



# **Buyer Financing with Export Credit Agency (ECA) coverage – case study -**

**Volker Bromund  
PT PRIME Consultancy  
Jakarta, October 2016**

# Buyer's Credit – example German Exporter

German Manufacturer /  
Exporter



Importer opens LC



Comercial Contract



**Import  
financing**



Indonesian Importer



Insures 95% of the  
loan amount



Bank

Financing Agreement  
between Importer  
and Bank



Reimbursement  
of LC after  
payment to  
Exporter

# Buyer's Credit.

## General Description

- Credit for long term financing of capital goods and services based on the ECA cover
- Usually reimbursement to Importer who pays under LC to the Manufacturer, structures without LC can also be supported
- Minimum amount: US\$ 2.0 mio

# Buyer's credit

## Advantages for the Importer/ Buyer:

- No charge to the importer's credit lines → Financing „on top“
- More cost efficient than local financing
- Low and attractive interest rates
- Typically no collateral, based on the credit standing of the borrower
- Tenor: from 5 up to 10 years depending on the value of the contract

# General Description Buyers Credit

## Borrower

Companies with good credit ratings

## Lender

Any bank which accepts the proposal – typically offshore bank

## Loan Amount

max. 85 % of contract value (min. US\$ 2 mio)

## Goods according to the Export Contract

Capital goods (Country of origin from Germany, Austria or other country).

## Inclusion of supplies from third countries

Besides, it is possible to a certain extent to include goods which originate not in Germany (so-called foreign content).

The percentage which these supplies may reach depends on the country from which they originate. In principle supplies of goods worth up to 30 % of the contract value are permissible (indication only – depends on the Export Credit Agency).

Higher amounts may also be feasible and can be discussed.

# ECA Financing: Buyer's Credit

## Financing through a bank covered ECA loan

- 85 % of the contract value
- At least 15 % down-payment to be paid before delivery, if higher DP “reimbursement” with the loan
- ECA premium can be financed up to 100 %
- Tenor 5 - 10 years - depending on the contract value
- Payment in semi-annual installments, the first falls due 6 months after commissioning / COD (“starting point”)
- Loan disbursement to the importer after the exporter has confirmed that he has received the payment under the LC

# Case study – Example

## Terms & Conditions for indication only!

- **Purchase Order:** US\$ 5,000,000
- **Tenor:** 6 years
- **Financing amount:** US\$ 4,250,000 (85% of the contract amount)
- **ECA fee:** approx. US\$ 242,000 (will be included in the financing amount)
- **Total Loan Amount:** **US\$ 4,492,000**
- **Interest rate:** 6 month LIBOR (presently 1%) plus a margin of 2.5% p.a. (currently total interest 3.5%)
- **Commitment Fee:** 1% p.a. (unutilized portion of the loan amount)
- **Management Fee:** 1,5 % flat
- **Repayment:** semi-annually, here 12 instalments
- **Interest payment:** semi-annually
- **Governing Law:** to be agreed on with the lender

# Buyer's credit: Pre-requisites.

## Major pre-requisites for credit assessment on „Corporate Risk“

- Annual and interim reports
- Annual revenue more than EUR 20 million
- Assets above EUR 15 million
- Equity to be compatible with the contract value

## Additional information:

- Commercial and bank references
- Received foreign credits
- Credit history
- Description of export activities/ FX income



## Contact Details:

**Volker Bromund**  
**PT PRIME Consultancy**

Alamanda Tower  
23rd Floor, Unit B,  
Jl. TB Simatupang Kav 23-24  
12430 Jakarta, Indonesia

Phone: +62 21 2276 7137  
Mobile: +62 811 952651  
[volker.bromund@prime-consultancy.com](mailto:volker.bromund@prime-consultancy.com)  
[www.prime-consultancy.com](http://www.prime-consultancy.com)

