FT CAPITAL

EFT

Export Factoring

Export Factoring is a smart export finance solution which is designed to offer an innovative alternative to traditional trade finance, It package and combines with following great characteristics of trade finance for the exporters.

- Working capital financing / Invoice discounting
- Credit risk protection /Bad Debt protection
- Accounts receivable Services
- Export Collection services.

It is offered under an agreement between the factor e.g. EFT CAPITAL and a Exporter. Under the agreement, the EFT purchases the Exporter's accounts receivable e.g. export invoices normally without recourse, and assumes the responsibility for the importer's financial ability to pay. If the Importer goes bankrupt or is unable /unwilling to pay its debts for variety of reasons, the EFT will pay the Exporter.

International Factoring is used by exporters who sell on open account or documents against acceptance e.g. DA terms. International factoring eases much of the credit and collection burden created by Export sales. By outsourcing the credit function, and trade finance facility, exporters can convert the high fixed cost of operating an international credit department into a variable expense. Commercial Banks are so fussy and complex in providing export finance facility to the small and medium exporters, and usually *SME's are unable to avail export finance facility schemes offered by State Bank of Pakistan due to non availability of guarantee or collateral demanded by the commercial banks. And as a result many of the exporters are unable to fulfil their export contracts and contribute to boost in foreign exchange and create employment in the country.*

"No collateral or Security required to enjoy this unique export finance facility"

Financial charges paid to the EFT are based on Export sales volume so costs fluctuate with actual sales, lowering operating costs during slow sales periods.

In addition to relieving exporters of the time-consuming administrative burden of approving credit and collecting export sales, international factoring lets exporters safely offer their foreign customers competitive open account terms. Financing is provided by means of advances against outstanding accounts receivable.

In summary, international factoring provides the following benefits to exporters:

- Increased sales in foreign markets by offering competitive terms of sale
- Protection against credit losses on foreign customers
- Accelerated cash flow through faster collections Lower costs than the aggregate charges for L/C transactions
- Smart Liquidity to boost working capital
- Enhanced borrowing potential and an opportunity to make use of supplier discounts
- Obviously, there are also advantages for importers. Until quite recently the Letter of Credit (L/C) was the most universally accepted method to control international trade, in the sense of assuring that the exporter would ship in accordance with the

sales contract or the purchase order and that the importer would honour his financial obligations. Yet, while this method (or 'term of sale') had considerable merit when goods were moving slowly and at irregular intervals along shipping lanes, the L/C places a financial burden on importers, which in most cases is no longer tolerated.

In summary, international factoring provides the following benefits to importers:

Benefits:

- Purchase on convenient 'open account' terms
- No need to open L/C's
- Expanded purchasing power without blocking existing lines of credit
- Orders can be placed swiftly without incurring delays, L/C opening charges, negotiation charges, etc.

How EFT Factoring operation Works

There is nothing complex about factoring. It is simply a unique package of services designed to ease the traditional problems of selling on open account.

Typical services include investigating the creditworthiness of buyers, assuming credit risk and giving 100% protection against write-offs, collection and management of receivables and provision of finance through immediate cash advances against outstanding receivables.

When exports sign contract with EFT.
EFT Factoring service involves a five or six stage operation.

The exporter signs a contract assigning all agreed receivables to an EFT. The EFT then becomes responsible for all aspects of the Export operation and receipts.

At the same time, the EFT investigates the credit standing of the buyer of the exporter's goods and establishes lines of credit. This allows the buyer to place an order on open account terms without opening letters of credit.

Once the goods have been shipped, the EFT may advance up to 80% of the invoice value to the exporter.

Once the sale has taken place, the EFT collects the full invoice value at maturity and is responsible for the swift transmission of outstanding balance to the Exporter's bank account who then pays the exporter the outstanding balance.

If after 160 days past due date an approved invoice remains unpaid, the import EFT will may pay 95% of the invoice value under guarantee.

Not only is each stage designed to ensure risk-free export sales, it lets the exporter offer more attractive terms to overseas customers. Both the exporter and the customer also benefit by spending less time and money on administration and documentation.

For many companies, selling in an international market place is the ultimate challenge. While the rewards can be substantial, success can also bring its share of problems.
Different customs, currency systems, laws and languages still create barriers to trade in a world where sophisticated computer technology allows orders abroad to be placed within seconds.

One of the greatest problems facing exporters is the increasing insistence by importers that trade be conducted on open account terms. This often means that payment is received many weeks or even months after delivery. Unsurprisingly, many organisations find that giving buyers credit in this way can cause severe cash flow problems. Further problems can arise if the importer delays payment beyond originally agreed terms or makes no payment at all because of financial failure.

International factoring provides a simple solution regardless of whether the exporter is a small organisation or a major corporation.

The role of the factor is to collect money owed from abroad by approaching importers in their own country, in their own language and in the locally accepted manner. As a result, distances and cultural differences cease to be a problem.

EFT may also provide exporters with 100% protection against the importer's inability to pay.But again it depends on the quality of the credit.

The advantages of export factoring have proved to be very attractive to international traders. It is now seen as an excellent alternative to other forms of trade finance and the role of the letter of credit is gradually diminishing as a consequence.

This means that the prospects for international factoring can be seen as favourable in all countries. Not only those that are highly industrialised, but also those that are still developing.

EFT is committed to help SME's Exporters in Pakistan to increase their export sales by reducing non-payment risks, enabling them to offer credit to their international buyers, and helping them to access working capital.

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