



Financing Your Exports to India

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**U.S.
COMMERCIAL
SERVICE**
*United States of America
Department of Commerce*

U.S. Department of Commerce Services in India

Ryan Hollowell

U.S. Commercial Service

U.S. Department of Commerce

INDIA

- Strong Emerging Market Ideal for U.S. Companies
- Stable Economy and Government
- Most Populous Democracy
- Young Population: 71% Under 35
- 8-9% GDP Growth
- \$3,400 Per Capita GDP
- 11.7% Inflation Rate
- Exports of \$201 billion and imports of \$327 billion
- U.S. is 2nd Largest Export Market – 13%
- U.S. is 2nd Largest Source of Imports – 7%

India Continued...

- Remains a target market for assisting U.S. companies.
- Offices In:
 - Ahmedabad
 - Bangalore
 - Chennai
 - Hyderabad
 - Kolkata
 - Mumbai
 - New Delhi



U. S. Department of Commerce

The U.S. Commercial Service is part of the U.S. Department of Commerce, an agency of the United States government.

Our mission:

- ▶▶ To promote the export of goods & services from the United States, particularly by small- and medium-sized businesses
- ▶▶ To represent U.S. business interests internationally
- ▶▶ To help U.S. businesses find qualified international partners



U.S. Dept. of Commerce Services

- International Business Strategy
 - Identify best markets for a company and provide market research – www.export.gov.
- Gold Key Service
 - Helping locate potential partners and distributors in foreign markets.
- Government Advocacy
 - Assisting in the bidding process for government tenders.
- Due Diligence Reports
 - Helping vet potential partners.



Contact Information

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Financing Solutions for US Exporters to India

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Commercial Banking Group (CBG)

Citibank India

- Citi has been in India since 1902
- Citi has locations in 30 cities throughout India
 - 42 Branches
 - 443 ATMs
- Clients include:
 - >1000 Multi-National Companies (largest share of MNC's of foreign banks)
 - >3000 Small and Medium Local Enterprises
- Citi's cash management throughputs equal 40% of India's GDP
- Citi dominates the foreign exchange market among foreign banks with a 16% market share

India Banking Footprint

- Ahmedabad
- Akola
- Aurangabad
- Bengaluru
- Baroda
- Bhopal
- Bhubaneshwar
- **Chandigarh**
- **Chennai**
- Coimbatore
- Faridabad
- Gurgaon
- **Hyderabad**
- Indore
- Jaipur



- Jalandhar
- Kochi
- **Kolkata**
- **Lucknow**
- Ludhiana
- **Mumbai**
- Nasik
- **New Delhi**
- Noida
- Puducherry
- Pune
- Surat
- Vadodara
- Vapi
- Vashi

Distribution	2003	2004	2005	2006	2007	2008	2009	2010	2011
#Cities	19	23	26	27	27	28	30	30	30
#Branches	24	34	38	39	39	40	42	42	42

Commercial Banking

- Target Market: Revenues of \$5MM - \$250MM
- Products / Services (US and India)
 - Cash Management / Operating Accounts
 - Lending
 - Foreign Exchange
 - Trade Services
 - Treasury Products
 - Payroll Services and more...

- International Services
 - Global network and connectivity
 - Online banking platform – CitiDirect
 - Lending for parent/subsidiary relationships
 - Export Finance Programs

Export Finance Programs

- Designed to help finance US exporters or the foreign customers of US goods (large ticket)

- The programs significantly expand your borrowing base to include:
 - Export A/Rs and inventory included
 - Raw materials and work in process included
 - Higher advance rates than conventional working capital loans

- Programs:
 - EXIM Medium Term / Long Term Capital Guarantee Program
 - EXIM Working Capital Guarantee Program
 - SBA Export Working Capital Program

(information attained from www.exim.gov and www.sba.gov)

EXIM Medium Term / Long Term Capital Guarantee Program

Purpose: Term loan for the purchase of large ticket items

- New and refurbished equipment
 - Software
 - For contracts involving construction, we can to finance a portion of the local costs
-
- Finance up to 85% of the purchase price or the US content, whichever is less
 - 2-5 year term loans (up to 7)

 - Goods must be at least 50% US content
 - Goods must be shipped from US
 - Buyer must be in business at least 3 years

 - EXIM guarantees
 - 90% of loans originated under delegated authority
 - 100% of loans outside delegated authority

(information attained from www.exim.gov)

EXIM Working Capital Guarantee Program

Purpose: To support export transactions by providing special considerations to Export related AR and Inventory

- Borrowing base line of credit backed by export related A/Rs and inventory
 - 90% of eligible export A/R
 - 75% of eligible export inventory (raw materials, work in process & finished goods)

- Goods must be at least 50% US content
- Goods must be shipped from US
- Borrower must be in business at least 2 years

- EXIM guarantees 90% of loan amount

(information attained from www.exim.gov)

SBA Export Working Capital Program

Purpose: The program is primarily for Small and Medium-Sized businesses that are currently exporting or thinking of exporting overseas.

- Small business is determined by an entity's industry (NAICS code) and either, number of employees or Annual Receipts (in millions) www.sba.gov/content/guide-size-standards
- The SBA guarantees an asset based loan or line supported by a monthly borrowing base certificate
 - Min \$1MM USD - Max \$5MM USD
 - Lenders can finance foreign receivables and inventory up to 90% and 75% advance rate respectively, reliant on receivable insurance
 - Advance rates on foreign purchase orders/contracts or foreign receivables when sold on open account (no credit insurance or letter of credit to mitigate the foreign risk) shall not exceed 80%.

(information attained from www.sba.gov)

SBA Export Working Capital Program

- Available to U.S. domiciled Exporters to / for:
 - Acquire inventory for export or to be used to manufacture goods for export
 - Pay the manufacturing costs of goods for export
 - Purchase goods or services for export
 - Support standby letters of credit related to export transactions
 - Working capital directly related to export orders
 - Support an indirect export. (The borrower's direct customer is located in the United States and his customer is overseas)
 - Goods must be shipped from the USA
- Maximum loan maturity of 12 months, annually renewable
- Borrower should have been in business for at least two years

(information attained from www.sba.gov)

SBA/EXIM EWCP Comparison Sheet

Description	EXIM BANK	SBA WCGP
Financial requirements	<ul style="list-style-type: none"> •+ Net Worth •Must meet industry 	<ul style="list-style-type: none"> •Prudent Lending standards
Eligible Products	<ul style="list-style-type: none"> •51% US Content •Non Defense 	<ul style="list-style-type: none"> •No content required •Defense OK*
Loan Amount	Per Lender Basis	\$5MM Max
Fees	1.25% per annum	.25% per annum
Field Examinations	Semi-Annual	Not required
A/R Credit Insurance	Only in some cases	Required

(information attained from www.exim.gov and www.sba.gov)

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Tax Incentives for Exporting to India

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Outline of Tax Incentives

- **A business that exports to India could have certain tax benefits provided certain conditions are met:**
- **If structured correctly, the business would have a lower federal tax rate:**
- **U.S. exporter to India must generate taxable income from the sale or lease of qualified export property or the provision of qualified engineering or architectural services.**

Benefits and Compliance

- **Benefits:**
 - The amount equal of 4% of the U.S. exporter's qualified export receipts (limited to taxable income) or 50% of the exporter's taxable income on qualified export receipts (whichever is greater) will be subject to a lower federal tax rate under the present tax law.
- **Compliance:**
 - The new structure requires some compliance, which has to be met initially and annually.

Additional Benefits

- **Other Benefits:**
 - **Research and Development (R&D) credits both at the federal level and state level may be available depending on the type of activity/industry of the business that is exporting to India.**
- **Domestic Production Deduction benefits:**
- **India specific items:**
 - **Transfer pricing**
 - **Treaty country – Under certain circumstances, relief could be claimed in the US for any taxes paid in India,**
 - **PAN (Permanent Account Number) for US businesses/companies receiving payments from Indian companies that may be subject to the higher Taxes Deducted at Source rates, unless they have a PAN in India.**



Financing Your Exports to India

THANK YOU!