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# ECGC Ltd.

A Government of India Enterprise

By **CMA** **AMIT DEY**,  
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(A Government of India Enterprise)



Government of India

Ministry of Commerce and Industry

DEPARTMENT OF COMMERCE

**You focus on exports. We cover the risks.**

- Export Credit Guarantee Corporation of India (ECGC) is an **export promotion organisation** which is administered by the **Government of India** through the **Ministry of Commerce and Industry**.
- It is **wholly owned** by the Indian Government and is managed by a Board of Directors representing **Government, Banking, Insurance, Trade, Industry**, etc.
- Its financial aspects are managed by an **Asset Management Company** comprising **representatives** of the Government, Reserve Bank of India, banking, insurance and exporting community.

# HISTORY

- It was set up in July 1957 with the intention to promote exports by offering credit risk insurance and related services to Indian Exporters. Initially it was as Export Risks Insurance Corporation (ERIC) in July 1957 and then
- it was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964
- and to Export Credit Guarantee Corporation of India in 1983.

Its head office is situated in Mumbai, Maharashtra. Name of this organization is again slightly changed from EXPORT CREDIT GUARANTEE CORPORATION OF INDIA LIMITED to Export Credit Guarantee Corporation Limited (ECGC Ltd.) with effect from 8 August 2014 as per certificate issued by Deputy Registrar of Companies, Registrar of Companies, Mumbai.

# ECGC provides

- (i) a range of insurance covers to Indian exporters against the risk of non – realization of export proceeds due to commercial or political risks
- (ii) Different types of credit insurance covers to Banks and other Financial Institutions to enable them to extend credit facilities to exporters and
- (iii) Export Factoring facility for MSME sector which is a package of financial products consisting of working capital financing, credit risk protection, maintenance of sales ledger and collection of export receivables from the buyer located in overseas country.
- (iv) Provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan and advances.

# Facilities by ECGC

- Offers insurance protection to exporters against **payment risks**
- Provides **guidance** in export-related activities
- Makes available **information on different countries** with its own **credit ratings**
- Makes it **easy to obtain export finance** from banks/financial institutions
- Assists exporters in **recovering bad debt**
- Provides information on **credit-worthiness of overseas buyers**

# Need for export credit insurance

- Payments for exports are open to risks even at the **best of times**.
- The risks have assumed large proportions today due to the far-reaching **political and economic changes** that are sweeping the world.
- An outbreak of war or **civil war** may block or delay payment for goods exported.
- A **coup** or an insurrection may also bring about the same result.
- Economic difficulties or **balance of payment** problems may lead a country to impose restrictions on either import of certain goods or on transfer of payments for goods imported.
- In addition, the exporters have to face commercial risks of **insolvency** or protracted the default of buyers (own fault).
- The commercial risks of a foreign buyer going **bankrupt** or losing his capacity to pay are aggravated **due to the political and economic uncertainties**.

Export credit insurance is designed to protect exporters from the consequences of the payment risks, both political and commercial, and to enable them to expand their overseas business without fear of loss.

# MIGA (Multilateral Investment Guarantee Agency) an arm of World Bank

Cooperation agreement with MIGA (Multilateral Investment Guarantee Agency) an arm of [World Bank](#). MIGA provides:

- **Political insurance** for foreign investment in developing countries.
- **Dispute mediation** service.
- Under this agreement, protection is available against **political and economic risks such as transfer restriction, expropriation** (the action by the state or an authority of taking property from its owner for public use or benefit), **war, terrorism** and civil disturbances etc.
- Technical assistance to improve investment climate.





# Notable records of ECGC

- Largest Policy – short term ₹450 Crores
- Largest database on buyers 8 lakhs
- Largest credit limit ₹80 Crores
- Largest claim paid ₹540 Crores
- Quickest claim paid 2 days
- Highest compensation - Iraq ₹788 Crores

ECGC Ltd. now offers various products for the exporters and bankers. If readymade products are not suited to an exporter/banker then ECGC designs tailor made products.





## ECGC offers following types of guarantees to the exporters:

- i. Export finance guarantee (Bank & FI)
- ii. Packing credit guarantee (Pre)
- iii. Post-shipment export credit guarantee (Post)
- iv. Export production finance guarantee
- v. FE Transfer guarantee (Monetary)
- vi. Export performance guarantee (Physical)

Over the years the Export Credit Guarantee Corporation of India has proved to be useful to Indian exporters. It pays 80 to 90 per cent of loss incurred by Indian exporters. The remaining 10 to 20 per cent of the loss alone has to be borne by the exporters.

# ECGC doesn't cover these risks:

However, it doesn't cover the risks mentioned below:

- i. **Exchange loss** due to fluctuations in exchange rates
- ii. Failure on the part of the **buyer abroad** to obtain the **import authorization** or exchange
- iii. A **default of the exporter or his agent**
- iv. Any loss which arises **due to dispute in quality**
- v. Risk which is **inherent in the nature of goods**



# Types of Insurance Policies and Guarantees issued by ECGC

The covers issued by ECGC can be divided broadly into four groups:

- (1) **Standard policies** issued to exporters to protect them against **payment risk** involved in exports on short term credit;
- (2) **Specific policies** designed to protect Indian firms against payment risk involved in (a) exports **deferred terms of payment**, (b) **services rendered to foreign parties**: and (c) **construction works** and turnkey projects undertaken abroad;
- (3) **Financial guarantees** issued to banks in India to protect them from risks of loss involved in the extending **financial support to exporters at the pre-shipment as well as post shipment stages**;
- (4) **Special schemes**, viz.. Transfer Guarantee meant to protect banks which add confirmation to letters of credit opened by foreign banks. Insurance cover for Buyers credit, lines of credit. **Overseas Investment Insurance** and **Exchange Fluctuation Risk Insurance**.

# Commercial Risks

- (i) The **insolvency** of the buyer.
- (ii) The buyer's **protracted** default to pay (**within 4 months of due date** for goods accepted by him); and
- (iii) In some special circumstances specified in the policy, “**buyer's failure to accept the goods**”, when such **non acceptance is not due to the exporter's actions**.

# Political Risks

- (i) Restriction on remittances in the buyer's country or any government action which may block or delay payment to the exporter;
- (ii) War, revolution or civil disturbances in the buyer's country
- (iii) New import licensing restrictions or cancellation of a valid import license in the buyer's country;
- (iv) Cancellation of export license or imposition of export licensing restrictions in India;
- (v) Additional handling, transport or insurance charge due to interruption or diversion of voyage which cannot be recovered from the buyer, and
- (vi) Any other cause of loss occurring outside India, not normally insured by commercial insurers, and beyond the control of the exporter and the buyer.

# ECGC Cover

- (i) ECGC has conducted a comprehensive review of the countries covered by them, based on the revised country risk methodology that has been put in place.
- (ii) This revised methodology aims at evaluating the country not only on the prevalent economic and political settings, but also on the correct developments that would have an impact on the future, with an increase in horizon of 12 months, as well as forecast based on the strength and weakness of the country in terms of its economic and political strength.
- (iii) ECGC classifies the countries into **seven categories** in the ascending order of risks perceived.

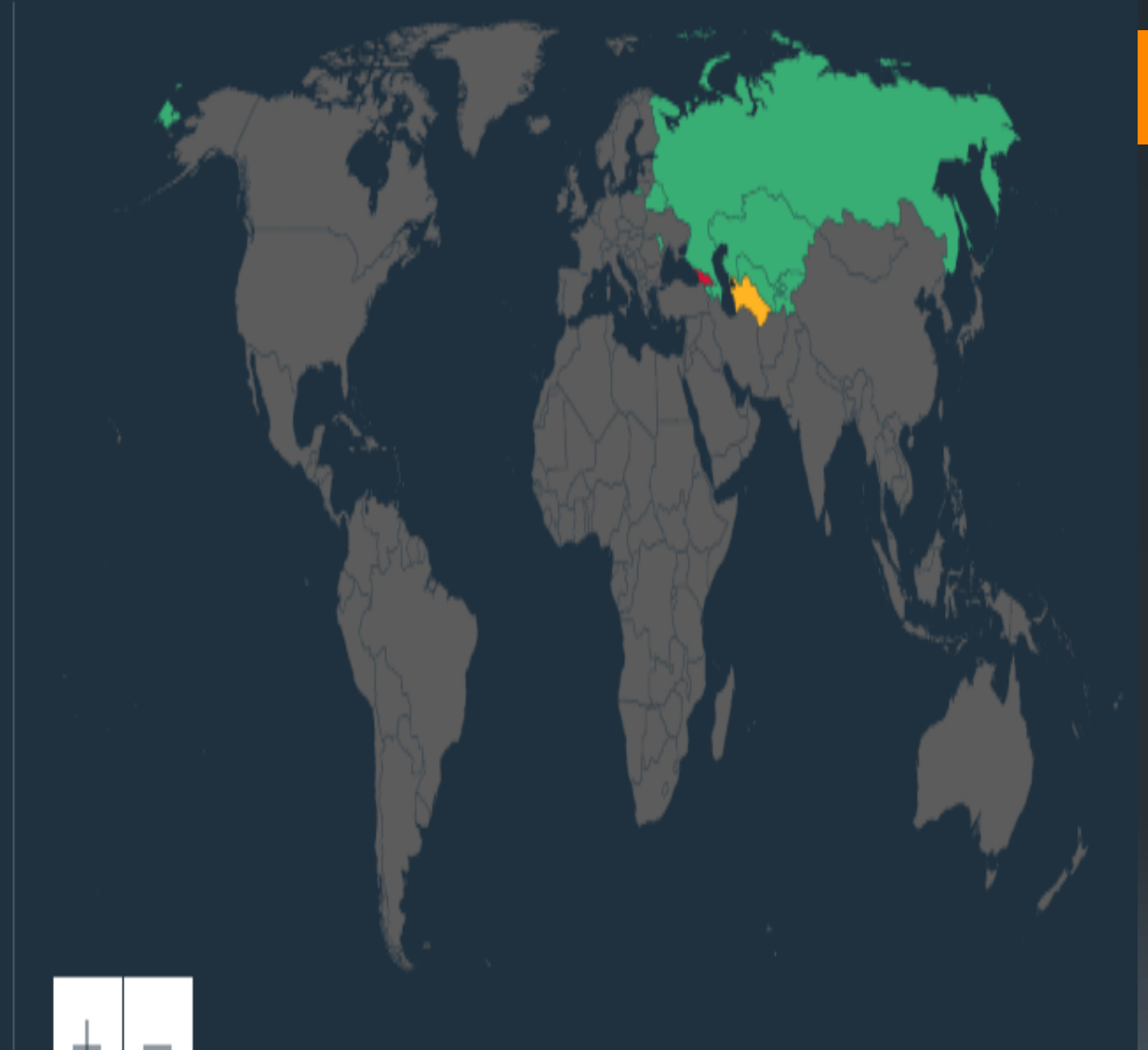
- Insignificant Risk
- Low Risk
- Moderately Low Risk
- Moderate Risk
- Moderately High Risk
- High Risk
- Very High Risk

ECGC CLASSIFICATION	RISK PERCEPTION
A1	Insignificant Risk
A2	Low Risk
B1	Moderately Low Risk
B2	Moderate Risk
C1	Moderately High Risk
C2	High Risk
D	Very High Risk



# Commonwealth of Independent States (CIS)

The CIS is an association that coordinates the facilitation of free movement of goods, services, labor force, and capital between member states. It also promotes cooperation on security matters.



**12 States** — Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

# ECGC Cover

Source: <https://commerce.gov.in/international-trade/trade-promotion-programmes-and-schemes/trade-promotion-programme-focus-cis/ecgc-cover/>

- (i) The revised country classification based on the revised model is effective from 01.12.2006.
- (ii) As per this revised classification, six of the twelve countries of the CIS region have been upgraded.
- (iii) Russian Federation is now placed in Group A2. Classification of CIS countries is given in paragraph no.6. Kazakhstan and Russia are upgraded from Group B1 to Group A2,
- (iv) while four countries, namely, Kyrgyzstan, Moldova, Tajikistan, and Turkmenistan moved up to C1 from high and very high risk group of C2 and D.
- (v) The remaining six countries are placed in the moderate risk category of B1 and B2.
- (vi) In the new classification no CIS country is placed in the high risk groups of C2 and D.

# ECGC Cover

- Azerbaijan, Belarus, Georgia, Moldova, Kazakhstan, Russian Federation, Ukraine are placed in the open cover category which will enable policyholders to obtain cover on a more liberalized basis. For these countries ECGC cover under short term is available for political risks for all transactions irrespective of limit on individual buyer or bank. However comprehensive cover (commercial plus political risk) is available depending on ECGC's assessment of the credit worthiness of the buyer/bank.
- The remaining five countries, i.e., Armenia, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan are placed in Restricted Cover (Category I) where ECGC cover is available on a revolving limits basis, normally valid for a year on the following basis:
  - Irrevocable Letters of Credit opened by confirmed by Banks listed in the Bankers Almanac or by local banks whose reports are satisfactory Cover will be 90%.
  - Normal cover of 90% on DP/DA terms subject to satisfactory report on the buyer.
  - None of the CIS Countries are placed in Restricted Cover (Category II-where specific approval is given on case-to-case basis).
- The current ECGC Classification for the 12 CIS countries.

# The current ECGC Classification for the 12 CIS countries is as under:

Source: <https://commerce.gov.in>

Open Cover Category	Restricted Cover Category (revolving Limit Basis)
Azerbaijan (B1 – 3/7)	Armenia (B2 – 4/7)
Belarus (B1 – 3/7)	Kyrgyz Stan (C1 – 5/7)
Georgia (B2 – 4/7)	Tajikistan (C1 – 5/7)
Kazakhstan (A2 – 2/7)	Turkmenistan (C1 – 5/7)
Moldova (C1 – 5/7)	Uzbekistan (B2 – 4/7)
Russia (A2 – 2/7)	
Ukraine (B2 – 4/7)	

A large, vibrant graphic featuring the words "Thank You!" in a bold, white, 3D sans-serif font. The text is centered and surrounded by a dynamic, multi-colored paint splatter effect. The splatters include shades of purple, blue, green, yellow, orange, and red, creating a festive and energetic background for the text.

# Thank You!

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