



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/597
A.P. (DIR Series) Circular No.132

May 21, 2014

To

All Category – I Authorised Dealer Banks

Madam/ Sir,

Export of Goods - Long Term Export Advances

Attention of Authorised Dealer Category - I (AD Category I) banks is invited to the sub-regulation (2) of Regulation 16 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, notified vide [Notification No.FEMA.23/RB- 2000, dated 3rd May 2000](#), as amended from time to time, in terms of which prior approval of the Reserve Bank is required to be obtained by an exporter for receipt of advance where the export agreement provides for shipment of goods extending beyond the period of one year from the date of receipt of advance payment. Further, in terms of [A.P. \(DIR Series\) Circular No.81 dated February 21, 2012](#) AD Category- I banks have been permitted to allow exporters to receive advance payment for export of goods which would take more than one year to manufacture and ship and where the 'export agreement' provides for the same.

2. In view of requests received from exporters, it has been decided to permit AD Category- I banks to allow exporters having a minimum of three years' satisfactory track record to receive long term export advance up to a maximum tenor of 10 years to be utilized for execution of long term supply contracts for export of goods subject to the conditions as under:

- a) Firm irrevocable supply orders should be in place. The contract with the overseas party /buyer should be vetted and clearly specify the nature, amount

and delivery timelines of products over the years and penalty in case of non-performance or contract cancellation. Product pricing should be in consonance with prevailing international prices.

- b) Company should have capacity, systems and processes in place to ensure that the orders over the duration of the said tenure can actually be executed.
- c) The facility is to be provided only to those entities, who have not come under the adverse notice of Enforcement Directorate or any such regulatory agency or have not been caution listed.
- d) Such advances should be adjusted through future exports.
- e) The rate of interest payable, if any, should not exceed LIBOR plus 200 basis points.
- f) The documents should be routed through one Authorized Dealer bank only.
- g) Authorised Dealer bank should ensure compliance with AML / KYC guidelines and also undertake due diligence for the overseas buyer so as to ensure it has good standing / sound track record.
- h) Such export advances shall not be permitted to be used to liquidate Rupee loans, which are classified as NPA as per the Reserve Bank of India asset classification norms.
- i) Double financing for working capital for execution of export orders should be avoided.
- j) Receipt of such advance of USD 100 million or more should be immediately reported to the Trade Division, Foreign Exchange Department, Reserve Bank of India, Central Office, 5th Floor, Amar Building, Mumbai under copy to the concerned Regional Office of the Reserve Bank of India as per the format given in Annex – I.

3. In case Authorized Dealer banks are required to issue bank guarantee (BG) / Stand by Letter of Credit (SBLC) for export performance, the following guidelines may also be adhered to:

- a) Issuance of BG / SBLC, being a non-funded exposure, should be rigorously evaluated as any other credit proposal keeping in view,

among others, prudential requirements based on board approved policy. Such facility will be extended only for guaranteeing export performance.

- b) BG / SBLC may be issued for a term not exceeding two years at a time and further rollover of not more than two years at a time may be allowed subject to satisfaction with relative export performance as per the contract.
 - c) BG / SBLC should cover only the advance on reducing balance basis.
 - d) BG / SBLC issued from India in favour of overseas buyer should not be discounted by the overseas branch / subsidiary of bank in India.
 - e) Authorised Dealer bank should duly evaluate and monitor the progress made by the exporter on utilisation of the advance and submit an Annual Progress Report to the Trade Division, Foreign Exchange Department, Reserve Bank of India, Central Office, 5th Floor, Amar Building, Mumbai under copy to the concerned Regional Office of the Reserve Bank of India in format as per Annex - II within a month from the close of each financial year.
4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
 5. The directions contained in this circular have been issued under Sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any law.

Yours faithfully,

(C D Srinivasan)
Chief General Manager

ANNEX I

Reporting of Long term Advance of USD 100 million & more

Name and Address of the Exporter:

PAN of the exporter:

Name, address and relationship with the overseas supplier from whom long term advance has been availed of:

Company review:

Nature of business	Number of years the party has been dealing with the bank	Details of existing facilities with the Bank	Export to total domestic sales ratio (last three years average)

Details of long term advance:

Total amount of contract/orders placed & period	Total advance to be received	Date of receipt of Advance	Tenor	Rate of Interest, if any	Details of BG/SBLC issued, if any

Place:

Date:

Authorised Signatory:

Authorised Dealer Bank:

Address:

Seal:

ANNEX II

Progress Report to be submitted by Authorised Dealer Bank on utilization of Long term export Advances

(For the year ended March 31,)

Name and Address of the Exporter:

Name and address of the overseas supplier from whom long term advance has been availed of:

Name of the Regional Office of Reserve Bank of India to which Report is being submitted:

Details of utilization of long term export advance:

Total export advances received	Projected export performance for the year ended 31.3...	Actual exports performed	Comments/ reasons for shortfall	Export outstanding as on 31.3...	Details of export advance used to adjust the domestic loan, if any,

Details of bank guarantee / SBLC issued:

Total amount for which BG has been issued	Whether invoked	Reasons for invocation

Place:

Date:

Authorised Signatory:

Authorised Dealer Bank:

Address:

Seal: