Ex-Im Bank Finances Opportunity
U.S. Exports to India

When the Indian economy opens up new business opportunities, trade-finance products from Export-Import Bank of the United States (Ex-Im Bank) turn them into real transactions.

Ex-Im Bank, the official export-credit agency of the United States, supports the purchase of U.S. capital goods and services by creditworthy Indian buyers that may have some difficulty obtaining credit through traditional financing sources. For more than 77 years, the agency has been taking risks that the private sector is unable or unwilling to accept.

Ex-Im Bank was first active in India in the 1950s and today supports a significant volume of U.S. exports to this market. In the first nine months of FY 2011, the agency authorized $1.4 billion for U.S. exports to India.

Ex-Im Bank’s support typically takes the form of guarantees or insurance of lender loans to Indian buyers. By mitigating the risks of the transaction, Ex-Im Bank can help Indian buyers receive funds at lower rates and for longer terms. The borrower can be sovereign or sub-sovereign governments, public-sector entities and private buyers. A 15 percent down payment is required by the buyer, and Ex-Im’s guarantee covers the financed amount.

Ex-Im’s guarantee to the lender is unconditional and transferable and can cover up to 30 percent of local costs. It is available for medium-term (typically up to five years) and long-term (more than five years) repayment, depending upon the type of export and transaction size.

Support for Rupee-Denominated Loans

The rupee is one of the pre-approved currencies in Ex-Im Bank’s Foreign Currency Guarantee Program. Indian companies can arrange rupee-denominated loans guaranteed by Ex-Im Bank, which means that Indian buyers and U.S. exporters will likely find it easier to arrange transactions in India.

“We are grateful to Ex-Im Bank for providing us with the necessary insurance to mitigate our payment risk. We wish to thank Ex-Im Bank and JPMorgan Chase for supporting us on this project and for allowing us to enter overseas markets with which we are less familiar. These markets are necessary for us to grow our business in these economically challenged times.”

Tom Conrad – Vice President

Bend-Tec, a company in Duluth, Minn., sells pipes for large-scale pipelines and power-generation facilities. Although forced to lay-off workers during the recession as sales dried up, the company saw an opportunity to rebuild its business with a large export sale ($55 million contract) to a Russian company building a power plant in India. However, Bend-Tec needed financing but couldn’t self-finance or take on the risk, and it turned to Ex-Im Bank. The Bank provided a $39 million export-credit insurance policy and a $22 million working capital loan. As a result of this financing, Bend-Tec completed the largest sale in its history.

The transaction allowed the company rehire many of the employees who lost their jobs during the recession. In total, the transaction will support more than 100 jobs and will allow Bend-Tec to add approximately 80 additional workers. Total annual sales in FY 2010 were $19 million.
“This is a great example of U.S.-India cooperation in the renewable-energy sector. The long-tenure $16 million investment from Ex-Im Bank enables us to deploy the best-in-class U.S. technology to meet India’s clean-energy objectives under the National Solar Mission, specifically the goal of reaching grid parity.”

Inderpreet Wadhwa – CEO

First Solar in Tempe, Ariz., a manufacturer of thin-film solar panels, is exporting its modules to Azure Power, an Indian solar-energy developer that designs, finances, owns and operates solar-power plants in India. Ex-Im Bank is providing a $16 million long-term loan to finance First Solar’s exports to Azure Power to build a five-megawatt solar photovoltaic plant in Rajasthan. Additional U.S. suppliers to the project include SMA Solar Technology and General Cable Corp.

The repayment of the 16.5-year loan is based on the cash flows generated by the sale of solar-generated electricity to NTPC Vidyut Vyapar Nigam Ltd. (NVVN), the wholly owned power trading subsidiary of India’s National Thermal Power Corp. The Indian government has provided special power price incentives through NVVN to promote the development of 20,000 megawatts of installed solar power by 2022.

Medium-Term
Typically up to five years repayment and under $10 million

Export-Credit Insurance and Guarantees of Commercial Loans

Ex-Im Bank medium-term insurance and loan guarantees support the purchase of U.S. goods and services by Indian buyers. The buyer is required to make a down payment of at least 15 percent. Ex-Im Bank guarantees or insures 100 percent of the financed amount, covering nonpayment due to commercial or political risks.

Benefits:
■ Quick turnaround
■ Covers both capital goods and services
■ Lower financing costs with negotiated interest rates
■ Covers both principal and interest

Long-Term
Typically up to 10 years repayment or over $10 million

Guarantees of Commercial Loans

With Ex-Im’s guarantee, Indian buyers of U.S. goods and services are able to obtain attractive financing terms. This is critical for U.S. companies to achieve export success in the Indian marketplace.

Benefits:
■ Extended repayment terms depend on the project but could be up to 12 years for conventional power and up to 18 years for renewable-energy power
■ Available in U.S. dollar and foreign currencies, including the Indian rupee
■ Negotiable interest rates with fixed interest-rate options
■ Tailored principal repayment profiles available
India: An Ex-Im Bank Key Market

Ex-Im Bank is open in over 180 countries but has identified nine key markets that offer great potential for U.S. exports. One of these markets is India. Key factors in this selection were India’s strong economy (as represented by recent GDP growth of about 8 percent), the size and potential of its economy (FY 2011 GDP was $1.7 trillion) and its rapidly growing population (second largest in the world). U.S. exports of goods to India grew 17.1 percent from 2009 to 2010. Also, the Indian government is expected to invest over $1 trillion in infrastructure over the next five years and has emphasized its commitment to clean energy. U.S. technology, products and services can help India meet its ambitious goals in these industries.