International marketing assignment

Art & Culture

Whether you are an exporter or an Importer, ICC Bank has the right expertise and revise to help Improve earnings & develop opportunities In the Global market place. ICC specialist in force services & currency risk hedging, documentary collection & credit, bank guarantee, export & import finance to provide personalized services through our dedicated & experienced Relationship Managers 1 . What are the steps for getting foreign project finance? Moment of the goods before shipment. The main objectives behind preeminent finance or pre export finance are to enable exporter to Procure raw materials. Carry out manufacturing process. Provide a secure warehouse for goods and raw materials. Process and pack the goods. Ship the goods to the buyers. Meet other financial cost of the business. Types of Pre Shipment Finance 1. Packing Credit 2. Advance against Cheeses/Draft etc. Representing Advance Payments.

Packing Credit – is any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment, on the basis of letter of credit opened in his favor or in favor of some other person, by an overseas buyer or a confirmed and irrevocable order for the export of goods from the producing country or any other evidence of an order for export from that country having been placed on the exporter or some other person, unless lodgment of export orders or letter of credit with the bank has been waived.

Packing Credit is extended in the following forms: Packing Credit in Indian Rupee Packing Credit in Foreign Currency (FCC) Requirements for Getting Packing Credit This facility is provided to an exporter who satisfies the following criteria A ten digit Importer – Exporter Code (II Code) number allotted by GIFT. Exporter should not be in the caution list of RIB. If the goods to be exported are not under OGLE Open General License), the exporter should have the required license [quota permit to export the goods.

Packing credit facility can be provided to an exporter on production of the following evidences to the bank: Formal application for releasing the packing credit with undertaking to the effect that relevant shipping documents to the banks within prescribed time limit. Firm order or irrevocable L/C or original cable / fax / telex message exchange between the exporter and the buyer. License issued by GIFT if the goods to be exported fall under the restricted or cannibalized category. If the item falls under quota system, proper quota allotment proof needs to be submitted.

The confirmed order received from the overseas buyer should reveal the information about the full name and address of the overseas buyer, description quantity and value of goods (FOB or CIFS), destination port and the last date of payment. Different Stages of Packing Credit l. Appraisal and Sanction of Limits – Before making any an allowance for Credit facilities, banks need to check the different aspects like product profile, political and economic details about country. Apart from these things, the bank also looks in to the tutus report of the prospective buyer, with whom the exporter proposes to do the business.

The Bank extended the packing credit facilities after ensuring the following :- The exporter is a regular customer, a bona fide exporter and has a goods standing in the market. Whether the exporter has the necessary license and quota permit (as mentioned earlier) or not. Whether the country with which the exporter wants to deal is under the list of Restricted Cover Countries (ARC) or not. II. Disbursement of Packing Credit Advance – Once the proper sanctioning of the documents is done, bank ensures whether exporter has executed the list of comments mentioned earlier or not.

Disbursement is normally allowed when all the documents are properly executed. Sometimes an exporter is not able to produce the export order at time of availing packing credit. So, in these cases, the bank provides a special packing credit facility and is known as Running Account Packing. Before disbursing the bank specifically check for the following particulars in the submitted documents” Name of buyer Commodity to be exported Quantity value (either CIFS or FOB) Last date of shipment / negotiation. Any other terms to be complied with

The quantum of finance is fixed depending on the FOB value of contract /LLC or the domestic values of goods, whichever is found to be lower. Normally insurance and freight charged are considered at a later stage, when the goods are ready to be shipped. In this case disbursal are made only in stages and if possible not in cash. Decides the duration of packing credit depending upon the time required by the exporter for processing of goods. The maximum duration of packing credit period is 180 days; however bank may provide a further 90 days extension on its own discretion, without referring to RIB. Ill.

Follow up of Packing Credit Advance – Exporter needs to submit stock statement giving all the necessary information about the stocks. It is then used by the banks as a guarantee for securing the packing credit in advance.

Bank also decides the rate of submission of these stocks. ‘ V. Liquidation of Packing Credit Advance – Packing Credit Advance needs be liquidated out of as the export proceeds of the relevant shipment, thereby converting pre-shipment credit into post shipment credit. In case if the export does not take place then the entire advance can also be recovered at a certain interest rate.

RIB has allowed some flexibility in to this regulation under which substitution of commodity or buyer can be allowed by a bank without any reference to RIB. Hence in effect the packing credit advance may be repaid by proceeds from export of the same or another commodity to the same or another buyer. However, bank need to ensure that the substitution is commercially necessary and unavoidable. V. Overdue Packing – Bank considers a packing credit as an overdue, if the borrower fails to liquidate the packing credit on the due date.

And, if the condition persists then the bank takes the necessary step to cover its dues as per normal recovery procedure. Authorized dealers are permitted to extend Pre-shipment Credit in Foreign Currency (FCC) with an objective of making the credit available to the exporters at internationally competitive price. This is considered as an added advantage under which credit is provided in foreign currency in order to facilitate the purchase of raw material after fulfilling the basic export orders. The rate of interest on FCC is linked to London Inter-bank Offered Rate (LABOR).

The exporter has freedom to avail FCC in convertible currencies like USED, Pound, Sterling, Euro, Yen etc. However, the risk associated with the cross currency truncation is that of the exporter. The sources of funds for the banks for extending FCC facility include the Foreign Currency balances available with the Bank in Exchange, Earner Foreign Currency Account (EFFECT), Resident Foreign Currency Accounts RFC(D) and Foreign Currency(Non Resident) Accounts. Advance against Cheese/Drafts received as advance payment – Where exporters receive direct payments from abroad by means of cheeses/drafts etc. He bank may grant export credit at confessional rate to the exporters of goods track record, till the time of realization of the proceeds of the cheeses or draft etc. The Banks however, must satisfy themselves that the proceeds are against an export order. Post Shipment Finance is a kind of loan provided by a financial institution to an exporter or seller against a shipment that has already been made. This type of export finance is granted from the date of extending the credit after shipment of the goods to the realization date of the exporter proceeds.

Exporters don’t wait for the importer to deposit the funds. Basic Features Post-shipment finance is meant to finance export sales receivable after the date of shipment of goods to the date of realization of exports proceeds. In cases of deemed sports, it is extended to finance receivable against supplies made to designated agencies. A post-shipment finance is provided against evidence of shipment of goods or supplies made to the importer or seller or any other designated agency. Post -shipment finance can be secured or unsecured.

Since the finance is extended against evidence of export shipment and bank obtains the documents of title of goods, the finance is normally self liquidating. As a quantum of finance, post- shipment finance can be extended up to 100% of the invoice value of goods. In special cases, where the domestic value of the goods increases the value of the exporter order, finance for a price difference can also be extended and the price difference is covered by the government. Post-shipment finance can be of short terms or long term, depending on the payment terms offered by the exporter to the overseas importer.

In case of cash exports, the maximum period allowed for realization of exports proceeds is six months from the date of shipment. Concession rate of interest is available for a highest period of 180 days, opening from the date of surrender of documents. Usually, the documents need to be submitted within 21 days from the date of shipment. Financing For Various Types of Export Buyer’s Credit Post-shipment finance can be provided for three types of export: Physical exports: Finance is provided to the actual exporter or to the exporter in whose name the trade documents are transferred.

Deemed export: Finance is provided to the supplier of the goods which are supplied to the designated agencies. Capital goods and project exports: Finance is sometimes extended in the name of overseas buyer. The disbursal of money is directly made to the domestic exporter. Types of Post Shipment Finance:- The post shipment finance can be classified as : Export Bills purchased/discounted. Export Bills negotiated Advance against export bills sent on collection basis. Advance against export on consignment basis

Advance against indrawn balance on exports Advance against claims of Duty Drawback.

Export Bills Purchased/ Discounted. (EDP ; AD Bills) – Export bills (Non L/C Bills) is used in terms of sale contract/ order may be discounted or purchased by the banks. It is used in indisputable international trade transactions and the proper limit has to be sanctioned to the exporter for purchase of export bill facility. The issuing bank makes sure the payment. The risk is further reduced, if a bank remunerates the payments by confirming the LLC. Because of the inborn security available in this method, banks often become ready to extend the finance against bills under LLC.

However, this arises two major risk factors for the banks: The risk of nonperformance by the exporter, when he is unable to meet his terms and conditions. In this case, the issuing banks do not honor the letter of credit. The bank also faces the documentary risk where the issuing bank refuses to honor its commitment. So, it is important for the for the negotiating bank, and the lending bank to properly check all the necessary documents before submission. Advance against Export Bills Sent on Collection Basis – Bills can only be sent on collection basis, if the bills drawn under LLC have some discrepancies.

Sometimes exporter requests the bill to be sent on the collection basis, anticipating the strengthening of foreign currency. Banks may allow advance against these collection bills to an exporter with a confessional rates of interest depending upon the transit period in case of EDP Bills and transit period plus issuance period in case of issuance bill. The transit period is from the date of acceptance of the export documents at the inks branch for collection and not from the date of advance.

Advance against Export on Consignments Basis – Bank may choose to finance when the goods are exported on consignment basis at the risk of the exporter for sale and eventual payment of sale proceeds to him by the consignee. However, in this case bank instructs the overseas bank to deliver the document only against trust receipt / undertaking to deliver the sale proceeds by specified date, which should be within the prescribed date even if according to the practice in certain trades a bill for part of the estimated value is drawn in advance against the exports.

Advance against Indrawn Balance – It is a very common practice in export to leave small part indrawn for payment after adjustment due to difference in rates, weight, quality etc. Banks do finance against the indrawn balance, if indrawn balance is in conformity with the normal level of balance left indrawn in the particular line of export, subject to a maximum of 10 percent of the export value. An undertaking is also obtained from the exporter that he will, within stipulated time from due date of payment or the date of shipment of the goods, whichever is earlier surrender balance proceeds f the shipment.

Advance Against Claims of Duty Drawback – Duty Drawback is a type of discount given to the exporter in his own country. This discount is given only, if the in-house cost of production is higher in relation to international price. This type of financial support helps the exporter to fight successfully in the international markets. In such a situation, banks grants advances to exporters at lower rate of interest for a maximum period of 90 days. These are granted only if other types of export finance are also extended to the exporter by the same bank.

After the shipment, the exporters lodge their claims, supported by the relevant documents to the relevant government authorities. These claims are processed and eligible amount is disbursed after making sure that the bank is authorized to receive the claim amount directly from the concerned government authorities. Export Finance Avail ICC Banks Export Finance services to facilitate cash flow in your business. Our Export Finance is available in Indian rupees and foreign currency, tailor-made to support your export requirements.

ICC Banks Export Finance services include both pre-shipment and post-shipment credit. Obtain pre-shipment finance in the form of Export Packing Credit to finance purchase or import of raw materials and processing and packing of goods for export. Our pre-shipment credit is based on actual trading cycles. Post-shipment credit finances export sales receivables after you have shipped the goods until the export proceeds are realized. ICC Bank offers post-shipment credit in the form of Export Bill Negotiation.

The ICC Bank Edge Competitive rate of interest Negotiation, payment or acceptance of export documents under letter of credit Document scrutiny services to ensure compliance with LLC terms and conditions Arranging forfeiting of your export bills drawn under LLC at very competitive rates, without recourse to you 3. What do you mean by fund based and non fund based finance? Fund-based working capital products include cash credit, overdraft, bill discounting, short-term loans, and export financing (pre-shipment as well as post-shipment).

Non fund based facilities include letters of credit and bank guarantees. Non Fund Based Letter of Credit With ICC Banks Letter of Credit, you can be assured of timely and correct payments from your buyers. Now, interact with ease even with companies with whom you have ad limited experience or are unsure of their credit history. ICC Bank offers inland and foreign LLC of two types Sight LLC and Issuance LLC. Sight LLC commands immediate payment on presentation of the necessary documents. In case of a Issuance LLC, payment is set for a specified future date only after acceptance of presented documents.

The ICC Bank Edge Sanctioned and issued quickly Competitively priced Issuance period of up to 180 days Assessment based on a parameterized model. ICC Bank LLC can also be availed against 100% cash margin in the form of Fixed Deposits ICC Bank LLC are available against 25%-35% cash margin and 100% lateral security in the form of residential property or liquid securities. ICC Bank holds first charge on current assets. Bank Guarantee ICC Banks Bank Guarantees are available to you against minimal requirements and in the shortest possible time.

ICC Banks Bank Guarantees are also available in foreign currency for approved purposes as defined under FEM.. Maximum tenor of guarantee 18 months Valid for a maximum of 10 years ICC Bank also issues Bank Guarantees against 25% cash margin and 100% collateral security in the form of residential property or liquid securities. Bank guarantees in reign currency are available against credit limits or 100% cash margin. Fund based Exports Pre-shipment Finance We provide pre-shipment finance in the form of Export Packing Credit (EPIC) to help you to meet your working capital needs while manufacturing your goods for export.

We provide Export Packing Credit both in rupee as well as foreign currency at competitive rates. Export Letter of Credit Advising Exporters can insist that their export Letters of Credit are advised through ICC Bank to ensure timely delivery. Export Letter of Credit Confirmation Benefit from the credit strength of ICC Bank for confirmation of export Letters of Credit received from other foreign banks. With ICC Bank's confirmation services, you can eliminate the foreign bank and country risks from your export collections.

Once we add our confirmation to the Letter of Credit, you are assured of payment, subject to non-discrepant documents, irrespective of non-payment by LLC opening bank. Purchase [Discounting of Export Bills Do not worry when your exports are not covered under Letter of credit. Against sanctioned credit limits, we can pay you the discounted value of your invoice, immediately on shipment. The proceeds will be credited to your account if the export comments are presented before cut off time at your ICC Bank branch.

We offer this at competitive rates both in rupee as well as foreign currency and with world-class service standards. Negotiation of Export Bills under Letter of Credit Against sanctioned credit limits, we negotiate your export bills drawn under Letter of Credit, if the documents are found to be strictly in terms with the Letter of Credit conditions. We offer this at competitive rates both in rupee as well as foreign currency and with world-class service standards. Forfeiting: Forfeiting means discounting of receivables, under a Letter of Credit or Co-accepted Bills of Exchange, ‘ without recourse’ on a fixed rate basis.

Generally, Forfeiting is often applied where the exporter is selling goods on credit terms and the export receivables are guaranteed by the importer’s bank. This service enables you to fund otherwise not have been possible. Export Bill Collection Concentrating your Documentary Collection activities with ICC Bank, you can eliminate many of your exporting hassles. Not only will your international banking become much more uniform, you can experience fewer delays in receiving payment, effortlessly access collection information details, gain increased control over export achievable and have an efficient cash flow management.

Advances against exports on Consignment basis ICC Bank can provide financing for export on consignment basis, wherein goods are exported at the risk of the exporter for sale and eventual payment of sale proceeds to him by the consignee. Factoring It is a service that covers the financing and collection of account receivables in domestic and international trade. It is an ongoing arrangement between the client and Factor (ICC Bank), where client assigns the receivables to the Factor. By obtaining payment of the invoices immediately from the factor, the company’s cash low is improved.

At the same time due to the involvement of Factor, your credit risk on the buyer is also minimized. 4. Importance of bank guarantee What is Bank Guarantee? A Bank Guarantee is a guarantee issued by a banker that, in case of an occurrence or non-occurrence of a particular event, the bank guarantees to make good the loss of money as stipulated in the contract. Bank analyses the creditworthiness or the business capacity of its clients and then issues various types of bank guarantees like Financial Guarantees, Performance Bank Guarantees, Deferred Payment Guarantees.

Bank guarantees can be issued against Cash Margin and Mortgage of Immovable Properties. 5. How is LLC used What is Letter of Credit? When a buyer want to purchase goods or importer wants to import goods from an unknown seller or exporter, he can take assistance of banks in such buying or importing transactions. On the basis of creditworthiness, a Bank issues a Letter of Credit addressed to the supplier or exporter who, on the strength of Letter of Credit issued by a reputed bank, will not hesitate to supply or export goods to such unknown buyer/ importer. After the goods are supplied, A Signed Invoice with a

Letter of Credit is presented to the banker of buyer / importer and the payment is made to the seller/exporter directly by the bank. Step-by-step process: Buyer and seller agree to conduct business. The seller wants a letter of credit to guarantee payment. Buyer applies to his bank for a letter of credit in favor of the seller. Buyer’s bank approves the credit risk of the buyer, issues and forwards the usually located in the same geographical location as the seller (beneficiary). Advising bank will authenticate the credit and forward the original credit to the seller (beneficiary).

Seller (beneficiary) ships the goods, then verifies and develops the documentary requirements to support the letter of credit. Documentary requirements may vary greatly depending on the perceived risk involved in dealing with a particular company. Seller presents the required documents to the advising or confirming bank to be processed for payment. Advising or confirming bank examines the documents for compliance with the terms and conditions of the letter of credit. If the documents are correct, the advising or confirming bank will claim the funds by: Debiting the account of the issuing bank.

Waiting until the issuing bank remits, after receiving the documents. Reimburse on another bank as required in the credit. Advising or confirming bank will forward the documents to the issuing bank. Issuing bank will examine the documents for compliance. If they are in order, the issuing bank will debit the buyer’s account. Issuing bank then forwards the documents to the buyer. 6. What is an EFFECT Account and what are its benefits? NAS. Exchange Earners’ Foreign Currency Account (EFFECT) is an account maintained in foreign currency with an Authorized Dealer I. E. Ann. dealing in foreign exchange. It is a facility provided to the foreign exchange earners, including exporters, to credit 100 per cent of their foreign exchange earnings to the account, so that the account holders do not have to convert foreign exchange into Rupees and vice versa, thereby minimizing the transaction costs. EFFECT Account Indian exports have surged over the last decade owing to an unprecedented boom in sectors like software, biotechnology, gems, Jewelry, textiles etc. As a result of this, the volume of inward remittances has also increased significantly.