



ECGC COVERS FOR BANK

Medium and Long Term Exports



ECGC LTD

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Packing credit Cover

Packing credit cover can be obtained by the bank that provides advances. Credit facilities to the exporters for the purpose of manufacturing, processing, purchasing and /or packing of goods against confirmed order/ letter of credit. Such advances can also be granted by the banks to exporters who enter in to contracts for exports of services or undertaking construction works abroad. The cover provides protection to the banks against losses suffered on account of non-payment of advances/ credit facilities due to insolvency and /or default of the borrower exporter.

Risks Covered:

- Insolvency of Borrower
- Protracted Default of Borrower

Loss Coverage: 66.66%

Period of Cover: 12 Months

Processing Fee: Rs. 1000/-

Premium rate: 0.12% per month on the Highest Amount Outstanding in the account in any day during the month.

Obligations:

- Obtain cover for each project separately prior to the disbursement of advances.
- Maintain advance deposit equivalent to one month's premium with ECGC.
- Submit monthly declaration of advances granted and repayments made in the case of pre-shipment / post-shipment cover.
- Reporting of default within four months from the due date or extended due date.
- Recall of advances prior to lodgement of claim.
- Filing of claim within six months from the date for reporting default.
- Initiate recovery action and share the recovery with ECGC in the same proportion in which the claim was settled.

Post Shipment credit Cover

Post Shipment cover can be obtained by the bank that provides post shipment finances to the exporters by way of purchase, negotiation or discount of export bills after the shipment has been effected. Such advances are liquidated on the due dates after the bills are realised and payment received from the buyer. The cover provides protection to the banks against losses suffered on account of non-payment of advances/ credit facilities due to insolvency and /or default of the borrower exporter.

Risks Covered:

- Insolvency of Borrower
- Protracted Default of Borrower

Loss Coverage: 60% to 75%

Processing Fee: Rs. 1000/-

Period of Cover: 12 Months

Premium rate: 0.06% to 0.13% per month on the Highest Amount Outstanding in the account in any day during the month.

Obligations:

- Obtain cover for each project separately prior to the disbursement of advances.
- Maintain advance deposit equivalent to one month's premium with ECGC.
- Submit monthly declaration of advances granted and repayments made in the case of pre-shipment / post-shipment cover.
- Reporting of default within four months from the due date or extended due date.
- Recall of advances prior to lodgement of claim.
- Filing of claim within six months from the date for reporting default.
- Initiate recovery action and share the recovery with ECGC in the same proportion in which the claim was settled.

ECIB- SURETY COVERS

During execution of projects, exporters are required to furnish bonds duly supported by bank guarantees at various stages starting from bidding to releasing retention money which is furnished for completion of defects/warranty period. The exporter furnishes Advance Payment Bond for receiving advance payment and Due Performance Bond for assuring due performance of the contract. The exporter may also have to furnish bank guarantee to foreign bank for overseas borrowings in foreign currency abroad. The cover provides protection to the banks against losses that it may suffer due to insolvency and /or protected default of the borrower.

Risks Covered:

- Insolvency of Borrower
- Protracted Default of Borrower

Loss Coverage: 75%

Period of Cover: As per the period of Bank Guarantee

Premium rate: 0.70% p.a. on BG value

Processing Fee: Rs. 1000/-

Obligations:

- Obtain cover for each project separately prior to the issuance of Bank Guarantee
- Seek extension in period of cover prior to its expiry
- Advise when beneficiary invokes the guarantee
- Recall of advances prior to lodgement of claim.
- Filing of claim within six months from the date for reporting default.
- Initiate recovery action and share the recovery with ECGC in the same proportion in which the claim was settled.

Buyer's Credit Cover

Buyer's Credit is a credit extended by a bank in India to an overseas buyer for the specific purpose of enabling the foreign buyer to pay for machinery and equipments that he may be importing from India or for a specific project to be executed by an Indian Project Exporter (IPE). The cover provides protection to the banks against losses that it may suffer due to insolvency and /or protected default of the overseas borrower.

Risks Covered:

i. Commercial Risks

- a) Insolvency of the Borrower;
- b) the default on the part of the Borrower, to make payment to the Insured of the whole or any part of the Credit in terms of the Agreement;

ii. Political Risks

- a) A general moratorium decreed by the government of the Borrower's country, due to which payment of the Credit cannot be effected by the Borrower in terms of the Agreement;
- b) an embargo to transfer currency caused by political events or economic problems which have arisen in the Borrower's country, or by legislative or administrative measures adopted in that country which prevent or delay the transfer of the Credit in terms of the Agreement;
- c) the occurrence of war, civil war, revolutions, riots, civil unrest, acts of terrorism, rebellion, insurrection in the country of the Borrower thereby preventing or delaying the payment of the Credit by the Borrower in terms of the Agreement.

Loss Coverage: 75%

Period of Cover: Cover period is normally up to 10 years and can be extended up to 15 years.

Premium rate: The premium rate for the cover is linked to the credit period and country group.

Processing Fee & Commitment Fee: Processing fee is Rs.25,000/-. Also, a commitment fee @0.5 % per annum on the undrawn credit is charged.

Security for the Cover : Contract should be supported by standby LC, BG in case report on the buyer is not satisfactory and credit period is more than three years.

Payment of Premium: 25% of the premium payable upfront before issuance of cover and balance to be paid proportionately at time of each disbursement.

Undertaking from exporter: An undertaking will be obtained from exporters for performance of the contract.

Cover for Interest Portion: Cover for the interest portion will be available as per request of the Bank. Loss coverage for the interest portion will also be 75%.