EXPORT FINANCE

📦 Running Account Facility for All Commodities

☑ Overview

It is a type of credit arrangement provided by banks to exporters where they can avail pre-shipment finance (such as Packing Credit) **without having a specific export order at the time of availing the credit**.

Banks are permitted to extend the **Running Account Facility** under the **PCFC Scheme** for **all commodities**. However, this facility is only available to **exporters with a good track record**.

◇ Key Conditions for Running Account Facility

📌 Condition	✅ Requirement
🔄 **Need-Based Approval**	Exporters must justify the requirement for the facility to the bank.
📄 **LCs or Firm Orders**	Exporters must submit **Letters of Credit (LCs)** or **firm orders** within a reasonable timeframe.
📊 **Marking Off PCFC**	PCFC is cleared on a **First-in-First-Out (FIFO)** basis or using export proceeds where no PCFC has been drawn.
🔍 **Monitoring**	Banks must ensure that **funds are not diverted for domestic use**. If detected, penal provisions apply, and the facility is **withdrawn**.

📌 Condition	✅ Requirement
💵 **Prepayment Handling**	Banks must consider **foreign exchange positions** and **Aggregate Gap Limit (AGL)** before accepting prepayment.
📉 **Cost for Funding Mismatches**	If prepayment causes **mismatches beyond one month**, banks may charge **funding costs**.

💡 **Example:**

A **handicraft exporter** in Jaipur uses the **Running Account Facility** to finance multiple small orders without waiting for separate approvals each time. The bank ensures that **funds are used only for export-related expenses**.

📈 Forward Contracts

◇ What Are Forward Contracts?

Banks allow exporters to **book forward contracts** based on confirmed export orders **before availing PCFC**.

☑️ Key Guidelines for Forward Contracts

📌 Aspect	✅ Details
📅 **Booking**	Exporters can **book a forward contract** before taking PCFC.
🔄 **Cancellation**	If a contract is **canceled** (for imported inputs), banks settle it at **prevailing market rates**.
💱 **Currency Selection**	Exporters can choose **any permitted currency** actively traded in the market.
⚖️ **Risk Management**	Exporters must **genuinely bear exchange risk** at all export finance stages.

💡 **Example:**

An exporter in **Mumbai secures a USD 1M contract** and books a **forward contract** in **USD/INR** to hedge against currency fluctuations. When availing PCFC, they **adjust the rate accordingly**.

🤝 Sharing of Export Packing Credit (EPC) Under PCFC

Exporters and manufacturers can **share PCFC** just like **rupee export packing credit**.

◇ **How Does EPC Sharing Work?**

📌 Scenario	✅ Solution
🏭 **Exporter & Manufacturer Collaboration**	PCFC can be split between the **export order holder** and the **manufacturer**.
🔄 **Supply Chain Linkages**	PCFC can be provided to **both supplier & receiver** within **EOU/EPZ/SEZ units**.
📜 **Disclaimer-Based PCFC**	Banks can grant PCFC to **manufacturers** based on a **disclaimer** from the **export order holder**.
💱 **PCFC Repayment Options**	**Exporter transfers foreign currency to manufacturer**. - **Exporter discounts export bills & repays PCFC**.
⚖️ **Avoiding Double Financing**	Banks must ensure that **total packing credit aligns with the actual production cycle**.

💡 **Example:**

A **leather goods exporter** in Chennai collaborates with a **manufacturer in Noida**. The **Noida factory** avails **PCFC** for production, while the **Chennai exporter** clears the PCFC upon **export realization**.

🚛 Deemed Exports

◇ What Are Deemed Exports?

Deemed exports involve **supplies within India**, but the payment is received in **foreign currency**.

☑ PCFC for Deemed Exports

📌 Eligibility	☑ Details
📜 Eligible Projects	**Projects financed by multilateral/bilateral agencies**.
⏳ Post-Supply Finance	PCFC **must be liquidated within 30 days** or when project authorities make payment.
💰 Repayment Sources	- Exporter's **free foreign exchange receipts**. - **EEFC balances**. - **Rupee funds** (if actual supplies have been made).

and liquidate it using **foreign currency loan** upon receiving payment.

💎 Diamond Dollar Account (DDA) Scheme

The **Diamond Dollar Account (DDA) Scheme** is a special facility introduced by the **Reserve Bank of India (RBI)** to help qualified exporters in the **gem and jewelry sector** manage their foreign exchange transactions more efficiently.

☑️ Eligibility for DDA

📌 Criteria	☑️ Requirement
⏳ **Minimum Experience**	At least **2 years** in diamond import/export.
💰 **Annual Turnover**	Minimum **₹3 crore per year** for the past **3 years**.
📜 **Business Scope**	Trading in **rough, cut, polished diamonds & studded jewelry**.

🔹 Key Benefits of DDA

✔ **Transactions are dollar-denominated.**

✔ **PCFC can be liquidated using USD proceeds** from diamond sales.

✔ **Ensures smoother trade financing** for diamond exporters.

💰 Post-Shipment Rupee Export Finance

Post-shipment credit is a **working capital facility** provided **after shipment** to cover the period until **export proceeds are realized**.

☑️ Types of Post-Shipment Finance

📌 Type	☑️ Explanation
📄 **Export Bills Purchased/Discounted**	Bank **buys the bill** and provides immediate funds.
🏦 **Export Bills Negotiated**	Bank **negotiates & releases funds** upon shipment.
📜 **Advance Against Bills Sent for Collection**	Funds are provided **against bills under collection**.
🚛 **Advance Against Consignment Exports**	Available when goods are **exported on a consignment basis**.
💵 **Advance Against Un-drawn Balances**	Covers **unpaid portions** of export bills.
🎯 **Advance Against Duty Drawback**	Financing against **Government Duty Drawback benefits**.

📅 Credit Period for Post-Shipment Finance

📌 Bill Type	⏳ Maximum Period
📄 **Demand Bills**	**Normal Transit Period (NTP)** as per **FEDAI**.
⏳ **Usance Bills**	**Max 9 months** from shipment date (including NTP).

📌 Bill Type	⏳ Maximum Period
🔴 **Overdue Bills**	Not paid within **NTP + grace period** (Demand Bill) or past **due date** (Usance Bill).

💡 **Example:**

A **garment exporter** sends goods to Europe and **discounts the export bill** with their bank. The bank credits the **post-shipment finance**, ensuring smooth cash flow.

📊 Summary Table

🏦 Facility	💰 Eligibility	⏳ Max Period	🔄 Repayment Method
🔄 Running Account Facility	Good track record exporters	As per bank norms	Export bill realization
💱 Forward Contracts	Confirmed export orders	Case-specific	Settled at market rate
🤝 EPC Sharing (PCFC)	Exporters & manufacturers	Linked to production cycle	Foreign currency transfer/export proceeds
🚛 Deemed Exports (PCFC)	Multilateral/bilateral projects	30 days or payment date	Foreign currency loan/EEFC/Rupee resources
💎 Diamond Dollar Account	₹3 Cr+ turnover for 3 years	12 months	USD proceeds
📜 Post-Shipment Finance	Exported goods/services	9 months	Export bill realization

📦 Advances Against Undrawn Balances on Export Bills

☑ Overview

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Certain exports require the **exporter to draw bills** for only **90-98%** of the **FOB (Free on Board) value**, leaving a **residual "undrawn balance."** This is paid by the **overseas buyer** after verifying the **quality/quantity** of goods.

◇ Key Guidelines for Advances Against Undrawn Balances

📌 Aspect	✅ Guidelines
📄 Eligibility	Exporters dealing in **commodities requiring undrawn balances**.
💰 Advance Approval	Banks can grant advances based on **commercial judgment** and **buyer track record**.
🔄 Risk Factor	Payment is **contingent** on the buyer's satisfaction.

🏗 Advances Against Retention Money

☑ What is Retention Money?

Retention money refers to a **portion of payments** held back by the **overseas employer** in **turnkey projects/construction contracts** to ensure contract compliance.

◇ Key Guidelines for Advances Against Retention Money

📌 Aspect	✅ Guidelines
🔹 Service Contracts	**No advances** against **service retention money**.
🔹 Supply Contracts	**Selective advances** based on **size & impact**.
🔹 Security Requirement	Where possible, **LCs or Bank Guarantees** should secure retention payments.
🔹 Interest Rate	- If retention money is payable **within 1 year**, banks charge the **prescribed rate** for up to **90 days**. - Beyond **90 days**, interest as per **ECNOS (Export Credit Not Otherwise Specified)** applies.
🔹 Extended Terms	If retention money is payable **after 1 year**, the advance is treated as **post-shipment credit**.

💡 **Example:**

A **construction company** in India builds a **hospital in Dubai** under a turnkey contract. The **client retains 5% of total payments** for **one year** as a **quality guarantee**. The bank offers a **loan against this retention money**.

💵 Purchase/Discount of Export Bills (DP/DA Bills)

☑️ Types of Export Bill Financing

🏦 Bill Type	📌 Explanation
💰 DP (Documents Against Payment) Bills	Bank retains **control of goods** until the buyer **pays**.
✍️ DA (Documents Against Acceptance) Bills	Buyer accepts the bill, and **goods are released**, making it a **clean advance**.

◇ Risk Management for Banks

✔ **ECGC cover** is recommended.

✔ Banks **normally take Whole Turnover Post-Shipment Guarantee (WTPSG)**.

✔ **House bills** should not be purchased unless specifically approved.

💡 **Example:**

An exporter in **Kolkata ships garments to a UK buyer** under **DA terms**. The bank **discounts the bill**, but the buyer **delays payment**, making it a **high-risk clean advance**.

📑 Negotiation of Export Bills Under Letter of Credit (L/C)

☑ L/C Negotiation Guidelines

📌 Aspect	☑ Requirement
📜 L/C Compliance	Banks **negotiate export bills only if all terms in L/C are met**.
❌ Risk of Non-Payment	**Even minor discrepancies** allow the issuing bank to **reject payment**.
🔍 Common Discrepancies	Late document submission, incorrect Bill of Lading, missing signatures, incorrect invoice amounts, etc.

🚛 Export on Consignment Basis

☑ Guidelines for Consignment Exports

📌 Aspect	✅ Requirement
⚠ Risk Factor	Higher risk due to **possible misuse** in repatriation.
💰 Interest Rate	Charged **like outright sales** with a max period of **365 days**.
⏳ Payment Period	If extended **beyond 365 days**, **RBI (FED) approval** is required.

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💡 **Example:**

A **jewelry exporter** sends **diamond rings** on a **consignment basis** to a **US retailer**. If the **sales take longer than a year**, the **bank withdraws concessional rates**.

💎 Export of Precious & Semi-Precious Stones

✔ **Exports are often on a consignment basis.**

✔ Pre-shipment credit must be **transferred to a post-shipment account** upon shipment.

✔ Must be **settled within 365 days** or within an **extended RBI-approved period**.

💡 **Example:**

A **diamond merchant in Surat** ships polished diamonds on **approval terms**. If the **buyer delays payment**, the **bank converts the loan to post-shipment credit**.

🎪 Export of Goods for Exhibition & Sale

☑ **Key Guidelines**

✔ Banks provide **finance for goods sent abroad for exhibitions**.

✔ After sale, banks apply **concessional interest rates** at **both pre &**

post-shipment stages.

✔ Advances must be **maintained in separate accounts**.

💡 **Example:**

An **art exporter** ships paintings to an **exhibition in Paris**. The bank **finances** the shipment and **adjusts the loan** after **sales are completed**.

🎯 Advance Against Duty Drawback Entitlements

☑ Guidelines for Advance Against Duty Drawback

✔ Banks grant **post-shipment advances** against **duty drawback entitlements**.

✔ **ECGC guarantee** is required.

✔ **Final sanction/payment by Customs Authorities** determines loan adjustments.

✔ Financing can be done **against the Export Promotion Copy of the Shipping Bill**.

💡 **Example:**

An **auto parts exporter** in Pune receives a **duty drawback of 5%**. The bank provides **advance financing** until Customs **releases the final payment**.

📜 Post-Shipment Credit on Deferred Payment Terms

☑ Key Guidelines

- ✔ Banks can **grant post-shipment credit** for more than **1 year**.
- ✔ Applies to **capital & producer goods exports**.
- ✔ **RBI approval required** for terms exceeding standard timelines.

💡 **Example:**

An **Indian machinery manufacturer** exports **equipment to Africa** under a **3-year deferred payment plan**. The bank **extends post-shipment credit** for this period.

📊 Summary Table

🏛 Facility	💰 Eligibility	⌛ Max Period	🔄 Repayment Method
🔄 **Advances on Undrawn Balances**	Commodities with 90-98% upfront payment	Case-specific	Payment from buyer

🏦 Facility	💰 Eligibility	⌛ Max Period	🔄 Repayment Method
🏗️ **Retention Money Advances**	Turnkey projects/construction contracts	1 year+	Bank Guarantee or LC
💵 **Discounting DP/DA Bills**	Exporters with trade contracts	NTP (25 days)	Payment from buyer
📑 **L/C Negotiation**	Strictly as per L/C terms	Case-specific	Issuing bank payment
🚛 **Consignment Exports**	Precious stones/jewelry	365 days max	Sale proceeds from abroad
🎪 **Exhibition & Sale Exports**	Exhibition participants	Case-specific	Sale proceeds
🎯 **Advance on Duty Drawback**	Duty drawback exporters	Pending Customs sanction	Customs payment
📜 **Post-Shipment Deferred Credit**	Capital & producer goods exporters	1+ year (RBI approval)	Payment from importer

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🛡️ ECGC Whole Turnover Post-Shipment Guarantee Scheme

☑️ Overview

The **Whole Turnover Post-Shipment Guarantee Scheme** by **ECGC Ltd.** provides **protection to banks** against **non-payment of post-shipment credit** by exporters.

◇ Key Features of ECGC Post-Shipment Guarantee Scheme

📌 Feature	✅ Details
🏦 **Beneficiary**	Banks (to safeguard post-shipment credit).
🔄 **Coverage**	Protects against **non-payment** by exporters.
💰 **Cost of Premium**	**Absorbed by banks**, not passed on to exporters.
🛡️ **Additional Coverage for Exporters**	Exporters must obtain **buyer-wise insurance policies** to mitigate risk.
📉 **Capital Charge Benefits**	Banks benefit from **lower risk weight exposure** under **BIB (Bank Insurance Bond)**.

💡 **Example:**

An **Indian exporter** fails to pay back their **post-shipment loan** due to **buyer default**. The **bank claims ECGC insurance**, recovering **a percentage of the loss**.

💰 Interest Rates on Rupee Export Credit

Banks now charge **export credit interest rates** based on **MCLR/EBLR (Marginal Cost of Lending Rate / External Benchmark Lending Rate)** after adjusting for the **Interest Equalization Scheme**.

◇ Factors Affecting Interest Rates

✔ **MCLR/EBLR rate**

✔ **Risk category of the borrower (top-rated/unrated)**

✔ **Interest Equalization benefit**

📊 Categories of Export Credit & Applicable Interest Tenure

📍 Pre-Shipment Credit

📌 Duration	☑️ Eligible Period
⏳ Up to 270 days	Standard pre-shipment credit period.
📜 Against incentives receivable from Government (covered by ECGC)	Up to 90 days.

📍 Post-Shipment Credit

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📌 Category	⌛ Max Tenure
🏦 **On demand bills (Normal Transit Period - NTP as per FEDAI)**	As per FEDAI guidelines.
💳 **Usance Bills**	Up to **180 days**.
🏆 **For Gold Card Scheme Exporters**	Up to **365 days**.
💰 **Against Government incentives (covered by ECGC)**	Up to **90 days**.
📜 **Against undrawn balances**	Up to **90 days**.
🏗 **Against retention money (for supply contracts payable within 1 year)**	Up to **90 days**.

💡 **Example:**

An exporter **fails to submit export documents within 360 days** from the date of advance. The bank **charges the ECNOS rate** instead of the lower export credit rate.

⚠️ ECNOS (Export Credit Not Otherwise Specified)

If **pre-shipment advances** are **not liquidated within 360 days**, they **cease to qualify** for the prescribed **export credit rate** and will be classified as **ECNOS**.

◇ Key Guidelines for ECNOS

📌 Aspect	✅ Guidelines
🏛️ **Definition**	Export Credit Not Otherwise Specified (ECNOS).
📉 **Interest Rate**	Decided based on **MCLR/EBLR + spread guidelines**.
❌ **Penal Interest**	**No penal interest** to be charged on ECNOS.

💡 **Example:**

An exporter **does not complete shipment within 360 days**, and the bank **charges domestic lending rates instead of concessional export credit rates**.

💵 Interest on Post-Shipment Credit

🔹 Interest Structure Based on Payment Timing

📌 Nature of Bills	🏦 Payment Timeline	💰 Applicable Interest Rate
📜 **Demand Bills**	Before **expiry of NTP**	**Prescribed Rate** from **advance date to realization**.
📄 **Usance Bills**	Before **due date**	**Prescribed Rate** until due date or bank's **Nostro account credit date**.
💰 **Overdue Bills**	After **NTP for Demand Bills / Usance due date**	**Prescribed Rate** up to due date + **Overdue period interest**.
🔄 **Post-shipment Credit Beyond 180 Days**	Till further notice	**MCLR/EBLR minus 2.5%**.

💡 **Example:**

An exporter **fails to realize payment beyond NTP**, leading to **higher interest charges** for overdue bills.

🏦 Interest on Post-Shipment Credit Adjusted from Rupee Resources

If **ECGC settles a claim** due to **non-repatriation of foreign exchange** (e.g., **importer's country faces balance of payment issues**), banks:

✔ Charge **ECNOS post-shipment interest rate** on the **full advance amount**.

✔ **Refund excess interest** if the **exporter later realizes the amount**.

💡 **Example:**

An Indian exporter sends **machinery to Argentina**, but due to a **currency crisis**, payments are delayed. The bank claims **ECGC settlement**, but later **refunds the exporter when payment is realized**.

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📊 Summary Table

🏦 Facility	💰 Eligibility	⏳ Max Period	🔄 Repayment Method
🛡️ **ECGC Post-Shipment Guarantee**	Banks	12 months	ECGC claim settlement
💰 **Pre-Shipment Credit**	Exporters	Up to **270 days**	Export bill proceeds
📄 **Post-Shipment Credit**	Exporters	Up to **365 days (Gold Card)**	Payment from buyer
🔄 **ECNOS (Non-liquidated Pre-Shipment Credit)**	Delayed Exports	After **360 days**	Higher interest rates apply
💳 **Interest on Demand/Usance Bills**	Exporters	As per bill terms	Nostro credit realization
🏦 **Interest Adjusted from Rupee Resources**	ECGC settled claims	Case-specific	Difference refunded if paid later

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📉 Interest Equalization Scheme (IES) on Pre & Post-Shipment Rupee Export Credit

☑ Overview

The **Interest Equalization Scheme (IES)** was launched by the **Government of India** on **April 1, 2015**, for a period of **five years** and has been **extended until March 31, 2024**.

◇ Eligible Exports Under the Scheme

✔ **Exports under 410 tariff lines (ITC-HS 4-digit codes)**.

✔ **All exports by MSMEs across all ITC-HS codes**.

📊 Key Features of Interest Equalization Scheme (IES)

📌 Feature	✅ Details
📅 **Start Date**	**April 1, 2015** (extended till **March 31, 2024**)
💰 **Interest Equalization Rate**	**2% per annum** (Standard) **3% per annum for MSMEs**
🏢 **Merchant Exporters**	Included since **2019**, eligible for **2% interest equalization**
🏦 **Benefit to Exporters**	Banks must **pass on interest benefit upfront** & claim reimbursement from **RBI**

📌 Feature	✅ Details
⏳ **Claim Process**	Banks submit **original claims within 15 days** from the end of the month, duly certified by an **external auditor**
🔄 **Fund Reimbursement**	Ministry of Commerce places funds with **RBI** for **monthly reimbursement** via a **revolving fund system**

💡 **Example:**

An **MSME exporter** taking a **₹50 lakh export credit loan** under **IES** gets **3% annual interest equalization**, reducing interest costs by **₹1.5 lakh per year**.

🏭 Minimum Processing Requirement for Exports

To qualify for **Interest Equalization Scheme**, exports must meet the **"Rules of Origin (Non-Preferential)"** as per **Foreign Trade Policy 2015-2020**.

✔ **Manufacturing definition as per FTP Para 9.31 must be met**.

✔ If imported raw materials are used, the final product must undergo **substantial processing** beyond basic operations.

❌ Operations That Do NOT Qualify as 'Manufacturing'

🚫 Disallowed Operations	🔍 Examples
🧹 **Simple Cleaning**	Dust removal, sorting, washing.
📦 **Packing & Repacking**	Placing items in bottles, boxes, or other simple containers.
🥶 **Preservation Methods**	Freezing, brining, ventilation.
🏷️ **Labeling/Marking**	Adding stickers or serial numbers.
🛠️ **Basic Assembly**	Simply putting parts together.
💧 **Simple Dilution**	Adding water or other substances without altering the product's characteristics.

💡 **Example:**

An exporter **repacking imported sugar into smaller bags** does **not qualify** for IES benefits. However, a manufacturer **processing raw sugar into refined sugar** qualifies.

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📡 Exclusion of Telecom Instruments Sector

✔ **6 HS lines in the Telecom sector are excluded.**

✔ **MSME manufacturers of Telecom Instruments remain eligible.**

💡 **Example:**

A **large-scale mobile phone manufacturer** under the **PLI scheme** is **not eligible** for IES, but an **MSME telecom component exporter** is **eligible**.

⚖️ IES & Production Linked Incentive (PLI) Scheme

IES is NOT available for exporters benefiting from the **Production Linked Incentive (PLI) Scheme**.

◇ **Exception:**

✔ **IES is allowed for other segments where PLI benefits were NOT availed.**

✔ Banks must obtain a **Self-Declaration** from exporters stating:

"I/We am/are not availing benefits under the PLI scheme in the segment/sector for which this application for pre/post-shipment credit under IES has been made."

💡 **Example:**

A **textile manufacturer under PLI** cannot claim IES for textiles but can **claim IES for home furnishings exports**.

📊 Summary Table

🏦 Aspect	✅ Details
📅 **IES Validity**	Until **March 31, 2024**
💰 **Interest Rate Benefits**	**2% for standard exporters 3% for MSMEs**
🏭 **Eligibility**	**Exports under 410 tariff lines (ITC-HS codes) All MSME exports**
📦 **Excluded Sectors**	**Telecom sector (except MSME manufacturers)**
⚖️ **PLI Scheme Beneficiaries**	**Not eligible** for IES (except for non-PLI segments)
🔄 **Reimbursement Process**	Monthly reimbursement through **RBI**
📜 **Rules of Origin (Non-Preferential)**	Requires **minimum processing & transformation** for export eligibility

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🌍 Post-Shipment Export Finance in Foreign Currency

🔄 Rediscounting of Export Bills Abroad Scheme (EBR)

The **Rediscounting of Export Bills Abroad (EBR) Scheme** allows banks to **discount usance export bills** using their **foreign exchange reserves** or by **rediscounting with overseas banks at international interest rates**.

◇ Key Features of EBR Scheme

📌 Feature	✅ Details
💰 **Funding Sources**	EEFC, RFC, FCNR(B) accounts.
🔄 **Rediscounting Flexibility**	Banks can **rediscount export bills abroad** at **international rates**.
🏦 **Banker's Acceptance Facility (BAF)**	Banks can arrange a **BAF** with overseas banks or rediscounting agencies **without margin requirements**.
📜 **Factoring Arrangements**	Permitted **only on a "without recourse" basis**.
💳 **Exporter's Direct Line of Credit**	Exporters can **arrange their own discounting** through overseas banks/factoring agencies **via designated banks in India**.

📌 Feature	✅ Details
🚫 **Borrowing Limits Exemption**	BAF limits do **not count** towards RBI borrowing limits for banks.

💡 **Example:**

An **Indian pharma exporter** sends a **90-day usance bill** to a European buyer. The exporter's bank **discounts the bill with an overseas bank** under EBR, ensuring **faster cash flow**.

✅ Eligibility Criteria for EBR

📌 Criteria	✅ Guidelines
⏳ **Maximum Usance Period**	**Up to 180 days** from shipment date.
📜 **Demand Bills Inclusion**	Allowed **if overseas institution permits**.
🌎 **Convertible Currencies**	EBR can be offered in **any major convertible currency**.
🌍 **ACU Countries**	EBR is **allowed for exports to Asian Clearing Union (ACU) countries**.

📌 Criteria	✅ Guidelines
🏦 **Centralized Operations**	Banks may **centralize** BAF at a **designated branch** for easier operations.

💡 **Example:**

An **IT hardware exporter** secures a **180-day usance bill discounting facility** through **EBR** to enhance liquidity **without increasing bank borrowings in India**.

💵 Source of Onshore Funds for EBR

📌 Funding Source	✅ Details
💰 **Foreign Currency Reserves**	Banks may use **EEFC, RFC, FCNR(B) balances**.
🔄 **Holding Bills in Portfolio**	Banks may **hold bills without rediscounting**.
🔄 **Rediscounting Between Banks**	Banks **can offer rediscounting** to other Indian banks that have **exhausted their limits**.
💳 **Inter-Bank Credit Lines**	Banks **can borrow from Indian banks** if overseas borrowing is unavailable.

📌 Funding Source	✅ Details
🏦 **Foreign Currency Buy-Sell Swaps**	Banks **can use forex swaps** for rediscounting.

💡 **Example:**

A **furniture exporter** in Punjab gets a **foreign currency loan** by **discounting their usance bills** through an Indian bank that has **excess forex liquidity**.

🛡️ ECGC Cover for Rediscounted Bills

📌 Scenario	✅ ECGC Coverage
📜 **Rediscounted "With Recourse"**	**ECGC cover continues** since exporter remains liable.
🚫 **Rediscounted "Without Recourse"**	**ECGC liability ceases** once bills are rediscounted.

💡 **Example:**

An **auto parts exporter** rediscounts **export bills "without recourse."** Since liability shifts to the overseas bank, **ECGC coverage stops**.

EXPORT FINANCE

Refinance for EBR

- **RBI does not provide refinance for EBR-discounted export bills**.
- Export bills **should be shown separately** from normal **export credit** when reporting to RBI.
- **Dr. Urjit R. Patel Committee Recommendation:** Move away from **sector-specific refinance** to a **generalized liquidity approach**.
- **Export Credit Refinance (ECR) is replaced** by a **special term repo facility** (0.25% of Net Demand & Time Liabilities - NDTL).

Example:

A **textile exporter** discounts their **90-day export bill** under EBR but **cannot avail RBI refinance**, as **liquidity access is now market-driven**.

📊 Interest Rate Structure on Export Credit in Foreign Currency

📌 Factor	✅ Interest Rate Determination
📉 **Market-Based Rates**	Interest rates depend on **global financial market conditions**.
⏳ **Tenor of Credit**	**Shorter duration = Lower rate**.
💰 **Spread Guidelines**	Spread **must follow RBI regulations**.
🔄 **Reference Rate**	Linked to **Alternate Reference Rate (ARR)**.

💡 **Example:**

A **leather goods exporter** in Chennai **discounts a 60-day export bill** at **an international reference rate + 200 basis points (bps).**

📊 Summary Table

🏦 Facility	💰 Eligibility	⏳ Max Period	🔄 Repayment Method
🔄 **Rediscounting Export Bills (EBR)**	Usance export bills	**Up to 180 days**	Payment from buyer
🏦 **Banker's Acceptance Facility (BAF)**	Banks	No fixed period	Rediscounting without margin

🏦 Facility	💰 Eligibility	⏳ Max Period	🔄 Repayment Method
💰 **Exporter's Direct Discounting**	Eligible exporters	Case-specific	Routed via designated bank
💵 **Foreign Currency Onshore Funds**	EEFC, RFC, FCNR(B)	Case-specific	Banks use available forex balances
🛡️ **ECGC Cover for Rediscounted Bills**	Banks with EBR	Until bill is paid	Depends on "With/Without Recourse"
🔄 **Inter-Bank Rediscounting**	Indian banks	No fixed period	Rediscounting between banks
📉 **Foreign Currency Loan Interest Rates**	Exporters using EBR	Market-based	Linked to **global reference rates**

Here's the **structured, visually enhanced version** of your document with **tables, real-world examples, and engaging icons/emojis** for better readability and clarity.

🏦 Customer Service & Simplification of Procedures

✅ Overview

The **Reserve Bank of India (RBI)** has implemented several measures to:

✔ **Enhance exporters' competitiveness** in global markets.

✔ **Reduce operational delays** in banks.

✔ **Simplify credit procedures** for exporters.

📌 15.7.1 Customer Service for Exporters

📌 Aspect	✅ Guidelines
💰 **Timely & Adequate Credit**	Banks must ensure **quick credit disbursement** to exporters.
📞 **Export Advisory Services**	Banks should establish **Export Counsel Offices** to **guide exporters**, especially **small businesses & new entrants**.

💡 **Example:**

A **small handicraft exporter** in Jaipur faces delays due to **documentation issues**. An **Export Counsel Office helps them streamline the process**, ensuring **faster loan approvals**.

🏆 15.7.2 Gold Card Scheme for Exporters

☑ Overview

Launched in **2005**, the **Gold Card Scheme** provides **privileged credit facilities** to **creditworthy exporters**.

◇ Key Benefits for Gold Card Holders

📌 Benefit	✅ Details
🎖 **Eligibility**	Available to **all creditworthy exporters** (excluding those blacklisted by ECGC or with overdue bills exceeding **10% of previous year's turnover**).
💳 **Simplified Credit Processing**	Faster approvals & **less paperwork**.
📉 **Lower Interest Rates**	**Preferential interest rates** compared to other exporters.
⏳ **Longer Sanction Period**	**In-principle limits** sanctioned for **3 years** with **automatic renewal** (subject to conditions).
💰 **Additional Credit Availability**	**20% standby limit** for **urgent orders**.
🛡 **Collateral Waiver**	Possible exemption from **ECGC guarantee** based on creditworthiness.

📌 Benefit	✅ Details
🔄 **Priority for Packing Credit in Foreign Currency (PCFC)**	Gold Card holders get **priority PCFC approvals**.
🌐 **Foreign Currency Credit Cards**	Based on **export bill realization record**, banks may issue **Forex Credit Cards**.

💡 **Example:**

A **textile exporter with a Gold Card** gets **pre-approved working capital credit**, allowing them to **quickly fulfill a last-minute export order**.

⏳ 15.7.3 Export Credit Sanction Turnaround Time (TAT)

📌 Type of Credit	⏳ TAT for Normal Exporters	🏆 TAT for Gold Card Holders
🆕 **New/Enhanced Limits**	**45 days**	**25 days**
🔄 **Limit Renewal**	**30 days**	**15 days**

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📌 Type of Credit	⏳ TAT for Normal Exporters	🏆 TAT for Gold Card Holders
⏳ Ad Hoc Credit	15 days	7 days

✔ **Banks should NOT charge additional interest** for ad hoc limits.

✔ Application forms should be **simplified** & **require fewer documents**.

✔ **Line of Credit** should be granted for **at least 1 year** (extendable up to **3 years**).

💡 **Example:**

A **leather goods exporter** applies for **a credit limit increase**. Their **Gold Card status** ensures **approval in 25 days** instead of **45 days**.

🔄 15.7.4 Crystallization of Export Bills

✔ Export bills should be **realized within 9 months**.

✔ In **genuine cases**, the period can be **extended**.

✔ If **not realized on time**, the **outstanding amount converts into a rupee loan** to prevent **exchange rate losses**.

✔ In case of **default**, banks must **lodge ECGC claims** for settlement.

💡 **Example:**

A **furniture exporter to the US** faces **payment delays** due to a **buyer's liquidity issues**. The bank **crystallizes the bill into a rupee loan**, avoiding forex losses.

📜 15.8 Other Important Points in Export Finance

🏛️ Key Considerations for Banks

📌 Aspect	✅ Guidelines
📖 **Foreign Trade Policy (FTP)**	Banks must check if an export is **allowed** & **deemed export provisions** apply.
🛡️ **ECGC Cover**	Banks must assess **ECGC risk coverage** for exporters.
📑 **Security & Documentation**	Ensure **proper margin, collateral, & compliance with bank policies**.

🔍 15.8.1 Best Practices for Export Finance Processing

✔ **Assess real requirements** of exporters & approve finance promptly.

✔ Obtain **all required documents upfront** to **avoid delays**.

✔ Conduct **pre-sanction inspections & KYC due diligence**.

✔ Avoid **piecemeal queries**—ask for all information in **one go**.

✔ Adopt **flexible margins & security norms** without compromising **viability**.

✔ Evaluate the **exporter's expertise** before granting credit.

💡 **Example:**

A **software exporter** applies for **working capital finance**. The bank **assesses their expertise**, ensuring they have **the capability to deliver the project** before approving the loan.

🔢 15.8.2 Methods to Assess Export Credit Limits

📌 Method	✅ Applicable Cases
📊 **Projected Turnover Method**	For limits **up to ₹5 crore**.
🔄 **ABF / MPBF Method**	As per **bank policy**.
💰 **Cash Budget Method**	For **customized credit assessment**.

✔ Under **consortium lending**, once **MPBF is approved, banks must process proposals quickly**.

✔ **Annual review of export limits** should be **timely** to ensure **uninterrupted finance**.

💡 **Example:**

A **pharma exporter with ₹4 crore turnover** gets finance using the **Projected Turnover Method**.

🌎 15.8.3 Additional Risk Considerations for Banks

✔ **Check buyer's L/C issuing bank's creditworthiness**.

✔ If an **export order lacks L/C support**, get a **foreign buyer's status report**.

✔ Assess **political & financial risks** in the buyer's country (use **ECGC or Head Office reports**).

✔ **Pre-shipment & post-shipment finance** should be **sanctioned together** for seamless credit flow.

✔ **Post-shipment finance should only be granted at authorized branches**.

💡 **Example:**

A **wheat exporter** ships goods **without an L/C**. The bank checks the **buyer's country's economic stability** before approving credit.

📊 Summary Table

🏛 Aspect	✅ Guidelines
💳 Gold Card Scheme	Faster approvals, lower interest rates, priority credit processing.
⏳ Export Credit Sanction TAT	Faster processing for Gold Card holders (25 days for new limits, 7 days for ad hoc credit).
🔄 Crystallization of Export Bills	Convert overdue forex bills into rupee loans to avoid exchange rate risks.
📖 Foreign Trade Policy (FTP)	Ensure compliance before approving export finance.
🔍 Risk Analysis	Assess buyer, country risk & ECGC coverage.
📉 Flexible Credit Assessment	Use Projected Turnover, MPBF, or Cash Budget methods.
🏛 Consortium Lending	Faster processing once MPBF is approved.
🔄 Annual Review of Limits	Must be completed without interrupting finance.