

Scope and process of Iran payments explained

FIEO organized an interactive meet on "Scope of Business Opportunities in Iran & Session on Iran Payment Facilitation" on May 3, 2012, in New Delhi.

The event was organized to apprise the members of the trade regarding payment facilitation to Iran. The Government of India has designated UCO Bank as the nodal bank from India for facilitating payments to Iran. Iran being an important trade partner of India offers ample business opportunities in various fields, which were recently witnessed by FIEO's delegation to Iran.

Mr Uday N. Mitra, General Manager, Foreign Exchange Dept, UCO Bank Head Office, Kolkata, made a presentation on the processes and procedures to be followed for negotiating payments from Iran.

Welcoming Mr Mitra and the participants, Mr Ajay Sahai, DG & CEO, FIEO, said that Iran offers ample scope for Indian entrepreneurs to encash business opportunities in various sectors. He said the Government has put a payment mechanism in place for Indian exporters so that export payments can be reimbursed effectively and smoothly through UCO Bank. He further thanked the Iranian diplomats present during the meet for all support extended to the Indian exporters in spite of international sanctions. Mr Sahai detailed the opportunity for exports of pharmaceuticals, medical and diagnostic equipments, auto components, gems and jewellery, steel ingots, other engineering products besides agro and allied exports.

Mr Mitra in his address said that the rupee mechanism was started with special permission from the RBI which was aimed to boost trade relations and to increase the confidence of the Indian exporters exporting or willing



From left, Mr Sunil Agnihotri, Jt.DDG, FIEO(NR); Mr Uday N Mitra, General Manager, UCO Bank; Mr Ajay Sahai, DG&CEO, FIEO; Mr Massoudrezvanian, Minister Trade, Embassy of the Islamic Rep. of Iran; and Mohd. Maddah, Commercial Counsellor, Embassy of the Islamic Rep. of Iran



A view of the participants.

to export to Iran. In order to avail the benefit of the scheme, the goods to be exported should be permissible under DGFT regulations for export to Iran.

Currently, UCO Bank has a tie-up with four Iranian Banks, namely Persian, Pasargad, Saman and EN Bank. Invoicing should be in rupees and 12 designated branches of UCO Bank across India are handling exports

payments to Iran. It was also informed that UCO Bank has till date advised 375 LCs amounting to the equivalent of Rs 1000 crore. The process is to obtain a certification in the format of UCO Bank from the banks which have handled the documents and the equivalent rupee amount which is to be agreed between the buyer and seller – that is the Indian buyer and Iranian seller.

Mr. Mitra also addressed various queries from members of the trade with regard to payment mechanism.

Mr Massoud Rezvanian, Minister Trade, Embassy of Iran, in his remarks mentioned that India is their second largest export destination for

crude oil and holds significant importance for bilateral trade. He further informed that many business opportunities in various sectors are emerging in Iran, and Indian business people can take benefit in the current economic scenario. He also suggested to the Government of

India and the Iranian Government to work more closely for expansion of trade and economic cooperation between the two nations.

The seminar was attended by a large number of people from various levels and various sectors. ■

Increase cap for sectors with high import intensity: FIEO Chief

Mr M. Rafeeqe Ahmed, President, FIEO, while commenting on the RBI circular on EEFC Account stated that flexibility of payments for imports will be severely curtailed particularly for sectors with over 50% import intensity like gems and jewellery, petroleum, electronic goods, plastic products and chemicals.

The RBI circular now prescribes conversion of 50% of the balances lying in the EEFC accounts be converted forthwith into rupee and only 50% of the balances be retained in the EEFC account as against the earlier stipulation of retaining 100%.

Mr Ahmed suggested that for the electronics, plastics and chemicals sectors, the cap should be increased to 75% while for petroleum and gems and jewellery, the earlier stipulation of retaining 100% in EEFC should be restored.

Sectors remitting commission or royalty may also feel the pinch as they may have to buy dollars from market, thereby, increasing the cost, added Mr Ahmed.

FIEO, however, supported the RBI move requiring exporters to access the forex market only after utilising fully the balance in the EEFC Account.

Conversion charges for foreign exchange will also be on the increase impacting fast dwindling export margins. Of late, MSME exporters have been complaining that some banks are converting forex at the card rate rather than inter-bank rate (market rate) and as a result of the same, a differential of 30 to 40 paise per dollar is lost due to conversion which works out to a substantial amount in these hard times.

The FIEO Chief said this circular has come less than a week after the deregulation of foreign currency loans to exporters (PCFC) and exporters are increasingly exposed to the high-cost rupee window for export credit which is in the range of 12% and above whereas competitors in the market offer interest rates as low as 4-5%, clearly wiping out India's edge in the export market.

Free export of sugar a good decision: FIEO

Reacting to the Government's move to remove the cap on sugar exports and placing the product under the open general license category, Mr M. Rafeeqe Ahmed, President, FIEO, said such steps will definitely help reduce the trade gap. At the same time, this will also enable exporters to send shipments of sugar, which was otherwise perishing in the go-downs and help sugar mills to clear the dues of farmers running in thousands of crores of rupees, added the FIEO Chief and complimented the Government for this step.

Mr Ahmed said India has vast potential in agricultural exports, which will not only be a source of earning foreign exchange but the stimulation of greater economic activity.

He stated that stability in the export policy of such products is pivotal to a sound export strategy. Exporters invest time and energy to explore markets for their products and obtain export orders in close competition. However, sudden imposition of a ban on export of a specified item has an adverse impact like loss of established market and buyers, surrendering market to competitors, loss of image as a reliable supplier and country, possibility of disputes between buyer and exporters and loss in earning foreign exchange, default in payment of loans to banks, etc. Mr Ahmed suggested that warning may be issued well in advance regarding any restriction on price and quantity to avoid any such situation.