

**Special Financial Package for large value exports -
Rupee credit interest rates**

IECD.No.5/04.02.01/2001-2002

September 24, 2001

**The Chairmen/Chief Executives of
all commercial banks**

Dear Sir,

**Special Financial Package for large value exports -
Rupee credit interest rates**

Please refer to our circular IECD.No.4/04.02.01/2001-02 dated September 24, 2001 on rupee export credit interest rates. We have received representations that large export projects in India are in need of bank credit for an extended period at internationally competitive terms. The issue has been examined in the light of export competitiveness of various products. A special financial package has been drawn in consultation with the Government of India, for large value exports of select products, which are internationally competitive and have high value addition. The details of the financial package are furnished below.

- i) The products eligible for export under special financial package are:
 - (a) pharmaceuticals (including drugs, fine chemicals),
 - (b) agro-chemicals (including inorganic and organic chemicals),
 - (c) transport equipment (including commercial vehicles, two and three wheelers, tractors, railway wagons, locomotives),
 - (d) cement (including glass, glassware, ceramics and refractories),
 - (e) iron and steel (including iron & steel bars/rods and primary and semi-finished iron & steel),
 - (f) electrical machinery (including transmission line towers, switch gear, transformers).

- ii) Manufacturer exporters of above products with export contracts of Rs.100 crore and above in value terms in one year will be eligible for the special financial package.

- iii) Validity period of the financial package will be from October 1, 2001 to September 30, 2002.

- iv) Exporters covered under the special financial package will be extended credit at concessional rate of interest for an extended period upto 365 days at pre-shipment as well as post-shipment stages as against the maximum periods of 270 days and 180 days respectively applicable for normal export credits. Further, the rate of interest of export credit for period beyond 270 days and upto 365 days at pre-shipment stage will be the same as for normal pre-shipment credit for period beyond 180 days and upto 270 days. Similarly, post-shipment credit will be extended for periods beyond 180 days and upto 365 days at the same rate of interest as applicable for normal post-shipment credit for the period beyond 90 days and upto 180 days. The directive DBOD No.BC.29/13.07.01/2001 dated September 24, 2001 specifying the above modifications in regard to period of credit and rate of interest is enclosed with this circular.
- v) Exchange Control Department will issue necessary directions to authorised dealers extending general permission for realisation of export proceeds upto 365 days in respect of exports covered under the special financial package.

2. We shall be glad if you will please issue necessary instructions to your branches and a copy of the circular issued to the branches may positively be forwarded to us for our information and record.

3. We also request you to forward to us a monthly statement of credit extended at both pre and post-shipment stages under the above financial package.

4. Please acknowledge receipt.

Yours faithfully,

(S.S.Gangopadhyay)
Chief General Manager

DIRECTIVE DBOD.No.BC. 29/13.07.01/2001

September 24, 2001

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In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that with effect from October 1, 2001 till September 30, 2002 the interest rates on rupee credit as indicated in the Annexure enclosed to Directive DBOD No.BC.28/13.07.01/2001 dated September 24, 2001 will be modified for large exports in respect of products such as pharmaceuticals (including drugs, fine chemicals), agro-chemicals (including inorganic and organic chemicals), transport equipment (including commercial vehicles, two and three wheelers, tractors, railway wagons, locomotives), cement (including glass, glassware, ceramics and refractories), iron and steel (including iron & steel bars/rods and primary and semi-finished iron & steel), electrical machinery (including transmission line towers, switch gear, transformers) as under :

Exporters covered under the special financial package will be extended credit for periods upto 365 days at pre-shipment as well as post-shipment stages as against the maximum periods of 270 days and 180 days respectively applicable for normal export credits. Further, the rate of interest of pre-shipment credit for period beyond 270 days and upto 365 days will be the same as for normal pre-shipment credit for period beyond 180 days and upto 270 days. Similarly, the rate of interest for post-shipment credit for periods beyond 180 days and upto 365 days will be the same as for normal post-shipment credit for the period beyond 90 days and upto 180 days.

(S.L. Parmar)
Executive Director