instruction after verifying the avail’s signature, and other particular. Normally, exim bank will direct the forfaiteur to credit the payment to the nostro account of the exporters bank in the country where the forfaiteur is based. The bank receiving the discounted proceeds will arrange to remit the funds to India. The exporter will be issued a certificate for foreign inward remittance. The GR form will also be released. The export contract, which provides for more than one shipment can also be forfaited under a single
forfaiting contract. However, where the export is affected in more than one shipment, availed promissory notes/bills of exchange in respect of each shipment could be forfeited, subject to the minimum value requirements laid down by the forfaiter.

h. presentation on maturity of the bills of exchange/promissory notes, the forfaiting agency presents the instruments to the avail for payment.

3.5 Non-fund based facilities

The non-fund based facilities extended by the Exim bank takes the form of guarantees provided directly or in participation with other banks, for project export contract following are the various non-fund based facilities offered by the Exim bank.

a. bid bond bid bond is generally issued for a period of six months.

b. advance payment guarantee exporters to secure a mobilization advance of 10-20 percent of the contract value, which is normally released against bank guarantee and is generally recovered on a pro-rata basis from the progress payments during project execution.

c. performance guarantee performance for 5-10 percent of contract is issued, valid up to completion of maintenance period normally one year after completion of contract period and or grant of final acceptance certificate (FAC) by the overseas employer. Format of guarantee is expected to be furnished by exporter, at least four weeks before actual issue, to facilitate discussions for formal approval.

d. guarantee for release of retention money this enables the exporter to obtain the release of retention money (normally 10 percent of contract value) before obtaining final acceptance certificate (FAC) from client.

e. guarantee for raising borrowings overseas bridges finance may be needed at the earlier phases of the contracts to supplement the mobilization advances. Bridges finance up to 25
percent of the contract value may be raised in foreign currency from an overseas bank against this guarantee issued by a bank in India. Request for overseas borrowings must be supported by currency wise cash flows, also indicating the outstanding letters of credit and L/C drawl schedule.

f. other guarantees the Exim bank of India in lieu of customs duty or security deposit for expatriate labor grants other guarantees. Guarantee commission is charged at rates stipulated by the Foreign Exchange Dealers Association of India (FEDAI) or as stipulated by guarantee issuing bank. Banks generally waive margin requirement for issue of guarantee for export performance guarantee. However, appropriate securities are availed of.

The proposal is to be submitted in the prescribed application form along with implementation schedule, currency-wise cash flows and write-up with regard to site and infra-structural condition, and sub-contracting arrangements envisaged. In case of non-government buyer, status report on the client/prime contractor would first need to be obtained. The completed application are to be submitted to the sponsoring bank, for consideration, within fifteen days of entering into contract. It would also be necessary to consult ECGC in advance in cases where corporations insurance cover and or counter guarantees are required.

3.6 Export capability creation programmes

The Exim banks operate the following programmes for creating export capabilities:

1. Lending Programs for Export Oriented Units

2. Production Equipment Finance Program

3. Overseas Investment Finance Programs
4. Equity Investment in Indian Venture Abroad
5. Asian Countries Investment Partners Programs
6. Export Marketing Finance Programs
7. Export Product Development Programs
8. Export Vendor Development Programs
9. Programs For Export Facilitation
10. Foreign Currency Pre-Shipment Credit
11. Working Capital Term Loan Programs For EOU’s
12 Bulk Import Finance
13. Finance for Research and Development for EOU’s
14. Long Term Working Capital
15. Import Finance

3.6.1 Lending Programs for Export Oriented Units

The objective of this lending program is to create and enhance export capabilities of Indian companies. Eligible companies include units set up/proposed to be set up in export processing zones, units under the 100 percents Export Oriented Units Scheme, units importing capital goods under promotion capital goods scheme, units undertaking expansion/modernization/ up-gradation/diversification programmes of existing export oriented units with export orientation of minimum 10 percent or sales of Rs.5 crores per annum whichever is lower.

The lending programs take the form of term loans in Indian rupees/foreign currency. In addition deferred payment guarantee for import of capital goods also form a part of it. As to the interest rates, rupees term loan linked to banks minimum lending rates whereas foreign
currency term loans is at floating or fixed interest rates based on banks cost of funds. Interest is payable semi-annually on reducing balances. Interest tax is as applicable. Services fee of one per cent of loan payable upfront. Repayment period is up to ten years, based on projected cash flows inclusive of suitable moratorium.

As regards security, appropriate charge on fixed assets of the company’s/ project plus any other security acceptable to Exim banks is applicable. Finance can be accessed by way of the bank having preliminary discussions with the promoters to determine scope for Exim banks finance. To facilitate discussions, project profile identifying financial requirement needs to be sent to the bank. Exim bank offers comprehensive package to externally oriented companies by way of finance, information, and value added services.

3.6.2 Production equipment finance program (PEFP)

Under the production equipment finance program, exim banks seeks to finance non-project related capital expenditure of export-oriented units. PEFP is structured as an arrangement under which various equipment, imported and indigenous, can be financed thus obviating the need to arrange finance for every such procurement. It is not necessary to identify specific equipment sought to be financed at the time of application; this could be done at the time of disbursement. PEFP is a fast-disbursing window available to export oriented units.

Companies with good track record and financially sound are eligible for assistance. Existing export oriented units with minimum export orientation (present or targeted) of 10 percent of total sales or Rs.5 crores in values whichever is lower are eligible. The facility is granted by way of term loan in Indian rupees/foreign currency. As regards interest rates, rupees term loan linked to banks minimum lending rates and foreign currency term loan at floating rates or fixed interest rates based on banks cost of funds. Interest is payable semi-
annually on reducing balances. Interest tax is payable as applicable. Services fee of one percent of loan amount payable upfront. The facility is available up to one year from the date of sanction. Ten percent margin is maintained.

As regards security, hypothecation of equipment, plant and machinery financed by the bank is the popular mode of security. Additional security by way of personal guarantee, any other assets of borrowers company, corporate guarantee of group company/parent company and appropriate charge on any other security on a case to case basis is also in vogue. Finance can be accessed with preliminary discussions with the promoters to determine scope for exim banks term finance under PEFP.

3.6.3 Overseas investment finance

This includes lending programs for overseas joint ventures/wholly owned subsidiaries by Indian companies. The objective to finance by way of equity loan to Indian companies for settings up of overseas joint ventures wholly owned subsidiaries. Any Indian promoter making equity investment in an existing company or a new project overseas with the requisite approval for such investment from the Reserve Bank Of India(RBI) / government of India as also from the government and other concerned authorities in the host country is eligible for this financing.

Government guidelines following are the guidelines issued by the government of India is regard to this type of financing:

a. proposals for setting up JV/WOS abroad require approval of the RBI in accordance with the guidelines for Indian direct investment in JVs, abroad notified by the government of India, Ministry of commerce.
b. proposals for direct investment in a JV/WOS abroad form a company will be eligible for automatic approvals by RBI provided the total value of the investment by the Indian company does not exceed U.S.$15 million in respect of Indian investment in SAARC countries and total value of investment does not exceed U.S.$30 million in Myanmar; in respect of Indian rupees investment in Nepal and Bhutan, total value of investment does not exceeds Rs.120 crores. The amount of investment is up to 25 percent of annual average export earning of the company in the preceding three years. The amount of investment is repatriated in full by way of dividends, royalty, technical service fee, etc within a period of five years.

c. proposals involving investments beyond U.S.$4 million but not exceeding U.S.$15 millions or those not qualifying on the basis of the applicable criteria outlined above will be processed in the RBI through a special committee appointed by RBI. A technical appraisal could preferably accompany such proposal by any one of the designated agencies (including exim banks). Large investments proposals for overseas investment in exceeds of U.S.$15 millions will be considered if the required resources beyond U.S.$15 million are raised through the GDR route. Up to 50 percent of the GDR resources require may be invested as equity in overseas JV/WOS subject to specific approval of the government. Application for investment beyond U.S.$15 million would be received in the RBI and transmitted to the ministry of finance for examination with the recommendation of the special committee. For investment out of EEFC, Authorized dealers would grant permission balances up to a maximum of U.S.$15 million.

As to the mode of overseas investment, Indian companies are allowed to invest equity in overseas joint ventures/wholly, owned subsidiaries by way of capitalization of export
proceeds of plant and machinery, technical knowhow, fee, royalty, and forex remittance of equity contribution. The assistance is available in the form of rupee term loan to Indian companies for financing their equity investment overseas, rupees term loan for lending further to their overseas joint venture/wholly subsidiaries, guarantee for raising finance overseas for equity investment and for working capital requirement for overseas joint venture/wholly subsidiaries. As regards interest rate rupee term loan is linked to bank minimum lending rate and foreign currency term loan is floating or fixed rates based on banks cost of funds. Interest is payable on reducing balances at half yearly rates. Additionally interest tax as applicable will be payable.

As regards margin, it is 80 percent of the Indian company’s equity contribution in overseas JV/WOS. Exim banks finance will be secured by an appropriate charge on the borrowers assets in India and/ or any other security acceptable to exim bank, pledge of borrower’s shares of Indian promoter companies. In addition, an overseas investment insurance policy can also be obtained by the company from ECGC/MIGA and assigned in favor of exim bank. In case of assistance by way of guarantee, counter guarantee from India promoter company will serve as security.

Refinance to commercial banks exim banks provide 100 percent refinance to commercial banks in respect of rupees term loans extended by them to Indian promoter company for equity contribution in overseas JV/WOS. As per prevailing RBI guidelines, commercial banks can consider loan for equity investment only under exim banks refinance scheme. Finance can be accessed on preliminary discussions with the promoters to determine scope for exim banks finance. To facilitate discussions details on project profile identifying financial requirement should be sent.
3.6.4 Equity Investment in Indian Ventures Abroad

The objective of this program is to catalyze overseas investment by the Indian companies to enhance visibility of Indian overseas ventures. Quantum of exim banks equity participation will be up to 25 percent of equity capital of the JVs involving Indian companies. This is subject to a ceiling U.S.$ 5 million per proposal. As weightage will be giving to the following factors:

- Background and track record of Indian and foreign promoters
- Synergy of overseas operations with business in index
- Financial viability and technical feasibility
- Return on exim banks investment
- Benefits to India in terms of trade enhancement, technology transfer, foreign exchange earnings, etc.
- Spin-off benefits such as brand marketing and penetration of new markets
- ‘EXIT ROUTE’ for exim banks equity investment (which could take place within 5 years from the date of investment. exim banks equity may be offloaded to Indian promoter, other interested Indian companies, stock exchange in host country etc.)
- Buyback arrangement between exim banks and Indian company
- Exim bank welcomes discussions with Indian Promoter Company seeking exim banks equity participation in their overseas joint venture.
3.6.5 Asian countries investment partners programme (ACIP)

The objective of this lending program is to promote joint venture in India between India companies from Asian countries through four facilities that address stages of the project cycle. ACIP seeks to catalyze investment flows into India by creation of joint venture in India between Indian companies and companies from East Asian countries. ACIP is proposed to be a funding instrument providing finance at various stages of a joint venture project cycle viz. sector study, project identification, feasibility study, prototype development, set up, and technical and managerial assistance. Finance is available for identification of potential joint venture project and partners, and operations prior to launching a joint venture like pilot plant-feasibility study. Project expenditure covers human resources development, training and management assistance. The beneficiaries of this program are chambers of commerce, industrial/investment promotion agencies and other eligible bodies. Indian companies seeking joint venture companies set up under ACIP and joint venture companies set up under ACIP. The instruments of assistance include grant, soft loan and term loan. Assistance could be accessed through preliminary discussions with the promoters to determine scope for exim banks finance.

3.6.6 Export marketing finance programme

The objective of this program is to create and enhance export capabilities and international competitiveness of Indian companies. Under the lending programme for export marketing finance, the bank addresses the term finance requirement for a structural and strategic export marketing and development effort of Indian companies. Eligible companies include companies who have a strategic international marketing plan. Further, companies should have established presence in the domestic market and satisfactory financials. The
activities eligible for assistance are activities associated with export marketing and export capability creation. Typically activities eligible for finance under this programme are desk/field research, minor product adaptation, overseas travel, training quality certification, product launch, investment in machinery and equipment, testing/quality control equipment, and factory premises.

Assistances takes the form of term loan in Indian rupees/ U.S Dollar. As regards, interest rates, rupees term loans are linked to exim banks minimum lending rate and foreign currency term loan are linked floating or fixed interest rate. Additionally interest tax applicable will be payable. Services fee of one percent of loan amount sanctioned, is payable upfront and is non-refundable. Repayment period up to five years inclusive of moratorium is allowed. The margin is 20 percent. The security includes hypothecation of moveable fixed assets of the company, mortgage of immovable fixed assets of the company or any other security acceptable to exim banks. Banks welcomes preliminary discussions with the promoters to determine scope for exim banks financing arrangement.

3.6.7 Export product development programs

The objective of this program is to support systematic export product development plans with focus on industrialized markets. Eligible companies include established export enterprises with product development programme dedicate to export. The company must also have an established track record and satisfactory financials. The activates eligible for assistance include product design and development activities, research and development activates including cost of manufacturing of prototypes and development, pilot plants, product testing, development of tooling’s, jigs and fixtures, process development cost, and product launch. Assistance is granted in the form of rupees term loans on soft term basis.
Interest rates will be decided on case-to-case by way of first charge on the fixed assets of the borrower and any other security as may be considered appropriate on the merits of the case.

Banks welcomes preliminary discussions with the promoters to determine scope for exim banks finance; to facilitate discussions, details about the project identifying financial requirement should be sent to the exim bank.

**3.6.8 Programme For Financing Export Vendor Development (EVD)**

The objective of the program is to finance export strategic vendor development plans for export companies with a view to enhancing exports through creation and strengthening of backwards with vendors. Eligible companies are export companies and trading houses, manufacturer-exporters with satisfactory track record and financial. In addition, companies with strategic plans for vendor development for exports are eligible to seek finance under this programmes. Companies purchasing finished, semi-finished or intermediate products from vendors with the exporters adding value to the product in the form of further processing or marketing them are also eligible for assistance.

The eligible activities are those undertaken by exporters to develop and upgrade vendors that will lead to export additionally are eligible for finance under EVD. Example of such activities includes acquisition of production machinery, purchase of tooling, moulds, jigs, dies and ancillary equipment, core working capital assistance extended by exporter to vendors ’soft’ expenditure on vendor development such as vendor training, technical assistance to vendor, etc. assistance is available in the form of rupees term loans including soft loan component. As regards interest rates, they are linked to banks minimum lending rate. As regards soft loans the rate applicable is 7.5 percent p.a(subject to change) subject to maximum of Rs.50 lakhs. Repayment period is up to 7 years with a margin of 20 percent.
Security for the loan is first charged on the borrower company’s assets. Bank welcomes preliminary discussions with the promoters to determine scope for Exim bank's term finance.

3.6.9 Programme for Export Facilitation

Exim bank offers term finance and non-funded facilities to Indian corporate to create infrastructure facilities to promote India’s international trade and thereby enhance their export capability. The various infrastructural facilities covered under the programme are software and post development or any other infrastructural facility for promoting India international trade are as follows:

a. Financing Port Development:

The objective of this program is to finance development of minor ports with related infrastructural activities, which would facilitate India’s international trade. Eligible companies include Indian companies undertaking minor port projects and suppliers of equipments to minor port development projects. Eligible activities are construction of port/jetties, acquisition of fixed assets for individual activities such as stevedoring, cargo handling, storage and related activities like dry docks, ship wrecking.

Interest rates are linked to banks minimum lending rate. As regards term loans in foreign currency interest rates are at floating or fixed rate. In the case of non-funded facilities, applicable rate of commission is charged. Repayment period is 7 to 10 years inclusive of moratorium. Security for this type of financing includes first charge on fixed assets pertaining to the project/company being financed. Additional security by way of assets or corporate guarantee of promoter company/personal guarantees may also be stipulated. Bank welcomes preliminary discussions with the promoters to determine scope for EXIM bank’s finance.
b. Lending Programme For Software Training Institutes:

The objective of this program is to address the perceived constraint in availability of trained high-end software professionals to support the fast growing exports. The programme aims at financing the establishment/expansion of software. Eligible borrowers are established software exporting company with good export track record and sound financials, and reputed software training institutes engaged in high end software training. Activities eligible for assistance are acquisition of fixed assets including land, building, hardware, software and related equipment, extending loans towards tuition fees and other charges, and any other activity connected with training that may be agreed by exim banks.

The assistance is granted in the form of term loans in Indian rupees/foreign currency. As regards interest rates, rupees term loan is linked to bank’s minimum lending rate and foreign currency term loans is at floating or fixed interest rates based on banks cost of funds.

Interest is payable semi-annually on reducing balances. Interest tax is as applicable. Service fee of 1 percent of loan amount is payable upfront. The repayment period is up to 5 years, based on projected cash flows inclusive of suitable moratorium. The security is appropriately charged on fixed assets of the company/project plus any other security acceptable to EXIM bank.

3.6.10 Foreign Currency Pre-Shipment Credit (FCPC)

Under this programme, short-term foreign currency finance is available to eligible exporters for financing inputs for export production such as raw materials, components and consumable. The finance is repayable in foreign currency from proceeds of the relative exports.
FCPC programme represents another funding source to the exporter for expanding export volumes, particularly of manufactured and value added goods. It eliminates two ways exchanges conversion costs and exchange risks, thus enhancing export competitiveness. FCPC can be a cost effective funding source as compared to rupee export credit as well as overseas suppliers credit depending on market conditions for loans under FCPC. As far as commercial banks are concerned, loans availed from exim banks are exempt from cash reserve ratio, statutory liquidity ratio and incremental credit deposit ratio requirements.

Eligible borrowers are exporting companies and commercial banks for lending further to exporting customers. Interest rates are not to be exceeds 2 percent over London Inter Bank Offer Rate (LIBOR). In case FCPC is extended through commercial banks, which does not have foreign branches, the interest rate should not exceeds 2.5 percent over LIBIOR or any other rate as specified by reserve bank of India from time to time.

Interest on refinance to commercial banks will be mutually agreed. The assistances is granted in the form of short term foreign currency loans and the repayment period is a maximum of 180 days from the date of disbursement. As regards security, exim banks has pari passu charges on current assets in case of direct loans.

3.6.11 Working Capital Term Loan Programme For Export Oriented Units (WCTL)

WCTL programme seeks to create, enhance export capabilities of Indian companies. Under the programme, the banks address the working capital requirement of export oriented units. Eligible companies are units set up proposed to be set up in export processing zones, units under the 100 percent export oriented units scheme, units importing capital goods under export promotions capital goods scheme and units undertaking expansion/modernization
/upgradation/ diversification programmes of existing export oriented units with export orientation of 10 percent of sales or export sales rs.5 crores per annum whichever is lower.

Working capital terms loans in Indian rupees or in foreign currency up to 80 percent of the demand loan component of working capital with a minimum 20 percent margin are granted. Interest rates for rupee term loan are linked to banks minimum lending rate and foreign currency term loans attract floating or fixed rates based on banks cost of funds. Interest is payable semi annually on reducing balances. Interest tax as applicable is payable. As regards security, appropriate charges on the fixed and or current assets, personal guarantees of promoter/director, corporate guarantee of group concern if considered necessary. Bank welcomes preliminary discussions with the promoters to determine scope for exim banks finance. To facilitate discussions, details of the project identifying financial requirement are to be sent to exim banks.

3.6.12 Bulk Import Finance Programme (BIF)

The objective of this program is to provide short term working capital finance to manufacturing companies to import consumable inputs. Under the programme, BIF is offered for import of eligible items with a minimum order size of rs.1 crore. This is granted as short term loans in Indian rupees and foreign currency. As regards interest rates, 1 percent is charged on cash credit facility in rupees loans charged by the commercial banker subject to a minimum interest rate fixed by exim banks. The interest rate on foreign currency loans depends on costs of funds to exim bank with a maximum of 0.75 percent over LIBOR. The loan are to be repaid within 1 year, the security being pari passu charge on current assets.
3.6.13 Programme for Financing Research And Development

The objective of the purpose is to provide integrated financing for research and development activities by export oriented companies. Exims banks finance is available to financially sound companies with a minimum export oriented of 20 percent of their net sales for the following eligible activities and eligible expenditure.

Eligible R & D activities for the purpose of assistance, the following are the eligible activities:

- development and commercialization of a new product/process/application
- significant improvements in existing product/process/application/design
- development of technology or design to satisfy domestic or international environment, technical requirements/standards, specifications
- setting up, expansion of pilot plants
- research studies necessary for obtaining regulatory approvals, product registrations, cost of Filing and maintaining international patents and R & D centers

Eligible R&D expenditure the eligible expenditure for the purpose of assistance are as follows:

- acquisition of technology at the 'proof of concept' or design stage which will be used to develop new product/process
- land and building, civil works for housing eligible R&D activities
- dies, tools, laboratory and other R&D equipment, mould, computer hardware, software,
Miscellaneous

- salaries of R&D personnel, support staff during the R&D project phase including training costs
- costs of regulatory approvals, filing and maintenance of patent registration
- expenditure on external consultants for outsourcing a component of R&D project
- product documentation and allied costs during the R&D project phase
- costs of materials, surveys, technology demonstration studies, fields trails

Basic research with no identified application, academic research and normal process control, quality control, inspection, repairs and maintenance, contract research will not be eligible under the programme, term loan in Indian rupees subject to a maximum of Rs.15 crores per company is granted. As regards interest rate, concessional interest rate at 50 percent of the normal interest that the borrower company would be eligible for subject to a minimum of 8 percent p.a payable with quarterly rests. Defaults in loan servicing will attract liquidated damages/penal charges @ 2 percent over the normal interest rate. Service fee of one percent of loan percent of loan amount is payable upfront. Repayment is generally not to exceed 7 years, with appropriate moratorium. As regards security one or more of the following is applicable:

- appropriate charge on the assets of borrower company

- assignment of intellectual property rights(IPR) and mandate assigning all IPR related Receivable
Bank welcomes preliminary discussions with the company officials to determine scope for exim banks finance, exported benefits from proposed R&D expenditure, fit with company’s corporate business plans. In particular, export plans mutual business possibility with exim in other areas and financial information on the company.

### 3.6.14 Long-Term Working Capital Programme for Export Oriented Units

The objective of the program is to provide finance for long term working capital.

The exim banks finance is available to financially sound companies with a minimum export orientation of 10 percent of their net sales or export sales of Rs.5 crores, whichever is lower. Loans are made available in the form of term loan in Indian rupees, and term loans in foreign currency. As regards interest rate, the rupees term loan linked to banks minimum lending rate and the foreign currency term loan is linked to floating or fixed interest rates based on banks cost of funds. Interest is payable on reducing balances at half-yearly rates. Additionally interest tax as applicable will be payable.

Service fee will be to the extent of 1 percent of loans amount payable upfront. Loans are repayable in 1-5 years, determined on the basis of projected cash flows with suitable moratorium. Security will be one or more of the following:

- an appropriate charge on part/whole of the fixed assets of the company, present and future
- personal guarantees of promoter director/corporate guarantee of group company
- pledge of marketable securities with appropriate margin based on average of high and low of market quotations during the preceding 6 months (this will not be accepted as exclusive security)

- any other acceptable security

3.6.15 Import Finance

Under this program, finance is provided for import of capital goods/plant and machinery, technology/know-how. Exim banks finance is available to Indian manufacturing companies. Finance is available by way of term loans in Indian rupees/foreign currency. Interest rate is based on prevailing market rates. Rupees term loan is linked to banks minimum lending rate and the foreign currency term loan at floating or fixed interest rates based on banks cost of funds. Interest is payable on reducing balances at half yearly rates. Interest tax is payable as applicable. Services fee of one percent of loan amount is payable upfront.

Repayment is over a period upto 7 years, determined on the basis of projected cash flow with suitable moratorium. Security is in the form of appropriate charge on the asset acquired out of the loan. In addition, the following additionally security is also required:

- a first pari passu charge on part/whole of the fixed assets of the company, present and future

- personal guarantees of promoter director/corporate guarantee of group company

- pledge of marketable securities with appropriate margin based on average of high and low of market quotations during the preceding 6 months (this will not be accepted as exclusive security)

- any other acceptable security
This chapter exhibits the profile of the Exim Bank of India. It has been provided with elaborate operating functions of the various schemes of assistance extended by the Exim Bank of India for Indian exporters, commercial Banks and overseas entities to facilitate support and encourage the needs of them.