

EXIMIUS: EXPORT ADVANTAGE



June 2010

EXPORT-IMPORT BANK OF INDIA

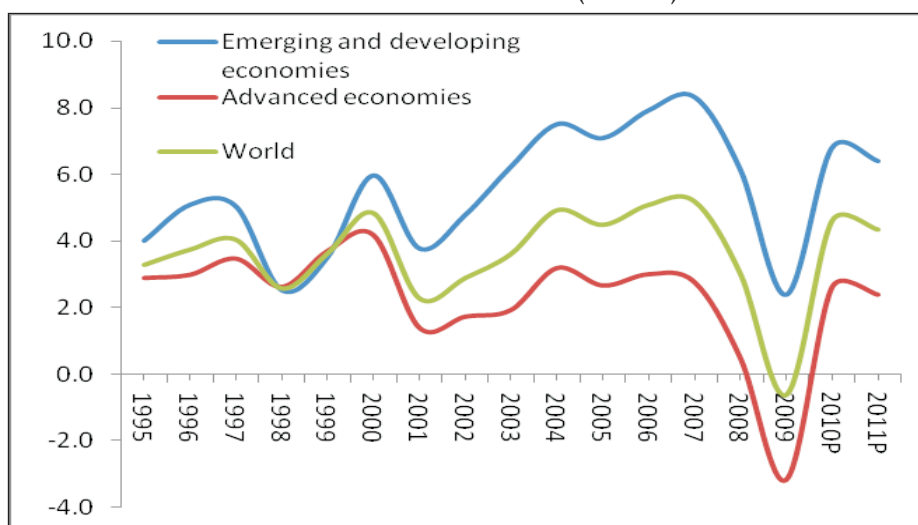
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Chart 1: Real GDP Growth (Percent)



P Projections

Source: International Monetary Fund (IMF).

State of Recovery in the Developing Economies

Developing Asia has emerged as a global powerhouse from the recent global crises. Downturns in many developing Asian economies in late 2008 were followed by quick and sharp recovery. Output growth in 2009 in almost all developing Asian economies was stronger than initially expected. Several factors have supported developing Asia's recovery including resilient domestic demand, rapid normalization of trade following the financial dislocation in late 2008, which greatly benefited the export-oriented economies in the region, and abundant liquidity in many economies resulting from a resumption of capital inflows into the region. Developing Asia's GDP is projected to grow by 9.2 percent in 2010, before moderating to 8.5 percent in 2011 (Table 1).

The Asian region had witnessed dispersion of growth, reflecting initial conditions across countries going into the financial crisis and the recession that followed. Given the importance of trade in Asia's global presence, these included trade partners' orientation and the product composition of a country's exports and the magnitude of fiscal and monetary stimulus applied. Recoveries in leading economies in the emerging Asia region, China and India, were supported by strong domestic demand. In China, real GDP growth exceeded the government's 8 percent target in 2009 and is expected to be over 10 percent in 2010. What has been so far mainly a publicly driven growth path, built on infrastructure investment, is expected to turn toward stronger private consumption and investment. In India, growth is projected to be 9.4 percent in 2010 and 8.4 percent in 2011, supported by rising private demand.

Recent Economic Developments in Emerging Market Economies

The recent developments in the global economy suggest that recovery is under way with world output expected to rise by 4.6 percent in 2010, following a 0.6 percent contraction in 2009, mainly aided by strong economic growth in emerging market economies led by emerging Asia and Latin America (Chart 1).

Table 1: Regional Growth Scenario

(Percent)

Region/Country	2008	2009	2010P	2011P
World Output	3.0	-0.6	4.6	4.3
Advanced Economies	0.5	-3.2	2.6	2.4
United States	0.4	-2.4	3.3	2.9
Euro Area	0.6	-4.1	1.0	1.3
Japan	-1.2	-5.2	2.4	1.8
United Kingdom	0.5	-4.9	1.2	2.1
Canada	0.5	-2.5	3.6	2.8
Other Advanced Economies	1.7	-1.2	4.6	3.7
Newly Industrialized Asian Economies	1.8	-0.9	6.7	4.7
Emerging and Developing Economies	6.1	2.5	6.8	6.4
Central and Eastern Europe	3.1	-3.6	3.2	3.4
Commonwealth of Independent States	5.5	-6.6	4.3	4.3
Russia	5.6	-7.9	4.3	4.1
Excluding Russia	5.3	-3.4	4.4	4.7
Developing Asia	7.7	6.9	9.2	8.5
China	9.6	9.1	10.5	9.6
India	6.4	5.7	9.4	8.4
ASEAN-5#	4.7	1.7	6.4	5.5
Middle East and North Africa	5.3	2.4	4.5	4.9
Sub-Saharan Africa	5.6	2.2	5.0	5.9
Western Hemisphere	4.2	-1.8	4.8	4.0
Brazil	5.1	-0.2	7.1	4.2
Mexico	1.5	-6.5	4.5	4.4

P Projections

#Indonesia, Malaysia, Philippines, Thailand, and Vietnam

Source: International Monetary Fund, World Economic

Outlook Update, July 2010

Consumption is expected to strengthen as the labor market improves, and investment is expected to be boosted by strong profitability, rising business confidence, and favorable financing conditions.

Among the hardest hit during the global crisis, **emerging Europe** is coming out of recession at a slower pace than other regions. Large current account and fiscal imbalances threaten the recovery in some smaller European countries. Having entered the crisis with substantial imbalances, Europe was impacted significantly. External financing constraints resulted in a sharp decline in output in some emerging European economies, particularly those with large current

account deficits and heavy dependence on foreign financing (for example, Baltics, Bulgaria, Romania). Substantial output losses, costly crisis-related measures, and one-time factors led to very large fiscal deficits in a number of countries. Current account imbalances have, however, adjusted in many emerging European countries as compared to the Euro area countries that cannot use currency depreciation as a mechanism to improve competitiveness.

Nevertheless, the ongoing recovery in emerging Europe has been supported by several factors, which include, among others, the normalization of global trade, which has contributed significantly to growth in the emerging Europe, supportive policies including macroeconomic and financial sector measures which have also fostered recovery for many economies, and coordinated assistance from multilateral institutions for the hardest-hit economies in the region. Emerging Europe's growth in real activity is expected to be 3.2 percent in 2010, and 3.4 percent in 2011. These aggregate projections, however, do not capture the pronounced differences in outlook across the region.

The **Commonwealth of Independent States (CIS)** region is emerging from the recession at a moderate pace after suffering a large

output collapse during the crisis. As in emerging Europe, economic prospects across the region differ considerably. Factors contributing to the recovery in the CIS would include, among others, higher commodity prices (oil, gas, metals) which are supporting production and employment in commodity-exporting economies in the region, normalization of global trade and capital flows, turnaround in real activity in Russia which benefitted the rest of the region by boosting external demand for employment, capital, and goods from these economies and support from IMF programs. Real activity in the CIS region is expected to expand by 4.3 percent both in 2010 and in 2011. However, within the region, growth prospects are diverse. In Russia, growth is expected to stage a modest recovery, reaching 4.3 percent in 2010. Benefiting from high commodity prices, energy exporter Uzbekistan is expected to remain among the top performers in the region in 2010, growing at 8 percent. Higher volumes of gas exports and large-scale investments are expected to raise growth in Turkmenistan, which is projected at 12 percent in 2010.

Latin America and Caribbean (LAC) entered a strong cyclical rebound during the second half of 2009, benefitting from a robust rebound in external demand, renewed capital inflows, higher commodity prices, the turn in the inventory cycle, and a boost to domestic demand from substantial monetary and fiscal stimulus. GDP in the region, after contracting by 1.8 percent in 2009, is expected to expand by an average of 4.8 percent during 2010, slightly below the average 5 percent recorded during the boom period. The recovery is expected to be especially strong



in many commodity-exporting, financially integrated economies, which account for about two-thirds of the LAC region's GDP. In Brazil, growth in 2010 is expected to rebound to 7.1 percent, led by strong private consumption and investment. Despite a devastating earthquake, Chile's GDP is projected to grow at over 4 percent in 2010, supported by highly accommodative policies, a recovery in commodity prices, and reconstruction efforts. In Mexico, growth is expected to rebound to 4.5 percent in 2010, helped in part by the U.S. recovery. In Peru, the top growth performer of the region, GDP is expected to expand by over 6 percent in 2010, mostly reflecting favorable internal dynamics and high commodity prices.

The Middle East and North Africa (MENA) region shows tentative signs of recovery in 2010, mainly due to higher commodity prices and external demand, which are boosting production and exports in many economies in the region, and government spending programs, which are playing a key role in fostering the recovery. In some economies in the region, like Kuwait and United Arab Emirates, vulnerable financial sectors and weak property markets are holding it back. The slow recovery in Europe is putting constraints on export growth, workers' remittances, and tourism revenues in other parts of the MENA region like Morocco and Tunisia, although these flows are gradually improving. Overall, real GDP in the Middle East and North Africa is projected to grow at 4.5 percent in 2010, edging up to 4.9 percent in 2011.

In the Sub-Saharan Africa, although some middle income and oil-exporting economies were hit hard by the collapse in export and commodity markets, the region

managed to avoid a contraction in 2009, growing by 2.2 percent. Its growth is expected to accelerate to 5 percent in 2010 and to 5.9 percent in 2011. The region's quick recovery reflects the relatively limited integration of most low-income economies into the global economy and the limited impact on their terms of trade, the rapid normalization in global trade and commodity prices, and the use of countercyclical fiscal policies. Remittances and official aid flows have also been less affected than anticipated by the recessions in advanced economies.

In Sum

Emerging markets, especially China, Brazil, India, much of Asia and other parts of Latin America will continue to lead the rest of the world in economic growth. While growth is solidifying in other emerging and developing economies, it continues to lag in many emerging European and various CIS countries. Financial stress has eased substantially in many countries in emerging Europe and the CIS. However, vulnerabilities remain high. Sub-Saharan Africa is weathering the global crisis well, and its recovery is expected to be stronger than expected earlier. Emerging market countries in the Middle East are also expected to post strong growth boosted by recovering commodity prices. Many emerging economies are again growing rapidly and a number have begun to moderate their accommodative macroeconomic policies in the face of high capital inflows. Given prospects for relatively weak growth in the advanced economies, the challenge for emerging economies is to absorb rising inflows and nurture domestic demand without triggering a new boom-bust cycle.

Agreements among Development Banks from BRIC Countries

During the recently concluded BRIC (Brazil, Russia, India, China) Summit in capital city of Brasilia, Brazil, Exim Bank of India entered into a Memorandum of Cooperation (MOC) with three major development banks of Brazil, Russia and China. The MOC was signed in Brasilia on April 15, 2010, by Mr. T.C.A. Ranganathan, Chairman & Managing Director, on behalf of Exim Bank of India, Mr. Luciano Coutinho, President, on behalf of Brazilian Development Bank (BNDES), Mr. Vladimir Dmitriev, Chairman, on behalf of Bank for Development and Foreign Economic Affairs of Russia (Vnesheconombank), and Mr. Chen Yuan, Chairman, on behalf of China Development Bank. The MOC was signed in the presence of the Heads of States / Governments of the four countries, H.E. Dr. Manmohan Singh, Prime Minister of India, H.E. Mr. Lula da Silva, President of Brazil, H.E. Mr. Dmitry Medvedev, President of Russian Federation, and H.E. Mr. Hu Jintao, President of China, in Palacio Itamaraty in Brasilia.

The objectives of the Memorandum are (i) to develop comprehensive long-term cooperation among the four banks to facilitate and support cross-border transactions and projects of common interest; (ii) to strengthen and enhance trade and economic relations between BRIC countries and its enterprises; (iii) to finance the investment projects and to work towards economic development of BRIC countries. BRIC countries together represent 42 percent of world population, 23 percent of Global GDP at Purchasing Power Parity level, and about 50 percent of economic growth in the world.

PROJECT OPPORTUNITIES

Business Opportunities Updates : Upcoming Projects

Select opportunities for Indian exporters in upcoming projects around the world, funded by multilateral funding agencies such as World Bank, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development are given alongside.

Projects funded by these multilateral agencies present attractive business opportunities for consultants, suppliers and contractors. These projects enjoy relatively high priority in the countries where they are taken up for implementation. The procurement guidelines, policies and procedures of the multilateral agencies help ensure equal and fair opportunity for all eligible bidders. Implementation of such projects is monitored by the multilateral agencies.

Interested exporters need to contact the concerned executing agencies to pursue the business opportunities. Our Multilateral Funded Projects Overseas (MFPO) team at Centre One Building, World Trade Centre Complex, Mumbai, would be glad to be of help. Please contact **Mr. Priyanshu Tiwari** / **Mr. Ashish Kumar** on Tel: 22172319.

Country /Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Ministry of Labour and Social Protection of Azerbaijan Social Protection Development Project (SPDP) 85 S.Asgerova street, 3 rd Floor AZ1009, Baku Republic of Azerbaijan Contact: Mr. Z. Jafarli Procurement Specialist Tel: +99412-596 09 36 Fax: +99412-596 09 23 E-mail: zjafarli@spdp.az	Social Protection Development Project The project includes procurement of vehicles for the State Labour Inspectorate of the Republic of Azerbaijan. The supply in two lots comprises : <ul style="list-style-type: none"> ❑ Lot-1: 26 units of four-wheel drive (1600-2000cc petrol engine); and ❑ Lot-2: 17 units of four-wheel drive Sedan (1400-1800cc petrol engine). 	World Bank US\$ 26.7 mn
Ethiopian Electric Power Corporation (EEPC, Ethiopia) UEAP, Dembel City Center Room 1115-B, 11 th Floor Addis Ababa Ethiopia Contact: Ms. Desta Bililign Foreign Procurement Office Tel: +251-115-54 50 79 Fax: + 251-115- 52 70 27 E-mail: sem_earep1@yahoo.com	Electricity Access (Rural) Expansion Project-I The project has two major components : <ul style="list-style-type: none"> ❑ expand access to electricity in rural towns; and ❑ build capacity for more effective delivery of these electricity expansion services. EAREPI-1 package includes procurement of AAAC, ABC and Stranded bare copper cable.	World Bank US\$ 11.8 mn
KGP Almatyelektrotrans 64 Auezova Street 050008 Almaty Kazakhstan Contact: Mr. Talgat A. Abdrahmanov Director Tel: + 7-727-3751889 Fax: + 7-727-3750357	Almaty Bus Sector Reform KGP Almatyelektrotrans is planning to introduce the first CNG fuelled low-floor bus fleet in the City of Almaty. The project require the procurement of following goods : <ul style="list-style-type: none"> ❑ 200 low-floor CNG buses; and ❑ spare parts and technical support. 	European Bank for Reconstruction and Development Euro (€) 27 mn
Public Utility Company "Duboko" Uzice Ljube Stojanovic St. No. 4 Uzice, 31000 Serbia Contact: Mr. Ivan Djokic Director General Tel: +381-31-52 50 62 Fax: +381-31-52 50 61 E-mail: office@duboko.co.rs	Duboko Solid Waste Management Project The project will require procurement of the following goods, works and services : <ul style="list-style-type: none"> ❑ design and construction of 8 transfer stations; and ❑ supply of specialized vehicles (sheepfoot roller and its spare parts). 	European Bank for Reconstruction and Development Euro (€) 12.6 mn



Country/ Executing Agency	Project/ Brief Scope	Loan from Funding Agency
Ministry of Energy and Industry 22 Rudaki Avenue Dushanbe 734012 Tajikistan Contact: Mr. Pulod Muhiddinov First Deputy Minister Tel: +992-37-2218730 E-mail: pulod_m@mail.ru	Regional Power Transmission Project The object of the project is to increase operational efficiency at Barki Tojik by- <ul style="list-style-type: none"> ❑ construction of two new 220 kV transmission lines of 140 km; ❑ rehabilitation of five high voltage substations; ❑ installation of SCADA system in 32 substations and the national control center. 	Asian Development Bank US\$ 93.5 mn
Railway Rehabilitation Management Office Ministry of Public Works and Transport Corner Norodom Blvd. Street 106, Wat Phnom Phnom Penh Kingdom of Cambodia Contact: Tel: +855-23723613 Fax: +855-23427132 E-mail: pmuhwy1@camnet.com.kh	Greater Mekong Subregion: Rehabilitation of the Railway Project The project includes procurement of 2,000 Metric Ton (MT) of BS 80A Grade 900A, 25 Meter Long Rails.	Asian Development Bank US\$ 42 mn
Botswana Power Corporation Motlakase House, Macheng Way, Industrial Sites P.O. Box 48, Gaborone Botswana Contact: Mr. Dennis Olaotse Tel: +267-3603516 E-mail: olaotse@bpc.bw	Morupule B Generation and Transmission Project The project includes supply, erection and commissioning of three 50 MVAR 400-KV Shunt Reactors (one at Isang substation and two at Morupule B substation).	African Development Bank US\$ 203 mn
Ministry of Public Works Labor-Based Public Works Project Office Lynch Street South Monrovia, Liberia Contact: Mobile: +231-6-627-826 E-mail: acwureh@yahoo.com	Rehabilitation of the Fishtown – Harper Road The project includes the rehabilitation of the Fishtown-Harper Road, linking River Gee and Maryland Counties. Major activities under the project includes- <ul style="list-style-type: none"> ❑ rehabilitation and construction of bridges; ❑ replacement of substandard water crossings by new culverts; ❑ cleaning and rehabilitation of roadside drains; ❑ road segments shaping to ensure adequate runoff of rainfall; and ❑ drainage construction. 	African Development Bank US\$ 24.1 mn

CONTRACT AWARDS

Select contracts secured by Indian companies/consultants:

Lumino Industries Ltd., Kolkata and Fedders Lloyd Corporation Ltd., New Delhi Contract for supply of conductors for Ethiopia's Energy Access Rural Expansion Project-II, funded by the **World Bank**.

Asbesco (India) Pvt. Ltd., Kolkata Contract for supply of overhead line accessories and hardware for Ethiopia's Energy Access Rural Expansion Project-II, funded by the **World Bank**.

Intercontinental Consultants and Technocrats Pvt. Ltd., New Delhi Consultancy services to Dhaka's Local Government Engineering Department to support the activities identified in the long term disaster risks management program in Bangladesh, funded by the **World Bank**.

Angelique International Ltd., New Delhi Contract for supply and installation of power distribution system and street lighting work for Afghanistan's Private Sector Development (PSD) Support Project, funded by the **World Bank**.

Researchco Reprints, New Delhi Contract for supply of reference and library books of secondary schools for Eritrea's Education Sector Development Programme (ESDP), funded by the **African Development Bank Group**.

Shiv Dial Sud & Sons, Ambala Contract for supply of laboratory equipments for Ghana's Development of Senior Secondary Education Project-III, funded by the **African Development Bank Group**.

FDI, ODI, M&A: Recent Trends in India

Foreign Direct Investment

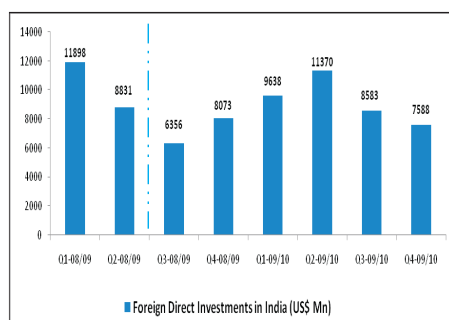
The Indian economy has come a long way from the era of license regime and has progressed commendably since the liberalization policies undertaken by India in early 90's. India today is considered to have one of the most transparent and liberal foreign direct investment (FDI) regimes amongst the emerging and developing economies. A number of studies in the recent past have highlighted India's growing prowess as an investment destination. According to Ernst and Young's 2010 European Attractiveness Survey, India is ranked as the fourth most attractive FDI destination in 2010. The UNCTAD World Investment Report 2009, in its analysis of the global trends and sustained growth of FDI inflows, has reported India as the third most attractive location for FDI for 2009-11. India has previously topped the AT Kearney's 2007 Global Services Location Index, emerging as the most preferred destination in terms of financial attractiveness, people and skills availability and business environment.

Over the last ten years, the flow of FDI into India has seen a phenomenal rise. FDI inflows have increased by a compounded

annual growth rate (CAGR) of 26.9 percent from US\$ 4 billion in 2000-01 to US\$ 37.2 billion in 2009-10. FDI inflows after having hovered below US\$ 10 billion for almost greater part of the last decade, witnessed a sudden fillip in 2006-07, with an increase of over 146 percent when it touched US\$ 22.6 billion. It may be noted that India's GDP growth during the same year witnessed its peak touching 9.7 percent, thus corroborating the high correlation between FDI and GDP growth.

The aftermath of global financial crisis and resultant slowdown in world GDP growth had an adverse impact on FDI flows all over the world, including India. The onset of the crisis in September 2009 saw its effect with FDI inflows declining by 30.4 percent during the second half of the 2008-09, as compared to the first half (Chart 1). However, post crisis FDI inflows into India have improved significantly and have increased by 5.7 percent in 2009-10 to touch US\$ 37.1 billion, as compared to a meager growth of 0.9 percent in the previous fiscal.

Chart 1: Foreign Direct Investments in India



Source: RBI Monthly Bulletin, July 2010; Exim Bank Research

During 2009-10, Mauritius has led investors into India with US\$ 10.4 billion worth of FDI comprising 43 percent of the total FDI equity inflows and was followed by Singapore with US\$ 2.4 billion and the US with US\$ 2 billion. Domestic appliances, finance, food & dairy products, which were important sectors attracting FDI in the

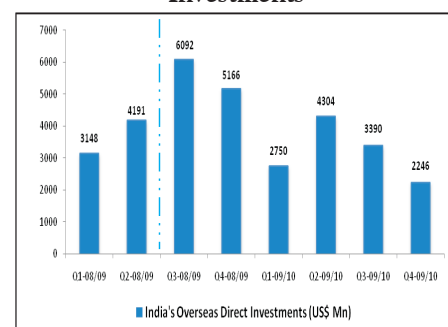
1990s, have seen a downtrend. During 2009-10, FDI was channeled mainly into manufacturing (22.9 percent) followed by construction sector (15.7 percent), financial services (9.8 percent) and real estate sector (9.8 percent).

Overseas Direct Investment

Overseas direct investment by Indian corporates is a facet of their increasing competitiveness and integration with the global economy. It is noteworthy, to find that Indian firms have been slowly and steadily getting aggressive in their pursuit to become a global player by investing abroad, especially at a time when the global crisis was looming large.

India's overseas direct investment (ODI) increased from US\$ 1.9 billion in 2002-03 to US\$ 18.5 billion in 2008-09, an increase of a CAGR of over 46 percent. However, in 2009-10 ODI declined to touch US\$ 12.7 billion. The interesting aspect witnessed was a sudden increase in ODI just after the crisis broke out at the end of second quarter 2008-09 (Chart 2). With valuations of businesses abroad moving southwards as a result of the global crisis, Indian firms are capitalizing upon the opportunity by venturing abroad.

Chart 2: India's Overseas Direct Investments



Source: RBI Monthly Bulletin, July 2010; Exim Bank Research

The countrywise pattern of ODI has undergone changes in the recent past. With a slew of investment friendly measures



since 2000 with the introduction of Foreign Exchange Management Act (FEMA), there has been a change in the direction of outflow with the top investment destinations. During 2009-10, Singapore, Mauritius, the Netherlands, the US and the British Virgin Islands together accounted for 67 percent of the total outward FDI. During the year 2009-10, on a sectoral basis, almost 43 percent of the amount of outward FDI was in 'manufacturing', followed by 'financial, insurance, real estate and business services' and 'wholesale and retail trade and restaurants and hotels'

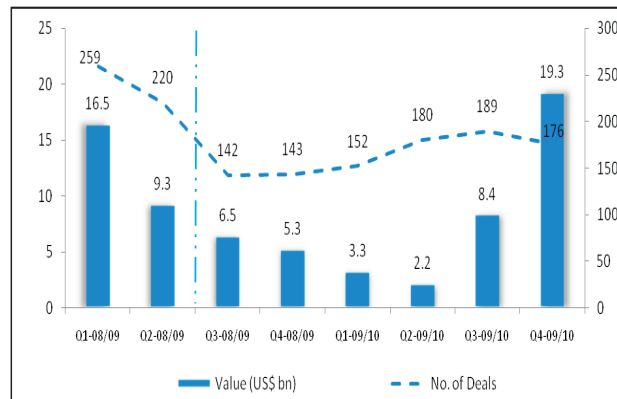
M&A

The emerging market economies (EME) across the world have evolved as the new areas of growth. Firms across sectors are willing to grow inorganically. In such a scenario, mergers and acquisitions (M&A) is increasingly becoming a popular vehicle for companies, particularly in India, to rapidly access unexplored markets, assets and capabilities.

India's sizeable foreign exchange reserves of around US\$ 277 billion, has also given the RBI a greater capacity to convert domestic currency to overseas currency on behalf of corporates, allowing them to fund overseas acquisitions more readily. The total value of deals conducted by Indian companies touched US\$ 70.8 billion during the period 2008-09 and 2009-10 with the number of cross-border transactions touching 1461.

After having completed 479 deals in the first 2 quarters of 2008-09 (before the onset of the crisis), there was a slump in M&A deals for the next 4 quarters till the deal-making appetite recovered from the third quarter of 2009-10 (**Chart 3**). This has been evident from the upswing in cross border transaction activity which, after remaining subdued, experienced almost a six fold increase at US\$ 19.3 billion during

Chart 3: Outbound M&A Trend in India



Source: Bloomberg, Exim Bank Research

the last quarter of 2009-10 compared with US\$ 3.3 billion during the first quarter of 2009-10.

The most active sectors by transaction value were telecommunications, retail and consumer products, infrastructure, health care, metals and mining, while infrastructure, real estate, hospitality and construction, and financial services were the leading sectors based on the deal count during the last quarter of 2010.

Outlook

Driving forces such as investment opportunities triggered by cheap asset prices and industry restructuring, large amounts of resources available in a number of emerging countries, quick expansion of new activities such as new energies and environment-related industries and a resilient trend in the internationalisation of companies is expected to trigger a new pick-up in investment flows both inward and outward.

As overseas investors maintain a sustained focus on investing in emerging markets such as India, the country continues to beget a good share of the world's investment inflows, despite the dismal economic scenario as prevailing in Greece and other European countries. Intertwined with sound macro-economic fundamentals and robust impetus for growth, coupled

with the fact that growth in developed countries is at a much lower level, 'Emerging India' offers favourable business prospects and dynamic investment opportunities.

At the same time, the current surge in India's FDI outflows attests to the expanding base of domestic firms, which are able to

compete globally, reflecting increasing quality and cost competitiveness to sustain long-term domestic and international growth. Focus on core competencies, increased R&D efforts and enhanced technological know-how have underlined this development. At the same time, access to markets, natural resources, distribution networks, foreign technologies and strategic assets like brand names have motivated Indian companies to increasingly look outward in their endeavours to internationalise their operations. Further, the shift in the pattern of financing overseas investment, from equity outflows from the host country towards re-invested earnings, is an indicator of the increasing confidence of Indian firms in internationalization.

India today is becoming a more assertive player and is poised to play a critical role by going global with their M&A spree. Indian companies are looking forward in capitalizing upon their low-cost advantage to create efficient global business models. Firms in India are prepared to augment their knowledge, reach and capabilities through acquisitions of companies for their brands, technology, and talent and product portfolios. It is therefore increasingly becoming inevitable to venture out in a fast growing market, in order to remain profitable and competitive at the same time.



Exim Bank's Lines of Credit

Export-Import Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, 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. Exim Bank also extends LOCs at the behest of Government of India. Exim Bank's LOCs afford a risk-free, non-recourse export financing option to Indian exporters.

Exim Bank has now in place 138 Lines of Credit, as at June 30, 2010, covering over 94 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments of over US\$ 4.58 billion, available for financing exports from India. These LOCs have catalysed export of various projects in diverse sectors such as agriculture, transportation, communication, manufacturing, energy

generation and transmission, rural electrification. Increasingly, Lines of Credit are being extended for financing Indian project exports, which create, in the recipient countries, a greater visibility for Indian expertise and project execution capabilities, with downstream linkages. Established primarily to enhance Indian exports to developing countries, Lines of Credit, today, have become an effective tool for market penetration and a stepping stone to uncharted territory of Africa and Latin American countries. Exim Bank, at the behest and with the support of Government of India, extended the following two LOCs during the quarter April-June 2010:

- Exim Bank extended an LOC of US\$ 55.6 million to RUE "Grodnoenergo" an agency nominated by Government of Belarus for financing reconstruction of Grodno-II Power Plant (100-130 MW) project to be executed by M/s. Bharat Heavy Electricals Ltd. Major items of export from India to Belarus are pharmaceutical products, machinery and instruments, manufactures of metals, and plastic & linoleum products.
- An LOC of US\$ 21.7 million was extended to Government of Ghana for financing exports of projects for improved fish harvesting and fish processing and waste management equipment and management support project in Ghana. Exim Bank already has in place four LOCs aggregating US\$ 127 mn to Government of Ghana. The earlier LOCs to Ghana were/are being utilized for rural electrification, agriculture, communication, transportation and construction projects and also for supply of trucks / buses.

ADFIAP Award at Vancouver

The ADFIAP Development Award recognizes and honours ADFIAP member institutions, which have assisted projects that have created a development impact in their respective countries. Awards are given to members, which in the judgment of the ADFIAP Awards Board, have implemented or enhanced outstanding and innovative development projects during the immediate past year.

Exim Bank has been conferred the 2010 "Trade Development Award" by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for its Lines of Credit programme. The Award was recently presented to Exim Bank Executive Director Mr. Prabhakar Dalal, at a special function organised as part of the 33rd Annual Meetings of ADFIAP in Vancouver, Canada. The Award is in recognition of Exim Bank's "Lines of Credit Programme", a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters, and serves as an effective market entry tool. Exim Bank, through its Lines of Credit (LOC), has been at the forefront of promoting exports from India. LOCs contribute to implementing development projects and capacity building in countries where the projects are carried out, open new market opportunities for Indian companies, help strengthen bilateral cooperation especially with the developing nations and generate goodwill for India.

For further information, please contact

Mrs. Geeta Poojary
Dy. General Manager
Export-Import Bank of India
Centre One Building, Floor 21
World Trade Centre Complex
Cuffe Parade
Mumbai 400 005
Telephone: (022) 22162073/22172308
Fax: (022) 22182460
E-mail: eximloc@eximbankindia.in



Success Story – Time Technoplast Limited

Established in 1992 by four technocrats viz. Mr. Anil Jain, Mr. Bharat Vageria, Mr. Ragupathy Thyagarajan and Mr. Naveen Jain, Time Technoplast Limited, Mumbai (TTL) has come a long way from a small company manufacturing XL-Ring drums to innovative polymer company to a business conglomerate with diversified interests. In the process, the company has partnered with M/s. Mauser, Germany, an internationally leading polymer technology company, to gain access to international technology and patented world class products.

Over a couple of decades, TTL has not only increased in magnitude but also diversified its product range. TTL, now, operates in five business segments, which include:

- (a) Industrial Packaging Products:
 - o Drums and Containers
 - o Conipack Pails / Buckets
 - o PET Sheets
 - o Total Packaging Solutions
- (b) Automotive Components Products:
 - o 3S Rain Flaps
 - o De-aeration Tanks / Radiation Tanks
 - o Fuel Tanks
 - o Air Ducts
- (c) Lifestyle Products:
 - o Matting
 - o Moulded Furniture
- (d) Health Care Products (called “Genex Division”):

- o Auto break – reuse prevention Syringes
- o Auto collect – blood Sampler
- o OT Safe – disposable face masks
- (e) Infrastructure Products:
 - o HDPE Pipes
 - o FRP pipes
 - o Safe and Warning Nets (called “Netrix”)
 - o Traffic Cones
 - o Water/Sand filled barricade
 - o Sound barrier
 - o VRLA batteries
 - o Prefabs and Shelter

In nearly two decades, TTL has developed over 14 brands and their extensions e.g. “Time” for packaging products and solutions; “DuroTurf”, “DuroSoft” and “DuroWipe” for matting; “Time-Rainflap” for auto component; “Genex” for Healthcare and “Time-Netrix”, “Time-MaxLife”, “Time-SoundShield” for infrastructure related products. The divergent product matrices help the company ameliorate the product concentration risk.

TTL grew its business with a strategy of leveraging on core competencies in technical superiority in polymer technologies. Continuous thrust on Research and Development, futuristic product designing and their successful commercialization, superior customer service and pan-India presence has been the intrinsic drivers, which have, hitherto, stimulated TTL's growth. "We don't mind seeing our competitors ahead of us, So long as they are few laps behind" is the most popular saying in the Company. “**We shall be second to none in our business**” is the motto of TTL.

With a humble beginning by commissioning of a manufacturing facility in western India, which was later supported by another plant in Hosur, Tamil Nadu, TTL has widened its presence pan-India. It has, over the years, made investments in processes, infrastructure and systems to become a national player. Presently, the company operates from 22 manufacturing facilities spread across nine locations in

India. In pursuit of business excellence and growth, the company has established its presence in international markets as well, which includes Baharin, China, Czech Republic, Poland, Thailand and UAE. TTL expanded organically as well as inorganically, especially in the field of related technologies. Some of its acquisitions, in the recent past, were:

- o Pack Delta, Thailand under JV with Mauser in 2006.
- o NED Energy, Hyderabad in 2007. With this TTL forayed into battery business.
- o Gulf Powerbeat WLL, Bahrain in 2008. This business is an extension to the battery business of TTL.

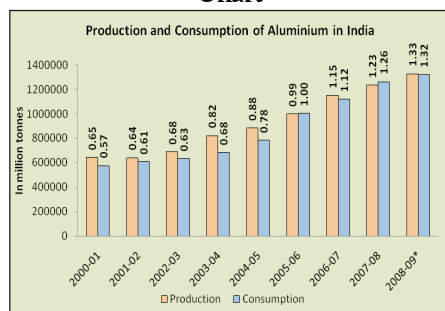
Concomitant to its growth in business, TTL's financials have also grown with turnover rising from Rs. 3.6 billion for FY2007 to Rs. 6.6 billion for FY2010, CAGR of 17 percent. TTL's exports were adversely impacted during this period due to global recession and stiff international competition especially from China. Net profit of the Company has increased contemporaneously from Rs. 390 mn to Rs. 490 mn. Expanding its capacities during last couple of years and adding several new products to its portfolio such as plastic fuel tanks, HDPE pipes, prefab structures, auto disable syringes, returnable packaging etc have been the main drivers of company's sales. TTL's performance, in the recent past, needs to be viewed from the perspective that its major product line i.e. industrial packaging, attracts derived demand and dependent on level of industrial activities. The subdued economic activities had an impact on the demand for TTL's products, albeit delayed.

Acknowledging the potential in the company, Exim Bank associated with TTL in its early days in 1995, whereby it extended term loan to enable TTL set up Hosur plant. The ties with the company has since grown stronger, with Exim Bank financing TTL's overseas ventures in UAE and China by combination of products aimed at financing requirements of parent company as well as the subsidiary.

Indian Aluminium Industry : Sectoral Performance and Outlook

One of the leading industries in the Indian economy is the aluminium industry. India is ranked at sixth position in the world having largest proven and probable bauxite reserves (over 140 mn metric tonnes). Aluminium production in the year 2008-09 was 1.33 mn tones, and aluminium consumption in the same year was estimated to be 1.32 mn tonnes (Chart).

Chart



Note: * Estimated, Source: Crisil Research

During 2005-06 and 2007-08, the domestic aluminium industry witnessed deficit in production, as compared to the demand. During the period 2000-01 to 2008-09, aluminium production in India witnessed a CAGR of 9.4 percent, while consumption witnessed a CAGR of 11.2 percent.

Consumption

The pattern of end-usage of aluminium in India significantly differs from that of the world; power sector holds large share of aluminium usage in India with 44 percent

share, followed by construction (17 percent), automotive (12 percent), packaging (10 percent), and consumer durables (8 percent). The share of usage of aluminium in industrial applications, especially in manufacture of machinery / capital goods is estimated to be 6 percent in India.

Exports

During 2007-08, exports of aluminium had grown by 37 percent from US\$ 822.42 mn in 2006-07 (to US\$ 1,123.63 mn). However, during 2008-09, exports growth moderated to 3.5 percent, to US\$ 1,163 mn. During April-January 2009-10, exports showed a negative growth of 20 percent compared to corresponding period in the previous year. Imports of aluminium had declined by 2.1 percent during 2008-09 and the total import during this period was US\$ 1496.6 mn (Table).

The major item of export from India under aluminium category was unwrought aluminium, with a share of 37.3 percent in total aluminium exports, followed by stranded wire, cables, plaited bands, and such products of aluminium, not electrically insulated (18.6 percent); and aluminium plates, sheets and strip (13.7 percent). Major items of import under the aluminium category were unwrought aluminium (37.9 percent), aluminium waste and scrap (27.2 percent), and aluminium plates, sheets and strip (9.9 percent)

The major export destination for aluminium during 2008-09 was Singapore

with a share of 27 percent in total aluminium exports, followed by Malaysia (9 percent), USA (6 percent), UAE (5 percent), and Nigeria (5 percent). Major import sources (of aluminium) for India during this period were China (17 percent), UAE (10 percent), South Africa (8 percent), Thailand (7 percent), and Germany (6 percent).

Outlook

The world aluminium production is estimated to have declined by around 14 percent in 2009. As most of the end-use sectors for aluminium are recovering, world aluminum production is estimated to grow by 3 percent in 2010. A number of smelters that have previously reduced their output or partially shut down their operations are expected to restart or increase production in 2010. Asia region would dominate the global aluminium industry, both in terms of capacity addition (mainly in Gulf region) as well as consumption (driven by China and India). According to an estimate by the Middle East Economic Digest (MEED), of the 6.5 mn tonnes of potential aluminium capacity planned beyond 2010, 4.4 mn tonnes will be built in the GCC. In the longer term, MEED estimates that by 2020 the GCC alone is expected to produce around 10 mn tonnes/year of aluminium, accounting for 20 percent of global market share. Globally, newer packaging applications and increased usage in automobiles is expected to keep the demand growth for aluminium in the long-term.

Table : India's Exports and Imports of Aluminium (US \$ Mn)

Trade	2006-07	2007-08	2008-09	April-Jan 2008-09	April-Jan 2009-10	% change 2007-08 vs 2006-07	% change 2008-09 vs 2007-08	% change Apr-Jan 2009-10 vs Apr-Jan 2008-09
Export	822.42	1123.63	1162.99	1002.63	807.08	36.6	3.5	-19.5
Imports	1173	1527.97	1496.57	1326.43	1224.76	30.3	-2.1	-7.7

Source : DGCIS



Leather Industry : Sectoral Performance and Outlook

Export Scenario of Leather

Leather exports have increased at a compounded annual growth rate (CAGR) of over 4.7 percent during the period 2005-10 with leather footwear being the engine of growth, accounting for an export value of around US\$ 1.2 billion, holding a share of 36 percent in India's total leather trade (Table). The European Union and the USA are the major

As far as exports are concerned, leather exports contributes around 1.9 percent of the total exports of India. Though leather exports declined by around 8 percent during 2009-10, as compared to the previous year, a growth in demand from its key export markets in the western countries, is expected to revive the exports of the industry in the months ahead. The only concern for the industry under the

India's Export of Leather and Leather Products (Value in US\$ Mn)

Commodity Name	2005-06	2006-07	2007-08	2008-09	2009-10
Leather & Leather Manufactures	2697.26	3014.66	3504.3	3560.78	3248.47
Footwear of Leather	807.69	973.67	1174.63	1245.76	1163.12
Leather Goods	660.07	705.81	800.87	874.69	760.56
Finished Leather	636.18	723.51	807.61	674.45	605.66
Leather Garments	333.25	309.7	345.51	426.83	429.85
Leather Footwear Component	182.55	219.7	269.44	246.74	206.71
Saddlery & Harness	77.51	82.27	106.23	92.3	81.57

Source: DGCIS, CLE, Exim Bank Research

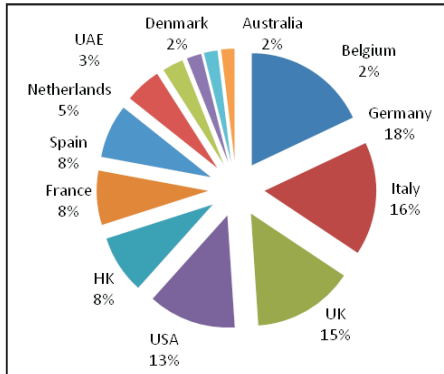
The Indian leather industry comprises firms in all capacities starting from small artisans to prominent global players. The industry in India is highly labour-intensive with SMEs accounting for more than 70 percent of the firms and around 75 percent of the total value of leather exports from the country. With an annual turnover of over US\$ 7 billion, the export of leather and leather products has been increasing over the past few years and touched US\$ 3.5 billion in 2008-09. India is the second largest producer of footwear and leather garments in the world, and accounted for close to 1.2 percent in the global leather import in 2008-09.

Advantage India

The leather industry is bestowed with an affluence of raw materials as India is endowed with 21 percent of world cattle and buffalo, and 11 percent of world goat & sheep population. Added to this are the strengths of skilled manpower, innovative technology, increasing industry compliance to international environmental standards, and the dedicated support of the allied industries.

The major production centers for leather and leather products are located in Tamil Nadu - Chennai, Ambur, Ranipet, Vaniyambadi, Trichy, Dindigul; West Bengal - Kolkata; Uttar Pradesh - Kanpur, Agra & Noida; Maharashtra - Mumbai; Punjab - Jalandhar; Karnataka - Bangalore; Andhra Pradesh - Hyderabad; Haryana - Ambala, Gurgaon, Panchkula and Karnal; Delhi.

Chart: Country-wise share in Leather Products Exports from India (2008-09)



Source: UN Comtrade, Exim Bank Research

markets for Indian Footwear accounting for 62 percent and 10 percent share respectively in India's total footwear export (Chart). Among the EU nations, Italy is a major consumer of leather items. With India having contributed just around 4.8 percent to Italy's leather imports in 2009, a large untapped potential exists for enhancing our exports to Italy.

Outlook

The leather industry today is slowly recovering from the recessionary impact of 2008. According to the Index of Industrial Production (IIP) data, leather products showed an 11.1 percent growth in production in March 2010 on a monthly basis.

present condition remains the volatility of the Indian rupee (INR). With almost 70 percent of the contracts being denominated in US dollar, strengthening of the INR may erode the margins of exporters. The exporters have to pursue aggressive strategies to mitigate such problems

The Central Government has already undertaken a comprehensive development plan for the leather industry under the Indian Leather Development Programme (ILDLP) during the 11th Five Year Plan period at an outlay of Rs.13 billion for overall development of the leather industry.

The Government of India has also identified the leather sector as a Focus Sector in its Foreign Trade Policy 2009-14 in view of its immense potential for export growth prospects and employment generation. Accordingly, the Government is also implementing various Special Focus Initiatives under the Foreign Trade Policy for the growth of leather sector. With the implementation of various industrial developmental programmes as well as export promotional activities, the Indian leather industry aims to augment the production, thereby enhancing export to US\$ 7.03 billion by 2013-14.





Performance Highlights of Exim Bank: 2009-10

FINANCIAL PERFORMANCE

- Profit after tax amounted to Rs. 5.13 billion.
- Net worth of the Bank increased to Rs. 45.3 billion from Rs. 38.7 billion in the previous year.
- Rs. 1.5 billion was transferred to the Central Government as per the Exim Bank Act.
- Capital to Risk Assets Ratio (CRAR) stood at 18.99 percent as on March 31, 2010.
- Net NPAs to net loan assets decreased to 0.20 percent as on March 31, 2010 from 0.23 percent as on March 31, 2009.

BUSINESS PERFORMANCE

- Loans Assets increased by 14 percent to Rs. 393.7 billion. Loan Approvals increased by 16 percent to Rs. 388.4 billion. Disbursements aggregated Rs. 332.5 billion.
- Resources of the Bank increased by 10 percent to Rs. 450.4 billion.
- Project Export Contracts supported amounted to Rs. 150.3 billion- secured by 25 companies in 20 countries.
- During the year, the Bank extended 22 new Lines of Credit (LOCs), aggregating US\$ 753.3 mn for financing exports of Indian projects, products and services.
- During the year, 18 corporates were sanctioned funded and non-funded assistance aggregating Rs. 10.5 billion for part financing their overseas investments in 6 countries. Exim Bank has so far provided finance to 259 ventures set up by over 209 companies in 64 countries.

RESOURCES/TREASURY

- During the year, the Bank received capital of Rs. 3 billion from the Government of India.

- The Bank's rupee term deposits increased from Rs. 9.5 billion as on March 31, 2009, to Rs. 12.9 billion as on March 31, 2010, with the number of depositors exceeding 17,800.
- As on March 31, 2010, outstanding Rupee borrowings including bonds/commercial paper/certificate of deposit amounted to Rs. 245.8 billion, and the Bank had a pool of foreign currency resources equivalent to US\$ 4.2 billion.
- During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 202.7 billion comprising rupee resources of Rs. 130.4 billion and foreign currency resources of US\$ 1.6 billion equivalent.
- Total borrowings as on March 31, 2010, stood at Rs. 405.1 billion, as compared to Rs. 372 billion. Market borrowings as on March 31, 2010 constituted 88 percent of the total resources of the Bank.
- As on March 31, 2010 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.
- The Bank's domestic debt instruments continued to enjoy the highest rating viz. AAA rating from the rating agencies, CRISIL and ICRA.

NEW INITIATIVES

Opening of Representative Office in Chandigarh

- The Bank, during the year, opened its Representative Office in Chandigarh which would serve Indian companies in the North West region of the country, in their efforts to become internationally competitive

Co-Financing Agreement with African Development Bank

- A Memorandum of Understanding (MOU) was signed with the African Development Bank (AfDB) which envisages joint financing of projects in regional member countries of AfDB. The MOU would leverage the resources of both the institutions and enable supporting of larger number of projects, and would mitigate cross-border and payment risks normally associated with project exports.

Programme for SMEs

- The Bank has partnered the Commonwealth Secretariat in the 9th and 10th editions of Commonwealth – India Small Business Competitiveness Development Programme. The 9th edition, held in Bangalore, was on the theme 'Sustainable MSME Development: The Role of Financing and Appropriate Technologies', and the theme for 10th edition held in Jaipur was on 'MSME Development: Sustainable Practices through Collaboration, Financing and Technologies'.

Eurodollar Issue

- During the year, the Bank successfully issued its second Reg S bond offering in London during January 2010. The 5-year US\$ 300 mn Eurodollar bond received over five times subscription. This was followed in April 2010 by the issue of third Reg S bonds of US\$ 200 mn for 5 year tenor which attracted subscription of over US\$ 750 mn.

Cooperation Pact with Development Banks of BRIC Countries

- Bank, in the recently concluded BRIC (Brazil, Russia, India, China) Summit held in Brasilia, Brazil, entered into a Memorandum of Cooperation (MOC) with three major development banks of Brazil, Russia and China, viz. Brazilian Development Bank (BNDES), Bank for Development and Foreign Economic Affairs of Russia (Vnesheconombank), and China Development Bank. The MOC signed in the presence of Heads of four States/ Governments seeks to develop cross-border transactions and projects of common interest; strengthen and enhance trade and economic relations between BRIC countries and its enterprises; and finance the investment projects and to work towards economic development of BRIC countries.

Research and Planning

- Eight Occasional Papers were published by the Bank during the year, namely MSMEs and Globalisation: Analysis of Institutional Support System in India and in Select Countries; International Trade, Finance and Money: Essays in Uneven Development; Sikkim: Export Potential and Prospects; Mizoram: Export Potential and Prospects; Floriculture – A Sector Study; Biotechnology Industry in India: Opportunities for Growth; Indian Gems and Jewellery: A Sector Study; and SADC: A Study of India's Trade and Investment Potential.



EXIMIUS CENTRE

Eximius Centre Activities:

April-June, 2010

1. With the launch of the “Look East Policy” to establish closer economic integration with the Southeast Asian states, India has been planning to create an economic hub in its North Eastern Region by exploring the trade and commerce potential with its ASEAN neighbours.

To disseminate information on various initiative taken by Govt. of India and Financial and other Institutions to exporters in general and those located in North Eastern region in particular, two seminars on “Scope & Opportunities for North – Eastern Region for Exports” was organized at Guwahati (April 23, 2010) & Shillong (April 24, 2010) jointly with Federation of Indian Exporters Organization (FIEO). Exim Bank’s presentation included the details of various aspects of SME financing, rating, its financing products and services, and export credit insurance.

2. Many Indian corporates, especially those engaged in international trade, are keenly interested in exploring the investment and business potential with the African countries. Exim Bank in collaboration with Federation of Karnataka Chambers of Commerce and Industry (FKCCI) had organized one

day seminar on “Focus Africa: Investment & Business Opportunities” in Bangalore on June 05, 2010. Diplomatic Representatives from Embassies of four African Countries viz, Ethiopia, Kenya, Senegal and Nigeria made presentations on the opportunities and Government policies of their respective countries.

3. Programmes in the pipeline include Seminars/workshops focusing on Investment agencies / SMEs/ handicrafts / Entrepreneurship Development, Export procedure and documentation at Agartala, Aizawl, Gurgoan, Kolkata, Coimbatore, Chennai and Tuticorin. Recognizing the business potential in the area of project exports, a seminar on Project - Exports is also proposed in New Delhi during July - Sept 2010 involving PEPC, BHEL and other prospective project exporters. A one day seminar is also proposed jointly with Indian Electrical and Electronics Manufacturers Association (IEEMA) in July 2010 in New Delhi.

For details on future programmes contact:
Mr. T.V. Rao
Director-Eximius Centre, Bangalore
Tel : (080) 25589106
E-mail: eximius@eximbankindia.in

BOOK REVIEW

“Debt Relief and Beyond : Lessons Learned and Future Challenges”

This book is the outcome of a conference on ‘Debt Relief and Beyond’, hosted by the World Bank’s Poverty Reduction and Economic Management Network (PREM), in October 2008.

The book is divided into four sections, which empirically examines the concept and design of debt-relief initiatives on developing and poor countries’ economic growth. As of April 2009, under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), assistance of more than US\$ 100 billion had been committed to 35 HIPCs.

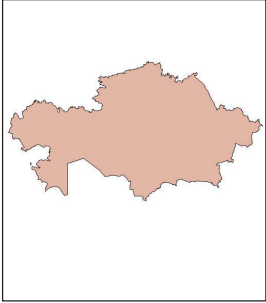
The debt-relief initiatives have never been only about reducing the debt, but also have been used as leverage to move the indebted country into a new mode of operations to ensure that resources freed up through debt relief are used to reduce poverty and to promote economic development. The book also examines the concept and various policy proposals of dealing with odious debt.

The book highlights the implementation of the joint World Bank-IMF Debt Sustainability Framework (DSF), which is playing a major role in helping countries to manage the impact of the financial crisis. Translating debt-relief into sustainable growth requires low-income countries to invest in building strong and accountable institutions and avoiding the temptation to borrow.



COUNTRY SCAN

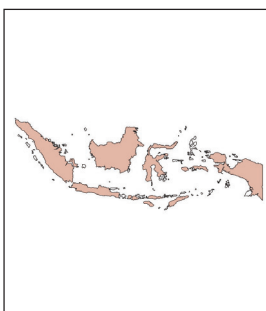
Kazakhstan



GDP is projected to grow modestly by 2.5 percent in 2010 and 3.5 percent in 2011, as the global recovery consolidates. Foreign direct

investment in oil and gas projects will continue at a relatively high level. Exports are expected to increase by 30 percent in 2010, due to higher prevailing oil prices, and further by about 13 percent in 2011 due to strengthening in both oil prices and export volumes coupled with further gains in non-oil exports as the global recovery strengthens further. With the economy still narrowly based, with economic activity and investment concentrated in the hydrocarbon and mining sectors, there is a need to accelerate policies to diversify the production base beyond these sectors. In light of these, under the state programme for advanced industrial development and industrialization, the government plans to implement 162 projects totaling around US\$ 45 billion in investment during 2010-2014.

Indonesia

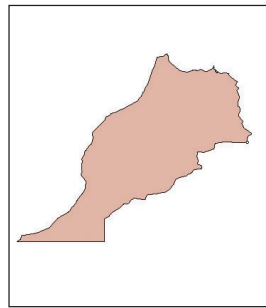


The global recession had only a moderate impact on the Indonesian economy, reflecting the economy's relatively low dependence on

exports and growth has been maintained, mainly exports due to increases in private consumption and government expenditure, Debt-to-GDP ratio of the national government fell to 28 percent in 2009, maintaining a decline that has cut the ratio by half in 5 years. An expanding economy, fiscal consolidation, and lower interest rates have helped bring down the debt burden. Reflecting improvements in the country's public and external positions, Standard &

Poor's raised its long-term foreign currency credit rating for Indonesia's sovereign debt to BB from BB- in March 2010. Fitch Ratings upgraded its rating to BB+ from BB (one notch below investment grade) in January 2010. Efforts are being stepped up to improve power supplies, and a law introduced in 2009 allows private investors and local authorities to generate, transmit, and sell electricity without having to work with the state firm.

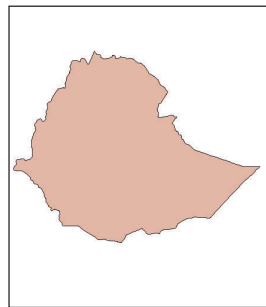
Morocco



During the 10th inter-governmental seminar between Morocco and France held in early July 2010 in Paris, the two governments

signed several co-operation agreements and also a financial accord worth US\$ 185.3 mn. Half of the financial accord is earmarked for a private contract for Transdev, a French transport company, for the operation and maintenance of the tramway in the capital, Rabat, while the other half comes in loans granted by AFD, the French development agency, and will be for upgrading the fisheries sector, access to health, and water. In June 2010, the government launched the Moroccan National Wind Energy Programme worth US\$ 3.9 billion. Morocco is hoping to become a leading player in renewable energy on the southern shore of the Mediterranean, thereby reducing its dependency on energy imports.

Ethiopia

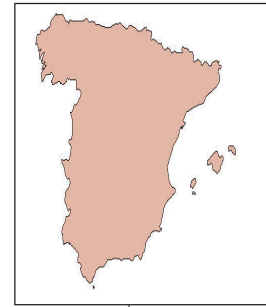


In early June 2010, the IMF announced that Ethiopia was eligible to receive US\$ 58.7 mn after the successful first review of its

14-month US\$235mn exogenous shocks

facility (ESF), bringing the total funds disbursed under the programme to around US\$166 mn. The IMF has noted that the government had successfully implemented policies to reduce inflation and rebuild foreign-exchange reserves. Real GDP growth is forecast to slow to 7 percent in 2009/10 as exports and remittances recover slowly from the global recession, before rising to 8 percent in 2010/11, driven by higher external demand and reform efforts. The projected start-up of electricity exports to neighboring countries will give a lift to exports in 2011.

Spain



Policy will continue to focus on facilitating economic recovery, improving the public finances and reassuring investors. In

contrast to the expansionary 2009 budget, the 2010 budget contains several measures, including a series of tax increases, aimed at repairing the poor state of the public finances. Other measures include a sustainable economy programme, first announced in November 2009, which aims to improve Spain's competitiveness over the next ten years. In June 2009 it set up the Fund for Ordered Bank Restructuring (FROB) to oversee the administration of failed banks. After contracting again in 2010, real GDP is forecast to resume growth in 2011, but only by 0.6 percent. Spain's economic contraction is attributable not only to global developments, but also to domestic factors, including a now collapsed house price and construction bubble, over-indebted consumers and a still significant current-account deficit. In June 2010, the government approved by decree a long-promised reform of labour market legislation, in what amounts to its most important attempt so far to improve the structural underpinnings of the economy.



Currency Currents

Singapore Dollar (SGD)

The Singapore dollar is managed under floating rate regime where the exchange rate is determined by the demand and supply in the foreign exchange market. The Monetary Authority of Singapore (MAS) manages the Singapore dollar against a trade weighted basket of currencies of Singapore's major trading partners and maintains it broadly within an undisclosed target band.

The recovery of the Singapore economy has been stronger than expected, and more entrenched since the beginning 2010. External demand has picked up appreciably, particularly for IT-related products. According to the advance estimates released by the Ministry of Trade and Industry, Singapore's GDP surged by 32.1 percent on a quarter-on-quarter seasonally adjusted annualised basis in Q1 2010. The growth was broad-based, with strong performance recorded in the manufacturing and services sectors.

MAS has maintained a zero percent appreciation path for the Singapore dollar nominal effective exchange rate (S\$NEER) policy band since October 2008. The policy band was re-centred downwards in April 2009, and kept at that level during the last policy announcement in October 2009. This policy stance was assessed to be appropriate, given continuing weakness and uncertainties in global and domestic

economic prospects. MAS will continue to be vigilant over developments in the external environment and their impact on the domestic economy, and stands ready to curb excessive volatility in the S\$NEER. As of June 30, 2010 the exchange rate stood at 1 US\$ = 1.3990 S\$.

South Korean Won

The South Korean Won (KRW) was floated in December 1997 after the South Asian Financial crisis. The exchange rate is market determined and any intervention by the central bank is to moderate wild fluctuations, keeping an eye on the Won's competitiveness.

South Korea's central bank, the Bank of Korea (BOK), kept its key interest rate at record low 2 percent for a 15th straight month in May 2010. BOK has slashed the rate by a total of 3.25 percentage points between October 2008 and February 2010 in a bid to pull the sluggish economy out of the global economic downturn. The South Korean economy is likely to keep up its positive recovery pace, thanks to robust export and consumption.

South Korea joins developing nations including China, Brazil, Colombia and Russia that are tightening rules on capital flows to limit swings in their currencies. As per South Korea's central bank, it will bar banks from providing foreign-currency loans for domestic use from July 1, 2010 boosting efforts to curb volatility in capital flows and the won. Rules unveiled on June 13, 2010 will cap foreign lenders' positions in foreign-exchange forwards, options and swaps to 250 percent of equity capital, a limit that must be met within two years. The changes will respect the principles of an open economy and are not intended to deter foreign investment.

The won is also seeing a correction after China's announcement that it will allow greater currency "flexibility" boosted the won. Korean authorities will intervene in the currency market if volatility is excessive. The central bank may have been intervening near 1,180 per dollar. As of

June 30, 2010 the exchange rate stood at 1 US\$ = 1222.10 KRW.

Mexican Peso (MXN)

The Mexican Peso is managed under a floating exchange regime with the exchange rate policies being determined by the Exchange commission consisting of members from the Secretariat of Finance and the Central Bank. Mexico has in place an option mechanism to accumulate US\$ reserves and a US\$ selling scheme to reduce volatility of the currency without disturbing the principles of a floating exchange rate regime.

Mexico's peso has slumped close to 8 percent since downgrades of Greece, Portugal and Spain in late April stoked fears about Europe's financial stability and concerns of a default by Greece. The peso has gained some support in the recent past by a recovery in the Euro after German lawmakers approved their country's contribution to a 750 billion euro bailout package. The United States is Mexico's top trading partner, so local assets closely follow the fortunes of U.S. markets. The peso is expected to gain on account of recovery seen in US with United States Senate approving bill for regulation of Wall Street firms thereby preventing a financial collapse similar to the recent credit crisis.

Mexico's central bank left its benchmark interest rate unchanged at 4.50 percent in May 2010 for the ninth straight month, but said the fiscal crisis in Europe presented a new risk for Mexico. Investors are buying the Mexican peso to take advantage of the carry trade, borrowing in nations with low interest rates to purchase higher-yielding assets. Mexico's 4.5 percent benchmark interest rate is higher than near zero rates in the U.S., 1 percent in the euro-zone and 0.1 percent in Japan. The peso has risen 7.5 percent this year. Financial markets are being inundated with liquidity right now, and investors are buying any instrument they can get their hands on. As of June 30, 2010 the exchange rate stood at 1 US\$ = 12.94 MXN.

Outward FDI in Agricultural Activities

There has been a recent surge of interest in international investment in agricultural land and activities in the developing countries. According to UNCTAD's World Investment Report 2009, annual foreign direct investment (FDI) flows to agriculture has tripled between 2005 and 2007 to US\$ 3 billion, as against annual flow of less than US\$ 1 billion during 1990s. While the share of FDI in agriculture to total FDI remains limited, in some least developed countries (LDCs), and countries like Ecuador, Honduras, Indonesia, Malaysia, Papua New Guinea, and Viet Nam, the share of FDI in agriculture to total FDI is relatively high.

The major driver for state-owned investments in FDI in agricultural land and activities by the investing countries lies in reducing dependency on the world market for food and fuel, while at the same time complying with international agreements for mitigation of climate change. For the target countries, the main driver lies in securing capital flow into agriculture, and potential for development in the economy.

Characteristics of the recent investments in developing country agriculture

- The main targets for recent investment are countries in Africa, South-East Asia and South America.
- The major current international investors are emerging economies like

China, South Korea, India, and land and water-scarce developing region, such as Gulf States.

- Investors are primarily private sector but governments and sovereign wealth funds are also involved in providing finance and other support.
- The main form of investments is acquisition mostly through long-term leasing of up to 99 years of agricultural land for food production.
- Food processing and supermarket transnational corporations (TNCs) investment in agriculture mostly as contract farming.
- The bulk of TNC investment in developing regions is aimed at cash crops, and biofuel crops, such as jatropha. Among types of produce targeted by foreign investors in developing and transition economies, some regional specialization is apparent.
- South-South investment in agriculture is on the rise, seen mostly in plantations, commodities, such as maize, sugar and rubber, and meat and meat products. The net cross-border M&A purchases amounted to US\$1,577 billion, accounting for over 40% of the world's total M&A value in 2008 (US\$ 3,563 billion).

Impact

FDI in agricultural land and activities can enhance economic development and contribute to poverty reduction by initiating growth in the local economy of the target countries, while it can also have a negative impact on local economies by detracting access to production factor that is of outstanding importance for their development. However, scope of a detail analysis on the impacts of such investments is limited as detailed data on the extent and nature of these investments is yet not available.

For the investing countries, main challenge lies in lack of a comprehensive cadastral system, and the deficit of land titles coupled with political instability in the host countries, which may aggravate transparency and controlling.

Some analyses, thus, proposes a "code of conduct", an international arrangements and laws that apply everywhere, in the countries that are targets of investments, which often have insufficiently developed legal institutions and enforcement mechanisms, and also in the countries where the investments originate, for ensuring 'responsible investment'.

India's select cases of OIEDI in agriculture land & activities (2000-2009)				
Target Country	Investor	Dimension	Type of Land Use	Business Status
Ethiopia	Karturi Global	40,000ha	Maize, rice, flower and vegetables	Signed, Ethiopia has agreed to grant in total 300,000 ha
Ethiopia	Praj Industries	25,000 ha	Biofuel	Implemented
Ghana	Hazel Mercantile	US\$ 40 mn	Jatropha	Planned
Madagascar	Varun (India)	230,000 ha	Rice, maize and lentils	Planned
Rwanda	McLeod Russel	US\$ 7 mn	Tea	Signed
Uganda	McLeod Russel	US\$ 30 mn	Tea	Implemented
Indonesia	K S Oils	56,000 ha	Palm oil	Implemented
Vietnam	McLeod Russel	US\$ 7 mn	Tea	Implemented
Argentina	Olam International	12,000 ha	Soybeans, corn	Signed
Ukraine	Emmons International	14,000 ha	Wheat	Implemented

Source: Exim Bank Research
 Note: More than 80 Indian companies have invested about £1.5 billion (about Rs 11,300 crore) in buying huge plantations in countries in eastern Africa, such as Ethiopia, Kenya, Madagascar, Senegal and Mozambique that will be used to grow foodgrain for the domestic market.

The news items and information published herein have been collected from various sources, which are considered to be reliable. While every care has been taken for authenticity of the material published, Exim Bank accepts no responsibility for authenticity or accuracy of such items.

Note: Indian Rupees are referred in crores and lakhs:

1 crore : 10 million

1 lakh : 100 thousand

Export-Import Bank of India, Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai-400 005.
 Tel: (022) 2217 2600 Fax: (022) 2218 2572
 E-Mail: cag@eximbankindia.in
 Website: www.eximbankindia.in