

STOCKING FACILITY

1.0. INTRODUCTION

NEXIM's Stocking Facility (SF) is specifically designed to assist manufacturing exporters to have adequate working capital to stock local raw materials that are mainly seasonal in nature in order to achieve optimum level of production all year round. It is made available in local currency to exporters either directly or through their banks.

2.0. ELIGIBILITY CRITERIA

2.1. PARTICIPATING BANK

Banks wishing to participate under the facility must be in good financial health as evidenced by three years Audited Accounts, and meet additional criteria set by NEXIM from time to time.

2.2. ELIGIBLE EXPORTERS

The exporter must be a creditworthy limited liability company, cooperative society, existing/new production units with a minimum of 50% export orientation or an existing provider of export services. The exporter must establish that the loan will develop or expand his export business.

2.3. INELIGIBLE EXPORTS

The following items are not eligible for financing:

- Armaments, ammunitions and other military equipment
- Psychotropic drugs and narcotic
- All items prohibited by international conventions or environmental constraints
- Phonographic and obscene materials; and
- Items prohibited for importation/exportation by prevailing government policies/guidelines

3.0. FEATURES OF THE STOCKING FACILITY

3.1. TENOR

The Stocking Facility (SF) shall be available for a maximum term of one (1) year. However, in all cases, the applicable tenor shall be agreed by the exporter/exporter's bank and NEXIM.

3.2. INTEREST RATES

The Facility shall be availed at a maximum all-in interest rate of 9% per annum inclusive of all charges. However, legal charges and administration fee of 1% are to the account of beneficiary Projects.

3.3. REPAYMENT

For short-term facilities, repayment terms shall be a maximum of 365 days, while repayments for letters of credit confirmation/refinancing shall be a maximum of 360 days.

4.0. COLLATERAL REQUIREMENTS

In the case of interbank lending, the security requirements will be determined by the Participating Bank (PB). However, where lending is direct, the security may be one or more of the following:

- Bank guarantee or insurance bond
- Landed property belonging to the borrower/directors of the company in a location acceptable to NEXIM.
- First lien or fixed charge on machinery and equipment of the borrower.

- Share certificates of quoted companies acceptable to NEXIM.
- Investment certificates or commercial bills acceptable to NEXIM; and
- Floating charge on moveable property of the borrower or directors of the company.
- Other assets as necessary

5.0. WAREHOUSING

Only warehouses acceptable to NEXIM will be eligible to store the raw materials financed under the facility. Warehouse warrants shall state very clearly the firm storing the goods, account for which the goods are being stocked, date of receipt, quantity, description and market value. These become applicable where the manufacturer does not have own storage facilities acceptable to NEXIM.

6.0. DOCUMENTATION

a. At the point Application

The Participating Bank shall forward an application duly signed by at least two authorised signatories of the Bank on behalf of the exporter clearly stating the commodity to be stocked, quantity and quality, source, and price of procurement. Information on installed and existing production capacity of the exporter must be provided. Where the client is applying directly, a duly completed application form including all the information above will be submitted. The following documents must also accompany the application:

- Return on export finance portfolio (where the application is interbank)
- Schedule of stock utilisation
- Copy(ies) of export contract(s)
- Bill of exchange duly accepted by the exporter (where the application is interbank)

b. Pre-Disbursement

Upon acceptance of the offer letter the following documents are to be provided:

- A duly accepted copy of the Offer Letter.
- Promissory Note and Irrevocable Transfer Order for principal amount and accrued interest.
- An Undertaking that if stock reconciliation is unsatisfactory, NEXIM may recall the Facility earlier than its due date.

c. Post-disbursement

The Bank or exporter (depending on the mode of application) shall submit to NEXIM the following documents:

- Copies of warehouse warrants for the items stocked (where applicable)
- Copy of insurance certificate for the items stocked against fire and burglary, etc.
- Letter of hypothecation by which ownership of the stocks is transferred to the sponsoring bank.
- Monthly stock reconciliation

7.0. DISBURSEMENT

The facility is disbursed to the participating bank or exporter either en bloc or in tranches as may be determined. In addition, NEXIM shall verify the signatures on the Promissory Note and thereafter issue the bank with a cheque of a face value of the Note less the interest amount payable on the facility. This is repeated for as many as the approved sum is broken into tranches.

8.0. OTHER ASPECTS

- NEXIM shall visit the exporter's warehouse to confirm that stocks conform in description, quantity and quality with the documents submitted to it by the participating bank.
- Any bank or exporter that utilize the facility contrary to the agreed/established condition may be blacklisted from further participating in the facility and subsequent breach may lead to being barred from other NEXIM's facilities.

- In cases where the facility is made available in foreign exchange, "repayments" shall also be in "foreign exchange".
- Any bank or exporter that abuses the SF may be blacklisted in the first instance from further participating in the SF and subsequently from other NEXIM's facilities. In this context, an abuse is defined to include, but not limited to, false declarations, falsification of documents, deliberate breach of the provisions of the guidelines, and the issuance of bills that are irregular.

9.0. AMENDMENTS

These Guidelines shall be subject to review from time to time as may be deemed necessary by NEXIM. The Amendment does not have retroactive effect and therefore is applicable only to new approvals.

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