



HSBC: Trade Finance India

5 February 2015

HSBC 

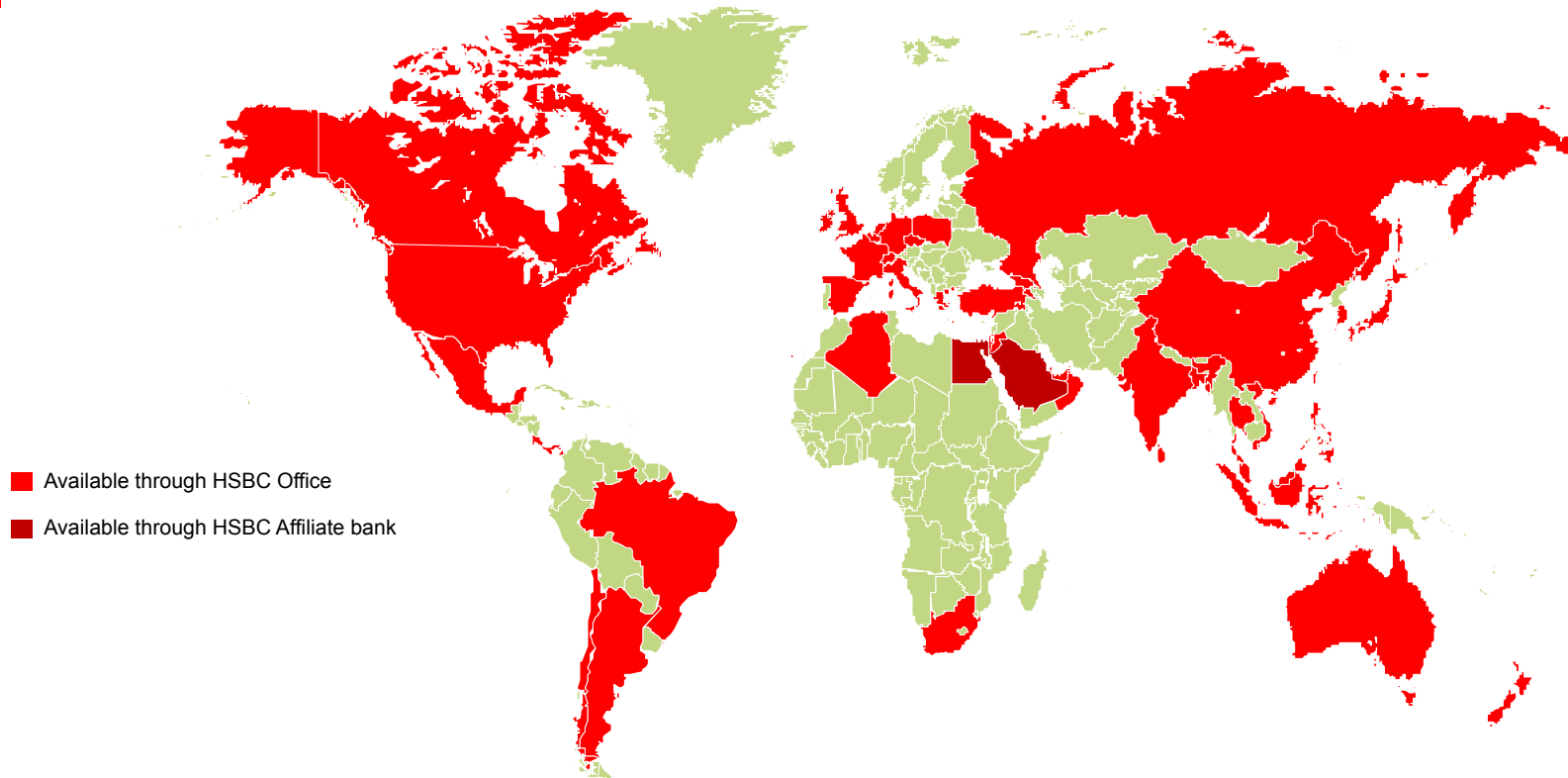
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HSBC Presence



Americas	
Argentina	Mexico
Brazil	USA
Canada	
Chile	

Europe	
Armenia	UK
Czech	Malta
France	Poland
Germany	Russia
Greece	Spain
Ireland	Switzerland
Israel	Turkey
Italy	Benelux

Middle East/Africa	
Algeria	Oman
Bahrain	Qatar
Egypt	Saudi Arabia
Jordan	South Africa
Kuwait	UAE
Lebanon	

Asia		
Australia	Japan	Taiwan
Bangladesh	Korea	Thailand
Brunei	Macau	Singapore
China	Malaysia	Sri Lanka
Hong Kong	Mauritius	Vietnam
Indonesia	New Zealand	
India	Philippines	

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HSBC in India – Factsheet

HSBC Group in India

- HSBC Group in India offers a **full suite of banking & financial services** including Asset Management, Private Equity & Securities Broking
- Over **2.8 million** customers; **50** branches, **170+** ATMs across **29** cities
- One of the **oldest banks** in India with roots dating back to **1853**
- One of the leading Provider of trade services and all trade centers are **ISO 9002 certified**
- On the board of **National Payments Corporation of India (NPCI)** for key initiatives such as electronic payments, clearing infrastructure & modernization of clearing houses

Pan India coverage



Present in 29 cities, 50 branches

Pickup across 400+ locations

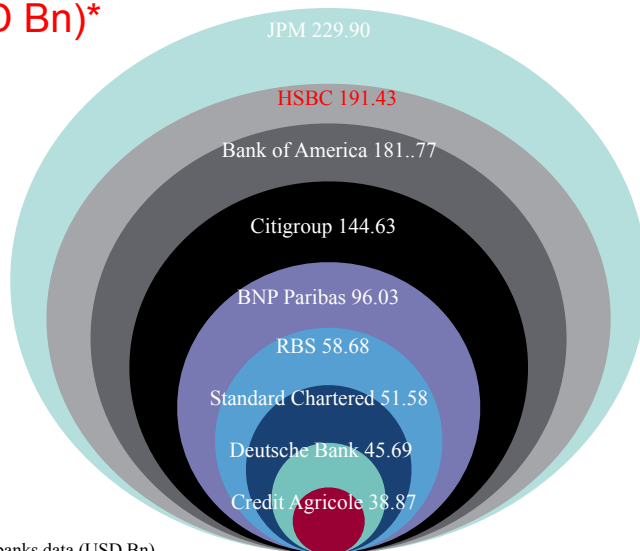
Local clearing in 26 HSBC and 400+ partner bank locations

Upcountry clearing at 1300 locations with collection at 35000 locations

CTS clearing at all 3 grids

Cash deposit at 200+ locations and delivery at 450+ locations

One of the World's Largest Banks by Market Cap (USD Bn)*



Reuters and Relbanks data (USD Bn), 2014

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Awards

- “Best Domestic Cash Management Bank in India”** for the last 4 years (2010, 2011 and 2012 & 2013) – EUROMONEY Awards
 - Ranked No. 1 Foreign Bank** in India across all three notable Banking Surveys in India for 2011-2012
 - Best Global Trade Finance Bank and Best Trade Finance Bank** in South Asia, including India – Global Trade Review (2012)
 - Best Bank for FX** for Corporates, Best Bank for **Forwards FX**, Best Bank in FX in Asia Pacific, Best Bank for **Emerging Asian Currencies** (2012)
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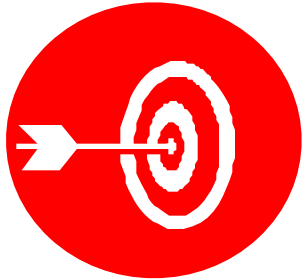
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Why HSBC in India?

- ✓ One of the largest and oldest Multinational Banks operating in India since 1853
- ✓ Wide spectrum of banking services offered for Corporate Relationships (Debt syndication, Bilateral loans, Global Markets, Payments & Cash Management solutions etc.)
- ✓ Decentralized on-the-ground Relationship teams in several cities with product specialists for Cash Management, Treasury, Trade and Factoring to support the customer.
- ✓ A network of Correspondent banks to make all statutory payments (except PF) and issue bank guarantees on behalf / for the Company in India in T+1 days
- ✓ In house Regulatory Reporting and Legal team – interacting with the Central Bank to facilitate various transactions
- ✓ Ability to leverage the global relationship of the Parent & other Group entities with HSBC to provide same experience, service and pricing for products being offered in India.
- ✓ Consistent supply of foreign currency at all times thereby providing competitive pricing across all products, given our ability to handle transactions seamlessly
- ✓ HSBC has facilitated discussions of leading MNCs entering India, with the Regulator and helping them through the entire process chain.

HSBC in India - Regulatory Desk

For Liaising with Reserve Bank of India



- Dedicated Regulatory Desk on FEMA (Foreign Exchange Management Act) related matters
- Experienced team having the required legal, regulatory and product related infrastructure for structuring and servicing transactions
- In-house scrutiny of documentation by a team well versed in FEMA, prior to reporting to the central bank
- FEMA related structuring support on cross-border transactions
- Client advisory services, documentary and end to end transactional level process support
- Facilitate reporting of capital account transactions e.g. Equity Infusion, Parental Loans / External Commercial Borrowings, Dividends, Buybacks etc. as the Representative Authorised Dealer (AD)
- Monitoring of client's regulatory filings and Pro-active action/follow-ups with clients

HSBC in India – Overview

With over 150 years in India, HSBC provides full service capabilities and has an established track record

We have a comprehensive suite of commercial banking services, FX and lending related services and Equity research / sales desk in India

Corporate Banking Franchise in India

Corporate and Institutional Banking

- 60+ professionals
- Dedicated teams on ground at 8 major centres; Mumbai, Delhi, Bangalore, Chennai, Pune, Hyderabad, Ahmedabad and Kolkata
- Full suite of lending and transaction banking products

Debt Finance, Advisory & Treasury

- 55+ Professionals
- Among the largest desks in the country
- Offer extensive range of FX and IR products
- Public Debt Issuance
- Private Placements
- Liability & Risk Management
- Tax Effective Financing
- Domestic & International Bond Issues

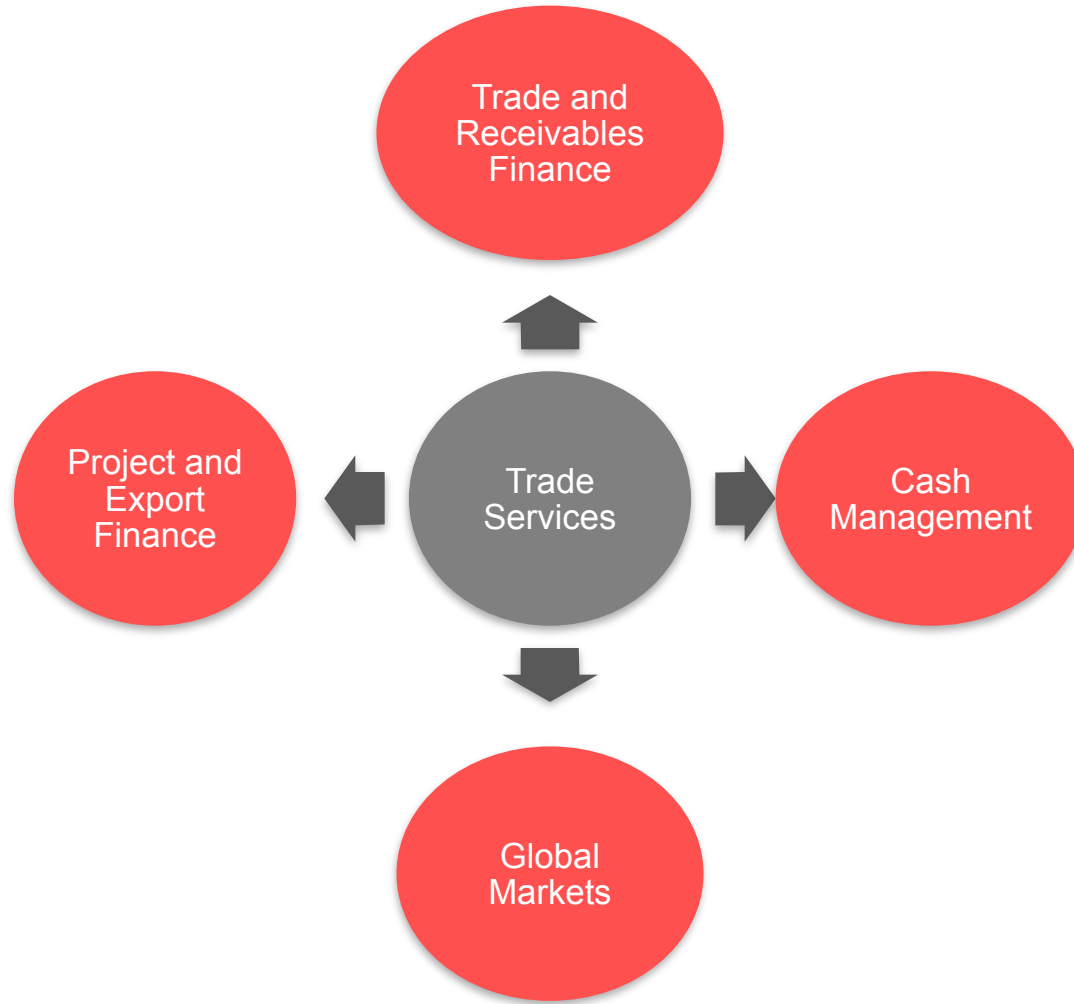
Global Banking and Markets*

- 20+ Professionals
- Focus on
 - ✓ M&A
 - ✓ Strategic advisory
 - ✓ Privatisations
 - ✓ Financial Restructuring Advice
 - ✓ Joint Ventures, Alliances
 - ✓ Project & Export Finance

**Some of the services are offered by HSBC Securities and Capital Markets (India) Private Limited.*

HSBC Product Suite

Value Added Services



Global Trade & Receivable Financing

Linking Czech Republic to India

Customer Requirements:

Imports

- Import Documentary Credits
- Documentary Collections
- Import finance
- Supplier Financing
- Co-acceptance/ Avalization

Exports

- Pre-export finance
- Export Documentary Credits
- Export Financing / Buyers Credit
- Forfaiting / Discounting
- Receivables Finance
- Large Receivable Purchase

Guarantees

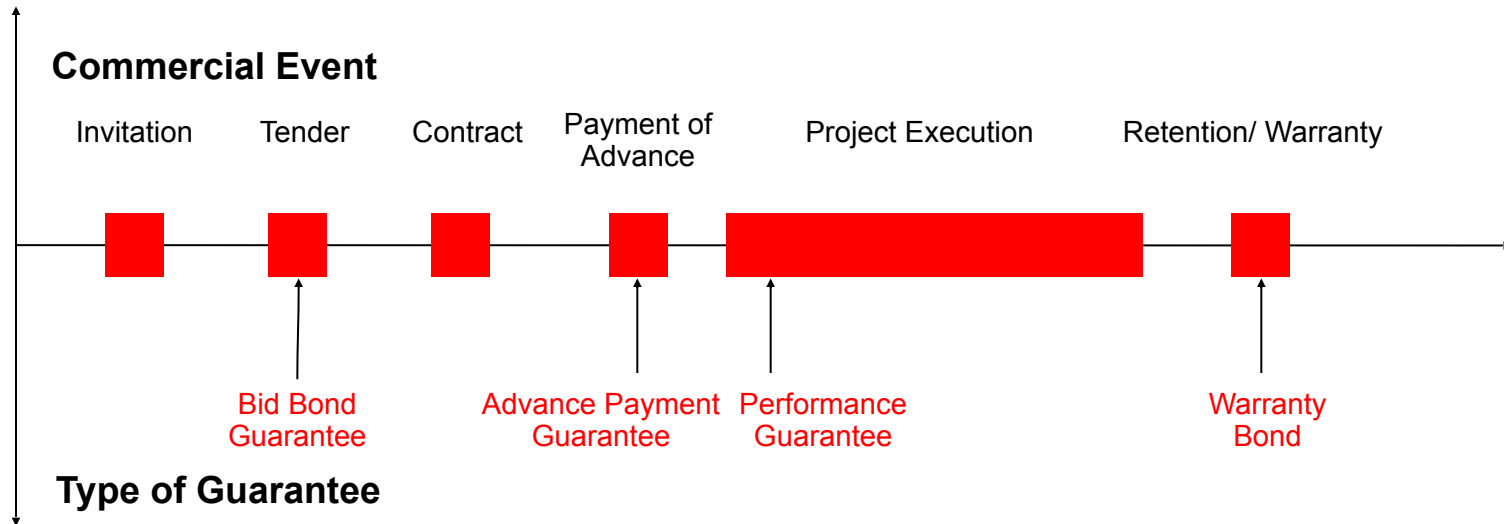
- Bid/Performance/Advance Payment Guarantees
- Warranty Bonds
- Standby LCs
- Payment Guarantees
- Customs Guarantees

E-Channels

Global Trade & Receivable Financing

Guarantees

Payment assurance from a world-class financial institution covering all types of requirements



The HSBC Difference: Local on the ground information and expertise from trusted advisor

Dedicated sub units for vetting of guarantee text and issuance

Dedicated desk to understand regulatory local requirements

International linkages to enable competitive pricing

In-depth knowledge of local laws and various guarantee formats

Extensive experience in Infrastructure sector

Advise optimal solutions

Global Trade & Receivable Financing

Funding options for capital goods

Buyers Credit

- *Tenors up to 3 years*
- *Normally based in back to back agreements between importer and exporter's banks and without ECA cover needed*
- *Most common option but trend is changing and market is opening to ECA Financing.*

ECA Financing

- *ECA provide a guarantee / insurance to lenders who provide funding for imports from their country.*
- *Floating rate linked to LIBOR or OECD CIRR Fixed Rate (common across ECAs)*
- *ECA can assist with obtaining longer tenor.*

Bilateral / Syndicated Loan

- *Can support short term for working capital up to 1 year and long term for capital expenditure up to 5-7 years (Not allowed for share acquisitions)*
- *Flexibility to negotiate terms & conditions, maintains confidentiality on a/c of dealing with relationship banks*
- *Typical security of tangible assets or parental support in the form of corporate guarantee/LoC/verbal support*

Commercial Paper

- *Unsecured money market instrument in the nature of promissory note for tenors up to 1 year and is part of working capital requirements*
- *Issued at discount to face value and market appetite is largely for highest short term rated papers.*
- *Involves appointment of Issuing and Paying Agent, agreement with depository for issuance etc.*

HSBC's Strengths in Supporting International Clients in India

Supporting Guarantee Issuance to International Clients

- As a Scheduled Commercial Bank in India - HSBC India can issue guarantees in India on behalf of International clients in India subject to compliance with regulatory guidelines.
- We have long years of experience in serving multinational companies' projects in India such as:



Cash Management Expertise

- One of largest PCM team of all the foreign banks in India supported by a strong alliance bank network
- Cash Management Bank to Leading Multinational Names in India:



Business Case

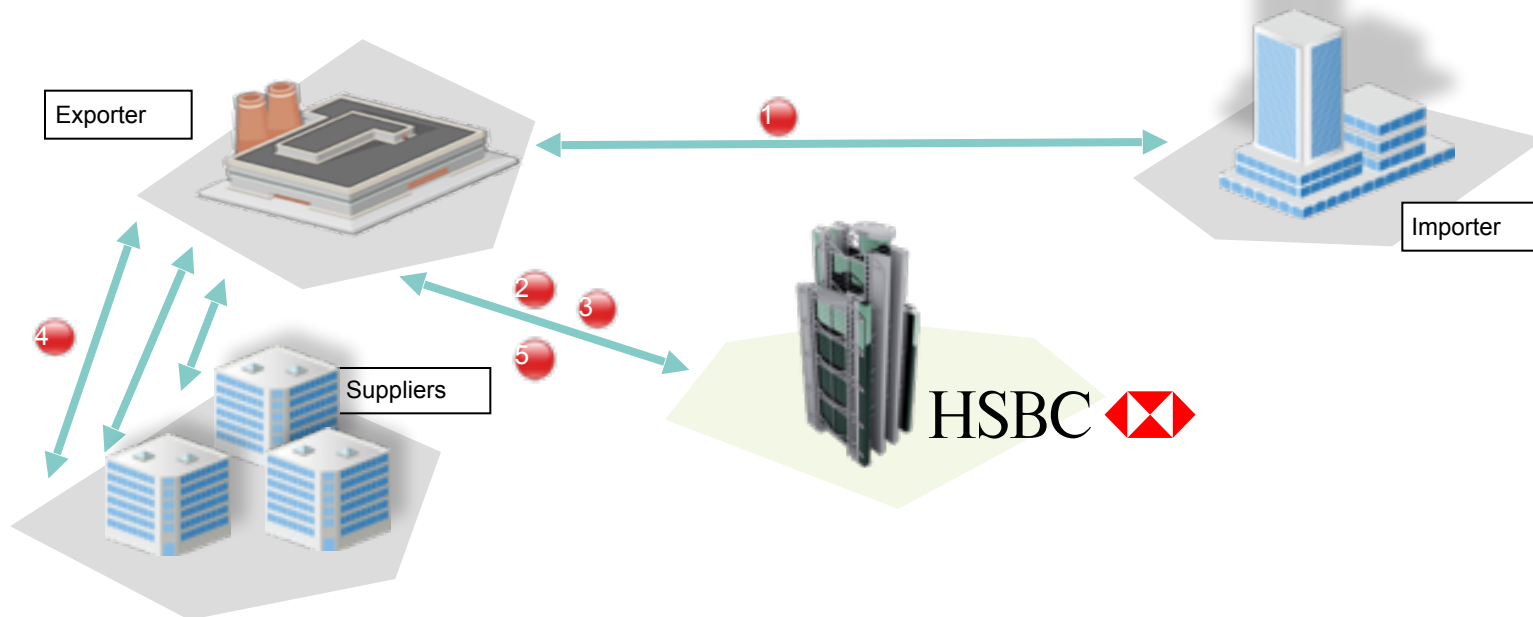
- Commercial Contract for the Supply of centrifugal compressors
- Amount: EUR 50.000.000
- Importer: Heavy engineering and manufacturer in India
- Exporter: Oil and gas machinery manufacturer in Italy
- Payment terms:
 - + 15% advance payment
 - + 85% under Letter of Credit
 - Exporter willing to receive funds at 90 days after shipment
 - Importer would prefer to pay at 360 days after shipment
 - > Financing period: 240 days

Business Case

Pre-export finance

15% Advance Payment from Importer

70% Pre-export Finance from Exporter's Bank based on the commercial agreement



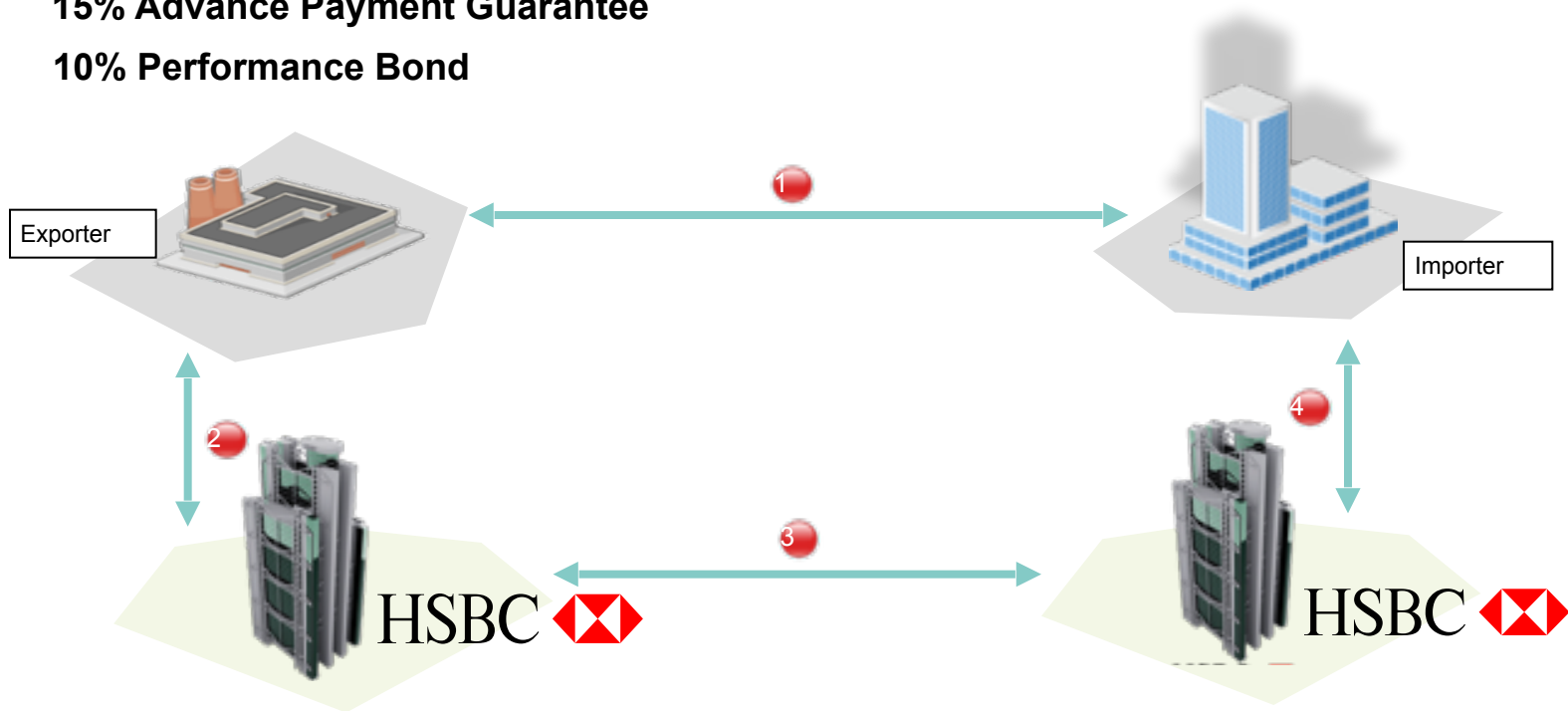
- 1 Importer and Exporter signs commercial agreement
- 2 Exporter assigns the proceeds of the agreement to HSBC
- 3 HSBC providing financing for % agreed with exporter
- 4 Exporter can pay to suppliers and start works
- 5 At maturity, pre-finance is re-paid with the proceeds (LC) of the contract

Business Case

Guarantees

15% Advance Payment Guarantee

10% Performance Bond

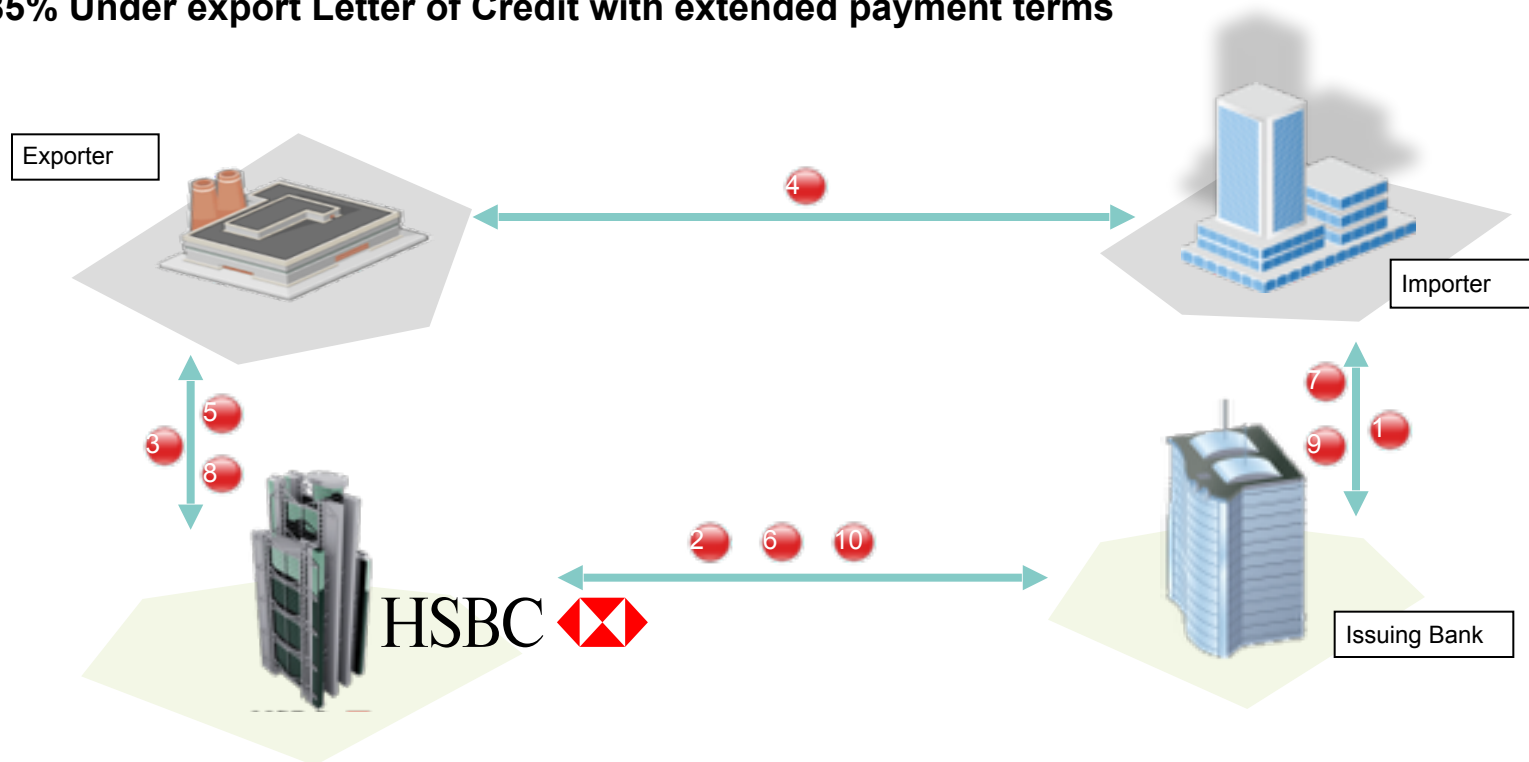


- 1 Importer proceeds with 15% advance payment agreed under commercial contract
- 2 Exporter request to HSBC to issue guarantees in India
- 3 HSBC Italy counter guarantee HSBC India for the issuance of the guarantees locally
- 4 HSBC India issues final wording of guarantees

Business Case

Export Letter of Credit + Forfaiting / Buyers Credit

85% Under export Letter of Credit with extended payment terms



- 1 Importer request their bank to issue the LC
- 2 Importers banks issues the LC through HSBC
- 3 HSBC advices and confirms the LC in favor of exporter
- 4 Exporter ships goods after production
- 5 Exporter presents documents to HSBC and request payment without recourse at 90 days

- 6 HSBC sends docs to issuing bank
- 7 Issuing bank sends docs to importer
- 8 HSBC pays to exporter at 90 days
- 9 Importer repays to issuing bank at 360 days
- 10 Issuing bank repays to HSBC at 360 days



THANK YOU

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Extra slides

Global Markets

Fx Rates – Commodity Hedging - Funding

Customer Requirements:

FX & Commodity Solutions

- FX Spot
- FX Forwards
- FX Options
- Commodity Hedging-
Base Metals, Oil, Coal

Debt Markets & Syndication

- INR Syndicated Loan
and Club Loans
- INR Commercial
Papers/ Debentures
- Foreign Currency
Syndicated Loan
- Foreign Currency ECA
Financing

Market & Regulatory Updates

- Daily Treasury Update
- Updates on key market
actions / regulatory
changes
- HSBC Prime Update
- Monthly currency
outlook

Rates Products

- Interest Rate Swaps –
Foreign Currency, INR
- Currency Swaps
- Interest Rate Caps,
Collars & Options
- Forward Rate
Agreements (FRA)

HSBC Project & Export Finance (“PEF”)

A global team with global reach

One of the largest global project & export finance teams with over 100 professionals spread between 20 offices, providing true global reach

A holistic approach, with fully integrated project and export finance expertise

Deep local knowledge in order to mobilize the most appropriate sources of capital for our clients

Our international network of PEF professionals overlays with HSBC’s major Global Banking offices, in order to further facilitate seamless interaction with other relevant financing and advisory services

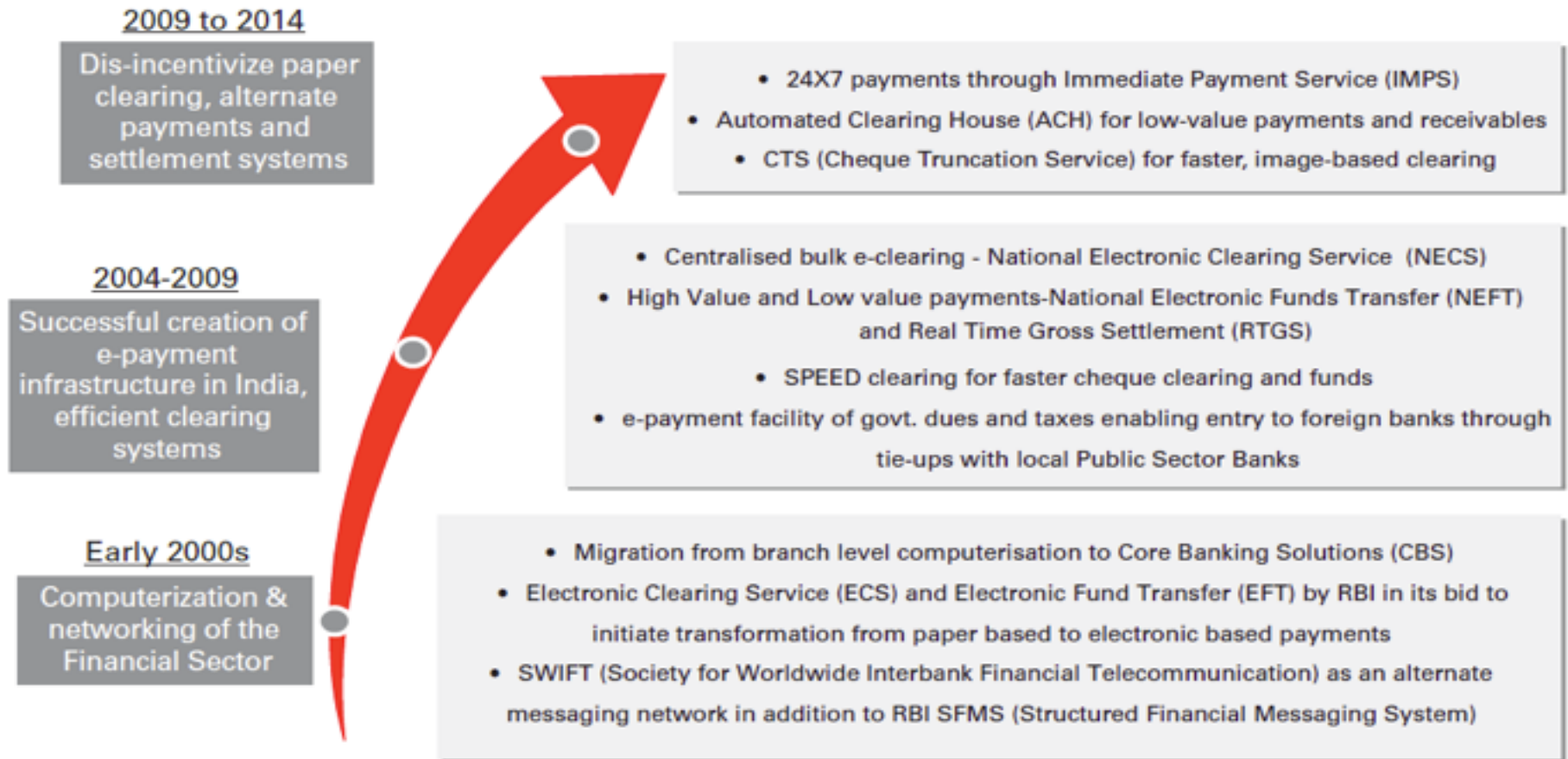
A geographically distributed team for truly global reach

- We take a **holistic approach** to delivering infrastructure and equipment financing solutions to our clients. Our project and export finance personnel are **fully integrated**, enabling us to provide access to the most appropriate sources of capital as well as expertise for structured credit solutions
- Our global approach allows us to maintain close relationships with key market counterparties, including **multilaterals, export credit agencies, developmental financing institutions and rating agencies**
- Dedicated “PEF” teams are permanently based in the following global locations:



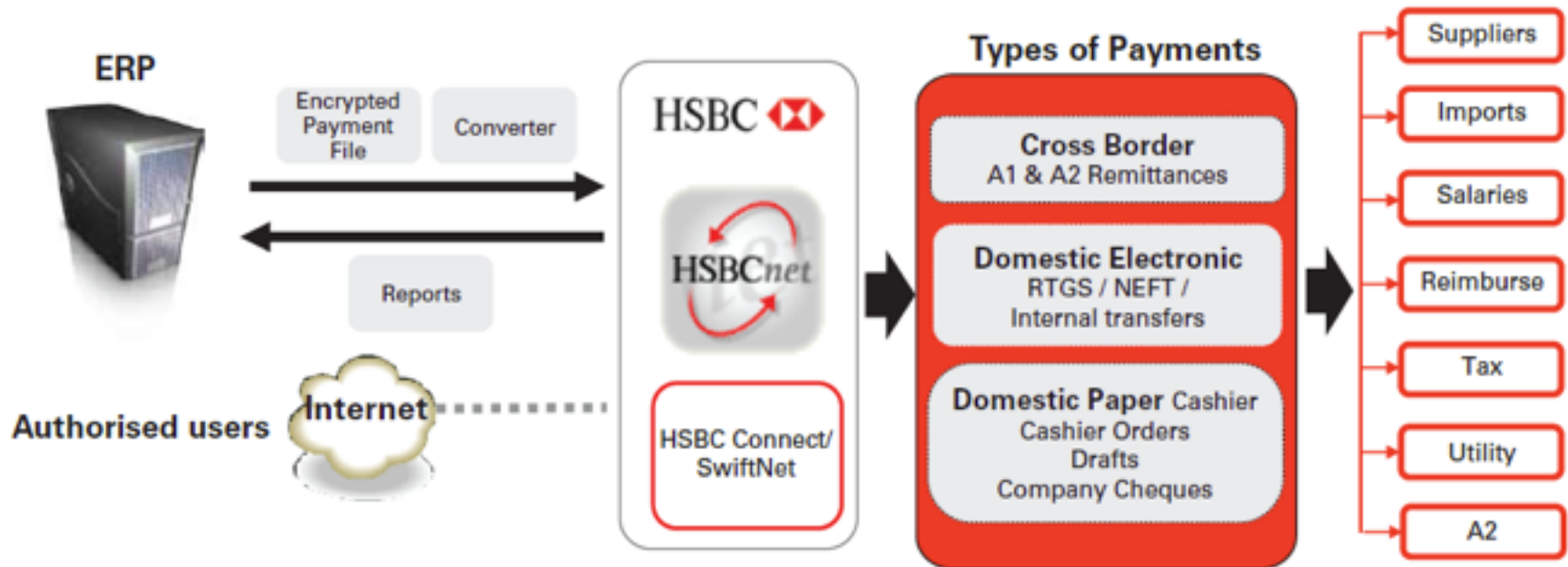
Cash Management in India

Evolution



The infrastructure has gradually moved from paper based instruments to electronic instructions

Integrated Payables Management

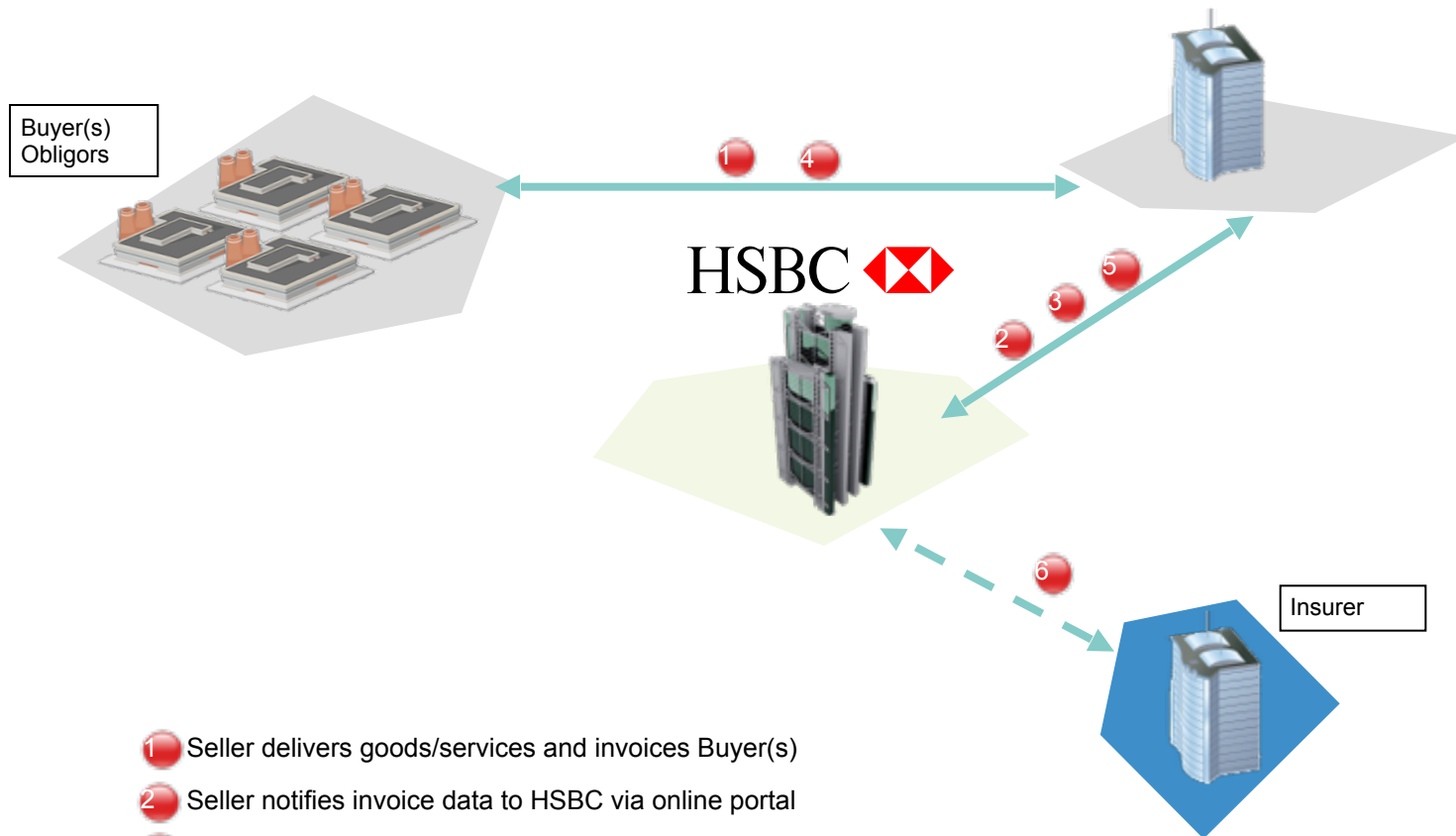


Key Features

- Process Risk Assessment; Complete automation of end-to-end payables process including reconciliation
- One platform – One file supporting ALL modes and ALL types of payments; electronic payment advising
- Over 1,500 Host to Host implementations globally with over 40+ SAP integration solutions, customised solution for Oracle ERP
- Decentralised printing for prompt delivery of paper payments to beneficiaries
- Positive Pay; Payments Analytics as a fraud monitoring tool

Receivables Finance Proposition

Helping Clients reduce Days Sales Outstanding (DSO)



- 1 Seller delivers goods/services and invoices Buyer(s)
- 2 Seller notifies invoice data to HSBC via online portal
- 3 Seller receives payment for invoice value from HSBC the following day
- 4 At maturity, Buyer pays into a specific Collection Account
- 5 At maturity, Collection Accounts credit funds transferred to HSBC (by Seller or by direct debit) for the full value of the invoice (i.e. 100%)
- 6 Optional, HSBC can take credit insurance policy to cover the risk of Buyer insolvency