

Facilities for exporters and importers

CH – 5 Module A BFM By Ashish Sir

🌐 In India, export trade is facilitated by **DGFT (Directorate General**

of Foreign Trade) under the **Ministry of Commerce and Industry.**

🧵 While **DGFT** announces export-import policies and procedures, the **Reserve Bank of India (RBI)** regulates the financial aspects under the **Foreign Exchange Management Act (FEMA).**

🛠 Key Roles

Authority	Function
DGFT	Issues Export-Import policies & procedures
RBI	Governs exchange control, forex transactions, and trade finance under FEMA

⚖ Exchange Control Regulations and Import-Export Trade Control

Regulations apply to all international transactions.

🧭 Who Controls What?

Area	Controlled By
📦 Export/Import Policy	DGFT (via FTP - Foreign Trade Policy)
₹₹ Forex payments/receipts, FEMA rules	RBI
📊 Export finance guidelines	RBI
🌐 Trade documentation standards	International Chamber of Commerce (ICC)
📈 Forex market best practices	FEDAI (Foreign Exchange Dealers Association of India)

Key ICC Guidelines

- UCP 600 – Uniform Customs & Practice



- **URC 522** – Uniform Rules for Collections
- **URDG 758** – Uniform Rules for Demand Guarantees
- **Incoterms 2020** –  Global delivery/shipping terms

FEDAI's Role (Since 1958)

- Approved by RBI 
- Promotes standard practices in forex business
- Supports external sector development

 **Authorized Dealers (ADs) must strictly ensure that no banned/restricted items are traded without necessary approvals.**

 **RBI**

EXCHANGE AND TRADE CONTROL GUIDELINES FOR EXPORTERS

 **DGFT**

Importer-Exporter Code (IEC) Number

Every exporter/ importer must **obtain an IEC** from DGFT to conduct international trade.

Additional Registrations (As per Nature of Export)

Type of Export	Registration Required	Authority
Services	RCMC from SEPC or FIEO	SEPC/FIEO
Software	Registration with STPI	Software Technology Park of India

 **IEC must be quoted on all trade documents and declarations.**



Export Declaration Forms (EDF/SOFTEX)



Under Section 7(1)(3) of FEMA, every exporter must declare that **full export value will be realized.**



Types of Declaration Forms

Form	Applicable For
#1 EDF	All physical exports (except software)
#2 SOFTEX	Export of software in non-physical form

Example: A company exporting garments to Germany files an **EDF form** at Customs. A tech firm exporting software to the USA submits the **SOFTEX form**.

 **In EDI-enabled Customs locations**, GR forms are replaced by EDF forms submitted with the shipping bill.



Exemptions from EDF/SOFTEX Filing

No.	Exempted Category	Example
1	Trade samples / publicity material (free)	Free perfume samples sent to Dubai
2	Personal effects	Personal luggage of NRIs
3	Ship stores / military orders	Food for naval ships
4	Gifts ≤ ₹5 lakh	Diwali gift hampers to clients abroad
5	Aircraft parts (to be re-imported)	Jet engine sent to Singapore for repair
6	Goods on re-export basis	Laptop sent for demo & return
7	SEZ surplus/defective imports	Surplus chips returned to US supplier
8	Free replacement goods	Damaged phone replaced free of cost
9	Items sent for testing	Pharma samples sent to lab in UK
10	Defective items for repair	Circuit board returned to Germany
	RBI permitted exemptions	Specific one-time relaxations



Time Limits – Submission & Realization



A. Submission of Export Documents

Export → direct shipment

Requirement	Time Limit
Submit EDF/ SOFTEX & docs to AD Bank	Within 21 days from export <u>Shipment</u>
<p>👉 ADs can accept delayed submissions if reasons are genuine and beyond exporter's control.</p>	



B. Realization of Export Bills

Type of Export	Realization Period
Normal Exports	Within 9 months from export date

9M → 15M



Warehouse exports (with RBI approval)	Within 15 months
SEZ/EOU/EHTP/STP/BTP Units	Within 9 months (with possible extension)



COVID-19 Relaxation Example:

For exports up to **31st July 2020**, the time limit was **extended to 15 months**.

If not realized on time, exporters must apply to AD Bank using Form **TX** for extension.



Prescribed Methods of Payment

All payments must be received via an **Authorized Dealer (AD) Bank**, as per FEMA Notification No. FEMA.14(R)/2016-RB.



Acceptable Modes of Payment

Mode	Description
Bank draft / pay order / Nostro credit / inward remittance	Standard banking channels
Foreign currency / traveler's cheques	Direct cash equivalents
FCNR/NRE Account	NRI account payments
International Credit Cards	During exporter's overseas visit
Indian Rupees	Transactions with Nepal & Bhutan
Gold/Silver/Platinum	From SEZ-based gem & jewellery units



In **exceptional cases**, ADs may accept cheques/ DDs directly if exporter's track record is strong.



ACU (Asian Clearing Union) Payments



ACU Members: India, Bangladesh, Nepal, Bhutan, Maldives, Sri

Lanka, Myanmar, Pakistan, Iran



Settlement Currencies:

- ACU USD
- ACU EUR
- ACU JPY

These are equivalent to USD, EUR, and JPY for settlement purposes

but recorded as ACU currency.



Example: Exporter in India receives payment from Sri Lanka in ACU USD to a dedicated ACU account held by their AD bank.



Special Provisions for Nepal & Bhutan

Country	Payment Mode
Nepal	Indian Rupees or free foreign exchange (with Nepal Rashtra Bank's approval)
Bhutan	Indian Rupees

🚫 Nepal is exempt from ACU settlement mechanism.



Export to Iran

Category	Mode of Receipt
Eligible goods/ services	Any freely convertible currency (as per RBI directions)
Others	As directed by RBI



For Non-ACU Countries

Method	Description
INR from bank in non-ACU country	E.g., Indian bank branch in Dubai
Permitted foreign currencies	USD, GBP, EUR, JPY etc.
Third-party payments	Allowed under RBI guidelines



Import Payments from ACU Countries

Mode	Description
Credit to ACU USD/EUR/JPY a/c in India	Of a bank from ACU member country
Debit from AD's ACU a/c with correspondent bank	Maintained in ACU member country



SUMMARY TABLE

Section	Key Takeaway
Introduction	<u>DGFT controls trade policy; RBI governs forex & financing</u>
IEC Code	Mandatory for all exporters/importers
EDF/SOFTEX	Mandatory declaration for physical/software exports
Time Limits	21 days for doc submission; 9–15 months for realization
Payment Modes	<u>Must route through AD; ACU mechanism for member nations</u>



FACILITIES FOR EXPORTERS – FACILITIES /

REMITTANCES CONNECTED WITH EXPORTS



(a) Agency Commission on Exports



Exporters may pay **agency commission** through:

- Direct **remittance**, or
- **Deduction** from invoice value



Conditions:

No.	Condition	Details
#1	Declaration	Commission must be declared in EDF/ SOFTEX and accepted by Customs
#2	Shipment	Related export must have already been completed
#3	Non-declaration Cases	If not declared, remittance allowed only if exporter submits <u>valid reasons and agreement with agent</u>

 **Example:** A textile exporter pays 3% commission to a U.S.-based agent post-shipment through deduction in invoice, as per prior agreement.



(b) Reduction in Invoice Value

Exporters may reduce invoice value due to:

- Cash discounts  for **prepayment of usance bills** #1
- Other **genuine reasons** like trade disputes #2

* Reduction Allowed If:

Criteria	Permissible Condition
 Discount	For unexpired usance bills at ARR/ benchmark rate
 After Negotiation	Up to 25% reduction if exporter is not on RBI caution list and commodities aren't under floor price restrictions
 Established Exporter	No percentage limit if:

1. Exporter has 3+ years' history
 2. Track record is satisfactory
 3. Outstanding export bills \leq 5% of average exports of last 3 years

 **Example:** A pharma exporter gives a 10% discount on early payment of a 180-day usance bill.



(c) Claims Against Exports

 Claims can be allowed if:

- **Proceeds have been fully realized** 
- **Exporter is not on RBI's caution list**



Example: A machine found defective after delivery is replaced.

Claim processing allowed post full realization.



(d) Refund of Export Proceeds

 Refunds allowed through the AD bank that received original proceeds if goods are:

- **Re-imported due to quality issues, disputes, etc.**

✓ Conditions for Refund:

No.	Requirement
1	<u>Due diligence on exporter track record</u>
2	<u>Transaction genuineness check</u>
3	DGFT/Customs certificate confirming no incentives claimed or surrendered proportionately
4	Undertaking to re-import goods within 3 months
5	Normal import procedures followed

💡 **Example:** Electronic components returned from Germany due to defects are re-imported; refund processed post verification.

⌚ (e) Extension of Time Limit

📍 Exporters can seek extension (via **Form ETX**) if realization not possible within prescribed period.

⌚ RBI Allows ADs to Extend Up To 6 Months If:

Condition	Description
🔍 Not Under Investigation	No cases by ED, CBI, etc.
👉 Reasons Valid	Exporter unable to realize for reasons beyond control
📝 Declaration	Exporter commits realization in extended time
📅 Outstanding Limit	<u>Total outstanding ≤ USD 1 million or 10% of average realization of past 3 years</u>

9M → 6M → 1.5M

 Legal Cases	If suit filed abroad, extension granted irrespective of amount
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Report extensions on EDPMS (Export Data Processing and Monitoring System)

(f) Write-off of Unrealized Export Bills

If recovery is not possible despite best efforts, exporter can:

- Self-write off, or
- Request AD Bank to write off

[SWS] exporter & not SHE → 5% of Py Real
SHE [SWS] → 10%.

✓ Write-off Limits

Exporter Type	Limit
 Regular Exporter	Up to 5% of exports realized last calendar year
 SEZ/Status Holder	Up to 10%
 AD Bank	Additional 10% of export realized last year

FREE Unlimited Write-off Allowed If:

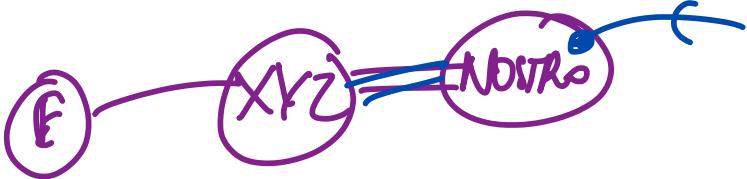
Case	Description
 Buyer Insolvent	Certificate from Official Liquidator
 Embassy Settlement	Settlement via Foreign Chambers or Embassy
 Goods Destroyed	By Port/Customs/Health authorities abroad

Example: Frozen fish destroyed at foreign port by health officials
 – write-off granted by AD bank.

Impress

(g) Effective Date of Realization

17 Defined by FEDAI Rules:



Bill Type	Effective Date
₹ Foreign Currency	Date of credit to bank's NOSTRO account
₹ Rupee	Date of debit from buyer's VOSTRO account

Example: USD 50,000 received from France is credited on 5th April in NOSTRO account → treated as realization date.



Foreign Currency Accounts

(i) Overseas Foreign Currency Account

✓ Permitted To:

- #1 Exporters for holding proceeds abroad
- #2 Participants of foreign trade fairs (temporary account)
- #3 SEZ units
- #4 Project/service exporters
- #5 Overseas branches/offices of Indian entities

→ Balances from exhibitions must be repatriated within 1 month

Example: Exporter opens FC account in Singapore to manage payments for imports and avoid conversion loss.

(ii) Diamond Dollar Account (DDA)

For exporters dealing in rough/polished diamonds or diamond-studded jewellery

→ CA → **USD**

Track Record → 2 years
Annual Avg Turnover
3 LY → *3 crore*

✓ Conditions:

Parameter	Requirement
⌚ Track Record	At least 2 years 2 years
💰 Turnover	Minimum ₹3 crore ₹3 crore
12 34 Limit	Up to 5 DDAs with AD banks

💼 (iii) EEFC Account (Exchange Earners' Foreign Currency Account)

- ✓ For resident exporters including SEZ/STP/EPZ units
- ✓ Maintained with AD Category-I bank
- ✓ Non-interest bearing current account
- 📌 Credit Limit: Up to 100% of foreign currency inward remittances

📅 Conversion: Must convert balance to INR by end of next month (after adjusting for utilization)

💡 Example: Software firm credits \$10,000 from US client to EEFC; uses funds for cloud service payments without reconversion.

Feature	Details
☰ Type	Current account (non-interest bearing)
☰ Usage	Any current account transaction including packing credit repayment
✖ No Loans	No fund/non-fund credit allowed against EEFC balance

SUMMARY

Facility	Key Benefit	Notable Condition
 Agency Commission #1	Payment to overseas agents	Must be declared in EDF or justified later
 Invoice Reduction #2	Discount for early payment	Max 25% unless track record is strong
 Claims #3	Processed post realization	Exporter must not be on caution list
 Refund of Proceeds #4	Re-import of goods	<u>Must surrender incentives, re-import in 3 months</u>
 Time Extension #5	6 months at a time	Subject to RBI/AD conditions
 Write-off #6	For unrecoverable bills	Self up to 5-10%, full if insolvency/damage
 Realization Date #7	Defined for interest/accounting	NOSTRO/VOSTRO-based
 FC Accounts #8	Holding foreign proceeds	SEZ/project exporters/participants allowed
 DDA #9	For diamond trade	Min 2-year track record, ₹3 Cr turnover
 EEFC #10	Foreign earnings management	100% credit allowed, no interest, INR conversion mandatory



EDF WAIVERS & SET-OFF/NETTING FACILITIES

🚫 EDF Waivers

Exporters may obtain **Export Declaration Form (EDF) Waivers** in the following scenarios:

Exporter Category	Waiver Eligibility
✉️ Trade samples/publicity material	Sent free of cost
🎁 Gifts	Up to Rs. 5 lakhs
♻️ Re-exports	Goods imported free of cost
🛠️ Repairs/replacements/testing	Sent with re-import intention
🌐 SEZ units	Re-export of defective imported goods
🏡 Trade fairs/exhibitions	Temporary display goods
⭐ Status holders/SEZ	GR waiver up to 2% of average export of past 3 licensing years
⌚ Gems & Jewellery exporters	Up to Rs. 1 crore or 2% of average annual export (whichever is lower)
💉 Pharma companies	Up to 8% of average annual export of past 3 years
📊 Others	Need RBI approval via AD Bank

— Set-off of Export Receivables Against Import Payables

Condition	Requirement
🌐 Transaction Basis	Must comply with FTP and EDPMS/IDPMS
⌚ Timing	Both legs must occur within same calendar year
⚠️ Service vs Goods	Not allowed to set off goods vs services
👥 Same Counterparty	Buyer & supplier must be the same entity
✓ Documentary Proof	CA certificate of receivables/payables
📄 Consent	Written approval from both parties
🔒 EDF	Released only after full proceeds adjustment

÷ Netting of Export Receivables Against Import Payables

Applicability		SEZ Units only
 Nature	Both goods and services allowed	
 Date	As of SEZ Unit's Balance Sheet date	
 Evidence	CA-certified documentation for both legs	
 EDF	Issued after netting & full adjustment	

EXPORT FINANCE

The **Reserve Bank of India (RBI)** introduced Export Finance in **1967** to:

- Offer short-term working capital finance
- Support exporters with **concessional interest rates**
- Enhance global competitiveness of Indian exporters

Types of Export Finance

Stage	Type	Description
 Pre-shipment	Export Packing Credit (EPC) / Packing Credit Loan (PCL)	Advance for procurement, production, and packing before shipment
	Advance against Government receivables	Duty Drawback etc.
 Post-shipment	Export bills purchased/discounted/negotiated (FBP/FBD/FBN)	After shipment of goods
	Advance against bills sent on collection	Export proceeds not immediately realized

	Advance against exports on consignment	Goods sent on consignment
	Advance against undrawn balances	Exporter retains partial claim post-shipment
	Advance against Duty Drawback	Government incentive advances



PRE-SHIPMENT FINANCE

Packing Credit is a working capital advance to finance raw material procurement, processing, and shipment preparation.



A. Pre-Sanction Guidelines

Criteria	Details
KYC Compliance	Exporter must comply with full KYC norms
IEC Code	Must be obtained from DGFT
RBI Caution List	Exporter must not appear in it
ECGC Approval	Not on specific denial list
Valid Order/LC	Firm order or LC must exist
Viability	Bank assesses execution capacity and turnover
Period	PCL normally up to 180 days (extendable to 360)
Quantum	Based on FOB or domestic value (whichever is lower)
Margin	Deducted from finance limit
Interest	Linked to MCLR since April 1, 2016



B. Post-Sanction Controls

Checkpoint	Compliance Requirement
No double financing	Ensure PCL not availed elsewhere

 Foreign Buyer Report	Obtain credit report
 Stock Statement	Periodically submitted
 Document Security	Submit LC/contract copies
 Country Risks	Monitor buyer country conditions
 Insurance	Covered under ECGC WTPC/WTPS
 Liquidation	PCL to be adjusted via export proceeds/post-shipment finance
 Non-export Conversion	Penal interest charged

✨ C. Special Scenarios

Case	Provision
 Sub-supplier	Inland LC used to extend packing credit
 Running Account Facility	Allowed without LC/order initially, subject to conditions
 Good Track Record	Required for running account sanction
 Time Limit	LC/order to be submitted within reasonable time
 Oil Seed Exports	Oil sale proceeds can adjust PCL within 30 days
 Restricted Items	Need valid license
 Negative Category	Export not permitted

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POST-SHIPMENT FINANCE

Post-shipment finance is a type of advance against export receivables. It involves:

-  Dispatch of export documents
-  Submission to foreign banks/buyers
-  Collection of proceeds

 **RBI monitors realization of export proceeds, increasing the responsibility of Authorized Dealers (AD Banks).**

Key Conditions

 Requirement	Details
 Valid IEC	Exporter must have Importer Exporter Code
 EDF/SOFTEX	Duly certified & submitted within 21 days
 Delayed Submission	AD may condone delay for valid reasons with proof
 Rupee Finance	Bills purchased/discounted at bill buying rate
 Interest Rate	As per RBI guidelines
 Payment Mode	Must be received through RBI-approved channels

TYPES OF POST-SHIPMENT FINANCE

A. Export Bills Purchased/Discounted

Basis	Description
 Contract Terms	Bills drawn as per firm order/sale contract
 Sight Basis (DP)	Purchased by bank
 Usance Basis (DA)	Discounted by bank
 Risk	Higher without LC; especially for DA bills

Protection Measures:

- Cover under **ECGC WTPS policy**
- Buyer-wise ECGC policies
- **Restricted cover** for exports to risky nations

B. Export Bills Negotiated

Negotiation is done under **Letter of Credit (LC)**.

Compliance	Required Action
 UCP 600	Documents must conform to LC terms
 Discrepant Docs	LC issuing bank may reject payment

Common Discrepancies include:

1. Late shipment or presentation
2. Expired LC
3. Excess drawing
4. Non-compliant port details
5. Unauthorized partial shipments
6. Incorrect/incomplete Bill of Lading
7. Discrepancy in weights/marks
8. Mismatched invoice vs. other docs
9. Inadequate insurance
10. Incorrect drafts or currencies
11. Short shipments or restricted carriers

 **Solution:** Exporter must rectify or bank may:

- Pay under indemnity
- Pay under reserve
- Obtain LC-issuing bank's authorization

C. Advances Against Bills on Collection Basis

Situation	Description
 Credit Limit Exhausted	Export limits fully utilized
 LC Discrepant	Documents not negotiable
 Delay Realization	Exporter requests delayed settlement

Banks provide rupee advances against such bills.

Terms	Details
 Interest	Concessional up to NTP/usance + grace
 Authority	Bank must have delegated powers

D. Advances Against Exports on Consignment Basis

Description	Goods sent for approval/sale; risk lies with exporter
 Realization Limit	9 months (15 months if via Indian-owned warehouses abroad)
 Trust Receipt Basis	Documents delivered against trust to consignee

E. Advances Against Undrawn Balances

Trade Practice	Part of export value left unpaid temporarily
 Risk	Often deducted later for quality or weight issues
 Limit	Max 10% of full export value
 Period	Advance allowed for up to 90 days

Exporter gives undertaking for realization & follow-up.

F. Advances Against Duty Drawback

Basis	Export incentives under Duty Drawback Scheme
 Eligibility	Exporters of high-cost goods (e.g. engineering)
 GST Impact	Drawback includes GST refunds post 01.07.2017

 **Security:** Provisional certification from Customs; cover under ECGC WTPS allowed.

Procedure:

- Shipping bill with EGM required
- Bank may note lien with designated bank for fund transfer



Other Key Conditions

Item	Description
Normal Transit Period (NTP)	25 days for all foreign currency bills
Sight Bill	NDT = 25 days from date of submission
Usance Bill	NDT = Usance period + NTP + grace (max 365 days)
Concessional Interest	Allowed up to NDT



Real-life Examples:

Type	Example
Sight Bill	Submitted on 01.07.21 → NDT = 25.07.21
90 Days DA Bill	Submitted 01.07.21 → NDT = 23.10.21
Fixed Due Date	No NTP; interest as per actual due date



Quantum of Finance

In post-shipment advances:

- **✗ No margin** is usually kept for bills under confirmed LCs.
- **⚠ For export bills against firm orders/contracts, banks may retain a margin of 10% to 25%, based on factors like:**
 - Type of bill (DP/DA)
 - Additional security
 - Exporter's past track record
 - Relationship value



Crystallization of Overdue Bills

When export bills in foreign currency are **not realized on due date**, banks face exchange risk.

Key Concepts:

- **Exporter's liability is to deliver foreign currency proceeds on due date.**
- If not realized, the foreign exchange risk continues indefinitely.
- **Crystallization:** Conversion of foreign currency liability into INR to limit risk.

As per FEDAI Rules:

- Banks must define their own **crystallization period**.
- Period may vary based on:
 - Type of commodity
 - Country of export
 - Transaction nature



Export Credit in Foreign Currency

To provide exporters with globally competitive rates, banks offer:

Pre-shipment Credit in Foreign Currency (PCFC)

Feature	Details
Currency	USD, GBP, EUR, JPY
Source	EEFC, FCNR-B, RFC, foreign borrowings, swaps
Tenure	Up to 180 days (extendable)

 Spread	Over LIBOR/EURIBOR/SOFR or other ARR (bank's discretion)
 Usage	For both domestic inputs & direct imports
 Liquidation	From foreign currency bill under EBR scheme



Export Bill Rediscounting (EBR)

Feature	Details
 Purpose	Post-shipment foreign currency finance
 Source	Own funds, borrowings, swaps, BAFs
 Tenure	Up to 180 days
 Interest	Linked to LIBOR/SOFR/ARR (bank's policy)
 Liquidation	Adjusted against PCFC or converted at TT rate

 **Note:** Post-01.01.2022, LIBOR is replaced by **SOFR** (USD) or other

ARRs based on transaction currency.



Example: Export Finance Sanction Summary

Facility	Sanctioned Limit
EPC/PCFC	Rs. 20 Cr
FBP/EBRD	Rs. 20 Cr
Inland LC (Sublimit)	Rs. 5 Cr
FBN	Rs. 30 Cr
Bank Guarantee (Cash)	Rs. 0.05 Cr



Terms: Pre-shipment Finance (EPC/PCFC)

Condition	Terms
 Eligibility	Confirmed orders/LCs only
 Drawing Limit	Max 75% of FOB value

 Drawing Power	Based on paid stocks & receivables minus margin
 Tenure	Up to 90 days or contract expiry
 Interest	EPC: MCLR + Spread ? PCFC: At drawdown
 Non-liquidation	Converted to CC limit; higher interest charged
 Default	Penal rate: MCLR (3M) + 4%

Other Covenants:

- Original orders/ LCs must be lodged within 1 month
- LCs must be from **prime international banks**
- EPC/PCFC allowed under **Running Account Facility**
- If exports don't occur, **domestic rate** applies

Terms: Post-shipment Finance (FBP/FBD/EBRD)

Type	Terms
 FBP (Demand Bills)	MCLR + spread, monthly interest
 FBD (Usance Bills)	MCLR + spread for full usance + NTP
 EBRD	At drawdown, subject to fund availability
 Reset	Every 3 months (linked to MCLR)
 Max Period	90 days + 25 days NTP (up to 180 days in exceptions)

Other Covenants:

- LC must be irrevocable and acceptable to bank
- No finance for bills beyond 180 days
- Satisfactory credit report from overseas bank required
- Export consignment must be insured during transit
- Drawee-wise limits may be fixed

- Bills with prior dishonour not eligible unless justified
- Documents of title to be drawn in **bank's name**
- Currency exposure may be hedged; cost borne by bank



GOLD CARD SCHEME FOR EXPORTERS

Introduced in the **Foreign Trade Policy 2003-04**, the **Gold Card Scheme** was launched to ensure easy and concessional access to export credit for **creditworthy exporters with a good track record**.



Objective:

To provide eligible exporters:

- Faster credit processing
- Better terms of credit
- Priority access to foreign currency loans



Key Features:

Feature	Details
1	Available to all creditworthy exporters including SMEs
2	Not applicable to ECGC-blacklisted exporters or those with overdue bills >10% of last year's turnover
3	Better interest rates than regular exporters
4	Faster processing under simplified norms
5	Banks to clearly disclose Gold Card benefits
6	Lower service charges & fee structure
7	Simplified sanction/renewal process with liberal finance based on turnover & track record

8	'In-principle' limit valid for 3 years with auto-renewal (subject to T&Cs)
9	Standby limit of at least 20% to handle urgent orders
	Inventory norms relaxed for large/unexpected export orders
	Application processing timelines: 25 days (new), 15 days (renewal), 7 days (ad-hoc)
	Priority access to PCFC (Packing Credit in Foreign Currency) loans
	Collateral waivers & ECGC exemption based on track record
	Option of ATM, internet banking, international cards (at bank's discretion)
	Best possible interest rates within export credit segment
	Eligible for foreign currency credit cards for urgent needs
	PCFC priority from FCNR(B) and other foreign currency pools
	Access to term loans in foreign currency from FCNR(B), RFC, etc.

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EXPORT DATA PROCESSING AND MONITORING SYSTEM (EDPMS)

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Operational Since: 1st March 2014

Objective:

To provide a **centralized IT-based platform** to monitor:

- Shipping bills of exporters
- Advance remittances
- Export realization status
- Export write-offs

Key Benefits:

- ✉ Single-point submission of export-related returns
- 📈 Improved monitoring of outstanding exports
- 🚫 Simplifies caution-listing of exporters
- ♻ Integrates XOS reporting (export overdues)

Key Features:

Function	Description
 Caution List Access	Banks refer to updated caution list through EDPMS
 Exporter Blacklisting	Based on AD Bank recommendations
 Advance Remittance Capture	Including old/unutilized advances
 Realisation Extension	Time extensions are recorded in EDPMS
 Write-Off Entries	Export bills written off now tracked via EDPMS
 Discontinuation of XOS	No separate XOS return filing required

 Banks extract EDPMS data for each B Category branch to reconcile

with exporters.

 Exporters can now expect better tracking, compliance, and simplified workflows through EDPMS.



FACTORING AND FORFAITING

Exporters can access **non-traditional financing options** to manage cash flow and mitigate risk. Two such avenues are **Factoring** and **Forfaiting**, which involve upfront finance against export receivables.

◆ Factoring

Factoring is a **continuing agreement** between a **Factor (financial institution)** and a business/exporter for purchasing book debts, maintaining sales ledger, credit control, and collection services.

Introduced in India in the 1990s (post-Kalyanasundaram Committee), it helps exporters reduce administrative burden and improve liquidity.



Services Offered:

Service	Description
	Debt Administration
	Credit Protection
	Factor Financing



Factoring Mechanics:

1. Exporter **submits** business details & debtors list.
2. Export Factor **evaluates** importer via Import Factor.
3. **Agreement signed** with indicative limits.
4. **Invoices submitted**; finance disbursed.
5. **Invoice sent** to Import Factor for collection.
6. **Proceeds remitted back** after collection; balance released to exporter.
7. In case of default, Import Factor **pays** & initiates recovery.



Types of International Factoring:

Type	Description
1 Single Factor System	Same factor for exporter/importer across countries
2 Two-Factor System	Separate export/import factors in each country
3 Direct Export Factoring	Only exporter-side factor involved
4 Direct Import Factoring	Only importer-side factor involved



Advantages:

- ⌚ Immediate financing (up to 80%)
- ✗ No need for LCs
- 📊 Buyer credit assessment
- 💻 Sales ledger maintenance
- ⚠ Credit protection on approved debtors
- 💡 Market advisory services



Forfaiting

Forfaiting is a method of export finance where the financer **discounts medium-term export receivables without recourse to the exporter, typically at a fixed rate.**

Used widely for:

- Capital goods
- Projects
- Large-value medium-term contracts

🌐 Transaction Mechanics:

Step	Description
✉️ Proposal	Exporter submits invoice/contract for discounting
🌐 Risk Check	Forfakter assesses buyer/country risk
💼 Guarantee	Importer's bank may provide guarantee (aval)
💻 Documentation	Bill of exchange/promissory note drawn & accepted
💷 Financing	Discounted funds released to exporter

⚠️ Fee Components:

Fee Type	Description
◆ Commitment Fee	0.50% – 1.50% p.a. on unutilized commitment
✓ Discount Charges	LIBOR/ SOFR + margin (fixed)
↑ Documentation Fee	Nominal admin/documentation charges

🔍 In India, **EXIM Bank** is authorized to facilitate forfaiting.

🔄 Benefits to Exporters:

- ✓ No political/commercial risk
- USD 100% upfront finance
- ✗ Without recourse
- 📄 No need for credit administration
- ✉️ Saves on export credit insurance
- 12/34 Fixed interest cost



Comparison Table: Factoring vs Forfaiting

Parameter	💰 Factoring	💳 Forfaiting
⌚ Nature	Continuous sales on open account	One-off transactions backed by LCs/Bills
⌚ Tenure	Short-term	Medium to long-term (1-5 years)
✖ Recourse	With/Without recourse	Always without recourse
💼 Arrangement	Ongoing relationship	Transaction-specific
💻 Collection	Factor collects full ledger	Forfakter collects only forfaited debt
📈 Charges	Finance, admin, MIS, credit cover	Commitment & discount charges
🌐 Scope	Domestic + International	Mostly International



EXCHANGE AND TRADE CONTROL GUIDELINES

FOR IMPORTERS

To safeguard India's **foreign exchange reserves** and prevent **fraudulent imports/remittances**, various regulations have been issued under the **Foreign Trade Policy (DGFT)** and **FEMA 1999 (RBI)**.

◆ Key Provisions:

(a) Importer-Exporter Code (IEC)

- Must be obtained from **DGFT**.

(b) Permitted Goods / Licensing

- AD banks must check if goods:
 - Are **freely importable**, or

- Require **import licenses** from DGFT
- Verified using **current FTP & DGFT circulars** before LCs/remittances.

(c) Import Payment Guidelines

Rule	Condition
17 Time Limit	Import remittances to be completed within 6 months from shipment date (extended to 12 months during COVID for shipments before 31 July 2020)
Capital Goods	Treated as trade credits (up to 3 years); governed by ECB/ Trade Credit circulars
DA Basis Imports	Import evidence (via IDPMS) must be produced; ADs may allow up to 3 months if consignment delayed

(d) Advance Remittances

Limit	Condition
Up to USD 200,000	Allowed after verifying trade nature and supplier credibility
USD 200,000 to USD 5 million	Allowed with Board-approved policy; no guarantee required
Above USD 5 million	Prior RBI approval mandatory
Govt. Departments	Need waiver from Ministry of Finance if no guarantee is available (above USD 100,000)

✓ Conditions for Advance Remittance:

- **Cost proof and supplier's insistence** must be submitted
- **Must not be for negative list items**
- Payment **directly to supplier/bank** (not agent)
- **Physical import must happen within:**
 - 6 months (General goods)
 - 3 years (Capital goods)

- Import evidence to be submitted within 15 days post-import window
 - If not imported, amount must be repatriated or used for permitted purposes

(e) Evidence of Import

Requirement	Description
 Documents	Bill of Entry/Postal Appraisal/Customs Certificate (via IDPMS)
 Registering	ADs must maintain LC/ Remittance Registers with receipt acknowledgments
 Audit Trail	Must be preserved for Internal Audit/RBI review
 Postal Imports	Wrapper/courier receipt must be stored
 Listed Co. Exception	With Rs. 100 Cr+ net worth: Certificate from CEO/Auditor allowed (if below USD 1 million remittance)

If no import proof is submitted **within 3 months**, the AD bank must follow up for another 3 months, including **one registered letter**.

 **No separate BEF statement required post IDPMS implementation.**

IMPORT FINANCE

Import Letters of Credit

- Common method of import finance
- LCs established on **Usance basis (DA)**
- Supports both **Buyers Credit & Suppliers Credit**



Import Loans

Loan Type	Description
Against Stocks	Granted against raw materials or trading goods
Security	May be pledged or hypothecated to bank
Advantage	Allows importer to speculate on price rise or currency depreciation
Variance	Terms vary from local stock loans due to interest laws, surcharges, forex outlook



IMPORT DATA PROCESSING AND MONITORING SYSTEM (IDPMS)



Introduced: 10th October 2016



Objective: To enable Customs, DGFT, RBI & Banks to work on a single platform to track and process import transactions.



Key Components:

Component	Description
Bill of Entry	Customs updated format to include AD Code
Data Flow	Customs → IDPMS → Shared with AD bank based on AD Code
Real-Time Updates	AD banks must enter document submission, remittance, etc. daily
Manual Ports	Nodal branches upload stamped BoE manually until EDI upgrade
BEF Reporting	Discontinued since IDPMS captures all data



IDPMS ensures:

- Timely and centralized tracking

- Automated reconciliation
- Stronger compliance monitoring by RBI



TRADE CREDIT - SUPPLIER'S CREDIT AND BUYER'S CREDIT

◆ Supplier's Credit

- Credit directly extended by the overseas supplier to the importer.
- Payment terms may be **sight or credit-based**, influenced by:
 - Market demand
 - Importer's financial strength
 - Industry norms

❑ Exporters can avail post-shipment finance from their bank, but bear the risk if the importer defaults.

Category	Maximum Period	Limit per Transaction
Capital Goods	Up to 3 years	USD 50 million
Non-Capital Goods	1 year or operating cycle	USD 50 million

◆ Buyer's Credit

- Credit arranged by the **importer** through an overseas **financial institution/bank** to settle import payments.
- Used when:
 - Exporter is unwilling to offer supplier's credit
 - Importer is unable to make upfront payment



The overseas financer pays the exporter, and importer repays the financer later.

Category	Maximum Period	Limit per Transaction
Capital Goods	Up to 3 years	USD 50 million
Non-Capital Goods	1 year or operating cycle	USD 50 million



Cost of Raising Trade Credit: LIBOR Transition

- ✖ Earlier: LIBOR + 250 bps
- ⌚ Now: Benchmark linked to **6-month ARR** or any recognized interbank rate

Type	All-in Cost Ceiling
New FCY TC	ARR + 300 bps
Transitioned from LIBOR	ARR + 350 bps

✓ All-in-cost includes arranger/processing/management/legal fees.



Trade Credit in Indian Rupees (INR)

Parameter	Guidelines
📅 Permitted Items	All imports (except gold)
⌚ Period	Non-Capital Goods: 1 year / Operating cycle Capital Goods: 3 years
✖ Roll-over	Not allowed beyond permissible limits
₹ Limit	USD 50 million equivalent per import transaction
📍 Guarantee	Permitted for up to 3 years



All-in Cost

Must reflect prevailing market rate

All general trade credit guidelines apply to INR-based credits.

LEARNING SESSIONS