



**Buyer's Credit under NEIA:
*A Unique Programme to Support
Project Exports from India***

Objective

The Export-Import Bank of India was established “for providing financial assistance to exporters and importers, and for functioning as the principal institution for co-ordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade ...”

The Export-Import Bank of India Act, 1981.



**Exim Bank's Buyer's Credit
Under the National Export Insurance Account
Programme: *Salient Features***

August 01, 2019

Introduction

Over three decades ago, in 1982, the Government of India launched a new institution in the form of **Export-Import Bank of India (Exim Bank)**, with a mandate to enhance exports and integrate India's international trade and investment with its economic growth.

While the mandate was demanding, what really set the Bank apart was the strategy adopted to fulfil it, which essentially involved introduction of innovative products and services and proactive adaptation to new challenges.

Commencing operations as a purveyor of export credit, Exim Bank today plays an important role in partnering Indian industries in their globalisation efforts through a comprehensive range of financing and advisory support programmes encompassing all stages of the export business cycle.

Exim Bank has played a pioneering role in promoting project exports from India and has been actively encouraging Indian firms to participate in overseas project opportunities. With Exim Banks' support many Indian companies have been executing projects in overseas markets.

The achievements of the past three decades provide a strong foundation to Exim Bank from where it will continue to catalyse India's international trade and investment. The Bank is committed to go beyond traditional financing and facilitate exports of a variety of products and services which have the potential to go overseas, by creating a niche for them in the international market.

This brochure is one of the principal lending programmes of Exim Bank viz. Buyer's Credit under the National Export Insurance Account (NEIA), and is for dissemination of information to various Indian Project Exporters, as also prospective overseas Borrower's viz. Foreign Governments or their nominated government – owned entities (Parastatal agencies).

Buyer's Credit under NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

Background

Export-Import Bank of India (Exim Bank) is the coordinator and facilitator for the promotion of project exports. The Bank, plays a pivotal role in supporting Indian companies in execution of projects by offering both funded and non-funded facilities for overseas turnkey projects, civil construction contracts, supplies as well as technical and consultancy service contracts. Project exports from India have been increasing steadily over the years, indicating the growing stature of Indian expertise overseas in a wide range of activities, and upward movement in the value chain of its export performance.

Project exports are broadly divided into four categories:

- **Civil construction:** Construction projects involve civil works, steel structural work, erection of utility equipment and include projects for building dams, bridges, airports, railway lines, roads and bridges, apartments, office complexes, hospitals, hotels.
- **Turnkey:** Turnkey projects involve supply of equipment alongwith related services and cover activities from the conception stage to the commissioning of a project. Typical examples of turnkey projects are: supply, erection and commissioning of boilers, power plants, transmission lines, sub-stations, plants for manufacture of cement, sugar, textiles, chemicals and desalination plants.
- **Consultancy Services:** Services contracts, involving provision of know-how, skills, personnel and training and operations and maintenance are categorised as consultancy projects. Typical examples of services contracts are: project implementation services, management contracts for industrial plants, hospitals, hotels, oil exploration, charter hire of rigs and locomotives, supervision of erection of plants, and IT solutions and systems.
- **Supplies:** Supply contracts involve primarily export of capital goods and industrial manufactures. Typical examples of supply contracts are: supply of stainless steel slabs and ferro-chrome manufacturing equipment, diesel generators, pumps, compressors and vehicles.

Buyer's Credit under NEIA

In order to provide further impetus to project exports from India, especially in the infrastructure sector, Exim Bank, in April 2011, in conjunction with ECGC Ltd., introduced a new product / initiative, viz. *Buyer's Credit under Government of India (GOI)'s National Export Insurance Account (NEIA)*, under which the Bank finances and facilitates project exports from India.

Buyer's Credit – NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

NEIA is a Trust, set up by the Ministry of Commerce and Industry (MOCI), Government of India, for providing medium to long term export credit insurance cover for promoting project exports from India, administered by ECGC Ltd.

Exim Bank also extends Buyer's Credit, on medium term, to overseas borrower without NEIA cover to finance export of capital goods, plant and machinery, industrial manufactures, consumer durables and any other items eligible for being exported under the 'Foreign Trade Policy' of the Government of India.

Supporting Project Exports

The Indian Project Exporter, under the Buyer's Credit – NEIA Programme, is backed by a tailored financing package that meets the funding needs of the project, without impacting the balance sheet of the Indian project exporter. Consequently, while the Indian Project Exporter remains responsible for timely and satisfactory execution of the project, it is free from commercial and political risks arising out of the financing.

Buyer's Credit – NEIA is extended by Exim Bank to the overseas Sovereign governments and their nominated government-owned entities (Parastatal agencies) backed by sovereign guarantee. NEIA, through ECGC Ltd., provides cover for the facility. Presently, a positive list of 91 countries has been identified by ECGC Ltd. for which Indian exporters can avail Buyer's Credit under NEIA. The list could be suitable expanded/modified on receipt of credit requests for projects from other countries/Indian Project Exporter, subject to the approval from the competent authorities.

Eligibility and Mechanism

The eligibility of the project for covering under the Buyer's Credit – NEIA, inter-alia, focuses on (i) country risk perception, (ii) track record and sound financials of the Indian project exporter and overseas borrower, and (iii) conformity with the Reserve Bank of India's Memorandum of Instructions on Project and Service Exports. It is envisaged that Indian project exporters of repute with good track record will be supported under the Programme.

The amount of the loan is generally not more than 85% of the contract value, with the balance 15% being paid by the project authority as advance or down payment. Higher credit amount can be considered on a case to case basis, subject to specific request from the Borrower. The interest rate is linked to Exim Bank's cost of funds plus a spread. The credit period would usually be 8 to 15 years, with supply contract restricted to 8 years. Longer credit period will be considered on merits of the proposal, on case to case basis. The security includes a sovereign guarantee of the borrowing country where the borrower is other than the Ministry of Finance of the borrowing country and any other security as may be stipulated on a case-to-case basis.

The project is placed for approval of the Committee of Directions under the Department of Commerce, MOCI for export credit insurance cover under NEIA. Exim Bank extends the credit directly to the overseas buyer of projects from India without recourse to the Indian exporter.

Interested Indian companies may contact the Project Exports Group (peg@eximbankindia.in) of Exim Bank for obtaining a letter for expression of interest / in-principle commitment. Such a letter(s) is only an indication of interest to assist in bid submission and should not be considered as an assurance of credit facilities, and is without any legal binding to Exim Bank. A firm sanction letter may be issued after award of contract and after satisfactory completion of due diligence by the Bank. The broad terms and conditions and indicative steps to be followed under the Programme are given overleaf.

Broad Terms and Conditions

Programme	Buyer's Credit Programme of the Export-Import Bank of India (Exim Bank) under Government of India (GOI)'s National Export Insurance Account (NEIA)												
Eligible Borrowers	Sovereign governments and their nominated government-owned entities (Parastatal agencies) for financing their import of eligible goods and services from India on deferred payment terms.												
Eligible Goods	Project Exports from India												
Eligible Indian companies	Indian Project Exporters with satisfactory track record and sound financials.												
Quantum of Credit	The Buyer's Credit would generally not cover more than 85% of the contract value, with the balance 15% being paid by the project authority as advance or down payment. Higher credit amount can be considered on case to case basis and subject to approval of the competent authority.												
Rate of Interest	<p>The interest rate payable by eligible overseas borrowers under the Programme will have a tenor linked pricing. The current rates are as follows:</p> <ul style="list-style-type: none"> • LIBOR (6M) + 1.25% p.a. for tenor ≤ 8 years; • LIBOR (6M) + 1.50% p.a. for tenor of >8 - 12 years; and • LIBOR (6M) + 1.75% p.a. for tenor of >12-15 years. <p>These rates will be subject to review by Exim Bank on annual basis or as may be required by the Bank.</p>												
Interest Differential and Charges / Fees payable by the Indian company	Charges and fees payable by the Indian Project Exporter including a suitable Differential Interest, as determined by Exim Bank.												
NEIA Guarantee Fee	<p>NEIA's Comprehensive Risk Cover policy, indicative guarantee fees to be borne by Indian Project Exporter/Borrower, as may be agreed.</p> <p>Details of Guarantee fees for the principal payable as per ECGC country classification is stated as under:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Country Classification by ECGC</th> <th style="text-align: center;">Guarantee Fee rate for 100% coverage</th> <th style="text-align: center;">Guarantee Fee rate for 150 % coverage</th> </tr> </thead> <tbody> <tr> <td>Countries Rated A1, A2</td> <td style="text-align: center;">2%</td> <td style="text-align: center;">3%</td> </tr> <tr> <td>Countries Rated B1 , B2</td> <td style="text-align: center;">3%</td> <td style="text-align: center;">4.5%</td> </tr> <tr> <td>Countries Rated C1, C2 and D</td> <td style="text-align: center;">3.5%</td> <td style="text-align: center;">5.25%</td> </tr> </tbody> </table> <p>Guarantee fee on interest component would be payable at 1% p.a. on an annual basis.</p>	Country Classification by ECGC	Guarantee Fee rate for 100% coverage	Guarantee Fee rate for 150 % coverage	Countries Rated A1, A2	2%	3%	Countries Rated B1 , B2	3%	4.5%	Countries Rated C1, C2 and D	3.5%	5.25%
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Tenor /	Credit period would usually be 8 to 15 years, with supply												

Repayment Period	contract restricted to 8 years. Longer credit period will be considered on merits of the proposal, on case to case basis.
Security	<ul style="list-style-type: none"> • Sovereign guarantee of the borrowing country in the event the borrower is other than the Ministry of Finance of the borrowing country. • Any other security as may be stipulated on a case-to-case basis.
Nature of Projects to be covered under the Programme	<p>Projects covering sectors, where Indian companies have established expertise, would be covered for support under the Scheme. Such sectors may, among others, include:</p> <ul style="list-style-type: none"> ❖ Power (generation, transmission, distribution), covering thermal, hydro, solar and wind; ❖ Transportation [(i) Railways (including rail lines, bridges, signalling, rolling stock); (ii) Roads (including flyovers and bridges, toll plazas); (iii) Vehicles and related equipment (including heavy commercial vehicles, passenger vehicles)]; ❖ Capital and engineering goods; ❖ Housing, hospitals and related civil infrastructure; and ❖ Water (treatment, distribution, sanitation, irrigation).
Eligible Countries	ECGC's positive list of countries for NEIA. The list could be suitably expanded / modified on receipt of credit requests for projects from other countries/Indian Project Exporters.
Lender's engineer	<p>For large value projects, a lender's engineer may be appointed with the role and responsibilities covering the review of the detailed project report and design, monitoring of implementation, evaluation of operations and maintenance, and post-commissioning stages of a project.</p> <p>A certification confirming post-commissioning annual maintenance arrangements to be submitted by the overseas buyer, as acceptable to Exim Bank.</p> <p>The cost of the lender's engineer will be borne by the Exporter, Exim Bank or the Borrower, as may be applicable and mutually agreed.</p>
Indian Content	Goods and services for minimum 75% of the value of goods and services covered under the Scheme must be of sourced from India. A further relaxation may be considered for exceptional reasons, especially in case of Engineering, Procurement and Construction (EPC) projects having civil construction.

Schedule of Charges (to be borne by the Indian Project Exporter) under Buyer's Credit under NEIA

1. Indicative Term Sheet (ITS)/Expression of Interest (Eol) Issuance/Extension

ISSUANCE		
Project Size	Validity of the TS / Eol	Issuance Fee in INR
≤ USD 100 mn Equivalent	For a maximum period of 6 months	5,00,000.00
>USD 100-150 mn		6,00,000.00
>USD 150 mn		8,00,000.00
EXTENSION #		50,000.00

Indian Project Exporter (IPE) should write to the Bank before the expiry of the ITS/Eol or else the TS/Eol shall deem to be cancelled. The TS/Eol will be further reissued at the request of the IPE after the payment of the requisite fees for fresh Issuance.

❖ *Fees are non-refundable*

2. Addendum to the Commercial Contract and the approval thereon- **INR 2,00,000/- per Addendum.**
3. Document Handling Charges from the IPE- **0.20% of the value of the each disbursement.**
4. Courier Charges applicable to IPE for forwarding export documents- **INR 5000 equivalent or as per actuals whichever is higher, to be charged with each disbursement.**
5. Legal fees (one time) for documentation related to IPE, if applicable- **INR 5,00,000/- or as per actuals.**
6. Any other charges which may be applicable from time to time.

(Plus applicable taxes for the above charges)

Indicative Steps to be followed

- i) The Indian Project Exporter approaches Exim Bank to seek support under Buyer's Credit – NEIA and terms thereof.
- ii) Exim Bank conducts preliminary due diligence and conveys in-principle approval along with indicative terms. Indian exporters with satisfactory track record and sound financials are considered for support under the BC-NEIA facility.
- iii) Once the contract is secured and signed between the Indian exporter and the Overseas Buyer, Exim Bank conducts detailed review and obtains necessary internal approvals.
- iv) Exim Bank approaches the Committee of Directions (COD) under MOCI. The COD, based on merits of the proposal, considers approval of the proposal for coverage under NEIA.
- v) ECGC, upon approval of the COD for export credit insurance cover under NEIA, conveys approval and premium rate.
- vi) Negotiation and finalisation of terms of the Buyer's Credit Agreement.
- vii) Exim Bank accords approval of Buyer's Credit to the Overseas Borrower.
- viii) Exim Bank may consider appointing a Lender's Engineer for large-value projects with the role and responsibilities covering review of the detailed project report and design, monitoring of implementation, evaluation of operations and maintenance, and post-commissioning stages of a project. The cost of the lender's engineer would be borne by the the Exporter, Exim Bank or the Borrower, as may be applicable and mutually agreed.
- ix) Exim Bank and Overseas Borrower sign the Buyer's Credit Agreement, and the Government of the Overseas Borrower issues the sovereign guarantee in the event the borrower is other than Ministry of Finance of the borrowing country.
- x) Exim Bank and NEIA Trust (administered by ECGC) sign the Comprehensive Risk Cover Policy for the Buyer's Credit.
- xi) Exim Bank makes disbursement of eligible amount under the contract to the Indian Exporter under the Buyer's Credit upon receipt of acceptable shipping documents as stipulated under a Letter of Credit and / or payment authorisation from the Overseas Borrower.
- xii) On due dates and till maturity of the loan (until fully repaid), the Overseas Borrower pays interest and principal dues and related charges under the loan as per the terms and conditions of the loan sanctioned.

ECGC's Positive List of Countries for Buyer's Credit under NEIA (as of 01.08.2019)

Sr. No.	Country	ECGC Rating		Sr. No.	Country	ECGC Rating
1	Afghanistan	C1		28	El Salvador	B1
2	Algeria	B1		29	Ethiopia	C1
3	Angola	B1		30	Equatorial Guinea	B2
4	Argentina	B1		31	Gabon	B1
5	Bahamas	B1		32	Georgia	B2
6	Bangladesh	A2		33	Ghana	B1
7	Barbados	B2		34	Republic of Guinea	B1
8	Belarus	B1		35	Guatemala	B1
9	Belize	B2		36	Guyana	B1
10	Benin	B1		37	Haiti	B2
11	Bhutan	A2		38	Honduras	B1
12	Bolivia	B1		39	Indonesia	A2
13	Botswana	A2		40	Iran*	A2
14	Brazil	B1		41	Iraq	C1
15	Burkina Faso	B2		42	Jordan	B2
16	Cambodia	B1		43	Kazakhstan	C1
17	Cameroon	B2		44	Kenya	B1
18	Chile	A1		45	Kuwait	A2
19	Colombia	B1		46	Lao PDR	B1
20	Republic of Congo	B2		47	Latvia	A2
21	Costa Rica	A2		48	Lesotho	B1
22	Cote d'Ivoire	C1		49	Liberia	B1
23	Cuba	B1		50	Libya	C1
24	Djibouti	B1		51	Macedonia	A2
25	Dominican Republic	A2		52	Madagascar	B1
26	Ecuador	B1		53	Malawi	B2
27	Egypt	B2		54	Maldives	B2

55	Mali	B1		74	Russia	A2
56	Mauritius	A2		75	Rwanda	B1
57	Mauritania	C1		76	Senegal	A2
58	Mexico	A2		77	Sierra Leone	B2
59	Moldova	B1		78	Sri Lanka	A2
60	Mongolia	B2		79	Suriname	B2
61	Morocco	B1		80	Syria	D
62	Mozambique	C1		81	Tanzania	B1
63	Myanmar	B1		82	Togo	B1
64	Namibia	B2		83	Trinidad & Tobago	A2
65	Nepal	A2		84	Tunisia	B2
66	Nicaragua	B2		85	Uganda	B1
67	Nigeria	B2		86	Ukraine	C2
68	Panama	A2		87	Uruguay	A2
69	Papua New Guinea	B2		88	Uzbekistan	B1
70	Paraguay	A2		89	Vietnam	A2
71	Peru	A2		90	Zambia	B1
72	Philippines	A2		91	Zimbabwe	D
73	Romania	B1				

*Credit will be denominated in Indian Rupees. Interest rates to be advised on a case to case basis.

Note:

The above list could be suitably expanded / modified on receipt of credit requests for projects from other countries/Indian Project Exporters, subject to the approval of the competent authorities. Updates, if any, will be available at www.eximbankindia.in

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