

India is looking to revive a rupee trade mechanism to settle part of its oil payments to Iran, fearing foreign channels to pay [Tehran](#) might choke under pressure from US sanctions, two government sources said.

During a previous round of sanctions, India devised a barter-like scheme acceptable to Washington to allow it to make some oil payments to [Tehran](#) in rupees through a small state bank. Iran used the funds to import goods from India.

"We are looking at reviving rupee mechanism ... we have to prepare ourselves," one of the sources told Reuters, adding that the current payment mechanism might not work from November.

A commerce ministry official said India's central bank had yet to decide on moving back to the rupee payment mechanism.

In May, [US President Donald Trump](#) withdrew from a 2015 nuclear accord with Iran and ordered the reimposition of [US sanctions](#).

Some [US sanctions](#) take effect from Aug. 6 while those, notably affecting the oil sector, will be effective from Nov. 4.

Refiners in India currently use State Bank of India and Germany-based Europaeisch-Iranische Handelsbank AG (EIH) to buy Iranian oil in euros, according to IOC and other companies.

SBI, India's top banker, has written to the Indian refiners and the government to say it would not be able to handle oil payments to Iran from Nov 4, an official at SBI said.

India refiners receive a 60-day credit period for payments to Iran, suggesting [oil imports](#) from Iran could be hit from August.

The Indian government has not asked its refiners to cut Iranian oil imports, but some firms have started reducing purchases from [Tehran](#).

"So far we don't know what we are expected to do. We have not asked refiners to cut imports," the source said, adding an official meeting between India and the United States to discuss Iran sanctions had not yet taken place.

An Indian delegation visited officials and bankers in France, Germany, Britain and Brussels, the base for the European Union, to find alternative payment routes, the source said, adding it had found it would be "almost impossible to use European banks for payment to Iran."

Restarting the rupee payment mechanism would help fix a trade balance tilted in favour of Iran.

India's trade deficit with Iran narrowed from \$11.4 billion in the financial year 2011/12 to about \$3.6 billion in 2015/16, when the previous rupee payment mechanism was in place. Since then, it widened to about \$8.5 billion in 2017/18, commerce ministry figures show.