

**Exim Bank's Line of Credit of US\$ 10 million to
Vnesheconombank, Russia (VEB, The Bank for
Foreign Economic Affairs of the USSR)
A.P.(DIR Series) Circular No.32 (March 28, 2002)**

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai 400 001

March 28, 2002

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To
All Authorised Dealers in Foreign Exchange

Madam / Sirs ,

**Exim Bank's Line of Credit of US\$ 10 million to
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Export Import Bank of India (Exim Bank) has concluded an agreement with the Vnesheconombank, (VEB, The Bank for Foreign Economic Affairs of the USSR) on November 5, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from January 30, 2002, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the borrower's country i.e. the Russian Federation. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrower's country shall be subject to the laws and regulations in force in the concerned countries.

2. The broad terms and conditions of the credit are as under:

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 percent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.
- (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
- (d) The contract signed under the credit should also provide for the following:-

- (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c&f/c.i.f. contract value to the seller within 30 days after the date of the approval of the contract by Exim Bank.
 - (ii) The buyer shall open an irrevocable letter of credit in favour of the seller for the balance 90 per cent of f.o.b./c&f/c.i.f. contract price.
 - (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.
3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with the VEB. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.
4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 percent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.
5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.
6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder.
7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrower's country shall be to the account of the buyer.

8. Exporters should check with Exim Bank, in advance, before finalising the contract with the buyers, details of service fee and other charges payable by the exporters on the contract to be covered under the above Line of Credit.

9. The terminal dates for opening letters of credit and utilisation of credit are January 29, 2003, and July 29, 2003 respectively.

10. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated November 5, 2001, extended to Vnesheconombank, (VEB, The Bank for Foreign Economic Affairs of the USSR).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

11. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./ c&f / c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in the Russian Federation only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./ c&f / c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

12. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

13. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager

Encl :

ANNEXURE**List of Eligible Goods for finance out of the Credit****PART 'A'**

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans
3. Alcohol and brewery plant
4. Aluminium plant and equipment
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios
8. Chemical and pharmaceutical plant and machinery
9. Cigarette making machinery
10. Coffee processing machinery
11. Coke oven plant and equipment
12. Coke oven refractories
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.
14. Copper Ore concentration machinery
15. Dairy equipment and animal feed plant
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers
18. Electric motors and pumps
19. Electronic Data Processing equipment
20. Fertilizer plant and equipment
21. Flour, rice and dal mill machinery
22. Food processing plant
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment

24. Freight containers
25. Garage equipment
26. Gas and air separation plants
27. Glass and Ceramic machinery
28. Heat Exchangers
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals
30. Ice-making machinery
31. Industrial boilers
32. Industrial furnaces
33. Industrial switchboards, Control panels, circuit breakers, air break switches
34. Jute machinery
35. Leather tanning and processing machinery
36. Machine tools
37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems
40. Metal working machinery
41. Mining machinery
42. Motor vehicles and chassis, including three-wheelers
43. Oil drilling rigs
44. Oil refinery equipment
45. Packaging and weighing machinery
46. Pile foundation machinery
47. Plastic machinery

48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment
49. Power line carrier communication equipment
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures
51. Pressure vessels
52. Printing and book-binding machinery
53. Pulp and Paper Mill machinery
54. Railway electrification equipment and structures and railway signalling equipment
55. Railway rolling stock including locomotives, wagons, coaches and trolleys
56. Rubber machinery
57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators
58. Ships, boats, trawlers, steamers, launches, barges
59. Solvent extraction machinery
60. Spraying equipment
61. Steam, diesel and petrol engines
62. Steel fabrication for bridges, factories etc.
63. Steel rails and railway track equipment including sleepers, fishplates, points and crossings
64. Steel shuttering and scaffolding materials
65. Steel tanks
66. Sugar (including Khandsari) machinery
67. Tele-communication and signalling equipment
68. Textile machinery
69. Tractors and Trailers
70. Vending machines
71. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant

- 72. Weigh bridges
- 73. Welding machinery
- 74. Wood working machinery

PART 'B'

- 1. Agricultural implements
- 2. Auto parts
- 3. Bicycles, motorcycles, scooters, mopeds and parts
- 4. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects
- 5. Agricultural chemicals and industrial chemicals
- 6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage
- 7. Domestic electric appliances
- 8. Drugs and pharmaceuticals
- 9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application
- 10. Electronic components
- 11. Electronic goods including radios, TV, public address systems, record players, tape recorders
- 12. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord
- 13. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products
- 14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes
- 15. Heating and cooling equipment including air conditioners, refrigerators, water coolers
- 16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes

17. Instruments for measurement, scientific survey and for surgical applications
18. Industrial fasteners, bearings, valves, gears and gaskets
19. X-ray and other electro-medical and other hospital equipments
20. Office equipments including typewriters, calculators, duplicators, teleprinters
21. Metal and plastic furniture
22. Hand tools, cutting tools, grinding wheels, moulds dies
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets
24. Any item of commodity and raw material that may be agreed upon between Exim Bank and the Borrower