# IN THE HIGH COURT OF JUDICATURE AT BOMBAY
## ORDINARY ORIGINAL CIVIL JURISDICTION

## WRIT PETITION (L) NO. 8980 OF 2024

1. Jindal Cocoa LLP
2. Vijay Jindal
3. Jayshree Vijay Jindal ...Petitioners

*Versus*

1. Reserve Bank of India
2. Union of India
3. Banking Ombudsman
4. HDFC Bank Limited ...Respondents

---

**Mr. V. Sridharan, Senior Advocate,** *a/w Gopal Machiraju, Krusha Maheshwari, Ruchi Wagaralkar, i/b Sriram Sridharan, Advocates for Petitioners.*

**Mr. Y.R. Mishra,** *a/w Upendra Lokegaonkar, Shailendra Y. Mishra, Advocates for Respondent No.2-UoI.*

**Mr. Prasad Shenoy,** *a/w Parag Sharma, Aditi Pathak, Vijay Salokhe, Kirti Ojha, Megha More, Ankit Upadhyay, i/b BLAC & Co., Advocates for Respondent No.3.*

**Mr. Mustafa Doctor, Senior Counsel,** *a/w Gaurav Mehta, Chaitanya Mehta, Amir Ali Shaikh, Tanjul Sharma, i/b Dhruve Liladhar & Co., Advocates for Respondent No.4.*

---

ASHWINI JANARDAN VALLAKATI
Digitally signed by ASHWINI JANARDAN VALLAKATI Date: 2025.01.03 18:47:25 +0530



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

**CORAM : B.P. COLABAWALLA &**
**SOMASEKHAR SUNDARESAN, JJ.**

**Reserved on : October 22, 2024**
**Pronounced on: January 3, 2025**

**JUDGEMENT: (*Per, Somasekhar Sundaresan J.*)**

1. Rule. Rule is made returnable forthwith. Respondents waive service. By consent, heard finally.

***Introduction:***

2. This Petition essentially challenges the interpretation of the Reserve Bank of India's *Master Circular on Rupee/Foreign Currency Export Credit & Customer Service to Exporters*, dated July 1, 2015 ("***Master Circular***") by the Banking Ombudsman (Respondent No.3) appointed by the Reserve Bank of India (Respondent No.1, "***RBI***"). The Banking Ombudsman dismissed the Petitioners' grievance against the very same interpretation that had been taken by HDFC Bank Limited (Respondent No.4, "***HDFC Bank***").

3. Jindal Cocoa LLP ("***Borrower***"), is a limited liability partnership engaged in the business of exporting cocoa and cocoa



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

products. HDFC Bank had extended Indian Rupee-denominated pre-shipment credit by way of a running account facility under the Master Circular to the Borrower. The Borrower, along with its two partners Mr. Vijay Jindal and Ms. Jayshree Vijay Jindal, are collectively the Petitioners.

***Regulatory Context and Background:***

4. Under the Master Circular, banks extend credit to their clients who are exporters, at a special interest rate applicable to export credit, which is lower than the standard interest rates applicable to normal borrowings by clients. The export credit availed of by the Borrower was eligible for the benefit of further concessional interest due to a subvention provided by the Government of India, under an Interest Equalization Scheme notified by the Ministry of Commerce and Industry, Government of India (Respondent No. 2) *vide* Trade Notice dated December 8, 2015 ("***Subvention Scheme***"). The Government of India would bear the value of the further discount on the interest rate, through a mechanism put in place by the RBI to administer it. The RBI had issued a circular dated December 4, 2015 ("***RBI Circular on Subvention***") on the subject, with detailed operational modalities.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

5. The maximum tenure of any export credit under the Master Circular was stipulated at 360 days. On May 23, 2020, owing to the outbreak of the Covid-19 pandemic, the RBI extended the maximum permissible tenure of export credit from one year to 15 months i.e. a further 90 days was allowed, which would lead to the permissible period expanding from 360 days to 450 days. At the time of the original sanction of the advances, and at disbursement, differing tenures had been envisaged between the parties, but the period of the credit was extended to the maximum permissible limit under the Master Circular. For all purposes of adjudicating this Petition, the maximum period applicable under the Master Circular is 450 days (instead of 360 days) and inter-changeable references are made.

6. At the heart of the dispute is the interpretation of one paragraph and its implication for the entire Master Circular. It is placed in the section that deals with tenure of pre-shipment credit – Paragraph 1.1.2 (ii), reads thus:-

> *(ii)* ***If pre-shipment advances are not adjusted by submission of export documents within [360][1] days*** *from the date of advance,* ***the advances will cease to qualify*** *for prescribed rate of interest* ***for export credit to the exporter ab initio****.*
>
> *[**Emphasis Supplied**]*

[1] *As stated earlier, this period would be 450 days for all purposes of this Petition*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

7. HDFC Bank has argued that in view of the aforesaid paragraph, whether exports took place within the said timeframe and whether the export credit was redeemed within the said timeframe are not sufficiently relevant. What is truly relevant is whether the export documents were provided within this period, failing which, the advances given to finance the exports would never be regarded as "export credit" *ab initio* i.e. right from the very first date of the advance being made. Consequently, according to HDFC Bank, since the Subvention Scheme provides Government-sponsored discount only to "export credit", the exporter would not be entitled to any benefit of the Subvention Scheme where the advance ceases to be "export credit" *ab initio.*

8. In other words, HDFC Bank's stance is that (i) exports should be made; (ii) the advances should be redeemed; ***and*** (iii) the documents proving exports must be delivered; all within 450 days. Under the Master Circular, HDFC Bank would argue, even a day's delay in submission of the export documents (despite exports actually having been effected within 450 days, and the export proceeds being used to redeem the credit) would lead to the advances not qualifying as "export credit" from the date of the advance, thereby losing the benefit of the Subvention Scheme.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

9. Out of the 107 export orders bagged by the Borrower and financed be HDFC Bank, the financing of 15 export orders, lies at the core of the controversy in this Petition. In respect of four export orders ("***First Lot***"), admittedly, the Borrower effected the exports within 450 days of the advance. However, delivery of the export documents to HDFC Bank was delayed by a few days beyond such period. Therefore, according to HDFC Bank, the entire set of advances that financed the First Lot ceased to qualify as "export credit" *ab initio*, and therefore, the full amount of subvention relating to the First Lot ought to be reversed. The amount of subvention reversed and therefore charged to the Borrower under the First Lot is Rs. 4,62,22,602.77 (Rs. ~4.62 crores).

10. In respect of the eleven remaining export orders ("***Second Lot***"), admittedly, the exports did not take place within 450 days of the advance – they indeed materialised well after this period. In fact, before the exports were effected, the Borrower had asked HDFC Bank to foreclose the advances relating to the Second Lot, stating that it would submit proof of the exports as and when they eventually materialise. The amount of subvention reversed and therefore charged to the Borrower under the Second Lot is Rs. 3,52,22,945.45 (Rs. ~3.52 crores).



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

11. According to the Petitioners, in sharp contrast, under the Master Circular, there is no requirement at all for exports to materialise within 450 days – the only requirement is that the exports must actually materialise at some point of time. It was their submission that where the exports have materialised within 450 days, the exports documents could be supplied eventually without having to be given within 450 days. The Petitioners would go a step further and submit that even where exports have not materialised within 450 days, but eventually materialise thereafter, the benefits of the Subvention Scheme ought to be available for the 450-day period.

12. For reasons recorded in this judgement, we disagree with the Banking Ombudsman and HDFC Bank in relation to the reversal of subvention for export credit towards the First Lot. We disagree with the Petitioners in relation to the Second Lot. We find their respective positions that are contrary to our findings, unreasonable and arbitrary. In our opinion, for the reasons articulated in this judgement, the Master Circular, which is aimed at providing competitively-priced working capital to help Indian exporters compete with the world, requires exports to be effected within the stipulated period and the export credit to be redeemed from permissible sources such as export proceeds and purchase or discounting of export bills. A mere delay in submission of



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

documents despite exports actually having been effected within 450 days, would not result in the credit ceasing to be "export credit". Where the export has not materialised at all within the 450-day period, we find that the credit advanced would get disqualified as export credit. Any other view, in our opinion, would result in the very objective of the Master Circular being undermined (in relation to the First Lot) and the Master Circular becoming a device for availing of long-term cheap debt with no commitment to timely exports (in relation to the Second Lot).

***Factual Matrix:***

13. Against this backdrop, the specific facts relevant to this Petition are summarised as follows: -

a) HDFC Bank sanctioned a running account facility for export credit of Rs.390 crores to the Borrower between January 29, 2020 and June 5, 2020;

b) The Borrower received an upfront interest subvention benefit in addition to a special interest rate applicable to export credit. The export credit interest rate was 6% / 7.25%, with the subvention under the Interest Equalisation Scheme lowering it further;



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

c) For every advance at the discounted rate received under the Master Circular, the Borrower had to create a fixed deposit of an equivalent amount of cash with HDFC Bank, over which there would be a charge – this arrangement provided the Borrower with cheap credit, being at a special borrowing rate for export credit coupled with the subvention; and it provided HDFC Bank with full security on the loan as also a cheap cost of funds of the same amount (at the fixed deposit rate);

d) On October 1, 2021, the Borrower requested HDFC Bank to liquidate the pre-shipment credit to the extent of Rs. 75 crores, submitting proof of exports in bulk at the time of requesting the liquidation. All these exports were admittedly effected within 450 days of the respective advances, but as regards the export orders of the First Lot, the period of 450 days had expired before October 1, 2021. The Subvention Scheme was scheduled to expire on September 30, 2021 and no extension was announced;

e) On October 4, 2021, HDFC Bank liquidated the relevant export credit, and did not disturb the subvention provided for the 450-day period (the maximum period of entitlement for the



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

subvention). However, HDFC Bank charged penal interest of 2% for the period of the credit beyond 450 days. It is common ground that the export documents demonstrated that the underlying exports had been made within the permissible 450-day period, although these export documents were delivered to HDFC Bank after the expiry of 450 days. This is the First Lot of export orders about which the Borrower is aggrieved;

f) HDFC Bank was also the Authorised Dealer under the Foreign Exchange Management Act, 1999 ("***FEMA***"), through whom the export realisation was effected by the Borrower;

g) On February 14, 2022, the Borrower wrote to HDFC Bank stating that certain exports were delayed beyond the 450-day period for reasons outside its control. The Borrower expressed its desire to foreclose the export credit outstanding and liquidate the fixed deposits lying as cash collateral against such credit. None of the export credit advances had run the course of 450 days. This is the Second Lot of export orders about which the Borrower is aggrieved;



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

h) On February 24, 2022, the Borrower expressed its desire to foreclose all the underlying export credit advances (in the sum of Rs. 154.75 crores), on maturity of the fixed deposits (in the sum of Rs. 154.78 crores). The Borrower submitted that documents to prove the exports and realisation of proceeds would be submitted in due course, also asserting that the special rate applicable to export credit along with the benefits of the Interest Equalisation Scheme should be made available to the Borrower;

i) On February 25, 2022, HDFC Bank reversed a sum of Rs. 3.52 crores under the head 'miscellaneous debit' in respect of the export credit advanced towards exports that had not been completed within the 450-day period i.e. the Second Lot;

j) On February 28, 2022, HDFC Bank wrote to the Borrower confirming the specific export credit advances foreclosed and the specific fixed deposits liquidated, and a computation to show that applying the interest rate without subvention, export credit to the extent of Rs. 151,43,75,548.19 (Rs. ~151.43 crores) stood liquidated and only one contract with a principal amount of Rs. 8.5 crores with interest of Rs.23,05,479/- (Rs. ~23.05 lakhs) was



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

due. HDFC Bank stated that in view of the aforesaid debit of Rs.3.52 crores, there was insufficient balance in the Borrower's account to repay the residual export credit loan;

k) On March 8, 2022 (i.e. after the foreclosure of the entire export credit by the Borrower in February 2022), the Interest Equalisation Scheme was extended by the Government of India with retrospective effect from October 1, 2021 to March 31, 2024. The Borrower then claimed that the interest subvention benefit that had been denied on the export credit underlying the Second Lot, since October 1, 2021 should now be returned to the Borrower;

l) On April 20, 2022, HDFC Bank revisited the treatment it had accorded on October 4, 2021, to the export credit relating to the First Lot. Another debit of Rs. 4.62 crores was effected by HDFC Bank stating that HDFC Bank was required to reverse the interest subvention amount right from the date of the disbursal of each underlying export credit on the premise that they were not "export credit" at all, since the export documents had not been



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

submitted within the 450-day period, although the actual export was done within the said period;

m) Between May 2022 and October 2022, the Borrower submitted proof of exports under the Second Lot, and demanded that the subvention reversal in the sum of Rs.3.52 crores be corrected;

n) On May 26, 2022, a complaint was filed by the Borrower with the Banking Ombudsman against the two subvention reversals in respect of the First Lot and the Second Lot; and

o) The Banking Ombudsman passed an order dated October 13, 2023 ("***Impugned Order***") rejecting the Borrower's complaint, and endorsing the position canvassed by HDFC Bank, namely, that the export documents ought to be filed within the time limit of 450 days, failing which the credit would cease to be export credit.

14. Against this backdrop, this Petition has been filed assailing the Impugned Order as being arbitrary and unreasonable.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

***Contentions and Submissions of Counsel:***

15. We have heard the Learned Counsel for the parties at significant length – Mr. V. Sridharan, Learned Senior Counsel on behalf of the Petitioners, Mr. Prasad Shenoy, Learned Counsel on behalf of the RBI and Mr. Mustafa Doctor, Learned Senior Counsel on behalf of HDFC Bank.

16. Mr. Sridharan essentially submitted that the fundamental requirement of the Master Circular was that the export should materialise, and that there was no firm mandatory deadline under the Master Circular for it to materialise. Mr. Sridharan would submit that so long as the exports indeed materialise, the special rate for export credit further reduced by the subvention, ought to be available for the period of 450 days from the advance of the credit. Consequently, he would submit, the reversal of the subvention amount of Rs. 4.62 crores in relation to the First Lot and of Rs. 3.52 crores in relation to the Second Lot were *per se* contrary to the law. The reversals represent an arbitrary and unreasonable denial of a statutory entitlement, and the Impugned Order ought to be set aside.

17. Mr. Shenoy would submit that the object and purpose of the Master Circular is to ensure that exporters are encouraged to



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

manufacture and export within 450 days and to ensure that the banks are repaid. If the proof of export is not substantiated with documents, the consequence for the borrower would be that he would lose the beneficial interest rate right from the date of disbursement of the credit, forcing the exporter to pay the commercial lending rate. Pointing to Paragraph 1.1.3(iv) of the Master Circular, Mr. Shenoy would submit that exporting within 450 days is of the essence of the Master Circular. He would submit that exports ought to have been actually effected; they ought to have been proven with export documents; and the credit ought to have been marked off – all within 450 days of disbursement. Pointing to Paragraph 2(A)(iii) of the RBI Circular on Subvention, Mr. Shenoy would point out that the subvention benefit would be available only between the date of disbursement and the date on which the redemption is due. Therefore, to qualify for the subvention too, he would submit, the outer limit is 450 days from the disbursement.

18. Mr. Doctor stoutly defended what he called a *bona fide* interpretation of the Master Circular by officials of HDFC Bank, emphasising that HDFC Bank obtained no benefit from the two subvention reversals – they simply sent the funds back to the RBI and thereby the Government of India. He would point to the varying periods



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

for the credit as per the agreements and sanctions executed by the parties, but would agree that for all purposes of this Petition, the overall time limit for the export and the liquidation of the export credit was the maximum permissible period of 450 days. The crux of Mr. Doctor's contention is that Paragraph 1.1.2(ii) of the Master Circular imposes an over-arching and clear requirement that not only the export credit ought to have been liquidated in 450 days, but also it ought to have been done in the manner stipulated i.e. by submission of export documents within 450 days. He would submit that the Master Circular had made a conscious choice of words in requiring that the export credit ought to be adjusted "*by submission of the export documents within 360 days from the date of advance*".

19. Mr. Doctor would submit that the credit extended would *ab initio* have to be treated as normal domestic credit and not as "export credit" since the export documents were not delivered within 450 days. When asked if HDFC Bank's stance would remain the same even if the documents submitted a few days late indeed demonstrate that exports were truly effected within 450 days of the advance, Mr. Doctor would submit that HDFC Bank had to follow the stipulation spelt out in Paragraph 1.1.2(ii) without any room for reading it down or extrapolating it. He would emphasise that the Master Circular was a



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

regulatory directive under the *Banking Regulation Act, 1949* ("***BR Act***") and it was as good as subordinate law, and consequently, HDFC Bank was right in effecting the two reversals and debiting the Borrower's account by the amounts of the subvention that had been extended to the Borrower.

20. In rejoinder, Mr. Sridharan would submit that it is common ground and evident from the record that in October 2021, HDFC Bank had reversed only the subvention amount and had not changed the interest rate charged on the export credit, thereby undermining Mr. Doctor's submission that the "export credit" changed *ab initio* merely due to delay in submission of the export documents. HDFC Bank continued to charge interest at the same rate as had been applicable to the export credit – only the subvention amount was reversed and penal interest at 2% was added to it. Put differently, Mr. Sridharan would submit that the very conduct of HDFC Bank contemporaneous with the decision to reverse the subvention would show that it was not consistent with the reading of the Master Circular that was now being canvassed on its behalf.

21. Mr. Doctor would counter, that HDFC Bank had the fullest commercial discretion on what rate to charge its prime customers who



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

have good creditworthiness. He would submit that the conduct of HDFC Bank based on its own *bona fide* reading at the relevant time, would be of no consequence to the legal interpretation of the Master Circular by the writ court.

***Approach to Interpretation:***

22. Mr. Sridharan and Mr. Doctor have both attempted to adopt a literal and extreme reading of the specific provisions of the Master Circular in a manner that would advance their client's respective positions. For instance, Mr. Sridharan would submit that the allusion to exports not materialising "***at all***" in the Master Circular would mean that exports may materialise whenever actually feasible. Until it becomes clear that the export is impossible to materialise, the beneficial rate and the subvention for the first 450 days could not be disturbed. Likewise, Mr. Doctor would submit that the only means of a compliant liquidation of export credit is by delivering the export documents within 450 days and not by the export documents proving that exports took place within 450 days. Even a day's delay in submission of documents that actually prove exports within 450 days would lead to the credit not being "export credit" *ab initio* i.e. right from the date of disbursement of the credit.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

23. In our opinion, the Master Circular and the Subvention Scheme, are both instruments of law that seek to implement the stated economic policy objectives. It is not drafted by legislative draftsmen who would draft subordinate law that would be tabled for review by the legislature, but by regulatory and government officials, seeking to propound a bundle of incentives and disincentives to further the State's policy choice. Therefore, when such instruments fall for interpretation, they ought to be read purposively, contextually, and in a manner that has due regard to the text as well as context, without inflicting violence on the policy objective. If more than one view is possible in interpreting such instruments, the interpretation that would further the object and suppress the mischief sought to be addressed by them, is the one that Courts should adopt.

24. In our view, these two instruments would need to be interpreted not only with an "inter-textual" reading (whereby the consequence under one instrument would have implications for the other) but also with an "intra-textual" reading (whereby the concepts covered by various portions within each instrument would draw their meaning by necessary regard to other portions of the same instrument, as an integral inter-woven whole). Therefore, to appreciate the issues



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

at hand, it would be necessary to examine the overall scope and salient features of the Master Circular and the Subvention Scheme.

***Master Circular on Export Credit:***

25. The Master Circular governs the provision of export credit at a special rate, different from the rates charged for domestic borrowing. The term "pre-shipment/packing credit" is defined to mean[2], among others, any loan, advance or other credit provided by a scheduled commercial bank to an exporter for financing the purchase, processing, manufacture or packing of goods prior to their shipment for export. Such credit is to be extended against evidence of an export order placed on the exporter. The tenure of such credit is left to the parties, subject to an outer limit of 360 days from the date of the advance (extended to 450 days on May 23, 2020).

26. The pre-shipment credit could be liquidated by the bank discounting or purchasing the export bills on which receivables would be due from the exporter's clients. In such event, the pre-shipment credit would stand redeemed and the new exposure of the bank to the

[2] *Defined in Paragraph 1.1.1 of the Master Circular.*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

exporter (having paid the amount towards purchase of the receivables under the bills) would be treated as post-shipment credit. Pre-shipment credit may also be repaid or prepaid out of export proceeds kept in Exchange Earners Foreign Currency Account ("***EEFC Account***"), an account in which Indian resident exporters may deposit their foreign exchange earnings. Indeed, rupee resources of the exporter, arising out of export proceeds actually received, could also be utilized for liquidating the pre-shipment credit[3].

27. The Master Circular recognizes that in respect of export of agro-based products (the Borrower exported cocoa products), the exporter must necessarily purchase a larger quantity of raw agricultural produce and grade it into varieties that are exportable and not exportable. The non-exportable component would be sold in the domestic market. The monies advanced as pre-shipment credit would need to be proportionately bifurcated, with the credit covering the non-exportable domestically-sold portion being charged at the interest rate applicable to domestic advances, as opposed to the rates applicable to export credit[4]. The relevance of this facet of the Master Circular to the case at hand is that the interest rate for export credit is special and

[3] *Paragraph 1.1.4 (i)*
[4] *Paragraph 1.1.4 (ii)*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

cheaper, and that rate is not available for normal credit.

28. For clients having a good track record, banks are also permitted to accept redemption of the pre-shipment credit from proceeds of any other export order relating to the same commodity. Such credit may be marked off with proceeds from exports for which no pre-shipment credit has been drawn from any other bank, or by ensuring that proceeds of exports on which other pre-shipment credit had been availed of, are used to liquidate the other pre-shipment credit as well.

29. The RBI has recognized that since the availability of raw material could be seasonal in character, time taken for the manufacture and shipment of goods could be longer than the delivery schedule under the export orders. Therefore, the exporter may have to procure raw material and manufacture products, in anticipation of potential export orders from customers. Therefore, the Master Circular envisages provision of a 'running account' facility[5]. For such facility, the banks must not insist on prior lodgment of the export orders for the pre-shipment credit to be disbursed. Running account facility can only be

[5] *Paragraph 1.1.5 of the Master Circular.*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

granted to Export Oriented Units ("***EOU***") and units in Free Trade Zones, Export Processing Zones, and Special Economic Zones, enjoying a good track record. In the instant case, the Borrower, being an EOU, had a running account facility with HDFC Bank.

30. In a running account facility, export orders must be produced within such reasonable period of time as decided by the banks. As and when individual export bills are received for discounting, the outstanding credit could be marked off on a 'first-in-first-out' basis – the export credit first advanced would be redeemed first, and so on. In the course of such redemption too, banks are required to ensure that the individual pre-shipment credits advanced to an exporter do not stretch beyond the maximum permissible period (360 days, extended to 450 days, from the date of the advance). Paragraph 1.1.5 (iii) of the Master Circular, which governs a running account facility provides as follows:-

> *1.1.5 **'Running Account' Facility'***
>
> *(i) As stated earlier, **pre-shipment credit to exporters is normally provided on lodgment of LCs or firm export orders**. It is observed that the availability of raw materials is seasonal in the facts of the present case some cases. In some other cases, the time taken for manufacture and shipment of goods is more than the delivery schedule as per export contracts. In many cases, **the exporters have to procure raw material, manufacture the export product and keep the same ready for shipment, in anticipation of receipt of letters of credit I firm export orders from the overseas buyers**. Having regard*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

*to difficulties being faced by the exporters in availing of adequate pre-shipment credit in such cases,* ***banks have been authorised to extend Pre-shipment Credit 'Running Account' facility in respect of any commodity, without insisting on prior lodgement of letters of credit I firm export orders****, depending on the bank's judgement regarding the need to extend such a facility and subject to the following conditions:*

*(a) Banks may* ***extend the 'Running Account' facility only to those exporters whose track record has been good as also to Export Oriented Units (EOUs)****/ Units in Free Trade Zones / Export Processing Zones (EPZs) and Special Economic Zones (SEZs)*

*(b) In all cases where Pre-shipment Credit 'Running Account' facility has been extended,* ***letters of credit / firm orders should be produced within a reasonable period of time to be decided by the banks****.*

*(c)* ***Banks should mark off individual export bills, as and when they are received for negotiation*** */ collection, against the earliest outstanding pre-shipment credit on 'First In First Out' (FIFO) basis. Needless to add that,* ***while marking off the pre-shipment credit in the manner indicated above, banks should ensure that export credit available in respect of individual pre-shipment credit does not go beyond the period of sanction or 360 days from the date of advance, whichever is earlier****.*

*(d)* ***Packing credit can also be marked-off with proceeds of export documents against which no packing credit has been drawn by the exporter****.*

*(ii) If it is noticed that the exporter is found to be abusing the facility, the facility should be withdrawn forthwith.*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

> *(iii) In cases where exporters have not complied with the terms and conditions, the advance will not be treated as export credit ab initio.*
>
> *(iv) Running account facility should not be granted to sub-suppliers.*
>
> *[Emphasis Supplied]*

***Subvention Scheme:***

31. The Subvention Scheme entailed the Government of India subsidising Indian Rupee-denominated export credit advanced in conformity with stipulated criteria. Although introduced on December 8, 2015, it took retrospective effect from April 1, 2015 and was scheduled to be in place for an initial period of five years. All eligible exporters who had availed of such credit were entitled to the benefit through their respective banks. The Government of India would bear a portion of the interest burden by providing funds to the RBI, which would in turn release the funds to banks on a monthly basis to the extent the banks lent cheap to exporters. The introduction of the Subvention Scheme with retrospective effect would play out again at one of its extensions – on March 8, 2022, with retrospective effect from October 1, 2021. It was on October 1, 2021, when the Subvention Scheme had not been extended after its expiry on September 30, 2021, that the Borrower first



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

repaid a bunch of export credits and eventually all the outstanding export credit on February 14, 2022.

32. On December 4, 2015, the RBI Circular on Subvention was issued, with a procedure for reimbursement of interest already borne by the exporters. The special lower rate of interest for export credit would stand further discounted due to the Subvention Scheme. Banks were required to charge the discounted rate of interest and submit their claims to the RBI for reimbursement of the differential attributable to the discounted interest. The RBI would be given funds in advance by the Ministry of Commerce and Industry, on a monthly basis. The Subvention Scheme was extended from time to time, first until September 30, 2021, and as stated above, with retrospective effect from October 1, 2021 by a notification dated March 8, 2022, and thereafter until March 31, 2024. Suffice it to say, all the export credit transactions relevant to this Petition were transacted when the Subvention Scheme was in force.

***Analysis and Findings:***

33. The Master Circular is explicit in terms of its purpose and objective. The Master Circular seeks "to make ***short-term working capital*** finance available to exporters at internationally comparable



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

interest rates". The Master Circular has been issued as a regulatory direction in exercise of the powers of the RBI under Sections 21 and 35A of the BR Act, which reads thus :

> ***Section 21 Power of Reserve Bank to control advances by banking companies.***
>
> *(1) **Where the Reserve Bank is satisfied that it is necessary or expedient in the public interest** or in the interests of depositors **or banking policy** so to do, it **may determine the policy in relation to advances to be followed by banking companies** generally or by any banking company in particular, and **when the policy has been so determined, all banking companies or the banking company concerned, as the case may be, shall be bound to follow the policy as so determined.***
>
> *(2) **Without prejudice to the generality of the power vested in the Reserve Bank under sub-section (1)**, the Reserve Bank may **give directions to banking companies**, either generally or to any banking company or group of banking companies in particular, as to--*
>
> *(a) **the purposes for which advances may or may not be made**,*
>
> *(b) the margins to be maintained in respect of secured advances,*
>
> *(c) the maximum amount of advances or other financial accommodation which, having regard to the paid-up capital, reserves and deposits of a banking company and other relevant considerations, may be made by that banking company to any one company, firm, association of persons or individual,*
>
> *(d) the maximum amount up to which, having regard to the considerations referred to in clause (c), guarantees may be given by a banking company on behalf of any one company, firm, association of persons or individual, and*
>
> *(e) **the rate of interest and other terms and conditions on which***



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

*__advances or other financial accommodation may be made__ or guarantees may be given.*

*(3) __Every banking company shall be bound to comply__ with any directions given to it under this section.*

***35A. Power of the Reserve Bank to give directions.--**(1) __Where the Reserve Bank is satisfied that__--*

*(a) __in the public interest__; or*

*(aa) __in the interest of banking policy__; or*

*(b) to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company; or*

*(c) to secure the proper management of any banking company generally,*

*__it is necessary to issue directions to banking companies generally__ or to any banking company in particular, __it may, from time to time, issue such directions as it deems fit__, and the __banking companies__ or the banking company, as the case may be, __shall be bound to comply with such directions__.*

*(2) The Reserve Bank may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-section (1), and in so modifying or cancelling any direction may impose such conditions as it thinks fit, subject to which the modification or cancellation shall have effect.*

*[__Emphasis Supplied__]*

34. Consequently, the Master Circular partakes the character of a statutory instrument that furthers the regulatory policy objectives of



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

the RBI. The Subvention Scheme too is in the nature of a policy on providing subsidy on the interest burden shouldered by exporters, by the Government of India through the Ministry of Commerce and Industry to help Indian exporters compete in the international markets. Since banks would have to deal with their own costs of borrowings, the Government of India took on the burden of the discount on interest. Therefore, indeed one must read these two instruments in a purposive manner. Any interpretation that undermines the policy objectives of these instruments would deserve to be shunned.

35. We find from a careful perusal of the Master Circular that the Paragraph 1.1.2(ii) is but one of multiple provisions in the finely inter-woven fabric of the Master Circular. It is indeed correct that the maximum tenure of export credit is an essential ingredient of the Master Circular. The very objective of the Master Circular is to provide "short-term" working capital. The maximum period (360 days, extended to 450 days due to impact of the Covid-19 pandemic) has been consciously chosen as the designated period to make this a window for providing short-term working capital. With this context in mind, it would be important to examine various ingredients of the Master Circular.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

36. There is no doubt that Paragraph 1.1.2 deals with the maximum period of the advance and in doing so, it refers to adjustment of the advances in 360 days. However, HDFC Bank has argued that this is a provision that would ensure that even for these 360 days, the credit would not be export credit, despite exports actually having been achieved and despite proceeds having been realised (all within 360 days) if there is a delay of even one day beyond 360 days in submission of export documents that prove these facts. By necessary implication, according to HDFC Bank and the Banking Ombudsman, if the export is effected on the 360th day and proceeds are realised on the same day, but it takes a day more to compile the documents, the financing would simply stand disqualified for coverage as "export credit" under the Master Circular.

37. We are unable to agree with such an extreme and absolute proposition that is patently and manifestly unreasonable and therefore arbitrary. Such a reading of one of the provisions in the Master Circular in a manner that effaces the very objective of the instrument, misses the substance for the form. Such an approach undermines the regulatory objective of the Master Circular, which is to promote Indian exports,



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

make them competitive in the world markets, and aid such exports with short-term working capital at competitive interest rates.

38. The crux of the Master Circular is that export credit at competitive interest rates must be made available to exporters in the form of short-term working capital. The very same Master Circular requires banks to keep a close watch on the end-use of funds advanced and to ensure that the credit supplied at special rates under the Master Circular are genuinely used for the purposes of exports.[6] Banks are also required to monitor the progress made by exporters in timely fulfillment of the export orders. Each of these provisions point to the need to export within the stipulated time being of the essence of the Master Circular. If all that banks have to do is look for delivery of export documents within 360 days, there would be no requirement for them to monitor the performance of export obligations.

39. That apart, the Master Circular has expressed the period in *days* (360 days) and ***not*** as "one year" which could have then meant 365 days[7]. However, when the RBI extended this period on May 23, 2020, it was stated that the "*maximum permissible period of pre-shipment and*

[6] *Paragraph 1.1.3(iv) of the Master Circular*
[7] *Section 3(66) of the General Clauses Act, 1897 defines a "year" in terms of the British calendar year, which would mean 365 days in a non-leap year*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

*post-shipment export credit sanctioned by banks from* ***<u>one year</u>*** *to* ***<u>15 months</u>****, for disbursements made upto July 31, 2020*" indicating that it meant "one year" as the maximum period. Likewise, the extension was to "15 months" and not by "90 days". All of this indicates that these are instruments of law that are drafted, not by legislative draftsmen but by policy draftsmen, and that would necessitate searching for the real import of the principle expressed and shunning a pedantic, narrow and literal reading of these instruments. If every single day was so sacrosanct, the RBI would not have referred to the period in years and months when extending the period. However, in light of the nature of the submissions before us, to adopt a conservative approach, for purposes of adjudicating this Petition, we have treated the period of "three months" as 90 days and maintained the reference to "one year" as "360 days" and conservatively adopted the period of 450 days as the maximum permissible period of export credit.

40. The Master Circular also makes it clear that export credit and pre-shipment credit may be liquidated out of the export bills being purchased or discounted by the bank, thereby converting the pre-shipment credit into post-shipment credit. As noted earlier, even balances lying in the EEFC Account could be utilized for pre-paying or



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

re-paying the export credit. Indeed, rupee resources of the exporter to the extent such resources are proceeds of exports that had actually taken place could also be used for repaying the export credit.[8] It is also evident that under the running account facility[9], it was provided that pre-shipment credit could be marked off on a first-in-first-out basis in the manner described earlier in this judgment. So also, the Master Circular also envisages that where an exporter has been granted accommodation against cheques and demand drafts and other payment instruments received from abroad at normal commercial interest rates, banks may even retrospectively give effect to the special rate applicable to export credit once it becomes clear that the conditions for availing of export credit has been complied with.[10] This stipulation yet again makes it clear that the substance of the Master Circular is incentivising the performance of export obligations and exporters being given credit at competitive rates to achieve such performance. Even where the advances have been made by the bank at standard commercial interest rates, upon evidence that exports had been effected by the exporter, the exporter would be entitled to the special interest rate applicable to export credit. All these features yet again point to the fact that the

[8] *Paragraph 1.1.4(i) of the Master Circular*
[9] *Paragraph 1.1.5 of the Master Circular*
[10] *Paragraph 1.1.6 of the Master Circular*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

Master Circular ought to be interpreted in a purposive manner, and not in the manner that one would interpret a fiscal statute.

41. Likewise, the provisions of the Master Circular governing export credit in foreign exchange are noteworthy. The provisions governing export credit in Indian Rupees have been *mutatis mutandis* applicable to foreign currency-denominated export credit. Paragraph 5.5 of the Master Circular, which deals with the period of foreign currency-denominated export credit uses the phrase "*if no export takes place within 360 days*" in connection with the obligation to adjust and mark off the export credit. This is a clear pointer to the substance of the Master Circular, namely, that exports must take place within the stipulated 450 days. Such usage severely and firmly counteracts and reduces the force of Mr. Doctor's submission that such a phrase has not been used in Paragraph 1.1.2(ii). There is no plausible reason for the Master Circular to mean different things by use of the phrase "*if no export takes place within 360 days*" for foreign exchange-denominated export credit and use of the phrase "*submission of export documents within 360 days*" when it comes to Indian Rupee-denominated export credit. None of the Counsel have been able to explain the differences between lending in Indian Rupees and in foreign currency with



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

implications having to be different for the specific facet of the maximum period of the export credit.

42. In our opinion, the objective of both provisions dealing with tenure (in relation to Indian Rupee and foreign currency lending) is one and the same. With Indian Rupee-denominated export credit too, the requirement is that exports must take place within 360 days, which is what the export documents would have to evidence. There is no intelligible differentia on the treatment of the loan as export credit, on the basis of the currency denomination. When export documents are referred to in the language of Paragraph 1.1.2(ii), it is evidently to demonstrate that exports have indeed taken place. When Paragraph 5.5 refers to exports having taken place, it is aligned with the same objective. As stated earlier, while the Master Circular is a regulatory instrument, it is a policy document that is not drafted by legislative draftsmen, but by regulatory officials. The most commonsensical, reasonable and logical meaning ought to be given to its contents in a manner that furthers the regulatory objective of the instrument.

43. In our opinion, to hold that Paragraph 1.1.2(ii) of the Master Circular mandates that despite exports actually having materialised



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

within 450 days and regardless of the proceeds being realized, even one day's delay in submission of the export documents would be fatal to the very status of "export credit", inflicts serious violence to the very policy objective of the Master Circular. It is trite law that in interpreting beneficial legislation, if two views are possible, the view that advances the objective of the legislation and suppresses the mischief is the view that must be adopted. Therefore, we have no hesitation in holding that the Banking Ombudsman's endorsement of HDFC Bank's reading of Paragraph 1.1.2(ii) of the Master Circular, is untenable and does not lend itself to acceptance.

44. It is also noteworthy that the Master Circular deals with a situation where exports do not materialise "***at all***".[11] Paragraph 4 of the Master Circular governs the interest rate applicable to Indian Rupee-denominated export credit. A 'Base Rate' is required to be applied for the provision of such export credit sanctioned on or after July 1, 2010. Paragraph 4.2.2(ii) provides that if pre-shipment advances are not liquidated from: (a) proceeds of purchase or discounting of export bills; (b) on submission of export documents within 360 days from the date of the advance; or (c) as stipulated for other means of liquidating pre-shipment credit, the advances would not be treated as "export credit" *ab*

[11] *Paragraph 4.2.2 of the Master Circular*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

*initio.* Paragraph 4.2.2(iii) provides that if exports do not materialise ***at all***, banks should charge the domestic lending rate plus penal rate of interest, if any, in terms of a transparent policy adopted by the bank's Board of Directors. Mr. Sridharan argued that the use of the words "at all" would mean that one should wait to see whether it becomes impossible that the exports would materialise. On the other hand, Mr. Doctor emphasised the use of the phrase "*on submission of export documents within 360 days*" used in Paragraph 4.2.2(ii) to state that it is a reiteration of the sacrosanct requirement to produce export documents within 360 days regardless of whether exports have taken place in that period.

45. In our opinion, the very analysis set out above in relation to Paragraph 1.1.2(ii) would apply to Paragraph 4.2.2(ii). Any other reading of Paragraph 4.2.2.(ii) would render Paragraph 4.2.2(iii) meaningless – that paragraph provides the implications of exports not materialising at all, which we read as not materialising within 360 days, disagreeing with Mr. Sridharan's thesis that one may have to wait until the export is demonstrably impossible to materialise. These provisions, read with Paragraph 5.5 and the host of other provisions analysed above, are a concerted pointer that the crux of the Master Circular is



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

that the maximum period of the export credit would be 360 days (extended to 450 days); one of the multiple means of liquidating it may be used; and the exports so financed would need to be performed within 360 days (extended to 450 days).

46. If one were to treat the submission of export documents no later than the 360th day as an all-consuming essential requirement that renders meaningless the performance of all the other obligations, instead of looking to the substance of what the export documents are meant for (to prove that exports indeed took place within 360 days), the very policy objective of the Master Circular would be turned on its head and be grossly undermined. From a conjoint intra-textual reading of the Master Circular and its various provisions, as articulated above, in our opinion, it is when exports do not materialise within 360 days, that the domestic lending rate coupled with the penal interest would become applicable to the amounts advanced. The reference, twice, to the requirement of submitting export documents within 360 days (first in Paragraph 1.1.2(ii); and next in Paragraph 4.2.2(ii) of the Master Circular), in our opinion, relates to articulating the procedural means by which the export credit advances may be liquidated and marked off, and



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

not an all-encompassing stipulation that erodes the very objective of the Master Circular.

47. The purpose of providing export documents is to prove that exports indeed took place within 360 days. It is absurd to contend that even when the export documents indeed prove the same, the fact that they were delivered a few days after the 360-day period, would lead to the advances not being "export credit" at all, amounts to saying that in the eyes of the Master Circular, the exports are deemed to have never taken place. The substance for which the credit is extended is to finance exports, and when exports have indeed taken place within 360 days, the credit would necessarily have to be valid "export credit". Therefore, we hold that the requirement to provide the export documents is aimed at proving that exports indeed materialised within 360 days of the disbursement of the export credit. The provision of such documents within 360 days is therefore a directory requirement and not a mandatory requirement inasmuch as a delay of a few days in submitting the documents would not be fatal to the fact that exports indeed materialised and such exports had been financed, and such finance is "export credit". The necessary corollary is that for the 360-day period (extended to 450 days), being the maximum permissible period, the credit would be export credit (provided exports indeed materialised



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

within that period) and for the period thereafter, it would not be export credit, since the maximum permissible period is 360 days (extended to 450 days). For the subsequent period, until actual redemption of the credit, the exporter would be liable to pay interest at the normal interest rate along with penal interest, as applicable under the bank's policy (required to be made under the Master Circular).

48. We also note with emphasis that Paragraph 8.3 of the Master Circular deals with the procedure for delivery of export credit, whether in foreign currency or in Indian Rupees, and stipulates guidelines with a view to ensuring timely delivery of export credit to exporters and to remove procedural hassles that may be faced by exporters. Under these guidelines, banks have been asked to ensure that the Master Circular must be implemented both in "***letter and spirit***" so as to bring about a perceptible improvement in credit delivery and related banking services to the export sector. Therefore, the Master Circular leaves no room for doubt that a robotic and literal reading of one sentence from the Master Circular in a manner that undermines the very regulatory objective of the Master Circular must be shunned. The Master Circular enjoins that its provisions must be read in the spirit of the document and not just in a literal manner. The instrument is indeed a beneficial regulatory



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

instrument and it is envisaged that situations may emerge which would require the spirit to be invoked in its implementation and administration.

49. The spirit of the Master Circular is evident from the terms noticed above – that short-term working capital must be made available at competitive rates in a timely manner to exporters. Such export credit must not exceed the maximum period of 360 days (extended to 450 days). Within such period, if the exports financed have indeed materialised, banks may purchase the export bills or discount the export bills, and thereby adhere to the period, simply converting the pre-shipment credit into a post-shipment credit (which is also another form of "export credit"). So also, if the exports did not materialise at all in 360 days, the credit extended to the exporter would have to be charged interest at the domestic lending rate and not at the special rate applicable to exports, for the entire period of the credit.

***First Lot:***

50. In the matter at hand, it is common ground that exports relevant to the First Lot indeed had been effected and that too within the maximum permissible period under the Master Circular. Evidence



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

of such export was also provided, but with a delay of a few days. Therefore, in our opinion, the Master Circular having to be read in the manner we have explained above, the reversal of the subvention by HDFC Bank in relation to export financing of the First Lot from the very inception is indeed unreasonable, arbitrary, and liable to be interfered with.

51. Consequently, we find that HDFC Bank and indeed the Banking Ombudsman were completely in error in the interpretation of the Master Circular insofar as export credit relating to the First Lot was concerned, and basing their reading on their interpretation of Paragraph 1.1.2(ii) and indeed, Paragraph 4.2.2.(ii). Since it is common ground that all the underlying exports relating to the First Lot had been effected within the maximum permissible period under the Master Circular, there can be no question of disqualifying the advances made from being regarded as "export credit". Consequently, there is no disqualification of such export credit from coverage under the Subvention Scheme. The miscellaneous debit effected by HDFC Bank to reverse the interest subsidy in relation to the First Lot is required to be corrected, which we hereby direct. The Respondents are directed to take steps to ensure that such subvention reversal in relation to the First Lot is cancelled and remedied.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

52. There is also considerable force in the submission that in the matter at hand, each of the exports underlying the First Lot was indeed processed by the none other than HDFC Bank (in its capacity as an authorized dealer under FEMA), which is also a legislation invoked by the Master Circular. The Master Circular iterates the need to ensure compliance with FEMA. HDFC Bank in its role as an authorized dealer under FEMA was indeed aware of the exports having materialised within the maximum permissible time limit. Yet, on a hyper-technical reading of Paragraph 1.1.2(ii), ignoring the scheme emerging from various other provisions referred to above, HDFC Bank has sought to erode the very status of the credit advanced by arguing that it had ceased to be "export credit".

53. It is reasonably evident to any reader of the material on record that HDFC Bank had indeed adopted the correct approach in October 2021, when it reversed the subvention benefit only for the period after the expiry of the maximum permissible tenure of export credit. It is only on April 20, 2022, that HDFC Bank developed second thoughts on the subject and purported to read Paragraph 1.1.2(ii) as an entitlement to treat the entire advance as not constituting "export credit" for the entire period. It is truly noteworthy that even at this



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

stage, HDFC Bank did not charge the domestic lending rate for the entire period despite purporting that the advances were not "export credit" at all right from their disbursement. If HDFC Bank's argument that the phrase '*ab initio*' used in Paragraph 1.1.2(ii) is to be read as simply disqualifying the credit as export credit, the natural corollary would be that such credit would have to be treated as normal domestic credit. Indeed, the conduct of HDFC Bank cannot be the basis of the Court's opinion on the interpretation, but we would be remiss in not noticing that HDFC Bank's first reaction was the accurate one, which for reasons best known to HDFC Bank, was changed completely in six months.

54. We are in agreement with Mr. Sridharan in his reliance upon a decision of the Supreme Court in the case of ***Fertilizer Corporation of India Ltd. Vs. State of Bihar***[12], whereby even in an analysis of the ingredients of a fiscal statute, a purposive reading of provisions that make the machinery of the legislation workable was preferred as opposed to a strictly technical and literal view of the requirements. In that case, the question involved was the entitlement of an assessee to a rebate under the Sales Tax Laws of Bihar, which was to be computed on the basis of the returns filed. The Supreme Court ruled that since the

[12] *1988 Supp. SCC 73*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

objective of the rebate provision was to confer a benefit to an assessee for a prompt payment of tax, since it was found that the assessee had indeed paid the tax before due dates and there was no dispute that the tax paid was in conformity with the tax due on the basis of the returns filed, a delay in filing the returns was not fatal to the entitlement to the rebate. In this case, the High Court had taken a view that fiscal statutes must be literally and strictly construed and if the returns had not been filed in time, there can be no benefit of the rebate that could be made available to the assessee. The Supreme Court reversed the decision of the High Court, and ruled as follows :

> *8. Learned counsel for the assessee also suggests a different kind of approach to the issue before us. He submits that* ***all that Section 15 aims at is to grant a tax rebate of 1 per cent of the amount of tax admitted to be due as per the return filed by the assessee. The further words used in Section 15 to describe the return, namely, that it should be a return filed in the prescribed manner and within the prescribed or extended period are merely words descriptive of the procedure of filing a return****. The basic condition necessary for claiming the tax rebate is only that* ***there should be a valid return and that the tax on the basis of the valid return should have been paid by the assessee. He submits that while the substantive part of the condition should be strictly construed by insisting upon the presence of a valid return, the procedural aspect referred to can well receive a liberal construction****. In the present case, he points out, there is no dispute that the returns filed by the assessee were valid. In fact the assessments have been made on the basis of the returns filed. The tax has been paid even before the submission of the returns. There is no suggestion that the tax paid fell short of the tax due on the return. This is also not a case where*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

*the assessed tax is much higher than the tax admitted on the basis of the returns. In these circumstances, he argues, the assessee must be held to have fulfilled the conditions prescribed in Section 15.*

*9. Learned counsel for the assessee referred to certain decisions in support of such a rule of construction. In CIT v. Kulu Valley Transport Co. Pvt. Ltd. the court had to construe a provision intended to benefit the assessee.* ***Under Section 22(2-A) of the Income Tax Act, 1922, a return of loss had to be filed within the time prescribed for return under Section 22(1) if the assessee wanted to carry forward the loss claimed. It was not so filed but was nevertheless treated as a valid return by reading the provisions of Section 22(1) and 22(3) of the Act jointly and giving a liberal interpretation to Section 22(2-A).*** *In the case of Gursahai Saigal v. CIT the question was regarding the charge of interest under Section 18-A(8) of the same Act. This provision did reveal a lacuna but reading the provision along with Section 18-A(6), the court gave effect to the intendment of the legislature.* ***It was explained that Section 18-A(8) was not a provision creating a charge of tax but only laying down the machinery for its calculation or procedure for its collection. The dictum of Scott, L.J. in Allen v. Trehearne that machinery provisions should be interpreted largely and generously in order not to defeat the main object of liability laid down by the statute was referred to.*** *The following observations of the Privy Council in CIT v. Mahaliram Ramjidas were also relied upon:*

> *"The section,* ***although it is part of a taxing Act, imposes no charge on the subject, and deals merely with the machinery of assessment. In interpreting provisions of this kind the rule is that that construction should be preferred which makes the machinery workable****…."*

*10. Though the above decisions arose under a different enactment and on different statutory language, they dealt with somewhat analogous situations and furnish useful guidance here. They do lend support to the assessee's contention. It does seem that the condition in Section 15 referring to a return has a substantive as well as procedural content and* ***it may not be inappropriate to construe the latter somewhat liberally and***



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

> ***generously so long as the principal object of the provision is not frustrated.***
>
> *[**Emphasis Supplied**]*

55. In our opinion, the aforesaid principle would squarely apply to interpreting the provisions of the Master Circular. Since the objective of the Master Circular is to provide competitively-priced short-term working capital to Indian exporters, and enjoins a maximum tenure of credit (360 days, extended to 450 days), Paragraph 1.1.2(ii) stipulating submission of export documents within 360 days is a machinery provision to make the larger objective work. The larger essence is that exports must be financed and be completed within the stipulated time. When export documents in fact prove the same, and only have submitted a few days after the said period, such machinery provisions must be purposively construed, and a literal construction in a manner that erodes the very purpose of the statutory instrument should always be avoided.

56. In the result, we hold that the advances that financed the exports forming part of the First Lot clearly constitute "export credit" and are fully eligible for the subvention under the Subvention Scheme.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

Any subsequent period of the credit before its redemption i.e. the period of delay in submission of the export documents after the expiry of the maximum period of export credit, would be the period for which the Borrower enjoyed subvention despite the expiry of the maximum permissible period under the Master Circular. The Subvention Scheme is very clear that the subvention would be available only until the date on which the export credit becomes overdue. Reversal of any subvention for such period of delay would be a natural requirement, and we hold that HDFC Bank's first reaction on October 4, 2021 i.e. of reversing the subvention only for such delayed period was the correct approach that would get support under the Master Circular. HDFC Bank must compute the precise period of delay under each of the underlying exports and charge and effect the reversal of the subvention only for such period of delay insofar as export credit that financed the First Lot is concerned.

***Second Lot:***

57. We also hold that the application of the domestic lending rate along with penal interest can only come into effect, if exports do not materialise at all within 450 days. Mr. Sridharan would submit that the phrase "not materialized at all" should mean that so long as exports



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

indeed materialise, whenever they do, the special rates applicable to export credit, further reduced by the subvention must flow to the Borrower for the first 450 days. We are unable to agree for the very same reason that we hold in favour of the Borrower in relation to the First Lot. We have already explained above that the term "at all" has to necessarily bear reference to the maximum period of export credit under the Master Circular. Any other reading would entail waiting, arguably for eternity, to see if the exports actually materialise. Such a reading too would make a mockery of the finely-balanced regulatory framework implemented in the Master Circular.

58. In this context, we are in total agreement with Mr. Shenoy's submission that money being fungible, a wait for exports to materialise until eternity would lead to abuse of the Master Circular. In our opinion, such a reading would lead to the Master Circular enabling long-term debt capital to exporters at special rates coupled with subvention, which is not at all the policy objective evident from the two instruments in question. Such an interpretation too would undermine the objective of the Master Circular and further the mischief sought to be curtailed, instead of furthering the objective and suppressing the mischief.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

59. It is common ground that the exports under the Second Lot had not materialized within the maximum period stipulated under the Master Circular. In fact, the Borrower wrote to HDFC Bank on February 14, 2022 stating that the Borrower was unable to export for reasons outside its control and consequently wanted to close the outstanding loans by making payment in Rupees. On February 24, 2022, the Borrower actually listed the fixed deposits that constituted cash collateral to be liquidated and marked off against the export credit. This action is adequate to deal with the Second Lot – if the export credit itself had been foreclosed, it evidences that even within the stipulated period, the Borrower had no hope of exports materialising.

60. It is another matter that the Borrower hedged its stance by stating that it would eventually provide export documents as and when they materialise, and that the subvention ought to be kept available to the Borrower. That would not further the case of the Borrower since even such a request is untenable for the reason that although the 450-day period had not expired in relation to any of the export orders in the Second Lot when the export credit was foreclosed, even thereafter, the exports did not materialise at all within the 450-day period. With no subsisting credit continuing after February 24, 2022, and no export



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

having materialised within the 450-day period, there is no occasion to monitor and keep examining if the exports actually materialised at an even later date. We are conscious that these exports indeed materialised eventually. However, that is of no consequence for interpreting the Master Circular, which has picked a specific period (360 days, extended to 450 days) as the maximum period for which "export credit" assistance is to be provided. We have already explained above that if the exports are not effected within the stipulated period, there would be no question of the export credit and the subvention being available.

61. Here again, we must point out that the objective and spirit of the Master Circular provides adequate guidance to resolve the controversy. The Master Circular as interpreted in letter and spirit would leave no manner of doubt that if exports do not materialize at all (in our opinion, within the 450-day period), the credit extended to the exporters must be treated as not constituting export credit.

62. We note that HDFC Bank has stoutly defended and justified the charging of the same rate of interest as its sovereign commercial prerogative, taking into account the track record and creditworthiness



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

of the Borrower. In view of this stance taken by HDFC Bank and since HDFC Bank has not at all taken any step to charge a different rate, we refrain from commenting upon or adjudicating what the domestic lending rate ought to be. Such an issue is not the subject matter of this Petition. All that HDFC Bank has done is to reverse the subvention in connection with the export credit underlying the Second Lot. Such reversal was wholly justified since the exports did not materialize at all within 450 days of disbursing the credit. In any case, the Borrower itself effected a foreclosure of the export credit when it realized that it would not be able to demonstrate that the exports materialised, and such foreclosure in respect of the entire export credit was effected before the expiry of the maximum permissible period.

63. Consequently, the special rate applicable to export credit, and the benefits flowing from the Subvention Scheme would not be available to the Borrower in relation to the Second Lot. In any case, HDFC Bank had cash collateral in the form of the fixed deposits for the entire amount, and on the instructions of the Borrower, the cash collateral was to be liquidated and the loan was to be closed out. Any effect of the subvention becoming inapplicable would indeed need to be charged to the Borrower. It was the subvention reversal on the First Lot that led to a mismatch of figures between the two parties. Consequently, we are of



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

the opinion that just as the subvention ought to be made available to the Borrower in relation to the First Lot, HDFC Bank was justified in reversing the subvention amount applicable to the exports underlying the Second Lot. We are unable to agree with Mr. Sridharan, who moulded his argument to submit that as and when the export eventually took place, at least the subvention for the first 450 days ought to be available.

***Principle for Drawing a Line:***

64. Before parting with the matter, we must mention that in the course of the hearing, we had requested the counsel for the parties to address us on where one should draw the line on the period of delay – both in terms of delay in submitting the export documents and in terms of delay in effecting the exports. To deal with the issue, Mr. Sridharan would draw reference to a judgment of the Supreme Court in *Collector of Central Excise, New Delhi Vs. Ballarpur Industries Ltd.*[13] to state that it is neither necessary nor wise to enunciate principles of any general validity that should cover all cases. According to him, the Court must examine the facts of each case before it and rather than drawing a line of demarcation, the Court should decide which side of a border-line, the

[13] *(1989) 4 SCC 566*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

case before the court would fall in. The following extracts in the judgment are noteworthy :

> *19. We are afraid, **in the infinite variety of ways in which these problems present themselves it is neither necessary nor wise to enunciate principles of any general validity intended to cover all cases.** The matter must rest upon the facts of each case. **Though in many cases it might be difficult to draw a line of demarcation, it is easy to discern on which side of the borderline a particular case falls**.*
>
> *20. Shri Ganguly's insistence, however, serves to recall the pertinent observations of an eminent author on the point. It was said :*
>
> > *"**A common form of argument used by counsel in legal cases is to suggest that if the court decides in favour of the opposing counsel's arguments, it will become necessary to draw lines which may be very difficult or impossible to draw.** "Where will you draw the line?" is, of course, a question which must be faced by a legislator who is actually proposing to lay down lines for all future cases, but it is not a question which needs in general to be faced by common law courts who proceed in slow stages, moving from case to case..."*
>
> ***The learned Author recalls Lord Lindley's "robust answer" to the question — Where will you draw the line?***
>
> > *"**Nothing is more common in life than to be unable to draw the line between two things. Who can draw the line between plants and animals? And yet, who has any difficulty in saying that an oak-tree is a plant and not an animal?**"*
>
> *Again, Lord Coleridge in Mayor of Southport v. Morriss said:*
>
> > *"The Attorney General has asked where we are to draw the line. The answer is that it is not necessary to draw it at*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

*any precise point. **<u>It is enough for us to say that the present case is on the right side of any reasonable line that could be drawn.</u>**"*

*[**<u>Emphasis Supplied</u>**]*

65. The principles enunciated above are emphatic. In their application to the matter at hand, we find that they are useful to affirm our analysis. The Master Circular itself draws a line for the maximum tenure of the export credit (360 days, extended to 450 days). The controversy is only about whether the export documents should be submitted within 450 days and whether the exports should materialize within 450 days.

66. We have articulated above that in our view, considering the objective of the Master Circular, the core requirement is for exports to have materialised within 450 days and the export documents evidencing the same ought to be submitted. If the export documents, even if submitted later, demonstrate that the exports indeed took place within 450 days, the fact that they were filed a few days late would not be fatal. One would be compelled to hold that the First Lot reasonably falls on the right side of the line. However, where not only have the exports not taken place at all within 450 days, but also the exporter himself has



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

foreclosed the export credit within the 450-day period stating that it is unlikely to be completed within the period, we have no hesitation in holding that Second Lot does not reasonably fall on the right side of the line.

***Other Case Law Cited:***

67. Mr. Doctor would rely on a Five-Judge Bench judgment of the Supreme Court in ***Commissioner of Customs (Import), Mumbai v. Dilip Kumar and Company and Others***[14] (***Dilip Kumar***) to submit that if there is an ambiguity in a tax exemption provision then the interpretation must lie in favour of the Revenue, which is the direct opposite of the rule of interpretation for charging provisions, where ambiguity in the provision must be interpreted in favour of the Assessee. However, the Supreme Court has hastened to explicitly clarify, in ***Dilip Kumar***, that even when interpreting exemption provisions, the Court has to distinguish between conditions that require strict compliance to avail of the exemption, and those that require substantial compliance to avail of the said exemption. The Supreme Court was clear that it did not intend to lay down any absolute proposition of law obviating the need to look to the substance of the provision to discern

[14] *(2018) 9 SCC 1*



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

whether it warranted substantial compliance or strict compliance. In the Court's words:-

> *"64. In Hari Chand case [CCE v.Hari Chand Shri Gopal, (2011) 1 SCC 236], as already discussed, the question was whether a person claiming exemption is required to comply with the procedure strictly to avail the benefit. The question posed and decided was indeed different. The said decision, which we have already discussed supra, however, indicates that while construing an exemption notification, the Court has to distinguish the conditions which require strict compliance, the non-compliance of which would render the assessee ineligible to claim exemption and those which require substantial compliance to be entitled for exemption. We are pointing out this aspect to dispel any doubt about the legal position as explored in this decision.*
>
> *65. As already concluded in paras 53 to 55 and 63, above, we may reiterate that we are only concerned in this case with a situation where there is ambiguity in an exemption notification or exemption clause, in which event the benefit of such ambiguity cannot be extended to the subject/assessee by applying the principle that an obscure and/or ambiguity or doubtful fiscal statute must receive a construction favouring the assessee. Both the situations are different and while considering an exemption notification, the distinction cannot be ignored."*
>
> *[Emphasis Supplied]*

68. That apart, while there can be no scope for ambiguity on the declaration of the law by a Five-Judge Bench in ***Dilip Kumar***, it ought to be noted that it is a judgement on interpretation of a fiscal statute. The Master Circular, far from being tax statute, is in fact an instrument of banking regulation aimed at providing the benefit of competitive short-



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

term working capital towards the welfare of exporters. The principles of interpretation of a fiscal statute are of no assistance to the interpretation of economic policy legislation or welfare legislation. We do note that Mr. Doctor's reliance on a judgement dealing with a tax statute is driven by the fact that the Subvention Scheme partakes the characters of a subsidy, which is typically seen as a fiscal measure. However, what falls for interpretation in the instant case is not the Subvention Scheme so much as the interpretation of the Master Circular. By interpreting the Master Circular in the manner it has, HDFC Bank has sought to hold that the credit advanced to the Borrower got disqualified from being "export credit". Based on such disqualification, HDFC Bank would extrapolate such interpretation into determining the implications under the Subvention Scheme, to reverse the subvention provided. However, there is no ambiguity that emerges from the Subvention Scheme that requires adjudication in this Petition. What falls for interpretation is the Master Circular, which its own authors have mandated must be interpreted and implemented in letter and spirit.

69. If anything, Clause 2(A)(iii) of the RBI Circular on Subvention makes it clear that the subvention benefit would only be available from the date of disbursement until the date of repayment, or



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

the date beyond which the export credit become overdue. The necessary implication of the aforesaid provision in the RBI Circular on Subvention is that the benefit under the Subvention Scheme would be available for the life of the export credit. The maximum life of export credit is stipulated in the Master Circular. Consequently, it is upon the export credit becoming overdue that the subvention would become unavailable. Therefore, in our opinion, even if we were to treat the Subvention Scheme as an instrument of fiscal law, ***Dilip Kumar*** does not undermine our opinion expressed in this judgement. ***Dilip Kumar*** requires us to necessarily distinguish conditions that require strict compliance, and conditions of which substantial compliance would suffice. We have done so and held that exports materialising within 450 days requires strict compliance unless other forms of liquidating export credit are adopted (such as discounting of the export bills to convert into post-shipment credit). We have also held the submission of export documents in 450 days requires substantial compliance – the submission is meant to demonstrate the substance that exports materialising has been strictly complied with.

70. Mr. Doctor would also rely on the decision of the Supreme Court in ***Government of Kerala and Another v. Mother Superior***



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

***Adoration Convent***[15], where ***Dilip Kumar*** was cited and relied on. In this judgement, the Supreme Court indeed held that ***Dilip Kumar*** did not result in a literal formalistic interpretation being applied, without regard to the facts of the case. The following extracts are noteworthy:-

> ***25.*** *A recent five-Judge Bench judgment was cited by Shri Gupta in Commr. of Customs v. Dilip Kumar & Co.. The five-Judge Bench was set up as a three-Judge Bench in Sun Export Corpn. v. Collector of Customs was doubted, as the said judgment ruled that an ambiguity in a tax exemption provision must be interpreted so as to favour the assessee claiming the benefit of such exemption. This Court after dealing with a number of judgments relating to exemption provisions in tax statutes, ultimately concluded as follows : (Dilip Kumar & Co. case, SCC p. 37, para 66)*
>
> *"66. To sum up, we answer the reference holding as under:*
>
> *66.1. Exemption notification should be interpreted strictly; the burden of proving applicability would be on the assessee to show that his case comes within the parameters of the exemption clause or exemption notification.*
>
> *66.2. When there is ambiguity in exemption notification which is subject to strict interpretation, the benefit of such ambiguity cannot be claimed by the subject/assessee and it must be interpreted in favour of the Revenue.*
>
> *66.3. The ratio in Sun Export case is not correct and all the decisions which took similar view as in Sun Export case stand overruled."*
>
> ***26.*** *It may be noticed that* ***the five-Judge Bench judgment did not refer to the line of authority which made a distinction between exemption provisions generally and exemption provisions which have a beneficial purpose.*** *We cannot agree with Shri Gupta's contention that sub silentio the line of judgments qua beneficial exemptions has been done away with by this five-Judge Bench.* ***It is well settled that a decision is only an authority for what it decides and not what may***

[15] *(2021) 5 SCC 602*



*Shraddha/Ashwini*

::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

> ***logically follow from it*** *(see Quinn v. Leathem as followed in State of Orissa v. Sudhansu Sekhar Misra, SCR at pp. 162-63 : AIR at pp. 651-52, para 13).*
>
> *27. This being the case,* ***it is obvious that the beneficial purpose of the exemption contained in Section 3(1)(b) must be given full effect to, the line of authority being applicable to the facts of these cases being the line of authority which deals with beneficial exemptions as opposed to exemptions generally in tax statutes.*** *This being the case,* ***a literal formalistic interpretation of the statute at hand is to be eschewed. We must first ask ourselves what is the object sought to be achieved by the provision, and construe the statute in accord with such object.*** *And on the assumption that* ***if any ambiguity arises in such construction, such ambiguity must be in favour of that which is exempted****. Consequently, for the reasons given by us, we agree with the conclusions reached by the impugned judgments of the Division Bench and the Full Bench.*
>
> *[**Emphasis Supplied**]*

71. Mr. Shenoy too cited a number of judgements, but again, all of them deal with interpretation of fiscal statutes. To avoid prolixity, for the very reasons articulated above, we are not burdening this judgement any further with a judgement-wise differentiation of each of such judgements on fiscal statutes. Suffice it to say, in our opinion, neither is the Master Circular a fiscal statute making the application of the principles of interpreting fiscal statutes relevant, nor do any of these judgements turn the needle on the true import of the Master Circular, which we have articulated above.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

***Summary of Conclusions and Directions:***

72. In the result, the Writ Petition is disposed of with the following conclusions and directions:

a) The Master Circular is required to be read purposively, and is to be implemented in letter and spirit, in a manner that does not undermine its very objective and reason for introduction. It must not be read in a narrow, technical and literal sense and that too with one of its many provisions being read in a manner that undermines its objective;

b) The maximum tenure of pre-shipment credit under the Master Circular is 360 days (extended to 450 days during the Covid-19 pandemic) and exports have to materialise within such period;

c) If exports materialise within such period and export documents demonstrate that the exports have materialised, the credit advanced to the exporter would indeed not be disqualified for being treated as “export credit”, merely on the ground that the export documents that prove the timely materialisation of exports were submitted late;

d) The period of delay in submission of export documents would not be fatal to the treatment of the advances as “export credit” – what is vital is that the export documents ought to prove that exports took place within the stipulated period;



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

e) The credit enjoyed after the maximum permissible period of export credit i.e. during the period of the delay in submitting the export documents, would attract interest at the normal interest rate along with penal interest in terms of the bank's policy (published pursuant to the Master Circular);

f) If exports did not materialise within the stipulated period (360 days, extended to 450 days), for purposes of the Master Circular, it would be treated as exports not materialising at all. In such event, the very purpose of providing short-term working capital to finance successful exports would be undermined if the credit extended were to be treated as export credit despite exports not having materialised. Therefore, the credit advanced ought not to be treated as "export credit". In our opinion, any other reading of the position would enable contrivances and devices that convert the short-term working capital available under the Master Circular into a long-term or even perpetual supply of cheap credit, abusing the Master Circular;

g) Consequently, subvention would be available to the Borrower in respect of the finance provided in relation to the First Lot;

h) Subvention would not be available to the Borrower in respect of the finance provided in relation to the Second Lot;

i) HDFC Bank shall rectify the reversal of the subvention pertaining to the First Lot within a period of four weeks from



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

the date this judgement is uploaded on this Court's official website;

j) Consequently, the RBI and the Ministry of Commerce and Industry shall reimburse HDFC Bank with the funds that correspond to the subvention reversal in relation to the First Lot having been corrected as above;

k) HDFC Bank shall within a period of four weeks from today, provide to the Borrower, a detailed statement of account and the computation of the manner in which it has worked out the dues owed and owing between them, in accordance with the declaration of the law in this judgement;

l) There shall be no change to the reversal of subvention in relation to the advances made in connection with the Second Lot.

73. Rule is made absolute in the aforesaid terms and the Writ Petition is also disposed of in terms thereof. However there shall be no order as to costs.

74. In view of the disposal of the Writ Petition, nothing would survive in any interim applications connected to this Writ Petition and the same shall also be treated as finally disposed of.



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::

75. This order will be digitally signed by the Private Secretary/ Personal Assistant of this Court. All concerned will act on production by fax or email of a digitally signed copy of this order.

**[SOMASEKHAR SUNDARESAN, J.]** **[B.P. COLABAWALLA]**

76. After the judgment was pronounced, the Learned Advocates appearing on behalf of the Reserve Bank of India as well as Union of India, both requested for a stay of the operation of this judgment. Considering that we have directed HDFC Bank to rectify the reversal of the subvention within a period of four weeks from the date of this judgment being uploaded on this Court's official website, any party aggrieved by this order has sufficient time to challenge the same. Hence, there is no question of granting any stay to the operation of judgment and order passed today.

**[SOMASEKHAR SUNDARESAN, J.]** **[B.P. COLABAWALLA]**



::: Uploaded on - 03/01/2025 ::: Downloaded on - 06/02/2025 12:03:16 :::