Attention of Authorised Dealer Category - I (AD Category I) banks is invited to the sub-regulation (2) of Regulation 16 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, notified vide Notification No. FEMA.23/RB- 2000, dated 3rd May 2000, as amended from time to time, in terms of which prior approval of the Reserve Bank is required to be obtained by an exporter for receipt of advance where the export agreement provides for shipment of goods extending beyond the period of one year from the date of receipt of advance payment. Further, in terms of A.P. (DIR Series) Circular No.81 dated February 21, 2012 AD Category- I banks have been permitted to allow exporters to receive advance payment for export of goods which would take more than one year to manufacture and ship and where the 'export agreement' provides for the same.

2. In view of requests received from exporters, it has been decided to permit AD Category- I banks to allow exporters having a minimum of three years' satisfactory track record to receive long term export advance up to a maximum tenor of 10 years to be utilized for execution of long term supply contracts for export of goods subject to the conditions as under:

a) Firm irrevocable supply orders should be in place. The contract with the overseas party /buyer should be vetted and clearly specify the nature, amount
and delivery timelines of products over the years and penalty in case of non-
performance or contract cancellation. Product pricing should be in
consonance with prevailing international prices.

b) Company should have capacity, systems and processes in place to ensure that
the orders over the duration of the said tenure can actually be executed.

c) The facility is to be provided only to those entities, who have not come under
the adverse notice of Enforcement Directorate or any such regulatory agency
or have not been caution listed.

d) Such advances should be adjusted through future exports.

e) The rate of interest payable, if any, should not exceed LIBOR plus 200 basis
points.

f) The documents should be routed through one Authorized Dealer bank only.

g) Authorised Dealer bank should ensure compliance with AML / KYC
guidelines and also undertake due diligence for the overseas buyer so as to
ensure it has good standing / sound track record.

h) Such export advances shall not be permitted to be used to liquidate Rupee
loans, which are classified as NPA as per the Reserve Bank of India asset
classification norms.

i) Double financing for working capital for execution of export orders should be
avoided.

j) Receipt of such advance of USD 100 million or more should be immediately
reported to the Trade Division, Foreign Exchange Department, Reserve Bank
of India, Central Office, 5th Floor, Amar Building, Mumbai under copy to the
concerned Regional Office of the Reserve Bank of India as per the format
given in Annex – I.

3. In case Authorized Dealer banks are required to issue bank guarantee (BG) /
Stand by Letter of Credit (SBLC) for export performance, the following guidelines
may also be adhered to:

a) Issuance of BG / SBLC, being a non-funded exposure, should be
rigorously evaluated as any other credit proposal keeping in view,
among others, prudential requirements based on board approved policy. Such facility will be extended only for guaranteeing export performance.

b) BG / SBLC may be issued for a term not exceeding two years at a time and further rollover of not more than two years at a time may be allowed subject to satisfaction with relative export performance as per the contract.

c) BG / SBLC should cover only the advance on reducing balance basis.

d) BG / SBLC issued from India in favour of overseas buyer should not be discounted by the overseas branch / subsidiary of bank in India.

e) Authorised Dealer bank should duly evaluate and monitor the progress made by the exporter on utilisation of the advance and submit an Annual Progress Report to the Trade Division, Foreign Exchange Department, Reserve Bank of India, Central Office, 5th Floor, Amar Building, Mumbai under copy to the concerned Regional Office of the Reserve Bank of India in format as per Annex - II within a month from the close of each financial year.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any law.

Yours faithfully,

(C D Srinivasan)
Chief General Manager


**ANNEX I**

**Reporting of Long term Advance of USD 100 million & more**

Name and Address of the Exporter:

PAN of the exporter:

Name, address and relationship with the overseas supplier from whom long term advance has been availed of:

**Company review:**

<table>
<thead>
<tr>
<th>Nature of business</th>
<th>Number of years the party has been dealing with the bank</th>
<th>Details of existing facilities with the Bank</th>
<th>Export to total domestic sales ratio (last three years average)</th>
</tr>
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<tbody>
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</table>

**Details of long term advance:**

<table>
<thead>
<tr>
<th>Total amount of contract/orders placed &amp; period</th>
<th>Total advance to be received</th>
<th>Date of receipt of Advance</th>
<th>Tenor</th>
<th>Rate of Interest, if any</th>
<th>Details of BG/SBLC issued, if any</th>
</tr>
</thead>
<tbody>
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</table>

Place:

Date:

Authorized Signatory:

Authorized Dealer Bank:

Address:

Seal:
ANNEX II

Progress Report to be submitted by Authorised Dealer Bank on utilization of Long term export Advances

(For the year ended March 31, ....)

Name and Address of the Exporter:

Name and address of the overseas supplier from whom long term advance has been availed of:

Name of the Regional Office of Reserve Bank of India to which Report is being submitted:

Details of utilization of long term export advance:

<table>
<thead>
<tr>
<th>Total export advances received</th>
<th>Projected export performance for the year ended 31.3...</th>
<th>Actual exports performed</th>
<th>Comments/reasons for shortfall</th>
<th>Export outstanding as on 31.3...</th>
<th>Details of export advance used to adjust the domestic loan, if any,</th>
</tr>
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</table>

Details of bank guarantee / SBLC issued:

<table>
<thead>
<tr>
<th>Total amount for which BG has been issued</th>
<th>Whether invoked</th>
<th>Reasons for invocation</th>
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</thead>
<tbody>
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<td></td>
</tr>
</tbody>
</table>

Place:

Date:

Authorised Signatory:

Authorised Dealer Bank:

Address:

Seal: