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(Incorporating The Vidarbha Co-op. Bank Ltd.)

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Export Credit & Trade Finance Policy

Financial Year 2026 -27

Volume I

Overview:

Export of goods from India is regulated by the Directorate General of Foreign Trade (DGFT) and its regional offices, functioning under the Ministry of Commerce. As an AD Category-I bank, we need to conduct the export transactions in conformity with the Foreign Trade Policy in vogue and the Rules framed by the Government of India and the Directions issued by Reserve Bank from time to time under FEMA 1999. Regulations relating to export of goods and services from India have been notified by Reserve Bank of India referred to as Foreign Exchange Management (Export of Goods and Services) Regulations, 2026. Our Bank's internal guideline as applicable to each category of transactions needs to be adhered to by all the branches.

In case of India, the overall Balance of Trade position is in deficit since Independence as India imports more than 80% of its crude oil requirements from International markets, paying for the same in freely convertible foreign currency. Thus, if crude oil prices rises in International markets for any reasons such as war in the gulf region or supply cuts by OPEC, India’s current account deficit jumps up resulting in rupee depreciation against foreign currencies. This badly impacts the Indian people with inflation moving up.

Hence, the Government of India and RBI takes special efforts to control trade deficit by emphasizing on raising exports. As a thrust area, RBI has asked the A. D. category Banks to finance every activity that supports export business and try to remove any bottlenecks that can impact export growth.

Export Finance:

While extending export finance following guidelines / regulations needs to be followed mandatorily:

- Reserve Bank of India guidelines(updated time to time)
- Directions issued under FEMA 1999 (Guidelines issued by the DBOD from time to time))
- Trade Control Regulations
- Foreign Trade Policy 2023

- International Chamber of Commerce (ICC) guidelines - UCP 600, ISBP, URR-URC.
- Export Credit Guarantee Corporation of India Ltd
- Foreign Exchange Management Act (FEMA)
- Foreign Exchange Dealers Association of India (FEDAI) guidelines and rules.

An exporter may need financial assistance for execution of an export order from the date of receipt of the export order till the date of realization of the export proceeds at any stage, Pre & Post shipment stages.

Reserve Bank of India has advised that bank's should endeavor to provide 12% of adjusted net bank credit (ANBC) for exports.

Some of our existing customers who are in export / import business may be routing their forex business through other banks for some reason. The branches should identify such customers and prevail upon them to pass on their forex business through our bank as we are now fully equipped to handle all types of foreign exchange transactions.

While handling Foreign Exchange business Bank has to handle and manage various types of risks such as Credit Risk, Exchange Risk, and Compliance Risk etc. This policy will basically look at Credit Risk in Export Credit business and will deal with mitigating this risk with documentation and monitoring process. Exchange Risk will be handled by our Treasury (Forex) segment.

For the purpose of handling Compliance Risk, IBD should look at our IBD policy for handling Foreign Exchange business which has been approved by the Board.

An Exporter may need financial assistance for execution of an export order from the date of receipt of the same till the date of realization of the export proceeds. It is extended as short term working capital finance. The working capital cycle completes with the realization of the export bill. The Exporters may require the finance at any stage of this cycle.

Export finance can be granted in two different stages:

- Pre-shipment finance &
- Post -shipment finance.

Exporter can choose any one of the following method for availing export finance (subject to our Bank's approval):

1. Avail Packing Credit in Rupees and avail Post Shipment Finance also in Rupees.
2. Avail Packing Credit in Rupees and avail Post Shipment Finance in Foreign Currency.
3. Avail Packing Credit in Foreign Currency and avail Post Shipment Finance also in Foreign Currency.

PRE- SHIPMENT FINANCE

Pre-shipment Finance, also known as Export Packing Credit, is granted to an Exporter for the purpose of procuring raw materials, processing or manufacturing, packing, transporting, warehousing of goods meant for exports.

Types of Pre-shipment Finance:

- Packing Credit in Rupees.
- Packing Credit in Foreign Currency (PCFC).
- Advance against Government incentives covered under ECGC guarantees.
- Advance against receivables - Duty Drawback scheme.
- Advance against cheques / drafts received as an advance payment for exports.

The following shall be taken into account by the Branches while considering export finance:

- Guidelines issued by Reserve Bank of India, pertaining to financing of exports shall be scrupulously followed by the branches by referring the web site of RBI: www.rbi.org.in.

- Prevailing Foreign Trade Policy: The Policy details the guidelines issued by RBI vide AP circular No. 20 dated 20/01/2026 regarding the export of goods and services from India.

- Availability of various covers of ECGC for Exporters and for the financing banks. Special care should be taken in the case of exports to countries which are classified as Restricted Cover Countries by the ECGC.

Points to be considered while processing Pre-shipment proposal:

Requests from the customers for Export Finance, both pre-shipment and post-shipment, should be forwarded to IBD, Head Office for credit assessment. After the sanction of the limit, IBD will thereafter take care of the compliance angle and other aspects of export business such as ECGC requirements, etc. for operational convenience and complete other formalities desired before undertaking disbursement of export credit.

While processing the export credit limit proposals for the Exporters, since the request is for providing working capital finance the sanctioning authorities may adopt any one of the following methods:

- Projected Turnover Method
- MPBF Method
- Cash Budget Method.
- Any other method approved in the Bank's Loan Policy approved by the Board

The limit should be a composite limit for Pre-shipment and Post-shipment.

Head Office should assess and meet the genuine credit requirements of the Exporters promptly and in full measure. While considering the proposal, all the required information should be obtained from the eligible Exporter to avoid any possible delay in calling for details on a piece meal basis so that sanction of the limits can be expedited.

This policy governs the sanction and administration of **Pre-Shipment Packing Credit** to eligible borrowers including:

- Proprietorship concerns
- Partnership firms
- Companies registered under Companies Act
- Co-operative institutions registered under Credit Society Act (State or Central)

Pre-sanction inspection should be carried out as per the information provided by the Exporter and due diligence should be done as per KYC norms.

A flexible attitude may be adopted while considering the proposal such as Debt-Equity ratio, Margin and Security norms etc. But there should be no compromise on the viability of the proposal and integrity of the borrower.

The Exporter must satisfy the Bank about their capacity to execute the export order within the stipulated time and their expertise to manage the export business.

Quantum of finance sought for by the Exporter should be in commensurate with the expected turnover and the cost of inputs required for execution of the export order.

If the exports will be covered under Letters of Credit, IBD should find out the standing of the L/C opening bank and its prime status.

Branch should also study the terms of L/C and ensure that the Exporter will be able to comply with all the terms and conditions mentioned in the L/C.
Where exports are not covered by L/Cs and will be on the basis of firm orders, Bank may insist for obtaining a satisfactory status report on the overseas buyer if the value of the shipment exceeds USD 1,00,000/- or its equivalent.

Bank should also check the profile of the buyer's country especially about the financial and geo-political environment. The information may be obtained from IBD if required / ECGC.

Dispensation of export credit should be done expeditiously and in a time bound manner as envisaged by RBI.

The RBI requirement is as follows –

- New/ Enhancement proposal in 45 days.
- Renewal of limit in 30 days.
- Ad hoc limit in 15 days.

The pre shipment and post shipment limit should be considered simultaneously and in totality. Generally Pre shipment credit should be liquidated by granting Post Shipment Credit.

Branches should review the export limits annually.

Customers eligible for Export Packing Credit:-

- Have Positive Net-worth & NDR as per latest Audit Report.
- Be a bona fide exporter
- Have satisfactory track record in exports
- Not deal in restricted/prohibited goods
- Should be holding confirmed orders for export or Export L/C in their favour.
- The size and standing of the LC issuing Bank should be verified from the Bankers Almanac and it should be satisfactory.
- The commodity to be exported is permissible for export as per current trade policy.
- They are not in the Caution list of Reserve Bank of India.
- Their names are not appearing in the Specific Approval List (SAL) of the ECGC.
- They should be having Importer Exporter Code (IEC) Number issued by DGFT.

- They should be holding valid Shipment Policy of ECGC if the sanction so stipulates.
- If the goods being exported are subject to floor price restrictions / quota, relevant Foreign Trade Policy guidelines should be complied with.

Criteria for granting Export Packing Credit:

- It is need based working capital finance against inventory.
- In the case of export order, it should contain full details of shipment viz., merchandise, quantity, price, period of shipment, mode of shipment, Inco-terms (FOB/CIF /C&I/C&F etc.) and method of payment terms.
- Wherever Packing Credit is granted for the purpose of procuring the raw materials, there will not be any prime security at the time of its disbursal. The Exporter will be holding the amount disbursed as trustee till the raw materials are purchased. Stock statement should be submitted by the Exporter expeditiously after the purchase of the raw materials and periodically at the end of every month.
- Each Packing Credit disbursed should be maintained as a separate account for the purpose of monitoring period of sanction and end-use of funds. The aggregate position will be reflected in the loan ledger.
- All the guidelines pertaining to finance against inventory should be followed such as drawing power / insurance cover etc.

Running Account Facility:

Normally Packing Credit is granted against the lodgment of export order /LC. But the availability of raw materials is seasonal in some cases. In some other cases, the time taken for the manufacturing and shipment of goods is more than the delivery schedule as per the export contracts. On such occasions, Packing Credits can be granted under the Running Account facility without insisting on prior lodgment of confirmed export orders / export L/Cs subject to the following conditions:

- The need for Running Account facility has been established by the Exporter to the satisfaction of the bank.
- It may be extended to established exporter with a good export track record.

The firm export order / Export L/C is submitted within a reasonable period of time. Packing Credit can be availed against request letter undertaking to lodge the export order within a reasonable period not exceeding 30 days.

Individual export bills should be marked off, as and when they are received for negotiation / collection, against the earliest outstanding pre-shipment credit granted under this facility on "First in First Out" (FIFO) basis.

Outstanding Packing Credit should, at all times be covered both by stocks as well as valid LC's / Export Orders.

If the Exporter is found to be misusing this facility, it shall be withdrawn immediately.

Quantum of finance:

Quantum of finance is decided on the FOB value of the export order or L/C or domestic value of the goods, whichever is lower.

Normally insurance and freight charges should not be financed at the preshipment stage.

If the Exporter wants to avail advance against the insurance and freight charges, that can be considered at the later stage of the pre-shipment operations, when the consignment is ready for shipment.

If the export contract is on CIF basis, FOB value can be arrived at by deducting 10% in the case of sea freight or 20% in the case for air freight and 1% for insurance of the export value of goods to arrive at the FOB value of the shipment.

If the actual value of freight and insurance amounts is known, they can be deducted to arrive at the FOB value.

After arriving at the FOB value, margin as stipulated in the sanction should be deducted to arrive at the quantum of finance.

Need based finance, should be considered as per the requirement of the Exporter. The Exporter can avail more than one Packing Credit against the same firm export order or L/C depending upon his requirements before shipment of goods at various stages but subject to the sanctioned limit.

Fixing margins in Export Packing Credit (EPC)- Generally 80% of the FOB value could be financed as Packing Credit. While fixing the Margin Bank may take into consideration:

- It should ensure stake of the Exporter in the finance.
- It should take care of the erosion in the value of the security.
- It should ensure that bank finance is not extended against profit margin.

Security Documents:

- Loan application & Request Letter
- Export order / LC copy
- DP Note
- Deed of Hypothecation
- Letter of Guarantee
- Insurance Policy to cover full value of stocks
- ECGC cover if available
- Charge creation over Collateral Security as per sanction terms.
- Other usual documents as stipulated by the Bank to be obtained.
- External Credit Rating from RBI Nominated Rating Company
- Company Registration & IEC certificate
- Financial statements (last 3 years audited)
- Stock statements after disbursement.
- KYC documents

- Board resolution (for companies/co-operatives)
- Collateral Property Details
- CIBIL Report of Directors (Score Must be 700 & above)
- Where exports are not covered by L/Cs and will be on the basis of firm contracts, the Branch may insist for obtaining a satisfactory status report on the overseas buyer if the value of the shipment exceeds USD 1,00,000/- or its equivalent.

Processing Charges:

- Processing Fee: As per Board-approved Policy
- Inspection Charges: Applicable
- Renewal Charges: Annual

Liquidation of EPC Account:

The packing credit advance should be liquidated out of export proceeds by negotiation of export bills or advance against bills sent on collection basis.

Thus pre- shipment credit gets converted into post shipment credit.

This conversion is necessary because the ECGC guarantee cover for pre-shipment credit will be available only up to the date of shipment.

It is therefore, to be ensured that upon shipment taking place, the liability under pre shipment needs to be converted into post shipment liability.

Bank will have operational flexibility to extend following relaxation to Exporters having good track record:

Pre shipment finance may be liquidated from the proceeds of export bill in respect of other contracts covering the same or other goods against which no Packing Credit has been availed by the Exporter.

But before allowing above relaxation, reasons should be ascertained why the original proceeds is not available and whether it is commercially necessary and unavoidable.

If necessary, Bank may sanction higher advance than FOB value or contract amount in the following cases:

(I) where wastages are involved in executing the contract:

Where the Exporter requires more raw materials due to wastage involved in processing of goods to be exported. This is in respect of agro based products like raw cashew nut etc.

In this case, if the export order is for Rs.100.00, the Exporter may require stock of cashew worth Rs.125.00 to process the order as per the specifications.

Branch may allow the Exporter to liquidate excess finance by sale of the cashew shell oil.

(II) Where partial domestic sale is involved:

When the gradation is involved especially in respect of agro-based items like tobacco, pepper, cardamom etc. In export of these items, the Exporter will have to hand pick products into exportable and non-exportable items and then fulfill the specifications of contract.

In such case, the purchase of goods will have to be more than the FOB or otherwise of the value of the contract.

The excess amount of disbursement will be liquidated out of the sale of non-exportable grade of the items.

The rate of interest for excess finance will be the rate applicable to Export Credit Not Otherwise Specified (ECNOS = Interest Rates applied for Loans against Hypothecation + 2%) from the date of advance and this amount will not be eligible for RBI refinance.

The Exporter should endeavor to get ECGC shipping / contracts guarantee cover wherever available.

Export of De-oiled / Defatted cakes:

Branches can give advance to the Exporter of HPS groundnut and de-oiled / de-fatted cakes to the extent of the value of raw material required even though the value thereof exceeds the value of export order.

The advance in excess of the order, normally called as "Oil Proceeds", is required to be adjusted by sale of oil in 30 days from the date of advance.

If there is delay in deposition of oil proceeds, interest at ECNOS would be charged for the delayed period.

Period of Finance:

It is short-term self-liquidating working capital finance.

The period for which a Packing Credit advance may be given will depend upon the circumstances of individual case, such as the time required for procuring, manufacturing or processing (where necessary) and shipping the relative goods. In short, the period is depending on the manufacturing cycle of the Exporter. It should be sufficient to enable the Exporter to ship the goods. A maximum period of 270 days was considered for this purpose earlier. However, the period of finance has been extended by RBI vide directive dated 13/11/2025 up to 450 days. As of now, concessional rate of interest can be applied upto a period of 450 days.

Rate of interest:

Pre-shipment credit in INR (Up to 180 Days) @ 10.50 p.a.

Pre-shipment credit in INR (Period from 180 to 270 Days) @ 11.50 p.a.

Pre-shipment credit (Beyond 270 Days) @ 12.50 p.a

* **Rate of Interest is subject to Changes in Bank's Policy & are reset every year on 1st November & 1st May**
Crystallization into rupee liability if export proceeds are not received @ 12.50 p.a.

Interest on export finance is charged on concessional basis as per RBI guidelines.

In cases where the period of packing credit is not extended beyond the original period of sanction (from the date of granting the PC upto the last date of shipment as indicated in the underlying export order or LC plus a period of 21 days after the last date of shipment for the submission of the shipping documents) and exports take place after the expiry of sanctioned period but within a period of 450 days from the date of advance, exporter would be eligible for concessional credit only for the sanctioned period. For the balance period, interest rate prescribed for Export Credit Not Otherwise Specified (ECNOS) at the pre-shipment stage will apply.

In cases where exports do not take place within 450 days from the date of pre-shipment advance but takes place subsequently, such credits will be termed as "ECNOS" and interest rate prescribed for "ECNOS" shall be applied from the first day of advance.

If exports do not materialize at all, domestic lending rate plus a penal rate of interest will be charged for the entire period of advance.

<u>Overdue / Crystallization:</u>

Non-adjustment within 180 days → Overdue
Penal interest applicable @ 1% over & above of Normal rate of Interest @ 12.50 p.a.
Beyond 450 days treated as **irregular / non-performing**

<u>Security & ECGC Cover:</u>

Primary Security: Stocks, Work in Process and Finished Goods. These will be hypothecated to the Bank.

For existing customer of the Bank Collateral Security 25% of the Sanctioned Amount

For New customer Collateral Security 50% of the Sanctioned Amount

Personal / Corporate guarantee

ECGC insurance (recommended)

Insurance:

Goods should be insured for minimum 110% value and the insurance policy should be held jointly in the name of borrower & MSC Bank.

Disbursement:

Nominal ‘B’ Class Membership should be provided to the Borrower before 1st disbursement

Borrower has to register the Charge of the Bank in the records of ROC.

Disbursement could be Stage-wise / need-based, preferably directly to the suppliers

End-use of funds to be strictly monitored by carrying out periodic inspections at the site of the Exporter. Company has to submit end use certificate which is certified by the Chartered Accountant after the utilization of the drawal.

If the Exporter feels the need to hedge his exchange risk, he may go for Forward Contract Booking through our Treasury Department.

Monitoring & Control:

- Ensure export realization within RBI prescribed period (currently 9 months or as updated)
- Submit export data to RBI/EDPMS system
- Regular stock statements certified by the Chartered Accountant
- Periodic inspection
- Tracking of shipment timelines
- End-use verification

- Track overdue bills
- Monitoring of export realization

Special Conditions:

- No double financing against same export order
- Compliance with RBI / FEMA / ECGC guidelines mandatory
- Export must be completed within stipulated time
- Bank reserves right to withdraw facility in case of adverse conduct

Authority for Sanction:

Banks Hon Administrators Loan Committee

Review & Renewal:

Annual review mandatory

Based on: Performance

Conduct of account

Export turnover

Set off of export receivables against import payables:

Our Bank may allow set-off of export receivables against import payables from/to the same overseas buyer or supplier or with their overseas group or associate companies, within the stipulated period for realisation of export proceeds or extended period, if any, allowed by the Bank.

Third party receipts and payments:

Our Bank will permit third party (other than the parties undertaking export and import) receipts and payments for export and import transactions provided that the Bank is overall satisfied with the bonafides of the transactions.

Merchanting Trade Transaction (MTT):

(1) A person undertaking Merchanting Trade, in accordance with the Foreign Trade Policy, shall ensure that:

(a) the period between the outward remittance and inward remittance or vice versa does not exceed six months:

Provided that the Bank may, on request citing reasons for delay, allow extension of time, if the Bank is satisfied of the reasons cited.

(b) Outward remittances are sent only to the overseas seller and inward remittances are received only from the overseas buyer:

Provided that the Bank may, on request from the customer citing reasons, allow receipt from and/ or payment to any third party, if the Bank is satisfied of the reasons cited.

(c) The documents evidencing the MTT are provided to the Bank, to establish the genuineness of the transactions.

(2) Bank shall:

(a) credit or debit the account of its customer for any cross-border transaction related to MTT after having been satisfied with the genuineness of the same and shall, simultaneously close or update the respective entry in EDPMS and/or IDPMS.

(b) Monitor and follow-up with the person undertaking merchant trading to ensure that both the legs of the transaction are completed within the period and manner as specified in these Regulations.

Maintenance of EPC a/c:

These accounts are maintained separately from the domestic advance.

Follow up and Monitoring:

Generally, Exporters are given EPC at concessional rate of interest to procure raw material and process it so that finished goods may be exported. Hence, there are chances of diversion of funds. As a precaution, end use of funds should be ensured after the disbursement of advance.

Stock statement should be obtained as per terms of sanction.

Insurance for full value of stock should be obtained. Stocks should be adequately insured against all risk with our Bank's Clause.

Regular inspection of stock should be done as per the terms of the sanction of limit.

Value of stock mentioned in the stock statement should be checked. It should be as per invoice value or market value whichever is lower.

If the sanction terms stipulate, ECGC cover should be obtained

Submission of monthly Statement to ECGC along with the guarantee fee

Regular follow up should be made to ensure timely shipment of goods as per contract.

If the export transaction is backed by an export L/C, ensure that the Exporter submits documents in compliance with the terms of the L/C.

If the Packing Credit is misused or export does not take place, immediate measures should be taken for recovery of our advance.

Collection of Interest:

Interest should be collected on the last working day of every month and at the time of closure of the Packing Credit account it should be collected for the broken period.

Substitution of contract:

Substitution of contract is allowed as per RBI guidelines whenever the overseas buyer backs out of the contract entered into for export of goods.

Liquidation of Packing credit:

The EPC may be paid off in any of the following manner-

- Negotiation / Purchase / Discount of Export Bill
- Proceeds of collection bill against which no EPC has been availed.
- Proceeds of undrawn balance of an export bill against which no EPC has been availed.
- Proceeds of first credit where Packing Credit has been granted under the Running Account facility. (First In First Out).

Sharing of export contract between Merchant Exporter & the Supporting Manufacturer:

While granting EPC, it should be ensured that there should be no double finance.

The finance should be granted against the disclaimer of the Exporter. The banker of the Merchant Exporter should countersign it.

It is preferable if a back-to-back L/C is opened in favour of the supporting manufacturer.

When export credit has been shared between the two, time limit for availing credit should not exceed the maximum period allowed under pre-shipment credit.

Sharing of credit will be permitted for the goods and not for intermediaries such as raw materials.

Export credit to sub-supplier:

Export Packing Credit may be shared between Export Order Holder (EOH) and sub suppliers by opening the inland L/C specifying the goods to be supplied by the sub suppliers as a part of export transaction.

On the basis of the L/C, the sub suppliers' bank may grant EPC to manufacture the goods or procure the goods to be exported.

The total period of credit availed by the sub supplier should be within the normal production cycle of the goods.

Total period of credit will be computed from the date of first drawal of packing credit to the date of submission of export documents by EOH.

The EOH will be responsible for exporting of goods within the time frame of export order or terms of L/C. If any delay takes place in the process, the EOH will be subjected to any penal provisions as per the scheme. This will not affect the sub supplier, once he plays his role in time.

The scheme is intended to cover first stage of production and is not extended to cover suppliers of raw material / components etc. to sub supplier.

The finance will be covered by ECGC guarantee.

The EOU/EPZ units supplying goods to another EOU/EPZ are also eligible to avail EPC. Running Account facility is not permitted under this scheme.

Packing Credit for Deemed "Export:

In deemed exports, the goods do not leave the country.

Advance should be considered to suppliers as per Foreign Trade Policy. It involves supplies to International Bank for Reconstruction and Development (IBRD) / International Development Association (IDA) / The Asian Development Bank (ADB) or any other multi-lateral fund aided projects under global tender which are paid for in free foreign exchange.

This can be granted to eligible Exporters at pre and post shipment stage.
The pre shipment credit will be considered on the same guidelines as mentioned earlier. However, post supply credit will be available to eligible Exporter for 30 days period or upto the actual date of payment by the receiver of the goods whichever is earlier.

Extension of Overdue Rupee PC/PCFC:

The In-charge of International Banking Division is delegated with powers to extend the due date of overdue PCs subject to the condition that the revised due date does not go beyond 180 days from the date of sanction of the original PC.

The General Manager at the Head Office overseeing the Forex operations is delegated with powers to extend due date of overdue PCs which are falling beyond the powers of the IBD in- charge.

Post Shipment Finance

PURCHASE / DISCOUNT / NEGOTIATION OF DOCUMENTS:

Post shipment finance means finance to the Exporter after the goods are shipped.

Essentially it is an advance against the receivables (Bill Finance). Post- shipment finance can be made available to the Exporters as follows:

- Purchase /Discount of sight/usance, as the case may be, Export Bills
- Negotiation of bills, both sight as well usance, drawn under export L/Cs
- Rupee Advance against Bills sent for Collection
- Advance against Export on Consignment Basis
- Advance against Un-drawn Balances/ Duty Drawback

Although all the above are different methods for providing post -shipment finance to the Exporters, the most common are Export Bills Purchased / Discounted and Export Bills Negotiated.

The bank is required to follow several Exchange Control guidelines some of which are furnished below:-

Exporter should have Import Export Code number allotted by the DGFT and all the export bills should be submitted along with the prescribed Declaration (EDF/SOFTEX) form in which the value of the shipment is declared and duly certified by the customs authority.

Shipping documents along with appropriate Declaration forms as mentioned above must be submitted within 21 days from the date of shipment. If there is any genuine delay, which is beyond the control of the Exporter, we may condone the delay and accept the shipping documents even after 21 days from the date of shipping.

The payment should be received in an approved manner within the prescribed time limit but within a maximum period of nine months from the date of shipment.

Margin:

Generally margin of 10% will be stipulated for the disbursement of Post-shipment finance. However, this margin may be relaxed in respect of long standing Exporter-customers who are having a satisfactory track record.

PURCHASE/ DISCOUNT OF EXPORT BILLS - (DP OR DA BILLS):

The export bills representing genuine international trade transactions and drawn as per terms of sale contract/ firm order may be discounted or purchased by the Bank Proper limit should be sanctioned for purchase /discount of export bills. Since the purchase/discount is not covered under L/C, risk of non-payment may arise, more particularly in the case of documents against acceptance. To cover such non-payment risk for the bank as well as the Exporter, ECGC provides Post-Shipment Guarantee to the bank and Shipment Policy to the Exporter. Under the Shipment Policy, the Exporter should be advised to obtain buyer-wise credit limit.

The documents may be purchased or discounted based on whether they are to be delivered against payment or against acceptance. In case of D.A. Bills, bank retains the control of the goods until the bill is accepted. The advance against such a bill becomes a clean advance once the bill is accepted and remains unpaid.

If the bill is expressed in foreign currency, rupee equivalent is calculated at the Bill Buying rate pertaining to the tenor of the bill. If forward contract is booked, Rupee equivalent should be calculated at the rate at which it is booked. The exchange rate depends on tenor of the bill. Normal Transit Period (NTP) is the period by which the bill is expected to be paid by the overseas buyer in the case of sight bills. Normal Transit Period for various currencies is given by FEDAI which is presently 25 days.

Interest should be collected upfront for a period of 25 days (NTP) in the case of sight bills and upto the due date or Notional Due Date in the case of usance bills on the day of financing at the rates as specified in the Interest Rate Circular.

NEGOTIATION OF EXPORT BILLS:

Bills, both sight and usance, drawn under export Letters of Credit may be negotiated. When export documents drawn under L/C are presented to the bank for negotiation, they should be scrutinized carefully to ensure that they comply with the terms and conditions of Letter of Credit. The operation of the Letter of Credit is governed by U C P D C of the International Chamber of Commerce, ICC Publication No. 600.

All the documents tendered for negotiation should be strictly submitted by the exporter as per terms of L/C. It is to be noted that the L/C issuing bank undertakes to honour its commitment under the L/C only if the beneficiary submits the stipulated documents conforming to L/C terms. Even for a minor discrepancy in the documents drawn under the L/C, the L/C issuing bank may refuse the reimbursement.

Before extending finance for documents drawn under LCs issued by foreign banks, it shall be ensured that they are reputed banks having satisfactory asset size. In case of need, International Banking Division shall be contacted to ascertain the standing of the bank which has issued the LC.

Exporter to hold valid export order/ LC issued by Prime bank and Rating of the LC issuing Bank to be verified from the Banker's Almanac for its ranking at world level, before disbursement.

Direct Dispatch of Shipping Documents:

- Advance payment or an irrevocable letter of credit has been received for the full value of the export shipment and the underlying sale contract/letter of credit provides for dispatch of documents direct to the consignee or his agent resident in the country of final destination of goods.

- IBD may also accede to the request of the exporter provided the exporter is a regular customer and is satisfied, on the basis of standing and track record of the exporter and arrangements have been made for realization of export proceeds.

- IBD may also permit 'Status Holder Exporters' (as defined in the Foreign Trade Policy), and units in Special Economic Zones (SEZ) to dispatch the export documents to the consignees outside India subject to the terms and conditions that:

  a) The export proceeds are repatriated through the AD banks named in the EDF.

  b) The duplicate copy of the EDF is submitted to the AD banks for monitoring purposes, by the exporters within 21 days from the date of shipment of export.

- (iii) IBD may regularize cases of dispatch of shipping documents by the exporter direct to the consignee or his agent resident in the country of the final destination of goods, irrespective of the value of export shipment, subject to the following conditions:

  a) The export proceeds have been realized in full except for the amount written off, if any, in accordance with the extant provisions for write off.

  b) The exporter is a regular customer of AD Category – I bank for a period of at least six months.

  c) The exporter's account with the AD Category – I bank is fully compliant with the Reserve Bank's extant KYC / AML guidelines.

  d) The AD Category – I bank is satisfied about the bonafides of the transaction.

- In case of doubt, the AD Category – I bank may consider filing Suspicious Transaction Report (STR) with FIU_IND (Financial Intelligence Unit in India)

Post - Shipment finance against Forwarder's Cargo Receipt (FCR)

If the exporters submit Forwarder's Cargo Receipt (FCR) in lieu of Bill of Lading, after taking the approval from the General Manager, Head Office IBD will extend post-shipment finance in the case of those exporters who are having account relationship for a minimum period of one year with satisfactory track record. The designated branches should send the request with their recommendation to IBD for Finance against FCR.

Crystallization (De-linking) of Foreign Currency liability in respect of overdue Export Bills Purchased/ Discounted/ Negotiated.

Exporters are liable to repatriate foreign exchange in respect of the exports made by them. But there are occasions when the export bills are not paid on the due dates for various reasons. In such cases the responsibility is cast upon the bank to make vigorous follow up with the Exporter as well as with foreign bank to which the documents have been sent for collection for their early realization without any further delay.

If the financed export bills are not realized in time, the forex treasury of the bank may incur additional costs such as swap costs, transaction costs etc. on account of the fluctuation in the exchange rates. To avoid such costs, we have to adhere to the FEDAI guidelines in regard to the Crystallization or De-linking of unpaid export bills.

The de-linking of Foreign Currency liability should be done on the 15th day after the expiry of the Normal Transit Period in the case of sight bills and on the 15th day from the notional due date in the case of usance bills.

However, the unpaid export bills may be de-linked even before the said period of 15 days at the specific written request from the customer.

In case the 15th day happens to be a holiday or Saturday, the export bill should be de-linked on the next working day.

Upon de-linking of the overdue bills, the outstanding liability in the Export Bills head in the GL should be transferred to the Overdue Export Bills head.

On the day of delinking, the foreign currency liability should be converted into rupee liability @ TTS rate provided by the Forex treasury. If the TTS is higher and adverse for the exporter then the exporter will have a payment liability which should be recovered from the customer. However, If the TTS is lower and favorable for the exporter then the bank will have a payment liability which should be adjusted against post shipment advance granted to the customer to lower his rupee liability.

Interest will be recovered from the exporter from NTP in case of sight bills and NDD in case of usance bills till the date of de-linking at the rates or the overdue export bills provided in the Interest Rate Circular.

After de-linking of the export bill, it attains the character of a bill handled on collection basis and the exchange risks get translated to the exporter. However since the rupee liability of the exporter is still outstanding bank has to take suitable measures to recover the outstanding liability from the Exporter.

Booking of Forward Purchase Contract:

Exporters can book Forward Purchase Contracts upto two times of the sanctioned Export Finance limit against submission of documentary evidence for the underlying exposure or upto sanctioned amount of Forward Purchase Contract limit. Five percent of the permitted / sanctioned Forward Purchase Contract limit shall be taken into account as credit exposure.

EXPORT CREDIT IN FOREIGN CURRENCY

(This facility is an additional window available to the Exporters along with the existing Rupee Export Credit. The objective of the scheme is to make available export credit at internationally competitive interest rates linked to Alternative Reference Rate (ARR) linked to respective currency.

As per RBI guidelines, this facility is available in all convertible currencies. In our bank, the same will be granted in USD / EUR / JPY.

In order to comply with the guidelines of RBI for transition from LIBOR to ARR, our Bank has adopted the following ARR with the permission of the Board.

Sr. No.	**Currency**	**ARR**
1	USD	SOFR (Secured Overnight Reference Rate)
2	Euro	ESTR (Euro Short term Rate)
3	JPY	TONAR (Tokyo Overnight Offered Rate)

The above stated ARRs to be utilized for extending Pre/ Post-shipment finance in foreign currency (PCFC / PSCFC). Branches may be guided by the Circulars related to ARRS issued by the Head Office / IBD from time to time.

Also, Banks are permitted by RBI to use any widely accepted / Alternative reference rate in the currency concerned for interest payable in respect of export / import transactions. Therefore, as and when any new currency is added same would be updated.

The exporter is now having the following options to avail export finance:

To avail pre-shipment credit in rupees (Int. rate linked to loans against hypothecation rate) and then the post- shipment credit also in rupees (Int. rate linked to loans against hypothecation rate).

To avail pre-shipment credit in rupees (Int. rate linked to loans against hypothecation rate) and then the post- shipment credit in foreign currency (ARR) linked to respective currency.

To avail Packing Credit in foreign currency (ARR) linked to respective currency and the post-shipment credit also in foreign currency (ARR) to respective currency). (Wherever PCFC has been availed, post-shipment credit needs to be availed by way of PSCFC only).

Not availing any Packing Credit but availing only Post-shipment credit either Int. rate linked to loans against hypothecation rate or ARR linked to respective currency.

The instructions with regard to Rupee Export Credit apply to Export Credit in Foreign Currency also mutatis mutandis, unless otherwise specified.

Pre-shipment Credit in Foreign Currency (PCFC)

No separate limit is required for availing the PCFC. It can be granted within the normal Packing Credit limit already sanctioned.

The PCFC amount shall be converted into Rupees at the Spot TT buying rate and Exporter's running account will be credited with the rupee equivalent. Monthly interest on PCFC will be calculated in foreign currency and the same will be converted into Rupees at TT Selling rate for debiting the exporter's account. Liquidation, as in the case of Rupee PCs, shall be by adjustment of export bill proceeds / repayment or pre - payment out of balances in EEFC.

If PCFC is liquidated from Rupee resources, interest at Int. rate linked to loans for preshipment credit in INR + 2% + penal interest will be charged for the entire period of advance.

Forward Purchase Contract can be booked for availing PCFC. Delivery period of the forward contract will match with the time of availing the PCFC. In such cases, contracted rate less Premium for the applicable period will be applied for converting the PCFC amount into Rupees.

Running PCFC account may be permitted to Exporters with good track record.

Post-Shipment Credit in Foreign Currency (PSCFC / EBRD)

Spot exchange rate only will be applied for both sight and usance bills.

No usance premium will be passed irrespective of the usance period of the bill.

No Forward Purchase Contract can be booked for availing PSCFC wherever PCFC has been availed.

Where PCFC has not been availed, Forward Purchase Contract can be booked for availing PSCFC but premium for the usance period will not be allowed.

In the case of early realisation of usance PSCFC bills, interest for the unexpired usance period will be refunded at 1% less of the applicable interest rate for that bill.

Rate of Interest:

In respect of interest rate structure on Export Credit in Foreign Currency, RBI has advised that banks are free to determine the interest rate. Since the ARR keeps on changing regularly, the rate of interest to be charged will keep on changing from time to time and from case to case basis.

IMPORTANT:

Bank will consider granting Export Finance in Foreign Currency subject to availability of adequate Foreign Currency funds with the Bank. These funds are normally sourced by the bank by mobilizing FCNR / EEFC / RFC deposits. In the absence of adequate Foreign Currency deposits, we can extend Export Credit in Foreign Currency by generating foreign currency funds through buy-sell swaps by our Forex

Treasury Department in the domestic forex market subject to their adherence to Aggregate Gap Limit (AGL) prescribed by RBI.

Before disbursing PCFC/PSCFC to the exporters, IBD should take foreign currency funds clearance from the Forex Treasury Department.

Export Data Processing & Monitoring System (EDPMS):

With a view to simplifying the procedure for filing various returns and for better monitoring of export of goods from India, a comprehensive IT-based system called EDPMS was developed by Reserve Bank of India and introduced with effect from 01st March, 2014.

This is facilitating the banks to report all the above mentioned returns through a single window. In this system, the primary data on export transactions from all the sources viz., Customs / SEZ / STPI are flowing to RBI secured server and then the same is shared with the respective banks for follow up with the exporters. Subsequently, the document submission and realization data are reported back by the banks to RBI through the same secured RBI server so as to update the RBI database on real time basis.

Effective 15th June, 2016, some additional modules have been added to the above system such as Caution listing of exporters, Reporting of Advance Remittances and Migration of old XOS Data.

With the introduction of the EDPMS, all the export transactions are being monitored at each stage right from the shipment stage till realization of export proceeds.

With the introduction of this system, submission of half yearly XOS is not required.

Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit
With a view to make the cost of exports competitive, the Government of India has introduced the Interest Equalization Scheme (earlier Interest Subvention Scheme) in the year 2009. Recently, in 2025, considering the tariff issue due to USA and issues

faced by exporters, RBI have again restarted the Interest Subvention Scheme albeit at a lower rate of 2.75% p.a. Our Bank will extend the rebate at the stipulated rates to the eligible exporters if available.

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