

# Export credit and guarantee corporation

[Business](#), [Company](#)



Make sure the exporter company has an approved export license. Export of Canalized Items: An application for export of canalized items mentioned in ITC (HS) Classifications of Export and Import items may be made to the Director General of Foreign Trade. (Foreign Trade Policy, 2004).

Trade Fairs/Exhibitions: Any Indian wishing to organize any Trade Fair/Exhibition in India or abroad, would be required to obtain a certificate from an officer of the rank not below that of an Under Secretary to the Government of India, in the Ministry of Commerce, or an Officer of India Trade Promotion Organization, duly authorized by its chairman in this behalf, to the effect that such exhibition, fair or as the case may be, similar show or display, has been approved or sponsored by the Government of India in the Ministry of Commerce or the India Trade Promotion Organization and the same is being held in public interest.

Gifts/Spares/Replacement Goods: For export of gifts, indigenous/imported spares and replacement goods in excess of the prescribed ceiling/period, an application may be made to the Director General of Foreign Trade. Export through Courier Service: Import/Exports through a registered courier service are permitted as per the Notification issued by the Department of Revenue. However, importability/exportability of such items shall be regulated in accordance with the policy. (Exporter India, 2006) Acquire Export Credit Insurance

Be sure that the company has export credit insurance protects you from the consequences of the payment risks, both political and commercial. It enables you to expand your overseas business without fear of loss. Further, it creates

a favorable climate for you under which you can hope to get timely and liberal credit facilities from the banks at home. The company can obtain Export Credit Insurance from the Export Credit and Guarantee Corporation of India Limited (Export Credit Guarantee, 2006).

In order to provide you Export Credit Insurance, the following covers are issued by the ECGC: Standard policies to protect you against the risk of not receiving payment while trading with overseas buyers on short-term credit. Policies in the form of 'Open Cover' in respect of shipments made during 24 months period. You have to obtain credit limit on each one of your buyers to enable ECGC to approve a limit on the basis of credit worthiness of the buyer. (ECGC, 1995).

These policies are basically similar to whole turnover policies but only apply to specific contracts. The specific Policies for exports of capital goods will be on medium or long-term credit, turnkey projects, civil construction works and technical services. These policies are basically similar to whole turnover policies but only apply to specific contracts. (Industrial Herald, 2006)

Financial guarantees issued to banks against risk involved in providing credit or guarantee facilities to you, and special schemes viz.

transfer guarantee issued to protect banks which add confirmation to letters of credit, Insurance cover for Buyers' Credit, Lines of Credit, Joint Ventures and Overseas Investment Insurance, and Exchange Fluctuation Risk Insurance. The other guarantees which banks can offer to through ECGC schemes are: Bid Bonds, Advance Payments Guarantee, Bank guarantee for due performance of the contract by the exporter, Bank guarantee for

payment of retention money, Bank guarantee for loans in foreign currencies. Details of these schemes can be obtained from your own banker or local office of the Export Credit and Guarantee Corporation of India Ltd.

(Insurance on the Net, 2006) Furthermore, the company should have the Shipments (Comprehensive Risks) Policy is the one ideally suited to cover risks in respect of goods exported on short-term credit. Shipments to associates or to agents and those against letter of credit can be covered for only political risks by suitable endorsements to the shipments (comprehensive risks) Policy. Premium is charged on such shipments at lower rates. The ECGC would send the exporter an offer letter stating the terms of its cover and premium rates.

The policy will be issued after the exporter conveys his consent to the premium rate and pays a non-refundable policy fee of Rs. 100 for policies with maximum liability limit up to Rs. 5 lakhs; Rs. 200 between Rs. 5 lakhs and Rs. 20 lakhs and Rs. 100 for each additional Rs. 10 lakhs or part thereof subject to a ceiling of Rs. 2500. As commercial risks are not covered in the absence of a credit limit, you are advised to apply to ECGC for approval of credit limit on buyer in the prescribed Form No: 144 (obtainable from ECGC) before making shipment.

Credit limit is the limit up to which claim can be paid under the policy for losses on account of commercial risks. If no application for credit limit on a buyer has been made, ECGC accepts liability for commercial risks up to a maximum of Rs. 5, 00, 000 for D. P. /C. A. D. transactions and Rs. 2, 00, 000 for D. A. transactions provided that at least three shipments have been

effected to the buyer during the preceding two years on similar terms, at least one of them was not less than the discretionary limit availed of by the exporter and the buyer had made payment on the due dates.