

## **STOCKING FACILITY**

This facility is available to assist manufacturing exporters to have adequate working capital to stock local raw materials that are mainly seasonal in nature, and achieve optimum levels of production all year round. This facility is made available either in local currency to exporters through their bankers and is available for a maximum term of one year, at a fixed rate determined by NEXIM.

### **Exporter**

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.

### **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.

### **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.

### **Collateral Requirements**

Since the participating bank is assuming the credit risk, it is expected to secure its lending. Therefore the security arrangements will be agreed with the exporter.

### **Documentation**

#### **Application**

The Participating Bank shall forward an application duly signed by at least two authorised signatories of the Bank on behalf of the exporter stating clearly 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. The following documents must also accompany the application:

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

### Disbursement

Upon approval, the facility is disbursed to the participating bank either enbloc or in tranches as the case may be. The following documents are to be provided for this purpose by the participating bank:

- Promissory Note
- Irrevocable Transfer Order
- Letter of Undertaking from the Bank that if the exporters stock reconciliation record is unacceptable to NEXIM, then NEXIM can exercise the right to recover the facility before its due date with penal charges.

### Post-disbursement

The Bank shall submit to NEXIM the following documents:

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

### 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.
- NEXIM shall have the prerogative to review this guideline from time to time.

**For further information please contact:**

### **Marketing Division**

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