



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2012-13/202

A.P. (DIR Series) Circular No. 28

September 11, 2012

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Trade Credits for Import into India

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to [A.P. \(DIR Series\) Circular No. 87 dated April 17, 2004](#) and [A.P. \(DIR Series\) Circular No. 24 dated November 01, 2004](#).

2. As per the extant guidelines, for import of capital goods as classified by DGFT, AD banks may approve trade credits up to USD 20 million per import transaction with a maturity period of more than one year and less than three years (from the date of shipment). No roll-over/extension is permitted beyond the permissible period. AD banks are also permitted to issue Letters of Credit/guarantees/Letter of Undertaking (LoU) /Letter of Comfort (LoC) in favour of overseas supplier, bank and financial institution, up to USD 20 million per transaction for a period up to three years for import of capital goods, subject to prudential guidelines issued by the Reserve Bank from time to time. The period of such Letters of credit / guarantees / LoU / LoC has to be co-terminus with the period of credit, reckoned from the date of shipment. AD banks shall not, however, approve trade credit exceeding USD 20 million per import transaction.

3. On a review, it has been decided to allow companies in the infrastructure sector, where "infrastructure" is as defined under the extant guidelines on External Commercial Borrowings (ECB) to avail of trade credit up to a maximum period of five years for import of capital goods as classified by DGFT subject to the following conditions: -

(i) the trade credit must be abinitio contracted for a period not less than fifteen months and should not be in the nature of short-term roll overs; and

(ii) AD banks are not permitted to issue Letters of Credit/guarantees/Letter of Undertaking (LoU) /Letter of Comfort (LoC) in favour of overseas supplier, bank and financial institution for the extended period beyond three years.

4. The all-in-cost ceilings of trade credit will be as under:

Maturity period	All-in-cost ceilings over 6 months LIBOR*
Up to one year	350 basis points
More than one year and up to three years	
More than three years and up to five years	

* for the respective currency of credit or applicable benchmark

The all-in-cost ceilings include arranger fee, upfront fee, management fee, handling/processing charges, out of pocket and legal expenses, if any.

5. All other aspects of Trade Credit policy will remain unchanged and should be complied with. The amended trade credit policy will come into force with immediate effect and is subject to review based on the experience gained in this regard.

6. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately wherever necessary.

7. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Rashmi Fauzdar)
Chief General Manager