



HSBC in India



IN ASSOCIATION WITH CAPEXIL & THE ALL INDIA GLASS MANUFACTURERS FEDERATION

About HSBC

The HSBC Group

HSBC offers a combination of
global reach and local
knowledge

The HSBC Group is one of the largest banking and financial service organizations in the world:

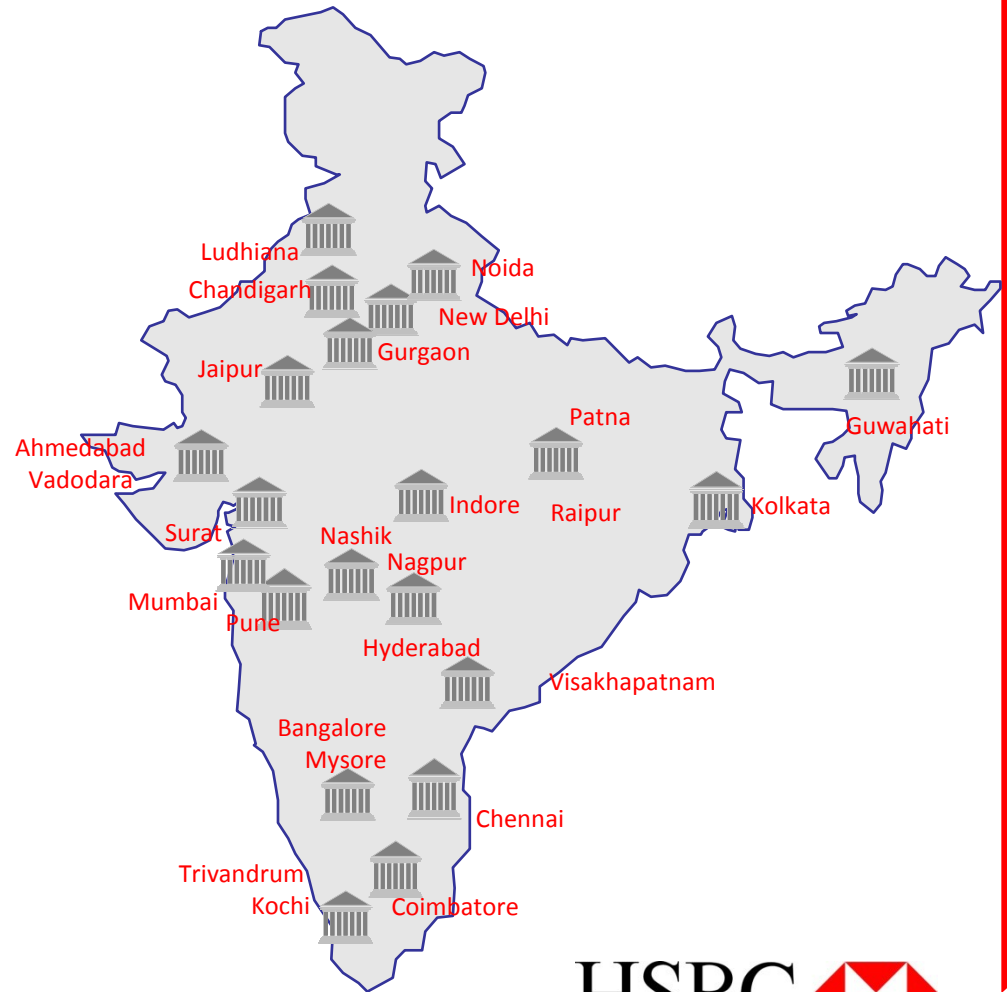
- ▶ Founded in 1865 and headquartered in London, HSBC operates from a network of over 8,000 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa
- ▶ HSBC employs over 300,000 people with regional businesses giving clients locally-tailored products and services virtually anywhere they operate in the world
- ▶ With \$2.4 trillion in assets⁽¹⁾ HSBC provides services to more than 100 million personal customers and 3 million commercial customers worldwide
- ▶ HSBC Holdings plc is listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges and has over 220,000 shareholders in 124 countries

⁽¹⁾ As at June 30, 2010

HSBC 
The world's local bank

HSBC in India

- Over 150 years of presence in India - in 1959, HSBC acquired the Mercantile Bank of India, which was established in Bombay in 1853
- A network of 50 branches across 29 commercial cities
- Well established long term relationships with top multinational and domestic corporate, public sector companies and financial institutions

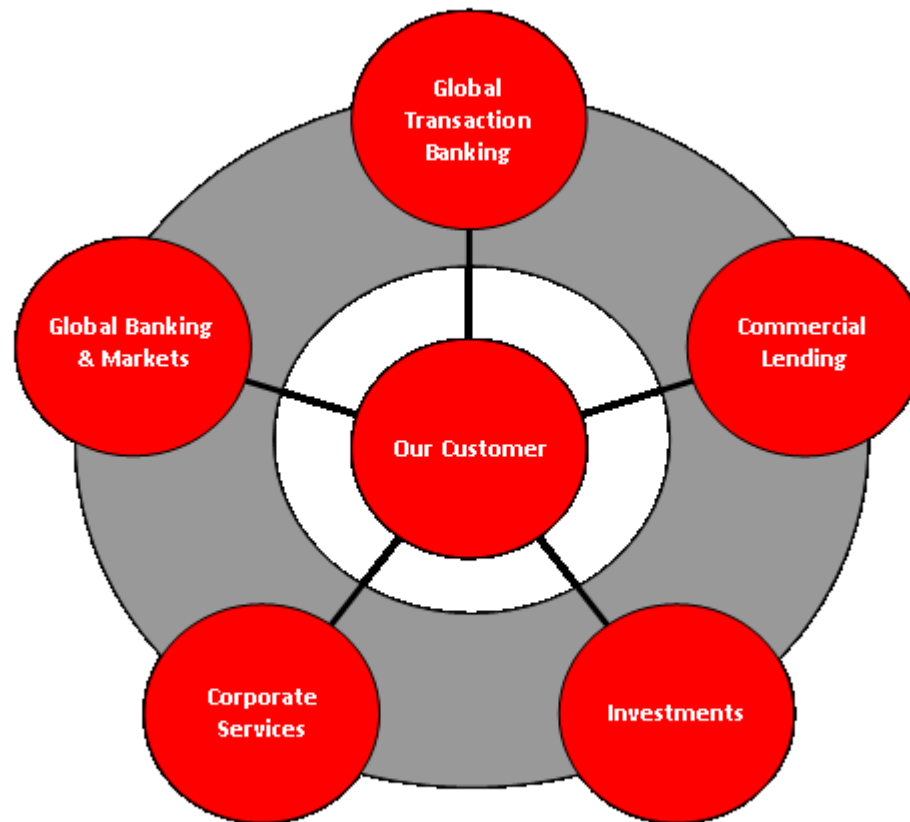


Why Choose HSBC?

Diverse Corporate Product Offering

A complete suite of products and services to help meet the needs of our customers – supported by HSBCnet – our global award-winning platform that can enable your organization to manage its cash around the world

We provide our customers with a single point of contact for their banking requirements around the world supported by HSBC Group's product specialists and extensive branch network



The world's local bank

Lending

- Over draft facility
- Cash credit solution
- Export financing options
- Import financing options

- Discounting of export receivables
- Bank Guarantees
- Import buyers credit financing

Business Finance solutions
(Working Capital Funding and Trade Finance)

- Manage cross currency transaction risk
- Flexible tenor of loan for facility amount up to INR 10 Crores

Choice of Collateral

- Business guarantees
- Residential / Commercial / Industrial properties
- SBLC

Foreign Exchange Services

Domestic & International Trade

- A cost effective and secured way of handling documents under import collection.
- Expertise in DC advising and confirmations for various countries/banks, particularly in difficult markets where the risk perception is high.
- Expertise in document checking enables XYZ to handle documents as per the terms of the DC including follow ups for collections
- HSBC's global and local network ensures documentary collections are handled safely and realizations are made quickly.
- LC issued by HSBC as a mechanism to facilitate import payments.

Remittances

- Salary payments in foreign currency to expats working in India
- Utility payments for running and maintenance of onsite offices
- Statutory payments for income generated from onsite offices
- For export of goods / services
- For import of machinery / equipments
- For remitting profits from overseas operations
- Transparency on competitive exchange rates

Foreign Exchange Services

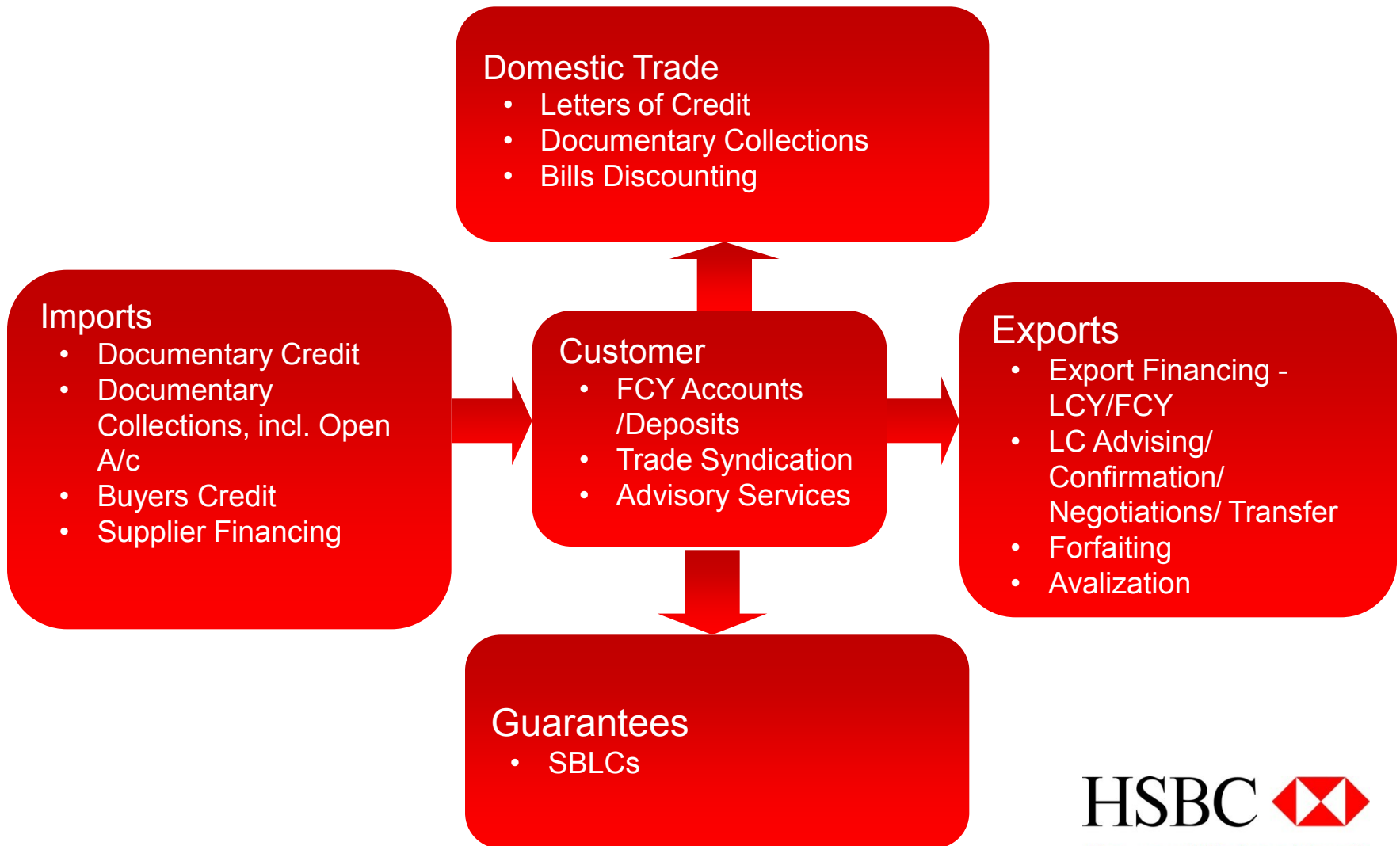
Online FEX through Business Internet Banking

- Transact with real time foreign exchange rates.
- View live competitive foreign exchange rates before processing the transaction.
- Supports both Inward and Outward Transactions
 - ▶ Inward: Convert your foreign exchange held in your HSBC EEFC account to INR
 - ▶ Outward: Convert your foreign exchange held in your INR account for both A1 and A2 payments
- Credit your Indian Rupee accounts held with HSBC or any other bank in India through NEFT/RTGS.
- Hassle free transaction – No documentation required for online conversion of foreign exchange held in HSBC EEFC account to INR.

Others

- Spot, Forward and Options –foreign exchange services

Trade Products & Services



Imports

Buyer's Credit

What if a supplier requires immediate payment but you won't have the funds until you can collect the proceeds from selling the goods to your own customers?

What if your customers want credit terms beyond those granted to you by your supplier?

Rather than finding an alternative supplier or refusing business from potential customers, an import loan bridges the gaps for you and provides you with more flexibility in your business decisions.

Buyer's Credit

Strengthens your negotiating position with suppliers by being able to accept quick payment terms

Extends your credit period over that given under documentary credit/ documentary collection

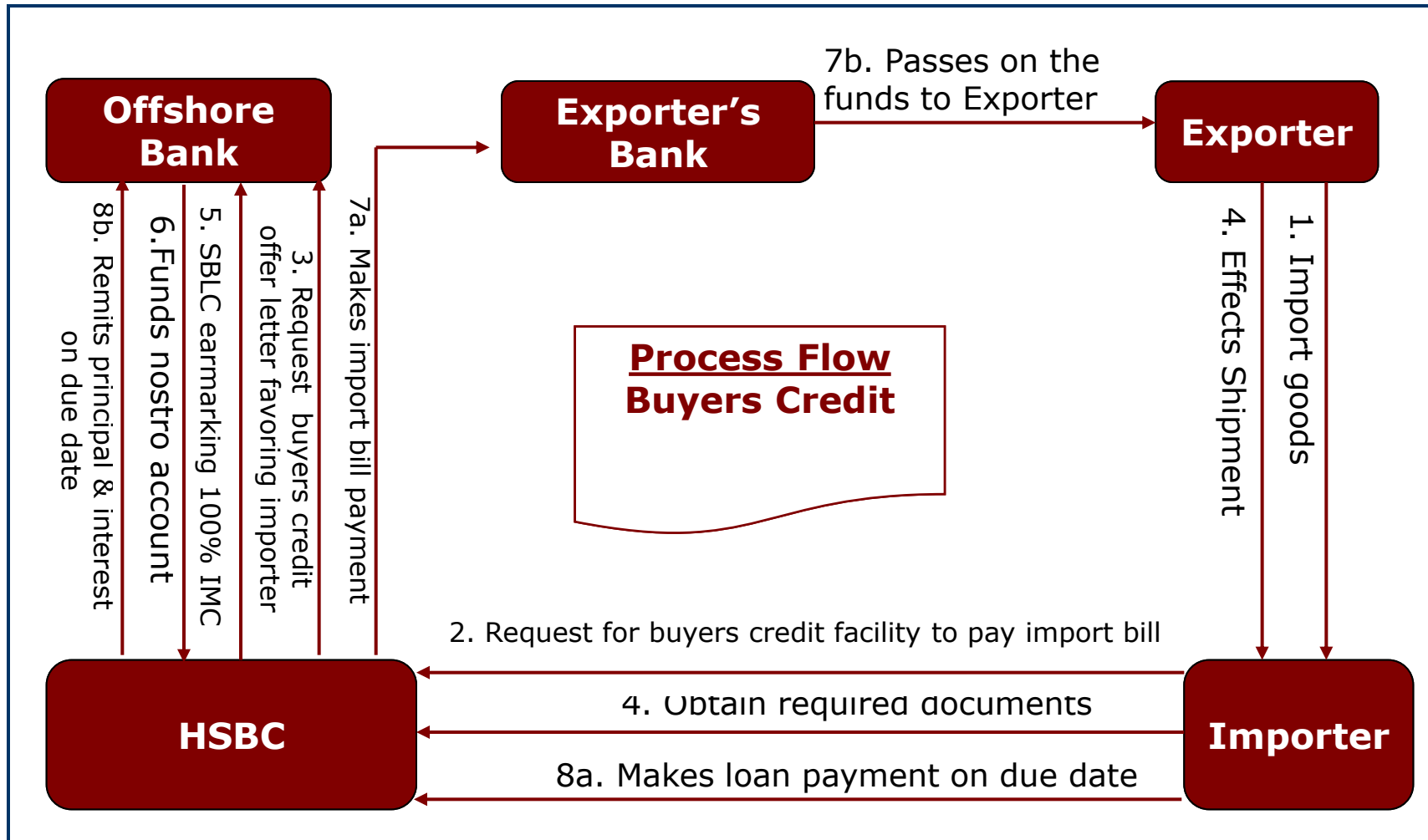
Enhances your business reputation with timely payments to your suppliers by HSBC

Avoids loss of business opportunities due to inadequate cash flow

Buyer's Credit – Regulatory Framework

- Short Term Foreign Currency Loans available for Raw Material & Capex Imports
- Loan denominated in Foreign Currency at Libor linked interest rates
- Approvals delegated to the Authorised Dealers for a maximum of \$ 20 MM, for a tenor of 1 years for current a/c tranx and 3 years for Capex
- Limits required for Buyers Credit
- Underlying can be DC/ Import Collections/Open A/c . Please note that BC cannot be arranged for Advance payment & Merchanting trade tranx

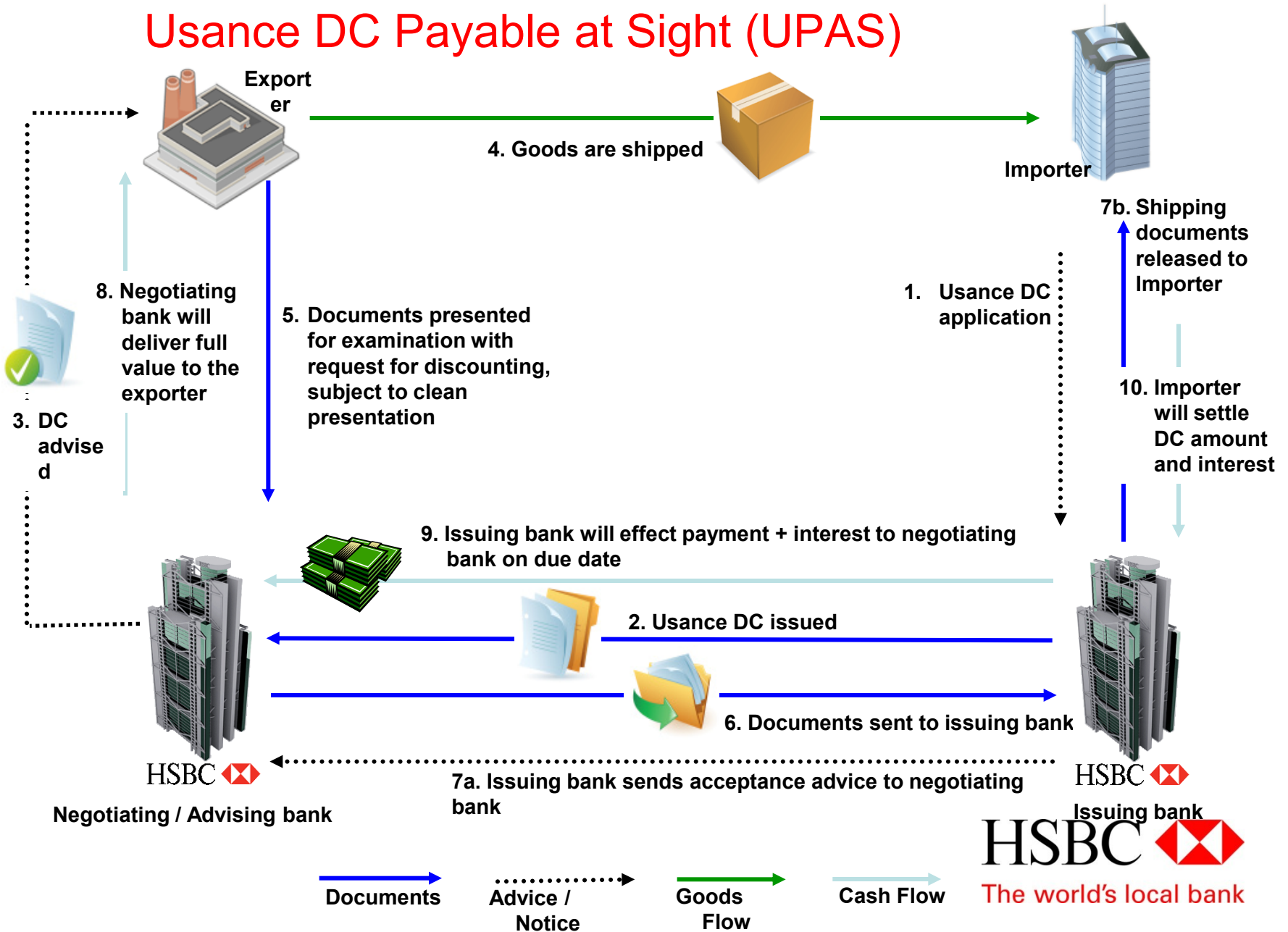
Buyer's Credit – Process Flow



Usance DC Payable at Sight (UPAS)

- **A DC issued with usance terms, whereby the issuing bank gives permission to the negotiating bank to negotiate at sight**
- **The issuing bank will reimburse the negotiating bank the face value of the DC plus interest incurred on due date**
- **Importers are able to provide exporters with sight payment terms**
- **By offering faster payment to the exporters, the importers have the ability to negotiate better price**
- **The importers can benefit from lower interest rates, should the funding costs of the negotiating banks be lower**

Usance DC Payable at Sight (UPAS)



Export's

Export's – LC Confirmation

Let's take an example.....

- M/s ABC exports, is new into the export business. The company has identified potential buyers in Turkey.
- The Company is hesitant to export to the particular buyer as they perceive the bank and country risk to be high. But they do not want to let go of this opportunity and want to get the first mover advantage. What can the company do at this juncture? Should they take risk and go ahead with the transaction or let go of the opportunity?
- HSBC gives the opportunity to the company to execute the deal without any payment risk for the exporter. How?
- ***The option to choose is.....LC Confirmation.***

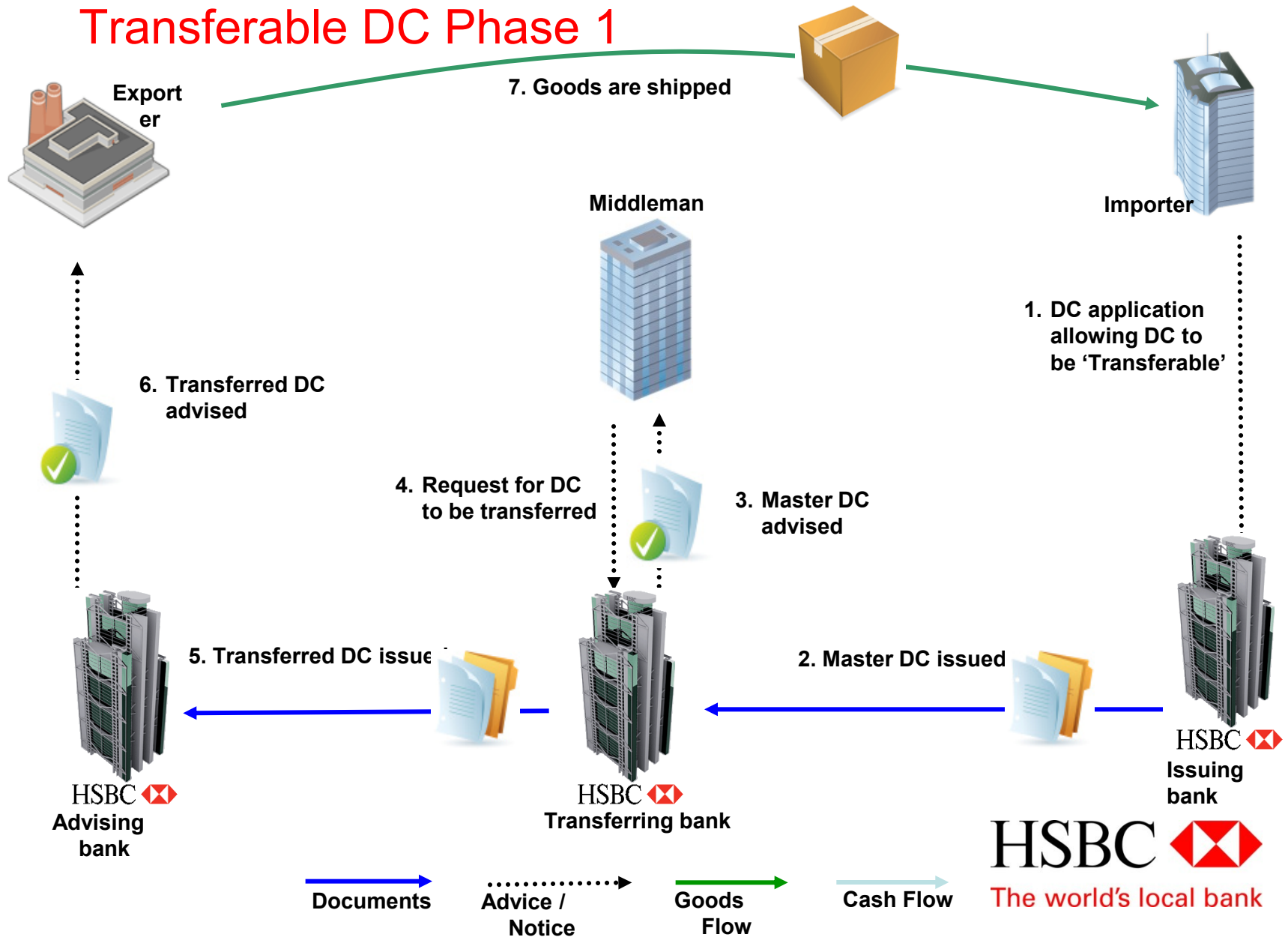
How does confirmation help your business

- Lets you concentrate on your core business, leaving the risk of payment to the Confirming bank
- Helps improve your working capital cycle, as payment can be made immediately post shipment.
- Gives you the opportunity to scope and spot diverse business opportunities, without worrying about the payment risk
- There is DUAL assurance of payment for the exporter
- You don't need to have any LIMITS with HSBC for getting the LC confirmed and discounted
- Eliminates the contingent liability in your books as payment, once received from the confirming bank, is on without recourse basis
- Provides intelligence on the financial strength and standing of the issuing bank through HSBC's worldwide network

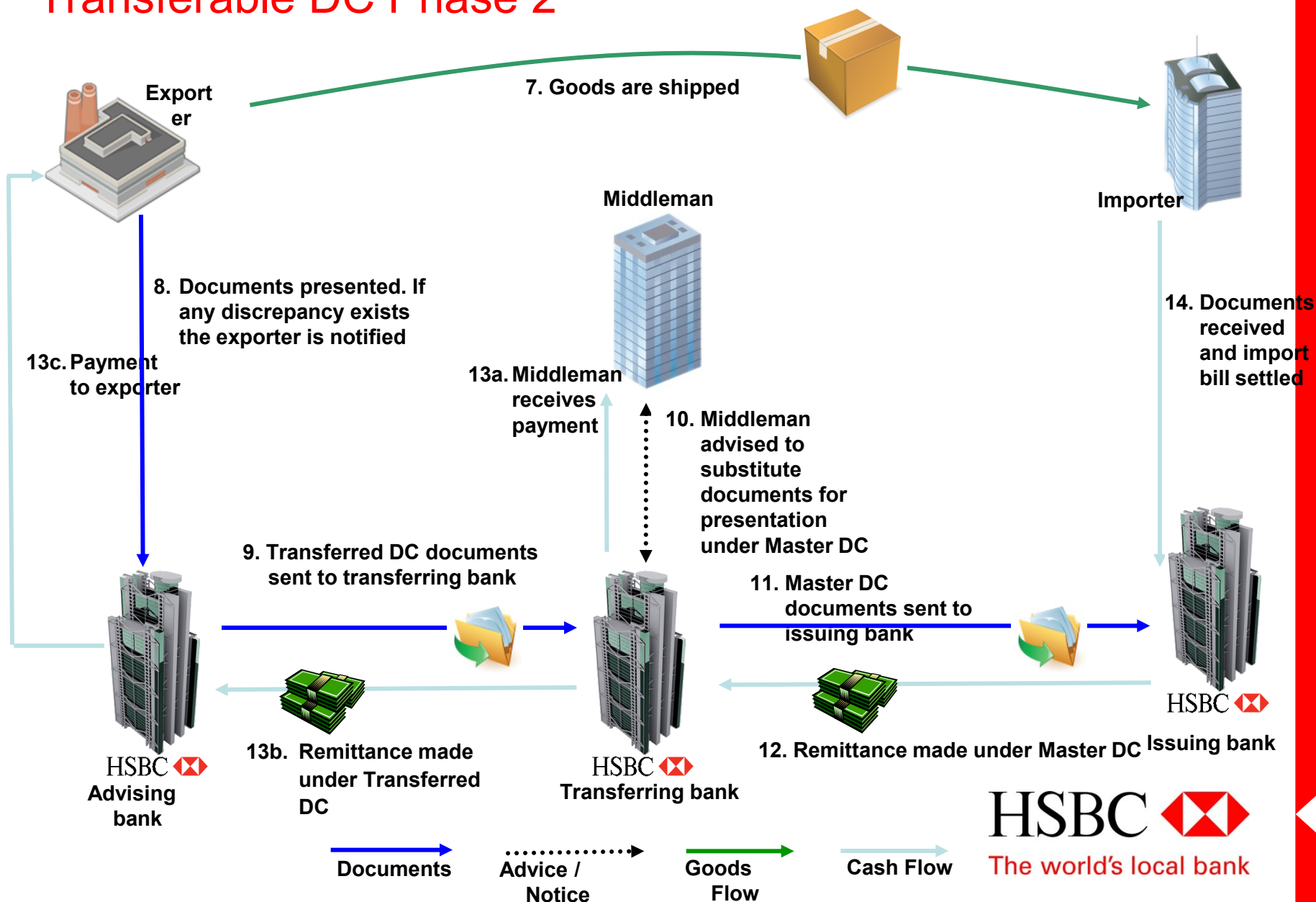
Transferable DC

- **A transferable DC is an irrevocable DC designated as transferable**
- **It is a DC that can be transferred by the original beneficiary to another party for the same or lesser value**
- **The transferable DC allows partial shipments under which the DC may be transferred to one or more beneficiary**
- **However the second beneficiary is not allowed to transfer to a third beneficiary**
- **The first beneficiary is allowed to substitute only drafts and invoices for presentation unless otherwise specified in the master DC**

Transferable DC Phase 1



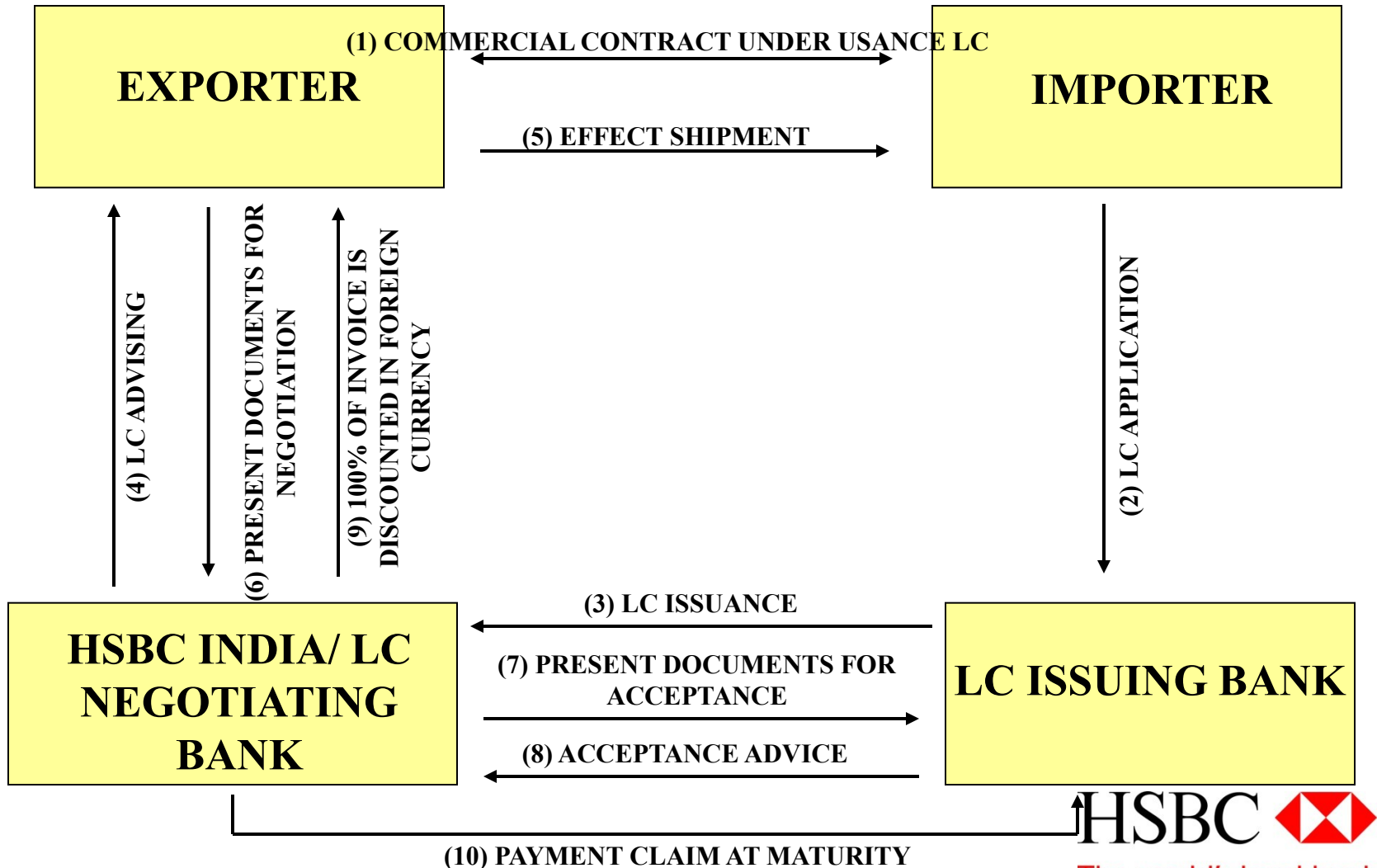
Transferable DC Phase 2



Post acceptance LC bill discounting

- HSBC India is offering post-acceptance LC bill discounting in foreign currency for exporters.
- Ideal solution for controlling cash flow without regular credit facilities
- No limits/collateral required
- Discounting is done on order basis
- Competitive interest / forex rates
- Discounting is subject to our discretion on the LC issuing bank/country

POST ACCEPTANCE LC BILL DISCOUNTING



Forfaiting As A Form of Trade Financing

What is Forfaiting ?

- Forfaiting Is the Discounting of a Debt Instrument, for Example, a Bill of Exchange, on a Without Recourse Basis to the Holder of the Debt Instrument
- Derived From The French Word “A’Forfait”, it means to surrender or relinquish the rights to something
- A forfaiting transaction refers to an exporter surrendering to the bank the rights to claim for payment on goods or services delivered to an importer, in return for a cash payment, and on a without recourse basis. The risks are essentially transferred by the exporter to the bank.

Why Forfait ?

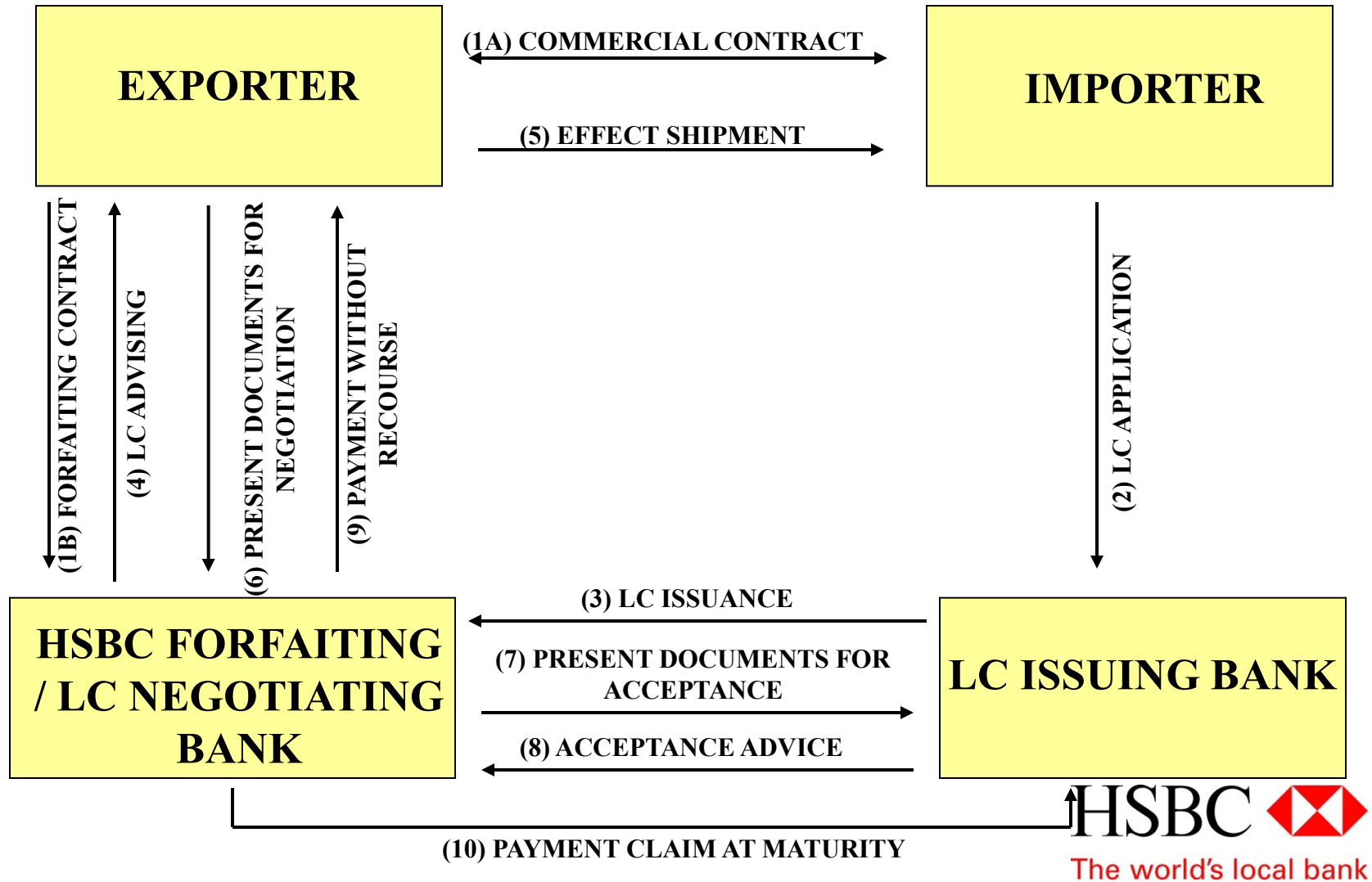
Through HSBC's vast experience and international network, HSBC Forfaiting allows exporters to offer credit terms to their buyers which will greatly enhance their commercial competitiveness. At the same time the exporters will also enjoy the following benefits:

- NO political, credit or commercial risks
- BETTER cash flow, because the exporter has immediate access to funds
- LOWER bank borrowings, so improving the company's financial statements
- NO interest rate fluctuation risk
- NEGLIGIBLE foreign exchange risk
- LOWER debt collection administrative costs
- SIMPLE documentation

Forfaiting - General Features

- Underlying Credit Period Ranges From 90 Days To As Long As 13 Years
- Transactions Are Usually Trade Related
- Payment Is Always “Without Recourse”
- Fixed Interest Rate
- 100% Financing On Contract Value
- Financing In Major Currencies Such As US Dollars, Japanese Yen, Swiss Francs, Euro
- Immediate Payment To The Supplier Under Discounting Of Bills

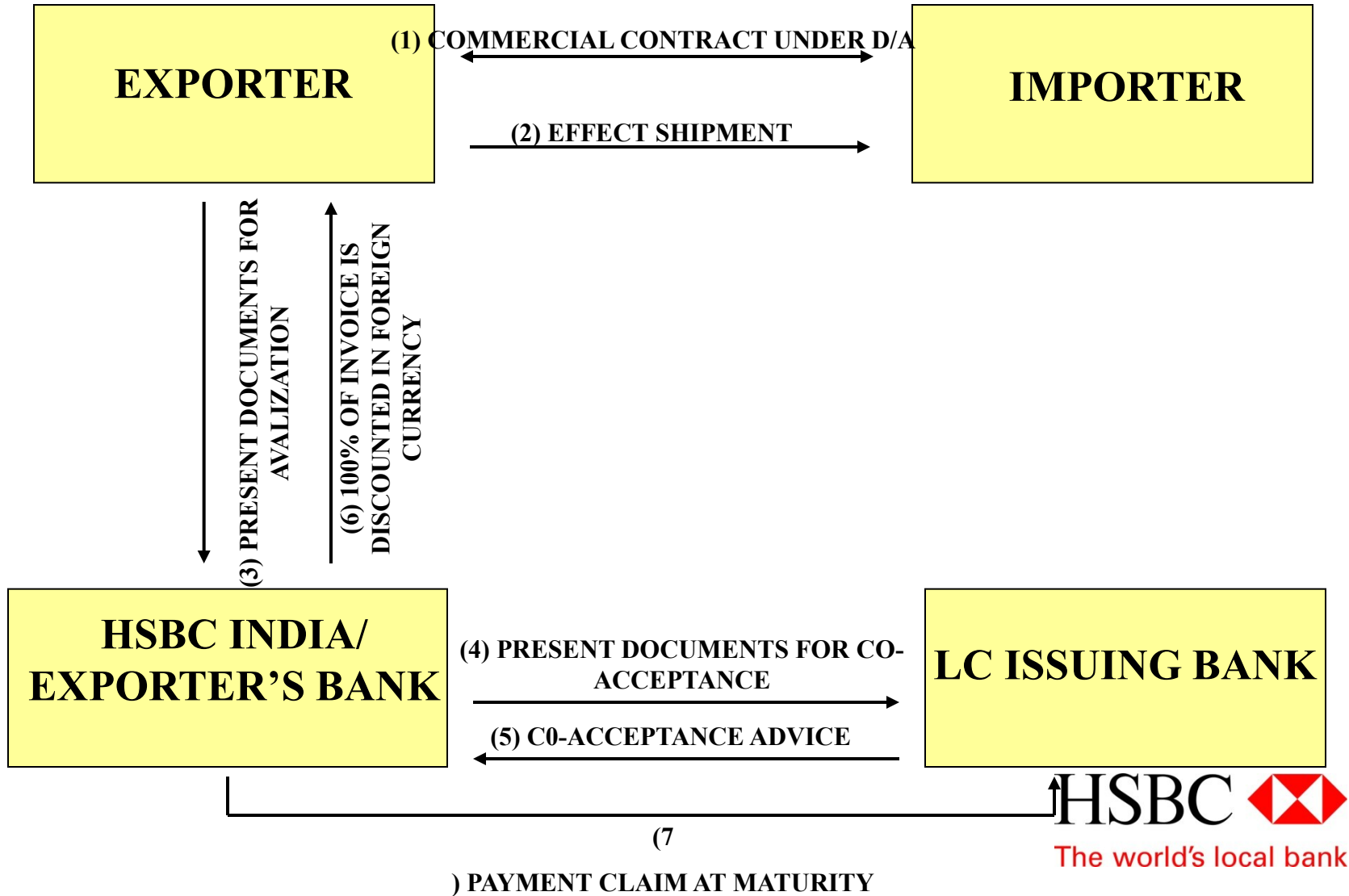
FORFAITING TRANSACTION INVOLVING LETTER OF CREDIT



Avalization / discounting of co-accepted D/A bills

- Avalization is the co acceptance of usance export non DC bills by the Drawee bank (importers bank).
- In Avalization we can discount non DC bills (i.e. DA Bills) after the drawee bank (importer bank) has given their co acceptance. The drawee bank is co accepting the bills (which means even in the event of the importer not paying, the drawee bank will pay HSBC)
- No limits/collateral required
- Discounting is subject to our discretion on the co-accepting bank/country.
- Legal enforceability of avalization

AVALIZATION



HSBC provides exchange rate risk management

- **Forward Contracts**

- ▶ **Eliminate currency conversion risk** by entering into a forward contract where you can **pre-fix the exchange rate** at which your future export incomes or import payments will be converted

- ▶ As an exporter, this is especially useful when you expect the rupee to strengthen against the foreign currency

- **Options**

- ▶ Options are contracts that will give you **the right** to buy or sell currency at a particular rate but **not the obligation**

- ▶ **In case you do not have a specific view on the exchange rate market, an Option is the better Option!**

Q & A

