

All Scheduled Commercial Banks

Dear Sir/Madam,

Interest Rate Ceiling on Rupee Export Credit

Please refer to our [circular No. MPD.BC.326/07.01.279/2009-10](#) dated October 28, 2009 in terms of which the ceilings on interest rates on pre-shipment rupee export credit up to 270 days and post-shipment rupee export credit up to 180 days were stipulated at BPLR minus 2.5 per cent, valid up to April 30, 2010.

2. It has been decided to extend the validity of the above dispensation up to June 30, 2010 (Annex).
3. The Reserve Bank advised the scheduled commercial banks on April 9, 2010 to replace the BPLR system with a Base Rate System from July 1, 2010. This has necessitated changes in the formula in respect of interest rate on export credit. Accordingly, it has been decided to deregulate the interest rates on pre-shipment rupee export credit up to 270 days and post-shipment rupee export credit up to 180 days. Banks shall be free to decide the lending rate on export credit at or above the Base Rate with effect from July 1, 2010 (Annex).
4. Kindly acknowledge receipt.

Yours faithfully,

(Janak Raj)
Adviser-in-Charge

Encl: as above.

Annex

Category	Valid With effect from May 1, 2010 (up to June 30, 2010)	With effect from July 1, 2010
<p>Pre-shipment Rupee Export Credit</p> <p>Up to 270 days</p>	Not exceeding BPLR minus 2.5 percentage points*	At or above the Base Rate
<p>Post-shipment Rupee Export Credit</p> <p>(a) On demand bills for transit period (as specified by FEDAI)</p> <p>(b) Usance bills up to 180 days</p>	<p>Not exceeding BPLR minus 2.5 percentage points*</p> <p>Not exceeding BPLR minus 2.5 percentage points.*</p>	<p>At or above the Base Rate</p> <p>At or above the Base Rate</p>

BPLR: Benchmark Prime Lending Rate

* Since these are ceiling rates, banks would be free to charge any rate below the ceiling rates. Interest rates for the tenors other than those prescribed above are free.