




2011-2012
30th ANNUAL REPORT

Catalysing India's Foreign Trade



Three decades ago, in 1982, Government of India launched a new institution in the form of Export-Import Bank of India, with a mandate to enhance exports and integrate India's international trade and investment with its economic growth.

While the mandate was demanding, what really set the Bank apart was the strategy adopted to fulfil it, which essentially involved introduction of innovative products and services and proactive adaptation to new challenges. Commencing operations as a purveyor of export credit, Exim Bank today plays an important role in partnering Indian industries in their globalisation efforts through a comprehensive range of financing and advisory support programmes encompassing all stages of the export business cycle.

Exim Bank has played a pioneering role in promoting project exports from India and has been actively encouraging Indian firms to participate in overseas project opportunities. With the Banks' support many Indian companies operate as either sub-contractors or consortium members in export markets. As on March 31, 2012, 341 project export contracts were under execution in 62 countries by 74 Indian companies, with support from Exim Bank.

In the realm of trade financing, which is the primary area of activity of most Export Credit Agencies around the world, Exim Bank's Lines of Credit (LOCs) have served as an effective market entry mechanism. As on March 31, 2012, the Bank had 157 operational LOCs covering 75 countries. In order to provide further impetus to project exports from India, especially in the infrastructure sector, Exim Bank introduced a new product called Buyer's Credit under the National Export Insurance Account with an objective to ensure that Indian companies are in a competitive position in project bids in comparison to their peers from other nations.

While the Bank has been partnering the Indian industry, it has also retained its focus on micro, small and medium enterprise (MSME) units. In this context, the Bank has taken several steps to enhance its presence in the MSME space. Creation of a Technology and Innovation Enhancement and Infrastructure Development Fund exclusively for MSMEs and designing a financing programme for the Creative Industry where MSMEs are predominant, is a part of the Bank's endeavours towards augmenting the competitiveness of MSMEs. Exim Bank believes that such initiatives would go a long way in stimulating innovative ideas and entrepreneurial skills while making significant contributions to development and exports.

Exim Bank has also reactivated its Export Marketing Services to help Indian MSMEs establish their products overseas and enter new markets. This programme, which works on a success-fee basis, has been recast to be driven by a strong research backing involving, among others, a mapping of potentially exportable products with the prevailing international demand.

In its efforts towards promotion of sustainable development the Bank has set up a separate group for promoting exports of products from rural grassroots business enterprises, essentially through capacity and skill development. The underlying objective is to create an enabling environment for rural micro enterprises to explore newer geographies leveraging effectively upon Exim Bank's extensive institutional and trade promotion linkages. This initiative supplements the Bank's other support programmes which address the needs of relatively disadvantaged sections of the Indian society while seeking to create expanded opportunities for traditional crafts persons and artisans of the country, thereby contributing towards employment generation.

The achievements of the past three decades provide a strong foundation to Exim Bank from where it will continue to catalyse India's international trade and investment. The Bank is committed to go beyond traditional financing and facilitate exports of a variety of products and services which have the potential to go overseas, by creating a niche for them in the international market.

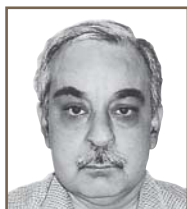
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Board of Directors*



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



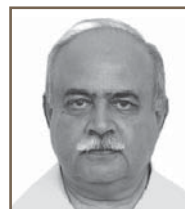
Dr. Rahul Khullar
Secretary
Department of Commerce
Ministry of Commerce & Industry



Dr. Kaushik Basu
Chief Economic Adviser
Ministry of Finance



Shri D.K. Mittal
Secretary
Department of Financial Services
Ministry of Finance



Shri Sudhir Vyas
Secretary, (ER)
Ministry of External Affairs



Shri P.K. Chaudhery
Secretary
Department of Industrial
Policy & Promotion
Ministry of Commerce & Industry



Shri V. K. Sharma
Executive Director
Reserve Bank of India



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



Shri N. Shankar
Chairman-cum-Managing Director
Export Credit Guarantee
Corporation of India Ltd



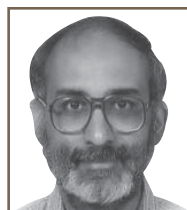
Shri Pratip Chaudhuri
Chairman
State Bank of India



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



Shri Alok Kumar Misra
Chairman & Managing Director
Bank of India



Prof. A.M. Bhattacharjea
Professor (Economics)
Delhi School of Economics,



Dr. Biswajit Dhar
Director-General
Research and Information
System for Developing
Countries

* as on April 24, 2012

The Past Decade

(in ₹ million)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Cumulative (2002-2012)	Growth (CAGR)
LOANS												
Approvals	78283	92657	158535	204887	267622	328045	336285	388430	477984	444119	2776846	21
Disbursements	53203	69575	114352	150389	220760	271587	289327	332485	344233	370451	2216362	24
Loan Assets ¹	87736	107751	129104	175931	228862	287767	341564	390357	456558	538898		22
GUARANTEES												
Approvals	9328	10792	15887	43264	49978	21994	16184	13508	32165	27549	240649	13
Issuance	7275	5743	16602	21959	16972	20386	10315	3875	11535	13611	128273	7
Guarantee Portfolio	16133	15769	23727	34023	35360	34556	35401	22736	30557	32407		8
RESOURCES												
Paid-up-Capital	6500	6500	8500	9500	10000	11000	14000	17000	20000	23000		
Reserves	13171	14933	16625	17703	18741	21064	24681	28316	32302	37003		
Notes, Bonds & Debentures	64902	76701	98972	126727	154230	179273	215786	242894	272040	331212		
Deposits ²	9121	20922	82	454	702	26741	28191	29383	32410	31566		
Other Borrowings	16467	21583	21064	32909	61684	111149	128046	132811	167468	183768		
Total Resources	123189	155192	156922	201401	262439	373006	442017	470715	547508	636730		
PERFORMANCE												
Profit Before Tax (PBT)	2686	3042	3144	3769	3909	5334	6101	7724	8677	10126	54512	
Profit After Tax	2066	2292	2579	2707	2994	3330	4774	5135	5836	6751	38464	
Balance of Net Profits transferred / transferable to Central Government	450	470	654	868	956	1008	1157	1500	1850	2050	10963	
Staff (Numbers) ³	167	190	193	200	212	222	232	232	244	253		
RATIOS												
Capital to Risk Assets Ratio (%)	26.9	23.5	21.6	18.4	16.4	15.1	16.8	18.9	17.0	16.4		
PBT to Capital (%)	41.3	46.8	41.9	41.9	40.1	50.8	48.8	49.8	46.9	47.1		
PBT to Net Worth (%)	14.1	14.2	13.5	14.4	14.0	17.5	17.2	18.4	17.8	18.0		
PBT to Assets (%)	2.6	2.2	2.0	2.1	1.7	1.7	1.5	1.7	1.7	1.7		
PBT per Employee (₹ million)	16.3	17.0	16.4	19.2	19.0	24.6	26.9	33.3	36.5	40.7		

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

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

³ Denotes number of employees in the service of Exim Bank

Note: Data pertain to General Fund

Chairman's Statement



The Indian economy posted a growth of 6.5 per cent during 2011-12, after witnessing an average growth of 8.5 per cent in the last five years. Strong performance of the services sector was undermined by low agricultural output and sluggish industrial growth, resulting in moderation of growth. However, on the external front, Indian exports crossed its target for the year despite a challenging environment in its major markets, the US and Europe. Exports amounted to US\$ 303.7 billion in 2011-12, as compared to US\$ 251.1 billion recorded during 2010-11.

As regards imports, while rise in international oil prices led to increase in the value of oil imports, non-oil imports also increased resulting in a 32.1 per cent rise in overall imports, which stood at US\$ 488.6 billion in 2011-12. In the medium term, India's exports are slated to touch US\$ 500 billion by 2013-2014.

BUSINESS INITIATIVES

The Bank supported 53 project export contracts secured by 28 companies in 23 countries, reflecting the capabilities of Indian corporates to secure and execute diverse range of projects. During the year, the Bank also extended Buyer's Credit facility to 18 overseas companies to facilitate exports from India. A new product, Buyer's Credit under Government of India's National Export Insurance Account, was launched, in conjunction with the Export Credit Guarantee Corporation of India Ltd., to boost project exports from India.

The Bank lays special emphasis on extending Lines of Credit (LOCs) as an effective market entry mechanism and market diversification. During the year, 18 new LOCs aggregating US\$ 1.5 billion were extended by the Bank to support export of projects, goods and services

from India. As on March 31, 2012, the Bank has in place 157 LOCs covering 75 countries in Africa, Asia, CIS, Europe and Latin America with credit commitments aggregating US\$ 8.16 billion.

The Bank continued to support companies in acquiring overseas assets. During the year, the Bank assisted 53 corporates for part financing their overseas investments in 24 countries.

The role of MSMEs in developing and emerging economies is undisputed and well recognised. Exim Bank partnered with the Commonwealth Secretariat in the 12th edition of Commonwealth-India Small Business Competitiveness Development Programme in Bangalore to promote capacity development initiatives for MSMEs in Commonwealth member states. The Bank's in-house research on MSMEs has pointed out that the cap on plant and machinery for the purpose of classifying units as MSMEs in India is not in sync with the classification of other countries, and does not encourage Indian MSMEs to move up the value chain. The study identifies that there is a need for raising the investment ceiling classifying MSMEs at least in the capital-intensive sectors. To encourage this sector towards technology orientation, the Bank has set up a Technology & Innovation Enhancement and Infrastructure Development (TIEID) fund with an initial amount of US\$ 500 million for MSMEs to improve their export competitiveness and internationalisation efforts.

During the year, the Bank raised foreign currency resources aggregating to US\$ 2.62 billion equivalent through a variety of instruments, different investor base and across various geographies. I am happy to share with you that Exim Bank became the first Indian bank to enter the Japanese retail bond market by issuing Uridashi Bonds (a bond denominated in a foreign currency and sold directly to Japanese household investors) in three different currencies viz., Australian Dollar, Japanese Yen and South African Rand, aggregating US\$ 124 million equivalent, thereby achieving diversification of investor base.

We also supported rural industries in their globalisation efforts through our Grassroots Business Initiatives. The financial support from Exim Bank is expected to increase the quantum, quality and exportability of products made by small artisans in various states like Bihar, Karnataka, Kerala, Uttarakhand and West Bengal.

The research group of the Bank has assisted in providing valuable policy inputs to the Government of India on diverse subjects at various occasions during the year. Research studies brought out by the Bank have focused on India's trade and investment potential with MERCOSUR, LDCs, SADC, and Commonwealth countries, while the sector studies have focused on mapping the potential of Indian Plantation Sector, and MSMEs. Another study has focused on the theme of Openness and Growth of the Indian Economy.

The Seventeenth Annual Meeting of the Asian Exim Banks Forum was held in Langkawi, Malaysia during November 2011. The Forum had been conceived and initiated by Export-Import Bank of India in 1996. The theme for the 2011 Annual meeting was 'Strengthening Cooperation among Asian Exim Banks in facilitating Global Trade and Investment'. The meeting provided a platform for member institutions to discuss issues and measures for enhancing trade and investment relations in the light of the slowdown in global economy.

Towards fostering institutional linkages, the Bank entered into a Framework Agreement on Financial Cooperation with four major development banks of BRICS countries (Brazil, Russia, China, and South Africa) in April 2011. As a follow-up to this Agreement, the Bank hosted a Technical Group Meeting in Kumarakom, Kerala, in February 2012, during which the member development banks discussed and finalised two Agreements viz., 'Master Agreement on Extending Credit Facility in Local Currency' and 'BRICS Multilateral Letter of Credit Confirmation Facility'. During the fourth BRICS Summit hosted by India in New Delhi in March 2012, Exim Bank signed these two multilateral

financial cooperation agreements with other member development banks. The Bank also hosted the Annual Meeting and Financial Forum under the BRICS Interbank Cooperation Mechanism coinciding with the Fourth BRICS Annual Summit at New Delhi.

BUSINESS RESULTS

Strong fundamentals of the Bank have been reflected in the Bank's business performance. Loan assets amounted to ₹ 545.30 billion, registering an increase of 18 per cent over the previous year, while loan approvals aggregated to ₹ 444.12 billion. Profit before tax stood at ₹ 10.13 billion, up from ₹ 8.68 billion in the previous year, while profit after tax amounted to ₹ 6.75 billion, up from ₹ 5.84 billion in the previous year. Capital to Risk Assets Ratio stood at a healthy 16.44 per cent, while net NPAs to net loan assets ratio was at 0.29 per cent. Government of India continued its support with increase in paid-up capital of ₹ 3 billion, received during the year, which in turn has increased the Bank's paid-up capital to ₹ 23 billion. As on March 31, 2012, the Bank was rated Baa3 by Moody's, BBB- by Standard & Poor's, BBB- by Fitch Ratings, and BBB+ by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above and are the same as the sovereign rating.

INSTITUTIONAL INTERACTIONS

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

BOARD OF DIRECTORS

There have been changes on the Board of the Bank. Shri V.K. Sharma, Executive Director, Reserve Bank of India; Shri Anurag Jain, Joint Secretary, Government of India, Department of Financial Services, Ministry of Finance; Shri D.K. Mittal, Secretary, Government of India, Department of Financial Services, Ministry of Finance; Shri N. Shankar, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd.; Shri P.K. Chaudhery, Secretary, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; Shri Sudhir Vyas, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Prof. A.M. Bhattacharjee, Professor of Economics, Delhi School of Economics; and Dr. Biswajit Dhar, Director-General, Research & Information System for Developing Countries, were appointed as Directors on the Board.

Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India; Shri Manbir Singh, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Shri Rajinder Pal Singh, Secretary, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; Smt. Ravneet Kaur and Shri Anurag Jain, Joint Secretaries, Government of India, Ministry of Finance, Department of Financial Services, relinquished their directorships consequent upon completion of their term or change in office. The Bank gratefully acknowledges their invaluable contributions as Directors.

I must acknowledge the high level of commitment and dedication displayed by the staff of the Bank to the pursuit of business growth and new initiatives and for carrying the Bank's mission forward.



(T. C. A. Ranganathan)
April 24, 2012

Sitting from left:

C. P. R. Menon, Chief General Manager
 Prabhakar Dalal, Executive Director
 T. C. A. Ranganathan, Chairman & Managing Director
 David Rasquinha, Executive Director
 Mukul Sarkar, Chief General Manager

Standing front row from left:

S. Srinivas, General Manager
 Geeta Poojary, General Manager
 Sangeeta Sharma, General Manager
 Madhulika Verma, General Manager
 Sunita Sindwani, General Manager
 Daya Chandrabhas, General Manager
 Rima Marphatia, General Manager
 David Sinate, General Manager

Standing back row from left:

Samuel Joseph, General Manager
 Nadeem Panjetan, General Manager
 S. P. Singh, General Manager
 Prahalathan S. Iyer, General Manager



Management Team



Economic Environment

Economic Environment

Global Economy

Global recessionary trends had significant fallout in 2011, as global economic activity grew by 3.9 per cent as against 5.3 per cent in 2010. According to the International Monetary Fund (IMF)'s World Economic Outlook (WEO), April 2012, the global economy has suffered a setback in 2011 due to deepening of the Eurozone crisis in the fourth quarter of 2011. Growth in advanced economies moderated to 1.6 per cent in 2011 as against 3.2 per cent in 2010, while growth in emerging and developing economies eased to 6.2 per cent in 2011 as compared to 7.5 per cent in the previous year.

As fears of Eurozone hitting a mild recession in 2012 increases, world output is projected to ease further at 3.5 per cent in 2012, however, as a silver lining, it is expected to recover and grow by 4.1 per cent in 2013.

Reacceleration of activity during the course of 2012 is expected to push up global growth in 2013. Economic activity in emerging and developing economies is forecast to grow at a modest pace of 5.7 per cent in 2012 and 6 per cent in 2013, because of the worsening external environment and weakening of internal demand, while advanced economies are forecast to grow at 1.4 per cent in 2012 and 2 per cent in 2013.

The financial sectors of most advanced economies are still vulnerable to shocks mainly due to the delay of recovery in the US economy, financial turbulence in the Eurozone, and major

sell-off of risky assets in global markets. Against this backdrop, the global economy faced further shocks as a devastating earthquake and tsunami hit Japan, and some oil producing countries in the Middle East and North Africa (MENA) region faced unrests.

The US economy grew by 1.7 per cent in 2011, as compared to 3 per cent in 2010, as business confidence in the US economy fell and market volatility increased significantly with the downgrade in the US sovereign credit rating. Supply disruptions, from Japan and the MENA region, also had adverse impact on the US economy. Prospects for 2012 and 2013 are expected to improve, with the US economy projected to grow by 2.1 per cent and 2.4 per cent, respectively, partly reflecting a modest increase in employment.

Growth in Advanced Europe moderated to 1.4 per cent in 2011 as compared to 1.8 per cent in 2010, mainly due to increased public deficits and debt and mounting market tensions in the Eurozone. The Eurozone also grew at similar pace. Economic performance across Euro area in 2011 was widely varied. In 2011, growth in Germany was a little above the pre-crisis level at 3.1 per cent, but France and Italy had a subdued growth at 1.7 per cent and 0.4 per cent, respectively. Greece and Portugal witnessed a contraction in output since they continued to be engulfed in deep sovereign debt crises. In 2012, the Advanced Europe region is forecast to contract by 0.1 per cent, as the crisis is expected to further deepen and affect the less impacted economies in the region.

In the Newly Industrialised Asian Economies, growth slowed down to 4 per cent in 2011, as against 8.5 per cent in 2010. Output of the region had positive contribution from net exports mainly due to limited appreciation of real



Exim Bank extended a Line of Credit of US\$ 250 million to the Government of Nepal. The LOC agreement was signed in the presence of Prime Minister of India, H.E. Dr. Manmohan Singh and the Prime Minister of Nepal, H.E. Mr. Baburam Bhattarai.

effective exchange rates. Growth is forecast to moderate further at 3.4 per cent in 2012 and 4.2 per cent in 2013.

Japan's economy contracted by 0.7 per cent in 2011, owing to supply constraints from the earthquake and tsunami in March 2011. Japan's economy is forecast to recover with growth of 2 per cent in 2012 and 1.7 per cent in 2013, supported by reconstruction activity.

Developing Asia continued to record strong growth and remains the fastest growing region in the world. However, real GDP growth of the region moderated to 7.8 per cent in 2011 from 9.7 per cent recorded in the previous year, and is expected to moderate further to 7.3 per cent in 2013 mainly reflecting emerging capacity constraints and weaker external demand. China and India were the main growth drivers of the region. China's real GDP growth moderated to 9.2 per cent in 2011 as compared to 10.4 per cent in 2010, but continued to remain the fastest growing economy in the region. The moderation in growth in China was mainly due to policy tightening measures and a fall in net external demand. Investment growth slowed with unwinding of the fiscal stimulus, but continued to be a principal contributor to China's growth.

China's economic growth is expected to ease further at 8.2 per cent in 2012.

The Latin America and Caribbean (LAC) region grew by 4.5 per cent in 2011, as compared to 6.2 per cent in 2010. Growth was mainly driven by the region's commodity exporters, but the slack was mainly due to the easing of domestic demand growth in response to less accommodative macroeconomic policies, and weakening external demand. Argentina, Chile, Peru, and Uruguay, the commodity exporters of the region, grew at an average level of above 6 per cent in 2011. Real GDP growth of Brazil, the largest economy in the region, declined to 2.7 per cent in 2011, as against 7.5 per cent growth recorded in 2010, owing to the monetary policy tightening and weakening external demand. Mexico's real GDP increased by 4 per cent in 2011, as compared to 5.5 per cent in the preceding year, a result of the sluggish U.S. recovery. Growth in the Central American region in 2011 was constrained by a sluggish recovery in remittances and tourism, and challenges of high public debt in most Caribbean countries. Growth in the LAC region is expected to ease further at 3.7 per cent in 2012, before picking up to 4.1 per cent in 2013.

Real GDP of the Sub-Saharan Africa region grew at 5.1 per cent in 2011, as against the 5.3 per cent growth recorded in the preceding year, underpinned by a robust private and public consumption. Though growth in the region was not significantly affected by the global slowdown, the downside risks in the region have increased with greater global integration of the middle income economies (MICs). Average growth for the low-income countries (LIC) group was at 5.8 per cent in 2011, on the back of strong domestic demand and accelerating exports. South African economy grew by 3.1 per cent in 2011 as compared to 2.9 per cent in 2010, supported by rise in private consumption and investment, resulting from a low interest rate environment and a return to the issuance and renewal of mining licenses.

The Sub-Saharan Africa region offers promising growth prospects with the GDP projected to grow by 5.4 per cent in 2012.

Commodity price movements and social unrest hampered the growth in the Middle East and North African (MENA) region, with real GDP growing at 3.5 per cent in 2011, as compared to

4.9 per cent recorded in the preceding year. Growth was mainly driven by oil-exporting economies, such as Qatar, Iraq, and Saudi Arabia, while growth of oil-importing economies in the region, mainly Egypt, Lebanon, and Tunisia, was subdued. The region's economy is projected to expand further by 4.2 per cent in 2012 and moderate to 3.7 per cent in 2013.

Growth in Commonwealth of Independent States (CIS) in 2011 was supported by high commodity prices. Real GDP of the region grew by 4.9 per cent in 2011, as compared to 4.8 per cent in 2010, and is forecast to grow by 4.2 per cent in 2012. The Russian economy maintained a growth rate of 4.3 per cent in 2011, underpinned by the high value of exports from the CIS region. The economy of rest of the CIS region grew by 6.2 per cent in 2011 and is forecast to moderate at 4.6 per cent in 2012.

Average growth in Central and Eastern Europe region strengthened at 5.3 per cent in 2011 as compared to 4.5 per cent in 2010, mainly driven by the energy exporting economies.

World Trade

According to International Monetary Fund's World Economic Outlook, April 2012, global

Exim Bank's LOCs help in getting Sri Lanka Railways back on track

Upgradation of the tsunami-hit Southern Railway Line from Colombo to Matara was undertaken under two LOCs aggregating US\$ 167.40 million extended to the Government of Sri Lanka. This is Sri Lanka's first high speed line. The project was jointly executed by IRCON and RITES.



exports of goods amounted to US\$ 18 trillion in 2011, implying a rise of 19.1 per cent over the previous year's total of US\$ 15.1 trillion. In volume terms, the growth in global trade of goods in 2011 moderated to 6.3 per cent as compared to the growth of 14.3 per cent witnessed in 2010.

While advanced economies registered a growth of 5.7 per cent in volume of export of goods in 2011, emerging and developing economies registered a growth of 6.4 per cent.

The world trade prices of non-fuel primary commodities rose by 17.8 per cent in US dollar terms in 2011 as against 26.3 per cent growth in 2010. Oil prices, which grew by 27.9 per cent in 2010, increased by 31.6 per cent during 2011. World trade price of manufactures increased by 7.2 per cent in 2011, as against 2.4 per cent growth recorded in 2010. World export of services amounted to US\$ 4 trillion in 2011, implying a 9.5 per cent rise over that recorded in 2010.

During 2012, world exports of goods are projected to grow by 3.8 per cent, taking annual global exports to US\$ 18.6 trillion, supported by the positive growth in global commodity prices. Growth in service exports is forecast to rise from US\$ 4 trillion in 2011 to US\$ 4.1 trillion in 2012.

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

The recovery in net private capital inflows to emerging market economies continued through most of 2009 and 2010. However, net private inflow to emerging economies declined to an estimated US\$ 1,030 billion in 2011, as compared to US\$ 1,088 billion in the preceding year.

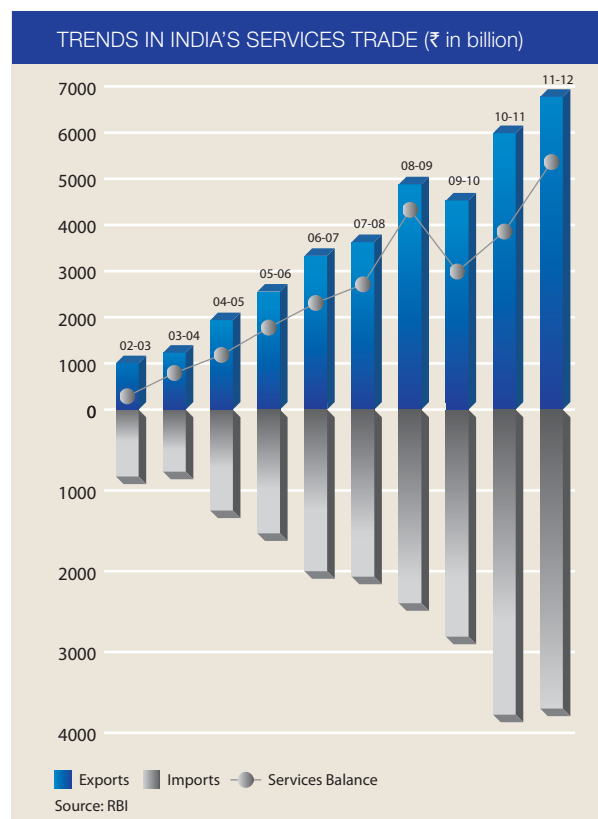
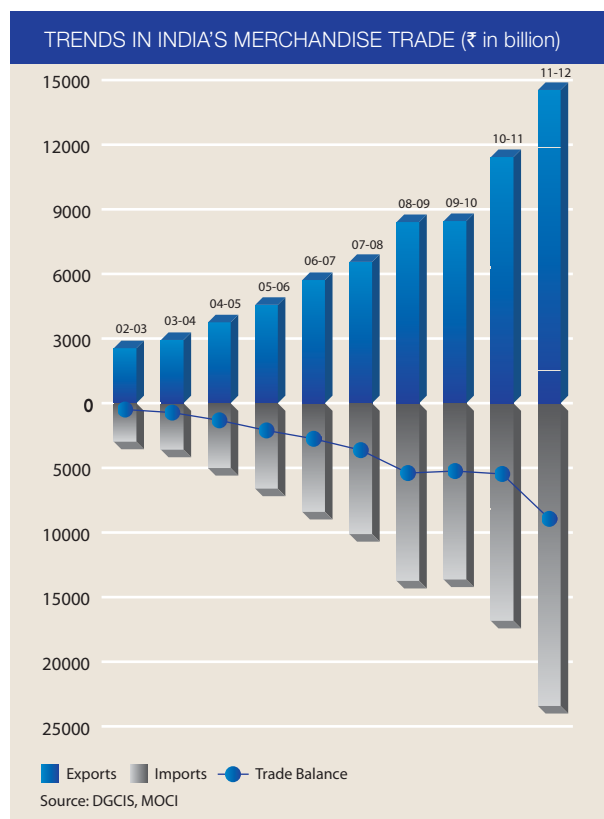
The Emerging Asia region accounted for 51.8 per cent of the net private capital flows to the emerging economies with inflows estimated at US\$ 533.9 billion in 2011, a marginal rise of 0.3 per cent over the previous year. Net private

capital flows to Latin America decreased to an estimated US\$ 253.7 billion in 2011, from US\$ 265.6 billion in 2010. The share of emerging Europe in net private capital flows to the emerging economies increased from a low of 8.8 per cent in 2009 to 17.7 per cent in 2010 and further to 17.9 per cent in 2011, with total inflows estimated at US\$ 184.5 billion in 2011. Net private capital flows to Africa and Middle East declined to an estimated US\$ 57.6 billion in 2011 from US\$ 98.1 billion in 2010.

Current account surplus of the emerging economies decreased to US\$ 338 billion in 2011, from US\$ 357 billion recorded in the previous year. In the emerging Asian region, the aggregate current account surplus reduced from US\$ 343.8 billion in 2010 to US\$ 210.1 billion in 2011, mainly reflecting a decline in China's current account surplus and India's large trade deficit.

In emerging Latin America, current account deficit increased to US\$ 49.9 billion in 2011 from the deficit of US\$ 44.9 billion in the previous year. In emerging Europe, aggregate current account deficit widened to US\$ 9.2 billion in 2011, from US\$ 1 billion in 2010. However, in the Africa and Middle East region, current account surplus rose sharply from US\$ 59.4 billion in 2010 to an estimated US\$ 186.9 billion in 2011, on the back of higher oil prices.

External debt of emerging and developing economies, as a proportion of their exports of goods and services, decreased to 72.1 per cent in 2011 from 79.7 per cent in 2010. The ratio in the case of Central and Eastern Europe decreased to 159.1 per cent in 2011 as against 178.7 per cent in 2010, and for CIS region it decreased to 89.9 per cent in 2011 from 116.9 per cent in 2010. The ratio has also decreased for Middle East and North Africa Region to 53.5 per cent in 2011 from 63.9 per cent in 2010. The ratio in Developing Asia region fell to 48.3 per cent in 2011 from 49.5 per cent in 2010. In Sub-Saharan Africa and the Latin America and Caribbean region, the ratio has declined and stood at 58.6 per cent



and 101 per cent, respectively, in 2011. Overall, the debt-service payments ratio of the emerging and developing economies dropped to 25.6 per cent in 2011 from 26.1 per cent in 2010.

Indian Economy

After witnessing robust real GDP growth of 8.4 per cent in two consecutive years, the Indian economy had witnessed a lower growth of 6.5 per cent in 2011-12, reflecting lower global demand, domestic policy uncertainties and the cumulative impact of monetary tightening. As evident from the good performance in services sector, moderation in real GDP growth in 2011-12 can be mainly attributed to lower agricultural output and weakening industrial growth.

Agriculture

Agriculture and allied activities registered a 2.8 per cent growth in 2011-12, as against 7 per cent registered in the previous year, with the slowdown mainly attributed to base effect and structural impediments. With this growth, the

average annual growth in agriculture and allied sectors realised during the Eleventh Plan Period was 3.3 per cent, lower than the targeted growth rate of 4 per cent. As per the third advance estimates for 2011-12, production of food grains is estimated higher at 252.6 million tonnes, as against the target of 245 million tonnes, mainly due to increased rice production in major rice producing states, namely, Assam, Bihar, West Bengal, Jharkhand and Uttar Pradesh. The share of agriculture and allied activities in GDP in 2011-12 stood lower at 14 per cent, as compared to a share of 14.5 per cent in 2010-11.

Industry

According to the Central Statistical Organisation (CSO), industrial growth slowed down sharply during 2011-12, to 3.4 per cent, from 7.2 per cent in 2010-11, led by contraction in mining, and poor performance of the manufacturing sector. Mining and quarrying sub-sector recorded a negative growth of 0.9 per cent in 2011-12, from 5 per cent growth recorded in the previous year. Both construction

and manufacturing sub-sectors witnessed slowdown in their growth rates in 2011-12, to 5.3 per cent and 2.5 per cent, respectively, as against growth of 8 per cent and 7.6 per cent, respectively, witnessed in 2010-11. Only electricity, gas and water supply sub-sector picked up sharply at a higher growth of 7.9 per cent in 2011-12, as compared to a growth of 3 per cent in the previous year. The share of industry in GDP in 2011-12 stood marginally lower at 27 per cent, as compared to a share of 27.8 per cent in 2010-11.

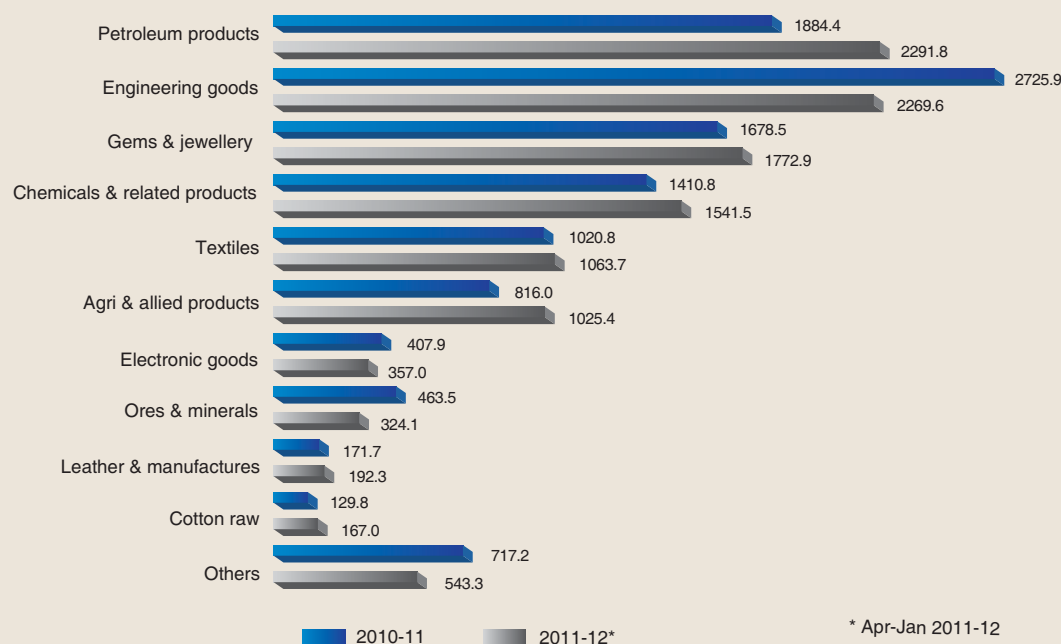
The Index of Industrial Production (IIP) growth during 2011-12 moderated significantly at 2.8 per cent, as compared to 8.2 per cent growth recorded during 2010-11, mainly due to deceleration in growth of mining and manufacturing sectors. Mining sector contracted by 1.9 per cent during 2011-12 as compared to 5.2 per cent growth during 2010-11. Manufacturing sector growth slowed down to 3 per cent during 2011-12 as compared to 8.9 per cent growth during 2010-11. Only electricity sector registered a higher growth of 8.2 per cent during 2011-12, as compared to 5.5 per cent growth recorded during the previous year. As per the use-based classification, the growth of basic goods moderated to 5.5 per cent during 2011-12 as compared to 6 per cent growth witnessed during the previous year. Growth of capital goods has recorded a sharp decline of 4 per cent during 2011-12, as compared to a growth of 14.8 per cent witnessed during 2010-11. Growth in intermediate goods also declined by 0.9 per cent during 2011-12, as compared to a growth of 7.4 per cent witnessed during 2010-11. Growth in consumer goods also moderated to 4.4 per cent during 2011-12, compared to 8.5 per cent growth recorded during 2010-11, mainly due to weak demand for consumer durables. Growth in consumer durables segment slowed down from 14.2 per cent during 2010-11 to 2.6 per cent during 2011-12 while growth in consumer non-durables increased from 4.2 per cent in 2010-11 to 5.9 per cent during 2011-12.

Of the twenty two industrial sub-groups in the manufacturing sector, sixteen sub-sectors registered positive growth rates during 2011-12. These sixteen sub-sectors were publishing, printing and reproduction of recorded media (29.6 per cent); food products and beverages (15 per cent); other transport equipments (12 per cent); fabricated metal products, except machinery & equipments (11.1 per cent); medical, precision & optical instruments, watches and clocks (10.9 per cent); motor vehicles, trailers & semi-trailers (10.8 per cent); basic metals (8.7 per cent); tobacco products (5.7 per cent); other non-metallic mineral products (4.8 per cent); paper and paper products (4.7 per cent); radio, TV and communication equipment & apparatus (4.2 per cent); luggage, handbags, saddlery, harness & footwear, tanning and dressing of leather products (3.6 per cent); coke, refined petroleum products & nuclear fuel (3.2 per cent); wood and products of wood & cork except furniture, articles of straw & plating materials (1.5 per cent) office, accounting & computing machinery (1.3 per cent) and rubber and plastic products (0.2 per cent). The remaining six sub-sectors which recorded decline in their growth rates were electrical machinery & apparatus; wearing apparel, dressing and dyeing of fur; machinery and equipment; furniture; textiles; and chemicals and chemical products.

LOC to Benin to improve transport linkages

An LOC of US\$ 15 million was extended to the Government of Benin, which included contracts valued at US\$ 10.25 million for supply and commissioning of meter gauge diesel electric locomotives, coaches, container rail flat wagons with maintenance spares, aimed to promote regional transport linkages with neighbouring landlocked countries.

COMPOSITION OF INDIA'S MERCHANDISE EXPORTS (₹ in billion)



Services

Services sector witnessed a growth of 8.9 per cent in 2011-12 as against 9.3 per cent in the previous year, reflecting acceleration in the growth rates of community, social, and personal services from 4.5 per cent in 2010-11 to 5.8 per cent in 2011-12. Growth in GDP originating from 'trade, hotels, transport and communication' and 'financing, insurance, real estate and business services' sub-sector continued to remain strong at 9.9 per cent and 9.6 per cent respectively during 2011-12, though lower than 11.1 per cent and 10.4 per cent growth recorded in 2010-11.

The share of services sector in GDP in 2011-12 increased to 59 per cent from 57.7 per cent in 2010-11.

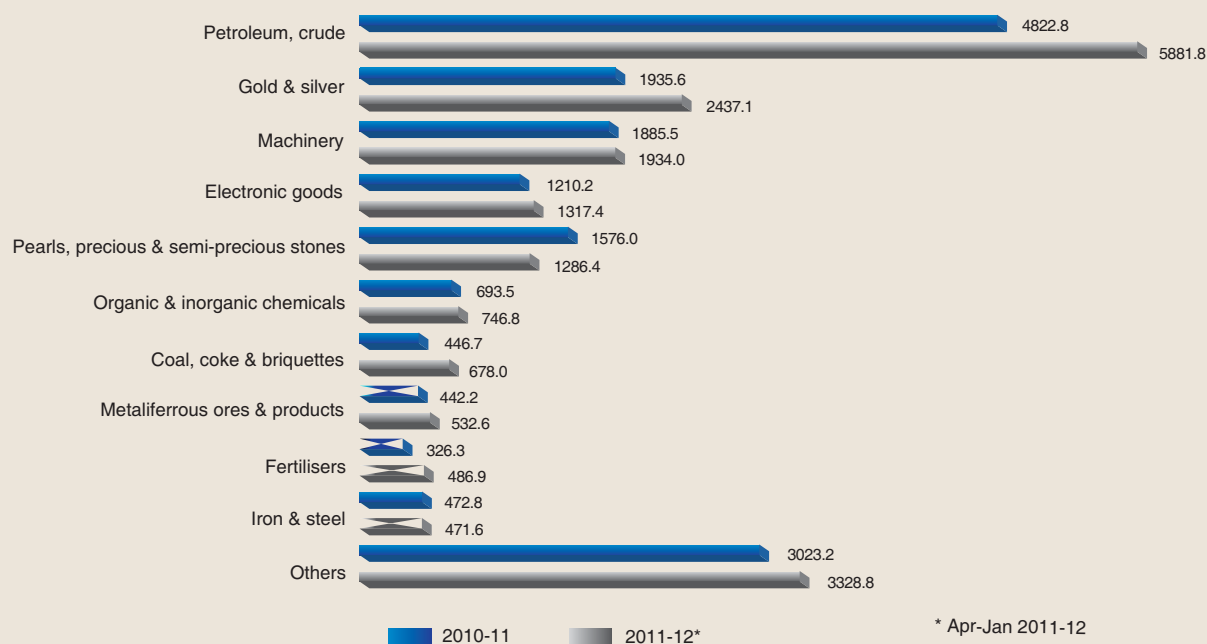
Infrastructure

The eight infrastructure and core industries, viz. coal, crude oil, natural gas, petroleum refinery products, fertilisers, steel, cement and electricity, registered an average growth rate of 4.4 per cent

during 2011-12 as compared to a growth of 6.6 per cent during the previous year. Lower growth rate in 2011-12 was mainly due to negative growth recorded by natural gas sector, and significant slowdown in crude oil and steel sectors. Crude oil witnessed a marginal growth of 1 per cent during 2011-12 compared to a growth of 11.9 per cent recorded during 2010-11. Steel production slowed down to 7 per cent in 2011-12 compared to a growth of 13.2 per cent witnessed during 2010-11. Natural gas production contracted by 8.9 per cent during 2011-12 as compared to a growth of 10 per cent witnessed during 2010-11.

Growth has been especially robust in the two sectors, namely, electricity and cement. Electricity generation grew by 8.1 per cent during 2011-12, as compared to 5.6 per cent growth during 2010-11. Cement production registered a growth of 6.7 per cent during 2011-12 compared to 4.5 per cent growth during 2010-11. Petroleum refinery production grew by 3.2 per cent during 2011-12 compared to a growth of 3 per cent during 2010-11. Production of coal recovered in 2011-12, registering a

COMPOSITION OF INDIA'S MERCHANDISE IMPORTS (₹ in billion)



growth of 1.2 per cent from a negative growth of 0.2 per cent witnessed during 2010-11.

Fertilisers witnessed a moderate growth of 0.4 per cent during 2011-12, as compared to a zero growth recorded in 2010-11.

Inflation

The annual rate of inflation, based on monthly Wholesale Price Index, stood lower at 7.69 per cent for the month of March 2012 as compared to 9.68 per cent during the corresponding month of the previous year, mainly reflecting decline in the prices of non-food articles especially fibres, petrol, cotton textiles, manmade textiles, paper & paper products, basic metals alloys & metal product and food articles including wheat, edible oils, onions, and fruits.

Capital Markets

India's foreign investment inflows during 2011-12 stood at US\$ 64.3 billion, a decline from US\$ 66.3 billion in 2010-11. Net portfolio investment in India in 2011-12 declined to US\$ 17.4 billion from US\$ 31.5 billion during 2010-11. This may be attributed to the sharp decrease in the inflow of funds by Foreign Institutional Investors (FIIs) from US\$ 29.4 billion

during 2010-11 to US\$ 16.8 billion in 2011-12.

Foreign Trade and Balance of Payments

India's exports during 2011-12 amounted to US\$ 303.7 billion, as compared to US\$ 251.1 billion recorded during 2010-11. India's imports during 2011-12 amounted to US\$ 488.6 billion, as compared to US\$ 369.8 billion during 2010-11. Overall, trade deficit for 2011-12 amounted to US\$ 184.9 billion, as compared to US\$ 118.7 billion during 2010-11. With regard to the commodity composition of India's principal exports in 2011-12 (April-January), all major commodity groups, except ores and minerals, project goods and carpets, registered a robust growth.

Among the main export commodities, agriculture and allied products, raw cotton and petroleum products recorded sharp growth of 56.8 per cent, 49 per cent, and 48.1 per cent, respectively.

**Bank's
grassroots
initiatives
help
BPL families**

Exim Bank supported an enterprise employing women from below poverty line families for manufacturing off-the-loom tasar silk products in Bhagalpur, Bihar. The company works on sustainable livelihood projects for poor families. The Bank also supported an artisans' and farmers' cooperative society in Uttarakhand, which produces naturally dyed silk and wool textiles. Financial support was also given to Traditional AYUSH Cluster in Tamil Nadu for setting up a common infrastructure facility for Indian systems of medicine. Exim Bank's interventions augmented the export potential of these enterprises.

In pic: Weaving facility of Kumaon Earth Craft Swayatt Sahakarita Ltd. in Uttarakhand



These were followed by gems and jewellery (42.9 per cent), marine products (38.2 per cent), plantation (35.9 per cent), leather and manufactures (32.1 per cent) and chemicals & related products (30 per cent). Engineering goods exports amounted to US\$ 47.9 billion during 2011-12 (April-January) growing at 4.2 per cent over the corresponding period of previous year. The non-oil exports witnessed an overall growth of 19.8 per cent brought about mainly by items such as machinery and instruments, transport equipments, basic chemicals, readymade garments, plastics & linoleum and cotton yarn fabrics & made-ups. Oil imports during 2011-12 amounted to US\$ 155.6 billion, which was 46.9 per cent higher than the oil imports of US\$ 106 billion in the previous year. Non-oil imports during 2011-12 stood at US\$ 333 billion, which was 26.2 per cent higher than the level of such imports valued at US\$ 263.8 billion in the previous year.

India's net invisibles surplus increased to US\$ 111.5 billion during 2011-12 as against US\$ 84.5 billion during the corresponding period of 2010-11, mainly due to higher increase in invisible receipts relative to payments in absolute

terms. The increase in invisible receipts was mainly driven by increase in personal transfer and services exports. Services exports recorded a growth of 7.1 per cent to US\$ 140.9 billion during 2011-12, as against US\$ 131.7 billion during 2010-11. Software exports increased by 12.2 per cent to US\$ 62.2 billion during 2011-12 as against US\$ 55.5 billion recorded during 2010-11.

India's services imports decreased by 7.3 per cent in 2011-12 to US\$ 76.9 billion, as compared to US\$ 83 billion during 2010-11 mainly due to lower payments under telecommunications and computer services, and other business services including research and development services, professional and management consulting services, technical and trade-related business services. Overall services balance for 2011-12 amounted to US\$ 64 billion, as compared to US\$ 48.7 billion during the same period in 2010-11. Net transfer during the same period amounted to US\$ 63.5 billion. Despite improvement in net invisible surplus, the current account deficit widened during 2011-12 to US\$ 78.2 billion (4.2 per cent of GDP), as compared to US\$ 46 billion in corresponding period of previous year.

Foreign direct investment inflows into India stood at US\$ 46.9 billion in 2011-12 as against US\$ 34.9 billion recorded during the corresponding period of 2010-11.

India's foreign exchange reserves decreased to US\$ 294.4 billion as at end-March 2012, from US\$ 304.8 billion as at end-March 2011. India's external debt, which stood at US\$ 306.1 billion as at end-March 2011 increased to US\$ 345.8 billion as at end-March 2012. The increase in external debt by around US\$ 39.9 billion has been largely due to increase in commercial borrowings and multilateral and bilateral government borrowings.

Outlook for Select Sectors

Automotives

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

The automotive industry exhibited remarkable resilience post-crisis with production of 20.3 million vehicles and exports of 2.9 million vehicles during 2011-12 (a year-on-year increase of 13.8 per cent and 25.4 per cent, respectively). With exports consistently exhibiting increasing dynamism, the export orientation of the sector witnessed an increase from 7.3 per cent in 2004-05 to 14.2 per cent in 2011-12, indicating the increasing international competitiveness of domestically manufactured vehicles.

Two wheelers remained the largest segment in terms of volume, with a production level of

15.4 million units, followed by passenger vehicles at 3.1 million units during 2011-12. Exports also replicated production trends with two wheeler exports numbering 1.9 million and passenger vehicles aggregating 0.4 million units during the same period. Together, these two segments accounted for 84.3 per cent of the total automobile exports in volume terms.

The strong and robust performance across various segments of the automobile industry has benefited auto component manufacturers. The turnover in value terms for the auto component industry increased from US\$ 26.5 billion in 2007-08 to US\$ 39.9 billion in 2010-11, recording an impressive compound annual growth rate (CAGR) of 14.6 per cent during this period. Revenues increased due to strong increase in auto component production, which is projected to nearly double to US\$ 40 billion by 2015-16.

First Indian company's Dim Sum issue succeeds with Exim's guarantee

Exim Bank provided credit enhancement to the first ever corporate bond issue by an Indian company in the Chinese (overseas Renminbi) market. The issue was also the largest-ever CNH bond (Dim Sum Bonds) issue from India. The Bond received an investment grade rating based on Exim Bank's guarantee, leading to it being oversubscribed 200 per cent. The Bond issue proceeds will be used by issuer to acquire and manage infrastructure assets in China.

This could result in the country's share in global production reaching 3 per cent from the current level of 1 per cent. Besides strong underlying demand, the dynamism in the auto component industry can also be attributed to the sector's



Exim Bank extended a Line of Credit Agreements aggregating US\$56.69 million with Central African Republic. H.E. Lieutenant General Antoine Gambi, Minister of Foreign Affairs and Central Africans Abroad signed the agreement.

export performance. Auto component exports witnessed a healthy increase during the period 2003-04 to 2010-11 to touch US\$ 5.2 billion in 2010-11 and are projected to cross US\$ 12 billion by 2015-16. A perceptible aspect of India's exports of auto components is that almost two-thirds of export goes to the twin big markets of Europe and North America which corroborates the sector's increasing competitiveness. In addition, the industry has also been amply supported by the spate of new models launched recently by original equipment manufacturers (OEMs) as well as entry of several new OEMs into the Indian market which has provided a fillip to the demand, bolstering the order book position and growth prospects of component suppliers. Investments into the sector also remained euphoric with the total investment nearly touching US\$ 5 billion during the period 2006-07 to 2010-11, while the fiscal 2011-12 anticipated an investment to the tune of US\$ 2.5 billion.

India's auto component industry today has the capability to manufacture the entire range of auto-components such as engine parts, drives, transmission parts, suspension and braking parts, electrical parts, and body and chassis parts. Engine parts is the largest sub-segment accounting for more than 31 per cent of the sector's production, followed by drive transmission and steering parts (share of 19 per cent) and body and chassis and suspension and braking parts (share of 12 per cent each).



Exim Bank extended a Line of Credit Agreement for US\$ 15 million for financing Rural Electrification Project in Togo with H.E. Mr. Adji Otèth Ayassar, Minister of Economy and Finance, Republic of Togo.

India derives competitive advantage in the automobile sector from its full service supply capability. The fact that manufacturing costs in India are 25-30 per cent lower than its western counterparts makes the country a favourable sourcing destination.

Besides, the quality standards in the sector are in line with global standards, corroborated by the fact that nine Indian companies in the automotive sector have received the coveted Deming Prize – the largest number outside Japan. With an impressive growth momentum in the automobile sector coupled with increasing disposable income and road development in the country, the automotive industry is expected to grow significantly in the foreseeable future.

Chemicals

The chemical industry forms the backbone of the industrial and agricultural development in India and also provides building blocks for downstream industries. This industry is a significant contributor to India's national economic growth. The size of the Indian chemical industry (excluding pharmaceuticals and petrochemicals) is estimated to have reached around

US\$ 60.3 billion. In terms of total value added (at constant 2000 prices), the Indian chemical industry was the 5th largest in the world, and second largest in Asia after China. The industry accounts for about 10 per cent of the output of the Indian manufacturing sector, 13 per cent of India's total exports, and 9 per cent of total imports of the country. In terms of segmentation, basic chemicals was the largest sector with total revenues of US\$ 43.3 billion, equivalent to more than two-third of the industry's overall value in 2010.

The volume of major chemicals produced in India amounted to 8 million metric tonnes (MTs) in 2010-11. Though high in absolute terms, the growth during recent times has not been as emphatic. The production of the Indian chemical industry increased only at an average annual rate of 1.0 per cent – from 7.7 million MT in 2005-06 to 8.0 million MT in 2010-11. This near flat performance was primarily as a result of stagnant growth in alkalis (which includes soda ash, caustic soda and liquid chlorine) – the segment which, by far, accounts for the largest share of the output of the Indian chemical industry in volume terms. Matters were made worse by negative average annual rate of growth in organic chemicals, which recorded average annual declines of (-) 2.4 per cent during the 2005-06 to 2010-11 period, pulling down the overall growth of the industry.

The positive and encouraging fact among the various segments of the Indian chemical industry has been the performance of specialty chemicals, primarily dyes and dyestuffs.

The average annual growth in production of dyes and dyestuff amounted to a healthy 11.8 per cent, increasing from 30,000 MT in 2005-06 to 47,000 MT in 2010-11. This high growth could partly be attributed to the low base and low absolute volumes of dyes and dyestuffs, but more significantly, it implies a consistent increase in market demand of such products. Given that specialty chemicals are knowledge oriented, the per unit price realisation is far higher than most other segments of the chemical industry. Hence, in value terms, it is likely to be far greater than what is evidenced in volume terms.

Although India is a net importer of chemicals, of late, the gap between imports and exports has been narrowing down. Growth in exports of chemicals and related products for 2010-11 stood at almost 27 per cent as compared to a meagre growth of 1.4 per cent witnessed last year. The export growth figures have also witnessed a remarkable increase of 34 per cent during April-December 2011-12 to reach US\$ 30 billion for overall chemicals and related products, as against the country's total export growth of 28.5 per cent during the same period.

The share of basic chemicals in the country's overall exports has exhibited a gradual upward trend, indicating that the growth in their exports has outperformed India's total exports. Exports of basic chemicals (excluding petro-chemicals and pharmaceuticals) and related products from India increased from US\$ 6.2 billion in 2006-07 to around US\$ 11.2 billion in 2010-11, thereby witnessing a CAGR of 15.7 per cent. As regards 2011-12 (April-December), the share of basic chemicals and related products (excluding petro-chemicals and pharmaceuticals) in India's total exports stood at 4.5 per cent with exports having touched US\$ 9.9 billion.

Chemicals industry in India is increasingly becoming a globalized industry. Foreign direct investment (FDI) in the chemical industry and trade between parent firms and their subsidiaries is increasingly becoming significant for the sector. FDI has had a positive impact on growth, development, productivity and competitiveness for the Indian chemical industry. The country has benefited from the transfer and use of technology and the associated benefits of FDI inflows, which has increased over the last few years due to the several incentives that have been provided by the Government of India. The policy now allows for 100 per cent FDI in chemicals under the automatic route. The Indian chemical industry attracted cumulative FDI inflows worth US\$ 3.3 billion during the period April 2000 – February 2012, with a share of over 2 per cent in total FDI inflows (US \$162.3 billion) into India.

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

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

Exim Bank's export facilitation initiative in Ahmedabad

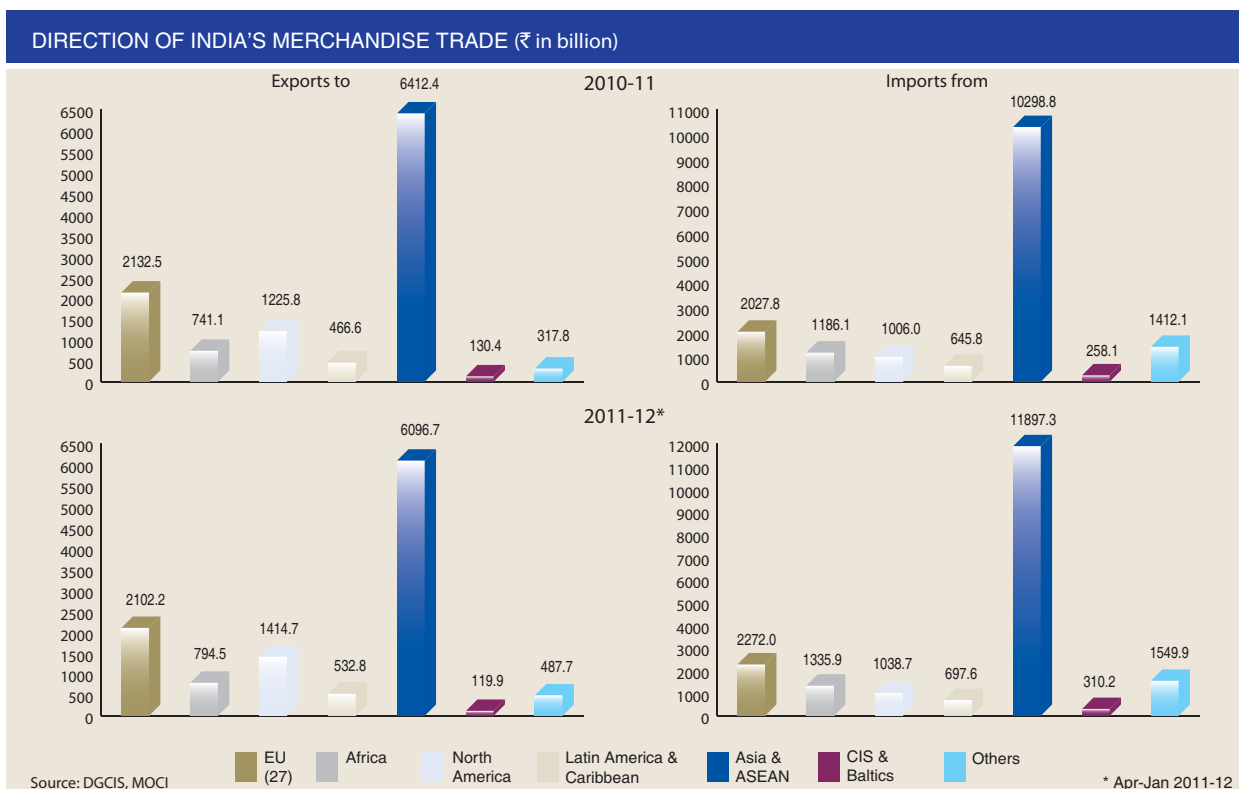
The Bank sanctioned term loan of ₹ 7 million for setting up of an exhibition-cum-convention centre in Gujarat International Finance Tec-City (GIFT) at Ahmedabad, Gujarat. The project being set-up at a cost of ₹ 19 million, will be one of the largest industrial exhibition centres for holding international exhibitions, buyer-seller meets, new technology display and business conferences. The exhibition-cum-convention centre will provide world class facilities and enable promotion of exports especially export of high value capital goods.

Petroleum Products

The petroleum industry has been instrumental in fuelling the growth of the Indian economy. The petroleum and natural gas sector, which includes exploration, refining and marketing of petroleum products and gas, constitutes over 15 per cent of India's GDP. According to the provisional production data released by the Ministry of Petroleum and Natural Gas, production of crude oil aggregated to 38.1 million metric tonnes (MMT) in 2011-12, as compared to 37.7 MMT in 2010-11; Natural Gas production was 47.5 billion cubic metres (BCM) during 2011-12, a decline of 8.9 per cent over the previous year's production of 52.2 BCM; Refinery production amounted to 170.1 MMT in 2011-12 compared to 164.8 MMT of oil refined during 2010-11.

Indian petroleum refinery sector has established its ability to excel in international markets with export of petroleum products growing at a significant pace in recent years. The country exported 59.1 MMT of petroleum products against imports of 26.3 MMT (including 8.9 MMT of LNG) during 2010-11. With India's refining capacity witnessing consistent increase, this figure is likely to touch about 70 MMT by 2014, making India one of the world's major exporters of petroleum products. In value terms, exports of petroleum products witnessed an appreciable growth of 48.1 per cent during the period April-January 2011-12, to reach a level of US\$ 48.3 billion as compared to US\$ 32.6 billion during the corresponding period of the previous year. The share of petroleum products exports in total exports has also been witnessing a significant increase from 11.2 per cent in 2005-06 to the current (April- January 2011-12) level of 19.9 per cent.

The domestic demand for oil and gas is also on the rise. According to the Ministry of Petroleum and Natural Gas, Government of India, oil consumption in India is projected to increase by 4-5 per cent per annum by 2015, indicating a demand of 4.01 million barrels per day (bpd) by 2015. According to the



Approach Paper for the 12th Five Year Plan, import dependence on oil is expected to increase from 76 per cent in

2010-11 to 80 per cent by 2016-17. Import dependence on natural gas is projected to increase from 19 per cent to 28.4 per cent during the same period. Much of the growth would be contributed by the demand for transport energy, as the stock of vehicles is expected to expand with rising economic activity. The medium-term outlook for refining industry looks positive, due to stretched utilisation levels and new capacity build-up in the domestic market. The steady growth in the demand for petroleum products and the policies taken by Government to deregulate and decontrol the marketing of these products are likely to help in generating more opportunities for this sector.

Textiles and Garments

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 industry is estimated to account for 9 per cent of industrial production, 4 per cent of national GDP and 9.5 per cent of the country's exports, and provides direct employment to more than 35 million people. The textile industry in India is very diverse, comprising the hand-spun and hand-woven sector as also the capital intensive, sophisticated mill sector. The decentralised powerlooms/ hosiery and knitting sectors form the largest section of the textiles industry in India.

India held a share of 5.1 per cent in world textile exports and 3.2 per cent share in world clothing exports, during 2010. During 2010-11, textiles and clothing exports (including carpets) from India amounted to US \$ 22.3 billion, witnessing a growth of around 16.5 per cent, over the previous year.



Exim Bank hosted the Annual Meeting and Financial Forum on 'BRICS Interbank Cooperation Mechanism' in New Delhi.

Exports of readymade garments and manmade textiles witnessed a growth of 3.8 per cent and 16.8 per cent, respectively. Cotton yarn and fabrics witnessed an impressive growth in exports of 48.6 per cent over the previous year. During the period April-January 2011-12, exports of textiles and clothing (including carpets) from India amounted to US\$ 23 billion showing an impressive growth of 22 per cent over the corresponding period of the previous year.

The Union Budget 2012-13 had imposed mandatory excise duty of 12 per cent on branded garments and textile-made ups. This would exert further pressure on the margins of companies manufacturing readymade garments and made-ups; the manufacturers are already struggling with an unprecedented rise in input costs. In order to support large number of employees involved in the handloom industry, Union Budget 2012-13 announced a financial package of ₹ 38.84 billion for waiver of loans of handloom weavers and their cooperative societies. Apart from this, ₹ 5 billion pilot schemes have also been announced for promotion and application of Geo-textiles in the North Eastern Region.

While the short term outlook for the textile and clothing sector may pose a few challenges, in the long term, with adequate policy stimulation, the sector is expected to bounce back strongly from the sluggishness it has been witnessing, primarily due to slowdown in demand in the two largest export markets for India, viz., the USA and the EU. The policy support to infuse modernisation/new technology, and to diversify India's export markets would help support the industry and take it to a higher growth trajectory. Indian exporters are also focussing on domestic market in addition to new and discerning export markets such as UAE, Saudi Arabia, South Africa, and Australia. The large textile manufacturing base, availability of raw materials and labour, vast domestic market, and supportive Government policies, would strengthen the competitive position of Indian textile and clothing industry.

Drugs and Pharmaceuticals

The global pharmaceutical industry is estimated to have grown by 5 per cent to 7 per cent in 2011 to reach a market size of US\$ 880 billion, compared to the growth level of 4 per cent to 5 per cent achieved in 2010. There is growing



Seventeenth Annual Meeting of the Asian Exim Banks Forum was held in Langkawi, Malaysia. The theme for the meeting was "Strengthening co-operation among Asian Exim Banks in facilitating global trade and investment."

divergence in the pace of growth of the pharmaceutical market size among major markets. The 17 pharma - emerging countries (China, Brazil, Russia, India, Mexico, Turkey, Venezuela, Poland, Argentina, Indonesia, Ukraine, Thailand, South Africa, Egypt, Romania, Pakistan and Vietnam) were forecasted to have grown at 15 per cent to 17 per cent in 2011, to reach a cumulative market size of US\$ 170 billion to US\$ 180 billion. Greater government spending on healthcare and broader public and private healthcare funding are likely to be the key drivers of growth for many of the pharma-emerging markets. China, the world's third-largest pharmaceutical market is predicted to have grown by 25 per cent to 27 per cent, to reach a level of over US\$ 50 billion in 2011. The five major European markets (Germany, France, Italy, Spain, and the UK) collectively are estimated to have grown at 1 per cent to 3 per cent, while the USA is estimated to have grown at 3 per cent to 5 per cent.

The global exports of pharmaceuticals aggregated US\$ 461 billion in 2010, a growth of 6.2 per cent over the previous year's figure of US\$ 434 billion. Germany, Belgium, Switzerland,

USA and France were the major exporters, together accounting for more than half of the world's exports of pharmaceutical products in 2010. India, with a share of 1.5 per cent was ranked the 17th largest exporter during the same year. Overall, the share of pharmaceutical products in world exports has grown over the years, from a level of 2.6 per cent in 2006 to 3 per cent in 2010.

Indian pharmaceutical companies have not been affected much by the global slowdown, largely because of cost advantages in production, and due to many of them holding long-term contracts as preferred suppliers. Notwithstanding this, performance on the export front has been rather modest; exports of pharmaceutical products (ITC HS Code 30) increased by a mere 1.8 per cent in 2009-10 over the previous year to aggregate US\$ 5.2 billion. However, exports witnessed a complete turnaround during 2010-11, growing by a healthy 26 per cent to aggregate to US\$ 6.5 billion. During the period April-June 2011-12, exports of pharmaceutical products (ITC HS Code 30) stood at US\$ 1.80 billion growing by 22 per cent over the corresponding period of the previous year. The major export



Prof. Yu Yongding, President, China Society of World Economics delivered Exim Bank's Annual Commencement Day Lecture 2011 in Mumbai. Prof. Yu spoke on the topic "Rebalancing the Chinese Economy."

destinations for India's pharmaceutical products were: USA with a share of 27.1 per cent in the total pharmaceutical exports to world, followed by Russia (7.9 per cent), UK (4.3 per cent), South Africa (4.2 per cent) and Nigeria (3 per cent). Indian pharmaceutical industry is in the process of developing many potential new pharmaceutical products for world markets. While some of them are in early stages of development, others are well on their way to commercialisation. Many pharmaceuticals companies have altered their drug portfolios from primary care driven blockbusters towards specialties such as oncology, immunology and inflammation, where the medical need is so high that prices are more easily accepted by the regulators.

Furthermore, a 'Pharma Vision 2020' has been prepared by the Department of Pharmaceuticals, for making India one of the leading destinations for end-to-end drug discovery and innovation, with the Government committed to provide requisite support by way of world class infrastructure, internationally competitive scientific manpower for pharmaceutical R&D, venture fund for research in the public and private domain and such other measures.

On back of a high middle-class population base, improvements in medical infrastructure and the establishment of intellectual property rights, the Indian pharmaceutical industry is estimated to grow manifolds. With the focus of companies shifting to smaller deals catering to niche segments and markets, partnerships seems to be the new norm in the pharmaceutical sector. The strategic execution of maximising on the available resources, both human and financial, is expected to be the way forward for clinical and contract research building capabilities through strategic partnerships.

Capital Goods

The capital goods industry forms the backbone of India's manufacturing sector. Some of the prominent capital goods produced in India include heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, printing machinery, dairy machinery, industrial refrigeration, industrial furnaces etc. During 2010-11 the capital goods industry grew significantly by 15 per cent compared to a very

low growth of 1 percent during 2009-10. However, this performance could not be sustained in the year 2011-12; the growth in the capital goods industry actually declined by (-) 4.1 per cent.

Machine tools production in India increased to ₹ 24.2 billion during 2010-11 from a level of ₹ 16.6 billion in 2009-10, registering a growth rate of 46 per cent. The export of machine tools aggregated to US\$ 313.8 million during 2010-11, exhibiting an increase of 12.8 per cent. During the period April-January 2011-12, export of machine tools witnessed a year-on-year increase (y-o-y) of 17 per cent, and amounted to US\$ 280.4 million. Imports during this period amounted to US \$ 2495 million showing an increase of 35 per cent over the corresponding period of the previous year.

As far as textile machinery is concerned, India's production was valued at ₹ 61.5 billion in 2010-11. While exports aggregated to US\$ 201 million recording a growth of 63 per cent over the previous year, imports aggregated to US\$ 1.8 billion during 2010-11 showing a growth of 32 per cent over the previous year. During the period April-June 2011-12, exports of textile machinery were valued at US\$ 71 million and exhibited a growth rate of 89 per cent over the corresponding period of the previous year. Imports during this period were valued at US\$ 601 million and registering a y-o-y growth of 63 per cent.

There is a huge potential in the construction and mining machinery segment in India. Being a fast growing economy, domestic demand for these machineries is greater than the production capacity and thus, a major portion of the demand is met through imports.

During the period 2010-11, India's export of construction machinery was valued at US\$ 358 million and imports stood at US\$ 2 billion. Exports and imports during this period showed a decline of 25.2 per cent and 3.8 per cent respectively. However exports and imports revived during the period April-June 2011-12, showing a y-o-y growth of 86 per cent and 46 per cent, respectively. Exports and imports of construction and mining machinery during this period were valued at US\$ 123 million and US\$ 637 million, respectively.

The process plant machinery and components sector in India is a heterogeneous segment of capital goods industry. During the period 2010-11, India exported process plant/ machinery worth US\$ 1.8 billion which showed an increase of 31 per cent over the previous year, and imported plant/machinery worth US\$ 3.2 billion, recording a growth of 8 per cent. During the period April-June 2011-12, exports of process plant machinery and components sector were worth US\$ 419 million, registering a y-o-y growth of 55 per cent while imports amounted to US\$ 1.1 billion growing by 45 per cent over the corresponding period of the previous year.

The electrical equipment and machinery sector comprises a range of products, such as transformers, switchgears, motors, generators and control equipments. India exported electrical equipment and machinery worth US\$ 2.1 billion during the year 2010-11 while imports aggregated to US\$ 3.3 billion. Exports and imports grew by 10 per cent and 21 per cent, respectively during 2010-11. During the period April-June 2011-12, exports of electrical equipment and machinery were valued at US\$ 574 million, exhibiting a y-o-y increase of 46 per cent. Imports during this period were worth US\$ 956 million, showing a growth of 49 per cent over the corresponding period of the previous year.

On the whole, the outlook for the capital goods industry in India remains bright,

particularly over the medium and long-term. The Union Budget 2012-13 has announced a number of initiatives to increase public investments in the infrastructure sector. Allocation to major infrastructure sectors, including power, road transport, shipping, urban infrastructure and railways, has been raised. This is likely to give an added impetus to the industry by fetching more orders for the capital goods companies.

Electronics

The Indian electronic goods sector has been among the fastest growing sectors in the recent past. India has significant potential to develop and manufacture electronic hardware for the global markets and gain higher global share, besides meeting the country's requirements in the converging areas of information, communication and technology. The Government of India has identified electronics hardware manufacturing sector as a key focus area for growth. The National Manufacturing

Competitiveness Council was set up by the Government to provide a continuing forum for policy dialogue to energise and sustain the growth of manufacturing industries, including electronic hardware, in India.

Indian electronics hardware production increased from ₹ 660 billion in 2006-07 to ₹ 1433 billion in 2011-12, a CAGR of 16.8 per cent. Communication and broadcasting equipment accounted for the largest share (28.3 per cent) of India's electronics production in 2011-12, followed by consumer electronics (23.9 per cent), components (17.3 per cent), industrial electronics (13 per cent), computers (11.5 per cent), and strategic electronics (5.9 per cent).

Even in terms of growth, communication and broadcasting equipment took the lead, registering a 33.6 per cent CAGR during the period 2006-07 to 2011-12, followed by components (23 per cent), strategic electronics (13.6 per cent), industrial electronics (12.5 per cent), consumer electronics (11.4 per cent) and computers (5.2 per cent each).



Exim Bank released a publication titled "Indian Electronics Industry: Perspectives and Strategies" at the Twelfth Commonwealth – India Small Business Competitiveness Development Programme, held in Bengaluru. The publication was released by Minister for Large and Medium Industries, Government of Karnataka, Shri Murugesh Rudrappa Nirani.

During 2009-10, India's electronics exports were valued at US\$ 5.5 billion, with a share of 3.1 per cent in India's total exports. During this period, electronic exports witnessed a decline by as much as 19 per cent over the previous year. However, exports of electronic goods bounced back remarkably during 2010-11, recording a growth of 59 per cent to amount to US\$ 9 billion. While the imports of electronic goods also witnessed a decline of 9.2 per cent in 2009-10, the increase in 2010-11, when imports were valued at US\$ 21.5 billion, was not as spectacular at 2.6 per cent. Major export destinations for Indian electronic goods include USA (13.6 per cent), UAE (7.6 per cent), Germany (5.9 per cent), Singapore (5 per cent), Netherlands (4.6 per cent), and Italy (3.4 per cent). In the case of imports, major source countries were China (43.6 per cent), USA (6 per cent), South Korea (5.8 per cent), Singapore (5.7 per cent), Malaysia (5.2 per cent), and Germany (4.2 per cent). During April-January 2011-12 exports grew by

9.2 per cent aggregating to US\$ 7.5 billion whereas imports grew by 22.4 per cent amounting to US\$ 27.7 billion.

Electronic industry is one of the most globalised industries in the world, more so with the conclusion of the Information Technology Agreement (ITA) under the WTO. The industry serves the manufacturing sector significantly in terms of productivity and creativity. Many countries, especially in Europe and ASEAN, have identified electronic industry as one of the thrust areas for national growth and development. India is also a signatory to ITA, and has also placed a strong thrust on this industry for developmental growth.

The market for electronic products in India has witnessed significant growth in recent years due to several factors, such as manufacturing growth, ICT penetration, growing disposable income, retail boom and attractive finance schemes. According to Department of Information Technology, the size of the global electronics



Exim Bank supported ABG Shipyard Ltd for delivery of dry cargo carriers to a client in Thailand.



Exim Bank supported Voltas Ltd for mechanical, electrical and plumbing works for the Ferrari Experience (a theme park) on Yas Island in Abu Dhabi, UAE.

industry is about US\$ 1.75 trillion, and is the largest and fastest growing manufacturing industry in the world. It is expected to reach US\$ 2.4 trillion by 2020. The demand in the Indian market was US\$ 45 billion in 2008-09 and is expected to reach US\$ 400 billion by 2020. In order to achieve this level, India needs to concentrate and focus more on designing and manufacturing global products, and then reach out to the rural areas in the domestic market, and emerging export markets. In India, the market size of medical electronic instruments is expected to grow in the years to come with increase in number of people affected by lifestyle diseases. Further, more and more new applications are being developed in the area of monitoring of healthcare, as also remote technologies, including telemedicine. Apart from these segments, new applications (technology controlled operations) in manufacturing sector are also expected to increase the demand for electronic products in India. The country could also leverage its strengths in software to build high-complexity, but medium-volume products, for the global market. The Indian industry also

needs to focus on inventing mass-products that matter to rural and bottom of the pyramid segments. The demand for appliances and energy efficient consumer electronics is huge and can be explored by the Indian electronic industry. Indian market holds a lot of promise considering the potential market size or volume of electronics consumption. Besides, the growing demand for better energy management/conservation, technology orientation for value engineering, and cost cutting strategies would enhance opportunities in new areas over the long-run.

Food Processing

Food processing sector is one of the major sectors in India in terms of production, growth, consumption, and export, and has been accorded a priority status by the Government of India. The value of food processing industry in India stands at US\$ 135 billion and is projected to grow at a compound annual growth rate of 10 per cent to reach US\$ 200 billion by 2015. India's food processing sector covers fruits and vegetables, spices, meat and poultry, milk and



Exim Bank supported Punj Lloyd's project export contract for engineering, procurement and construction work associated with platform compression facilities in Thailand.

milk products, alcoholic and non-alcoholic beverages, fisheries, plantation, grain processing and other consumer product groups like confectionery, chocolates and cocoa products, soya-based products, mineral water, and high protein foods. The food processing industry in India has been witnessing a fast growth. In addition to the demand side, there are changes happening on the supply side as well with the growth in organised retail, increasing foreign direct investment (FDI) in food processing, and introduction of new value added products. With a huge agriculture sector, abundant livestock, and cost competitiveness, India is fast emerging as a sourcing hub of processed food.

A National Mission on Food Processing has been announced by the Government of India in its Union Budget 2012-13. The Mission, a centrally sponsored scheme to be functional from 2012-13 in cooperation with State Governments, envisages creating additional food grain storage capacity in the country; provide full subsidies for effective administration of the proposed Food Security Legislation; promote private sector

activity and invite foreign investments in the sector by allowing 100 per cent FDI in the food processing and cold chain infrastructure. Besides, to encourage food processing industries in India, tax-free regime for processed foods and venture capital support for investments in food processing are some of the other initiatives being planned by the Ministry of Food Processing Industries (MoFPI), Government of India under the 12th Five Year Plan.

According to the MoFPI, Government of India anticipates US\$ 21.9 billion of investments in food processing infrastructure by 2015. Investments, including FDI, are projected to rise with strengthening demand and supply fundamentals. The cumulative FDI inflow into Indian agriculture and food processing sector during April 2000-April 2011 was US\$ 4 billion. India is the world's largest producer of milk, second largest producer of fruits and vegetables and the third largest fish producer and ranks second in inland fish production. With ample scope for value addition, growing trend in the consumption pattern of processed food products



Exim Bank released a publication titled "Southern African Development Community: A Study of India's Trade and Investment Potential" during the 8th CII-Exim Bank Conclave on India- Africa Project Partnership in New Delhi.

in India, and various fiscal incentives being planned by the Government of India, particularly focusing on infrastructure development, this sector is expected to remain dynamic in the medium to long term.

Policy Environment

To provide further momentum to India's exports, several trade facilitation measures were proposed in the Annual Supplement 2011-12 of the Foreign Trade Policy (FTP), in October 2011 and Annual Supplement 2012-13 to FTP, in June 2012. With the view to increase competitiveness of exports, the Special Focus Market Scheme (Special FMS), within the Focus Market Scheme (FMS), was introduced for exports to 41 countries (12 from Latin America, 22 from the African Region and 7 from the CIS region) in October 2011. In June 2012, 7 more new markets are being added to the Special FMS, which include Belize, Chile, El Salvador, Guatemala, Honduras, Morocco, and Uruguay. The scheme provides an additional 1 per cent duty credit when exports are made to these countries resulting in total duty scrip of 4 per cent of the FOB value of exports. FMS has now covered 112 markets across the world.

About 130 additional items mainly from chemicals/pharmaceuticals, textiles, handicrafts, engineering and electronics sectors have been included in the Focus Product Scheme (FPS) for duty credit scrip at 2 per cent of FOB value of



Exim Bank won Bronze Trophy for its 'Corporate Intranet' from Association of Business Communicators of India.

exports for exports made with effect from April 2011. In June 2012, 110 new items were added to the FPS list.

The list of items under Market Linked Focus Programme Scheme (MLFPS) has also been extended in October 2011 to cover new items in specified countries and which are entitled to get duty credit scrip at 2 per cent of FOB value of exports. These include agricultural tractors (more than 1800 cc capacity) to Turkey and sugar machinery and high pressure boiler to Brazil, Kenya, South Africa, Tanzania and Egypt. The scheme has also been extended to all MLFPS countries for printing inks, writing ink etc. In June 2012, 46 new items were added to MLFPS. This would have the effect of including 12 new markets for the first time. MLFPS is also extended till 31st March 2013 for export to USA and EU in respect of items falling in Chapter 61 and Chapter 62 of ITC HS Classification.

Further, in June 2012, three new towns are being declared as Towns of Export Excellence (TEE), which include Ahmedabad (Textiles), Kolhapur (Textiles) and Shaharanpur (Handicrafts). To promote manufacturing activity and employment in the North Eastern Region (NER) of the country, export obligation under the EPCG Scheme shall be 25 per cent of the normal export obligation for all the eight states in the region. Export of specified products through notified land custom stations (LCS) of

NER shall be provided additional incentive to the extent of 1 per cent of FOB value of exports.

Export shipments from Delhi and Mumbai through post, through courier or through e-Commerce shall be entitled for export benefits under FTP. For continued technological upgradation of export sectors, Zero Duty EPCG has now been extended upto 31st March 2013. EPCG Scheme is also made available for units availing benefits under technology upgradation fund scheme (TUFS) for another line of business by same applicant. To promote exports of 16 identified green technology products, export obligation for manufacturing of these products under the EPCG Scheme is being reduced to 75 per cent of the normal export obligation.

Interest subvention of 2 per cent, which is available for handicrafts, handlooms, carpet and SME sectors, is being extended to labour intensive sectors like toys, sports goods, processed agricultural products and ready-made garments, and would continue till March 31, 2013.

The monetary policy remained focused on controlling inflation and anchoring inflationary expectations. As a part of the monetary policy review stance, the RBI made several adjustments to policy rates since March 2010 to

moderate demand to levels consistent with the capacity of the economy to maintain its growth and contain prices.

In April 2012, the RBI reduced the repo rate and the reverse repo rate, after successive hikes by 50 bps to 8 per cent and 7 per cent, respectively. Bank rate increased by 350 bps from 6 per cent to 9.5 per cent in February 2012, before reducing to 9 per cent in April 2012. Further, the cash reserve ratio (CRR) was cut twice by a cumulative 125 bps from 6 per cent to 4.75 per cent of their net demand and time liabilities (NDTL), in an attempt to inject around ₹ 795 billion of primary liquidity into the system. CRR remained unchanged at 4.75 in April 2012.

With a view to enhancing the credit flow to the export sector, the RBI in June 2012, enhanced the eligible limit of the Export Credit Refinance (FCR) facility for scheduled banks (excluding RRBs) from 15 per cent of the outstanding export credit eligible for refinance to 50 per cent, effective from the fortnight beginning June 30, 2012. This move is expected to provide additional liquidity support to banks of over ₹ 300 billion.

In addition, fiscal measures were also implemented during 2011-12 to contain inflation. Import duties for rice, onion, pulses, edible oil



Exim Bank availed a 5-year US\$ 150 million term loan facility from International Finance Corporation (IFC), a member of the World Bank Group and the Bank of Tokyo-Mitsubishi UFJ Limited. The Bank also availed a 3-year loan of US\$ 120 million equivalent syndicated by IFC.

(crude) was reduced to zero and for refined and hydrogenated oil and vegetable oil to 7.5 per cent. State Trading Corporation/Minerals and Metals Trading Corporation/Projects and Equipment Corporation and National Agricultural Cooperative Marketing Federation of India were allowed to import duty free white/ refined sugar initially with a cap of 1 million tonnes. Later, duty free import was also allowed by other central/state government agencies and private trade without any cap on the quantity. In addition, the National Dairy Development Board (NDDB) was given permission to import 50,000 tonnes of skimmed milk powder and whole milk powder and 15,000 tonnes of butter, butter oil and anhydrous milk fat at zero duty under tariff rate quota.

Liberalisation of the broad external commercial borrowing (ECB) policy continued over the year. The existing ECB limit under automatic approval has been enhanced from US\$ 500 million to US\$ 750 million for eligible corporates.

For borrowers in the service sector, the limit was enhanced from US\$ 100 million to US\$ 200 million. The FII limit for investment in government securities and corporate bonds has been increased by US\$ 5 billion each to US\$ 15 billion and US\$ 20 billion, respectively, from the earlier limits of US\$ 10 billion and US\$ 15 billion, respectively.

With effect from May 2011, the Government allowed FDI in Limited Liability Partnerships. Further, FDI in brownfield investments in the pharmaceuticals sector was permitted upto 100 per cent under the Government approval route with effect from November 2011. In addition, a number of significant policy changes became effective since April 2011 which includes (i) inclusion of fresh items for issue of shares against non-cash considerations, including import of capital goods/machinery/equipment and preoperative/ pre-incorporation expenses; (ii) removal of the condition of prior approval in case of existing joint ventures/technical collaborations in the "same field"; (iii) simplification and rationalisation of guidelines relating to downstream investments. With effect from October 2011, further changes to FDI policy included (i) inclusion of apiculture, under controlled conditions under the agricultural activities permitted for FDI; (ii) inclusion of 'basic and applied R&D on bio-technology pharmaceutical sciences/ life sciences' as an industrial activity under industrial parks; (iii) notification of the revised limit of 26 per cent for foreign investment in terrestrial Broadcasting/ FM radio; (iv) liberalisation of conversion of imported capital goods/ machinery and pre-operative/ pre-incorporation expenses to equity instruments.

Major Policy Changes during 2011-12

Credit Policy

- Cash reserve ratio (CRR) retained at 4.75 per cent.
- Repo rate increased to 8.5 per cent. Reverse repo rate increased to 7.5 per cent.
- Bank rate increased to 9.5 per cent.

Trade Policy

- To increase competitiveness of exports, the Special Focus Market Scheme introduced for exports to 41 countries.
- A Special Bonus Benefit Scheme covering 49 products in engineering, pharmaceuticals and chemical sectors introduced to provide assistance at 1 per cent of FOB value of exports for 6 months from October 2011 to March 2012.
- Additional 130 items mainly from chemicals/pharmaceuticals, textiles, handicrafts, engineering and electronics sectors included in the Focus Product Scheme (FPS) for duty credit scrip at 2.0 per cent of FOB value of exports for exports made with effect from April 2011.
- Interest subvention of 2 per cent, which is available for handicrafts, handlooms, carpet and SME sectors, extended to labour intensive sectors like toys, sports goods, processed agricultural products and ready-made garments, and would continue till March 31, 2013.

Investment Policy

Foreign Direct Investment

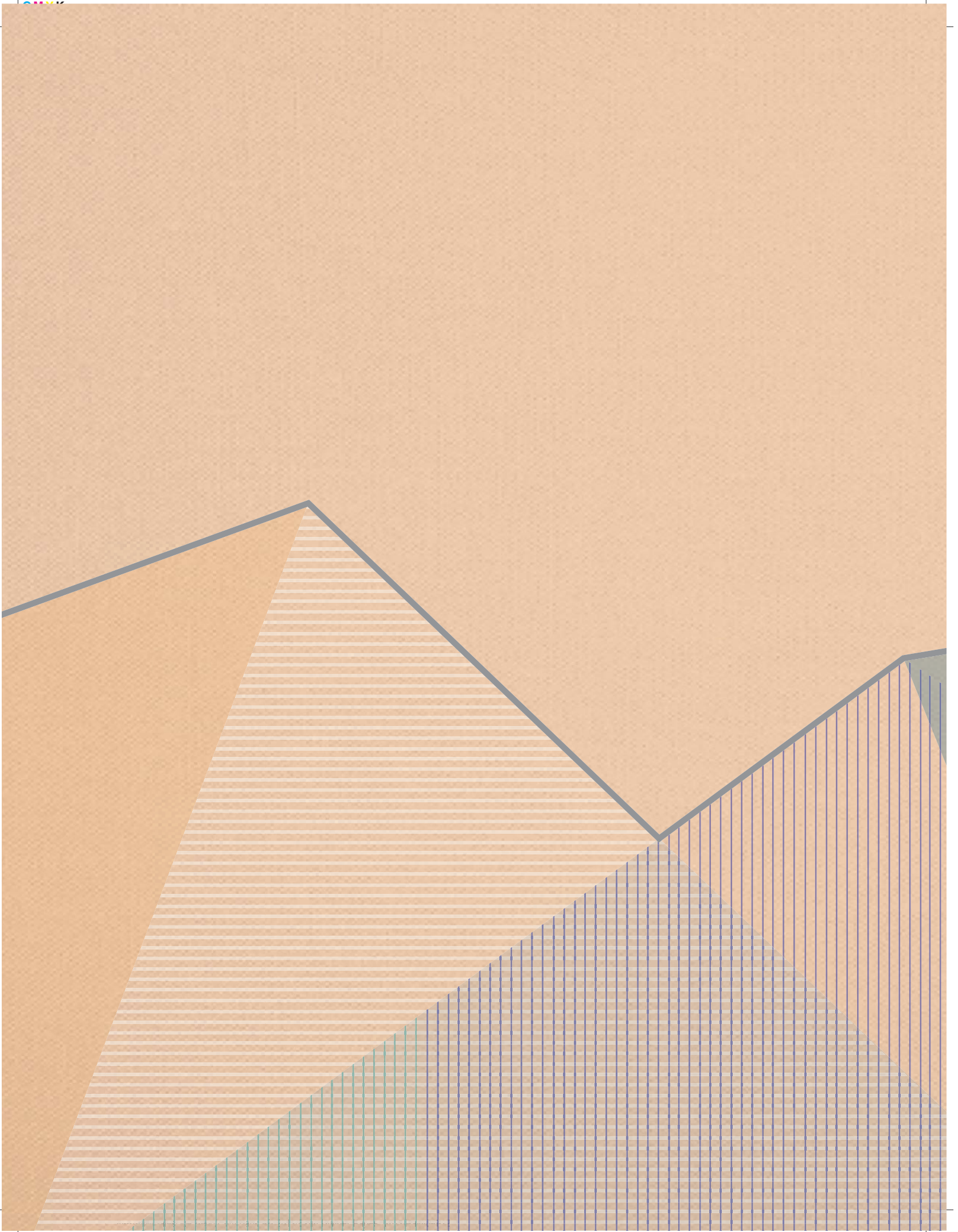
- Effective May 20, 2011, Government allowed FDI in Limited Liability Partnerships subject to certain conditions.
- FDI upto 100 per cent permitted for brown-field investments in pharmaceuticals under the Government approval route.

Foreign Institutional Investment

- FII limits for investment in government securities and corporate bonds increased by US\$ 5 billion each to US\$ 15 billion and US\$ 20 billion respectively from earlier limits of US\$ 10 billion and US\$ 15 billion, respectively.

ECB Norms

- Existing limit under automatic route enhanced to US\$ 750 million from US\$ 500 million for eligible corporates.
- Limit enhanced to US\$ 200 million from US\$ 100 million for borrowers in the service sector.



The background of the page is a complex abstract composition of geometric shapes and patterns. It features a large, light brown trapezoidal area at the top. Below this, there are several overlapping shapes: a dark grey triangle on the left, a large orange triangle on the right, and a large brown triangle in the center. These shapes are filled with various patterns, including horizontal lines, vertical lines, and a grid. The colors used are primarily earthy tones like brown, orange, and grey, with some teal and blue accents in the patterns.

Directors' Report

Directors' Report

The Directors are pleased to present the report of the working of the Bank with the audited Balance Sheet and accounts for the year ended March 31, 2012.

Review of Operations

Loan disbursements during FY 2011-12 were ₹ 370.45 billion as against ₹ 344.23 billion during 2010-11, while loan repayments during FY 2011-12 amounted to ₹ 314.22 billion, as against ₹ 274.46 billion in FY 2010-11. Gross loan assets as on March 31, 2012 were ₹ 545.30 billion, registering an increase of 18 per cent over the previous year. The Bank approved loans aggregating to ₹ 444.12 billion under various lending programmes during FY 2011-12 as against ₹ 477.98 billion during FY 2010-11. During the year, the Bank sanctioned guarantees aggregating to ₹ 27.55 billion as against ₹ 32.16 billion in 2010-11. Guarantees issued during 2011-12 amounted to ₹ 13.61 billion as against ₹ 11.53 billion in 2010-11. Guarantees in the books of the Bank as on March 31, 2012 were ₹ 32.41 billion as against ₹ 30.56 billion as on March 31, 2011 and Letters of Credit as on March 31, 2012 amounted to ₹ 18.29 billion as against ₹ 12.06 billion as on March 31, 2011. Rupee loans and advances accounted for 45 per cent of the total loan assets as on March 31, 2012 while the balance 55 per cent were in foreign currency. Short-term loans accounted for 18 per cent of the total loans and advances as on March 31, 2012.

Total borrowings of the Bank at ₹ 546.55 billion as on March 31, 2012, were higher by 16 per cent compared to total borrowings of ₹ 471.92 billion as on March 31, 2011.

The Bank registered profit before tax of ₹ 10.13 billion on account of General Fund during 2011-12 as against a profit of

₹ 8.68 billion for the year 2010-11. After providing for income tax of ₹ 3.38 billion, profit after tax amounted to ₹ 6.75 billion during 2011-12 as against ₹ 5.84 billion during 2010-11. Out of this profit, an amount of ₹ 3.49 billion is transferred to Reserve Fund. In addition, the Bank has transferred ₹ 0.11 billion to Sinking Fund and ₹ 1.10 billion to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961. The balance of ₹ 2.05 billion will be transferred to Government of India (GOI) as provided in the Exim Bank Act.

Profit before tax of the Export Development Fund during 2011-12 was ₹ 43.01 million as against ₹ 28.47 million during 2010-11. After providing for tax of ₹ 13.95 million, the post tax profit amounted to ₹ 29.06 million as against ₹ 18.97 million during 2010-11. The profit of ₹ 29.06 million is carried forward to next year.

Business Operations

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

- Projects, Products and Services Exports
- Building Export Competitiveness & Financing Overseas Investments
- Joint Venture
- New Initiatives
- Financial Performance
- Information and Advisory Services
- Institutional Linkages
- Information Technology
- Research and Analysis
- Human Resources Management
- Progress in Implementation of the Official Language Policy
- Representation of Scheduled Castes, Scheduled Tribes and Other Backward Classes.

Projects, Products And Services Exports

Export Contracts

During FY 2011-12, 1,146 contracts amounting to ₹ 319.15 billion were secured by 226 Indian exporters in 84 countries, as against 1,145 contracts worth ₹ 283.48 billion secured by 187 Indian exporters in 96 countries, during FY 2010-11.

The contracts secured during the year comprised 26 turnkey contracts valued at ₹ 115.63 billion, 25 construction contracts valued at ₹ 113.83 billion, 1,093 supply contracts valued at ₹ 89.40 billion and two technical consultancy & services contract valued at ₹ 0.29 billion.

Some major turnkey contracts secured during the year include an engineering, procurement and construction (EPC) contract for a 750 KV transmission line in Ukraine; an EPC contract for offshore wellhead platforms in Myanmar; an EPC contract for a sub-stations package in Qatar; a contract for oilfield development project in Abu Dhabi and a contract for development of Lekhwair Gasfield project in Oman.

Construction contracts include an EPC contract for a polysilicon production plant in Qatar; a contract for an oil pipeline in Myanmar; a contract for construction of diversion tunnel, dam, intake and desilting arrangement including hydro-mechanical works for 990 mw Punatsangchhu-II in Bhutan and a contract for a gas pipeline project.

Supply contracts secured during the year included export of agri processed foods, automobile and auto components, gems and jewellery, chemicals, engineering goods and various manufactured goods to countries like Australia, Belgium, Canada, Denmark, Egypt, France, Germany, Hungary, Indonesia, Japan, Korea, Lithuania, Mexico, New Zealand, Poland, Russia, Sri Lanka, Tanzania, USA, Vietnam, West Indies and Yemen among many others.

Export Credits

During 2011-2012, the Bank approved loans aggregating to ₹ 160.36 billion by way of

supplier's credit, buyer's credit, and finance for project exports as against ₹ 160.44 billion during the previous year. Disbursements amounting to ₹ 180.25 billion were made during the year, as compared to ₹ 159.51 billion during the previous year.

Guarantees

Guarantees sanctioned and issued during the year amounted to ₹ 27.55 billion and ₹ 13.61 billion respectively, as against ₹ 32.16 billion and ₹ 11.53 billion in FY 2010-11. These guarantees pertain to overseas projects in sectors such as power generation, transmission and distribution, infrastructure development and export obligation guarantees.

Buyer's Credit

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

Buyer's Credit under NEIA takes off

In the very first year, the Bank has approved 4 projects valued at US\$ 405.08 million (₹ 21.35 billion equivalent). The first Buyer's Credit (under NEIA) Agreement for a water treatment plant in Sri Lanka was executed in January 2012 between Exim Bank and the Government of Sri Lanka and the project execution has commenced since March 2012.

Additionally, the Bank has given in-principle commitments for supporting 16 projects aggregating US\$ 1635.25 million (₹ 86.21 billion equivalent) in 6 countries under the programme.



Board of Directors meeting in progress.

During 2011-12, the Bank extended Buyer's Credit facility aggregating to ₹ 10.74 billion to 18 overseas companies. Disbursements under Buyer's Credit Programme aggregated to ₹ 16.99 billion for exports to countries that include Bhutan, Ghana, Italy, Kenya, Mozambique, Nigeria, Singapore, South Africa, Senegal, Turkey, Tanzania, Thailand, UAE, UK, Switzerland, Uganda, the US and Zambia. The products exported under Buyer's Credit included transport vehicles and auto spare parts, engineering goods, IT services, fruits and vegetables, rice, other agro based products and commodities, plain and studded gold / diamond jewellery, steel wires and wire rods, pipe machinery, irrigation equipment, plastic products, incense sticks, cement clinker, petrochemicals, pharmaceuticals and readymade garments. Many exporters from small and medium enterprises were beneficiaries under the Buyer's Credit Programme, receiving non-recourse finance.

Lines of Credit

The Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable them to import developmental and infrastructure projects, equipments, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank,

without recourse to them, against negotiation of shipping documents. LOC is a safe, non-recourse financing option for Indian exporters, especially to small and medium enterprises and serves as an effective market entry tool for the latter. Being in an increasingly competitive environment, Exim Bank is proactively seeking to expand its geographical reach and volumes under the LOC Programme.

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

During the year, the Bank extended 18 LOCs, aggregating US\$ 1,498.98 million, to support export of projects, goods and services from India. LOCs extended by Exim Bank during the year include LOCs to ECOWAS Bank for Investment and Development, West Africa; Nigerian Exim Bank; and the Governments of Burundi, Central African Republic, Chad, Democratic Republic of Congo, Maldives, Mali, Mongolia, Mozambique, Nepal, Republic of Congo, Senegal, Sri Lanka, Togo and Zambia. These LOCs will finance and catalyse exports by way of financing projects like hydro electric and rural electrification projects, power transmission project, mining project, compost production unit, production unit for live stock feed, extension of spinning mill, solar photo voltaic module

manufacturing plant, farming and cultivation of rice, maize and sorghum, pre-fabricated health posts, construction of housing units, information technology education & outsourcing centre, infrastructure projects such as highways, airports, bridges and irrigation projects and railway project. As on March 31, 2012, the Bank had 157 operational LOCs, covering 75 countries in Africa, Asia, CIS, Europe, Latin America and Oceania with credit commitments aggregating US\$ 8.16 billion, while a number of prospective LOCs are at various stages of negotiation.

Building Export Competitiveness & Financing Overseas Investments

The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. During 2011-12, Exim Bank sanctioned loans aggregating to ₹ 211.60 billion under programmes for enhancing export competitiveness. Disbursements amounted to ₹ 155.63 billion under these programmes.

Loans to Export Oriented Units

During the year, the Bank approved term loans of ₹ 54.12 billion to 96 export oriented units. Disbursements amounted to ₹ 32.34 billion. Under the Production Equipment Finance Programme, 20 exporting companies were sanctioned ₹ 11.09 billion for financing acquisition of production equipment. Disbursements amounted to ₹ 6.11 billion. Six companies were sanctioned long-term working capital loans aggregating to ₹ 3.27 billion. Disbursements amounted to ₹ 3.90 billion.

Technology Upgradation Fund Scheme (TUFS)

Exim Bank is one of the nodal agencies appointed by GOI, Ministry of Textiles, to approve the eligibility of projects under TUFS and release subsidies directly to the approved projects. As on March 31, 2012, the Bank has approved 187 projects for a total cost of ₹ 130.75 billion. Loans approved and disbursed aggregate to ₹ 41.08 billion and ₹ 28.88 billion respectively. The Bank's assistance under TUFS

to the textile industry is spread across various segments in textile manufacturing and covers several states in India.

Overseas Investment Finance Programme

The Bank has a comprehensive programme covering equity finance, loans, guarantees and advisory services, to support Indian outward investment. During the year, 53 corporates were sanctioned funded and non-funded assistance aggregating to ₹ 41.78 billion for part financing their overseas investments in 24 countries. So far, Exim Bank has provided finance to 387 ventures set up by 313 companies in 69 countries including Austria, Bangladesh, Brazil, Canada, China, Croatia, Egypt, Indonesia, Ireland, Israel, Italy, Malaysia, Malta, Mauritius, Morocco, Nepal, Netherlands, Oman, Romania, Singapore, South Africa, Spain, Sri Lanka, Sudan, UAE, UK, the US and Vietnam. Aggregate assistance extended towards overseas investment amounts to ₹ 250.52 billion covering various sectors including pharmaceuticals, home furnishings, readymade garments, construction, paper & paper products, textiles & garments, chemicals & dyes, computer software & IT, engineering goods, natural resources (coal & forests), metal & metal processing and agriculture & agro-based products. Overseas investments supported by Exim Bank during 2011-12 include: acquisition of coal mines in Australia and Indonesia, acquisition of a fiberglass company in Belgium, acquisition of a leading plastic automotive supplier in Germany, acquisition of a leading travel Group in UK, acquisition of pharmaceutical companies in Spain and Brazil, setting up a sodium silicate manufacturing unit in South Africa, greenfield investment for manufacturing synthetic ropes in Vietnam etc.

Finance for Imports

Under the Bulk Import Finance Programme, sanctions and disbursements amounted to ₹ 29.25 billion and ₹ 20.55 billion, respectively.

Under the Import Finance Programme, companies were sanctioned term loans

aggregating to ₹ 8.10 billion. Disbursements amounted to ₹ 10.00 billion.

Credit Monitoring Group

A dedicated Loan Recovery Group takes proactive steps towards loan recovery as per the Board-approved Loan Monitoring and Recovery Policy. A system of ABC classification of loan accounts (including system for monitoring credit rating migration) is in place. A monthly review of non-performing assets is done by a separate Committee. An independent Screening Committee comprising a retired Justice and two eminent persons with rich experience in the fields of law and banking has been constituted for examining and recommending all settlement proposals and assignment to Asset Reconstruction Companies, for consideration by the Board.

Joint Venture

The Bank's joint venture, Global Procurement Consultants Limited (GPCL), has clocked another year of satisfactory performance. The company recorded a turnover of ₹ 22.2 million in 2011-12 with a pre-tax profit of ₹ 5.1 million. GPCL is a joint venture between Exim Bank and 11 other reputed private and public sector companies with expertise in diverse fields. GPCL provides a range of product related advisory services, with particular focus on procurement

and capacity building, primarily for projects funded by multilateral agencies in various developing countries.

New Initiatives

New product to boost India's project exports

To facilitate Indian companies executing overseas projects, Exim Bank introduced a new product called Buyer's Credit under the National Export Insurance Account (NEIA). Though several developing countries need long term Buyer's Credits for setting up major high-valued infrastructure projects, the lack of suitable export credit insurance cover makes it difficult to extend such support. To fill this gap, Exim Bank launched the product — Buyer's Credit under NEIA — in April 2011.

The product enables sovereign governments and government-owned entities overseas to finance import of projects from India on deferred payment terms. Loans are generally disbursed for large project exports especially in the infrastructure sector such as urban transportation, construction of roads and highways, railways, power generation and transmission lines, water treatment facilities and housing.

Several other projects covering universities, hospitals, airports, cement plants, communication projects, natural gas and oil distribution, and



Success in R&D finance to an auto company

Mahindra Reva Electric Vehicle Pvt. Ltd. was supported under Finance Programme for R&D. Product development has been completed and the new electric car model was launched recently. Hon'ble Minister for New & Renewable Energy drove the electric car for a Cabinet Meeting in January this year. Commercial launch of the car is expected by Diwali this year.



Exim Bank released a publication on “MERCOSUR: A Study of India’s Trade and Investment Potential” at the Latin America India Investors Forum 2011 in Mumbai.

rural electrification projects to several countries in Africa, Asia and other parts of the world are being evaluated for financing. Exim Bank’s Buyer’s Credit under NEIA provides a competitive edge to Indian companies while bidding for overseas projects.

Programme for MSMEs

The Bank took several measures in 2011-12 to tap and propagate the potential of micro, small and medium enterprises (MSMEs). The Bank partnered with the Commonwealth Secretariat for the 12th edition of Commonwealth–India Small Business Competitiveness Development Programme, held in Bangalore, which had participants from 28 countries. The theme of the programme was ‘Women as Agents of Change in Enterprise Development and Export Competitiveness.’ The Commonwealth had chosen 2011 as the “Year of women entrepreneurship.” The objective of the programme was to encourage women entrepreneurship in the Commonwealth member countries. The Commonwealth Secretariat and the Government of India are working on several policies to enable a congenial environment for development of MSMEs.

During the financial year 2012, the Bank also published a research paper on MSMEs titled, “Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Select Countries.”

Foreign Currency Resources

During 2011-12, the Bank raised foreign currency resources aggregating US\$ 2.62 billion equivalent. The Bank became the first Indian entity to enter the Japanese retail bond market by issuing Uridashi Bonds aggregating US\$ 124 million equivalent (a bond denominated in a foreign currency and sold directly to Japanese household investors) in three different currencies viz., Australian Dollar, Japanese Yen and South African Rand, thereby achieving diversification of investor base. The Bank also arranged a 3-year loan of US\$ 120 million equivalent syndicated by IFC. The Bank received approval from Asian Development Bank (ADB) for a term loan of US\$ 100 million for a tenor of upto 7 years. The loan from ADB would be utilised to extend sub-loans to eligible SMEs and SME clusters in the lagging states. During the year, the Bank filed Shelf Registration Statement for JPY 100 billion (US\$ 1.30 billion) of Samurai bonds with Kanto



Exim Bank under its GRID programme sanctioned a loan to Ecotasar, an organisation that supports the backward silk-weaving community of Bhagalpur, Bihar.



Exim Bank supported West Bengal's Child and Social Welfare Society, a registered NGO, working for marginalised and underprivileged section of the rural society.

Local Finance Bureau (Japan's finance ministry). So far, the Bank has raised FC resources in diverse currencies including US Dollar, Japanese Yen, Swiss Franc, Euro, Australian Dollar and South African Rand.

Grassroots Initiative and Development (GRID)

Under its rural initiatives, the Bank acts as an enabling agency by reaching out to organisations operating at the grassroots level across India. The Bank seeks to achieve this objective by not only endeavouring to augment their exports but also striving to make their products export worthy. To understand the ground realities of the enterprises operating at the grassroots level and major bottlenecks they face, various visits have been undertaken across different parts of the country. Some of these have fructified into the Bank undertaking concrete steps for assisting such enterprises.

During the year, the Bank provided financial support to Traditional Ayush Cluster of Tamil Nadu (TACT) Pvt. Ltd, a cluster of companies propagating traditional system of Indian medicines, viz. Ayurveda, Yoga, Unani, Siddha, and Homeopathy (AYUSH) in Tamil Nadu. The financial support is for setting up a common infrastructure facility for warehousing, manufacturing and packaging of AYUSH products.

Exim Bank helped an enterprise sourcing off-the-loom tasar silk products from Bhagalpur, Bihar. The Bank's support is expected to help in

increased exports for the enterprise and as a result, would lead to higher productivity and income levels of women from below poverty line families and minority community in villages around Bhagalpur engaged in the production of tasar silk.

The Bank, during the year, provided support to an artisans' and farmers' cooperative society in Uttarakhand, which produces naturally dyed silk and wool textiles. Exim Bank also provided financial assistance to a society working in the field of education, health, income generation and welfare activities for the marginalised and underprivileged section of the rural society based in West Bengal. The support was provided for upgrading and modernising its existing unit producing various types of handicrafts including bamboo and natural fibre based products.

The Bank assisted the Shantipur Handloom Cluster, West Bengal, for visual merchandising of the product, e-tailing, and establishment of yarn bank and website upgradation. Financial support was also extended to Gandhi Smaraka Gram Seva Kendram (GSGSK) for productivity enhancement through technological upgradation for women coir spinners of the Alappuzha Coir Cluster.

Financial Performance

Resources

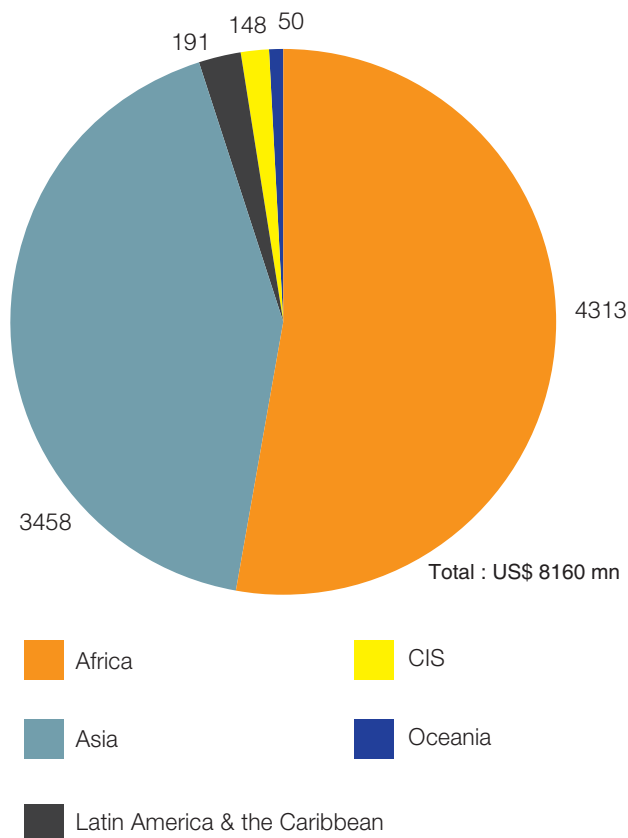
During the year, the Bank received capital of ₹ 3 billion from the Government of India. As at

March 31, 2012, the Bank's total resources including paid-up capital of ₹ 23 billion and reserves of ₹ 37 billion, aggregated to ₹ 606.55 billion. Exim Bank's resource base includes bonds, certificates of deposit, commercial paper, term deposits, term loans and foreign currency deposits/borrowings/long-term swaps. The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' rating from the rating agencies, CRISIL and ICRA. During the year, the Bank raised borrowings of varying maturities aggregating to ₹ 276.30 billion comprising rupee resources of ₹ 142.97 billion and foreign currency resources of US\$ 2.62 billion equivalent. Foreign currency resources of US\$ 1.65 billion equivalent were raised through bonds, bilateral/club/syndicated loans and US\$ 0.97 billion by way of Buy-Sell swaps/on-shore deposits. As on March 31, 2012, the Bank had a pool of foreign currency resources equivalent to US\$ 6.16 billion and outstanding Rupee borrowings including bonds and commercial paper of ₹ 293.87 billion. Market borrowings as on March 31, 2012 constituted 97 per cent of the total borrowings and 88 per cent of the total resources of the Bank.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at ₹ 10.13 billion and ₹ 6.75 billion respectively during the year 2011-12, as compared to the previous year's PBT and PAT of ₹ 8.68 billion and ₹ 5.84 billion, respectively. Business income comprising interest, discount, exchange commission, brokerage and fees during 2011-12 was ₹ 35.29 billion as compared to ₹ 27.17 billion in 2010-11. Investment income, interest on bank deposits etc. during 2011-12 was ₹ 10.23 billion as compared to ₹ 8.33 billion in 2010-11. Interest expenses in 2011-12 at ₹ 29.77 billion were higher by ₹ 6.26 billion mainly due to the increase in borrowings. Administrative expenses as a per cent of total expenses (excluding provisions for contingencies) worked out to 2.26 per cent during 2011-12 as against 2.79 per cent during 2010-11. The average cost

Operative Lines of Credit as on March 31, 2012 (US\$ Million)



of borrowings (interest expenditure as a percentage of average borrowings) was 5.85 per cent per annum during 2011-12.

International Rating

As on March 31, 2012, the Bank was rated Baa3 by Moody's, BBB- by S&P, BBB- by Fitch Ratings and BBB+ by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above and are the same as the sovereign rating.

Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 16.44 per cent as on March 31, 2012, as compared to 17.04 per cent as on March 31, 2011, as against a minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as on March 31, 2012 was 9.02:1 as compared to 8.92:1 as on March 31, 2011.

Exposure Norms

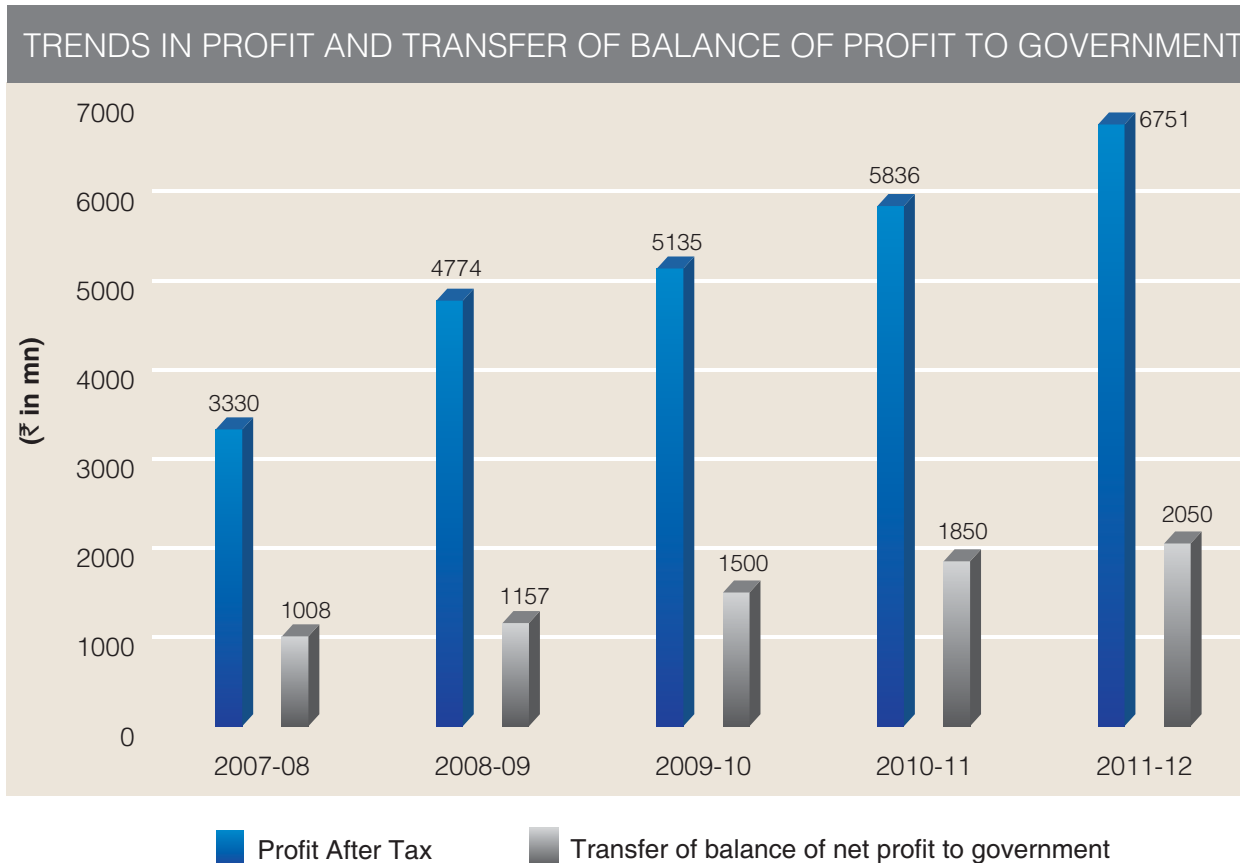
Effective from March 31, 2002, Reserve Bank of India (RBI) has prescribed credit exposure limits for all-India term lending institutions, at 15 per cent of capital funds for exposure to individual borrowers and at 40 per cent of capital funds for group borrowers. An additional exposure upto 5 per cent (i.e. a total exposure upto 20 per cent of capital funds of the Financial Institution for Single Borrowers and 45 per cent of capital funds for Borrower Groups) can be taken in exceptional circumstances, with the prior approval of the Board. The exposure ceilings for individual borrowers and borrower groups can be exceeded by an additional 5 per cent of total capital funds and 10 per cent of total capital funds respectively (over and above the maximum limits of 20 per cent and 45 per cent respectively), provided the additional credit exposure is on account of infrastructure projects in India. The Bank's credit exposures to single and group borrowers as at March 31, 2012, were within the limits stipulated by RBI. RBI has

advised Financial Institutions to adopt internal limits on exposures to specific industry sectors so that the exposures are evenly spread across various sectors. The industry exposure limit currently adopted by the Bank for each industry sector is 15 per cent of the Bank's aggregate credit exposure to all industry sectors.

The Bank's exposure to a single industry sector was not more than 15 per cent of its total industry exposure as at March 31, 2012.

Treasury

The Bank's integrated treasury handles fund management functions including investment of surplus funds, money market and forex operations and securities trading. The Bank has segregated front/middle/back office functions and has set up a state-of-the-art dealing room. The range of products offered by the Bank's treasury to its borrowers include foreign exchange deals, collection/negotiation of export documents, issuance of inland/foreign letters of credit/ guarantees, structured loans, etc.



The Bank uses financial derivative transactions for raising cost effective funds and hedging its balance sheet exposures, with an objective of reducing market risk. The Bank is a member of the Indian Financial Network (INFINET) and has registration authority status from Institute for Development Research in Banking Technology (IDRBT), the certifying authority. The Bank holds a digital certificate to deal through the Negotiated Dealing System – Order Matching segment (NDS-OM) of RBI, which provides the electronic dealing platform for trading in GOI securities.

The securities/foreign exchange transactions of the Bank are routed through the Guaranteed Settlement Facility provided by the Clearing Corporation of India Ltd. (CCIL). The Bank is an active member of Collateralised Borrowing & Lending Obligation segment of CCIL. The Bank is also a member of Clearcorp Repo Order Matching System (CROMS), the Repo Dealing System of CCIL. CROMS is a Straight Through Processing enabled anonymous Order Matching Platform launched by CCIL for facilitating dealing

in market repos in all kinds of Government Securities (CROMS) on T+0/ T+1 basis. CCIL acts as a central counterparty to all CROMS trades and settlements are guaranteed by CCIL.

The Bank has implemented centralised SWIFT facility (with connectivity to London branch) by migrating SWIFT application from SWIFT Alliance Entry to SWIFT Alliance Access, which is capable of handling multiple Bank Identifier Codes.

Asset-Liability Management (ALM)

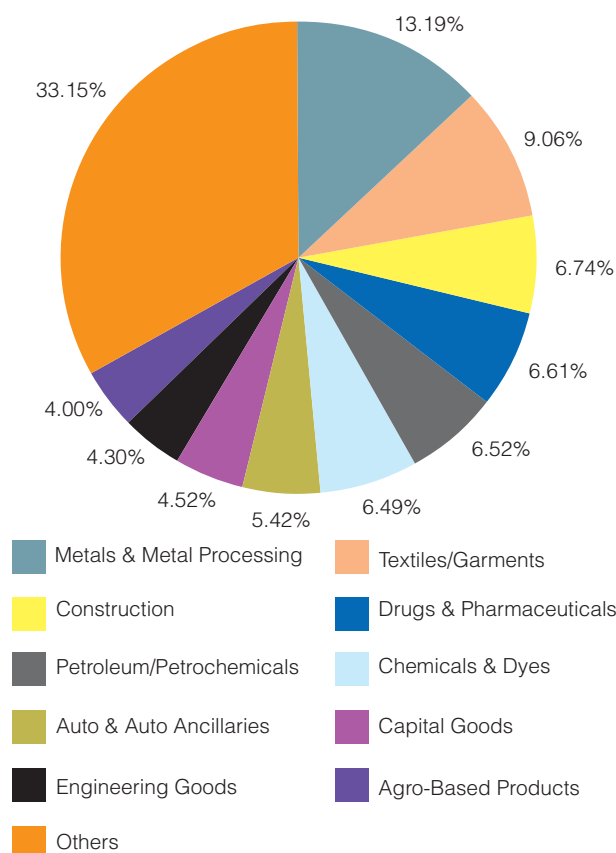
The Asset-Liability Management Committee (ALCO) of the Bank oversees the monitoring & management of market risk with support from the Bank's mid-office. Liquidity/interest rate risks are managed by ALCO as per the comprehensive ALM/liquidity policies approved by the Board.

The role of ALCO includes, inter-alia, reviewing the Bank's currency-wise structural liquidity and interest-rate sensitivity positions vis-a-vis



Presenting the cheque of ₹ 1.85 billion being balance of net profit for FY 2010-11 to Shri Pranab Mukherjee, Union Finance Minister.

Sector-wise Exposure as on March 31, 2012



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

Risk Management

The Bank has an Integrated Risk Management Committee (IRMC), which is independent of operating groups and reports directly to the top management. The IRMC reviews the Bank's risk management policies in relation to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and strategy, and regulatory and compliance issues in relation thereto. The IRMC oversees the operations of the ALCO, the FMC and the Credit Risk Management Committee (CRMC), all of which have cross-functional representation. While ALCO deals with issues relating to ALM policy and processes and analyses the overall market risk (liquidity, interest-rate risk and currency risk) of the Bank, CRMC deals with credit policy and procedures and analyses, manages and controls credit risk on a bank-wide basis. Loan proposals are independently analysed by the Chief Risk Officer of the Bank who evaluates the risk profile of the proposals and gives inputs to the approving authority.

The Bank has in place an advanced Credit Risk Model (CRM) that enables a broad-based credit appraisal decision support (by incorporating a range of qualitative as well as quantitative parameters/measures) and superior portfolio management capability. The Bank also undertakes an annual review of the Business Continuity and Disaster Recovery Plans of all its offices. Each of the plans is vetted for completeness with regard to critical Business Continuity Risk Events and safeguards in place, for mitigating the impact thereof.

Asset Quality

As per RBI prudential norms for Financial Institutions a credit/loan facility in respect of which interest and/or principal has remained overdue for more than 90 days, is defined as a Non-Performing Asset (NPA). The Bank's gross NPAs at ₹ 7.96 billion worked out to 1.46 per cent of the total loans and advances. The Bank's NPAs (net of provisions) of ₹ 1.56 billion as on March 31, 2012 were at

0.29 per cent of loans and advances (net of provisions) as at March 31, 2012.

Asset Classification

'Sub-standard assets' are those where interest and/or principal remains overdue for more than 90 days. Sub-standard assets that have remained as NPAs for a period exceeding 12 months are classified as 'doubtful assets.'

'Loss assets' are those considered uncollectable. Out of gross NPA ratio at 1.46 per cent, gross sub-standard asset ratio accounted for 0.74 per cent, doubtful asset ratio for 0.71 per cent, and loss asset ratio for 0.01 per cent. Net NPAs at 0.29 per cent of net loans and advances as at March 31, 2012, are entirely on account of sub-standard assets as doubtful and loss assets have been fully provided for.

Corporate Governance

Exim Bank ensures transparency and integrity in communication and makes available complete, accurate and clear information to all concerned. The Bank is committed to ensuring compliance with best practices of corporate governance as relevant to the Bank.

The Bank has established a framework of strategic control and continuously reviews its efficacy. Business/financial performance related matters, analytical data/information are reported to the Board/Management Committee (MC) of the Board periodically for review.

The Bank has put in place a Board approved Compliance Policy and a senior official has been made responsible for compliance with all applicable statutes, regulations and other procedures, policies as laid down by the GOI/ RBI and other regulators and the Board, and report deviation if any to the Audit Committee (AC). The Bank's Board held five meetings (during the FY 2011-12) and the MC, ten meetings.

Audit Committee (AC)

The Bank's AC provides direction to the total audit function of the Bank in order to enhance its

effectiveness as a management tool and to follow-up on all issues raised in the statutory/ external/internal/concurrent audit reports and RBI inspection reports. The AC meets at least six times in a year. The AC reviews the annual financial statements every year before submission of the same to the Board. AC also periodically reviews the functioning of the Bank's FMC and ALCO. The Audit Committee met six times during the FY 2011-12.

KYC, AML and PML measures of the Bank

The Bank has a policy approved by the Board on 'Know your Customer (KYC), Anti Money Laundering (AML) and Prevention of Money Laundering (PML)' measures. The Policy conforms to RBI guidelines in the matter. The KYC, AML & PML policy covers (a) Customer Acceptance Policy (b) Customer Identification Procedure (c) Monitoring of transactions (d) Risk Management (e) KYC of existing customers. The Bank is currently referring to the latest caution list issued by RBI.

The Bank also has access to the World-Check's database, an online database service, a product of Global Objectives Ltd., a company registered and regulated in the UK. World-Check's

Exim Bank becomes the first Indian entity to issue Uridashi bonds

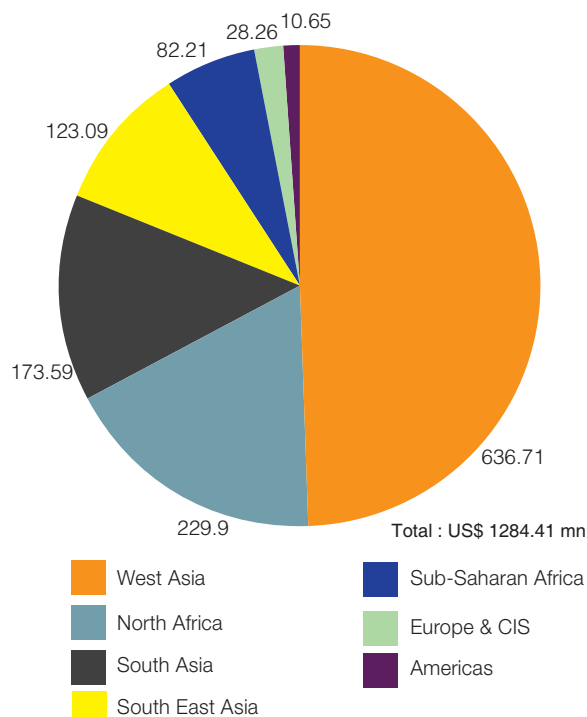
Exim Bank became the first Indian entity to enter the Japanese retail bond market by issuing Uridashi Bonds. The Bank issued the bond in 3 different currencies viz., Australian Dollar, Japanese Yen and South African Rand aggregating US\$ 124 mn equivalent, thereby achieving diversification of investor base.

Uridashi Bonds are denominated in a foreign currency and sold directly to Japanese household investors who are very selective. The bonds offer Japanese household investors a combination of yield and safety benefits. The successful bond issue by Exim Bank is a rare case of an Uridashi Issuer rated below AA.

database provides profiles of high risk and 'potentially' heightened risk individuals and entities and those associated with them, in more than 240 countries and territories. All the customers of the Bank are subjected to KYC standards, which establish the identity of the natural/legal person and those of the 'beneficial owners'. Implementation of KYC policies and procedures covers identification of term deposit holders, correspondent banks, recruitment of new staff members and counter party identification with regard to treasury transactions. The Bank obtains data required for ensuring compliance by its counter party banks with regard to KYC norms through a suitable questionnaire.

The Bank also maintains information in respect of certain transactions in accordance with the procedure and manner as may be specified by RBI and SEBI, as the case may be, from time to time and the records are maintained for a period of ten years from the date of the transaction.

Project Export Contracts under execution as on March 31, 2012 supported by Exim Bank (US\$ Million)



Note: As on March 31, 2012, 341 project export contracts valued at ₹ 1,284 billion were under execution in 62 countries by 74 Indian companies. These cover construction, turnkey, supply and consultancy contracts.

The Bank has appointed a Principal Officer responsible for its KYC, AML and PML measures. The KYC & AML Policy is on the Bank's website.

Fair Practices Code for Lenders

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

Information and Advisory Services

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

Multilateral Funded Projects Overseas (MFPO)

The Bank provides information and support services to Indian companies to help improve their prospects for securing business in projects funded by the World Bank, Asian Development Bank (ADB), African Development Bank (AfDB), and European Bank for Reconstruction and Development (EBRD). Projects funded by such Multilateral Funding Agencies, present attractive business opportunities for suppliers, contractors and consultants.

To increase the participation of Indian firms in such multilateral funded projects, Exim Bank has been organising seminars in association with the Multilateral Agencies. Considering the interest of Indian consultants, contractors and suppliers in the African region, particularly in projects financed by the AfDB, Exim Bank organised a series of business opportunity seminars in projects funded by AfDB at Bangalore, Mumbai and New Delhi during April 2011. During the year, the Bank also disseminated information on numerous overseas business opportunities covering various sectors including energy,



Exim Bank supported KEC International Ltd for a supply and erection contract of 380 kV double circuit overhead transmission line in Saudi Arabia.



The Bank financed Tiger American Minerals Inc, USA under Overseas Investment Finance Programme, towards meeting its working capital requirements for mines acquired in Arkansas, USA.



Tata Motors Ltd. set up an assembly plant of heavy Turbo Trucks, under Exim Bank's Line of Credit of US\$ 20 million to Myanma Foreign Trade Bank.



The Bank financed CP Industries Holding Inc, USA under Overseas Investment Finance Programme, towards meeting its working capital requirements.

transportation, construction, telecommunication, infrastructure, educational and information technology.

Exim Bank as a Consultant

Exim Bank shares its experience and expertise through on-site programmes aimed at providing a first-hand experience to its institutional partners. During the year, the Bank was appointed as a Commonwealth-funded consultant by the Commonwealth Secretariat, London, to undertake a research study on establishing a Commonwealth Trade and Investment Bank (CTIB). Inferences drawn from the study were presented at the Commonwealth Heads of Government Meetings (CHOGM), held in Perth, Australia during October 2011.

During the year, Nigerian Export-Import Bank (NEXIM Bank) commissioned the Bank to undertake an assignment to design, develop, and

implement a Film Financing Programme for expanding its exposure in financing films, especially those having potential to earn foreign exchange. The objective of the Film Financing Programme is to facilitate and attract structured investment in the Nigerian Film Industry. As a part of the assignment, the Bank also conducted capacity building training programmes for select officials of NEXIM Bank.

To revive and promote intra-regional projects in the South Asian Region, the Bank undertook a detailed study for SAARC Development Fund (SDF). The Bank proposed a strategy for SDF in terms of its operations, direction, portfolio of products and also the longer term plan of SDF in terms of getting a multilateral status and expanding its resources.

Export Marketing Services (EMS)

The Bank plays a promotional role and seeks to create and enhance export capabilities and

international competitiveness of Indian companies. The Bank provides assistance in helping Indian firms in their globalisation efforts by proactively assisting in locating overseas distributor(s)/ buyer(s)/ partner(s) for their products and services. Leads for acquisitions / joint-ventures/ consultancy opportunities are also provided by the Bank under EMS. The Bank has database to provide country-wise import/export data for product groups, internationally classified under Harmonised System, at narrow level and also information on importers/exporters for various product categories and countries.

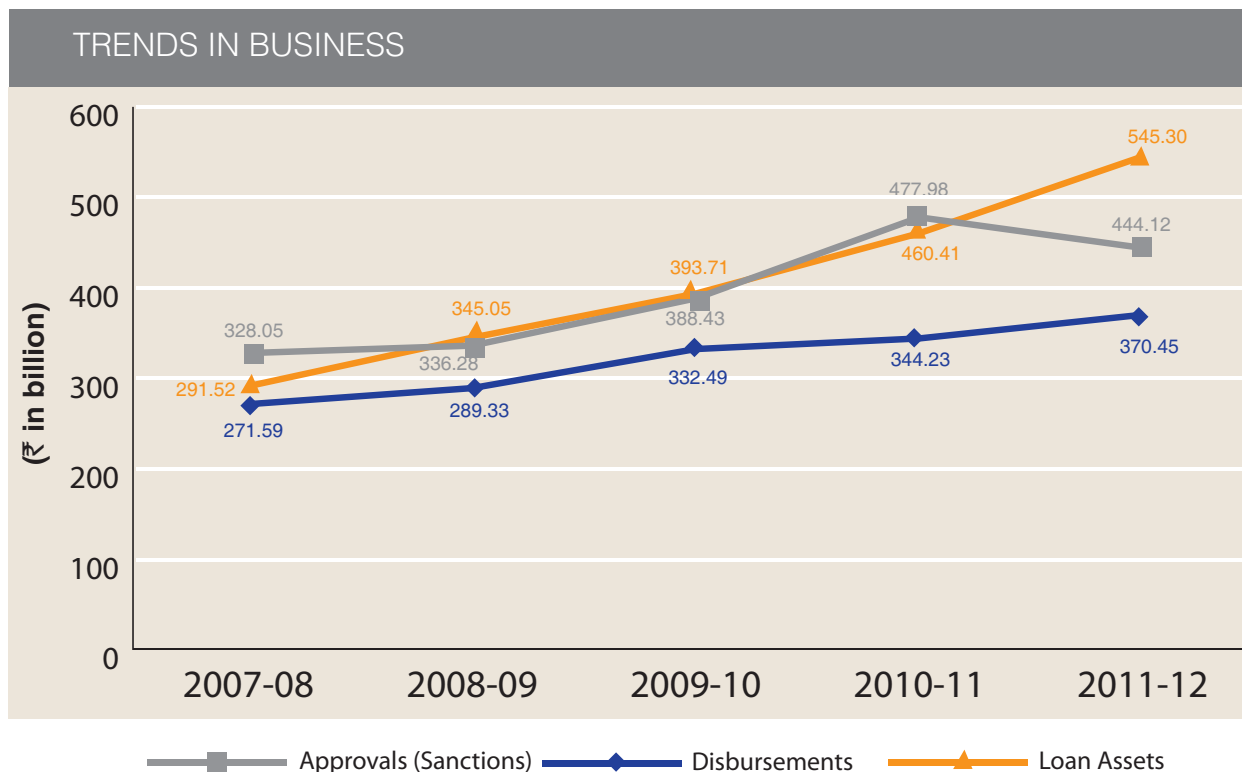
EMS leverages the Bank's high international standing, in-depth knowledge and understanding of the international markets and well established institutional linkages, coupled with its physical presence, to support Indian companies in their overseas marketing initiatives on a success fee basis. On behalf of Indian companies the Bank promotes their products /services in a target country. The Bank also follows up for generating export orders, getting feedback and repeat orders, thereby building a sustainable buyer-seller relationship. The Bank also provides

product display facility at its own office spaces at different locations.

During the year, the Bank identified niche products from various sectors; such as medical equipment, medical tourism services, eco-friendly products, handicraft items, food and beverages, engineering, etc. The companies in these sector range from Grassroot level to mid-sized companies. The Bank has signed mandates with over 30 companies to assist them in finding international markets for their products and services. Orders for products as varied as frozen food (beef), silk sarees and handicrafts such as Bidariware and wooden handicrafts were generated. The Bank has assisted in placing orders for four products, which have benefitted the artisans at grassroots level.

Eximius Centre for Learning

During the year, the Bank's Eximius Centre for Learning organised a seminar on "Business Opportunities in Africa: Focus East Africa" at Chandigarh in May 2011. Diplomatic Representatives from Embassies of five East African Countries, namely, Nigeria, Ethiopia, Mozambique, Tanzania and Uganda made



presentations on the opportunities and Government policies of their respective countries.

An interactive session was organised at Eximius Centre in Bangalore with international delegates under a training programme of National Institute for Micro, Small & Medium Enterprises (NIMSME), Hyderabad.

To inform and educate Indian exporters about various principles and concepts of customs and procedure, policies and documentation relating to exports and imports, a seminar was organised at Pune with faculty from MITCON, Pune.

The Eximius Centre also conducted a workshop on “Banker’s Due Diligence” at Learning Centre Pune with a focus on the various aspects to be checked at the time of loan documentation.

Institutional Linkages

The Bank has fostered a network of alliances and institutional linkages with multilateral agencies, export credit agencies, banks and financial institutions, trade promotion bodies, and investment promotion boards to help create an enabling environment for supporting trade and investment.

Exim Bank entered into a framework agreement on Financial Cooperation with other nominated member development banks from Brazil, Russia, China and South Africa (BRICS) in April 2011. Exim Bank is the nominated member development bank under the BRICS Interbank Cooperation Mechanism. Other nominated member development banks from BRICS nations are: Brazil’s Banco Nacional de Desenvolvimento Economicoe Social (BNDES); Russia’s State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank); China Development Bank Corporation, and Development Bank of Southern Africa.

As a follow-up to this Agreement, the Bank hosted a Technical Group Meeting in Kumarakom, Kerala, in February 2012, during which the member development banks discussed and finalised two Agreements viz., ‘Master Agreement on Extending Credit Facility in Local Currency’ and ‘BRICS Multilateral Letter of Credit Confirmation Facility’. These two multilateral financial cooperation agreements were signed during the fourth BRICS Summit hosted by India in New Delhi during March 2012.



Exim Bank signed two multilateral financial cooperation agreements with other member development banks of BRICS (Brazil, Russia, India, China, and South Africa) nations, in the presence of Heads of States of the BRICS countries in New Delhi during the BRICS Summit 2012.



Exim Bank received the ADFIAP Trade Development Award for its Buyers Credit Programme under NEIA.



Exim Bank hosted the 19th Training Programme for Asian Exim Banks Forum on 'Overseas Investment Finance' at Trivandrum, Kerala.

In May 2011, Exim Bank and the National Bank for Foreign Economic Activity of the Republic of Uzbekistan entered into a Cooperation Agreement for realising business opportunities and facilitating increased trade and investment flows between the two countries.

Asian Exim Banks Forum

The Seventeenth Annual Meeting of the Asian Exim Banks Forum (AEBF) was held in Langkawi, Malaysia during November 2011. The theme for the 2011 meeting was "Strengthening Co-operation among Asian Exim Banks in facilitating Global Trade and Investment". The meeting provided a platform for exchange of ideas among the members, to strengthen further cooperation in the areas of co-financing, resource raising, training and exchange of information, especially in the light of the slowdown in global economy.

The Meeting was chaired by the Export-Import Bank of Malaysia Berhad (Exim Malaysia), and co-chaired by Export-Import Bank of Korea, and PhilEXIM. The meeting had representatives at the highest level from eight member institutions viz. Australia, China, India, Indonesia, Japan, Korea, Malaysia, and the Philippines. The meeting also saw the participation of Asian Development Bank (ADB), the multilateral financing institution, as a permanent invitee.

At the Annual Meeting, interactions and working sessions covered a wide range of topics including insights into Asian Economic Outlook by ADB; discussion on Asian Exim Banks'

experience and strategies; and, discussion on international economic cooperation. The discussions at the seventeenth Annual Meeting were concluded with the declaration of the Langkawi resolution and the application of Vietnam Development Bank (VDB) being unanimously approved by all the member banks of the Forum.

Export-Import Bank of India organised the nineteenth training programme of Asian Exim Banks Forum in Trivandrum, Kerala, in February 2012. The training programme on Overseas Investment Finance had participants from 12 export credit agencies of member countries, and speakers from Japan Bank for International Cooperation, the Export-Import Bank of China, Export-Import Bank of Korea and Export-Import Bank of India.

In 1996, Export-Import Bank of India took the initiative of forming Asian Exim Banks Forum. Members of the Forum include Export Credit Agencies from India, Australia, China, Japan, Korea, Malaysia, Thailand (all founding members), Indonesia, Philippines, Cambodia and lately, Vietnam which joined the Forum in 2011. While export credit agencies are generally considered as competitors as they support their respective national exports, the objective of the Forum is to collaborate while competing. The AEBF seeks to enhance economic cooperation and forge stronger linkages for long-term relationships within the Asian Exim Banks' community.

Global Network of Exim Banks and Development Finance Institutions

The Global Network of Exim Banks and Development Finance Institutions (G-NEXID) was set up in Geneva in March 2006 through Export Import Bank of India's initiative, under the auspices of UNCTAD. With the active support of a number of other external trade promoting banks and development finance institutions from various developing countries, the network fosters South-South trade and investment cooperation, characterised among others, by the launch of the G-NEXID's website (www.gnexid.org) and annual meetings of the Forum. 'Observer Status' in UNCTAD underscores support for the Forum as members continue to extend their active participation.

Award for Excellence

The Bank had instituted the CII-Exim Bank Award for Business Excellence' in 1994 for best Total Quality Management practices adopted by an Indian company. The Award is based on the European Foundation for Quality Management (EFQM) model which has undergone revisions recently and has been published as EFQM Excellence Model 2010.

The annual award is a prestigious and befitting industry recognition given to a company after being assessed through a transparent and rigorous methodology based on the EFQM Model. In 2011, there were 60 companies that participated for the Award. Though there were

no winners for the CII-Exim Bank Award for Business Excellence for 2011, 45 large business organisations and their operating units were commended by the jury for significant achievement (12 companies), and strong commitment to excel (33 companies), in their journey towards business excellence.

Recognising good management practices among organisations, 2 large business organisations, viz. Godrej & Boyce Mfg. Co. Ltd. (Appliances Division), and Bharat Electronics Ltd. (Bangalore Unit) were commended by the jury for people management and resource management respectively. Acknowledging the growing significance of Small and Medium Businesses (SMBs) in the growth of Indian industry and economy, the assessment process has been simplified to promote the adoption of Excellence framework among the SMBs and to derive benefits to enhance their competitiveness. Two SMBs (Moonlight Engineering Co. and PSG Institute of Management) were commended for significant achievement and 4 SMBs (Humming Bird Corporate Travel and Stay Private Ltd., Satish Injecto-Plast Pvt Ltd., Shreekrupa Enterprises, and Wendt (India) Ltd.) were commended for strong commitment to excel.

Exim Bank gets ADFIAP Award

In 2012, the Bank was conferred the "Trade Development Award" by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for its Buyer's Credit Programme under the National Export Insurance



Exim Bank extended a Line of Credit of US\$ 150 million to the ECOWAS Bank for Investment and Development. Mr. Bashir M. Ifo, Acting President, ECOWAS Bank for Investment & Development, signed the agreement.



Exim Bank signed a Line of Credit Agreement for US\$ 20 million for financing export of goods and services from India to Nigeria. Mr. Roberts U. Orya, Managing Director & CEO, Nigerian Export-Import Bank, signed the agreement.



Exim Bank and African Development Bank jointly organised a seminar on 'Business Opportunities in AfDB funded Projects.'



Dr. Narayan Chandra Pradhan was declared the winner of Exim Bank IEDRA Award 2010. Dr. Pradhan received the citation from Chief Economic Advisor, Government of India, Dr. Kaushik Basu.

Account (NEIA) for Financing Project Exports from India. The 2012 Award is in recognition of Exim Bank's "Buyers Credit Programme", a unique financing mechanism under which the Bank finances and facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government owned entities for import of goods and services from India on deferred credit terms.

Information Technology

The Bank continued its initiatives in enhancing the use of knowledge management tools, communication across its various constituents for better sharing of information, user empowerment and system intelligence capabilities. The Bank is a member of INFINET and digitally participates in the market through industry-wide systems initiated by regulatory and industry institutions such as RBI, CCIL, Credit Information Bureau (India) Ltd. and SWIFT.

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

The Bank's corporate website (www.eximbankindia.in) disseminates information in an organised manner

on the various research activities conducted by the Bank and on business opportunities and leads in international trade. Besides, it features relevant information on the Bank's various lending programmes and information and advisory services.

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

Bank is migrating to an integrated system for its various operations by implementing the Finacle system, which will improve efficiency and better MIS, in keeping with the Bank's business growth, both in volume and quality.

Research And Analysis

The International Economic Development Research Annual (IEDRA) Award was instituted by the Bank in 1989. The objective of the award is to promote research in international economics, trade and development, and related financing, by Indian nationals at universities and academic institutions in India and abroad. The Award consists of a sum of Rupees Two Hundred and Fifty Thousand and a citation. The winner for the year 2011 is Dr. Brijesh Pazhayathodi, for his doctoral thesis titled "Exports of Services and Offshore Outsourcing: An Empirical Investigation in the Indian Context". Dr. Pazhayathodi received his Doctoral degree in

2011 from the Indian Institute of Technology Bombay, Mumbai. In 2010, Dr. Narayan Chandra Pradhan had won the IEDRA Award.

The Bank published 7 research papers during the year 2011-12, namely, India's Trade and Investment Relations with LDCs: Harnessing Synergies; Export Potential of Indian Plantation Sector: Prospects and Challenges; Mercosur: A Study of India's Trade and Investment Potential; The Commonwealth: Promoting A Shared Vision on Trade and Investment; Openness and Growth of the Indian Economy: An Empirical Analysis; Southern African Development Community (SADC): A Study of India's Trade and Investment Potential; and Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Select Countries.

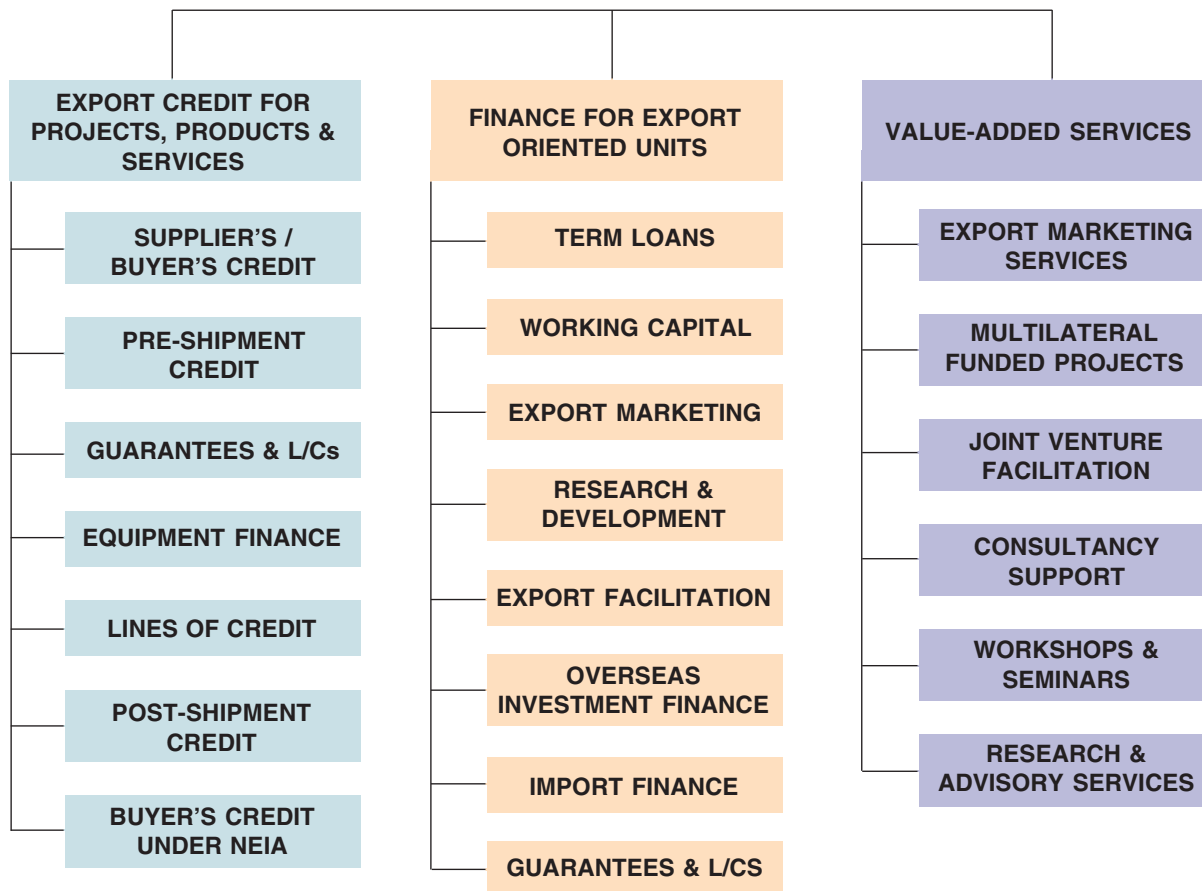
Exim Bank's Commencement Day Annual Lecture series, instituted in 1986 to

commemorate the commencement of the Bank's business, has earned recognition as an important milestone in contributing to the debate and discussions on contemporary trade and development issues impacting the global economy. Professor Yu Yongding, President, China Society of World Economics delivered the Bank's Twenty-Sixth Commencement Day Lecture for the year 2011. Professor Yongding spoke on 'The Rebalancing of the Chinese Economy: Lessons China Can Offer'. Dr. Y.V. Reddy, Former Governor, Reserve Bank of India was the Guest of Honour for the function.

Human Resources Management

The Bank's staff, comprising management graduates, chartered accountants, bankers, economists, legal, library and documentation experts, engineers, linguists, human resources

Bank's Major Programmes





Finchaa Sugar Project being executed under Exim Bank's Lines of Credit extended to the Government of Ethiopia.



Ashok Leyland supplied 63 buses under Exim Bank's Line of Credit to Bangladesh.

and IT specialists, numbered 253 on March 31, 2012. The professional team of 207, is supported by a set of skilled and highly committed administrative officers.

With a focus on continuous learning and skill upgradation, the Bank organises various group training programmes for staff members. Officers are also nominated for customised training programmes and seminars, aimed at developing and enhancing skill sets for handling highly specialised portfolios and enabling them to keep abreast with the latest developments in the field. During 2011-12, 235 officers attended training programmes and seminars on various subjects relevant to the Bank's operations, ranging from working capital management, project finance, credit risk, derivatives & risk management, to interpersonal communication, organisational effectiveness, leadership development, business communications and IT.

Progress In Implementation of the Official Language Policy

During 2011-12, the Bank continued its efforts to strengthen the implementation of the Official Language Policy. In compliance with the provisions of Section 3 (3) of the Official Language Act, circulars, press releases, notices and reports were issued in bilingual form. In compliance with Rule 5 of the Official Language Rule 1976, letters received in Hindi were responded to in Hindi.

Annual Programme for FY 2011-12, received from the Department of Official Language, Ministry of Home Affairs was implemented through an action plan, prepared to achieve targets on various parameters. Towards this end, Official Language Implementation Committees at Bank's Head Office and Regional offices reviewed and monitored the progress on quarterly basis.

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

Bank has actively participated in the meetings of Town Official Language Implementation Committees (TOLIC) / State Level Bankers' Committees / Official Language Implementation Committee of Department of Financial Services and Official Language Implementation Committee of Reserve Bank for Banks and implemented decisions taken in these meeting.

A scheme offering incentives aimed at encouraging officers to learn and use Hindi in their day-to-day work is in place in the Bank. During the year the scheme was revised and made more attractive. Officers of the Bank were encouraged to contribute articles in Hindi to Bank's in house magazine 'Eximius'. Officers contributing best articles were rewarded under the scheme. Bank has also encouraged its

officers increasingly to participate in interbank Hindi competitions organised under aegis of TOLICs and RBI. Bank's officers won awards in these interbank competitions. Hindi training needs of officers were identified and some of them were nominated for training.

In pursuance of Government's directives, a Hindi fortnight commencing from September 1, 2011 was celebrated in the Bank. During this period, various programmes aimed at encouraging use of Hindi in the Bank such as Hindi competitions for staff members; special Hindi workshops, publishing issue of Eximius, the in house magazine and a cultural programme in Hindi were organised. Prizes to winners of competitions were distributed, an exhibition of Hindi publications was organised and a lecture on importance of Hindi and need of its propagation was delivered by a reputed personality.

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

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

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

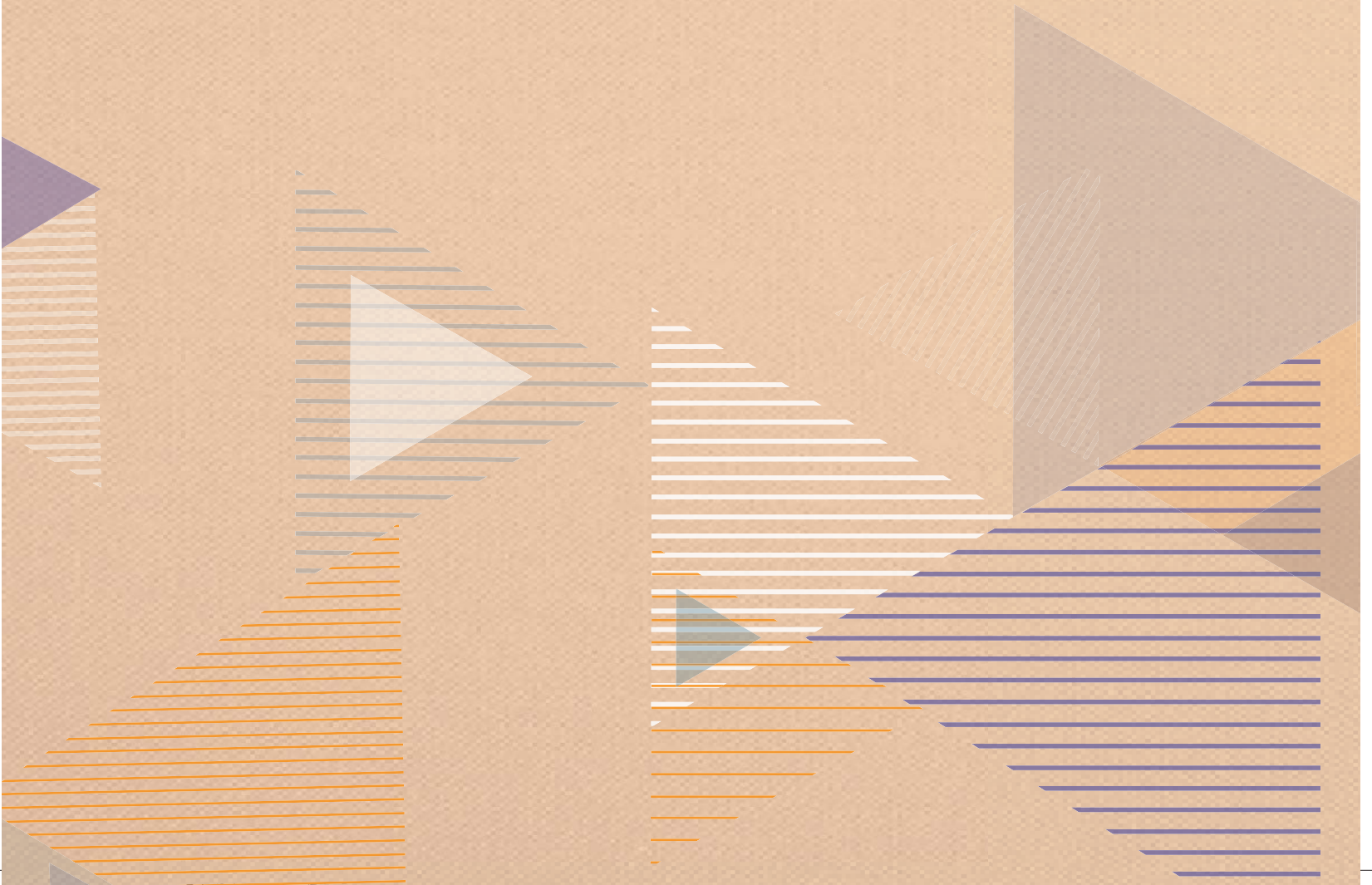
In pursuance of Government policy regarding progressive use of Hindi, Hindi learning material and new books, particularly on foreign trade, commerce, finance, banking, information technology and other subjects were added to the Bank's Knowledge Centre.

The Bank's efforts for accelerating the use of Hindi for official purposes received recognition from various authorities, namely Town Official Language Implementation Committee (TOLIC), Mumbai, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, GOI which awarded the First prize to the Bank's Head office for commendable performance in implementing Hindi among all Financial Institutions for 2010-11. The Bank's in-house journal 'Eximius' was selected for the Fourth prize under bilingual magazine category amongst all Banks / Financial Institutions by Reserve Bank of India for 2010-11.

Representation of Scheduled Castes, Scheduled Tribes and Other Backward Classes

Of the total staff of 253 in the Bank's service as on March 31, 2012, there were 26, 18 and 25 Scheduled Caste, Scheduled Tribe and Other Backward Class staff members, respectively. Training in information technology and other areas such as effective presentation and communication skills, was provided to these staff members. Bank continues to grant scholarships for scheduled castes and scheduled tribes and other backward class students at the Indian Institute of Foreign Trade, New Delhi, and has also instituted scholarships for reserved category students of the Kalinga Institute of Industrial Technology University, Orissa, and the North Eastern Regional Institute of Science and Technology, Arunachal Pradesh.





Balance Sheet and Profit & Loss Account

Balance Sheet

as at 31st March, 2012

Liabilities			This year	Previous year
			(As at 31.03.2012)	(As at 31.03.2011)
			₹	₹
Schedules				
1.	Capital	I	22,999,918,881	19,999,918,881
2.	Reserves	II	37,002,681,596	32,301,675,061
3.	Profit & Loss Account	III	2,050,000,000	1,850,000,000
4.	Notes, Bonds & Debentures		331,211,593,806	272,039,838,387
5.	Bills Payable		—	—
6.	Deposits	IV	31,566,106,796	32,410,009,720
7.	Borrowings	V	183,768,137,343	167,467,614,510
8.	Current Liabilities & Provisions for contingencies		24,435,979,771	19,188,062,320
9.	Other Liabilities		3,695,454,801	2,250,412,626
Total			636,729,872,994	547,507,531,505

Contingent Liabilities

(i)	Acceptances,Guarantees,endorsements & other obligations	32,406,987,000	30,556,876,000
(ii)	On outstanding forward exchange contracts	4,338,169,300	5,556,188,200
(iii)	On underwriting commitments		
(iv)	Uncalled Liability on partly paid investments	69,450,000	62,869,500
(v)	Claims on the Bank not acknowledged as debts	3,124,700,000	3,124,700,000
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	18,329,300,900	12,362,324,700
Total		58,268,607,200	51,662,958,400

General Fund

Assets			This year	Previous year
			(As at 31.03.2012)	(As at 31.03.2011)
			₹	₹
Schedules				
1.	Cash & Bank Balances	VI	38,296,746,521	33,341,610,030
2.	Investments	VII	32,117,235,480	28,255,648,626
3.	Loans & Advances	VIII	535,897,823,856	447,968,000,400
4.	Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	3,000,000,000	8,590,000,000
5.	Fixed Assets	X	909,845,977	859,904,809
6.	Other Assets	XI	26,508,221,160	28,492,367,640
Total			636,729,872,994	547,507,531,505

'Notes to Accounts' attached.

For and on behalf of the Board

Prabhakar Dalal
Executive Director

T. C. A. Ranganathan
Chairman & Managing Director

David Rasquinha
Executive Director

Shri D. K. Mittal
Shri Sudhir Vyas
Shri R. M. Malla

Dr. Kaushik Basu **Dr. Rahul Khullar**
Shri V. K. Sharma **Shri Pratip Chaudhuri**

Directors

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

New Delhi
Dated : April 24, 2012

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

Profit & Loss Account

for the year ended 31st March, 2012

Expenditure

	This year	Previous year
	₹	₹
Schedules		
1. Interest	29,370,791,897	23,247,423,572
2. Credit Insurance, fees and charges	400,648,703	262,892,359
3. Staff Salaries, Allowances etc. and Terminal Benefits	237,406,048	265,934,886
4. Directors' and Committee Members' Fees and Expenses	—	—
5. Audit Fees	455,000	455,000
6. Rent, Taxes, Electricity and Insurance Premia	95,762,215	76,115,671
7. Communication expenses	18,734,997	20,382,546
8. Legal Expenses	8,445,130	22,508,615
9. Other Expenses	332,095,510	291,095,827
10. Depreciation	127,516,560	94,741,758
11. Provision for loan losses/contingencies depreciation on investments	4,799,552,585	2,540,561,479
12. Profit carried down	10,126,347,415	8,676,959,184
Total	45,517,756,060	35,499,070,897
Provision for Income Tax [including Deferred tax credit of ₹ 887,859,120 (previous year - deferred tax credit of ₹ 263,385,905)]	3,375,340,880	2,840,914,096
Balance of profit transferred to Balance Sheet	6,751,006,535	5,836,045,088
	10,126,347,415	8,676,959,184

Report of the Auditors

- We have audited the attached Balance Sheet of **General Fund of Export-Import Bank of India** ('the Bank') as at March 31, 2012, and also the Profit and Loss Account and the Cash Flow Statement of **General Fund** of the Bank for the year ended on that date annexed thereto (together referred to as 'financial statements'). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- We report that :
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - In our opinion, the Balance Sheet and the Profit and Loss Account and the Cash Flow Statement are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder;
 - In our opinion, as shown in the books of the Bank and to the best of our information and according to the explanations given to us :
 - The said Balance Sheet, read with the Notes to Accounts, is a full and fair Balance Sheet containing the necessary particulars, and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the **General Fund** of the Bank as at March 31, 2012, in conformity with the Accounting Principles generally accepted in India;
 - The said Profit and Loss Account, read with the Notes to Accounts, gives a true balance of profit for the year ended on March 31, 2012, in conformity with the Accounting Principles generally accepted in India;
 - The said Cash Flow Statement gives a true and fair view of the Cash Flows for the year ended on March 31, 2012.

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

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

Place : New Delhi
Dated : April 24, 2012

General Fund

Income

			This year	Previous year
			₹	₹
Schedules				
1.	Interest and Discount	XIII	42,018,962,657	33,181,043,739
2.	Exchange, Commission, Brokerage and Fees		2,030,912,507	1,360,847,383
3.	Other Income	XIV	1,467,880,896	957,179,775
4.	Loss carried to Balance Sheet		—	—
Total			45,517,756,060	35,499,070,897
Profit brought down			10,126,347,415	8,676,959,184
Excess Income/Interest tax provision of earlier years written back			—	—
			10,126,347,415	8,676,959,184

'Notes to Accounts' attached.

For and on behalf of the Board

Prabhakar Dalal
Executive Director

T. C. A. Ranganathan
Chairman & Managing Director

David Rasquinha
Executive Director

Shri D. K. Mittal
Shri Sudhir Vyas
Shri R. M. Malla

Dr. Kaushik Basu **Dr. Rahul Khullar**
Shri V. K. Sharma **Shri Pratip Chaudhuri**

Directors

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

New Delhi
Dated : April 24, 2012

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

Schedules to the Balance Sheet

as at 31st March, 2012

	This year (As at 31.03.2012)	Previous year (As at 31.03.2011)
	₹	₹
Schedule I : Capital :		
1. Authorised	100,000,000,000	20,000,000,000
2. Issued and Paid-up : (Wholly subscribed by the Central Government)	22,999,918,881	19,999,918,881
Schedule II : Reserves :		
1. Reserve Fund	28,188,186,787	24,697,180,252
2. General Reserve	—	—
3. Other Reserves :		
Investment Fluctuation Reserve	1,114,175,745	1,114,175,745
Sinking Fund (Lines of Credit)	1,430,319,064	1,320,319,064
4. Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	6,270,000,000	5,170,000,000
	37,002,681,596	32,301,675,061
Schedule III : Profit & Loss Account :		
1. Balance as per annexed accounts	6,751,006,535	5,836,045,088
2. Less: Appropriations:		
— Transferred to Reserve Fund	3,491,006,535	3,086,045,088
— Transferred to Investment Fluctuation Reserve	-	100,000,000
— Transferred to Sinking Fund	110,000,000	100,000,000
— Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	1,100,000,000	700,000,000
3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act, 1981)	2,050,000,000	1,850,000,000
Schedule IV : Deposits:		
(a) In India	31,566,106,796	32,410,009,720
(b) Outside India	—	—
	31,566,106,796	32,410,009,720

General Fund

	This year (As at 31.03.2012)	Previous year (As at 31.03.2011)
	₹	₹
Schedule V : Borrowings :		
1. From Reserve Bank of India :		
(a) Against Trustee Securities	—	—
(b) Against Bills of Exchange	12,750,000,000	—
(c) Out of the National Industrial Credit (Long Term Operations) Fund	—	—
2. From Government of India	—	—
3. From Other Sources :		
(a) In India	26,788,596,831	47,221,088,703
(b) Outside India	144,229,540,512	120,246,525,807
	183,768,137,343	167,467,614,510
Schedule VI : Cash & Bank Balances :		
1. Cash in Hand	122,165	69,483
2. Balance with Reserve Bank of India	1,238,011	1,109,014
3. Balances with other Banks:		
(a) In India		
i) in current accounts	780,987,632	692,413,859
ii) in other deposit accounts	34,294,280,500	24,521,000,000
(b) Outside India	3,220,118,213	7,627,521,670
4. Money at call and short notice / Lending under CBLO	—	499,496,004
	38,296,746,521	33,341,610,030
Schedule VII: Investments:		
(net of diminution in value, if any)		
1. Securities of Central and State Governments	18,136,921,752	12,450,130,445
2. Equity Shares & Stocks	1,575,201,612	1,471,297,097
3. Preference Shares and Stocks	137,710,300	192,047,300
4. Notes, Debentures and Bonds	4,454,785,513	5,453,567,279
5. Others	7,812,616,303	8,688,606,505
	32,117,235,480	28,255,648,626

	This year (As at 31.03.2012)	Previous year (As at 31.03.2011)
	₹	₹
Schedule VIII : Loans & Advances:		
1. Foreign Governments	133,614,599,511	89,878,862,929
2. Banks:		
(a) In India	94,556,250,000	117,579,250,000
(b) Outside India	1,635,747,121	2,151,553,262
3. Financial Institutions:		
(a) In India	—	—
(b) Outside India	12,601,520,283	9,400,718,078
4. Others	293,489,706,941	228,957,616,131
	535,897,823,856	447,968,000,400

Schedule IX : Bills of Exchange and Promissory

Notes Discounted/Rediscounted:

(a) In India	3,000,000,000	8,590,000,000
(b) Outside India	—	—
	3,000,000,000	8,590,000,000

Schedule X : Fixed Assets :

(At cost less depreciation)

1. Premises		
Gross Block b/f	1,336,073,135	1,323,671,267
Additions during the year	22,403,580	12,401,868
Disposals during the year	—	—
Gross Block as at the end of the year	1,358,476,715	1,336,073,135
Accumulated Depreciation	602,849,960	548,472,470
Net Block	755,626,755	787,600,665
2. Others		
Gross Block b/f	501,615,411	473,453,229
Additions during the year	157,275,304	36,084,723
Disposals during the year	14,778,485	7,922,541
Gross Block as at the end of the year	644,112,230	501,615,410
Accumulated Depreciation	489,893,008	429,311,266
Net Block	154,219,222	72,304,144
	909,845,977	859,904,809

	This year (As at 31.03.2012)	Previous year (As at 31.03.2011)
	₹	₹
Schedule XI : Other Assets :		
1. Accrued interest on		
a) investments / bank balances	2,357,716,066	1,558,885,116
b) loans and advances	4,827,075,123	2,556,968,926
2. Deposits with sundry parties	27,452,435	26,612,087
3. Advance Income Tax paid	4,739,652,741	3,585,076,666
4. Others [including Deferred tax asset of ₹ 1,458,768,891 (previous year - ₹ 570,909,771)]	14,556,324,795	20,764,824,845
	26,508,221,160	28,492,367,640
Schedule XII : Other Expenses :		
1. Export Promotion Expenses	6,094,303	13,814,935
2. Expenses on and related to Data Processing	9,441,659	7,601,156
3. Repairs and Maintenance	93,167,333	82,346,821
4. Printing and Stationery	10,220,623	8,859,372
5. Others	213,171,592	178,473,543
	332,095,510	291,095,827
Schedule XIII : Interest and Discount :		
1. Interest and Discount on loans and advances/bills discounted/rediscounted	33,460,568,228	25,963,184,097
2. Income on Investments/bank balances	8,558,394,429	7,217,859,642
	42,018,962,657	33,181,043,739
Schedule XIV : Other Income :		
1. Net Profit on sale/revaluation of investments	1,455,120,984	943,781,984
2. Net Profit on sale of land, buildings and other assets	820,662	477,278
3. Others	11,939,250	12,920,513
	1,467,880,896	957,179,775

Note :Deposits under 'Liabilities' [ref. Schedule IV (a)] include 'on shore' foreign currency deposits aggregating USD 459.42 mn. (Previous year USD 462.71 mn.) kept by counter party banks / institutions with Exim Bank against reciprocal rupee deposits / bonds. Cash & Bank Balances under 'Assets' [ref.Schedule VI 3.(a) ii)] include rupee deposits aggregating ₹ 19.93 bn (Previous year ₹ 18.11 bn) on account of swaps. Investments under 'Assets' [ref. Schedule VII 4.] include bonds aggregating ₹ 2.67 bn (Previous year ₹ 2.81 bn) on account of swaps.

Balance Sheet

as at 31st March, 2012

Liabilities	This year (As at 31.03.2012)	Previous year (As at 31.03.2011)
	₹	₹
1. Loans :		
(a) From Government	—	—
(b) From Other Sources	—	—
2. Grants:		
(a) From Government	128,307,787	128,307,787
(b) From Other Sources	—	—
3. Gifts, Donations, Benefactions :		
(a) From Government	—	—
(b) From Other Sources	—	—
4. Other Liabilities	117,838,318	103,882,318
5. Profit and Loss Account	318,593,737	289,536,186
Total	564,739,842	521,726,291

Contingent Liabilities

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

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

Export Development Fund

Assets	This year (As at 31.03.2012)	Previous year (As at 31.03.2011)
	₹	₹
1. Bank Balances		
a) in current accounts	242,506	242,506
b) in other deposit accounts	438,266,775	411,092,919
2. Investments	—	—
3. Loans & Advances :		
(a) In India	—	—
(b) Outside India	8,505,318	8,505,318
4. Bills of Exchange and Promissory Notes Discounted, Rediscounted :		
(a) In India	—	—
(b) Outside India	—	—
5. Other Assets		
(a) Accrued interest on		
i) Loans and Advances	—	—
ii) Investments/bank balances	8,849,540	6,509,845
(b) Advance Income Tax paid	108,875,703	95,375,703
(c) Others	—	—
Total	564,739,842	521,726,291

For and on behalf of the Board

Prabhakar Dalal
Executive Director

T. C. A. Ranganathan
Chairman & Managing Director

David Rasquinha
Executive Director

Shri D. K. Mittal
Shri Sudhir Vyas
Shri R. M. Malla

Dr. Kaushik Basu **Dr. Rahul Khullar**
Shri V. K. Sharma **Shri Pratip Chaudhuri**

Directors

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

New Delhi
Dated : April 24, 2012

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

Profit & Loss Account for the year ended 31st March, 2012

Expenditure

	This year	Previous year
	₹	₹
1. Interest	-	-
2. Other Expenses	-	-
3. Profit carried down	43,013,551	28,469,066
Total	43,013,551	28,469,066
Provision for Income Tax	13,956,000	9,500,000
Balance of profit transferred to Balance Sheet	29,057,551	18,969,066
	43,013,551	28,469,066

Report of the Auditors

- We have audited the attached Balance Sheet of **Export Development Fund of Export-Import Bank of India** ('the Bank') as at March 31, 2012, and also the Profit and Loss Account of **Export Development Fund** of the Bank for the year ended on that date annexed thereto (together referred to as 'financial statements'). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- We report that :
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - In our opinion, the Balance Sheet and the Profit and Loss Account are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder;
 - In our opinion, as shown in the books of the Bank and to the best of our information and according to the explanations given to us :
 - The said Balance Sheet, read with the Notes to Accounts, is a full and fair Balance Sheet containing the necessary particulars, and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the **Export Development Fund** of the Bank as at March 31, 2012, in conformity with the Accounting Principles generally accepted in India;
 - The said Profit and Loss Account, read with the Notes to Accounts, gives a true balance of profit for the year ended on March 31, 2012, in conformity with the Accounting Principles generally accepted in India;

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

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

Place : New Delhi
Dated : April 24, 2012

Export Development Fund

Income

	This year	Previous year
	₹	₹
INCOME		
1. Interest and Discount		
(a) loans and advances	-	-
(b) investments / bank balances	43,013,551	28,469,066
2. Exchange, Commission, Brokerage and Fees	-	-
3. Other Income	-	-
4. Loss carried to Balance Sheet	-	-
Total	43,013,551	28,469,066
Profit brought down	43,013,551	28,469,066
Excess Income/Interest tax provision of earlier years written back	-	-
	43,013,551	28,469,066

For and on behalf of the Board

Prabhakar Dalal
Executive Director

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Chairman & Managing Director

David Rasquinha
Executive Director

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Shri Sudhir Vyas
Shri R. M. Malla

Dr. Kaushik Basu **Dr. Rahul Khullar**
Shri V. K. Sharma **Shri Pratip Chaudhuri**

Directors

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

New Delhi
Dated : April 24, 2012

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

Cash Flow Statement

for the year ended 31st March, 2012

Particulars	Amount (₹ in Mn.)	
	Year ended March 31, 2012	Year ended March 31, 2011
Cash flow from Operating Activities		
Net Profit before tax and extra-ordinary items	10,126.3	8,677.0
Adjustments for		
– (Profit)/Loss on sale of fixed assets (Net)	(0.8)	(0.5)
– (Profit)/Loss on sale of Investments (Net)	(1,455.1)	(943.8)
– Depreciation	127.5	94.7
– Discount/Expenses on bond issues written off	192.1	204.1
– Transfer from Investment Fluctuation Reserve	-	-
– Provisions/Write Off of Loans/Investments & other provisions	4,799.6	2,540.6
– Others - to specify	-	-
	13,789.6	10,572.2
Adjustments for		
– Other Assets	(9,276.5)	10,478.2
– Current liabilities	13,855.4	(13,749.3)
Cash generated from operations	18,368.5	7,301.1
Payment of income tax/interest tax	(4,247.5)	(3,052.8)
Net cash flow from operating activities	14,121.0	4,248.2
Cash flow from Investing activities		
– Net purchase of fixed assets	(176.6)	(46.5)
– Net change in investments	(2,406.5)	(3,701.7)
Net cash used in / raised from Investing activities	(2,583.1)	(3,748.2)

General Fund

Particulars	Amount (₹ in Mn.)	
	Year ended March 31, 2012	Year ended March 31, 2011
Cash Flow from Financing activities		
– Equity capital infusion	3,000.0	3,000.0
– Loans borrowed (net of repayments made)	74,607.0	66,789.4
– Loans lent, bills discounted & rediscounted (net of repayments received)	(82,339.8)	(66,201.2)
– Dividend on equity shares & tax on dividend (Balance of Net profits transferred to Central Government)	(1,850.0)	(1,500.3)
Net cash used in / raised from Financing activities	(6,582.8)	2,087.9
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	4,955.1	2,587.9
OPENING CASH & CASH EQUIVALENTS	33,341.6	30,753.7
CLOSING CASH & CASH EQUIVALENTS	38,296.7	33,341.6

For and on behalf of the Board

Prabhakar Dalal
Executive Director

T. C. A. Ranganathan
Chairman & Managing Director

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Executive Director

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Directors

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

New Delhi
Dated : April 24, 2012

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

Significant Accounting Policies and Notes to Accounts

I Significant Accounting Policies

(i) Financial Statements

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

(ii) Revenue Recognition

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

(iii) Asset Classification and Provisioning

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

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

(iv) Investments

The entire investment portfolio is classified under three categories:

- (a) "Held to Maturity" (the securities acquired with the intention to hold them to maturity),
- (b) "Held for Trading" (the securities acquired with the intention to trade by taking advantage of the short term price/interest rate movements, etc.) and
- (c) "Available for Sale" (the balance investments).

The investments are further classified as:

- i) Government securities
- ii) Other approved securities
- iii) Shares

- iv) Debentures and Bonds
- v) Subsidiaries/Joint Ventures
- vi) Others (Commercial Papers, Mutual Fund Units, etc.)

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

(v) Fixed Assets and Depreciation

- (a) Fixed Assets are stated at historical cost less accumulated depreciation.
- (b) Depreciation is provided for on straight-line method basis over twenty years on owned buildings and over four years on other assets.
- (c) In respect of assets acquired during the year, depreciation is provided for the entire year in the year of purchase and in respect of assets sold during the year, no depreciation is provided in the year of sale.
- (d) When a depreciable asset is disposed of, discarded, demolished or destroyed, the net surplus or deficiency is adjusted in Profit and Loss Account.

(vi) Accounting for Foreign Currency Transactions

- (a) Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end.
- (b) Income and expenditure items are translated at the average rates of exchange during the year.
- (c) Outstanding foreign exchange contracts are revalued at rates of exchange notified by the FEDAI for specified maturities and the resulting profits/ losses are included in the Profit and Loss account.
- (d) Contingent liabilities in respect of guarantees, acceptances, endorsements and other obligations are stated at the rates of exchange notified by FEDAI at year end.

(vii) Guarantees

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

(viii) Provision for Terminal Benefits of Employees

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

(ix) Accounting for taxes on Income

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

II Notes to Accounts – General Fund

1. Agency Account

As Exim Bank is acting only in the capacity of an agency to facilitate certain transactions in Iraq relating to Indian contractors, foreign currency receivables advised to the Bank equivalent to ₹ 34.97 bn. (previous year ₹ 30.65 bn) held on agency account including a sum of ₹ 31.60 bn (previous year ₹ 27.70 bn) assigned to Government of India (GOI) are not included in the above Balance Sheet.

2. Income-Tax

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

3. (a) Contingent Liabilities

Guarantees include expired guarantees of ₹ 9.44 bn (previous year ₹ 6.90 bn), yet to be cancelled in books.

(b) Claims not acknowledged as debts

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

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

- (i) The outstanding forward exchange contracts as at March 31, 2012 have been fully hedged. The Bank undertakes derivatives transactions (Interest Rate Swaps, Forward Rate Agreements and Currency-cum-interest rate swaps), for the purpose of Asset-Liability management as per RBI guidelines issued vide circular Ref. No. MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999 and thereafter. The Bank also unwinds and re-enters such transactions based on requirements/market conditions. The outstanding derivative transactions are captured in the interest rate sensitivity position, which is monitored by the Asset Liability Management Committee (ALCO) and reviewed by the Board. The credit equivalent of derivatives is arrived at as per ‘Current Exposure’ method prescribed by RBI. The fair value and the price value of a basis point (PV01) of derivatives are disclosed separately in the ‘Notes to Accounts’ as stipulated by RBI. The premium or discount arising at inception of forward exchange contracts is amortized over the life of the contracts. Any profit or loss arising on cancellation of forward exchange contracts is recognized as income / expense for the year.
- (ii) The Bank is permitted to be a ‘market maker’ for offering long-dated Foreign Currency - Rupee Swaps to clients / non-clients. The Bank has sought RBI permission for ‘market maker’ status in respect of rupee derivatives, which is awaited.

d) Profit / Loss on Exchange fluctuation

Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end. Income and expenditure items are translated at the average rates of exchange during the year. The notional profit on such translation of the retained earnings on FC operations during the current year is ₹ 0.26 bn (previous year ₹ 0.07 bn).

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

ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA**5. Capital**

(a)	Particulars	As on March 31, 2012	As on March 31, 2011
	(i) Capital to Risk Assets Ratio (CRAR)	16.44%	17.04%
	(ii) Core CRAR	14.57%	15.11%
	(iii) Supplementary CRAR	1.87%	1.93%

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

- (c) The amount of subordinated debt raised and outstanding as on March 31, 2012 as Tier-II capital: ₹ NIL (previous year: ₹ NIL)

(d) Risk weighted assets –

(₹ bn)

Particulars	As on March 31, 2012	As on March 31, 2011
(i) 'On' balance sheet items	356.22	307.68
(ii) 'Off' balance sheet items	56.97	46.23

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

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

6. Asset quality and credit concentration as on March 31, 2012

- (a) Percentage of net Non-performing Assets (NPAs) to net loans and advances : 0.29 (previous year 0.20)

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

(₹ bn)

Particulars	As on March 31, 2012		As on March 31, 2011	
	Amount	Percentage	Amount	Percentage
Sub-standard Assets	1.56	0.29	0.93	0.20
Doubtful Assets	—	—	—	—
Loss Assets	—	—	—	—
Total	1.56	0.29	0.93	0.20

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

(₹ bn)

Particulars	2011-12	2010-11
Standard Assets	1.33	0.87
NPAs	3.13	1.79
Investments (other than those in the nature of advance)	0.55	0.35
Income Tax	3.37	2.84

(d) Movement in net NPAs :

(₹ bn)

Particulars	2011-12	2010-11
Net NPAs at the beginning of the year	0.93	0.78
Add : New NPAs during the year	1.56	0.93
Less : Recoveries / upgradations during the year	0.93	0.78
Net NPAs at the end of the year	1.56	0.93

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

(₹ bn)

Particulars	2011-12	2010-11
Opening balance as at the beginning of the year	3.85	3.35
Add : Provisions made during the year	3.13	1.79
Less: Write off / write back of excess provision	0.58	1.29
Closing balance at the end of the year	6.40	3.85

(f) Provisioning Coverage Ratio (PCR)

	2011-12	2010-11
Provision Coverage Ratio	84.66%	86.08%

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

(₹ bn)

Particulars	2011-12	2010-11
Total Deposits of twenty largest depositors	3.61	4.69
Percentage of deposits of twenty largest depositors to Total deposits of the bank	44.12%	39.79%

Concentration of Advances:

(₹ bn)

Particulars	2011-12	2010-11
Total advances to twenty largest borrowers	77.64	63.67
Percentage of advances to Twenty largest borrowers to Total Advances of the Bank	14.24	13.83

Advances computed as per definition of Credit Exposure including derivatives furnished in RBI Master circular on Exposure Norms DBOD.No.FID.FIC.4/01.02.00/2011-12 dated July 1, 2011.

Concentration of Exposures

(₹ bn)

Particulars	2011-12	2010-11
Total Exposures to twenty largest borrowers / customers	123.62	105.91
Percentage of Exposures to twenty largest borrowers /customers to Total Exposure of the bank on borrowers/customers	11.65	12.25

Exposure computed based on credit and investment exposure as prescribed in RBI Master Circular on Exposure norms: DBOD.No.FID.FIC.4/01.02.00/2011-12 dated July 1, 2011.

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

Concentration of NPAs

(₹ bn)

	2011-12	2010-11
Total Exposure to top four NPA accounts	2.20	1.39

I. Sector-wise NPAs:

Sr No	Sector	Percentage of NPAs to Total Advances in that sector	
		2011-12	2010-11
1.	Agriculture and allied activities	-	-
2.	Industry (Micro & small, Medium and Large)*	1.46	1.03
3.	Services -	-	-
4.	Personal Loans -	-	-

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

II. Movement of NPAs:

(₹ bn)

Particulars	2011-12	2010-11
Gross NPAs as on 1 st April (opening Balance)	4.78	4.13
Additions :		
(i) (Fresh NPAs) during the year	4.07	2.40
(ii) Interest funding	0.01	0.04
(iii) Exchange Fluctuation	0.10	-
Sub-Total (A)	4.18	2.44
Less:-		
(i) Up gradations	0.20	0.55
(ii) Recoveries (excluding recoveries made from upgraded accounts)	0.49	0.42
(iii) Write-offs	0.31	0.81
(iv) Exchange fluctuation	-	0.01
Sub-total (B)	1.00	1.79
Gross NPAs as on 31 st March (closing balance) (A-B)	7.96	4.78

- Gross NPAs as per item 2 of Part A of Annex – 1 to DBOD circular DBOD.No.BP.BC.12 / 21.04.048/2011-12 dated July 1, 2011

III. Overseas Assets, NPAs and Revenue

(₹ bn)

Particulars	2011-12	2010-11
Total Assets	18.80	12.63
Total NPAs	-	-
Total Revenue	0.58	0.10

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

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

Name of the SPV sponsored	
Domestic	Overseas
—	—

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

(₹ bn)

Sr No	Particulars	2011-12	2010-11
(i)	No. of Accounts	1	0
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	-	-
(iii)	Aggregate consideration	0.08	-
(iv)	Consideration realised in respect of accounts transferred in earlier years	0.08	0.003
(v)	Aggregate gain over net book value	0.08	-

- The "Assets sold to Reconstruction Companies" have been reckoned as defined in RBI Master Circular DBOD No. FID.FIC.2/01.02.00/2006-07 dated July 1, 2006 and thereafter.

(i) Non-performing Investments

(₹ bn)

Particulars	2011-12	2010-11
Opening balance as at the beginning of the year	0.34	0.40
Additions during the year	0.15	-
Reductions during the year	-	0.06
Closing balance at the end of the year	0.49	0.34
Total provisions held	0.49	0.34

(j) Provisions for depreciation in investments

(₹ bn)

Particulars	2011-12	2010-11
Opening balance as at the beginning of the year	1.63	1.30
Add :		
(i) Provisions made during the year / (written back)	0.70	0.40
(ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	-	-
Less :		
(i) Write off during the year	-	0.07
(ii) Transfer, if any, to Investment Fluctuation Reserve Account	-	-
Closing balance as at the end of the year	2.33	1.63

(k) Particulars of accounts restructured during FY 2011-12

(₹ bn)

Category	Details	CDR Mechanism	SME Debt Mechanism	Others
Standard Advances restructured	No. of Borrowers	8	-	3
	Amount Outstanding	4.31	-	3.82
	Sacrifice (diminution in the fair value)	0.54	-	-
Sub-Standard Advances restructured	No. of Borrowers	-	-	1
	Amount Outstanding	-	-	0.36
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful Advances restructured	No. of Borrowers	1	2	-
	Amount Outstanding	0.11	0.11	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	9	2	4
	Amount Outstanding	4.42	0.11	4.18
	Sacrifice (diminution in the fair value)	0.54	-	-

Note: Applications for restructuring of loans aggregating ₹ 15.58 bn in respect of thirteen borrowers were under process as on March 31, 2012.

Previous year (Particulars of accounts restructured during FY 2010-11)

(₹ bn)

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

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

(l) Credit Exposure:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE)®	Percentage to Total Assets
i) Largest single borrower	14.88	0.85	1.41
ii) Largest borrower group	28.82	1.64	2.73
iii) 10 largest single borrowers	120.12	6.83	11.38
iv) 10 largest borrower groups	180.31	10.25	17.08

* Capital Funds as on March 31, 2011

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

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

Previous Year:

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

* Capital Funds as on March 31, 2010

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

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

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

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Metal & Metal Processing	13.19	13.12
ii) Textile / Garments	9.06	9.01
iii) Construction	6.74	6.71
iv) Drugs & Pharmaceuticals	6.61	6.58
v) Petroleum / Petrochemicals	6.52	6.48

Previous Year:

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

- The "credit exposure" has been reckoned as defined by RBI.

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

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

(₹ bn)

Sr. No.	Issuer	Amount	Amount of			
			Investment made through private placement	"below investment grade" Securities held	"unrated" Securities held	"unlisted" Securities held
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	0.04	-	-	0.04	0.04
2	FIs	2.91	2.67	-	0.24	2.90**
3	Banks	0.25	0.15	-	0.10	0.10
4	Private corporates	4.24	3.25	-	3.71	2.98*
5	Subsidiaries / Joint ventures	0.0032	-	-	0.0032	0.0032
6	Others	7.81	-	-	0.0025	0.0025
7	# Provision held towards depreciation	1.27	-	-	-	-
	Total	15.25	6.07	-	4.09	6.02

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

* Out of which ₹ 1.89 bn represents investment in security receipts issued by ARCIL and ₹ 0.55 bn of investments are in shares/ debentures acquired as part of loan restructuring.

** Out of which ₹ 2.67 bn were by way of USD / INR Swap undertaken with RBI approval.

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

Previous Year:

(₹ bn)

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

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

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

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

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

7. Liquidity

- (a) Maturity pattern of rupee assets and liabilities; and
(b) Maturity pattern of foreign currency assets and liabilities.

(₹ bn)

Items	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total
Rupee assets	274.34	126.70	104.66	104.70	65.79	676.19
Foreign currency assets	155.68	117.19	83.92	46.27	72.17	475.23
Total assets	430.02	243.89	188.58	150.97	137.96	1,151.42
Rupee liabilities	273.49	125.05	55.86	27.67	125.51	607.58
Foreign currency liabilities	154.41	125.63	77.77	43.43	71.06	472.30
Total Liabilities	427.90	250.68	133.63	71.10	196.57	1,079.88

Previous Year:

(₹ bn)

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

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

(c) Repo Transactions:

(₹ bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2012
Securities sold under repos				
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos				
i) Government Securities	-	5.00	0.303	-
ii) Corporate Debt Securities	-	0.50	0.004	-

Previous Year:

(₹ bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2011
Securities sold under repos				
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos				
i) Government Securities	-	9.75	0.15	-
ii) Corporate Debt Securities	-	-	-	-

8. Disclosure on risk in derivatives in terms of RBI Guidelines dated July 01, 2011**a) Qualitative Disclosure**

1. The Bank uses financial derivative transactions predominantly for raising cost-effective funds and hedging its balance sheet exposures, with the objective of reducing market risks. The Bank currently deals only in over-the-counter (OTC) interest rate and currency derivatives, of the type permitted by RBI.
2. Derivative transactions carry (i) market risk i.e. the probable loss that the Bank may incur as a result of adverse movements in interest rates / exchange rates and (ii) credit risk i.e. the probable loss the Bank may incur if the counter-parties fail to meet their obligations. The Bank has in place a Derivative Policy approved by the Board, which aims at synchronizing the risk management objectives at the transaction level and in the overall ALM position. The policy defines the use of

- permitted derivative products consistent with business goals of the Bank, lays down the control and monitoring systems and deals with regulatory, documentation and accounting issues. The policy also prescribes suitable risk parameters to control and manage market risk on derivative trades undertaken in the treasury book. (stop-loss limits, open position limits, tenor limits, settlement and pre-settlement risk limits, PV01 limits).
3. The ALCO of the Bank oversees management of market risks with support from the Bank's Mid-Office, which measures, monitors and reports market risk associated with derivative transactions.
 4. All derivative transactions outstanding in the Bank's books as on March 31, 2012 have been undertaken for hedging purposes and are in the ALM book. The income on such transactions has been accounted for on accrual basis.
 5. Interest Rate Swaps (IRS) are not included in Outstanding Forward Exchange Contracts under Contingent Liabilities as per the Derivative Policy.

b) Quantitative Disclosure

(₹ bn)

Sr. No.	Particulars	2011-12		2010-11	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)				
	a) For hedging	145.38	58.30	91.74	54.27
	b) For trading	-	-	-	-
2	Marked to Market Positions				
	a) Asset (+)	10.31	1.39	18.28	0.97
	b) Liability (-)	-	-	-	-
3	Credit Exposure	18.79	2.38	22.12	1.35
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	4.39	2.01	1.78	2.28
	b) on trading derivatives	-	-	-	-
5	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging				
	(i) Maximum	4.39	2.24	1.78	2.33
	(ii) Minimum	2.11	2.01	0.52	1.33
	b) on trading				
	(i) Maximum	-	-	-	-
	(ii) Minimum	-	-	-	-

c) Disclosure on Interest Rate derivatives traded on exchanges

Sr. No.	Particulars	Amount
1.	Notional Principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	-
2.	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31 st March, 2012 (instrument-wise)	-
3.	Notional Principal amount of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	-
4.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	-

d) Disclosure on Forward Rate Agreements and Interest rate swaps

(₹ bn)

Sr. No.	Particulars	2011-12		2010-11	
		Hedging	Trading	Hedging	Trading
1.	The Notional Principal of swap agreements	58.30	-	54.27	-
2.	Losses, which would be incurred if counter parties failed to fulfill their obligations under the agreements	0.15	-	0.27	-
3.	Concentration of credit risk arising from Swaps	All transactions fall within approved credit exposure limits	-	All transactions fall within approved credit exposure limits	-
4.	The fair value of the swap book	1.39	-	0.97	-

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

9. Operating results

Sr. no.	Particulars	2011-12	2010-11
(i)	Interest income as a percentage to average working funds	7.08	6.54
(ii)	Non-interest income as a percentage to average working funds	0.59	0.46
(iii)	Operating profit as a percentage to average working funds	2.51	2.21
(iv)	Return on average assets	1.14	1.15
(v)	Net Profit per (permanent) employee (in ₹ bn)	0.03	0.02

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

10. Details of Fixed Assets

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

(₹ bn)

Particulars	Premises	Others	Total
Gross Block			
Cost as on 31 st March 2011	1.34	0.50	1.84
Additions	0.02	0.16	0.18
Disposals	0.00	0.02	0.02
Cost as on 31 st March 2012 (A)	1.36	0.64	2.00
Depreciation			
Accumulated as on 31 st March 2011	0.55	0.43	0.98
Provided during the year	0.05	0.07	0.12
Eliminated on Disposals	0.00	0.01	0.01
Accumulated as on 31 st March 2012 (B)	0.60	0.49	1.09
Net Block (A-B)	0.76	0.15	0.91

Previous Year :

(₹ bn)

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

11. Accounting for Government grants

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

12. Segment Reporting

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

13. Related party disclosures

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

- Relationship
 - (i) Joint Ventures :
 - Global Procurement Consultants Limited
 - (ii) Key Management Personnel :
 - Shri T. C. A. Ranganathan (Chairman of GPCL)
- The Banks' related party balances and transactions are summarised as follows :

(₹ mn)

Particulars	Joint Venture 2011-12	Joint Venture 2010-11
Loans granted	-	-
Guarantees issued	-	0.55
Interest received	-	-
Guarantee commission received	-	0.00
Receipts towards services rendered	-	-
Term Deposit Accepted	5.80	5.46
Interest on Term Deposits	0.46	0.57
Amounts written-off / written-back	-	-

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

Guarantees outstanding at year-end: ₹ 5.36 mn (previous year ₹ 5.25 mn)

Investments outstanding at year end: ₹ 3.23 mn. (previous year ₹ 3.23 mn)

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

Maximum Guarantees outstanding during the year : ₹ 6.25 mn (previous year ₹ 5.46 mn)

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

14. Accounting for Taxes on Income

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

(₹ bn)

(i) Tax on Income	4.26
(ii) Less : Net deferred tax Asset	0.89
	<u>3.37</u>

(b) Deferred Tax Asset: :

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

(₹ bn)

Particulars

Deferred Tax Assets

1. Provision Disallowed (Net)	3.72
2. Depreciation on Fixed Assets	0.04
	<u>3.76</u>

Less : Deferred Tax Liability

1. Amortization of Bond issue expenses	0.35
2. Special Reserve created under section 36 (1) (viii)	1.95
	<u>2.30</u>

Net Deferred Tax Assets [included in 'Other Assets' in the
'Assets' side of the Balance Sheet]

1.46

15. Financial Reporting of Interest in Joint Ventures

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

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

(₹ mn)

Liabilities	2011-12	2010-11	Assets	2011-12	2010-11
Capital & Reserves	14.60	14.46	Fixed Assets	0.20	0.29
Loans	0.00	0.00	Investments	9.38	7.25
Other Liabilities	0.29	0.21	Other Assets	5.31	7.13
Total	14.89	14.67	Total	14.89	14.67

Contingent Liabilities: NIL (Previous year NIL)

(₹ mn)

Expenses	2011-12	2010-11	Income	2011-12	2010-11
Other Expenses	4.81	6.82	Consultancy Income	4.89	8.92
Provisions	0.50	0.84	Interest income & Income from investment	1.21	0.49
			Other Income	0.18	0.01
			Deferred Tax Liability Written back	-	-
Total	5.31	7.66	Total	6.28	9.42

16. Impairment of Assets

A substantial portion of the Bank's assets comprise of 'financial assets' to which Accounting Standard 28 "Impairment of Assets" is not applicable. In the opinion of the Bank, there is no impairment of its assets (to which the standard applies) as at March 31, 2012 requiring recognition in terms of the said standard.

17. Employee benefits

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

A) Amount to be recognized in the Balance Sheet

(₹ bn)

Particulars	Pension Fund	Gratuity
Fair value of Plan Assets at the end of the period	0.276	0.051
Present value of Benefit Obligation at the end of the period	0.310	0.055
Funded Status	0.034	0.003
Unrecognized past service cost at the end of the period	-	-
Unrecognized transitional liability at the end of the period	-	-
Net Liability recognized in the Balance Sheet	0.034	0.003

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

(₹ bn)

Particulars	Pension Fund	Gratuity
Current Service Cost	0.014	0.004
Interest Cost	0.019	0.004
Expected Return on Plan Assets	0.014	0.003
Actuarial Losses / (Gains)	(0.001)	(0.002)
Past Service Cost - Non-vested Benefit	-	-
Past Service Cost – vested benefit	0.026	-
Transitional liability	-	-
Expense recognized in P&L	0.044	0.003
Contributions by Employer	0.057	-

C) Summary of Actuarial Assumptions

Particulars	Pension Fund	Gratuity
Discount Rate (p.a.)	8.75%	8.75%
Expected Rate of Return on Assets (p.a.)	8.25%	8.25%
Salary Escalation Rate (p.a.)	7.00%	7.00%

In addition to the above, for the year 2011-2012 the amount of Defined Benefit Obligation of Leave Encashment works out to ₹ 0.03 bn, which has been fully provided for.

During the year, an amount of ₹ 0.003 bn has been contributed towards Provident Fund for the benefit of the employees.

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

For and on behalf of the Board

Prabhakar Dalal
Executive Director

T. C. A. Ranganathan
Chairman & Managing Director

David Rasquinha
Executive Director

Shri D. K. Mittal
Shri Sudhir Vyas
Shri R. M. Malla

Dr. Kaushik Basu **Dr. Rahul Khullar**
Shri V. K. Sharma **Shri Pratip Chaudhuri**

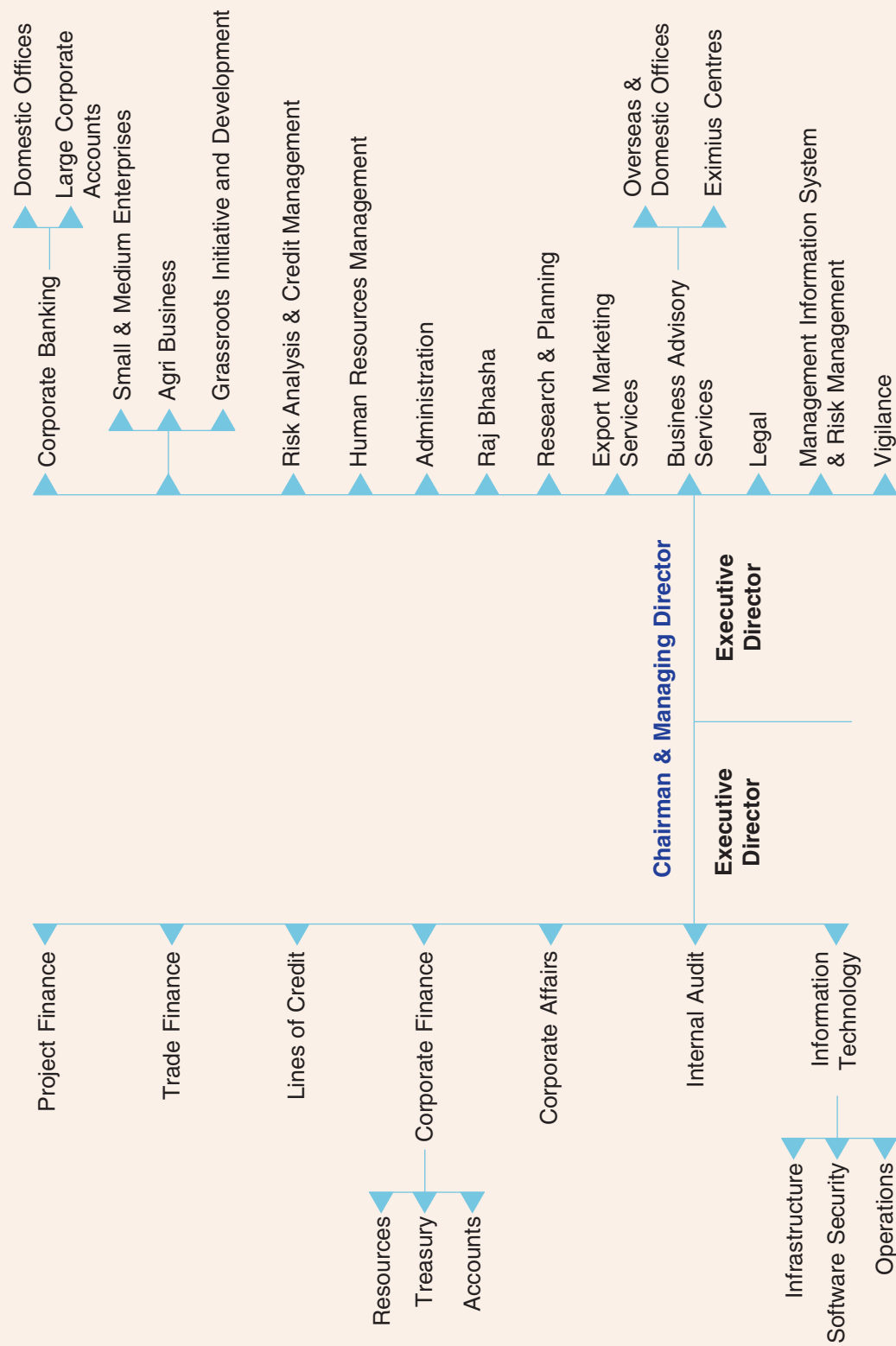
Directors

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

New Delhi
Dated : April 24, 2012

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

Organisation Chart



Head Office Team



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Ahmedabad



Bangalore



Chandigarh



Chennai



Guwahati



Hyderabad



Kolkata



Mumbai



New Delhi



Pune

Overseas Branch



London

Overseas Offices



Addis Ababa
Sachin More



Dakar
O'Neil Rane



Dubai
Rikesh Chand



Johannesburg
Vinod Goel



Singapore
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Objective

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

The Export-Import Bank of India Act, 1981.



Export-Import Bank of India is the premier export finance institution of the country, set up in 1982 under the Export-Import Bank of India Act 1981. Government of India launched the institution with a mandate, not just to enhance exports from India, but to integrate the country's foreign trade and investment with the overall economic growth.

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