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Export Financing at India Bank (A)

The case is written by Smita Roy Trivedi for the purpose for classroom discussion. The author does not want to illustrate either effective or ineffective handling of a managerial situation

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I. The Problem

Rupa Jaisingh looked outside of her third-floor office, situated in the middle of Pune's Tilak Road: it was raining since morning today and gloomy weather outside reflected her mood. She was heading this Trade Finance Centre for over a year now, and under her the forex business has grown sharply. She had taken special care to increase non-fund business growth and has been successful in getting non-limit customers to avail of the bill discounting facilities offered by the bank. Export financing needs have increased substantially in the recent past: one of the major reasons for this was tariff woes leading to uncertainty in export orders, reduced margins, and pressures on export payment receivables.

However, there seems to continued hurdles. There has been devolvement of the letter of credit of a big customer last week. Some other clients have called in, expressing concerns over receivables. In between all of these, there is a major chance of credit flow reducing to new exporters as bank reduces financing to tariff hit sectors. She has already got a call from the corporate office asking her to exercise discretion for new customers and tighten credit in specific areas. The recent rate hike in monetary policy has not helped matters. With liquidity in a crunch, and rate hikes happening it was difficult to increase credit for export finance.

For Rupa today, the immediate concern was how to ease the concerns of an Mr. Vishesh, owner of the mid-sized Kronos Metalliks Private Limited (KMPL) who needed export finance to tide his working

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This case has been written to aid classroom discussion and do not intent to illustrate the efficient and inefficient handling of a managerial situation. The views or opinions presented do not, in any way, reflect the views and opinions of the institution the author represents.

capital requirements. What there a fitting product she could offer him? Could he be offered running account facility under RBI export credit guidelines (RBI 2015)?

Some days back Mr. Vishesh shared the draft L/C to be received from the new client in Algeria. Mr. Vishesh wanted her opinion on the LC, and Rupa was mentally gearing up to ask for some major changes in the LC as per *Uniform Customs and Practice for Documentary Credits (UCP 600)* guidelines and International Standard Banking Practices (ISBP). Rupa sat looking at the file and LCs: what should be her next course of action?

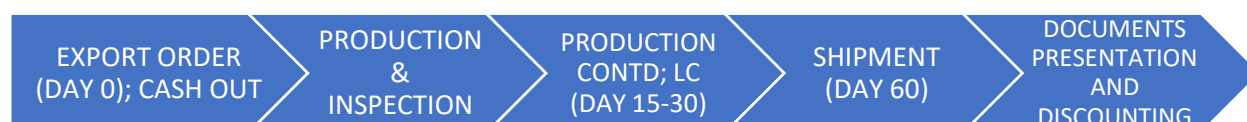
II. The Client

Kronos Metalliks Private Limited (KMPL), a mid-sized Indian stainless steel and alloy steel pipe, tube, flange, and fittings exporter is located in Mumbai. India's metals industry is diversified and well-integrated into global engineering goods trade. Indian companies majorly supply metal intermediate goods like semifinished pipes/tubes, flanges, forgings, machined components, and custom-fabricated alloy parts to Europe, the Middle East, and Asia. Stainless steel, alloy steels, carbon steel pipes, and fabricated metal assemblies are part of India's engineering exports basket which has grown in recent years despite tariff and supply chain disruptions volatility (EEPC India, 2024; IBEF, 2024). Engineering exports as a category have consistently been one of India's core foreign-exchange earners — and the metal sub-segment remains central inside that (EEPC, 2024). India's metal export data show long-term stability even when prices fluctuate.

Post-COVID the industry has suffered from production cuts, subdued pricing, domestic supply issues Indian mills, which means mid sized companies like Kronos have to manage procurement very tactically. If prices fluctuate, the difference between immediate procurement and procurement delayed by two weeks can lead to significant differences in gross contribution margin. These mid sized metals exporters therefore do not merely need financing, they need financing at the correct point in the production calendar.

III. Financing

In August 2025, Kronos Metalliks got a mid-scale export order of EUR 3.2 million from EPC, Algeria for 300 metric tonnes of stainless-steel tubes and alloy flanges. These are standard production items for the company. The terms are FOB Nhava Sheva, with a shipment window of less than 60 calendar days. The foreign buyer has shared that their LC issuance process requires a credit committee meeting, which normally happens within 15–30 days. The commercial terms for the letter of credit will be usance at 60 days from B/L date. Moreover, KMPL has an inkling that it is possible they will get more such orders, though the terms will remain the same. While the shipments are required by 60 calendar days, the letter of credit will typically be issued 15 or 20 days after the initial export order requirements are shared, with a usance for the importer to have a working cycle margin.



The Procurement costs for this is INR 11.5–12.5 crore equivalent spread over 35–45 days, but Kronos's domestic CC working capital is already fully deployed into domestic receivables. While the bank is willing to sanction packing credit (PC), it wants LC submission or full confirmed export order docs to

disburse PC. Rupa knows without a confirmed export order PC would be difficult to provide. Yet by the time the confirmed order and LC come, the exporter needs financing. Is it possible to help this exporter finance his working capital gap?

IV. The Letter of Credit

Rupa also needs to advise the exporter on the draft Letter of Credit KMPL is expecting from the customer in Algeria. Appendix A gives the LC draft. Letter of credit is always a positive news for an exporter, as if he makes a complying presentation he is assured of payment, even when the importer cannot or would not pay. However, while letter of credit affords this risk mitigation, there is also the process of documentation as any gap in 'complying presentation' would mean discrepancies and multiple presentations. Does the terms and conditions of the letter of credit look good enough to go ahead with? Any amendments required?

Appendix A
Draft of L/C in SWIFT Format

④ 40 A: Form of documentary credit

REVOCABLE

④ 20: Documentary credit no

1234567

④ 31C: Date of issue

241214

④ 40E: Applicable rules

Current version of UCP

④ 31D: Date and place of expiry:

250314

Mumbai

④ 51 A: Applicant bank

FOREIGN BANK, Algeria

④ 50: Applicant

EPC Ltd, NATIONAL ROAD,
Algeria.

④ 59: Beneficiary:

KMPL, MG ROAD, PUNE-04, INDIA

④ 32B: Currency Code and Amount

EUR 3.2 million

④ 41 D: Available With

FOREIGN BANK, Mumbai

④ 42 C: Drafts At

Sight

④ 43 P: Partial shipments

NOT ALLOWED

④ 43 T: Transshipment

NOT ALLOWED

④ 44E: Port of Discharge / airport of departure:

FOB, NAVA SHEVA PORT, MUMBAI, INDIA

④ 44B: Place of final destination:

Port Algiers, Algeria.

44C: Latest date of shipment

250220

45A: Description of goods or / services

- 300 metric tonnes of stainless-steel tubes
- 300 metric tonnes of alloy flanges , **FOB Mumbai**

46 A: Documents required:

SIGNED COMMERCIAL INVOICE IN TRIPLICATE

FULL SET OF 'CLEAN' SHIPPED ON BOARD OCEAN / MARINE BILL OF LADING WITH 3 NON-NEGOTIABLE COPIES, DRAWN TO ORDER OF FOREIGN BANK, MUMBAI, NOT INDICATING ANY ADDITIONAL CHARGES

CERTIFICATE OF ORIGIN ISSUED BY THE CHAMBER OF COMMERCE STATING THAT GOODS ARE OF INDIAN ORIGIN

PACKING LIST AND WEIGHT CERTIFICATE IN TRIPLICATE CONTAINING DETAILS OF EACH PACKING

CERTIFICATE OF ANALYSIS FROM EXPORT INSPECTION COUNCIL, MUMBAI, COUNTERSIGNED BY EPC ALGERIA, STATING GOODS AS SATISFACTORY

INSURANCE DOCUMENT FOR 110% OF CIF VALUE

47 A: Additional Conditions

ALL DOCUMENTS SHOULD INDICATE OUR CREDIT NUMBER

71 : Charges

BANK CHARGES OUTSIDE THE ISSUING BANK'S COUNTRY TO THE ACCOUNT OF BENEFICIARY

48: Period of presentation

WITHIN 21 DAYS FROM DATE OF SHIPMENT BUT NOT LATER THAN THE EXPIRY DATE

49: Confirmation Instruction:

WITHOUT

57A: Advise through bank:

INDIA BANK, PUNE

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