



**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 NEIA Programme:
Salient Features

December 2016

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 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.

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 equipments, 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 company 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 governments of recipient countries or to the parastatal project authorities backed by sovereign guarantee. NEIA, through ECGC, provides cover for the facility. Presently, a positive list of 80 countries have been identified by ECGC for which Indian exporters can avail Buyer's Credit under NEIA. The list could be suitably expanded/modified on receipt of credit requests for projects from other countries.

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 case to case basis. The interest rate is linked to Exim Bank's cost of funds plus a spread. The credit period would usually be 8 to 12 years, and longer credit period would be considered on the merits of the proposal. The security includes a sovereign guarantee where the borrower is other than the foreign government 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 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 exporters with satisfactory track record and sound financials.														
Quantum of Credit	The Buyer's Credit would not normally 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.														
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 + 1.25% p.a. for tenor ≤ 8 years; • LIBOR + 1.50% p.a. for tenor of 9 - 12 years; and • LIBOR + 1.75% p.a. for tenor of 13-15 years. <p>These rates will be subject to review by Exim Bank on a half-yearly basis (or more frequently if there are upheavals in the external environment).</p>														
Interest Differential and Charges / Fees payable by the Indian company	Charges and fees payable by the Indian company including a suitable interest differential, as determined by Exim Bank.														
NEIA Guarantee Fee	<p>NEIA's Comprehensive Risk Cover policy, indicative guarantee fees to be borne by seller / buyer, as may be agreed. Details of Guarantee fees for the principal payable as per EGCG country classification is stated as under:</p> <table border="1" data-bbox="434 1503 1353 1944"> <thead> <tr> <th>Country Classification by ECGC</th> <th>Guarantee Fee rate for 100% coverage</th> <th>Guarantee Fee rate for 150 % coverage</th> </tr> </thead> <tbody> <tr> <td>Countries Rated A1, A2</td> <td>2%</td> <td>3%</td> </tr> <tr> <td>Countries Rated B1 , B2</td> <td>3%</td> <td>4.5%</td> </tr> <tr> <td>Countries Rated C1, C2 and D</td> <td>3.5%</td> <td>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 / Repayment Period	Credit period would usually be 8 to 12 years, and longer credit period will be considered on merits of the proposal.
Security	Sovereign guarantee 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	Projects covering sectors, where Indian companies have established expertise, would be covered for support under the Scheme. Such sectors may, among others, include: <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.
Lender's engineer	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. A certification confirming post-commissioning annual maintenance arrangements to be submitted by the overseas buyer, as acceptable to Exim Bank. The cost of the lender's engineer will be borne by the Exporter.
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 suitable relaxation, not exceeding 10%, may be considered for exceptional reasons, especially in case of projects having civil construction.

Indicative Steps to be followed

- i) The Indian 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 Buyer.
- 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 Indian project exporter.
- 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 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 19.11.2016)

Sr. No.	Country	ECGC Rating
1.	Afghanistan	C2
2.	Algeria	B1
3.	Angola	B1
4.	Argentina	C1
5.	Bahamas	A2
6.	Bangladesh	A2
7.	Barbados	B2
8.	Belarus	C1
9.	Belize	B2
10.	Bhutan	A2
11.	Bolivia	B1
12.	Botswana	B1
13.	Brazil	A2
14.	Burkina Faso	B2
15.	Cambodia	B2
16.	Cameroon	B2
17.	Chile	A1
18.	Colombia	A2
19.	Republic of Congo (Brazzaville)	C1
20.	Costa Rica	A2
21.	Cote d'Ivoire	C2
22.	Cuba	B1
23.	Djibouti	B2
24.	Dominican Republic	A2
25.	Ecuador	B1
26.	Egypt	C1
27.	El Salvador	B1
28.	Ethiopia	C1
29.	Gabon	B1

30.	Ghana	B2
31.	Republic of Guinea	C1
32.	Guatemala	B1
33.	Guyana	B2
34.	Haiti	B2
35.	Honduras	B2
36.	Indonesia	A2
37.	Iran*	B1
38.	Kazakhstan	C1
39.	Kenya	B1
40.	Kuwait	A2
41.	Lao PDR	B1
42.	Latvia	B2
43.	Liberia	C1
44.	Libya	C1
45.	Madagascar	B2
46.	Malawi	C1
47.	Maldives	B1
48.	Mali	C1
49.	Mauritius	A2
50.	Mauritania	B2
51.	Mexico	A2
52.	Moldova	B2
53.	Mongolia	B2
54.	Morocco	B1
55.	Mozambique	B1
56.	Myanmar	B1
57.	Namibia	B2
58.	Nepal	B1
59.	Nicaragua	B2
60.	Nigeria	B2

61.	Panama	A2
62.	Paraguay	B2
63.	Peru	A2
64.	Philippines	A2
65.	Romania	B2
66.	Russia	A2
67.	Rwanda	B2
68.	Senegal	B2
69.	Sierra Leone	B2
70.	Sri Lanka	A2
71.	Suriname	B2

72.	Syria	D
73.	Tanzania	B2
74.	Togo	B1
75.	Trinidad & Tobago	A2
76.	Tunisia	B1
77.	Uganda	B2
78.	Uruguay	A2
79.	Uzbekistan	B2
80.	Vietnam	A2
81.	Zambia	B1
82.	Zimbabwe	C1

*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. Updates, if any, will be available at www.eximbankindia.in

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