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Enhancing India's Trade with ECOWAS Region

The Economic Community of West African States (ECOWAS) is one of the major trading blocs in Africa. It came into existence as a regional grouping with the signing of the Treaty of Lagos in May 28, 1975 by 16 West African countries. Current member countries of ECOWAS comprise Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Mauritania used to be a member but decided to withdraw in 2000 to join the Arab Maghreb Union.

ECOWAS is endowed with ample supply of untapped mineral resources, which locally undergo elementary processing. ECOWAS accounts for 17 per cent of total land area of Africa; 30 per cent of total African population and 30 per cent of total GDP of Africa. Further, with member countries adapting various common development policies, the region offers good and genuine prospects for growth.

The GDP of ECOWAS region is estimated to have increased by over four-fold from US\$ 192.1 billion in 2004 to US\$ 724.9 billion in 2014. Nigeria is the largest economy among ECOWAS member states, accounting for 79 per cent of total GDP of ECOWAS, followed by Ghana and Côte d'Ivoire.

Foreign Trade of ECOWAS

ECOWAS is one of the largest trading blocs in Africa in terms of total trade, accounting for 20.7 per cent of Africa's total trade in 2013. The region has around 40 per cent of global bauxite reserves, 5 per cent of uranium reserves and 4 per cent of iron ore reserves. The region is known for holding some of the largest reserves of oil and gas in the world. Nigeria has one of the world's largest proven natural gas and petroleum reserves, and is also a leading producer and exporter of crude petroleum. The formation of this African trade bloc helped in increasing the level of regional integration among the countries in the region, along with increasing the trade within the African continent as well as with other countries.

Total trade of ECOWAS countries has increased three-fold from US\$ 86.8 billion in 2004 to US\$ 250 billion in 2013. Global exports of ECOWAS have increased to US\$ 139.3 billion in 2013 from US\$ 53.7 billion in 2004. Accordingly, the share of ECOWAS in total African exports has also increased from 22.4 per cent in 2004 to 24.2 per cent in 2013. The main exporters of the region are Nigeria, Ghana, and Côte d'Ivoire. Global imports of ECOWAS have increased to US\$ 110.3 billion in 2013 from US\$ 33.1 billion in 2004. The share of ECOWAS in Africa's total imports has increased from 15.6 per cent in 2004 to 17.9 per cent in 2013. The main importers of the region are Nigeria, Liberia, Côte d'Ivoire, Ghana, and Senegal. Another important aspect of ECOWAS trade is the huge difference in trade balance among the member countries. ECOWAS region generally maintains a trade surplus, although most member countries run a trade deficit. The trade surplus has increased from US\$ 20.6 billion in 2004 to US\$ 29 billion in 2013. Out of the fifteen countries in the region only three countries, Nigeria, Ghana and Sierra Leone, witnessed a surplus in 2013, which outweigh the trade deficit of remaining member countries.

On December 15, 2014, West African Heads of State and Government formally launched the CET, and entered into force on January 1, 2015, to streamline national duties and taxes as part of efforts to deepen economic development and regional integration.

India's Trade relations with ECOWAS countries

India's total trade with ECOWAS has risen nearly 12-fold, from US\$ 1.9 billion in 2004 to touch US\$ 22.7 billion in 2013 (Table). While India's total exports to ECOWAS has risen from US\$ 1.2 billion in 2004 to US\$ 7.0 billion in 2013, depicting a 6-fold rise during the period, India's total imports from ECOWAS has also risen from US\$ 0.7 billion to US\$ 15.7 billion, showing a 23-fold rise. As a result, India's trade balance with ECOWAS, which stood at a surplus of US\$ 0.5 billion in 2004, has turned

negative in recent years. India's trade deficit with ECOWAS in 2013 amounted to US\$ 8.7 billion.

India has increasingly become an important trading partner of ECOWAS. In 2013, India's share in ECOWAS's imports increased to 2.1 per cent from 1.6 per cent in 2004. Further, around 10.8 per cent of ECOWAS's total exports are towards India, up from 0.9 per cent in 2004, making India the largest export destination for ECOWAS. At the same time, ECOWAS's share in India's global imports has also risen, from 0.7 per cent in 2004 to around 3.4 per cent in 2013, while 2.1 per cent of India's total exports are towards ECOWAS region in 2013, up from 1.6 per cent in 2004.

Nigeria is India's largest export market in the ECOWAS region, accounting for around 41.4 per cent of India's total exports to ECOWAS in 2013. Other major export markets of India in ECOWAS include Ghana, Benin, Senegal and Togo. Nigeria is a leading market in the ECOWAS region for India's exports of vehicles, machinery, and electrical equipment, while Ghana is a major market for India's exports of pharmaceuticals, iron and steel, machinery, vehicles and electrical equipment. Benin is a leading market for India's exports of cereals, accounting for

43.4 per cent of India's exports of cereals to ECOWAS.

India's top five major exports to ECOWAS, namely, cereals, pharmaceuticals, vehicles, machinery, and electrical & electronic equipments, have a combined share of 52 per cent of India's total exports to ECOWAS in 2013. Other important items of India's export to ECOWAS would include iron & steel, mineral fuels, plastics and articles, cotton, and articles of iron and steel.

ECOWAS is increasingly emerging as an important destination for India's exports of cereals. During the period 2004-2013, while India's global exports of cereals rose 8-fold, from US\$ 1.4 billion to US\$ 11.4 billion, India's exports to ECOWAS rose 11-fold, from US\$ 120.3 million to US\$ 1.3 billion, with the major markets being Benin, Senegal, Liberia, and Côte d'Ivoire. In 2013, ECOWAS accounted for 11.6 per cent of India's global exports of cereals. Benin is the fifth-largest export destination for India's export of cereals (after Iran, Saudi Arabia, Bangladesh, and UAE), accounting for 5.1 per cent of India's global exports. As regards pharmaceuticals, India's export to ECOWAS has risen from US\$ 154.5 million in 2004 to US\$ 753.7 million in 2013. The region accounted for 6.3 per cent of India's exports in 2013. Nigeria is

the leading market in the ECOWAS region, followed by Ghana, Benin, Burkina Faso. ECOWAS also emerged as an important market for India's exports of vehicles, with India's exports to the region having risen over ten-fold from US\$ 59.9 million in 2004 to touch US\$ 650.4 million in 2013, accounting for 4.7 per cent of India's global export of vehicles. The largest markets in the ECOWAS region are Nigeria, Ghana, Guinea and Côte d'Ivoire.

As regards imports, Nigeria is India's largest import source, followed by Guinea and Côte d'Ivoire. Nigeria is the fourth-largest global import source (after Saudi Arabia, Iraq and Qatar) for India's import of mineral fuels. Crude oil dominates India's mineral fuel import from Nigeria. Mineral fuels, which are largely dominated by crude oil, are the largest items in India's import basket from ECOWAS, accounting for as much as 90 per cent of India's total imports from ECOWAS in 2013. India's largest non-oil imports include edible fruit and nuts, which accounted for 3.9 per cent of India's imports from ECOWAS, wood and articles of wood, and cotton.

India's Trade Balance with ECOWAS countries

Underlying the robust trend in bilateral trade (total trade) between India and

Table: India's Trade with ECOWAS, 2004-2013 (US\$ bn)

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
India's total exports to ECOWAS	1.2	1.7	1.9	2.9	2.9	2.9	3.5	5.4	6.0	7.0
% share in ECOWAS's total imports	2.9	3.3	3.6	3.8	2.3	3.1	4.0	3.7	5.0	5.0
% share in India's total exports	1.6	1.7	1.6	2.0	1.6	1.6	1.6	1.8	2.1	2.1
India's total imports from ECOWAS	0.7	0.9	6.6	8.5	11.9	6.7	11.6	15.7	16.0	15.7
% share in ECOWAS's total exports	0.9	0.8	7.7	5.7	8.1	6.7	8.6	9.5	12.1	10.8
% share in India's total imports	0.7	0.7	3.7	3.9	3.8	2.5	3.3	3.4	3.3	3.4
India's total trade with ECOWAS (exports+imports)	1.9	2.7	8.6	11.5	14.8	9.6	15.2	21.1	22.0	22.7
India's trade balance with ECOWAS	0.5	0.8	-4.7	-5.6	-9.0	-3.9	-8.1	-10.3	-10.1	-8.7

Note: Imports data from 2006 include oil imports

Source: ITC Trademap derived from UN Comtrade

ECOWAS, which has risen from US\$ 1.9 billion 2004 to as much as US\$ 22.7 billion in 2013, has been the significant trade deficit with ECOWAS.

India's trade balance with ECOWAS, which stood at a surplus of US\$ 0.5 billion in 2004, turned into a deficit thereafter, widening from (-) US\$ 4.7 billion in 2006 to touch (-) US\$ 8.7 billion in 2013. Amongst ECOWAS members, India maintains a trade deficit with Nigeria, Guinea, Guinea-Bissau, and Cabo Verde; while it maintained a trade surplus with Benin, Ghana, Senegal, Togo, Liberia, Sierra Leone, Burkina Faso, Niger, Mali, the Gambia and Côte d'Ivoire.

India's trade deficit with ECOWAS is primarily due to the large and rising volume of crude petroleum imports, mainly from Nigeria and Guinea. While India's deficit with Guinea-Bissau is primarily on account of high imports of edible fruit, nuts (mainly cashew nuts), trade deficit with Cabo Verde is mainly on account of large imports of iron and steel (mainly ferrous waste and scrap).

Potential for Enhancing Bilateral Trade Relations with ECOWAS Countries

To further enhance India's trade with the ECOWAS region, and at the same time to address the rising trade deficit, an important strategy would be to focus on India's export potential to ECOWAS countries, with which India maintains the largest and rising trade deficit. Such a strategy would also contribute to the overall efforts to enhance India's exports to ECOWAS.

Based on India's export potential and demand existing in the ECOWAS region, the potential items for India's exports to the ECOWAS region could broadly include: machinery, electrical and electronic equipment, vehicles, ships and other floating structures, mineral fuels and distillation products, cereals, articles of iron and steel, fish and crustaceans,

sugar and sugar confectionery, dairy products and eggs, essential oils and perfumes, plastics and articles, salt and sulphur stone, animal and vegetable oils, meat and edible meat offal, ceramic products, inorganic chemicals, pharmaceutical products, cereal flour, starch and milk preparations, paper and paperboard, rubber and its articles, cotton, miscellaneous edible preparations, iron and steel, milling products and malt, starches, other textile articles, and beverages and vinegar¹.

Export-Import Bank of India in the ECOWAS Region

Export-Import Bank of India (Exim Bank) since its commencement in 1982, Exim Bank plays the role of a catalyst for investments in the West Africa, by extending loans to Indian companies for investments in the region and entering into various collaborative programmes. Exim Bank's financing programmes in the West Africa region include, among others, Lines of Credit (LOCs), support for project exports, Buyer's Credit under National Export Insurance Account (NEIA), and finance for overseas joint ventures.

Exim Bank has two representative offices in Africa, which are located in Addis Ababa, Ethiopia and Johannesburg, South Africa. These offices play important roles in facilitating Bank's engagements with the African countries. The representative offices interface with various institutions such as African Development Bank, Industrial Development Corporation of South Africa Ltd., regional financial institutions such as West African Development Bank (BOAD); African Export-Import Bank (Afreximbank); and Eastern and Southern African Trade and Development Bank (PTA Bank); as well as Indian missions in the region, thereby being closely associated with the Bank's initiatives in the African region.

Africa - India Partnership Day

Export-Import Bank of India (Exim Bank) together with FICCI (Federation of Indian Chambers of Commerce and Industry) organized the Africa - India Partnership Day, in Abidjan, Cote d'Ivoire, on May 27, 2015, as part of Annual Meeting of the African Development Bank (AfDB) Group, with the objective of sharing India's developmental experiences with Africa, particularly in Public-Private Partnership model of financing infrastructure development.

A high-level delegation from 25 Indian companies visited Abidjan to participate in this event, and to demonstrate their capabilities and to share their experiences in development of infrastructure, particularly in energy and transportation sectors.

During this event, Exim Bank also released its publication on "Enhancing India's Trade Relations with ECOWAS: A Brief Analysis" at the hands of Mr. Dinesh Sharma, Additional Secretary in the Department of Economic Affairs, Ministry of Finance, Government of India.

The Africa-India Partnership Day has become a regular feature of the AfDB Annual Meeting, and showcases the immense scope for expanding the mutually enriching partnership between Africa-India

¹A detailed analysis of potential export commodities from India to ECOWAS, upto 6-digit HS Code commodity classification, has been undertaken in Exim Bank's study titled 'Enhancing India's Trade Relations with ECOWAS: A Brief Analysis'

Export – Import Bank of India (Exim Bank) is an apex financial institution, set up under an Act of the Parliament to finance, facilitate and promote India's international trade and investment. Besides operating a number of lending programs for financing two-way trade and investment, Exim Bank also plays a promotional role and seeks to create and enhance export capabilities and international competitiveness of Indian entities. As a part of Bank's activities, the Bank has been supporting various Indian entities in their globalization process, including small and medium enterprises (SME). Exim Bank expanded the scope of SMEs to also include micro and rural enterprises, NGOs, Trusts, Societies and Cooperatives who are engaged in livelihood generation activities with an orientation towards exports, either directly or indirectly. This initiative has been firmed up under the Bank's group, viz. Grassroots Initiatives and Development (GRID).

GRID activities envisage support to the grassroots initiatives/ technologies; particularly the ones with export potential and help the artisans/ producer groups/ clusters/ small enterprises/ NGOs, across the country realize remunerative returns for their produce by encouraging exports from these units. The group works towards developing a robust, vibrant and holistic approach in its intervention (helping at every stage of product development viz. capacity building, providing modern designs to existing products, advance product packaging solutions, export capability creation and expansion, diversification and finally to the exports) thereby addressing the issues restricting the enterprises to enter into export markets.

The products offered under GRID seek to address the needs of the relatively disadvantaged sections of the society

while creating expanded opportunities for traditional crafts persons, artisans, rural entrepreneurs and small business houses of the country. An illustration of the areas of intervention under GRID is provided below:

- Organizations (clusters/ SHGs/ Co-operatives/ NGOs/ producer groups/ Enterprises/ Companies) can avail of lending support from Exim Bank for various activities like setting up of raw material bank, common facility centre, purchasing machineries or any other infrastructural support.
- Pre/Post-Shipment Credit both in foreign currency and Indian Rupee;
- Capacity building programs for producer groups/artisans.

All these products are designed for providing support for upscaling, capacity building, technological up gradation, quality improvement, market access, training and more. Exim Bank offers quick and competitive finance both in Indian Rupee and Foreign Currency, customized to the needs of the organizations thus helping them to be internationally competitive.

In this regard, and as a part of capacity building exercise, Exim Bank partnered with the Phulkari Handicraft Workshop Cooperative Industrial Society Limited (PHWCS) to organize a 4-month workshop starting July 2015 for select 30 women master artisans based in villages in and around Thuha, Patiala, Punjab. The workshop covers two areas, viz. (a) product development by providing inputs for modern designing of crafts; and (b) giving technical knowledge to women artisans on use of advanced machineries (Juki machines) so that the production can be improved both in qualitative as well as quantitative terms. This workshop is expected to enable women artisans to design quality products for both domestic

and export market. This will, in turn, improve their income levels. The main approach for this workshop would be imparting training through demonstrations, sharing experiences, discussions and developing utility based prototypes for handicrafts by using phulkari art.

The PHWCS, established in 1997, is a non-government organization registered under the Societies Registration Act 1960, with the objective of empowering women and reviving languishing art of Punjab's Phulkari embroidery. Since its inception, PHWCS has been working towards income-generation and welfare for women from marginalized and underprivileged section of the rural community.

PHWCS is currently working with 150 self-help groups (SHGs) of 12-15 women each, in Patiala district of Punjab. Till date, it has supported around 5000 women and girls in phulkari art. PHWCS has been engaged in the production of handmade crafts like - scarves, stoles, jackets, suits, dupatta, bed sheets and pillow cover, office folders with phulkari work on each of them. All the artisans are women working in rural and backward areas.

The Bank has been supporting and assisting rural artisans and craftsmen of handicraft products to gain domestic as well as international presence by organizing design development workshops. Since the aforementioned training is being imparted to women master artisans of Thuha village of Patiala district of Punjab, who would further train other unskilled or semiskilled women artisans, the gain and impact is likely to be more widespread. The workshop will support and assist such artisans to gain domestic as well as international presence.

China has, in recent years, emerged as the world's leading exporter accounting for 10.4 per cent of global exports in 2011, a position which it has maintained in 2014 with a share of 12.5 per cent in global exports. China has overtaken both Germany and USA, to emerge as the world's leading exporter.

As regards imports, China is the second-largest global importer, after the USA, with a share of 10.4 per cent of global imports in 2014.

Trends in China's Trade

China's global trade has risen more than 3-fold, from US\$ 1422 billion in 2005 to US\$ 4305 billion in 2014, underlined by rise in both China's export to, as also imports from the world. While China's global exports amounted to US\$ 2343 billion in 2014, its imports amounted to US\$ 1962 billion in 2014. Consequently, China's trade surplus has witnessed a sharp rise over the last decade increasing from US\$ 102 billion in 2005 to US\$ 381 billion in 2014, with Hong Kong and USA being the leading trading partners with which China maintains the largest trade surplus.

China's Trade with India

Reflecting the synergy in bilateral trade relations, total trade between India and China has risen almost four-fold, from US\$ 18.7 billion in 2005 to US\$ 70.6 billion in 2014, underlined by rise in both China's export to as also imports from India (Chart). China's exports to India amounted to US\$ 54.2 billion in 2014, with India accounting for a share of 2.3 per cent in China's global exports in 2014. On the other hand, India's share in China's global imports reduced from 1.5 per cent in 2010 to 0.8 per cent in 2014, with China's imports from India amounting to US\$ 16.4 billion in 2014. China enjoys a trade surplus with India which has risen since 2005 from a deficit of (-) US\$ 0.8 billion to touch almost US\$ 38 billion in 2014.

China's Trade with India - Major Commodities

Electrical and electronic equipments, and machinery and boilers are the two largest items of China's exports to India, with a combined share of close to 39 per cent of China's total exports to India during 2014. India has emerged as a leading destination for major export items of China. For instance, among China's major exports, India is the largest market for exports of organic chemicals (13.7 per cent share in 2014) and fertilizers (26.2 per cent share); 4th largest market for plastic and articles (3.3 per cent share); 6th largest market for machinery and boilers (2.5 per cent share) and iron and steel (4.2 per cent share); and 10th largest market for electrical and electronics equipments (1.9 per cent share).

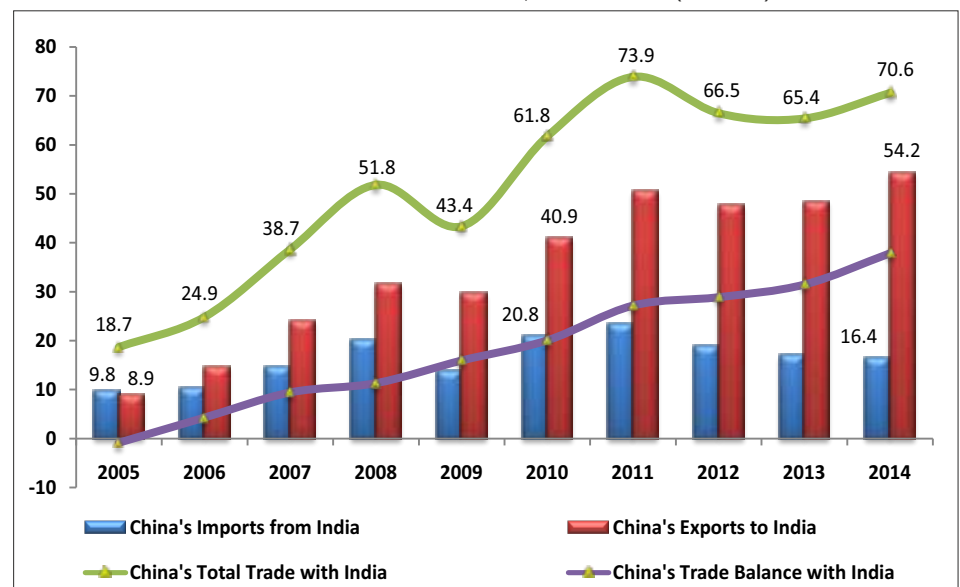
In case of China's imports, cotton; pearls and precious stones; and copper and articles primarily constitute China's trade basket from India, which together accounted for almost half of China's total imports from India during 2014, (with a share of 19.6 per cent, 15.4 per cent and

14.3 per cent respectively). Among China's major import items globally, India has emerged as the leading global source for China's import of cotton in 2014 (accounting for 25.2 per cent share of China's imports); 2nd largest source for salt, sulphur and cement (15.4 per cent share); 4th largest source for pearls and precious stones (6 per cent share); and the 7th largest source for copper and articles (4.9 per cent share).

Potential Areas for Enhancing Bilateral Trade Relations

Among China's major import items, while India has achieved a relatively healthy share in China's global imports of a few items. Considering India's global export capability and China's import demand, potential items of export to China from India would mainly include, among others, electrical, electronic equipment (HS-85); petroleum products (HS-27); machinery and boilers (HS-84); optical, photo, technical, medical apparatus (HS-90); vehicles other than railway, tramway (HS-87); and plastics and articles (HS-39); iron and steel (HS-72); and pharmaceutical products (HS-30).

Chart: China's Trade with India, 2005-2014 (US\$ bn)



Source: ITC, Geneva, based on UN COMTRADE statistics and Exim Bank Analysis

The textiles and garments industry has an overwhelming influence on the economic development of India, being the second largest employer after agriculture. Through its contribution to industrial output, employment and exports, the industry plays a critical role in the Indian economy. The apparel market size in India accounted for 4 per cent of the global market size in 2013, and is expected to reach a level of 9 per cent by 2025.

Performance of the Industry

In times when growth in Index of Industrial Production (IIP) for many industries has turned negative, IIP for textiles grew by 4.2 per cent in 2013-14, and subsequently by 2.6 per cent in 2014-15. Y-o-y growth rate of IIP for wearing apparel; dressing and dyeing of fur in 2014-15 stood at 5.4 per cent.

In 2014-15, most categories of fibre & yarn in India witnessed an increase in production, other than man-made filament yarn. Cloth production also surged during the year across all categories, except mill sector.

Impact of Declining Cotton Prices on Synthetic Segment

Demand for most man-made filaments & fibres were subdued in 2014-15. This was due to a decline in prices of cotton yarn during the year which improved its competitiveness vis-a-vis synthetic yarn. Moreover, a levy of anti-dumping duty on imports of purified terephthalic acid, a major input, in July 2014 resulted in a spike in imports of polyester. This further hit the domestic production of polyester filament yarn.

In 2014-15, demand for synthetic woven fabric had also stagnated due to an increase in competitiveness of cotton woven fabric. Due to decline in cotton prices, domestic apparel manufacturers

preferred cotton woven fabric over their synthetic counterpart.

International Trade

India is a net exporter of textiles and garments (HS Code: 50 to 63), with exports in 2014-15 amounting to US\$ 37.7 billion and imports amounting to US\$ 6.0 billion. India's exports of textiles and garment grew at a sluggish pace of 0.5 per cent in 2014-15, as compared to the previous year.

USA is the largest export destination for India's exports of textiles and garments, accounting for 19.0 per cent of the total exports in 2014-15, followed by UAE (10.0 per cent), China (6.9 per cent), UK (6.6 per cent) and Bangladesh (5.2 per cent). China on the other hand, accounts for bulk of India's imports in the textiles and garment segment (43.6 per cent in 2014-15).

Outlook

- **Yarn:** Backed by an increase in yarn purchases by the integrated apparel and fabric manufacturers during the year, demand for yarn in the domestic market is expected to remain upbeat in 2015-16.
 - Export demand for yarn is projected to recover in 2015-16, on account of revival in demand of cotton yarn from China, which has the largest garment industry in the world. Prices of cotton yarn in the Indian markets are expected to fall. Consequently, the Chinese textile mills are likely to increase their yarn purchases from India. Moreover, Bangladesh and Vietnam are also expected to augment their yarn purchases from India to service their growing apparel industry.
- **Fabric:** Fabric manufacturers are expected to enhance their output in

2015-16. This is likely to be supported by a healthy growth in fabric purchases by the manufacturers of readymade garments, home textiles and technical textiles. During the year, factors such as increase in retail penetration in rural and urban areas, high disposable income and an improvement in lifestyle patterns is likely to boost the domestic consumption of fabric and apparels. Overseas demand for apparels is also expected to remain healthy in the current fiscal. Healthy investments in the cloth industry are also expected to aid the growth in total fabric production.

- Prices of synthetic filaments and fibres such as polyester have been falling and are expected to remain low on account of the decline in crude oil prices. As a result, an uptick in demand is expected for synthetic woven fabric by the apparel manufacturers in the current fiscal.
- **Garments:** Economic activities in the US and the EU are projected to improve during 2015-16. As a result, Indian apparel exporters will continue to witness a healthy inflow of export orders from the US and the EU in the current fiscal.
- Other than this, increase in labour costs in China is likely to make its apparel exports expensive as compared to the other exporting nations. Consequently, the country's exports are expected to weaken during the year as international apparel buyers will look for alternate sourcing destinations. This is likely to create a chance for India to capitalize on China's lost market share.

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's LOCs provides a risk-free, non-recourse export financing option to the Indian exporting community, which helps them penetrate new markets and enhance their export volumes in the existing markets overseas.

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.

Exim Bank also extends LOCs at the behest of Government of India. Under the Lines of Credit 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.

LOCs have also enabled India to demonstrate project execution capabilities in the emerging markets. LOCs have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America and the CIS. The Bank has now in place 198 Lines of Credit, covering over 63 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments of over

US\$ 12.16 billion, available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services to developing countries.

Exim Bank, at the behest of and with the support of Government of India, has signed four LOCs as given below during the quarter April-June 2015:

- Two LOCs of US\$ 34.50 million and US\$ 109.94 million to the Government of the Democratic Republic of Congo for development of Power Distribution Project in Bandundu Province and financing transmission and distribution project in Kasai province of Democratic Republic of the Congo (DRC) for evacuation of electricity from Katende Hydroelectricity Power Project in DRC. With the above two LOC Agreements aggregating US\$ 144.44 million, Exim Bank, till date, has extended seven Lines of Credit to the Democratic Republic of Congo, at the behest of the Government of India, taking the total value of LOCs extended to US\$ 494.94 million. The earlier LOCs were extended to Government of the Democratic Republic of Congo for setting up of cement plant, installation of hand pumps and submersible pumps, and execution of hydropower project.
- An LOC of US\$ 268.35 million to the Government of Tanzania, to finance extension of Lake Victoria Pipeline to Tabora, Igunga and Nzega in Tanzania. Exim Bank has earlier extended three LOCs aggregating

to US\$ 254.69 million to the Government of Tanzania for financing export of tractors, pumps and equipments and water supply schemes to Tanzania.

- An LOC of US\$ 6.20 million to the Myanma Foreign Trade Bank (MFTB), Myanmar, to finance implementation of a Microwave Radio Link on the Rhi-Mindat route in Myanmar. Exim Bank has earlier extended ten LOCs aggregating to US\$ 607.59 million to MFTB for financing railway projects, refinery projects, assembly/manufacturing plant of vehicles, irrigation schemes, transmission lines, upgradation of petrochemical complex in Myanmar.

For further information, please contact

Nadeem Panjetan
Chief General Manager
Export-Import Bank of India,
Centre One Building, Floor 21
World Trade Centre Complex,
Cuffe Parade
Mumbai 400 005
Telephone: (022) 22172310
Fax: (022) 22182460
E-mail: eximloc@eximbankindia.in

'Exports to Greece small; marginal impact of crisis on India'

NEW DELHI: The Government has said that Greece accounts for around 0.1 per cent of India's exports and hence the impact on it due to the financial crisis will be only marginal. "Share of exports from India to Greece is around 0.1 per cent only, therefore direct impact on Indian exports due to economic crisis in Greece is likely to be marginal", Commerce and Industry Minister, Smt. Nirmala Sitharaman said in a written reply to the Rajya Sabha. However, the Government is continuously monitoring the export performance of different sectors to different countries and takes need based measures from time to time, keeping in view the global financial situation and overall economic implications.

Government sets up Council for Export Promotion

NEW DELHI: In view of continuous decline in exports over a half-year period, the Government of India has set up a promotion council to be chaired by the Union Commerce Minister and comprising state trade and commerce ministers and other officials as members. The Council for Trade Development and Promotion was notified by the Commerce Ministry earlier in July 2015. "It has been decided to constitute the Council for Trade Development and Promotion in order to ensure a continuous dialogue with state governments and union territories on measures for providing an international trade enabling environment in the states and to create a framework for making the states active partners in boosting India's exports", the notification said.

Besides, 14 union secretaries including those of commerce, revenue, shipping, civil aviation, agriculture, food processing and economic affairs will also be members of the council that also aim at achieving the US\$ 900 billion exports target by 2019-20. The council will provide states a platform to express their perspective on trade policy to help them develop and pursue export strategies in line with the national policy and also help the states to be apprised about international developments affecting India's trade potential and opportunities and prepare them to deal with the situation.

Drug exports from India to have embedded tracking chips

NEW DELHI: The government has now decided to use the track and trace technology to keep tabs on all Indian drug exporting firms, said a news report. The idea is that beginning October, the companies will adhere to prescribed manufacturing data on various levels of packaging. Commerce ministry has formed an expert group to recommend within next two months, technologies for the programme. The industry is waiting for clarity on technologies and guidelines that are to be adopted. "We are planning to build a database on domestic manufacturers that will be open for regulators and retailers across the globe", said a senior official from the department of pharmaceuticals. "Now, global importers would be able to see the status of their consignments and scrutinise the steps taken to ensure quality during the manufacturing".

The procedure would also help Indian drug makers track their exports, and

ensure that their shipments are not tampered with. India is the first country to implement the bar-code system, whereby government-mandated bar-coding of mono cartons (each individual carton) of drugs shipped out of the country, which began in June. The government is worried that frequent incidents of this nature are tarnishing brand India pharmacy. Drug-makers have expressed reservations about the findings of global health regulators while hauling up their products.

Automobile exports to Sri Lanka jump four-fold in May

NEW DELHI: The Engineering Export Promotion Council (EEPC) said automobile exports to Sri Lanka jumped nearly four-fold to US\$ 56.5 million in May from US\$ 14.6 million in the same month last year. UAE also helped auto exports maintain momentum, it said, adding that shipments to this country grew 10.2 per cent to US\$ 18.6 million in May. Italy reported a 37.4 per cent increase in exports at US\$ 14.8 million during the month under review while consignment to Spain went up 10.2 per cent to US\$ 17.5 million, it added.

In contrast, Mexico, a major destination for India's automobile exports, reported a decline of 35 per cent to US\$ 47.8 million. Similarly, shipments to the UK slumped by over 32 per cent. Algeria, too, recorded a decline of 21.9 per cent, EEPC added. "In all, automobile exports dropped by 2.7 per cent to US\$ 512 million in May from US\$ 526 million a year ago", it said. Passenger car exports from India shrank by 1.7 per cent to 5,42,082 units in 2014-15 due to challenges in traditional overseas markets like Europe and Algeria.

Exim Bank raises US\$ 500 million Green Bond

MUMBAI: Exim Bank successfully launched a five-year Reg S Green Bond issue of US\$ 500 million on March 24, 2015. The issue attracted subscription of around 3.2 times the issue size and was led by strong demand, across 140 accounts.

The five-year US\$ 500 million Eurodollar Green bond issue was priced at 147.50 basis points over US Treasuries (UST) at a fixed coupon of 2.75 per cent per annum, cutting through the current secondary trading levels of similar bonds and achieving a pricing tighter than the Bank's own US\$ 500 million Reg S bonds issued in February 2015 for a 5.5 year tenor.

The above transaction is significant as it marks the first USD-denominated Green bond offering out of India as well as the first benchmark-sized Green bond out of Asia in 2015 and the third ever Green bond issuance out of Asia. It provides Exim Bank an opportunity to expand its investor base and to support an important market as investors seek more socially responsible investment options. Exim will use the net proceeds from the sale of the notes to fund Eligible Green Projects in countries including Bangladesh and Sri Lanka.

The issue attracted over US\$ 1.6 billion across 140 accounts with significant participation from green investors and real money accounts. The offering saw majority (58 per cent) participation from fund managers, while banks (20 per cent), sovereign wealth funds / insurance companies (18 per cent) were the other

major investor classes. The issue was distributed 60 per cent to Asian investors, 30 per cent to EMEA (Europe, Middle East and Africa) and balance to offshore US investors. Bank of America, Merrill Lynch and J.P. Morgan acted as Joint Lead Managers on the offering. Exim Bank of India has been rated as 'BBB-' by Standard and Poor's and 'Baa3' by Moody's, same as the rating of Government of India.

Yaduvendra Mathur, Chairman and Managing Director of Exim Bank, commented, "The Green Bonds reinforce our commitment to the environment and helped us connect with socially responsible investors that care about the Green investments that we facilitate.

Exim Bank has been a pioneer in opening new markets for capital raising for other Indian issuers. In the past, Exim India was the first to issue bonds in the Uridashi, Australian Dollar, Singapore Dollar and Samurai bond markets, which was followed by other Indian issuers."

Stakeholders Roundtable on Project Exports in Pune

PUNE: Exim Bank organized a "Stakeholders Roundtable on Project Exports" on June 26, 2015, in Pune, with the objective to develop a concrete road-map to give a quantum boost to India's Project Exports in order to give a major fillip to manufactured exports and employment generation in India.

Project exports are a measure of a nation's economic development and Exim Bank has been playing the crucial role of a coordinator and facilitator for the promotion of Project Exports covering overseas industrial turnkey projects, civil

construction contracts, supplies as well as technical and consultancy service contracts out of India.

The Bank's flagship programmes such as Lines of Credit and Buyers' Credit are designed to offer funding options to the overseas buyers in order to enable Indian project exporters to access new markets in developing countries and increase export of goods and services from India, and create jobs.

Exim Bank is supporting 414 project export contracts valued ₹ 189,736 crore (approx. USD 30.45 billion) that were under execution, in 81 countries across Asia, Africa and CIS by 139 Indian companies, as of March 31, 2015. These projects are being supported by EXIM Bank through a mix of funded and non-funded facilities.

The Seminar was addressed by David Rasquinha, Deputy Managing Director, Exim Bank and included a Panel Discussion represented by key industry leaders. Malay Das, Joint M.D., Thyssenkrupp Industries India Pvt. Ltd., Amitabha Mukhopadhyay, CFO & Executive Vice President, Thermax Ltd., Subrata Mishra, Sr. Leadership & CFO, John Deere, Shri Suresh Kumar, Executive Vice President Africa, International Projects, Praj Industries Ltd., and D.T. Arjun, Vice President & Head – Cement Division, Walchandnagar Industries Ltd. shared their views on the challenges and the way forward, in particular, on how to ensure a level playing field for Indian project exporters. The Seminar was attended by nearly 75 participants from close to 50 leading Indian companies.

The Indian pharmaceutical industry has been witnessing impressive growth in the recent years, driven by rising consumption levels in the country and strong demand from export markets. The industry has seen significant progress in terms of infrastructure development, technology base and the wide range of products manufactured. Demand from the exports market has been growing steadily due to the capability of Indian pharmaceutical companies to produce cost-effective drugs.

Indian Pharmaceutical Industry

The Indian pharmaceutical industry is ranked third-largest in volume terms and tenth-largest in value terms (2.5 per cent of global share). The size of Indian pharmaceuticals industry is pegged at US\$ 33.9 billion, growing at roughly 13 per cent CAGR over a 5-year period, up to 2013-14.

The industry has not been affected much by the global slowdown. Exports grew by a healthy 18.5 per cent from US\$ 8.7 billion during 2009-10 to US\$ 10.3 billion during 2010-11, and by 25.1 per cent to US\$ 12.9 billion in 2012-13. However, in the recent years, though there has been an increase in exports in terms of absolute value, y-o-y, growth has shown a declining trend in USD terms mostly due to weakening of rupee (Chart).

USA (with a share of 30.9 per cent), Russia (4.8 per cent), South Africa (4.3

per cent), UK (3.6 per cent) and Nigeria (3 per cent) are the major export destinations for India's drug formulations and biological products during 2013-14. However, during 2013-14, the Netherlands, considered as gateway market for the EU, emerged as a major market for Indian formulations and biological products. USA (14.2 per cent), Germany (5.3 per cent), Brazil (4.5 per cent), UK (3.7 per cent), and Japan (3.5 per cent) were the major export destinations for India's bulk drugs and intermediates in 2013-14.

Share of formulations (75 per cent) in India's total export of pharmaceuticals is higher than that of bulk drugs (25 per cent).

Key Industry Trends

India's formulations and bulk drugs exports have grown at a CAGR of about 17 per cent each (in dollar terms) over 5 years up to 2013-14. Growth in exports to the semi-regulated markets sustained at about 12 per cent y-o-y during 2013-14, while the exports to the regulated markets grew at a modest 10 per cent during the same period, compared to 18 per cent growth seen in the last year. The slowdown was mainly on account of import alerts on Indian companies by the USFDA. Growth in semi-regulated markets has been largely driven by Asia and Africa.

Bulk drugs exports are estimated to have grown at a CAGR of about 17 per cent between 2008-09 and 2013-14, mainly on account of India emerging as a preferred manufacturing hub for high quality APIs. Of the total drug master filings (DMFs) filed with the US FDA, India's share has risen sharply to

about 53 per cent for the 6 months ending June 2014 from about 19 per cent in 2001.

M&A - During 2013, the Indian pharmaceutical industry witnessed a total of 30 M&A deals in the pharma and biotech sector (inbound, outbound and domestic). Total deal value increased from US\$ 1.7 billion in 2012 to US\$ 2.5 billion in 2013.

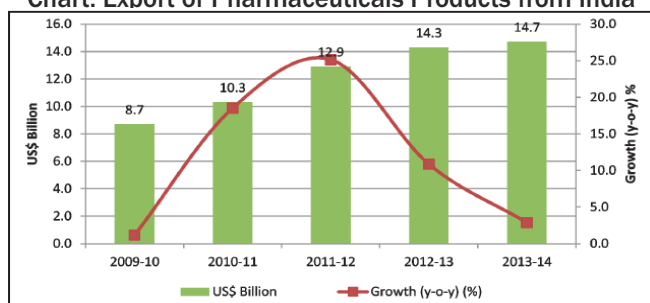
Patents - According to the Indian Patent Office, during 2012-13, a total of 43,674 patents were filed, of which only around 6.8 per cent were filed in the drugs and pharmaceutical sector; and of the total 4126 patents that were granted in the year, around 8.3 per cent share was for pharmaceuticals.

R&D - Indian pharmaceutical companies have significantly increased their R&D budgets. In 2013-14, leading Indian pharma players spent anywhere between ₹ 5 billion to ₹ 12 billion on R&D, which represented an increase both in absolute terms as well as in proportion to net revenues.

Outlook

The industry is pegged to grow at 11-13 per cent upto 2020. With a huge generic drugs opportunity emerging from the US, India maintains high share of overall ANDA approvals at 38 per cent of total approvals; ranking second, next to the US. India is projected to account for 20 per cent of global exports in generics by 2020. With 48 per cent of all drug master filings registered in the USA, Indian pharmaceutical industry is projected to generate US\$ 45 billion in revenue by 2020. With a share of around 8 per cent in global pharmaceutical imports the semi-regulated markets, particularly pharma-emerging markets: Brazil, Russia, China and South Africa (BRCS) to be potential markets for Indian pharmaceutical industry.

Chart: Export of Pharmaceuticals Products from India



Analysis based on classification of HS Code by DGCIS as bulk drug and drug intermediates, and drug formulations and biologicals. Source: DGCIS (Data Source); Exim Bank Analysis

The Foreign Trade Policy 2015-2020 announced on April 01, 2015 has introduced a slew of measures to boost the foreign trade, trade facilitation and ease of doing business in India.

The highlights of the Annual Supplement are as follows:

- Two new schemes announced - Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SIES).
 - MEIS combines five schemes, viz. Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, and VKGUY, rewarding export of notified goods to notified markets (categorized into 3 groups, viz. Country Group A, B and C) as a percentage of realized FOB value in free foreign exchange.
 - SEIS is available to 'Service Providers located in India' as against the earlier Served Form India Scheme available to 'Indian Service Providers'; and SEIS reward rates specified for export of notified services would be based on net foreign exchange earned. Professional services, other business services, construction and related engineering services, tourism and travel, services auxiliary to all modes of transport have been included for the purpose of issuance of duty scrips.
- FTP 2015-2020 divided notified markets in 3 categories: Category A for Traditional Markets (30): European Union (28), USA and Canada; Category B for Emerging & Focus Markets (139) : Africa (55), Latin America and Mexico (45), CIS countries (12), Turkey and West Asian countries (13), ASEAN countries (10), Japan, South Korea, China, Taiwan; and Category C for Other Markets (70)
 - All scrips issued under MEIS and SEIS and the goods imported against these scrips would be fully transferable and usable for payment of custom duty, excise duty and service tax.
 - The MEIS and SEIS incentive schemes will now be extended to units located in SEZs
 - Higher reward under MEIS for products with high domestic content and more value addition in India.
 - For increasing India's participation in global value chain, FTP 2015 - 2020 introduced 1725 lines of Intermediate Goods (that are used as inputs in the manufacturing of other countries and will strengthen backward manufacturing linkages), 1109 lines of Capital Goods sector (to strengthen Manufacturing Base) and 1730 lines of Consumer Goods sector (sector to propel quantum jump in export with strengthening of Make in India Brand) under this scheme.
 - The criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings. The nomenclatures of status holders were also changed. Status holders will be able to self-certify their manufactured goods as 'Originating from India' for availing benefits under various Foreign Trade Agreements
 - Export Obligation reduced from 90 per cent to 75 per cent for domestic procurement under EPCG scheme to boost the 'Make in India' initiative. However, import under EPCG scheme shall not be eligible for exemption from payment of anti-dumping duty and safeguard duty
- Following initiatives have been introduced to reduce the transaction costs: online filing of documents/ applications and paperless trade in 24 x 7 environment for application under FTP by exporters/ importers; online inter-ministerial consultation for approval of export of SCOMET (Special chemicals, Organisms, Materials, Equipments and Technologies) items, norms fixation, import and export authorisation etc.; simplification of procedures/ processes, digitization and e-governance for the purpose of import and export; and e-Governance initiatives such as online issuance of Export Obligation Discharge Certificate (EODC), message exchange with CBDT for PAN, Message exchange for transmission of Bills of Entry (import details) from Customs to DGFT.
- Following initiatives, among others, have been introduced for EOUs, EHTPs and STPs: EOUs, EHTPs, STPs have been allowed to share infrastructural facilities among themselves; EOUs have been allowed to set-up warehouses near the port of export; a simplified procedure will be provided to fast track the debonding/ exit of the STP/ EHTP units; and EOUs having physical export turnover of INR 100 million and above have been allowed the facility of fast track clearances of import and domestic procurement.
- Additional Ports, namely Calicut Airport, Kerala and Arakonam ICD, Tamil Nadu have been notified as registered ports for import and export.
- A Committee on Quality Complaints and Trade Disputes (CQCTD) is to be constituted across 22 offices of regional authorities (RAs) of DGFT to resolve quality complaints and trade disputes.

Exim Bank's MAS Activities**April – June, 2015**

Exim Bank, through its Marketing Advisory Services (MAS), plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. In one of such endeavors, the Bank assisted a Mumbai based manufacturer exporter to generate order for steel link chain from a South American Importer. The importer was seeking customized link chains of different sizes for material handling purpose at sea-port and warehouse in Colombia. Through Exim Bank's assistance, a trial order was successfully placed, and the exporter could expand in the South American market.

Exim Bank also assisted Uttarakhand based Women's Weavers Association in organizing Training Programme in Weaving of Handloom Textiles and Accessories. The programme being conducted for 20 women weavers for a duration of six months from June - November 2015 in Rudraprayag district of Uttarakhand. The devastating floods in the Kedarnath Valley in 2013 left many homeless and without income; Women's Weavers Association provides livelihood and sustainability to around 300 rural women. The training programme aims at enhancing skills of women weavers to develop required skills and create sustainable outcomes by focusing on empowering women and marginalized communities who have no other access to alternative sources of income.

For details contact:

Ms. Deepali Agrawal
General Manager
Export-Import Bank of India, Mumbai
Phone: (022) 22172829
E-mail: mas@eximbankindia.in

Eximius Centre for Learning (ECL) Activities**April – June, 2015**

ECL had organized four seminars for exporters during this period. ECL in association with Federation of Indian Chambers of Commerce and Industry conducted two seminars on 'Capacity Building Programmes for Promoting Trade and Investments with BRICS countries' in Delhi and Ahmedabad on April 17, 2015 and June 5, 2015 respectively.

For the benefit of the MSME sector, a seminar on 'Energizing Entrepreneurs for International Trade' was held on June 23, 2015 at Noida in association with FIEO.

Further, to keep the exporters and entrepreneurs of Jammu and Kashmir abreast with the developments in the global market, Exim Bank in association with Confederation of Indian Industry held a seminar on 'India's Competitiveness in Foreign Trade' in Srinagar on May 21, 2015.

Upcoming events:

- A seminar on "International Trade Facilitation" in association with World Trade Centre.
- A seminar on "Enhancing foreign Trade in India" in association with Federation of Indian Export Organisation.
- A seminar on "Opportunities in Foreign Trade" in association with Federation of Karnataka Chambers of Commerce & Industry.
- Several export promotion seminars are scheduled during June-September 2015 for Indian exporters, at Lucknow, Varanasi, Kolkata and Shillong.

For details contact:

Ms. Daya Chandras
General Manager
Eximius Centre for Learning & Rajbhasha
Export-Import Bank of India, Mumbai
Phone: (022) 22861570/ 22830793
E-mail:
dayachandras@eximbankindia.in

Book Review***"Latin America, Caribbean and India: Promise and Challenge"****By Ambassador Deepak Bhojwani*

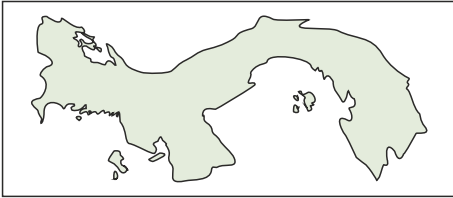
Deepak Bhojwani's book provides a thumbnail history of the LAC region, familiarising the Indian reader with the thirty three apparently homogeneous, but significantly diverse states in the region, while focussing on the core issue of inadequacies in current bilateral relations between India and LAC.

Of the nine chapters, the first four set the scene with a succinct account of LAC's history, contemporary scenes, attempts at regional unity and global engagements, and the last five deal with India's relations with the region which has been on the outer periphery of the Indian diplomatic, political and economic engagement.

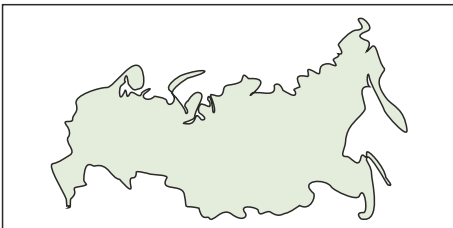
India's attempt at composite dialogue with regional forums in the region have been sporadic and ineffective, with the fault being on both sides. According to the author, trade has also remained at relatively low levels, with lack of diversity in export basket, high transport cost and weak manufacturing base vis-à-vis LAC being the major reasons. Bhojwani also states that unlike Africa, there is an inept and lethargic Indian administration of technical assistance, lines of credit, and cultural and educational programmes in the region. There has also been insufficient political acknowledgement in India of the partnership opportunities with the region.

On the other hand, China is set to become LAC's second-largest economic partner, surpassing the EU, on account of the country's aggressive economic and political campaign,

As a way forward there is a need for improvement in institutional mechanisms, and more coordinated efforts in seizing opportunities in this emerging growth pole of the world.

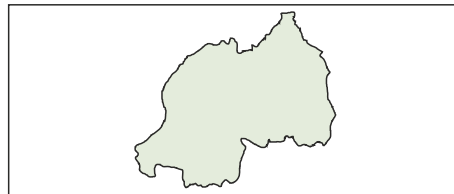
Panama:

The economy of Panama is centered on a highly-developed services sector, which represents more than 75 per cent of gross domestic product (GDP). Panama's GDP grew by 5.9 per cent in January-March year on year, down from an almost double-digit average in 2010-13. Though it was still one of the fastest growing economies in the region, the slowdown in Panama's performance marks a shift to slower growth as many of the capital infrastructure projects reach completion and the pace of investment in the private ports system slows. Panama's growth is forecast to be driven by the services sector and, notably, by transport, retail and finance. The Panama Canal is essential to global trade; other important components of the service economy are the Colon Free Trade Zone (CFZ), which is the second largest free port in the world, and the Trans-Panama Pipeline, which allows for the transport of crude oil between the Pacific and Atlantic coasts.

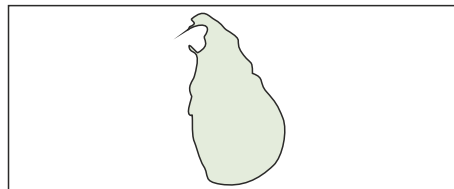
Russia:

Russia's economic outlook has been impaired by international sanctions, which have compounded the effects of underlying structural weaknesses. Falling oil prices and rapid capital flight led to a steep devaluation of the rouble in 2014, which pushed up inflation. In 2015 the high inflation and the falling jobs market is expected to impact household consumption. Low business confidence, international sanctions and domestic decline is likely to impact investment. Nevertheless, the Russian government

welcomed the agreement between Iran and six global powers (P5+1), which lifted financial sanctions on the country in return for scaling back its nuclear program. The weak rouble is forecast to boost exports and weak domestic demand would lead to a steep drop in imports. The overall economic contraction is forecast to be much less severe than in 2009.

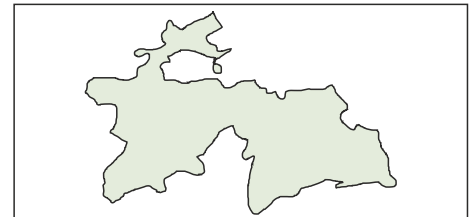
Rwanda:

Rwanda's economic growth is expected to be supported by a robust performance in the agricultural sector that is set to benefit from continued investments aimed at boosting resilience to weather-related shocks, increasing productivity, and promoting commercial farming. Electricity generation from methane gas in Lake Kivu (25 mw), 28 mw hydropower plant on the Nyabarongo River, and an agreement to import 30 mw from Kenya will add significantly to the national electricity supply. The industrial sector is expected to remain robust as a result of strong expansion in construction, supported by donor- and government-financed infrastructure projects, although falling grants and aid inflows will pose a downside risk to the industrial sector's growth. The services sector, is forecast to be the fastest-growing sector driven by government efforts to boost communications services and an expansion in transport activities.

Sri Lanka:

Sri Lanka's real GDP growth is expected to be supported by lower global oil prices boost private consumption. Merchandise trade deficit is expected to narrow in

2015 owing to lower bill for energy imports. The economy is expected to grow by 7.5 per cent in 2015, slightly faster than the rate of 7.4 per cent recorded in 2014. Private consumption, which accounts for around 65 per cent of nominal GDP, is forecast to be the main engine of economic expansion. Overall investment will be supported by reconstruction in the north and east of the country as well as investment in the services sector and increased demand for housing from urbanisation. Faster growth in advanced economies will benefit export industries such as apparel. Services exports will be boosted by booming tourism inflows, the development of the business-process outsourcing industry, and higher income from trade and shipping services.

Tajikistan:

Tajikistan's real GDP grew by 6.7 per cent in 2014, as compared to 7.4 per cent in 2013. Production at Tajik Aluminium Company (Talco), the main driver of industrial output, fell by 42.2 per cent in 2014, to just 125,000 tonnes. In addition, low global aluminium prices weighed on economic growth in 2014. Tajikistan has also been hit by the Russian economic recession. A sharp contraction in remittance flows, and the steep depreciation of the somoni will have affected domestic demand. On the external side, exports fell by around 16.6 per cent year on year in the first half, despite the somoni fall. The poor performance of the aluminium sector and low global aluminium prices will have hit export earnings. Tajikistan's economic performance is forecast to pick up moderately in 2016, owing to the improvement in conditions in Russia and a lessening of the impact of the depreciation of the exchange rate on macroeconomic developments.

Chinese Yuan (CNY)

The USD/CNY ended June at 6.2008 compared with May's 6.1972, March's 6.1992 and December's 6.2040. A 25 bp rate cut came early for the market as People Bank of China (PBOC) cut again the 1-year lending and deposit rates in June, to 4.85 per cent and 2.00 per cent, respectively. In addition, reserve requirement ratio (RRR) for selected banks with agricultural and/or SME lending meeting certain criteria was cut by 50bps, and RRR for finance companies was cut by 3ppts, also effectively on 28th June. The policy move came after the Shanghai stock index fell 13.2 per cent since the beginning of June-2015.

The market thinks that the above move is mainly driven by the government desire to support a bull market. While RRR cuts are still required amid capital outflows to bring money growth to the targeted level of 12 per cent, the rationale for rate cut is weakening due to early signs of growth stabilization, possible uptrend of inflation in H2, and falling effectiveness of benchmark rates in affecting actual rates. In the PBOC statement, the central bank noted that previous policies have started showing effect, liquidity is generally adequate, and cost of funding is falling, which does not provide strong arguments for such an aggressive policy move. The main justification provided by PBOC is still high real interest rates.

The government appears eager to maintain a bull market to expand the capital market and reduce reliance on bank lending, although the use of monetary policy for that purpose is questionable. The CNY was trading at 6.20 USD on June 30, 2015

Euro (EUR)

During June the euro strengthened against the US dollar from 1.0975 to 1.1142. The Governing Council of the European Central Bank left the refinancing and deposit rates unchanged at 0.05 per cent and -0.20 per cent respectively.

Since 9th March, the ECB has been buying securities under its Asset Purchase Program which will run at least until September 2016 incorporating asset purchases worth a total EUR 1.14 trillion, or EUR 60 billion per month.

The day-to-day, interim headlines for Greece have not held major sway over EUR. Instead, the market has thus far only given attention to a 'final' decision: a decision that results in the June 30 deadline for Greece to repay the IMF simply another checkpoint on the road to redemption for Greece by way of an expanded or new bailout program; or one that sees Greece enter default and lose full-fledged membership to the monetary union.

The 10-year German bond yield surged again in early June and closed up 27bps at the end of June at 0.76 per cent. In part the jump in yields reflected the uncertainty of ECB President Draghi to the move, implying that the ECB would not change its behaviour in how it implements QE in order to bring yields back lower again. The increased volatility is certainly related to the fact that QE from the ECB has led to distortions in financial markets.

The EUR was trading at 1.1135 USD on June 30, 2015.

Brazilian Real (BRL)

The real strengthened modestly in June as the Brazilian authorities continue with efforts to instil renewed belief in the government and central bank's ability to bring inflation back under control. Two events helped in this to some degree. Firstly, despite lifting rates again in June, the BCB (Brazilian Central Bank) in its inflation report revealed an inflation forecast for 2016 that remained above target while communications from the central bank suggested to the markets that another rate increase will be announced in July. Secondly, the government then announced a narrowing of the tolerance band around the 4.5 per cent inflation target. What use to be a +/- 2.0 ppt band has been reduced to +/- 1.5 ppt band with the new 3.0-6.0 per cent band effective immediately. The National Monetary Council, the government body that sets the target, also raised the long-term rate charged by the national development bank from 6.0 per cent to 6.5 per cent. The narrowing of the target band is more symbolic perhaps, but it may mean that interest rates are higher for longer in the future.

The annual inflation rate jumped to 8.5 per cent in May and is expected by the government to reach 9.0 per cent by year-end. The actions may prolong economic weakness and uncertainties over the fiscal outlook and the threat of a ratings downgrade are likely to linger. The primary budget deficit was larger than expected in the month of May. In these circumstances, as the Fed starts to raise rates, the market expects real depreciation over the forecast period.

The BRL was trading at 3.1020 USD on June 30, 2015.

Financial Performance

➤ Loan Portfolio	:	Up 15 per cent to ₹ 86,953 crore
➤ Non Funded Portfolio	:	Up 15 per cent to ₹10,847 crore
➤ Net worth of the Bank	:	Up 19 per cent to ₹ 9,902 crore
➤ Return on Capital to the Central Government	:	Up 28 per cent to ₹ 433 crore
➤ Total Business	:	Up 13 per cent to ₹ 1,76,511 crore
➤ Capital to Risk Assets Ratio	:	15.34 per cent
➤ Net NPAs	:	0.60 per cent (80 per cent provision cover)

Exim Bank's Chairman and Managing Director, Mr. Yaduvendra Mathur announced the Bank's results for the year 2014-15 at a press conference in Mumbai on Thursday, April 30, 2015.

Business & Financial Performance

- **Lines of Credit** aggregating US\$ 1,669.46 million (17 new LOCs during the year) were extended to support export of projects, goods and services from India. 194 LOCs, covering 63 countries across continents, with credit commitments aggregating US\$ 11.68 billion are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation.
- **Project Export Contracts:** During FY 2014-15, 105 Project Export contracts were secured in 40 countries by 56 exporters, aggregating ₹ 49,781 crore. As on March 31, 2015, 414 project export contracts valued at ₹ 1,89,736 crore (approx. US\$30.45 billion), supported by the Bank, were under execution, in 81 countries across Asia, Africa and CIS by 139 Indian companies.
- **Buyer's Credit – National Export Insurance Account (BC-NEIA):** The Bank has till date sanctioned an aggregate amount of US\$ 2.68 billion for 18 projects valued US\$ 4.40 billion under Buyer's Credit – National Export Insurance Account (BC-NEIA).
- **Overseas Investment** assistance was sanctioned to 35 corporates aggregating ₹ 5,544 crore for financing

their overseas investments in 11 countries. So far, Exim Bank has provided finance to 533 ventures set up by 530 companies in 91 countries, with an aggregate assistance of ₹ 43,210 crore.

- **Profit before tax (PBT) and profit after tax (PAT)** of the Bank were at ₹ 1,135 crore and ₹ 726 crore respectively during the year 2014-15.

Resources / Treasury

- During the year, the Bank raised borrowings of varying maturities comprising rupee resources of ₹18,343 crore and foreign currency resources of ₹ 13,012 crore equivalent.
- The Bank is rated investment grade, on par with the country's Sovereign rating. As on March 31, 2015, the Bank was rated Baa3 (Positive) by Moody's, BBB-(Stable) by Standard & Poor's, BBB-(Stable) by Fitch Ratings and BBB+(Stable) by Japan Credit Rating Agency (JCRA). The Bank's Rupee debt instruments continued to enjoy the highest rating viz. AAA rating from the rating agencies, CRISIL and ICRA.

New Benchmarks in the International Capital Markets

- During the year, the Bank issued India's first USD denominated Green bond. The benchmark sized US\$ 500 million bond issue, with a tenor of 5 years was oversubscribed 3.2 times.
- The Bank raised JPY 20 billion by way of issue of Samurai bonds. Bank achieved the tightest spread and the lowest coupon, the first sub-one per cent, in the history of the JBIC's GATE facility.

New Initiatives

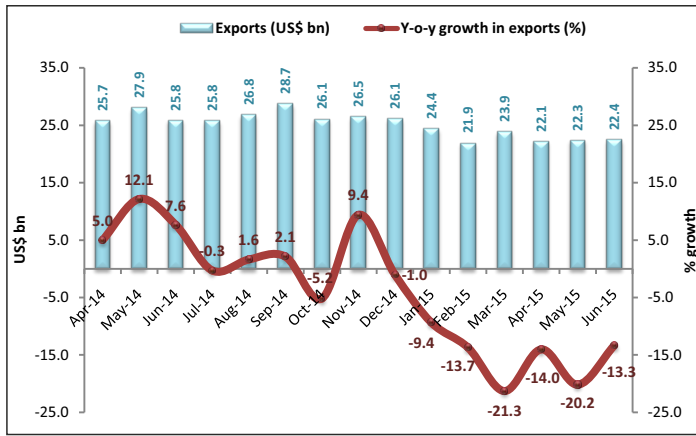
- **Export Development Fund [EDF] facility extended to Iran:** The EDF is the special fund, established by GOI under the Exim Bank Act and administered by Exim Bank, to extend loans in the interest of international trade towards meeting strategic objectives. The EDF has recently extended its first loan by way of a Buyer's Credit Facility of ₹ 900 crore to Iranian banks, backed by sovereign guarantee from Iran, to finance the export of goods and services from India to Iran.
- **Special Purpose Facility for Financing Infrastructure Projects in Neighbouring Countries:** The Facility would have two windows, viz., concessional window, and commercial window, and undertake financing and support projects. Preliminary announcement by Prime Minister in Kathmandu in November 2014 now being operationalised.
- **Project Development Company for Promotion of Trade & Investments in CLMV Countries:** Exim Bank under the GOI's 'Act East Initiative' had undertaken a Mission to CLMV countries, consequent to which a Project Development Company is being set up, to be followed by a Project Development and Facilitation Framework.
- **Project Development Company in Africa:** Exim Bank, IL&FS, AfDB and SBI have floated a Project Development Company in Africa, based in Mauritius. Two projects in the energy sector, have been identified, one each in Tanzania and Nigeria.

INDICATORS	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
GDP (at current prices, US\$ bn)	1365.4	1708.5	1843.2	1835.8	1875.9	2050.6 ^f	2187.7 ^f
GDP Per capita (US\$)	1146.7	1411.7	1498.5	1468.4	1476.4	1587.9 ^f	-
Real GDP Growth (%)	8.6	8.9	6.7	5.1**	6.9**	7.4 ^{p**}	7.6 [@]
Agriculture & allied activities	0.8	8.6	5.0	-0.2**	3.7**	0.2 ^{p**}	-
Industry	9.2	7.6	7.8	2.9**	4.5**	6.1 ^{p**}	-
Services	10.5	9.7	6.6	8.7**	9.1**	10.2 ^{p**}	-
Sectoral Share in GDP (%)							
Agriculture & allied activities	14.6	14.6	18.9**	17.7**	17.2**	16.1 ^{p**}	-
Industry	28.3	27.9	32.9**	32.3**	31.7**	31.4 ^{p**}	-
Services	57.1	57.5	48.2**	50.0**	51.1**	52.5 ^{p**}	-
Population (mn)	1190.7	1210.2	1230.0	1250.2	1270.6	1291.4 ^e	-
Inflation rate (CPI, annual avg. %)	12.2	10.8	10.3	10.2	9.5	6.4	5.1 (Apr-Jun, '15)
Inflation rate (WPI, annual avg. %)	3.8	9.6	8.9	7.4	6.0	2.0	-2.40 (Jun '15)
Gross Fiscal Deficit (% of GDP)	6.5	4.8	5.8	4.9	4.4	4.1 ^e	3.9 ^e
Exchange Rate (₹/US\$, avg.)	47.4	45.6	47.9	54.4	60.5	61.1	63.75 (Jun 30, '15)
Exchange Rate (₹/Euro, avg.)	67.1	60.2	65.9	70.1	81.2	77.5	71.20 (Jun 30, '15)
Exports (US\$ bn)	178.8	249.8	306.0	300.4	314.4	309.6	66.7 (Apr-Jun '15)
% change	-3.5	39.8	22.5	-1.8	4.7	-1.5	-16.2 [^]
Oil Exports (US\$ bn)	28.2	36.4	56.7	60.9	63.2	56.7	8.2 (Apr-Jun '15)
% change	2.3	29.0	55.9	7.3	3.8	-10.2	-51.0 [^]
Non-oil Exports (US\$ bn)	150.6	213.4	249.2	239.5	251.2	252.8	58.5 (Apr-Jun '15)
% change	-4.6	41.8	16.8	-3.9	4.9	0.6	-6.9 [^]
Imports (US\$ bn)	288.4	369.8	489.3	490.7	450.2	447.5	99.0 (Apr-Jun '15)
% change	-5.1	28.2	32.3	0.3	-8.3	-0.6	-12.5 [^]
Oil Imports (US\$ bn)	87.1	106.0	155.0	164.0	164.8	138.3	24.7 (Apr-Jun '15)
% change	-7.0	21.6	46.2	5.9	0.4	-16.0	-38.9 [^]
Non-oil Imports (US\$ bn)	201.2	263.8	334.3	326.7	285.4	309.3	74.3 (Apr-Jun '15)
% change	-4.2	31.1	26.7	-2.3	-12.6	8.4	2.2 [^]
Trade Balance (US\$ bn)	-109.6	-120.0	-183.3	-190.3	-135.8	-138.0	32.3 (Apr-Jun '15)
Services Exports (US\$ bn)**	96.0	124.6	140.9	145.7	151.5	155.4	24.9 (Apr-May '15)
Software Exports (US\$ bn)**	49.7	53.1	62.2	65.9	69.4	73.1	-
Services Imports (US\$ bn)**	60.0	80.6	76.9	80.8	78.5	79.8	13.6 (Apr-May '15)
Services Balance (US\$ bn)**	36.0	44.0	64.0	64.9	73.0	75.6	11.3 (Apr-May '15)
Current Account Balance (US\$ bn)	-38.4	-47.9	-78.2	-87.8	-32.4	-27.5	-
CAB as percentage of GDP (%)	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-
Forex Reserves (US\$ bn)	279.1	304.8	294.4	292.0	304.2	341.6	355.2 (Jun 26, '15)
External Debt (US\$ bn)	260.9	317.9	360.8	409.4	446.3	475.8	-
External Debt to GDP Ratio (%)	18.3	18.2	20.9	22.3	23.6	23.8	-
Short Term Debt (US\$ bn)	52.3	65.0	78.2	96.7	91.7	84.7	-
Short Term Debt / Total Debt (%)	20.1	20.4	21.7	23.6	20.5	17.8	-
Total Debt Service Ratio (%)	5.8	4.4	6.0	5.9	5.9	7.5	-
FDI (US\$ bn)	37.7	36.0	46.6	34.3	36.0	44.3	9.5 (Apr-May '15)
GDRs/ADRs (US\$ bn)	3.3	2.0	0.6	0.2	0.02	-	1.3 (Apr-May '15)
FII's (net) (US\$ bn)	29.0	29.4	16.8	27.6	5.0	40.9	0.3 (Apr-May '15)
FDI Outflows (US\$ bn)	15.1	17.2	10.9	7.1	9.2	1.7	0.9 (Apr-May '15)
Memo Items:	2010	2011	2012	2013	2014^f	2015^f	2016^f
Global GDP (% change)	5.4	4.1	3.4	3.4	3.4	3.3	3.8
Advanced Economies	3.1	1.7	1.2	1.4	1.8	2.1	2.4
Emerging and Developing Economies	7.4	6.2	5.2	5.0	4.6	4.2	4.7
World Merch. Trade (Vol., % change)	14.3	6.9	2.5	3.1	3.0	3.5	4.7
World Merch. Exports (US\$ trn)	15.0	18.0	18.2	18.6	18.8	17.3	18.4
Growth in Value of World Merch. Exports (%)	21.7	20.0	1.0	2.3	1.0	-8.1	6.5

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.

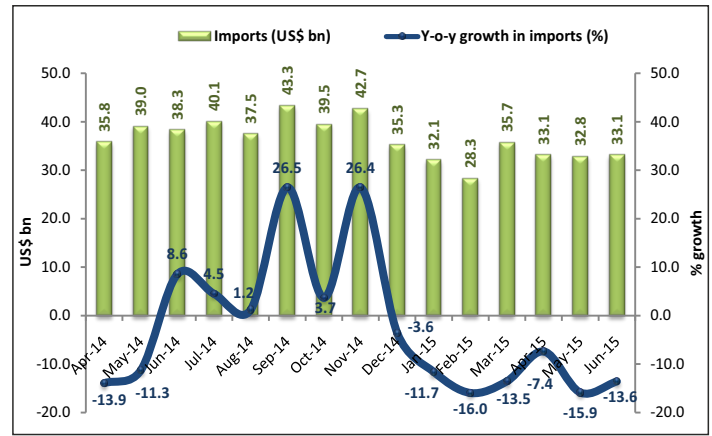
Note: e - GOI's estimates; p - GOI's advance estimates; f - IIF Forecasts; - Not Available; * - Budget 2015-16 estimates real GDP growth to be in the range of 8 to 8.5 per cent in 2015-16; ** - Data as per the revised base year 2011-12; *** - Data from 2009-10 onwards is given by RBI as per new format of standard presentation of BoP statistics based on guidelines set out in IMF Balance of Payment Manual; @ - IIF Estimates; ^-% change is over corresponding period of the previous year.

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



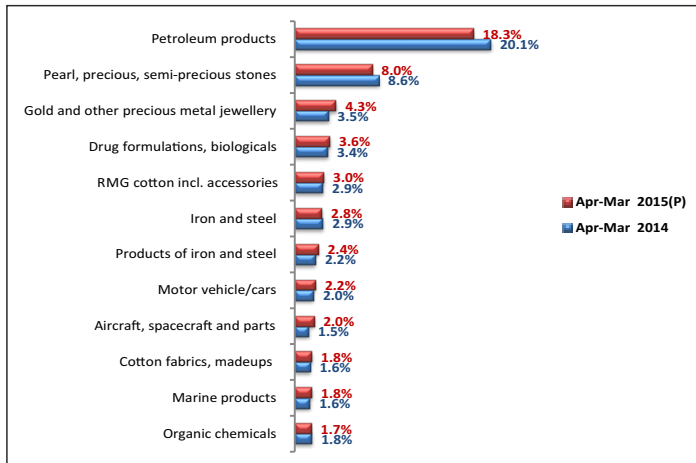
Source: MOCI

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



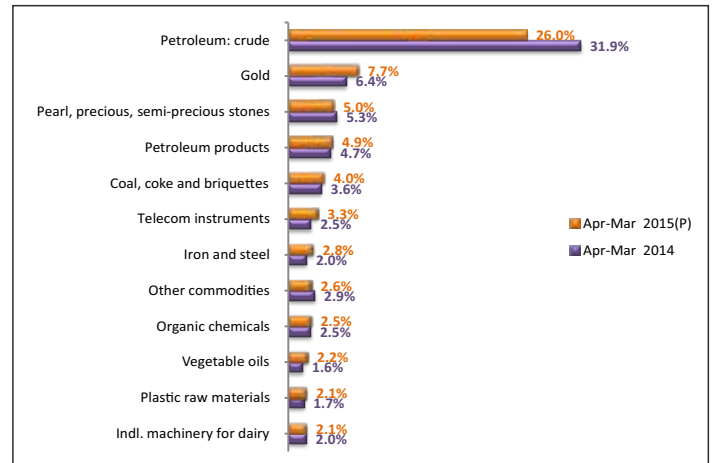
Source: MOCI

Chart 3: India's Export Composition in 2014-15



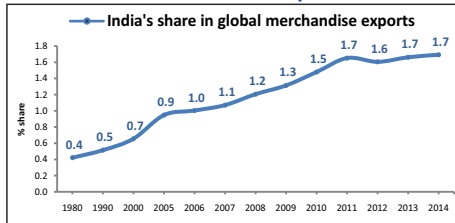
Source: MOCI

Chart 4: India's Import Composition in 2014-15



Source: MOCI

Chart 5: India's Share in World Merchandise Exports

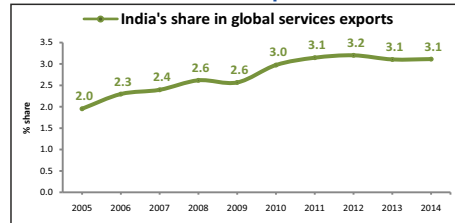


Notes:

- 1) China emerged as the leading global exporter in 2009, replacing Germany.
- 2) India is the 19th largest global exporter in 2014, up from 20th position in 2013, 26th position in 2007, and 32nd position in 2000.

Source: WTO (Accessed on June 30, 2015)

Chart 6: India's Share in World Services Exports



Notes:

- 1) India is the 8th largest global service exporter in 2014, up from 9th position in 2009 and 11th position in 2005.

Source: WTO (Accessed on June 30, 2015)

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

Export-Import Bank of India
 Centre One Building, Floor 21
 World Trade Centre Complex
 Cuffe Parade, Mumbai - 400 005
 Phone : +91 - 22 - 2217 2600
 Fax : +91 - 22 - 2218 2572
 E-mail : cog@eximbankindia.in
 Website : www.eximbankindia.in

Contact Numbers : Ahmedabad : 079 2657 6852, Bangalore : 080 2558 5755, Chandigarh : 0172 2641 910, Chennai : 044 28522830, Guwahati : 0361 2237607, Hyderabad : 040 2330 7816, Kolkata : 033 2289 1728, New Delhi : 011 2347 4800, Pune : 020 2640 3000

Addis Ababa : +251 116 - 630079, Dubai : +971 4 - 3637462, Johannesburg : +2711 - 3265103, London : +44 20 - 77969040, Singapore : +65 65 - 326464, Washington D.C. : +1 202 - 2233238, Yangon : +95 1 - 389520.

Trade and Partnership Opportunities

Trade Opportunities

Hand-Woven Garment

An independent all Women's cooperative employing around 1500 women weavers & artisans from over 32 villages in the hilly area of Almora in Uttarakhand. The co-operative is engaged in producing hand woven and knitted products from ancient handloom & craft traditions from the Himalayas.



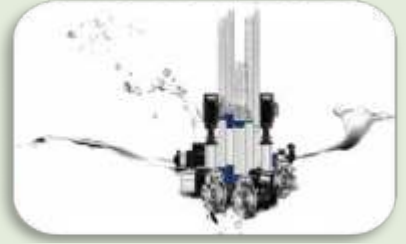
Ice Making Machine

Manufacturer / exporter of slurry ice machine, block ice making machine and tube ice plants for installation at various industries such as hospitality, seafood processing, chemical & dye manufacturing.



Water Pumps & Motor

An ISO 9001:2008 certified company and star export house manufacturing and exporting wide range of submersible stainless steel pumps and motors. The company offers best water-based & pumping solutions in multiple applications.



Polypropylene Mat

Manufacturer exporter of customized floor mats for specific application designed by cutting edge technology. These mats incorporate latest trends and technologies of the market and are 100 per cent washable and easy to maintain.



Rubber Moulded Component

Leading manufacturer of custom made rubber moulded components and parts having application in the automotive industry.



Metering Solution

An ISO 9001 : 14001 certified company engaged in diverse business verticals offering highly innovative & sustainable solutions to the power sector. These vertical are; metering solution, power back-up & solar solution and engineering construction & turnkey contracts.



Partnership Opportunities

Investment Opportunities

- (I) Mozambique based company seeking for Indian companies interested in considering partnership for EPC, technology supplier and/or potential equity investor for construction of industrial fertilizer plant for producing raw material such as nitric acid, and fertilizers such as ammonium nitrate, NPK and DAP.
- (II) Myanmar based company seeking Indian joint venture partner for setting-up manufacturing facility to produce sulphuric acid in Myanmar.

Export Opportunities

- (I) Egyptian importer seeking Pre-Painted Galvanized Steel Coil in cut-to-size form from India.
- (II) A US based e-commerce giant interested in sourcing hand-woven loom made home furnishing products from Karur, Tamil Nadu.
- (III) Fresh produce such as onion & potato requirement from a supermarket retailer based in Russia.

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: 2707. Fax: 2218 8268. Email: mas@eximbankindia.in