DCB BANK

DCB Bank Ltd.

HANDBOOK for SANCTION of EXPORT CREDIT

(Rupee & Foreign Currency)

Lending Objective:

Only need based export credit shall be extended and the end-use is to be strictly export-related. The sanction of credit facilities will be at the discretion of the DCB Bank (the Bank), subject to internal credit approvals and due-diligence of the borrower.

The borrower/ customer should have clear **KYC/ AML/ CDD.**

Eligible Borrower/ Customer:

- Exporters (Manufacturers, traders, services, deemed exporters)
- Construction contractors executing contracts abroad

Negative List:

- Wilful defaulters
- Entities featuring in RBI Caution List/ ECGC SAL (Specific Approval List) without approval
- Negative countries as identified from time-to-time

The Credit Application Process:

- The application for Credit shall include GST, PAN, CIN, Export Import Code and Udyam Number, if required, and shall be validated through processes as per the different business segments.
- The GST data required are pulled with the consent of the borrower. Likewise, the individual data about promoter/ guarantor are either updated from the core banking solution (for an existing borrower) or validated through Aadhaar API with OTP, and KYC is to be done.
- Additionally, loan requirement viz. quantum, nature of facility etc., sales estimate, projection, previous three-year financial statements, orders on hand, bank account statement for the past 12 months, details of primary and collateral security as required - are to be obtained from the customer, and verified by the Bank.
- The proposal shall be put up to the authority concerned, and sanction issued to the applicant. All sanctions will be at the sole discretion of the Bank subject to internal guidelines, credit approvals and satisfactory due diligence.

Types of Export Credit:

- Pre-Shipment Credit (in Indian Rupees/ Foreign Currency)
- Post-Shipment Credit (in Indian Rupees/ Foreign Currency)
- Advances against Duty Drawback (in Indian Rupees only)
- Advances against Undrawn Balances on Export Bills
- Advances against Retention Money

Pre-Shipment Credit:

For financing procurement, processing, manufacturing, packing and transport (export) of goods or services

<u>Types</u>

- Packing Credit Loan (PCL) in ₹
- Packing Credit in Foreign Currency (PCFC)
- Running Account Packing Credit
- Clean Packing Credit (selective)

Period

- Actual requirement based on production cycle and normally up to **180 days**
- May be extended beyond 180 days with one Management Committee approval based on:
  - Production cycle
  - Commodity specific requirements
  - As per RBI guidelines

If PCL is not adjusted by submission of export documents within 360 days, it shall cease to be treated as Export Credit.

Post-Shipment Credit:
Financing after shipment (export bill finance), till realisation of export proceeds

Types

- Foreign Bills Purchased/ Negotiated (FBP/ FBN)
- Export Bills Discounted (EBD)
- Advances against Undrawn Balances
- Advances against Retention Money

Period

- Demand Bills: FEDAI Normal Transit Period (NTP)
- Usance Bills: Usance period plus NTP
- Maximum duration up to 365 days from the date of shipment including NTP and grace period, if any

Assessment of Export Credit:

- Availability of necessary infrastructure or arrangements for export activity
- Past export performance
- Confirmed export orders/ LCs on hand
- Production cycle
- Duration/ tenor of PCL based on production cycle and/or shipment schedule
- Running Account PCL for exporters with good track record
- Sanction of Non-Fund Based Limits wherever required for procurement of raw material as a separate limit or as sub limit to PCL
- EDPMS/ IDPMS outstanding if any with our/other banks
- Country Risk
- Buyer Risk - ECGC cover availability
- Standalone Post Shipment Limit shall be sanctioned. Whereas standalone Pre Shipment Limit shall NOT be sanctioned
- Quantum shall be normally FOB value of goods to be exported deducting applicable margin
- Interchangeability between pre-shipment and post-shipment shall be considered on genuine requirement, such as bunching of export orders, etc., within the overall sanctioned limit
- Margin normally at 10%-25% for Export Finance. Final margins will be at the discretion of the Bank.

Security:

- Hypothecation of raw materials
- Assignment of receivables
- Collateral security
- Personal Guarantees
- Any other security as per the assessment of the Bank
- Production of stock statement, stock and other insurance are as per sanction terms

ECGC Cover:
Export Credit Insurance for Banks (ECIB)

- ECIB – Packing Credit (WTPC) – premium payable by exporters
- ECIB – Post Shipment (WTPS – non-LC) – premium payable by banks

For both ECIB scenarios stated above, the whole turnover coverage is mandatory to all exporters).

- In addition to the whole turnover ECGC coverage, the ECGC buyer-wise policy shall be obtained as per sanction terms

Interest:

- As per the RBI prescribed export credit rates/ Bank circulars for both INR and Foreign Currency borrowing (foreign currency rate of interest is based on: Alternate Reference Rate of the respective currency).
- If export does not materialise: the borrower/ customer's credit facility/ies shall be charged at domestic lending rate + penal interest

Validity:
Validity of the sanction shall be normally for 12 months and renewable every year.

For more information about DCB Bank products and services, please visit the website www.dcb.bank.in or any branch, or contact DCB Customer Care 022-6899 7777, 040-6815 7777 email customercare@dcb.bank.in

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