

Export Credit - Flexibility in repayment of pre-shipment credit and conversion of drawals under rupee packing credit into PCFC

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IECD.No.9/04.02.02/2002-03

October 31, 2002

The Chairmen/Chief Executives of
all Commercial Banks

Dear Sir

**Export Credit - Flexibility in repayment of
pre-shipment credit and conversion of
drawals under rupee packing credit into PCFC**

Under the extant guidelines, the rupee packing credit and pre-shipment credit in foreign currency granted by a bank to an exporter must be liquidated out of proceeds of bills drawn for the exported commodities on their purchase, discount, etc. thereby converting pre-shipment credit into post-shipment credit. In this connection, a reference may please be made to paragraphs 1.1.4(i) and 3.2 of Master Circular IECD.No.4/04.02.02/2002-03 dated July 30, 2002 on Rupee Export Credit and paragraphs 1.1.3, 1.1.8, 1.1.10 and 1.1.14 of the Master Circular IECD.No.5/04.02.02/2002-03 dated July 30, 2002 on Export Credit in Foreign Currency.

2. Based on the representations received from exporters/ export associations it has been decided (c.f.paragraph 76 of the statement on Mid-Term Review of Monetary and Credit Policy for the year 2002-03) that **subject to mutual agreement between the exporter and the banker, the repayment/ prepayment of pre-shipment credit may henceforth be permitted.** Exporter may, herefore, be allowed to repay/prepay packing credit whether availed

of in rupees or in foreign currency out of balances in Exchange Earners' Foreign Currency A/c (EEFC A/c) as also from rupee resources of the exporter to the extent exports have actually taken place. While utilising this facility, exporters may be advised to strictly adhere to the current

regulations in regard to repatriation of export proceeds within the stipulated period. Banks may also ensure that the goods have been shipped by the exporter complying with relevant exchange control regulations before extinguishing the outstanding packing credit in the above manner.

3. Further, in order to provide some more flexibility to the exporter, banks may at their discretion, allow exporters to convert their drawals under rupee pre-shipment credit into PCFC.

4. Paragraphs 1.1.4 (i) and 3.2 of the Master Circular on Rupee Export Credit and paragraphs 1.1.3, 1.1.8, 1.1.10 and 1.1.14 of the Master Circular on Export Credit in Foreign Currency may, accordingly, be amended as per annexes enclosed.

Yours faithfully

(Smt. Usha Thorat)
Chief General Manager

ANNEX - I

Rupee Export Credit

1.1 Rupee Pre-shipment Credit/Packing Credit

1.1.4 Liquidation of Packing Credit

(i) The packing credit/pre-shipment credit granted to an exporter may be liquidated out of proceeds of bills drawn for the exported commodities on its purchase, discount, etc. thereby converting pre-shipment credit into post-shipment credit. Further, subject to mutual agreement between the exporter and the banker it can also be repaid/prepaid out of balances in Exchange Earners' Foreign Currency A/c (EEFC A/c) as also from rupee resources of the exporter to the extent exports have actually taken place. If not so liquidated/repaid, banks should charge the rate of interest for ECNOS - Pre-shipment as indicated in paragraph 5.2.1 (4) from the date of advance.

3 Deemed Exports

3.2 Advances provided should be adjusted from free foreign exchange representing payment for the supplies of goods to these agencies. It can also be repaid/prepaid out of balances in Exchange Earners' Foreign Currency Account (EEFC A/c), as also from the rupee resources of the exporter to the extent supplies have actually been made.

Annex II Export Credit in Foreign Currency

1. PRE-SHIPMENT CREDIT IN FOREIGN CURRENCY (PCFC)

1.1.3 Scheme

(i) The scheme is an additional window for providing pre-shipment credit to Indian exporters at internationally competitive rates of interest. It will be applicable to only cash exports.

(ii) The exporter will have the following options to avail of export finance:

(a) to avail of pre-shipment credit in rupees and then the post-shipment credit either in rupees or discounting/rediscounting of export bills under EBR Scheme mentioned in paragraph 2.2.

(b) to avail of pre-shipment credit in foreign currency and discount/rediscounting of the export bills in foreign currency under EBR Scheme.

(c) to avail of pre-shipment credit in foreign currency and then repay/prepay it out of balances in EEFC A/c. or rupee resources.

(d) to avail of pre-shipment credit in rupees and then convert drawals into PCFC at the discretion of the bank.

1.1.8 Liquidation of PCFC Account

PCFC can be liquidated out of proceeds of export documents on their submission for discounting/rediscounting under the EBR Scheme detailed in paragraph 2.2. or by grant of foreign currency loans (DP bills). Subject to mutual agreement between the exporter and the banker it can also be repaid/prepaid out of balances in Exchange Earners' Foreign Currency A/c (EEFC A/c), as also from rupee resources of the exporter to the extent exports have actually taken place.

1.1.10 Running Account Facility for All Commodities

Paragraph 1.1.10 (i) (d) may be deleted.

1.1.14 Deemed Exports

The following line may be added at the end of the paragraph PCFC may also be repaid/prepaid out of balances in Exchange Earners' Foreign Currency A/c (EEFC A/c) as also from the rupee resources of the exporter to the extent supplies have actually been made.