CHAPTER 5

PRE-SHIPMENT CREDIT IN FOREIGN CURRENCY (PCFC)

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5. INTRODUCTION

'Pre-shipment' means any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment, on the basis of letter of credit opened in his favour or in favour of some other person, by an overseas buyer or a confirmed and irrevocable order for the export of goods from India or any other evidence of an order for export from India having been placed on the exporter or some other person, unless lodgment of export orders or letter of credit with the bank has specifically been waived by RBI.

The exporters have an option :

- To avail export finance at pre shipment stage in rupees and then post shipment credit either in rupees or in foreign currency.
- To avail pre-shipment credit in foreign currency and discount the export bills in foreign currency at post shipment stage.

With a view to making credit available to exporters at internationally competitive rates, authorised dealers have been permitted to extend Pre-shipment Credit in Foreign Currency (PCFC) to exporters for domestic and imported inputs of exported goods at LIBOR/EURO LIBOR/EURIBOR related interest rate.

5.1. CURRENCY OF CREDIT:

RBI has permitted granting of pre-shipment credit in any of the convertible currencies. However, for the present PCFC is being granted in US Dollars, GBP & EURO subject to availability of funds.

PCFC can be extended in one convertible currency in respect of an export order invoiced in another convertible currency at the risk and cost of cross currency transaction to the exporter. For example, an exporter can avail PCFC in US Dollar against an export order invoiced in Euro. The risk and cost of cross currency transaction will be to the account of the exporter. PCFC can also be extended for exports to ACU countries.

5.2. OPERATIONAL GUIDELINES:

For operational convenience, pre-shipment credit in foreign currency (PCFC) is made available at the bank's 'A' category branches and designated 'B' category branches. 'C' category branches are not allowed to control PCFC facility in their books and have to route their transactions through either a designated 'B' or an 'A' category branch. However, for the purpose of monitoring advances granted by 'A' / designated 'B' category branches to customers of 'C' category branches, 'C' category branches should keep a Dummy Ledger a/c. of the amounts of drawings and adjustments in their books and should report the amount as a foot note in W-1 statement to Regional Office.

While considering requests for PCFC, authorized branches should keep in view the following aspects:-

i. PCFC should be extended to Standard Accounts.
ii. Exporters should have a satisfactory track record in the conduct of export business.
iii. Instances of liquidation of pre-shipment credit by other than in an approved manner should be rare and for genuine reasons.
iv. Track Record with regard to realisation of export bills on the due dates should be satisfactory and bills should not have remained overdue, except for genuine reasons.
v. PCFC can be granted for deemed exports for supplies to projects, financed by multilateral / bilateral agencies/funds, subject to usual terms and conditions governing rupee credit for deemed exports. At the post-shipment stage the credit is restricted to 30 days or upto the date of payment by the project authorities, whichever is earlier.

NOTE : Drawal of PCFC is subject to availability of forex funds. Confirmation from Treasury Branch on giving 2 days prior notice is needed.

5.3. CREDIT LIMITS :

- The Export Limits (PC and FDB) will be sanctioned in both INR and Foreign Currency (say in USD). While assessment will be done in INR based on working capital cycle including at pre-shipment and post shipment as per the existing methods, the foreign currency part of it will be worked out based on latest available FEDAI rate.

- Once foreign currency part is worked out as above, PCFC/FDBD outstanding will be controlled in foreign currency.

5.4. PERIOD OF CREDIT:

PCFC, as in the case of Rupee pre-shipment credit is initially available for a specified period decided by sanctioning authority after taking into account relevant factors with a maximum period of 180 days and branches should monitor the end use of credit as in the case of Rupee credit.

It must also be ensured that advances granted under the PCFC Scheme are not diverted for domestic purposes.

5.5. RATE OF INTEREST:

Interest rate on PCFC is based on ongoing LIBOR/ EURO LIBOR / EURIBOR for appropriate period at the time of the advance plus sanctioned spread. LIBOR / EURO LIBOR / EURIBOR rates are normally available for standard period of 1, 2, 3, 6 and 12 months. 'B' category branches have to disburse PCFC at the rate obtained from Treasury Branch, Mumbai

The rate of interest may change in tune with the movement of LIBOR, The rate may therefore differ for each drawal. Interest is to be charged on PCFC availed of at the rate agreed at the time of disbursal. On earlier outstanding loans, the rate of interest would be the rate originally fixed at the time of drawal. Banks may avail lines of credit from other banks abroad, for funding PCFC. In such cases withholding tax payable by the borrowing banks is to be passed on to the borrower.

Note: The applicable benefit to the customers will accrue only after the realization of export bills or where the resultant exports bills are rediscounted without recourse basis.

EXAMPLE:

Value of the contract is for USD 1 mio valid 30.1.2015

1st Disbursal : USD200,000 on 03.10.2014 Rate of interest will be 4 months LIBOR+Spread

2nd Disbursal : USD500,000 on 02.11.2014 Rate of interest will be 3 months LIBOR+Spread

3rd Disbursal : USD300,000 on 22.11.2014 Rate of interest will be 3 months LIBOR+Spread

Interest should be calculated on foreign currency balances at monthly intervals at discounted rate.

5.6. EXPIRY OF CONTRACTS/LETTERS OF CREDIT - EXTENSION OF OVERDUE ADVANCES:

Extensions up to 180 days can be granted by the Head of the branch on the written request of the exporter subject to underlying LC/order being valid. If Bank incurs extra cost in funding the extension, the same should be recovered from the exporter. However, no gains are to be passed on. All extensions are to be reported to Dealing Room who will inform the branch regarding recovery of extra funding cost.

Any extension beyond 180 days and up to 270 days may be granted at the option of the branch after obtaining approval of Regional Office, subject to the export contract/LC being valid for the extended period. Extension beyond 270 days up to a maximum period of 360 days may be granted only under exceptional circumstances and after the necessary approval of Regional Office subject to export contract/LC being valid for shipment. The rate of interest on PCFC for the period/s beyond 180 days should be the rate for initial period of 180 days prevailing at the time of extension plus 2%. If no export takes place within 360 days, the PCFC should be adjusted at the T.T. selling rate. In case of cancellation of export order, PCFC should be liquidated by selling equivalent amount of foreign exchange at T.T. selling rate prevailing on the date of liquidation and interest recovered on the rupee equivalent of the principal amount at the rate for Packing Credit adjusted not in an approved manner plus 0.125% commission.

Branches should ensure that the reason for adjustment of PCFC with Rupee funds is genuine. Against such export orders, Rupee Packing Credit is not to be granted again.

5.7. MARGIN:

Margin on PCFC advances should be as per sanction stipulations. Actual margin to be maintained is margin as per sanction terms or EEFC component, whichever is higher. For details of calculation of drawing power refer para 4.7 of chapter 4. It must also be ensured that there is enough margin available to cover the discount/interest on F.C. bills discounted at the post-shipment stage.

5.8. AMOUNT OF CREDIT:

For operational convenience, amounts advanced under PCFC are restricted to a specified minimum, presently US$ 10,000/-.

5.9. E.C.G.C.:

PCFC will be covered under WTPCG of ECGC. Prior approval of ECGC is necessary for grant of PCFC advance for exports to countries, which are in the restricted cover list of ECGC. Since ECGC cover is available only in Rupees, ECGC premium should be paid at prevailing rate on the average daily products worked out on the Rupee equivalent (controlled at FEDAI rates) of outstanding in PCFC ledger on the same lines as in the case of Rupee PC advance. Separate declarations have to be submitted for PCFC and Rupee PC.

5.10. DOCUMENTATION :

Branches must obtain a request letter from the customer in the prescribed format (Annexure 5(1)). Security documents taken for Rupee Packing Credit should be obtained for PCFC also. However, D.P.Note should be obtained in FC.

5.10.1 FORWARD CONTRACT:

For PCFC drawal, forward contract can be booked from the date of LC / order to date of availment of PCFC, in any of the convertible currency including forex portion to meet imported input cost. Exporters may be allowed to cancel the contract for portion of drawal used for imported inputs at prevailing market rates on availing PCFC. Such forward contracts can either be for fixed maturity or suitable option delivery. Similarly, forward contract can be booked for surplus of FDBD/FUDBD, after adjustment of PCFC, to be converted to Indian Rupees. Such forward contracts can be booked from date of LC / order till expected date of delivery of export bills (either for fixed maturity or with option delivery).

5.10.2 EXCESS OF PRODUCTION COST OVER FOB VALUE OF EXPORT CONTRACT

In certain cases, (viz agro based products like HPS Groundnut, defatted & deoiled cakes, tobacco, pepper, cardamom, cashew nuts, etc.) where packing credit required is in excess of FOB value, PCFC would be available only for exportable portion of the product, as export bills tendered will be inadequate to liquidate the excess advance. Branches can grant Rupee Packing Credit against the same contract, to the extent of excess over FOB value after keeping sufficient margin as per sanction terms. Such Rupee Packing Credit is to be adjusted out of sale within 30 days from the date of advance.

5.10.3 SHARING OF PCFC BETWEEN MERCHANT EXPORTER AND MANUFACTURER

(i) The rupee export packing credit is allowed to be shared between an export order holder and the manufacturer of the goods to be exported. Branches may extend PCFC also to the manufacturer on the basis of the disclaimer from the export order holder through his bank. PCFC granted to the manufacturer can be repaid by transfer of foreign currency from the export order holder by availing of PCFC or by discounting of bills. It should be ensured that no double financing is involved in the transaction and the total period of packing credit is limited to the actual cycle of production of the exported goods.

(ii) The facility may be extended where the banker or the leader of consortium of banks is the same for both the export order holder and the manufacturer or, the banks concerned agree to such an arrangement where the bankers are different for export order holder and manufacturer. The sharing of export benefits will be left to the mutual agreement between the export order holder and the manufacturer.

5.10.4 PCFC FOR SUPPLIES FROM ONE EOU / EPZ / SEZ UNIT TO ANOTHER EOU/EPZ/SEZ UNIT :

(i) PCFC may be made available to both the supplier EOU/EPZ/SEZ unit and the receiver EOU/EPZ/SEZ unit.

(ii) PCFC will be availed by supplier EOU /EPZ / SEZ for supplies made to buyer EOU/EPZ/SEZ

(iii) After supply to buyer EOU/EPZ/SEZ unit, the buyer exporters will avail PCFC from his Bank.

(iv) The PCFC availed by buyer EOU/EPZ/SEZ unit will be disbursed by his Banker by transferring the foreign currency funds to supplier EOU/EPZ/SEZ units Banker for liquidating PCFC taken by supplier unit.

(v) Buyer unit will avail post-shipment finance after effecting export and liquidate the PCFC availed by him.

Note : No post-shipment facility should be granted to supplier unit for adjustment of PCFC. PCFC should be kept open till the receipt of forex funds from buyer unit)

(vi) In all such cases, it has to be ensured by banks that there is no double financing for the same transaction. Needless to add, the PCFC to receiver EOU/EPZ/SEZ unit will be liquidated by discounting of export bills.

5.11. ADJUSTMENT OF PCFC:

DISCOUNTING FOREIGN BILLS IN FOREIGN CURRENCY :

General :

a) The facility of PCFC will be self-liquidating in nature. Generally, the PCFC should be liquidated out of proceeds of export documents on submission for discounting/rediscounting under the EBR scheme.
b) Any surplus amount available, (net of EEFC, if any) after full adjustment of PCFC including interest, should be credited to the customer's account at T.T. buying rate / forward rate.
c) Shortfall if any, in the delivery of foreign currency on discount of bills (FDBD/FUDBD) should be recovered at T.T. selling rate.
d) PCFC cannot be treated as a loan to be repaid in order to avail of post-shipment credit separately.
e) The PCFC should not be liquidated with foreign exchange acquired from other sources, except balances held in EEFC a/c. of the exporter, to the extent of exports already made.*
f) PCFC can also be liquidated out of rupee resources of the exporter to the extent of exports have already taken place. *

[*If export takes place and the exporter does not wish to avail post shipment credit for adjustment of pre-shipment advance and requests for liquidation of the same by debiting his current account or EEFC a/c, his request can be acceded to for adjustment of PC to the extent of shipment made and handle export documents on collection basis. No penal rate of interest to be levied for such liquidation. Sale of foreign currency for adjustment of PCFC in such cases is allowed]

If early delivery/prepayment of PCFC leads to mismatches, branch has to recover extra funding cost, if any, involved in absorbing the mismatches. For example, if PCFC was initially taken for a period of 3 months and in the beginning of the second month the exporter submits an export bill for adjustment of PCFC, then the difference between 3 months funding cost (e.g. LIBOR + 2% + 0.75%) charged to the customer and the interest at which foreign currency funds delivered early by the exporter can be deployed for the balance period i.e. 2 months (e.g.2 months LIBOR + 2%) should be charged to the customer (2.75% - 2% = 0.75%) subject to a minimum of 2%. The minimum penalty of 2% is to be levied even if there is no extra cost to the Bank.

5.12. REFINANCE:

Advances granted by way of PCFC are not eligible for refinance from RBI.

5.13. E.E.F.C. ACCOUNTS

The benefit of credit to EEFC accounts will be available only after realisation of the export bills and not at the stage of conversion of pre-shipment to post-shipment credit except in the cases where export bills are rediscounted on without recourse basis.

5.14. FOREIGN CURRENCY LINES OF CREDIT:

In addition to balances available with the bank in EEFC accounts, RFC(D) accounts, FCNR(B), Escrow accounts for financing the PCFC, banks may arrange for 'lines of credit' from abroad. Banks may negotiate lines of credit with overseas banks for the purpose of grant of PCFC to exporters without the prior approval of the RBI, provided the rate of interest on borrowing does not exceed 250 basis points over six months LIBOR/EURO LIBOR/EURIBOR excluding withholding tax.

(a) The details of Lines of Credit availed by the bank from overseas banks should be advised to the FMD Division, Exchange Control Department, RBI, Central Office, Mumbai.

(b) Banks should draw on the line of credit arranged to the extent of loans granted by them to the exporters under the PCFC. However, where the overseas bank making available the line of credit stipulates a minimum amount for drawals which should not be very large, the small unutilised portion may be managed by the bank within its foreign exchange position and Aggregate Gap Limit (AGL) limit. Similarly, any pre-payment by the exporter may also be taken within the foreign exchange position and AGL limits.

(c) Banks may avail of lines of credit from other banks in India if they are not in a position to raise loans from abroad on their own, provided the bank does not have a branch abroad. The spread between the borrowing and lending bank is left to the discretion of the banks concerned.

(d) In case, the exporters have arranged for the suppliers' credit for procuring imported inputs, the PCFC facility may be extended by the banks only for the purpose of financing domestic inputs for exports.

5.15. REPORTING IN 'R-RETURN' :

PCFC is to be reported in a schedule attached to R-Returns, showing the number of accounts and the amount outstanding (currency-wise) as on the reporting date. The following transactions are not to be reported in 'R' Returns.

- Granting PCFC, for domestic inputs,
- Recovery of interest,
- Recovery of PCFC loans to the debit of CC/CD account/EEFC account

The following transactions should be reported in 'R' Returns.

- Remittances made out of PCFC funds for retiring import bills should be reported against item I.A. (i) and I.A. (ii) 'Sales to Public' against import into India, supported by Form A-1.
- Funds received under lines of credit for providing PCFC should be reported under II (B)-(ii)

- Purchases (non-export receipts) to be reported by Treasury Branch, Mumbai in their R-Return.
- When PCFC granted to the exporter out of funds availed under line of credit, it should be reported under IV-F foreign currency loan outstanding (to be reported by Treasury Branch)
- At the time of negotiation/discounting export bill full amount purchased should be reported in R Returns against item l-A (i) a, at the same time outstanding in PCFC limit

should be liquidated and should be reflected in item IV i (foreign currency loan outstanding).

- Liquidation of foreign line of credit and payment of interest should be reported in 'R' Return as sales in item I A (ii) as non import supported by form A2 (to be reported by Treasury Branch).

5.16. OPERATING GUIDELINES FOR PRE-SHIPMENT CREDIT IN FOREIGN CURRENCY (PCFC):

Check whether request for availing PCFC includes, inter-alia, the following details :

i) Details of contract/LC (original LC/contract to be submitted). If the contract/LC is denominated in any other currency other than currency of finance, it should be ensured that at the time of granting PCFC a cross currency forward contract with appropriate maturity, after taking into account expected date of realisation of the export bill is entered into so as to ensure that adequate funds are available to adjust the PCFC. Arrive at drawing power as per guidelines given in Rupee Packing Credit.

ii) Arrive at the break up of utilisation i.e. amounts for remittance against import bills and those to be converted into Rupees. (Form AI for import remittances should be obtained.)

iii) a) Ascertain details of import bills pending remittance.

and

b) Obtain instructions regarding remittances towards import bills.

iv) Obtain instructions for the amount to be converted into Rupees at the current rate / Forward Contract Rate (if booked) for acquiring domestic inputs.

v) Obtain the request letter for PCFC from the customers in the standard form as per Ann. No.5(1).

5.17. REPORTING/DISBURSAL

On being satisfied of compliance with all requirements, the designated 'B' category branches or the packing credit section in 'A' category branches should contact Treasury Branch, Mumbai, and obtain exchange rates for Rupee conversion and interest rate for PCFC advance, to be followed by formal confirmation to Treasury Branch, Mumbai, in the following format.

FORMAT OF THE REPORTING SHEET

1. Date
2. Name of customer
3. P.C.F.C. Ref. No.
4. Amount

   i) Total amount of PCFC in FC

   ii) For payment of import bill

   iii) FC to be converted to Indian Rupees

5. Interest rate
6. Spot Buying T.T. rate / Forward purchase contract rate (if booked)
7. Control rate:

   Import bill Ref. No.

   T.T. Ref. on Bank

SIGNATURE

Distinctive reference numbers should be given for each disbursement and entries made in the Contract Register and the Ledger.

On receipt of request for PCFC, pass the following entries (at control rate both in FC and Rupees)

DR. PCFC a/c.

CR. Foreign Currency Settlement a/c.

In case of import remittances, full details are to be reported to ' A ' category branch.

i) To monitor the end use of funds in PCFC Account, foreign currency amount converted into rupees for payment to domestic suppliers will be credited to Customer's Packing

Credit Disbursal account. Report PCFC disbursal account under Current Deposit in the Statement of Affairs (W-l).

ii) The customer should be instructed to indicate purpose of all drawals including cash drawals for procurement of raw materials, payment of wages etc. on the reverse of the cheque at the time of drawal or by a separate letter.

iii) When a request for conversion from foreign currency into Rupees for procurement of domestic supplies is received, report the amount to Treasury Branch for quotation of rate and cover operation. On receipt of the rate, (TT Buying) pass the following entries. If forward contract is booked, conversion has to take place at forward purchase contract rate.

Dr. P.O.B. a/c (FEX)

Cr. PCFC Disbursal account of customer

POB entry is to be reversed on receipt of Digital Authority Cheque.

iv) Ensure that outstanding in PCFC is backed by stocks within 15 days of disbursal.

v) Monitor procurement of stocks and submission of stock statements. Ensure sufficiency of stocks to cover the advance.

vi) Keep a watch for adjustment of outstanding in PCFC by discount of documentary bills in foreign currency (FDBD/FUDBD).

vii) Credit surplus left after adjustment of PCFC on discount of documents, to the customer's C.D. / C.C. account according to his instructions.

viii) PCFC disbursal account should either be in credit or show a Nil balance. It should not have a debit balance.

ix) On receipt of cheques drawn on PCFC disbursal account verify.

- Availability of funds in PCFC disbursal a/c.
- Details of cheque number, amount, date etc.
- Authenticity of the signature of the drawer.
- Purpose of drawal as mentioned on the reverse of the cheque
- If found in order and subject to availability of funds in the PCFC disbursal account, debit the cheque amount to the account and honour the cheque.

- In case of any discrepancy, contact the customer immediately over phone and inform of the discrepancy/non-availability of funds. If no further credit is coming to the account, return the cheque with the reason 'Not arranged for'

5.18. RECOVERY OF INTEREST :

On the last working day of the month, menu 'RPCINT' is to be invoked for all the foreign currencies separately for applying interest. System will pass the following entry :

Dr. Customer's operative a/c **in INR**

Cr. Income A/c Interest on Export advance **(in Foreign Currency)**.

System will convert the amount of interest charged in foreign currency at the day's TT Selling rate and recover rupee equivalent from the operative account. But the amount of interest charged will be credited to Income account in Foreign Currency only, which has got to be reversed by passing the following entry :

Dr. Income A/c Interest on Export advance **(in Foreign Currency)**.

Cr. Income A/c Interest on Export advance (in INR)

5.19. ECGC PREMIUM:

Calculate premium on rupee balances as <u>already stated in paragraph 5.9</u> stated. (No foreign exchange transaction is involved at this stage.)

5.20. ADJUSTMENT OF PCFC BY SUBMISSION OF EXPORT BILLS

If the bills are found in order, report to Treasury Branch and confirm the transaction in the format given below:

Bill No. PCFC No.

Customer

Tenor and Notional Due Date

Rate of interest

PCFC amount adjusted

EEFC portion

Balance, if any.

T.T. buying rate for balance amount.

5.21 WHERE SUBMISSION OF EXPORT DOCUMENTS IS DELAYED :

Transfer from regular PCFC to overdue PCFC

Pass necessary entries and charge overdue interest.

5.22 RECOVERY OF COMMISSION :

Normal Commission at applicable rate on the rupee equivalent bill selling card rate on the amount remitted for payment of import bill out of PCFC may be recovered by Branches. Commission in lieu of exchange should not be charged.

5.23 ACCOUNTING ENTRIES (B Category Branch)

DISBURSAL OF PCFC

Dr. Customer's PCFC a/c (in the currency of PCFC disbursement)

Cr. Foreign Currency Settlement a/c)

In case of payment towards import, advise Treasury Branch suitably for remittance of the bill amount.

5.23.1 RUPEE PAYMENT TO EXPORTER

Report to Dealing Room and obtain TT buying rate. If forward purchase contract is booked, conversion is to be done at the contracted rate and Dealing Room is to be informed about utilisation of the contract

Dr. POB a/c Foreign Exchange (Treasury Branch)

Cr. Customer’s PC Disbursal a/c

INTEREST RECOVERY (Refer Para 5.18)

5.23.2 ADJUSTMENT BY SUBMISSION OF BILLS

i) Transaction in Foreign Currency

Dr. FDBD/FUDBD (Customer's a/c) Net of EEFC

Cr. PCFC Customer's a/c (To the extent of PCFC drawn)

Cr. Foreign Currency Settlement A/c
*(Net of Purchase minus Amount credited to PCFC, if applicable)

ii) Transaction in INR

Dr. POB A/c Forex
Balance amount of Foreign Currency to be converted after reporting to Treasury Branch Dealing Room at TT buying rate / forward purchase contract rate, (if booked). Utilisation of forward purchase contract is to be intimated to the Dealing Room. POB entry to be reversed on receipt of DAC from Treasury Branch.

*(Net of Purchase minus Amount credited to PCFC, if applicable which is converted to INR OR

Dr. Customer’s operative A/c towards Bank charges where the Net amount is NIL)

Cr. Rebate on Bill Discounted in INR
(System will calculate interest @ Control rate for NTP/NDD)

Cr. Postage / Commission / Service Tax etc.

Cr. Customer’s operative A/c
(Net amount)

5.24 REALISATION OF EXPORT BILLS

On being advised by Treasury Branch that the bill has been realised.

Dr. Foreign Currency Settlement a/c

Cr. FDBD/FUDBD a/c

Cr. EEFC a/c if applicable

5.25 RECOVERY OF PCFC IN LOCAL CURRENCY

a) Dr. Foreign Currency Settlement a/c

Cr. PCFC a/c

b) Dr. CD/CC a/c of customer @ TT selling rate

Cr. L/B a/c or CO a/c Treasury Branch
(After reporting to Treasury Branch)

c) Dr. CD/CC a/c of customer
(0.125% commission + overdue interest on USD amount - without reporting to Treasury Branch)

Cr Income a/c Exchange

Cr Income a/c Interest

5.26 TRANSFER TO OVERDUE PC

Dr Overdue PCFC a/c

Cr PCFC a/c

5.27 REALISATION BEFORE NTP / DUE DATE :

a) Dr : FC Settlement a/c

Cr: FDBD/FUDBD a/c

Cr : EEFC a/c (if applicable)

b) Dr : Rebate on Bill Discounted A/c (in INR)

Cr : C/D / C/C a/c
(System will automatically calculate the proportionate interest to be refunded)

5.27.1 REALISATION AFTER NTP / DUE DATE

a) Dr : FC Settlement a/c

Cr : FDBD/FUDBD a/c

Cr : EEFC a/c (if applicable)

b) Dr : Customer's CD / CC a/c

(at TT Selling rate for the overdue interest 2% over the normal rate.

Cr : Income a/c Discount on FDBD/FUDBD (in Rupee only)

5.28 CRYSTALLIZATION OF FDBD/FUDBD

After reporting to Treasury Branch Mumbai.

a) Dr. FC Settlement a/c

Cr. FDBD / FUDBD a/c

b) Dr. O. D. FDBD/FUDBD
(in rupee equivalent at TT Selling rate obtained after reporting To Treasury Branch)

Cr: Local Br. / C.O. (Treasury Branch)

c) Dr. C/D / C/C a/c

Cr. Income a/c Int. on FDBD/FUDBD (in Rupees)
(Int. for 30 days i.e from due date to crystallization date to be recovered.)

5.29 REVALUATION OF FOREIGN CURRENCY ASSETS AND LIABILITIES

At the time of each half yearly closing B category branches should revalue the foreign currency assets and liabilities which are controlled by them in their books by applying the latest FEDAI rates which informed by IBD during half yearly closing. DIT issues detailed guidelines required to be followed for revaluation of foreign currency liabilities during every half yearly closing. PCFC gets automatically revalued as and when the revised rates received from IBD are incorporated in the Finacle by DIT.

5.30 BALANCING

Customer-wise balancing (regular and overdue separately) is to be done on daily basis.
Monthly reconciliation is required to be done after getting the Foreign Currency Settlement Statement received from Treasury Branch.

Annexure 5(1)

Date:

To, The Manager
UNION BANK OF INDIA,
______________________Branch

Dear Sir,

REQUEST FOR PACKING CREDIT IN FOREIGN CURRENCY

I/We request you to grant me/us Packing Credit in foreign currency as per details shown hereunder:

1. Amount of Loan required: US $
2. Against the following confirmed contract/s / Letter/s of Credit, original/s of which is/are enclosed.

Date	Confirmed Contract/LC No.	Name & Address of LC opening Bank/Buyer	Name & Address of Supplier	Date of Expiry of LC/Shipment period	Commodity Components/goods

3. Period of Loan: for ________________ days/months.

4. Purpose: a) To meet the cost of imported components meant for export under above LC/*confirmed* contract, imported vide Bill No.______________________

dated _______ for _______________.

b) To meet the cost of local inputs to be used in the manufacture of

___________ (meant for export). Convert US$ _____________into

rupee at your ongoing T.T.buying rate and credit rupee equivalent to our CC/CD/ PC disbursal Account with you or issue your pay order/DD in favour of ___________________________ who is supplier of goods, in Rupees or in_________________________ (Name of foreign currency) meant for export to ______________of _____________________(Name of the finished goods)

5. On shipment of goods, I/We shall tender to you duly endorsed in your favour all drafts, Bills of lading, invoices and other documents required for negotiation/discounting of foreign bills and/or required under the Letter of Credit /contract and such bills will be negotiated/discounted by me/us through your bank with full recourse to us whether drawn under a Letter of Credit or not. The bank shall have authority to purchase the bill in foreign currency, at the interest rate that may be fixed by the bank and adjust the proceeds thereof towards out standings under Packing Credit loan in foreign currency. The balance, if any, may be converted to rupees at the appropriate TT buying rate.
6. In the event of non-submission of documents by me/us within the period of PCFC loan (i.e. within the last date for shipment / negotiation of documents under Export Contract/LC), I/We undertake to seek extension of time not exceeding 180 days by providing necessary documentary proof to the satisfaction of the Bank, as to the validity of LC/Contract failing which the bank has the right to adjust the PCFC loan, as mentioned in para 7 herein below.
7. In the event of any shortfall in the amount of documents tendered/money realised or in the event of cancellation of export order/Letter of Credit or non-submission of export documents within the prescribed period, I/We shall repay the dues then outstanding in foreign currency. In the alternative, the bank will be at liberty to allow me/us to adjust the said outstanding dues in Foreign Currency in equivalent Rupees converted at your TT selling rate at that time.
8. I/We shall pay to the bank interest on the amount outstanding then due under PCFC facility <u>at applicable rate plus withholding Tax as applicable at the time of granting the loan. It is understood that Pre-Shipment Credit in FC is available initially for a maximum period of 180 days or for the validity period of the contract/LC whichever is earlier.</u>
9. Without prejudice to the above, any extension of time granted by the bank beyond 180 days will attract 2% over maximum rate of interest leviable for the <u>initial period</u>

of PCFC loan or 2% above any other rate as per Bank's Rules or as advised by Reserve Bank of India from time to time, whichever is higher. In the event of cancellation of export order/LC, I/We shall pay interest at the rate leviable on PC advance adjusted in an unapproved manner along with penal rate of interest at 2%, and 0.125%.commission, on the Rupee equivalent of PCFC loan amount calculated at TT Selling Rate prevailing on the date of liquidation of outstanding dues, from the date of advance or at any other rate/s as may be prescribed by the bank/Reserve Bank of India, from time to time.

10. It is understood that each loan granted by you under PCFC facility against a specified import bill will be a separate loan liable to be adjusted against the proceeds of the foreign bill in respect of the finished good exported by me/us, manufactured / processed out of the goods / commodities / components imported under the said specified import bill.
11. I/We undertake to apply the amount of foreign currency loan advanced by the bank to me/us exclusively towards purchase of the goods meant for export as per the confirmed sale contract and/or Letter of Credit opened in my/our favour. On such purchases, I/We shall hold the said imported goods for and on account of the bank in trust till the finished goods processed out of the goods imported are shipped.
12. I/We agree and undertake to bear and pay the charges for storing the imported goods and/or finished goods. In the event of the bank paying the same, the bank shall be entitled to recover the same from the proceeds of the goods sold and/or exported.
13. I/We further agree and undertake to execute Packing Credit Agreement in the form prescribed by the bank at present. The reference to the term 'Rupees in the said agreement and/or 'Rate of Interest' in the said agreement shall always be subject to the provisions made in this letter of request regarding charging of interest and/or granting of loan in foreign currency under PCFC facility.
14. I/We further undertake to execute such documents as may be required by the Bank in the form and the manner prescribed, from time to time and also discharge such obligation which may arise out of the aforesaid request and consequent to granting of above loan to me/us.
15. I/We agree that in the event of breach of any of the terms mentioned hereinabove, and/or contained in the agreement executed by me/us with the bank from time to time and/or terms and conditions as may be prescribed by the Bank from time to time,

the bank shall be entitled to recall the said loan along with interest due and I/We undertake to adjust the said loan along with interest due in terms mentioned herein above in foreign currency within 8 days from the receipt of recall notice issued by the bank.

16. In the event of any dispute regarding interpretation of the terms of this letter and/or the agreement that will be executed by me/us, the interpretation that may be made by the bank shall be final and conclusive and binding on me/us.
17. I/We agree and undertake to comply with the provisions of all statutes, rules and regulations made there under from time to time in respect of import of the goods/commodities/components and export of the finished goods and further agree and undertake to indemnify the Bank against any cost, expenses, damages, losses etc. that may be incurred and/our suffered by the bank due to my/our non-observance of the provisions of the said statute and regulations.
18. Nothing in this letter of request, shall entitle me/us to claim any right, to get the aforesaid loan in foreign currency and the bank shall be entitled to grant or refuse the said loan at its sale discretion.

Yours faithfully,