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**Enhancing India's Trade Relations with East African Community**

The East African Community (EAC) is a regional inter-governmental organization established under Article 2 of the Treaty for the Establishment of EAC, with its headquarters in Arusha, Tanzania. The membership of the Community comprises Burundi, Kenya, Rwanda, Uganda and Tanzania. EAC is an integral part of the African region, accounting for 5.8 per cent of total land area, 13.5 per cent of total population, and 5.3 per cent of gross domestic product (GDP) of the African region.

**India's Bilateral Trade Relations with EAC Countries**

Eastern African countries have historically enjoyed close economic ties with India and much of it is through investment-led trade, in sectors like textiles, agribusiness and in natural resources. The proximity of East Africa to Indian Ocean provides an added advantage to increasing trade and investment relations with India.

The synergy in India's trade relations with EAC region can be assessed from the fact that bilateral trade between India and EAC has risen 13-fold, from US\$ 490.8 million in 2002 to touch US\$ 6.6 billion in 2012 (Chart). This robust trend has been underlined by rise in both India's exports to and imports from the members of EAC, with the former having risen faster. On account of increased exports to the region, India has a positive trade balance with the region, with trade surplus

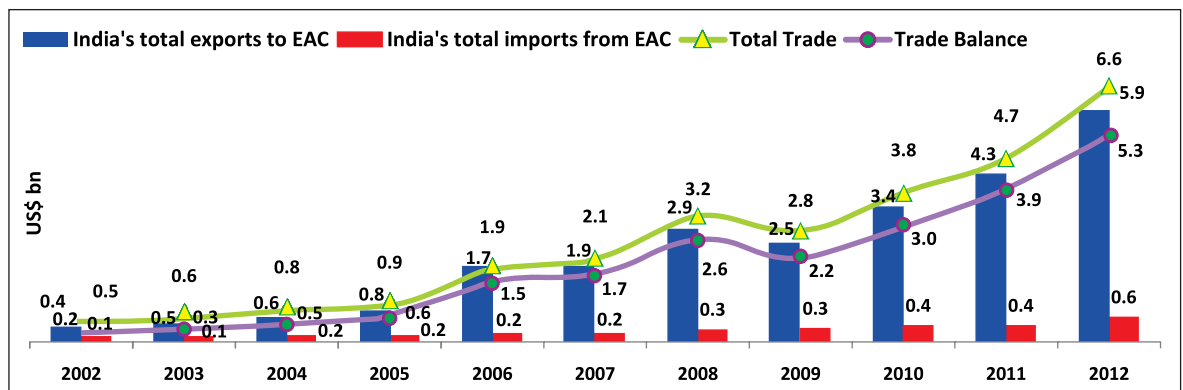
increasing from US\$ 247.8 million in 2002 to US\$ 5.3 billion in 2012.

Reflecting the increased importance as India's trading partner, India's exports to EAC countries has risen significantly by 16-fold from US\$ 369.3 million in 2002 to touch US\$ 5.9 billion in 2012. As a result, the share of EAC countries in India's total exports to Africa has risen from 12.2 per cent in 2002 to a healthy 21.7 per cent in 2012. India's imports from EAC region have risen over five-fold from US\$ 121.5 million in 2002 to US\$ 624.1 million in 2012, accounting for 1.5 per cent of India's total imports from Africa.

Kenya is India's leading export destination among EAC countries and is the second largest among African countries, after South Africa. Kenya accounts for 63.6 per cent of India's total exports to EAC. The other major export destinations in EAC region during the same year were Tanzania (27 per cent of exports to EAC), and Uganda (7.6 per cent).

As far as imports are concerned, Tanzania is the largest supplier to India among EAC countries, mainly due to the large scale import of cashew nuts from the country. Tanzania accounted for 78.9 per cent of India's imports from EAC region. Tanzania is followed by Kenya (16.6 per cent of India's total import from the region), and Uganda (4.5 per cent).

**Chart : India's Trade with EAC**



Source: ITC Geneva, and Exim Bank Analysis

Mineral fuels are the largest items in India's export basket to EAC region, with a share of 52.7 per cent of India's total exports to the region in 2012. Other important items of India's exports to EAC region include pharmaceutical products, machinery and instruments, electrical and electronic equipment, vehicles, iron and steel, and sugars and sugar confectionery.

Reflecting the increased importance of EAC region as a source for India's cashew nut imports, edible fruit and nuts are the largest items in India's import basket from EAC, accounting for as much as 25.7 per cent of India's total imports from the region in 2012. Other important items of import from EAC region include, pearls and precious stones edible vegetables and roots, cotton, coffee, tea and spices, inorganic chemicals, iron and steel, and raw hides, skins and leather.

#### **Trends in India's Investment with EAC Countries**

EAC countries have recognized the importance of FDI in sustaining their growth levels and technology transfer. India is currently undergoing negotiations with Kenya and Tanzania on Bilateral Investment Promotion and Protection Agreement (BIPA), for the reciprocal encouragement, promotion and protection of investments in each other's territories by the companies based in either country. India has also signed a comprehensive Double Taxation Avoidance Agreement (DTAA) for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income, with Kenya, Uganda, and Tanzania. As far as cumulative inflow of foreign direct investments into India is concerned, during April 2000 to March 2014, the largest investment flowed in from Kenya to the tune of US\$ 21.1 million, accounting for 88.6 per cent of total investment flow into India from EAC region during the period. Tanzania is the second largest FDI source for India among EAC countries at US\$ 1.6 million, followed by Uganda at US\$ 1.1 million.

Cumulatively, during April 1996 to March 2014, the Indian direct investments in

EAC region in joint ventures (JVs) and wholly owned subsidiaries (WOS), in terms of equity, loan and guarantees issued amounted to US\$ 276 million. Kenya attracted US\$ 163.8 million worth investments from India (59.4 per cent of India's total investments to the region) during the period. Tanzania followed Kenya as the second most favourable investment destination during the same period, accounting for 22.3 per cent of total FDI outflows to the region.

#### **Export Potential of India to EAC Countries**

Identification of export potential of India to EAC countries has been done based on the analysis of the import basket of EAC countries, matching of India's export capability with corresponding import demand of target countries, and low share of India in EAC countries' import basket of major commodities. Accordingly, the major commodities in which India has potential for exports to EAC countries are vehicles other than railway (HS-87); machinery and instruments (HS-84); electrical and electronic equipment (HS-85); cereals (HS-10); iron and steel (HS-72); plastics and articles (HS-39); mineral fuels, oils and distillation products (HS-27); sugars and sugar confectionery (HS-17); paper and paperboard (HS-48); animal, vegetable fats and oils (HS-15); other made textile articles and sets (HS-63); furniture, lighting, signs and prefabricated buildings (HS-94); optical, photo, technical and medical apparatus (HS-90); footwear, gaiters and parts (HS-64); cotton (HS-52); and articles of apparel, accessories, knit or crochet (HS-61).

#### **Export-Import Bank of India (Exim Bank) in EAC Region**

Exim Bank was set up in 1982 by an Act of the Indian Parliament for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.

### **Financing Programmes**

#### **Lines of Credit**

In EAC region, Exim Bank has 10 operative GOI supported LOCs valued at US\$ 600.7 million, as on March 31, 2014, covering all the countries except Uganda. Additionally, Exim Bank has also extended 5 direct LOCs valued at US\$ 95 million to Eastern and Southern African Trade and Development Bank (PTA Bank) and Afreximbank.

#### **Support for Project Exports**

Exim Bank extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil construction contracts, supplies, as well as technical and consultancy services contracts. As on March 31, 2014, the value of ongoing 18 project contracts secured by Indian project exporters in EAC region amounted to ₹ 30.1 billion, in sectors such as power (generation and transmission) and consultancy.

#### **Finance for Joint Ventures Overseas**

Exim Bank supports Indian companies in their endeavour to globalise their operations, through joint ventures (JVs) and wholly owned subsidiaries (WOS). In EAC region, Exim Bank has supported six such ventures amounted to ₹ 354.4 million in Kenya, Tanzania and Uganda, in sectors such as pharmaceuticals, manufacturing and plastics and packaging.

#### **Buyers Credit under NEIA**

Exim Bank's strong emphasis on increasing project exports from India has been enhanced with the introduction of the Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA) program. A number of project exports from India to various African countries including EAC countries are being considered to be supported under this initiative.

#### **Institutional Linkages and Arrangements**

Exim Bank has taken up equity in Afreximbank, entered into various Memoranda of Cooperation (MOCs)/

Memoranda of Understanding (MOUs) with African Development Bank (AfDB), Eastern and Southern African Trade and Development Bank (PTA Bank), and Afreximbank.

### **Strategies and Recommendations for Enhancing Bilateral Commercial Relations with EAC Countries**

Inadequate infrastructure is a constraint to accelerating and sustaining growth in EAC region. There is an urgent need for EAC countries to build transport links by developing its roadways, railways and port in order to better integrate within and to the rest of the world. Indian investors could involve in the development of highways and roadways, development of railway networks and ports, which would also help in regional integration to a great extent.

Power crisis in EAC is characterised by inadequate, unreliable and costly electricity infrastructure. With new discoveries of oil and gas, there is an opportunity to rethink power provision on a regional basis. India could support the countries in EAC to promote the emergence of a regional energy market by linking national energy grids.

Agriculture and related activities constitute the bedrock of most of countries in EAC and exports from the sector are important foreign exchange earners for these countries. In light of this, Indian companies could invest in improving the agricultural sector of the target country through skill development, job creation, technological upgradation, supply of quality inputs like seed, better supply chain management, and biotechnology.

In line with EAC's development strategy, India's partnership with countries in EAC especially in capacity building holds great promise for the future. Increased cooperation between India and the resource-rich countries in EAC in developing / exploring natural and mineral resources through environmentally sustainable methods, support afforestation, and bilateral arrangements such as buy-back

arrangements could be an important strategy to enhance Indo-EAC commercial relations.

Indian companies could focus more on developing Indian-style world class hotels and resorts in EAC countries. Further, given the rich cultural and geographical diversities and vast biodiversity in flora and fauna of EAC nations, Indian entrepreneurs could also specifically focus on different kinds of tourism products, such as adventure tourism, coastal and safari tourism, medical tourism, wildlife tourism, eco-tourism, and cultural tourism.

With the strength and capability that India possesses in the realm of Information Technology (IT) sector, Indian IT firms could explore the opportunities in EAC, and focus on investing in subsidiaries or joint ventures in the areas of e-governance, financial services and e-education. Indian companies could also share their expertise in providing software programmes and services for banks and financial institutions in the region.

Indian banks and financial institutions could also explore the opportunities of opening more branches/representative offices in the region, and developing correspondent banking relations with select banks in the region, which would serve to facilitate and promote commercial relations. Building closer cooperation and linkages with investment promotion agencies and Chambers of Commerce in EAC would serve to enhance access to information about investment opportunities in the region.

Multilateral funding agencies such as the World Bank and African Development Bank, support and fund some of the major developmental projects in the region. Focus on these funded projects, and increased participation by Indian projects and services exporters, would serve to enhance Indian commercial presence in the region.

### **Exim Bank's Memorandum of Understanding (MOU) with ITC**

Exim Bank has signed an MOU with the International Trade Centre (ITC), Geneva in March 2014 to help increase enterprise and sector competitiveness and promote capacity-building in trade intelligence, including market analysis and research. Exim Bank and ITC would be co-operating on the project on Supporting India's Trade Preferences for Africa (SITA), during 2014 to 2020. Funded by the United Kingdom's Department for International Development (DFID), SITA project is ITC's largest project ever to promote trade and investment cooperation. The six-year project is aimed at promoting exports from five East African countries, Ethiopia, Kenya, Rwanda, Tanzania and Uganda, to India through investment and skills transfer from India. The project will offer the benefits of South-South cooperation by linking the private sector in Africa with India. The beneficiaries of the project would include East African Small and Medium sized Enterprises (SMEs), Indian companies importing from and investing in Africa, and National Trade Support Institutions (TSIs).

The project aims to diversify the range of products being traded, and help create jobs and income opportunities. Through better linkages between East African and Indian companies, SITA will help foster an improved business environment. It will also aim to increase the competitiveness of East African companies, paving the way for a greater flow of goods and services between Africa and India.

## I - BUSINESS OPPORTUNITIES

### Upcoming Projects as on June 2014

Country /Executing Agency	Project / Brief Scope	Loan from Funding Agency
<p><b>Office of the Director (Stores &amp; Supplies), &amp; Line Director</b> Procurement, Logistics and Supplies Management Central Medical Stores Depot (CMSD) Tejgaon Dhaka-1208 Bangladesh <b>Contact:</b> Tel: +9129231 Fax: +9126547 E-mail: cmsdstore@dhaka.net</p>	<p><b>Health Sector Development Program</b> The project includes procurement of Cath Lab Equipment for Health, Population &amp; Nutrition Sector Development Program (HPNSDP).</p>	<p><b>World Bank</b> US\$ 50 mn</p>
<p><b>Ministerial Tender Committee</b> Ministry of Transport and Communications Secretariat Office Ground Floor MTC Building, West Gate Mall Gaborone Botswana <b>Contact:</b> Ms. M. Thomas Ministerial Tender Committee Tel: +2673612000</p>	<p><b>Integrated Transport Project (BITP)</b> Consultancy Services for the development of an Information Communication and Technology Strategy for the Ministry of Transport and Communications (MT&amp;C).</p>	<p><b>World Bank</b> US\$ 30 mn</p>
<p><b>Bhutan Power Corporation Limited</b> Yarden Lam, PO Box No. 580 Thimphu Bhutan <b>Contact:</b> General Manager Transmission Construction Department (TCD) Tel: +975-2-325095 [Extn. 200] Fax: +975-2-331218 Email: shamsherpradhan@bpc.bt</p>	<p><b>Rural Renewable Energy Development Project</b> The Works comprise supply and construction of 132 kV double circuit tower type distribution line from Motanga to Phuntshothang in Samdrup Jongkhar.</p>	<p><b>Asian Development Bank</b> US\$ 185 mn</p>
<p><b>Zimbabwe Multi-Donor Trust Fund</b> Crown Agents St Nicholas House St Nicholas Road Surrey SM1 1EL United Kingdom <b>Contact:</b> Mr. Karen Harries, Project Manager Tel: + 44 20 8643 3311 Fax: + 44 20 8643 4502 Email: zimfundpa@crownagents.co.uk</p>	<p><b>Emergency Power Infrastructure Rehabilitation Project Phase II</b> The principal objective of this project is to assist improve the provision of adequate and reliable power supply in an environmentally sound manner through the rehabilitation of the Hwange Power station, transmission, sub-transmission and distribution facilities in the country.</p>	<p><b>African Development Bank:</b> US\$ 300 mn</p>

## II - CONTRACT AWARDS

### Select contracts secured by Indian companies/consultants

<b>Apar Industries Ltd., Mumbai</b>	Contract for supply of AAAC 95mm <sup>2</sup> for Ethiopia's Electricity Access (Rural) Expansion Project, funded by the <b>World Bank Group</b> .
<b>Sai Consulting Engineers Pvt. Ltd., Ahmedabad</b>	Design checking and works supervision for Rehabilitation of Kuito and Huambo Water Supply Systems for Angola's Water Sector Institutional Development Project, funded by the <b>World Bank Group</b> .
<b>KEC International Ltd., Mumbai</b>	Procurement, Supply, Installation of Plant and Equipment for Kawanda-Masaka 220KV Transmission Line and Upgrade / construction of associated substations (Lot 1) for Uganda's Electricity Sector Development Project, funded by the <b>World Bank Group</b> .
<b>WAPCOS Limited, New Delhi</b>	Design Checking and Works Supervision of Network and House Connections in Peri Urban Areas of Uige (Angola) under Water Sector Institutional Development Project, funded by the <b>World Bank Group</b>

**B**RICS is an acronym for the group of five leading emerging economies, namely, Brazil, Russia, India, China and South Africa. Initially called BRIC, without South Africa, this group was dubbed by Goldman Sachs in 2001, by Jim O'Neill in a paper titled 'Building Better Global Economic BRICs'. This paper concluded that over 10 years the weight of the BRICs and especially China in world GDP will grow, raising important issues about the global economic impact of fiscal and monetary policy in the BRICs. In 2003, their report, "Dreaming with BRICs: The Path to 2050", stated that by 2050 these economies together would be larger than the G-6 countries, consisting of the United States, Germany, Japan, the United Kingdom, France and Italy. South Africa was added to the list on April 13, 2011 creating "BRICS" (Brazil, Russia, India, China and South Africa).

## India's trade with BRICS Members

In the recent years, BRICS economies have gained increasing importance as prime players in the global economy. India's trade with BRICS members increased over six-fold, from US\$ 15.9 billion in 2004 to US\$ 97.3 billion in 2013. However, underlying this growth in trade is the increasing trade deficit which India maintains with BRICS members which has increased over ten-fold from US\$ 3.6 billion in 2004 to US\$ 35.9 billion in 2013 (**Chart**). India's exports to BRICS members grew at a CAGR of 19.5 per cent from US\$ 6.2 billion in 2004 to

US\$ 30.7 billion in 2013. While India's imports from BRICS members has been growing at a faster pace, with a CAGR of 23.8 per cent from US\$ 9.7 billion in 2004 to US\$ 66.6 billion in 2013.

Among BRICS members, China is India's largest trading partner, accounting for 53.4 per cent of India's total exports to BRICS members in 2013 and 55.5 per cent of India's total imports from BRICS members during the same year.

India's major exports to BRICS include mineral fuels, oils, and its distillation products (18.8 per cent of exports in 2013), cotton (16.1 per cent), copper and its articles (6.4 per cent), ores, slag and ash (5.7 per cent), and organic chemicals (5.3 per cent).

India's major imports from BRICS includes electrical and electronic equipments (21.8 per cent of exports in 2013), cotton (16.1 per cent), machinery and equipments (15 per cent), pearls, precious stones, and metals (8.5 per cent), organic chemicals (8.2 per cent), and mineral fuels, oils, and its distillation products (7 per cent).

India's export to BRICS is less than half of India's imports from BRICS members. Among BRICS members, India has the largest trade deficit with China (US\$ 35.2 billion in 2013), followed by South Africa (US\$ 1.6 billion), and Russia (US\$ 1.4 billion). Brazil is the only country where India maintained a trade surplus of US\$ 2.3 billion in 2013.

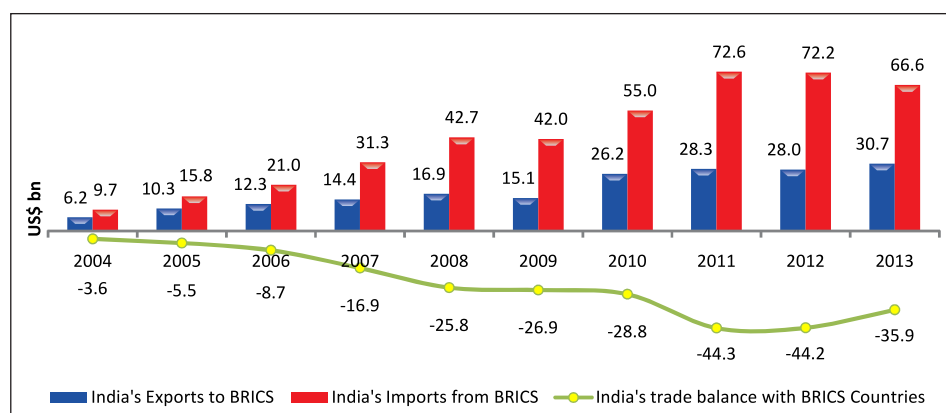
In this regard, India may consider enhancing its exports to China, South Africa and Russia. China accounts for 98 per cent of India's trade deficit with BRICS. Select commodities in which India may consider enhancing its exports to China include electrical & electronic equipment (HS-85), mineral fuels & distillation products (HS-27), machinery (HS-84), plastics & articles (HS-39), vehicles other than railway (HS-87), organic chemicals (HS-29), iron & steel (HS-72), rubber & articles (HS-40), miscellaneous chemical products (HS-38), pharmaceutical products (HS-30), articles of iron & steel (HS-73), fish & crustaceans (HS-03), manmade filaments (HS-54), manmade staple fibres (HS-55), articles of apparel & accessories, not knit or crochet (HS-62), articles of leather & travel goods (HS-42), footwear, gaiters and parts (HS-64), and articles of apparel & accessories, knit or crochet (HS-61).

India may also encourage Chinese investments in India, especially in the manufacturing sector. The memorandum of understanding (MOU) signed between India and China to set up Chinese Industrial Parks in India has been a step in this regard.

### BRICS Summit

The sixth BRICS summit took place in Fortaleza, Brazil from July 14 - 16, 2014. The heads of State and heads of Government of the five countries participated in the Summit that was centered on the theme "Inclusive Growth: Sustainable Solutions". The BRICS leaders adopted the Fortaleza Declaration and Action Plan. Other documents signed during the summit include memorandum of understanding and cooperation between BRICS countries' export credit agencies, cooperation agreement for innovation, agreement on creating the Contingent Reserve Arrangement, and agreement on establishing the New Development Bank.

Chart: India's Trade with BRICS Members



Source: Trademap, derived from UNcomtrade

Exim 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. Under the LOCs extended at the behest of Government of India, Exim Bank reimburses 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 per cent of goods and services of total contract value should be sourced from India. Exim Bank's LOCs offer a risk-free, non-recourse export financing option to Indian exporters. Bank has now in place 194 Lines of Credit, covering over 75 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments of over US\$ 10.61 billion, available for financing exports from India.

Exim Bank, at the behest of and with the support of Government of India, has signed five LOCs as given below during the quarter April-June, 2014:

- An LOC of US\$ 100 million to the Government of Nigeria to finance supply and commissioning of transmission lines; solar mini grid electrification and solar street lighting in the state of Kaduna; & construction of gas-based power plant in the cross river state. This is the first LOC extended by Exim Bank to Nigeria at the behest of the Government of India.
- An LOC of US\$ 18 million to the Government of Mauritius, to finance

the acquisition of Waterjet Fast Attack Craft. Exim Bank has earlier extended two LOCs aggregating to US\$ 94.50 million to the Government of Mauritius for financing Offshore Patrol Vessel and purchase of specialized equipment and vehicles.

- Two LOCs to the Government of Togo viz. US\$ 30 million for Rural Electrification Project to cover 150 localities and US\$ 52 million for Setting up of 161 KV Power Transmission Line. With the above two LOC Agreements, Exim Bank till date has extended four LOCs to Togo, at the behest of the Government of India, taking the total value of LOCs extended to US\$ 110.10 million. The earlier LOCs were extended for financing Rural Electrification Project and Farming and cultivation of Rice, Maize and Sorghum.
- An LOC of US\$ 82 million to the Government of Democratic Republic of the Congo, for financing Katende Hydro-electric Project. This is the fifth LOC extended by Exim Bank to Democratic Republic of the Congo at the behest of the Government of India. Exim Bank has earlier extended four LOCs aggregating to US\$ 268.50 million for financing the setting up of a cement plant, acquisition of buses and acquisition of equipment for MIBA, installation of hand pumps and submersible pumps, execution of Kakobola Hydroelectric Power Project and Katende Hydro-electric Project.

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#### Project Exports: Role of Exim Bank

Project exports are a measure of a nation's economic development. Export-Import Bank of India (Exim Bank) plays the role of coordinator and facilitator for the promotion of Project Exports and serves as the focal point of the Working Group on Project Exports covering overseas industrial turnkey projects, civil construction contracts, supplies as well as technical and consultancy service contracts.

Exim Bank is equipped to offer a comprehensive financing package to Indian project exporters including funded support, project related guarantee facilities and issuance of letters of credit on their behalf towards third country imports for overseas projects. The Bank's strong emphasis on increasing project exports from India has been enhanced with the introduction of the of the Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA) program. BC-NEIA is 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 to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

As on March 31, 2014, 319 project export contracts valued at ₹ 1,40,326 crore (approx. US\$ 23.42 bn), supported by the Bank, were under execution, in 74 countries across Asia, Africa and CIS by 99 Indian companies.

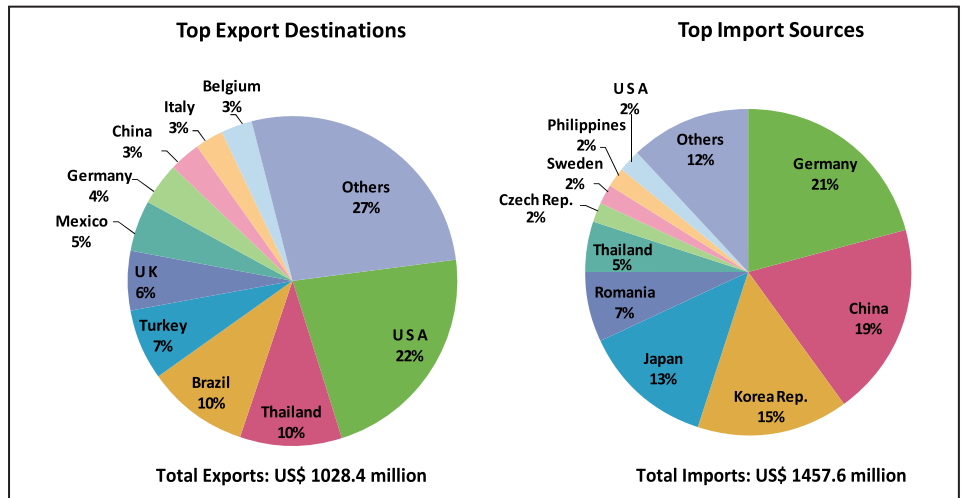
**A**utomotive industry has got strong forward and backward linkages with various other segments of economy, which provides strong and positive multiplier effects. Automobiles can be largely classified into four categories- passenger vehicles, commercial vehicles, three wheelers and two wheelers. In terms of volumes, two wheelers is the largest category of automobile production in India, accounting for 78.5 per cent of the total automobile production in 2013-14.

Automobile production witnessed a y-o-y growth of 4 per cent in 2013-14. However, this was largely at the back of the performance of two wheeler productions, as all other segments suffered a decline in production. Production in the commercial vehicle segment declined for the second consecutive year. Similar trend was also observed in the sales performance of automobiles with demand being buoyant only in the two wheeler segment.

Demand for commercial vehicles dropped substantially in 2013-14, leading to the sharp fall in sales. This can largely be attributed to the prolonged slowdown in the industrial segment, increase in ownership costs, delays in implementation of investment projects and ban on mining activity in some states, which affected the demand for commercial vehicles. Most companies have responded to this by resorting to heavy discounts and production cuts.

During the current fiscal 2014-15, sales in the two wheelers segment is expected to grow at a healthy pace on account of capacity additions of around 2.1 million units during 2014-15, which is expected to alleviate the capacity constraints faced by these manufacturers. In the passenger cars and vans segment, companies are looking forward to improve performance through launching of models across segments, and tapping

**Chart : Top Partners for India's trade in Automotive Components (2013-14)**



Source: DGCI&S

new markets for increasing exports. Companies in the commercial vehicle segment, on the other hand are expected to go slow on capacity expansion plans on account of pile-up of inventories.

Exports of automobiles in the year 2013-14 grew at a y-o-y rate of 7.2 per cent, with growth in exports being maximum in the category of motor cars and other vehicles for transport of persons (HS: 8703; Y-o-Y growth of 20.5 per cent). While African and Asian countries are important export destinations for India's automobile exports, a major share of India's automobile imports are from EU (**Chart**).

A significant increase in export orientation of the sector – from 7.3 per cent in 2004-05 to 14.5 per cent in 2013-14 – has resulted in the sector being affected by volatility in international demand. On the positive side, this increased export orientation attests to the increasing international competitiveness of domestically manufactured vehicles.

Currently, India has the sixth largest automobile industry after China, the US, Germany, Japan and Brazil. 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 large share of active-age population, coupled with rising disposable incomes and growing middle class numbers, would underpin the dynamism in automobile demand in the future.

The auto component industry is directly linked to the automobile industry, and the performance of it is mirrored in the component industry. Fall in sales of passenger vehicles and commercial vehicles affected demand for auto components. As a result, sales of component manufacturers dipped, in spite of improvements in profitability as the PBDIT margin expanded by 60 basis points in the December 2013 quarter. This improvement in profitability was largely at the back of falling raw material prices. On the trade front, like the automobile segment, exports of auto component also grew by a healthy 19 per cent. Imports on the other hand grew by a marginal rate of 3.8 per cent. A major proportion of exports of auto components are accounted by USA, followed by Thailand, Brazil, Turkey and UK.

Exports of auto-components from India are expected to surge on account of continuing uptick in the EU and US market.

### India's May exports up 12.4%

MUMBAI: Indian exports witnessed strongest growth in May 2014 as compared to the performance in the last 6 months. Trade deficit, the difference between earnings from exports and outflow on account of imports, however, rose to US\$ 11.3 billion in May, from US\$ 10.1 billion in the previous month. The trade deficit was, however, lower than US\$ 19.4 billion in May 2013. Exports grew by 12.4 per cent in May to US\$ 28 billion, whereas imports dipped by 11.4 per cent at US\$ 39.2 billion. The export figures in May are "encouraging", Commerce Secretary Rajeev Kher said. In April-May, first two months of the 2014-15 fiscal, exports grew by 8.9 per cent to US\$ 53.6 billion. Imports during the period dipped by 13.2 per cent to US\$ 75 billion. Gold imports in May dipped by 72 per cent to US\$ 2.19 billion, as against US\$ 7.7 billion in May 2013.

### Govt hikes import tariff value on gold, silver

MUMBAI: The government hiked the import tariff value on gold and silver to US\$ 428 per 10 grams and US\$ 688 per kg, respectively, on June 30, 2014, as global prices rose on safe-haven buying in the wake of geo-political tensions. During the second fortnight of June 2014, tariff value on imported gold stood at US\$ 411 per 10 grams and silver at US\$ 632 per kg. The import tariff value — base price at which customs duty is determined to prevent under-invoicing — is revised on a fortnightly basis, taking into account the volatility in global prices. The hike in tariff value on imported gold and silver has been notified by the Central Board of Excise and Customs, an official statement said. Global gold prices have firmed up due to the escalating violence in Iraq and Ukraine that has bolstered demand for the precious metal.

In London, spot gold prices had hit a two-month high of US\$ 1,325.9 per ounce last week. India's gold imports have declined over 74 per cent to US\$ 1.75 billion in April this year due to restrictions imposed by the government on inbound shipments of the precious metal to narrow the current account deficit.

### Centre extends validity of industrial licenses

MUMBAI: In a Press Note, the government extended the period of validity of industrial licenses from two years to three years and relaxed the requirement for companies to have to go back to the Licensing Committee for the extensions. The extensions will now be done with the approval of the Joint Secretary concerned of the administrative ministry, it said. "In supersession of all earlier Press Notes, the period of validity of industrial license is being extended from two years to three years as a measure for ease of doing business", the official release said. The new guidelines will apply to those cases where even three years after the issue of the industrial license, the license holder has not commenced production. The renewals would be allowed for a period of two years. The Press Note also clarified the preconditions for the extensions. These include: land should have been acquired, either under ownership or on lease for a minimum period of 30 years and the orders for plant and machinery for the project should have been placed.

### Com Min suggests restoring tax benefits for SEZs

MUMBAI: The Commerce Ministry has asked the Finance Ministry to roll back the minimum alternate tax (MAT) imposed on special economic zones (SEZs), saying the levy has "suppressed" the potential of these zones as a tool to promote exports and generate

employment. "We have been telling the Finance Ministry and we have recommended strongly the withdrawal of MAT and DDT and restoration of the situation as it was", Commerce Secretary Rajeev Kher said. He said that SEZs are potential tools of industrial development, manufacturing and exports. Recognising this potential he said, "We feel that the whole instrumentality of SEZ requires augmentation". He also said that experiences of the last few years show that the "imposition of MAT and DDT suppressed the potential of SEZs as a tool of exports and industrial development". "So, we feel that those impositions should be done away with as this will liberalise the environment around SEZs so that entrepreneurs will make investments which will lead to manufacturing and employment generation", he added.

### Govt lists defence products that require production licences

DELHI: As a step towards galvanising defence manufacture, the government published a concise list of defence equipment that requires a licence to manufacture in India.

The Department of Industrial Policy & Promotion (DIPP), which functions under the Ministry of Commerce and Industry (MoCI), issued Press Note No 3 of 2014, stating a list of Defence items requiring industrial license under Industries (Development & Regulation) Act, 1951. It includes four categories of defence equipment that require compulsory production licences: (a) Tanks and other armoured fighting vehicles; (b) Defence aircraft, space craft and parts thereof; (c) Warships of all kinds; and (d) Arms and ammunition and allied items of defence equipment; parts and accessories thereof.

### **Product Development Workshop for Pochampally Weavers**

MUMBAI: Exim Bank in association with National Centre for Design and Product Development (NCDPD) organized a Product Development program for weavers and technicians in Pochampally, Andhra Pradesh in March 2014. Over 50 artisans, including 42 women participants with various skill sets were trained by young and enterprising women designers from NCDPD at the 10-day workshop organised earlier this month. The objective of the workshop was to develop skills, provide support leading to promotion of domestic as well as international business opportunities, and to improve the livelihood and economic status of weavers and technicians. The products with IKAT designs (a traditional technique used by the artisans in the region) got a modern touch during the training programme. The products developed during the training programme included home furnishings like curtains, table covers, cushion covers, utility related boxes, tissue paper boxes, photo frames, ladies bags, etc. Innovative products like belts, necklaces were also designed from waste material.

### **MOU with ITC to promote India-Africa trade**

MUMBAI: Exim Bank signed a Memorandum of Understanding (MOU) with the International Trade Centre (ITC) in Geneva on March 26, 2014. The MOU will strengthen collaboration between ITC and Exim Bank to help increase enterprise and sector competitiveness and promote capacity-building. ITC and Exim Bank will also co-operate on the project on Supporting India's Trade Preferences for Africa (SITA), which will run from this year to 2020. The six-year

project is aimed at promoting exports from five East African countries – Ethiopia, Kenya, Rwanda, the United Republic of Tanzania and Uganda – to India through investment and skills transfer from the Indian side.

### **MOU with ICCR to promote knowledge and information about India's capability in Financial Management**

Export-Import Bank of India (Exim Bank) and The Indian Council Of Cultural Relations (ICCR) entered into a Memorandum of Understanding (MOU) for establishment of an ICCR-Exim Bank Chair in Lagos Business School, PAN Atlantic University, Lagos, Nigeria, on Indian Financial Management, to promote knowledge and information about India's capability in financial management, which would also serve to enhance and strengthen economic relations with Nigeria. The MOU was signed between Mr. Yaduvendra Mathur, Chairman and Managing Director, Exim Bank and Mr. Satish C. Mehta, Director General, ICCR on June 27, 2014 at New Delhi.

The ICCR-Exim Bank Chair of Indian Financial Management at the Lagos Business School, Nigeria, envisages strengthening of bilateral socio-economic cooperation and academic linkages between India and Nigeria. Promotion of such academic and intellectual activities forms an integral aspect of bilateral cooperation. Exim Bank and ICCR, through the establishment of the Chair of Indian Financial Management, recognise the importance of strengthening and further promoting bilateral relations between India and Nigeria.

### **Study on East African Community**

MUMBAI: Exim Bank released a study on "East African Community (EAC): A Study

of India's Trade and Investment Potential". The study highlights that the EAC region recorded robust economic performances in the recent years, with a robust growth of 5.3 per cent in 2012. Exports of the EAC have increased to US\$ 13.8 billion in 2012 from US\$ 2.8 billion in 2002, while imports have also witnessed almost 6-fold increase to US\$ 35.4 billion in 2012 from US\$ 6.1 billion in 2002. Accordingly, the global trade of EAC increased over 5-fold from US\$ 8.9 billion in 2002 to US\$ 49.3 billion in 2012. The study draws attention to the fact that India's trade and investment relations with the EAC region have strengthened in recent years, and present opportunities to further enhance bilateral commercial relations. Bilateral trade between India and the EAC has risen 13-fold, from US\$ 490.8 million in 2002 to US\$ 6.6 billion in 2012. India's exports to the EAC countries have risen significantly by 16-fold from US\$ 369.3 million in 2002 to touch US\$ 5.9 billion in 2012. The study has also delineated broad strategies and recommendations to enhance India's commercial relations with the EAC region, which include cooperation in key sectors, including: transport related infrastructure; meeting power and energy requirements of EAC; financial/ banking sector development; agriculture and food security; capacity building, technology transfer and human resource development; ICT and knowledge sharing; environment and natural resources development and management; industry and micro, small and medium enterprises (MSME) development; hospitality industry; multilateral funded projects; and in developing linkages with trade promotion institutions / investment promotion agencies / chambers of commerce.

**T**extile industry has a pivotal role in the Indian economy with regards to its contribution in employment, industrial production and export earnings. It is in this regard that the current performance of this industry holds special significance for the economy. In times when growth in Index of Industrial Production (IIP) for many industries has turned negative, IIP for textiles grew by 4.2 percent in 2013-14, as compared to the previous period.

Most categories of fibre & yarn in India witnessed increase in production during 2013-14, other than filament yarn. Production of polyester filament yarn (-5.7 per cent) and nylon filament yarn (-0.7 per cent) witnessed a y-o-y decline in the period, while that viscose staple fibre (8.4 per cent), viscose filament yarn (3.3 per cent) and acrylic staple fibre (32.4 per cent) grew at a healthy pace. According to CMIE, production of polyester staple fibre might also have been impacted due to strong demand for cotton fibre and its substitute, viscose (**Chart**).

Cloth production surged in 2013-14 across all categories, except powerloom. Total cloth production grew at a y-o-y rate of 2 percent in 2013-14, while production from powerlooms declined at -1 percent in the same period. Tamil Nadu which has around 17.2 percent of total powerlooms in the country has been grappling with power problems.

India's exports of textile grew by 21.2 percent in 2013, as compared to the previous year, making it the second

**Table: Global Textile Exports (Values in US\$ bn)**

Exporting Countries	2012	2013	Growth %
China	246	274	11.4%
<b>India</b>	<b>33</b>	<b>40</b>	<b>21.2%</b>
Italy	34	36	5.9%
Germany	35	35	0.0%
Bangladesh	24	28	16.7%
<b>World</b>	<b>738</b>	<b>773</b>	<b>4.7%</b>

Source: AEPC

largest exporter of textiles in 2013 (**Table**). India's share in world exports has increased from 4.5 percent in 2012 to 5.2 percent in 2013. China continues to be the largest exporter, with a colossal share of 35.4 percent in global textile exports.

Apparel exports from India have also grown remarkably in 2013-14 at a y-o-y rate of 15.5 per cent. Readymade garments accounted for 4.8 per cent of the total exports from India and 49.2 per cent of total textile exports from India in 2013-14. Such a prodigious performance can be attributed to several factors:

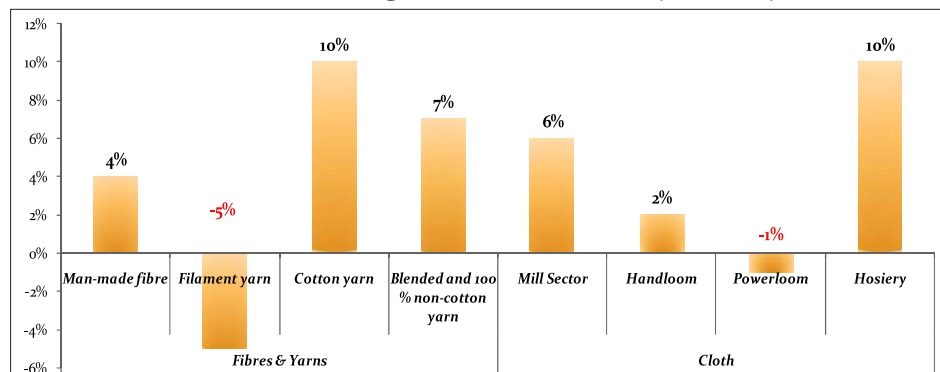
- Improved demand scenario in the countries of the US and the EU owing to economic recovery.
- Apparel exporters are exploring other non-conventional markets in Middle East, Latin America and Africa.
- Depreciation of rupee helped exporters garner better realizations in 2013-14.

➤ Competition has become less stiff from China and Bangladesh. China is facing dual problem of high labour costs and strengthening of Yuan against the dollar. Concerns over labour laws in Bangladesh have cropped up in the international circuit. There are expectations of revision of minimum wage rate in the country as well.

The structure of India's textile exports has changed slightly over the period 2008 to 2012. The share of garments (HS: 61, 62) in India's total textile exports has shrunk from 45 per cent in the former year to 40 per cent in the latter. On the other hand, exports of raw cotton, silk and wool (HS: 50, 51, 52) has increased at a remarkable pace and had a larger share of 27 per cent in India's textile exports in 2012, as compared to the share in 2008 (22 per cent).

Going forward, favourable demographics, rising incomes, and increasing retail penetration is expected to increase domestic demand. The economic recovery in markets of the US and the EU is expected to further improve order book scenario of exporters. Healthy capacity additions by the fabric manufacturing companies in the fiscal 2013-14 are expected to aid the growth in production in current year. Moreover, lower cotton prices will prove helpful for the industry. However, power deficits might be a hurdle for spinning mills and fabric units, which are the more mechanised segments of the textile industry. Overall, outlook for the industry is positive in medium term.

**Chart : Y-o-Y Change in Textile Production ( 2013-14)**



Source: Ministry of Textiles

According to the World Investment Report 2014, by UNCTAD, FDI inflows to Africa rose by 4 per cent to US\$ 57 billion during 2013 compared to 2012.

## FDI in Food

Among the manufacturing sector, food, beverages and tobacco sector continues to remain one of the key sector for FDI inflow in the African region during 2013 (Table).

Out of the two sub-sectors, food and tobacco and beverages, the former accounted for the majority of FDI inflow during the years 2003 to 2014. Food and tobacco sector also generated the highest number of total jobs and investment with a total of 117,575 jobs and US\$ 18.89 billion investment during the period.

Of the 40 countries those have received FDI in the food sector in the African region, the top five accounted for more than two-fifths of projects during the period 2003 to 2014. Egypt is the top destination in the region accounting for more than one-tenth of projects tracked, while Nigeria received the highest total investment (Chart). Ghana has the largest project size on average in terms of both investment and jobs creation in the sector.

Table: Greenfield FDI Projects by Industry, 2012–2013 (US\$ million)

Sector/industry	Africa as destination		Africa as investors	
	2012	2013	2012	2013
<b>Total</b>	<b>47 455</b>	<b>53 596</b>	<b>7 764</b>	<b>15 807</b>
<b>Primary</b>	<b>7 479</b>	<b>5 735</b>	<b>455</b>	<b>7</b>
Mining, quarrying and petroleum	7 479	3 795	455	7
<b>Manufacturing</b>	<b>21 129</b>	<b>13 851</b>	<b>4 013</b>	<b>7 624</b>
Food, beverages and tobacco	2 227	1 234	438	373
Textiles, clothing and leather	206	1 750	34	128
Non-metallic mineral products	1 067	3 616	674	2 896
Motor vehicles and other transport equipment	2 316	1 593	--	108
<b>Services</b>	<b>18 847</b>	<b>34 010</b>	<b>3 296</b>	<b>8 177</b>

Source: UNCTAD

According to the World Bank, the food and beverage sector in Africa is projected to be a US\$ 1 trillion industry by 2030. Its value in 2010 stood at US\$ 313 billion.

## FDI in Agriculture

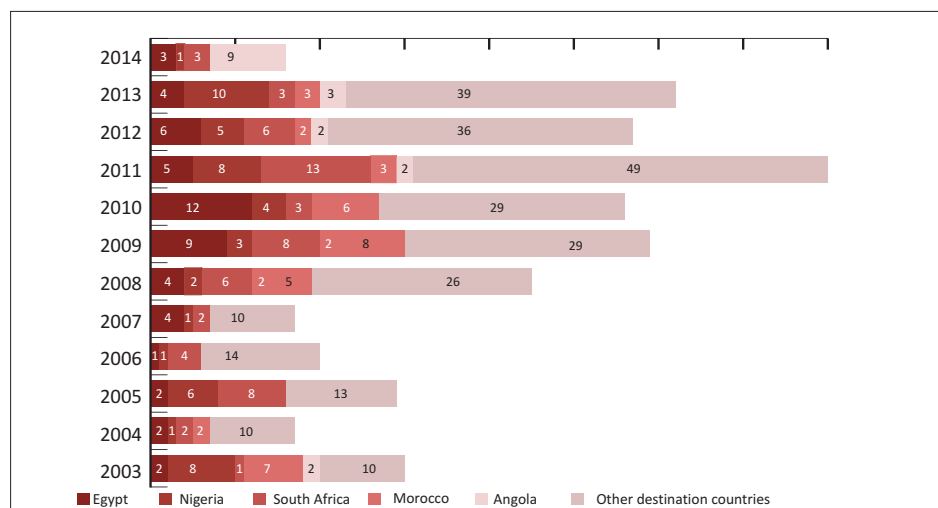
Agriculture generates 25 per cent of GDP on average in Sub-Saharan Africa – and much more in other African countries. The broader agribusiness sector is estimated to account for close to half of GDP.

FDI inflows in agriculture vary by product and region. FDI is usually low in staple crops such as rice, and high in cash crops, such as floriculture or sugar. Africa as a region has been receiving FDI in staple crops, such as rice, wheat and oil

crops. FDI in Southern Africa has been predominantly flowing in cotton and in East Africa towards floriculture. Yet the share of agriculture in Africa's inward FDI stock has been only 7 per cent, compared to 15 per cent for Latin America and 78 per cent for Asia.

There is much potential to attract a higher share of global resources and appetite of investors is growing to tap into Africa's agribusiness markets. In spite of well-known risks, the agribusiness sector in Africa offers two important resources; vast amounts of uncultivated land – close to half of global availability, untapped water resources. African agricultural output could almost double by 2020, reaching US\$ 500 billion in 2020 (40 per cent of the region's GDP) and US\$ 880 billion in 2030, from US\$ 280 billion in 2010 according to estimates by McKinsey. Coastal countries with large areas of uncultivated land account for around 70 per cent of this growth potential. These are Angola, Cameroon, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Madagascar, Mozambique, Nigeria, Sudan and Tanzania. Nigeria alone is expected to attract US\$ 1.5 billion of foreign and domestic investment in agriculture in 2014.

Chart: Number of FDI Projects by Year and Destination Country



Source: UNCTAD

### Marketing Advisory Services

April - June, 2014

Exim Bank plays a promotional role and seeks to create and enhance export capabilities and international competitiveness of Indian companies through its Marketing Advisory Services. The Bank provides assistance in helping Indian firms in their globalisation efforts by locating overseas buyer/distributor for their products and services.

Exim Bank in assistance with National Centre for Design and Product Development has supported Pochampally Handloom Park Ltd. (PHPL) to develop wide range of home furnishing and accessories products designed at the recent Product Development workshop for Pochampally weavers. To take this effort further, Exim Bank assisted PHPL to participate at the Home Expo India 2014 event in New Delhi. The Trade Fair event organized by Export Promotion Council for Handicraft (EPCH), was a mega show consisting of B2B shows held under one roof covering all the major segments of a modern home such as; home furniture, furnishings, decorative and household products like kitchenware, tableware, garden ware, bathroom accessories, etc.

The objective of sponsoring PHPL's booth at the Home Expo India 2014 was to provide assistance in finding new market opportunities and draw access to large number of potential domestic & overseas buyers. During the four day event, more than 300 guests and 50 trade visitors from overseas lifestyle stores, specialty stores, retailers, interior designers, on-line retailers, importers and buying agents visited PHPL's booth. This resulted in several enquiries from overseas and domestic market as well.

Exim Bank in association with Central Cottage Industries Corporation of India

Ltd. (CCIC) offered support to PHPL and Anwar Ali Jute Crafts & Bags by assisting them in participating at the eight day "Exhibition-cum-Sales" event at CCIC's Cottage Emporium in New Delhi. The event was exclusively organized for organizations supported by the Bank. The exhibition introduced home and bed furnishing & accessory products, readymade garments, textile fabrics from Pochampally and Corporate utility & fashion products made from Jute. Both the participants at the CCIC's Exhibition-cum-Sales event attracted many foreign and local buyers which also helped them in finding new market opportunities. Sales generated for PHPL & Anwar Ali's jute products crossed ₹ 1.2 lakh & ₹ 20,000, respectively.

Exim Bank, through its Marketing Advisory Services, plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank assists in identification of opportunities overseas and seeks to help Indian exporting firms in their globalization efforts by proactively assisting in locating overseas distributor(s)/ buyer(s)/ partner(s) for their products and services.

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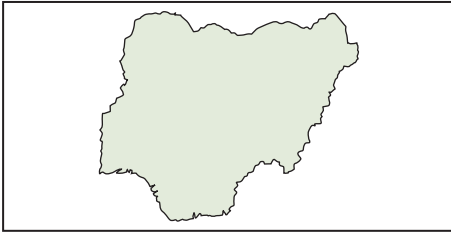
#### 'Guide to Emerging Markets – Business Outlook, Opportunities and Obstacles', The Economist

This publication written and edited by the Economist Corporate Network team provides some pointers on how business leaders can cope with the changes, identify where the opportunities lie, manage and mitigate the inevitable risks, and compete successfully. The publication is divided into two parts – Part-I examines new approaches to business in emerging market; what entrepreneurs need to think about; various risks involved and how to get your approach right, Part-II is aimed at helping firms prioritise emerging markets by giving a review of the different markets from the BRIC countries (Brazil, Russia, India and China) to the emerging economies of Eastern Europe, Asia and Africa.

The publication examines the trends driving the growth of emerging markets and gives a view on how emerging markets will fare in the future. It also looks at the extent to which emerging markets share similar characteristics in terms of business opportunities and highlights the role of market research in identifying where the opportunities lie.

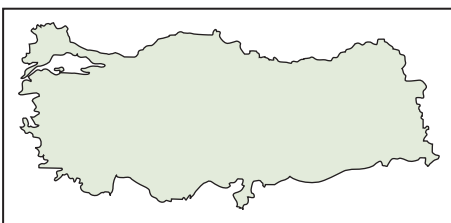
Using the expertise built up over the years by the Economist Corporate Network team and knowledge gained from the hundreds of companies they have worked with, this publication is the best guide to getting to grips with the opportunities that emerging markets offer and how to take advantage of them.

## Nigeria



Nigeria has recently overtaken South Africa as Africa's biggest economy with the largest GDP. It is Africa's largest oil producer; and oil constitutes 80 per cent of its fiscal revenue and 95 per cent of its export earnings. This high dependence on oil exports exposes the country to global oil price volatility. In addition, lack of transparency in economic policy making, a high incidence of corruption, limited political will and capacity to execute structural reforms exacerbated by risks from weak economic fundamentals. Real GDP growth in the run-up of the 2015 elections is likely to be detrimentally affected by the rising political instability, which may affect confidence, put off investors and distract the government from tackling the policy constraints on higher growth, such as the need infrastructure.

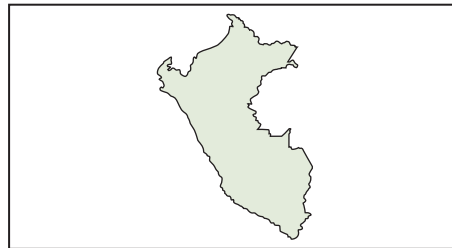
## Turkey



Real GDP growth accelerated from 2.1 per cent in 2012 to an estimated 4 per cent in 2013, resulting from a credit driven increase in household spending and stronger public sector consumption of goods and services and fixed investment. This offset a large drag on economic growth from net exports as strong domestic demand fuelled higher import of goods and services and export growth remained subdued. Recurring bouts of currency weakness has kept consumer inflation above the Central Bank's target of 5 per cent. Growth is projected to remain subdued through

mid-2015, while the current account deficit will remain very high. Ongoing anti-government protests and a growing corruption scandal, as well as the Syrian civil war on Turkey's southern border, have added to the instability of Turkey's outlook.

## Peru



Peru's economy grew by an estimated 5 per cent in 2013, down from 6.3 per cent in 2012. The slower growth is in part due to lower prices for metals, which make up more than half of Peru's total exports. Peru is a major global producer of copper, gold, silver and zinc, among other minerals, with mining companies pouring billions of dollars to develop mineral-rich deposits. Peru saw a decline in foreign direct investments in 2013 compared to 2012, but still remains an attractive market for investors. In 2013, Peru recorded its first trade deficit after more than a decade underpinned by lower copper and gold prices which had affected export revenues. According to Peru's national statistics institute, Peru's economy continued to show a tepid growth during the first quarter, growing by 4.8 per cent, below the fourth quarter growth of 6.9 per cent, resulting from a fall in mining and manufacturing activity.

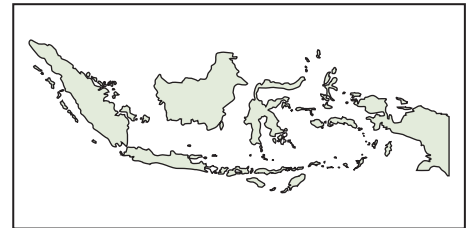
## Mexico



Mexico is the second-largest economy in Latin America and is a major oil producer as well as an exporter, with most of the crude bought by the US. The economy

grew at an average rate of 1.3 per cent in 2013, the lowest rate since 2009 recession, resulting from a weak domestic and external demand. In addition, oil exports and production fell in the first quarter of 2014, forcing Mexico for the first time to import more petroleum products from the US than it exported. In 2014, Mexico is expected to benefit from the dynamism of its export-based manufacturing sector, which in the past two years profited from a fairly weak peso, above average productivity growth, and rising wage competitiveness compared with China.

## Indonesia



GDP growth moderated to 5.8 per cent in 2013 from an average of 6.3 per cent over the previous three years, as investment decelerated sharply. Bank Indonesia, the central bank, raised interest rates to restrain domestic demand at a time of rising inflation and a widening current account deficit. Growth in fixed investment slowed to 4.7 per cent in 2013 after strong increases of about 9 per cent annually in 2010-2012, largely reflecting the impact of higher interest rates and rupiah depreciation had on investment. Bad weather and sagging global prices for palm oil and rubber slowed growth in agriculture to 3.5 per cent. Mining output grew by just 1.3 per cent, reflecting growth in coal and metals but contraction in oil and natural gas. Fiscal policy provided some support as the economy slowed, however, fiscal deficit widened to 2.3 per cent in 2013 of GDP from 1.9 per cent in 2012. Government spending on social policies rose while tax revenue was eroded by declines in prices for export commodities and weaker imports.

**Yen**

The Japanese yen (JPY) is the third most traded currency in the foreign exchange market after the United States dollar and the euro. It is also widely used as a reserve currency after the U.S. dollar, the euro, and the pound sterling.

The Japanese yen was trading firm during the last week of June, as it trades in the 101-102 range. Bank of Japan (BOJ) Governor Haruhiko Kuroda said that the central bank's monetary stance had led to economic growth but inflation remained below target.

The Japanese yen in the last three months has been in the tight range, but continued consolidation within a tight range suggests a breakout is inevitable. Record-low volatility for the Japanese currency leaves everybody interested in looking for clues on when the Yen might finally break its recent range. Yet if there's going to be a fundamental catalyst it could very well come on upcoming Japanese Consumer Price Index inflation figures. A key question remains whether the Bank of Japan will look to boost its aggressive Quantitative Easing measures.

BOJ Governor, Kuroda, emphasized the central bank is only halfway to achieving its inflation target and talk of pulling back monetary policy stimulus is premature. And indeed it might take a significant surprise in CPI inflation results to force a large reaction in the Yen. USD-JPY breakout or breakdown as inevitable, and indeed market highlights key price levels to watch through near-term trading. The focus as of now shifts to BOJ policy decisions based on upcoming Japanese Consumer Price Index inflation figures. The JPY was trading at 1 USD = 101.23 JPY on June 30, 2014.

**Indian Rupee**

The Indian Rupee (INR) has a market determined exchange rate. However, the Reserve Bank of India (RBI) trades actively in the US\$/INR currency market to impact effective exchange rates.

The INR depreciated, after touching 11-month high of 58.33 on May 23, 2014, on account of weak domestic market sentiments, and weak global market sentiments due to Iraq tensions. Though the statement from RBI Governor Raghuram Rajan assured the markets that the country was better prepared to deal with external shocks like the ongoing Iraq tensions that cushioned negative movement in the currency.

Outlook for Indian Rupee is that it may trade on negative note on the back of rise in risk aversion in the domestic markets. Rise in fears over oil supply disruption from Iraq may add downside pressure. However, sharp decline in the currency may be prevented as the Federal Reserve indicated that the Interest rate may remain lower for some time, which led to the weakness in Dollar. Additionally, optimistic statement from RBI governor stating Indian economy is prepared to deal with any shocks from outdoor may avert sharp depreciation.

In the next one year market expects INR to trade at 63 to the USD. The forecast rests partly on an anticipated increase in India's current account deficit (CAD) during the financial year 2014-15. The market expects that the current account deficit to rise gradually to 2.6 per cent of GDP in 2014-15 due to a gradual increase in imports on better domestic demand as well as some relaxation in gold import restrictions by the new government. The Rupee was trading at 1USD = 60.08 INR as on June 30, 2014.

**Russian Rouble**

The Russian Rouble (RUB) is back to where it was before the Ukraine crises began on February 22, 2014 with the ousting of pro-Russia president Viktor Yanukovich. The Rouble was as weak as 36.65 on March 14, 2014, but has been strengthening ever since and is now 33.83 to the dollar. It is down 2.99 per cent from the start of the year. The Russian currency is winning back the previous losses driven by geopolitical risks around the situation in Ukraine. Investors show greater confidence that the Ukraine-related downward pressures are gradually starting to fade away.

In the mean time Russia's central bank is continuing to scale back its support for the Rouble, signaling that its plan to let the currency float freely from the beginning of next year remains on track. Underlining confidence among policymakers that Russian markets have stabilized after being knocked by Western sanctions over Ukraine, the central bank announced a combination of moves on June 17, 2014 that in effect reduce the size of interventions to curb currency market fluctuations. It signals a resumption of a long-term policy shift to make inflation a more important benchmark than the exchange rate.

As part of the plan, the Rouble's trading corridor will be abolished altogether from January next year and regular daily interventions will cease, although the bank will reserve the right to make discretionary interventions in the interests of financial stability. As on June 30, 2014, RUB was quoted at 1 USD = 33.98 RUB.

## Financial and Business Performance

- The profit before tax (PBT) and profit after tax (PAT) of the Bank were at ₹ 10.20 billion and ₹ 7.10 billion respectively during 2013-14;
- ₹ 3.39 billion were transferred to the Central Government as return on capital as per the Exim Bank Act;
- Capital to Risk Assets Ratio (CRAR) stood at 14.32 per cent; Net NPAs to net loan assets stood at 0.43 percent as on March 31, 2014.
- Net worth of the Bank increased to ₹ 83.10 billion as on March 31, 2014;
- During FY 2013-14, 75 Project Export contracts amounting to ₹ 341.31 billion covering 35 countries were secured by 40 Indian exporters;
- The Bank has till date sanctioned an aggregate amount of US\$ 444 million for 5 projects valued US\$ 520 million under Buyer's Credit – National Export Insurance Account (BC-NEIA);
- During the year, the Bank extended 24 new LOCs, aggregating US\$ 1,771.75 million, to support export of projects, goods and services from India;
- 42 overseas ventures were sanctioned during the year, with funded and non-funded assistance aggregating to ₹ 64.56 billion for part financing overseas investments in 37 countries;
- In 2013-14, the Bank received capital of ₹ 7 billion from the Government of India;
- During the year, the Bank raised borrowings of varying maturities comprising rupee resources of ₹ 226.54 billion and foreign currency resources of ₹ 192.38 billion equivalent;
- Total borrowings as on March 31, 2014, stood at ₹ 714.82 billion, with

market borrowings constituting 100 per cent of the total resources of the Bank.

## New Initiatives

- Exim Bank plans to set up a Project Development Company (PDC) in Africa, which will essentially look to bring infrastructure projects in Africa to a bankable stage and facilitate exports from India to Africa;
- The Bank opened its eighth Representative Office in Yangon, Myanmar, becoming the first Government owned Exim Bank to set up its operations in Myanmar;
- The Bank formed a new joint venture, viz. Bharat Handloom Marketing Company Ltd. (BHMCL) in association with the National Handloom Development Corporation Ltd. (NHDC) and the Association of Corporations and Apex Societies of Handlooms (ACASH);
- The Bank published 15 research papers during the year 2013-14 in the form of Occasional Papers and Working Papers.

## Information and Advisory Services

- The Bank has organized a series of interactive seminars on business opportunities in projects funded by the World Bank Group and the African Development Bank Group (AfDB) at New Delhi, Mumbai and Hyderabad;
- The Bank was commissioned by the Commonwealth Secretariat (COMSEC), London to assist Sri Lanka Export Credit Insurance Corporation (SLEIC) to review its operating policies and suggest new products while recommending measures to enhance the overall export financing framework in Sri Lanka;
- Exim Bank, along with ITC Geneva, undertook consultation mission for the Government of Myanmar for developing a National Export Strategy;

- During the year, 80 orders in domestic as well as overseas markets were generated for Readymade garments, FMCG Products and Handicrafts. The Bank also assisted in partnership tie-up for 4 Indian companies.

## Workshops

- During the year, the Bank organised a number of workshops for training artisans in Assam, Andhra Pradesh, Karnataka and Tripura.

## Institutional Linkages

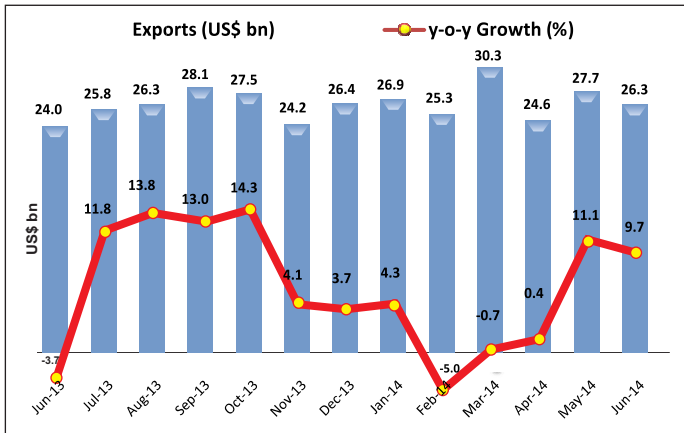
- Under the BRICS countries initiative two Agreements were signed, BRICS Multilateral Infrastructure Co-financing for Africa; and BRICS Multilateral Cooperation and Co-financing Agreement for Sustainable Development.
- The Bank has signed memorandum of cooperation/memorandum of understanding with a number of institutions including, UK Trade and Investment (UKTI); Small & Medium Business Development Chamber of India (SME Chamber of India); Visveswaraya Trade Promotion Centre (VTPC); cooperation Agreement with Women on Wings, the Netherlands; National Centre for Design and Product Development (NCDPD); World Craft Council (WCC) and International Trade Centre (ITC), Geneva.
- Exim Bank, in association with CII organised the 10th CII-Exim Bank Conclave on 'India-Africa Project Partnership' in New Delhi.
- Exim Bank would be hosting the twentieth Asian Exim Bank's Forum during November 2014. The Technical Working Group (TWG) meeting was held during March 2014 at New Delhi.

INDICATORS	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>GDP (at current prices, US\$ bn)</b>	1224.1	1365.4	1708.5	1880.3	1858.7	1877.5 <sup>e</sup>	2134.7 <sup>f</sup>
<b>GDP Per capita (US\$)</b>	1044.9	1146.7	1411.7	1528.7	1486.8	1472.1 <sup>e</sup>	-
<b>Real GDP Growth (%)*</b>	6.7	8.6	8.9	6.7	4.5	4.7 <sup>e</sup>	6.0 <sup>f</sup>
Agriculture & allied activities	0.1	0.8	8.6	5.0	1.4	4.7 <sup>e</sup>	-
Industry	4.4	9.2	7.6	7.8	1.0	0.4 <sup>e</sup>	-
Services	10.0	10.5	9.7	6.6	7.0	6.8 <sup>e</sup>	-
<b>Sectoral Share in GDP (%)</b>							
Agriculture & allied activities	15.8	14.6	14.6	14.4	13.9	14.0 <sup>e</sup>	-
Industry	28.1	28.3	27.9	28.2	27.3	26.1 <sup>e</sup>	-
Services	56.1	57.1	57.5	57.4	58.8	59.9 <sup>e</sup>	-
<b>Population (mn)</b>	1171.5	1190.7	1210.2	1230.0	1250.2	1270.6 <sup>e</sup>	-
<b>Inflation rate (WPI, annual avg. %)</b>	8.1	3.8	9.6	8.9	7.4	6.0	5.43 (Jun '14)
<b>Gross Fiscal Deficit (% of GDP)</b>	6.0	6.5	4.8	5.7	4.9	4.5	4.1 <sup>e</sup>
Exchange Rate (₹/US\$, avg.)	45.9	47.4	45.6	47.9	54.4	60.5	60.09 (Jun 30, '14)
Exchange Rate (₹/Euro, avg.)	65.1	67.1	60.2	65.9	70.1	81.2	82.01 (Jun 30, '14)
<b>Exports (US\$ bn)</b>	185.3	178.8	251.1	306.0	300.4	314.4	78.6 (Apr-Jun)
% change	13.6	-3.5	40.5	21.8	-1.8	4.7	7.0 <sup>^</sup>
<b>Oil Exports (US\$ bn)</b>	27.5	28.2	41.5	56.0	60.9	63.2	15.8 (Apr-Jun)
% change	-3.0	2.3	47.2	34.9	8.7	3.8	11.3 <sup>^</sup>
<b>Non-oil Exports (US\$ bn)</b>	157.7	150.6	209.6	250.0	239.5	251.2	62.8 (Apr-Jun)
% change	17.1	-4.6	39.2	19.3	-4.2	4.9	6.0 <sup>^</sup>
<b>Imports (US\$ bn)</b>	303.7	288.4	369.8	489.3	490.7	450.2	113.1 (Apr-Jun)
% change	20.7	-5.1	28.2	32.3	0.3	-8.3	-6.4 <sup>^</sup>
<b>Oil Imports (US\$ bn)</b>	93.7	87.1	106.0	155.0	164.0	164.8	34.6 (Apr-Jun)
% change	17.4	-7.0	21.6	46.2	5.9	0.4	-11.2 <sup>^</sup>
<b>Non-oil Imports (US\$ bn)</b>	210.0	201.2	263.8	334.3	326.7	285.4	78.5 (Apr-Jun)
% change	22.2	-4.2	31.1	26.7	-2.3	-12.6	-4.2 <sup>^</sup>
<b>Trade Balance (US\$ bn)</b>	-118.4	-109.6	-118.7	-183.3	-190.3	-135.8	-34.5 (Apr-Jun)
<b>Services Exports (US\$ bn)**</b>	106.0	96.0	124.6	142.3	145.7	151.5	27.6 (Apr-May)
Software Exports (US\$ bn)**	46.3	49.7	53.1	62.2	65.9	69.5	-
<b>Services Imports (US\$ bn)**</b>	52.0	60.0	80.6	78.2	80.8	78.5	16.1 (Apr-May)
Services Balance (US\$ bn)**	54.0	36.0	44.0	64.1	64.9	73.0	11.5 (Apr-May)
<b>Current Account Balance (US\$ bn)</b>	-28.7	-38.4	-47.9	-78.2	-87.8	-32.4	-
CAB as percentage of GDP (%)	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-
<b>Forex Reserves (US\$ bn)</b>	252.0	279.1	304.8	294.4	292.0	304.2	315.8 (Jun 27, '14)
External Debt (US\$ bn)	224.5	260.9	317.9	360.8	409.4	440.6	-
External Debt to GDP Ratio (%)	20.3	18.2	18.2	20.5	22.0	23.3	-
Short Term Debt (US\$ bn)	43.3	52.3	65.0	78.2	96.7	89.2	-
Short Term Debt / Total Debt (%)	19.2	20.1	20.4	21.7	23.6	20.3	-
Total Debt Service Ratio (%)	4.4	5.8	4.4	6.0	5.9	5.9	-
<b>FDI (US\$ bn)</b>	41.9	37.7	34.8	46.6	34.3	36.0	11.1 (Apr-Jun)
GDRs/ADRs (US\$ bn)	1.2	3.3	2.0	0.6	0.2	0.02	-
FII's (net) (US\$ bn)	-15.0	29.0	29.4	16.8	27.6	5.0	12.5 (Apr-Jun)
<b>FDI Outflows (US\$ bn)</b>	19.4	15.1	16.5	10.9	7.1	9.2	-0.04 (Apr-Jun)
<b>Memo Items:</b>	2009	2010	2011	2012	2013	2014 <sup>f</sup>	2015 <sup>f</sup>
Global GDP (% change)	-0.4	5.2	3.9	3.5	3.2	3.4	4.0
Advanced Economies	-3.4	3.0	1.7	1.4	1.3	1.8	2.4
Emerging and Developing Economies	3.1	7.5	6.3	5.1	4.7	4.6	5.2
<b>World Merch. Trade (Vol., % change)</b>	-11.7	14.0	6.6	2.6	2.7	4.3	5.3
<b>World Merch. Exports (US\$ trn)</b>	12.5	15.2	18.1	18.3	18.6	19.3	20.1
<b>Growth in Value of World Merch. Exports (%)</b>	-22.0	21.6	19.5	0.8	1.8	3.7	4.2

Note: p - EAC, GOI's Projections; e - estimates; f - Forecasts; ^ - % change is over corresponding period of the previous year; - Not Available; \* - Budget 2014-15 estimates real GDP growth in the range of 5.4 to 5.9 per cent in 2014-15; \*\* - Data from 2009-10 onwards is given by RBI as per new format of standard presentation of BoP statistics based on guidelines set out in IMF Balance of Payment Manual.

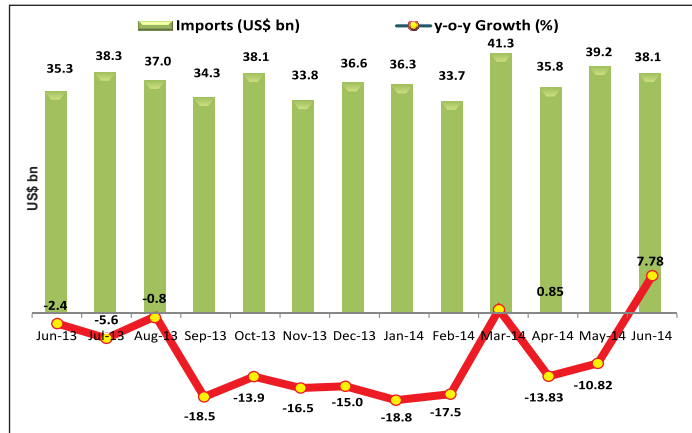
Source: Economic Survey, Various issues; Union Budget, RBI Monthly Bulletin, Annual Report & Weekly Statistical Supplement; Ministry of Finance; CSO; EIU; NASSCOM; Ministry of Commerce & Industry; Institute of International Finance (IIF); WEO, IMF.

**Chart 1: India's Exports – Monthly and Percent Change**



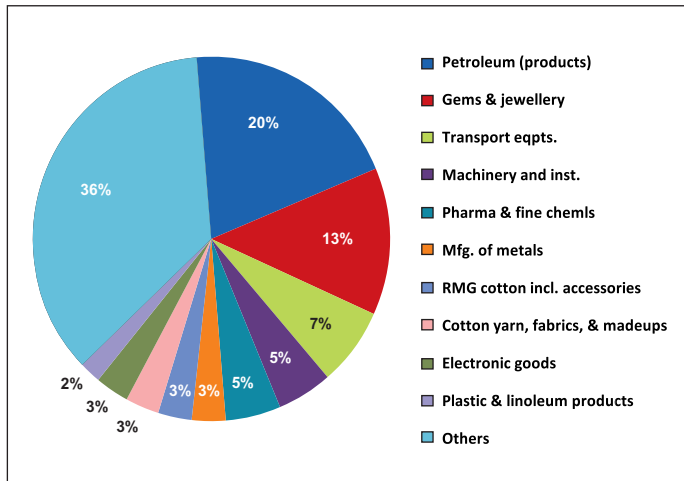
Source: MOCI

**Chart 2: India's Imports – Monthly and Percent Change**



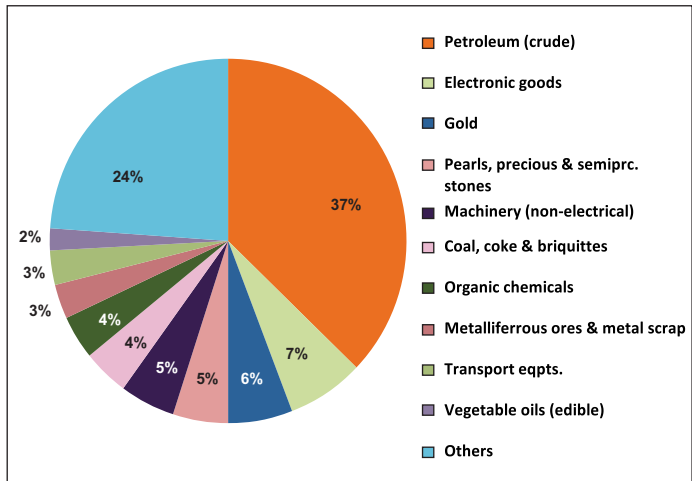
Source: MOCI

**Chart 3: India's Export Composition in 2013-14**



Source: MOCI

**Chart 4: India's Import Composition in 2013-14**



Source: MOCI

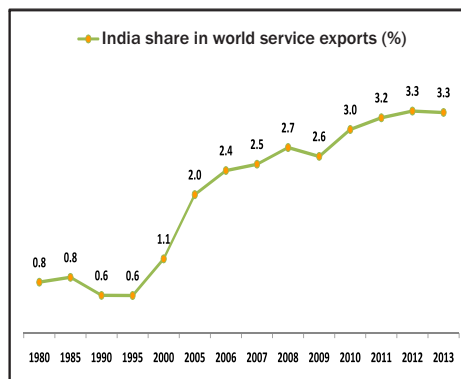
**Chart 5: India's Share in World Merchandise Exports**



Notes:1) China emerged as the leading global exporter in 2009, replacing Germany.2) India is the 19<sup>th</sup> largest global exporter in 2013, up from 26<sup>th</sup> position in 2007, and 32<sup>nd</sup> position in 2000.

Source: WTO (Accessed on June 30, 2014)

**Chart 6: India's Share in World Service Exports**



Notes:1) India is the 6<sup>th</sup> largest global service exporter in 2013, up from 7<sup>th</sup> position in 2012 and 9<sup>th</sup> position in 2011, 11<sup>th</sup> position in 2009, and 15<sup>th</sup> position in 2005.

Source: WTO (Accessed on June 30, 2014)

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 crore and lakh

1 crore : 10 million

1 lakh : 100 thousand

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## Trade and Partnership Opportunities

### Trade Opportunities

#### Healthcare Device

Manufacturer of India's first indigenous Glucometer and test strips offering superior method of quantitative analysis of blood glucose level in whole blood by using amperometric method.



#### Tender Coconut Water

An ISO 9000, HACCP and FSSAI certified manufacturer of premium fat-free tender coconut water with zero calories, zero cholesterol, no added sugar and no preservatives. Tender coconut water is extracted using fully automated process which results in more taste and better health benefits.



#### Canned Exotic Fruits

The exporter manufactures canned fruits & vegetables products, ready to eat vegetables, jams & ketchup, etc. The ISO 22000:2005 certified company is also recognized by Ministry of Foods Processing Industries and FSSAI.



#### Electrical Switchgear

Indian manufacturer of low voltage electrical switchgear, MCB, RCCB, instrumentation cables, isolator, distribution boards, change over's, load break switches, interested in partnering with Distributors, Channel Partners or for OEM / Brand Labeling.



#### Garments

An Indian manufacturer of Ladies night suits and Lounge wear offering skin friendly hosiery cotton of fine quality garments. The company is interested in tying up with overseas buying agents for their products.



#### Engineering equipments

An Indian engineering equipment manufacturing company offering Critical Pressed components, light weight fabricated parts, sub-assemblies, tools and jigs; interested in identifying buyer & distributor for their products.



### Investment Opportunities

#### Partnership opportunities for Indian companies

A global home furnishing retail chain is interested in sourcing carpets and rugs from India on a long term basis. The overseas company has started 'Supplier Mapping Process' for their standard rugs & carpet products to place the products at their global & local stores. The Buyer shall be interested in long term business relationship with the interested carpet manufacturer. Interested companies will be requested to undertake mandatory compliance steps to be able to complete the supplier selection process of rugs & carpets category.

Partnership Merits: - Access to Global supply chain and design inputs.

Interested parties may like to reach out to Marketing Advisory Services Group on contact details mentioned as under.

For more details, please contact - Phone: 2217 2600 Extn: 2737 / 2707; Fax: 2218 8268. Email: [mas@eximbankindia.in](mailto:mas@eximbankindia.in)