

Rupee Export Credit Interest Rates

November 7, 2002

IECD No. 10 /04.02.01/2002-03

**The Chairman/Chief Executive of
All commercial banks**

Dear Sir,

Rupee Export Credit Interest Rates

Please refer to annexure to our circular IECD.No.7/04.02.01/2002-03 dated September 23, 2002 which specifies interest rates on rupee export credit which can be charged by the banks for different categories. While the ceiling rates of interest have been indicated for the first two slabs of pre-shipment credit up to 180 days and from 181 to 270 days and post-shipment credit upto 90 days and from 91 to 180 days, for subsequent period and other categories, interest rates are left free to be decided by the banks themselves.

2. While RBI has prescribed the ceiling rates of interest for the first two slabs of pre-shipment credit and post-shipment credit, banks have the freedom to lend at rates below such ceiling rates, including at sub-PLR rates. The actual interest rates charged by banks on rupee export credit, in many cases, are actually lower than ceiling rates stipulated by RBI.

3. In pursuance of the policy of deregulation of interest rates on export credit, with effect from May 1, 2003, the interest rates on second slab, i.e. 181 to 270 days for pre-shipment credit and 91 to 180 days for post-shipment credit are made free, and are to be decided by the banks subject to the approval of their Boards.

4. It is hoped that these measures will lead to greater competition among banks to extend export credit at lower rates to the exporters with good track record and increase in the flow of credit to export sector.

5. Please acknowledge receipt.

Yours faithfully,

(Usha Thorat)
Chief General Manager