



EPCH ORGANIZED AN AWARENESS SEMINAR ON "IMPORTANCE OF EXPORT FINANCE, BANKING & UNDERSTANDING IMPACT OF CIBIL REPORTS AND CREDIT RATING FOR SMALL & MEDIUM EXPORTERS IN HANDICRAFTS SECTOR" AT KOLKATA HELD ON (SATURDAY) 11.01.2014 AT THE CONFERENCE HALL OF EPCH - ER OFFICE, AT 53/1, SAMBHUNATH PANDIT STREET, KOLKATA - 700 025

EPCH organized an awareness Seminar on "importance of export finance, banking & understanding impact of CIBIL reports and credit rating for small & medium exporters in Handicrafts Sector" at Kolkata on (Saturday) 11.01.2014. Mr Nirmal Kanti Sengupta, lecturer from Indian Institute of Banker, Bangalore, & Mr R. N. Mishra, eminent Forex advisor presided over as leading speakers on the subject. Prominent member – exporter Mr Ashwin Gosalia was also present at the seminar. 43 participants including members, aspiring entrepreneurs, university students, artisans, and NGOs took part in the seminar.

The objective of the seminar was to understand the concept of pre-shipment finance and familiarization with the procedural aspects of sanction, disbursement and other aspects of packing credit etc. including the concept, advantages / disadvantages, credit rating indicators, terminology.

During the presentation, Mr Nirmal Kumar Sengupta discussed aspects like, appraisal, sanction, disbursement, liquidation of packing credit, Post Shipment Finance for exporters, deemed exports and sub suppliers. He briefed the participants on export bills, Exchange Earner's Foreign Currency Account (EEFC), Appraisal and Sanction of Pre-Shipment finance in foreign currency, Post-shipment finance in foreign currency, Choice of currency – decision parameters etc.

During interaction, he mentioned that Pre-shipment finance is extended in the following forms:

- Packing Credit in Indian Rupee

- Packing Credit in Foreign Currency (PCFC)

- Requirement for Getting Packing Credit

This facility is provided to an exporter who satisfies the following criteria:

- A ten digit importer – exporter code number allotted by DGFT.

- Exporter should not be in the caution list of RBI.

- If the goods to be exported are not under OGL (Open General Licence), the exporter should have the required license /quota permit to export the goods.

Mr R. N. Mishra, eminent forex advisor, explained the benefits for lenders and SMEs as the rapid growth of the SME sector creates exciting lending opportunities for banks and financial institutions. A credit rating takes a significant chunk of the perceived uncertainty out of their lending decisions, and reduces time and transaction costs in the system. The Indian rating industry has established its credibility in providing in-depth and unbiased analysis; ratings are therefore highly respected by lenders.

He further informed the participants that SMEs can leverage their ratings for negotiating better borrowing rates and strengthening their relationships with bankers. Ratings can also facilitate faster processing of credit facilities, as rating reports provide most of the information banks need for approving loans. Further, SMEs can use ratings to enhance their credibility with other counterparties too, such as technology providers, suppliers, and customers.

The following major questions were raised during the seminar:

Q1. What is packing credit in export business?

As per Reserve Bank, no exporter shall suffer for want of fund. Government promotes all exporters to earn foreign exchange and extend maximum support to encourage exports. Packing credit is a pre shipment finance given by bank to procure raw materials and arranging goods ready for export.

Banks provide packing credit against the stock of raw materials or finished goods also in certain cases. The packing credit is a separate finance given to exporters not connected with any limit of other loans given by bank. A separate packing credit loan account is opened for each exporter separately if needed. Once the amount of shipment received from the overseas buyer, the said packing credit amount will be adjusted by bank and close the loan under the said export order.

Q2. What is “Third Party Guarantee”?

Third Party Guarantee – Meaning: Any guarantee obtained by a bank in connection with the credit facility except from:

- Sole-proprietor in case of Sole Proprietary concern
- Partners in case of Partnership / Limited Liability Partnership
- Trustees in case of Trust
- Karta & Co-parceners in case of HUF
- Promoters Directors in case of Pvt / Public Limited Companies

Q3. What does credit rating convey?

Credit rating is an assessment of the probability of default on payment of interest and principal on a debt instrument. It is not a recommendation to buy, sell or hold a debt instrument. Rating only provides an additional input to the investor and the investor is required to make his own independent and objective analysis before arriving at an investment decision.

Q4. How is credit rating done?

Ratings are based on a comprehensive evaluation of the strengths and weaknesses of the company fundamentals including financials along with an in-depth study of the industry as well as macro-economic, regulatory and political environment.

Q5. What is the meaning of rating symbols?

Each rating symbol is an alphanumeric representation of the probability of degree of repayment risk associated with debt instruments.
