

RBI SHOULD RELAX REPAYMENT NORMS ON PACKING CREDIT, POST-SHIPMENT CREDIT

The lockdown amidst the outbreak of COVID-19 has severely affected exporters in terms of cancellation of orders, delay in shipments, inability to secure export certifications on time, etc. Under this condition, exporters and industry bodies are knocking at the door of the government and Reserve Bank of India seeking relief measures. In an interview to World Trade Center Mumbai, Mr. SN Panigrahi, Consultant – Foreign trade, GST, Essensee Business Solutions, Hyderabad suggests RBI to relax terms of repayment of packing credit and post-shipment credit.

Excerpts of the Interview:

1. Many exporters are facing cancellation of orders or their shipment is stuck in high sea because of lockdown in the destination port. In this circumstance, what is your advice to the distressed exporters?

Trade across the world is crippled and stranded - hit severely due to coronavirus outbreak becoming a pandemic - global supply is nearly collapsed - cargo movements are erratic. The international shipping lines are affected. Entire Trade Transactions are almost paralyzed. Even though major countries have not put trade restrictions for Cargo movement, operational slowdown is witnessed at land borders, seaports and airports for entry of non-essential items. However, in some cases, shipments are stuck in high sea because of lockdown in the destination port.

In this precarious situation, exporters are mostly distressed, as their orders are either cancelled or cargoes are stuck midway or even shipments getting returned or payments are delayed or even become doubtful. This is unprecedented.

Considering the supply chain disruption caused by the COVID-19 outbreak, it is likely that performances under many contracts will be delayed, interrupted, or even cancelled.

Exporters, may seek to delay and/or avoid performance (or liability for non-performance) of their contractual obligations and/or terminate contracts, either because COVID-19 has legitimately prevented them from performing their contractual obligations. However all these comes with some short of business litigation and risk, but no other choice.

RBI extended the time for realisation and repatriation of proceeds for exports made up to or on July 31, 2020 by 15 months from the date of export against nine months earlier.

ECGC cover may protect Export Receivables to some extent, but at a cost.

2. Many exporters who want to meet the orders from their foreign clients, are facing delay in securing necessary export inspection certificates, certificate of origin and other documents. What is your advice to these exporters?

Most of the authorities for issuing certificate of origin and Inspection Certificates by operating with minimal staff; however, because of lockdown conditions, exporters are finding difficult to reach them. Some of the Chambers are issuing scanned copies through mail. For negotiating documents through bank, however, original documents are essential for banks to honour letters of credit. This is a real hurdle for exports.

Online filing and Issuance of Preferential Certificate of Origin through the Common Digital Platform is available through DGFT portal <http://coo.dgft.gov.in>. Exporters may avail this facility for export to Countries with whom FTA / PTA treaties are signed by India.

Indian Government also has urged the countries, with which it has signed free trade agreements (FTAs), to allow imports of goods without certificate of origin for the time being as the domestic authorities are currently not issuing the document on account of lockdown due to COVID-19 pandemic.

3. Exporters who booked forward contract in advance to hedge their future forex exposures are worried because of cancellation of orders or delay in delivery of shipments. Can we have your suggestions to address their concerns?

Demands and suggestions for Converting Loss in forward cover to an interest free loan to be paid after 90-180 days and auto enhancement of credit limit by 10%, are already forwarded by FIEO and various other federations to the Government and RBI. We may expect some sort of relief.

4. The government and the Reserve Bank of India (RBI) have taken a series of measures to provide relief to borrowers and common man. What are your specific policy suggestions to the government and RBI to provide further relief to exporters?

RBI and Government may consider our following Suggestions:

- a) The packing credit availed (both INR & Foreign Currency), for manufacturing or procurement of goods meant for export should be extended by 180-270 days ((Normal period assessed for the firm + 180-270 days)
- b) The unrealized export bills discounted/under collection and wherever payments are getting elongated should be extended commensurately by 180-270 days (Normal notified terms of payment (NTP) or Usance period + 180-270 days). Accordingly, Crystallization of documents due to delayed payment can be done away with, and overdue interest in respect of pre shipment and post shipment advance should not be levied.

NOTIFICATIONS

Press Information Bureau, Government of India

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- [IT Department to release all pending income tax refunds](#)
- [Updates on COVID-19](#)
- [MHA writes to states to ensure availability of Essential Goods](#)
- [Indian researchers work on coronavirus genome sequencing](#)

DGFT

- [Amendment in Export Policy of APIs](#)
- [One-time condonation under EPCG scheme](#)
- [Electronic filing and issuance of preferential Certificate of Origin](#)

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MVIRDC World Trade Center Mumbai

Center 1, 31st Floor, Cuffe Parade, Mumbai - 400005, Maharashtra, India

Call : +91-22-6638 7272

E-Mail : marketing@wtcmumbai.com

Website : www.wtcmumbai.org