

CHAPTER 6
EXPORT CREDIT INSURANCE FOR BANKS (WHOLE TURN OVER-PRE
SHIPMENT [ECIB-(WTPC)]

CHAPTER 06

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Para No	TOPIC	Page No
6	Introduction	4
6 1	Types of Risk Covered	4
6 2	The salient features of the ECIB (WT-PC)	4
6 2 1	Whole Turnover Principle	4
6 2 2	Percentage of cover	3
6 2 3	Advances covered	3
6 2 4	Advances excluded	3
6 2 5	Maximum Liability	6
6 2 6	Discretionary Limit	6
6 2 7	Interest	6
6 2 8	Payment of Advance Premium	7
6 2 9	Premium	7
6 3	Important Procedural Steps	7
6 3 1	Notification of PC limits under Whole-turn over Cover	7
6 3 2	Statement of Limits	8
6 3 3	Statement of Account in default	8
6 3 4	Statement of a/c involving prudential w/o and recovery	9
6 3 5	Application for approval of limits	9
6 3 6	Monthly Declaration and Premium	9
6 3 7	Time upto which premium is payable	10
6 3 8	Extension in due date of advances	10
6 3 9	Report of Default	10
6 3 10	Accounts under nursing and accounts classified as sub-standard, bad and doubtful	10
6 4	Claims in respect of accounts under BIFR/CDR and cover for fresh exposure	11
6 4 1	Time limit for filing of claims	12
6 4 2	Placing of Exporters and connected persons under SAL	12
6 5	SAL issues in respect of accounts settled through Compromise/OTS	13

6	6	Staff Accountability Issues	13		
6	7	Prior Approval for Compromise/OTS	14		
6	8	Appropriation of settlement amounts in a claim paid account	14		
6	9	Sale of Financial Assets by Banks	15		
6	10	Advances in respect of exports to Restricted Cover Countries	15		
6	11	Compliance of the Whole Turnover Principle	16		
6	12	Adhoc Limit Beyond DL	16		
6	13	Notification to ECGC of Excess allowed over the sanctioned limit under Delegated Authority	16		
6	14	Packing Credit Extended under Consortium	17		
6	15	Takeover of A/C from Other Banks	17		
6	16	Other Stipulations at the time of Sanction	17		
6	17	Checkpoints for Operation in Pre-shipment Accounts	17		
6	18	Other Stipulations at the time of Sanction	20		
6	19	Check points on pre shipment advances becoming OD	20		
6	19	1	Stage I	20	
6	19	1	1	Extension of due date of advance	20
6	19	2	Stage II	21	
6	19	2	1	Report on default	21
6	19	2	2	Payment of premium on accounts in default	22
6	19	2	3	Action on default	22
6	19	3	Nursing Programme	23	
6	19	4	Invoking the guarantee and lodgement of claim	24	
6	19	4	1	Initiative No I	26
6	19	4	2	Initiative No II	27
6	19	5	Waiting period for claims filed under normal process	28	
6	20	Specific Approval List (SAL)	28		
6	21	Action after receipt of claim amount	29		
6	21	1	Recovery expenses	29	
6	21	2	Recoveries made after lodgement of claims but before settlement	30	
6	21	3	Sharing and apportioning of recoveries in claim paid a/c	30	
6	22	Steps to be taken to improve claim-premium ratio	31		

6	23	Prudential write off of accounts	34
6	24	Write off of bad debts	35
6	25	Taking fresh exposures on export advances settled by compromise /OTS/relief etc	35
6	26	Export production finance guarantee	36
	Add No	Addendum	36
	1	6.2.2 Percentage of cover	36
	2	6.2.6 Discretionary Limit	37
	3	6.2.9 Premium	38
	4	6.3.1 Notification of Packing Credit limits	38
	5	6.4.1 Time limit for filing of claims	39
	6	6.21.3 Sharing and apportioning of recoveries	39
	Annex No	Annexure	
	1	Statement of Packing Credit Limit sanctioned	42
	2	Statement of PC Limit sanctioned beyond DL	43
	3	Yearly statement of accounts in default	44
	4	Annual Statement of A/c covered under WT-PC/PS	45
	5	Annual Statement of A/c under WT-PC/PS with PWO	46
	6	Notification of limits	47
	7	Application for approval of limit	49
	8	Format for monthly declaration under WT-PC	52
	9	OD-PC outstanding more than 6 months	53
	10	Application for PC extension beyond 360 days	54
	11	ROD under WT-PC	56
	12	PC claim form	59
	13	Certificate to ECGC regarding claim	68
	14	Certificate by controlling office regarding claim	69
	15	Undertaking to refund the claim amount to ECGC	70

6. INTRODUCTION

In order to provide insurance cover to exporters against risks involved in Export trade, the Govt. of India formed the Export Risk Insurance Corporation Ltd during the year 1957. Thereafter, in 1964, the name was changed to Export Credit and Guarantee Corporation Ltd expanding its services by providing credit guarantee to banks against their export credit. It works under the administrative control of Ministry of Commerce and has its head office at Mumbai. It is now called as Export Credit Guarantee Corporation of India Ltd. ECGC provides insurance cover to both Banks and Exporters.

To mitigate the risks involved in Export Finance by Banks, ECGC has introduced the Guarantee Cover to all the Banks as mentioned below.

(1) Pre Shipment Stage : Export Credit Insurance for Banks (ECIB - WTPC)

(2) Post Shipment Stage : Export Credit Insurance for Banks (ECIB - WTPS)

6.1. TYPES OF RISK COVERED

The following risks are covered under the guarantee in respect of losses, which may be incurred after granting Packing Credit advances to exporter clients.

1. Insolvency of the exporter
2. Protracted default by the exporter to pay the amounts due to the Bank.

6.2. The salient features of the ECIB (WT-PC) are as under

6.2.1. Whole Turnover Principle

The ECIB is issued by ECGC on the clear understanding that the Bank/branches shall offer for cover all the accounts that are required to be covered as indicated in the proposal. Therefore, it shall be the responsibility of the Branches that all such accounts are properly covered and due premium paid on the accounts. No account that ought to have been covered shall be excluded without prior approval of ECGC. Similarly, no account that belongs to the excluded category shall be covered under ECIB. The same shall be covered under the ECIB (IN-PC) that may be obtained by the branches from the nearest office of ECGC. It may be noted that failure to include and pay premium on any account that should

have been included may have an adverse impact on a claim submitted in respect of any other account with any branch of the Bank that would have been properly covered.

6.2.2. Percentage of cover (Pl refer addendum 6.27. also)

The percentage of loss payable by ECGC for the Export Credit Insurance Cover period 1st July 2013 to 30th June 2014 shall be as under:-

Limit per exporter	Percentage of cover	
	For all Sectors including existing limits of *GJD sector upto 30.06.2012	Fresh/Incremental limits of *GJD sectors on OR after 01.07.2012
For losses upto Rs.3268.69 lacs (i.e. upto 100% of total ECIB (WT-PC) premium amount paid by our Bank for the period April'12 to March'13)	75%	50%
For losses beyond Rs. 3268.69 lacs	65%	

* Gems, Jewellery & Diamond Sector

However, in respect of Packing Credit advances granted to Small Scale exporters (Annual Export turnover not exceeding Rs.50 lacs), the cover available will be 90%.

6.2.3. Advances covered

All pre-shipment advances granted by all the branches in India, whether called packing credit, shipping loan or any other name as per RBI guidelines are covered under ECIB (WT-PC).

6.2.4 Advances excluded

- a. Advances granted for exports made on deferred terms of payment, turnkey projects, construction works and service contracts;
- b. Advances granted to Government companies (Government company means any company in which not less than 51% of the paid up share capital is held by the Central or by any State Government or Governments or partly by the Central Government and partly by one or more State Government and includes a company which is a subsidiary of a Government company) ;

c. Advances granted by OBU;

d. Advances granted to exporters against their export entitlements like Duty Draw Back etc. at pre-shipment stage.

However, separate Packing Credit Guarantee ECIB (IN-PC) individually for each account falling under the above mentioned categories can be obtained from ECGC.

6.2.5. Maximum Liability

The maximum liability under the **ECIB (WT-PC)**, i.e. the maximum amount up to which claims will be paid to the Bank for the Packing Credit advances granted during one Export Credit Insurance Cover year is Rs. 1000.00 crores (Rupees One Thousand crores only).

6.2.6. Discretionary Limit (Pl refer addendum 6.27. also)

Limits not exceeding Rs.100.00 lacs (Rs. one hundred lacs only) to any new exporter customer, sanctioned by the Bank at its own discretion, but in accordance with rules and procedures issued in this regard will be eligible for cover under **ECIB (WT-PC)** by ECGC without any specific application (except a notification of such limits in prescribed format to be filed within 30 days of sanction) subject to the terms and conditions of the Export Credit Insurance Cover. **For any limit above the discretionary limit, approval of ECGC is necessary. However, accounts of exporters classified as Standard Assets as per RBI norms do not require the prior approval of ECGC.** These accounts shall be notified to ECGC's nearest office within 30 days from the date of sanction/enhancement of limit. **Accounts classified as Sub-standard, Bad & Doubtful, require prior approval of ECGC irrespective of limit,**

Accounts which are in default as on the date of commencement of the ECIB applicable for fresh ECIB (WT-PC) will not be covered under the ECIB (WT-PC) but will continue to be covered under ECIB (IN-PC), if the branch has obtained such ECIB. Once these accounts become regular they can be covered under ECIB (WT-PC).

6.2.7. Interest

Interest payable by the exporter on the Packing Credit advances will not be eligible for cover under ECIB (WT-PC).

6.2.8. Payment of Advance Premium

Insurance Act 1938, hitherto, branches were sending advance premium to ECGC on notional basis based on the last month's outstanding products. It has therefore been decided by ECGC to accept a Corporate Guarantee from the Bank in lieu of one month's advance premium that the branches are required to keep with ECGC. Accordingly, Bank has executed the guarantee bond. **Henceforth, branches NEED NOT REMIT ADVANCE PREMIUM TO ECGC.**

6.2.9. Premium (PI refer addendum 6.27. also)

Premium is payable on a monthly basis at the rate of 8.5 paisa per Rs.100/ per month on the average daily product **irrespective of the credit rating** of the accounts. Premium shall be remitted by the branches to the nearest office of ECGC before 15th of the subsequent month.

6.3. Important Procedural Steps

Some of the important procedural aspects under the ECIB are furnished below for information and necessary compliance by all the branches.

6.3.1. Notification of Packing Credit limits under Whole-turn over Cover (PI refer addendum 6.27. also)

One of the important obligations to be fulfilled under the export credit insurance covers obtained by the Bank under the Whole turnover covers is the Notification/Approval of Limits within the time limit prescribed. The laid down procedure is reiterated herein below for strict compliance by the branches -

- a) Accounts which are classified as Standard do not require approval of the Corporation under ECIB (WT-PC) irrespective of the limit sanctioned. However, the branches are required to advise the limit to the ECGC in the prescribed format within 30 days from the date of sanction.
- b) Accounts which are classified as new and accounts taken over from other banks are covered to the extent of the Discretionary Limit fixed for the Bank (Rs.100.00 lacs in case of our Bank) and advised in the cover document. For any limit in excess of the Discretionary Limit, approval of the ECGC is required.
- c) Accounts classified as Sub-Standard / Doubtful / Loss require ECGC's prior approval irrespective of the limit, even if the limit is within the Discretionary Limit fixed for the Bank.
- d) The Branch has to seek the approval of the ECGC when the account is downgraded from the standard status to sub-standard or other inferior status, for continuation of the coverage.
- e) Branches are advised to familiarize with the procedure with regard to coverage of accounts under the ECIB (WT-PC). It may be noted that any failure on the part of the branches to obtain ECGC's prior written approval, wherever necessary, would render claim, if any, arising on the account inadmissible.

6.3.2 Statement of Limits

In terms of the Guarantee, the Bank has to intimate to the Head Office of ECGC, particulars of all packing credit limits in force as on 31st March of every year as per the prescribed formats in Annexure 6(1) & 6(2). The branches should ensure that the above Annexures are forwarded to their respective Regional Offices on yearly basis within 30th April every year. Any changes (additions, deletions or changes) in the position given in the statement should be notified to ECGC case by case, within 30 days from the date of such change. This notification should be sent as per Annexure 6(6) by the branches which maintain the account to the nearest Branch Office of ECGC. However, it may be noted that the notifications shall apply only to "new" accounts wherein sanctioned limit is within the discretionary limit and accounts classified as Standard assets.

6.3.3. Statement of Account in default

In addition to the statement of limit as indicated in para 6.3.2 above, the Bank shall also submit a statement of accounts in default as on 31st March of every year under the Packing Credit Scheme as per the format in Annexure 6(3).

6.3.4. Statement of accounts involving prudential write off and recovery

Apart from the statements of limits and defaults, the Bank shall also submit 2 statements as per format in Annexure 6(4) and Annexure 6(5) indicating the details of latest position of recovery action and details of accounts prudentially written off in respect of such accounts respectively.

6.3.5. Application for approval of limits

In terms of the Export Credit Insurance Cover, branches are required to obtain the approval of ECGC for any limit granted to any new exporter and taken over accounts in excess of Rs.100.00 lacs (Rupees One Hundred Lacs only). Application for this purpose should be made on as per Annexure 6(7) and should be sent by the branch maintaining the account to the nearest Branch Office of ECGC within 60 days from the date of sanction/enhancement of limit. Such approvals are also required for all accounts classified other than Standard.

6.3.6. Monthly Declaration and Premium

- ❖ In terms of the ECIB, branches are required to send monthly declaration of Packing Credit advances granted as per the prescribed format in Annexure 6(8) to the nearest Branch of ECGC, along with the premium thereon. Ensure that all the accounts are reported with outstanding and relevant premium every month. The declaration for any calendar month along with the premium thereon shall be sent before 15th day of the subsequent month.
- ❖ In case no premium is payable against a particular account, a 'NIL' statement to be furnished.

- ❖ The premium payable may be rounded off to the nearest rupee for each exporter and the minimum premium payable should be Re.1/-.

6.3.7 Time upto which premium is payable

As far as remittance of premium is concerned, the branch shall continue to pay premium upto and inclusive of the month in which the report of default is submitted to the ECGC in accordance with the requirements stated above or in case of insolvency of the exporter (if it is earlier), upto and inclusive of the month in which the insolvency occurred. Premium shall also become payable if the branch does not prefer a claim under the Guarantee within the prescribed time period but seeks extension.

6.3.8 Extension in due date of advances

If the due date of a Packing Credit advance has to be extended, Bank can do so at its own discretion so long as the total period of the advance does not exceed 360 days counted from the date of advance. If the extension is considered for a period beyond 360 days, Branches are required to obtain ECGC's prior approval. The application duly completed (in duplicate should be submitted in Annexure 6(10) by the branch maintaining the account to the nearest Branch Office of ECGC. **Such request must be submitted before 360 days and branch should have extended due date periodically till such time.** After verifying the particulars, ECGC will grant its approval in the duplicate copy of the application and return it to the Branch.

6.3.9. Report of Default

In terms of ECIB (WT-PC), if an outstanding PC is not adjusted on due date/extended due date, a "Report of Default" in respect of an account shall have to be submitted by the Branch **within one month from the date of recall of advances by the Bank or within four months from the due date/extended due date** as the case may be, whichever of the two is earlier in point of time. This report of default has to be sent to the nearest Branch Office of ECGC as per Annexure-6(11).

6.3.10 Accounts under nursing and accounts classified as sub- standard, bad and doubtful

- ❖ When an account becomes sticky and if the bank proposes to continue or grant fresh export credits to such exporters and in respect of all accounts classified as Sub Standard/ Bad & Doubtful or Loss Assets, branches shall obtain ECGC's prior approval for availing its cover under the ECIB before granting such advances. The application with necessary documents for approval should be submitted to the nearest Branch of ECGC.
- ❖ As regards revival/nursing of accounts already covered under the Whole-Turnover/ Individual covers through ECGC's nursing programs, prior approval of the ECGC is required before implementation of such packages. BIFR/CDR packages and consortium decisions are also in the form of nursing and therefore require prior approval of the ECGC before implementation. In other words, any decision taken by the Bank on the basis of the BIFR findings or the CDR empowered group or Consortium decision is not binding on ECGC unless their prior approval is sought. It is, therefore, reemphasized that prior approval of the ECGC for such packages is necessary before implementation of such packages and the failure on the part of the Branch to obtain ECGC's prior written approval would render claim, if any, inadmissible and ECGC will not be liable for the past as well as the future dues of the exporter concerned.
- ❖ Similarly, ECGC's prior approval should be obtained for availing the cover under ECIB before granting fresh advances in respect of all the accounts classified as sub-standard, bad and doubtful and loss assets. For the purpose, the application with necessary documents for approval should be submitted to the nearest Branch Office of the Corporation by the Bank branch concerned.

6.4. Claims in respect of accounts under BIFR/CDR and cover for fresh exposure

- ❖ As regards BIFR cases, as per the current guidelines, ECGC can consider claims in respect of cases pending before BIFR, but if the BIFR package for revival is implemented by the Bank, the Bank shall forthwith refund the claim amount so that the cover for the fresh facility under revival package is considered and simultaneously protecting the past dues. In case the Bank does not take ECGC's approval or does not refund the claim amount, no fresh exposure will be insured by

the Corporation, but the Bank will have to pass on to ECGC proportionate share of the amounts that will be recovered by them while implementing the package.

- ❖ However, in respect of CDR package, the Bank has an option not to participate in the CDR. In such cases, the bank will have to defer its recovery for a certain specified period as per the procedure. In all such cases, as no fresh commitments are taken by the Bank, claim can be considered and the Bank shall share the recovery as and when the same is received. In respect of other banks, who have implemented the CDR package cover for fresh advances as well as past dues will be considered on a case to case basis on merits.

6.4.1. Time limit for filing of claims (Pl refer Addendum 6.27. also)

The branch should file a claim in respect of an account **within six months from the date of Report of Default** as indicated in Para 6.3.6 above as per Annexure 6(12) unless, before the expiry of the said time limit, the time for filing of claim has been extended in writing by ECGC at its sole discretion on the basis of a written request made by the branch.

6.4.2. Placing of Exporters and connected persons under SAL

The reports of default received from the branches under ECIB (WT-PC) are intended to be examined by ECGC with a view to understand the seriousness of problems in these accounts as evidenced in the reports. In cases where ECGC considers it desirable to monitor grant of further advances or cover for fresh limits that may be sanctioned to such accounts, they are included in a separate instruction circular to banks called the Specific Approval List (SAL). The same is available on ECGC's website at www.ecgc.in for which all our ROs have been provided with User ID and Password. All Exchange Dealing Branches to obtain login ID and password from the Corporation for visiting the site and obtaining the details, which will be provided free of cost on the basis of an application.

This serves as a caution to the banks while dealing with such clients or persons connected with such accounts. It may be noted that the advances granted to any of the exporters in the list or to exporting units in which any of the persons (Proprietor/Partner/Director/Guarantor) mentioned in the list are connected, will not be covered under the Insurance Cover unless prior approval of ECGC has been

obtained. Branches are, therefore, required to verify with the latest SAL that none of the existing clients is included therein.

6.5. SAL issues in respect of accounts settled through Compromise/OTS

Branches are aware that ECGC maintains a Specific Approval List containing the names and addresses of exporters and the connected persons who had come to the adverse notice of ECGC through reports of defaults or claims under the Credit Insurance Covers to Banks. In respect of such exporters the banks are expected to take prior approval of ECGC for insuring any export credit.

(a) ECGC may consider de-listing of the exporters from its SAL, if the exporter is not involved in a fraud, in the following situations, as per the present guidelines:

i) Where a report of default is filed and no claim has been preferred or a claim preferred has been rejected by ECGC (i) upon confirmation from the bank that it has recovered its dues fully (ii) If, under a compromise settlement Bank has recovered its principle dues fully. If Bank has made any sacrifice in the principle amount in terms of an OTS, de-listing can be done only after 5 years from date of settlement.

ii) Where a claim is settled by ECGC to the Bank, de listing can be done immediately after the claim is fully recovered from Bank where exporter has settled the dues under an OTS and Bank has obtained ECGC's approval for the OTS and ECGC has received it's share of recovery, the de-listing can be done only after 5 years (from the date ECGC's share has been sent, provided ECGC has not incurred a loss of more than Rs.1 crore and there was no willful default or fraud and the non-payment was due to circumstances beyond the control of the exporter. If the loss incurred by ECGC is more than Rs.1 crore, such accounts would be moved to a new list called "Accounts Settled List" and ECGC cover would be restricted to 50% only for such accounts.

6.6. Staff Accountability Issues

As per the current procedure, where the Bank is in the process of investigating an account from the staff accountability point of view or where external investigation by agencies like CBI, Enforcement Directorate, DRI etc., are in progress, the claims

are considered by ECGC, if otherwise payable, and paid to Bank against staff accountability undertaking to refund the claim amount in case major penalties are imposed on any of the Bank officials in connection with account under claim. As per the existing procedure this undertaking is given by General Manager at Central Office. ECGC may also accept the undertaking duly signed by the General Manager of the respective FGMO. However, if the sanction is from the Central Office, the undertaking will have to be provided by the General Manager at Central Office.

6.7. Prior Approval for Compromise/OTS

As a result of recovery measures adopted by the Bank, several OTS settlements are forthcoming wherein it is observed that the Bank considers sacrifice of a part of the principal/interest amount but while sharing the recovery with ECGC, Bank has taken into account the interest that remained un-serviced by the exporter. It may be mentioned that any OTS or Compromise settlement, the principal dues are expected to be recovered in full. It is hereby clarified that any recovery made in the account where a claim is paid, whether in the nature of normal recovery or compromise/OTS, shall first be adjusted to the principal dues under various heads and share of ECGC will be determined on the basis of claim settlement ratio. In case of normal recoveries out of exclusive securities charged to the facilities covered by ECGC, the recovery proceeds shall be applied to the principal outstanding in the said accounts. However, if the securities are common, proportionate adjustments can be made against the principal outstanding under the heads as on the date of classification of the account as NPA. In case the Bank desires to settle for OTS prior approval of ECGC would be necessary. If no such approval is obtained, ECGC may repudiate the claim in respect of such cases.

6.8. Appropriation of settlement amounts in a claim paid account

- i) Where the Bank has recovered its full dues and upto date interest, the entire claim paid amount will become refundable less recovery expenses, if any, along with proportionate interest on the claim paid amount for the period the claim amount was lying with the Bank.
- ii) Where the Bank has recovered full principal dues and interest is fully waived, the entire claim paid amount will become refundable. If, however, the Bank had

spent some amount towards recovery expenses, the refundable amount will be net of recovery expenses.

- iii) If the Bank has recovered only a part of the principal dues and the balance principal and interest dues are written off, the entire OTS amount will be appropriated towards principal dues only.
- iv) Where no OTS has been approved by the Bank but recoveries are being effected in the normal course, the amounts so recovered less recovery expenses, shall first be applied to the principal dues under various credit facilities, if the recoveries are out of common securities. However, if the recoveries are out of exclusive securities ear marked for the facilities covered by ECGC, the amount recovered less recovery expenses shall be applied to the principal outstanding under the said facilities and the share of ECGC shall be determined accordingly.

6.9. Sale of Financial Assets by Banks

In terms of the export credit insurance covers, the Bank has to maintain its recourse against the borrower or shall not assign the related rights in favour of any third party (a Bank/ARC) without the prior written approval of ECGC. It is however, observed that the banks are not seeking ECGC's prior written approval for sale of assets to another Bank or an ARC. Such sale of assets will result in termination of recovery action against the borrowers and the banks will have no recourse to the exporters. It is, therefore, reiterated that the Bank shall seek the prior approval of ECGC in respect of a claim paid account or an account which is duly covered where the Bank would like to invoke the claim for the residual amount after sale to ARC/another Bank. If no such approval is obtained, any claim preferred by the Bank on such an account will be inadmissible and claim, if any, already paid will be liable to be refunded to ECGC.

6.10. Advances in respect of exports to Restricted Cover Countries

The ECGC advises the Bank from time to time the names of countries placed under Restricted Cover category. In respect of exports to such countries, the branches should ensure before granting pre/post shipment advances that the concerned exporter has obtained ECGC's specific approval under policy issued to the exporter. If the exporter is not a policyholder, the branch should obtain the prior approval before granting pre/post shipment advances for exports to such countries. If no

approval is obtained, cover under ECIB (WT-PS) will not be available for such post shipment advances.

6.11. Compliance of the Whole Turnover Principle

Branches are informed that ECGC has agreed to received monthly declaration, notification of limits, consider approvals etc. in respect of the Packing Credit accounts from the branches only for the sake of administrative convenience. Therefore, this arrangement is not to be taken as dilution of the Whole turnover Principle underlying the ECIB. Branches are, therefore, advised to ensure strict compliance of all the terms and conditions of the ECIB. Failure to comply the terms and conditions of the ECIB on the parts of the branches will be treated as failure of the Bank under the Whole turnover principle and the same will be treated accordingly.

Branches to send a copy of claim to DFB&IBD as soon as the same is lodged with ECGC to enable us to control the claim in our books.

6.12. ADHOC LIMIT BEYOND DL

Sometimes the Bank sanctions adhoc Packing Credit limits for a specific period. This happens in situations where seasonal goods are involved or where the exporter received a large one time order necessitating a temporary excess in the limits sanctioned. Approval of the Corporation should be obtained for granting such limits, in cases where the total limit including the adhoc limit exceeds the discretionary limit.

6.13. NOTIFICATION TO ECGC of EXCESS ALLOWED OVER THE SANCTIONED LIMIT UNDER DELIGATED AUTHORITY

All temporary excesses sanctioned in pre-shipment advances, under delegated powers should be reported on monthly basis in the present F1 format containing only export advances with an additional remark “NOT TO BE TREATED AS ADHOC LIMITS”.

This statement pertaining to export advances is to be sent to ECGC along with monthly declarations submitted under ECIB (WT- PC)/ECIB (WT- PS). However no excess should be given in an NPA account without prior approval from ECGC.

REFERENCE TO SPECIFIC APPROVAL LIST (SAL):

Branches will ensure that the exporters are not appearing in the Specific approval list that is notified by ECGC at periodic intervals . Such cross reference is to be made at the time of sanction/review/enhancement and adhoc sanction and even on day to day basis International Banking Division is forwarding a Floppy / CD containing an updated list of notifications giving details of names and addresses of exporters placed under SAL by ECGC, to all regional offices.

6.14. PACKING CREDIT EXTENDED UNDER CONSORTIUM

When the Bank grants advances under a consortium arrangement, each bank is required to comply with the terms and condition of the Guarantee issued to it.

6.15. TAKEOVER OF A/C FROM OTHER BANKS

When an account is taken over by one bank from another, the bank taking over the account should obtain a written confirmation to the effect that there are no overdues in the account. If there are overdues, guarantee cover will not be available. In addition to this requirement, the bank should comply with the guidelines prescribed by the RBI regarding business ethics, credit monitoring arrangements, etc.

6.16. OTHER STIPULATIONS AT THE TIME OF SANCTION

Branches will ensure that other stipulations of RBI/ECGC issued from time to time are complied at the time of sanction, transfer of account and grant of limits on consortium basis etc

6.17. CHECKPOINTS FOR OPERATIONS IN PRE-SHIPMENT ADVANCE ACCOUNTS

- The terms and conditions of sanction are to be strictly complied with, especially pertaining to primary and collateral securities. Documentation procedures should be completed as per sanction terms
- Valid sanction from competent authority is to be obtained and held on records.

- The limits are to be promptly renewed. Non-renewal of limits and disbursement of advances during the period gives sufficient scope for ECGC to reject our claims.
- Approval from ECGC is to be obtained at pre-shipment stage itself for exports to “RESTRICTED COVER COUNTRIES” in order that the post shipment advances are covered by the Corporation without any hassels at later stage.
- Advance to be backed by valid LC or Order/ Contract as per sanction terms at the time of disbursement Preliminary advice if accepted is to be followed by regular LC/Contract/Order within 30 days . In case of running packing credit account also, valid LC, order or contract is to be obtained within 30 days. Claims against advances not backed by order/LC are liable to be rejected by the Corporation.
- Monthly stock statements are to be obtained and ensure end use of funds by periodical inspection of securities as per sanction terms. Branch should also ensure that the stocks are adequately insured.
- Drawing power is to be worked out from both eligible stocks declared and valid contracts. In the case of running account Packing Credit, though the advances are adjusted on first in first out method, the outstanding in PC advance at any point of time should necessarily be covered both by adequate stocks as well as valid contract/LCs.
- Branches should maintain contract register for PC advances so as to readily ascertain whether the advances are backed by valid contract and transfer the amount to overdue packing credit advances.
- Excess allowed over the limit is to be approved and ratified by competent authority. As already pointed out (in para 6.13) excesses allowed in respect of export advance should be notified on monthly basis in F1 format to ECGC with an additional remark “NOT TO BE TREATED AS ADHOC LIMITS”
- Cover under ECIB (WT- PC) is available only upto submission of export documents to the branch i.e until the shipment takes place. On shipment, the advance gets converted to post-shipment advance. By failure to credit the proceeds of export documents to packing credit or by sending the bills on collection basis, when packing

credit advances are outstanding the cover under ECIB (WT- PC) is lost to that extent for packing credit. The branch will be unnecessarily paying premium on such advances since the packing credit is still shown as outstanding for that particular order against which bills are already submitted.

- If Packing credit is outstanding and **overdue**, proceeds of all export bills are to be credited to Packing credit account even if no packing credit was given against the order for which the export has taken place.
- In case of packing credit account on running account basis, the proceeds of collection bills against which packing credit is not availed or that portion of export bills negotiated/purchased/discounted in excess of the packing credit availed against the relative contract can be credited to CD/CC account of the exporter provided:
 - a. There are no overdues in Packing credit account
 - b. No advance is granted against the order for which the shipping documents are submitted nor the stocks for the said bills are procured out of packing credit availed already
 - c. The outstanding in the packing credit is fully covered by paid stocks(primary security) and the DP on such stocks covers the amount outstanding under packing credit
 - d. In case the packing credit is procured by producing a declaration that the orders will be produced within specified number of days , the branch should obtain the export orders within a maximum period of 30 days. Similarly the procurement of stocks within 15 days of such availment should also be ensured by the branch
 - e. Periodic stock inspection is carried out without fail. Existence of adequate stock with valid insurance etc. are to be verified at the time of inspection.
 - f. Monitoring / follow-up is done as per the sanction stipulation and end use of funds availed is to be ensured.

ECIB (WT- PC) is issued only to the Central Office of the bank. All branches where Packing Credit facilities have been availed should forward monthly declarations in the formats of **Annexre.6(8)**(for PCFC and Rupee PC respectively) along with the amount of premium to the nearest Branch Office of the Corporation within 15 days of the close of the month. A copy each of the monthly declaration with Annexures and statement of overdue Packing Credit advances outstanding for more than six months (**Annexure.6(9)**) should be sent to respective regional office of the branch excepting in case of IFB, MUMBAI, M.S.MARG who

should furnish copies of declaration to the International Banking Division, Central Office. The statement of overdue Packing Credits should not be sent to ECGC.

6.18. OTHER ECGC STIPULATIONS TO BE TAKEN INTO CONSIDERATION

As ECIB (WT- PC) agreement is also a contract of insurance, utmost good faith has to be observed by the bank and hence ECGC to be informed immediately on branches coming to know , that, the exporter is in financial difficulties or changes in circumstances which have a bearing on the risks insured. In such cases a decision should be taken immediately as to whether a report of default is to be filed or advances are to be continued after considering a nursing programme with the approval of competent authority and ECGC Shortage of security/depletion of stocks etc is to be immediately reported to ECGC.

6.19. CHECKPOINTS ON PRESHIPMENT ADVANCES BECOMING OVERDUE:

6.19.1. Stage I:

6.19.1.1. EXTENSION OF DUE DATE OF ADVANCE

Under ECIB (WT- PC) the bank has discretion to extend the due date for the payment of an advance granted to an exporter, upto a maximum of 360 days from the date of grant of advance for valid reasons.

Extension upto 180 days can be granted by the Head of the branch subject to receipt of written request of the exporter furnishing valid reason for non-shipment.

However, branches must obtain approval of the Regional Office for extending the due date of advance beyond 180 days and upto 360 days. To enable Regional office, to take a decision on the extention , applications with the following details are to be forwarded by the branches:

1. Date of advance
2. Production cycle
3. Confirmation of end use
4. Reasons for delay in shipment
5. Expected date of shipment
6. Is validity of LC / Contract extended
7. Is there substitution of order
8. Specific recommendation of the branch

Extension beyond 360 days requires concurrence of Regional Office and a reference to ECGC for approval as per **Annexure.6(10)** Reference to ECGC for extension of due date has to be made even if only a part of the total outstanding Packing Credit is overdue. Before reference to ECGC, approval of Regional Office for extension of time beyond 360 days is to be obtained. When such an extension is proposed, the implication is that the branch expects the advance to be repaid either by rendering export documents or repayment through internal resources within the extended period. The duly completed applications must be submitted by the branch, in duplicate, to the nearest office of ECGC. After verifying the particulars, the Corporation will indicate its approval in the duplicate copy of the application and return it to the bank.

It is necessary that even before granting further advances within the sanction limit specific approval of the Head of the Br./Regional Office/ECGC, for extension of time for overdue advances is to be obtained.

Fresh Packing Credit is not to be disbursed, when earlier advance has turned overdue, without the prior approval of Head of the Branch or Head of Foreign Exchange department in case of ELB/VLB, Regional Office & ECGC, as the case may be.

6.19.2. Stage II

In case the pre-shipment advance is not liquidated within the due date or extended due date and chances of shipment are remote then the advance should be classified as being in default, branch should resort to the following:

6.19.2.1 REPORT OF DEFAULT

In terms of ECIB (WT- PC), the bank is expected to immediately inform ECGC if the exporter is in financial difficulties and also in the event of the insured debt not being paid on the due date. If the exporter does not repay the advance on the due date and in cases where the branch does not want to grant extension beyond the due date or the extended due date, as the case may be, which may be even within 180 days, Branch under its discretion must immediately obtain concurrence of the Regional Office (DGM in case of M.S.Marg and I.F.B. Mumbai) and file a Report of Default with the Corporation in the prescribed format as per **Annexure.6(11)** recommending to ECGC for placing the exporter on Specific Approval List (SAL).

The Report of Default must be filed within four months of the due date or extended due date of the advance or within one month of recall of the advance whichever is earlier, in point of time. It implies that the recalling of the advance is not a pre-requisite for filing a Report of Default. The branch has to make a reference to Regional Office for permission before filing a Report of Default. Even in respect of a/cs handled by the higher office etc. permission is to be obtained from RO. A copy of the Report of Default should be sent to International Banking Division, Central Office, for perusal and records. If for any reason, branch desires to defer filing of Report of Default within the stipulated time, it must extend the due date or obtain written approval from ECGC.

There may be cases where the branch feels that the account is basically sound and advance will be adjusted notwithstanding the overdues in the Packing Credit account. In such cases, if the branch proposes to make further advances under the limit in force, the reasons for the same should be clearly stated in Column 18(B)(C) of the Report of Default and ECGC's approval sought (seek approval by writing separate letter to ECGC) for granting further P.C. advances. Additional finance is to be made available only after obtaining written approval of the Corporation.

6.19.2.2 PAYMENT OF PREMIUM ON ACCOUNTS IN DEFAULT

Branches should discontinue remitting premium to ECGC on accounts in default from the month following that of filing the Report of Default. The premium on pre-shipment advance should be remitted upto and inclusive of the month of filing of ROD.

6.19.2.3. ACTION ON DEFAULT

Once default occurs in an account, branches must report the matter to Regional Office/sanctioning authority and initiate effective action for recovery aimed at minimising the Bank's loss. The effective recovery action will depend on the facts and circumstances of each case. Stopping further advances, recalling the entire outstanding balances in the account, protecting the goods (primary security pledged/hypothecated to the bank), invocation of personal guarantee offered by the exporter at the time of sanctioning the limit and exercising lien on the amounts in possession of the Bank which could be set off against the debts, are some of the steps which the branch could take to minimise the Bank's loss. There should be no delay in complying with the above said steps by the

branches. Failure to do so, could result in rejection of the claim by the Corporation. Similarly delay in initiating recovery measures including legal action could vitiate our claim. Branches must keep ECGC informed of such recovery action and should take such steps as may be suggested by the Corporation.

6.19.3 NURSING PROGRAMME

There may be cases where an exporter who has defaulted in adjusting the Packing Credit advances may sometimes approach the Bank for fresh Packing Credit facilities, with a proposal to repay the overdues out of the profits generated from the business done with fresh Packing Credit Facilities. If the Bank is satisfied that such nursing programme is workable and offers the best chances for recovering the overdues, it should take a decision on the terms and conditions for such nursing programme and with the approval of the competent authority of the bank, place it for approval before the Corporation. The letter to the Corporation should include the following information.

- i) Grounds on which the Bank feels that the further assistance would enable the exporter to generate enough profits to repay the overdue advances.
- ii) Time limit within which the nursing programme would succeed.
- iii) Financial position of the exporter and the net worth of the proprietor/partners/directors.
- iv) The amount of overdue advances in relation to the business turnover of the exporter.
- v) Position of export orders on hand and prospects of further export orders.
- vi) Manner in which the exporter proposes to liquidate the overdue advances.

No specific format has been prescribed for this application.

Branches must note that any nursing programme implemented by the bank without the approval of the Corporation will not be binding upon the Corporation and may provide sufficient reasons for the Corporation to reject any claim relating to the account. A copy of the application sent to the Corporation should be forwarded to IBD for perusal and records.

Once the Corporation approves a nursing programme, it will inform the Bank to exclude the overdue Packing Credit advance from the monthly statement submitted under the ECIB (WT- PC). No further debit operations for disbursements will be permitted in Overdue Packing

Credit a/c and the same will be treated as blocked a/c. However, recoveries can be credited in the said account. Additional Packing Credit advance under nursing programme has to be disbursed through a new Packing Credit account. ECGC will issue a separate Packing Credit Guarantee and ask for two separate monthly declarations, one for blocked overdue account/s and the other for the new Packing Credit account under the nursing programme. The idea behind this procedure is to enable the bank as well as Corporation to closely monitor the progress of the nursing programme and institute such corrective measures as may be necessary to keep the programme in right course. Any change in the terms of the nursing programme including extension of time requires prior approval of the Regional Office as well as ECGC. The percentage of cover and rate of premium are the same as those applicable to ECIB (WT- PC).

6.19.4 INVOKING THE GUARANTEE AND LODGEMENT OF CLAIM

If the recovery action taken by the bank does not result in recovery of the entire overdue advances, branches must invoke the guarantee by lodging a claim under the Guarantee in the prescribed format as per **Annexure.6(12)** duly completed in all respects, within six months from the date of submission of Report of Default to respective office of ECGC. Permission of RO/sanctioning authority as the case may be, has to be obtained before filing the claim. A copy of the claim should be forwarded to IBD for perusal and record; If, for any reason, the branch desires to defer the lodgement of claim, it must write to ECGC citing reasons before the expiry of six months and obtain extension of time in writing for filing the claim. Interest and other expenses are not covered by ECIB (WT- PC).

The documents that need to be attached with the claim form are listed out in detail in the claim form itself. However the list of documents to be enclosed is furnished as under for ready reference:

- i) Copies of process note/appraisal notes with approvals from competent authority in respect of sanction/renewals.
- ii) Copy of the letter sanctioning the limit together with the terms and conditions
- iii) Copy of notification/application for approval of limit submitted to and acknowledged by ECGC
- iv) Copy of Confirmed Orders/Letters of credit. indicating the amount advanced & date against which the advances have been granted for which claim is lodged

- v) Copy of PC Operative account ledger for the period commencing six months prior to the date of granting the first advance in default , up to date
- vi) Copy of PS liability ledger for the period commencing six months prior to the date of granting the first advance in default , up to date.
- vii) Copy of bills sent on collection register for the period commencing six months prior to the date of granting the first advance in default , up to date
- viii) Copy of bills purchased register for the period commencing six months prior to the date of granting the first advance in default , up to date
- ix) Copies of bills negotiated register for the period commencing six months prior to the date of granting the first advance in default , up to date
- x) Copy of bills discounted register for the period commencing six months prior to the date of granting the first advance in default
- xi) Stock statements for the period 12 months prior to the date of first advance in default up to date
- xii) Stock inspection reports indicating value of stocks for the period as mentioned above
- xiii) Copy of drawing power register for the period mentioned as above
- xiv) Copy of inspection register for the period as mentioned above
- xv) Copy of letter recalling the advances/Proof for having invoked the guarantee, if any.
- xvi) Copies of further correspondence with the exporter
- xvii) Copies of legal notice & plaints , if a suit has been filed
- xviii) Exporters reply to the suit filed
- xix) If the exporter has gone insolvent
 - a. Proof of insolvency of the exporter
 - b. Copy of claim filed with the receiver/liquidator(in case of insolvency)
 - c. Copy of a letter issued to the bank by the Receivers/Liquidators to the effect that the bank's claim has been admitted to rank against the insolvent's estate. If such letter has not been received, a declaration to the effect that the bank has done or omitted nothing whereby its claim is liable to be rejected by the court.
- xx) Certificate from a Chartered Accountant as to the business and export turnover of the exporter in case of small scale exporter - vide Sl No.3 -Para II of claims form.

- xxi) Copies of Branch Inspection reports/ Audit Reports containing comments on the defaulted account; along with reply of the branch there to
- xxii) Copies of RBI inspection Reports containing comments on the defaulted account along with reply of the branch thereto
- xxiii) Staff Accountability Report in respect of defaulted account if same is established by Bank's disciplinary Authority.

In the aspect of Staff Accountability, ECGC insist upon undertaking to be given by the Bank's General Manager in all cases where there are lapses observed by Internal/External Auditors on the part of the staff and where the enquiry proceedings are in progress. Such undertakings are to the effect that the claim amount will be refunded in case lapses on the part of staff are established and such lapses lead to imposition of major penalties on the officials concerned. It further undertakes to refund the claim amount received with interest at Bank Rate , if the refund is not made beyond 30 days from the date of imposition of major penalties on the concerned officials. A copy of the said undertaking is furnished in Annexure.6(13)

Hence Branches should note

1. That the undertaking / declaration on staff accountability is to be given only in specific cases and when demanded by ECGC.
2. To refer such cases to IBD through Regional offices concerned for the issuance of undertaking by GM, IBD or any other GM designated for the purpose.
3. To refund the claim amount received within a period of 30 days on imposition of major penalties due to lapses observed, after getting permission from the concerned Regional office.

New Initiatives introduced by ECGC in settlement of claims:

In order to expedite the claim settlement process ECGC has introduced a new scheme named as 'New Initiatives' and is applicable for all claims lodged with effect from November 2001, both under ECIB (WT- PC) as well as under ECIB (WT- PS) . Branches have been already advised to bring the existing outstanding claims also under New initiatives so as to have early settlement of the claims..

The claim under ECIB (WT- PC) can be made under the first two categories of the said new initiative scheme the details of which are furnished as under:

6.19.4.1 Initiative No 1

Simplified procedure for settlement of claim for claims upto Rs 25 lakhs: Under this initiative the branch should file the claim in the prescribed format along with the

prescribed enclosures. Prima-facie there should not be any shortcomings /lapses. ECGC will on initial scrutiny advise the branch to submit a certificate in the format prescribed **Annexure.6(14)** by the competent authority i.e by the concerned Regional office, certifying proper conduct of the account , compliance of sanction terms and that there are no staff account ability/adverse comments made by internal inspector as well as by RBI auditors. In respect of ELB's the said certificate is to be issued by ZO/FGMO. On receipt of the said certificate ECGC will release the claim amount within 7 days. If ECGC observes serious lapses in the claim at the time of initial scrutiny, the same will be processed as per the existing normal method.

6.19.4.2 Initiative No 2

On account payment for claim under short term-packing credit and post shipment guarantees, where the claim amount is in excess of Rs.25 lacs: This scheme is introduced as a relief measure as the processing of these high-value claims involve time due to elaborate examination of the claim by ECGC as also approval by its Board. Under this scheme 50% of the claim amount found to be prima-facie admissible in the initial scrutiny of the claim, will be remitted to the claiming branch as on account payment, on providing a declaration in the prescribed format **Annexure.6(15)**..

The maximum amount of such on account payment is restricted to Rs. 100 lacs for each claim. The stipulations that are to be adhered to in order to prefer claim under this scheme are as follows:

- ❖ Claim form along with all the basic documents that are listed out in the claim form should be submitted
- ❖ Application-cum-undertaking in the prescribed format should accompany the claim form. This application-cum-undertaking should be signed by the Manager who has signed the claim form .
- ❖ All stipulations laid down under ECIB (WT- PC) should have been strictly complied with.
- ❖ The claim should not suffer from serious lapses in respect of compliance with the sanction terms and conditions of the bank
- ❖ The claim should be admissible prima facie on the basis of information available from the records of ECGC, claim form submitted and the documents that are enclosed with the said claim form. In other words, there should not be any

serious inherent or subsequent lapses in the account making the claim inadmissible. Referring /reporting the account to CBI, Enforcement Directorate or any other agencies of Government of India for investigation etc makes the claim inadmissible.

- ❖ In case the claim is rejected subsequently or the claim admissible is less than the on account payment made, the whole or excess over the on account payment, as the case may be, has to be refunded to the Corporation, on demand by the Corporation along with interest at 2% over the bank's PLR, if the refund is delayed beyond 30 days from the receipt of the demand, as per the terms of the undertaking given by the Branch Manager at the time of filing the claim.

The percentage of cover on the amount of loss will be first arrived at and on this amount 50% on account payment will be released. The amount of loss will be ascertained taking into consideration only that part of the insured debt which is prima facie admissible, excluding those parts of the insured debt , the admission of which is in doubt.

6.19.5 WAITING PERIOD FOR CLAIMS FILED UNDER NORMAL PROCESS

The waiting period for settlement of a claim is as follows:

- (a) Where the loss is due to insolvency, unless otherwise agreed to in writing by the Corporation, immediately after the expiry of four months from the due date of payment or one month after the loss has been admitted to rank against the insolvent's estate in favour of the bank in any insolvency proceedings whichever of the two dates is earlier.
- (b) Where the loss is due to protracted default, immediately after the expiry of four months from the due date of payment.

6.20. SPECIFIC APPROVAL LIST (SAL):

A Report of Default received from the bank under the Guarantee is analysed by the Corporation with a view to identifying the account/s where there are serious problems and the Corporation considers it desirable to monitor the granting of further advances. Such accounts are classified in a separate list called the 'Specific Approval List' (SAL) and the list is circulated to all Banks by ECGC from time to time.

This serves as a caution to banks while dealing with such customers. It may become necessary for ECGC to place an exporter on SAL for following reasons as well:

- i) Exporter has defaulted to a bank: This default to a bank may be reflection of the financial difficulties of the exporter or some serious problems in his business.
- ii) A claim has been filed under a guarantee on account of the exporters by any bank. The intention of the Corporation is to avoid undertaking further liability on account of the exporter.
- iii) The exporter is purported to be involved in a fraud: When it comes to the knowledge of the Corporation that an exporter is involved in fraud, he ceases to be a desirable customer and all banks have to be cautioned in regard to the potential damage in dealing with such an exporter.
- iv) The exporter is in financial difficulties: If an exporter is in serious financial difficulties, a close monitoring of his account is called for.

While placing the name of an exporter under SAL, Corporation may also consider including the names of sister concerns/associates as the financial difficulties of the exporter might adversely affect their financial position as well. Names of proprietor/partners and guarantors/directors are also included in SAL. Advances granted without the approval of the Corporation will not be covered under the Guarantee. The list of exporters included in the SAL is sent by IBD to the Controlling Offices for circulation amongst the branches. All Zonal Offices and R.Os (where Z.O. are not functioning) have been provided with floppies containing updated details of exporters on SAL. Branches before sanctioning/renewing export limits should approach either R.O./Z.O. or nearest branch of ECGC and obtain confirmation to the effect that the concerned exporter/sister concerns/guarantors are not on SAL.

6.21. ACTION AFTER RECEIPT OF CLAIM AMOUNT

The amount of claim paid by the Corporation under the Guarantee does not go to reduce the liability of the exporter to the Bank. Therefore, claim amount so received from ECGC must not be credited to the borrower's Packing Credit account, but should be held in Sundry Deposit account- ECGC (XXXXX2810001000) claims received. The branch must continue to maintain its recourse against the exporter for the full amount. Effective recovery measures including legal action have to be initiated /continued. ECGC is to be kept informed of developments periodically.

6.21.1 RECOVERY EXPENSES

Recoveries made are to be first applied towards recovery expenses like legal cost, godown rent, insurance etc. Even though prior approval of ECGC is not a must for incurring legitimate legal expenses, before appropriating recoveries to legal expenses, Corporation has to be approached for their consent. For this purpose details of legal expenses incurred together with documentary evidence will have to be furnished to the Corporation.

6.21.2 RECOVERIES MADE AFTER LODGEMENT OF CLAIMS BUT BEFORE SETTLEMENT

If any recoveries are made before actual settlement of claim, details are to be informed to ECGC to enable them to recalculate amount in default and if such recoveries are not intimated to ECGC and if such claims are settled later on, recoveries made in intervening period will have to be shared with ECGC.

6.21.3 SHARING AND APPORTIONING OF RECOVERIES MADE IN CLAIM PAID ACCOUNTS (PI refer addendum 6.27. also)

Any recoveries made by the Bank subsequent to settlement of a claim by ECGC, net of recovery expenses, are to be shared between the Corporation and the Bank in the ratio in which the loss was admitted by the Corporation at the time the claim was settled.

It is stipulated that the recoveries should be bifurcated into amount covered and amount not covered and apportioned accordingly. The interest debited to the account upto the month of default/recall should be taken into account and not thereafter, for apportioning the recoveries.

In case of any compromise proposal is entered into, the copy of the compromise proposal along with copy of approval agreeing for compromise is to be sent to ECGC. The ECGC's share of recovery will be as follows:

- a. In case the entire principal amounts are recovered ECGC will insist for the entire claim amount paid.
- b. In case where the bank has recovered interest apart from principal ECGC will insist for the amount of claim amount paid plus proportionate interest recovered.
- c. If entire claim amounts were sought to be recovered along with interest, ECGC's share of recovery would be on such total amount.

- d. For remittance made to ECGC reducing the claim paid amount , the branch should justify with reasons showing corresponding reduction in principal amount along with documentary evidence for reduction made, appraisal details and approval of competent authority of bank.

In case where the parties enjoy inland limits besides pre-shipment limits, the following guidelines should be observed for apportionment of the recoveries made.

- i. If the primary and the collateral securities are charged exclusively for the Packing Credit, the proceeds realised out of these securities should be adjusted only against the Packing Credit liabilities.
- ii. In case of securities which are common for export advances as well as domestic advances, the proceeds realised should be apportioned to the various accounts in the same proportion of the outstandings as at the end of the month in which the advances (either domestic or export or both) were first recalled or the month in which the Bank has reported default to the Corporation, whichever of the two is earlier in point of time. The recoveries should then be apportioned between ECGC and the Bank in the same ratio in which the loss was borne.
- iii. Any amount kept as margin either in the form of term deposits or Sundry Deposits must be set off against the amount claimed at the time of preferring the claim. In case of term deposits, interest accrued, if any, should also be taken into account.
- iv. In case of delay in refunding the share of ECGC, a penal interest of 2% above the bank applicable rate is to be paid for such delayed period.
- v. Charges/expenses incurred for preserving and/or realisation of the stocks, which form prime security of the Bank, shall have first charge on such proceeds of stocks.

6.22. STEPS TO BE TAKEN TO IMPROVE CLAIM-PREMIUM RATIO

As the premium on pre-shipment advances is now based on claim-premium ratio the following are the steps to be taken by branch for improving the claim-premium ratio and to have lesser premium rate payable on pre-shipment credits . Though certain steps would have already been highlighted in the previous paragraphs they are once again repeated in order to emphasize the importance of adherence to the said provisions not

only to aim for reduction in the premium rate but also in aiming for qualitative export advance.

➤ In view of adverse claims premium ratio it can be seen that the premium rate under ECIB (WT- PC) has been fixed at 8.5 ps per Rs. 100 by ECGC from 01.07.2013. This increases the burden on our exporters and increases their borrowing cost. Besides, we have come across good number of instances of rejection of claims by ECGC. To mitigate the above problems, branches should adopt the following strategies :

- ✓ Selection of clients should be done carefully
- ✓ Monitor the export advances closely
- ✓ Early signs of sickness to be detected and corrective steps taken to ensure no slippages
- ✓ ECGC should be kept informed of all adverse developments in the account
- ✓ Prior approval of ECGC is to be taken for extension of time for shipment/realisation of bills, purchase of bills on default drawees, extension of time for filing ROD/claim etc. so that claims are not rejected.
- ✓ Sanction/modification of limits/excess given are to be notified to ECGC in time.
- ✓ All sanction terms including documentation, creation of Equitable Mortgage etc. are to be strictly adhered to.
- ✓ In the event of any sale of property which is common collateral security for various advances (including domestic limits) the sale proceeds are to be appropriated proportionately. In case of doubt branches can approach Intl. Banking Division., C.O. for guidance.
- ✓ SAL should be verified at the time of accepting limit proposal to ensure that we do not extend credit facilities to exporters who are on the SAL. It should be ensured that associate concerns, guarantors etc. are also not on SAL. If an existing account comes on SAL, ECGC's approval is to be obtained to continue the limits.

Following are the signals of sickness:

- ❑ Frequent return of cheques for want of funds.
- ❑ Frequent request for excess without backing of increased sales, bunched export orders etc.
- ❑ Failure to service interest /instalment
- ❑ Continuous overdrawing (excess over DP) without significant credit turnover.
- ❑ Return of export bills unpaid and adjustment thereof out of proceeds of subsequent bills.

- ❑ Frequent devolvement of Inland/Import L/c and non adjustment within reasonable time.
- ❑ Invocation of guarantees issued and non payment within a reasonable period.
- ❑ Return of cheques purchased.
- ❑ Frequent change in key personnel in the borrower entity.
- ❑ Default in payment of statutory dues.
- ❑ Delay in the submission of stock statements, financial statements for renewal of limits etc.
- ❑ Failure to comply with borrowing covenants.
- ❑ Non co-operative attitude towards Bank officials for inspection of stocks, verification of Books of accounts etc.
- ❑ Stocks held being different from the export orders lodged with the Branch.
- ❑ Poor financial position as reflected by borrowers balance sheet.
- ❑ Adverse market reports
- ❑ Elongation of credit period to buyers which is not in tune with market trends.
- ❑ Delay in settlement of bills of suppliers
- ❑ Frequent labour unrest

The above listed signals of sickness are only illustrative and not exhaustive. Identification of weakness at the very start is imperative. At this stage branches should, in consultation with RO/ZO, assess reasons for weakness/sickness, carry out revival study and if found viable initiate corrective steps. In the case of unviable units, recovery steps are to be initiated, which includes recourse to The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance 2002, which helps Banks to foreclose financial assets. Under no circumstances, things should be allowed to drift to a point of no return. Once nursing / restructuring of export oriented accounts is approved / implemented (with prior approval of ECGC), constant monitoring is a MUST.

It is observed that once ECGC settles our claim, the recovery efforts of branches slacken. The poor recovery in claim settled accounts is one of the reasons which has driven ECGC to enhance the guarantee premium. Recovery is our primary responsibility. Branches should continue their recovery efforts and ensure that recovery is effected either through nursing or through one time settlement (OTS), sale of security or through legal action. Needless to state that recoveries are to be shared with ECGC in the same proportion in which claims are settled.

If recoveries improve in claim settled accounts, ECGC may consider bringing down ECIB (WT- PC) premium. Hence, all out efforts are to be made by branches to recover our advances, which will also help the Bank in reducing our NPAs.

6.23. PRUDENTIAL WRITE OFF OF ACCOUNTS

Consequent upon the introduction of new income recognition and asset classification and provisioning norms for banks, ECGC has allowed banks to prudentially write off the balance in claim settled export accounts either in part or in full without prior reference to the corporation and without jeopardizing the interest of the bank as well as that of ECGC. By such prudential write off the right to pursue recovery measures against the borrower is not totally given up. However the branch should

1. not pass on to the exporters concerned the amounts received from the Corporation towards claim settlement
2. Ensure that right to recourse against the exporter is not impaired or adversely affected by any act of omission on the part of the bank
3. Ensure that the power to write off the balance shall be exercised bonafide, diligently, prudently strictly in accordance with the rules and regulations of the banks (delegated authority)
4. Submit ECGC through IBD statement as of 31st March every year the details of accounts wherein partial/total write off has been made and another statement indicating that the latest position of recovery proceedings/ latest legal position in respect of each of the claim paid cases.
5. Ensure that any proposal involving waiver of legal action and /or any compromise settlement with regard to the outstanding dues in a claim paid account shall continue to be referred to the Corporation for its approval/concurrence
6. Execute either before or after payment of claim such additional documents as may be required by the Corporation for the purpose of ensuring that the rights of the Bank and the Corporation are adequately safeguarded against any claim or demand from the exporter or from anyone claiming through the exporter with regard to amount paid by the Corporation
7. Keep the Corporation properly and adequately indemnified of all costs and expenses that the Corporation may have to incur to defend itself against actions by the exporters/guarantors claiming benefit of the amount paid by

the Corporation under the guarantees or arising out of any act or omission or commission by the branch .

CMRD, Central office will from time to time issue circulars conveying various guidelines to consider prudential write off of the claim paid accounts. Branches as such have no authority to effect prudential write off on their own by appropriating the claim settlement amount from ECGC to the individual export advance account.

6.24. WRITE OFF OF BAD DEBTS

Any proposal for write off of a debt on which ECGC has paid the claim, though approved by the competent authority, requires the prior approval of the Corporation before actually being written off.

6.25 TAKING FRESH EXPOSURES ON EXPORT ADVANCES SETTLED BY COMPROMISE/OTS/REILEF ETC

It is possible for branches to come across situations for considering fresh export advances pre-shipment/post-shipment advances for those exporters whose export advance were earlier settled under Compromise/OTS/Relief and the claim settled amount were refunded to ECGC in part or full. ECGC cover under ECIB (WT- PC)/ECIB (WT- PS) will not be available for such fresh exposure.

However ECGC has agreed to consider the request of banks for cover on such fresh exposure on following terms and conditions:

1. Cover will be available only under **INDIVIDUAL GURANTEES(IPCG/IPSG)** with individual guarantee stipulations as well as premium rates. In other words it will not be covered under ECIB (WT- PC)/ECIB (WT- PS) and hence should not form part of the routine monthly declarations submitted to ECGC.
2. Cover will be available only to the extent of 50%
3. The exporter will continue to be in SAL for a minimum period of 3 years. Hence all formalities that are required to be adhered to by branches in respect of accounts appearing in SAL are to be strictly complied.
4. Branches shall strictly ensure end use of funds, adverse developments if any, with regard to the conduct of business/financial position of the exporter shall be advised to the corporation immediately.

5. The exporter shall exclusively deal only with our bank and shall not enlarge banking facilities.
6. Branches should obtain the prior approval of the corporation for any variations in credit facilities as also changes in the sanction terms.
7. Comply with all the extant procedures and guidelines on pre-shipment and post-shipment advances.

6.26. EXPORT PRODUCTION FINANCE GUARANTEE

The purpose of this guarantee is to enable banks to sanction advances at pre shipment stage to the full extent of cost of production, when it exceeds FOB value of the contract/orders, the difference representing incentives receivable. The extent of cover and premium are the same as Packing Credit Guarantee. Premium is payable on average daily products. Proposal form is to be submitted by the branch for obtaining Individual Export Production Finance Guarantee, alongwith copy of sanction letter, audited Balance Sheet of the exporter etc. Monthly declaration is to be submitted to ECGC and premium is to be paid regularly.

If advance given at preshipment stage is not adjusted within 90 days and if export bills are already tendered, outstanding at preshipment stage is to be transferred to postshipment advance and got covered under Export Finance Guarantee of ECGC.

6.27. Addendum

Please read the following para (6.2.2,6.2.6, 6.2.9, 6.3.1,6.4.1 & 6.21.3) as per renewed ECIB -WTPC

6.2.2. Percentage of cover

6.2.6. Discretionary Limit

6.2.9. Premium

6.3.1. Notification of Packing Credit limits under whole turn over cover

6.4.1. Time Limit for filing of claims

6.21.3. Refund of proportionate share of recovery in claim paid account

6.2.2. Percentage of cover

The percentage of loss payable by ECGC for the Export Credit Insurance Cover period 1st July 2014 to 30th June 2015 shall be as under

Limit per exporter	Percentage of cover		
	For all Sectors including existing limits of *GJD sector up to 30.06.2012	Fresh/Incremental limits of *GJD sectors on OR after 01.07.2012 to 28.02.2014	Fresh/Incremental limits of *GJD sectors on OR after 01.03.2014
For losses upto Rs.4310.47 lacs (i.e. upto 100% of total ECIB (WT-PC) premium amount paid by our Bank for the period April'13 to Mar'14)	75 %	50 %	NIL (Branches should obtain individual ECIB covers)
For losses beyond Rs 4310.47 lacs	65 %		

* Gems, Jewellery & Diamond Sector

However, in respect of Packing Credit advances granted to Small Scale Exporters (Annual Export turnover not exceeding Rs.50 lacs), the cover available will be **90%**.

In respect of exporters dealing in the commodity Iron Ore

1. The percentage cover w.e.f. 01.04.2012 is 50% only.
2. Per Exporter exposure is restricted to Rs.100 crores.

6.2.6. Discretionary Limit

Limits not exceeding Rs.100.00 lacs (Rs. one hundred lac) to any new exporter customer, sanctioned by the Bank at its own discretion, but in accordance with rules and procedures issued in this regard will be eligible for cover under ECIB (WT-PC) by ECGC without any specific application (except a notification of such limits in prescribed format to be filed within 30 days of sanction) subject to the terms and conditions of the Export Credit Insurance Cover. For any new limit above the discretionary limit, approval of ECGC is necessary. However, accounts of exporters classified as Standard Assets as per RBI norms do not require the prior approval of ECGC, if the exposure against PC/PS sanctioned to the exporter and its group concerns is less than Rs.200 crores. These accounts shall be notified to ECGC's nearest

office within 30 days from the date of sanction/enhancement of limit. Accounts classified as Standard Assets, where bank's exposure on the exporter or exporter's group is Rs.200 crores or more, and accounts classified as Sub-standard, Bad 85 Doubtful, require prior approval of ECGC irrespective of limit,

Accounts which are in default as on the date of commencement of the ECIB (applicable for fresh ECIB (WT-PC) will not be covered under the ECIB (WT-PC) but will continue to be covered under ECIB (IN-PC), if the branch has obtained such ECIB: Once these accounts become regular they can be covered under ECIB (WT-PC).

Accounts which are in the Specific Approval List (SAL) of the ECGC as on the date of commencement of ECIB or those are placed in SAL during the cover period, will not be covered under ECIB (WT-PC), unless prior specific approval is obtained from the ECGC.

6.2.9. Premium:

Premium is payable on a monthly basis at the rate of **7.5** paisa per Rs. 100/- per month (as against 8.5 paise per Rs.100/- per month for ECGC year 2013-2014) on the average daily product **irrespective of the credit rating** of the accounts. Premium shall be remitted by the branches to the nearest office of ECGC before 15th of the subsequent month along with monthly declaration.

6.3.1. Notification of Packing Credit limits under whole turn over cover

One of the important obligations to be fulfilled under the export credit insurance covers obtained by the Bank under the Whole turnover covers is the Notification/Approval of Limits within the time limit prescribed. The laid down procedure is reiterated herein below for strict compliance by the branches

- a) Existing accounts which are classified as Standard do not require prior approval of the ECGC under ECIB (WT-PC) if the exposure of the bank to the exporter and its group concerns is less than Rs.200 crores. However, the branches are required to advise the limit to the ECGC in the prescribed format within 30 days from the date of sanction.

- b) Accounts which are classified as new and accounts taken over from other banks are covered to the extent of the Discretionary Limit fixed for the Bank (Rs.100.00 lacs in case of our Bank) and advised in the cover document. For any limit in excess over the Discretionary Limit, approval of the ECGC is required.
- c) Accounts classified as Standard, where Bank's exposure on the exporter or exporter's group is Rs.200 crores or more, and assets classified as Sub-Standard / Doubtful / Loss require ECGC's prior approval irrespective of the limit.
- d) Branches to seek the approval of the ECGC when the account is downgraded from the standard status to sub-standard or other inferior status, for continuation of the coverage.
- e) Branches are advised to familiarize with the procedure with regard to coverage of accounts under the ECIB (WT-PC). It may be noted that any failure on the part of the branches to obtain ECGC's prior written approval, wherever necessary, would render claim, if any, arising on the account inadmissible.

6.4.1. Time limit for filing of claims (IBD CIR 6578 dt 17.11.2014)

As per extant guidelines claims are to be filed with ECGC within six months from the date of default (ROD) for both ECIB (WT-PC) and ECIB (WT-PS). Now as per new guidelines of ECGC, branches may, if they so desire, seek additional time for filing the claim beyond six months, supported with valid reasons and quoting extenuating circumstances. Branches need not to pay any additional premium for the extended period.

6.21.3. Refund of proportionate share of recovery in claim paid account

Any recovery into the claim settled account whether in the nature of normal recovery or compromise/OTS, shall first be adjusted towards principal dues under various heads and share of ECGC will determine on the basis of claim settlement ratio. Further, for the purpose of reckoning the principal outstanding, total fund based outstanding under various credit facilities as on date of NPA as reported to ECGC at the time of filing ROD will be considered.

We give the illustrations for refunding proportionate share of recovery to ECGC, under various circumstances, as under -

Scenario No.1

Where the Bank has recovered its full dues and up to date interest out of

common securities, the entire claim paid amount will become refundable less recovery expenses, if any, along with proportionate interest on the claim paid amount for the period the claim amount was lying with the Bank.

Illustration :

Principal Outstanding under various credit facilities	100
PC principal	60
Claim received from ECGC	45
Total Amount recovered (Principal-100 + Interest-25)	125
Recovery Expenses	5

Proportionate share of ECGC will be :

Claim amt recd from ECGC X Total Recovery of principal
Principal Outstanding under various credit facilities

i.e.
$$\frac{45 \times 100}{100}$$

i.e. Entire claim paid amount of 45 is refundable. In addition, proportionate share of interest amount, net of recovery expenses (i.e. 25-5=20) is also refundable at the same proportion.

Scenario No.2

Where the Bank has recovered full principal dues and interest is fully waived, the entire claim paid amount will become refundable. If, however, the Bank had spent some amount towards recovery expenses, the refundable amount will be net of recovery expenses.

Illustration :

Principal Outstanding under various credit facilities	100
PC Principal	60
Claim received from ECGC	45
Total Amount recovered	100
Recovery Expenses	5
Net amount eligible for refund to ECGC (100-5)	95

Proportionate share of ECGC will be:

Claim amt recd from ECGC X Total Recovery (net of recovery expenses)
Principal Outstanding under various credit facilities

i.e.
$$\frac{45 \times 95}{100}$$

i.e. Proportionate refundable amount will be 42.75.

Scenario No.3

If the Bank has recovered only a part of the principal dues and the balance principal and interest dues are written off, the entire OTS amount will be appropriated towards principal dues only.

Illustration :

Principal Outstanding under various credit facilities	100
PC principal	60
Claim received from ECGC	45
Total Amount recovered	80
Recovery Expenses	5
Net amount eligible for refund to ECGC (100-5)	75

Proportionate share of ECGC will be :

Claim amt reed from ECGC X Total Recovery (net of recovery expenses)

Principal Outstanding under various credit facilities

$$\text{i.e.} \quad \frac{45 \times 75}{100}$$

i.e. Proportionate refundable amount will be 33.75.

Scenario No.4

Where no OTS has been approved by the Bank but recoveries are being effected in the normal course, the amounts so recovered less recovery expenses, -Shall first be applied to the principal dues under various credit facilities, if the recoveries are out of common securities. However, if the recoveries are out of exclusive securities ear marked for the facilities covered by ECGC, the amount recovered less recovery expenses shall be applied to the principal outstanding under the said facilities and the share of ECGC shall be determined accordingly.

Branches are advised to submit 'Recovery Sharing Format' as per Annexure-I, along with the refundable amount.

6.28. Annexure

ANNEXURE- 6(1)

**STATEMENT OF PACKING CREDIT LIMIT SANCTIONED
WITHIN THE DISCRETIONARY LIMIT (DL) AND IN FORCE
AS ON 31st MARCH**

Name of Bank Branch :

Sr. No.	Name & address	Status of Exporter	RBI /IE CODE	Health Code-Asset Clssf	Packing Credit/ Post Shipment in force	Name(s) & address(es) of other bankers of the exporters	Sister Concerns		
							Name & Address	PC/PS LIMIT(Rs. in lakhs)	BANK

Total Number of Accounts _____

Total Number of Limits _____

SIGNATURE OF AUTHORISED SIGNATORY:
DATE:

" In the case of proposal for a fresh guarantee, the position should be shown as at the end of the month preceding the month in which the proposal is made. In the case of proposal for renewal, the position should be shown as on 31st March _____.

**STATEMENT OF PACKING CREDIT LIMIT SANCTIONED
IN EXCESS OF THE DISCRETIONARY LIMIT (DL) AND
IN FORCE AS ON 31st MARCH**

Name of Bank Branch

Sr. No.	Name & Address of exporter	Status of Exporter	IE Code No.	Health Code No. / Asset Classification	Packing Credit limit in force (Rs.in lacs)	ECGC reference conveying approval for the limits	Name (s) address (es) of other bankers of exporter	Sister concerns Name & address	PC/PS limit (Rs. in lacs)	Banks
1	2	3	4	5	6	7	8	9	10	11

Total Number of Accounts _____

Total Number of Limits _____

SIGNATURE OF AUTHORISED SIGNATORY:

DATE:

** In the case of proposal for a fresh guarantee, the position should be shown as at the end of the month preceding the month in which the proposal is made, In the case of proposal for renewal, the position should be shown as on 31st March _____.

ANNEXURE 6(3)

**GENERAL STATEMENT OF ACCOUNTS IN DEFAULT UNDER
WHOLE TURNOVER PACKING CREDIT GUARANTEE /
WHOLE TURNOVER PACKING CREDIT GUARANTEE**

Instructions :

1. This statement should be submitted alongwith renewal proposal form for ECIB (WT- PC) /ECIB (WT- PS) by the Head Office of the Bank.
2. The statement should indicate all accounts for which the report of default has been submitted to the Corporation as on 31st March, _____.

Name of Bank /Branch: _____

Sr. No.	Name & Address of Exporter	IE Code No.	Health Code No. / Asset Classification	Packing Credit limit in force (Rs. in lacs)	Amount O/s. (Rs. in lacs)	Whether default reported to ECGC ? If so banks reference Number & date & Office of ECGC to which submitted	Reason for default	Details of ECGC claims preferred paid, if any	Action taken / proposals for recovery
1	2	3	4	5	6	7	8	9	10

Total Number of Accounts _____

Total Number of Limits _____

SIGNATURE OF AUTHORISED SIGNATORY :
DATE :

ANNEXURE 6(4)

ANNUAL STATEMENT OF ACCOUNTS COVERED UNDER ECIB (WT- PC) /ECIB (WT- PS) / OTHER GUARANTEES INDICATING LATEST POSITION OF LEGAL / RECOVERY ACTION AS ON 31st MARCH

BANK : _____

Sr. No.	Name of Bank / Branch	Name of Exporter	Type of Guarantee	Details of Claim Received		Latest Position of Legal / Recovery Action	Remarks
				Date	Amount		

ANNEXURE 6(5)

ANNUAL STATEMENT OF ACCOUNTS COVERED UNDER ECIB (WT- PC) /ECIB (WT- PS) / OTHER GUARANTEES WHERE THE OUTSTANDINGS HAVE BEEN PRUDENTIALY WRITTEN OFF AS ON 31st MARCH _____

BANK : _____

Sr. No.	Name of Bank / Branch	Name of Exporter	Type of Guarantee	Details of Claim Received		Recovery			Balance Due	Write off	
				Date	Amount	Date	Amt.	Amt. paid to ECGC		Date	Authority Approving w/off

Copy of approval note from competent authority in the Bank Justifying the write off for the account to be attached.

**NOTIFICATION OF PACKING CREDIT LIMIT
SANCTIONED / ENHANCED / REDUCED / CANCELLED
(To be sent in Duplicate)**

From	To
	E.C.G.C. of India Limited
(Name /Address of Bank / Branch)	(Branch / Regional Office of ECGC)

In terms of Wholeturonover Packing Credit Guarantee No. _____ issued to us, we hereby notify as under :

1. Particulars of the exporter :
 - (i) Name & Address :
 - (ii) Status :
 - (iii) Names of Proprietor / Partners / Directors / Guarantors, in full
 - (iv) RBI Code No. / IE Code no.
 - (v) Heakth Code / Asset Classification
 - (vi) Commodity Exported
 - (vii) Packing Credit Limit
2. Sanctioned for first time : Rs. _____ on _____
 Enhancement of limit from _____ (Date of Sanxction)
 Reduction in limit from Rs. _____ to Rs. _____ on _____
 Cancellation of limit of _____ (Date of Enhancement)
 Reason for cancellation of limit Rs. _____ to Rs. _____ on _____
 (Date of Reduction)
 PC/PS Limits granted in the past 3 years Rs. _____ on _____ (Date o cancellation)
3. Name(s) and address(es) of other bankers of exporter :
4. Is the exporter a SSE/SSI :
5. Details of shipments Policy held by exporter :
6. Name(s) & Address(es) or sister concerns and limits enjoyed by them :

" We have verified and satisfied that the exporter or the proprietor/partner/guarantor/director (in case of a Pvt.Ltd. Ltd. Company) is not in the specific Approval list of the Corporation."

Please note that this is only an acknowledgement. Availability of our cover under ECIB (WT- PC)/ECIB (WT- PS) is subject to your ensuring that the party and their sister concerns and the names of proprietor/partners/directors/guarantors are not in our specific Approval list. It is also subject to other terms and conditions of ECIB (WT- PS)

Signature :

Name & Designation of Signatory:

Date:

For E.C.G.C. of India Ltd.

Regional Manager / Branch Manager

**APPLICATION FOR APPROVAL OF LIMIT UNDER
WHOLETURNOVER PACKING CREDIT GUARANTEE**

From :

To :

Export Credit Guarantee Corporation of India Ltd.

1. Particulars of the exporter

- (a) Name
- (b) Address
- (c) RBI Code No.
- (d) Heaith Code
- (e) Commodity exported
- (f) Whether manufacturer or trader
- (g) The number of years for which
the firm is under the present
management

**2. Particulars of SC Policy of ECGC, if any,
obtained by exporter**

Policy No.

Period

Maximum Liability

3. Analysis of the exporter's Financial Statements

(Balance sheet and Profit & Loss Account for the last financial year to be attached)

Balance Sheet

Capital	As at	As at	As at
Reserves & Surplus			
Medium & Long term liabilities			
Current liabilities & provisions			
Total	_____	_____	_____
	=====	=====	=====
Fixed Assets	As at	As at	As at
Investments			
Current Assets			
Loans & Advances			
Intangible assets such as Goodwill, Accumulated Loss & Drawal of partners or Directors			

	Total			
Profit & Loss Account		Year	Year	Year

Total business turnover for the year

Export turnover

Profit before tax

Ratio

- (a) Net profit Ratio (Profit before tax X 100 divided by total sales)
- (b) Current ratio (current assets divided by current liabilities and provisions)
- (c) Debt-equity ratio (total debt divided by capital and reserves)

4. Particulars of owners of the firm/company

- (a) Name(s) and address(es) of proprietor, partners or directors.
- (b) Networth of the proprietor/each of the partner or director in case the company is a private limited company.

5. Particulars of export business

	Year	Export turnover
(a) Export turnover for the last two years		
(b) Anticipated exports for the next twelve months		
(c) Details of orders	Country Buyer	Value of Terms of (i) ORDERS PAYMENT
(1) Orders on hand		
(2) Value of orders under negotiation		

6. Experience with the exporter

- (a) The year from which the exporter is our client
- (c) The branch in which the exporter's accounts are maintained
- (d) Particulars of all credit facilities sanctioned to the exporter

Type of facility	Limit sanctioned Rs. lakhs)	Whether account (in conducted satisfactorily
(d) Turnover in packing credit account	For the current calendar year (Rs. in lakhs)	For the previous calendar year (Rs.in lakhs)
Total advances granted	_____	_____
Total repayments	_____	_____
Outstanding at end of period	_____	_____

Overdues, if any, as on date _____

7. Name(s) and address(es) of other bankers of the exporter

8. (a) Name(s) and address(es) of sister concerns of the exporter

- (b) Names of proprietor/Partners/Directors
- (c) Particulars of limit in favour of associates
- (e) Experience with the Associates

9. Particulars of the packing credit limit for approval of which this application is made

- (a) Limit _____ Rs.
- (b) Date of sanction
- (c) Security prescribed (primary & collateral)
- (d) Assessment regarding the conduct of the account so far

Signature :

Designation of the signatory

Date:

ANNEXURE 6(8)

**FORMAT FOR RUNG MONTHLY DECLARATION OF RUPEE
PACKING CREDIT ADVANCES UNDER ECIB (WT- PC)**

*(To be sent in triplicate to the nearest office of the Corporation on or
before the last working day of following month)*

From
(Name and address of Bank branch)

To ECGC of India Ltd.

Dear Sir,

Sub : Declaration for the month of _____, 19__

Under the ECIB (WT- PC) No. _____ issued to us, we declare hereunder the particulars of all our Packing Credit accounts and the relative advances granted to them which are required to be insured in terms of the Guarantee

Sr. No.	Name of Exporter	RBI Code No.	PCL in force (Rs. in lacs)	Total Advances granted during the month	Outstanding in the a/c. on the last working day of the month	Total daily products	Average daily products	Premium
				(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)

Total

NOTE

- i) Premium is payable @..... ps percent per month for ECIB (WT- PC).
- ii) If no advances are granted and there is no incidence of premium, include the account and indicate 'NIL' in premium column.

We certify that we have included all accounts that are required to be covered under the Guarantee.

Our cheque/pay order towards the premium is enclosed.

Yours faithfully,
(Authorised Signatory)

Place :

Date :

ANNEXURE 6(9)

UNION BANK OF INDIA

**OVERDUE PRE-SHIPMENT ADVANCES OUTSTANDING
FOR MORE THAN SIX MONTHS**

Sr. No.	Name of the Borrower	Nature of Limit	Sanctioned Limit (Amt.)	Total Amt. of overdue advances o/s.	Date on which Format 'D'/E' was sent to IBD	Remarks

**APPLICATION FOR APPROVAL OF EXTENSION IN DUE DATE OF ADVANCE
BEYOND 360 DAYS UNDER WHOLE TURN OVER
PACKING CREDIT GUARANTEE/PACKING CREDIT GUARANTEE**

Instructions :

1. This application has to be sent to ECGC in duplicate, to the Branch office/Regional Office of the Corporation indicated in Annexure II enclosed to the covering letter to the wholeturnover packing Credit Guarantee issued to the bank or to the branch of the Corporation which has issued an individual PCG.
2. The application has to be made if the bank wants to extend the due date beyond 360 days from the date of grant of advance.

Dear Sirs,

In terms of the Wholeturnover Packing Credit Guarantee/Packing Credit Guarantee issued to us, we hereby request you to accord your approval for extension beyond 360 days in the due date in respect of the Packing Credit Advances, the details of which are given below :

1. Name of the Bank and address (Branch) :
2. Name and address of the Exporter :
3. Packing Credit limit in force :
4. Name(s) and Address(es) of the other bankers of the exporter :
5. Month/Year from which the packing Credit facility has been extended to the exporter. :
6. Total amount outstanding against the Packing Credit limit as on date :..
7. a) Total Packing Credit Advance granted to the exporter in the preceding 12 months : Rs.
- b) Total repayments in such a/cs. during the preceding 12 months : Rs.
8. Advances for which due date has to be extended beyond 360 days.

Sr. No,	Date of Advance	Amount of advance Rs.	Amount Outstanding Rs.	Date upto which due date has to be extended	Country to which goods are to be exported	Commodity

...

9. Reasons for non-shipment (if there are separate

reasons for non shipment in respect of each of the advances listed under item 8, these may be separately indicated)

10. Reasons for extension (Please also indicate when and how shipments are expected to be made)
11. Whether relative L/C Contracts are valid if not. please indicate in what manner the advances are proposed to be liquidated.

**REPORT OF DEFAULT UNDER ECIB (WT- PC)/
PACKING CREDIT GUARANTEE**

1. This report has to be sent to the nearest Branch office/Regional Office of the Corporation in duplicate.
2. This report has to be submitted to the Corporation within one month from the date of calling up of the defaulted advances or within four months from the due date or the extended due date as the case may, be whichever is earlier in point of time.

Dear Sirs,

In terms of ECIB (WT- PC)/individual Packing Credit Guarantee issued to us, we hereby submit the Report of Default, the details of which are given below:

1. Name of the Bank and address (Branch) :
2. (i) Name, address of the exporter
(ii) RbF Code / IE Code No.
(iii) Health Code /Asset Classification
3. Status of the exporter : Proprietorship/partnership/Pvt. Ltd. Co./Pub. Ltd. Co.
(Please tick the correct one)
4. Names of Proprietor /Partners/Directors/Guarantors : 1.
2.
3.
4.
5. In case of Public Limited Company, confirm whether it is a closely held company or not
6. Name and address of the associate firm(s) : 1.
2.
3.
7. Status of the associate firm(s)* : Proprietorship/partnership/Pvt. Ltd. Co /Pub. Ltd. Co.
**(Please tick the correct one)*
8. Names of Proprietors / Partners / Direcotrs / Guarantors of Associate firm(s) : 1.
2.
(Please use separate sheet if necessary) 3.
9. In case of Public Limited Company, confirm whether it is a closely held company or not
10. Basis for treating units at (6) as associate firm(s)
11. Limit reported to the Corporation and the date
11. (A) If a limit different from No. 11 has been sanctioned, details thereof (copy of the relative sanction letter(s) may also be attached)

12. Name(s) and address(es) of other bankers alongwith limits, if any "please give details if the exporter is financed by consortium of banks"
13. Total amount of outstanding against the Packing Credit advance limit as on date
 (a) Total Packing Credit advance granted to the exporter in the preceding 12 months. : Rs.
 (b) Total repayments in such Accounts during the preceding 12 months. : Rs.

14. Particulars of advances in default:

Sr. No.	Date of Advance	Amount Advanced	Amount outstanding as on date	Extended due date date	Reference to ECGC communication approving extensions if any	Commodity	Country

15. Details of Securities (Primary and collateral : Type of securities Value (in Rs.) covering the Packing Credit advances outstanding

16. Reasons for default :

17. Details of all other liabilities :

Nature of Facility	Limit Sanctioned	Security Stipulated*	Security available	Outstanding Liability as on date	Whether facility is Still made available to the exporter, if yes, the reason thereof

**If any security is not exclusively for one account, please explain.*

18. (A) Whether further advances have been stopped
 (B) If not stopped, state reasons therefor
 (C) Are further advances proposed?
 (If proposed please send a separate request to the Corporation for consideration)

19. Whether advances have been called up by the Bank, if so, the date, if not, reasons therefor :

20. Steps taken for recovery of the dues and further steps proposed to be taken up by the Bank :

21. Bank's comments on financial position of the exporter :

22. Do you desire placing the exporter/Associate firm/ guarantors on the Specific Approval List of our Corporation

- :
23. Any other information :
24. We hereby confirm that :
i) We have paid premium on the account from the beginning till _____month)
iii) We have not paid premium on the account [In case of (ii) please give reasons]

Signature
Designation Date

ANNEXURE 6(12)

PACKING CREDIT GUARANTEE CLAIM FORM

(This form should be forwarded to the nearest office of ECGC)

ECGC .Guarantee No, _____ ML_____

Name of the Bank _____

Address _____

Validity Period of the ECGC Guarantee; From _____ To _____

PART-I

We hereby declare that the under entioned exporter Is indebted to us to the extent of Rs. _____
(Rupees _____)

Reason for non-payment ; insolvency/default of exporter (Strike out whichever Is not applicable)

PART-II

PARTICULARS ABOUT THE EXPORTER

1. i Name & Address of the Exporter : _____ :
ii Health Code (please give the health code last allotted) : _____
2. Name(s) & Address(es) of the Proprietor/Partners/Directors/ Guarantors in full : _____
3. Whether exporter is SSE/SSI unit : _____
if yes, please enclose Chartered Accountant's Certificate as to the export turnover & total turnover for the accounting year prior to the dcte(s) of advances now in default : _____
4. Whether manufacturer exporter or merchant exporter: : _____
5. Commodities exported : _____
6. Particulars about the Sister Concerns if an : _____
(Please use separate sheet If space provided is not sufficient)

Name & Address	Particulars of facilities granted by us	Whether the account is conducted satisfactorily	Remarks

PART-III DETAILS OF ADVANCES IN DEFAULT :

- 7.i Total amount due from the exporter as on date of report of default
- ii. Amount recovered since then till

Principal	Interest	Total

preferring claim
 iii. Balance amount due , as on date

PACKING CREDIT GUARANTEE CLAIM FORM

(This form should be forwarded to the nearest office of ECGCj

INPCG/ECIB (WT- PC). No, : _____.
 Maximum Liability : _____
 Bank Name : _____
 Address :

Telephone No. :
 Fax No. :
 E_mail :

Validity period of Guarantee : From _____ To _____

Part -I

We hereby declare that the undermentioned exporter is indebted to us to the extent of Rs, ___
 ___ (Rupees _____)

Reason for non-payment: : Insolvency /Default of the Exporter
 (Strike out whichever is not applicable)

Part-II

1. Exporter Name / ;
Address
2. Tel No. : Fax No,
3. IE Code / RBI Code :
4. Status : Proprietorship / Partnership /Pvt Ltd./ Pub.Ltd.
(Closely /Widely Held)
5. Names of Proprietor/Partners? Directors/
Gurantors
6. Details of Sister Concerns:

Name and Address	Names of Proprietors/Partners /Directors/Gurantors	Particulars of Facilities granted by us	Whether the account is conduted satisfactorily	Remarks

7. Commodity of Export :
8. Whether SSE/SSI :
9. Whether Manufacturer / Merchant exporter

Part • III

1. Details of Advances in Default

	PRINCIPAL	INTEREST	TOTAL
Total amount due from the exporter as			

on date of report of default			
Amount recovered since then till preferring claim			
Balance amount due , as on date			

2. Particulars Of Advances (Principal) in Default

Sr No.	Date of advance	Amount advanced	Order/LC No. and Date	Terms of payment	Due date	Amount repaid	Amount O/s

(A separate sheet may please be attached , if necessary)

3. Reasons due to which exporter has failed to submit shipping documents to the bank :
4. Asset classification at the time of disbursal: of advances in default
5. Health Code / Credit Report Code allotted to the exporter at the time of disbursal of advances in default (Health Code (HC)/Credit Report: (CR) allotted to the exporter apart from asset classification done by the bank
6. Whether Corporation's approval obtained Yes/No/NA (in case the exporter / proprietor / partner / director/ guarantor / sister concern was already placed in SAL) at the time of disbursal of advances.
7. If not, reason for the same

Part -IV

Other bankers

1. Whether the limit was sanctioned under consortium arrangement

If so, furnish the details as under:

Names of the consortium Banks with lead banks	Details of the limits		Present o/s		Over dues	
	PC	PS	PC	PS	PC	PS

2. If not, furnish details of other bankers, if any as under (In case of multiple banking arrangement or banks outside consortium)

Name & Address	Type of facility	Outstanding	Overdue If any

3. Whether No Dues Certificate / No Objection Certificate / Opinion Letter obtained from the Other bank before taking over the account If no, reasons

Part -V :

Sanction terms / Monitoring of the account

1. Whether advances were within the validity of the Sanctioned limit ? Yes/ No
2. Whether advances were against LC/orders per sanction stipulation Yes/No
3. If sanction is for advances against LC only whether advances were Granted against order? Yes/No
- 4, Deraills of Advances and Repayments in the Exporter's PC account(as per the format given below):

Period	Advances	Repayment

a) 6 months prior to first advance in default :

b) 12 months prior to first advance in default

b) Date on which the account was classified as NPA :

5 a) .Whether advances were granted when earlier advances were overdue
Yes/No

c) If Yes, reasons

d)

6. Whether current a/c chedues /DDs were issued to suppliers

Yes/No

If not, please comment on how you have ensured .

End USE of the funds disbursed

7 if cash withdrawals were permitted

Yes/No

if yes, please comment on how you have ensured

END USE of the funds disbursed

8. Drawing power (please furnish details as under in respect of stock statements for the period
12 months prior to the first advance in default, upto date)

Stock for the month	Value of Stocks	Margin %	Drawing Power	Advance outstanding at the end of the month	Remarks

10. Whether stock statement were received as per sanction stipulation

Yes/No

if not, action taken by bank

10. Stock Inspection

Month

Value of stock as per

Remarks

Stock Statement

Inspection Report

- | | | | |
|--|------|-------|---------------------|
| 11. Whether stock inspection carried out as per sanction terms ?
If not, reasons for the same | | | Yes/No |
| 12. Whether action was taken on the Unit / Stock Inspection Report to prevent misuse of funds. If yes details of such action if not, reasons for the same | | | Yes/No |
| 13. Whether bills purchased / discounted / negotiated have gone to adjust PC outstanding If not, reasons for the same | | | Yes/No |
| 14. Whether bills Sent on collection have gone to adjust PC outstanding if not, reasons for the same | | | Yes/No |
| 15. Present position of the stocks with Approx. market value | Date | value | |
| 16. In the case of consortium advance, if the Leader Disposed of the stocks. Whether recovery was proportionately Adjusted against the dues of all consortium members ?
If not, taken by the bonk | | | Yes/No |
| 17. Whether adequate insurance cover was obtained against the socks, | | | Yes/No |
| 18. Whether loss suffered due to damage deterioration of stock which is normally covered under general insurance policy ?
If yes, any recovery made from insurance Company | | | Yes/No
Yes/No/NA |
| 19. Whether personal guarantees have been invoked if not, reasons for the same | | | Yes /No/NA |
| 20. Whether the bank has failed to obtain personal guarantees despite sanction stipulation If so, reasons for the same | | | Yes/No |
| 21. Whether collaterals were taken as per sanction ?
if not, reasons for the same | | | Yes/No |
| 22. Whether proper charge has been created and registered With appropriate authority wherever necessary
If not, reasons for the same | | | Yes/No |
| 23. Details of all other liabilities (Both funded and non funded) | | | |

Facility	Outstanding as on Date of recall	Securities Available
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Part - VI

1. Table Of Securities

Securities	Value as on date on date same)	Value realised out of sale	Amount Appropriated PC PS others	Short appropriations if any (and reasons for the
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Primary

Hypothecated Stocks

(as per latest Stock Statement /Inspection Report)

Other Primary Securities

Collateral

Fixed deposit receipts

immovable properties

Insurance policies

Marketable Securities

Others

Personal guarantees Of proprietor/Directors
(Give Details indicating Network as on date/ claim file date)

2. Whether advance have been recalled If yes, date of recalling if not, reasons for the same
3. Whether case referred to BIFR ? If so, present status of the same
4. Whether legal notice have been issued ? If not, reasons for the same
5. Whether suit has been filed by the bank ?
(With Court/Debt Recovery Tribunal)
if not, reasons for the same
6. Whether defendant's written statement has been received ?
If so, please attach a copy of the some yes/ No
7. Whether suit has been decreed by the Court/ DRT Yes/No/N.A,
8. Whether the claim has been admitted to rank against
If insolvent's Estate (in case of Exporter's Insolvency) Yes/No/NA
9. Whether comments of branch inspection reports were
clarified and compliance advised to the sanctioning authority Yes/No

Part-VII

1. Limits sanctioned and reported

Sr No	Limit Sanctioned	Asset Classification	Delay if any along with reasons

2. Whether limit is beyond Discretionary Limit
(applicable In case of new accounts & accounts under Substandard Assets (HC 2) category
If yes, whether approval beyond DL obtained from ECGC?
If Not, reasons for the same Yes/No/NA
- 3 Whether any rehabilitation / Nursing Programme was administered ? Yes/No/NA
If yes. whether approval from ECGC was obtained ? Yes/ No
If No, Bank's comments in not obtaining our prior approval

4.Effect of the Nursing/rehabilitation programme
Whether overdue has come down

5.Details of premium paid over the twelve months prior to the month of report of default:

Month for Which paid	Date of Payment	Limit Reported	Average Outstanding	Amount Premium	0/s. at the end of the month
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whether premium on the account has been remitted :
from the beginning of the account ?

If not reasons for the same

Details of advances in default for which due dates extended

Date of advances	Amount of advances	Due Date Extended upto	ECGC approval for Extn	Reasons for obtention of Extn.	Remarks
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Reporting of default :

Due date/Extended Due date	Date of calling back of advances	Date of report of default	Delay if any and reasons	Remarks Due date
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Preferring Of Claim ::

Date of Default	Date of claim	Date of filling claim extended upto
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Part-VIII

Documents to be submitted

(Please ensure all the documents submitted with claim forms are ineligible and complete in all respects)

1. Copies of process notes./ appraisal notes with approvals from competent authority in respect of sanction/renewals)
2. Copy of letter sanctioning the limit together with the terms & conditions
3. Copy of limit notification/application for approval of limit submitted to and acknowledged by ECGC
4. Copy of PC & order/letters of credit indicating amount advanced & date against which the advances have been granted for which claim is lodged
5. Copy of PC & Operative Account Ledger for the period commencing six months prior to the date of granting the first advance in default, up to date
6. Copy of PS liability ledger for the period commencing six months prior to the date of granting the first advance in default, up to date
7. Copy of bills sent on collection register for the period as above
8. Copy of bills purchased register for the period as above
9. Copy of bills negotiated register for the period as above
10. Copy of bills discounted register for the period as above
11. Stock statements for the period 12 months prior to the date of the first advance in default, up to date

12. Stock inspection reports indicating value of stocks for the period as mentioned above
13. Copy of Drawing power register for the period as mentioned above,
14. Copy of inspection register for the period as mentioned above
15. Copy of letter recalling the advances
16. Copies of further correspondence with the exporter
17. Copies of legal notice & plaints, if a suit has been filed "i 8. Exporter's reply to the suit filed
- 19 . a) Proof of insolvency of the exporter
 - bj Copy of claim filed with the receiver/liquidator (In case of insolvency)
 - c) Copy of a letter issued to bank by the Receivers/ liquidator to the effect that the bank's claim has been admitted to rank against the insolvent's estate
- 20 Certificate from a Chartered Accounts as to the business & export turnover of the exporter in case of small exporter in case of small exporter
- 21, Copies of Branch Inspection Reports / Audit Reports containing comments on the defaulted accounts; along with reply of the branch there to
22. Copies of RBI inspection Reports containing comments on the defaulted account along with reply of the branch thereto
23. Staff Accountability Report in respect of the defaulted account.

Part –IX: We declare that the information given is true and correct in every respect.

We further declare that there has been no default or negligence on the part of the bank or any of its officers in conducting the account (if any fault or negligence has come to the notice of the management, or has been pointed out by auditors / inspection department, brief note on the subject may be attached) We accordingly claim payment as follows:

- 1, Principal Amount in default: Rs, _____
(Rupees)
2. Percentage of cover :%
3. Claim payable of cover Rs. _____
(Rupees)

Part -X

We hereby undertake

To pursue all recovery steps including legal proceedings as directed by ECGC and to satisfy ECGC in this regard whenever called upon to do so by ECGC

- a. On payment of claims by ECGC to report to ECGC the position of out standing dues from the exporter on half yearly basis on 31 st march and 30th September of each year.
- b On payment of claim by ECGC, to refund the claim paid amount along with interest thereof at 2% over bank applicable rate if in the opinion of ECGC we have failed or neglected to take any

actions for recovery of the insured debt from the exporter or any other persons from whom the amount is to be recovered.

- c) On payment of claim by ECGC, to pay over to ECGC 50 /60/75/90% of all recoveries which we or our agents on our behalf may make from the person or persons responsible for the administration of debt or otherwise in respect of the debt due from him / them to us. We also agree to pay interest at 2% over bank applicable rate if there is a delay of more than seven days In remitting ECGC's share of the recoveries

Signature of the Authorised Signatory :

Name of Signatory : ,

Designation :

Insured bank's stamp / Seal :

Place :

ANNEXURE 6(13)

UNION BANK OF INDIA
(A Government of India Undertaking)
INT'L. BANKING DIVISION
CENTRAL OFFICE
UNION BANK BHAVAN
239, Vidhan Bhavan Marg,
Nariman Point, Mumbai – 400 021.

To

ECGC of India Ltd.,

Dear Sir,

Re: Our Claim under ECGC Guarantee – A/c

In respect of the above claim(s) which is/are under your examination , we hereby certify that there has been no act of omission or commission on the part of any of the bank officials in causing the subject loss to the bank which has ultimately resulted in the bank's invocation of ECIB (WT- PC)/ECIB (WT- PS) cover of the corporation and claiming indemnification of the loss from the Corporation. We also certify that no internal investigation or investigation by external agencies like CBI/Enforcement Directorate etc. is pending as on date in respect of the account. In the event we (the bank) or any of our officials being held guilty of malafide, gross negligence or irregularity warranting imposition of a major penalty / punishment in a domestic enquiry that may be commissioned by us and/or in any investigation that may be initiated by external agencies like CBI, Enforcement Directorate etc. at any time in the future in connection with the subject loss suffered by us in the captioned account, we unconditionally agree and undertake that the entire amount of claim that may be received by us from the Corporation in respect of the captioned account shall be refunded forthwith to the Corporation within a period of 30 days from the date the penalties had been imposed. For any delayed period , we shall pay interest at the prevailing "bank rate" while Refunding the claim amount

Yours faithfully

For Union Bank Of India

Authorised Officer

ANNEXURE.6(14)

(This certificate shall be issued by the officer heading the controlling office under whose jurisdiction the branch which has filed the claim falls, in the letterhead of the controlling office.)

Name of the Controlling office

Address

Re: Claim filed by our (Name of (he Branch)_____branch

Under (Name of the Guarantee)_____on account of

M/s _____

In respect of the above mentioned claim filed with ECGC, I hereby certify that no irregularity has been committed by the branch in complying with the sanction terms and in conducting the account and no adverse comment has been made by internal inspectors and / or RBI Auditors.

Signature:

Name of the signatory:;

Designation:

Station:

Date:

ANNEXURE 6(15)

(Undertaking on a non-judicial-stamp paper of appropriate value)
**Request for an on-account payment and unconditional undertaking to
refund the amount on demand**

INSURED'S name and (branch) address : _____

Particulars of Claim; GUARANTEE NUMBER _____

EXPORTER'S NAME

AMOUNT OF LOSS

With reference to the captioned claim preferred by us under the above-said Guarantee Cover issued by you, on account of loss suffered by us owing to protracted default by/ insolvency of the exporter named above, we, the insured bank, request to you to release to us an on-account payment of an amount not exceeding the lesser of the following two amounts, viz., (i) an amount of Rs.1 crore OR (ii) an amount equivalent to 50 per cent of the amount of claim that may ultimately be found payable by you to us, after due scrutiny and processing of the claim by you in respect of the loss suffered by us.

In consideration of your according to our above request, WE **UNEQUIVOCALLY AND UNCONDITIONALLY PROMISE AND UNDERTAKE** as under:

- (1) THAT, your action in releasing any amount as an on-account payment to us as above shall not be construed as an acknowledgement of the admissibility or otherwise of the claim preferred by us or an admission of your liability to pay us any amount whatsoever;
- (2) THAT, in the event of the whole or any part of the above claim preferred by us is found inadmissible by you after due scrutiny and processing of the claim and verification of the relevant information and documents, the whole or such part of the amount of on-account payment as may be demanded by you, shall be refunded by us to you forthwith upon receipt of a demand in writing therefor from you and in any case within 30 days from the date of receipt of the demand from you;
- (3) THAT, in the event of any delay beyond the said 30 days on our part in refunding to you the amount called back from us as above, we agree and acknowledge that we shall be liable to pay to you interest on the said amount for the period from the date of receipt of your demand for refund to the date of actual refund, at the rate of 2 per cent above our bank's applicable rate as on the date of receipt of your demand;
- (4) AND THAT, you shall be at liberty to recover from us any such amount of on-account

payment as we had delayed or neglected to refund to you after due receipt of your demand for refund together with interest as aforesaid thereon, by whatever means you may find suitable or appropriate, including by setting, off against any amount that may be payable or may become payable from you to us under any other claim preferred by us on you.

Dated at (Station) on (date) day of (month and year) . . .

signature of authorised signatory (with PoA No.) _____ .

Name of the signatory _____

Designation of the signatory _____

(Official rubber-stamp of the insured bank)