CHAPTER - V

This chapter deals the Procedure to get financial assistance from institutions involved in export finance to the time of Pre-shipment and Post shipment.

5.01 Introduction:-
Banks provide short term, working capital to exporters. Exporters satisfy two conditions get assistance. They are funds available to the exporters at the required time; to ensure availability of funds to eligible exporters, Reserve Bank has prescribed time schedule to commercial Banks for speedy sanctioning of exports credit limit and banks are advised that 12 percent of their total credit should be under exporter finance. Cost of the funds should be affordable because exporter compete in International market due to this they require credit facility at the cheapest interest rate.

Guidelines Relating to Export Finance –
Banks follow the guidelines/regulations laid down by Reserve Banks of India guide lines.

- Exchange Control Regulations FEMA 1999.
- IECD guidelines.
- Trade control Regulations (Exim Policy)
- International Chambers of Commerce (ICC) guidelines
- Export Credit Guarantee Corporation guidelines.
- FEDAI guidelines.

Pre-shipment Finance is also known as packing credit. It is needed by the exporter for his working capital requirements between the time of the receipt or order from an overseas buyers
and the time of shipment to arrange for production and procurement of goods. All cost prior to shipment would be eligible for being financial under packing credit. Advance should be liquidated from the export proceeds (i)

**Advance Against Duty Draw back :-**

Export credit can be given at Pre-shipment level for an amount in excess of export order, the excess representing the amount of cash incentive or duty draw back recoverable from appropriate authorities provided of course, the transaction is covered by Export Production Finance Guarantee of ECGC. Exporter’s name mention in the export documents and he would be entitled to cash incentives / duty draw back recoverable from appropriate authorities.

**5.3.3 Advance Against Cheques / Drafts received as Advance Payment**

This incentives are granted at Post-shipment stage but when the value of material to be procured for export happens to be more than the value of contract, considering the cash incentives available for the exportable commodities. This time exporter entitled finance at Pre-shipment stage. Amount is liquidated by the appropriate Government authority (1).

**5.4 Criteria for Pre-shipment stage :-**

While considering credit facilities for export activities, in addition to the normal routine appraisal, bank specifically look into the aspect of the product
Profile, country profile and the commodity profile. Besides this the banks look into the status report on the prospective buyer, his honesty and integrity. To get a status report on the buyer, the services of Export credit guarantee corporation or any of international consultants like Dun & Bradstreet can be engaged at the time of appraising on export credit bankers to comply with the regulations of ECFC, FEMA, and Exim Policy.

(1) Under Exchange control Regulation – FEMA :-) 
   (a) It is necessary that exporter should be regular customer, bonafide exporter and have a good standing in the market.
   (b) Exporter should not be under the caution list of Reserve Banks of India.

(2) Under Exim Policy :- 
   (a) Exporter should have IE code number allotted by DGFT.
   (b) Exporter should have valid license allowing the export. Goods must be freely exportable under Exim Policy-Hand book of Procedures an unique identification code number has been allotted for each item as ITC HS code number and the relevant information regarding the exportability of the goods will be specified against this number.
   (c) If exporter, exportable goods a is under quota system. Proper quota have been granted. Under export credit guarantee corporation guidelines.
Most of the banks have taken guarantees with ECGC covering their export finance at Pre-shipment and at Post-shipment stages through whole Turn Packing credit guarantee and whole turnover Post-shipment guarantee. It is obligatory on the part of Banker to verify whether :-

(a) Party to whom the bank proposes to extend credit facility is not under ECGC’s specific approval list.

(b) Country with which the exporter wants to deal should not be under the restricted cover countries (RCC).

(c) Limit proposed to be sanctioned should be within the discretionary limit prescribed by ECGC per borrower for the bank. In case if the proposed sanctioned limit exceeds the discretionary limit fixed by ECGC and the exporter’s account falls under “standard Asset” the branch can disburse but sanction details should be communicated to ECGC within 30 days from date of sanction.

(d) In case, if the sanctioned limit falls within the discretionary limit fixed by the ECGC the bank should ensure reporting of such sanctioned limit to ECGC within 30 days from date of sanction in the prescribed format.

(e) In case, the limit is sanctioned by the higher authorities or by a separate credit department, the disbursing branch must ensure notification of the
sanction details to ECGC in the prescribed format within 30 days from date of receipt of sanction advice at their end.

Disbursement of Packing credit :-

After proper sanctioning of credit limits the disbursing branch ensure-

(a) The exporter in terms of the sanction must have excited proper documents. Banks have their own set of documents that are to be obtained from the borrowers while extending credit facilities. In addition to the normal documents that will be excited in case of commercial domestic credits, in case of export finance. Export credit agreement covering packing credits advance and foreign bills advance will be obtained by the bank depending upon the mode of charge offered by the exporter and the terms of the sanction.

(b) Exporter submit following documents at the time of availing packing credit –

(i) Formal application for releasing packing credit with the under taking to the effect that the exporter would ship the goods within the stipulated due date and submit the relevant shipping documents to the bank within the prescribed time limit.

(ii) Firm order or letter of credit or original cable/telex/Fax message exchanged between the exporter and the buyer.

(iii) License issued DGFT if the merchandise to be exported falls under the restricted of canalized
category under Exim policy or if the items falls under any quotes system, proper quota allotment

On the basis the above documents packing credit disbursements will be considered. There are certain special type of export activities which may be of season at in nature, in which exporter may not be able to produce the export order at the time of availing the packing credit facility i.e. Running Account Packing credit will be considered for sanction by the competent authority of the bank.

(c) Bank scrutinize the application and the details submitted by the exporter.

Bank records following particulars in packing credit register. Name of the buyer commodity to the exported, quantity value either on FOB or CIF basis, last date of shipment/negotiation any other terms to be complied with on the basis of the above particulars, bank will be fixing the quantum of finance and period of finance for this shipment.

(d) Quantum of finance fix on the FOB value of the contract/LC letter of credit of on the domestic value of the goods which ever is lower Normally Insurance and Freight charges need not be financed at the initial stage of disbursement. If the exporter wants to avail advance against Insurance and freight charges, that can be considered at the latter stage of the Pre-shipment operations when the consignment is ready for shipment. If the contract or the letter credit on CIF basis, the FOB value will be arrived at by deducting 15% (representing freight and insurance charges from the CIF value, if the dispatch is through sea
and around 25% if the dispatch is by air. After arriving at the FOB value the usual margin i.e., profit margin stipulated in the sanction terms to be deducted.

These may be cases where

1. Packing credit advance may be required to the extent of domestic market value of the goods even though such value is higher than the FOB value of the export order/LC value. In this case, the advance will be covered by receivables from government of India and should be liquidated from the receivables from Government of India. Advance allowed against duty receivables/ incentives at Pre-shipment stage should be covered under ECFC’s Export Production Finance Guarantee.

2. Packing credit advance more than the letter of credit of contact value where the exporter may be getting some by products such as oil and oil cakes. The exporter will dispose off the by products in the local market. In this case, the entire advance will be treated as export finance and concessional rate of interest will be applicable to this excess portion only up to 30 days from the date of advance it will be liquidated with the local sales proceeds.

3. Disbursements are made only in stages and preferably not in cash. Payment will be made to the supplier directly by bankers cheques/drafts.

4. The period for which a packing credit advance extended by a bank depends upon the circumstances
of the individual case, such as the time required for procuring, manufacturing or processing where necessary and shipping the relative goods. It is primarily for the bank to decide the period for which the packing credit advance may be given having regard to the various relevant circumstances, but it should be sufficient to enable the exporter to ship the goods. Normally this period should not exceed 180 days.

(5) For seasons beyond the control of the exporter, if the shipment could not be made within 180 days from the date of advance, a further extension of 90 days can be granted by the banks themselves without referring to Reserve Bank. This extension will be considered by the appropriate authority in the bank subject as such amendment of the letter of credit of the contract which was produced by the exporter at the initial stage of disbursement and reasons represented for requesting extension should be genuine.

Extension of any packing credit beyond 360 days requires ECGC’s prior approval. If a packing credit advance if sanctioned for a specific period 45 days and the exporter could not ship the goods within this 45 days exporter must seek extension of such packing credit from the authorized dealer. If the exporter has not officially requested for extending the packing credit and the relative export documents are submitted
after 45 days, the period beyond 45 days till the date of submission of export documents treated as overdue period and looses concession rate of interest for such period which was not officially extended.
In view of concession in the rate of interest on export credit, bank should pay attention and collect information of the exporter that he is using fund genuine way or not. Bank should also monitor the progress made by the exporter in timely fulfillment of export orders. Besides this banks follow up as packing credit advances by submission of stock statement, physical inspection of stock and payment of ECGC premium. Exporter submits stock statement report of stock which are under pledge or hypothecation to the bank for securing the packing credit advance. To submit stack statement frequency is decided by the Authorized Dealer at the time of sanctioning the packing credit after this Authorized dealer inspect physical stock at regular interval that is pledged by the exporter. Payment of monthly premium at 7 paise per Rs. 100 on the monthly average.

**Liquidation of Packing Credit Advances :-**

Packing credit advance always liquidated with export proceeds of the relevant shipment. At this time some liabilities raised that is Pre-shipment liabilities of the exporter. This pre-shipment liabilities will be converted into Post-shipment liability. If exporter failed to export for any reason, the entire advance will be recovered by bank at appropriate rate of interest applicable to
“Export credit not otherwise specified” and add 2% from the original date of advance.

But recently RBI issued guidelines with effect from 14.12.1994 indicated flexibility for liquidating packing credit advances due to liberalization and deregulation of interest rates. Adjustment of packing credit can be allowed with export documents relating to any other order covering the same or any other commodity exported by the exporter. That is according to substitution of commodity and substitution of the buyer. This can be allowed without any reference to Reserve Bank. Existing packing credit may be liquidated with any other export proceeds against which no packing credit has available by the exporter. Above relaxation in liquidated packing credit advances banks follow some criteria. For this, RBI has permitted the relaxations for liquidating packing credit advance in spite of this each bank has got their own conditions to extend this facility relaxation period. Banks ensure the substitution is commercially necessary and unavoidable. Bank authority confirm that exporter is in need of extension of packing credit and collect information why packing credit extended for shipment of a particular commodity cannot liquidated in the normal method. It is suggested that as far as possible, the sanctioning authority allowed substitution of contract should be allowed if exporter maintains account with some banks and or it has approval of members of the consortium. Further following conditions also fulfilled –

1. It is necessary that exporter should be a regular customer of the bank and also have sound track record.
2. Credit rating should be- A health code-1 slandered asset.
3. Prompt submission of OIS.
4. Credit limit should have been received annually.
5. In previous calendar year, prompt realization of export bills and overdue export bills outstanding should not more than 5% of the total export proceeds realized.

**Over due Packing credit and ECGC Procedures :-**

After fulfilling all conditions, exporter gets relaxation substitution of contract. Some times exporter fails to pay the released packing credit that time bank and ECGC consider the overdue packing credit. Bank considers. It is overdue an overdue report when exporter does not pay the amount an due date/extended due date. For over due report. Regional/Branch office of ECGC prepared in prescribed form within 30 days. If over due position persist banks starts procedure of recovery and report the default to ECGC. Bank sent this default report to concerned Regional/Branch office of ECGC in prescribed form. Within one month from date of recalling the advance or within four months from due date/extended due date of the loan amount which ever is earlier. Bank after assessing and reporting, recover the over dues by liquidating the securities if any available. Bank starts nursing program with the consent of ECGC. Recovery does not possible, bank prefer to claim under WTPC guarantee within 6 months from the date of report of default.

Banks follow general rules and regulations for packing credit bit many times special cases save banks also provide packing credit in special cases there special cases are –
Packing Credit to sub-supplier :-

Running account facility. Packing credit facility to Deemed Exporters, Pre-shipment credit in foreign currency. Packing credit facilities for consultancy services, advance against cheques/drafts receivd as advance payment. The mechanism of packing credit for special cases in respect of banks are –

Packing Credit to sub-supplier :-

In case of Export Order Holder and the manufacturer of the goods, packing credit shares between them. This effects when the EOH (Export Order Holder) has not availed any credit facility against the portion of the order transferred in the name of the manufacturer. This letter of disclaimer may preferably countersigned by the banker of EOH. Banks apportion between EOH and sub-supplier, for the permissible time of packing credit and concessional interest.

Packing credit may be extended to the sub-supplier on the basis of an export order of letter of credit in the name of EOH Banker to EOH opens inland LC specifying the goods to be supplied by the sub-supplier to EOH as a part of the export transaction on the basis of such LC the sub-supplier’s banks grants EPC to the sub-supplies banks grants EPC to the sub-supplier to manufacturer the components required for the goods to be exported. Sub-supplier and EOH avails Packing credit, total period within the normal cycle of production required by the exported goods. Normally total period is computed from the date of first drawl of packing credit by any one of the sub-suppliers to the date of submission of export documents by export order
holder. The EOH will be responsible for exporting the goods as per export order or LC and delay in the process will subject him to the penal provisions issued from time to time but penal provisions will not be applicable when sub-supplier has made available the goods as per inland LC terms to the EOH. According to his obligation of performance under the scheme will be treated.

The scheme is intended to cover the first stage of production cycle only not cover the suppliers of raw materials other components etc. to the sub-supplier. Trading house considers in this case and facilities are available commencing from the manufacturer to whom the order has been based on by the trading house. At last, it is necessary that banks should however ensure that there is no double financing and the total period of PC does not exceed the actual cycle of production of the commodity.

**Running Account facility :-**

This facility is started from 14th March 1992. Under this, banks have been authorized to grant Pre-shipment advances. Exporter enjoy this facility for any commodity to export without insisting on prior lodgment of letters of credit or firm export orders under RA facility porter acquires this facility after fulfill some conditions.

Banks extends the “Running Account” facility when exporter shows good track record. In all the cases where Pre-shipment credit “Running Account” facility has been extended. Letter of credit or firm order should be produced within a reasonable period of time, when goods cover under selective credit control. the banks insist for production of letters of credit or
firm orders within a period of one month from the date of sanctions. Besides this bank ensure that Pre-shipment credit does not outstanding beyond 180 days from date of advance.

(c) **Packing Credit Facilities to Deemed Exporters :-**

Govt. of India indicates the exporters who satisfy the paragraph 10.2 of Exim Policy 1997-2002 are considered Deemed Exporters. They are eligible for concessional rate of interest facility both at Pre and Post supply stages. Packing credit can be extended to deemed exporter on lines, similar to physical exports with necessary precautions accordingly banks are permitted to extended Pre-shipment and Post-shipment. Supply credit for maximum period of 30 days or up to actual date of payment by the receiver of goods whichever is earlier.

(d) **Pre-shipment Credit in foreign currency (PCFC)**

This facility is an additional window available to the exporters along with the existing rupee packing credit. The facility will be available in all convertible currencies and the scheme will cover cash exports only. This facility generally available for a period of 180 days on the basis of firm export order or irrevocable L/C to provide facility funds are arranged with balances in exchange Earner’s foreign currency Accounts (EEFC). Resident Foreign Currency Account (RFC) and Foreign Currency (Non-Resident) A/c Bank scheme.

The banks, without prior permission of Reserve Bank of India, permit to raise lines of credit. The borrowing does not exceed 1% over 6 months LIBOR and Ultimate cost to the exporter can not exceed 2% over 6 months LIBOR excluding
withholding tax. 2% Indian banks not have branches overseas the spread allowed is not exceeding 2-1/2% over LIBOR.

From 18th May 1994, Banks have been advised to extend Running Account Facility under PCFC scheme also to all commodities on the same line of the facility available under rupee credit. Due to large interest rate differential between rupee credit and foreign currency credit. The banks have been advised to introduce a system to closely monitor the production of firm order L/C subsequently and also end use of the fund. If banks find early delivered beyond one month banks charge the funding cost, if any, involved in absorbing mismatches.

(e) Packing Credit facility for consultancy Service :-

In case of consultancy services. Export will not involve in physical movement of goods out of Indian customs territory. In this case pre-shipment finance at concessional rate of Interest can be extended to the exporter to enable them to under take preliminary arrangements such as mobilization technical personnel and other staff and training them.

(f) Advance against cheques/drafts received as advance payment :-

If exporter receives a cheque or draft represents advance payment towards future exports the banks provide advance funds against the security of such instruments. This advance is treated as export finance and only concessional rate of interest charge like a normal Pre-shipment advance

Post-Shipment Stage :-
Post-Shipment finance is a loan or advance granted of any other credit provided by an institution to an exporter of goods form Indian from the date of extending the credit after shipment of the goods to the date of realization of export proceeds and includes any loan or advance granted to an exporter, in consideration of, or on the security of any Duty Draw Back or any receivables from Government of Indian.

Post-shipment finance is an advance against receivables, this is to be in the form of shipping documents. The responsibility of an AD will be felt more in case of Post shipment advances because RBI monitory the realization of full proceeds of individual shipments through AD.

For Post-shipment advances some of the major exchange control regulations-

(i) Exporter has to keep IEC No. and each shipment should accompany the prescribed declaration like GR/SDF/PP/SOFTEX from in which value of export declare and duly certified by the custom authority.

(ii) Shipping documents along with relative GR form must submitted to and AD within 21 days from the date shipment. If there is any genuine delay beyond the control of the exporter, AD delegates with powers to Condon the delay and accept the shipping documents even after 21 days from date of shipment.

(iii) It is necessary that payment must be received in an approved manner within limit time but within a maximum period of six months from the date of shipment. For the purpose of realization of export proceeds world has been
divided into two groups, i.e. Asian clearing Union (ACU) and Non-Asian clearing Union. Under ACU, Asian Union clearing, following countries like Myanmar, Bangladesh, Pakistan, Iran and Srilanka realizes in ACU Dollars (US Dollars). Under besides ECGC, banks also covering the advance under whole turnover Post-shipment Guarantee scheme. In addition to Guarantee exporter should be advised to go for separate buyer wise policy also. This cover the wider coverage for exporter in case of any risk.

(1) **Export Bills Negotiated :- (Bills under letter of Credit)**

When exporter presents export documents drawn under LC for negation in bank. Banks scrutinized carefully with the terms and conditions of the “letter of credit” letter of credit is operated by Unions Customs & Practices for Documentary credit (Revised 1993) of the International chamber of commerce. Brochure No. 500.

It is necessary, all documents should be according with the L/C terms. L/C issuing bank under takes to honor its commitment while the beneficiary submits the stipulated documents conform to L/C terms. If the slightest deviation term and conditions specified in the LC can give excuse to the issuing bank for refusing the payment to negotiation bank which might have already been made to the beneficiary i.e. exporter by the negotiating bank.

**Issuing Bank observes following discrepancies –**
(a) Late negotiation submission of documents after the expiry of L/C.
(b) Late shipment of goods.
(c) Delay in presentation of documents even L/C is current. According to Art 43 of UCPDC documents should be submitted in a specific period in the L/C or within 21 days from the date of shipment.
(d) Amount is drawn excess of L/C.
(e) Shipments made from and shipped to parts other than those stipulated in L/C.
(f) Bill of lading AWB not properly signed, date, stamp. Alterations, if any, not properly authenticated.
(g) Presentation of insufficient and/or incomplete set of B/L.
(h) When exporter does not present, clausé Bill of Landing/Received for shipment Bill of Landing/short Form Bill of Lading/Charter Party Bill of Lading not permitted in the L/C.
(i) Presentation of Bill of Landing in which “on Board” endorsement not dated.
(j) If any inconsistent in invoice packing list, weight list, insurance certificate/policy certificate of origin, inspection certificate, Bill of Landing/AWB.
(k) Inadequate of insurance policy/certificate.
(l) Presentation of insurance documents unsigned, Undated unstamped and drawn in different currency other than the currency of the L/C.
(m) When description of goods, charges of the invoice presented not authorized by L/C.
(n) Drafted Bill of Exchange does not incomplete or incorrect.
(o) Number of copies of documents are insufficient.
(p) Non-submission of certain document as called for in the L/C. The above discrepancies which are commonly found, should be considered as deviation from the terms and conditions of the L/C. The opening/issuing banks may refuse documents and credit.

(III) **Advance against export bill sent on collection basis :-**

Exporter might have fully utilized his bills limit and in certain cases the bills drawn under LC may have discrepancies. The bills sent on collection basis. Some times exporter also request for sending the bills on collection basis anticipating the strengthening of the foreign currency. Banks also advance against there collection bills to an exporter. Banks charges concessive rate of interest can be charged for this advance into the transit period in the case of DP Bill and transit period + usance period + grace period in the case of usance bills. Beyond this period, the interest rate will be subject to the various rate prescribed by RBI depending upon the bill.

(IV) **Advance against goods sent on consignment basis :-**

Exporter sent goods on consignment basis at the own risks. Eventual remittance of sale proceeds will be made by agent of consignee. The overseas correspondent of the bank instructs to deliver the documents against Trust Receipt …. Advances granted against the export bill covering goods sent on consignment basis would be liquidated from remittance of the sole proceeds within
six months from the date of shipment. In the case of export through approved Indian owned ware houses abroad, the time limit for realization would be 15 months.

(V) **Advance against undrawn balances :-**

The exporter, in practice leave a part of the amount as undrawn balance. Buyer adjust the difference in weight, quality etc.

This bill handle authorized dealer in the particular line of export trade subject to maximum of 10% of the full export value.

The exporter give an under taking that he would surrender or account for the balance within prescribed firms for realization. A proper follow-up should be made for the realization of the undrawn balance. The authorized dealer retains the duplicate copy of the GR form till such time the full export proceeds are realized.

Exporter gets advance against undrawn balance at a concessional rate of interest for a maximum period of 90 days.

(VI) **Advance against Receivables from Government such as Duty Draw back :-**

This facility is available for exporter in time of price discrimination of domestic market and International market. When domestic cost of production of certain good is high and low in International market the exporter may get support from Government so that he may compete effectively in over sear market. Government of India and other agencies provide export incentives under the Export Promotion Scheme. This can only be in the form of refund excise and custom duty known as duty draw back. This advance only for 90 days in lower rate of interest. There advances being in the nature of unsecured advances can not
be granted in isolation and could be granted only if all types of export finance are extended to the exporter by the same bank.

To get this, after the shipment the exporters will lodge their claim supported with relevant paper and documents to the customs Authorities. After processing claims the customs disabuse the eligible amount.

**PERIOD OF FINANCE :-**

Export Bills are draw either on DP basis of on DA basi. It is depend upon the contract between the exporter and overseas buyer. Concessional rate of interest on this advance depend upon the Nature of bill.

If the bill is drawn on DP basis, concessional rate of Interest will be for a period unto normal transits period (N.T.P) DA bills (usance bill) can be drawn 90 days from date of shipment/date of draft and second 90 days from date of acceptance. The due date of bill is decided by exporter’s bank. In case usance bill where due date arrived at from date of acceptance, in addition to the usance. Normal Transit period add and the National due date arrived at.

Exports enjoy concessional rate of interest in both cases only 180 days not more than it from the date of shipment. It is stipulated by FEDAI which has been revised with effect from 01-10-1999.

**MAXIMUM ELIGIBLE FINANCE :-**

Normally no margin in maintained for bill drawn under letter of credit in the case of Post-shipment finance, same banks
prescribed margin, export bills purchased against contracts/firm orders, additional security available.

**Chart – I**

**Normal Transit Period :-**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Situation</th>
<th>Period</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bills in Foreign Currency</td>
<td>25 days</td>
<td>For all Bills</td>
</tr>
<tr>
<td>2</td>
<td>Normal to Iraq</td>
<td>60 days</td>
<td>Iraq United Nations Guidelines.</td>
</tr>
<tr>
<td>3</td>
<td>Bills drawn in Rs. (a) Under letter of credit.</td>
<td>03 days</td>
<td>Reimbursement at the centre of negotiation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Reimbursement is provided at centre in India other than the centre negotiation.</td>
</tr>
<tr>
<td></td>
<td>(b) Under letter of credit.</td>
<td>07 days</td>
<td>Reimbursement is provided by banks situated out side India.</td>
</tr>
<tr>
<td></td>
<td>(c) Under letter of credit.</td>
<td>20 days</td>
<td>Reimbursement is provided by banks situated out side India.</td>
</tr>
<tr>
<td></td>
<td>(d) Not Under letter of credit.</td>
<td>20 days</td>
<td>Reimbursement is provided by banks situated out side India.</td>
</tr>
<tr>
<td></td>
<td>(e) Export to Russia against L/C</td>
<td>20 days</td>
<td>Provide for reimbursement by RBI under state credit arrangement.</td>
</tr>
</tbody>
</table>
EFFECTIVE DATE OF PAYMENT OF AN EXPORT BILL :-

In case of foreign currency bill date of credit in the bank’s nostro account and rupees bills the date of debit the vostro account are taken as the effective date of realization of an export bills.

If the export bills is not realized within 180 days from the date of shipment the exporter may apply for extension to Reserve Bank in the Prescribed format “ETX” through the AD.

CRYSTALLAIASATION OF OVERDUE EXPORT BILLS :-

Authorized Dealers discount or sent bills for collection so he is liable for exchange risk inherent in an unpaid export bill negotiated/purchased/discounted and transfer the exchange risk to the exporter. Crystallizing the foreign currency liability into rupee liability, on the 30th day after the expiry of the Normal Transit Period. In case of national due date of unpaid usance bills. If any type of holiday of Saturday, the export bill shall be crystallized on the next working day.

Foreign correspondent advised actual due date after the national due date has been arrived at, the banks crystallize the bill on the 30th day after the actual due date in the event of non-payment.

Besides it Authorized Dealers may crystallized before the said period of 30th day with specific understanding and written request from the customer. For crystallization into Rupee liability authorized dealer apply the ready TT selling rate of exchange ruling on the date of crystallization into Rupee liability or the
original bill buying rate which ever is higher. The authorized Dealers adjust the Rupee liability on the bill crystallized as above by applying the TT buying rate of exchange or the contracted rate in case a forward contract has been looked by the customer after crystallization. Any difference raise, recovered from/paid to the customer.

**PAYMENT OF ECGC PREMIUM :-**

Bank cover both contract bills and LC bills. Under ECGC program. Some banks cover only their contract bills. Premium depends upon the type of the fact that the post-shipment guarantee is mainly intended to benefit the banks against the exporters failure coverage. Banks absorbs cost of premium themselves and not to be passed on to the exporter in view. In spite of this Government provide/banks provide options for the Exporters.

The following options are –

(a) To avail of Pre-shipment credit and Post-shipment in rupees.

(b) To avail Pre-shipment in Rupees and Post-shipment in the form of rediscounting of export bills in foreign currency.

(c) To avail Pre-shipment in Foreign currency (PCFC) and avail Post as export bills rediscounting scheme in foreign currency (EBKD). Actually exporters try to avail any facility in denominated foreign currency depending upon the premium/discount factor of the currency in which he has got exposure.

This chapter is based on regulation and guidelines so researcher can not change in own language.
References – V


Note: - This Chapter is based on regulation and guidelines so researcher cannot change in own language.