

**Interest rates on Export Credit
in Foreign Currency**

IECD. No.21/04.02.01/2001-02

April 29, 2002

The Chairmen/Chief Executives of
all commercial banks

Dear Sir,

Interest rates on Export Credit
in Foreign Currency

Please refer to paragraph 63 of the statement on Monetary and Credit Policy for the year 2002-03 enclosed to the Governor's letter No.MPD /BC.214 /07.01.279/ 2001-02 dated April 29, 2002 relating to export credit in foreign currency.

2. In order to make the interest rate on export credit more competitive, it has been decided to revise the ceiling rate on foreign currency loans for exports by banks to LIBOR plus 0.75 percentage point from the present ceiling rate of LIBOR plus 1.00 percentage point. Accordingly, banks may extend export credit in foreign currency to exporters at interest rates not exceeding 0.75 percentage point over LIBOR with immediate effect. Similar changes may be effected in interest rates in cases where EURO LIBOR/EURIBOR have been used as the benchmark. The schedule of interest rates on export credit in foreign currency effective from April 29, 2002 is furnished in the Annexure.
3. The revision in the rates of interest would be applicable not only to fresh advances but also to the existing advances for the remaining period.
4. Considering the competitive interest rate on foreign currency loans and to mitigate any possible exchange risk, exporters need to be encouraged to make maximum use of export credit in foreign currency. Banks located in areas with concentration of exporters should therefore give wide publicity to this important facility and make it easily accessible to all exporters including small exporters.
5. A copy of your internal instructions issued in this regard to your branches may be forwarded to us for our information and record at the earliest.
6. Please acknowledge receipt.

Yours faithfully,
(K.Vijayaragavan)
Chief General Manager

Encl : As above

Annexure

Schedule of Interest Rates on Export Credit in
foreign currency of scheduled commercial banks
effective from April 29, 2002

Interest rates
(per cent per annum)

<u>1. Pre-shipment Credit</u>	
(a) Upto 180 days	Not exceeding 0.75% over LIBOR/EURO LIBOR/EURIBOR
(b) Beyond 180 days and upto 360 days	Rate for initial period of 180 days prevailing at the time of extension plus 2.0 percentage points
<u>2. Post-shipment Credit</u>	
(a) On demand bills for transit period (as specified by FEDAI)	Not exceeding 0.75% over LIBOR/EURO LIBOR/EURIBOR
(b) Usance bills (for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)	
Upto 6 months from the date of shipment.	Not exceeding 0.75% over LIBOR/EURO LIBOR/EURIBOR
(c) Export bills (demand or usance) realised after due date but upto date of crystallisation	Rate for 2(b) above plus 2.0 percentage points
<u>3. Export Credit Not Otherwise Specified (ECNOS)</u>	
(a) Pre-shipment credit	Free @
(b) Post-shipment credit	Free @

@ Banks are free to decide the rate of interest being rupee credit rate keeping in view the PLR and spread guidelines.