RUPEE/FOREIGN EXPORT CREDIT & CUSTOMER SERVICE TO EXPORTERS

1. PRE-SHIPMENT RUPEE EXPORT CREDIT

Rupee Pre-shipment Credit/Packing Credit

■ 'Pre-shipment/Packing Credit is the working capital finance granted to an exporter for purchase, processing, manufacturing or packing of goods prior to shipment/working capital expenses towards rendering of services against LCs or confirmed/irrevocable order or any other evidence of an order for export.

■ The period of Packing Credit is to be decided by the Banks based on relevant factors. However, if the finance is not adjusted by submission of export documents **within 360 days** from the date of advance, it ceases to qualify for concessional rate of interest ab initio. Refinance from RBI is available for a period of **180** days.

■ The facility may be released in one lump sum or in stages as per the requirement for executing the orders / LC. Stage wise release accounts may be maintained depending upon the types of goods/services to be exported. Banks should also keep a close watch on the end-use of the funds, besides monitoring the progress of execution of the orders.

■ Liquidation of the export credit facility may be out of the proceeds of the bills drawn thereby converting the pre-shipment into post-shipment credit. It can also be liquidated out of the balances in the Exchange Earners Foreign Currency A/c (EEFC A/c) as also from rupee resources of the exporter to the extent exports have actually taken place. If not so liquidated/ repaid, banks are free to decide the rate of interest from the date of advance.

■ The exporter is permitted to liquidate the packing credit in excess of the exports due to wastage, etc. by export bills drawn in respect of by-product like cashew shell oil, etc.

■ For the packing credit covering **non-exportable** portion in respect of export of agro-based products like tobacco, pepper, cardamom, cashew nuts etc., banks are required to charge **commercial rate** of interest applicable to the domestic advance from the date of advance of packing credit and that portion of the packing credit would not be eligible for any refinance from RBI.

■ The advance in **excess** of the export order in respect of HPS groundnut and de-oiled / defatted cakes is required to be adjusted either in cash or by sale of residual by-product oil within a period not exceeding **30 days** from the date of advance to be eligible for concessional rate of interest.

■ Banks would provide operational flexibility for repayment/liquidation of EPC with export documents relating to other export order for the same or other commodity exported or the existing packing credit may also be marked-off with proceeds of export documents against which no packing credit has been drawn by the exporter to clients who have a good track record. These relaxations **should not be extended** to transactions of sister / associate / group concerns.

'Running Account' Facility

Pre-shipment export credit facility in respect of any commodity without insisting lodgement of

LC or export orders which should be produced within a reasonable period of time to be decided by the banks is known as ‘Running Account’ Facility. Banks have been authorised to extend Pre-shipment Credit ‘Running Account’ Facility in respect of any commodity based on its own judgement regarding the need to extend such a facility subject to the following conditions:-

■ The facility can be extended only to those exporters whose track record has been good as also to Export Oriented Units (EOUs)/ Units in Free Trade Zones / Export Processing Zones (EPZs) and Special Economic Zones (SEZs)

■ Letters of credit / firm orders should be produced within a reasonable period of time as decided by the banks.

■ Banks may mark off individual export bills, as and when they are received for negotiation/ collection, against the earliest outstanding pre-shipment credit on 'First In First Out' (FIFO) basis. While doing so, banks must ensure that export credit available in respect of individual pre-shipment credit **does not go** beyond the period of sanction or **360 days** from the date of advance, whichever is earlier.

■ Packing credit can also be marked-off with proceeds of export documents against which no packing credit has been drawn by the exporter.

■ In case the exporter is found to be abusing the facility, the facility should be withdrawn forthwith. If the exporters have not complied with the terms and conditions, the advance will attract **commercial lending rate** ab initio.

■ Running account facility **should not** be granted to sub-suppliers.

Other facilities

■ Banks are permitted to grant Rupee Export Packing Credit facility to exporters having good track record against advance payment received from abroad by way of cheques, drafts, etc. towards advance payments against exports.

■ Banks are permitted to grant Rupee Export Packing Credit to Manufacturer Suppliers for Exports Routed through STC/MMTC/Other Export Houses, Agencies etc. Such advances will be eligible for refinance subject to some conditions including obtaining a letter from the export house setting the details of the export order, etc.

■ Rupee Export Packing Credit to Sub-Suppliers

Packing credit can be shared between an Export Order Holder (EOH) and sub-supplier of raw materials, components etc. of the exported goods as in the case of EOH and manufacturer suppliers, subject to the condition that it **cannot be** made available to Running Account facility**.**

The scheme will cover the L/C or export order received in favour of Export Houses/Trading Houses/Star Trading Houses etc. or manufacturer exporters only. The scheme should be made available to the exporters with good track record. Banks may approach the ECGC for availing suitable cover in respect of such advances.

■ Rupee Pre-shipment Credit to Construction Contractors

The Packing Credit facility can be granted to the construction contractors to meet their initial working capital requirements (preliminary expenses) for execution of contracts abroad on the basis of a firm contract secured from abroad, in a separate account.

The advances should be adjusted within **365 days** of the date of advance by negotiation of bills relating to the contract or by remittances received from abroad in respect of the contract executed abroad. To the extent the outstanding in the account are not adjusted in the stipulated manner, banks may charge **normal rate** of interest on such advance.

■ Export of Services

Pre-shipment and post-shipment finance may be provided to exporters of all the **161 tradable services** covered under the General Agreement on Trade in Services (GATS). All provisions shall apply mutatis mutandis to export of services as they apply to export of goods unless otherwise specified. Exporters of services qualify for working capital export credit (pre and post shipment) for consumables, wages, supplies etc.

■ Export Credit to Processors/Exporters-Agri-Export Zones

Export processing units set up in Agri- Export Zones may be provided packing credit for the purpose of procuring and supplying inputs to the farmers so that quality inputs are available to them which in turn will ensure that only good quality crops are raised, besides advantages of economics of scale.

Export Credit Insurance Whole Turnover Packing Credit (ECIB-WTPC)

Banks are eligible to obtain Whole-Turnover Packing Credit (ECIB-WTPC) for all its packing credit accounts on payment nominal guarantee fee which is to be borne by the exporters. The period of cover is for 12 months. It gives protection to the banks against losses that may be incurred in extending packing credit advances due to protracted default or insolvency of the exporter-client. The coverage is available for banks taking the cover for the first time is 75% upto Grade Percentage limit fixed and 65% beyond (For others varies from 55% to 75% depending on claim premium ratio of the bank). For small exporters/SSIU, it is 90%. Banks are required to submit Monthly declaration along with premium amount. Any extension of due date beyond **360 days** should be approved by the ECGC.

2. POST SHIPMENT RUPEE EXPORT CREDIT

'Post-shipment Credit' is the working capital facility granted or any other credit provided by a bank to an exporter of goods/services from the date of extending credit after shipment of goods/ rendering of services to the date of realization of export proceeds. As per the extant instructions, the period prescribed for realization of export proceeds is **12 months** from the date of shipment.

Post-shipment advance are made available in the form of -
(i) Export bills purchased/discounted/negotiated.
(ii) Advances against bills for collection.
(iii) Advances against duty drawback receivable from Government.

Post-shipment credit is to be liquidated by the proceeds of export bills received from abroad in respect of goods exported / services rendered. It can also be repaid / prepaid out of balances in

Exchange Earners Foreign Currency Account (EEFC A/C) as also from proceeds of any other unfinanced (collection) bills.

Rupee Post-shipment Export Credit

The period of credit can be:-

Nature of bill	Period of Advance
Demand Bills	Normal Transit Period (NTP)*
Usance Bills	Max. 365 days from the date of shipment (incl. of NTP)
Overdue bill – Demand bill Usance Bill	Not paid within NTP plus grace period Not paid on due date

* Average period involved from date of negotiation/purchase/discount till the receipt of proceeds in the Nostro account of the Bank.

Advances against Undrawn Balances on Export Bills

Banks are permitted to grant advances against the undrawn balances at concessional rate for a maximum period of **90 days** provided such remittances are received within **180 days** after expiry of NTP in case of demand bills and due date in case of usance bills. For the period beyond 90 days, the rate of interest specified for the category 'ECNOS' (Export Credit Not Otherwise Specified) at post-shipment stage may be charged.

Advances against Retention Money

Banks may consider granting advance against retention money based on the nature of the export order like turnkey projects, etc. Such finance is subject to some guidelines as set out by RBI and listed in the M. Circular. No advances to be granted against retention money relating to services portion of the contract.

Export on Consignment Basis

Export on consignment basis should be at par with exports on outright sale basis on cash terms in matters regarding the rate of interest to be charged by banks on post-shipment credit.

For pre-shipment finance against the exports of precious and semi-precious stones on consignment exports, is adjusted as soon as export takes place, by transfer of the outstanding balance to a special (post-shipment) account which in turn, should be adjusted as soon as the relative proceeds are received from abroad but not later than **365 days** from the date of export or such extended period as may be permitted by Foreign Exchange Department, RBI. Balance in the special (post-shipment) account **will not be eligible** for refinance from RBI**.**

RBI (FED) permits on case to case basis longer period up to 12 months from the date of shipment for realization of proceeds of exports in case of Consignments Exports to CIS and East European Countries, Consignment exports to Russian Federation against repayment of State Credit in rupees, Exporters who have been certified as 'Status Holder' in terms of Foreign Trade Policy, and Cent percent EOU and units set up under Electronic Hardware Technology Park, Software Technology Park and Bio-Technology Park Schemes. In case of Exports through the Warehouse–cum-Display Centers abroad realization of export proceeds has been fixed upto 15 months from the date of shipment.

Export of goods for Exhibition and Sale
Export of goods for exhibition and sale are eligible for export finance both pre and post shipment stages.

Post shipment on Deferred Payment Terms
Banks are permitted to grant Post shipment credit on deferred payment terms for a period exceeding one year, in respect of export of capital and producer goods as specified by RBI (FED) from time to time.

Post shipment advance against Duty Drawback Entitlements
Post shipment finance for Duty Drawback entitlements/receivables and covered by ECGC guarantee is available to exporters at concessional rate and refinance from RBI upto a maximum period of **90 days** from the date of advance.

ECGC Whole Turnover Post-shipment Guarantee Scheme

The Whole Turnover Post-shipment Guarantee Scheme of the Export Credit Guarantee Corporation of India Ltd. (ECGC) provides protection to banks against non-payment of post-shipment credit by exporters to the extent of the loss incurred by the bank/financial institution upto 75%. **The cost of premium to be absorbed by the banks.**

3. DEEMED EXPORTS - RUPEE EXPORT CREDIT AT PRESCRIBED RATES

■ Banks are permitted to extend rupee pre-shipment and post-supply rupee export credit to parties against orders for supplies in respect of projects aided/financed by bilateral or multilateral agencies/funds (including World Bank, IBRD, IDA) and considered as Deemed exports.

■ Packing Credit provided should be adjusted from free foreign exchange representing payment for the suppliers of goods to these agencies. It can also be repaid/prepaid out of balances in Exchange Earners Foreign Currency account (EEFC A/c), as also from the rupee resources of the exporter to the extent supplies have actually been made.

■ Banks may extend rupee pre-shipment credit, and post-supply credit (for a maximum period of **30 days** or up to the actual date of payment by the receiver of goods, whichever is earlier), for supply of goods specified as 'Deemed Exports' under the same Chapter of Foreign Trade Policy from time to time.

■ The post-supply advances would be treated as overdue after the period of 30 days. In cases where such overdue credits are liquidated within a period of 180 days from the notional due date (i.e. before 210 days from the date of advance), the banks are required to charge, for such extended period, interest prescribed for the category 'ECNOS' at post-shipment stage. If the bills are not paid within the aforesaid period of 210 days, banks should charge from the date of advance, the rate prescribed for 'ECNOS'-post-shipment.

■ Banks would be eligible for refinance from RBI for such rupee export credits extended both at pre-shipment and post-supply stages.

4. Interest Rate on Rupee Export Credit

With effect from 01.07.2010, interest rates applicable for all tenors of rupee export credit advances are **at or above Base Rate**. Prior to the period, it was not exceeding BPLR minus 2.5% per annum.

If pre-shipment advances are not liquidated from proceeds of bills on purchase, discount, etc. on submission of export documents within **360 days** from the date of advance, the advances will cease to qualify for prescribed rate of interest for export credit **ab initio.** Such credits will be termed as **Export Credit Not Otherwise Specified (ECNOS)** and banks may charge interest rate prescribed for 'ECNOS' pre-shipment

If exports **do not** materialize at all, banks should charge on relative packing credit domestic lending rate plus penal rate of interest, if any, to be decided by the banks on the basis of a transparent policy approved by their Board.

ECNOS

Banks are free to decide the rate of interest keeping in view the Base Rate/BPLR guidelines in respect of specified ECNOS. **No penal interest** to be charged on ECNOS.

Interest Rates on Pre-shipment Credit

■ Interest rates applicable for all tenors of rupee export credit advances sanctioned on or after July 01, 2010 are **at or above Base Rate**.

■ Pre-shipment export finance is required to liquidate from the proceeds of bills on purchase, discount, etc. on submission of export documents within **360 days** from the date of advance. In case of non-liquidation within the period, the advance will cease to qualify for prescribed rate of interest for export credit ab initio.

■ In cases where packing credit is not extended beyond the original period of sanction and exports take place after the expiry of sanctioned period **but within** a period of 360 days from the date of advance, exporter would be eligible for concessional credit **only** up to the sanctioned period. For the balance period, interest rate prescribed for 'ECNOS' at the pre-shipment stage will apply.

■ In cases where exports do not take place within **360 days** from the date of pre-shipment advance, such credits will be termed as 'ECNOS' and banks may charge interest rate prescribed for 'ECNOS' pre-shipment from the very first day of the advance.

■ If exports **do not** materialise at all, banks should charge on relative packing credit **domestic lending rate** plus penal rate of interest, if any, to be decided by the banks on the basis of a transparent policy approved by their Board.

Interest on Post-shipment credit

For early payment

Nature of bills	Payment	Applicable Rate
Demand Bills	Before expiry of NTP	Prescribed Rate from date of advance to realization (credit in Nostro Account)
Usance Bills	Before due date	Prescribed rate up to the notional/actual due date or credit to the bank's Nostro account abroad, whichever is earlier,
Demand Bills/ Usance Bills	Interest for NTP/ Notional or actual due date already recovered	Excess interest collected, if any, should be refunded.

Overdue bills (Demand / usance bills)	After NTP in case of Demand bills / upon expiry of Due date in case of usance bills	Prescribed rate upto NTP (Demand Bills) / Due date (usance bills) and overdue period BPLR minus 2.5% upto 180 days till further notice

Interest on Post shipment Credit adjusted from rupee resources
In case ECGC has settled the claim due to non-expatriation of foreign exchange by the Govt./Banking Authorities of the importer countries as a result of balance of payment problems even though the payments have been made locally by the importers, interest rate as applicable for ECONOS post shipment to be charged on full amount of advance.

In case of realization of export receivables subsequently in the approved manner, the exporters may be refunded the difference in interest recovered and recoverable.

Change of Tenor of Bill

Banks have been permitted to revise the tenor of export bills within the maximum period prescribed by FED for realization of export proceeds at prescribed rate of interest. Change of tenor up to 12 months from the date of shipment has been permitted. Banks can extend the prescribed rate of interest up to the revised notional due date.

Rupee Export Credit Interest Rates Subvention
GOI had in past announced interest rate subvention of 2% per annum on rupee export credit availed by exporters (in 2007, Dec.2008, April 2010, Aug. 2010, Oct 2011, June 2012,& May 2013) covering specified categories (Engineering, textile, and other sectors) of exports subject to the floor rate should not fall below **7%**, the rate applicable to agriculture sector lending without treating it as a violation of Base Rate Guidelines. The subvention would be reimbursed by RBI on the basis of quarterly claims submitted by the banks.

5. EXPORT CREDIT IN FOREIGN CURRENCY

Pre-shipment Credit in Foreign Currency (PCFC)

PCFC facility is granted to exporters in Foreign Currency for domestic and imported inputs of exported goods at LIBOR/EURO LIBOR/EURIBOR related rates. This is an **additional window** for providing pre-shipment credit to Indian exporters at internationally competitive rates and applicable to only **cash exports**.

The exporter will have the following options to avail of export finance:

■ To avail of pre-shipment credit in rupees and then the post-shipment credit either in rupees or discounting/ rediscounting of export bills under Rediscounting of Export Bills Abroad Scheme (EBR)- dealt separately.

■ To avail of pre-shipment credit in foreign currency and discount/ rediscounting of the export bills in foreign currency under EBR Scheme.

■ To avail of pre-shipment credit in rupees and then convert drawals into PCFC at the discretion of the bank.

■ The facility may be extended in one of the convertible currencies viz. US Dollars, Pound Sterling, Japanese Yen, Euro, etc. Operational flexibility is provided by extending PCFC in one convertible currency in respect of an export order invoiced in another convertible currency. The risk and cost of cross currency transaction will be that of the exporter.

■ Banks are permitted to extend PCFC for exports to ACU countries.

■ The applicable benefit to the exporters will accrue only after the realization of the export bills or when the resultant export bills are rediscounted on 'without recourse' basis.

Source of Funds for Banks/spread

Banks are permitted to utilize the foreign currency balances available with the bank in Exchange Earners Foreign Currency (EEFC) Accounts, Resident Foreign Currency Accounts {RFC(D)} and Foreign Currency (Non-Resident) Accounts (Banks) Scheme, and the foreign currency balances available under Escrow Accounts and Exporters Foreign Currency Accounts for financing the pre-shipment credit in foreign currency.

In addition, banks may arrange for borrowings (Line of credit) from abroad without RBI approval provided the rate of interest on the borrowing does not exceed 250 basis points over six months LIBOR/EURO LIBOR/EURIBOR (w.e.f. 15.11.2011). Banks may also avail lines of credit from other banks in India in case they are not in a position to raise loans from abroad. Banks are free to determine the interest rates on export credit in foreign currency w.e.f. 05.05.2012.

Banks may collect interest on PCFC at monthly intervals against sale of foreign currency or out of balances in EEFC accounts or out of discounted value of the export bills if PCFC is liquidated.

Period of Credit

The PCFC will be available for a maximum period of 360 days. Any extension of the credit will be subject to the same terms and conditions as applicable for extension of rupee packing credit and it will also have additional interest cost of **200bps** above the rate for the initial period of **180 days** prevailing at the time of extension.

Further extension will be subject to the terms and conditions fixed by the bank concerned and if no export takes place within 360 days, the PCFC will be adjusted at T.T. selling rate for the currency concerned.

Disbursement of PCFC
In case full amount of PCFC or part thereof is utilized to finance domestic input, banks may apply appropriate **spot rate** for the transaction. Based on the operational convenience, banks may stipulate the minimum lots taking into account the availability of resources, etc.

Liquidation of PCFC accounts
PCFC can be liquidated out of proceeds of export documents on their submission for discounting/rediscounting under the EBR Scheme or by grant of foreign currency loans (DP Bills) or out of balances in EEFC A/c as also from rupee resources of the exporter to the extent exports have actually taken place.

Other features

■ Packing credit in excess of F.O.B. value, PCFC would be available only for exportable portion of the produce.

■ Repayment / liquidation of PCFC could be with export documents relating to the order or any other order covering the same or any other commodity exported by the exporter or Running Account Facility for All Commodities

■ Banks are permitted to extend the 'Running Account' facility under the PCFC Scheme to **exporters for all commodities**, on the lines of the facility available under rupee credit. The facility may be extended only to those exporters whose track record has been good.

■ In all cases, where pre-shipment credit 'Running Account' facility has been extended. The exporters are required to produce the L/Cs or firm orders within a reasonable period of time.

■ The PCFC will be marked-off on the 'First-in-First-Out' basis. It can also be marked-off with proceeds of export documents against which no PCFC has been drawn by the exporter.

■ Repayment / liquidation of PCFC could be with export documents relating to any other order covering the same or any other commodity exported by the exporter or amount of balance in the EEFC Account. Bank should satisfy the reasons for the substitution of the order/commodity before entertaining such requests.

■ In case the exporter is unable to execute the export order for any genuine reasons, the exporter may repay the PCFC Loan together with accrued interest by purchasing foreign exchange from market through the bank. In such case, the interest is payable on the rupee equivalent of principal amount at the rate applicable to ECNOS at pre-shipment stage plus a penal rate of interest from the date of advance after adjustment of interest of PCFC already recovered.

■ Banks may remit the fund to the overseas bank in case the PCFC was made available to the exporter from the Line of Credit obtained from that bank.

■ Banks may extend PCFC to such exporters subsequently, after ensuring that the earlier cancellation of PCFC was due to genuine reasons.

Forward Contracts

Banks are permitted to allow an exporter to book forward contract on the basis of confirmed export order prior to availing of PCFC and cancel the contract (for portion of drawal used for imported inputs) at prevailing market rates on availing of PCFC, besides allowing customers to seek cover in any permitted currency of their choice subject to ensuring that the customer is exposed to exchange risk in the underlying transaction.

Sharing of EPC under PCFC

Like in the case of rupee export packing credit, the PCFC is also allowed to be shared between an Export Order Holder (EOH) and the manufacturer of the goods to be exported.

Supplies from One EOU/EPZ/SEZ Unit to another EOU/EPZ/SEZ Unit PCFC may be made available to the supplier EOU/EPZ/ SEZ unit and the receiver EOU/EPZ/ SEZ. The PCFC availed by the supplier should be liquidated with the PCFC being availed by the receiver by transfer of funds.

Deemed Exports
PCFC may be granted for 'deemed exports' only for supplies to **projects** financed by multilateral/bilateral agencies/funds for a maximum period of **30 days** or up to the date of payment by the project authorities, whichever is earlier.

Other Aspects

- No Refinance from RBI is available under PCFC.
- Surplus of export proceeds available after adjusting relative export finance and credit to EEFC account **should not be** allowed for setting off of import bills.
- ECGC cover **will not be** available for PCFC as the same is in foreign currency.
- For the purpose of reckoning banks' performance in extending export credit, the rupee equivalent of the PCFC may be taken into account.

Diamond Dollar Account (DDA) Scheme

Units engaged in trading of rough or cut and polished diamonds, diamond studded jewellery, with good track record of at least two years in import or export of diamonds with an annual average turnover of Rs. 3 crore or above during the preceding three licensing years (from April to March) are permitted to carry out their business through designated Diamond Dollar Accounts (DDAs).

Under the DDA Scheme, banks may liquidate PCFC granted to a DDA holder by dollar proceeds from sale of rough, cut and polished diamonds by him to another DDA holder.

Post-shipment Export Credit in Foreign Currency

Rediscounting of Export Bills Abroad Scheme (EBR)

Banks are allowed to discount the export bills by using its resources available under Exchange Earners Foreign Currency Accounts (EEFC), Resident Foreign Currency Accounts (RFC), Foreign Currency (Non-Resident) Accounts (Banks) Scheme, and retain them in their portfolio without resorting to rediscounting. Banks are also allowed to rediscount export bills abroad at rates linked to international interest rates at post-shipment stage.

Banks may arrange a **"**Bankers Acceptance Facility**"** (BAF) for rediscounting the export bills at NIL margins and duly covered by collateralized documents. The limits granted to banks by overseas banks/discounting agencies under BAF will not be reckoned for the purpose of borrowing limits fixed by RBI (FED) for them.

The Scheme will cover mainly export bills with usance period **up to 180 days** from the date of shipment (inclusive of normal transit period and grace period, if any). There is, however, no bar to include demand bills, if overseas institution has no objection to it. In case borrower is eligible to draw usance bills for periods exceeding **180 days** as per the extant instructions of FED, Post-shipment Credit under the EBR may be provided **beyond 180 days**. EBR facility may be offered to any convertible currency and banks are permitted to extend the EBR facility for exports to ACU countries.

Facility of Rediscounting 'with recourse' and 'without recourse'

In case any AD is in a position to arrange 'without recourse', which is generally not feasible, is permitted to avail such facility.

ECGC Cover

Coverage is available for bills rediscounted 'with recourse', and not otherwise.

Refinance

Banks will not be eligible for refinance from the RBI against export bills discounted/rediscounted under the Scheme.

Interest on Export Credit in Foreign Currency

Banks are free to determine the interest rates on export credit in foreign currency with effect from May 5, 2012.

6. CUSTOMER SERVICE AND SIMPLIFICATION OF PROCEDURES

In order to address various issues relating to customer service to exporters, RBI had constituted a Working Group in May 2005, consisting of select banks and exporters' organizations to review Export Credit and the group has made some recommendations which have been accepted and communicated to the Banks. The recommendations are listed out in detail in RBI circular dt. 01.07.2013 (Annexure 1).

Gold Card Scheme for Exporters

Being part of the customer service, a Gold Card Scheme was drawn up. The Scheme envisages certain additional benefits based on the record of performance of the exporters. The Gold Card holder would enjoy simpler and more efficient credit delivery mechanism in recognition of his good track record. The salient features of the scheme, among others, are as under:-

■ Exporters with proven track record including small and medium sectors are eligible for issue of Gold Card by individual banks as per the criteria laid by them.

■ The scheme is not applicable to exporters blacklisted by ECGC.

■ The exporters are eligible for better terms of credit including rates of interest than those extended to other exporters by the banks. Applications for credit will be processed at norms simpler and under a process faster than for other exporters.

■ The charges are fee-structure under the facility would be lower than those provided to other exporters.

■ Banks may fix the need based finance factoring the anticipated export turnover and track record of the exporter.

■ 'In-principle' limits will be sanctioned for a period of 3 years with a provision for automatic renewal subject to fulfillment of the terms and conditions of sanction.

■ A stand-by limit of not less than 20% of the assessed limit may be additionally made available to facilitate urgent credit needs for executing sudden orders.

■ In case of unanticipated export orders, norms for inventory may be relaxed, taking into account the size and nature of the export order.

■ Requests from card holders would be processed quickly by banks within 25 days/15 days and 7 days for fresh applications/renewal of limits and ad hoc limits, respectively, etc.

Sanction of Export Credit Proposals

The time frame fixed for sanction of fresh/enhanced export credit limits is within 45 days from the date of receipt of credit limit application. In case of renewal of limits and sanction of ad hoc credit facilities, the time taken by banks should not exceed 30 days and 15 days respectively, other than for Gold Card holders. Banks should adopt a flexible approach in disposing of genuine requests for any adhoc facilities.

No additional interest is to be charged in respect of ad hoc limits granted by way of pre-shipment/ post-shipment export credit.

Banks should simplify the application form and reduce data requirements from exporters for assessment of their credit needs. Banks should adopt any of the methods, viz. Projected Balance Sheet method, Turnover method or Cash Budget method, for assessment of working capital requirements of their exporter-customers, whichever is most suitable and appropriate to their business operations.

Banks to provide 'Line of Credit' normally for one year (can consider for longer periods upto 3 years) which is reviewed annually. In case of delay in renewal, the sanctioned limits should be allowed to continue uninterrupted and urgent requirements of exporters should be met on ad hoc basis.

Banks should not insist on submission of export order or L/C for every disbursement of pre-shipment credit, from exporters with consistently good track-record. Instead, a system of periodical submission of a statement of L/Cs or export orders in hand should be introduced.

Banks should ensure that exporters' credit requirements are met in full and promptly at competitive rates. The guidelines must be implemented, both in letter and spirit, so as to bring about a perceptible improvement in credit delivery and related banking services to export sector. Banks should also address the deficiencies, if any, in the mechanism of deployment of staff in their organizations to eliminate the bottlenecks in the flow of credit to the export sector, etc.

Crystallization of Export bills

Export bills are expected to be realized within 12 months from the date of export. In genuine cases, it can be extended. In case of non-realisation by due date, the outstanding may be converted to rupee terms to avoid the exchange rate fluctuations. In case of default, banks are expected to lodge ECGC claim for settlement as per guidelines.

Pre-shipment Credit to Diamond Exports –Kimberley Process Certification Scheme (KPCS)

In compliance with the UN mandated resolution and adopted by India, a new Kimberley Process Certification scheme came into operation. The scheme ensures that no rough diamonds mined and illegally traded enter the country. Accordingly, every import of diamonds into India should be accompanied by the Kimberly Process Certificate (KPC). Similarly, exports from India should also be accompanied by the KPC to the effect that no conflict/ rough diamonds have been used in the process. The KPCs would be verified/ validated in the case of imports/ exports by the Gem and Jewellery Export Promotion Council. In order to ensure the implementation of Kimberley Process Certification Scheme, banks should obtain an undertaking in the format provided in the RBI M. Circular.

(Source: RBI M. Circular dt. 01.07.13)

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