

ECGC Ltd

Press Release

Reduction in insurance cost for exporters

In its 60th year of operation, ECGC took a customer friendly step by reducing the premium rate by an average 17% for its whole turnover policy covers. The average rate of premium under short term exporters' business has come down from 28.19 paise per Rs.100 during Financial Year (FY) 2015-16 to 25.46 paise per Rs.100 during FY 2016-17, thus reducing the transaction cost for making exports competitive.

ECGC is a premier Export Credit Agency (ECA) of Government of India providing credit insurance to exporters against non-payment risks by the overseas buyers due to Commercial and Political reasons. It also provides insurance covers to banks against risks in export credit lending to the exporter borrowers. ECGC has an Authorized Capital of Rs.5000 crore and a Paid-up-Capital of Rs.1450 crore as on 31st March, 2017. Its net worth as on 31st March, 2017 stands at Rs.3619 crore.

During the FY 2016-17, it has initiated a number of customer friendly export promotion initiatives to boost India's exports.

Apart from reduction in premium rates under whole turnover policies, it has also taken steps to make Export Factoring Scheme, cheaper for MSMEs. To give fillip to the Medium & Long Term (MLT) export sector, the Company has introduced covers to the subsidiary MLT exporters in India. In order to speed-up claim settlement, ECGC has set up Regional Claim Processing Centers (RCPC) at all the five Regional Offices, located in major metro cities. As an incentive to large exporters, the Volume Discount has been rationalized to extend the benefits to more and more exporters. .

Addressing a media meet to highlight business performance for the FY 2016-17, Mrs. Geetha Muralidhar, Chairman-cum-Managing Director of ECGC mentioned that the value of exports covered under exporters' business as well as the number of policies in force had shown a redeeming trend with a growth of 4%. The value of business covered during FY 2016-17 stood at over Rs.1,41,000 crore and the number of policies in force at over 12,000 as compared to Rs.1,35,000 crore and 11,525 respectively in the FY 2015-16.

Under the Export Credit Insurance Covers issued to Banks (ECIB), the export advance outstanding of the banks and covered by ECGC as on March 31, 2017 stood at over Rs.1,17,000 crore covering over 23,500 exporter accounts. The share of Banks covered by ECGC in export credit disbursement continues to be substantial though declining. All the Government owned banks and 14 private sector banks are under the cover of ECGC. The overall business which includes the covers issued to the exporters, banks and MLT sector, covered during FY 2016-17 stood at over Rs.2,65,000 crore.

In the wake of continued global recession and uncertainties, ECGC also continued to experience high claim pay out of Rs.886 crore during FY 2016-17 after the record claim pay out in the last FY 2015-16. ECGC paid out 578 claims amounting to Rs.207 crore to exporters under direct policies and 200 claims amounting to Rs.679 crore to the lending banks under Export Credit Insurance Covers issued to Banks during FY 2016-17. ECGC maintained high solvency ratio of 8.88 as on 31st March, 2017 against the regulator's norm of 1.5. The claims paid are spread across various sectors such as agricultural products, engineering goods, gems & jewellery, readymade garments, basic chemicals & Pharmaceuticals, etc.

As regards Policy business, the Corporation presently underwrites risk on 237 countries of the world and maintains records of about 1,25,000 active buyers all over the world wherein the overall exposure underwritten is to the tune of Rs.1,40,000 crore. During the FY 2016-17, the Company added around 18,000 new buyers to its database. The data on buyers is used for underwriting commercial risks on the buyers.

ECGC also covers risks of project exporters and banks involved in the medium and long term exports. As on 31st March, 2017, around 85 policy covers and about 142 covers to banks were in force. Major projects supported by ECGC, are being executed in Oman, Kenya, Vietnam, Afghanistan and Nepal.

On account of Government of India, ECGC operates National Export Insurance Account (NEIA) Trust to promote project exports from India that are of strategic and national importance which are beyond underwriting capacity of the Company. As of 31.03.2017, there were 122 covers in force related to 76 projects under NEIA. The value of exports enabled by ECGC is over Rs.26,000 crore and through the Buyer Credit covers it is around Rs.8500 crore.

Dwelling on the financial results of the Corporation for 2016 -17, Mrs. Geetha Muralidhar mentioned that the Corporation's financial results during the year were highly satisfactory with Gross Profit of over Rs.400 crore. The Company has proposed a dividend of Rs. 72.50 crore to the Government of India for the FY 2016-17.

In the International arena, ECGC signed a bilateral agreement with Iranian counterpart, EGFI on May 23, 2016 in the presence of the Prime Minister of India and President of Iran. ECGC hosted and chaired 2nd BRICS Heads of ECAs Meeting in New Delhi on October 13, 2016, 2nd BRICS Technical Workshop on December 01- 02, 2016 at Hyderabad and G12 Heads of ECAs meeting on February 20-21, 2017 at Chennai.

As directed by the Government of India, ECGC has been participating in the International Working Group (IWG) on Export Credits to evolve a set of international guidelines on the officially – supported export credit proposals for Projects/Export of Capital goods involving a credit period of more than 2 years.

ECGC is in discussion with African Trade Insurance Agency (ATI) to explore the possibilities of supporting exports to African Region through reinsurance and coinsurance. ATI provides political risk and trade credit risk insurance products with the objective of reducing the business risk and cost of doing business in Africa.

The Parliamentary Standing Committee on Commerce in its 125th report, while appreciating the efforts being undertaken by ECGC for overall growth of Indian exports, the Committee has opined that the framework of export credit needs to be made more robust and hence ECGC needs to be adequately capitalized. In addition, while commending the work of ECGC in covering the banks, owing to high risk that it has to bear, once again they recommend that ECGC should be heavily capitalized.

The company's contribution in the last decade by way of claim settlements of around Rs.7000 crore has provided the much needed support to exporters and relief to banking system in ensuring adequate lending to exporters.

The year ahead looks challenging for the exporters and the Ministry of Commerce is taking several steps to boost exports from the country. ECGC is also looking forward to partner with government in its initiatives by making credit insurance more easily accessible for the exporters. There are many export friendly initiatives under discussion with the regulator and the Government, she said.