Ref.No.GJEPC/Members-Issues/Bankers/2015-2016 000 89  

22nd March, 2016

To,

ALL MEMBERS OF THE COUNCIL

Sub: CURRENT ISSUES, IF ANY, WITH YOUR BANKERS / ECGC OR OTHERS

This is in continuation to our communication dated 26th February, 2016 requesting for the current issue, if any, with your bankers/ECGC or others. The feedback received from the Members are placed below for your kind information:-

FEED BACK RECEIVED FROM OUR MEMBERS IN RESPONSE TO OUR CIRCULAR DATED 26TH FEBRUARY 2016 ON BANKING SUMMIT (PLACED BELOW)

<table>
<thead>
<tr>
<th>Name / Ref no.</th>
<th>Major item heads</th>
<th>Brief contents of their Feedback</th>
<th>Our suggestions / action taken</th>
</tr>
</thead>
</table>
| PEACEMOON TRADERS – BW 3181, BDB - 09.03.16 | Assessment of Working Capital under Consortium | i) Provision of Direct bill facility  
ii) Suggested to obtain data on NPA for credit limits under Rs. 50.00 cr | Direct bills save both cost & time. When the risks are borrower centric, routing of bills through banks only offer notional comfort to the lenders. Hence we may recommend for acceptance of more direct bills by Banks for discount. |
| ECGC | ECGC keeps some overseas parties under caution list though they might have good credit report otherwise. The caution list could be the reason for any past dispute which might have been settled now | This we may take up with ECGC citing specific reference to them for which we may ask our member to provide more details. |
| Credit Rating by External Agencies | Should be done away with for units enjoying credit facility of less than Rs. 50.00 cr. Banks should believe their own internal rating, to save money and time both. | This may not be possible as the Banks insist on External Credit Rating (ECR) as per RBI to determine capital requirement of individual banks based on asset quality. However, as directed by the Chairman in an informal meeting, we may explore the possibility of SME rating for our members who are enjoying credit facility of < Rs. 10.00 cr. from banks. |
| Stock Audit | Also should be dispensed with on the ground that Bank officers are inspecting on a regular interval, | As the value of Polished Goods cannot be ascertained accurately which varies on different parameters and as declared |

The Gem & Jewellery Export Promotion Council

रत्न तथा आभूषण निर्माता संयुक्त संघर्ष परिषद

मुख्य कार्यालय: टाइगर-अ, अंडरपूर-1010, जी.अस्कर, भारत हैडवेंट ब्लास्ट, बांद्रा-कुर्ला कॉम्प्ले克斯, बांद्रा (पूपी), मुंबई – 400 051. (भारत)  
Head Office: Tower-A, AW-1030, G Block, Bharat Diamond Bourse, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051. (India)  

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वेबसाइट / Website: http://www.giepc.org  
CIN : U99100MH1986GAP11396
<table>
<thead>
<tr>
<th>Company</th>
<th>Issue Description</th>
<th>Proposed Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>SONI SHIVLAL BROS. JEWELLERS, 26A MUMBADEVI ROAD, DOGINA BROS. MUMBAI 400002</td>
<td>A separate Stock Audit may not serve any other purpose.</td>
<td>By the promoters, Stock Audit may not serve the desired purpose which may be replaced by Receivable Audit which is a more practical approach to adopt. In fact, SBI and CBol are following the same in most cases.</td>
</tr>
<tr>
<td>LAXMI DIAMOND PRIVATE LIMITED</td>
<td>Assessment of credit limits by Lead bank should be done by August each year.</td>
<td>The problem raised is member specific and may be taken up individually with Nova Scotia Bank on a one to one basis for resolution.</td>
</tr>
<tr>
<td>Import remittance – compounding effect</td>
<td>The period for remittance should be increased to 360 days from the present 180 days.</td>
<td>We have recommended to RBI and the Government for 270 days for the present. RBI final response is awaited.</td>
</tr>
<tr>
<td>ECGC – Levy of two different rates</td>
<td>For enhancement the new rate is applicable for cover under Individual policy thereby increasing the cost.</td>
<td>This also is being taken up with ECGC separately while letters to Government and RBI have already been sent. Response awaited from RBI and Govt.</td>
</tr>
<tr>
<td>External Credit Rating Agency</td>
<td>As it does not add to any benefit to the Industry while the Banks are already having their own rating system it is a futile exercise involving additional costs.</td>
<td>This may not be possible as the Banks insist on External Credit Rating (ECR) as per RBI to determine capital requirement of individual banks based on asset quality / risk weightage basis.</td>
</tr>
<tr>
<td>INTERJEWEL PVT. LTD. HW 8012, BDB, MUMBAI 400051</td>
<td>Assessment of credit limit</td>
<td>We may ask for comments of Banks in the matter.</td>
</tr>
</tbody>
</table>

The Gem & Jewellery Export Promotion Council

रत्न तथा आभूषण निर्यात निर्माण संवर्धन परिषद

मुख्य कार्यालय: रामि-97, अंडरफ्लू, 1010, जी.ब्लॉक, भारत डायमंड बोर्स, बांद्रा-कुल्ला कम्प्लेक्स, बांद्रा (एस्ट), मुंबई – 400 051. (भारत)
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CIN: U99109MH1986G0001346
| Compounding import payment over 180 days | The import payment should be allowed up to 360 days instead of 180 days at present. Miscellaneous charges are increasing continuously which are not justified. | Already taken up with RBI for 270 days. Response awaited |
| ECGC | Some banks are insisting for buyer wise policies even when the coverage under Individual Policy is available. Considering the actual benefits and total coverage available (60%) and the additional cost to be involved, the Banks should insist on either individual or Buyer wise to reduce cost and duplication | The request of the member seems justified. We may take up with RBI to issue a suitable notification highlighting uniformity in approach by all banks under the Consortium credit arrangement |

| NAROLA GEMS : MR. MAYUR BY MAIL mayur@narolagem.com | ECGC | Premium for the policies are very high for SME units | We are taking up this issue separately with ECGC. |

| M. Suresh Company Pvt. Ltd. BC/BW BDB, 2675 6010 (Ext 177) | Opinion Reports on Overseas Parties | Practical difficulties faced in respect of opinion reports on Overseas Parties to obtain Post Shipment Credit from Banks. Some banks are asking for two reports on same party which leads to extra cost. | As per the requirement of ECGC, the Banks are asking opinion reports on the buyers to be updated every 6 months. OUR SUGGESTION While the requirement of opinion report cannot be dispensed with for obvious reasons, such reports may be obtained by the lead bank of the consortium every 6 months or by any one bank under the Multiple Banking |

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The Gem & Jewellery Export Promotion Council

रतन तथा आंबूषण निर्यात संबंधी विषयों पर विशेष ध्यान

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CIN: U99100MH1986AP001348
In case of import remittance the Banks are asking for satisfactory reports on the overseas suppliers. Due to reluctance shown by some overseas parties to share their details, the reports compiled by the rating agencies like D&B, Mira Inform, UCS (TCM) do not match the expectation of some Banks which create inconvenience.

Some banks are demanding certificate under section 281 of the Income Tax Act for disbursement of sanctioned limits upon fresh induction in to the Consortium.

arrangement to share the same with other participating banks. This will avoid duplication and cost thereof. We may request RBI or IBA to come out with a suitable guideline to this effect.

RBI guideline is already in place which has a provision for reference by Banks to GJEPC to ascertain the credibility of such foreign suppliers (reference RBI Master Circular 01.07.2014)

To ascertain the current Income Tax liability of the borrowers, the banks may ask for the certificate under section 281 of the Income Tax Act. However, the time line for granting such certificate as per the IT Act is as under:-

THE TIME LINES FOR GRANTING / REFUSING PERMISSION U/S 281 OF THE ACT BY THE A.O

(i) If there is no demand outstanding and there is no likelihood of demand arising in the next six months, then the A.O should grant the permission within 10 (ten) working days of receipt of application.

(ii) If undisputed demand is outstanding and there is no likelihood of demand arising in next 6 months, then the A.O should grant permission within 10 (ten) working days of payment as in para 3(ii)
(iii) If there is disputed demand outstanding and the tax payer has obtained stay and indemnified the demand, then AO should grant the permission within 10 (ten) working days of the indemnification of the demand.

(iv) If the demand is likely to arise in the next 6 months and the AO is considering actions prescribed u/s 281B for the assets excluding the asset under consideration, then the AO should grant the permission within (15) fifteen working days of the receipt of the application.

(v) If the tax payer does not pay the undisputed outstanding demand or his application for stay of disputed demand is rejected or he is unable to indemnify the outstanding demand, the application should be disposed of within a period of (10) ten working days. In case the permission is not being granted, a speaking and reasoned order conveying refusal would be issued with approval of the Range Head within 10 (ten) working days of expiry of the time given to the tax payer to pay the undisputed demand or rejection of his stay application as the case may be.

These time limits should be followed scrupulously by the AOs.
As the prescribed time limits are reasonable, we may not seek any change in this regard.
The common issue of direct bills has been dealt with in the beginning of the note which will apply here also.

| Increase in sub limit on direct bills |

Should you agree to the above suggestions we shall draw our action plans as per your guidance.

Meanwhile, we propose to respond to the members (who have responded to our request) by way of a simple acknowledgement stating that while the proposed banking summit has been postponed for the present, their issues will be examined by our banking & insurance panel separately and they will be advised in the matter in due course.

For any further assistance, please feel free to contact Mr. Mrinal Ray, Banking Consultant, on 022-26544619 or write to us on mrinal.ray@gjepcindia.com/mrunali.elle@gjepcindia.com.

Thanking you,

With best regards,

SABYASACHI RAY
EXECUTIVE DIRECTOR