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# State Bank allows debt-swap amounting to Rs. 34 billion to textile industry under LTF-EOP Scheme

The State Bank of Pakistan has allowed an amount of Rs. 34 billion as refinance to commercial banks/DFIs as debt-swap option to textile industry under its 'Long Term Financing for Export Oriented Projects (LTF-EOP)' Scheme upto 31st December, 2006 against the original estimates of Rs. 30 billion.

Out of Rs. 34 billion of debt-swap, privatized banks (including NBP) have swapped long term loans of Rs. 21.9 billion followed by private banks (Rs. 6.29 billion), foreign banks (Rs. 4.1 billion) and development finance institutions (Rs. 1.67 billion). Tenor for the converted loans on an average is expected to be close to 4 years. The exporters are expected to make a mark up saving of approximately Rs. 35 million during the first quarter of the debt-swap.

Besides debt-swap, the State Bank has also allowed Rs. 9.1 billion as new LTF-EOP refinance. Out of Rs. 9.1 billion, the highest amount Rs. 3.7 billion was availed by privatised banks followed by private banks (Rs. 3.3 billion), foreign banks (Rs. 1.2 billion) and DFIs (Rs. 0.9 billion) respectively.

Thus, on an overall basis, the State Bank has allowed Rs. 43.1 billion as refinance under the Scheme. Textile exporters have the flexibility to seek additional new loans under LTF-EOP as banks by and large are currently within the refinance limits set by SBP for 2006-2007.

It may be pointed out that the State Bank, with the aim of relieving some of the difficulties faced by the textile sector due to increasing competition from the neighbouring countries and the rising manufacturing and business costs, offered a debt swap option under the LTF-EOP Scheme. The option provided an opportunity to the textile sector (excluding spinning sector but including its six sub sectors) to swap their long term loans taken from commercial banks and DFIs during January 1, 2003 to 31st December, 2006 for import of machinery for their units under LTF-EOP Scheme, which offers mark up rates fixed for the tenor of the loan, approximately 5-6% below market rates.

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