भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

ANNUAL REPORT 2012-13

The Changing Dynamics of India's International Trade

The Indian economy opened up in the early 1990s with the introduction of a series of breakthrough economic reforms, which included, inter alia, opening for international trade and investment, deregulation, tax reforms and privatisation, thus creating a new chapter for India's international trade and investments. As a result, the compound annual growth rate (CAGR) of India's exports picked up from 8.5 percent in the 1980s to 10.0 percent in the decade following the reforms, i.e. during 1992-93 to 2001-02, which more than doubled to 21.6 percent in the next decade i.e. 2002-03 to 2011-12.

There has been a significant rise in the degree of openness of the Indian economy, which could be seen in the trebling of the trade openness ratio (i.e. trade in goods and services as a percentage of GDP), from 18.3 percent in 1992-93 to 55.3 percent in 2012-13. The increasing interaction of the Indian economy with the global market has also resulted in higher growth of the economy as well as rise in investment flows.

The strong growth in India's merchandise exports has been accompanied by an increase in the share of India in the global export market reflecting, among others, emergence of newer markets, increased adaptability of Indian exporting companies to meet the changing patterns of global demand, and the availability of financing structures for such activities. According to the World Trade Organisation (WTO), India's share in global exports and imports, which stood at 0.5 percent and 0.7 percent in 1990, more than trebled to 1.6 percent and 2.6 percent, respectively, in 2012, resulting in a significant improvement of India's standing in the global trade. By 2012, India became the 10th largest importer in the world, as against 28th in 1990; and 19th largest exporter globally as against 33rd in 1990.

At the same time, India's direction of trade increasingly shifted towards emerging markets. Accordingly, the combined share of developing Asia, Africa and Latin America and Caribbean increased from less than one-fourth of India's total exports in 1992-93 to more than half of India's total exports in 2012-13. Further, increase in adaptability of Indian exporters to meet the changing patterns of global demand can be testified by the change in India's export composition over the last two decades. The dynamics of inter-sectoral composition within manufactured exports reveal increasing contribution of technology-intensive goods in India's exports. For instance, the combined share of technology-intensive products like engineering goods, petroleum products, chemicals and related products and electronic goods in India's total exports which was 25.5 percent in 1992-93, more than doubled in 2012-13 to 55.8 percent.

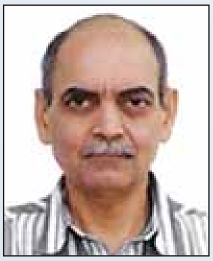
The robust performance of India's international trade over the two decades reflects India's increasing integration with the global economy. India is expected to open up further in the coming years as indicated in its recent trade policies. Continued market diversification towards developing countries based on the changing dynamics of growth in the world economy is the key to ensure sustained and accelerated growth of India's exports.

CONTENTS

Board of Directors

(As on May 21, 2013)

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



Shri Rajiv Takru
Secretary
Department of Financial Services
Ministry of Finance

Shri S.R. Rao
Commerce Secretary
Department of Commerce
Ministry of Commerce & Industry

Shri Pinak Ranjan Chakravarty
Secretary (Economic Relations)
Ministry of External Affairs

Shri Saurabh Chandra
Secretary
Department of Industrial
Policy & Promotion
Ministry of Commerce & Industry

Dr. Raghuram G. Rajan
Chief Economic Adviser
Department of Economic Affairs
Ministry of Finance

Shri G. Padmanabhan
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 S.S. Mundra
Chairman & Managing
Director
Bank of Baroda

Smt V.R. Iyer
Chairperson & Managing
Director
Bank of India

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

Dr. A.M. Bhattacharjea
Professor of Economics
Delhi School of Economics
University of Delhi

The Past Decade

(in ` million)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Cumulative (2003-13)	Growth (CAGR)
LOANS												
Approvals	92657	158535	204887	267622	328045	336285	388430	477984	444119	419185	3117748	17
Disbursements	69575	114352	150389	220760	271587	289327	332485	344233	370451	406349	2569508	22
Loan Assets [1]	107751	129104	175931	228862	287767	341564	390357	456558	538898	643530		22
GUARANTEES												
Approvals	10792	15887	43264	49978	21994	16184	13508	32165	27549	58075	289396	21
Issuance	5743	16602	21959	16972	20386	10315	3875	11535	13611	29378	150376	20
Guarantee Portfolio	15769	23727	34023	35360	34556	35401	22736	30557	32407	47440		13
RESOURCES												
Paid-up-Capital	6500	8500	9500	10000	11000	14000	17000	20000	23000	30594		
Reserves	14933	16625	17703	18741	21064	24681	28316	32302	37003	41796		
Borrowings [2]	119206	120118	160090	216616	317163	372023	405088	471918	546546	644848		
Total Resources	155192	156922	201401	262439	373006	442017	470715	547508	636730	761182		
PERFORMANCE												
Profit Before Tax (PBT)	3042	3144	3769	3909	5334	6101	7724	8677	10126	10888	62714	
Profit After Tax	2292	2579	2707	2994	3330	4774	5135	5836	6751	7423	43821	
Balance of Net Profits transferred / transferable to Central Government	470	654	868	956	1008	1157	1500	1850	2050	2630	13143	
Staff (Numbers) [3]	190	193	200	212	222	232	232	244	253	275		
RATIOS												
Capital to Risk Assets Ratio (%)	23.5	21.6	18.4	16.4	15.1	16.8	18.9	17.0	16.4	15.3		
PBT to Capital (%)	46.8	41.9	41.9	40.1	50.8	48.8	49.8	46.9	47.1	40.6		
PBT to Net Worth (%)	14.2	13.5	14.4	14.0	17.5	17.2	18.4	17.8	18.0	16.4		
PBT to Assets (%)	2.2	2.0	2.1	1.7	1.7	1.5	1.7	1.7	1.7	1.6		
PBT per Employee (` mn)	17.0	16.4	19.2	19.0	24.6	26.9	33.3	36.5	40.7	41.2		

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

2 Borrowings include Deposits which 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 lower growth of 5.0 percent during 2012-13 vis-à-vis that of the previous year, reflecting the slowdown in the global economy resulting from fiscal adjustment in the advanced economies and delayed recovery in the emerging market and developing economies. The deceleration in the services sector growth as well as lower agricultural production resulting from deficient rainfall had dragged down overall economic activity. Domestic policy uncertainties, governance concerns, the impact of earlier monetary tightening and the slackening of external demand continue to adversely impact growth.

On the external front, the year 2012 witnessed the slowest pace of global trade expansion in a decade. Slow growth in the advanced economies continued to affect expansion in global trade. Reflecting the modest increase in trade activities across the emerging markets and developing economies, India's merchandise exports showed a turnaround since Q3 of 2012-13 after a subdued performance in the previous quarters. In Q4 of 2012-13, exports witnessed a growth of 4.7 percent surpassing 4.0 percent growth recorded in the corresponding quarter of 2011-12. Overall exports of US$ 300.3 billion recorded during 2012-13 stood lower compared to US$ 306.0 billion recorded in the previous year, as the fall in export growth in the first half outweighed pick up in the second half.

As regards imports, although non-oil non-gold imports have decelerated in recent months, import growth picked up in the second half of 2012-13, resulting in a marginal increase of overall imports to US$ 491.9 billion in 2012-13 from US$ 489.3 billion in the previous year.

BUSINESS INITIATIVES

The Bank supported 85 project export contracts secured by 47 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 28 overseas companies to facilitate exports from India. A new product, Buyer's Credit under the Government of India's National Export Insurance Account, which was introduced in conjunction with the Export Credit Guarantee Corporation of India Ltd. to promote project exports from India, is demonstrating steady traction.

The Bank lays special emphasis on extending Lines of Credit (LOCs) as an effective market entry and market diversification mechanism for Indian exporters. During the year, 16 new LOCs aggregating US$ 833.59 million were extended by the Bank to support export of projects, goods and services from India. As on March 31, 2013, the Bank has in place 167 LOCs covering 75 countries in Africa, Asia, CIS, Europe and Latin America with credit commitments aggregating US$ 8.57 billion.

With Indian companies having established themselves as global investors, the Bank provides impetus to such outward oriented corporates. The Bank assisted 49 corporates for part financing their overseas investments in 20 countries.

As part of the strategy towards augmenting the competitiveness of MSMEs and with a view to facilitating credit flow to the MSME sector at competitive rates, the Bank has put in place a Technology and Innovation Enhancement and

Infrastructure Development (TIEID) Fund of US$ 500 million exclusively for MSMEs by partnering with banks/FIs. TIEID seeks to meet the long term foreign currency loan requirements of Indian exporting entities in the MSME sector for meeting eligible capital expenditure, through refinancing of Banks/FIs against their eligible SME financing portfolio. In addition to long-term refinance under TIEID, the Bank also offers short-term export credit refinance in rupee and foreign currency at competitive rates. The ultimate beneficiary of the facility is the exporting MSME unit that will be able to avail export credit at competitive rates.

During the year, Exim Bank entered into a Memorandum of Cooperation (MOC) with IDBI Bank Ltd., wherein both institutions would, interalia, co-finance, co-arrange, syndicate rupee and foreign currency loans, jointly finance export-oriented projects in India, provide/avail refinance facility in Indian Rupees and/or Foreign Currency for extending short term export credit and long term capital expenditure loans to eligible Indian export-oriented companies, particularly in the MSME sector.

During the year, the Bank raised foreign currency resources aggregating US$ 3.97 billion equivalent through a variety of instruments, different investor base and across various geographies. I am happy to share with you that the Bank issued 5-year US$ 500 million Eurodollar bonds and 10-year US$ 750 million Eurodollar bonds. With this, Exim Bank became the first Indian entity to be included in the Emerging Market Bond Index. The Bank also became the first Indian entity to issue 5-year Singapore Dollar denominated bonds of SGD 250 million, and the first Indian entity to tap the Australian Dollar market, with the issue of 5-year bonds worth AUD 200 million through its London Branch.

We have also endeavoured to support globalisation of rural industries through our Grassroots Business Initiatives.

Research studies brought out by the Bank have focused on India's trade and investment potential with Indian Ocean Rim Association for Regional Co-operation, West Africa, Myanmar, Iran, Pakistan and China, while the sector studies have focused on mapping the potential of Indian Chemical Industry, and Technological Interventions in Indian Agriculture. Another study on the theme of Exports of Services and Offshore Outsourcing: An Empirical Investigation in the Indian Context was also published.

The Eighteenth Annual Meeting of the Asian Exim Banks Forum was held in Cebu, Philippines during November 2012. The Forum had been conceived and initiated by Export-Import Bank of India in 1996. The theme for the 2012 meeting was "Financing Eco-friendly and Energy Efficient Projects". The meeting provided a platform for exchange of ideas/information amongst the members on the role played by respective Exim Banks in the areas of co-financing of green projects, resource raising and training.

Towards fostering institutional linkages, the Bank has signed two multilateral financial cooperation agreements with member development banks of BRICS (Brazil, Russia, India, China, and South Africa) nations, in the presence of Heads of States/Governments of the BRICS countries during the BRICS Summit 2013 in Durban, South Africa. The two Agreements signed during the occasion are: i) BRICS Multilateral Infrastructure Co-financing for Africa; and ii) BRICS Multilateral Cooperation and Co-financing Agreement for Sustainable Development. The Bank also participated in the Annual Meeting of the BRICS Financial Forum, under the BRICS Interbank Cooperation Mechanism held at Durban, South Africa.

BUSINESS RESULTS

Strong fundamentals of the Bank have been reflected in the Bank's business performance. Loan assets amounted to ` 655.63 billion, registering an increase of 20.23 percent over the previous year, while loan approvals stood at ` 409.60 billion. Profit before tax stood at ` 10.89 billion, up from ` 10.13 billion in the previous year, while profit after tax amounted to ` 7.42 billion, up from ` 6.75 billion in the previous year. Capital to Risk Assets Ratio stood at a healthy 15.28 percent, while net NPAs to net loan asset ratio was at 0.47 percent. Government of India continued its support with increase of ` 2 billion in paid-up capital received during the year. Further, Tier I bonds of ` 5.59 billion issued to GOI in March 2002 were converted by GOI into capital during FY 2012-13, which in turn has increased the Bank's paid-up capital to ` 30.59 billion. As on March 31, 2013, 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, PHDCCI, Project Exports Promotion Council of India, other Export Promotion Councils, Chambers of Commerce and Economic Research Institutes have been a valuable source of learning and support for us. The Bank has also received strength and value from interaction with industry, banks, financial institutions, Export Credit Guarantee Corporation of India Ltd., 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 Saurabh Chandra, Secretary, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; Shri S.R. Rao, Commerce Secretary, Government of India, Department of Commerce, Ministry of Commerce & Industry; Dr. Raghuram G. Rajan, Chief Economic Adviser, Government of India, Department of Economic Affairs, Ministry of Finance; Shri Pinak Ranjan Chakravarty, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Shri G. Padmanabhan, Executive Director, Reserve Bank of India; Shri Rajiv Takru, Secretary, Government of India, Department of Financial Services, Ministry of Finance; Shri S. S. Mundra, Chairman and Managing Director, Bank of Baroda and Smt. V. R. Iyer, Chairperson and Managing Director, Bank of India, were appointed as Directors on the Board.

Shri P. K. Chaudhery, Secretary, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; Dr. Rahul Khullar, Secretary, Government of India, Department of Commerce, Ministry of Commerce and Industry; Dr. Kaushik Basu, Chief Economic Adviser, Department of Economic Affairs, Ministry of Finance; Shri Alok Misra, Chairman and Managing Director, Bank of India; Shri M. D. Mallya, Chairman and Managing Director, Bank of Baroda; Shri Sudhir Vyas, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Shri V. K. Sharma, Executive Director, Reserve Bank of India and Shri D. K. Mittal, Secretary, Government of India, Department of Financial Services, Ministry of Finance; 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)
May 21, 2013

ECONOMIC ENVIRONMENT

Economic Environment

GLOBAL ECONOMY

The global financial crisis that originated in late 2007 still continues to plague the global economic recovery. The strong signs of recovery in 2010 appear to have lost steam after the deepening and broadening of the Eurozone crisis. According to the International Monetary Fund (IMF)'s World Economic Outlook (WEO), April 2013, global activity expanded by 3.2 percent in 2012, as compared to 4.0 percent in 2011. The Euro Area is still grappling with the existing crisis in the zone and guarding itself from an aggravated crisis, while USA continues to face a fall in consumption alongwith persistent unemployment. Growth in advanced economies moderated to 1.2 percent in 2012 from 1.6 percent growth witnessed in 2011, while in the emerging market and developing economies, growth eased to 5.1 percent in 2012 as compared to 6.4 percent in the preceding year.

Nevertheless, the outlook for the year 2013 provides a ray of hope, with global growth projected at 3.3 percent in 2013 and the optimistic signals continuing through 2014, with a growth of 4.0 percent during the year. Advanced economies are expected to grow at an average rate of 1.2 percent in 2013, mainly driven by growth in USA, Canada, Japan, and other advanced economies. Despite the appropriate policy responses, growth in the Euro Area is projected to contract by 0.3 percent in 2013, as risks of a relapse of the debt crisis are still high. Despite the various challenges, emerging economies seem to be the drivers of economic growth. Economic activity in emerging market and developing economies is forecast to grow at 5.3 percent in 2013, underpinned by supportive policies.

At the same time, risks continue to persist including uncertainty in the Euro Area and fiscal cliff in USA, that could impact the global recovery. The persistent unemployment in advanced economies and the problem of getting employed in the formal sector of emerging and developing economies also need to be dealt with.

Financial stress in the Euro Area led to anaemic growth conditions in Europe. Real GDP of Advanced Europe contracted by 0.3 percent in 2012, as compared to the 1.4 percent growth achieved in the previous year, mainly a fallout of the intensification of the crisis in the Euro Area. Real GDP growth in the Euro Area contracted by 0.6 percent in 2012 as compared to the 1.4 percent growth achieved in the previous year. Growth in the core economies of the Euro Area was broadly stalled due to the further escalation of financial stress during the second quarter. Emerging Europe was significantly affected by the Euro Area crisis, especially with regard to declining capital inflow and trade from the region. Real GDP growth of the Emerging Europe region moderated to 1.6 percent in 2012, as compared to an impressive 5.3 percent growth recorded in the preceding year. The most immediate risk to the region pertains to delayed or insufficient policy action. While output in the Euro Area is expected to contract by 0.3 percent in 2013, that of emerging Europe is forecast to pick up by 2.2 percent during the same year.

Output in USA, amidst a weak job market and a gloomy global environment, increased by 2.2 percent in 2012, as compared to 1.8 percent growth recorded in 2011. Growth was mainly driven by the moderate rise in private consumption and a stabilising housing market. Prospects for 2013 are, however, dampened by downside risks, including the alarming fiscal cliff. Accordingly, the US economy is projected to grow by 1.9 percent in 2013.

The Japanese economy strengthened in 2012 recovering after the unfortunate March 2011 earthquake and tsunami. Economic activity in Japan strengthened by 2.0 percent in 2012, as compared to a contraction of 0.6 percent in 2011, mainly on the back of reconstruction activity in the country and some rebound in manufacturing activity in the first half of the year.

Low growth and uncertainty in the Advanced

Economies have spilled over to the Emerging Market and Developing Economies through both trade and financial channels. Growth in Developing Asia moderated to 6.6 percent in 2012, as compared to 8.1 percent in 2011, mainly due to the slower growth in import demand from most of the Advanced Economies. Economic activity in China slowed sharply owing to tightened credit conditions, while that in India was affected by a fall in business confidence among investors. Real GDP growth of China stood lower at 7.8 percent in 2012, as compared to a robust 9.3 percent growth recorded in the previous year. Several factors, including rising current account deficit and the recent rupee depreciation, have led to deterioration in business sentiment and low business confidence in India. In 2013, growth in Developing Asia is projected to average 7.1 percent, mainly a result of the policy-easing in late 2012 in most Asian economies.

The Latin American and Caribbean (LAC) region grew by 3.0 percent in 2012, as compared to 4.6 percent in 2011, a result of the region's exposure to the Eurozone crisis and slowdown of activity in the emerging Asia region thus reducing the external demand. Trade was most affected in the LAC region; slump in activity that led to lower prices for commodities resulted in terms-of-trade losses. Policy-tightening in most economies eased growth in domestic demand. Brazil, the largest economy in the region, grew by 0.9 percent in 2012 owing to the slower transmission of the monetary policy-easing and weakening external demand. Mexico's real GDP expanded by 3.9 percent in 2012, retaining its pace of growth recorded in 2011; however, growth is expected to moderate with the weaker near-term growth prospects in USA. Activity in the LAC region is expected to improve at 3.4 percent in 2013.

The Sub-Saharan region has been the strongest performing region despite the global meltdown in 2009, and against the recent backdrop of difficult external conditions, including the Euro Area crisis. Real GDP growth of the Sub-Saharan region marginally eased to 4.8 percent in 2012, as against the 5.3 percent growth recorded in the preceding year, mainly driven by growth in oil-exporting economies which averaged to around 6.0 percent during the year. Strong linkages with Europe have held back growth in the South African economy to 2.5 percent in 2012 as compared to 3.5 percent in 2011. The region's low-income economies had varying outlooks, with growth averaging at 4.6 percent in 2012. The Sub-Saharan African region offers promising growth prospects with GDP projected to grow at 5.6 percent in 2013.

Growth in the Middle East and North African (MENA) region was at 4.8 percent in 2012, as

Exim Bank signed two 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 during the BRICS Summit 2013 in Durban, South Africa.

compared to 4.0 percent in 2011, mainly driven by oil-exporting economies. The strong rebound of exploration activity in Libya since late 2011, led to the growth in oil exports from the region. The non-oil GDP growth of the region was also robust, supported by strong government spending. However, the region's economic growth is projected to ease to 3.1 percent in 2013 as the oil sector growth is forecast to moderate.

Growth in the Commonwealth of Independent States (CIS) in the beginning of 2012 was supported by high commodity prices, good harvests in 2011, and strong remittance flows. However, the increased financial stress in the Euro Area resulted in strenuous financial conditions in Kazakhstan, Russia, and Ukraine – the largest economies in the region. Real GDP growth of the region moderated to 3.4 percent in 2012, from 4.8 percent in 2011. The economy of the CIS region is forecast to grow at 3.4 percent in 2013.

Average growth in Central and Eastern Europe region was at 1.6 percent in 2012 as compared to 5.2 percent in 2011, a result of the deepening of the Euro crisis.

WORLD TRADE

According to the IMF, global exports of goods and services are estimated at US$ 22.4 trillion in 2012, implying a rise of 0.6 percent over the previous year's total of US$ 22.3 trillion. In volume terms, the growth in global trade of goods in 2012 moderated to 2.4 percent as compared to the growth of 6.3 percent witnessed in 2011. While advanced economies registered a growth of 1.8 percent in volume of export of goods in 2012, emerging and developing economies registered a volume growth of 4.2 percent. The world trade prices of non-fuel primary commodities contracted by 9.8 percent in US dollar terms in 2012 as against 17.8 percent growth in 2011. Oil prices, which grew by 31.6 percent in 2011, also lost momentum with a sluggish growth of 1.0 percent during 2012.

Exim Bank organised a series of Commemorative Lectures on the broad theme of trade and development on completion of 30 years of operations. The first lecture in the series was delivered by Dr. Kaushik Basu, then Chief Economic Adviser, Government of India.

During 2013, volume of world exports of goods and services are projected to grow by 3.6 percent, taking annual value of global exports to US$ 23.5 trillion, supported by the positive growth in global commodity prices.

PRIVATE CAPITAL FLOWS, CURRENT ACCOUNT BALANCES AND EXTERNAL DEBT OF EMERGING ECONOMIES

Recovery in private capital flows to emerging economies that was hindered in 2011, revived in 2012 mainly due to the risk-taking attitude of investors. Given the existing macroeconomic backdrop and the downside risks associated with the advanced economies, investors have been turning towards emerging economies, however the pace of investment flows have slowed down. Net private inflow to emerging economies increased marginally to an estimated US$ 1.2 trillion in 2012, as compared to US$ 1.1 trillion in the preceding year.

Emerging Asia accounted for nearly half the net private capital flows to the emerging economies with inflows estimated at US$ 583.0 billion in 2012, mainly due to the favourable regional fundamentals. Net private capital flows to emerging Europe increased from US$ 198.0 billion in 2011 to an estimated US$ 217.0 billion in

2012; mainly due to the sharp increase in portfolio debt and equity inflows in the second half of the year. Net private capital flows to Africa and Middle East increased to an estimated US$ 73.0 billion in 2012 from US$ 68.0 billion in 2011. Net private capital flows to Latin America increased to an estimated US$ 308.0 billion in 2012, from US$ 274.0 billion in 2011, mainly due to the rise in inflows from non-bank private creditors.

Current account surplus of the emerging economies increased to US$ 288.0 billion in 2012, from US$ 257.0 billion recorded in the previous year. Surplus in the emerging economies was mainly driven by the surplus in emerging Asia and Africa and Middle East region. Current account surplus in the Africa and Middle East region rose sharply from US$ 190.0 billion in 2011 to an estimated US$ 220.0 billion in 2012, on the back of higher oil prices. In the emerging Asia, the aggregate current account surplus increased from US$ 130.0 billion in 2011 to US$ 150.0 billion in 2012, mainly reflecting China's current account surplus.

However, in emerging Latin America, current account deficit widened to US$ 82.0 billion in 2012 from the deficit of US$ 53.0 billion in the previous year, mainly due to a higher demand for capital. In emerging Europe, the current account was close to being balanced in 2012, from a deficit of US$ 10.0 billion in 2011.

External debt of emerging and developing economies, as a percentage of their exports of goods and services, increased to 76.4 percent in 2012 from 71.6 percent in 2011. It was the highest in Central and Eastern Europe, which stood at 162.4 percent in 2012 than 152.8 percent recorded in 2011, followed by the LAC region, which increased to 110.8 percent in 2012 from 100 percent in 2011. The CIS region and the developing Asia region also witnessed higher external debt, as a percentage to exports of goods and services, which increased to 98.1 percent and 53.4 percent, respectively, in 2012 from 94.2 percent and 48.1 percent, respectively, in 2011. In the Sub-Saharan Africa region, external debt as a percentage of their exports of goods and services increased to 63.6 percent in 2012, from 60.5 percent. In the Middle East and North Africa region, external debt as a percentage of exports of goods and services increased marginally to 50.1 percent in 2012 from 49.6 percent in the previous year.

Overall, the debt-service ratio, i.e. debt service payments as a percent of exports of goods and services, in the emerging and developing economies increased to 26.0 percent in 2012 from 24.3 percent in 2011.

INDIAN ECONOMY

In recent years, due to high inflationary trend coupled with high intrest rates and policy constraints, impacting investment, the Indian economy witnessed a moderation in growth rate to 5.0 percent during 2012-13, from 6.2 percent recorded in the preceding year. The moderation in growth is primarily attributable to weakness in industry (comprising the mining and quarrying,

Exim Bank supported Megha Cashew Pvt. Ltd. (MCPL) for setting up a cashew processing unit at Byrnihat, Meghalaya. MCPL sources cashews from the Garo Hills and employs 85 people, mainly women. Exim Bank's support has created a positive impact on the economic development of the region.

Exim Bank participated in the 18th Annual Meeting of the Asian Exim Banks Forum, held at Cebu, Philippines.

manufacturing, electricity, gas and water supply, and construction sectors). The global factors, including crisis in Eurozone area and uncertainties about fiscal policy in the United States, and a weak monsoon are also partially responsible for this slowdown.

Agriculture

The growth of agriculture and allied activities continues to be a critical factor in the overall performance of the Indian economy and remains vital for employment, income and food security. Indian agriculture has performed remarkably well in terms of output growth, despite weather and price shocks in the last two years, witnessing an average growth of 5.8 percent. However, reflecting lower-than-normal rainfall, especially in the initial phases of the south-west monsoon, such high growth could not be sustained and is estimated to have grown by 1.9 percent in 2012-13. Lower production of foodgrains has also been witnessed in 2012-13, at 255.4 million tonnes as per the third advance estimates, as against the final estimate of 259.3 million tonnes during 2011-12, reflecting lower production of both cereals and rice. Nevertheless, the foodgrain output for 2012-13, was higher than the yearly target of 254.2 million tonnes. The stock of foodgrains with the Centre was 59.7 million tonnes as on April 1, 2013, which comprise 35.5 million tonnes of rice and 24.2 million tonnes of wheat. Accordingly, the share of agriculture and allied sector in GDP in 2012-13, also stood lower at 13.7 percent, as compared to a share of 14.1 percent in the previous year. The declining share of the agriculture and allied sector in the country's GDP is consistent with the normal development trajectory of any fast growing economy, including Brazil, China, South Africa, etc.

Industry

As per data released by the Central Statistical Organisation (CSO), growth of the industrial sector, which stood at 3.5 percent in 2011-12, was lower at 2.1 percent in 2012-13, mainly due to a contraction in the capital goods sector. The production of key capital goods such as machinery and equipment, electrical machinery, and transport segments contracted owing to deceleration in investment, decline in new projects, and import competition. On the basis of sub-sector classification, activity in the mining and quarrying sub-sector had contracted by 0.6 percent in 2012-13. Nevertheless, the remaining three sub-sectors witnessed positive growth rates, but at a slower pace as compared to that in the previous year. The construction sector moderated to 4.3 percent in 2012-13, from 5.6 percent in the previous year and electricity, gas and water supply sub-sector grew at 4.2 percent in 2012-13, as compared to 6.5 percent recorded in the preceding year. The manufacturing sub-sector grew at a sluggish pace of 1.0 percent in 2012-13, as against 2.7 percent growth recorded in the preceding year. Accordingly, the share of industry in GDP in 2012-13, stood marginally lower at 27.0 percent as compared to 27.5 percent recorded in 2011-12.

The growth of the Index of Industrial Production (IIP) moderated at 1.1 percent in 2012-13, significantly lower as compared to 2.9 percent growth recorded in the preceding year, mainly reflecting the deceleration in the mining industry group. While the mining sector continued to witness contraction (negative growth of 2.4 percent during 2012-13, as compared to negative growth of 1.9 percent in 2011-12), growth of the manufacturing and electricity sectors moderated to 1.2 percent and 4.0 percent, in 2012-13, as compared to 3.0 percent and 8.2 percent in 2011-12, respectively. As per the use-based classification, the growth of basic goods sector slowed down to 2.4 percent during the period 2012-13, as compared to 5.5 percent growth witnessed in the previous year. The IIP of the capital goods sector contracted further by 6.1 percent in 2012-13, after a contraction of 4.0 percent in 2011-12. The intermediate goods sector's growth, on the other hand, recovered to 1.6 percent during 2012-13, as compared to a contraction of 0.6 percent witnessed in 2011-12. The consumer goods sector also recorded a slowdown from 4.4 percent during 2011-12, to 2.4 percent during 2012-13, mainly due to a sharp decrease in the growth of consumer non-durables. While growth in the consumer durables segment moderated from 2.6 percent in 2011-12, to 2.1 percent in 2012-13, growth in consumer non-durables fell from 5.9 percent in 2011-12, to 2.7 percent in 2012-13.

Of the twenty two industrial sub-groups in the manufacturing sector, during the year 2012-13, twelve sub-sectors registered positive year-on-year growth rates. These twelve sub-sectors were: wearing apparel, dressing and dyeing of fur (10.2 percent), coke, refined petroleum products & nuclear fuel (8.4 percent); luggage, handbags, saddlery, harness & footwear, tanning and dressing of leather products (7.4 percent); textiles (5.8 percent); radio, TV and communication equipment and apparatus (5.6 percent); chemicals and chemical products (3.7 percent); food products and beverages (2.6 percent); basic metals (1.9 percent); other non metallic mineral products (1.9 percent); rubber and plastic products (0.7 percent); electrical machinery and apparatus (0.5 percent); and paper and paper products (0.4 percent). The remaining ten sub-sectors, viz. office, accounting and computing machinery; wood and products of wood and cork except furniture, articles of straw and plating materials; machinery and equipment; tobacco products; motor vehicles, trailers and semi-trailers; furniture; medical, precision and optical instruments, watches and clocks; fabricated metal products, except machinery and equipment; other transport equipment; and publishing, printing and reproduction of recorded media, recorded decline in their growth rates during the same year.

Exim Bank released a research study titled "Technological Interventions in Indian Agriculture for Enhancement of Crop Productivity". The study was released at the hands of Dr. Kaushik Basu, then Chief Economic Adviser, GOI.

Two Lines of Credit were extended to the Government of Rwanda for a Hydro electric power project.

Services

The services sector is the dominant sector in India, though its growth in 2012-13 moderated in tune with the general moderation in the economy. The services sector growth is estimated to have moderated to 7.1 percent in 2012-13 from 8.2 percent in the previous year, mainly reflecting deceleration in the growth rates of 'financing, insurance, real estate and business services' from 11.7 percent in 2011-12 to 8.6 percent in 2012-13, and 'trade, hotels, transport and communication' from 7.0 percent in 2011-12 to 6.4 percent in 2012-13. Though GDP originating from the 'community, social, and personal services' sub-sector witnessed higher growth during 2012-13, to 6.6 percent as compared to 6.0 percent growth recorded in 2011-12, the deceleration in other two sub-sectors outweighed this growth. The share of services sector in GDP in 2012-13, however, stood higher at 59.6 percent as compared to a share of 58.4 percent in 2011-12.

Infrastructure

The eight infrastructure and core industries, viz. coal, crude oil, natural gas, petroleum refinery products, fertilizers, steel (alloy + non-alloy), cement and electricity, registered lower growth rate during 2012-13, averaging 3.2 percent, as compared to 5.0 percent during the previous year. Growth has been especially robust in two sectors, viz. petroleum refinery and cement production sectors. Petroleum refinery production more than doubled its growth rate, to 8.6 percent during 2012-13, from 3.1 percent growth in 2011-12. Coal production recorded significant rebound in its growth, to 3.4 percent during 2012-13, compared to a growth of 1.3 percent during 2011-12. Cement production continued to witness a robust growth of 9.3 percent during 2012-13, compared to 6.7 percent growth during 2011-12. Growth of electricity generation moderated to 4.0 percent during 2012-13, as compared to 8.1 percent recorded during 2011-12. Growth in steel production also sharply moderated to 2.5 percent during 2012-13, as against 10.3 percent growth witnessed in the previous year. Natural gas, fertilizers and crude oil witnessed contraction in their growth rates to 14.5 percent, 3.4 percent and 0.6 percent, respectively, in 2012-13, compared to (-) 8.9 percent, 0.4 percent and 1.0 percent growth witnessed, respectively, during the previous year.

Inflation

The annual average rate of inflation, based on monthly Wholesale Price Index (WPI), stood lower at an estimated 7.4 percent during 2012-13, as compared to 8.9 percent during the previous year. The annual rate of inflation, based on monthly WPI, stood at 5.7 percent, for the month of March, 2013, as compared to 7.7 percent during the corresponding month of the previous year, mainly reflecting a decline across the board for all major subgroups (primary, fuel and manufactured products) partly on account of base effect and moderation in prices of protein rich items (eggs, meat and fish, milk, pulses), sugar, edible oil, metals and textiles.

In January 2012, inflation numbers based on the new consumer price index (CPI) was released by the Central Statistical Organisation (CSO). While the existing CPI measures inflation for industrial workers, agricultural labourers and rural labourers, the new CPI index has included all rural and urban workers in India, and revised the base year to 2010. As per the new index, the annual CPI measures retail prices in five major groups – ‘food, beverages and tobacco’, ‘fuel and light’, 'housing', ‘clothing, bedding and footwear’ and miscellaneous, which are collected from 35 States/UTs in India on a periodic basis. Since December 2012, inflation measured by the new CPI remained in double digit even as WPI inflation moderated, leading to the widening of a gap between the two. This divergence mainly reflects higher weight of food in the new measure (47.6 percent in new CPI as against 24.3 percent in WPI). The new CPI inflation inched higher in March 2013 to 10.4 percent compared to 9.4 percent in March 2012. This rise in CPI has been primarily driven by ‘food, beverages and tobacco’ and ‘fuel and light’ segments. Inflation measured by the all India new CPI was observed at 10.2 percent in 2012-13.

Capital Markets

India's foreign investment inflows picked up in 2012-13, to US$ 46.7 billion as compared to US$ 39.2 billion in the previous year, reflecting a rise in net portfolio investment, which outweighed the fall in foreign direct investment (FDI) inflows. Gross FDI fell sharply to US$ 34.3 billion in 2012-13, from US$ 46.6 billion recorded in 2011-12, mainly due to decline in equity inflows. Net FDI also declined from US$ 33.0 billion in 2011-12, to US$ 27.0 billion in 2012-13. The fall in net FDI was marginal compared to gross FDI reflecting a fall in repatriation or disinvestment during the year. Net portfolio investment, on the other hand, witnessed significant increase in 2012-13, to US$ 26.9 billion from US$ 17.2 billion in 2011-12, on the back of increased flow from Foreign Institutional Investors (FIIs).

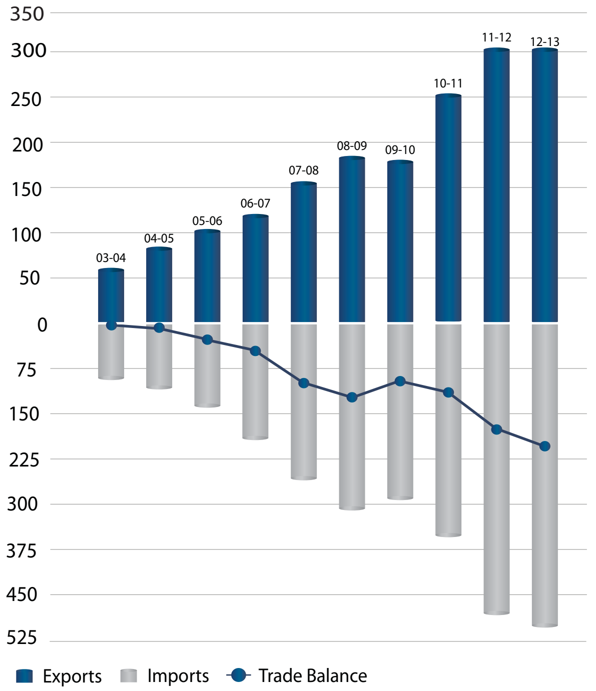
Foreign Trade and Balance of Payments

As a result of pickup in trade activities in emerging markets, India's exports rebounded since December 2012, after witnessing subdued performance in previous months. In spite of pickup in export in the fourth quater, trade deficit countinued to remain significantly higher in 2012-13.

India’s exports during 2012-13, amounted to US$ 300.3 billion, as compared to US$ 306.0 billion recorded during 2011-12. India’s imports during 2012-13, amounted to US$ 491.9 billion, marginally higher than US$ 489.3 billion during 2011-12. The trade deficit for 2012-13 widened to US$ 191.7 billion, as compared to US$ 183.3 billion during 2011-12. With regard to the commodity composition of India’s main exports in 2012-13, all major commodity groups, except project goods, agriculture and allied products, carpets, leather, marine products, chemicals, and petroleum products, registered decline compared to the previous year. Among the main export commodities that registered a strong growth, project goods registered the highest growth of 75.1 percent, increasing from US$ 83.2 million in 2011-12 to US$ 145.7 million in 2012-13. It was followed by carpets (16.6 percent), agriculture and allied products (16.2 percent), petroleum products (7.1 percent), and chemicals and related products (7.9 percent). Petroleum product (oil) exports reached US$ 60.0 billion during 2012-13, accounting for 20.0 percent of India’s total exports during the year.

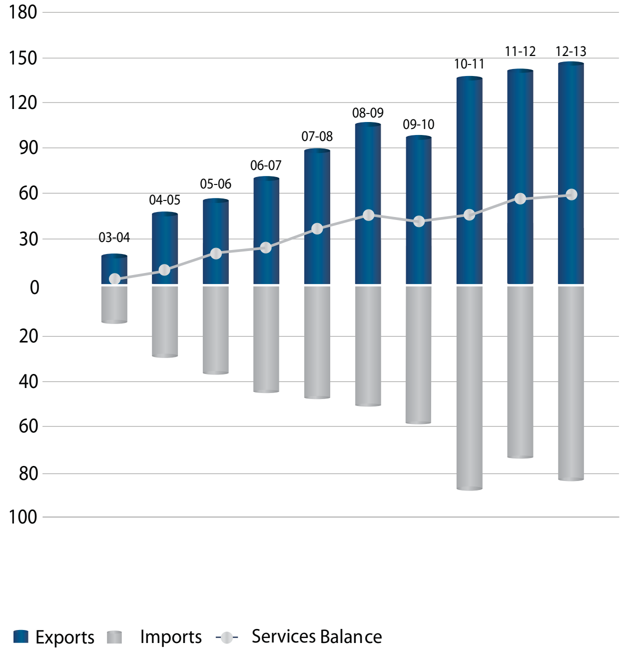
Exim Bank released a research publication titled, "West Africa: A study of India's Trade and Investment Potential" during the 9th CII-Exim Bank Conclave on India-Africa Project Partnership in New Delhi. The study was released at the hands of Shri P. S. Raghavan, Special Secretary, Ministry of External Affairs, GOI.

TRENDS IN INDIA'S MERCHANDISE TRADE (US$ billion)



Source: DGCIS, MOCI

TRENDS IN INDIA'S SERVICES TRADE (US$ billion)



Note: Services trade data from 2009-10 is as per the new RBI BoP format, based on the IMF's BPM6 standards
Source: RBI

Non-oil exports witnessed an overall decline of 3.9 percent during 2012-13, mainly because of lower demand items such as engineering goods, gems and jewellery, and textiles. Exports of engineering goods, which accounted for 18.9 percent of the total exports, declined by 3.1 percent to US$ 56.7 billion in 2012-13. As regards imports, oil imports during 2012-13 amounted to US$ 169.3 billion, which was 9.3 percent higher than oil imports of US$ 155.0 billion in the previous year. Non-oil imports, on the other hand stood lower during 2012-13 at US$ 322.6 billion, as against US$ 334.3 billion recorded in the previous year. The fall in non-oil imports was mainly due to a fall in import of pearls, precious and semi-precious stones (19.9 percent in 2012-13 over the previous year), gold and silver (9.5 percent), non-electrical machinery (8.1 percent), and electronic goods (3.8 percent). India's net invisibles stood lower at US$ 107.5 billion during 2012-13 as against US$ 116.6 billion during 2011-12, mainly due to decline in net income. Services exports recorded a growth of 3.4 percent to US$ 145.7 billion during 2012-13, as against US$ 142.3 billion during 2011-12, partly reflecting a pickup in software exports.

India's services imports increased by 3.3 percent in 2012-13 to US$ 80.7 billion, as compared to US$ 76.9 billion during 2011-12, mainly driven by higher payments under business and software services. Overall, services balance for 2012-13, recorded higher surplus of US$ 64.9 billion, as compared to a surplus of US$ 64.0 billion witnessed in 2011-12. Net transfers during 2012-13, also stood marginally higher at US$ 64.0 billion. Overall, current account deficit widened further during 2012-13, to US$ 87.8 billion (4.8 percent of GDP), as compared to US$ 78.2 billion (4.2 percent of GDP) in the previous year, mainly due to widening trade deficit and significant decline in invisible earnings.

India's foreign exchange reserves decreased to US$ 292.6 billion as at end-March 2013, from US$ 294.4 billion as at end-March 2012, representing an import cover for seven months.

India's external debt, which stood at US$ 345.5 billion as at end-March 2012 increased to US$ 390.0 billion as at end-March 2013. The increase in external debt has been due to increase in both long-term as well as short-term debt. Increase in long-term debt was led mainly by NRI deposits and commercial borrowings, while short-term debt stood higher on account of rise in short term trade credits.

OUTLOOK FOR SELECT SECTORS

Automotives

The automotive sector has traditionally been one of the leading performers in the Indian industry context. However, a sense of caution seems to have engulfed this sector, at the back of the global economic slowdown.

The performance of the sector in 2012-13, was fairly modest by volume, with production growing by just 1.2 percent, sales by 2.6 percent, and exports registering a decline of 1.3 percent, compared to the previous year. In terms of absolute numbers, the overall production of automobiles in India stood at 20.6 million units, sales at 17.8 million units, and exports at 2.8 million units, during 2012-13.

The slowdown has particularly impacted the car industry sales, with the passenger car sales exhibiting a decline of 6.7 percent to touch 18,95,471 units during 2012-13, as compared to 20,31,306 units in the previous year. This was the first annual decline since 2002-03, and also the steepest in the past 12 years, when the segment declined by 7.7 percent in 2000-01. However, this was the only segment in the automobile industry to have shown some positive momentum in exports, with passenger car exports having increased by 8.6 percent to touch 5,44,656 units.

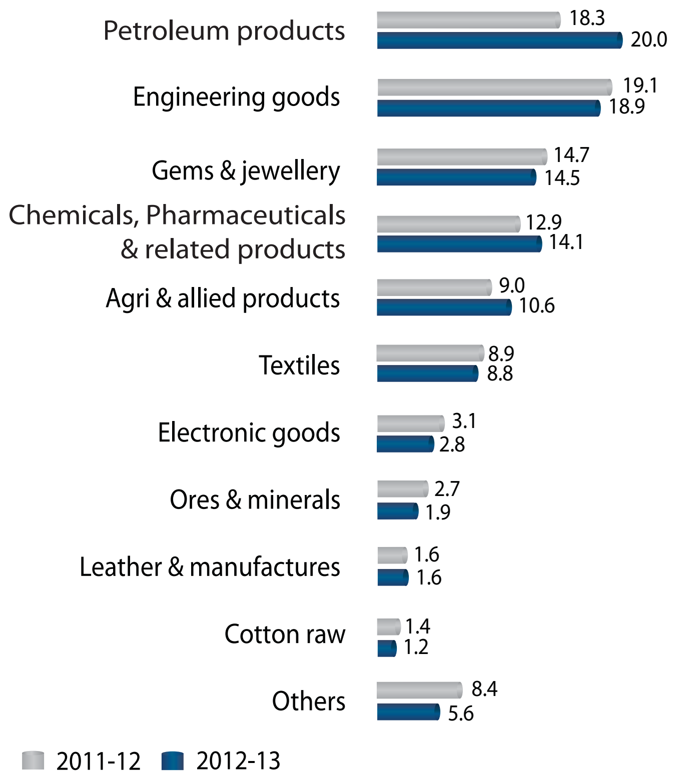
The Medium & Heavy Commercial Vehicles segment, considered as a barometer of economic activity, witnessed a precipitous fall in sales to the tune of 23.2 percent to touch 2,68,263 units in 2012-13, while the light commercial vehicle segment expanded 14.0 percent to 5,24,887 units, owing to demand for vehicles for last-mile transportation. On the whole, the total commercial vehicle sales (MHCVs and LCVs combined) declined by 2.0 percent to 7,93,150 units as compared to last year, while exports witnessed a double-digit decline of 13.4 percent to touch 79,944 units during 2012-13.

Even two-wheelers, which were considered to be relatively insulated from the effects of slowdown, witnessed a slump, albeit marginally with exports having witnessed a decline of 0.7 percent to touch 19,60,941 units during 2012-13.

Though the performance of the automobile sector has been rather unsatisfactory in the last fiscal, it has the reputation of having exhibited resilience during the post-crisis period. On the positive side, there has been a significant increase in export orientation from 7.3 percent in 2004-05, to 16.2 percent in 2012-13, attesting to India's increasing international competitiveness of domestically manufactured vehicles. Currently, India has the sixth largest automobile industry after China, the US, Germany, Japan and Brazil. The spurt in the number of MNCs foraying into the Indian market bears testimony not only to the potential of the domestic market but also to the capability of the country to act as a manufacturing hub to serve the overseas markets. The large share of active-age population, coupled with rising disposable income and growing middle class numbers, would underpin the dynamism in automobile demand in the future.

The modest performance across various segments of the automobile industry has had its negative reverberations on the auto component manufacturers. Consequently, year-on-year revenue growth is likely to remain subdued with estimates indicating 8-10 percent growth in sales

COMPOSITION OF INDIA'S MERCHANDISE EXPORTS (in percent)



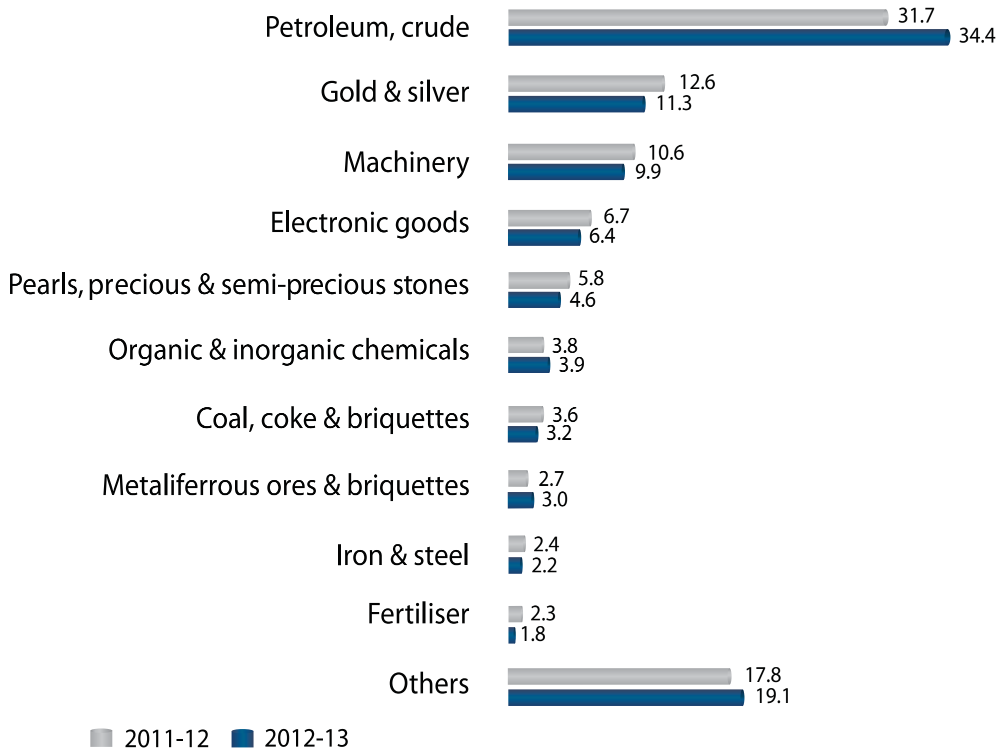
Source: DGCIS, MOCI

in 2012-13. SMEs engaged in auto-component manufacturing are likely to be hit harder due to their smaller scale of operations and limited operational and financial flexibility. While the uncertainty in the domestic market continues, the medium and long-term prospects of the auto-component industry remain optimistic with the Government of India's Automotive Mission Plan projecting the turnover to increase from US$ 43.5 billion in 2011-12, to US$ 54.6 billion by 2016-17.

The dynamism in the auto component industry can also be attributed to the sector's export performance. Value of auto component exports stands at US$ 9.3 billion in 2012-13, and is projected to cross US$ 12.0 billion by 2015-16. Exports of auto components grew by 32.7 percent in 2011-12, over the previous fiscal. A chunk of the exports of auto components is accounted for by Europe, followed by Asia and North America.

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 31.0 percent of the sector's production, followed by drive transmission and steering parts (share of 19.0 percent) and body and chassis, and suspension and braking parts (share of 12.0 percent each). Though manufacturing costs in India are 25-30 percent lower than its western counterparts, India's competitive advantage stems from its full service supply capability, which makes the country a favourable sourcing destination. Besides, the quality standards in the sector are in line with global standards, corroborated by the fact that nine Indian companies in the automotive sector have received the coveted Deming Prize – the largest number for a country as a whole outside Japan. Going forward, the Indian auto component

COMPOSITION OF INDIA'S MERCHANDISE IMPORTS (in percent)



Source: DGCIS, MOCI

industry has high potential to increase its share in the global market with rising preference for low-cost destinations among auto manufacturers in developed markets.

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 is estimated to have reached around US$ 108.0 billion, accounting for approximately 3.0 percent of the global chemical industry. In terms of total value added (at constant 2000 prices), the Indian chemical industry was the 5th largest in the world, and 2nd largest in Asia, after China. The industry accounts for 13.0 percent of manufacturing, carries a 10.0 percent weight in overall index of industrial production, contributes 13.0 percent to India's total exports and 9.0 percent of the country's total imports. In terms of segmentation, basic chemicals was the largest sector with total revenues of US$ 31.0 billion, equivalent to about one-third of the industry's overall revenue in 2010.

The volume of major chemicals produced in India amounted to 8.3 million metric tonnes (MMT) in 2011-12. Though high in absolute terms, the growth during recent times has not been as emphatic. The production of the Indian chemical industry increased at a compounded annual growth rate (CAGR) of only 1.8 percent, from 7.6 MMT in 2006-07, to 8.3 MMT in 2011-12. This near flat performance was primarily a result of stagnant growth in alkalis – 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 decline in production of organic chemicals which recorded average annual decline of close to 1.0 percent during the 2006-07 to 2011-12 period.

Exim Bank supported Varroc Engineering Pvt. Ltd. to acquire lighting division of Visteon Corporation, USA, a leading global designer and manufacturer of automotive exterior lighting products with manufacturing units in Czech Republic, Mexico and China. The aerial view shows the Czech manufacturing facilities.

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 CAGR in production of dyes and dyestuff amounted to a healthy 17.2 percent, increasing from 0.1 MMT in 2006-07 to 0.2 MMT in 2011-12, and 4.0 percent on a year-on-year basis in 2011-12. 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.

Half yearly data for the period April-September 2012-13, exhibits a flat growth of just 0.8 percent with total production at 4.0 Million (MMT). While dyes and dyestuff, and pesticides showed a phenomenal production growth of 74.4 percent and 62.2 percent, respectively, over the corresponding period of the previous year, inorganic chemicals and organic chemicals exhibited decline in production by 13.0 percent and 2.4 percent respectively, whereas alkali production witnessed a flat growth.

In terms of exports, chemical and related products witnessed a year-on-year growth of 7.6 percent in 2012-13, to reach US$ 42.3 billion. Exports of basic chemicals (includes organic, inorganic, tanning and dye extracts, insecticides, pesticides and fungicides) for 2012-13, stood at US$ 17.8 billion as compared to US$ 9.0 billion in 2007-08 – a CAGR of 14.6 percent. The share of basic chemicals in India's total exports in 2012-13 stood at 6.2 percent. During the period 2007-08 to 2012-13, exports of inorganic chemicals witnessed a CAGR of 19.4 percent. On the other hand, exports of organic chemicals, which were the largest segment in terms of value, registered a CAGR of 14.0 percent. Insecticides, which were the lowest in terms of value of exports (US$ 1.7 billion during 2012-13) among basic chemicals, witnessed a CAGR of 21.5 percent during the period 2007-08 to 2012-13.

Chemical industry in India is increasingly becoming a globalised industry. 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 of 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 several incentives that have been provided by the Government of India. The policy now allows for 100 percent FDI in chemicals under the automatic route. The Indian chemical industry was among the top 10 sectors attracting the highest cumulative FDI inflows (US$ 8.8 billion) during the period April 2000 – March 2013, with a share of over 4.5 percent in total FDI inflows (US$ 193.4 billion) into India.

Since products of the chemical 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 25.0 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. Given the current initiatives of the government and the industry, it is projected that the Indian chemical industry could grow at 11.0 percent annually to reach a size of US$ 224.0 billion by 2017.

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 15.0 percent of India's GDP. According to Petroleum Planning and Analysis Cell, production of petroleum products by refineries and fractionators stood at 219.0 MMT during 2012-13, as compared to 203.9 MMT in the previous year.

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 63.7 MMT of petroleum products against imports of 15.0 MMT during 2012-13, whereas in the previous year, exports stood at 60.8 MMT and imports at 14.9 MMT. With the country's refining capacity increasing further, exports are likely to touch about 70.0 MMT by 2014, making India one of the world's major exporters of petroleum products.

However, in terms of value, following the weak global demand, exports of petroleum products witnessed a modest year-on-year growth of 7.6 percent during 2012-13, to reach a level of US$ 60.2 billion. The share of petroleum products exports in total exports has also been witnessing a consistent increase – from 11.2 percent in 2005-06 to 20.7 percent in 2012-13.

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 percent per annum by 2015, indicating a demand of 4.0 million barrels per day (bpd). 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 Twelfth Five year Plan

The picture shows coal being loaded at a terminal in Indonesia. To ensure GMR Group's coal linkage for its power plants in India, Exim Bank supported it to acquire a stake in PT Golden Energy Mines.

Exim Bank extended a Line of Credit for US$ 35 million for financing a Sugar Plant Project in Ghana. H.E. Mr. Robert Tachie-Menson, High Commissioner of the Republic of Ghana to India signed the agreement on behalf of the Government of Ghana.

estimates indicate that the domestic demand for petroleum products in the terminal year (2016-17) would be at above 186.0 MMT, and would be around 244.0 MMT by the terminal year of Thirteenth Five year Plan (2021-22). 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 enabling policies of the Government, including deregulation of prices and decontrol of marketing of these products, would help in generating more opportunities for private sector in this industry.

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 4.0 percent of national GDP and 9.0 percent of the country's exports, and provides direct employment to more than 35.0 million people. According to the IIP, compiled by the Central Statistical Organisation, Government of India, both the textile sub-sectors - textiles and wearing apparel; and dressing and dyeing of fur, witnessed positive growth of 5.8 percent and 9.8 percent, respectively, during 2012-13. 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 power-looms/hosiery and knitting sectors form the largest section of the textiles industry in India.

India held a share of 5.1 percent in world textiles exports and 3.5 percent share in world clothing exports in the year 2011. During 2012-13, exports of textiles and readymade garments (including carpets) from India amounted to US$ 27.3 billion, showing a year-on-year decline of 2.6 percent. Among the major items, cotton yarn and fabrics witnessed a growth in exports of 10.3 percent over the previous year, amounting to US$ 7.5 billion in 2012-13.

The Union Budget 2013-14, included various initiatives for the promotion of textiles industry. Some of the major schemes include: continuing with the Technology Upgradation Funds Scheme for the textiles sector with an investment of ` 24.0 billion; concessional term loans at the rate of 6.0 percent for handloom sector; exemption from excise duty for carpets and other textile floor coverings of coir or jute; zero excise duty on branded apparels; allocation of ` 0.5 billion to Ministry of Textiles to incentivize setting up of Apparel Parks within the Scheme for Integrated Textile Parks to house apparel manufacturing units; implementation of a new scheme, called the Integrated Processing Development Scheme during the Twelfth Five Year Plan; and extending a Scheme of Fund for Regeneration of Traditional Industries (SFURTI) to 800 clusters during the Twelfth Five Year Plan.

While the short term outlook for the textiles and readymade garments sector may pose 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. 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 lead 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, Australia, Mexico and Turkey. Going forward, the large textiles manufacturing base, adequate availability of raw materials and labour, vast domestic market, and supportive Government policies, would strengthen the competitive position of Indian textiles and readymade garments industry.

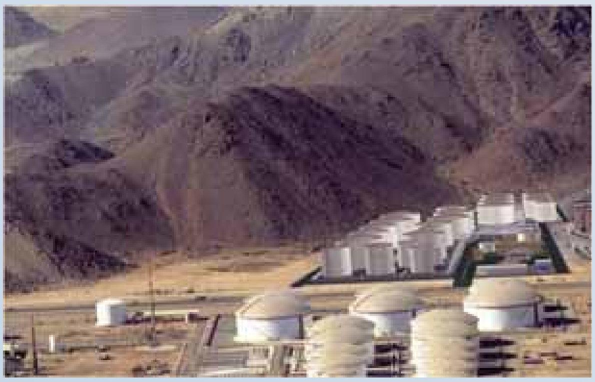
Drugs and Pharmaceuticals

The global pharmaceutical market is highly dynamic and is characterised by greater levels of R&D expenditure and extensive regulation of its products. Increasing R&D expenditure, longevity of population and strong economies are driving the global pharmaceutical market. Though the developed countries dominate the global pharmaceutical market, the share of developing countries, like India, China, Mexico, has been increasing in recent years. The global pharmaceutical sales in 2011 were US$ 956 billion, a growth of 8.5 percent over the previous year. Global pharmaceutical sales have grown from US$ 565.0 billion in 2003 to US$ 956.0 billion in 2011, recording a CAGR of 8.4 percent. Though the global pharmaceutical sales are increasing in absolute terms, the rate of growth has been receding over the years – from 12.0 percent in 2003 down to 8.5 percent in 2011. At regional level, North America was the largest pharmaceutical market accounting for around 36.0 percent of global pharmaceutical sales, followed by Europe (27.8 percent), Asia (excluding Japan)/Africa/Australia (cumulatively 17.3 percent), Japan (11.6 percent) and Latin America (7.0 percent).

In the year 2011, world exports of pharmaceutical products amounted to US$ 497.0 billion. The share of pharmaceutical products in world exports has remained more or less stagnant over the years, from a level of 2.7 percent in 2005, to 2.8 percent in 2011. European Union, as a bloc, was the largest exporter of pharmaceutical products accounting for 65.6 percent of total world exports in 2011 followed by Switzerland (11.6 percent), USA (8.6 percent) and China (2.4 percent). India occupies 5th position exporting pharmaceutical products worth US$ 9.0 billion (share of 1.9 percent) .

India has emerged as one of the leading economies in terms of opportunities in the pharmaceutical sector. The Indian pharmaceutical market is expected to touch US$ 74.0 billion in sales by 2020 from US$ 11.0 billion in 2012 . The country now ranks 3rd in terms of volume of production (10.0 percent of global share) and 14th largest by value (1.5 percent of global share) .

Indian pharmaceutical companies have not been affected much by the global slowdown, largely because of cost advantages in production. This is evident in the export performance of the sector year-on-year exports of pharmaceutical products (ITC HS Code 30) which increased by a healthy 27.1 percent in 2011-12 to aggregate at US$ 8.5 billion. During 2012-13, exports of pharmaceutical products stood at



Exim Bank supported IL&FS Prime Terminals FZC, UAE, a subsidiary of IL&FS Maritime Infrastructure Company Ltd. for setting up an oil storage tank terminal in Fujairah, UAE.

Exim Bank supported Larsen & Toubro Ltd's engineering, procurement, construction and commissioning of offshore wellhead platforms in Myanmar.

US$ 10.1 billion, growing by 18.4 percent over the previous year, substantially higher than the overall growth in exports of the country during this period.

USA with a share of 30.0 percent, was the predominant destination for pharmaceutical exports from India. Other major export destinations for India's pharmaceutical products included Russia (share of 4.7 percent), UK (4.2 percent), South Africa (3.6 percent) and Nigeria (3.2 percent). USA and Russia have retained their positions as major destinations for Indian pharmaceutical exports since 2004-05 up until 2011-12. However, lately, several African countries such as South Africa, Nigeria, Kenya and Ghana, have emerged as important markets for Indian pharmaceutical products. These African countries have replaced countries such as Ireland, Brazil and Vietnam, as significant markets for Indian pharmaceutical products.

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 pharmaceutical companies have altered their drug portfolios from primary care driven blockbusters towards specialties such as oncology, immunology and inflammation, where the medical need is high and prices are more easily accepted by the regulators.

Furthermore, a 'Pharma Vision 2020' has been prepared by the Department of Pharmaceuticals, for making India as one of the leading destinations for end-to-end drug discovery and innovation, with the Government committing to provide requisite support by way of world class infrastructure, besides the availability of internationally competitive scientific manpower for pharmaceutical R&D, venture fund for research in the public and private domain, and such other factors. India's domestic pharma market has also been expanding rapidly, and is expected to reach US$ 55.0 billion by 2020 according to conservative estimates, and with further stimulus a potential to reach US$ 70.0 billion by 2020.

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, partnership seems to be the new norm in the pharmaceutical sector. The strategy of optimising the use of available resources, both human and financial, is expected to be the way forward for building capabilities in clinical and contract research through strategic partnerships.

Capital Goods

The capital goods industry played a strategic role in development 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, and industrial furnaces. During 2010-11, the capital goods industry grew significantly by 15.0 percent as compared to a near flat growth of 1.0 percent as during 2009-10. However, this performance could not be sustained in 2011-12, when output of the capital goods industry actually registered a decline of 4.1 percent. This frail performance worsened in 2012-13, when the capital goods industry recorded a steep year-on-year decline of 6.3 percent. As regards the performance of various segments of the capital goods industry, production of machine tools increased to ` 43.0 billion during 2011-12, from a level of ` 36.2 billion in 2010-11, registering a growth of 18.9 percent. During 2012-13, the export of machine tools aggregated US$ 393.3 million, exhibiting a year-on-year increase of 8.2 percent, and import of machine tools stood at US$ 2.8 billion, exhibiting a decline of 7.5 percent over the previous year.

As far as textile machinery is concerned, India's production was valued at ` 52.8 billion in 2011-12, a year-on-year decline of 14.0 percent. While exports aggregated US$ 297.0 million recording a decline in growth of 7.5 percent over the previous year, imports aggregated US$ 1.9 billion during 2012-13, showing a decline in growth of 14.1 percent over the previous year.

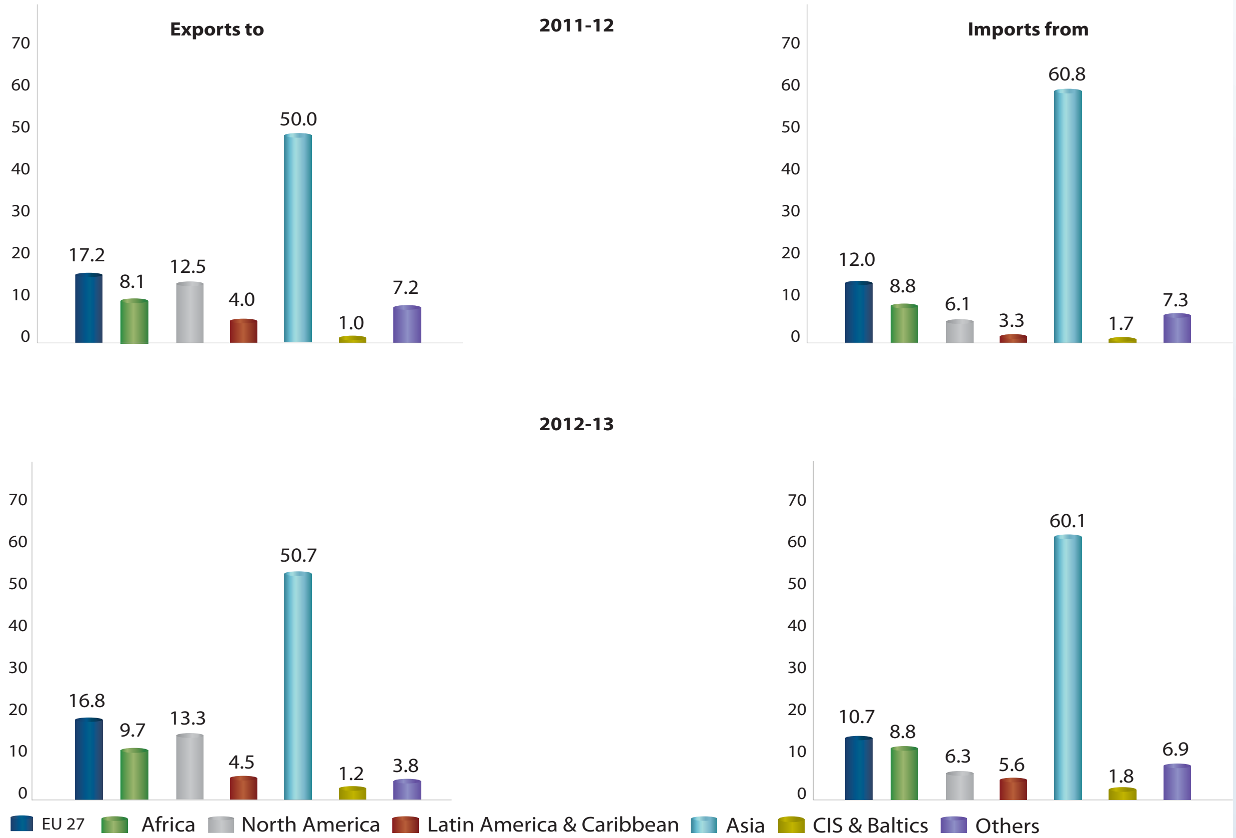
India produces a wide range of construction and mining machinery. The production of construction and mining machinery during 2011-12, was estimated to be ` 113.0 billion, showing a growth of 33.5 percent over the previous year. However, being a large and growing economy, domestic demand is greater than the production capacity and thus, a major portion of the demand is met through imports. During the period 2012-13, India's export of construction machinery was valued at US$ 616.9 million and imports stood at US$ 1.8 billion. While exports recorded a growth of 16.5 percent, imports showed a decrease of 27.2 percent over the previous year. The process plant and machinery and components sector in India is a heterogeneous segment of capital goods industry. The production of process plant and machinery during 2011-12 was estimated to be ` 198.6 billion, showing a growth of 10.3 percent over the previous year. During the period 2012-13, India exported process plant and machinery worth US$ 1.8 billion (an increase of 6.4 percent over the previous year), and imported plant and machinery worth US$ 3.8 billion (a decrease of 4.3 percent over the previous year).

The electrical equipment and machinery sector comprises a range of products, such as transformers, switchgears, motors, generators and control equipment. The production of electrical equipment and machinery sector during 2011-12, was estimated to be ` 1,263.1 billion, showing a growth of 14.8 percent over the previous year. India exported electrical equipment and machinery worth US$ 2.3 billion during 2012-13, while imports aggregated to US$ 3.8 billion. Exports grew by 0.5 percent and imports declined by 6.7 percent, during this period.

On the whole, the outlook for the capital goods

Exim Bank signed a Memorandum of Understanding (MoU) with IL&FS Financial Services Ltd. (IFIN) to provide a platform to Indian companies to access the CNH bond markets as well as other international bond markets which are not denominated in US$, Euro and Yen. Mr. Ramesh Bawa, Managing Director and CEO, IFIN and Mr. Ravi Parthasarathy, Chairman, IFIN were present during signing of the MoU.

DIRECTION OF INDIA'S MERCHANDISE TRADE (in percent)



Source: DGCIS, MOCI

industry in India remains bright, particularly over the medium and long-term, notwithstanding the recent below-par performance. In order to achieve global competitiveness, holistic approach for development of strategic capital goods sub-sectors have been advocated in the Report of the Working Group on Capital Goods and Engineering Sector for the Twelfth Five Year Plan, by Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Government of India. Some of the recommendations include support through multi-dimensional programmes, schemes and policy interventions, such as: creating mechanism for technology development/transfer/acquisition/ modernisation/expansion of manufacturing units; supporting technical institutes to train manpower; strengthening testing facilities; and arresting imports through technology transfers and local value additions.

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.

Indian electronics hardware production increased from ` 844.1 billion in 2007-08 to ` 1,775.0 billion in 2012-13, registering a CAGR of 16.0 percent. Communication and broadcasting equipment accounted for the largest share (31.0 percent) of India's electronics production in 2012-13, followed by consumer electronics (23.2 percent), components (14.9 percent), computers (13.7 percent), industrial electronics (12.1 percent) and strategic electronics (5.1

percent). Even in terms of growth, communication and broadcasting equipment took the lead, registering a 24.0 percent CAGR during 2007-08 to 2012-13, followed by components (22.4 percent), consumer electronics (12.8 percent), industrial electronics (12.5 percent), strategic electronics (9.6 percent) and computers (8.9 percent).

During 2011-12, India's electronics exports grew by 9.0 percent to reach a level of US$ 9.0 billion, accounting for a share of 3.0 percent in India's total exports. During 2012-13, India's exports of electronics were valued at US$ 8.5 billion, registering a year-on-year decline of 9.8 percent. As far as imports of electronics are concerned, during 2011-12, they were valued at US$ 32.6 billion, accounting for 7.0 percent of India's total imports. During 2011-12, electronics imports witnessed a growth of 23.0 percent over the previous year. During 2012-13, as in the case of exports, India's imports of electronics also witnessed a year-on-year decline of 3.9 percent to aggregate US$ 31.5 billion.

Major export destinations for Indian electronic goods include the US (13.4 percent), UAE (10.9 percent), Netherlands (6.1 percent), Germany (4.1 percent), and Singapore (3.8 percent). In the case of imports, China was the predominant source, accounting for 46.6 percent of India's total imports of electronic goods. Other major source countries were the US (6.8 percent), Malaysia (5.4 percent), Singapore (5.1 percent), Germany (4.5 percent) and South Korea (3.9 percent).

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 domestic electronics sector has lagged on account of specific challenges. Therefore, there is a need for a separate strategy for promotion and development of the industry. Accordingly, the National Electronic Policy (NPE) 2012 was approved by the Government of India, covering a comprehensive set of schemes with special focus on promotion of Electronics System Design and Manufacturing (ESDM) in the country. The main aim of the policy is to create an ecosystem for a globally competitive ESDM sector in the country to achieve a turnover of about US$ 400.0 billion by 2020, involving investment of about US$ 100.0 billion, and employment generation of around 28.0 million people at various levels. The policy provides for a clear and detailed roadmap for development of Indian electronics sector in the coming decade. Some of the schemes covered under the policy have already been approved for implementation; these are: Preference to Domestically Manufactured Electronic Goods (Preferential Market Access), Setting up of Electronic Manufacturing Clusters (EMC), introduction of Modified Special Incentive Package (M-SIPS) and mandatory registration of identified electronic products for meeting specified safety standards. Besides the above mentioned schemes, NPE 2012 also proposes setting up of two semiconductor wafer manufacturing facilities, creation of a vibrant R&D and innovation ecosystem in ESDM, creation of 2500 Ph.Ds annually in ESDM, setting up of an Electronics and ICT Academy by State Governments / UTs, as well as sector-specific Skill Councils for Electronics and Telecom sectors, launching a Communications and Brand Building Campaign for ESDM, etc. The NPE aims to address various issues with the explicit objective of encouraging electronic hardware manufacturing in the country with significant value addition. Given this strong focus of the Government, the outlook for the Indian electronic goods sector is positive, especially over the medium to long term.

Food Processing

The Indian food processing industry has witnessed a strong growth over the past few years. Liberalisation of the economy and growing income of middle class population have had a positive impact on consumer spending, with consumption on food and other essential commodities in both rural and urban India registering significant increase. Other factors like the current demographic profile of the country and strong macroeconomic fundamentals, have also provided considerable boost to expenditure on food and beverages in the country.

It is widely acknowledged that there is immense potential in the Indian food processing sector, largely because of the current modest penetration levels. According to the Ministry of Food Processing Industries, Government of India, India is the largest producer of wheat and rice, and also accounts for about 10.0 percent of global fruit production, with the country topping the charts in mango and banana production. In addition, India is the world's largest producer of milk, with milk and related products accounting for 17.0 percent of the country's total expenditure on food.

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$ 135.0 billion in 2012, and is projected to grow with a CAGR of 10.0 percent to reach US$ 200.0 billion by 2015. India's food processing sector covers fruits and vegetables, spices, meat and poultry, milk and 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.

In addition to the demand side, there are changes happening on the supply side as well, including 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 for processed foods.

The Ministry of Food Processing Industry, Government of India, anticipates US$ 22.0 billion of investments in food processing infrastructure by 2015. Investments are projected to rise with strengthening demand and supply fundamentals. The FDI inflow into Indian agriculture and food processing sector during January 2000-March 2013 was US$ 1.8 billion, with a share of close to 1.0 percent in total FDI inflows into the country.

With ample scope for value addition, growing trend in the consumption pattern of processed food products in India, and many fiscal incentives being planned by the Government of

Exim Bank extended a Line of Credit for US$ 178.125 million for augmentation of water supply schemes of Dar es Salaam and Chalinzi regions in Tanzania. H.E. Mr. William A. Mgimwa, Minister of Finance signed the agreement on behalf of the Government of Tanzania in the presence of Mr. Debnath Shaw, High Commissioner of India to Tanzania.

India, particularly focusing on farm infrastructure development, this sector is foreseen as a high growth sector in the medium to long term. Going forward, the major drivers of growth in the food processing industry include modernisation and expansion of integrated cold storage facilities, on-farm pre-processing and pre-cooling facilities, modernisation of agriculture markets, warehouses and abattoirs, establishment of mega food parks, and various initiatives to be adopted under the National Mission on Food Processing, announced in the 2012-13 Budget.

Policy Environment

The Government of India has announced a number of trade policy measures in the Annual Supplement to the Foreign Trade Policy (FTP). Many measures were also taken by the Government in the Union Budget and the RBI in its monetary and credit policies.

The Annual Supplements to the FTP announced during the last two years provided momentum to India's exports in the given challenging environment. In the Annual Supplement 2012-13 announced in June 2012, the Zero Duty Export Promotion Capital Goods (EPCG) Scheme was extended up to March 31, 2013 and scope of Zero Duty EPCG Scheme was enlarged. For promoting exports from North Eastern states, export obligation under the EPCG Scheme was at 25.0 percent of the normal export obligation and export of specified products through notified Land Customs Stations of this region would be provided with an additional incentive to the extent of 1.0 percent of Free on Board (FOB) value of exports. To promote export of 16 identified green technology products, export obligation for manufacturing of these products under the EPCG Scheme was reduced to 75.0 percent of the normal export obligation. Status holders exporting products under ITC (HS 1-24)

Exim Bank supported Sanjeev Auto Parts Manufacturers Pvt. Ltd. to acquire BRIMO Group of companies, manufacturer of auto ancillaries with four manufacturing units in Spain.

were provided Duty Credit Scrip equivalent to 10.0 percent of FOB value of agricultural products so exported. Seven new markets each were added to Focus Market Scheme (FMS) and to Special Focus Market Scheme (Special FMS). Forty-six new items were added to Market Linked Focus Product Scheme (MLFPS) and the Scheme was extended for export of HS 61 & 62 to USA and EU. Focus Product Scheme (FPS) had an addition of 110 new items and two new items were added to Vishesh Krishi and Gram Udyog Yojana (VKGUY) Scheme. Apart from the FTP supplement 2012-13, additional measures were announced in December 2012, which added 5 new markets to FMS, one new market to Special FMS, 62 new items and 3 countries to MLFPS, and 102 new items to FPS. Under the VKGUY Scheme, shellac wax, flours and meal of oilseeds or oleagenous fruits having more than 51.0 percent protein, and food preparations not elsewhere specified were added to give a boost to the exports. Apart from these, the FTP Supplement also simplified export procedures, introduced duty free import of embellishments for exports of synthetic made-ups, introduced a new "e-BRC" initiative for electronic transmission of foreign exchange realisation, and an incremental export incentive to an Importer and Exporter Code (IEC) holder at the rate of 2.0 percent on the incremental growth of exports made to the US, EU and Asian countries during the quarter, January-March 2013, over the base period January-March 2012.

In the Annual Supplement 2013-14, to the FTP, announced in April 2013, the Government decided to harmonise the Zero Duty EPCG and 3.0 percent EPCG Scheme into one Zero Duty EPCG scheme covering all the sectors. This new Zero Duty EPCG scheme has been extended beyond the initially proposed date of March 2013. In order to revive the investors' interest in SEZs and to boost its exports, a package of measures has been formulated. The 2.0 percent interest subvention scheme, which was initially available to certain specific sectors, has been extended to 134 sub-sectors of the engineering sector. The Duty Credit Scrips issued under FMS, FPS and VKGUY can be used for payment of service tax on procurement of services. Norway has been added under FMS and Venezuela has been added under Special FMS, thus taking the total number of countries under the respective schemes to 125 and 50, respectively. About 47 new products, from engineering, auto components and textiles sector, and two new countries, have been added under MLFPS. The Incremental Export Incentivisation Scheme announced in December 2012, has been extended till March 31, 2014.

Select measures proposed in the Union Budget 2012-13, include, among others, a new scheme that simplified refund procedure with respect to taxes on input services for exports; reduction of custom duty on imported plant and machinery in steel sector for setting up or expanding iron ore pellet plants or iron ore beneficiation plants from 7.5 percent to 2.5 percent; reduction of custom duty on coating material for manufacture of electrical steel, and nickel ore and concentrate and nickel oxide or hydroxide. To modernise the textile industry, the Budget fully exempted automatic shuttle-less looms, and automatic silk reeling and processing machinery from basic customs duty.

The Union Budget 2013-14, proposed reduction of duty on specified machinery for manufacture of leather and leather goods, including footwear, from 7.5 percent to 5.0 percent, and duty on pre-forms of precious and semi-precious stones from 10.0 percent to 2.0 percent. It also proposed withdrawal of export duty on de-oiled rice bran oil cake. It restored the 'zero excise duty route' for cotton and manmade sector (spun yarn) at the yarn, fabric and garment stages in addition to the CENVAT route now. In the case of cotton, it proposed zero duty at the fibre stage and in the case of spun yarn, a duty of 12.0 percent at the fibre stage. Exports of handmade carpets and textile floor coverings of coir or jute, and ships and vessels would be exempted from excise duty.

Many measures were also taken by the RBI in its monetary and credit policies during the course of the year. With effect from May 2012, banks were allowed to determine their interest rates on export credit in foreign currency with the objective of increasing the availability of funds to exporters. The export credit refinance (ECR) facility for scheduled banks (excluding regional rural banks [RRB]) was enhanced from 15.0 percent of the outstanding export credit eligible for refinance to 50.0 percent, with effect from June 2012, with the objective to provide additional liquidity support to banks of over ` 300.0 billion. The 2.0 percent Interest Subvention Scheme, earlier meant only for handlooms, handicrafts, carpets and SMEs, was extended till March 2013, for labour-intensive sectors including toys, sports goods, processed agricultural products, and readymade garments. In January 2013, the Scheme has further been extended up to March 31, 2014, and 134 tariff lines of engineering goods were also included in the scheme. In May 2013, the Scheme was further widened to ITC (HS) and Textile goods to 6 tariff lines, and additional 101 tariff lines in engineering good sector were added to the existing 134 lines.

During 2012-13, there has been a shift in the policy stance of RBI wherein it has attempted to balance growth and inflation dynamics. It reduced repo rates, in phases, from 8.5 percent in March 2012 to 7.5 percent in March 2013. In May 2013, the RBI further reduced the repo rate by 25 bps to 7.25 percent, the lowest since June

2011. The reverse repo was accordingly reduced from 7.5 percent in March 2012, to 6.5 percent by March 2013, and further to 6.25 percent in May 2013. There has also been series of reductions in Cash Reserve Ratio (CRR) from 4.75 percent in March 2012 to 4.0 percent by February 2013. The Statutory Liquidity Ratio (SLR) was also reduced by 100 bps, to 23.0 percent in August 2012, from 24.0 percent. These measures were taken to improve liquidity conditions.

As part of fiscal measures to contain inflation, during 2012-13, import duties for wheat, onions, pulses, and crude palmolein were reduced to zero and 7.5 percent for refined vegetable and hydrogenated oils. The Scheme for Distribution of Subsidised Imported Edible Oils has extended upto 30 September 2013. Stock limits were imposed from time to time in the case of select essential commodities such as pulses, edible oil, and edible oilseed and in the case of paddy and rice for specific seven states up to November 2012. The scheme for subsidised imported edible oils was extended with effect from April 2012 to September 2013, with subsidy of ` 15/- per kilogram for import of up to 10.0 lakh tonnes of edible oils for this period.

Liberalisation of the broad external commercial borrowing (ECB) policy continued over the year. The limit for refinancing rupee loans through ECB has been enhanced from 25.0 percent to 40.0 percent for Indian companies in the power sector. The withholding tax has been reduced from 20.0 percent to 5.0 percent for a period of three years (July 2012- June 2015) on interest payments on ECBs. A new ECB scheme of US$ 10.0 billion has been introduced for companies in the manufacturing and infrastructure sectors. ECB for capital expenditure has been allowed on the maintenance and operation of toll systems for roads and highways so long as they are a part of the original project subject to certain conditions, and also for low cost housing projects.

Several changes were made to the FDI policy regime during 2012-13. FDI up to 100 percent is now allowed in single brand retail. The Government amended the policy on single brand retail trading, amending the conditions relating to (i) the foreign investor being the owner of the brand: it has been specified that henceforth, only one non-resident entity (whether owner of the brand or otherwise) shall be permitted to undertake single brand product retail trading for the specific brand through a legally tenable agreement with the brand owner and (ii) mandatory sourcing of at least 30.0 percent of the value of products to be done from Indian 'small industries/ village and cottage industries, artisans and craftsmen', applicable in respect of proposals involving FDI beyond 51.0 percent. In the civil aviation sector, foreign airlines are permitted FDI up to 49.0 percent in the capital of Indian companies in Civil Aviation Sector, operating scheduled and non-scheduled air transport, under the automatic/Government route. FDI up to 51.0 percent has been permitted, with FIPB approval, in multi-brand retail trading, subject to specified conditions. Further, the Government has permitted FDI up to 49.0 percent in power exchanges, registered under the Central electricity Regulatory Commission Regulations, 2010. The Government has decided to permit NBFCs having foreign investment above 75.0 percent and below 100 percent and (ii) with a minimum capitalisation of US$ 50.0 million, to set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital.

Major Policy Changes during 2012-13

CREDIT POLICY

- Cash reserve ratio (CRR) reduced, in phases, from 4.75 percent in March 2012 to 4.0 percent in February 2013.
- Repo rate reduced, in phases, from 8.5 percent in March 2012 to 7.5 percent in March 2013.
- Reverse repo rate, which has a prescribed spread of 100 basis points below repo rate, and bank rate, which has a prescribed spread of 100 basis points above repo rate, also stood adjusted accordingly.

TRADE POLICY

- Incentive granted to Importer and Exporter Code (IEC) holder at the rate of 2.0 percent on incremental growth of exports made to the US, Europe, and Asian countries during Q4 of 2012-13.
- Export obligation for manufacturing of 16 identified green technology products under the EPCG Scheme reduced to 75.0 percent of the normal export obligation.
- 12 new markets added to the Focus Market Scheme (FMS) and another 8 to the Special FMS.
- 108 new items and 3 new countries added to the Market Linked Focus Product Scheme (MLFPS). MLFPS extended till March 31, 2013, for exports to the US and EU for items falling under Chapters 61 and 62.
- 212 new items added in Focus Product Scheme (FPS).
- Duty EPCG Scheme extended up to March 2013, and its scope enlarged.

INVESTMENT POLICY

Foreign Direct Investment

- FDI up to 100 percent permitted in single brand product retail trading. FDI up to 51 percent permitted in multi-brand retail trading, subject to specified conditions.
- FDI up to 49 percent permitted in Civil Aviation Sector and Power Exchanges.

Foreign Institutional Investment

- Total FII limit for investment in G-Secs and corporate bonds (non-infra category) enhanced to US$ 25 billion and US$ 51 billion, respectively.
- Lock-in and residual maturity periods criteria gradually reduced for FII investment in long-term infra bonds.

ECB Norms

- Limit for refinancing rupee loans through ECBS enhanced to 40 percent in the power sector.
- ECB for capital expenditure on the maintenance and operation of toll systems for roads and highways allowed subject to certain conditions, and also for low cost housing projects.
- Withholding tax on interest payments on ECBs reduced to 5 percent for a period of 3 years.
- New ECB scheme of US$ 10 billion introduced in manufacturing, infrastructure and hotel sectors.
- SIDBI permitted as eligible borrower for accessing ECB for on-lending to MSME sector.
- National Housing Bank/Housing Finance Companies permitted to avail themselves of ECBs for financing prospective owners of low cost / affordable housing units.

Statistical Snapshot of the Indian Economy

INDICATORS	2008-09	2009-10	2010-11	2011-12	2012-13
GDP (at current prices, US$ bn)	**1224.1**	**1365.4**	**1710.9**	**1873.0**	**1843.0**
Real GDP Growth (%)	**6.7**	**8.6**	**9.3**	**6.2**	**5.0e**
Inflation rate (WPI, annual avg. %)	**8.1**	**3.8**	**9.6**	**8.9**	**7.4**
Gross Fiscal Deficit (% of GDP)	**6.0**	**6.5**	**4.9**	**5.9**	**5.2**
Exchange Rate (`/US$, avg.)	45.9	47.4	45.6	47.9	54.5
Exchange Rate (`/Euro, avg.)	65.1	67.1	60.2	65.9	70.1
Merchandise Exports (US$ bn)	**185.3**	**178.8**	**251.1**	**306.0**	**300.3**
Oil Exports (US$ bn)	27.5	28.2	41.5	56.0	60.0
Non-oil Exports (US$ bn)	157.7	150.6	209.6	250.0	240.3
Merchandise Imports (US$ bn)	**303.7**	**288.4**	**369.8**	**489.3**	**491.9**
Oil Imports (US$ bn)	93.7	87.1	106.0	155.0	169.4
Non-oil Imports (US$ bn)	210.0	201.2	263.8	334.3	322.5
Merchandise Trade Balance (US$ bn)	**-118.4**	**-109.6**	**-118.7**	**-183.3**	**-191.6**
Services Exports (US$ bn)*	**106.0**	**96.0**	**132.9**	**142.3**	**145.7**
Software Exports (US$ bn)*	46.3	49.7	55.5	62.2	65.9
Services Imports (US$ bn)*	**52.0**	**60.0**	**84.1**	**78.2**	**80.8**
Current Account Balance (US$ bn)*	**-28.7**	**-38.4**	**-46.0**	**-78.2**	**-87.8**
Forex Reserves (US$ bn)	**252.0**	**279.1**	**304.8**	**294.4**	**292.6**
External Debt (US$ bn)	**224.5**	**260.9**	**305.9**	**345.5**	**390.0**
FDI Inflows (US$ bn)	**41.9**	**37.7**	**34.8**	**46.6**	**34.3**

e - estimates;

* - Data from 2009-10 onwards are given by RBI as per new format of standard presentation of BoP statistics based on guidelines set out in IMF Balance of Payment Manual (BPM6 Standards).

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

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, 2013.

REVIEW OF OPERATIONS

The Bank approved loans aggregating ` 419.19 billion under various lending programmes during 2012-13, as against ` 444.12 billion during 2011-12.

Loan disbursements during 2012-13 were ` 406.35 billion, as against ` 370.45 billion during 2011-12, while loan repayments during 2012-13 amounted to ` 326.07 billion, as against ` 314.22 billion in 2011-12. Gross loan assets as on March 31, 2013, were ` 655.63 billion, registering an increase of 20 percent over the previous year.

Rupee loans and advances accounted for 40 percent of the total loan assets as on March 31, 2013, while the balance 60 percent were in foreign currency. Short-term loans accounted for 19 percent of the total loans and advances as on March 31, 2013.

During the year, the Bank approved guarantees aggregating ` 58.07 billion as against ` 27.55 billion in 2011-12. Guarantees issued during 2012-13 amounted to ` 29.38 billion as against ` 13.61 billion in 2011-12. Guarantees in the books of the Bank as on March 31, 2013, were ` 47.44 billion, as against ` 32.41 billion as on March 31, 2012, and Letters of Credit as on March 31, 2013, amounted to ` 29.82 billion as against ` 18.29 billion as on March 31, 2012.

Total borrowings of the Bank at ` 644.85 billion as on March 31, 2013, were higher by 18 percent compared to total borrowings of ` 546.55 billion as on March 31, 2012.

The Bank registered profit before tax of ` 10.89 billion on account of the General Fund during 2012-13, as against a profit of ` 10.13 billion during 2011-12. After providing for income tax of ` 3.47 billion, profit after tax amounted to ` 7.42 billion during 2012-13, as against ` 6.75 billion during 2011-12. Out of this profit, an amount of ` 3.22 billion is transferred to the Reserve Fund. In addition, the Bank has transferred ` 0.12 billion to Sinking Fund, and ` 1.45 billion to the Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961. The balance of ` 2.63 billion is being transferred to Government of India (GOI), as provided in the Exim Bank Act. In 2011-12, ` 2.05 billion was transferred to GOI as return on capital.

Profit before tax of the Export Development Fund during 2012-13, was ` 46.60 million, as against ` 43.01 million during 2011-12. After providing for tax of ` 15.12 million, the post tax profit amounted to ` 31.48 million, as against ` 29.06 million during 2011-12. The profit of ` 31.48 million is carried forward to next year.

Exim Bank and Myanma Foreign Trade Bank entered into an MoU for a US$ 500 million Credit Line from Exim Bank for specific projects in Myanmar. The MoU was signed in the presence of Prime Minister Dr. Manmohan Singh and President U. Thein Sein, at Nay Pyi Taw, Myanmar.

Board of Directors meeting in progress

BUSINESS OPERATIONS

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

I. Projects, Products and Services Exports
II. Building Export Competitiveness & Financing Overseas Investments
III. New Initiatives
IV. Financial Performance
V. Information and Advisory Services
VI. Institutional Linkages
VII. Information Technology
VIII. Research and Analysis
IX. Human Resources Management
X. Progress in Implementation of the Official Language Policy
XI. Representation of Scheduled Castes, Scheduled Tribes and Other Backward Classes
XII Joint Venture (GPCL)

I. PROJECTS, PRODUCTS AND SERVICES EXPORTS

Project Contracts

During 2012-13, 85 project export contracts amounting to ` 242.55 billion covering 38 countries were secured by 47 Indian exporters, as against 53 project export contracts worth ` 229.75 billion covering 23 countries secured by 28 Indian exporters during 2011-12.

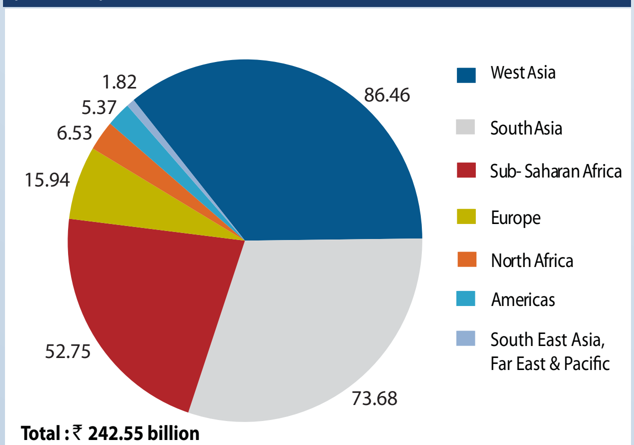
The contracts secured during the year comprised 52 turnkey contracts valued ` 160.71 billion, 15 construction contracts valued ` 72.14 billion, 12 supply contracts valued ` 8.81 billion and six technical consultancy and services contract valued ` 0.89 billion.

Some major project contracts secured during the year include contract for engineering, procurement and construction of a state of the art polysilicon production plant for Qatar Solar Technologies, being executed by Punj Lloyd Ltd.; contract for supply of main cryostat, its fabrication and associated works for developing a 500 MW nuclear power plant based on fusion reaction in France, being executed by Larsen & Toubro Ltd.; contract for rehabilitation of transmission lines in D.R. Congo, being executed by Kalpataru Power Transmission Ltd.; contract for design, manufacture, supply, erection, testing and commissioning of 6 power generating units and associated for 1020 MW Punatsangchhu-II Hydroelectric Project in Bhutan being executed by Bharat Heavy Electricals Ltd.; contract for reconstruction of the Pallai-Kankesanthurai Railway Line in Sri Lanka, being executed by IRCON International Ltd.

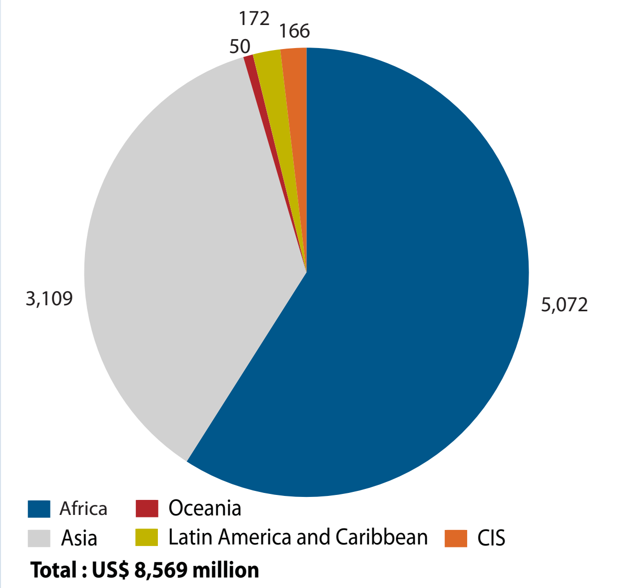
Export Credits

During the year, the Bank approved loans aggregating ` 184.77 billion by way of export

PROJECT EXPORT CONTRACTS SECURED DURING 2012-13 (` billion)



OPERATIVE LINES OF CREDIT AS ON MARCH 31, 2013 (US$ million)



credits, as against ` 160.36 billion during the previous year. Disbursements amounting to ` 205.26 billion were made during the year, as compared to ` 180.25 billion during the previous year.

Guarantees

Guarantees approved and issued during the year amounted to ` 58.07 billion and ` 29.38 billion respectively, as against ` 27.55 billion and ` 13.61 billion during the previous year. These guarantees pertain to overseas projects in areas such as power generation, transmission and distribution, infrastructure development and export obligation guarantees.

Buyer's Credit

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

During 2012-13, the Bank extended Buyer's Credit facility aggregating US$ 270 million to 28 overseas companies. Disbursements under Buyer's Credit programme aggregated to US$ 412 million for exports to Bhutan, France, Ghana, Italy, Kenya, Mozambique, Nigeria, the Netherlands, 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. Several exporters from small and medium enterprises were beneficiaries under the Buyer's Credit Programme.

Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA)

The Bank has laid strong emphasis on enhancing India's project exports, the funding options for which have been strengthened with the introduction of the Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA) programme. BC-NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis. The response to the programme has been encouraging. The Bank has sanctioned an aggregate amount of US$ 248 million for 3 projects valued at US$ 291 million, including the supply, erection and commissioning of 30 MLD Water Treatment Plant and distribution to 9 reservoirs across the Dambulla region in Sri Lanka; setting up 187 km (132 KV) power transmission line from Lusaka to Luangwa alongwith distribution network and three 132 KV substations in Zambia. The Bank has also given in-principle commitments for supporting 51 projects with an aggregate value of US$ 5.14 billion under

BC-NEIA. During the year, the Union Minister for Commerce, Industry and Textiles, Shri Anand Sharma, announced the introduction of a "pilot scheme" of 2 percent Interest Subvention for Project Exports through Exim Bank for countries of the SAARC region, Africa and Myanmar.

Lines of Credit

Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructure projects, equipments, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. LOC is a financing mechanism that provides a safe, non-recourse financing option to Indian exporters, especially to small and medium enterprises, and serves as an effective market entry tool for the latter. Being in an increasingly competitive environment, Exim Bank is proactively seeking to expand its geographical reach and volumes under the LOC Programme. Besides its own LOCs to overseas entities, Exim Bank, since 2003-04, extends and operates, at the behest of and with the support of the GOI, LOCs to countries in the developing world.

During the year, the Bank extended 16 new LOCs, aggregating US$ 833.59 million, to support export of projects, goods and services from India. LOCs extended by Exim Bank during the year include LOCs to the Governments of Benin, Burkina Faso, Cameroon, Chad, Comoros, Ethiopia, Gambia, Ghana, Malawi, Mozambique, Senegal, Seychelles, Swaziland, Tanzania (in Africa), and Cuba and Guyana in Latin America. These LOCs will finance and catalyse exports by way of financing projects, like low cost

Exim Bank supported Voltas Ltd. for supply, installation, testing and commissioning of mechanical, electrical and plumbing works for a Water Park at Yas Island in UAE.

Exim Bank extended a Line of Credit for US$ 19 million for financing fisheries development project in Senegal. Mr. Amadou Moustapha Diouf, Ambassador of Senegal to India, signed the agreement on behalf of the Government of Senegal.

housing and economical building projects, power transmission projects, pharmaceutical anufacturing plant, development of sugar industry, Cassava plantation project, tractor assembly plant and farm equipment manufacturing unit, irrigation network, fisheries development project, agricultural development and mechanization of agriculture, water supply schemes, milk powder processing plant and multi-specialty hospital. 167 LOCs, covering 75 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US$ 8.57 billion, are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation.

II. BUILDING EXPORT COMPETITIVENESS & FINANCING OVERSEAS INVESTMENT

The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. During 2012-13, Exim Bank sanctioned loans aggregating ` 189.62 billion under programmes for enhancing export competitiveness. Disbursements amounted to ` 153.52 billion under these programmes.

Loans to Export Oriented Units

During the year, the Bank approved term loans of ` 54.39 billion to 51 export oriented units. Disbursements amounted to ` 32.33 billion. Under the Production Equipment Finance Programme, 12 exporting companies were approved ` 2.83 billion for financing acquisition of production equipment. Disbursements amounted to ` 3.39 billion.

Technology Upgradation Fund Scheme (TUFS)

Exim Bank is one of the nodal agencies appointed by GOI, Ministry of Textiles, to establish and approve the eligibility of projects under TUFS, and release subsidy directly to the approved projects. As on March 31, 2013, the Bank has accorded approval for 192 projects with aggregate cost of ` 137.05 billion. Loans approved and disbursed aggregate to ` 42.97 billion and ` 29.67 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

Exim Bank supported Classic Stripes Pvt. Ltd. to acquire Modagrafics Inc, USA, a leading manufacturer of screen printing and digital graphics in USA.

investment. During the year, 49 corporates were approved funded and non-funded assistance aggregating ` 42.28 billion, for part financing their overseas investments in 20 countries. So far, Exim Bank has provided finance to 436 ventures set up by 352 companies in 71 countries.

Assistance extended for overseas investments aggregated ` 292.80 billion, covering various sectors including pharmaceuticals, home furnishings, readymade garments, construction, paper and paper products, textiles and garments, chemicals and dyes, computer software and IT, engineering goods, natural resources (coal and plantations) metal and metal processing and agriculture and agro-based products. Overseas investments supported by Exim Bank during 2012-13 included: acquisition of coal mines in Indonesia; acquisition of a leading logistics company in USA; acquisition of pharmaceutical companies in Egypt, Finland and USA; setting up of a ferro-manganese plant in Zambia; and setting up of oil tank terminal in UAE.

Finance for Imports

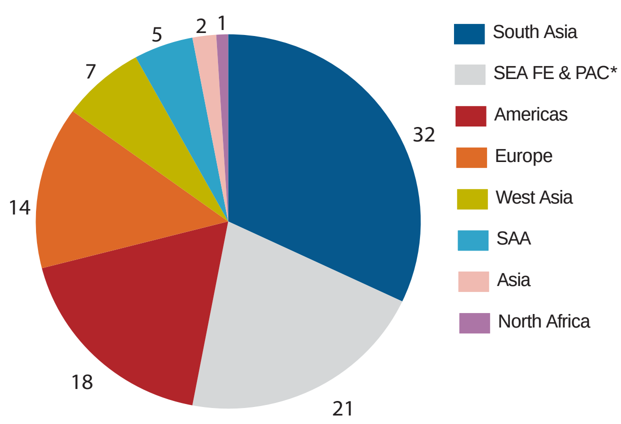
Under the Bulk Import Finance Programme, sanctions and disbursements amounted to ` 21.50 billion and ` 17.61 billion, respectively. Under the Import Finance Programme, companies were sanctioned term loans aggregating ` 13.83 billion. Disbursements amounted to ` 7.43 billion. A number of solar energy projects were financed under this programme.

III. NEW INITIATIVES

Technology and Innovation Enhancement and Infrastructure Development (TIEID) Fund

The MSME sector has been a dynamic segment of Indian industry and has proved its competitive ability in recent years. There is reason to believe that the growth of this sector is hampered by the lack of a sufficiently dynamic financial sector. Without adequate finance, MSMEs cannot acquire or absorb new technologies nor can

REGION-WISE APPROVALS UNDER THE OVERSEAS INVESTMENT FINANCE PROGRAMME DURING FY 2012-13 (in percent)



*South East Asia, Far East & Pacific

they expand to compete in global markets or even strike business linkages with larger firms. However, MSME units face significant barriers in getting institutional and financial resources to meet their capex and working capital needs.

Exim Bank operates a variety of lending programmes aimed at enhancing export capabilities and international competitiveness of Indian MSME units. Exim Bank's approach has been to provide a holistic solution within its mandate to the MSME sector rather than just being a purveyor of credit.

There are two critical non-credit issues impeding development of the MSME sector – obsolete technology and lack of innovation (which is endogenous) and infrastructure bottlenecks (which is exogenous). Given their poor access to equipment, the Indian MSME sector lacks quality control and product standardisation resulting in their products being less competitive in both national and international markets. This is further aggravated by inadequate common infrastructure facilities which could substantially reduce the operating costs of MSME units. A common complaint across MSMEs is that they are denied access to loans at competitive rates for investment in technology upgradation and innovation. If the above needs of MSMEs could be addressed and complemented by creation of common infrastructure facilities, it would level the playing field and enable MSMEs to compete with other players in the export markets.

Exim Bank extended credit lines to the Government of Sri Lanka to restore railway lines in Northern Sri Lanka. The picture shows a stretch of the 252 km railway line which was commissioned in May 2013.

As part of the strategy towards augmenting the competitiveness of MSMEs, and with a view to facilitating credit flow to the MSME sector at competitive rates, Exim Bank has put in place a Technology and Innovation Enhancement and Infrastructure Development (TIEID) Fund of US$ 500 million exclusively for MSMEs by partnering with banks/FIs. TIEID Fund seeks to meet long term foreign currency loan requirements of Indian exporting entities in the MSME sector for meeting eligible capital expenditure, including, *inter alia*, for technology upgradation, capacity creation, common infrastructure development like captive power plant, common effluent treatment plant, hazardous waste disposal facility, testing facilities, etc., through refinancing of banks/FIs against their eligible SME financing portfolio. In addition to long-term refinance under TIEID, Fund, Exim Bank is also offering short-term refinance in rupee and foreign currency at competitive rates. Export Credit/Term Loans in rupee/foreign currency offered to the MSME units by other FIs/commercial banks are refinanced by Exim Bank on a cost plus basis. In this case also, the ultimate beneficiaries of the facility are the exporting MSME units that are able to avail credit at competitive rates.

During 2012-13, Exim Bank approved and disbursed an amount of ` 6.85 billion to various banks under the refinance facilities for MSME sector.

Small and Medium Enterprise Trade Development Facility from the Asian Development Bank

With a view to facilitate credit flow to the MSME sector at competitive rates, Exim Bank has put in place a foreign currency line of US$ 100 million in association with the Asian Development Bank (ADB). This foreign currency line will be utilized to on-lend to eligible MSMEs, primarily in the less developed states of Assam, Madhya Pradesh, Orissa, Uttar Pradesh, Chattisgarh, Jharkhand, Rajasthan and Uttarakhand. The assistance to these MSMEs will help in increasing competitiveness in the relatively less developed states and help in integrating them with the export value chain. The foreign currency term loans under this line can also finance domestic capital expenditure of the borrowers in Indian Rupees, besides meeting their foreign currency capital expenditure requirements. Activities eligible for funding include any capital expenditure by export oriented MSMEs pertaining to, *inter alia*, setting up of new facilities, expansion/ modernisation of existing facilities, acquisition of equipment and plant and machinery, setting up of testing/R&D facilities, setting up of captive power plants/co-generation plant, setting up of infrastructure facilities like effluent treatment plants, storages/warehouses, etc. Besides providing financial assistance to individual MSME units, foreign currency term loans under the ADB line can also be provided to Special Purpose Vehicles of a cluster of MSMEs, for development of new geographically contiguous cluster/industrial park, involving creation and maintenance of common infrastructure and common facilities including, *inter alia,* construction of buildings and civil works, acquisition of assets/technology, for the benefit of industrial units within the cluster/ industrial park, development of an industrial estate by industrial users, industry associations and/or Government bodies, upgradation of an existing industrial cluster or industrial estate, development of specific infrastructure including common effluent treatment plant, captive power plant, transportation linkages, hazardous waste disposal, and development of Common Facilities Centers like testing centers and cold storages, for industrial clusters, industrial estates, or a group of industries with common interests.

During 2012-13, Exim Bank approved loans aggregating US$ 7.65 million and disbursed an amount of US$ 8.74 million under the ADB line. Cumulatively, Exim Bank has approved and disbursed loans aggregating US$ 42.70 million and US$ 24.21 million respectively under the ADB line.

Memorandum of Cooperation (MOC) with IDBI Bank Ltd

During 2012-13, Exim Bank entered into a Memorandum of Cooperation (MOC) with IDBI Bank Ltd., wherein both the institutions would, *inter alia*, co-finance, co-arrange, syndicate rupee and foreign currency loans, jointly finance export-oriented projects in India, provide/avail refinance facility in Indian Rupees and/or Foreign Currency for extending short term export credit and long term capex loans to eligible export-oriented companies, particularly in the MSME sector. Exim Bank and IDBI Bank Ltd. would also co-operate in promotional activities, provide advisory services to assist each other's clients, and co-operate in training of each others' staff members.

Grassroots Initiative and Development (GRID)

Exim Bank, through its grassroots initiatives, supports globalisation of enterprises based out of rural India. The programme seeks to address the needs of relatively disadvantaged sections of society while creating opportunities for traditional craftsmen, artisans and rural entrepreneurs of the country. Exim Bank through its institutional linkages, reaches out to these people helping them in capacity building, technological upgradation, quality improvement, market access, training and more. In this context, the Bank entered into an MOC with the Rural Technology and Business Incubator (RTBI), an incubator cell in Indian Institute of Technology, Madras Research Park, to evaluate and support organisations at their nascent stage for improving rural livelihood. RTBI facilitates rural-inclusive technology and business innovation in India and is registered as a not-for-profit society. Exim Bank's MOC with RTBI would pave the path for the Bank to support companies doing innovative work in the rural sector, whose potential have been evaluated by an expert group.

During the year, the Bank provided support to a Weavers' Cooperative based in West Bengal, which manufactures and exports handloom products like sarees, dress materials, etc. The interventions by the Bank are aimed at financing the establishment of a Common Facility Centre (CFC). Financial support was also provided to a Trust, which is into production of appliquéd garments, hand embroidered accessories, etc. in the Bhuj region of Gujarat. An organisation based in Bangalore, producing handicraft and handloom products, was also supported for setting up of a CFC in Channapatana Crafts Park, Bangalore.

In addition to providing financing support, the Bank, under its rural initiatives, also works towards capacity and skill upgradation of

Under the Line of Credit of US$ 800 million extended to the Government of Bangladesh, 290 double-decker buses have been supplied to augment the public transport system in Dhaka and Chittagong.

Exim Bank organised a 10-day design development training workshop in Goa for rural women artisans for making utility items from coconut shells (a sample is shown inset). The workshop was organised to develop export potential of these artisans.

artisans. During the year, the Bank organised a "Design Development and Training Workshop" for 30 women artisans in developing creative and modern designs for Coconut Shell Craft. The workshop was organised in association with The Ants Craft Trust, Bangalore, and Omkar Arts and Crafts Association, Goa, an organisation working with around 1000 women artisans for producing coconut and sea shell crafts. Training was imparted for developing new design prototypes, better packaging of finished products as well as pricing of these products. During the workshop, 20 innovative designs were developed.

Under its rural initiatives, the Bank has also sought to act as an enabling agency. A continuous endeavour is being made to reach out to the organisations operating at the grassroots level across India with a view not only to enhance their exports but also to make their products export worthy.

Credit Monitoring Groups

The Bank has created two dedicated special Groups, i.e, Loan Administration Group and Stressed Assets Group, for pro-active management of loan assets under stress and recovery of non-performing loans. 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 judge 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 of the Board.

IV. FINANCIAL PERFORMANCE

Resources

During the year, the Bank received capital of ₹ 2 billion from the GOI. Tier I bonds of ₹ 5.59 billion issued to GOI were also converted by GOI into capital during 2012-13. As on March 31, 2013, the Bank's total resources including paid-up capital of ₹ 31 billion and reserves of ₹ 42 billion, aggregated ₹ 717 billion. Exim Bank's resource base includes bonds, certificates of deposit, commercial paper, term deposits and foreign currency deposits/borrowings/long-term swaps. The Bank's domestic debt instruments continue to enjoy the highest rating, viz. 'AAA' from the rating agencies CRISIL and ICRA. During the year, the Bank raised borrowings of varying maturities aggregating ₹ 385.71 billion, comprising rupee resources of ₹ 170.12 billion and foreign currency resources of ₹ 215.59 billion equivalent. Foreign currency resources of US$ 3.11 billion equivalent were raised through bonds, bilateral/club/syndicated loans and US$ 0.86 billion by way of Buy-Sell swaps. As on March 31, 2013, the Bank had a pool of foreign currency resources equivalent to US$ 7.83 billion, and outstanding Rupee borrowings including bonds and commercial paper, of ₹ 313.12 billion. Market borrowings as on March 31, 2013, constituted 100 percent of the total borrowings and 90 percent of the total resources of the Bank.

Foreign Currency Resources

During 2012-13, the Bank raised foreign currency resources aggregating US$ 3.97 billion equivalent. During the year, the Bank became the first ever Indian entity to be included in the Emerging Market Bond Index with its 5-year Reg S Eurodollar bond issue of US$ 500 million in July 2013. The Bank also raised 10-year US$ 750 million Reg S Eurodollar bonds in January 2013.

The Bank is the first and till date the only Indian entity to tap the Australian dollar market with its 5-year AUD 200 million bond issue. The Bank was also the first Indian entity to issue 5-year Singapore dollar denominated bonds of SGD 250 million. During the year, the Bank signed an agreement for a long term loan of Euro 150 million equivalent with tenor of upto 20 years with European Investment Bank. The purpose of the European Investment Bank loan is to support projects that contribute to climate change mitigation. The Bank also availed a long term loan from ADB of US$ 100 million, which is being used to support SMEs and SME clusters in the less developed states for technology upgradation.

The Bank also issued Uridashi Bonds of US$ 170 million equivalent (a bond denominated in a foreign currency and sold directly to Japanese household investors) in three different currencies viz., Japanese Yen, Mexican Peso and Turkish Lira, thereby achieving diversification of investor base. Exim Bank is the only Indian entity which has been accepted in the Uridashi market.

The Bank has updated and enhanced its Euro Medium Term Note (EMTN) Programme from US$ 2.5 billion to US$ 6 billion, including an amount of US$ 2.5 billion for issuances through the Bank's branch at London. So far, apart from US dollars, the Bank has raised foreign currency resources in diverse currencies including Australian Dollars, Euros, Japanese Yen, Mexican Peso, South African Rand, Singapore Dollars, Swiss Francs and Turkish Lira.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at ` 10.89 billion and ` 7.42 billion respectively during 2012-13, as compared to the previous year's PBT and PAT of ` 10.13 billion and ` 6.75 billion, respectively. Business income comprising interest, discount, exchange commission, brokerage and fees during 2012-13, was ` 42.47 billion, as compared to

Presenting the RTGS receipt for ` 2.05 billion (being balance of net profit for FY 2011-12) to Shri Namo Narain Meena, Union Minister of State for Finance, in the presence of Shri Anurag Jain, Joint Secretary, Department of Financial Services, Ministry of Finance.

New Benchmarks in International Capital Markets (2012-13)

First Indian Entity to :

- enter the Emerging Market Bond Index by issuance of 5-year US$ 500 million and 10-year US$ 750 million Eurodollar bonds
- tap the Australian Dollar market with a 5-year AUD 200 million bond issue
- issue 5-year Singapore Dollar denominated bonds (SGD 250 million)
- tap the Uridashi bond market by way of issuance of Uridashi bonds of US$ 170 million equivalent in Japanese Yen, Mexican Peso and Turkish Lira

Long Term loan upto 20 years for Euro 150 million equivalent signed with the European Investment Bank

` 35.29 billion in 2011-12. Investment income, interest on bank deposits, etc. during 2012-13 was ` 17.33 billion as compared to ` 10.23 billion in 2011-12. Interest expenses in 2012-13, at ` 41.68 billion were higher by ` 11.91 billion mainly due to the increase in borrowings. Administrative expenses as a percent of total expenses (excluding provisions for contingencies) worked out to 2.17 percent during 2012-13, as against 2.26 percent during 2011-12.

International Rating

As on March 31, 2013, the Bank was rated Baa3 (Stable) by Moody's, BBB- by S&P, BBB- (Stable) by Fitch Ratings (since upgraded on June 14, 2013), and BBB+ (Stable) by Japan Credit Rating Agency. 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 15.28 percent as on March 31, 2013, as compared to 16.44 percent as on March 31, 2012, as against a minimum 9 percent norm stipulated by RBI. The Debt-Equity Ratio as on March 31, 2013, was 8.91:1, as compared to 9.02:1 as on March 31, 2012.

Exposure Norms

The Bank's credit exposures to single borrowers and borrower groups as on March 31, 2013, were within the limits stipulated by RBI.

RBI has advised Financial Institutions to adopt internal limits on exposures to specific industry sectors so that the exposures are evenly spread over various sectors. The industry exposure limits adopted by the Bank for each industry sector are 15 percent of the Bank's credit exposure to all industry sectors. The Bank's exposure to a single industry sector was not more than 15 percent of its total exposure as on March 31, 2013.

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/backoffice 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, etc. The Bank uses financial derivative transactions for raising cost effective funds and hedging its balance sheet exposures, with an objective of reducing market risks. The Bank is a member of the Indian Financial Network (INFINET). 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 and Lending

Obligation segment of CCIL. The Bank is also a member of Clearcorp Order Matching System, the Repo Dealing System of CCIL. The Bank has established connectivity between INFINET and the Bank's network to achieve straight through processing for Treasury applications. The Bank has centralised SWIFT facility on SWIFT Alliance Access, which is capable of handling multiple Bank Identifier Codes.

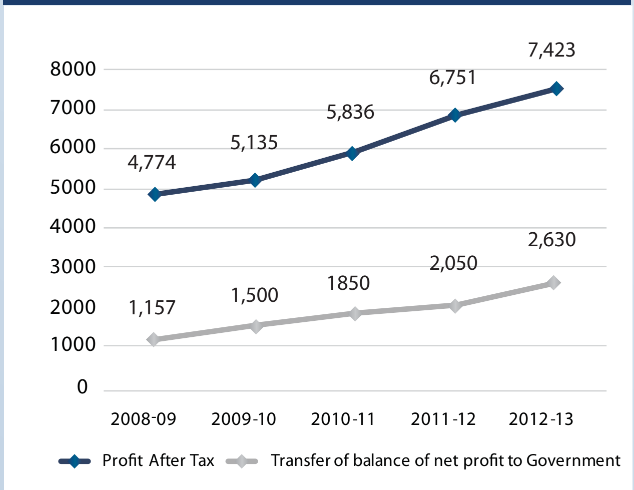
Asset-Liability Management (ALM)

The Asset-Liability Management Committee (ALCO) of the Bank oversees the monitoring and 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 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; and (b) sensitivity of economic value, using duration-gap analysis to interest rate movement. 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 fund 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 (AC) and Management Committee (MC) 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 position in regard to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), and 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 and currency risks) 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 Credit Risk Officer of the Bank, who evaluates the risk profile of the proposals and provides inputs to the approving authority. The Bank has in place an advanced Credit Risk Model 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

TRENDS IN PROFIT AND TRANSFER OF BALANCE OF NET PROFIT TO GOVERNMENT (in ` million)



Exim Bank supported KEC International Ltd. for supply, erection and commissioning of overhead transmission lines in Egypt. The transmission line, once completed, will be 196 kms long and cross over the Nile river.

for completeness with regard to critical Business Continuity Risk Events and safeguards in place, for mitigating the impact thereof.

Asset Quality

As per RBI's 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 ` 15.15 billion as of March 31, 2013, worked out to 2.31 percent of the total loans and advances. The Bank's NPAs (net of provisions) of ` 3.05 billion as on March 31, 2013 were at 0.47 percent of loans and advances (net of provisions) as on March 31, 2013. The Provision Coverage Ratio (PCR) as on March 31, 2013 was 82.67 percent.

Asset Classification

'Sub-standard assets' are those where interest and/or principal remains overdue for more than 90 days. Sub-standard assets that have remained as NPAs for a period exceeding 12 months are classified as 'doubtful assets'. 'Loss assets' are those considered uncollectable. Out of gross NPAs at 2.31 percent as of March 31, 2013, sub-standard assets worked out to 1.30 percent, doubtful assets worked out to 1.00 percent, while loss assets worked out to 0.01 percent. Net NPAs at 0.47 percent of net loans and advances as on March 31, 2013, are entirely towards sub-standard assets, while doubtful and loss assets have been fully provided for.

Corporate Governance

Exim Bank ensures transparency and integrity in communication and makes available full, accurate and clear information to all concerned. The Bank is committed to and is continuously striving at ensuring compliance with best practices of corporate governance as relevant to the Bank. The Bank has established a framework of strategic control and is continuously reviewing its efficacy. Business/financial performance related matters, analytical data/information are reported to the Board/MC periodically for review. The Bank has put in place a Board approved Compliance Policy, and a senior official has been made responsible in respect of compliance issues with all applicable statutes, regulations and other procedures, policies as laid down by the GOI/RBI and other regulators and the Board, and to report deviation, if any, to the AC. The Bank's Board held five meetings and the MC held eight meetings during 2012-13.

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 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 AC met six times during 2012-13.

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 and PML policy covers (a) Customer Acceptance Policy; (b) Customer Identification Procedure; (c) Monitoring of transactions; (d) Risk Management; and (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 Bankers Accuity Database (Accuity), an online database service, a product of one of the world's leading business publishers, Reed Business Information, which is a part of the Reed Elsevier Group. It is a compliance database for Bankers Almanac. Accuity's enhanced Global WatchList is a comprehensive collection of caution lists from all major sanctioning bodies, law enforcement agencies and financial regulators worldwide. 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.

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

Fair Practices Code for Lenders

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

V. INFORMATION AND ADVISORY SERVICES

Exim 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)

Exim Bank provides a package of information and support services to Indian companies to help improve their prospects for securing business in projects funded by the World Bank, Asian Development Bank (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. Exim Bank has an active programme

Exim Bank organised a workshop on "Quality Control, Branding and Packaging" for artisans in Jharkhand. The then Hon'ble Chief Minister of Jharkhand Shri Arjun Munda inaugurated the workshop.

to promote effective participation by Indian companies in such opportunities by providing a range of information, advisory and support services. Given the increased interest of Indian consultants, contractors and suppliers in many developing countries, particularly in the Asia region, in projects financed by the ADB, the Bank had organised series of business opportunities seminars on projects funded by ADB at New Delhi, Hyderabad, Kolkata and Mumbai, in 2012-13. The series of seminars enabled sharing of information on the nature of business opportunities for suppliers, contractors and consultants under multilateral funded projects and outlined learnings for Indian companies for effective participation in such projects. During the year, the Bank also disseminated information on numerous overseas business opportunities covering various sectors, including construction, telecommunications, energy, transportation, infrastructure, educational and information technology.

Exim Bank as a Consultant

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

With a view to revive and promote intra-regional projects in the South Asia Region, Exim Bank concluded a detailed study for SAARC Development Fund (SDF), which is the umbrella financing mechanism created by the South Asian Association for Regional Cooperation (SAARC) in 1996. The Bank proposed a strategy for SDF in terms of its operations, direction, portfolio of products, and also a longer term plan of getting a multilateral status and expanding its resource base.

The Nigerian Export-Import Bank (NEXIM Bank) had commissioned the Bank to undertake an assignment to design, develop, and implement a programme on Film Financing for expanding its exposure in financing films, especially those having potential to earn foreign exchange. During the year, the Bank, as a part of the assignment, facilitated capacity building training programmes for select officials of NEXIM Bank, with a view to share its first hand experiences in financing film projects, and organized study visits to major film production house/facilities/ studios in India. NEXIM Bank has launched a

The Bank organised design workshops for Bidar Bidari Youth Mandal, a Self Help Group, for product development for the international markets. During the workshops, many artefacts with contemporary designs were developed.

Exim Bank assisted Floatels, a Kerala-based Ayurvedic therapy company, to form a joint venture with a USA-based company for providing its services to American tourists.

film financing programme based on Exim Bank's consultancy.

The Bank's concept of establishing a Commonwealth Trade and Investment Bank and the pre-feasibility study undertaken for the Commonwealth Secretariat on the concept, gained further momentum during the year, with Commonwealth Secretariat actively pursuing it with member country governments.

Marketing Advisory Services

Exim Bank plays a promotional role and seeks to create and enhance export capabilities and international competitiveness of Indian companies through its Marketing Advisory Services. The Bank provides assistance in helping Indian firms in their globalisation efforts by locating overseas distributor(s)/buyer(s)/ partner(s) for their products and services. The Bank leverages its high international standing, in-depth knowledge and understanding of the international markets and well established institutional linkages, coupled with its overseas physical presence, to support Indian companies in their overseas marketing initiatives on a success fee basis.

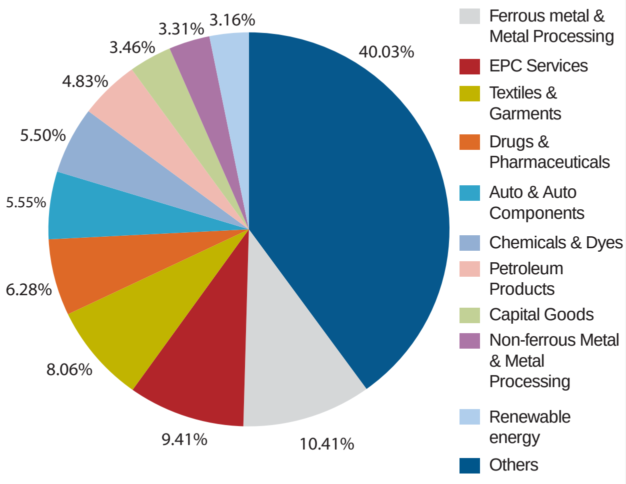
During the year, Exim Bank has actively marketed this unique program and contributed by way of identifying and generating orders for niche products from various regions. Products from Medical, Handicraft and Handloom, Agricultural and Food & Beverages, Engineering, Textile, Pharmaceuticals & Cosmetics, and Floriculture sectors were identified. The companies in these sectors range from grassroot level to large corporates. Several enquiries have been generated and over 60 orders in domestic as well as overseas markets were placed for various products.

The Bank assisted a Kerala based Ayurvedic therapy company, Floatels, in collaborating with a company based in USA to provide services to American tourists wanting to experience health and wellness through Ayurveda.

The Bank also assisted a medical equipment manufacturer in partnering the launch of their ophthalmologic diagnostic product in the African market.

During the year, the Bank entered into a Memorandum of Understanding (MOU) with the National Institute of Design (NID) with the objective of organising workshops for artisans, under which NID will provide faculty support and co-operate in providing training on design interventions, product development and advisory services for documentation, entrepreneurship, marketability and branding.

SECTOR-WISE EXPOSURE AS ON MARCH 31, 2013



The Bank organised workshops and seminars on value addition, designing, packing, forwarding, finance, quality control, branding and packaging, export related documentation and other relevant topics. The Bank also supported several NGOs, Self Help Groups and artisans, to provide new opportunities that would positively impact the lives of a large number of people associated with them. Association of these organisations with Exim Bank expanded the horizon in terms of contributing towards social, economic, and cultural upliftment, women empowerment, employment generation and capacity building.

Eximius Centre for Learning

The Eximius Centre conducted a number of programmes during the year. Two training workshops were jointly organised with the International Trade Centre (ITC), Geneva, namely, “Market Development: Textiles and Leather” and “Market Development: Spices” for participants in Bangalore and Cochin respectively.

An Interactive Session was also held at Eximius Centre in Bangalore with international delegates, under training programme of National Institute for Micro, Small & Medium Enterprises, Hyderabad.

In association with FIEO, many programmes were conducted, namely, “Emerging Global Economic Situation and its Impact on India’s Exports”; “Workshop on Strategic Management of EOUs & SEZs”; “Workshop cum Interactive Session on Anti Dumping Agreement, other trade remedy instruments under WTO framework and Role of Director General of Anti Dumping”; “Interactive Session on Duty Drawback”; “Interactive session on e-BRC”; “Workshop on Strategic Management of International Trade Payment Terms”, etc.

An Export Awareness programme was organised for students of University of Agricultural Sciences, Karnataka, at Eximius Centre, Bangalore.

VI. INSTITUTIONAL LINKAGES

Exim Bank has fostered a network of alliances and institutional linkages with multilateral agencies, export credit agencies, banks and financial institutions, trade promotion bodies, and investment promotion boards, to help create an enabling environment for supporting trade and investment. Towards this end, during the Annual Meetings of the African Developement Bank Group in May 2012, Exim Bank entered into an MOU with Ecobank Group, Togo. The objectives of the MOU include supporting cross-border transactions and projects of common interest; facilitating joint ventures in both countries; and facilitate trade and investment between India and counties in the Africa region.

Waste management equipment supplied to Ghana under Exim Bank's Line of Credit of US$ 21.72 million for efficient and environment friendly garbage management.

Exim Bank supported Hikal Ltd. (a pharmaceutical company) for its research and development activities under the Bank's R&D Finance Programme.

In order to promote and increase trade and investment flows between India and Czech Republic, as also from Czech Republic and India to other countries, Exim Bank and Czech Export Bank PLC entered into an MOU during September 2012. The purpose of this MOU is to establish the framework for co-operation between the institutions in supporting investments and encouraging trade between India and Czech Republic, and where appropriate, the supply of goods and services from their respective countries as part of a project in a third country.

BRICS Interbank Cooperation Mechanism

Exim Bank is the nominated member development bank under the BRICS Interbank Cooperation Mechanism. Other nominated member development banks from BRICS nations are: Banco Nacional de Desenvolvimento Economico e Social – (BNDES), Brazil; State Corporation Bank for Development and Foreign Economic Affairs – Vnesheconombank, Russia; China Development Bank Corporation, and Development Bank of Southern Africa.

The Bank has signed two multilateral financial cooperation agreements with other member development banks of BRICS nations, in the presence of Heads of States/Governments of the BRICS countries during the BRICS Summit 2013. The two agreements signed during the occasion are: (i) BRICS Multilateral Infrastructure Co-financing for Africa; and (ii) BRICS Multilateral Cooperation and Co-financing Agreement for Sustainable Development. These two agreements are aimed at setting broader agenda for cooperation in these key areas. These two agreements are expected to enhance cooperation among BRICS development banks and to significantly promote intra-BRICS trade.

The Bank also participated in the Annual Meeting of the BRICS Financial Forum, under the BRICS Interbank Cooperation Mechanism held at Durban, South Africa.

Asian Exim Banks Forum

In 1996, Exim Bank took the initiative of forming Asian Exim Banks Forum (AEBF). Members of the Forum include Export Credit Agencies (ECAs) from India, Australia, China, Japan, Korea, Malaysia, Thailand (all founding members), Indonesia, Philippines, and shortly Vietnam. Asian Development Bank has permanent observer status in the Forum. While ECAs are generally considered as competitors as they support their respective national exports, the objective of the Forum is to

Exim Bank supported IL&FS Transportation Networks (India) Ltd. to acquire a stake in Chongqing Yuhe Expressway Co. Ltd., which operates an expressway from Chongqing city centre to Hechuan in China.

Exim Bank released a research publication focusing on the chemicals sectors titled "Indian Chemical Industry: Exploring Global Demand."

collaborate while competing. The AEBF seeks to enhance economic cooperation and forge stronger linkages among its member institutions, thereby fostering a long-term relationship within the Asian Exim Banks community. The Eighteenth Annual Meeting of the AEBF was held in Cebu, Philippines during November 2012. The theme for the 2012 meeting was "Financing Eco-friendly and Energy Efficient Projects". The Meeting provided a platform for exchange of ideas/information amongst the members on the role played by respective Exim Banks in the area of green financing, and also to strengthen further cooperation in the areas of co-financing of green projects, resource raising and training. The Meeting was hosted and chaired by The Philippine Export-Import Credit Agency. At the Meeting, interactions and working sessions covered a wide range of topics including the various initiatives taken by the respective Exim Banks on financing eco-friendly projects, their experience and strategies. All member countries urged for cooperation in new areas amongst AEBF members and also to explore options for co-financing under the Reciprocal Risk Participation Agreement.

Global Network of Exim Banks and Development Finance Institutions

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

Award for Excellence

Exim Bank and Confederation of Indian Industry (CII) joined hands, in 1994, to promote 'excellence' among Indian companies through the 'CII-Exim Bank Award for Business Excellence' for best Total Quality Management (TQM) practices adopted by 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 Award, which is given annually, is a prestigious and befitting industry recognition given to a company after being assessed by panels of trained assessors through a transparent and rigorous methodology based on the EFQM Model. In 2012, there were over 43 companies that participated for the Award. Godrej Locking Solutions and Systems (a division of Godrej and Boyce Mfg. Co. Ltd.), Rallis India Ltd. and Diesel Systems business of Bosch Ltd., Nashik, bagged the CII-EXIM Bank Prize for Business Excellence, 2012, while Nicco Park and Resorts won the Prize in the Small and Medium Businesses (SMB) category. Overall, there were 37 winners in 2012 under various categories including SMB. Acknowledging the growing significance of 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 Wendt (India) Ltd.) were commended for significant achievement and four SMBs (Inteliment Technologies (India) Pvt Ltd., Pushpak Products India Pvt. Ltd., Satish Injecto-Plast Pvt. Ltd., and SSA Business Solutions (P) Ltd.) were commended for strong commitment to excel.

Exim Bank receives "Plaque of Merit" from ADFIAP

Exim Bank was conferred a special 'Plaque of Merit' by the Association of Development Financing Institutions in Asia and Pacific (ADFIAP) for its program for financing creative industries.

Exim Bank was conferred a special 'Plaque of Merit' by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for its program for financing creative industries. The 2013 special 'Plaque of Merit' to Exim Bank was in recognition of its unique financing programme devised to cater to the export oriented creative industry in India. In addition to financing individual entrepreneurs, Exim Bank has also endeavoured to create common infrastructure facilities for the creative industry and to help in capacity building and training exercises with a view to reinforcing and promoting creative entrepreneurship. Introduction of this new financing programme for creative industries would provide a strategic focus to this sector, enhance Exim Bank's presence in the creative economy space, which is predominated by micro, small and medium enterprises, and result in augmenting not only exports but also the export worthiness and export orientation of the Indian creative industry.

VII. INFORMATION TECHNOLOGY

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

Exim 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.

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

Keeping in line with the Bank's business growth, both in volume and quality, the Bank migrated to

Prof. Jagdish Bhagwati, Professor of Economics and Law, Columbia University delivered Exim Bank's Commencement Day Annual Lecture in Mumbai in 2012. He spoke on the topic "Developments in the World Trading System: India's Options."

an integrated system by implementing Finacle software solution for its various operations which improved efficiency and MIS reporting.

VIII. RESEARCH AND ANALYSIS

The International Economic Development Research Annual (IEDRA) Award was instituted by the Bank in 1989. The objective of the Award is to promote research in international economics, trade and development, and related financing, by Indian nationals at universities and academic institutions in India and abroad. The Award consists of a sum of Rupees Two Hundred and Fifty Thousand and a citation.The winner for the year 2012 is Dr. Harendra Kumar Behera, for his doctoral thesis titled "The Effects of Financial Opennes: An Assessment of Indian Experiences". Dr. Behera received his doctoral degree in 2012 from the University of Hyderabad. Dr. Brijesh Pazhayathodi had won the award for the year 2011.

The Bank published 9 research papers during 2012-13 in the form of Occasional Papers and Working Papers, namely, Indian Chemical Industry: Exploring Global Demand; Technological Interventions in Indian Agriculture for Enhancement of Crop Productivity; Exports of Services and Offshore Outsourcing: An Empirical Investigation in the Indian Context; Studies of India's trade and investment potential covered Indian Ocean Rim Association for Regional Co-operation (IOR-ARC); West Africa Region and countries like Myanmar, Iran, Pakistan, and China.

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 Jagdish Bhagwati, Professor of Economics and Law, Columbia University, delivered the Bank's Twenty-Seventh Commencement Day Lecture for 2012. Professor Bhagwati spoke on "Developments in the World Trading System: India's Options". Dr. Subir Gokarn, the then Deputy Governor, Reserve Bank of India, presided over the Lecture.

To commemorate Exim Bank's completion of 30 years of service to the Indian export fraternity in 2012, the Bank organised a series of Commemorative Lectures by eminent speakers, focusing on the broad theme of international trade and development. Dr. Kaushik Basu, the then Chief Economic Adviser, Ministry of Finance, Government of India; Professor Padma Desai, Professor of Comparative Economic Systems and Director of the Center for Transition Economies at Columbia University, USA; and Dr. Lars Thunell, Former CEO International Finance Corporation (IFC), the World Bank Group, delivered the lectures.

IX. HUMAN RESOURCES MANAGEMENT

The Bank's staff, comprising management graduates, chartered accountants, bankers, economists, engineers, law graduates, information and documentation experts, mass communication graduates, linguists, human resources and IT specialists, numbered 275 as on March 31, 2013.

The Bank - a "learning organisation", organises various training programmes, facilitating continuous upgradation of skills of its staff. 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 2012-13, 235 officers attended training programmes and seminars on subjects relevant to the Bank's operations, ranging from working capital management, interpretation of financial statements, project finance, credit risk, derivatives and risk management, to interpersonal communication, organisational effectiveness, leadership development for corporate excellence, business communications and IT.

X. PROGRESS IN IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

During 2012-13, 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 2012-13, 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 was encouraged and officers were given training to use the same.The Bank has actively participated in the meetings of Town Official Language Implementation Committees (TOLIC) / State Level Bankers' Committees / Official Language Implementation Committee of the Department of Financial Services and Official Language Implementation Committee of RBI for Banks and Financial Institutions, and implemented the decisions taken in these meetings.

Dr. Brijesh Pazhayathodi was presented Exim Bank IEDRA Award 2011 by Dr. Kaushik Basu, then Chief Economic Adviser, Govt. of India, Ministry of Finance.

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. The Bank's in-house magazine 'Eximius' includes a Hindi section. Officers were encouraged to contribute articles in Hindi and best articles were rewarded. The Bank has also encouraged its officers increasingly to participate in interbank Hindi competitions organized under the aegis of TOLIC and RBI. Hindi training needs of the officers were identified, and they were nominated for training for attaining working knowledge of Hindi.

In pursuance of Government's directives, a Hindi fortnight commencing from September 1, 2012, was celebrated in the Bank. During this period, various programmes aimed at encouraging use of Hindi in the Bank were organised. These programmes included among others, Hindi competitions for staff members; a Kavi Sammelan; Hindi workshops; publishing a dedicated Hindi issue of Eximius, an in-house magazine. On the culmination of the fortnight, prizes to winners of competitions were distributed, an exhibition of Hindi publications was displayed and a lecture on importance and need to propagate Hindi was organized. The Bank maintains its corporate website in both Hindi and English. 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 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'.

In pursuance of Government policy regarding progressive use of Hindi, new Hindi 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 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 the year 2011-12; Maharashtra State Level Bankers' Committee, Pune, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, GOI, has awarded the Second Prize to the Bank for commendable performance in implementing Hindi among all Financial Institutions for 2011-12. The Bank's in-house journal 'Eximius' was awarded the Fourth Prize under bilingual magazine category amongst 32 participating Banks / Financial Institutions, by RBI in 2011-12.

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

Of the total staff of 275 in the Bank's service as on March 31, 2013, there were 27, 17 and 29 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 caste and scheduled tribe 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 (KIIT) University, Orissa, and the North Eastern Regional Institute of Science and Technology (NERIST), Arunachal Pradesh.

XII. JOINT VENTURE (GPCL)

The Bank's joint venture, Global Procurement Consultants Ltd. (GPCL), recorded yet another year of profitable operations. GPCL achieved a turnover of ` 38.91 million in 2012-13, with a pre-tax profit of ` 9.11 million. GPCL is a joint venture between Exim Bank and 11 other reputed private and public sector companies, which have expertise in diverse fields, spanning various sectors of the economy. GPCL provides project related advisory services, with particular focus on procurement and capacity building, primarily for projects funded by multilateral agencies, in a number of developing countries.

BALANCE SHEET & PROFIT & LOSS ACCOUNT

INDEPENDENT AUDITOR'S REPORT

To

The President of India

Report on the Financial Statements

1. We have audited the accompanying financial statements of the **General Fund** of the Export-Import Bank of India ('the Bank'), which comprises the Balance Sheet as at 31st March, 2013 and the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Management of the Bank is responsible for the preparation of the financial statements in accordance with the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Balance Sheet, of the state of affairs of the General Fund of the Bank as at 31st March, 2013;

(ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder.

8. **We report that:**

(i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.

(ii) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

(iii) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

9. **We further report that:**

(i) The Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.

(ii) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

For MZSK & Associates

Chartered Accountants

Firm Registration no. 105047W

Abuali Darukhanawala

Partner (M. No. 108053)

New Delhi

May 21, 2013

Balance Sheet as at 31st March, 2013

LIABILITIES

	SCHEDULES	This year (As at 31.03.2013) `	Previous year (As at 31.03.2012) `
1. Capital	I	30,593,663,881	22,999,918,881
2. Reserves	II	41,795,912,670	37,002,681,596
3. Profit & Loss Account	III	2,630,000,000	2,050,000,000
4. Notes, Bonds & Debentures		451,020,235,742	331,211,593,806
5. Bills Payable		-	-
6. Deposits	IV	30,833,633,817	31,566,106,796
7. Borrowings	V	162,993,757,004	183,768,137,343
8. Current Liabilities & Provisions for Contingencies		30,788,467,247	24,435,979,771
9. Other Liabilities		10,526,061,976	3,695,454,801
	Total	**761,181,732,337**	**636,729,872,994**

CONTINGENT LIABILITIES

		This year	Previous year
(i)	Acceptances, Guarantees, endorsements & other obligations	47,439,835,800	32,406,987,000
(ii)	On outstanding forward exchange contracts	3,351,809,300	4,338,169,300
(iii)	On underwriting commitments	-	-
(iv)	Uncalled Liability on partly paid investments	72,283,500	69,450,000
(v)	Claims on the Bank not acknowledged as debts	2,249,300,000	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	30,127,878,700	18,329,300,900
	Total	**83,241,107,300**	**58,268,607,200**

General Fund

ASSETS	SCHEDULES	This year (As at 31.03.2013) `	Previous year (As at 31.03.2012) `
1. Cash & Bank Balances	VI	68,869,000,977	38,296,746,521
2. Investments	VII	24,981,627,680	32,117,235,480
3. Loans & Advances	VIII	643,529,812,314	535,897,823,856
4. Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	-	3,000,000,000
5. Fixed Assets	X	875,915,639	909,845,977
6. Other Assets	XI	22,925,375,727	26,508,221,160
	Total	**761,181,732,337**	**636,729,872,994**

'Notes to Accounts' attached.

David Rasquinha
Executive Director

For and on behalf of the Board

T. C. A. Ranganathan
Chairman & Managing Director

Shri Rajiv Takru **Shri Pinak R. Chakravarty** **Dr. Raghuram G. Rajan**

Shri G. Padmanabhan **Shri R. M. Malla**

Prof. A. M. Bhattacharjea **Dr. Biswajit Dhar**

Directors

As per our attached report of even date
For MZSK & Associates
Chartered Accountants
Firm Regn. No. 105047W

(Abuali Darukhanawala)
Partner
M. No. 108053

New Delhi
Dated : May 21, 2013

Profit & Loss Account for the year ended 31st March, 2013

EXPENDITURE	SCHEDULES	This year `	Previous year `
1. Interest		41,156,470,438	29,370,791,897
2. Credit Insurance, fees and charges		523,082,832	400,648,703
3. Staff Salaries, Allowances etc. and Terminal Benefits		351,565,795	237,406,048
4. Directors' and Committee Members' Fees and Expenses		42,500	-
5. Audit Fees		2,114,000	455,000
6. Rent, Taxes, Electricity and Insurance Premia		112,777,123	95,762,215
7. Communication expenses		23,971,207	18,734,997
8. Legal Expenses		25,873,325	8,445,130
9. Other Expenses	XII	414,704,482	332,095,510
10. Depreciation		146,637,378	127,516,560
11. Provision for loan losses/contingencies depreciation on investments		6,150,689,976	4,799,552,585
12. Profit carried down		10,887,606,464	10,126,347,415
Total		**59,795,535,520**	**45,517,756,060**
Provision for Income Tax [including Deferred tax credit of ` 1,317,811,613 (previous year - deferred tax credit of ` 887,859,120)]		3,464,375,389	3,375,340,880
Balance of profit transferred to Balance Sheet		7,423,231,075	6,751,006,535
		10,887,606,464	**10,126,347,415**

General Fund

INCOME	SCHEDULES	This year `	Previous year `
1. Interest and Discount	XIII	56,071,056,229	42,018,962,657
2. Exchange, Commission, Brokerage and Fees		2,145,168,726	2,030,912,507
3. Other Income	XIV	1,579,310,565	1,467,880,896
4. Loss carried to Balance Sheet		-	-
	Total	**59,795,535,520**	**45,517,756,060**
Profit brought down		10,887,606,464	10,126,347,415
Excess Income/Interest tax provision of earlier years written back		-	-
		10,887,606,464	**10,126,347,415**

'Notes to Accounts' attached.

David Rasquinha
Executive Director

For and on behalf of the Board

T. C. A. Ranganathan
Chairman & Managing Director

Shri Rajiv Takru **Shri Pinak R. Chakravarty** **Dr. Raghuram G. Rajan**

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Directors

As per our attached report of even date
For MZSK & Associates
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(Abuali Darukhanawala)
Partner
M. No. 108053

New Delhi
Dated : May 21, 2013

Schedules To The Balance Sheet as at 31st March, 2013

		This year (As at 31.03.2013) `	Previous year (As at 31.03.2012) `
Schedule I :	**Capital :**		
	1. Authorised	100,000,000,000	100,000,000,000
	2. Issued and Paid-up : (Wholly subscribed by the Central Government)	30,593,663,881	22,999,918,881
Schedule II :	**Reserves :**		
	1. Reserve Fund	32,525,593,606	28,188,186,787
	2. General Reserve	-	-
	3. Other Reserves :		
	Investment Fluctuation Reserve	-	1,114,175,745
	Sinking Fund (Lines of Credit)	1,550,319,064	1,430,319,064
	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	7,720,000,000	6,270,000,000
		41,795,912,670	**37,002,681,596**
Schedule III :	**Profit & Loss Account :**		
	1. Balance as per annexed accounts	7,423,231,075	6,751,006,535
	2. Less: Appropriations:		
	- Transferred to Reserve Fund	3,223,231,075	3,491,006,535
	- Transferred to Investment Fluctuation Reserve	-	-
	- Transferred to Sinking Fund	120,000,000	110,000,000
	- Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	1,450,000,000	1,100,000,000
	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act,1981)		
		2,630,000,000	**2,050,000,000**
Schedule IV :	**Deposits:**		
	(a) In India	30,833,633,817	31,566,106,796
	(b) Outside India	-	-
		30,833,633,817	**31,566,106,796**

General Fund

		This year (As at 31.03.2013) `	Previous year (As at 31.03.2012) `
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	12,278,093,456	26,788,596,831
	(b) Outside India	150,715,663,548	144,229,540,512
		162,993,757,004	**183,768,137,343**
Schedule VI :	**Cash & Bank Balances :**		
	1. Cash in Hand	109,123	122,165
	2. Balance with Reserve Bank of India	1,127,712	1,238,011
	3. Balances with other Banks:		
	(a) In India		
	i) in current accounts	1,848,905,588	780,987,632
	ii) in other deposit accounts	50,857,170,000	34,294,280,500
	(b) Outside India	16,105,780,458	3,220,118,213
	4. Money at call and short notice / Lending under CBLO	55,908,096	-
		68,869,000,977	**38,296,746,521**
Schedule VII:	**Investments: (net of diminution in value, if any)**		
	1. Securities of Central and State Governments	17,139,447,680	18,136,921,752
	2. Equity Shares & Stocks	1,541,216,096	1,575,201,612
	3. Preference Shares and Stocks	137,710,300	137,710,300
	4. Notes, Debentures and Bonds	3,810,753,604	4,454,785,513
	5. Others	2,352,500,000	7,812,616,303
		24,981,627,680	**32,117,235,480**

		This year (As at 31.03.2013)	Previous year (As at 31.03.2012)
		`	`
Schedule VIII :	**Loans & Advances:**		
	1. Foreign Governments	182,209,358,616	133,614,599,511
	2. Banks :		
	(a) In India	89,128,250,000	94,556,250,000
	(b) Outside India	1,453,031,676	1,635,747,121
	3. Financial Institutions:		
	(a) In India	-	-
	(b) Outside India	17,895,730,184	12,601,520,283
	4. Others	352,843,441,838	293,489,706,941
		643,529,812,314	**535,897,823,856**
Schedule IX :	**Bills of Exchange and Promissory Notes Discounted/Rediscounted:**		
	(a) In India	-	3,000,000,000
	(b) Outside India	-	-
		-	**3,000,000,000**
Schedule X :	**Fixed Assets: (At cost less depreciation)**		
	1. Premises		
	Gross Block b/f	1,358,476,715	1,336,073,135
	Additions during the year	15,416,727	22,403,580
	Disposals during the year	11,244,522	-
	Gross Block as at the end of the year	1,362,648,920	1,358,476,715
	Accumulated Depreciation	654,976,148	602,849,960
	Net Block	707,672,772	755,626,755
	2. Others		
	Gross Block b/f	644,112,230	501,615,411
	Additions during the year	112,117,641	157,275,304
	Disposals during the year	13,387,323	14,778,485
	Gross Block as at the end of the year	742,842,548	644,112,230
	Accumulated Depreciation	574,599,681	489,893,008
	Net Block	168,242,867	154,219,222
		875,915,639	**909,845,977**

	This year (As at 31.03.2013)	Previous year (As at 31.03.2012)
	`	`

Schedule XI : Other Assets:

1. Accrued interest on		
a) investments / bank balances	4,817,100,772	2,357,716,066
b) loans and advances	6,761,193,485	4,827,075,123
2. Deposits with sundry parties	28,237,848	27,452,435
3. Advance Income Tax paid	5,570,480,123	4,739,652,741
4. Others [including Deferred tax asset of ` 2,776,580,504 (previous year - ` 1,458,768,891)]	5,748,363,499	14,556,324,795
	22,925,375,727	**26,508,221,160**

Schedule XII : Other Expenses:

1. Export Promotion Expenses	23,566,822	6,094,303
2. Expenses on and related to Data Processing	6,862,979	9,441,659
3. Repairs and Maintenance	97,877,921	93,167,333
4. Printing and Stationery	14,161,314	10,220,623
5. Others	272,235,446	213,171,592
	414,704,482	**332,095,510**

Schedule XIII : Interest and Discount:

1. Interest and Discount on loans and advances/bills discounted/ rediscounted	40,559,451,972	33,460,568,228
2. Income on Investments/ bank balances	15,511,604,257	8,558,394,429
	56,071,056,229	**42,018,962,657**

Schedule XIV : Other Income:

1. Net Profit on sale/ revaluation of investments	1,573,274,270	1,455,120,984
2. Net Profit on sale of land, buildings and other assets	(1,275,059)	820,662
3. Others	7,311,354	11,939,250
	1,579,310,565	**1,467,880,896**

Note : Deposits under ‘Liabilities’ [ref. Schedule IV (a)] include ‘on shore’ foreign currency deposits aggregating US$ 455.93 mn (previous year US$ 459.42 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 ` 21.63 bn (previous year ` 19.93 bn) on account of swaps. Investments under ‘Assets’ [ref. Schedule VII 4] include bonds aggregating ` 2.51 bn (previous year ` 2.67 bn) on account of swaps.

INDEPENDENT AUDITOR'S REPORT

To

The President of India

Report on the Financial Statements

1. We have audited the accompanying financial statements of the **Export Development Fund** of the Export-Import Bank of India ('the Bank'), which comprises the Balance Sheet as at 31st March, 2013 and the Profit and Loss Account for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Management of the Bank is responsible for the preparation of the financial statements in accordance with the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material mis-statement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Balance Sheet, of the state of affairs of the Export Development Fund of the Bank as at 31st March, 2013;

   (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder.

8. **We report that:**

   (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.

   (ii) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

   (iii) In our opinion, the Balance Sheet and Profit and Loss Account comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

9. **We further report that:**

   (i) The Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.

   (ii) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

For MZSK & Associates

Chartered Accountants

Firm Registration no. 105047W

Abuali Darukhanawala

Partner (M. No. 108053)

New Delhi

May 21, 2013

Balance Sheet as at 31st March, 2013

LIABILITIES	This year (As at 31.03.2013) `	Previous year (As at 31.03.2012) `
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	132,958,318	117,838,318
5. Profit and Loss Account	350,074,930	318,593,737
Total	**611,341,035**	**564,739,842**

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, the bank has to obtain the prior approval of the Central Government.

Export Development Fund

ASSETS	This year (As at 31.03.2013)	Previous year (As at 31.03.2012)
	`	`
1. Bank Balances:		
(a) in current accounts	242,507	242,506
(b) in other deposit accounts	469,252,429	438,266,775
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	8,909,078	8,849,540
(b) Advance Income Tax paid	124,431,703	108,875,703
(c) Others	-	-
Total	**611,341,035**	**564,739,842**

David Rasquinha
Executive Director

For and on behalf of the Board

T. C. A. Ranganathan
Chairman & Managing Director

Shri Rajiv Takru | **Shri Pinak R. Chakravarty** | **Dr. Raghuram G. Rajan**

Shri G. Padmanabhan | **Shri R. M. Malla**

Prof. A. M. Bhattacharjea | **Dr. Biswajit Dhar**

Directors

As per our attached report of even date
For MZSK & Associates
Chartered Accountants
Firm Regn. No. 105047W

(Abuali Darukhanawala)
Partner
M. No. 108053

New Delhi
Dated : May 21, 2013

Profit & Loss Account for the year ended 31st March, 2013

Particulars	This year	Previous year
	`	`
EXPENDITURE		
1. Interest	-	-
2. Other Expenses	-	-
3. Profit carried down	46,601,193	43,013,551
Total	**46,601,193**	**43,013,551**
Provision for Income Tax	15,120,000	13,956,000
Balance of profit transferred to Balance Sheet	31,481,193	29,057,551
	46,601,193	**43,013,551**

Export Development Fund

Particulars	This year	Previous year
	`	`
INCOME		
1. Interest and Discount :		
(a) loans and advances	-	-
(b) investments / bank balances	46,601,193	43,013,551
2. Exchange, Commission, Brokerage and Fees	-	-
3. Other Income	-	-
4. Loss carried to Balance Sheet	-	-
Total	**46,601,193**	**43,013,551**
Profit brought down	46,601,193	43,013,551
Excess Income/Interest tax provision of earlier years written back	-	-
	46,601,193	**43,013,551**

David Rasquinha
Executive Director

For and on behalf of the Board

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As per our attached report of even date
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(Abuali Darukhanawala)
Partner
M. No. 108053

New Delhi
Dated : May 21, 2013

Cash Flow Statement for the year ended March 31, 2013

Amount (` in Mn)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Cash flow from Operating Activities		
Net Profit before tax and extra-ordinary items	10,887.6	10,126.3
Adjustments for		
- (Profit)/Loss on sale of fixed assets (Net)	1.3	(0.8)
- (Profit)/Loss on sale of Investments (Net)	(1,573.3)	(1,455.1)
- Depreciation	146.6	127.5
- Discount/Expenses on bond issues written off	264.9	192.1
- Transfer from Investment Fluctuation Reserve	-	-
- Provisions/Write Off of Loans/ Investments & other provisions	6,150.7	4,799.6
- Others - to specify	-	-
	15,877.8	13,789.7
Adjustments for		
- Other Assets	6,032.7	(9,276.5)
- Current liabilities	6,467.1	13,855.4
Cash generated from operations	**28,377.6**	**18,368.6**
Payment of income tax/interest tax	(5,047.7)	(4,247.5)
Net cash flow from operating activities	**23,329.9**	**14,121.0**
Cash flow from Investing activities		
- Net purchase of fixed assets	(114.0)	(176.6)
- Net change in investments	8,708.9	(2,406.5)
Net cash used in / raised from Investing activities	**8,594.9**	**(2,583.1)**

Particulars	Year ended March 31, 2013	Amount (` in Mn) Year ended March 31, 2012
Cash Flow from Financing activities		
- Equity capital infusion	2,000.0	3,000.0
- Loans borrowed (net of repayments made)	103,329.5	74,607.0
- Loans lent, bills discounted & rediscounted (net of repayments received)	(104,632.0)	(82,339.8)
- Dividend on equity shares & tax on dividend (Balance of Net profits transferred to Central Government)	(2,050.0)	(1,850.0)
Net cash used in / raised from Financing activities	**(1,352.5)**	**(6,582.8)**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**30,572.3**	**4,955.1**
OPENING CASH & CASH EQUIVALENTS	38,296.7	33,341.6
CLOSING CASH & CASH EQUIVALENTS	68,869.0	38,296.7

David Rasquinha
Executive Director

For and on behalf of the Board

T. C. A. Ranganathan
Chairman & Managing Director

Shri Rajiv Takru **Shri Pinak R. Chakravarty** **Dr. Raghuram G. Rajan**

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Directors

As per our attached report of even date
For MZSK & Associates
Chartered Accountants
Firm Regn. No. 105047W

New Delhi
Dated : May 21, 2013

(Abuali Darukhanawala)
Partner
M. No. 108053

I - SIGNIFICANT ACCOUNTING POLICIES

(i) Financial Statements

a) Basis of preparation

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. The financial statements have been prepared under the historical cost convention on an accrual basis unless otherwise stated. The accounting policies that are applied by Exim Bank are consistent with those used in the previous year. 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.

b) Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

(ii) Revenue Recognition

Income/Expenditure is recognized on accrual basis except in respect of interest on Non–performing Assets (NPA) / Non-performing Investments 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) Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date based on internal / external factors to provide for impairment in the value of the assets or reverse impairment losses recognized in previous periods, as applicable. Impairment loss is recognized when the carrying amount on an asset exceeds recoverable amount.

(vii) 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.

(viii) Guarantees

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

(ix) Derivatives

The Bank presently deals in derivative contracts such as Interst Rate Swaps, Currency Swaps, Cross-Currency Interest Rate Swaps and Forward Rate Agreements, for hedging its assets and liabilities. Based on RBI guidelines, the above derivatives undertaken for hedging purposes are accounted on accrual basis. Qualitative and Quantitative disclosures pertaining to outstanding derivative contracts are reported in the “Notes to Accounts” in accordance with RBI’s Master Circular on “Disclosure norms for Financial Institutions” on the Balance Sheet date.

(x) Provision for Employee Benefits

a) Provident Fund, Gratuity Fund and Pension Fund are defined benefit schemes administered by the Bank and the Bank’s contributions to these funds are charged to the Profit and Loss Account of the year.

b) Gratuity and Pension are defined benefit obligations. Liabilities towards these obligations are provided for on the basis of actuarial valuation at the end of each financial year based on the projected unit credit method.

c) Liability towards leave encashment is provided for on the basis of actuarial valuation at year end.

(xi) 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 recognized only to the extent that there is a reasonable certainty of realisation.

(xii) Provisions, Contingent Liabilities and Contingent Assets

As per AS 29 – “Provisions, Contingent Liabilities and Contingent Assets” issued by the Institute of Chartered Accountants of India (ICAI), the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation as and when a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent assets are neither recognized nor disclosed in the financial statements.

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 ` 37.31 bn (previous year ` 34.97 bn) held on agency account including a sum of ` 33.71 bn (previous year ` 31.60 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 ` 5.37 bn (previous year ` 9.44 bn), yet to be cancelled in books.

(b) Claims not acknowledged as debts

The amount of ` 2.25 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 the 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, 2013 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.

(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 ` 0.04 bn (previous year ` 0.26 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, 2013	As on March 31, 2012
(i) Capital to Risk Assets Ratio (CRAR)	15.28%	16.44%
(ii) Core CRAR	13.71%	14.57%
(iii) Supplementary CRAR	1.57%	1.87%

(b) The amount of subordinated debt raised and outstanding as on March 31, 2013 as Tier-II capital: ` NIL (previous year: ` NIL)

(c) Risk weighted assets –

(` bn)

	Particulars	As on March 31, 2013	As on March 31, 2012
(i)	'On' balance sheet items	407.88	356.22
(ii)	'Off' balance sheet items	75.85	56.97

(d) 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

(a) Percentage of net Non-performing Assets (NPAs) to net loans and advances: 0.47 (previous year 0.29)

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

(` bn)

Particulars	As on March 31, 2013		As on March 31, 2012	
	Amount	Percentage	Amount	Percentage
Sub-standard Assets	3.05	0.47	1.56	0.29
Doubtful Assets	-	-	-	-
Loss Assets	-	-	-	-
Total	3.05	0.47	1.56	0.29

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

(` bn)

Particulars	2012-2013	2011-2012
Standard Assets	1.83	1.33
NPAs	6.48	3.13
Investments (other than those in the nature of advance)	0.25	0.55
Income Tax	3.46	3.37

(d) **Movement in net NPAs:**

(` bn)

Particulars	2012-2013	2011-2012
Net NPAs at the beginning of the year	1.56	0.93
Add : New NPAs during the year	3.05	1.56
Less : Recoveries / upgradations during the year	1.56	0.93
Net NPAs at the end of the year	3.05	1.56

(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	2012-2013	2011-2012
Opening balance as at the beginning of the year	6.40	3.85
Add : Provisions made during the year	6.48	3.13
Less: Write off / write back of excess provision	0.78	0.58
Closing balance at the end of the year	12.10	6.40

(f) **Provisioning Coverage Ratio (PCR):**

	2012-2013	2011-2012
Provision Coverage Ratio	82.67%	84.66%

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

(` bn)

Particulars	2012-13	2011-12
Total Deposits of twenty largest depositors	2.88	3.61
Percentage of deposits of twenty largest depositors to Total deposits of the bank	47.28%	44.12%

Concentration of Advances:

(` bn)

Particulars	2012-13	2011-12
Total advances to twenty largest borrowers	89.45	77.64
Percentage of advances to twenty largest borrowers to Total Advances of the Bank	13.64	14.24

Advances computed as per definition of Credit Exposure including derivatives furnished in RBI Master circular on Exposure Norms DBOD.No.FID.FIC.2/01.02.00/2012-13 dated July 2, 2012.

Concentration of Exposures:

(` bn)

Particulars	2012-13	2011-12
Total Exposures to twenty largest borrowers / customers	138.12	123.62
Percentage of Exposures to twenty largest borrowers /customers to Total Exposure of the bank on borrowers/customers	11.54	11.65

Exposure computed based on credit and investment exposure as prescribed in RBI Master Circular on Exposure norms: DBOD.No.FID.FIC.2/01.02.00/2012-13 dated July 2, 2012.

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)

	2012-13	2011-12
Total Exposure to top four NPA accounts	4.91	2.20

I. Sector-wise NPAs:

Sr No.	Sector	Percentage of NPAs to Total Advances in that sector	
		2012-13	2011-12
1.	Agriculture and allied activities	-	-
2.	Industry (Micro & Small, Medium and Large)*	2.31	1.46
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	2012-13	2011-12
Gross NPAs as on 1st April (Opening Balance)	7.96	4.78
Additions :-		
(i) (Fresh NPAs) during the year	9.20	4.07
(ii) Interest funding	0.03	0.01
(iii) Exchange Fluctuation	0.10	0.10
Sub-Total (A)	9.33	4.18
Less:-		
(i) Up gradations	0.86	0.20
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1.01	0.49
(iii) Write-offs	0.27	0.31
(iv) Exchange fluctuation	-	-
Sub-total (B)	2.14	1.00
Gross NPAs as on 31st March (closing balance)	15.15	7.96

- Gross NPAs as per item 2 of Part A of Annex – 1 to DBOD circular DBOD. No.BP.BC.9 / 21.04.048/2012-13 dated July 02, 2012.

III. Overseas Assets, NPAs and Revenue:

(` bn)

Particulars	2012-13	2011-12
Total Assets	40.15	18.80
Total NPAs	-	-
Total Revenue	1.69	0.58

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.	Particulars	2012-13	2011-12
(i)	No. of Accounts	1	1
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	0.65	-
(iii)	Aggregate consideration	0.65	0.08
(iv)	Consideration realised in respect of accounts transferred in earlier years	0.00	0.08
(v)	Aggregate gain over net book value	0.00	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 01, 2006 and thereafter.

(i) Non-performing Investments:

(` bn)

Particulars	2012-13	2011-12
Opening balance as at the beginning of the year	0.49	0.34
Additions during the year	0.09	0.15
Reductions during the year	-	-
Closing balance at the end of the year	0.58	0.49
Total provisions held	0.58	0.49

(j) Provisions for depreciation in investments:

(` bn)

Particulars	2012-13	2011-12
Opening balance as at the beginning of the year	2.33	1.63
Add :		
(i) Provisions made during the year / (written back)	0.35	0.70
(ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	-	-
Less :		
(i) Write off during the year	-	-
(ii) Transfer, if any, to Investment Fluctuation Reserve Account	-	-
Closing balance as at the end of the year	2.68	2.33

(k) Particulars of accounts restructured during FY 2012-13:

(` bn)

Category	Details	CDR Mechanism	SME Debt Mechanism	Others
Standard Advances restructured	No. of Borrowers	21	1	10
	Amount Outstanding	20.32	0.03	6.48
	Sacrifice (diminution in the fair value)	2.28	0.002	0.10
Sub-Standard Advances restructured	No. of Borrowers	-	-	-
	Amount Outstanding	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Doubtful Advances restructured	No. of Borrowers	-	1	-
	Amount Outstanding	-	0.05	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	21	2	10
	Amount Outstanding	20.32	0.08	6.48
	Sacrifice (diminution in the fair value)	2.28	0.002	0.10

Note: Applications for restructuring of loans aggregating ` 4.55 bn in respect of 9 borrowers were under process as on March 31, 2013.

Previous year (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 13 borrowers were under process as on March 31, 2012.

(l) Credit Exposure:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE) @	Percentage to Total Assets
i) Largest single borrower	14.72	0.84	1.31
ii) Largest borrower group	36.38	2.06	3.25
iii)10 largest single borrowers	118.89	6.75	10.61
iv)10 largest borrower groups	190.25	10.80	16.98

* Capital Funds as on March 31, 2012

@ 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	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.

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

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Ferrous Metal & Metal Processing	10.41	9.74
ii) EPC Services	9.41	8.80
iii)Textiles and Garments	8.06	7.54
iv)Drugs & Pharmaceuticals	6.28	5.88
v) Auto & auto components	5.55	5.19

Previous Year:

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Metal & Metal Processing	13.91	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

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	2.75	2.51	-	0.24	2.75**
3	Banks	0.25	0.15	-	0.10	0.10
4	Private corporates	4.53	3.57	-	4.17	3.30*
5	Subsidiaries / Joint ventures	0.0032	-	-	0.0032	0.0032
6	Others	2.35	-	-	0.0025	0.0025
7	# Provision held towards depreciation	2.08	-	-	-	-
	Total	**9.92**	**6.23**	**-**	**4.56**	**6.20**

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

* Out of which ` 2.14 bn represents investment in security receipts issued by ARCIL and ` 0.79 bn of investments are in shares/ debentures acquired as part of loan restructuring.

** Out of which ` 2.51 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	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.

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	240.67	144.26	127.33	121.42	131.20	764.88
Foreign currency assets	217.18	147.01	132.25	63.87	138.50	698.81
Total Assets	**457.85**	**291.27**	**259.58**	**185.29**	**269.70**	**1463.69**
Rupee liabilities	240.12	140.93	42.73	31.20	203.48	658.46
Foreign currency liabilities	215.79	146.80	117.16	53.47	161.15	694.37
Total Liabilities	**455.91**	**287.73**	**159.89**	**84.67**	**364.63**	**1352.83**

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	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**	**1151.42**
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**	**1079.88**

- 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, 2013
Securities sold under repos				
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos				
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities	-	0.48	0.017	-

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, 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	-

8. **Disclosure on risk in derivatives in terms of RBI Guidelines dated July 02, 2012:**

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 risk. 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 with those of 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, 2013 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	2012-13		2011-12	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)				
	a) For hedging	185.25	126.87	145.38	58.30
	b) For trading	-	-	-	-
2	Marked to Market Positions				
	a) Asset (+)	-	1.49	10.31	1.39
	b) Liability (-)	6.88	-	-	-
3	Credit Exposure	11.40	2.57	18.79	2.38
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	6.92	6.07	4.39	2.01
	b) on trading derivatives	-	-	-	-
5	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging (i)Maximum (ii)Minimum	 6.92 4.72	 6.17 1.95	 4.39 2.11	 2.24 2.01
	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 31st March, 2013 (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	2012-13		2011-12	
		Hedging	Trading	Hedging	Trading
1.	The Notional Principal of swap agreements	126.87	-	58.30	-
2.	Losses, which would be incurred if counter parties failed to fulfill their obligations under the agreements	0.35	-	0.15	-
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	1.49	-	1.39	-

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	2012-13	2011-12
(i)	Interest income as a percentage to average working funds	7.94	7.08
(ii)	Non-interest income as a percentage to average working funds	0.53	0.59
(iii)	Operating profit as a percentage to average working funds	2.41	2.51
(iv)	Return on average assets	1.05	1.14
(v)	Net Profit per (permanent) employee (in ` bn)	0.03	0.03

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

10. Details of Fixed Assets:

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

(` bn)

Particulars		Premises	Others	Total
Gross Block				
Cost as on 31st March 2012		1.36	0.64	2.00
Additions		0.01	0.11	0.12
Disposals		0.01	0.01	0.02
Cost as on 31st March 2013	(A)	1.36	0.74	2.10
Depreciation				
Accumulated as on 31st March 2012		0.60	0.49	1.09
Provided during the year		0.05	0.10	0.15
Eliminated on Disposals		-	0.01	0.01
Accumulated as on 31st March 2013	(B)	0.65	0.58	1.23
Net Block (A-B)		**0.71**	**0.16**	**0.87**

Previous Year:

(` bn)

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

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 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 (GPCL)

(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 2012-13	Joint Venture 2011-12
Loans granted	-	-
Guarantees issued	2.64	-
Interest received	-	-
Guarantee commission received	0.02	-
Receipts towards services rendered	0.01	-
Term Deposit Accepted	6.06	5.80
Interest on Term Deposits	0.56	0.46
Amounts written-off / written-back	-	-

- Loans outstanding at year-end: NIL (previous year Nil).
- Guarantees outstanding at year-end: ` 2.64 mn (previous year ` 5.36 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: ` 8.48 mn (previous year ` 6.25 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	4.78
(ii) Less : Net deferred tax Asset	1.32
	3.46

(b) Deferred Tax Asset:

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

Particulars	(` bn)
<u>Deferred Tax Assets</u>	
1. Provision Disallowed (Net)	5.47
2. Depreciation on Fixed Assets	0.03
	5.50
<u>Less : Deferred Tax Liability</u>	
1. Amortization of Bond issue expenses	0.39
2. Special Reserve created under section 36 (1) (viii)	2.33
	2.72
Net Deferred Tax Assets [included in 'Other Assets' in the 'Assets' side of the Balance Sheet]	2.78

15. Financial Reporting of Interest in Joint Ventures

I.

	Jointly Controlled Entities	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	2012-13	2011-12	Assets	2012-13	2011-12
Capital & Reserves	15.28	14.60	Fixed Assets	0.16	0.20
Loans	-	-	Investments	7.62	9.38
Other Liabilities	2.17	0.29	Other Assets	9.67	5.31
Total	**17.45**	**14.89**	**Total**	**17.45**	**14.89**

Contingent Liabilities: NIL (Previous year NIL)

(` mn)

Expenses	2012-13	2011-12	Income	2012-13	2011-12
Other Expenses	8.37	4.81	Consultancy Income	10.03	4.89
Provisions	0.90	0.50	Interest income & Income from investment	0.92	1.21
			Other Income	(0.02)	0.18
			Deferred Tax Liability Written back	-	-
Total	**9.27**	**5.31**	**Total**	**10.93**	**6.28**

16. Impairment of Assets

A substantial portion of the Bank's assets comprise '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, 2013 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	0.323	0.052
Present value of Benefit Obligation at the end of the period	0.443	0.060
Funded Status	(0.120)	(0.008)
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	(0.120)	(0.008)

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

(` bn)

Particulars	Pension Fund	Gratuity
Current Service Cost	0.015	0.005
Interest Cost	0.027	0.005
Expected Return on Plan Assets	(0.020)	(0.004)
Actuarial Losses / (Gains)	0.074	(0.001)
Past Service Cost - Non–vested Benefit	-	-
Past Service Cost – vested benefit	-	-
Transitional liability	-	-
Expense recognized in P&L	0.096	0.005
Contributions by Employer	(0.037)	-

C) Summary of Actuarial Assumptions

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

In addition to the above, for the year 2012-13 the amount of Defined Benefit Obligation of Leave Encashment works out to ` 0.04 bn, which has been fully provided for.

During the year, no additional contribution has been made towards Provident Fund for meeting the interest payment to 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.

David Rasquinha
Executive Director

For and on behalf of the Board

T. C. A. Ranganathan
Chairman & Managing Director

Shri Rajiv Takru **Shri Pinak R. Chakravarty** **Dr. Raghuram G. Rajan**

Shri G. Padmanabhan **Shri R. M. Malla**

Prof. A. M. Bhattacharjea **Dr. Biswajit Dhar**

Directors

As per our attached report of even date
For MZSK & Associates
Chartered Accountants
Firm Regn. No. 105047W

New Delhi
Dated : May 21, 2013

Abuali Darukhanawala
Partner
M. No. 108053

Head Office Team

Offices in India & Overseas


Ahmedabad


Bangalore


Chandigarh


Chennai


Guwahati


Hyderabad


Kolkata


Mumbai

Offices in India & Overseas

New Delhi

Pune

London Branch

Singapore

Washington

Addis Ababa

Dakar

Dubai

Johannesburg

Yangon
(Opening Shortly)

EXPORT-IMPORT BANK OF INDIA

HEAD OFFICE

Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai - 400 005
Phone: (91 22) 22172600, Fax: (91 22) 22182572, E-mail: ccg@eximbankindia.in, Website: www.eximbankindia.in

LONDON BRANCH

88/90, Temple Chambers, 3-7, Temple Avenue, London EC4Y OHP, United Kingdom.
Ph: (44) 20 73538830 Fax: (44) 20 73538831 E-mail: eximlondon@eximbankindia.in

DOMESTIC OFFICES

Ahmedabad
Sakar II, Floor 1, Next to Ellisbridge Shopping Centre, Ellisbridge P. O., Ahmedabad 380 006.
Ph. : (91 79) 26576852/26576843
Fax : (91 79) 26577696
E-mail : eximahro@eximbankindia.in

Bangalore
Ramanashree Arcade, Floor 4,
18, M. G. Road, Bangalore 560 001.
Ph. : (91 80) 25585755/25589101-04
Fax : (91 80) 25589107
E-mail : eximbro@eximbankindia.in

Chandigarh
PHD House, Floor 1,
Sector 31-A, Dakshin Marg,
Chandigarh 160 031
Ph. : (91-172) 2641910/12/39/49
Fax : (91 172) 2641915
E-mail : eximcro@eximbankindia.in

Chennai
Overseas Towers, 4th and 5th Floor,756-L,
Anna Salai (Opp TVS), Chennai 600 002.
Ph. : (91 44) 28522830/31
Fax : (91 44) 28522832
E-mail : eximchro@eximbankindia.in

Guwahati
NEDFI House, 4th Floor,
G. S. Road, Dispur,
Guwahati 781 006
Ph.: (91 361) 2237607/2237609/2237760
Fax : (91 361) 2237701
E-mail: eximgro@eximbankindia.in

Hyderabad
Golden Edifice, Floor 2,
6-3-639/640, Raj Bhavan Road,
Khairatabad Circle, Hyderabad 500 004.
Ph. : (91 40) 23307816-21
Fax : (91 40) 23317843
E-mail : eximhro@eximbankindia.in

Kolkata
Vanijya Bhawan, Floor 4,
(International Trade Facilitation Centre),
1/1 Wood Street, Kolkata 700 016.
Ph. : (91 33) 22833419-20
Fax : (91 33) 22891727
E-mail : eximkro@eximbankindia.in

Mumbai
Maker Chambers IV, Floor 8,
222, Nariman Point, Mumbai 400 021.
Ph. : (91 22) 22823320 / 92 / 94
Fax : (91 22) 22022132
E-mail : eximwrro@eximbankindia.in

New Delhi
Statesman House, Ground Floor,
148, Barakhamba Road,
New Delhi 110 001.
Ph. : (91 11) 23474800
Fax : (91 11) 23322758/23321719
E-mail : eximndro@eximbankindia.in

Pune
44, Shankarseth Road, Pune 411 037.
Ph. : (91 20) 26403000
Fax : (91 20) 26458846
E-mail : eximpro@eximbankindia.in

OVERSEAS OFFICES

Addis Ababa
Bole Kifle Ketema, Kebele - 19, (03/05)
House No. 015-B, Addis Ababa, Ethiopia.
Ph.: (251 116) 630079 Fax: (251 116) 610170
E-mail : eximaro@eximbankindia.in

Dakar
Floor 1, 7, rue, Félix Faure, B.P. 50666, Dakar, Senegal.
Ph: (221 33) 8232849 Fax: (221 33) 8232853
E-mail :eximdakar@eximbankindia.in

Dubai
Level 5, Tenancy 1B, Gate Precinct Building No. 3,
Dubai International Financial Centre, PO Box No. 506541,
Dubai, UAE. Ph.: (971 4) 3637462 Fax: (971 4) 3637461
E-mail:eximdubai@eximbankindia.in

Johannesburg
Floor 2, Sandton City Twin Towers East, Sandhurst Ext. 3,
Sandton 2196, Johannesburg, South Africa.
Ph: (27 11) 3265103/13 Fax: (27 11) 7844511
E-mail: eximjro@eximbankindia.in

Singapore
20, Collyer Quay, #10-02, Tung Centre,
Singapore 049319.
Ph: (65) 65326464 Fax: (65) 65352131
E-mail : eximsingapore@eximbankindia.in

Washington D.C.
1750 Pennsylvania Avenue NW, Suite 1202,
Washington D.C. 20006, United State of America
Ph: (1 202) 223 3238 Fax: (1 202) 785 8487
E-mail : eximwashington@eximbankindia.in

Joint Venture • Global Procurement Consultants Ltd., Mumbai
Website: www.gpcl.in

एक्ज़िम बैंक
EXIM BANK
भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

Objective

The Export-Import Bank of India was established "for providng 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.