



* IN THE HIGH COURT OF DELHI AT NEW DELHI

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*Judgment Reserved on: 20th November, 2025
Judgment pronounced on: 6th January, 2026*

+ **CS(COMM) 228/2023**

M D OVERSEAS PRIVATE LIMITEDPlaintiff
Through: Mr. Anukrit Gupta, Mr. Dev Singh,
Mr. Ajay Sharma & Mr. Aarya Bhat,
Advocates.

versus

DEUTSCHE BANK AGDefendant
Through: Mr. Rajesh Yadav, Senior Advocate with
Mr. Munawwar Naseem, Advocate.

CORAM:
HON'BLE MR. JUSTICE AMIT BANSAL

AMIT BANSAL, J.

1. The present suit has been filed seeking recovery of a sum Rs.3,45,37,097/- along with *pendente lite* and future interest. The suit was filed on 13th April, 2023 and summons in the suit were issued on 19th April, 2023. The Court *vide* order dated 16th May, 2024 observed that no oral evidence is required in the present suit. Therefore, the suit has been adjudicated on the basis of pleadings and documents filed by the parties.

BRIEF FACTS

2. The plaintiff is a company engaged in diverse businesses including manufacture and export of gold jewellery and gold medallions ('plaintiff').



3. The defendant is a banking company incorporated and registered under laws of Federal Republic of Germany and is carrying on business in India ('Defendant Bank').

4. An 'Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit' ('IE Scheme') was launched by the Directorate General of Foreign Trade ('DGFT') and the Reserve Bank of India ('RBI') with effect from 1st April, 2015 to provide interest subvention to certain categories of exporters beyond the existing concessional rate of interest for export credit. The IE Scheme came into effect from 1st April, 2015 and was originally applicable for a period of 5 years *i.e.* until 31st March, 2020.

5. Under the IE Scheme, interest subvention of 3% was provided to eligible exporters, which was increased to 5% with effect from 2nd November, 2018 in respect of exports made by MSME manufacturer exporters. For non MSME manufacturer exporters, interest subvention was kept at 3%.

6. The interest subvention of 5% for MSME and 3% for others was further extended multiple times and *vide* Circular dated 1st July, 2021, it was further extended till 30th September, 2021.

7. In September 2021, the Plaintiff being an MSME manufacturer exporter, applied for post-shipment credit from Defendant Bank for 3 Export bills bearing numbers 796XCP2100343, 796XCP2100343 and 796XCP2100352 ('Export Bills'), for a total amount of Rs.240.90 Crore.

8. A Debit Advice was issued by the Defendant Bank showing the interest rate at 5% per annum on the facility for entire period from the date of disbursement *i.e.* 23rd September, 2021 up to the date of repayment/maturity *i.e.* 17th June, 2022. As per the Debit Advice, an amount of Rs.8,80,95,479/- was



debited from the Plaintiff's bank account, charging interest for the entire period from date of disbursement till date of maturity.

9. On 30th September, 2021 the Defendant Bank issued a Credit Advice where they credited the bank account of Plaintiff with interest subvention amount of Rs. 8,80,95,479/-. Hence, the entire amount was credited for full tenor of the credit from 23rd September, 2021 to 17th June, 2022.

10. On 3rd January, 2022, the plaintiff wrote an email to the Defendant Bank stating that in terms of the IE Scheme, the Defendant Bank was required to completely pass on the benefit of the IE Scheme. On 23rd February, 2022, the Defendant Bank replied to the plaintiff's email along with extract of a response received from the RBI.

11. The plaintiff responded to the aforesaid email on 25th February, 2022 stating that in terms of paragraph no. 2(iii) referred to in RBI's reply, only the date of disbursement is relevant, and not the tenor of the Export Bills.

12. On 8th March, 2022 the IE Scheme was once again extended by the RBI with effect from 1st October, 2021 to 31st March, 2024 with reduced rate of subvention of 3% as opposed to the 5% rate applicable to MSME manufacturer exporters earlier.

13. On 8th June, 2022, the defendant sent an e-mail to the plaintiff calling upon the plaintiff to refund the differential amount of 2% of additional interest subvention that was credited by them amounting to Rs.3,45,37,097/-.

14. The plaintiff, *vide* its e-mail dated 17th June, 2022 opposed the Defendant Bank's demand and reiterated that the benefit of IE Scheme had been validly availed during September, 2021 when the Scheme was in force.

15. On 22nd June, 2022, Defendant Bank debited a sum of Rs.3,45,37,097/- from the plaintiff's bank account. The plaintiff issued an email to the Defendant



Bank, disputing the aforesaid debit. The Defendant Bank in its reply dated 23rd June, 2022, stated that the basis to set-off the differential amount calculated at 2% is on account of the 8th March, 2022 Circular issued by the RBI. On 4th July, 2022, plaintiff issued an email to the Defendant Bank seeking the refund of the debited amount.

16. Since the Defendant Bank did not refund, the present suit has been filed.

SUBMISSIONS ON BEHALF OF THE PARTIES

PLAINTIFF

17. In terms of clause 2(e) of the IE Scheme, the banks are required to pass on the full benefit of interest equalisation upfront, as applicable to eligible exporters and submit claims to the RBI for reimbursement. The IE Scheme states that the interest equalisation benefit should be available from the date of disbursement until the date of repayment. Therefore, the Defendant Bank is required to pass on the interest subvention upfront for the entire duration of the export credit.

18. In September, 2021 when the plaintiff applied for post-shipment credit from Defendant Bank, it was disclosed in the Collection Order that the tenor/maturity is 17th June, 2022. Therefore, the Defendant Bank knew that tenor of the credit was beyond the last date of the IE Scheme which was till 30th September, 2021.

19. The RBI Circular dated 8th March, 2022, reducing the interest equalisation rate to 3% would not apply to the transactions that are subject matter of the present suit since the disbursement had already taken place in September, 2021.



20. In terms of clause 2(b)(ii) of the RBI Circular dated 4th December, 2015, it was the responsibility of the Defendant Bank to seek refund of the entire subvention passed on in month of September, 2021 from the RBI within 15 days of the succeeding month. However, the Defendant Bank belatedly on 29th October, 2021, made a partial reimbursement claim of Rs. 17,52,740/-, applying the interest equalisation rate of 5% from the date of reimbursement upto 30th September, 2021.

21. It is only in June 2022, after a delay of about seven months, the Defendant Bank filed its reimbursement claims with the RBI limiting its claim of interest subvention to 3% in terms of the RBI Circular dated 8th March, 2022. Therefore, it cannot be said that the claim of the Defendant bank for a full 5% was rejected by the RBI.

DEFENDANT

22. The Defendant Bank was only acting as an intermediary in the implementation of the IE Scheme between the Government of India acting through RBI and the eligible exporters and therefore, cannot be fastened with any financial liability.

23. Both the DGFT and the RBI have already rejected the plaintiff's interpretation of the IE Scheme and therefore, the present plaint has been filed without any cause of action.

24. The action of the Defendant Bank in recovering the amount claimed in the suit is in terms of the Circulars of the RBI /DGFT and does not suffer from any infirmity.

25. It is not disputed that the Export Bills were discounted by the Defendant Bank prior to 30th September, 2021. The Defendant Bank extended the benefit



of the IE Scheme to the plaintiff in respect of the three Export Bills at the request of the plaintiff on the assumption and *bonafide* belief that the interest subvention would be extended further beyond 30th September, 2021 at the same rate of 5% per annum. Since the subvention rate was reduced from 5% to 3% from 1st October, 2021, the defendant reclaimed the differential amount of 2% from the plaintiff.

26. The DGFT clarification dated 8th July, 2022, in no uncertain terms states that the disbursements made prior to 30th September, 2021 in relation to the IE Scheme benefit of 5% could have been passed on upfront by the bank only for the period up to 30th September, 2021 irrespective of whether the tenure of the advance transcended beyond the 30th September, 2021.

27. The amount reclaimed by the Defendant Bank from the plaintiff was in line with the RBI Circular dated 8th March, 2022, and the clarification issued by the DGFT on 8th July, 2022. The interpretation placed by the plaintiff on the DGFT clarification and the RBI Circulars is misplaced.

ANALYSIS AND FINDINGS

28. Based on the pleadings in the suit and submissions made on behalf of the counsel for the parties, the issue that arises for consideration is whether the Defendant Bank has correctly deducted the amount of Rs. 3,45,37,097/-, in terms of communication/circulars issued by the RBI and the DGFT. In other words, whether the plaintiff would be entitled to interest subvention at the rate of 5% for the entire duration of the credit or the interest subvention would stand reduced to 3% with effect from 1st October, 2021.



29. The IE Scheme was launched by the DGFT and the RBI with effect from 1st April, 2015 to provide interest subvention to certain category of manufacturer exporters.

30. By a subsequent Circular dated 29th November, 2018, the RBI increased the interest equalisation rate from 3% to 5% with effect from 2nd November, 2018 in respect of exports by MSME sector manufacturers.

31. Thereafter, *vide* Circulars dated 13th May, 2020, 12th April, 2021 and 1st July, 2021 the Scheme was extended till 30th September, 2021. There were no further extensions to the IE Scheme thereafter. The RBI *vide* Circular dated 8th March 2022, extended the IE Scheme retrospectively with effect from 1st October, 2021 till 31st March, 2024. However, the interest equalisation rates under the IE Scheme were revised to 3% for MSME manufacturer exporters and 2% for manufacturer exporters.

32. In September, 2021, the plaintiff applied for post shipment credit from Defendant Bank. A tabulation providing the details of discounting of the three export bills is provided below:

Export bill	Date of discounting/maturity	Amount of loan (in rupees)	Interest Charged (in rupees)	Interest Equalization (in rupees)
796XCP2100343	23.09.2021/17.06.2022	117,10,00,000	4,28,29,726	4,28,28,726
796XCP2100344	23.09.2021/17.06.2022	67,20,00,000	2,44,86,575	2,44,86,575
796XCP2100352	29.09.2021/24.06.2022	56,60,00,000	2,07,79,178	2,07,79,178

33. As is evident from the collection order (at pages 61-62, 77-78, 98-99 of the documents filed by the plaintiff) placed on record by the plaintiff, the tenor/maturity of the facility was 17th June, 2022, which was beyond the Scheme date, *i.e.* 30th September, 2021. The Credit Advice issued by the



Defendant Bank to the plaintiff clearly stipulated that “*interest subvention given for the full tenor from 23rd September, 2021 to 17th June, 2022*” (at pages 75, 96, 110 of the documents filed by the plaintiff).

34. The relevant extracts from the DGFT Circular (at pages 14-47 of the documents filed by the plaintiff) providing the details of the IE Scheme are set out below:

“The Government has approved the Interest Equalisation Scheme for Pre and Post Shipment Rupee Credit with effect from 1st April, 2015 for 5 years.

2. The details of the Scheme are as follows:

(a) The rate of interest equalisation @ 3% per annum will be available on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit.

(b) The scheme would be applicable w.e.f 01.04.2015 for 5 years. Government, however, reserves the right to modify/amend the Scheme at any time.

(e) Banks are required to completely pass on the benefit of interest equalisation, as applicable, to the eligible exporters upfront and submit the claims to RBI for reimbursement, duly certified by the external auditor.”

[emphasis supplied]

35. Clause 2(e) of the IE Scheme mandates that the banks shall “*completely*” pass on the benefit under the Scheme to the eligible exporters “*upfront*”. The use of the words “*completely*” and “*upfront*” indicate a sense of finality *i.e.*, it cannot be undone at a later stage. Accordingly, during the period of the IE Scheme was in force, the eligible exporter would be entitled to the entire amount of the claim upfront, irrespective of the tenor of the credit, and the same cannot be claimed back.

36. At this stage, a reference may be made to the RBI Circular dated 8th March, 2022 (at pages 55-58 of the documents filed by the plaintiff). The



relevant extracts from paragraph nos. 2, 2.2, 3 and 4 of the RBI Circular of 8th March, 2022 are set out below:

“... 2. Government of India has approved the extension of Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit ('Scheme') up to March 31, 2024 or till further review, whichever is earlier. The extension takes effect from October 1, 2021 and ends on March 31, 2024. The modifications made by the Government to the Scheme are detailed below:

2.2 Revised interest equalisation rates under the Scheme will now be 3 per cent for MSME manufacturer exporters exporting under any HS lines, and 2 per cent for manufacturer exporters and merchant exporters exporting under 410 HS lines (after excluding 6 HS lines pertaining to Telecom Sector as mentioned above).

3. For the period from October 1, 2021 to March 31, 2022, banks shall identify the eligible exporters as per the Scheme, credit their accounts with the eligible amount of interest equalisation and submit sector-wise consolidated reimbursement claim for the said period to the Reserve Bank by April 30, 2022.

4. With effect from April 1, 2022, banks shall reduce the interest rate charged to the eligible exporters upfront as per the guidelines and submit the claims in original within 15 days from the end of the respective month, with bank's seal, and signed by authorised person, in the prescribed format, as modified (Annex I).”

[emphasis supplied]

37. On behalf of the Defendant Bank, it is submitted that since the aforesaid Circular retrospectively extended the Scheme from 1st October, 2021 and revised the subvention rate to 3%, the said subvention rate would be applicable for the remaining tenor of the credit from 1st October, 2021 till the date of maturity. Therefore, it is entitled to recover excess 2% interest paid to the plaintiff.



38. The reliance placed by the Defendant Bank on the RBI Circular dated 8th March, 2022 is completely misplaced. The use of the word “*now*” in paragraph 2.2 makes it clear that the change in rate is prospective. The expression “*now revised to 3% for MSME*” used in paragraph 2.2 has to be read in conjunction with paragraph 4 of the Circular to mean that the interest rate would stand reduced to 3% from 1st April, 2022. Since, the Circular was issued on 8th March, 2022, it appears that the intention of RBI was to reduce interest rates prospectively from 1st April, 2022. Paragraph 3 of the Circular does not refer to reduction of rate.

39. On a plain reading of the aforesaid Circular, it does not authorise the Defendant Bank to claim benefits that are already been given by the Bank to the eligible exporters until 30th September, 2021. The 5% subvention rate was granted as an upfront discount at the time when the credit facilities were extended to the plaintiff in terms of the existing IE Scheme. The said discount could not be altered or reversed at a subsequent stage on account of change in the subvention rate in the future. The Circular dated 8th March, 2022 cannot be given effect retrospectively to recover the amounts from the plaintiff that had been paid earlier when the earlier Scheme was in force.

40. In this regard, on 16th June, 2022, the plaintiff sought a clarification from DGFT with regard to paragraph no. 2(e) of the IE Scheme issued by the DGFT (at pages 119-121 of the documents filed by the plaintiff). The relevant extracts from the clarification sought by the plaintiff are set out below:

*“We seek a clarification that in cases where the usance export bill was lodged with the bank on or before 30.09.2021 and the repayment date fell beyond 30.09.2021, the banks were required to pass on the complete benefit of interest equalisation **upfront from the date of disbursement up to the date of repayment** at the rate of 5%, as was prevailing on the date*



of disbursement before 30.09.2021. We request you to kindly issue the clarification at the earliest and oblige.”

[emphasis supplied]

41. The DGFT replied to the plaintiff's clarification email on 8th July, 2022 (at page 127 of the documents filed by the plaintiff), stating as under:

“2. In this regard, it is stated that for disbursements made prior to September 30th, 2021, Interest Equalisation Scheme benefits of 3% or 5%, as the case may be, could have been passed on, upfront by the bank only for the period up to September 30th, 2021, irrespective of whether the tenor of the advance transcended beyond September 30, 2021. The exporter would be eligible for revised Interest Equalisation rates downward to 2%/3% with effect from October 1st, 2021 in accordance with RBI circular

DOR.STR.REC.93/04.02.001/2021-22 dated March 8, 2022.”

[emphasis supplied]

42. The clarification by DGFT provides that for disbursements made “*prior to September 30, 2021*”, the eligible exporter would be entitled to benefit under the Scheme “*upfront by the Bank*”. It further clarifies that the banks would pass on the benefit upfront for the period up to 30th September, 2021, “*irrespective of whether the tenor of the advance transcended beyond 30th September, 2021*”.

43. It is contended on behalf of the Defendant Bank that since the clarification used the words “*only for the period up to 30th September, 2021*”, the benefit can be given only up to the maturity period of the credit till 30th September, 2021 and not for maturity period beyond the same.

44. I am unable to accept this submission. In my considered view, the expression “*only for the period upto 30th September, 2021*” has been used in respect of benefits passed on by the Bank to the exporter and would not apply to the period of the credit. This becomes apparent from the subsequent words



“irrespective of whether the tenor of the advance transcended beyond September 30, 2021”.

45. The clarification of DGFT makes it clear that the tenor of the credit is not a relevant factor for determining the benefit to be paid to the eligible exporter.

46. The subsequent sentence *“The exporter would be eligible for revised Interest Equalisation rates downward to 2%/3% with effect from October 1st, 2021 in accordance with RBI Circular dated March 8, 2022.”* would apply only in respect of an exporter who availed the credit after 1st October, 2021 and not in respect of an exporter who had availed the credit before 30th September, 2021.

47. It is important to bear in mind that the IE Scheme was launched to alleviate the interest burden on manufacturer exporters by providing subsidised pre and post shipment rupee export credit and thereby enhance the global competitiveness of Indian exports by lowering the cost of finance. Therefore, Clause 2(e) of the IE Scheme required the banks to completely pass on the interest subvention benefit upfront to the exporters and claim the same from RBI. The position taken by the Defendant Bank would completely defeat the objective of the IE Scheme.

48. In light of the discussion above, I am unable to accept the explanation given on behalf of the Defendant Bank that the benefit was given by the Defendant Bank to the plaintiff on the assumption or belief that the Scheme would be extended beyond 30th September, 2021. If the defendant was of the view that the subvention amount has wrongly been given to the plaintiff, it would have taken steps to recover the said amount soon after 30th September, 2021, when the Scheme was not extended. But it was only on 23rd February, 2022 that the Defendant Bank forwarded a clarification that it received from



RBI. Even in the said letter, the Defendant Bank did not raise any demand on the plaintiff. The demand was made by the Defendant Bank for the first time only on 8th June, 2022, after the 8th March, 2022 Circular was issued by the RBI.

49. It was towards the implementation of the IE Scheme that the RBI issued the Circular dated 4th December, 2015 (at pages 11-12 of the documents filed by the plaintiff), in terms of which banks were required to submit a consolidated monthly reimbursement claims to the RBI for interest equalisation, which was passed on by the banks to exporters, within fifteen (15) days from the end of the month. The relevant extracts from the said Circular are set out below:

“2. Accordingly, scheduled commercial banks are advised to adhere to the following operational procedure for claiming reimbursement:

A. Procedure for passing on the benefit of interest equalisation to exporters:

(iii) The interest equalisation benefit will be available from the date of disbursement up to the date of repayment or up to the date beyond which the outstanding export credit becomes overdue. However, the interest equalisation will be available to the eligible exporters only during the period the scheme is in force.

B. Procedure for claiming reimbursement of interest equalisation benefit already passed on to eligible exporters

*(ii) The sector-wise consolidated monthly reimbursement claim for interest equalisation for the period December 2015 onwards should be submitted in original **within 15 days from the end of the respective month**, with bank's seal and signed by authorised person, in the prescribed format given in Annex I.*

(v) The reimbursement of interest equalisation claim will be made as and when the funds are received from the Government of India.”

[emphasis supplied]



50. A reading of paragraph 2(A)(iii) set out above, demonstrates that the eligibility of the exporter has to be determined during the period the Scheme is in effect. It does not restrict the amount of benefit on the basis of the tenor of advance once the exporter is found to be eligible.

51. As per Clause 2(B)(ii) of the Circular, the Defendant Bank was obliged to submit a reimbursement claim to the RBI within 15 days from the end of each month. Therefore, in the present case, the Defendant Bank was required to submit its reimbursement claim to RBI by 15th October, 2021 for the interest subvention at the rate of 5%, which amounted to Rs.8,80,95,479/-.

52. From the written statement filed by the Defendant, it appears that the Defendant Bank raised only a partial reimbursement claim amounting to ₹17,52,740/- on 29 October 2021, by applying the interest equalisation rate of 5% from the date of discounting up to 30 September 2021.¹ The Defendant Bank has not offered any explanation for its failure to seek reimbursement of the entire eligible amount from the RBI.

53. It was only on 10th June, 2022, 15th June, 2022 and 15th July, 2022, after the Circular of 8th March, 2022 was issued that the Defendant Bank filed its reimbursement claims with the RBI for a total amount of Rs. 4,81,14,000/-. The Defendant Bank limited its claim for reimbursement to 3% and not 5%.

54. It is inexplicable as to why the Defendant Bank did not claim the entire amount of subvention given to the plaintiff, which was credited by the Defendant Bank in the month of September, 2021.

55. Significantly, the plaintiff had also provided undertakings in respect of Export Bills to the Defendant Bank that in case the claim for interest

¹ Paragraph 19(c) of the written statement.



equalisation is rejected, the plaintiff will reimburse the Bank for the rejected interest amount.

56. Since the Defendant Bank never claimed reimbursement of the entire claim from the RBI, it cannot be said that claim was rejected by RBI. The plaintiff cannot be penalised for the failure or the negligence of the Defendant Bank to claim the full 5% subvention benefit from RBI.

57. On 23rd February, 2022, the Defendant Bank sent an email to the plaintiff which purportedly contained a clarification received from the RBI, regarding the eligibility of the plaintiff in the subvention Scheme (at pages 114-115 of the documents filed by the plaintiff). The Defendant Bank places reliance on the RBI's clarification, the relevant extract of the said email is set out below:

-We seek clarity on the IES Scheme for eligible exporters for below scenario:-

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Export bill discounted before 30 Sep 2021 when the scheme was in force (i.e. upto 30th Sept) but for tenor beyond 30th September. Will exporter be eligible for subvention till 30th Sept or till maturity of bill which is beyond 30th Sept 2021.

RBI response is received as under .

Please refer to your trailing mail on the captioned subject.

In this connection , it is advised that in terms of Para 2(iii) of our circular on Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit dated December 04, 2015, the interest equalisation will be available to the eligible exporters only during the period the scheme is in force.

So its applicable till 30th Sep 2021 only.

Thanks & Kind Regards,



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58. It is apparent from the aforesaid response of RBI that the RBI has mainly reiterated the terms of paragraph no. 2(iii) of its Circular on IE Scheme. No further clarification has been given by the RBI. The Defendant Bank did not raise any demand on the plaintiff after receiving the said clarification, which makes it obvious that the Defendant Bank did not view this clarification as a justification to recover monies paid to the plaintiff for the period after 30th September, 2021. The reliance placed by the Defendant Bank on the clarification received from the RBI is completely misplaced.

59. An analysis of the material on record, leaves no doubt in my mind that the relevant date for subvention would be the date when the plaintiff approached the Defendant Bank for discounting the Export Bills and the bills were discounted by the Defendant Bank, passing on the entire subvention benefit upfront to the plaintiff, knowing fully well that the term of the credit was till 17th June, 2022. The plaintiff would be entitled to interest subvention at the rate of 5% for the entire duration of the credit. Resultantly, the Defendant Bank has incorrectly recovered the amount of Rs. 3,45,37,097/- from the account of the plaintiff.

60. In view of the discussion above, it is held that the Defendant Bank has wrongfully recovered the sum from the plaintiff, and the plaintiff is entitled to recover a sum of Rs.3,45,37,097/- from the Defendant Bank. The plaintiff is also entitled to interest @ 8% per annum from the date of making such recovery *i.e.* 22nd June, 2022, till the actual payment.

61. Accordingly, a decree is passed in favour of the plaintiff and against the defendant for recovery of a sum of Rs.3,45,37,097/- along with interest @ 8% per annum from 22nd June, 2022 till the actual realisation of the amount. The plaintiff shall also be entitled to costs of the suit.



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62. Decree sheet be drawn.

AMIT BANSAL
(JUDGE)

JANUARY 6, 2026
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