Fostering South-South Cooperation

In recent years, developing economies, or economies of the South as they are referred to, have emerged as drivers of global growth, reflecting higher growth in economic activity and trade, as compared to the advanced economies. The growing importance of the South in global trade can be gauged from the fact that the share of South in global merchandise exports has increased from 27 per cent in 2003 to around 36 per cent in 2009, while their corresponding share in global GDP also steadily increased from 20.4 per cent in 2003 to 34 per cent in 2010.

Underlying these welcome trends would also be the increasing resilience of developing countries, which can be assessed from the impact of recent global crisis where countries of the South have withstood the repercussions. While advanced economies' GDP registered a contraction of 3.4 per cent in 2009, real GDP growth of developing countries moderated to 2.7 per cent in 2009 from 6.1 per cent in 2008, and has been estimated to have rebounded to a robust 7.3 per cent in 2010, thereby providing a fillip to global GDP growth.

Reflecting the robust performance of developing countries in recent years, South-South cooperation has assumed increasing importance as a driver of global growth and is now widely recognised as a key mechanism for the development agenda of countries of the South. South-South cooperation offers viable opportunities for developing and transition economies in their individual and collective pursuit of sustained economic growth and sustainable development.

During the period 2003-2009, South-South exports have increased sharply from US$ 545 billion to US$ 1.57 trillion. Accordingly, intra-South exports, as a percent of global exports of developing countries, have risen from 27 per cent in 2003 to 36 per cent in 2009. In addition, the share of intra-South imports, in global imports of developing countries has also witnessed a rapid growth from 31 per cent in 2003 to 42 per cent in 2009, reflecting the increasing trends of import sourcing amongst countries of the South.

Thus, closer economic and trade linkages among the developing economies could prove to be a mutually rewarding association. Strong economic complementarity between the southern economies has essentially underpinned the rapid growth and intensity of bilateral trade.

Export-Import Bank of India, ever since its inception in 1982, has played a catalytic role in ensuring India's increasing integration with the global economy by promoting, financing and facilitating India's international trade and investment, with particular reference to the countries of the South and thereby contributing to South-South economic cooperation. The Asian Exim Banks Forum, which was set up in 1996 to facilitate and enhance regional trade, as also the Global Network of Exim Banks and Development Finance Institutions, which was set up in 2006, to foster enhanced South-South trade and investment cooperation, are some of the initiatives of the Bank in its endeavours in this direction.

The rising trend in South-South trade witnessed in recent years could be expected to strengthen in the coming years, as countries of the South strive to enhance their linkages with partner developing countries. Creating synergy in trade relations and cooperation between countries of the South is critical to reinforce growth momentum of these countries. The South's impressive growth would provide a new impetus to a sustained growth of the global economy, promising a win-win scenario, not only for the developing countries, but also for industrial economies, as the rapid increase in demand from the South creates trading opportunities for all.

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Board of Directors*

Shri T. C. A. Ranganathan
Chairman & Managing Director
Export-Import Bank of India

Dr. Rahul Khullar
Secretary
Department of Commerce
Ministry of Commerce & Industry

Shri Manbir Singh
Secretary (ER)
Ministry of External Affairs

Shri Rajinder Pal Singh
Secretary
Department of Industrial
Policy & Promotion
Ministry of Commerce & Industry

Dr. Kaushik Basu
Chief Economic Adviser
Ministry of Finance

Smt. Ravneet Kaur
Joint Secretary (IF)
Department of Financial Services
Ministry of Finance

Smt. Shyamala Gopinath
Deputy Governor
Reserve Bank of India

Shri R. M. Malla
Chairman & Managing Director
IDBI Bank Ltd.

Shri Pratip Chaudhuri
Chairman
State Bank of India

Shri M. D. Mallya
Chairman & Managing Director
Bank of Baroda

Shri Alok Kumar Misra
Chairman & Managing Director
Bank of India

* as on April 25, 2011

The Past Decade

(in ₹ mn)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Cumulative (2001-2011)	Growth (CAGR)
LOANS												
Approvals	42407	78283	92657	158535	204887	267622	328045	336285	388430	477984	2375134	31
Disbursements	34529	53203	69575	114352	150389	220760	271587	289327	332485	344233	1880440	29
Loan Assets [1]	68260	87736	107751	129104	175931	228862	287767	341564	390357	456558		24
GUARANTEES												
Approvals	5450	9328	10792	15887	43264	49978	21994	16184	13508	32165	218550	22
Issuance	4164	7275	5743	16602	21959	16972	20386	10315	3875	11535	118826	12
Guarantee Portfolio	11273	16133	15769	23727	34023	35360	34556	35401	22736	30557		12
RESOURCES												
Paid-up-Capital	6500	6500	6500	8500	9500	10000	11000	14000	17000	20000		
Reserves	12026	13171	14933	16625	17703	18741	21064	24681	28316	32302		
Notes, Bonds & Debentures	33158	64902	76701	98972	126727	154230	179273	215786	242894	272040		
Deposits [2]	3416	9121	20922	82	454	702	26741	28191	29383	32410		
Other Borrowings	16619	16467	21583	21064	32909	61684	111149	128046	132811	167468		
Total Resources	82734	123189	155192	156922	201401	262439	373006	442017	470715	547508		
PERFORMANCE												
Profit Before Tax (PBT)	2212	2686	3042	3144	3769	3909	5334	6101	7724	8677	46598	
Profit After Tax	1712	2066	2292	2579	2707	2994	3330	4774	5135	5836	33425	
Balance of Net Profits transferred/transferable to Central Government	420	450	470	654	868	956	1008	1157	1500	1850	9333	
Staff (Numbers) [3]	163	167	190	193	200	212	222	232	232	244		
RATIOS												
Capital to Risk Assets Ratio (%)	33.1	26.9	23.5	21.6	18.4	16.4	15.1	16.8	18.9	17.0		
PBT to Capital (%)	36.9	41.3	46.8	41.9	41.9	40.1	50.8	48.8	49.8	46.9		
PBT to Net Worth (%)	12.8	14.1	14.2	13.5	14.4	14.0	17.5	17.2	18.4	17.8		
PBT to Assets (%)	2.8	2.6	2.2	2.0	2.1	1.7	1.7	1.5	1.7	1.7		
PBT per Employee (Rs. mn)	14.0	16.3	17.0	16.4	19.2	19.0	24.6	26.9	33.3	36.5		

1 Loan Assets are net of provisions for NPAs effective 2004-05

2 Deposits are net of Reciprocal deposits placed / Investments made with counter-parties for the years FY 2004-05 to FY 2006-07

3 Denotes number of employees in the service of Exim Bank

Note: Data pertain to General Fund

Chairman's Statement

Reflecting strong fundamentals and resilience, the Indian economy posted robust growth rate of 8.5 per cent during 2010-11, after a growth of 8 per cent during the previous year, thereby emerging as one of the fastest growing economies among the developing economies. Strong performance of the agricultural sector, along with continued robust growth of the industrial and services sectors have underlined the overall performance of the Indian economy. On the external front, exports have registered a rebound with a sharp rise of 37.5 per cent during 2010-11, boosted by enhanced exports to developing economies in Africa, Latin America and Asian regions. As regards imports, while rise in international oil prices has partly resulted in increase in oil imports, non-oil imports have also witnessed a rebound during the year, leading to a 22 per cent rise in overall imports during the year. In the medium term, India's exports are slated to touch US$ 500 billion by 2013-2014. Reflecting the increasing globalisation of Indian companies, India's overseas investments have exhibited continued growth during the year.

As India's premier export finance institution, and in line with Government of India's foreign trade policy, Exim Bank proactively endeavours to facilitate and catalyse the internationalisation efforts of Indian companies, and also strives to enhance the global competitive edge of such companies through a comprehensive range of financing, advisory and support programmes. Exim Bank also endeavours to help in creating export capability in micro, small and medium enterprises (MSMEs), and also in grassroots enterprises and agro-industries.

BUSINESS INITIATIVES

With the Bank playing a pivotal role in supporting project exports from India, I am happy to highlight that the Bank supported 58 project export contracts secured by 28 companies in 32 countries, reflecting the capabilities of Indian corporates to secure and execute diverse range of projects. During the year, the Bank also extended Buyer's Credit facility to 29 overseas companies to facilitate exports from India. To boost project exports from India, the Bank, in conjunction with the Export Credit Guarantee Corporation of India Ltd., introduced a new product, Buyer's Credit under Government of India's National Export Insurance Account.

The Bank lays special emphasis on extending Lines of Credit (LOCs) as an effective market entry mechanism and market diversification. During the year, 22 LOCs aggregating US$ 2.38 billion were extended by the Bank to support export of projects, goods and services from India. As on March 31, 2011, the Bank has in place 138 LOCs covering 72 countries in Africa, Asia, CIS, Europe and Latin America with credit commitments aggregating US$ 6.66 billion.

With Indian companies having established themselves as global investors, the Bank has endeavoured to provide impetus to such outward oriented corporates. Towards this end, the Bank assisted 64 corporates for part financing their overseas investments in 28 countries. Moreover, besides a rising trend in technology oriented exports, Indian companies are also increasingly engaging in exports from the agriculture sector, including plantation sector, which has gained significance on account of its contribution to the foreign exchange earnings, large scale employment, and regional development. In its endeavour to support the plantation sector, the Bank has also come out with a research study on the export potential of the Indian Plantation sector.

Large emerging economies, including India are spending more on R&D than before. The trends in India's technology intensive exports reflect increased investment in R&D, not only by Indian companies but also by a growing number of foreign companies who are establishing R&D centres in India. Higher expenditure on R&D generally correlates with increase in high-tech exports, which are products with high R&D intensity. The share of high technology exports of India has increased, though marginally, from 5 per cent in 2004 to 7 per cent in 2008, with the value of high-tech exports trebling from US$ 4 billion to US$ 12 billion during the same period. It is essential to continue to foster and support innovation in R&D so that Indian companies could tap the huge potential in the global high-tech market. It is, thus, also imperative that private sector, and especially EOUs, be encouraged to take up R&D related activities on a much larger scale, which would in turn also significantly contribute to increasing high-tech exports from the country.

To promote research and development (R&D) activities of export-oriented companies, the Bank introduced a new lending programme to finance R&D activities of such companies. The R&D finance would be in the form of term loan or a hybrid facility to the extent of 80 per cent of the R&D cost, and research foundations, institutions and special purpose vehicles promoted by companies would be eligible for borrowing. The Bank also has in place a framework agreement with European Investment Bank for a long-term loan of Euro 150 million to part-finance import of equipments in investment projects that contribute to climate change mitigation or support direct investment or trade through FDI, transfer of technology or know-how from Europe to India. This facility is used to on-lend for import of equipment for projects including renewable energy projects, energy efficiency enhancement, as well as projects that would reduce greenhouse gas emission, promote clean environment and afforestation.

During the year, the Bank raised medium/long-term foreign currency resources aggregating to US$ 1.38 billion and short term foreign currency resources of US$ 1.19 billion from the offshore market through a variety of instruments, different investor base and across various geographies.

We have also endeavoured to support globalization of rural industries through our Grassroots Business Initiatives. I believe that high quality technology intervention, modernisation of design and innovation in product and process, would go a long way in creating value for the traditional Indian handicraft industry, which despite its better quality lags behind its peers due to limited technological innovation.

To promote capacity development initiatives for SMEs in Commonwealth member states, we partnered the Commonwealth Secretariat in the 11th edition of Commonwealth-India Small Business Competitiveness Development Programme in Chandigarh under the theme 'Enterprise Development: The Value of Finance and Young Entrepreneurs'.

Research studies brought out by the Bank have focused on India's trade and investment potential with Common Market for Eastern and Southern Africa, Caribbean Community, and West African region, while the sector studies have focused on mapping the potential of Indian Shipping Industry, New Renewable Energy in India, and Indian Electronics Industry. Another study has focused on the theme of Innovation, Imitation and North South Trade: Economic Theory and Policy.

Our Eximuis Centre for Learning conducted 30 programmes on a wide range of topics during the year to keep the Indian industry abreast of developments in the global markets. Besides country/ region specific seminars like 'Focus Africa' and 'Roundtable of Pharma Industry - Opportunities in England's East Midlands' Region', held at Bangalore, Delhi and Hyderabad, seminars were also conducted on Export Procedures and Documentation at Agartala and Shillong; Cluster Formation and Financing at Kanpur; and a series of programmes on Institutional Initiatives for supporting Indian exports and SMEs at Gurgaon, Raipur and Indore.

The 16th Annual Meeting of the Asian Exim Banks Forum was held in Busan, South Korea, in September 2010. The Forum had been conceived and initiated by Exim Bank of India in 1996. The theme for the 2010 Annual meeting was 'Post-crisis challenges of Asian Exim Banks: Facilitating sustainable and balanced growth'. The meeting provided a platform for member institutions to discuss issues and measures for enhancing trade and investment relations in the post-crisis period.

Towards fostering institutional linkages, the Bank entered into a Framework Agreement on Financial Cooperation with four major development banks of BRICS countries (Brazil, Russia, China and South Africa) at the recent BRICS Summit, held in Sanya, China, which is aimed at facilitating financial cooperation among the partner development banks of the BRICS countries, with a view to promoting trade and investment for economic development. The Bank also signed Memoranda of Cooperation with Republic

Bank of Uruguay, Export-Import Bank of South Korea, Korea Trade-Investment Promotion Agency, China Development Bank and SID Banca, Slovenia, to create enabling environment for supporting trade and investment relations.

Under our initiative for cluster development and financing, the Bank entered into cooperation agreements with IL&FS Cluster Development Initiative Ltd, and Ahmedabad-based Cluster Pulse, which envisage creation of a workable credit mechanism for cluster projects, conduct studies to explore business and export marketing plans, as also organising workshops and training programmes for knowledge transfer.

We opened our East Africa Representative Office in Addis Ababa, Ethiopia, which would be the Bank's seventh overseas regional office and the third in Africa. Further, our office in London has been upgraded to a wholesale branch which would extend ECBs to Indian companies to support India's external trade and investment and also raise foreign currency funds in international loan and bond markets.

BUSINESS RESULTS

Strong fundamentals of the Bank have been reflected in the Bank's business performance. Loan assets amounted to ₹ 460.41 billion, a rise of 17 per cent, while loan approvals aggregated ₹ 477.98 billion, an increase of 23 per cent. Profit before tax stood at ₹ 8.68 billion, up from ₹ 7.72 billion in the previous year, while profit after tax amounted to ₹ 5.84 billion, up from ₹ 5.13 billion in the previous year. Capital to Risk Assets Ratio stood at a healthy 17.04 per cent, while net NPAs to net loan asset ratio was at 0.20 per cent. Government of India continued its support with increase in paid-up capital of ₹ 3 billion, received during the year, which in turn has increased the Bank's paid-up capital to ₹ 20 billion.

As on March 31, 2011 the Bank was rated Baa3 (Stable) by Moody's; BBB-(Stable) by Standard & Poor's; BBB-(Stable) by Fitch Ratings; and BBB+(Stable) by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above, and are the same as the sovereign rating.

We would continue the growth momentum, capitalise on our strengths and proactively strive to enhance the global competitive edge of Indian corporates through our range of financing programmes and advisory and support services, in line with our role as the country's premier export finance institution.

INSTITUTIONAL INTERACTIONS

We value the relationships, both structured and informal, with agencies and institutions involved in promotion of trade and investment which have served to supplement the various endeavours of the Bank. CII, FICCI, ASSOCHAM, FIEO, EEPC, PHDCCI, Project Exports Promotion Council of India, Indo-EU Chambers of Commerce, other Export Promotion Councils, Chambers of Commerce and Economic Research Institutes have been a valuable source of learning and support for us. The Bank has also received strength and value from interaction with industry, banks, financial institutions, Export Credit Guarantee Corporation of India Ltd., Ministries of Government of India, particularly the parent Ministry of Finance, Reserve Bank of India, and Indian Missions overseas.

BOARD OF DIRECTORS

There have been changes on the Board of the Bank. Shri Manbir Singh, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Shri R. M. Malla, Chairman and Managing Director, IDBI Bank Ltd.; and Shri Pratip Chaudhuri, Chairman, State Bank of India were appointed as Directors on the Board.

Ms. Parbati Sen Vyas, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Shri Yogesh Agarwal, Chairman and Managing Director, IDBI Bank Ltd.; Shri A. V. Muralidharan, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd.; and Shri O. P. Bhatt, Chairman, State Bank of India, relinquished their directorships consequent upon completion of their term. The Bank gratefully acknowledges their invaluable contributions as Directors.

The staff of the Bank, which is the key resource, displayed high level of commitment and dedication to the pursuit of business growth and new initiatives and merits a special mention for carrying the Bank's mission forward. The Bank's participative and professional work culture has consistently remained a source of strength for the Bank.

Ranganathan

(T. C. A. Ranganathan)
April 25, 2011

Economic Environment

GLOBAL ECONOMY

The global economy recovered in 2010 after suffering a setback in the preceding year. According to the International Monetary Fund (IMF)'s World Economic Outlook (WEO), April 2011, global activity expanded by 5 per cent in 2010, as against the 0.5 per cent fall in 2009. The improved medium-term growth outlook in the emerging and developing economies, with real GDP growth of 7.3 per cent in 2010, is primarily responsible for this rise. Advanced economies grew by 3 per cent in 2010 against the 3.4 per cent contraction in 2009.

World output is expected to ease at 4.4 per cent in 2011, owing to the associated downside risks to recovery, and 4.5 per cent in 2012. Economic activity in emerging and developing economies is forecast to grow at 6.5 per cent in 2011 and 2012 each, while that in advanced economies is forecast at 2.4 per cent and 2.6 per cent, respectively.

Economic prospects are uneven across regions. Growth and recovery prospects in the advanced economies are subdued, while among the emerging and developing economies, those with strong fundamentals before the crisis, smaller output losses during the crisis, and diversified export partners, are expected to have a fast-paced growth and recovery. The financial sectors of most advanced economies will be vulnerable to shocks. Healthy recovery in the credit growth of these economies will be supported by reform and repair of the financial sector. Emerging economies would need to focus on domestic sources of growth along with greater exchange rate flexibility.

The US economy, with a growth rate of 2.8 per cent, has almost reached the pre-crisis level of output in 2010. Economic activity slowed down in the second quarter of 2010 but picked up in the third and fourth quarter owing to the strong private demand accompanied with a fast-paced rise in consumer spending. However, the overall recovery has been slow as the labour market continued to remain sluggish. The US economy is yet to get over the high levels of retrenchment in 2008 and 2009. The new fiscal stimulus package announced by the US government in December 2010 is expected to push

Exim Bank signed a Framework Agreement with development banks of other BRICS (Brazil, Russia, India, China and South Africa) countries. The agreement was signed in Sanya City, China, in the presence of Dr. Manmohan Singh, Prime Minister of India, Mr. Dmitry Medvedev, President of Russian Federation, Mr. Hu Jintao, President of China, Ms. Dilma Rousseff, President of Brazil, and Mr. Jacob Zuma, President of South Africa.

up the output by 2.8 per cent in 2011. The US economy is expected to grow by 2.9 per cent in 2012.

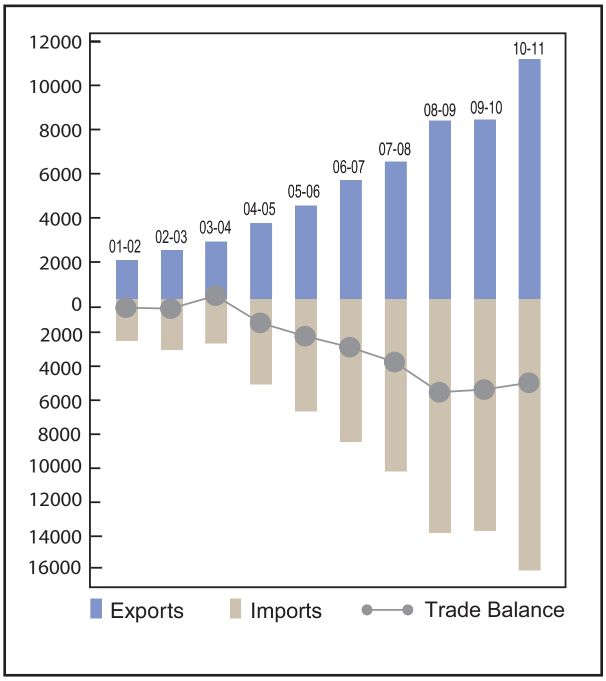
Real GDP growth in the Euro area was at moderate levels of 1.7 per cent in 2010, mainly driven by high growth levels in Germany. Stronger domestic demand pushed Germany's growth to 3.5 per cent in 2010, against the 4.7 per cent decline in 2009. However, growth was subdued in France and Italy at 1.5 per cent and 1.3 per cent, respectively in 2010. Growth in Greece, Ireland, Portugal, and Spain was much lower, constrained by fiscal imbalances. Growth for the region is forecast to ease at 1.6 per cent in 2011 and 1.8 per cent in 2012 due to the financial stresses that would raise concerns from market participants.

The Newly Industrialised Asian Economies grew by a robust 8.4 per cent in 2010, mainly driven by a rebounding inventory cycle, strong domestic activity, and soaring demand for exports from these economies. Property markets in the region are also experiencing a price rise, for which macroprudential policies have been adopted. These policy measures are likely to affect the economy in the following year, moderating the growth to 4.9 per cent in 2011 and 4.5 per cent in 2012.

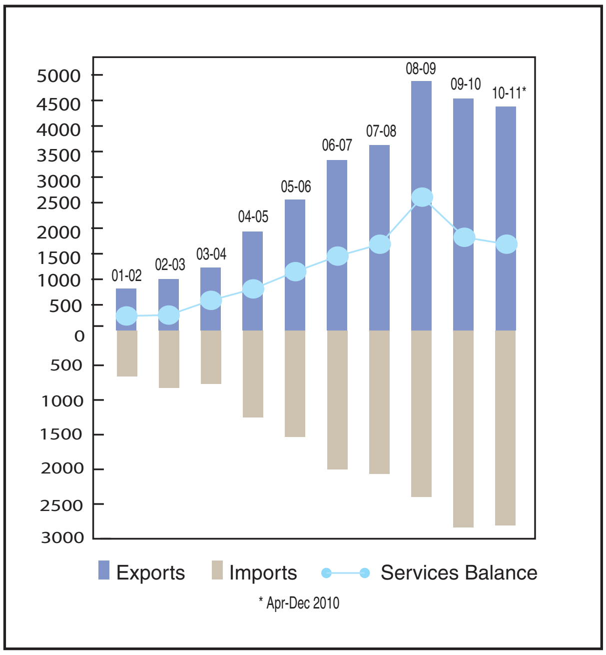
Japan's economy grew by 3.9 per cent in 2010, owing to the stimulus measures that strengthened consumption in the third quarter and the rebound in exports. Growth in Japan is expected to slow down at 1.4 per cent in 2011, mainly due to the tsunami tragedy that devastated the country. This growth is expected to be supported by reconstruction activity in the third and fourth quarters of 2011. Reconstruction spending is expected to continue in 2012, though at a slower rate than in 2011. The economy is forecast to gradually recover with a growth rate of 2.1 per cent in 2012.

Activities in emerging and developing Asian economies are highly dependent on demand from advanced economies. Developing Asia continues to grow most rapidly among other regions in the world. The real GDP grew at 9.5 per cent in 2010, and is projected to moderate at 8.4 per cent in 2011. Policy tightening in economies that face demand pressure,

Trends in India's Merchandise Trade
(₹ in billion)



Trends in India's Services Trade
(₹ in billion)



policy adjustments in advanced economies, high levels of inflation and restrictive monetary policies, are expected to lead to this moderation. China and

India are the main drivers for expansion in this region. China's real GDP grew by an impressive 10.3 per cent in 2010, the highest growth level achieved after 2007. Accommodative credit conditions and Government-backed stimulus packages boosted investments in the country, which in turn resulted in an increased activity in most sections of the economy. However, economic expansion in China is projected to moderate at 9.6 per cent in 2011, on account of the policy tightening and fiscal stimulus coming to an end. India, on the other hand, grew at 10.4 per cent in 2010, owing to its strong growth fundamentals of high savings and investment rates, fast-growing labour force, and rapidly expanding middle-income class. The Indian economy is forecast to grow by 8.2 per cent in 2011 supported by an increase in domestic demand.

Strong macroeconomic policy fundamentals, sizable policy support, favourable external financing conditions, and strong commodity revenues have strengthened recovery in the Latin American and Caribbean (LAC) region. The region's real GDP grew by 6.1 per cent in 2010, mainly driven by the robust demand from China and rising commodity prices. GDP growth of the region is projected to ease at 4.7 per cent in 2011, as Central American and the Mexican regions are highly subject to downside risks in the United States. Brazil, the largest economy in the region, expanded by 7.5 per cent in 2010 mainly due to expanding labour force, real wage growth,

Exim Bank extended a Line of Credit of US$ 25 million to Eastern and Southern African Trade and Development Bank (PTA BANK). Dr. Michael M. Gondwe, President PTA Bank, signed the agreement.

credit expansion, and growth in investments. Chile, Colombia and Peru, also experienced robust recovery on the back of improved macroeconomic policy framework, accommodative policies, easy external financing conditions and strong commodity prices. Mexico's real GDP expanded by 5.5 per cent and is expected to moderate at 4.6 per cent in 2011. Growth in the Central American region was also subdued in 2010, due to weak prospects for tourism and remittances, and limited scope for policy support, a result of chronic public debt burdens. The exception to recovery in the LAC region, recession in Venezuela continued in 2010, reflecting severe supply bottlenecks, challenges from capital flight, and generally weak policy frameworks.

Real GDP of the Sub-Saharan region expanded by 5 per cent in 2010, as against 2.8 per cent recorded in the preceding year. The main drivers of the region are the oil exporting countries and the Low Income Countries (LICs). Sound and improved economic fundamentals, and effective shift in the region's trading partners have supplemented most economies in the region during the crisis period. The South African economy grew at a modest rate of 2.8 per cent in 2010, and is projected to accelerate at 3.5 per cent in 2011, on the back of the anticipated favourable global environment. Strengthening of external demand and oil prices aided recovery in oil-exporting economies like Nigeria, Angola, Equatorial Guinea, Gabon and Chad in 2010. In 2011, the region offers promising growth prospects with the real GDP projected to grow at 5.5 per cent.

The rebound in oil prices boosted the economy of the Middle East and North African (MENA) region, with a real GDP growth of 3.8 per cent in 2010. The growth rates in the oil exporting nations was a result of the expansionary policies adopted by the Governments, while in the oil-importing economies, growth was supported by the strong capital inflows. The region's overall economy is projected to further expand by 4.1 per cent in 2011.

Recovery in Commonwealth of Independent States (CIS) was supported by high commodity prices, normalised trade and capital inflows, accommodative policies, and positive regional spillovers. Real GDP of the region increased by 4.6 per cent in 2010 and is further expected to accelerate by 5 per cent in 2011. The Russian economy grew by 4 per cent in 2010, underpinned by stockbuilding, and recoveries in private consumption and fixed investment. High commodity prices benefited the exports from the region, but at the same time, recovery in private consumption led to increased imports. The rest of the CIS region expanded by 6 per cent in 2010 and is forecast to moderate at 5.5 per cent in 2011.

Average growth in Central and Eastern Europe region strengthened in 2010, a result of normalisation of global trade and capital flows in the region. The region grew at an average of 4.2 per cent in 2010 and is expected to moderate at 3.7 per cent in 2011.

World Trade

According to IMF's *WEO, April 2011*, global exports of goods amounted to US$ 15 trillion in 2010, implying a rise of 21.4 per cent over the previous year's total of US$ 12.3 trillion. In volume terms, the growth in global trade of goods in 2010 increased by 13.6 per cent as compared to the 11.7 per cent contraction witnessed in 2009. While advanced economies registered a growth of 12 per cent in volume of export of goods in 2010, emerging and developing economies registered a growth of 14.5 per cent. The world trade prices of non-fuel primary commodities rose by 26.3 per cent in US dollar terms in 2010 as against the 15.8 per cent fall in 2009. Oil prices, which contracted by 36.3 per cent in 2009, also expanded by 27.9 per cent in the year. World trade price of manufactures increased by 3 per cent in 2010, as against the 6.3 per cent fall recorded in 2009. World export of services amounted to US$ 3.7 trillion in 2010, implying a 8.3 per cent rise over that recorded in 2009.

During 2011, world exports of goods are projected to grow by 18.2 per cent, taking annual global exports to US$ 17.7 trillion, supported by the positive growth in global commodity prices. Growth in service exports is also forecast to rise further from US$ 3.7 trillion in 2010 to US$ 4.2 trillion in 2011.

Rt. Hon. George Osborne, Chancellor for the Exchequer, UK, announced the authorisation to convert Exim Bank's London Representative Office to a Branch during his visit to Mumbai.

Private Capital Flows, Current Account Balances and External Debt of Emerging Economies

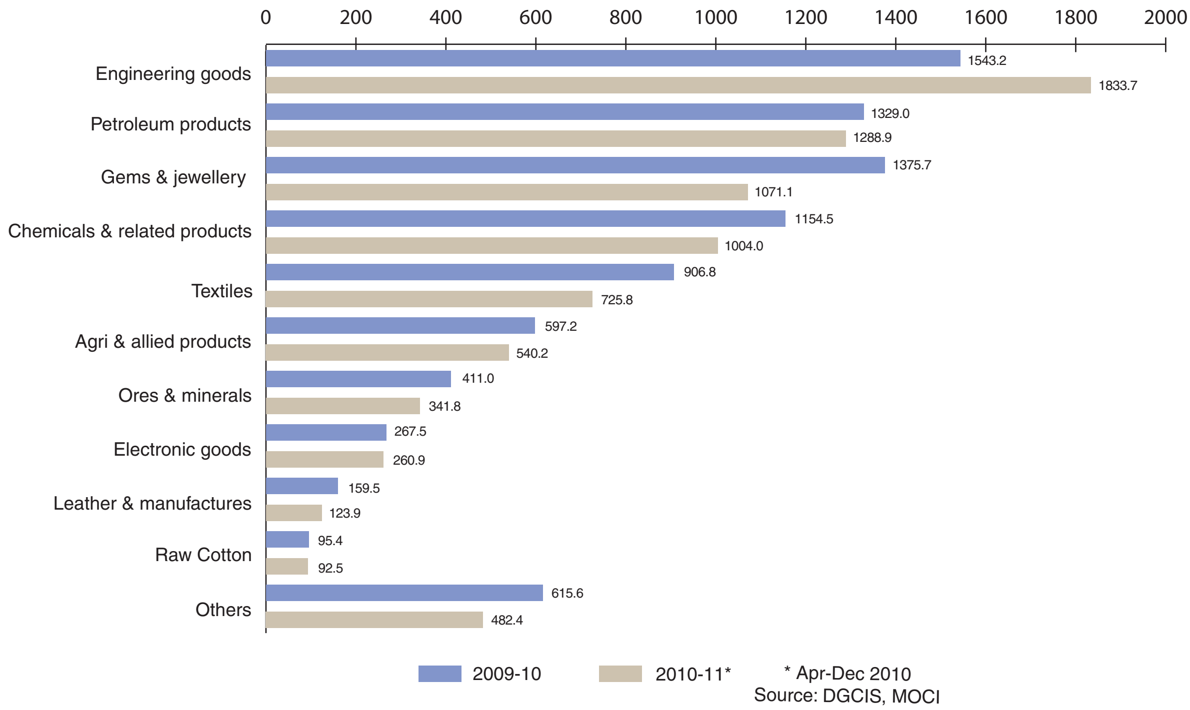
The recovery in net private capital inflows to emerging market economies surged since early 2009. Net private inflows were estimated to be at US$ 908 billion in 2010, as compared to US$ 602 billion in the preceding year.

The Emerging Asian region accounted for 49.2 per cent of the net private capital flows to the emerging economies with total inflows estimated at US$ 446.9 billion in 2010, an increase of 23.6 per cent over the previous year. Net private capital flows to Latin America also increased to an estimated US$ 220.2 billion in 2010 from US$ 144.2 billion in 2009. The share of emerging Europe in net private capital flows to the emerging economies increased from 8.8 per cent in 2009 to 17 per cent in 2010, with total inflows estimated at US$ 154.2 billion. Net private capital flows to Africa and Middle East also increased to US$ 87 billion in 2010 from US$ 43.6 billion in 2009.

Current account surplus of the emerging economies decreased to US$ 369 billion in 2010, from US$ 391 billion recorded in the previous year. In the emerging Asian region, the aggregate current account surplus reduced from US$ 366.8 billion in 2009 to US$ 338.8 billion in 2010, mainly reflecting a decline in China's current account surplus.

Composition of India's Merchandise Exports

(₹ in billion)



* Apr-Dec 2010

Source: DGCIS, MOCI

In emerging Latin America, current account deficit increased to US$ 46.2 billion in 2010 from the deficit of US$ 13.2 billion in the previous year. In emerging Europe, the current account surplus declined from US$ 23.6 billion in 2009 to US$ 14 billion in 2010. However, in the Africa and Middle East region, current account surplus rose from US$ 13.3 billion in 2009 to an estimated US$ 62.7 billion in 2010.

External debt of emerging and developing economies, as a proportion of their exports of goods and services, decreased to 77.9 per cent in 2010 from 90.3 per cent in 2009. Also in the case of Central and Eastern Europe and CIS region, this ratio decreased to 177.5 per cent as against 193.7 per cent in 2009, and 116.2 per cent from 139.5 per cent in 2009, respectively. The ratio has also decreased for Middle East Region to 62.1 per cent in 2010 from 76.1 per cent in 2009. The ratio in emerging Asian region fell to 46.4 per cent in 2010 from 52.6 per cent in 2009. In Sub-Saharan Africa and the Latin America and Caribbean region, the ratio has declined and stood at 65 per cent and 101.4 per cent, respectively, in 2010. Overall, the debt-service payments ratio of the emerging and developing economies dropped to 25.8 per cent in 2010 from 31.4 per cent in 2009.

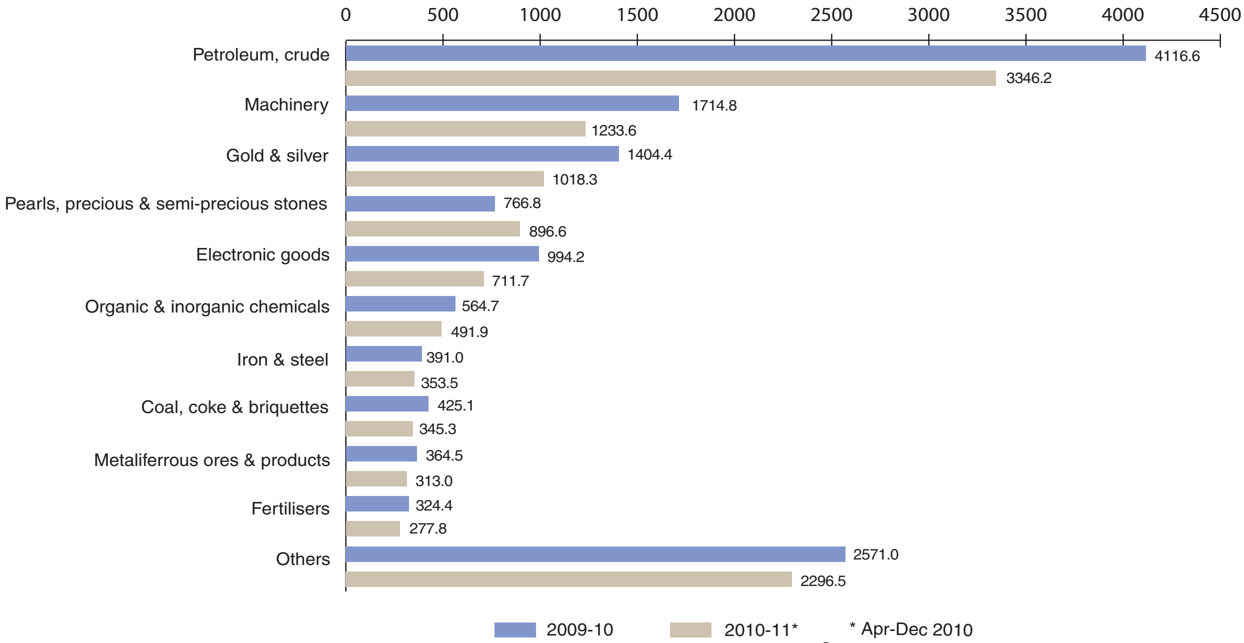
INDIAN ECONOMY

In spite of the slow down caused by global financial crisis of 2007-09, downside risks of global events particularly movement in the prices of commodities like crude oil, the Indian economy has emerged with remarkable rapidity and is poised to further improve and consolidate in terms of key macroeconomic indicators. GDP growth is estimated at 8.5 per cent during 2010-11, compared to the growth rate of 8 per cent in 2009-10. The growth in 2010-11 has mainly been due to a rebound in agriculture sector and continued momentum in manufacturing and services sectors.

Agriculture

The growth of agriculture and allied activities continues to be a critical factor in overall performance of Indian economy. Agriculture and allied activities is estimated to grow by 5.4 per cent in 2010-11, as

Composition of India's Merchandise Imports
(₹ in billion)



* Apr-Dec 2010
Source: DGCIS, MOCI

against 0.4 per cent registered in the previous year, mainly on account of anticipated growth of 6.5 per cent in production of food grains, 11.9 per cent growth in production of oilseeds, 41.2 per cent growth in cotton and 15.2 per cent growth in sugarcane, as compared to previous year. As per the first advance estimates (kharif only) for 2010-11, production of food grains is estimated at 114.6 million tonnes which is lower than the target of 125.2 million tonnes set for the year, but higher than the fourth advance estimates (kharif only) of 103.8 million tonnes for 2009-10. The shortfall in the estimated kharif food grain production compared to the target in 2010-11 is mainly due to drought conditions in the major rice producing areas in the country. The share of agriculture and allied sector in GDP in 2010-11 stood lower at 14.2 per cent, as compared to a share of 14.6 per cent in 2009-10.

Industry

According to the Central Statistical Organisation (CSO), the industrial sector, which had recorded a growth of 8 per cent in 2009-10, grew at a slightly higher rate of 8.1 per cent in 2010-11, as manufacturing sector is estimated to remain at about the same level as 2009-10 and a pick up in the construction sector is estimated to offset the deceleration in sub-sectors such as mining and quarrying, and electricity, gas and water supply. Growth of real GDP originating from construction sector increased from 7 per cent in 2009-10 to 8 per cent in 2010-11, while mining and quarrying, and electricity, gas and water supply sectors, recorded a contraction in growth rates from 6.9 per cent and 6.4 per cent, respectively, in 2009-10 to 6.2 per cent and 5.1 per cent, respectively, in 2010-11. Growth in manufacturing sub-sector remains unchanged at 8.8 per cent in 2010-11.

The Index of Industrial Production (IIP) during 2010-11 has grown at 7.8 per cent, as compared to 10.5 per cent recorded during 2009-10. The contraction in IIP was mainly due to deceleration in growth of mining, manufacturing and electricity sectors. As per the use-based classification, the growth of basic goods sector, decreased to 6.3 per cent during 2010-11, as compared to 7.2 per cent growth witnessed during the previous year. The capital goods sector has recorded a sharp moderation of 9.3 per cent during 2010-11, as compared to 20.9 per cent witnessed during

2009-10. Growth in intermediate goods sector also slowed down to 8.8 per cent during 2010-11, as compared to a growth of 13.6 per cent witnessed during 2009-10. On the other hand, consumer goods showed an increase in growth from 6.2 per cent during 2009-10 to 7.5 per cent during 2010-11, mainly due to higher growth in consumer non-durables. Growth in consumer durables segment slowed down from 24.6 per cent in 2009-10 to 20.9 per cent during 2010-11, while growth in consumer non-durables showed an increase from 0.4 per cent in 2009-10 to 2.2 per cent during 2010-11.

Of the seventeen industrial sub-groups in the manufacturing sector, during the year 2010-11, fifteen sub-sectors registered positive growth rates as compared to the previous year. These fifteen sub-sectors were jute and other vegetable fibre textiles (except cotton) (33.6 per cent), other manufacturing industries (24.8 per cent), transport equipment and parts (21.3 per cent), leather products (14.6 per cent), rubber, plastic, petroleum and coal products (12.3 per cent), food products (12.3 per cent), metal products and parts, except machinery and equipment (12.2 per cent), cotton textiles (10 per cent), basic metal and alloy industries (9 per cent), paper & paper products and printing, publishing & allied industries (8.2 per cent), machinery and equipment other than transport equipment (8.1 per cent), non-metallic mineral products (5.5 per cent), textile products (including wearing apparel) (3.7 per cent), basic chemicals & chemical products (except products of petroleum & coal) (2.3 per cent), and wool, silk and manmade fibre textiles (0.2 per cent). The two sub-sectors viz. wood and wood products, furniture and fixtures, and beverages, tobacco and related products recorded negative growth rates of 21.4 per cent and 1.9 per cent, respectively during the year.

Exim Bank has financed supply of tractors by Escorts Ltd. under its Line of Credit of US$ 40 million to the Government of Tanzania.

Services

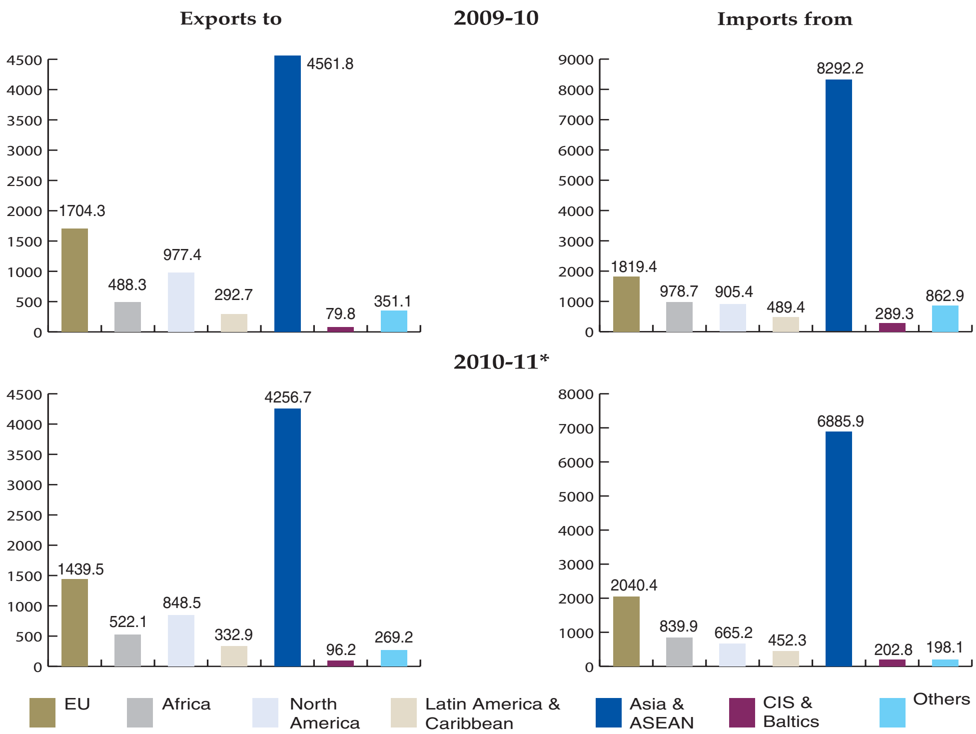
Services sector growth decelerated to 9.6 per cent in 2010-11 from 10.1 per cent in the previous year, mainly reflecting deceleration in the growth of community, social, and personal services from 11.8 per cent in 2009-10 to 5.7 per cent in 2010-11, which outweigh improvements in the growth of other sub-sectors viz. 'trade, hotels, transport and communication' and 'financing, insurance, real estate and business services'. Growth in GDP originating from 'trade, hotels, transport and communication' was estimated higher at 11 per cent during 2010-11 from 9.7 per cent growth recorded in 2009-10, while that of 'financing, insurance, real estate and business services' grew by 10.6 per cent during the period 2010-11, as compared to 9.2 per cent recorded in 2009-10. The share of services sector in GDP in 2010-11 stood marginally higher at 57.8 per cent, as compared to a share of 57.3 per cent in 2009-10.

Infrastructure

The six infrastructure and core industries, viz. crude petroleum, petroleum refinery products, coal, electricity, cement, and finished steel, registered an average higher growth rate of 5.9 per cent during 2010-11 as compared to 5.5 per cent during the previous year. Growth has been especially robust in the two sectors, namely, crude oil and finished steel production. Crude oil production grew by 11.9 per cent during 2010-11 compared to a growth of 0.5 per cent during 2009-10. Production of finished (carbon) steel registered a growth of 8.2 per cent during 2010-11 compared to an increase of 5.4 per cent during 2009-10. Petroleum refinery production registered a growth of 3 per cent during 2010-11 compared to a decline of 0.5 per cent during 2009-10. On the other hand, in 2010-11, coal production remained at the same level as in 2009-10. Cement production witnessed a slowdown in growth to 4.5 per cent in 2010-11 compared to 10.5 per cent during the previous year. Electricity

Direction of India's Merchandise Trade

(₹ in billion)



Source: DGCIS, MOCI

* Apr-Dec 2010

generation registered a decelerated growth of 5.6 per cent during 2010-11 compared to 6.2 per cent during 2009-10.

Inflation

The annual rate of inflation, based on monthly Wholesale Price Index, stood lower at 9.04 per cent for the month of March 2011 as compared to 10.23 per cent during the corresponding month of the previous year, mainly reflecting decline in the prices of food articles, especially of wheat, cereals, pulses, rice, edible oils and sugar as well as non-food articles such as cement, leather and leather products, wood and wood products, and minerals.

Capital Markets

India's foreign investment inflows during 2010-11 stood at US$ 58.5 billion, a decline from US$ 70.1 billion in 2009-10. Net portfolio investment in India in 2010-11 declined to US$ 31.5 billion from US$ 32.4 billion in 2009-10. This may be attributed to the decrease in the amount raised by Indian Corporates through Global Depository Receipts (GDRs) and American Depository Receipts (ADRs) from US$ 3.3 billion in 2009-10 to US$ 2 billion in 2010-11.

Foreign Trade and Balance of Payments

India's exports during 2010-11 amounted to US$ 245.9 billion, as compared to US$ 178.8 billion recorded during 2009-10. India's imports during 2010-11 amounted to US$ 350.7 billion, as compared to US$ 288.4 billion during 2009-10. Overall, trade deficit for 2010-11 amounted to US$ 104.8 billion, as compared to US$ 109.6 billion during 2009-10. In line with the rebound in global economic activity and trade, India's exports have registered positive growth rates throughout 2010-11. With regard to the commodity composition of India's main exports in 2010-11, all major commodity groups registered a robust growth. Among the main export commodities, engineering goods and petroleum products recorded sharp growth of 84.8 per cent and 50.6 per cent, respectively, partly reflecting the base effect. These were followed by cotton yarn fabrics (42.9 per cent), gems and jewellery (15.3 per cent) and drugs and pharmaceutical sectors (15.1 per cent). Agricultural exports and allied sectors including tea, coffee, tobacco, spices, cashew, oil meals, fruits and vegetables and marine products crossed US$ 12.9 billion in 2010-11. The non-oil exports witnessed an overall growth of 35.1 per cent brought about mainly by items such as transport equipments, manufacture of metals, basic chemicals, pharmaceuticals and cosmetics, and cotton yarn fabrics & made-ups. Oil imports during 2010-11 amounted to US$ 101.7 billion, which was 16.7 per cent higher than the oil imports of US$ 87.1 billion in the corresponding period of the previous year. Non-oil imports during 2010-11 stood at US$ 249 billion, which was 23.7 per cent higher than the level of such imports valued at US$ 201.2 billion in the previous year.

India's net invisibles surplus increased to US$ 63.2 billion during 2010-11 (April-December) as against US$ 61.2 billion during the corresponding period of 2009-10, mainly due to higher increase in invisible receipts relative to payments in absolute terms. The increase in invisibles receipts was mainly driven by services exports which recorded a growth of 41.2 per cent to US$ 95.9 billion during 2010-11 (April-December), as against US$ 67.9 billion during the corresponding period of 2009-10. Software exports increased by 18.1 per cent to US$ 41.8 billion during 2010-11 (April-December) as against US$ 35.4 billion recorded during 2009-10 (April-December).

India's services imports increased by 51.7 per cent in 2010-11 (April-December) to US$ 61.7 billion, as compared to US$ 40.7 billion during 2009-10 (April-December) driven by higher payments under travel, transportation, business and financial services. Overall services balance for 2010-11 (April-December) amounted to US$ 34.2 billion, as compared to US$ 27.2 billion during the same period in 2009-10. Net transfers during the same period amounted to US$ 39.6 billion. Despite improvement in net invisible surplus, the current account deficit widened during 2010-11 (April-December) to US$ 38.9 billion (3.1 per cent of GDP), as compared to US$ 25.5 billion in corresponding period of previous year.

Foreign direct investment inflows into India stood at US$ 27 billion in 2010-11 as against US$ 37.8 billion recorded in 2009-10.

India's foreign exchange reserves increased to US$ 304.8 billion as at end-March 2011, from US$ 279.1 billion as at end-March 2010. India's external debt, which stood at US$ 261.2 billion at end-March 2010 increased to US$ 297.5 billion as at end-December 2011. The increase in external debt by around US$ 36.3 billion has been largely due to increase in commercial borrowings, short-term trade credits and multilateral government borrowings.

Outlook for Select Sectors

Automotives

The automotive industry (automobiles and auto-components) in India has come of age and is today one of the key industries in the country with strong backward and forward linkages. The performance of the industry in recent years has been robust and is likely to remain buoyant, riding on the back of favourable demand and supply side factors. The spurt in the number of MNCs foraying into the Indian market bears testimony not only to the potential of the domestic market but also to the capability of the country to act as a manufacturing hub to serve the overseas market.

The automotive industry exhibited remarkable resilience even in the face of the global economic meltdown with production of over 17.9 million vehicles and exports of over 2.3 million vehicles during 2010-11, a growth of 27.5 per cent and 29.6 per cent, respectively. Recent trends indicate that the performance of the automotive industry has been robust, particularly in terms of exports, which exhibited a healthy CAGR of 24.5 per cent during the period 2004-05 to 2010-11 as against a CAGR of 13.3 per cent for production during the same period. Consequently, export orientation of the automobile sector increased from 7.3 per cent in 2004-05 to 13.3 per cent in 2010-11, indicating the increasing competitiveness of domestically manufactured vehicles.

Two wheelers remained the largest segment in terms of sheer volume, with a production level of 13.3 million units followed by passenger vehicles at 2.9 million units in 2010-11. Exports also mirrored production trends with two wheeler exports numbering 1.5 million and passenger vehicles aggregating 0.4 million units. Together, these two segments accounted for 85 per cent of the total automobile exports in volume terms. Growth in production of hybrid vehicles is likely to get fillip following the Union Budget 2011 which has announced exemption from basic custom duty and special CVD to critical parts/assemblies needed for hybrid vehicles apart from reduction in excise duty on kits used for conversion of fossil fuel vehicles into hybrid vehicles.

The strong and robust performance across various segments of the automobile industry has had spin off benefits for auto component manufacturers. The production in value terms for the auto component industry aggregated US$ 22 billion, recording an impressive CAGR of 26.7 per cent during 2003-04 to 2009-10. Auto component production is projected to nearly double to US$ 40 billion by 2015-16, which could result in the country's share in global production reaching 3 per cent from the current level of 1 per cent. Besides strong underlying demand, the dynamism in the auto component industry can also be attributed to the sector's export performance. Auto component exports trebled during the period 2003-04 to 2009-10 (CAGR of 24.5 per cent) to touch US$ 3.8 billion in 2009-10 and are projected to cross US$ 20 billion by 2015-16. The strong growth witnessed on the export front has resulted in the export orientation of the sector touching nearly 18 per cent in 2009-10. A perceptible aspect of India's exports of auto components is that almost two-thirds of export goes to the twin big markets of Europe and North America which corroborates the sector's increasing competitiveness. In addition, the industry has also been amply supported by the spate of new models launched recently by original equipment manufacturers (OEMs) as well as entry of several new OEMs into the Indian market which has provided a fillip to the demand, bolstering the order book position and growth prospects of component suppliers. The total investment into the sector has nearly trebled from US$ 3.1 billion in 2003-04 to US$ 9 billion in 2009-10.

India's auto component industry today has the capability to manufacture the entire range of auto-components such as engine parts, drives, transmission parts, suspension and braking parts, electrical parts, and body and chassis parts. Engine parts is the largest sub-segment accounting for more than 30 per cent of the sector's production, followed by drive transmission and steering parts (share of 19 per cent) and body and chassis and suspension

Union Minister for Commerce and Industry Mr. Anand Sharma launched the Buyer's Credit programme of Exim Bank under National Export Insurance Account in association with ECGC.

and braking parts (share of 12 per cent each). Though manufacturing costs in India are 25-30 per cent lower than its western counterparts, India's competitive advantage stems from its full service supply capability, which makes the country a favourable sourcing destination. Besides, the quality standards in the sector are in line with global standards, corroborated by the fact that nine Indian companies in the automotive sector have received the coveted Deming Prize – the largest number outside Japan. With an impressive growth momentum in the automobile sector coupled with increasing disposable income and road development in the country, the automotive industry is expected to grow significantly in the foreseeable future.

Chemicals

The chemical industry forms the backbone of the industrial and agricultural development in India and also provides building blocks for downstream industries. This industry is a significant contributor to India's national economic growth and has been registering a steady growth of about 7 per cent to 8 per cent over the past few years. The chemical industry accounts for about 14 per cent of the output of the Indian manufacturing sector, 13 per cent of total exports, and 9 per cent of total imports of the country. The size of the Indian chemical industry (basic, specialty and agro chemicals) is currently estimated at around US$ 60 billion. In terms of volume, the size of Indian chemical industry is twelfth largest in the world, and third largest in Asia.

The production of major basic chemicals in India amounted to 7.5 million metric tonnes (MT) in 2009-10, representing a growth of 2.7 per cent over the previous year. During the period April–September 2010, volume of production amounted to 3.9 million MT. Alkali chemicals (such as soda ash, caustic soda and liquid chlorine) were, by far, the largest segment accounting for 74.5 per cent share of total production during 2009-10, although, in terms of growth, it was the dye and dyestuffs segment which continued to exhibit maximum dynamism, essentially due to a smaller base.

Although India is a net importer of chemicals, of late, the gap between imports and exports has narrowed down. Growth in exports of chemicals and related products for 2009-10 stood at 1.4 per cent as compared to a negative growth in India's overall exports of 3.5 per cent. The export growth figures recovered remarkably to 26 per cent during the first three quarters of 2010-11 (April-December) to reach US$ 22 billion for overall chemicals and related products, as compared to country's overall export growth of 33.8 per cent during the same period.

The share of basic chemicals in the country's overall exports has also exhibited a gradual upward trend,

Exim Bank availed a 5-year US$ 150 million term loan facility from International Finance Corporation (IFC), a member of the World Bank Group and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Exim Bank signed a Memorandum of Cooperation with Korea Trade-Investment Promotion Agency for enhancing India-Korea trade and investment relations.

indicating that the growth in their exports has outperformed India's total exports. Exports of basic chemicals (excluding petro-chemicals) from India increased from US$ 7.1 billion in 2005-06 to around US$ 10.8 billion in 2009-10, thereby witnessing a CAGR of 11 per cent. As regards 2010-11 (April-September), the share of basic chemicals and related products in India's total exports stood at 6.1 per cent with exports having touched US$ 6.5 billion. During this period, organic chemicals witnessed the highest year-on-year growth of 130.3 per cent, followed by tanning and dye extracts which recorded a growth of 30.4 per cent to amount to US$ 778.1 million. On the other hand, inorganic chemicals grew by 17.1 per cent to aggregate US$ 3.9 billion. However, insecticides exhibited only a marginal increase of 3 per cent in export growth during April-September 2010-11, to touch US$ 485.3 million.

In terms of investments, the Indian chemical industry was among the top 10 sectors attracting the highest cumulative FDI inflows (US$ 2.8 billion) during the period April 2000 – March 2011, with a share of 2 per cent in total FDI inflows into India. During the period April–March 2010-11, FDI inflows in the chemical industry aggregated to US$ 398 million. The liberalised investment regime for this sector has been aptly supported by the financial sector, stimulating investment. The outstanding Gross Bank Credit of the Scheduled Commercial Banks to the chemical industry (excluding petrochemicals) increased at a CAGR of 9.8 per cent from ₹ 231.77 billion in 2004-05 to ₹ 405.81 billion in 2010-11. With inflow of investments, the industry has also been able to witness significant innovation as also increased investments in R&D, particularly in the knowledge arena such as specialty and fine chemicals.

Since products of the chemicals industry are used in a diverse range of manufacturing applications, its performance is generally correlated with the trends in the overall economy, as also the linkages with the rest of the world in terms of trade, investment and technology transfer. On the domestic front, with the reduction in tariffs, Indian chemical companies with strong systems and organised operations are likely to be benefited further. Companies with competitive advantages, like those having competence in the areas of high value added chemicals, conforming to international quality standards, could translate their capabilities and establish a dominant presence in both international and domestic markets.

With the per-capita consumption of chemical products in India being only a fraction of the global average, the opportunities for the domestic industry are enormous. In dyes, for example, India's per capita consumption is 50 grams as against a world average of 425 grams. In case of polymers, the per capita consumption is 5.2 kilograms in India, as against the world average of 25 kilograms. Keeping in view the size of the domestic market and the growth of end user segments, the potential for growth in these sectors in India is immense.

Petroleum Products

The petroleum industry has been instrumental in fuelling the growth of the Indian economy. The petroleum and natural gas sector, which includes exploration, refining and marketing of petroleum products and gas, constitutes over 15 per cent of India's GDP. The production of petroleum products during 2010-11 stood at 37.7 million MT as against 33.6 million MT as compared to the corresponding period of the previous year, thereby registering an increase of 11.9 per cent. Compared to this, the consumption of petroleum products as compared to the same period aggregated 128.8 million MT and is estimated to touch 146.1 million MT for the whole of 2010-11, up by 5.7 per cent from 138.2 million MT in 2009-10.

Indian petroleum refinery sector has established its ability to excel in international markets with export of petroleum products growing at a significant pace in recent years. While volume of exports of petroleum products increased at a CAGR of 22.9 per cent from 18.2 million MT in 2004-05 to 51 million MT in 2009-10, in value terms, the growth was even better (a reflection of rising oil prices) – from US$ 6.7 billion to US$ 30.5 billion, thereby registering a CAGR of 35.6 per cent. Following the overall strong recovery after the global meltdown, exports of petroleum products witnessed an appreciable growth of 44.7 per cent during the first three quarters of 2010-11 (April-December), to reach a level of US$ 28.2 billion as compared to the corresponding period of the previous year. Consequently, the share of petroleum products exports in total exports increased from 11.2 per cent in 2005-06 to 15.7 per cent in 2009-10, and further to 16.6 per cent during the first three quarters of 2010-11.

Exim Bank extended a Line of Credit of US$ 14 million to the Government of Djibouti for completing a cement plant in Djibouti.

India's domestic demand for oil and gas is on the rise. According to the Ministry of Petroleum and Natural Gas, Government of India, demand for oil and gas is likely to increase from 186.54 million tonnes of oil equivalent (mtoe) in 2009-10 to 233.58 mtoe in 2011-12. Much of the growth would be contributed by the demand for transport energy, as the stock of vehicles is expected to expand with rising economic activity. The Eleventh Plan estimates indicate that the domestic demand for petroleum products in the terminal year (2011-12) would be at over 140 million tonnes. The refining capacity is projected to go up to 240 million tonnes per annum in the terminal year of the Eleventh Plan, as against the capacity level of around 150 million tonnes in the beginning of the Eleventh Plan. Such an expansion would lead to a surplus in refining capacity by around 90 million tonnes, which could be used for catering to export markets. The medium-term outlook for refining industry looks positive, due to stretched utilisation levels and new capacity build-up in the domestic market. The steady growth in the demand for petroleum products and the policies taken by Government to deregulate and decontrol the marketing of these products will help in generating more opportunities for this sector.

Textiles and Garments

The textiles and garment industry has an overwhelming influence on the economic development of India, being the second largest employer after agriculture. Through its contribution to industrial output, employment and exports, the industry plays a critical role in the Indian economy. The industry is estimated to account for 11 per cent of industrial production, 4 per cent of national GDP and 9 per cent of the country's exports, and provides direct employment to more than 35 million people. The textiles industry in India is extremely diverse, comprising the hand-spun and hand-woven sector as also the capital intensive, sophisticated mill sector. The decentralised power-looms/hosiery and knitting sectors form the largest section of the textiles industry in India.

India, with a share of 4.3 per cent in world textiles exports and 3.6 per cent share in world clothing exports, was ranked sixth globally in both these sectors in 2009. The performance of the industry in terms of exports was rather modest, owing to recessionary trends prevailing in the global economy. During 2009-10, textile and garments exports from India amounted to US$ 19.1 billion – a marginal decline of 1 per cent over the previous year. Exports of readymade garments and cotton yarn and fabrics witnessed decline by 2 per cent and 11.1 per cent respectively. Manmade textile was the only sector which witnessed a positive growth in exports of 19.7 per cent. During the period April-December 2010, exports of textiles and garments aggregated US$ 15.9 billion, recording a year-on-year growth of 15.6 per cent, while its contribution to India's total exports was 9.3 per cent, as against 10.8 per cent during the corresponding period of previous year, suggesting that its export performance lagged behind other sectors.

Mandatory excise duty of 10 per cent imposed on branded garments under the Union Budget 2011-12 for textile-made ups is likely to impact the sector adversely. Since it is a CENVAT Credit, yarn and fabric manufacturers may have to pay an increased excise duty at 5 per cent vis-à-vis an optional and concessional 4 per cent duty paid earlier. This will exert further pressure on the margins of readymade garments and made-ups manufacturers who are already struggling with an unprecedented rise in input costs. However, the Textile Upgradation Fund Scheme (TUFS) allocation increased from ₹ 22.7 billion to ₹ 29.8 billion which is a positive indication for further development of the industry.

Exim Bank financed Gujarat NRE Coking Coal Ltd. towards mining development expenditure for mines acquired in Australia.

With the demand from the two largest export markets of India, viz. the US and the EU, improving in the short term, the textile sector is expected to recuperate from the hitherto sluggishness that it witnessed since the economic slowdown. Indian exporters are, however, focusing on domestic markets and making attempts to diversify the export markets. Some of the emerging markets include UAE, Saudi Arabia, South Africa, Australia, Mexico and Turkey. Going forward, the large textile manufacturing base, availability of adequate raw materials and labour, vast domestic market, and supportive Government policies, would strengthen the competitive position of Indian textile and clothing industry.

Drugs and Pharmaceuticals

The global pharmaceutical industry is expected to grow by 5 per cent to 7 per cent in 2011 to touch US$ 880 billion compared to 4 per cent to 5 per cent in 2010. There is growing divergence in the pace of pharmaceutical growth among major markets. The 17 pharma-emerging countries (China, Brazil, Russia, India, Mexico, Turkey, Venezuela, Poland, Argentina, Indonesia, Ukraine, Thailand, South Africa, Egypt, Romania, Pakistan and Vietnam) are forecast to grow at 15 per cent to 17 per cent in 2011, to reach US$ 170 billion to US$ 180 billion. Greater government spending on healthcare and broader public and private healthcare funding are likely to be the key drivers of growth for many of the pharma-emerging markets. China, the world's third-largest

Exim Bank supported KEC Ltd. for financing its acquisition of SAE Towers Holdings LLC, USA.

pharmaceutical market is predicted to grow by 25 per cent to 27 per cent to more than US$ 50 billion in 2011. The five major European markets (Germany, France, Italy, Spain, and the UK) collectively are expected to grow at 1 per cent to 3 per cent while the US is likely to grow at 3 per cent to 5 per cent.

India has emerged as one of leading economies when it comes to opportunities in the pharmaceutical sector. The Indian pharmaceuticals market is projected to grow to about US$ 20 billion by 2015, as against US$ 6.3 billion in 2005. Currently, the Indian pharmaceutical industry is ranked fourth in terms of volume and fourteenth in terms of value in the global pharmaceutical market. The industry has attained self-reliance in the production of formulations, and produces almost 70 per cent of bulk drug requirements of the country. India is also one of the major producers of generic drugs in the world.

Indian pharmaceutical companies have not been affected much by the global slowdown, largely because of cost advantages in medicine production and due to their long-term contracts, especially the generic manufacturers, with their preferred suppliers. Notwithstanding this, performance on the export front has been rather modest – exports of pharmaceutical products increased by a mere 1.8 per cent in 2009-10 over the previous year to aggregate US$ 5.2 billion. However, during the first half of 2010-11 (April-September), exports witnessed a complete turnaround, growing by a healthy 27.6 per cent, from US$ 2.4 billion during April-September 2009-10 to US$ 3 billion during April-September 2010-11.

The rising middle and upper class who can afford high-quality healthcare and the widespread adoption of health insurance products, which will enable a larger proportion of the population to access medical treatments, are expected to drive the Indian pharmaceutical market in the foreseeable future. In addition, significant economic growth rates, favourable demographics, and new intellectual property protection laws would provide further impetus to the industry.

Capital Goods

The capital goods industry forms the backbone of India's manufacturing sector. Some of the prominent capital goods produced in India include heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, printing machinery, dairy machinery, industrial refrigeration, industrial furnaces etc. The capital goods industry has been performing strongly, growing by a healthy 20.9 per cent during 2009-10, far better than both basic goods and intermediate goods (the IIP use-based classification). However, this performance could not be sustained in 2010-11, with the growth in the capital goods industry moderating to 9.3 per cent.

Production of machine tools in the country reached the level of around ₹ 13.05 billion by the end of 2009, showing a decline of 26.2 per cent, over the previous year's figure of ₹ 17.68 billion. Notwithstanding this, export of machine tools has shown a steady increase in the last few years, with exports aggregating US$ 278.3 million in 2009-10.

However, during the period April-December 2010, export of machine tools, witnessed a negative year-on-year growth of 7.9 per cent to amount to US$ 212.6 million. As far as textile machinery is concerned, India's production was more than ₹ 40 billion in 2009-10, while exports aggregatedUS$ 123.2 million and imports were valued at US$ 1.4 billion. During the period April-September 2010, exports of textile machinery were valued at US$ 82.4 million and imports were US$ 784.9 million.

India produces a wide range of construction and mining machinery. However, being a large and growing economy, domestic demand is greater than the production capacity and thus, a major portion of the demand is met through imports. During the period 2009-10, India's export of construction machinery was valued at US$ 479.2 million and imports stood at US$ 2 billion. During the period April-September 2010, exports of construction and mining machinery were valued at US$ 117.8 million while imports aggregated US$ 887.8 million. The process plant machinery and components sector in India is a heterogeneous segment of capital goods industry. During the period 2009-10, India exported process plant/machinery worth US$ 1.3 billion, while its imports were valued at over US$ 3 billion. During the period April-September 2010, exports of process plant machinery and components sector were worth US$ 655.6 million and imports amounted to US$ 1.5 billion.

The electrical equipment and machinery sector comprises a range of products, such as transformers, switchgears, motors, generators and control equipment. India exported electrical equipments and machinery worth US$ 1.9 billion during the period 2009-10 while imports aggregated to US$ 2.7 billion. During the period April-September 2010, exports of electrical equipments and machinery were valued at US$ 852.8 million while imports were worth US$ 1.4 billion.

On the whole, the outlook for the capital goods industry in India remains bright, particularly over the medium and long-term. The Union Budget 2011-12 has announced a number of initiatives to increase public investments in the infrastructure sector. Allocation to major infrastructure sectors, including power, road transport, shipping, urban infrastructure and railways, has been raised. This is likely to give an added impetus to the industry by resulting in more orders for the capital goods companies.

Electronics

The Indian electronic goods sector has been among the fastest growing sectors in the recent past. India has significant potential to develop and manufacture electronic hardware for the global markets and gain higher global share, besides meeting the country's requirements in the converging areas of information, communication and entertainment. The Government of India has identified electronics hardware manufacturing sector as a key focus area for growth. The National Manufacturing Competitiveness Council was set up by the Government to provide a continuing forum for policy dialogue to energise and sustain the growth of manufacturing industries, including electronic hardware, in India.

During 2009-10, total production of electronics in India is estimated to have touched ₹ 1099.40 billion.

Union Minister of Water Resources & Minority Affairs, Mr. Salman Khurshid, released Exim Bank's research paper on Shipping Industry, at the Global Economic Summit in Mumbai.

Exim Bank extended a Line of Credit (LOC) of US$ 15 million to the Government of Cambodia for completion of Stung Tassal Water Development project in Cambodia. The LOC agreement was signed in the presence of the President of India Smt. Pratibha Devisingh Patil and the Prime Minister of Cambodia Mr. Hun Sen.

Communication and broadcast equipment accounted for the largest share (29 per cent) in the total electronics hardware production, followed by consumer electronics (27.4 per cent), computers (13.1 per cent), industrial electronics (12.4 per cent), electronic components (12.2 per cent), and strategic electronics (6.3 per cent). Even in terms of growth, communication and broadcast equipment took the lead, registering 18 per cent growth in 2009-10 over the production in 2008-09. Unlike production, exports of electronics from India suffered a setback posting a decline of 21.5 per cent in 2009-10 to amount to US$ 5.6 billion. The reversal in exports of electronic goods can be largely attributed to the economic slowdown that engulfed the world during the previous year. The economic meltdown also had an adverse impact on India's imports of electronic goods which also recorded a negative growth of 10.7 per cent to amount to US$ 20.9 billion. However, exports posted a strong turnaround during 2010-11 (April-December) registering an impressive year-on-year growth of 27 per cent to aggregate to US$ 5.7 billion.

The market size of the electronic industry is projected to exceed US$ 150 billion by 2015. According to Ministry of Commerce and Industry, Government of India, the export target of electronic goods has been set at US$ 15 billion by 2013-14. In order to achieve this level, India needs to concentrate and focus more on designing and manufacturing global products, and then reach out to the rural areas in the domestic market, and emerging export markets. In India, the market size of medical electronic instruments is expected to grow in the years to come with increase in number of people affected by lifestyle diseases. Further, more and more new applications are being innovated in the area of monitoring of healthcare, as also remote technologies, including telemedicine. Apart from these segments, new applications (technology controlled operations) in manufacturing sector would also increase the demand for electronic products in India. India could also leverage its strengths in software to build high-complexity, but medium-volume products, for the global market. The Indian industry also needs to focus on inventing mass-products that matter to rural and bottom of the pyramid segments. The demand for appliances and energy efficient consumer electronics is huge and can be explored by the Indian electronic industry. Indian market holds a lot of promise considering the potential market size or volume of electronics consumption. Besides, the growing demand for better energy management/conservation, technology orientation for value engineering, and cost cutting strategies would enhance opportunities in new areas over the long-run.

New Renewable Energy

There has been increasing focus on enhancing the use of renewable energy as a primary instrument for achieving the twin objectives of energy sufficiency and climate change mitigation. With India becoming globally more responsible in its endeavour towards sustainable development, the possibility of renewable energy becoming a cornerstone for the country's future energy requirements are significantly high. The key drivers to furthering India's effort to promote the use of renewable energy include energy security, climate change, and opportunities in the carbon market.

India is the fifth largest primary energy consumer and the fourth largest petroleum consumer globally. Rapidly growing economic and social development coupled with increasing population has spurred increased energy consumption across all the major sectors of the economy. The current power generation mix in India is dominated by coal with a share of 53.2 per cent (87.1 GW) followed by large hydropower (22.6 per cent share; 37 GW) and gas (10.6 per cent; 17.3 GW). Renewable energy sources rank fourth with an installed capacity of 16.4 GW.

An analysis of the new renewable energy technologies (solar photovoltaic (PV), wind and biomass), indicates a clear shift in global preference towards these technologies. The total installed solar photovoltaic capacity is estimated at around 120 MW with around 30 MW of new PV capacity having been installed in 2009 alone. In terms of the value chain, the total solar cell manufacturing capacity in India is estimated to have touched 175 MW, while the total PV module manufacturing capacity was estimated to have reached 240 MW in 2008-09. The solar PV technology in India is dominated by crystalline silicon with 90 per cent of PV modules manufactured in the country using this technology, while only 10 per cent of PV modules are manufactured using Thin Film or amorphous silicon technology. India's exports of PV panels/modules aggregated US$ 437.3 million – more than five-fold increase during the period 2004-2009.

India, with a large peninsula belt, and two-season monsoon, has significant potential in generating wind energy. Apart from onshore generation, India also has potential for tapping offshore belts for wind energy. The total wind power installed capacity reached 13.1 GW as at end December 2010, up from 1.6 GW in 2001-02. The country added 1,564.7 MW to the installed capacity in 2009-10 as against 1,484 MW in 2008-09. The geographic dispersion of wind farms in India has been gradually witnessing a shift. India's exports of wind turbines in 2009 were valued at US$ 335.7 million. The US was the largest

Exim Bank extended a Line of Credit (LOC) of US$ 1 billion to the Government of Bangladesh, for financing export of goods and services including project exports from India into Bangladesh. The LOC agreement was signed in the presence of Finance Minister of India, Mr. Pranab Mukherjee and Finance Minister of Bangladesh Mr. Abul Maal Abdul Muhith.

Exim Bank supported overseas JV of Oriental Green Power Ltd., to set up a wind farm in Croatia.

export destination for wind turbines followed by Brazil, Australia, Portugal and Spain.

Biomass is an important energy source for power generation especially in developing countries like India. For the last 15 years, biomass power has become an industry attracting annual investment of over ₹ 10 billion, generating more than 9 GW of electricity per year. Blessed with ample sunshine and rains, India offers an ideal environment for biomass production. A target for addition of 1,700 MW capacity, consisting of 500 MW of biomass power projects and 1,200 MW of bagasse cogeneration projects has been proposed during the Eleventh Plan period. By December 2010, the cumulative biomass power/bagasse cogeneration based power capacity had reached 2,559.13 MW, which comprised 997.1 MW of biomass power projects and 1,562.03 MW of bagasse cogeneration projects. As on December 31, 2010, a significant increase in biomass power / bagasse cogeneration capacity addition of 359 MW (143 MW biomass projects and 216 MW bagasse cogeneration projects) was witnessed as compared to a target of 450 MW in 2010-11. A cumulative biomass power potential of about 18,000 MW equivalent (MWe) from the surplus agro residues have been estimated in India. With the present utilisation pattern of crop residues, the amount of surplus biomass materials is about 150 million tonnes, which could generate about 18,000 MWe of power.

India has a distinct advantage in generating energy from all the three emerging renewable energy technology fields, which needs to be rightly leveraged, so as to realise the untapped potential. The sector has huge potential and can act as a panacea to India's long energy deficit problem.

POLICY ENVIRONMENT

To provide further momentum to India's exports, several trade facilitation measures were proposed in the Annual Supplement 2010-11 to Foreign Trade Policy 2009-14. Twenty-Seven new markets were added under the Focus Market Scheme (FMS) with incentive of duty credit scrip at 3 per cent of exports. Market Linked Focus Product Scheme (MLFPS) with incentive of duty credit scrip at 2 per cent, has been significantly broadened by inclusion of a large number of products linked to their markets. All of Africa, Latin America, and a large part of Oceania were covered under the FMS and MLFPS (13 countries added under the MLFPS at the time of release of the FTP 2009-14 in August 2009 and two countries added in January 2010).

The incentive available under the FMS has been raised from 2.5 per cent to 3 per cent; and for the Focus Product scheme (FPS) and MLFPS from 1.25 per cent to 2 per cent; and Special Focus Products at 5 per cent. Additional benefit of 2 per cent bonus, over and above the existing benefits of 5 per cent / 2 per cent under the FPS allowed for about 135 existing products, which have suffered due to recession in exports. Nearly 300 products (at eight-digit level) from the readymade garment sector were incentivised under the MLFPS for a further six months from October 2010 to March 2011 for exports to 27 EU countries. The zero-duty Export Promotion Capital Goods (EPCG) Scheme and Status Holder Incentive Scrip (SHIS) scheme introduced in 2009 for limited sectors and valid only for two years initially, was extended by one more year till March 31, 2012 and the benefit of the scheme was expanded to additional sectors. Interest subvention of 2 per cent has been extended up to March 2011 for certain labour-intensive sectors of exports.

In an attempt to double the country's merchandise exports over the next three years from US$ 246 billion in 2010-11 to US$ 500 billion in 2013-14, the following strategies have been laid out:

1) Strengthening sectors with growth potential such as engineering goods, basic chemical industries and organic and inorganic chemical industries,

pharmaceutical industry (including biotech), and electronics.

2) Promoting light manufacturing exports with high value addition such as leather products and textiles.

3) Encouraging high employment generating sectors such as gems and jewellery, agricultural products.

4) To focus on markets in Asia (including ASEAN), Africa and Latin America and opening up new vistas in terms of new products in these new markets, at the same time retaining presence and market share in developed country markets.

5) To continue with the existing incentive schemes, reduce transaction costs, strengthening of trade related infrastructure on a priority basis and substantial step up in overall plan support.

In view of the rising food inflation and the risk of it impinging on inflationary expectations alongside the consolidating recovery, the RBI had adopted the shift in stance from "managing the crisis" to "managing the recovery" and announced the first exit from expansionary monetary policy in the Second Quarter Review of October 2009 by terminating some sector specific facilities and restoring the statutory liquidity ratio (SLR) of scheduled commercial banks (SCBs) to its pre-crisis level. The RBI raised the policy rate seven times during 2010-11, increasing the repo and reverse repo rates under the Liquidity Adjustment Facility (LAF). Since March 2010, repo rates and reverse repo rates have been increased cumulatively by 250 basis points (bps) and 300 bps respectively. The repo rate currently stands at 6.75 per cent and the reverse repo at 6.25 per cent. The cash reserve ratio (CRR) is at present seen at 6 per cent net of demand and time liabilities (NTDL) of the banks. In addition, in December 2010, the RBI reduced the SLR of SCBs from 25 per cent to 24 per cent. Thus in 2010-11, persistently high inflation above the comfort level of RBI together with growth buoyancy ensured that monetary policy focus remained on containing inflation.

Liberalisation of the broad external commercial borrowing (ECB) policy continued over the year. As a measure of liberalisation of the existing procedures, infrastructure finance companies (IFCs) have been permitted to avail of ECBs, including the outstanding ECBs, up to 50 per cent of their owned funds under the automatic route, subject to their compliance with the prudential guidelines already in place. ECBs by IFCs above 50 per cent of their owned funds would require RBI clearance and will, therefore, be considered under the approval route. In addition, corporates in the hotel, hospital and software industries have been permitted to avail of ECB beyond US$ 100 million under the approval route for foreign or rupee capital expenditure for permissible end-uses.

Exim Bank signed a Memorandum of Understanding for mutual cooperation with the China Development Bank, in the presence of Prime Minister of India, Dr. Manmohan Singh, and Prime Minister of China, Mr. Wen Jiabao in New Delhi.

Major Policy Changes during 2010-11

Credit Policy

- Cash reserve ratio (CRR) increased from 5.75 per cent in February 2010 to 6 per cent in April 2010.
- Repo rate increased in phases, from 5.25 per cent in April 2010 to 6.75 per cent in March 2011. Reverse repo rate also increased in phases from 3.75 per cent in April 2010 to 5.75 per cent in March 2011.
- Statutory Liquidity Ratio (SLR) for SCBs reduced from 25 per cent of their NDTL to 24 per cent with effect from December 18, 2010.
- Interest subvention of 2 per cent to the labour-intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and SMEs, extended to March 2011.

Trade Policy

- Extension of the DEPB scheme extended beyond December 31, 2010 till June 30, 2011.
- EPCG at zero duty for engineering and electronic products, basic chemicals, pharmaceuticals, apparels and textiles, plastics, handicrafts, chemicals and allied products and leather and leather products extended till March end 2012. The benefit of the scheme has been expanded to additional sectors viz. pharmaceuticals, electronics, automobiles, aerospace and engineering products, and high-value engineering products.
- 256 new products added under the Focus Product Scheme (FPS) (at the eight digit level), which became entitled for benefits at 2 per cent of FOB value of exports to all markets. Major sectors/ product groups are engineering, electronics, rubber and rubber products, other oil meals, finished leather, packaged coconut water and coconut shell worked items.
- Increase in incentives available under the Focus Market Scheme (FMS) from 2.5 per cent to 3 per cent and those under the FPS from 1.25 per cent to 2 per cent.

Investment Policy

- In the agriculture sector, FDI will now be permitted in the development and production of seeds and planting material, without the stipulation of having to do so under 'controlled conditions'.
- SEBI registered mutual funds permitted to accept subscription from foreign investors who meet KYC requirements for equity schemes.
- To enhance flow of funds to infrastructure sector, the FII limit for investment in corporate bonds issued in infrastructure sector has been raised.
- Allowing IFCs to avail of ECBs including the outstanding ECBs up to 50 per cent of their owned funds under the automatic route, subject to their compliance with the prudential guidelines already in place.
- Permission to corporates in the hotel, hospital and software industries to avail ECBs beyond US$ 100 million under the approval route for foreign or rupee capital expenditure for permissible end-uses.

Directors' Report

The Directors are pleased to present the report of the working of the Bank with the audited Balance Sheet and accounts for the year ended March 31, 2011.

REVIEW OF OPERATIONS

Loan disbursements during FY 2010-11 were ₹ 344.23 billion as against ₹ 332.49 billion during 2009-10, while loan repayments during FY 2010-11 amounted to ₹ 274.46 billion, as against ₹ 264.84 billion in FY 2009-10. Gross loan assets as on March 31, 2011 were ₹ 460.41 billion, registering an increase of 17 per cent over the previous year. The Bank approved loans aggregating to ₹ 477.98 billion under various lending programmes during FY 2010-11 as against ₹ 388.43 billion during FY 2009-10. During the year, the Bank sanctioned guarantees aggregating to ₹ 32.16 billion as against ₹ 13.51 billion in 2009-10. Guarantees issued during 2010-11 amounted to ₹ 11.53 billion as against ₹ 3.88 billion in 2009-10. Guarantees in the books of the Bank as on March 31, 2011 were ₹ 30.56 billion as against ₹ 22.74 billion as on March 31, 2010 and Letters of credit as on March 31, 2011 amounted to ₹ 12.06 billion as against ₹ 8.43 billion as on March 31, 2010. Rupee loans and advances accounted for 53 per cent of the total loan assets as on March 31, 2011 while the balance 47 per cent were in foreign currency. Short-term loans accounted for 30 per cent of the total loans and advances as on March 31, 2011. Total borrowings of the Bank at ₹ 471.92 billion as on March 31, 2011, were higher by 16.5 per cent compared to total borrowings of ₹ 405.09 billion as on March 31, 2010.

The Bank registered profit before tax of ₹ 8.68 billion on account of General Fund during 2010-11 as against a profit of ₹ 7.72 billion for the year 2009-10. After providing for income tax of ₹ 2.84 billion, profit after tax amounted to ₹ 5.84 billion during 2010-11 as against ₹ 5.13 billion during 2009-10. Out of this profit, an amount of ₹ 3.09 billion is transferred to Reserve Fund. In addition, the Bank has transferred ₹ 0.10 billion to Investment Fluctuation Reserve, ₹ 0.10 billion to Sinking Fund and ₹ 0.70 billion to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961. The balance of ₹ 1.85 billion will be transferred to Government of India (GOI) as provided in the Exim Bank Act.

Profit before tax of the Export Development Fund during 2010-11 was ₹ 28.47 million as against ₹ 29.16 million during 2009-10. After providing for tax of ₹ 9.50 million, the post tax profit amounted to ₹ 18.97 million as against ₹ 19.25 million during 2009-10. The profit of ₹ 18.97 million is carried forward to next year.

BUSINESS OPERATIONS

Review of Bank's business operations is presented below under the following heads:

I. Projects, Products and Services Exports

II. Building Export Competitiveness & Financing Overseas Investments

III. New Initiatives

IV. Financial Performance

V. Information and Advisory Services

VI. Institutional Linkages

VII. Information Technology

VIII. Research and Analysis

IX. Human Resources Management

X. Progress in Implementation of the Official Language Policy

XI. Representation of Scheduled Castes, Scheduled Tribes and Other Backward Classes.

A meeting of Exim Bank's Board of Directors in progress at the Bank's Head Office in Mumbai.

I. PROJECTS, PRODUCTS AND SERVICES EXPORTS

Export Contracts

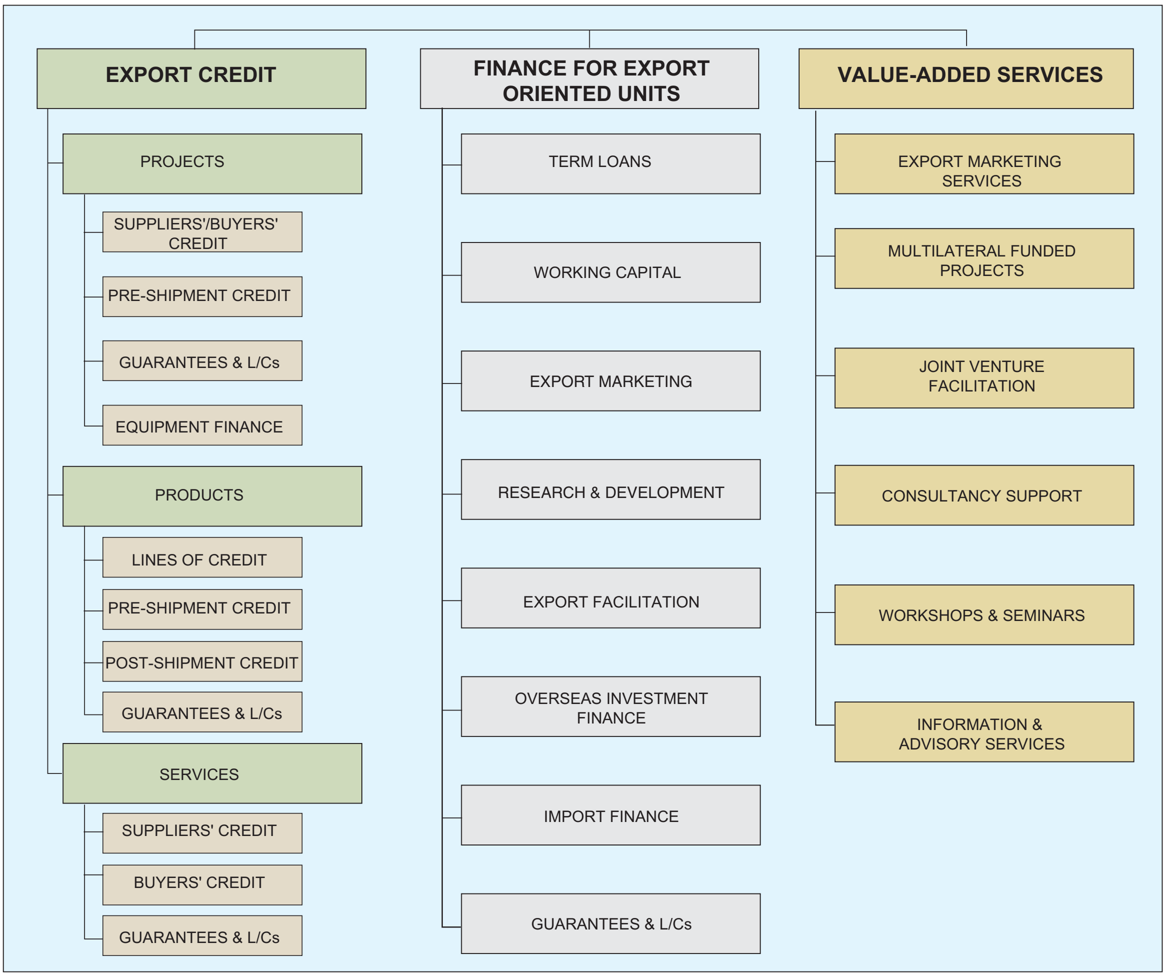
During FY 2010-11, 1,145 contracts amounting to ₹ 283.48 billion covering 96 countries were secured by 187 Indian exporters, as against 1,201 contracts worth ₹ 183.78 billion covering 95 countries, secured by 129 Indian exporters during FY 2009-10

The contracts secured during the year comprised 31 turnkey contracts valued at ₹ 66.64 billion, 26 construction contracts valued at ₹ 172.31 billion, 1,087 supply contracts valued at ₹ 44.30 billion and one technical consultancy & services contract valued at ₹ 0.23 billion.

Some major turnkey contracts secured during the year include a contract for supply, erection and commissioning of a 30 MLD (million litres a day) water treatment plant and distribution to 9 reservoirs across Dambula region in Sri Lanka; a contract secured for design, engineering, supply, construction, testing and commissioning of the Doha South sewerage treatment works & expansion project in Qatar; a contract secured for design, manufacturing, supply, erection and commissioning of sugar process house equipments & machineries with associated auxiliaries in Sudan; contract for design, supply, fabrication, assembly, welding, testing and painting of a Propane Refrigerant Storage Sphere in Australia and a contract for electricity transmission rehabilitation project, Phase II for 500 kv substations at Akmolinskie, Severnye and Sarbaiskie in Kazakhstan.

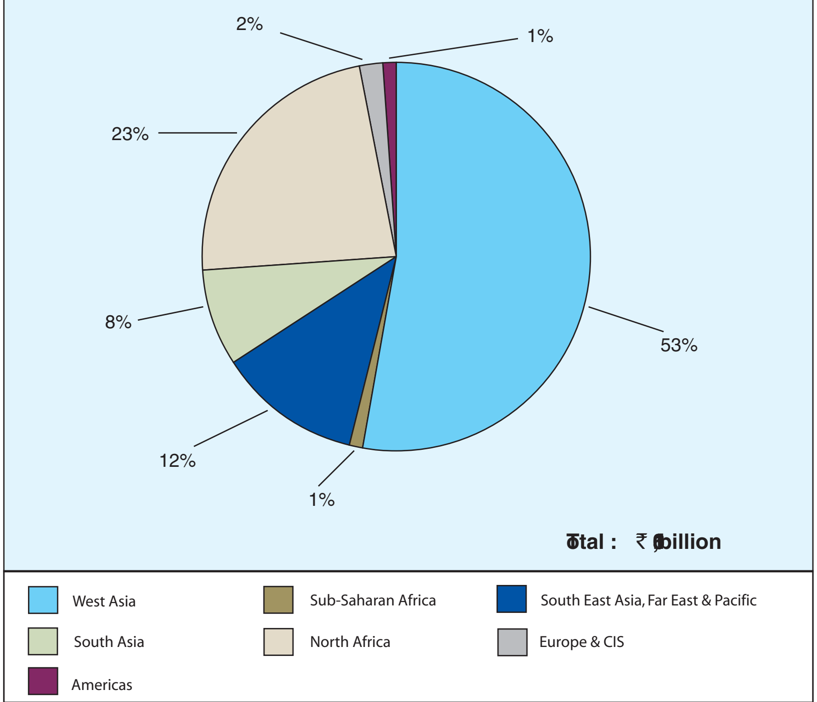
Construction contracts include a contract for construction and sale of two mobile offshore drilling

Bank's Major Programmes



rigs to Singapore; a contract for design and construction of 3,600 housing units and related infrastructure facilities in Libya; a contract for construction of new phosphate rock terminal in South Port of Aqaba in Jordan; a contract for design and construction of Salalah International Airport in Oman; and a contract for engineering, procurement, installation and commissioning of a 294 km 42" onshore gas pipeline from the Liquefied Natural Gas terminal at Maptaphut Industrial Estate near Rayong, to a tie-in station on the existing Wang Noi to Keeng Khoi pipeline in Thailand.

Project Export Contracts under execution as on March 31, supported by Exim Bank



Note: As on March 31, 2011, 259 project export contracts valued at ₹ 1,036 bn were under execution in 43 countries by 53 Indian Companies. These cover construction, turnkey and consultancy contracts.

Supply contracts secured during the year included export of auto components, bauxite, BOPP films, chemicals, cotton embroidery fabrics, diamond & studded jewellery, dyes, engineering goods, plastic sheets, galvanised steel coils, garments, home furnishing fabrics, optical media storage products, pharmaceuticals, soda ash, yarn and tyres. Indian exporters have exported to Argentina, Bangladesh, Belgium, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Cyprus, Denmark, Djibouti, Dominican Republic, France, Gambia, Germany, Hong Kong, Indonesia, Iran, Ireland, Israel, Italy, Japan, Jordan, Kuwait, Lebanon, Lithuania, Madagascar, Malaysia, Mexico, Morocco, Myanmar, the Netherlands, New Zealand, Nigeria, Peru, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, Somalia, South Africa, South Korea, Spain, Switzerland, Sri Lanka, Sudan, Sweden, Switzerland, Syria, Thailand, Tunisia, Turkey, Turkmenistan, Uganda, UAE, UK, the US, Vietnam and Yemen.

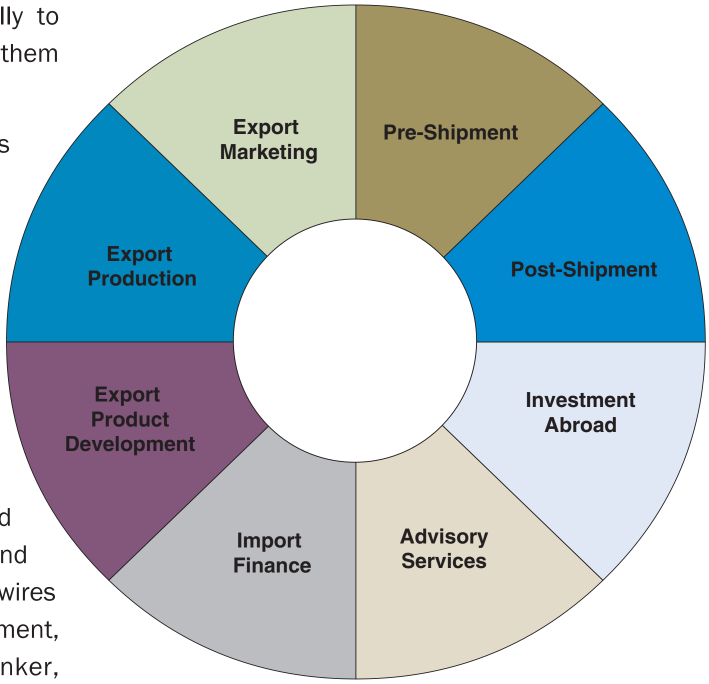
Export Credits and Guarantees

During the year, the Bank approved loans aggregating to ₹ 160.44 billion by way of suppliers' credit, buyers' credit, and finance for project exports as against ₹ 169.93 billion during the previous year. Disbursements amounting to ₹ 159.51 billion were made during the year, as compared to ₹ 161.73 billion during the previous year.

Guarantees sanctioned and issued during the year amounted to ₹ 32.16 billion and ₹ 11.53 billion respectively, as against ₹ 13.51 billion and ₹ 3.88 billion during the previous year. These guarantees pertain to overseas projects in sectors such as power generation, transmission and distribution, infrastructure development and export obligation guarantees.

Buyer's Credit

Buyer's Credit is a unique programme of Exim Bank under which, the Bank facilitates Indian exports by way of extending credit facility to overseas buyers for financing their imports from India. Under Buyer's Credit programme, Exim Bank makes payment of eligible value to Indian exporters, without recourse to them. Buyer's Credit is a safe, non-recourse financing option available to Indian exporters, especially to small and medium enterprises, and motivates them to enter overseas markets.



During 2010-11, the Bank extended Buyer's Credit facility aggregating to ₹ 17.86 billion. to 29 overseas companies. Disbursements under Buyer's Credit Programme aggregated to ₹ 10.20 billion for exports to countries that include Italy, Singapore, Sri Lanka, South Africa, Thailand, UAE, UK, Nigeria, Turkey, Zambia, Bhutan, Sweden and the US. The products exported under Buyer's Credit included transport vehicles and auto spare parts, engineering goods, IT services, fruits and vegetables, rice, other agro based products and commodities, plain and studded jewellery, steel wires and wire rods, pipe machinery, irrigation equipment, plastic products, incense sticks, cement clinker, petrochemicals, pharmaceuticals and readymade garments etc. Several exporters from small and medium enterprises were beneficiaries under the Buyer's Credit Programme, receiving non-recourse payment.

Lines of Credit

Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructure projects, equipments, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. LOC is a financing mechanism that provides a safe, non-recourse financing option to Indian exporters, especially to small and medium enterprises and serves as an effective market entry tool for the latter. Being in an increasingly competitive environment, Exim Bank is proactively seeking to expand its geographical reach and volumes under the LOC Programme.

Besides its own Lines of Credit to overseas entities, Exim Bank, since 2003-04, also extends and operates, at the behest of and with the support of the Government of India, Lines of Credit to countries in the developing world.

During the year, the Bank extended 22 LOCs, aggregating US$ 2.38 billion, to support export of projects, goods and services from India. LOCs extended by Exim Bank during the year include LOCs to ECOWAS Bank for Investment and Development, West Africa; Indo-Zambia Bank Ltd., Zambia; PTA Bank, Africa; RUE Grodnoenergo, Belarus; and the Governments of Angola, Bangladesh, Cambodia, D.R. Congo, Djibouti, Ethiopia, Ghana, Kenya, Lao PDR, Malawi, Mauritius, Mozambique, Sri Lanka, Swaziland and Tanzania. These LOCs will finance and catalyse exports by way of projects like textiles, cotton processing facilities, construction of power plant and power transmission lines, rural electrification, upgradation of railway lines, cement plant & water resource development projects, development of sugar industry, fish harvesting and processing, setting up IT park and industrial park, enhancement of rice, wheat and maize productivity, and supply of vehicles and an offshore patrol vessel. One hundred and thirty eight LOCs, covering 72 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US$ 6.66 billion are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation.

II. BUILDING EXPORT COMPETITIVENESS & FINANCING OVERSEAS INVESTMENTS

The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. During 2010-11, Exim Bank sanctioned loans aggregating to ₹ 207.75 billion under programmes for enhancing export competitiveness. Disbursements amounted to ₹ 156.16 billion under these programmes.

Loans to Export Oriented Units

During the year, the Bank approved term loans of ₹ 38.84 billion to 54 export oriented units. Disbursements amounted to ₹ 20.29 billion. Under the Production Equipment Finance Programme, 18 exporting companies were sanctioned ₹ 6.75 billion for financing acquisition of production equipment. Disbursements amounted to ₹ 3.72 billion. Ten companies were sanctioned long-term working capital loans aggregating to ₹ 6.39 billion. Disbursements amounted to ₹ 6.12 billion.

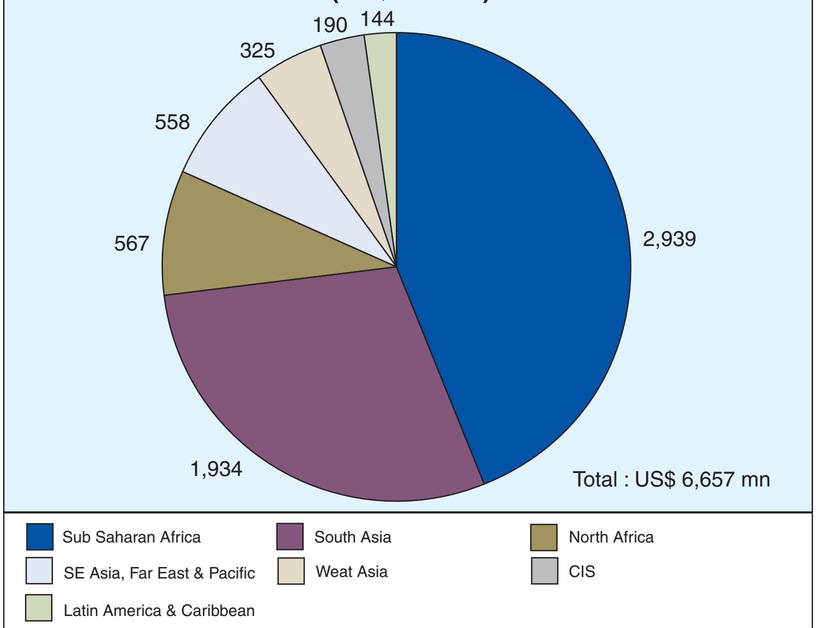
Technology Upgradation Fund Scheme (TUFS)

Exim Bank is one of the nodal agencies appointed by GOI, Ministry of Textiles, to establish and approve the eligibility of projects under TUFS, and release subsidy directly to the approved projects. As on March 31, 2011, the Bank has accorded approval for 164 projects with aggregate cost of ₹ 101.23 billion. Loans approved and disbursed aggregate to ₹ 32.05 billion and ₹ 25.54 billion respectively. The Bank's assistance under TUFS to the textile industry is spread across various segments in textile manufacturing and covers several states in India.

Overseas Investment Finance Programme

The Bank has a comprehensive programme covering equity finance, loans, guarantees and advisory services, to support Indian outward investment. During the year, 64 corporates were sanctioned funded and non-funded assistance aggregating to ₹ 83.25 billion for part financing their overseas investments in 28 countries. So far, Exim Bank has provided finance to 331 ventures set up by 268 companies in 68 countries including Austria, Bangladesh, Brazil, Canada, China, Croatia, Egypt, Indonesia, Ireland, Israel, Italy, Malaysia, Malta, Mauritius, Morocco, Nepal, Netherlands, Oman, Romania, Singapore, South Africa, Spain, Sri Lanka, Sudan, UAE, UK, the US and Vietnam. Aggregate assistance extended to overseas investment amounts to ₹ 208.74 billion covering various sectors including pharmaceuticals, home furnishings, readymade garments, construction, paper & paper products, textiles & garments, chemicals & dyes, computer software & IT, engineering goods, natural resources (coal & forests) metal & metal processing and agriculture & agro-based products. Overseas investments supported by Exim Bank during

Active Lines of Credit as on March 31, 2011 (US$ Million)



Note: Operative LOCs numbering 138 aggregated US$ 6,657 mn covering 72 countries.

Exim Bank supported BSV Bio-sciences GMBH, an advanced R&D unit in Germany.

2010-11 include: acquisition of coal mines in Australia and Indonesia, acquisition of transmission company in the US, acquisition of pharmaceutical companies in Brazil and the US, setting up wind power generating company in Croatia etc.

Finance For Imports

Under Bulk Import Finance Programme, sanctions and disbursements amounted to ₹ 18.74 billion and ₹ 39.85 billion, respectively.

Under Import Finance Programme, companies were sanctioned term loans aggregating to ₹ 36.78 billion. Disbursements amounted to ₹ 2.83 billion.

Joint Venture

The Bank's joint venture, Global Procurement Consultants Ltd. (GPCL), recorded yet another year of profitable operations. The company recorded a consultancy income of ₹ 31.75 million in 2010-11 with a pre-tax profit of ₹ 9.25 million. GPCL is a joint venture between Exim Bank and 12 other reputed private and public sector companies with expertise in diverse fields. GPCL provides procurement related advisory and auditing services, primarily for projects funded by multilateral agencies in various developing countries.

Credit Monitoring Group

A dedicated Loan Recovery Group takes pro-active steps towards loan recovery as per the Board-approved Loan Monitoring and Recovery Policy and towards preventing slippage of standard assets into non-performing assets. A system of ABC classification of loan accounts (including system for monitoring credit rating migration) is in place. Based on Early Warning Signals a monthly review of non-performing assets is done by a separate Committee. An independent Screening Committee comprising a retired Justice and two eminent persons with rich experience in the fields of law and banking has been constituted for examining all One-Time Settlement (OTS) proposals and assignment to Asset Reconstruction Companies. The Committee submits its recommendation for consideration by the Board.

III. NEW INITIATIVES

Opening of East Africa Representative Office in Addis Ababa

The Bank, during the year, opened its East Africa Representative Office in Addis Ababa, Ethiopia, which is the Bank's seventh overseas regional office and the third in Africa. The Representative office in Addis Ababa will seek to promote trade and investment flows between India and the East African region and undertake other trade promotion related activities. This office will look after the Bank's interests in Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Somalia, Sudan, Tanzania and Uganda. The Office was formally inaugurated by Mr. R. Gopalan, the then Secretary (Financial Services), Government of India, Ministry of Finance in the esteemed presence of Mr. Ahmed Shide, State Minister for Finance and Economic Development, Government of Ethiopia, Dr. Tekeda Alemu, State Minister for Foreign Affairs, Government of Ethiopia and Mr. Bhagwant Singh Bishnoi, Ambassador of India to Ethiopia. On this occasion, Exim Bank's publication titled "COMESA (Common Market for Eastern and Southern Africa): A Study of India's Trade and Investment Potential" was also released at the hands of Mr. R. Gopalan.

Commencement of Business at London Branch

Exim Bank has commenced operations at its Branch in London. Earlier, the Bank had maintained a Representative Office in London since 2005. Pursuant to receiving authorisation from the Financial Services Authority, UK, the Bank has now upgraded its London Office to a wholesale banking branch. The

Mr. R. Gopalan, the then Secretary, Department of Financial Services, Ministry of Finance, GOI, inaugurated the Bank's East Africa Regional Office in Addis Ababa, Ethiopia.

announcement to this effect was made at a Reception hosted by Exim Bank in London. Mr. Nalin Surie, High Commissioner of India to the UK, Lord Sassoon, Commercial Secretary, Government of UK, were among the dignitaries present at the occasion. The Branch will extend Export Credit and Overseas Investment Finance to support India's external trade and investment, and raise resources, including by way of debt issuance.

Buyer's Credit under National Export Insurance Account

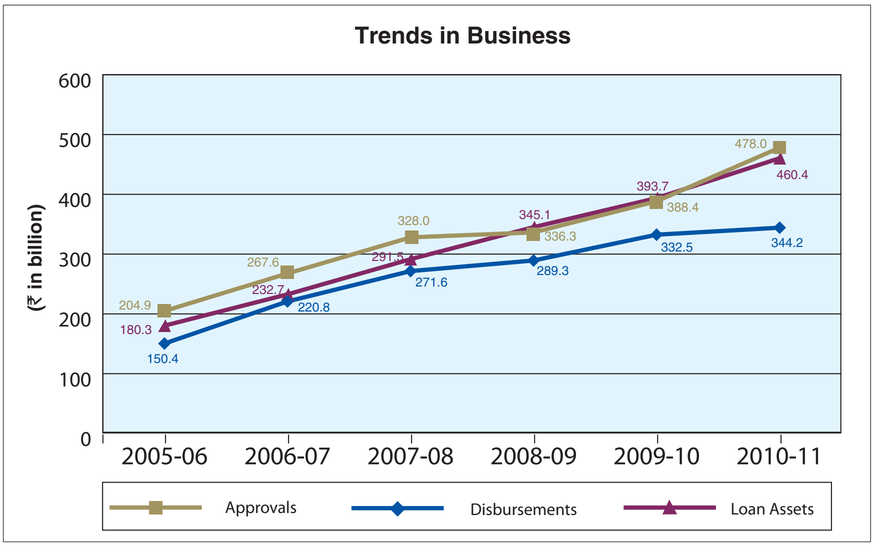
Exim Bank in conjunction with the Export Credit Guarantee Corporation of India Ltd (ECGC) introduced a new product, Buyer's Credit under Government of India's National Export Insurance Account (NEIA), to boost project exports from India. Sovereign governments and government-owned entities overseas can use the Buyer's Credit facility for financing import of projects from India on deferred payment terms.

Programme for SMEs

The Bank partnered with the Commonwealth Secretariat in the Eleventh edition of Commonwealth–India Small Business Competitiveness Development Programme, held in Chandigarh during February 13-19, 2011. The theme for the eleventh edition was 'Enterprise Development: The Value of Finance and Young Entrepreneurs'. During the inaugural session of the programme, Exim Bank's publication titled "New Renewable Energy in India: Harnessing the Potential", was released by Mr. Shivraj Patil, Governor of Punjab and Mr. Kamalesh Sharma, Secretary General, Commonwealth Secretariat. The objective of the programme was to undertake capacity development initiative which promotes economic development (increased employment, investment, trade and economic activity) in Commonwealth member states by providing competitive strategies and policies on SME development to practitioners and policy makers, and to build and develop institutional capacity.

New Foreign Currency Resources

During 2010-11, the Bank tapped Japanese, Swiss and Taiwanese markets in addition to Reg S and private placement investors to raise foreign currency (FC) resources. The Bank issued Samurai bonds of JPY 20 billion (equivalent to US$ 242 million) for 10 years at the tightest level under the JBIC Guarantee and Acquisition towards Tokyo Market Enhancement (GATE) and Market Access Support Facility programme.



Exim Bank supported Anchalika Agarbatti Federation, Orissa, for increasing productivity through technology intervention and capacity building.

With this issue, the Bank became the first sovereign agency and the fourth issuer to utilise JBIC's GATE programme. The Bank also accessed Swiss market for the first time and issued bonds of CHF 175 million (equiv. to US$ 190 million) listed at SIX Swiss Exchange. The Bank also raised US$ 150 million by way of a syndicated loan with participation from 9 banks, mostly from Taiwan. Thus, during FY 2010-11 the Bank raised medium and long-term FC resources amounting to US$ 1.38 billion and short-term FC resources of US$ 1.19 billion from the offshore market through a variety of instruments, different investor base and across various geographies.

Rural Grassroots Business Initiatives

The Bank has in place a facility to support globalisation of rural industries through its Grassroots Initiative and Development.

During the year, the Bank provided support to the Anchalika Agarbatti Federation through Orissa Rural Development and Marketing Society (ORMAS), for increasing productivity through technology intervention and capacity building. ORMAS is an autonomous body under Panchayati Raj Department, Government of Orissa set up to facilitate marketing of rural products with a view to improve the economic condition of rural artisans and producers. In order to provide further upliftment to the poor and to make the existing model sustainable, Exim Bank has supported ORMAS for a project on increasing productivity through technology intervention and capacity building. The Bank's intervention through mechanisation is to increase the productivity per SHG member three times and make the agarbatti rolling activity lucrative enough to be considered as a main economic activity and not as an additional income activity to rural households.

The Bank has also supported the 'Society for Handicraft and Literacy Promotion Initiative' (SHILPI) an NGO in Agartala, through Tripura Bamboo Mission (TBM) towards supporting a project for increasing productivity of agarbatti rolling through technology upgradation. The proposed intervention by Exim Bank for mechanisation of raw agarbatti rolling and monitoring of quality on a test scale in identified districts is expected to result in a paradigm shift in the socio-economic viability of agarbatti rolling, not only in Tripura but also across select states in the country.

The Bank facilitated tie up of Uravu, an NGO engaged in promoting bamboo craft for ensuring livelihood sustenance of rural poor in Wayanad, Kerala, with The Village Store, a retail store in Mumbai, for promoting sales of their products.

IV. FINANCIAL PERFORMANCE

Resources

During the year, the Bank received capital of ₹ 3 billion from the Government of India. As at March 31, 2011, the Bank's total resources including paid-up capital of ₹ 20 billion and reserves of ₹ 32.30 billion, aggregated to ₹ 524.22 billion. Exim Bank's resource base includes bonds, certificates of deposit, commercial paper, term deposits, term loans and foreign currency deposits/borrowings/long-term swaps. The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' rating from the rating agencies, CRISIL and ICRA. During the year, the Bank raised borrowings of varying maturities aggregating to ₹ 260.95 billion comprising rupee resources of ₹ 126.69 billion and foreign currency resources of US$ 3.01 billion equivalent. Foreign currency resources of US$ 2.57 billion equivalent were raised through bonds, bilateral/club/ syndicated loans and US$ 0.44 billion by way of

Buy-Sell swaps/on-shore deposits. As on March 31, 2011, the Bank had a pool of foreign currency resources equivalent to US$ 5.42 billion and outstanding Rupee borrowings including bonds and commercial papers of ₹ 249.17 billion. Market borrowings as on March 31, 2011 constituted 99 per cent of the total borrowings and 89 per cent of the total resources of the Bank.

International Rating

As on March 31, 2011, the Bank was rated Baa3 (Stable) by Moody's, BBB- (Stable) by S&P, BBB- (Stable) by Fitch Ratings and BBB+ (Stable) by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above and are the same as the sovereign rating.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at ₹ 8.68 billion and ₹ 5.84 billion respectively during the year 2010-11, as compared to the previous year's PBT and PAT of ₹ 7.72 billion and ₹ 5.13 billion, respectively. Business income comprising interest, discount, exchange commission, brokerage and fees during 2010-11 was ₹ 27.17 billion as compared to ₹ 22.22 billion in 2009-10. Investment income, interest on bank deposits etc. during 2010-11 was ₹ 8.33 billion as compared to ₹ 7.66 billion in 2009-10. Interest expenses in 2010-11 at ₹ 23.51 billion were higher by ₹ 2.57 billion mainly due to the increase in borrowings. Administrative expenses as a per cent of total expenses (excluding provisions for contingencies) worked out to 2.79 per cent during 2010-11 as against 2.57 per cent during 2009-10. The average cost of borrowings (interest expenditure as a per cent of average borrowings) reduced from 5.39 per cent per annum during 2009-10 to 5.36 per cent per annum during 2010-11, mainly due to the lower Libor reset on foreign currency borrowings.

Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 17.04 per cent as on March 31, 2011, as compared to 18.99 per cent as on March 31, 2010, as against a minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as on March 31, 2011 was 8.92:1, as compared to 8.82:1 as on March 31, 2010.

Exposure Norms

Reserve Bank of India (RBI) has prescribed credit exposure limits for all-India term lending institutions, at 15 per cent of the financial institutions' capital funds, effective from March 31, 2002, for exposure to individual borrowers and at 40 per cent for group borrowers. An additional exposure upto 5 per cent (i.e. a total exposure upto 20 per cent of capital funds of the Financial Institution for Single Borrowers and 45 per cent of capital funds for Borrower Groups) can be taken in exceptional circumstances, with the prior approval of the Board. The exposure ceilings for individual borrowers and borrower groups can be exceeded by an additional five percentage points (i.e. 5 per cent of total capital funds) and ten percentage points (i.e. 10 per cent of total capital funds) respectively (over and above the maximum limits of 20 per cent and 45 per cent respectively), provided the additional credit exposure is on account of infrastructure projects in India. The Bank's credit exposures to single and group borrowers as at March 31, 2011 were within the limits stipulated by RBI.

RBI has advised Financial Institutions to adopt internal limits on exposures to specific industry sectors so that the exposures are evenly spread over various sectors. The industry exposure limits adopted by the

Inauguration of Exim Bank's London Branch in the presence of Mr. Nalin Surie, High Commissioner of India to UK and Lord Sassoon, Commercial Secretary, Government of UK.

Bank for each industry sector are 15 per cent of the Bank's credit exposure to all industry sectors. The Bank's exposure to a single industry sector was not more than 11.78 per cent of its total exposure as at March 31, 2011.

Treasury

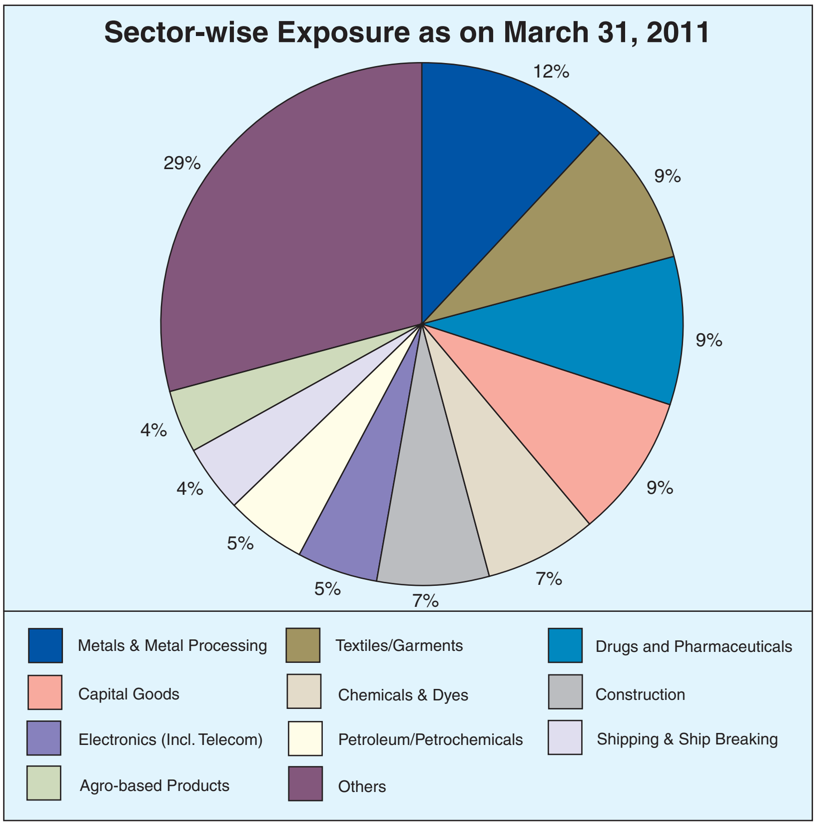
The Bank's integrated treasury handles fund management functions including investment of surplus funds, money market and forex operations and securities trading. The Bank has segregated front/middle/back office functions and has set up a state-of-the-art dealing room. The range of products offered by the Bank's treasury to its borrowers include foreign exchange deals, collection/negotiation of export documents, issuance of inland/foreign letters of credit/guarantees, structured loans, etc. The Bank uses financial derivative transactions for raising cost effective funds and hedging its balance sheet exposures, with an objective of reducing market risks. The Bank is a member of the Indian Financial Network (INFINET) and has registration authority status from Institute for Development Research in Banking Technology (IDRBT), the certifying authority. The Bank holds a digital certificate to deal through the Negotiated Dealing System – Order Matching segment (NDS-OM) of RBI, which provides the electronic dealing platform for trading in GOI securities. The securities/foreign exchange transactions of the Bank are routed through the Guaranteed Settlement Facility provided by the Clearing Corporation of India Ltd. (CCIL). The Bank is an active member of Collateralised Borrowing & Lending Obligation segment of CCIL. The Bank is also a member of Clearcorp Order Matching System (CROMS), the Repo Dealing System of CCIL. CROMS is a Straight Through Processing enabled anonymous Order Matching Platform launched by CCIL for facilitating dealing in market repos in all kinds of Government Securities on T+0/ T+1 basis. CCIL acts as a central counterparty to all CROMS trades and settlements are guaranteed by CCIL. During the year 2010-11 the Bank has implemented centralised SWIFT facility (with connectivity to London branch) by migrating SWIFT application from SWIFT Alliance Entry to SWIFT Alliance Access, which is capable of handling multiple Bank Identifier Codes.

Exim Bank accessed the Swiss Market for the first time and issued bonds of CHF 175 million. The bonds are listed at SIX Swiss Exchange.

Asset-Liability Management (ALM)

The Asset-Liability Management Committee (ALCO) of the Bank oversees the monitoring & management of market risk with support from the Bank's mid-office. Liquidity/interest rate risks are managed by ALCO as per the comprehensive ALM/liquidity policies approved by the Board. The role of ALCO includes, inter-alia, reviewing the Bank's currency-wise structural liquidity and interest-rate sensitivity positions vis-à-vis prudential limits prescribed by the RBI/Board, monitoring results of periodical stress testing of cash flows and identifying a suitable ALM strategy based on the quantum of interest-rate risk as measured through a) assessment of sensitivity of net-interest income to interest rate movements and b) sensitivity of economic value using duration-gap analysis. Regular stress testing of currency-wise liquidity position is carried out and a Contingency Funding Plan is drawn up periodically to estimate the worst-case shortfall in each currency. Value-at-risk is computed for the Bank's held-for-trading and available-for-sale portfolio of GOI securities. The Funds Management Committee (FMC) decides on the investments/disinvestments and raising of resources as per the Fund Management/Resources Plan approved by the Board at the beginning of each financial year and reviewed during the year. The Audit Committee & Management Committees of the Board periodically review the functioning of ALCO/FMC.

Risk Management



The Bank has an Integrated Risk Management Committee (IRMC), which is independent of operating groups and reports directly to the top management. The IRMC reviews the Bank's risk management policies in relation to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and strategy, and regulatory and compliance issues in relation thereto. The IRMC oversees the operations of the ALCO, the FMC and the Credit Risk Management Committee (CRMC), all of which have cross-functional representation. While ALCO deals with issues relating to ALM policy and processes and analyses the overall market risk (liquidity, interest-rate risk and currency risk) of the bank, CRMC deals with credit policy and procedures and analyses, manages and controls credit risk on a bank-wide basis. Loan proposals are independently analysed by the Chief Risk Officer of the Bank who evaluates the risk profile of the proposals and provides inputs to the approving authority. The Bank has in place an advanced Credit Risk Model (CRM) that enables a broad-based credit appraisal decision support (by incorporating a range of qualitative as well as quantitative parameters/ measures) and superior portfolio management capability. The Bank also undertakes an annual review of the Business Continuity & Disaster Recovery Plans of all its offices. Each of the plans is vetted for completeness with regard to critical Business Continuity Risk Events and safeguards in place, for mitigating the impact thereof.

Asset Quality

As per RBI prudential norms for Financial Institutions a credit/loan facility in respect of which interest and/ or principal has remained overdue for more than 90 days, is defined as a Non-Performing Asset (NPA). The Bank's gross NPAs at ₹ 4.78 billion worked out to 1.04 per cent of the total loans and advances. The Bank's NPAs (net of provisions) of ₹ 0.93 billion as on March 31, 2011 were at 0.20 per cent of loans and advances (net of provisions) as at March 31, 2011.

Asset Classification

'Sub-standard assets' are those where interest and/ or principal remains overdue for more than 90 days. Sub-standard assets that have remained as NPAs for a period exceeding 12 months are classified as 'doubtful assets.' 'Loss assets' are those considered uncollectable. Out of gross NPAs at 1.04 per cent, sub-standard assets worked out to 0.43 per cent, doubtful assets worked out to 0.53 per cent, while loss assets worked out to 0.08 per cent. Net NPAs at 0.20 per cent of net loans and advances as at March 31, 2011, are fully towards sub-standard assets, while doubtful and loss assets have been fully provided for.

Corporate Governance

Exim Bank ensures transparency and integrity in communication and makes available full, accurate and clear information to all concerned. The Bank is committed to and is continuously striving to ensure compliance with best practices of corporate governance as relevant to the Bank. The Bank has established a framework of strategic control and is continuously reviewing its efficacy. Business/financial performance related matters, analytical data/information are reported to the Board/Management Committee of the Board (MC) periodically for review. The Bank has put in place a Board approved Compliance Policy and a senior official has been made responsible in respect of compliance issues with all applicable statutes, regulations and other procedures, policies as laid down by the GOI/RBI and other regulators and the Board, and report deviation if any to the Audit Committee (AC). The Bank's Board held five meetings (during the FY 2010-11) and the MC, nine meetings.

A delegation led by Dr. Leonel Fernandez Reyna, President of the Dominican Republic, visited Exim Bank.

Audit Committee

The Bank's Audit Committee (AC) of the Board provides direction to the total audit function of the Bank in order to enhance its effectiveness as a management tool and to follow-up on all issues raised in the statutory/external/internal/concurrent audit reports and RBI inspection reports. The AC meets at least six times in a year. The AC reviews the annual financial statements every year before submission of the same to the Board. AC also periodically reviews the functioning of the Bank's FMC and ALCO. The Audit Committee met six times during the FY 2010-11.

KYC, AML and PML measures of the Bank

The Bank has put in place a policy approved by the Board on 'Know your Customer (KYC), Anti Money Laundering (AML) and Prevention of Money Laundering (PML)' measures of the Bank. The Policy conforms to RBI guidelines in the matter. The KYC, AML & PML policy covers (a) Customer Acceptance Policy (b) Customer Identification Procedure (c) Monitoring of transactions (d) Risk Management (e) KYC for existing customers. The Bank is currently referring to the latest RBI caution list issued by RBI vide its circular Ref.No. FE.CO.TRADE(EXD)19116/05.63.001/2010-11 dated February 11, 2011, which is also updated on the Bank's intranet. The Bank also has access to the World-Check's database, an online database service, a product of Global Objectives Ltd., a UK registered company and regulated in the UK. World-Check's database provides profiles of high risk and 'potentially' heightened risk individuals and entities and those associated with them, in more than 240 countries and territories. All the customers of the Bank are subjected to KYC standards, which establishes the identity of the natural/legal person and those of the 'beneficial owners'. Implementation of KYC policies and procedures covers identification of term deposit holders, correspondent banks, recruitment of new staff members and counter party identification with regard to treasury transactions. The Bank obtains data required for ensuring compliance by its counter party banks with regard to KYC norms through a suitable questionnaire. Exim Bank maintains information in respect of certain transactions in accordance with the procedure and manner as may be specified by

RBI and SEBI, as the case may be, from time to time and the records are maintained for a period of ten years from the date of the transaction. The Bank has appointed a Principal Officer for KYC, AML and PML measures of the Bank. The KYC & AML Policy is on the Bank's website.

Fair Practices Code for Lenders

The Bank has in place, a Board approved policy on Fair Practices Code for Lenders framed in line with RBI guidelines. The policy is reviewed every year.

V. INFORMATION AND ADVISORY SERVICES

The Bank provides a wide range of information, advisory and support services, which complement its financing programmes. These services are provided on a fee basis to Indian companies and overseas entities. The scope of services includes market-related information, sector and feasibility studies, technology supplier identification, partner search, investment facilitation and development of joint ventures both in India and abroad.

Multilateral Funded Projects Overseas

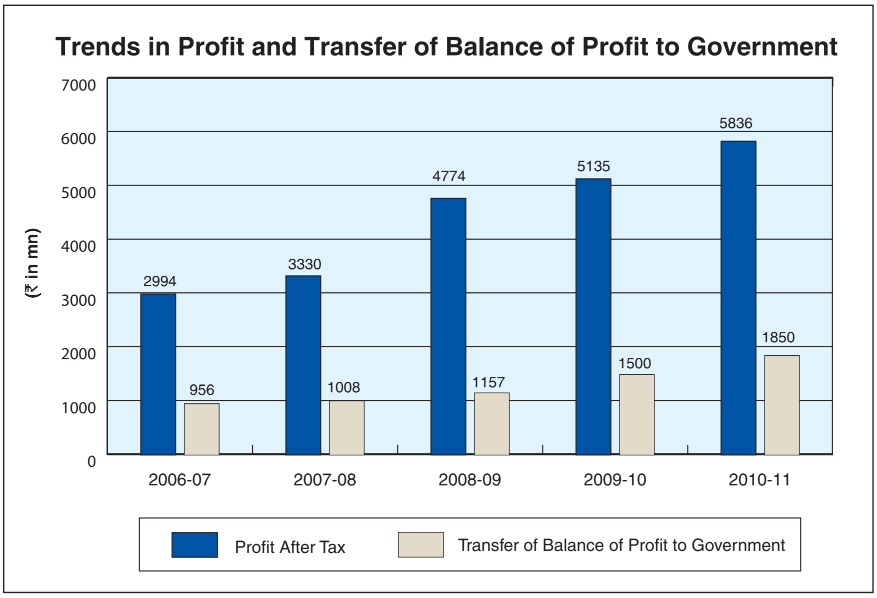
The Bank provides a package of information and support services to Indian companies to help improve their prospects for securing business in projects funded by the World Bank, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development. During the year, the Bank disseminated information on numerous overseas business opportunities covering various sectors including energy, transportation, construction, telecommunication, infrastructure, educational and information technology.

Exim Bank as a Consultant

The Bank's experience in evolving as an institution supporting international trade and investment, in addition to functioning as an export credit agency in a developing country context, is of particular relevance in other developing countries. The Bank has been sharing its experience and expertise by undertaking consultancy assignments. Exim Bank also shares its experience and expertise through provision of on-site exchange of personnel programmes aimed at providing a first-hand experience to the employees of its institutional partners.

Export Marketing Services

The Bank provides assistance to Indian companies to enable them establish their products in overseas markets through its Export Marketing Services, starting from identification of prospective business partners to facilitating placement of final orders. The Bank also identifies acquisition/joint venture/distributorship/consultancy opportunities abroad for Indian companies.



Eximius Centre for Learning

During the year, the Bank's Eximius Centre (EC) for Learning has conducted 30 programmes on a wide range of topics to keep Indian companies abreast of developments in the global market. EC has joined hands with Ministry of Commerce, GOI and Federation of Indian Export Organisation (FIEO) under the 'Look East Policy' of

GOI and conducted eight seminars in all states of North Eastern region of India.

For enhancing the export skill of SMEs, the Centre organised seminars on Export Procedure & Documentation at Agartala and Shillong, Cluster Formation and Financing at Kanpur, a series of programmes on Institutional Initiatives for supporting Indian exports and SMEs at Gurgaon, Raipur and Indore. EC has also organised country/region specific seminars like ‘Focus Africa’ and ‘Round Table of Pharma Industry - Opportunities in England’s East Midlands’ at Bangalore, Delhi and Hyderabad. A seminar on ‘Corporate Compliance Management and Limited Liability partnership’ was also conducted at Bangalore in association with Ministry of Company Affairs, GOI and Institute of Company Secretaries of India, Bangalore Chapter.

In order to familiarise the exporting community of Karnataka with the International Commercial terms, a day’s seminar on INCOTERMS 2010 was jointly organised by FIEO, Federation of Karnataka Chambers of Commerce and Industry (FKCCI) and Exim Bank.

An interactive session was also held in Bangalore with international delegates under the training programme of National Institute for Micro, Small & Medium Enterprises (NIMSME), Hyderabad.

VI. INSTITUTIONAL LINKAGES

The Bank has fostered a network of alliances and institutional linkages with multilateral agencies, export credit agencies, banks and financial institutions, trade promotion bodies, and investment promotion boards to help create an enabling environment for supporting trade and investment. Towards this end, the Bank entered in to a Memorandum of Cooperation (MoC) with SID Banca, Slovenia. The MoC strengthens the relationship between the two institutions in undertaking promotional activities for SMEs, including exchange of information and publications relating to business and investment opportunities, organising workshops, seminars and symposia.

Exim Bank signed a Memorandum of Understanding with IL&FS Cluster Development Initiative Ltd., to finance clusters of small and medium enterprises.

The Bank also entered into a MoC with Korea Trade-Investment Promotion Agency. The objectives of the MoC are to support cross-border transactions and projects of common interest; facilitate joint ventures in both countries, and also in third countries; support the activities of each other to promote the realisation of business opportunities and facilitate trade and investment between the two countries.

In order to promote and increase trade and investment flows between India and China, as also from China and India to other countries, Exim Bank and China Development Bank signed a Memorandum of Understanding (MoU) in the presence of Prime Minister of India, Dr. Manmohan Singh, during the visit of Prime Minister of China, Mr. Wen Jiabao, to New Delhi. The scope of this cooperation includes promoting financial and project cooperation, financial consultancy, and projects that have significant scope for further economic development of China and India.

A high level delegation led by Mr. Danilo Astori, Vice President of Uruguay visited Exim Bank, in Mumbai. During the visit, the Bank signed a Memorandum of Cooperation with the Republic Bank of Uruguay (Banco Republica). The cooperation arrangement between the two financing institutions, would pave the way towards enhancing trade and investment relations between the two countries. The institutions will support economic activities, especially through the Small and Medium Enterprises of respective countries. Uruguay, which is a member of MERCOSUR (regional trading bloc of Brazil, Argentina, Paraguay and Uruguay), could act as a gateway for the entire Latin American region. A huge scope exists for Indian firms for joint ventures in pharmaceuticals, agri-business and IT sectors in Uruguay.

Under its new initiative for cluster financing and development in India, the Bank has signed cooperation agreements with IL&FS Cluster Development Initiative Ltd. and Ahmedabad based Cluster Pulse. The objective of the MoU with IL&FS Cluster Development Initiative Ltd. is to create a workable credit mechanism for the cluster projects and also meet the individual banking and trade finance requirements of the SMEs located in these cluster projects. Under the MoU, while the Bank would provide loans for the projects subject to their meeting pre-defined eligibility and viability norms, IL&FS Clusters would act as the Project Manager. Under the cooperation arrangement with Cluster Pulse, the Bank will not only conduct studies to explore business and export marketing plans for Cluster Projects but will also organise workshops and training programmes for knowledge transfer. The key sectors being targeted for cluster based development are textiles, leather, food and agro processing, pharmaceuticals and healthcare, including traditional Indian medicine, artisan clusters, engineering, upgradation of industrial estates and common infrastructure development for existing industrial clusters.

In order to promote trade and investment flow between India and South Korea, the Bank signed a Memorandum of Cooperation with Export-Import Bank of Korea, in the presence of Finance Minister Mr. Pranab Mukerjee and Mr. Yoon Jeung-Hyun, the Minister of Strategy and Finance of South Korea, during second bilateral meeting of Finance Ministers of India and the Republic of Korea, in New Delhi. The area and scope of this cooperation include mutual consultations and identifying prospects for joint projects; exchange of experience, information on financing export and import operations, project assessment, and providing mutual technical assistance and training; as also mutual participation in seminars, conferences and business fora organised by both the organisations.

Exim Bank signed a Memorandum of Cooperation with Banco Republica in the presence of Mr. Danilo Astori, Vice President of Oriental Republic of Uruguay.

Asian Exim Banks Forum

The Sixteenth Annual Meeting of the Asian Exim Banks Forum (AEBF) was held in Busan, Korea during September 2010. The forum had been conceived and initiated by Exim Bank of India in 1996. The theme for the 2010 meeting was “Post-crisis challenges of Asian Exim Banks: Facilitating sustainable and balanced growth”. The meeting provided a platform for member institutions to share the measures undertaken by the respective institutions in response to global financial crisis. The Meeting was chaired by the Export-Import Bank of Korea and co-chaired by Export-Import Bank of Thailand and Export-Import Bank of Malaysia Berhad. The meeting had representatives at the highest level from the nine member institutions viz. Australia, China, India, Indonesia, Japan, Korea, Malaysia, the Philippines and Thailand, with Asian Development Bank (ADB), the multilateral financing institution, as a permanent invitee. At the Annual Meeting, interactions and working sessions covered a wide range of topics including an insight into Asian Economic Outlook by ADB; discussion on Asian Exim Banks’ experience and strategies; and, discussion on international economic cooperation. The discussions at the Sixteenth Annual Meeting were concluded with endorsement of the use of the Reciprocal Risk Participation Agreement as the template document in entering into bilateral arrangements with other member institutions, and signing of membership protocol for procedures on the admission of new members and observers of the AEBF.

Global Network of Exim Banks and Development Finance Institutions

The Global Network of Exim Banks and Development Finance Institutions (G-NEXID) was set up in Geneva in March 2006 through the Bank's initiative, under the auspices of UNCTAD. With the active support of a number of other Exim Banks and Development Finance Institutions from various developing countries, the network has endeavoured to foster enhanced South-South trade and investment cooperation, characterised among others, by the launching of the G-NEXID's website (www.gnexid.org) and annual meetings of the Forum. 'Observer Status' in UNCTAD underscores support for the Forum, while acceptance of the accrued benefit of the Forum by developing countries can be assessed from the fact that the members continued to extend their active participation.

Award for Excellence

Export-Import Bank of India and Confederation of Indian Industry (CII) joined hands, in 1994, to promote 'excellence' among Indian companies through the 'CII-Exim Bank Award for Business Excellence' for best Total Quality Management (TQM) practices adopted by an Indian company. The Award is based on the European Foundation for Quality Management (EFQM) model which has undergone revisions recently and has been published as EFQM Excellence Model 2010.

In 2010, the Winners of the CII-Exim Bank Award for Business Excellence were Tata Group's Tinplate Company of India Ltd. and Avantha Group's Crompton Greaves Ltd. In 2010, twenty-nine large business organisations and their operating units were commended by the jury for significant achievement (nine companies), and strong commitment to excel (twenty companies), in their journey towards business excellence. Recognising the growing significance of Small and Medium Businesses (SMBs) in the growth of Indian industry and economy, the assessment process has been simplified to promote the adoption of Excellence framework among the SMBs and to derive benefits to enhance their competitiveness. Two Small and Medium Business companies (Thinksoft Global Services Ltd. and Moolchand Medcity) were also commended for significant achievement. The jury also commended Perfetti van Melle (India) Pvt. Ltd. for food safety.

VII. INFORMATION TECHNOLOGY

The Bank continued its initiatives in enhancing the use of knowledge management tools, communication across its various constituents for better sharing of information, user empowerment and system

Sixteenth Annual Meeting of the Asian Exim Banks Forum was held in Busan, Korea. The theme for the meeting was "Post-crisis challenges of Asian Exim Banks: Facilitating sustainable and balanced growth. The meeting had representatives at the highest level from its nine member institutions.

intelligence capabilities. The Bank is a member of INFINET and digitally participates in the market through industry-wide systems initiated by regulatory and industry institutions such as RBI, CCIL, Credit Information Bureau (India) Ltd. and SWIFT.

Tata Group's Tinplate Company of India Ltd., a winner of the CII-Exim Bank Award for Business Excellence in 2010, receiving the award.

Systems were supported and upgraded in various areas including those of operational business intelligence; bank-wide system; document management and workflow; networks; infrastructure; and security. The Bank strengthened its practices and procedures in compliance with international standards for IT Governance.

The Bank's corporate website (www.eximbankindia.in) disseminates information in an organised manner on the various research activities conducted by the Bank and on business opportunities & leads in international trade. Besides, it features relevant information on the Bank's various lending programmes and information and advisory services.

The Bank's agro-portal (www.eximbankagro.in), continues to provide product-wise information and advisory services. The Bank is a member of Asian Exim Banks' forum and G-NEXID and the Bank maintains websites for the two fora.

VIII. RESEARCH AND ANALYSIS

The International Economic Development Research Annual (IEDRA) Award was instituted by the Bank in 1989. The objective of the award is to promote research in international economics, trade and development, and related financing, by Indian nationals at universities and academic institutions in India and abroad. The Award consists of a sum of Indian Rupees Two Hundred and Fifty Thousand and a citation. The winner for the year 2010 is Dr. Narayan Chandra Pradhan, for his doctoral thesis titled "Openness and Growth of the Indian Economy: An Empirical Analysis". Dr. Pradhan received his Doctoral degree in 2010 from the Indian Institute of Technology, Mumbai. In the previous year, Dr. Debasis Mondal had won the IEDRA Award.

The Bank published 7 research papers during the year. The titles of the studies are: Common Market for Eastern and Southern Africa (COMESA): A Study of India's Trade and Investment Potential; Caribbean Community (CARICOM): A Study of India's Trade and Investment Potential; West African Region: A Study of India's Trade and Investment Potential; Innovation, Imitation and North South Trade: Economic Theory and Policy; Indian Shipping Industry: A Catalyst for Growth; New Renewable Energy in India: Harnessing the Potential; and Indian Electronics Industry: Perspectives and Strategies.

IX. HUMAN RESOURCES MANAGEMENT

The Bank's staff, numbering 244 on March 31, 2011, consisted of chartered accountants, management graduates, economists, bankers, legal, library and documentation experts, engineers, linguists, human resources and IT specialists. The professional team, numbering 200, is supported by a dedicated set of administrative officers.

The Bank strives to be a learning organisation. Towards this end, various group training programmes are organised, facilitating continuous upgradation of skills of its staff. Officers are also nominated for customised training programmes and seminars, aimed at developing and enhancing specialised skill sets for handling specific portfolios. During 2010-11, 146 officers attended training programmes and seminars on various subjects relevant to the Bank's operations, ranging from accounting, credit appraisal and management, working capital management, debt recovery, loan documentation, treasury management, financial modelling, equity finance, to digital library management, business communications and ethics in business.

X. PROGRESS IN IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

During 2010-11, the Bank continued its efforts to strengthen the implementation of the Official Language Policy. In compliance with the provisions of Section 3 (3) of the Official Language Act, circulars, press releases, notices and reports were issued in bilingual form. In compliance with Rule 5 of the Official Language Rules 1976, letters received in Hindi were responded to in Hindi.

Annual Programme for FY 2010-11, received from the Department of Official Language, Ministry of Home Affairs was implemented through an action plan, prepared to achieve targets on various parameters. Towards this end, Official Language Implementation Committees at Bank's Head Office and Regional offices reviewed and monitored the progress on quarterly basis.

Hindi workshops were organised to impart training in Hindi to officers of the Bank, as per the targets. Use of Unicode, which is a platform-free Hindi font facility, was encouraged and the facility was activated on all the computers of the Bank.

A scheme offering incentives aimed at encouraging officers to use Hindi in their day-to-day work is in place in the Bank. During the year, prizes were given to officers for maximum use of Hindi for official work.

In pursuance of Government's directives, a Hindi fortnight commencing from September 1, 2010 was celebrated in the Bank. On this occasion, various Hindi competitions were organised for staff members; special Hindi issue of Eximius, an in house magazine, was published. Hindi workshops were conducted and an exhibition of Hindi publications was organised. On the culmination of the fortnight, prizes to winners of competitions were distributed.

Dr Debasis Mondal was declared the winner of Exim Bank International Economic Development Research Annual Award 2009. Dr. Mondal received the citation from Chief Economic Adviser, Ministry of Finance, Government of India, Dr. Kaushik Basu.

The Bank's website is available in Hindi. Information related to business and operations of the Bank was updated/ made available on Hindi website for wider dissemination. Help and reference material along with useful information for use of staff members was made available on the Bank's intranet.

Apart from literature on the Bank's operations and procedures, all Research Briefs and select Occasional Papers and Working Papers were translated into Hindi. Hindi versions of all the issues of 'Eximius: Export

Advantage', a quarterly publication of the Bank, were published under the title 'Eximius: Niryaat Laabh'. Issues of 'Agri Export Advantage', a bi-monthly publication of the Bank, were also published in Hindi under the title 'Krishi Niryaat Laabh'. Bank's in-house magazine 'Eximius' has a Hindi section. The Bank's Commencement day lecture booklet has also been published in Hindi.

In pursuance of Government policy regarding progressive use of Hindi, Hindi learning material and new books, particularly on foreign trade, commerce, finance, banking, information technology and other subjects were added to the Bank's Knowledge Centre.

The Bank's efforts for accelerating the use of Hindi for official purposes received recognition from various authorities, namely State Level Bankers' Committee (SLBC), Pune, Maharashtra, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, GOI awarded the first prize to the Bank for commendable performance in implementing Hindi in offices located in Maharashtra, among all Financial Institutions for 2009-10.

Town Official Language Implementation Committee (TOLIC), Mumbai, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, GOI has awarded the first prize to the Bank's Head office for commendable performance in implementing Hindi among all Financial Institutions for 2009-10.

TOLIC Delhi, has awarded the third prize to the Bank's Delhi Regional office for commendable performance in implementing Hindi among all Financial Institutions for 2009-10.

Exim Bank's in-house magazine 'Eximius' was awarded the First prize under bilingual magazine category by the Reserve Bank of India.

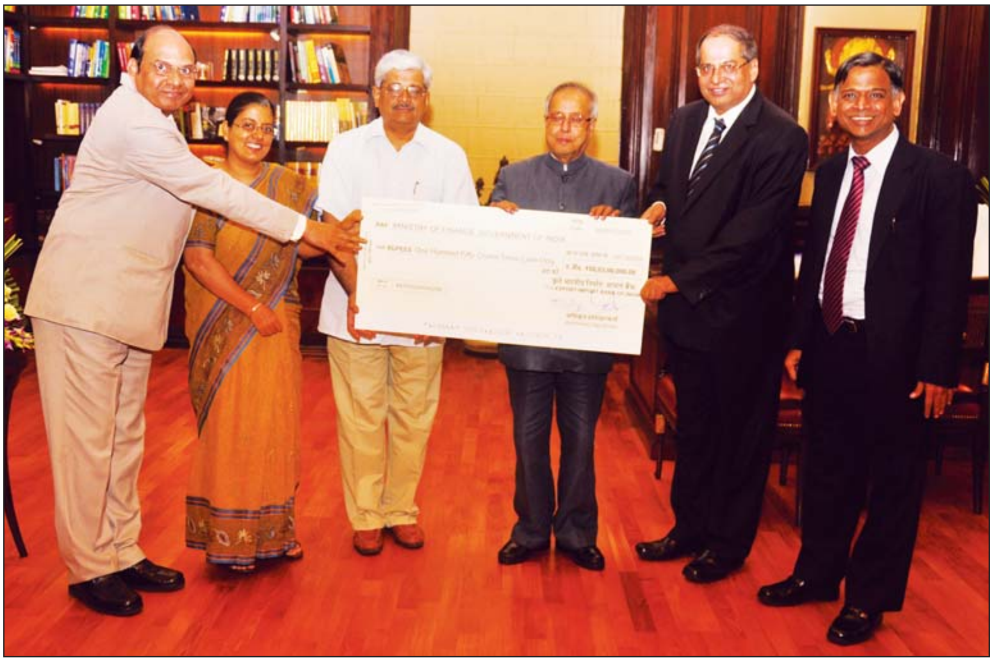
The Bank's in-house journal 'Eximius' was selected for the First prize under bilingual magazine category amongst all Banks / Financial Institutions by Reserve Bank of India for 2009-10.

Shri Dushyant Kumar Pandulipi Smarak Sangrahalaya, a Bhopal based literary organisation, awarded 'Bhartendu Prize' to the Bank's in house magazine Eximius.

XI. REPRESENTATION OF SCHEDULED CASTES, SCHEDULED TRIBES AND OTHER BACKWARD CLASSES

Of the total staff of 244 in the Bank's service as on March 31, 2011, there were 26, 17 and 22 Scheduled Caste, Scheduled Tribe and Other Backward Class staff members, respectively. Training in computers and other areas such as business communication was provided to these staff members. Bank continues to grant scholarships for scheduled caste and scheduled tribe and other backward class students at the Indian Institute of Foreign Trade, New Delhi. The Bank has also instituted scholarships to reserved category students of the Kalinga Institute of Industrial Technology (KIIT) University, Orissa, and the North Eastern Regional Institute of Science and Technology (NERIST), Arunachal Pradesh.

Balance Sheet as at March 31, 2011 and Profit & Loss Account for 2010-11



Presenting the cheque of ₹150 crore being balance of net profit for FY 2009-10 to Mr. Pranab Mukherjee, Union Finance Minister.

Balance Sheet
as at 31st March, 2011

Liabilities

		Schedules	This year (As at 31.03.2011) ₹	Previous year (As at 31.03.2010) ₹
1.	Capital	I	19,999,918,881	16,999,918,881
2.	Reserves	II	32,301,675,061	28,315,629,973
3.	Profit & Loss Account	III	1,850,000,000	1,500,300,000
4.	Notes, Bonds & Debentures		272,039,838,387	242,893,652,328
5.	Bills Payable		—	—
6.	Deposits	IV	32,410,009,720	29,382,680,792
7.	Borrowings	V	167,467,614,510	132,810,931,842
8.	Current Liabilities & Provisions for contingencies		19,188,062,320	16,853,129,434
9.	Other Liabilities		2,250,412,626	1,958,575,967
	Total		**547,507,531,505**	**470,714,819,217**

Contingent Liabilities

		This year	Previous year
(i)	Acceptances, Guarantees, endorsements & other obligations	30,556,876,000	22,735,865,100
(ii)	On outstanding forward exchange contracts	5,556,188,200	2,620,098,700
(iii)	On underwriting commitments		
(iv)	Uncalled Liability on partly paid investments	62,869,500	61,665,000
(v)	Claims on the Bank not acknowledged as debts	3,124,700,000	3,199,220,000
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	12,362,324,700	8,713,530,600
	Total	**51,662,958,400**	**37,330,379,400**

General Fund

Assets

		Schedules	This year (As at 31.03.2011) ₹	Previous year (As at 31.03.2010) ₹
1.	Cash & Bank Balances	VI	33,341,610,030	30,753,682,353
2.	Investments	VII	28,255,648,626	23,610,173,614
3.	Loans & Advances	VIII	447,968,000,400	386,106,824,649
4.	Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	8,590,000,000	4,250,000,000
5.	Fixed Assets	X	859,904,809	907,639,967
6.	Other Assets	XI	28,492,367,640	25,086,498,634
	Total		**547,507,531,505**	**470,714,819,217**

'Notes to Accounts' attached.
Note :- Previous year's figures have been regrouped, wherever necessary.

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

Prabhakar Dalal
Executive Director

Dr. Kaushik Basu

Shri Pratip Chaudhuri

Smt. Shyamala Gopinath

Shri M. D. Mallya

Shri R. M. Malla

Directors

As per our attached report of even date
For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W

(CA U.M. Jain)
Partner (M. No. 70863)

Mumbai
Dated : April 25, 2011

Profit & Loss Account

For the year ended 31st March, 2011

Expenditure

	Schedules	This year ₹	Previous year ₹
1. Interest		23,247,423,572	20,713,239,772
2. Credit Insurance, fees and charges		262,892,359	231,698,416
3. Staff Salaries, Allowances etc. and Terminal Benefits		265,934,886	176,241,091
4. Directors' and Committee Members' Fees and Expenses		–	50,000
5. Audit Fees		455,000	455,000
6. Rent, Taxes, Electricity and Insurance Premia		76,115,671	76,314,504
7. Communication expenses		20,382,546	20,677,137
8. Legal Expenses		22,508,615	19,428,376
9. Other Expenses	XII	291,095,827	627,018,009
10. Depreciation		94,741,758	77,643,086
11. Provision for loan losses/contingencies depreciation on investments		2,540,561,479	215,910,102
12. Profit carried down		8,676,959,184	7,724,024,639
Total		**35,499,070,897**	**29,882,700,132**
Provision for Income Tax [including Deferred tax credit of Rs. 263,385,905 (previous year - deferred tax debit of Rs. 188,128,153)]		2,840,914,096	2,589,028,153
Balance of profit transferred to Balance Sheet		5,836,045,088	5,134,996,486
		8,676,959,184	**7,724,024,639**

Report of the Auditors

1. We have audited the attached Balance Sheet of **General Fund** of **Export-Import Bank of India** ('the Bank') as at March 31, 2011, and also the Profit and Loss Account and the Cash Flow Statement of **General Fund** of the Bank for the year ended on that date annexed thereto (together referred to as 'financial statements'). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that :
   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   b. In our opinion, the Balance Sheet and the Profit and Loss Account and the Cash Flow Statement are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder;
   c. In our opinion, as shown in the books of the Bank and to the best of our information and according to the explanations given to us :
      i) The said Balance Sheet, read with the Notes to Accounts, is a full and fair Balance Sheet containing the necessary particulars, and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the **General Fund** of the Bank as at March 31, 2011, in conformity with the Accounting Principles generally accepted in India;
      ii) The said Profit and Loss account, read with the Notes to Accounts, gives a true balance of profit for the year ended on March 31, 2011, in conformity with the Accounting Principles generally accepted in India;
      iii) The said Cash Flow Statement gives a true and fair view of the Cash Flows for the year ended on March 31, 2011.

For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W
(CA U.M. Jain)
Partner
M.No. 70863

Place : Mumbai
Dated : April 25, 2011

General Fund

Income

		Schedules	This year ₹	Previous year ₹
1.	Interest and Discount	XIII	33,181,043,739	28,560,765,789
2.	Exchange, Commission, Brokerage and Fees		1,360,847,383	639,823,936
3.	Other Income	XIV	957,179,775	682,110,407
4.	Loss carried to Balance Sheet		–	–
	Total		**35,499,070,897**	**29,882,700,132**
	Profit brought down		8,676,959,184	7,724,024,639
	Excess Income/Interest tax provision of earlier years written back		–	–
			8,676,959,184	**7,724,024,639**

'Notes to Accounts' attached.

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

Prabhakar Dalal
Executive Director

Dr. Kaushik Basu

Shri Pratip Chaudhuri

Smt. Shyamala Gopinath

Shri R. M. Malla

Shri M. D. Mallya
Directors

As per our attached report of even date
For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W

Mumbai
Dated : April 25, 2011

(CA U.M. Jain)
Partner (M. No. 70863)

Schedules to the Balance Sheet

as at 31st March, 2011

		This Year (As at 31.03.2011)	Previous Year (As at 31.03.2010)
		₹	₹
Schedule I :	**Capital :**		
	1. Authorised	20,000,000,000	20,000,000,000
	2. Issued and Paid-up : (Wholly subscribed by the Central Government)	19,999,918,881	16,999,918,881
Schedule II :	**Reserves :**		
	1. Reserve Fund	24,697,180,252	21,611,135,164
	2. General Reserve	–	–
	3. Other Reserves :		
	Investment Fluctuation Reserve	1,114,175,745	1,014,175,745
	Sinking Fund (Lines of Credit)	1,320,319,064	1,220,319,064
	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	5,170,000,000	4,470,000,000
		32,301,675,061	**28,315,629,973**
Schedule III :	**Profit & Loss Account :**		
	1. Balance as per annexed accounts	5,836,045,088	5,134,996,486
	2. Less: Appropriations:		
	– Transferred to Reserve Fund	3,086,045,088	2,874,696,486
	– Transferred to Investment Fluctuation Reserve	100,000,000	100,000,000
	– Transferred to Sinking Fund	100,000,000	100,000,000
	– Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	700,000,000	560,000,000
	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act,1981)	**1,850,000,000**	**1,500,300,000**
Schedule IV :	**Deposits:**		
	(a) In India	32,410,009,720	29,382,680,792
	(b) Outside India	–	–
		32,410,009,720	**29,382,680,792**

General Fund

		This Year (As at 31.03.2011)	Previous Year (As at 31.03.2010)
		₹	₹
Schedule V :	**Borrowings :**		
	1. From Reserve Bank of India :		
	(a) Against Trustee Securities	–	–
	(b) Against Bills of Exchange	–	–
	(c) Out of the National Industrial Credit (Long Term Operations) Fund	–	–
	2. From Government of India	–	13,333,338
	3. From Other Sources :		
	(a) In India	47,221,088,703	47,499,811,030
	(b) Outside India	120,246,525,807	85,297,787,474
		167,467,614,510	**132,810,931,842**
Schedule VI :	**Cash & Bank Balances :**		
	1. Cash in Hand	69,483	49,194
	2. Balance with Reserve Bank of India	1,109,014	1,542,301
	3. Balances with other Banks:		
	(a) In India		
	i) in current accounts	692,413,859	327,305,340
	ii) in other deposit accounts	24,521,000,000	22,075,800,000
	(b) Outside India	7,627,521,670	8,249,014,277
	4. Money at call and short notice/ Lending under CBLO	499,496,004	99,971,241
		33,341,610,030	**30,753,682,353**
Schedule VII:	**Investments:**		
	(net of diminution in value, if any)		
	1. Securities of Central and State Governments	12,450,130,445	11,371,159,688
	2. Equity Shares & Stocks	1,471,297,097	1,380,158,511
	3. Preference Shares and Stocks	192,047,300	155,065,260
	4. Notes,Debentures and Bonds	5,453,567,279	5,200,476,271
	5. Others	8,688,606,505	5,503,313,884
		28,255,648,626	**23,610,173,614**

		This Year (As at 31.03.2011)	Previous Year (As at 31.03.2010)
		₹	₹
Schedule VIII:	**Loans & Advances:**		
	1. Foreign Governments	89,878,862,929	67,367,385,415
	2. Banks:		
	(a) In India	117,579,250,000	123,598,700,000
	(b) Outside India	2,151,553,262	2,408,124,950
	3. Financial Institutions:		
	(a) In India	—	—
	(b) Outside India	9,400,718,078	6,554,791,264
	4. Others	228,957,616,131	186,177,823,020
		447,968,000,400	**386,106,824,649**
Schedule IX:	**Bills of Exchange and Promissory Notes Discounted/Rediscounted:**		
	(a) In India	8,590,000,000	4,250,000,000
	(b) Outside India	—	—
		8,590,000,000	**4,250,000,000**
Schedule X:	**Fixed Assets : (At cost less depreciation)**		
	1. Premises	787,600,665	830,258,870
	2. Others	72,304,144	77,381,097
		859,904,809	**907,639,967**
Schedule XI:	**Other Assets :**		
	1. Accrued interest on		
	a) investments/bank balances	1,558,885,116	3,771,496,538
	b) loans and advances	2,556,968,926	1,842,437,391
	2. Deposits with sundry parties	26,612,087	26,080,397
	3. Advance Income Tax paid	3,585,076,666	2,957,769,715
	4. Others [including Deferred tax asset of ₹ 570,909,771 (previous year - ₹ 307,523,867)]	20,764,824,845	16,488,714,593
		28,492,367,640	**25,086,498,634**

		This Year (As at 31.03.2011)	Previous Year (As at 31.03.2010)
		₹	₹
Schedule XII:	**Other Expenses :**		
	1. Export Promotion Expenses	13,814,935	1,545,719
	2. Expenses on and related to Data Processing	7,601,156	14,668,780
	3. Repairs and Maintenance	82,346,821	62,306,178
	4. Printing and Stationery	8,859,372	13,600,093
	5. Others	178,473,543	534,897,239
		291,095,827	**627,018,009**
Schedule XIII:	**Interest and Discount :**		
	1. Interest and Discount on loans and advances/bills discounted/ rediscounted	25,963,184,097	21,737,637,895
	2. Income on Investments/ bank balances	7,217,859,642	6,823,127,894
		33,181,043,739	**28,560,765,789**
Schedule XIV:	**Other Income :**		
	1. Net Profit on sale/revaluation of investments	943,781,984	669,728,710
	2. Net Profit on sale of land, buildings and other assets	477,278	810,669
	3. Others	12,920,513	11,571,028
		957,179,775	**682,110,407**

Note : Deposits under ‘Liabilities’ [ref. Schedule IV (a)] include ‘on shore’ foreign currency deposits aggregating US$ 462.71 mn. (Previous year US$ 365.82 mn.) kept by counter party banks/institutions with Exim Bank against reciprocal rupee deposits/bonds. Cash & Bank Balances under ‘Assets’ [ref.Schedule VI 3.(a) ii)] include rupee deposits aggregating ₹ 18.11 bn (Previous year ₹ 13.83 bn) on account of swaps. Investments under ‘Assets’ [ref. Schedule VII 4.] include bonds aggregating ₹ 2.81 bn (Previous year ₹ 2.95 bn) on account of swaps

Balance Sheet

as at 31st March, 2011

Liabilities

		This year (As at 31.03.2011)	Previous year (As at 31.03.2010)
		₹	₹
1.	Loans :		
	(a) From Government	—	—
	(b) From Other Sources	—	—
2.	Grants:		
	(a) From Government	128,307,787	128,307,787
	(b) From Other Sources	—	—
3.	Gifts, Donations, Benefactions :		
	(a) From Government	—	—
	(b) From Other Sources	—	—
4.	Other Liabilities	103,882,318	94,382,318
5.	Profit and Loss Account	289,536,186	270,567,120
	Total	**521,726,291**	**493,257,225**

Contingent Liabilities

(i)	Acceptances,Guarantees, endorsements & other obligations	—	—
(ii)	On outstanding forward exchange contracts	—	—
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	—	—
(v)	Claims on the Bank not acknowledged as debts	—	—
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	—	—

Note : The Bank has established Export Development Fund in terms of Section 15 of Export-Import Bank of India Act, 1981 (the Act). In terms of Section 17 of the Act, before granting any loan or advance or entering into any such arrangement, Exim Bank has to obtain the prior approval of the Central Government.

Export Development Fund

Assets	This year (As at 31.03.2011)	Previous year (As at 31.03.2010)
	₹	₹
1. Bank Balances		
a) in current accounts	242,506	242,506
b) in other deposit accounts	411,092,919	393,554,555
2. Investments	—	—
3. Loans & Advances :		
(a) In India	—	—
(b) Outside India	8,505,318	8,505,318
4. Bills of Exchange and Promissory Notes Discounted, Rediscounted :		
(a) In India	—	—
(b) Outside India	—	—
5. Other Assets		
(a) Accrued interest on		
i) Loans and Advances	—	—
ii) Investments/bank balances	6,509,845	4,779,143
(b) Advance Income Tax paid	95,375,703	86,175,703
(c) Others	—	—
Total	**521,726,291**	**493,257,225**

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

Prabhakar Dalal
Executive Director

Dr. Kaushik Basu

Shri Pratip Chaudhuri

Smt. Shyamala Gopinath

Shri R. M. Malla

Shri M. D. Mallya
Directors

As per our attached report of even date
For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W

Mumbai
Dated : April 25, 2011

(CA U.M. Jain)
Partner (M. No. 70863)

Profit & Loss Account

For the year ended 31st March, 2011

Expenditure	This year	Previous year
	₹	₹
1. Interest	–	–
2. Other Expenses	–	–
3. Profit carried down	28,469,066	29,161,827
Total	**28,469,066**	**29,161,827**
Provision for Income Tax	9,500,000	9,913,000
Balance of profit transferred to Balance Sheet	18,969,066	19,248,827
	28,469,066	**29,161,827**

Report of the Auditors

1. We have audited the attached Balance Sheet of **Export Development Fund** of **Export-Import Bank of India** ('the Bank') as at March 31, 2011, and also the Profit and Loss Account of **Export Development Fund** of the Bank for the year ended on that date annexed thereto (together referred to as 'financial statements'). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that :
   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   b. In our opinion, the Balance Sheet and the Profit and Loss Account are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder;
   c. In our opinion, as shown in the books of the Bank and to the best of our information and according to the explanations given to us :
      i) The said Balance Sheet, read with the Notes to Accounts, is a full and fair Balance Sheet containing the necessary particulars, and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the **Export Development Fund** of the Bank as at March 31, 2011 in conformity with the Accounting Principles generally accepted in India; and
      ii) The said Profit and Loss account, read with the Notes to Accounts, gives a true balance of profit for the year ended on March 31, 2011, in conformity with the Accounting Principles generally accepted in India;

For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W

(CA U.M. Jain)
Partner
M.No. 70863

Place : Mumbai
Dated : April 25, 2011

Export Development Fund

Income	This year	Previous year
	₹	₹
1. Interest and Discount		
(a) loans and advances	–	–
(b) investments/bank balances	28,469,066	29,161,827
2. Exchange, Commission, Brokerage and Fees	–	–
3. Other Income	–	–
4. Loss carried to Balance Sheet	–	–
Total	**28,469,066**	**29,161,827**
Profit brought down	28,469,066	29,161,827
Excess Income/Interest tax provision of earlier years written back	–	–
	28,469,066	**29,161,827**

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

Prabhakar Dalal
Executive Director

Dr. Kaushik Basu

Smt. Shyamala Gopinath

Shri R. M. Malla

Shri Pratip Chaudhuri

Shri M. D. Mallya
Directors

As per our attached report of even date
For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W

Mumbai
Dated : April 25, 2011

(CA U.M. Jain)
Partner (M. No. 70863)

Cash Flow Statement

for the year ended 31st March, 2011

Amount (₹ in Mn.)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Cash flow from Operating Activities		
Net Profit before tax and extra-ordinary items	8,677.0	7,724.0
Adjustments for		
— (Profit)/Loss on sale of fixed assets (Net)	(0.5)	(0.8)
— (Profit)/Loss on sale of Investments (Net)	(943.8)	(669.7)
— Depreciation	94.7	77.6
— Discount/Expenses on bond issues written off	204.1	87.6
— Transfer from Investment Fluctuation Reserve	—	—
— Provisions/Write Off of Loans/Investments & other provisions	2,540.6	215.9
— Others - to specify	—	—
	10,572.1	7,434.7
Adjustments for		
— Other Assets	10,478.2	(1,897.8)
— Current liabilities	(13,749.3)	(3,230.2)
Cash generated from operations	**7,301.0**	**2,306.7**
Payment of income tax/interest tax	(3,052.8)	(2,394.3)
Net cash flow from operating activities	**4,248.2**	**(87.6)**
Cash flow from Investing activities		
— Net purchase of fixed assets	(46.5)	(100.0)
— Net change in investments	(3,701.7)	(1,330.7)
Net cash used in/raised from Investing activities	**(3,748.2)**	**(1,430.7)**

General Fund

	Year ended March 31, 2011	Year ended March 31, 2010
	Amount (₹ in Mn.)	
Cash Flow from Financing activities		
— Equity capital infusion	3,000.0	3,000.0
— Loans borrowed (net of repayments made)	66,789.4	33,064.4
— Loans lent, bills discounted & rediscounted (net of repayments received)	(66,201.2)	(48,792.4)
— Dividend on equity shares & tax on dividend) (Balance of Net profits transferred to Central Government)	(1,500.3)	(1,157.0)
Net cash used in/raised from Financing activities	**2,087.9**	**(13,884.9)**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**2,587.9**	**(15,403.2)**
OPENING CASH & CASH EQUIVALENTS	30,753.7	46,156.9
CLOSING CASH & CASH EQUIVALENTS	33,341.6	30,753.7

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

Prabhakar Dalal
Executive Director

Dr. Kaushik Basu

Shri Pratip Chaudhuri

Smt. Shyamala Gopinath

Shri R. M. Malla

Shri M. D. Mallya
Directors

As per our attached report of even date
For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W

(CA U.M. Jain)
Partner (M. No. 70863)

Mumbai
Dated : April 25, 2011

Significant Accounting Policies and Notes to Accounts

I Significant Accounting Policies

(i) Financial Statements

Balance Sheet and Profit and Loss account of Export-Import Bank of India (Exim Bank) (General Fund and Export Development Fund) have been prepared in accordance with the accounting principles followed in India and these are also generally consistent with International Accounting Standards. The form and manner in which the Balance Sheet and the Profit and Loss Account of Exim Bank are prepared have been provided in Export-Import Bank of India, General Regulations, 1982 approved by Board of Directors with the previous approval of Government of India under Section 39 (2) of Export-Import Bank of India Act, 1981 (28 of 1981). Certain important financial ratios / data are disclosed as part of the "Notes to Accounts" in terms of Reserve Bank of India (RBI) Circular DBS.FID.No.C-18/ 01.02.00/2000-01 dated August 13, 2005 and thereafter.

(ii) Revenue Recognition

Income/Expenditure is recognized on accrual basis except in respect of interest on Non–performing Assets (NPA) and "Stressed Assets", penal interest, commitment charges and dividend, which are accounted on cash basis. NPAs are determined as per RBI guidelines issued to All-India Term Lending Institutions. Discount / redemption premium offered on Exim Bank Bonds has been amortised over the tenure of the bond and included in interest expenses.

(iii) Asset Classification and Provisioning

Loans and Advances shown in Balance Sheet comprise only principal outstandings net of provisions for Non Performing Assets (NPA). Interest receivables are grouped under "Other Assets".

Loan Assets are classified in to the following groups : Standard Assets, Sub-standard Assets, Doubtful Assets and Loss Assets, taking into consideration the degree of credit weaknesses and extent of dependence on collateral security for realisation of dues. Classification of loan assets and provisioning are as per RBI guidelines issued to All India Term Lending Institutions.

(iv) Investments

The entire investment portfolio is classified under three categories:

(a) "Held to Maturity" (the securities acquired with the intention to hold them to maturity),

(b) "Held for Trading" (the securities acquired with the intention to trade by taking advantage of the short term price/interest rate movements, etc.) and

(c) "Available for Sale" (the balance investments).

The investments are further classified as:

i) Government securities

ii) Other approved securities

iii) Shares

iv) Debentures and Bonds

v) Subsidiaries/Joint Ventures

vi) Others (Commercial Papers, Mutual Fund Units, etc.)

The classification of various instruments of investments, categorisation, shifting among categories, valuation and provisioning of investments are done in accordance with the norms laid down by RBI to All-India Term Lending Institutions.

(v) Fixed Assets and Depreciation

(a) Fixed Assets are stated at historical cost less accumulated depreciation.

(b) Depreciation is provided for on straight-line method basis over twenty years on owned buildings and over four years on other assets.

(c) In respect of assets acquired during the year, depreciation is provided for the entire year in the year of purchase and in respect of assets sold during the year, no depreciation is provided in the year of sale.

(d) When a depreciable asset is disposed of, discarded, demolished or destroyed, the net surplus or deficiency is adjusted in Profit and Loss Account.

(vi) Accounting for Foreign Currency Transactions

(a) Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end.

(b) Income and expenditure items are translated at the average rates of exchange during the year.

(c) Outstanding foreign exchange contracts are revalued at rates of exchange notified by the FEDAI for specified maturities and the resulting profits/ losses are included in the Profit and Loss account.

(d) Contingent liabilities in respect of guarantees, acceptances, endorsements and other obligations are stated at the rates of exchange notified by FEDAI at year end.

(vii) Guarantees

Provisioning for guarantees is made taking into account the likely losses on projects till their completion, for uncovered portion under ECGC policies.

(viii) Provision for Terminal Benefits of Employees

The Bank has set up a separate Provident Fund, Gratuity Fund and Pension Fund, which are recognised by Commissioner of Income-Tax. Liabilities towards Gratuity and Pension are estimated on actuarial basis and the respective amounts due, if any, are transferred to Gratuity Fund and Pension Fund every year. Liability towards leave encashment is provided for on the basis of actuarial valuation at year-end.

(ix) Accounting for taxes on Income

(a) Provision for current tax is made, based on the tax payable under the relevant statute.

(b) Deferred tax on timing difference between taxable income and accounting income is accounted for, using the tax rates and the tax law enacted or substantially enacted as on the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is a reasonable certainty of realisation.

II Notes to Accounts — General Fund

1. **Agency Account**

   As Exim Bank is acting only in the capacity of an agency to facilitate certain transactions in Iraq relating to Indian contractors, foreign currency receivables advised to the Bank equivalent to ₹ 30.65 bn. (previous year ₹ 30.86 bn) held on agency account including a sum of ₹ 27.70 bn (previous year ₹ 27.88 bn) assigned to Government of India (GOI) are not included in the above Balance Sheet.

2. **Income-Tax**

   The capital of the Bank is wholly subscribed by the Central Government and the Bank does not have any share capital. The balance of profit transferable to Central Government in accordance with Section 23 (2) of The Export-Import Bank of India Act, 1981 is not termed as dividend. Consequently, dividend distribution tax is considered not payable, in the light of the judgement passed by ITAT in case no. ITA No. 2025 / Mum / 2000 on December 18, 2006 and hence no provision has been made for the same.

3. **(a) Contingent Liabilities**

   Guarantees include expired guarantees of ₹ 6.90 bn (previous year ₹ 6.70 bn), yet to be cancelled in books.

   (b) Claims not acknowledged as debts

   The amount of ₹ 3.12 bn (previous year ₹ 3.20 bn) shown under Contingent Liabilities as "Claims on the Bank not acknowledged as debts", pertains to claims/counter-claims filed against the Bank mostly by Bank's defaulting borrowers in response to legal action initiated against them by the Bank. None of the claims / counter-claims is considered as maintainable in the opinion of Bank's solicitors and none of them has reached the stage of final hearing. Based on professional advice, no provision is considered necessary.

   (c) Forward Exchange Contracts, Currency / Interest rate Swaps

   (i) The outstanding forward exchange contracts as at March 31, 2011 have been fully hedged. The Bank undertakes derivatives transactions (Interest Rate Swaps, Forward Rate Agreements and Currency-cum-interest rate swaps), for the purpose of Asset-Liability management as per RBI guidelines issued vide circular Ref. No. MPD.BC.187/ 07.01.279/1999-2000 dated July 7, 1999 and thereafter. The Bank also unwinds and re-enters such transactions based on requirements/market conditions. The outstanding derivative transactions are captured in the interest rate sensitivity position, which is monitored by the Asset Liability Management Committee (ALCO) and reviewed by the Board. The credit equivalent of derivatives is arrived at as per 'Current Exposure' method prescribed by RBI. The fair value and the price value of a basis point (PV01) of derivatives are disclosed separately in the 'Notes to Accounts' as stipulated by RBI. The premium or discount arising at inception of forward exchange contracts is amortized over the life of the contracts. Any profit or loss arising on cancellation of forward exchange contracts is recognized as income / expense for the year.

   (ii) The Bank is permitted to be a 'market maker' for offering long-dated Foreign Currency - Rupee Swaps to clients / non-clients. The Bank has sought RBI permission for 'market maker' status in respect of rupee derivatives, which is awaited.

d) Profit / Loss on Exchange fluctuation

Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end. Income and expenditure items are translated at the average rates of exchange during the year. The notional profit on such translation of the retained earnings on FC operations during the current year is ₹ 0.07 bn (previous year (Loss) ₹ 0.36 bn).

4. Disclosure relating to Micro, Small and Medium Enterprises under the Micro, Small & Medium Enterprises Act, 2006 : There have been no reported cases of delayed payments to Micro, Small and Medium Enterprises

ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA

5. Capital

(a)

Particulars	**As on March 31, 2011**	**As on March 31, 2010**
(i) Capital to Risk Assets Ratio (CRAR)	17.04%	18.99%
(ii) Core CRAR	15.11%	16.94%
(iii) Supplementary CRAR	1.93%	2.05%

(b) 'Notes, Bonds and Debentures' include 8% 2022 Bonds subscribed by Government amounting to ₹ 5.59 bn (previous year ₹ 5.59 bn). These Bonds are unsecured and rank junior to all borrowers/deposits/subordinated debts of the Bank and qualify for Tier-I Capital of the Bank subject to certain conditions prescribed by Reserve Bank of India (RBI)/Government.

(c) The amount of subordinated debt raised and outstanding as on March 31, 2011 as Tier-II capital: ₹ NIL (previous year: ₹ NIL)

(d) Risk weighted assets –

(₹ bn)

Particulars	**As on March 31, 2011**	**As on March 31, 2010**
(i) 'On' balance sheet items	307.68	253.35
(ii) 'Off' balance sheet items	46.23	26.64

(e) The share holding pattern as on the date of the balance sheet: Capital Wholly subscribed by Government of India.

- The CRAR and other related parameters have been determined as per the extant capital adequacy norms prescribed by RBI for the Financial Institutions (FIs).

6. Asset quality and credit concentration as on March 31, 2011

(a) Percentage of net Non-performing Assets (NPAs) to net loans and advances : 0.20 (previous year 0.20)

(b) Amount and percentage of net NPAs under the prescribed asset classification categories:

(₹ bn)

Particulars	As on March 31, 2011		As on March 31, 2010	
	Amount	Percentage	Amount	Percentage
Sub-standard Assets	0.93	0.20	0.49	0.13
Doubtful Assets	—	—	0.29	0.07
Loss Assets	—	—	—	—
Total	**0.93**	**0.20**	**0.78**	**0.20**

(c) Amount of provisions made during the year towards :

(₹ bn)

Particulars	2010-11	2009-10
Standard Assets	0.87	0.19
NPAs	1.79	0.62
Investments (other than those in the nature of advance)	0.35	0.20
Income Tax	2.84	2.59

(d) Movement in net NPAs :

(₹ bn)

Particulars	2010-11	2009-10
Net NPAs at the beginning of the year	0.78	0.79
Add : New NPAs during the year	0.93	0.49
Less : Recoveries / upgradations during the year	0.78	0.50
Net NPAs at the end of the year	0.93	0.78

(e) Provisions for Non-Performing Assets (comprising loans, bonds and debentures in the nature of advance and inter-corporate deposits) (excluding provision for standard assets)

(₹ bn)

Particulars	2010-11	2009-10
Opening balance as at the beginning of the year	3.35	3.49
Add : Provisions made during the year	1.79	0.62
Less: Write off / write back of excess provision	1.29	0.76
Closing balance at the end of the year	3.85	3.35

(f) Provisioning Coverage Ratio (PCR)

	2010-11	2009-10
Provision Coverage Ratio	86.08%	85.01%

(g) Concentration of Deposits, Advances, Exposures and NPAs

Concentration of Deposits (₹ bn)

Particulars	2010-11	2009-10
Total Deposits of twenty largest depositors	4.69	4.90
Percentage of deposits of twenty largest depositors to Total deposits of the bank	39.79%	37.80%

Concentration of Advances: (₹ bn)

Particulars	2010-11	2009-10
Total advances to twenty largest borrowers	63.67	66.87
Percentage of advances to Twenty largest borrowers to Total Advances of the Bank	13.83	16.98

Advances computed as per definition of Credit Exposure including derivatives furnished in RBI Master circular on Exposure Norms DBOD.No.FID.FIC.2/01.02.00/2010-11 dated July 1, 2010.

Concentration of Exposures

(₹ bn)

Particulars	2010-11	2009-10
Total Exposures to twenty largest borrowers/ customers	105.91	97.21
Percentage of Exposures to twenty largest borrowers /customers to Total Exposure of the bank on borrowers/customers	12.25	14.35

Exposure computed based on credit and investment exposure as prescribed in RBI Master Circular on Exposure norms: DBOD.No.FID.FIC.2/01.02.00/2010-11 dated July 1, 2010.

Credit exposure to banks and overseas institutions guaranteed by GOI / assumed at the behest of GOI, not considered for single/group borrowers exposure.

Concentration of NPAs

(₹ bn)

	2010-11	2009-10
Total Exposure to top four NPA accounts	1.39	1.48

I. **Sector-wise NPAs:**

Sr No	Sector	Percentage of NPAs to Total Advances in that sector	
		2010-11	**2009-10**
1.	Agriculture and allied activities	–	–
2.	Industry (Micro & small, Medium and Large) *	1.03	1.02
3.	Services	–	–
4.	Personal Loans	–	–

* Excludes NPAs in respect of loans to overseas borrowers under Export Lines of Credit

II. **Movement of NPAs:**

(₹ bn)

Particulars	**2010-11**	**2009-10**
Gross NPAs as on 1st April (opening Balance)	4.13	4.28
Additions :		
(i) (Fresh NPAs) during the year	2.40	0.62
(ii) Interest funding	0.04	0.03
(iii) Exchange Fluctuation	–	–
Sub-Total (A)	2.44	0.65
Less:-		
(i) Up gradations	0.55	–
(ii) Recoveries (excluding recoveries made from upgraded accounts)	0.42	0.75
(iii) Write-offs	0.81	–
(iv) Exchange fluctuation	0.01	0.05
Sub-total (B)	1.79	0.80
Gross NPAs as on 31st March (closing balance) (A-B)	4.78	4.13

• Gross NPAs as per item 2 of Annex to DBOD circular DBOD.BP.BC.No.46 / 21.04.048/ 2009-10 dated September 24, 2009

III. **Overseas Assets, NPAs and Revenue**

(₹ bn)

Particulars	2010-11	2009-10
Total Assets	12.63	–
Total NPAs	–	–
Total Revenue	0.10	–

The above figures pertain to Bank's London branch, which started operations in October 2010.

IV. **Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)**

Name of the SPV sponsored	
Domestic	**Overseas**
–	–

(h) Financial Assets sold during the year to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction :

(₹ bn)

Sr No	Particulars	2010-11	2009-10
(i)	No. of Accounts	0	1
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	–	–
(iii)	Aggregate consideration	–	0.62
(iv)	Consideration realised in respect of accounts transferred in earlier years	0.003	0.11
(v)	Aggregate gain over net book value	–	0.62

- The "Assets sold to Reconstruction Companies" have been reckoned as defined in RBI Master Circular DBOD No. FID.FIC.2/01.02.00/2006-07 dated July 01, 2006 and thereafter.

(i) Non-performing Investments

(₹ bn)

Particulars	2010-11	2009-10
Opening balance as at the beginning of the year	0.40	0.35
Additions during the year	–	0.05
Reductions during the year	0.06	0.00
Closing balance at the end of the year	0.34	0.40
Total provisions held	0.34	0.35

(j) Provisions for depreciation in investments

(₹ bn)

Particulars	2010-11	2009-10
Opening balance as at the beginning of the year	1.30	1.23
Add :		
(i) Provisions made during the year / (written back)	0.40	0.25
(ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	–	–
Less :		
(i) Write off during the year	0.07	0.18
(ii) Transfer, if any, to Investment Fluctuation Reserve Account	–	–
Closing balance as at the end of the year	1.63	1.30

(k) Particulars of accounts restructured during FY 2010-11

(₹ bn)

Category	Details	CDR Mechanism	SME Debt Mechanism	Others
Standard Advances restructured	No. of Borrowers	1	3	3
	Amount Outstanding	0.98	0.32	1.00
	Sacrifice (diminution in the fair value)	0.20	0.00	0.03
Sub-Standard Advances restructured	No. of Borrowers	–	–	–
	Amount Outstanding	–	–	–
	Sacrifice (diminution in the fair value)	–	–	–
Doubtful Advances restructured	No. of Borrowers	–	–	
	Amount Outstanding	–	–	
	Sacrifice (diminution in the fair value)	–	–	–
Total	No. of Borrowers	1	3	3
	Amount Outstanding	0.98	0.32	1.00
	Sacrifice (diminution in the fair value)	0.20	0.00	0.03

Note: Applications for restructuring of loans aggregating ₹ 0.83 bn in respect of six borrowers were under process as on March 31, 2011.

Previous year (Particulars of accounts restructured during FY 2009-10)

(₹ bn)

Category	Details	CDR Mechanism	SME Debt Mechanism	Others
Standard Advances restructured	No. of Borrowers	7	7	18
	Amount Outstanding	1.79	0.96	5.60
	Sacrifice (diminution in the fair value)	0.02	0.01	0.01
Sub-Standard Advances restructured	No. of Borrowers	—	—	—
	Amount Outstanding	—	—	—
	Sacrifice (diminution in the fair value)	—	—	—
Doubtful Advances restructured	No. of Borrowers	—	—	3
	Amount Outstanding	—	—	0.72
	Sacrifice (diminution in the fair value	—	—	—
Total	No. of Borrowers	7	7	21
	Amount Outstanding	1.79	0.96	6.32
	Sacrifice (diminution in the fair value)	0.02	0.01	0.01

Note: Application for restructuring of loans aggregating ₹ 0.33 bn in respect of one borrower was under process as on March 31, 2010

(l) Credit Exposure:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE) @	Percentage to Total Assets
i) Largest single borrower	13.46	0.83	1.31
ii) Largest borrower group	30.46	1.87	2.96
iii) 10 largest single borrowers	113.03	6.95	10.98
iv) 10 largest borrower groups	194.68	11.98	18.91

* Capital Funds as on March 31, 2010

@ TCE: Loans + Advances + Un-utilized Sanctions + Guarantees + Credit exposure on account of derivatives.

Credit exposure to banks and overseas institutions guaranteed by GOI / assumed at the behest of GOI, not considered for single/group borrowers exposure.

Previous Year:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE) @	Percentage to Total Assets
i) Largest single borrower	15.49	1.07	1.50
ii) Largest borrower group	30.16	2.08	2.92
iii) 10 largest single borrowers	123.77	8.52	11.99
iv) 10 largest borrower groups	149.64	10.30	14.49

* Capital Funds as on March 31, 2009

@ TCE: Loans + Advances + Un-utilized Sanctions + Guarantees + Credit exposure on account of derivatives.

1) Credit exposure to banks and overseas institutions guaranteed by GOI / assumed at the behest of GOI, not considered for single/group borrowers exposure.
2) There was one borrower during FY 2009-10 for whom exposure over 15% of capital funds was assumed with the approval of the Board / Management Committee. Exposure to the borrower as on March 31, 2010 stood at 15.49% of the capital funds of the Bank.

(m) Credit exposure to the five largest industrial sectors:

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Metal & Metal Processing	11.78	11.01
ii) Textile / Garments	8.85	8.27
iii) Drugs & Pharmaceuticals	8.68	8.11
iv) Capital Goods	8.55	7.99
v) Chemicals and Dyes	7.14	6.68

Previous Year:

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Metal & Metal Processing	13.64	11.45
ii) Textile / Garments	10.71	8.99
iii) Petroleum / Petrochemicals	9.51	7.98
iv) Chemicals and Dyes	7.72	6.48
v) Engineering Goods	6.43	5.40

The “credit exposure” has been reckoned as defined by RBI.

Exposure to banks and exposure under Lines of Credit/Buyer’s Credit to overseas entities have been excluded.

(n) Issuer categories in respect of Investments in Non- Government Securities

(₹ bn)

Sr. No.	Issuer	Amount	Amount of			
			Investment made through private placement	"below investment grade" Securities held	"unrated" Securities held	"unlisted" Securities held
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	0.04	–	–	0.04	0.04
2	FIs	3.05	2.81	–	0.24	3.05**
3	Banks	0.25	0.15	–	0.10	0.10
4	Private corporates	4.53	3.65	–	3.63	3.24*
5	Subsidiaries / Joint ventures	0.0032	–	–	0.0032	0.0032
6	Others	8.69	–	–	0.0025	0.0025
7	# Provision held towards depreciation	0.76	–	–	–	–
	Total	16.56	6.61	–	4.02	6.44

Only aggregate amount of provision held to be disclosed in column 3

* Out of which ₹ 1.96 bn represents investment in security receipts issued by ARCIL and ₹ 0.57 bn of investments are in shares/ debentures acquired as part of loan restructuring.

**Out of which ₹ 2.81 bn were by way of USD / INR Swap undertaken with RBI approval.

Amounts reported under columns 4, 5, 6 and 7 above are not mutually exclusive.

Previous Year:

(₹ bn)

Sr. No.	Issuer	Amount	Amount of			
			Investment made through private placement	"below investment grade" Securities held	"unrated" Securities held	"unlisted" Securities held
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	0.05	–	–	0.05	0.05
2	FIs	3.19	2.95	–	0.24	3.19**
3	Banks	0.25	0.15	–	0.10	0.10
4	Private Corporates	3.91	3.14	–	3.51	2.70*
5	Subsidiaries / Joint ventures	0.0026	–	–	0.0026	0.0026
6	Others	5.50	–	–	0.0025	0.0025
7	# Provision held towards depreciation	0.67	–	–	–	–
	Total	12.91	6.24	–	3.91	6.04

Only aggregate amount of provision held to be disclosed in column 3

* Out of which ₹ 1.96 bn represents investment in security receipts issued by ARCIL and ₹ 0.66 bn of investments are in shares/ debentures acquired as part of loan restructuring.

**Out of which ₹ 2.95 bn were by way of USD / INR Swap undertaken with RBI approval.

Amounts reported under columns 4, 5, 6 and 7 above are not mutually exclusive.

7. Liquidity

(a) Maturity pattern of rupee assets and liabilities; and

(b) Maturity pattern of foreign currency assets and liabilities.

(₹ bn)

Items	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total
Rupee assets	181.18	174.07	84.37	75.72	40.38	555.72
Foreign currency assets	137.43	101.84	62.48	26.69	55.10	383.54
Total assets	318.61	275.91	146.85	102.41	95.48	939.26
Rupee liabilities	180.48	158.82	46.64	15.00	108.30	509.24
Foreign currency liabilities	127.77	102.42	71.32	18.05	62.79	382.35
Total Liabilities	308.25	261.24	117.96	33.05	171.09	891.59

Previous Year:

(₹ bn)

Items	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total
Rupee assets	189.04	116.46	52.90	42.48	34.02	434.90
Foreign currency assets	95.17	63.23	52.23	25.96	38.66	275.25
Total assets	284.21	179.69	105.13	68.44	72.68	710.15
Rupee liabilities	175.09	105.82	34.46	13.49	61.93	390.79
Foreign currency liabilities	94.39	62.99	51.96	25.85	37.80	272.99
Total liabilities	*269.48*	*168.81*	*86.42*	*39.34*	*99.73*	*663.78*

- For the maturity pattern of assets and liabilities, the bucketing of various items of assets and liabilities in the specified time buckets have been done in accordance with the RBI Guidelines on Asset Liability Management System issued vide circular DBS.FID.No.C-11/01.02.00/1999-2000 dated December 31, 1999 and thereafter.

(c) Repo Transactions:

(₹ bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2011
Securities sold under repos	–	–	–	–
Securities purchased under reverse repos	0.34	9.75	0.15	–

Previous Year:

(₹ bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2011
Securities sold under repos	–	–	–	–
Securities purchased under reverse repos	–	–	–	–

8. Disclosure on risk in derivatives in terms of RBI Guidelines dated July 01, 2010

a) Qualitative Disclosure

1. The Bank uses financial derivative transactions predominantly for raising cost-effective funds and hedging its balance sheet exposures, with the objective of reducing market risks. The Bank currently deals only in over-the-counter (OTC) interest rate and currency derivatives, of the type permitted by RBI.
2. Derivative transactions carry (i) market risk i.e. the probable loss that the Bank may incur as a result of adverse movements in interest rates / exchange rates and (ii) credit risk i.e. the probable loss the Bank may incur if the counter-parties fail to meet their obligations. The Bank has in place a Derivative Policy approved by the Board, which aims at synchronizing the risk management objectives at the transaction level and in the overall ALM position. The policy defines the use of permitted derivative products consistent with business goals of the Bank, lays down the control and monitoring systems and deals with regulatory, documentation and accounting issues. The policy also prescribes suitable risk parameters to control and manage market risk on derivative trades undertaken in the treasury book. (stop-loss limits, open position limits, tenor limits, settlement and pre-settlement risk limits, PV01 limits).
3. The ALCO of the Bank oversees management of market risks with support from the Bank's Mid-Office, which measures, monitors and reports market risk associated with derivative transactions.
4. All derivative transactions outstanding in the Bank's books as on March 31, 2011 have been undertaken for hedging purposes and are in the ALM book. The income on such transactions has been accounted for on accrual basis.
5. Interest Rate Swaps (IRS) are not included in Outstanding Forward Exchange Contracts under Contingent Liabilities as per the Derivative Policy.

b) Quantitative Disclosure

(₹ bn)

Sr. No.	Particulars	2010-11		2009-10	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)				
	a) For hedging	91.74	54.27	93.95	25.41
	b) For trading	—	—	—	—
2	Marked to Market Positions				
	a) Asset (+)	18.28	0.97	15.69	0.10
	b) Liability (-)	—	—	—	—
3	Credit Exposure	22.12	1.35	19.22	0.23
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	1.78	2.28	0.74	0.95
	b) on trading derivatives	—	—	—	—
5	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging				
	(i) Maximum	1.78	2.33	1.01	0.99
	(ii) Minimum	0.52	1.33	0.74	0.11
	b) on trading				
	(i) Maximum				
	(ii) Minimum	—	—	—	—

c) Disclosure on Interest Rate derivatives traded on exchanges

(₹ bn)

Sr. No.	Particulars	Amount
1.	Notional Principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	—
2.	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31st March, 2011 (instrument-wise)	—
3.	Notional Principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	—
4.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	—

d) **Disclosure on Forward Rate Agreements and Interest rate swaps**

(₹ bn)

Sr. No.	Particulars	2010-11		2009-10	
		Hedging	Trading	Hedging	Trading
1.	The Notional Principal of swap agreements	54.27	–	25.41	–
2.	Losses, which would be incurred if counter parties failed to fulfill their obligations under the agreements	0.27	–	0.08	–
3.	Concentration of credit risk arising from Swaps	All transactions fall within approved credit exposure limits	–	All transactions fall within approved credit exposure limits	–
4.	The fair value of the swap book	0.97	–	0.10	–

Nature and Terms of Swaps: All transactions have underlying assets / liabilities and have been undertaken for the purpose of hedging the Bank's ALM position.

9. Operating results

Sr. no.	Particulars	2010-11	2009-10
(i)	Interest income as a percentage to average working funds	6.54	6.28
(ii)	Non-interest income as a percentage to average working funds	0.46	0.29
(iii)	Operating profit as a percentage to average working funds	2.21	1.75
(iv)	Return on average assets	1.15	1.13
(v)	Net Profit per (permanent) employee (in ₹ bn)	0.02	0.02

- For operating results, the working funds and total assets have been taken as the average of the figures as at the end of the previous accounting year, the end of the succeeding half year and the end of the accounting year under report. (The "working funds" refer to the total assets).
- All permanent, full-time employees in all cadres have been reckoned for computing per employee net profit.

10. Details of Fixed Assets

Details of Fixed Assets are given below as prescribed in AS -10 Accounting for Fixed Assets issued by the ICAI.

(₹ bn)

Particulars	Premises	Others	Total
Gross Block			
Cost as on 31st March 2010	1.33	0.47	1.80
Additions	0.01	0.04	0.05
Disposals	0.00	0.01	0.01
Cost as on 31st March 2011 (A)	1.34	0.50	1.84
Depreciation			
Accumulated as on 31st March 2010	0.49	0.40	0.89
Provided during the year	0.06	0.04	0.10
Eliminated on Disposals	0.00	0.01	0.01
Accumulated as on 31st March 2011 (B)	0.55	0.43	0.98
Net Block (A-B)	**0.79**	**0.07**	**0.86**

Previous Year :

(₹ bn)

Particulars	Premises	Others	Total
Gross Block			
Cost as on 31st March 2009	1.30	0.41	1.71
Additions	0.02	0.08	0.10
Disposals	0.00	0.02	0.02
Cost as on 31st March 2010 (A)	1.32	0.47	1.79
Depreciation			
Accumulated as on 31st March 2009	0.45	0.37	0.82
Provided during the year	0.06	0.04	0.10
Eliminated on Disposals	0.02	0.01	0.03
Accumulated as on 31st March 2010 (B)	0.49	0.40	0.89
Net Block (A-B)	0.83	0.07	0.90

11. Accounting for Government grants

GOI has agreed to pay interest equalisation amount to the Bank towards specific Lines of Credit extended by the Bank to foreign Governments, overseas banks/ institutions and the same is accounted on accrual basis.

12. Segment Reporting

The Bank's operations predominantly comprise of only one segment i.e. financial activities, hence there are no separate reportable segments under AS–17 Segment Reporting issued by the ICAI.

13. Related party disclosures

As per AS–18 Related Party Disclosure issued by the ICAI, the Bank's related parties are disclosed below:

- Relationship
  - (i) Joint Ventures :
    - Global Procurement Consultants Limited
  - (ii) Key Management Personnel :
    - Shri N. Shankar (Nominee Director of EXIM Bank) (upto 7th June 2010)
    - Shri T. C. A Ranganathan, (Chairman of GPCL) (from 8th June 2010)
- The Banks' related party balances and transactions are summarised as follows :

(₹ mn)

Particulars	Joint Venture 2010-11	Joint Venture 2009-10
Loans granted	-	-
Guarantees issued	0.55	1.69
Interest received	-	-
Guarantee commission received	0.00	0.01
Receipts towards services rendered	-	-
Term Deposit Accepted	5.46	5.07
Interest on Term Deposits	0.57	0.30
Amounts written-off/written-back	-	-

Loans outstanding at year-end : NIL (previous year Nil).

Guarantees outstanding at year-end: ₹ 5.25 mn (previous year ₹ 5.28 mn)

Investments outstanding at year end: ₹ 2.81 mn. (previous year ₹ 2.60 mn)

Maximum Loan outstanding during the year : Nil (previous year Nil)

Maximum Guarantees outstanding during the year : ₹ 5.46 mn (previous year ₹ 5.66 mn)

- RBI circular DBOD No. BP.BC.89/21.04.018/2002-03 dated March 29, 2003, issued to Commercial Banks, excludes disclosure of transactions where there is only one related party in any category (i.e. Key Management Personnel).

14. Accounting for Taxes on Income

(a) Details of Provision for Tax for current year :

	(₹ bn)
(i) Tax on Income	3.10
(ii) Less : Net deferred tax Asset	0.26
	2.84

(b) Deferred Tax Asset: :

The composition of deferred tax assets and liabilities into major items is given below:

	(₹ bn)
Particulars	
Deferred Tax Assets	
1. Provision Disallowed (Net)	2.47
2. Depreciation on Fixed Assets	0.03
	2.50
Less : Deferred Tax Liability	
1. Amortization of Bond issue expenses	0.30
2. Special Reserve created under section 36 (1) (viii)	1.63
	1.93
Net Deferred Tax Assets [included in 'Other Assets' in the 'Assets' side of the Balance Sheet]	0.57

15. Financial Reporting of Interest in Joint Ventures

I.

Jointly Controlled Entity	Country	Percentage of holding	
		Current Year	Previous Year
Global Procurement Consultants Limited	India	28%	26%

II. Aggregate amount of assets, liabilities, income and expenses related to the interest in the jointly controlled entities is as under:

(₹ mn)

Liabilities	2010-11	2009-10	Assets	2010-11	2009-10
Capital & Reserves	14.46	11.75	Fixed Assets	0.29	0.31
Loans	0.00	0.00	Investments	7.25	6.10
Other Liabilities	0.21	0.85	Other Assets	7.13	6.19
Total	14.67	12.60	Total	14.67	12.60

Contingent Liabilities: NIL (Previous year NIL)

(₹ mn)

Expenses	2010-11	2009-10	Income	2010-11	2009-10
Other Expenses	6.82	7.23	Consultancy Income	8.92	9.51
Provisions	0.84	0.99	Interest income & Income from investment	0.49	0.77
			Other Income	0.01	0.00
			Deferred Tax Liability Written back	-	-
Total	7.66	8.22	Total	9.42	10.28

16. Impairment of Assets

A substantial portion of the Bank's assets comprise of 'financial assets' to which Accounting Standard 28 "Impairment of Assets" is not applicable. In the opinion of the Bank, there is no impairment of its assets (to which the standard applies) as at March 31, 2011 requiring recognition in terms of the said standard.

17. Employee benefits

The Bank has adopted Accounting Standard 15(R) – Employee Benefits, issued by The Institute of Chartered Accountants of India (ICAI) w.e.f. April 01, 2007. The Bank recognizes in its books the liability arising out of Employee Benefits as present value of obligations as reduced by the fair value of plan assets on the Balance Sheet date.

A) Amount to be recognized in the Balance Sheet

(₹ bn)

Particulars	Pension Fund	Gratuity
Fair value of Plan Assets at the end of the period	0.18	0.03
Present value of Benefit Obligation at the end of the period	0.23	0.05
Funded Status	0.05	0.02
Unrecognized past service cost at the end of the period	-	-
Unrecognized transitional liability at the end of the period	-	-
Net Liability recognized in the Balance Sheet	0.05	0.02

B) Expense to be recognized in the Profit and Loss Account

(₹ bn)

Particulars	Pension Fund	Gratuity
Current Service Cost	0.01	0.00
Interest Cost	0.01	0.00
Expected Return on Plan Assets	0.01	0.00
Actuarial Losses / (Gains)	0.03	0.02
Past Service Cost - Non–vested Benefit	-	-
Past Service Cost – vested benefit	-	-
Transitional liability	-	-
Expense recognized in P&L	0.05	0.02
Contributions by Employer	0.01	-

C) Summary of Actuarial Assumptions

Particulars	Pension Fund	Gratuity
Discount Rate (p.a.)	8.25%	8.25%
Expected Rate of Return on Assets (p.a.)	8.00%	8.00%
Salary Escalation Rate (p.a.)	8.00%	8.00%

In addition to the above, for the year 2010-2011 the Bank has made provision for increase in the present value of funded obligations in its balance sheet as per Actuarial valuation of ₹ 0.01 bn for Leave encashment and accordingly the aggregate amount of Defined Benefit Obligation of Leave Encashment works out to ₹ 0.04 bn.

During the year, an amount of ₹ 0.005 bn has been contributed towards Provident Fund for the benefit of the employees.

18. Previous year's figures have been regrouped, wherever necessary. In cases where disclosures have been made for the first time in terms of RBI guidelines, previous year's figures have not been mentioned.

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

Prabhakar Dalal
Executive Director

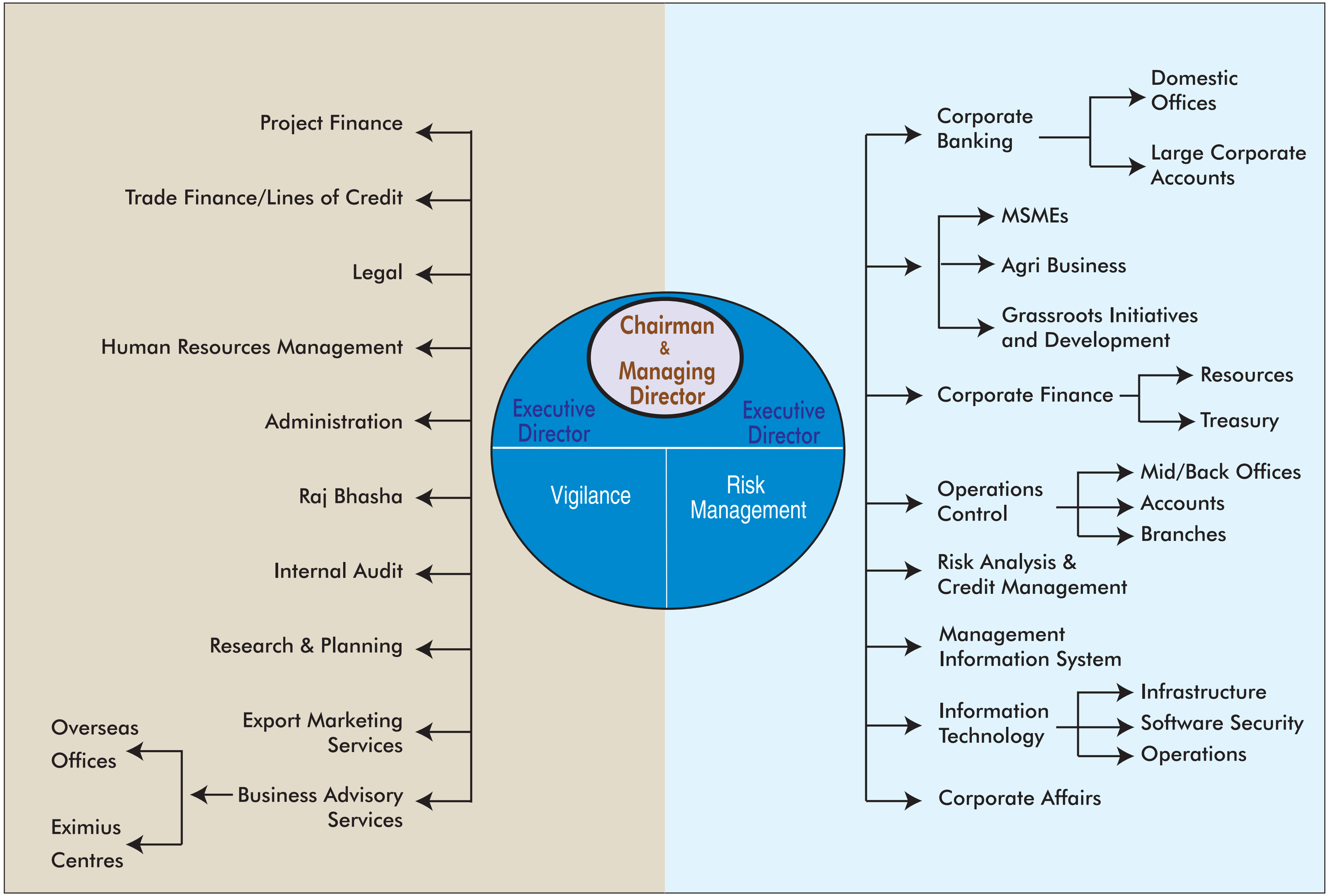
Dr. Kaushik Basu
Shri Pratip Chaudhuri
Smt. Shyamala Gopinath
Shri M. D. Mallya
Shri R. M. Malla
Directors

As per our attached report of even date
For Ummed Jain & Co.
Chartered Accountants
Firm Reg. No. 119250W

Mumbai
Dated : April 25, 2011

(CA U. M. Jain)
Partner (M. No. 70863)

Organisation Chart



Management Team

Sitting from left:
C. P. Ravindranath, Chief General Manager
R.W. Khanna, Chief General Manager
N. Shankar, Executive Director
T. C. A. Ranganathan, Chairman & Managing Director
Prabhakar Dalal, Executive Director
David Rasquinha, Chief General Manager
T. V. Rao, General Manager

Standing from left:
Nadeem Panjetan, General Manager
Mukul Sarkar, General Manager
David Sinate, General Manager
Daya Chandrahas, General Manager
Sunita Sindwani, General Manager
Sangeeta Sharma, General Manager
S. Srinivas, General Manager
Samuel Joseph, General Manager
Prahalathan S. Iyer, General Manager

Head Office Team

Regional Offices in India

Ahmedabad

Bangalore

Chandigarh

Chennai

Guwahati

Hyderabad

Regional Offices in India

Kolkata

Mumbai

New Delhi

Pune

Overseas Branch

London

Overseas Offices

Addis Ababa
Sachin More

Dakar
O'Neil Rane

Dubai
Rikesh Chand

Durban
Vinod Goel

Singapore
Meghana Joglekar

Washington D.C.
T. D. Sivakumar

The Exim Bank aims to promote India's international trade. The Logo reflects this.The Logo has a two-way significance. The import arrow is thinner than the export arrow. It also reflects the aim of value addition to exports.

Objectives

The Export-Import Bank of India was established "for providing financial assistance to exporters and importers, and for functioning as the principal institution for co-ordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade ..."

: The Export-Import Bank of India Act, 1981.

EXPORT-IMPORT BANK OF INDIA

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