International Cooperation in Trade Finance

The global financial crisis, which has resulted in slowdown in economic growth, has also impaired the access to trade finance. As a result cost of finance had increased by over 3-4% in international markets, last year, even for exporters considered to be good. Many Governments have quickly sought to mitigate the potential impact of the crisis on their domestic economy and export sector, through various measures, albeit in varying degrees and forms. The main actions taken by Governments can be grouped in two categories: (i) to increase banks' liquidity to alleviate liquidity pressure including for trade finance; (ii) to enhance the long-term competitiveness of the country's exports by developing and expanding export promotion programs. The commitment of G-20 leaders calling for collective fight against protectionism, and the action by Multilateral Agencies to counter the shortage in trade finance indicates the need for international cooperation in trade finance.

Export Credit Agencies (ECAs), particularly in developing countries, have assumed greater role to channel trade finance to firms. In some countries, Government has channeled the trade credit enhancement measures through the ECAs.

Exchange of information and institutional cooperation are the two important strategies for enhancing trade finance and trade amongst the trading partners. During the recently concluded BRIC Summit, Exim Bank of India entered into a Memorandum of Cooperation with three major development banks of Brazil, Russia and China. One of the objectives of the Memorandum is to develop comprehensive long-term cooperation among the signatories to facilitate and support cross-border transactions and projects of common interest. Such institutional cooperation is pertinent in enhancing trade finance. Earlier, Exim Bank of India mooted the idea of forming the Asian Exim Banks Forum, in 1996, in order to forge a stronger link among the member institutions. The forum facilitated signing of bilateral L/C confirmation facility among the members. The forum is also exploring the possibility of setting up a regional ECA with the support of multilateral funding institution like ADB. Extending the similar concept at global level, Bank took the initiative of setting up a Global Network of Exim Banks and Development Finance Institutions (G-NEXID), under the auspices of UNCTAD, with the objective of supporting rapidly increasing trade between developing countries with expanded financial services that can spur and stabilize economic growth. Such cooperation is expected to reduce the costs of trade for the developing countries, spurring investment across borders and making financing more readily available to new and innovative businesses and enabling the growth of "niche markets."

Multilateral / regional development finance institutions should play a pivotal role in rebuilding confidence amongst member governments, banks and financial institutions in the region, through provision of well-targeted credit enhancements, policy support, and capacity building initiatives. These may include technical assistance / advice on trade finance policy, loans for creation of finance-related infrastructure, and support in creation and strengthening of institutions that support trade finance transactions. The institutions from developed countries should also extend credit lines to Governments / institutions in developing countries with the objective of enhancing trade financing. Rules-setting organizations, like WTO, may have to provide necessary comfort to banks and financing institutions (that are providing finance and guarantees), especially from developing countries, and set flexible policies for developing countries that encourages concessional trade financing; it may be appreciated that the priority task would be to enhance the capacity in developing countries to mitigate the effects of increased perception of risks and to provide the market with earmarked liquidity for trade finance. It is also necessary to persuade the Bank for International Settlements (BIS) to build suitable models and treat trade finance differently under Basel - II. Greater level of institutional cooperation among the developing countries is required for closely monitoring payment delays and sharing of information on credit risks.

Such international cooperation would be collectively beneficial to enhance trade finance and thereby contribute to the growth in trade and economic development.

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Board of Directors

Shri T.C.A. Ranganathan
Chairman & Managing Director
Export-Import Bank of India
(w.e.f. April 08, 2010)

Smt. Ravneet Kaur
Joint Secretary (IF)
Department of Financial Services
Ministry of Finance
Chairperson & Managing Director
Export-Import Bank of India
(November 1, 2009 - April 07, 2010)

Shri T.C. Venkat Subramanian
Chairman & Managing Director
Export-Import Bank of India
(Upto October 31, 2009)

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

Smt. Parbati Sen Vyas
Secretary (ER)
Ministry of External Affairs

Shri Rajinder Pal Singh
Secretary
Department of Industrial
Policy & Promotion
Ministry of Commerce & Industry

Dr. Kaushik Basu
Chief Economic Adviser
Ministry of Finance

Smt. Shyamala Gopinath
Deputy Governor
Reserve Bank of India

Shri Yogesh Agarwal
Chairman & Managing Director
IDBI Bank Ltd.

Shri A. V. Muralidharan
Chairman & Managing Director
Export Credit Guarantee
Corporation of India Ltd.

Shri O. P. Bhatt
Chairman
State Bank of India

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

Shri Alok Kumar Misra
Chairman & Managing Director
Bank of India

The Past Decade

(Rs. in mn)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Cumulative (2000-2010)	Growth (CAGR)
LOANS												
Approvals	21743	42407	78283	92657	158535	204887	267622	328045	336285	388430	1918893	38%
Disbursements	18964	34529	53203	69575	114352	150389	220760	271587	289327	332485	1555171	37%
Loan Assets[1]	56443	68260	87736	107751	129104	175931	228862	287767	341564	390357		24%
GUARANTEES												
Approvals	2118	5450	9328	10792	15887	43264	49978	21994	16184	13580	188575	23%
Issuance	1741	4164	7275	5743	16602	21959	16972	20386	10315	3875	109032	9%
Guarantee Portfolio	10740	11273	16133	15769	23727	34023	35360	34556	35401	22736		9%
RESOURCES												
Paid-up Capital	5500	6500	6500	6500	8500	9500	10000	11000	14000	17000		
Reserves	10664	12026	13171	14933	16625	17703	18741	21064	24681	28316		
Notes, Bonds & Debentures	22915	33158	64902	76701	98972	126727	154230	179273	215786	242894		
Deposits[2]	2797	3416	9121	20922	82	454	702	26741	28191	29383		
Other Borrowings	20255	16619	16467	21583	21064	32909	61684	111149	128046	132811		
Total Resources	73981	82734	123189	155192	156922	201401	262439	373006	442017	481446		
PERFORMANCE												
Profit Before Tax (PBT)	2047	2212	2686	3042	3144	3769	3909	5334	6101	7724	39968	
Profit After Tax	1541	1712	2066	2292	2579	2707	2994	3330	4774	5135	29130	
Balance of Net Profits transferred/transferable to Central Government	380	420	450	470	654	868	956	1008	1157	1500	7863	
Staff (Numbers)[3]	154	163	167	190	193	200	212	222	232	232		
RATIOS												
Capital to Risk Assets Ratio (%)	23.8	33.1	26.9	23.5	21.6	18.4	16.4	15.1	16.8	18.9		
PBT to Capital (%)	37.2	36.9	41.3	46.8	41.9	41.9	40.1	50.8	48.8	49.8		
PBT to Net Worth (%)	13.1	12.8	14.1	14.2	13.5	14.4	14.0	17.5	17.2	18.4		
PBT to Assets (%)	2.8	2.8	2.6	2.2	2.0	2.1	1.7	1.7	1.5	1.7		
PBT per Employee (Rs. mn)	13.5	14.0	16.3	17.0	16.4	19.2	19.0	24.6	26.9	33.3		

[1] Loan Assets are net of claims settled by ECGC, effective 1997-98 and also net of provisions for NPAs effective 2004-05

[2] Deposits are net of corresponding 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

It is with deep humility and sense of responsibility that I make this first statement as the Chairman of Exim Bank. The Indian economy posted remarkable resilience, in terms of overall growth and emerged as one of the fastest growing economies among the developing countries, despite the significant slowdown in global economic activity in the aftermath of the global financial crisis. Reflecting, among others, confidence of international investors in the Indian economy, inflows of foreign direct investment have remained buoyant, while exports have exhibited a rising trend since November 2009 in line with the pick up in global trade, after registering a decline in the preceding 13-month period.

Exim Bank, as India's premier export finance institution, endeavours to proactively facilitate and promote India's international trade and assists Indian corporates in their internationalisation efforts, through a comprehensive range of financing, advisory and support programmes. We also facilitate two-way technology transfer by financing import of technology into India and investment abroad by Indian companies for setting up joint ventures, subsidiaries or undertaking overseas acquisitions. We also endeavour to help in creating export capability in medium, small and micro enterprises, grassroots enterprises and agro-industries.

BUSINESS INITIATIVES

During the year under report, the Bank extended 22 new Lines of Credit (LOCs) aggregating US$ 753.31 million to 18 countries, which would result in additionality of exports of projects, goods and services from India. In line with the Bank's special emphasis on extension of LOCs as an effective market entry mechanism, the Bank now has in place 136 LOCs covering 94 countries in Africa, Asia, CIS, Europe, Latin America and Caribbean, with credit commitments amounting to US$ 4.5 billion. We are proactively seeking to expand geographical reach and volumes under the LOC programme. I am happy to state that the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) has conferred the Bank the 2010 "Trade Development Award", in recognition of the developmental role of the Bank's LOC programme which serves as an effective market entry tool especially for SMEs, while also facilitating trade creation, economic development, technology and skills transfer, and job creation in the recipient countries.

With the Bank playing a pivotal role in supporting project exports from India. I am happy to say that the Bank supported 41 project export contracts secured by 25 companies in 20 countries. These contracts reflect the capabilities of Indian corporates to secure and execute diverse range of projects. The Bank also extended Buyer's Credits to overseas companies, aggregating Rs. 7.2 billion, to facilitate exports from India.

Towards providing impetus to Indian companies in setting up joint ventures, subsidiaries or undertaking overseas acquisitions, the Bank assisted 18 corporates for part financing their overseas investment. Over the years, the Bank has supported 259 overseas ventures by over 209 companies in 64 countries in diverse sectors, in both industrial and developing & emerging markets.

The successful launching of the second and third Reg S bond offering during the year is an indication of the confidence of the investors in Exim Bank as the sole Indian export credit agency and a quasi-sovereign entity. The bond issue is one of the ways in which the Bank seeks to leverage its Government of India ownership and strong standalone financials to raise resources through a variety of instruments and a diversified investor base, thereby enabling it to extend financial assistance to Indian exporting companies at competitive rates.

We have also endeavoured to support globalisation of rural industries through our Grassroots Business Initiative. The Bank is also involved in extending export market access support to rural products through innovative export marketing services, effectively utilising its overseas offices and institutional linkages. The Bank has also earmarked funds for setting up a Rural Technology Export Development Fund to promote exports as also enhance the export-worthiness of rural grassroots innovative technologies from India.

To promote capacity development initiatives for SMEs that promote economic growth and development in Commonwealth member states, we partnered the Commonwealth Secretariat in the 9th and 10th editions of Commonwealth-India Small Business Competitiveness Development Programme, respectively, held at Bangalore and Jaipur.

Towards dissemination of information about potential sectors and countries, research studies brought out by the Bank during the year covered diverse areas including: MSMEs and Globalisation: Analysis of Institutional Support System in India and in Select Countries; International Trade, Finance and Money: Essays in Uneven Development; Sikkim: Export Potential and Prospects; Mizoram: Export Potential and Prospects; Floriculture: A Sector Study; Biotechnology Industry in India: Opportunities for Growth; Indian Gems and Jewellery: A Sector Study; and SADC: A Study of India's Trade and Investment Potential. Exim Bank Commencement Day Annual Lecture 2010, delivered by Dr. Supachai Panitchpakdi, Secretary-General, United Nations Conference on Trade and Development (UNCTAD), on "Reconstructing Economic Governance: An Agenda for Sustainable Growth and Development" constitute our ongoing efforts to contribute to the debate on contemporary issues on trade and investment which has implications on global and Indian economy.

To keep Indian companies abreast of development in the global markets, our Eximius Centre for Learning conducted 28 programmes on a wide range of topics during the year. Besides fifteen country/region specific business opportunities seminars, the Centre also conducted seminars focusing on enhancing export skills of MSMEs, export opportunities for pharma and herbal industries, globalisation of grassroot enterprises, promoting agro exports, as also seminars on Business Opportunities in Asian Development Bank Funded Projects and African Development Bank Funded Projects. A similar programme was also conducted focusing on Central Europe and Central Asia.

The 15th Annual Meeting of the Asian Exim Banks Forum (AEBF) was held in Phuket, Thailand in October 2009. The forum had been conceived and initiated by Exim Bank of India in 1996. The theme for the 2009 meeting was "Asian Exim Banks' Cooperation in response to Global Financial Crisis". The meeting provided a platform for member institutions to share the measures undertaken by the respective institutions in response to global financial crisis.

Towards promoting South-South cooperation, the Bank signed a Memorandum of Understanding (MOU) with the African Development Bank (AfDB) which envisages joint financing of projects in regional member countries of AfDB, and this MOU would leverage the resources of both the institutions and enable supporting of larger number of projects, while mitigating cross-border and payment risks normally associated with project exports.

The Bank also entered into a Memorandum of Cooperation (MOC) with three major development banks of Brazil, Russia and China, viz. Brazilian Development Bank (BNDES), Bank for Development and Foreign Economic Affairs of Russia (Vnesheconombank), and China Development Bank, in the BRIC (Brazil, Russia, India, China) Summit held in Brazil during April 2010. The MOC signed in the presence of Heads of four States/ Governments seeks to develop cross-border transactions and projects of common interest; strengthen and enhance trade and economic relations between BRIC countries and its enterprises; and finance the investment projects and to work towards economic development of BRIC countries.

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

BUSINESS RESULTS

Our business performance exhibited robust growth during the year, reflecting strong fundamentals. Loan approvals aggregated Rs. 388.4 billion, while disbursements amounted to Rs. 332.5 billion, representing a growth of 16 per cent and 15 per cent respectively. Loan assets of the Bank rose to Rs. 390.4 billion, an increase of 14 per cent.

Profit before tax amounted to Rs. 7.72 billion, a rise of 26.6 per cent, while profit after tax stood at Rs. 5.13 billion. Capital to Risk Assets Ratio (CRAR) stood at a healthy 18.99 per cent, while NPAs to net loan assets decreased to 0.20 per cent as on March 31, 2010. The continuous support from the Government of India is reflected in the Rs. 3 billion capital received during the year, which in turn has increased the Bank's paid-up capital to Rs. 17 billion.

During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 202.66 billion, comprising rupee resources of Rs. 130.37 billion and foreign currency resources of US$ 1.61 billion equivalent. As on March 31, 2010, outstanding Rupee borrowings including bonds/ commercial paper/ certificates of deposit amounted to Rs. 245.8 billion, and the Bank had a pool of foreign currency resources equivalent to US$ 4.16 billion.

As on March 31, 2010 the Bank was rated Baa3 (Stable) by Moody's, BBB-(Stable) by Standard & Poor's, BBB- (Stable) by Fitch Ratings and BBB+(Stable) by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above and are the same as the sovereign rating.

Going forward, while we would continue the growth momentum, we would capitalize on our strengths and proactively strive to enhance the global competitive edge of Indian corporates through our range of financing programmes and advisory and support services, in line with our role as the country's premier export finance institution. In this, I know I can count on the support of the Government of India, Reserve Bank of India, the Board, the staff and all the stakeholders.

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, NASSCOM, FIEO, EEPC India, Project Exports Promotion Council of India, Indo-EU Chambers of Commerce, other Export Promotion Councils, Chambers of Commerce and Economic Research Institutes have been a valuable source of learning and support for us. The Bank has also received strength and value from interaction with industry, banks, financial institutions, Export Credit Guarantee Corporation of India Ltd., Ministries of Government of India, particularly the parent Ministry of

Finance, Reserve Bank of India, and Indian Missions overseas.

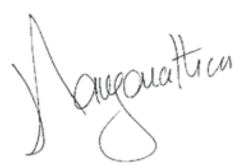
BOARD OF DIRECTORS

There have been changes on the Board during the year. Dr. Kaushik Basu, Chief Economic Advisor, Government of India, Ministry of Finance, Department of Economic Affairs; Shri N. Ravi, Secretary (East), Government of India, Ministry of External Affairs; Dr. Rahul Khullar, Commerce Secretary, Government of India, Ministry of Commerce & Industry; Ms. Parbati Sen Vyas, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Shri Rajinder Pal Singh, Secretary, Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion; and Shri Alok K. Misra, Chairman and Managing Director, Bank of India, were appointed as Directors on the Board.

Dr. Arvind Virmani, Chief Economic Advisor, Government of India, Ministry of Finance, Department of Economic Affairs; Shri G. K. Pillai, Commerce Secretary, Government of India, Ministry of Commerce & Industry; Shri N. Ravi, Secretary (East), Government of India, Ministry of External Affairs; Shri H. S. Puri, Secretary (Economic Relations), Government of India, Ministry of External Affairs; Dr. K. C. Chakrabarty, Chairman and Managing Director, Punjab National Bank; and Dr. Nagesh Kumar, Director-General, Research and Information Systems for Developing Countries, relinquished their directorships consequent upon completion of their term or change in office. The Bank gratefully acknowledges their invaluable contributions as Directors.

My colleagues on the Board and I would like to express our appreciation for the distinguished and valuable services rendered by Shri T. C. Venkat Subramanian during his tenure as Chairman and Managing Director and the guidance and support extended by him, which have helped the Bank to achieve considerable progress. We would also like to place on record our gratitude for the guidance and support extended by Mrs. Ravneet Kaur, Joint Secretary, Government of India, Ministry of Finance, Department of Financial Services and Government Nominee Director on the Board of Exim Bank, who took over additional charge as CMD, during the intervening period.

I must acknowledge the high level of commitment and dedication displayed by the staff of the Bank. My colleagues on the Board and I express our heartfelt thanks to the staff for their unstinting pursuit of business growth and initiatives in carrying forward the Bank's mission.



(T.C.A. Ranganathan)
April 29, 2010

Economic Environment

GLOBAL ECONOMY

According to the International Monetary Fund (IMF)'s World Economic Outlook (WEO), April 2010, growth in global GDP declined by an estimated 0.6 per cent in 2009 as compared to 3.0 per cent growth registered during the previous year, primarily on account of slowdown in the advanced economies. In the advanced economies, real GDP growth declined by an estimated 3.2 per cent in 2009 from a growth of 0.5 per cent in 2008, while real GDP growth of emerging and developing economies moderated to an estimated 2.4 per cent in 2009 as compared to 6.1 per cent in the previous year.

The global activity has, however, bounced back in the second half of 2009, aided by strong rebound in confidence in financial and real sectors, and is expected to continue to do so during the first half of 2010.

The global rebound was driven by extraordinary amount of policy stimulus, with highly expansionary monetary policy, with interest rates down to record lows in most advanced and in many emerging economies, and major fiscal stimulus. In 2010, global economy is expected to register a 4.2 per cent growth, before improving further to 4.3 per cent in 2011. However, as the positive contribution to growth from fiscal stimulus and the inventory cycle lessens, growth may slow, partly reflecting lesser buoyant spending by households and the banking sector as they rebuild their balance sheets.

Growth of real GDP in developing economies are expected to accelerate to 6.3 per cent in 2010 buoyed by strong domestic demand, and further to 6.5 per cent in 2011. Advanced economies are expected to grow by 2.3 per cent in 2010, as the beginning of a turn in the inventory cycle and the unexpected strength in US consumption contributed to positive developments, and are expected to grow further to 2.4 per cent in 2011.

Dr. Supachai Panitchpakdi, Secretary-General, United Nations Conference on Trade and Development (UNCTAD), delivered the 25th Bank's Commencement Day Annual Lecture 2010, speaking on "Reconstructing Economic Governance: An Agenda for Sustainable Growth and Development". Dr. Subir Gokarn, Deputy Governor, Reserve Bank of India, presided over the function.

The United States (US) economy is showing increasing signs of stabilisation. Output declined substantially during the first half of 2009, and the unemployment rate rose to a record level since the early 1980s. Nevertheless, unprecedented monetary, financial, and fiscal policy interventions are helping stabilize consumer spending and housing and financial markets, resulting in renewed moderate growth in the second half of 2009. The US economy, which contracted by an estimated 2.4 per cent in 2009, is expected to recover in 2010, with a growth rate of 3.1 per cent.

After witnessing severe slowdown, the Canadian economy is transitioning to recovery, and the recent developments in industrial production, retail sales, and confidence indicators suggest that the Canadian economy is stabilizing. Further, real GDP of Canada is projected to record 3.1 per cent growth in 2010 from a negative 2.6 per cent in 2009.

The real GDP growth of the Euro area is estimated to have declined to 4.1 per cent in 2009 from 0.6 per cent growth in the previous year. Germany was severely affected by the fall in external demand, although activity is now benefiting more than elsewhere in the region from the recovery in global trade. In comparison, the downturn in France was somewhat less pronounced, in part because of lower trade openness and a larger public sector. Outside the Euro area in Western Europe, growth in the United Kingdom also declined to 4.9 per cent in 2009 from 0.5 per cent in 2008, before recovering with an estimated growth rate of 1.3 per cent in 2010.

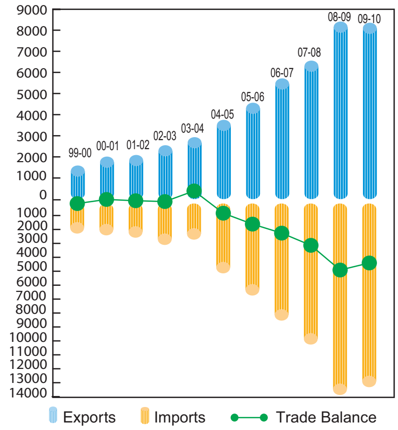
In Japan, GDP declined further by 5.2 per cent in 2009 from a negative growth of 1.2 per cent recorded in 2008. Reduced demand for durable goods, especially cars, and a decline in investment activity in the emerging economies in the region affected manufacturing exports. Domestic demand faltered amid rapidly falling confidence, rising uncertainty, weakening labour markets, tightening financial conditions, and rising spare capacity. Real GDP is expected to recover to 1.9 per cent in 2010, following pick up in global demand.

In the Asian region, real GDP growth of developing Asia decelerated from 7.9 per cent in 2008 to a still reasonably high 6.6 per cent in 2009. Growth of the region is expected to accelerate to 8.7 per cent in 2010, propelled by strong growth in India and China. The newly industrialized Asian economies, are estimated to register a growth of 3.8 per cent in 2010 from 0.4 per cent growth in 2009.

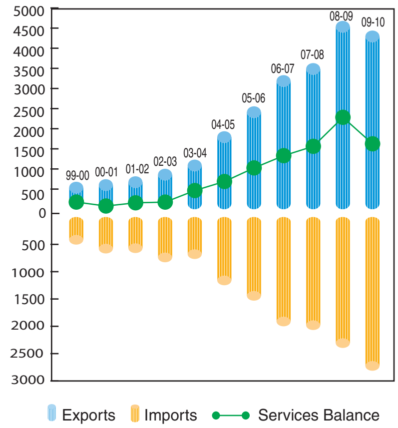
The year 2009 witnessed significant moderation of growth in Africa to 2.1 per cent from 5.5 per cent in 2008, reflecting the impact of global trade and disruptions in global financial markets. However, growth is expected to regain momentum as the global recovery gets under way. The effect of the global recession was initially felt most strongly in those economies more highly integrated into global financial markets, including South Africa. Subsequently, the fall in financial flows affected oil exporters

Exim Bank entered into a Memorandum of Cooperation with three major development banks of Brazil, Russia and China. The MOC was signed in Brasilia, Brazil with Chairmen/Presidents of development banks of other BRIC (Brazil, Russia, India, China) countries, in the presence of H.E. Dr.Manmohan Singh, Prime Minister of India, H.E. Mr. Lula da Silva, President of Brazil, H.E. Mr. Dmitry Medvedev, President of Russian Federation, and H.E. Mr.Hu Jintao, President of China.

Trends in India's Merchandise Trade
(Rs. in billion)



Trends in India's Services Trade
(Rs. in billion)



(including Algeria, Angola, Libya and Nigeria), manufacturing exporters (Morocco and Tunisia), and commodity exporters (Botswana) as global trade collapsed. The recent improvement in financial conditions and commodity prices, however, would help these economies recover, and by 2010 the African economy is expected to grow by 4.7 per cent.

The outlook for the Middle East has improved recently, with the global economy stabilizing and oil prices rebounding. These economies have been hit hard by the global recession and, as a result, growth has decelerated sharply. In particular, the collapse in oil prices and sharp contraction in worker remittances and foreign direct investment had impacted the economies in the region. The recent improvement in global financial conditions and rise in commodity prices, however, are helping restore the pace of economic activity. Accordingly, real GDP of the region, which stood at 2.4 per cent in 2009, is expected to accelerate to 4.5 per cent in 2010.

The Latin America and Caribbean region is showing signs of stabilization and recovery, aided by improving conditions in global financial and commodity markets and stronger policy frameworks that promoted resilience and allowed timely policy responses to support economic activity. As a result, real GDP in the region, which contracted by an estimated 1.8 per cent in 2009, is estimated to rebound and register a 4.0 per cent growth in 2010. The pace of recovery, however, is not uniform across economies. Brazil is expected to lead the way with a growth of 5.5 per cent in 2010, mainly because of its large domestic market and its diversified export products and markets, especially its increasing links to Asia. In Mexico, growth is expected to experience a strong rebound to 4.2 per cent in 2010 from a negative growth of 6.5 per cent in the previous year, partly aided by the US recovery.

The economic outlook for the Commonwealth of Independent States (CIS) region has been affected by the global financial crisis but is emerging from the recession at a moderate pace. A sharp contraction of Russian economy has led to painful adjustments in lower-income net energy importers in the region. With many of these economies mainly dependent on Russia for remittances and export earnings, the crisis depressed domestic demand, and in some cases shut down access to foreign capital markets. Most of the energy-exporting countries are weathering the financial turmoil and the drop in energy prices comparatively well, because they could draw on large policy buffers and are less dependent on developments in Russia. Real GDP growth in the CIS region declined to 6.6 per cent in 2009 from a growth of 5.5 per cent growth in 2008, before accelerating to 4.0 per cent in 2010. Russia's real GDP plummeted by 7.9 per cent in 2009 as a drop in commodity prices and a sudden reversal of capital flows led to a fall in fixed investment and shattered the nexus of high growth in investment, productivity, and real wages. However, real GDP growth is estimated to be positive at 4.0 per cent in 2010.

Exim Bank signed a Line of Credit Agreement for US$ 50 mn with H.E. Dr. Situmbeko Musokotwane, Minister of Finance and National Planning, on behalf of Government of Zambia, in the presence of Hon'ble Vice President of India Shri Hamid Ansari and the Hon'ble Vice President of Zambia, Mr. George Kunda, ministers, members of parliament and diplomats of the two countries.

Emerging Central and Eastern Europe has been hit particularly hard by the drop in capital inflows, with real GDP growth declining by 3.7 per cent in 2009 as against 3.0 per cent growth recorded in the previous year. This led to major contractions in the Baltic economies, Bulgaria, and Romania, although exchange rates acted as a shock absorber in economies with flexible regimes. In recent months, the pace of contraction has slowed dramatically in much of the region, with risk appetite returning, exports accelerating, and the inventory drawdown moderating, although private credit remains sluggish and unemployment is on the rise. The region is expected to recover to a growth of 2.8 per cent in 2010, mainly led by sizable output gains in some regions, notably in Poland and Turkey. The recovery is, however, expected to be slower than in other emerging regions as many economies would continue to face serious adjustment problems, given that cross-border capital flows will likely remain lower for some time.

World Trade

According to IMF's *WEO, April 2010*, global exports of goods amounted to US$ 12.3 trillion in 2009, a decline of 22.5 per cent over the previous year's total of US$ 15.9 trillion. In volume terms, the growth in global trade of goods in 2009 declined by 11.8 per cent as compared to 2.4 per cent growth witnessed in 2008. While advanced economies registered a negative growth of 13.5 per cent in volume of exports in 2009, emerging and developing economies registered a comparatively lower decline of 9.1 per cent. The world trade prices of non-fuel primary commodities declined by 18.7 per cent in US dollar terms in 2009 as against a growth of 7.5 per cent in 2008. Oil prices, which witnessed a growth of 36.4 per cent in 2008, also declined by 36.3 per cent in 2009. World trade price of manufactures declined by 6.9 per cent in 2009, as against a growth of 8.5 per cent recorded in 2008. During 2010, global exports of goods are expected to rebound with exports estimated to reach US$ 14.3 billion, supported by positive growth in global commodity prices. World export of services amounted to US$ 3.4 trillion in 2009, a fall of 12.9 per cent over that of 2008. Growth in volume of global trade in goods and services is forecast to recover from a negative growth of 10.7 per cent in 2009 to 7.0 per cent growth in 2010.

Dr. Ramaa Vasudevan, winner of Exim Bank International Economic Development Research Annual Award 2008 receives the citation from Dr. D. M. Nachane, Director, Indira Gandhi Institute of Development Research, Mumbai at the award function held in Mumbai

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

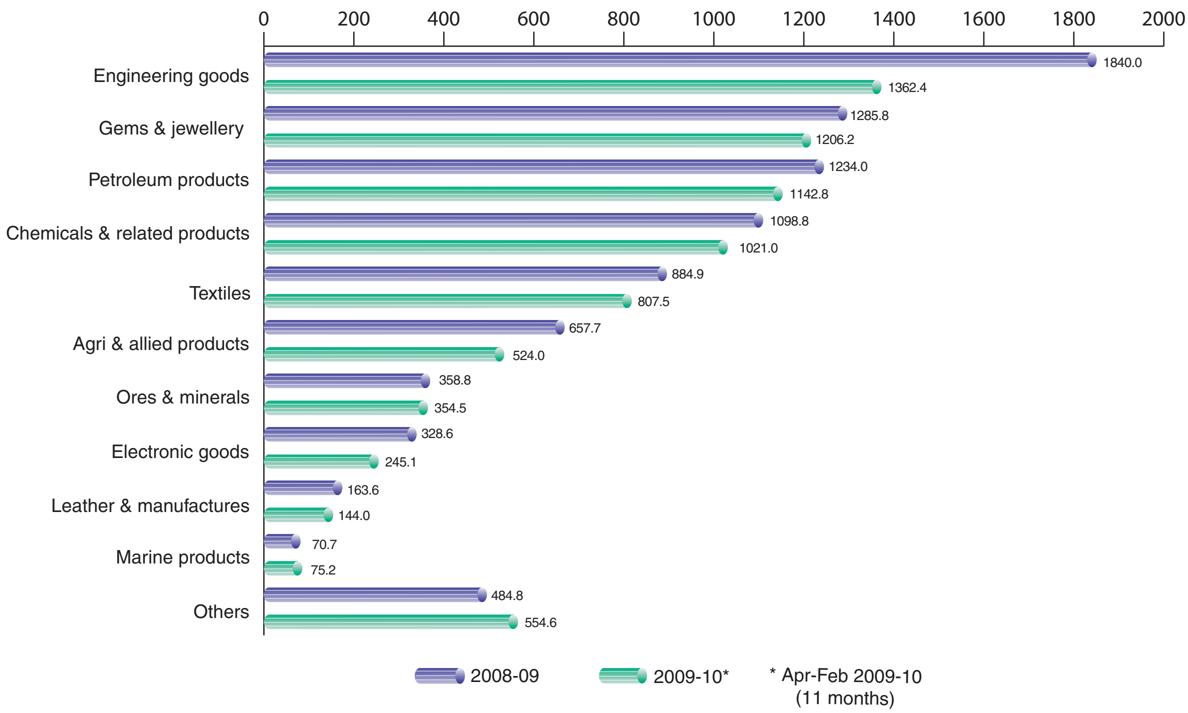
The recovery in net private capital inflows to emerging market economies continued through most of 2009. However, the net private inflows in 2009 still stood lower at an estimated US$ 530.8 billion in 2009, as compared to US$ 588.2 billion in the previous year.

Emerging Asian region accounted for 53.3 per cent of the net private capital flows to the emerging economies, amounting to US$ 282.9 billion in 2009, an increase of 163.4 per cent over the previous year. Net private capital flows to Latin America also increased to US$ 156.6 billion in 2009 from US$ 129.6 billion in 2008. The share of emerging Europe in the net private capital flows to the emerging economies fell from 44.7 per cent in 2008 to only 8.2 per cent in 2009, with total inflows amounting to US$ 43.5 billion. Net private capital flows to Africa and Middle East also declined to US$ 47.8 billion in 2009 from US$ 88.0 billion in 2008.

Current account surplus of the emerging economies stood at US$ 351.6 billion in 2009, implying a decline of 40.5 per cent over that of the previous year. In the emerging Asian region, the aggregate current account surplus reduced from US$ 435.9 billion in 2008 to US$ 370.6 billion in 2009, mainly reflecting over 33.0 per cent decline in China's current account surplus.

Composition of India's Merchandise Exports

(Rs. in billion)



In emerging Latin America, current account deficit widened to US$ 25.5 billion in 2009 from US$ 12.9 billion in the previous year. Current account balance of Africa and Middle East region turned into a deficit of an estimated US$ 18.7 billion in 2009 compared to a surplus of US$ 184.9 billion in the previous year. In emerging Europe, however, current account balance tuned into a surplus of an estimated US$ 25.3 billion in 2009 from a deficit of US$ 16.9 billion in the previous year, reflecting sharp decline in imports.

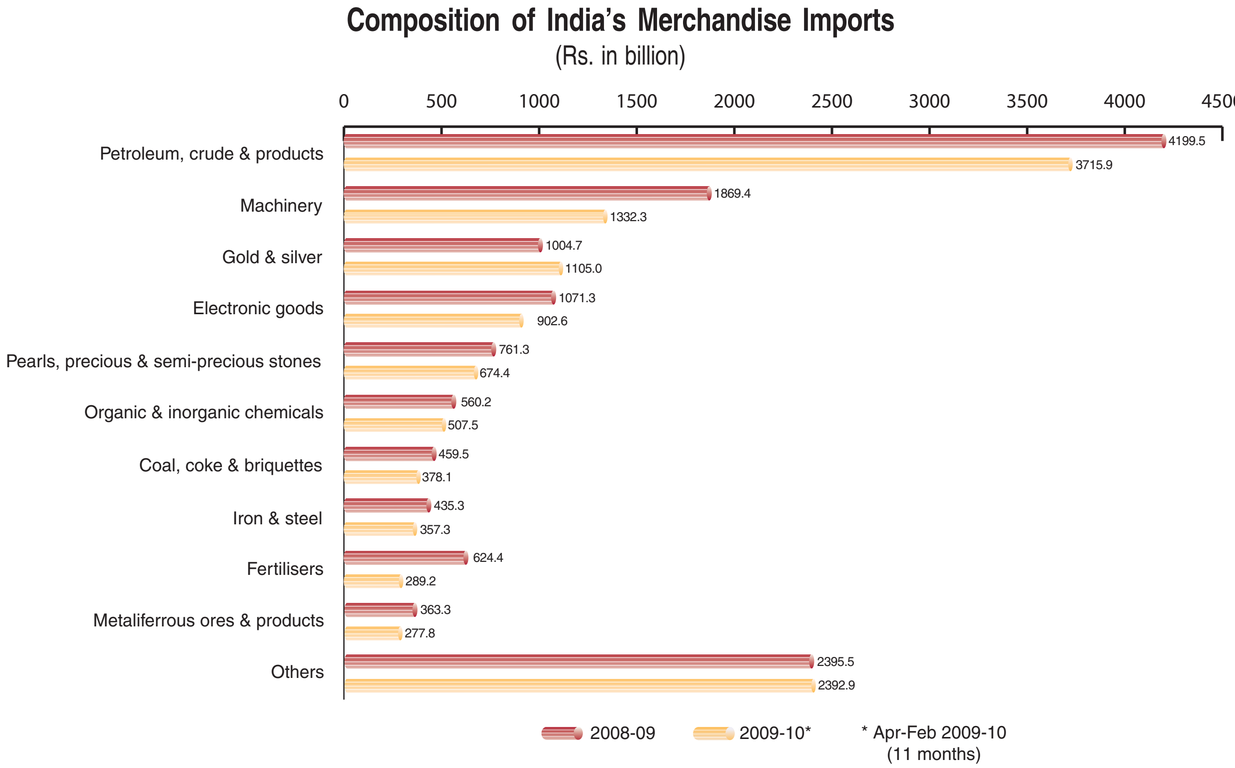
External debt of emerging and developing economies, as a proportion of their exports of goods and services, increased to 26.1 per cent in 2009 from 20.6 per cent in 2008. The ratio in the case of Central and Eastern Europe and CIS region also increased to 69.9 per cent and 46.9 per cent, respectively, as against 52.4 per cent and 38.6 per cent, respectively, in 2008. The ratio has also increased for Middle East Region to 14.5 per cent in 2009 from 9.8 per cent in 2008. The ratio in emerging Asian region increased to 11.4 per cent in 2009 from 9.2 per cent in 2008. In Sub-Saharan Africa and the Latin America and Caribbean region, the ratio has increased and stood at 15.0 per cent and 39.4 per cent, respectively, in 2009.

INDIAN ECONOMY

In spite of the significant global slowdown as an aftermath of the global economic crisis, delayed and severely sluggish monsoon and continued recession in the developed world, the Indian economy posted a remarkable resilience, in terms of overall growth and emerged as one of the fastest growing economies among the developing countries. GDP growth is estimated at 7.4 per cent during 2009-10, compared to the growth rate of 6.7 per cent in 2008-09. The growth in 2009-10 has mainly been due to the growth rates of over 8 per cent in the industrial and services sectors.

Agriculture

Agriculture and allied activities is estimated to have witnessed a growth of 0.2 per cent in 2009-10, as against a growth of 1.6 per cent registered in the previous year, mainly on account of anticipated contractions of 8.0 per cent in production of foodgrains, 5.0 per cent reduction in production of oilseeds and 11.8 per cent reduction in sugarcane, as compared to the previous year. As per the first advance estimates (kharif only) for



2009-10, production of foodgrains is estimated at 98.83 mn tonnes which is lower than the target of 125.15 mn tonnes set for the year, as also lower than thefourth advance estimates (kharif only) of 117.70 mn tonnes for 2008-09. The share of the agriculture and allied sector in GDP in 2009-10 stood at 14.6 per cent, as compared to a share of 15.7 per cent in 2008-09.

Industry

According to the Central Statistical Organisation (CSO), the industrial sector, which had recorded a modest growth of 3.9 per cent in 2008-09, grew at a robust 8.5 per cent in 2009-10, mainly on account of sharp increase in growth of mining and quarrying; manufacturing; and electricity, gas and water supply sub-sectors. Growth of real GDP originating from mining and quarrying sharply increased from 1.6 per cent in 2008-09 to 10.6 per cent in 2009-10, while manufacturing and electricity, gas and water supply sectors, recorded growth rates of 10.8 per cent and 6.5 per cent respectively in 2009-10, up from 3.2 per cent and 3.9 per cent respectively in 2008-09. Construction registered a growth of 6.5 per cent in 2009-10 as against 5.9 per cent recorded in 2008-09.

The Index of Industrial Production (IIP) during 2009-10 has grown at a robust 10.4 per cent, as compared to 2.8 per cent recorded during 2008-09. The growth in IIP was mainly due to upswing in growth of mining and manufacturing sectors. As per the use-based classification, the growth of basic goods sector, increased to 7.1 per cent during the period 2009-10, as compared to 2.6 per cent growth witnessed during the previous year. The capital goods sector has recorded a robust growth of 19.2 per cent during 2009-10 as compared to 7.3 per cent witnessed during 2008-09. Growth in intermediate goods sector also sharply increased to 13.6 per cent during 2009-10 as compared to a contraction of 1.9 per cent witnessed during 2008-09. Consumer durables segment showed a sharp increase in growth from 4.5 per cent during 2008-09 to 26.1 per cent during 2009-10. On the other hand, growth in consumer non-durables slowed down from 4.8 per cent in 2008-09 to 1.5 per cent registered during 2009-10.

Of the seventeen industrial sub-groups in the manufacturing sector, during the year 2009-10, fifteen sub-sectors registered positive growth rates as compared to the previous year. These fifteen sub-sectors were transport equipment and parts (24.4 per cent), machinery and equipment other than transport equipment (21.0 per cent), metal products and parts, except machinery and equipment (15.6 per cent), other manufacturing industries (10.6 per cent), rubber, plastic, petroleum and coal products (15.3 per cent), basic chemicals & chemical products (except products of petroleum & coal) (10.3 per cent), wood and wood products; furniture and fixtures (10.1 per cent), wool, silk and manmade fibre textiles (8.5 per cent), textile products (including wearing apparel) (8.0 per cent), non-metallic mineral products (7.7 per cent), basic metal and alloy industries (6.4 per cent), cotton textiles (5.4 per cent), paper & paper products and printing, publishing & allied industries (3.8 per cent), leather and leather & fur products (2.3 per cent), and beverages, tobacco and related products (0.8 per cent). The sub-sectors viz., jute and other vegetable fibre textiles (except cotton) and food products recorded negative growth rates of 24.5 per cent and 1.6 per cent, respectively, during the year.

Services

The growth of services sector remained buoyant with a 9.3 per cent growth in 2009-10, as compared to 9.8 per cent in the previous year. Within services sector, growth in GDP for 'trade, hotels and restaurants' accelerated to 9.3 per cent during 2009-10 as against a growth of 7.6 per cent recorded in 2008-09. 'Financing, insurance, real estate and business services' sub-sector, is expected to show a slight slowdown in growth rate from 10.1 per cent in 2008-09 to 9.7 per cent in 2009-10, while 'community, social and personal services' sub-sector, is estimated to grow at 5.6 per cent during the period 2009-10 as compared to a growth of 13.9 per cent recorded in the previous year.

Infrastructure

The six infrastructure and core industries, viz. crude petroleum, petroleum refinery products, coal, electricity, cement, and finished steel, registered an average higher growth rate of 5.5 per cent during 2009-10, as compared to 3.0 per cent during the previous year. Growth has been especially robust in the two sectors, namely, cement production, electricity generation and coal production. Electricity generation grew by 6.5 per cent during 2009-10 compared to a growth of 2.7 per cent during 2008-09. Cement production grew by 11.0 per cent during 2009-10 compared to an increase of 7.2 per cent during the previous year. Finished steel production increased by 4.9 per cent during 2009-10 compared to a growth of 1.6 per cent during 2008-09. On the other hand, petroleum refinery production contracted by 0.4 per cent during 2009-10 compared to a growth of 3.0 per cent during the previous year, while growth in coal production stood marginally lower at 7.9 per cent in 2009-10 compared to 8.0 per cent in the previous year. Crude petroleum production recovered to a growth of 0.5 per cent during 2009-10 from a negative growth of 1.8 per cent recorded during the the previous year.

Exim Bank and Russian State-owned 'Bank for Development and Foreign Economic Affairs of Russian Federation' (Vnesheconombank) signed an Agreement for a Line of Credit of US$ 100 mn, in the presence of the Hon'ble Prime Minister of India Dr. Manmohan Singh and the President of Russian Federation Mr. Dmitry Medvedev.

Inflation

The annual rate of inflation, calculated on point to point basis, stood higher at 14.50 per cent for the end-week March 2010, as compared to 5.15 per cent during the corresponding period of the previous year, mainly reflecting increase in the prices of food articles, especially of wheat, pulses, fruits and milk as well as non-food articles such as oilseeds and fibres.

Capital Markets

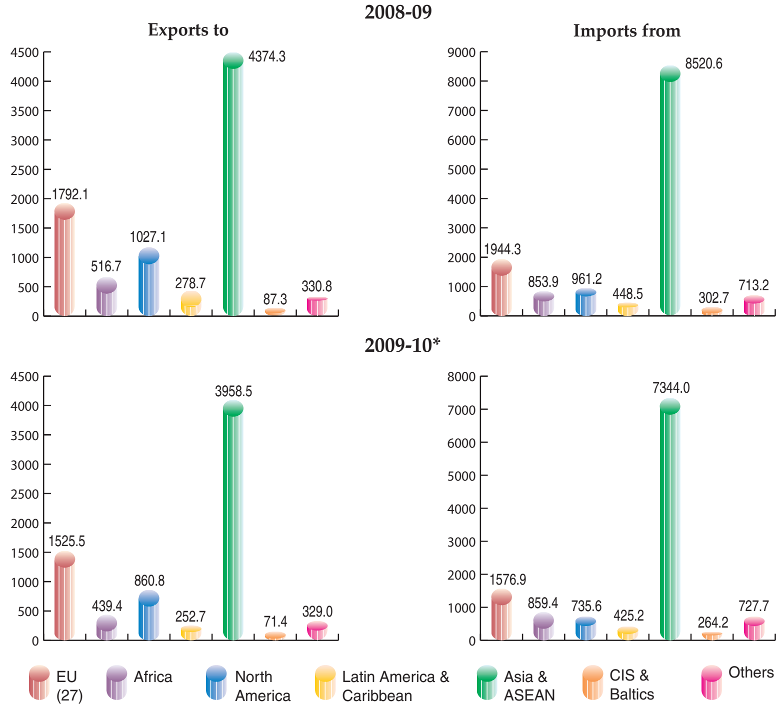
Net portfolio investment in India in 2009-10 stood at US$ 32.38 billion, a sharp increase from US$ -13.86 billion in 2008-09. This may be attributed to the considerable increase in net investment by Foreign Institutional Investors (FIIs), from US$ -15.02 billion in 2008-09 to US$ 29.05 billion in 2009-10.

Foreign Trade and Balance of Payments

India's exports during the year 2009-10 amounted to US$ 176.6 billion, as compared to US$ 185.3 billion recorded during 2008-09. India's imports during 2009-10 stood at US$ 278.7 billion, as compared to US$ 303.7 billion during the 2008-09. Overall, trade deficit for 2009-10 amounted to US$ 102.1 billion, as compared to US$ 118.4 billion during 2008-09. In line with the rebound in global economic activity and trade, India's exports have registered positive growth rates since November 2009. With regard to commodity composition of India's main exports in 2009-10 (April-February), most commodities witnessed a contraction in growth during the period. Among the main export commodities, ferro alloys witnessed the largest contraction of 51.6 per cent, followed by iron and steel (-45.1 per cent), handicrafts (-34.8 per cent), project goods (-25.1 per cent) and electronic goods (-22.0 per cent). Oil imports during 2009-10 amounted to US$ 85.5 billion, as compared to US$ 93.7 billion in the previous year, registering a decline of 8.7 per cent.

Direction of India's Merchandise Trade

(Rs. in billion)



Source: DGCIS, MOCI

* Apr-Feb 2009-10.

Non-oil imports during 2009-10 stood at US$ 193.2 billion, which was 8.0 per cent lower than the level of such imports valued at US$ 210.0 billion in the previous year.

India's net inflow of invisibles decreased to US$ 78.9 billion in 2009-10 as compared to the net inflow of US$ 89.9 billion recorded in 2008-09. Net inflow of services decreased from US$ 49.6 billion in 2008-09 to US$ 34.2 billion in 2009-10 especially due to decrease in net inflow of business services, financial services and communication services. During 2009-10, services exports were valued at US$ 93.8 billion, of which exports of software services amounted to US$ 49.7 billion. Net transfers during the same period amounted to US$ 52.1 billion.

Foreign direct investment inflows into India stood at US$ 34.2 billion in 2009-10. During 2009-10 (April-December), 2,984 proposals amounting to US$ 14.3 billion were cleared for investments abroad in JVs and WOS, as against 2,828 proposals amounting to US$ 16.4 billion during the corresponding period of the previous year. During 2009-10 (April-December), total actual overseas investments from India in JVs and WOS amounted to US$ 8.4 billion, which showed a decline of 34.1 per cent over the investment of US$ 12.7 billion during the corresponding period of the previous year.

India's foreign exchange reserves increased to US$ 279.1 billion as at end-March 2010, from US$ 252.0 billion as at end-March

2009. India's external debt, which stood at US$ 224.5 billion as at end-March 2009 increased to US$ 261.4 billion as at end-March 2010. External debt increased by around US$ 36.9 billion over end-March 2009 level on account of significant increase in IMF liabilities due to additional allocations of SDRs by the IMF, commercial borrowings, NRI deposits and short - short term trade credits.

Outlook for Select Sectors

Textiles and Garments

The textiles and garment industry has an strong influence in 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 14 per cent of industrial production, 4 per cent of national GDP and 10.8 per cent percent to the country's exports, and provides direct employment to more than 35 mn people. The textiles industry in India is extremely diverse, comprising the hand-spun and hand-woven sector as also the capital intensive, sophisticated mill sector. The decentralized power-looms/ hosiery and knitting sectors form the largest section of the textiles industry in India. At current prices, the Indian textiles industry is estimated to be around US$ 55 billion, nearly two-thirds of which caters to the domestic demand.

India, with a share of 4.1 per cent in world textiles exports and 3.0 per cent share in world clothing exports, was ranked sixth globally in both these sectors in 2008. The performance of the industry in terms of exports was rather modest, owing to recessionary trends prevailing in the global economy. During 2008-09, textile and garments exports from India amounted to US$ 19.3 billion – a growth of 4.5 per cent over the previous year.

Construction of 225 KV Interconnection High Voltage Transmission Line between Mali and Cote d'Ivoire, being executed under Government of India supported Exim Bank's Line of Credit of US$ 45 mn to Government of Mali.

While exports of readymade garments increased by 12.8 per cent, negative growth in exports of cotton yarn and fabrics (of 10.6 per cent) and a modest growth in manmade textiles (4.1 per cent) pulled down the overall export growth of the industry. With slowdown in demand for textiles and clothing from major importers such as USA and EU likely to continue, the growth prospects in 2009-10 could have been adversely affected. In fact, during the period April-February 2009-10, exports of textiles and garments registered a decline of 3.8 per cent, although its contribution to India's total exports increased to 10.8 per cent from 10.2 per cent in the corresponding period of previous year, suggesting that its export performance was relatively better than other sectors.

Over the years, the textile and garment industry has performed strongly across different segments of the value chain, from raw materials to garments. However, it was among the various sectors that are worst hit by the downturn in the West; the impact of which continued in 2009-10, particularly owing to the recession in US market. This adverse impact is expected to be counter-balanced by recovery and pickup in demand in the Middle East region, especially UAE, and Europe. Overall, the industry is likely to regain ground and bounce back in 2010-11.

Drugs and Pharmaceuticals

After a brief period of slowdown, the global pharmaceutical industry is returning back to the growth path.

According to IMS Health, the global pharmaceutical market, valued at US$ 773 billion in 2008, is expected to reach US$ 910 billion–US$ 940 billion by 2013. By then, the emerging markets are projected to be worth US$ 155 billion – US$ 185 billion. Despite economic conditions significantly affecting some of the major markets, the seven emerging countries (Brazil, India, Turkey, Mexico, Russia, South Korea, and China) are expected in aggregate to grow by 12-14 percent in 2010, and 13-16 percent over the next five years. China's pharmaceutical market is expected to continue to grow at more than 20 per cent pace annually, and contribute 21 per cent to overall global growth through 2013.

Growth had slowed in countries where there is high spending on pharmaceuticals and steep declines in macroeconomic activity, especially in Russia, Mexico and South Korea. At the same time, growth has been less affected in countries where drugs are largely funded publicly, such as in Germany, Japan and Spain.

India has emerged as one of leading economies when it comes to opportunities in the pharmaceutical sector. The size of the Indian pharmaceutical industry, one of the fastest growing segments of the country's manufacturing sector, is estimated to be around US$ 18 billion, of which over US$ 5 billion is being exported. It is estimated that Indian pharmaceutical industry is ranked 4th in terms of volume and 14th in terms of value, in the global pharmaceutical market. The industry has attained self-reliance in the production of formulations, and produces almost 70 per cent of bulk drug requirements of the country. India is also a major producer of generic drugs in the world.

Indian pharmaceutical companies have not been affected much by the global slowdown, largely because of cost advantages in medicine production and due to their long-term contracts, especially the generic manufacturers, with their preferred suppliers. This was evident in the export performance of pharmaceutical products (ITC HS Code 30) which increased by a healthy 22.6 per cent to aggregate US$ 5.1 billion in 2008-09. Exports, however, declined marginally by 6.1 per cent during the first nine months of 2009-10, from US$ 3.94 billion during April–December 2008 to US$ 3.70 billion during April-December 2009.

The rising middle and upper class who can afford high-quality healthcare and the widespread adoption of health insurance products, which will enable a larger proportion of the population to access medical treatments, are expected to drive the Indian pharmaceutical market in the foreseeable future. In addition, significant growth rates, favourable demographics, and new intellectual property protection laws would provide further impetus to the industry.

Automotives

The performance of the automotive industry (automobiles and auto-components) during recent years has been robust and is likely to remain buoyant, on account of favourable demand and supply side factors, The automotive industry is gradually realising its potential, manifested not only in the increasing number of global players foraying into various segments of the industry

Release of Exim Bank's publication on "MSMEs and Globalisation: Analysis of Institutional Support Systems in India and in Select Countries" at the hands of His Excellency Dr. A.P.J. Abdul Kalam, Former President of India, at the Ninth Commonwealth-India SME Competitiveness Development Programme 2009 held in Bangalore but also in their decision to establish manufacturing facilities in the country. With strong backward linkages, the automotive industry has today emerged as one of the key manufacturing sectors fuelling the growth of the Indian economy.

Notwithstanding the global economic meltdown, both automobile and auto component sectors of the automotive industry have fared well during the last few years. With a production of over 14 mn vehicles in 2009-10, the Indian automobile industry registered a CAGR of 11.7 per cent during the period 2003-04 to 2009-10. In fact, production of vehicles during the period 2009-10 saw an increase of over 25.7 per cent, with the bulk in volumes being produced by two wheelers and the passenger vehicles category.

Automobile exports during the 2003-04 and 2009-10 increased from 0.4 mn units to 1.8 mn units, thereby recording a significant CAGR of 24.7 per cent. Consequently, export orientation of the automobile sector increased from 6.6 per cent in 2003-04 to 12.8 per cent in 2009-10, indicating the increasing competitiveness of domestically manufactured vehicles. Export for the period 2009-10 increased by 17.9 per cent as compared to the previous year to touch 1.8 mn vehicles. On production trend lines, exports too were largely contributed by the two wheelers and the passenger vehicle segments.

The proposals announced in the Union Budget 2010-11 have provided the automobile industry further impetus, results of which are likely to be evident in the coming months. Although the increase in excise duty on automobiles would lead to rising vehicle prices, the adverse impact is likely to be more than compensated by strong demand emanating from the country's healthy economic growth and increasing disposable income arising from reforms in personal income tax slabs of individual tax payers. Further, the increase in weighted average deduction on in-house R&D expense from 150 per cent to 200 per cent announced in the Budget would lower the R&D expenses of vehicle manufacturers, encouraging them to continue developing more efficient vehicles at lower cost. In the longer term, the increased focus on infrastructure and rural initiatives would keep up the robust momentum in the automobile sector. Increased investment on rural development would result in higher disposable income in the hands of people in the rural areas which is expected to have a positive impact on automobile companies having a strong presence in rural markets.

The robust growth in the automobile sector has created increased demand for auto components which mirrored the trend visible in the former. With production aggregating US$ 19.1 billion in 2008-09, the auto component sector exhibited significant dynamism, registering a CAGR of 23.3 per cent during 2002-03 to 2008-09. Auto component production is projected to more than double to US$ 40 billion by 2015-16, which could result in the country's share in global production reaching 3 per cent from the current level of 1 per cent.

This dynamism can be partly attributed to the sector's export performance. Auto component exports quintupled during the period 2002-03 to 2008-09 (CAGR of 30.8 per cent) to touch US$ 3.8 billion in 2008-09 and are

Exim Bank, under its Overseas Finance Programme, supported TVS Logistics Services Ltd., Madurai, for the acquisition of Multipart Solutions Limited (MSL), in U.K., engaged in providing outsourced inventory management and logistics services to the automotive and defence sectors.

projected to cross US$ 20 billion by 2015-16. The strong growth witnessed on the export front has resulted in the export orientation of the sector increasing from 14.0 per cent in 2002-03 to 19.9 per cent in 2008-09 during the period, and is projected to reach 50 per cent by 2015-16. An important aspect of India's exports of auto components is that a large proportion – nearly two-thirds – of export goes to the discernible markets of Europe and North America – a reflection of the sector's increasing competitiveness.

India's component industry today has the capability to manufacture the entire range of auto-components such as engine parts, drive, transmission parts, suspension and braking parts, electrical parts, and body and chassis parts. Engine parts is the largest sub-segment accounting for more than 30 per cent of the sector's production, followed by drive transmission and steering parts (share of 19 per cent) and body and chassis and suspension and braking parts (share of 12 per cent each). The composition of exports in terms of proportion of original equipment manufacturer (OEM)/Tier 1 supplier and aftermarket sales has also undergone a sweeping change over the past decade. The ratio of OEM/ Tier 1 supplier to aftermarket sales has changed from 35:65 in the 1990s to 80:20 in 2008, indicating the sector's movement higher up the value chain.

Though manufacturing costs in India are 25-30 per cent 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 outside Japan. With an impressive growth momentum in the automobile sector coupled with increasing disposable income and road development in the country, the automotive industry is expected to grow significantly in the foreseeable future.

Capital Goods

The capital goods industry forms the backbone of India's manufacturing sector. Some of the prominent capital goods produced in India include heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, printing machinery, dairy machinery, industrial refrigeration, industrial furnaces etc. The capital goods industry has been performing strongly, growing by a healthy annual average of 14.5 per cent during the period 2003-04 to 2008-09, far better than both basic goods and intermediate goods (the IIP use-based classification), This performance has been sustained to in the year 2009-10 as well, with the capital goods industry exhibiting an impressive growth of 19.2 per cent.

Production of machine tools in the country reached the level of around Rs. 14.24 billion by the end of the year 2008-09, showing a negative growth rate of 25 per cent, over the previous year. Export of machine tools has shown a steady increase in the last few years. In the year 2008-09, export of machine tools was worth US$ 378 mn. During the period April-February 2009-10, the export of machine tools were US$ 242.04 mn, witnessing a negative growth rate of 33 per cent, over the corresponding period in the previous year. The total production of textile machinery in the country was more than Rs. 40 billion in 2008-09. India's export of textile machinery during 2008-09 is estimated to be hovering around US$ 144 mn, while the imports were valued at around US$ 1409 mn. During the period April-December 2009-10, the exports of textile machinery were valued at US$ 88.25 mn and the imports were US$ 990.0 mn.

India produces a wide range of construction and mining machinery. However, being a large and growing economy, the domestic demand is greater than the production capacity and thus the major portion of demand is met through imports. During the period 2008-09, India's export of construction machinery was valued at US$ 396 mn and the imports stood at US$ 2237 mn. During the period April-December 2009-10, the exports of construction and mining machinery were US$ 405.6 mn and the imports were US$ 1510.7 mn. The process plant machinery and components sector in India is a heterogeneous segment of capital goods industry. During the period 2008-09, India exported process plant / machinery worth US$ 1490 mn, while its imports were valued at over US$ 3280 mn. During the period April-December 2009-10, the exports of process plant machinery and components sector were US$ 997.91 mn and the imports were US$ 2224.6 mn.

The electrical equipment and machinery sector comprises a range of products, such as transformers, switchgears, motors, generators and control equipment. India exported electrical equipments and machinery worth over US$ 2511 mn during the period 2008-09 and imported electrical equipments and machinery worth US$ 3038 mn. During the period April-December 2009-10, the exports of electrical equipments and machinery were US$ 1328.5 mn and the imports were US$ 1987.7 mn.

On the whole, the outlook for the capital goods industry in India remains bright, particularly over the medium and long-term. The Union Budget 2010-11 has announced a number of initiatives to increase public investments in the infrastructure sector. Allocation to major infrastructure sectors, including power, road transport, shipping, urban infrastructure and railways, has been raised. This is likely to give a further impetus to the industry by resulting in more orders for the capital goods companies.

Chemicals

The size of the Indian chemical industry is estimated to be around US$ 35 billion in 2008, equivalent to about 3 per cent of the country's GDP. Indian chemical industry in terms of volume is ranked as the 12th largest in the world and 3rd largest in Asia. During 2009-10, the industry witnessed a healthy growth of 10.3 per cent and was almost in tandem with the manufacturing sector growth of 10.9 per cent.

In terms of volume, the production of major basic chemicals in India amounted to 7.3 mn metric tonnes (MT) in 2008-09. During the period April–December 2009-10, volume of production touched 5.5 MT, a marginal decline of 0.8 per cent, over the corresponding period of the previous year. Alkali chemicals (such as soda ash, caustic soda and liquid chlorine) were, the largest segment accounting for 75 per cent share of total production during April–December 2009-10, although, in terms of growth, the dye and dyestuffs segment exhibited maximum dynamism.

Although India is a net importer of chemicals, the gap between imports and exports has narrowed down. In spite of the global slowdown, exports of chemicals recorded an increase of 8.0 per cent from US$ 10.1 billion in 2007-08 toUS$ 10.9 billion in 2008-09. Pesticides were the best performer with exports increasing by 38.8 per cent from US$ 0.63 billion to US$ 1.0 billion. Export of inorganic chemicals also exhibited similar trend, increasing by 36.5 per cent from US$ 0.8 billion to US$ 1.1 billion. However, during the period April - June 2009-10, exports of various chemical sub-sectors declined. Export of inorganic chemicals declined by 32 per cent, to US$ 645.98 mn; export of organic chemicals declined by 9 per cent, to US$ 5304.74 mn; export of tanning & dye extracts declined by 10 per cent, to US$ 980.67 mn, and whereas export of pesticides declined by 5.8 per cent to touch US$ 757.23 mn during the period April - December 2009.

In terms of investments, the Indian chemical industry was among the top 10 sectors attracting the highest FDI inflows (US$ 2.4 billion) during the period April 2000 – March 2010 with a share of 2.2 per cent in total FDI inflows (US$ 115.7 billion) into India. The surge in FDI inflows has been significant of late – FDI inflows in Indian chemical industry increased by more than 3 times between 2006-07 and 2008-09. During the period April – February 2009-10 the industry had attracted around US$ 0.36 billion of FDI. The number of foreign technology transfer approvals in the chemical sector during August 1991 to September 2009 crossed 900, accounting for over 11 per cent of total foreign technology transfer approvals during this period, and ranking second after electrical equipments (including computer software & electronics). The liberalised investment regime for this sector has been aptly supported by the financial sector, stimulating investment.

Petroleum Products

The petroleum industry has been instrumental in fuelling the growth of the Indian economy. The petroleum and natural gas sector, which includes exploration, refining and marketing of petroleum products and gas, constitutes over 15 per cent of India's GDP. The production of petroleum products during 2007-08 stood at 144.9 mn metric tonnes [MT] which increased by 3 per cent to touch 149.5 mn MT during 2008-09. During 2009-10, the production volume touched at 148.91 MT, showing a marginal decline of 0.4 per cent as compared to 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. Volume of exports of petroleum products increased at a CAGR of 32.16 per cent, from US$ 11.63 billion in 2005-06 to US$ 26.87 billion in 2008-09. Consequently, the share of petroleum products exports in total exports increased from 11.2 per cent in 2005-06 to 15.4 per cent in April-February 2009-10. With ebb in global market and slack in demand, the petroleum products exports witnessed a negative growth of 7.4 per cent during the period 2008-09, to reach a level of US$ 24.1 billion as compared to the corresponding period of the previous year.

India's domestic demand for oil and gas is on the rise. According to the Ministry of Petroleum and Natural Gas, Government of India, demand for oil and gas is likely to increase from 186.54 mn tonnes of oil equivalent (mmtoe) in 2009-10 to 233.58 mmtoe in 2011-12. 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 Eleventh Plan estimates indicate that the domestic demand for petroleum products in the terminal year (2011-12) would be at over 140 mn tonnes. The refining capacity is projected to go up to 240 mn tonnes per annum in the terminal year of the Eleventh Plan, as against the capacity level of around 150 mn tonnes in the beginning of the Eleventh Plan. Such an expansion would lead to a surplus in refining capacity by around 90 mn tonnes, which could be used for catering to export markets. The medium term outlook for refining industry looks positive, due to increased utilization levels and new capacity build-up in the domestic market.

Exim Bank entered into cooperation arrangement with ASHRA - The Israel Export Insurance Corporation for supporting bilateral trade and investment relations. The two organizations would support entrepreneurs from both sides to fund and insure their transactions, thus facilitating and increasing trade flows between the countries.

The Planning Commission's 'Vision 2020' document has further predicted that the growth in demand for petroleum products in India would be driven by the domestic transportation industry. The steady growth in the demand for petroleum products and the policies taken by government to deregulate and decontrol the marketing of these products will help in generating more opportunities for this sector.

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 entertainment. The Government of India has identified electronics hardware manufacturing sector as a key focus area for growth. The National Manufacturing Competitiveness Council was set up by the Government of India to provide a continuing forum for policy dialogue to energise and sustain the growth of manufacturing industries, including electronic hardware, in India.

During 2009-10, total production of electronics in India is estimated to have touched Rs. 1099.40 billion. Communication and broadcast equipment accounted for the largest share (29 per cent), in the total electronics hardware production, followed by consumer electronics (27.4 per cent), computers (13.1 per cent), industrial electronics (12.4 per cent), electronic components (12.2 per cent), and strategic electronics (6.3 per cent). Even in terms of growth, communication and broadcast equipment took the lead registering 18 per cent growth in 2009-10 over the production in 2008-09. As against production, exports of electronics from India fared better, despite recessionary conditions prevailing in the global economy. During 2008-09, India's export of electronics goods aggregated US$ 7.2 billion, posting an impressive growth of 104.6 per cent over the previous year. During the same period the imports of electronic goods amounted to US$ 23.5 billion, posting a growth of 13.6 per cent over the previous year. However during the period April-February 2009-10, the exports of electronic goods aggregated to US$ 5.13 billion posting a negative growth of 22 per cent over the corresponding period in the previous year.

Although, the near-term outlook could be tight, the electronic goods industry has a bright future in India in the longer term. In the short term, there could possibly be a deceleration in domestic demand, due to slowdown in consumer financing, which could hamper the growth of the industry. However, Indian market still holds promise because of the potential market size or volume of electronics consumption. Apart from this, the growing demand for better energy management / conservation, technology orientation for value engineering, and cost cutting strategies would enhance opportunities in new areas, during the long-run.

The growing Indian market for electronic products is over US$ 40 billion and is growing at about 25 per cent per annum. It is projected that the size of electronic products industry in India is expected to be over US$ 150 billion by 2015. The growth in telecom products demand has been overwhelming and India is adding around 2 mn telephone subscribers every month. Penetration levels in other high growth products are equally impressive and growth in demand for computer/IT products, auto electronics, medical, industrial, as well as consumer electronics is equally brisk.

Food Processing

The food processing industry is a dominant segment establishing the vital link between industry and agriculture, one of the largest sectors in the country in terms of production, consumption, and growth. The sector accounts for around 16 per cent of total industrial output and around 6 per cent of the GDP. The size of the industry is currently estimated at US$ 70 billion. At present, the sector employs about 4.4 mn persons directly and about 9 mn persons indirectly.

Despite the global slowdown, processed food exports from India registered a growth of around 40 per cent in the financial year 2008-09, over the previous year, mainly due to higher demand from Asian and African markets. However, during April-September 2009-10, processed food exports have registered a decline by around 17 per cent compared to corresponding period in the previous year. Around 70 per cent of the country's agri and processed food exports are currently to developing countries in the Middle East, Asia, Africa and South America. With the global downturn affecting the profitability of supermarkets in these countries, they are now looking at less-expensive products from countries such as India. According to the industry experts, with the global economy beginning to recuperate, the Indian food market is expected to grow to around US$ 300 billion by 2015 from the present value.

India produces almost every variety of crops. It is one of the leading producers of fresh fruits in the world, second largest producer of vegetables, largest producer of cereal and milk, has the largest share of livestock in the world, third largest in marine landings, fifth in poultry production, and largest producer, consumer and exporter of spices. Despite being the leading producer in most of the farm produce, only 6 per cent of the total farm output is currently being processed, mainly due to low level of investments in the sector, and low share of the organised sector.

The Union Budget 2010-11 has announced various measures for food processing sector, such as setting up of five additional Mega Food Parks, norms for External Commercial Borrowings for cold storage infrastructure, and simplification of duties and taxes on imports of processing and storage equipments, which may help in increasing investor's interest in this sector.

A sharp increase in food prices in the recent periods, due to supply-side bottlenecks in some of the essential commodities, can be a cause of concern for the industry in the short to medium term, as it may have implications on the raw material base for the industry, as also may create pressure on its cost competitiveness.

Policy Environment

Both the Government of India and the Reserve Bank of India (RBI) have acted to protect the economy from the adverse impact of the crisis. On August 27, 2009 , the Ministry of Commerce and Industry announced Foreign Trade Policy (FTP) 2009-14 which include, besides others, addition of 26 new markets under Focus Market Scheme, including 16 new markets in Latin America and 10 in Asia-Oceania; raising of incentive available under Focus Market Scheme (FMS) from 2.5 per cent to 3 per cent and those under Focus Product Scheme (FPS) from 1.25 per cent to 2 per cent; extension of the DEPB scheme till the end of December 2010; extension of the adjustment assistance scheme to provide enhanced Export Credit Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors up to March 2010; expansion of Market Linked Focus Product Scheme (MLFPS) by inclusion of products classified under as many as 153 ITC (HS) Codes at 4 digit level; inclusion of a large number of products from various sectors for benefits under FPS, including engineering products, plastic, jute and sisal products, technical textiles, green technology products and project goods; a common simplified application form has been introduced for taking benefits under FPS, FMS, MLFPS and Vishesh Krishi and Gram Udyog Yogana (VKGUY). The Union Budget for 2010-11 also extended interest subvention of 2 per cent to the labour-intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and SMEs till March 2010.

The accommodative monetary policy stance adopted by the RBI, post-September 2008, in response to the global financial crisis, continued during 2009-10. In October 2009, the RBI announced the first phase of exit from the expansionary monetary policy by discontinuing some sector-specific facilities and restoring the statutory liquidity ratio (SLR) of scheduled commercial banks to the pre-crisis level. In January 2010, the RBI further announced increase in cash reserve ratio (CRR) by 75 basis points from 5.0 per cent to 5.75 per cent in two stages, to 5.5 per cent from February 13, 2010, and further to 5.75 per cent from February 27, 2010, as well as increase in repo rate from 4.75 per cent to 5.00 per cent on March 19, 2010, and reverse repo rate from 3.25 per cent to 3.50 per cent on March 19, 2010. In April 2010, CRR was increased further to 6.0 per cent with effect from April 24, 2010, while repo rate and reverse repo rate were also raised to 5.25 per cent and 3.75 per cent, respectively, effective April 20, 2010.

The broad external commercial borrowing (ECB) policy stance towards liberalization continued during the first half of 2009-10. Policy measures, effective from January 1, 2010, include: allowing NBFCs exclusively involved in financing infrastructure projects to avail of ECBs from the recognized lender category including international banks under the approval route, subject to complying with the prudential standards prescribed by the RBI and the borrowing entities fully hedging their currency risk; and extending of permission granted to corporates engaged in the development of integrated township to avail of ECBs under the approval route until December 31, 2010.

India: Fast Forward

(Major Policy Changes during 2009-10)

Credit Policy

- Cash reserve ratio (CRR) increased in phases, from 5.0 per cent in January 2010 to 5.75 per cent in February 2010, and further to 6.0 per cent in April 2010.
- Repo rate increased from 4.75 per cent in April 2009 to 5.00 in March 2010, and further to 5.25 per cent in April 2010. Reverse repo rate increased from 3.25 per cent in April 2009 to 3.50 in March 2010, and further to 3.75 per cent in April 2010.
- Statutory liquidity ratio (SLR), which was reduced from 25 per cent to 24 per cent of their NDTL with effect from November 8, 2008, restored to 25 per cent from November 7, 2009.

Trade Policy

- Interest subvention of 2 per cent from December 1, 2008 to September 30, 2009 to the labour-intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and SMEs, extended to March 2010.
- Extension of the DEPB scheme till the end of December 2010.
- Adjustment assistance scheme to provide enhanced Export Credit Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors extended up to March 2010.
- Introduction of EPCG at zero duty for engineering and electronic products, basic chemicals, pharmaceuticals, apparels and textiles, plastics, handicrafts, chemicals and allied products and leather and leather products till end-March 2011.
- A large number of products from various sectors such as engineering products, plastic, jute and sisal products, technical textiles, green technology products, project goods, vegetable textiles and certain Electronic items, included for benefits under FPS.
- Raising of incentive available under Focus Market Scheme (FMS) from 2.5 per cent to 3 per cent and those under Focus Product Scheme (FPS) from 1.25 per cent to 2 per cent.

Liquidity Management

- Refinance facility of Rs 50 billion established for the Exim Bank of India on December 15, 2008 extended to March 2010.

ECB Norms

- Allowing NBFCs exclusively involved in financing infrastructure projects to avail of ECBs from the recognized lender category including international banks under the approval route, subject to certain conditions.
- Permission to corporates engaged in the development of integrated township to avail of ECBs under the approval route extended upto December 31, 2010.

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, 2010.

REVIEW OF OPERATIONS

Total borrowings of the Bank at Rs. 405.09 billion as on March 31, 2010, were higher by 9 per cent compared to total borrowings of Rs. 372.02 billion as on March 31, 2009. Loan disbursements during FY 2009-10 were Rs. 332.49 billion as against Rs. 289.33 billion during 2008-09, while loan repayments during FY 2009-10 amounted to Rs. 264.8 billion, as against Rs. 269.21 billion in FY 2008-09. Gross loan assets as on March 31, 2010 were Rs. 393.71 billion, registering an increase of 14 per cent over the previous year. The Bank approved loans aggregating to Rs. 388.43 billion under various lending programmes during FY 2009-10 as against Rs. 336.28 billion during FY 2008-09. During the year, the Bank sanctioned guarantees aggregating Rs. 13.51 billion as against Rs. 16.18 billion in 2008-09. Guarantees issued during 2009-10 amounted to Rs. 12.39 billion as against Rs. 10.32 billion in 2008-09. Guarantees in the books of the Bank as on March 31, 2010 were Rs. 22.74 billion as against Rs. 35.40 billion as on March 31, 2009 and Letters of Credit as on March 31, 2010 amounted to Rs. 8.43 billion as against Rs. 9.39 billion as on March 31, 2009. Rupee loans and advances accounted for 57 per cent of the total loan assets as on March 31, 2010 while the balance 43 per cent were in foreign currency. Short-term loans accounted for 33 per cent of the total loans and advances as on March 31, 2010.

The Bank registered profit before tax of Rs. 7.72 billion on account of General Fund during 2009-10 as against a profit of Rs. 6.10 billion for the year 2008-09. After providing for income tax of Rs. 2.59 billion, profit after tax amounted to Rs. 5.13 billion during 2009-10 as against Rs. 4.77 billion during 2008-09. Out of this profit, an amount of Rs. 2.87 billion is transferred to Reserve Fund. In addition, the Bank has transferred Rs. 0.1 mn to Investment Fluctuation Reserve, Rs. 0.1 mn to Sinking Fund and Rs. 0.56 mn to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961. The balance of Rs.1.5 mn will be transferred to Government of India as provided in the Exim Bank Act.

Profit before tax of the Export Development Fund during 2009-10 was Rs. 29.16 mn as against Rs. 39.69 mn during 2008-09. After providing for tax of Rs. 9.91 mn, the post tax profit amounted to Rs. 19.25 mn as against Rs. 32.82 mn during 2008-09. The profit of Rs. 19.25 mn is carried forward to next year.

A Meeting of the Board of Directors of the Bank in progress at Bank's Head Office in Mumbai

BUSINESS OPERATIONS

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

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

I. PROJECTS, PRODUCTS AND SERVICES EXPORTS

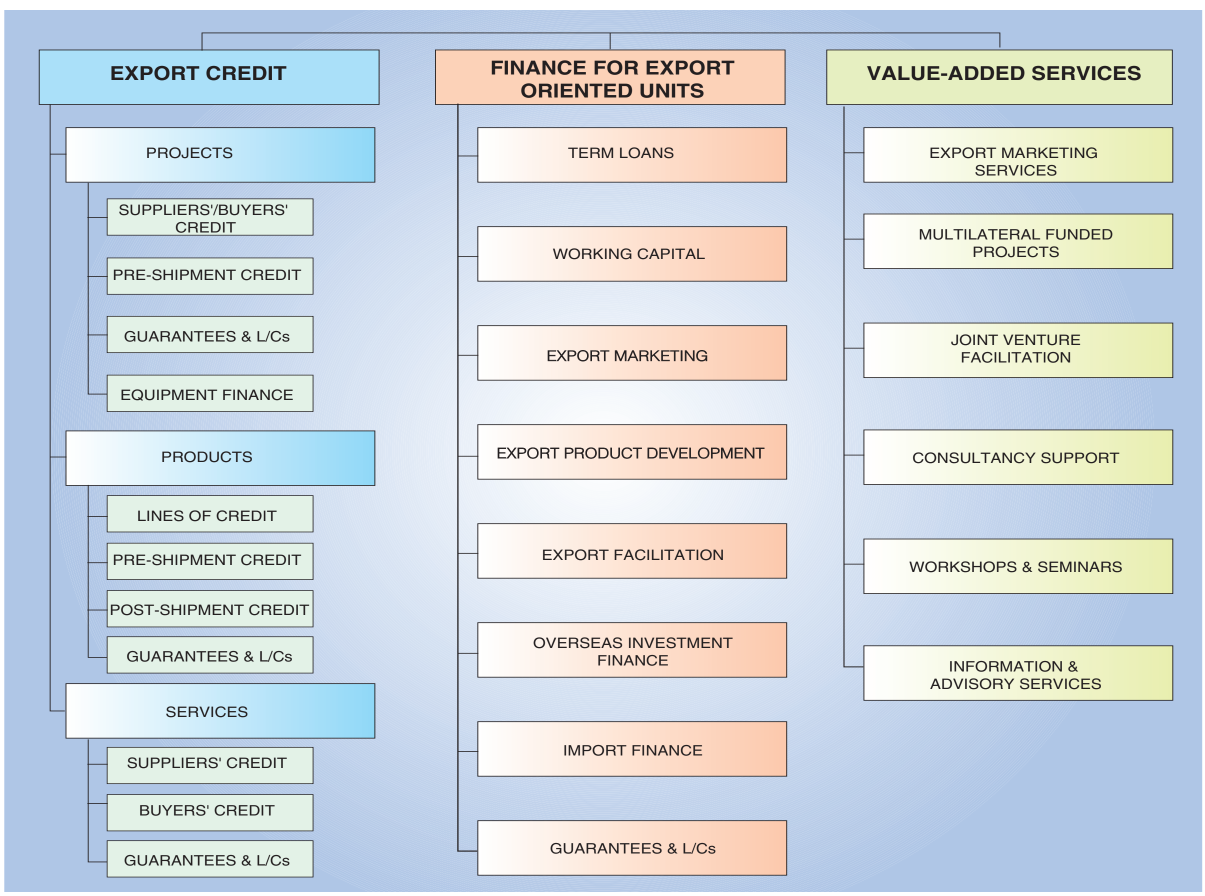
Export Contracts

Exim Bank plays the role of a co-ordinator and facilitator for the promotion of project exports and serves as the focal point of the Working Group[1] on Project Exports. During 2009-10, a total of 1201 contracts amounting to Rs. 183.78 billion covering 95 countries were secured by 129 Indian exporters, as against 1287 contracts worth Rs.284.03 billion covering 104 countries, secured by 144 Indian exporters during 2008-09.

The contracts secured during the year consisted of twenty three turnkey contracts valued at Rs.85.92 billion, fourteen construction contracts valued at Rs. 63.10 billion, 1160 supply contracts valued at Rs. 33.47 billion and four technical consultancy and services contracts valued at Rs.1.29 billion.

Some major turnkey contracts secured during the year included a contract for supply, transportation, civil works, installation, testing and commissioning of 14 new high voltage substations, 9 modifications and 5 cable diversion under Qatar Power Transmission System Expansion Phase IX project in Qatar; a contract secured for design, manufacture, supply, erection, testing and commissioning of 6 generating units and associated auxiliaries including electric overhead travelling (EOT) cranes for 1200 MW Punatsangchhu-1 Hydroelectric project in Bhutan; sub-contract for design, supply, installation, testing and maintenance of electro-mechanical works, plumbing and drainage works under Central Market Redevelopment Project in Abu Dhabi; contract for

Bank's Major Programmes



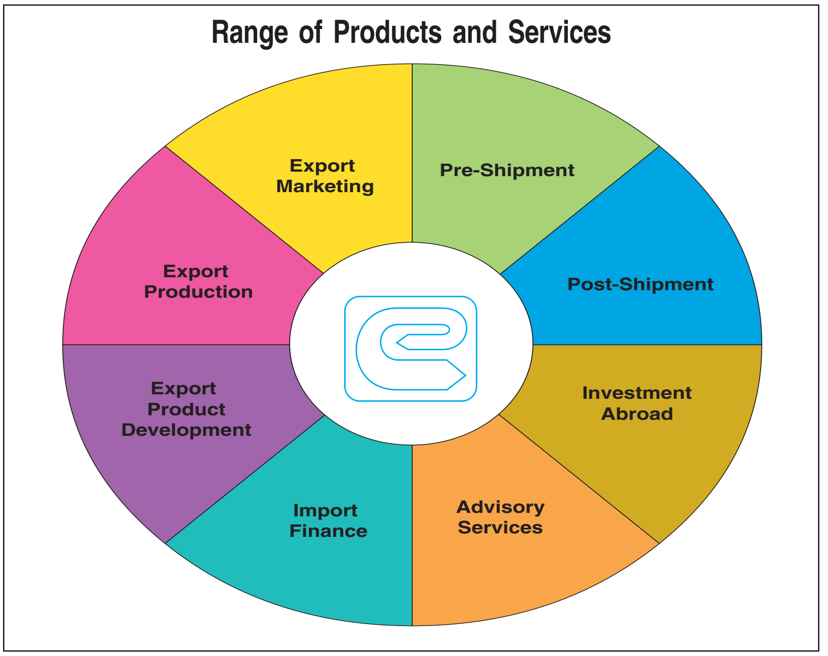
[1] The Working Group is an inter–institutional mechanism consisting of Exim Bank, Reserve Bank of India, Export Credit Guarantee Corporation of India Ltd., Government of India and commercial banks. It functions under the auspices of Exim Bank.

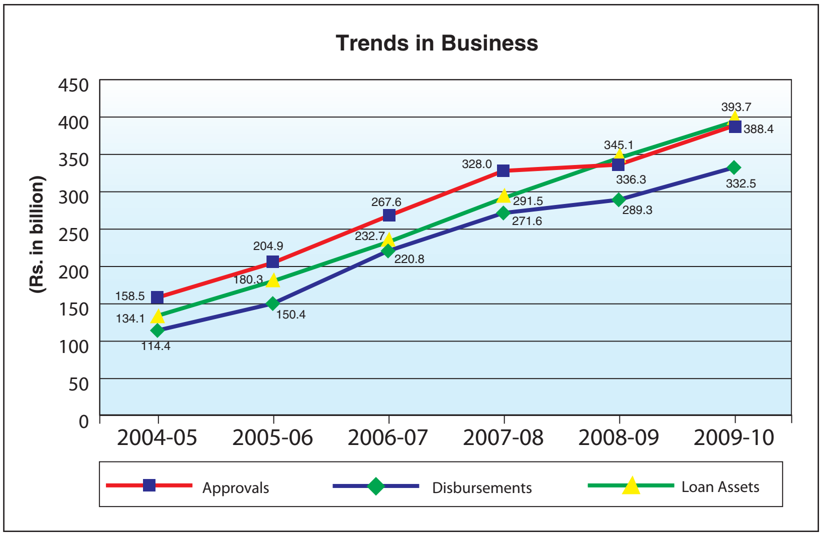
engineering, procurement, installation and commissioning of electrical and telecom utilities for West-end extension for Ras Laffan City in Doha, Qatar; a contract secured for supply, erection and commissioning of 400 KV overhead line connection from Dahid to new 400/132/133 KV Ajman grid station secured from Abu Dhabi Transmission and Dispatch Company, UAE; a contract for design, supply, transportation, civil works, erection, testing and commissioning of 400 KV transmission lines in Tunisia.

Construction contracts included a contract for construction of 2000 housing units, infrastructure, public utilities and external works in Wadi Al Mjinene, Libya; a contract for construction of diversion tunnel, dam, intake and desilting arrangement including hydro-mechanical works, in Bhutan; a contract for engineering procurement, construction and commissioning (EPC) of infrastructure networks viz. water-sewerage-storm, water mains and branch lines, roads and other facilities in Zwara area, Tripoli in Libya; a contract for detailed engineering procurement, construction and commissioning and other associated works of the platform compression facilities project in Thailand.

Supply contracts secured during the year included export of BOPP films, chemicals & dyes, pharmaceuticals, agri processed foods, minerals, textile products including yarn, fabrics and garments to countries like Singapore, UK, Turkey, Malaysia and Brazil. Indian companies also secured contracts for export of products like colour coated steel sheets and coils, cut & polished diamonds, cycles and spare parts, heavy engineering goods, irrigation equipment, magnetic storage media and power transmission cables to countries like Saudi Arabia, Belgium, Egypt, Sri Lanka, USA, Hong Kong, Uganda, Zambia, Kenya and Republic of Yemen.

Technical consultancy and service contracts included a contract for providing engineering services for Liquification and Separation of Gases (LQS), Project Management Consultancy for LNG project for Sonatrach, a Government organisation in Algeria; a contract for consultancy on capacity building in procurement and good governance action plan





implementation for Ministry of Public Works and Transport in Cambodia.

Export Credits and Guarantees

During the year, the Bank approved loans aggregating Rs. 169.93 billion by way of suppliers' credit, buyers' credit, and finance for project exports as against Rs. 147.17 billion during the previous year. Disbursements amounting to Rs. 161.73 billion were made during the year, as compared to Rs. 142.73 billion during the previous year, an increase of 13 per cent.

Guarantees sanctioned and issued during the year amounted to Rs. 13.51 billion and Rs. 12.39 billion respectively, as against Rs. 16.18 billion and Rs. 10.32 billion during the previous year. These guarantees pertain to overseas projects in sectors such as power generation, transmission and distribution, infrastructure development and export obligation guarantees.

Line of Credit Agreement for US$ 15 mn extended by Exim Bank to the Government of Cambodia for financing strengthening of the capacity of transmission line project in Cambodia was signed in Phnom Penh, by Deputy Prime Minister and Minister of Economy and Finance, H.E. Mr. Keat Chhon in the presence of Exim Bank officials and diplomats of the two countries.

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 the 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 and non-recourse mode of financing option available to Indian exporters, especially to small and medium enterprises, and motivates them to enter overseas markets.

During 2009-10, the Bank extended Buyer's Credit facility to 17 overseas companies aggregating Rs. 7.27 billion. Disbursements under Buyer's Credit Programme aggregated Rs. 3.47 billion for exports to countries that include Italy, Singapore, Sri Lanka, South Africa, Thailand, UAE, UK and USA. The products exported under the Buyer's Credit included transport vehicles and auto spare parts, fruits and vegetables, rice, plain and studded jewellery, steel wires and wire rods, pipe machinery, irrigation equipment, plastic products, incense sticks, petrochemicals, pharmaceuticals and readymade garments. Several exporters from small and medium enterprises were beneficiaries under the Buyer's Credit Programme, receiving non-recourse payment.

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 infrastructural projects, equipment, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. LOC is a financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters, especially to small and medium enterprises and serves as an effective market entry tool. Being in an increasingly competitive environment, Exim Bank is proactively seeking to expand geographical reach and volumes under the LOC Programme.

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

During the year, the Bank extended twenty two LOCs, aggregating US$ 753.31 mn, to support export of projects, goods and services from India. LOCs extended by Exim Bank during the year include LOCs to PTA Bank, Africa; Vnesheconombank, Russia; Governments of Benin, Cameroon, Cambodia, Cote d'Ivoire, D.R. Congo, Eritrea, Lesotho, Mali, Mauritania, Mozambique, Rwanda, Sierra Leone, Senegal, Sri Lanka, Suriname, Syria, Tanzania and Zambia. These LOCs will finance and catalyze exports by way of supply of tractors and agricultural equipment, helicopters, pumps, medical equipment and accessories for hospitals and projects for upgradation of railway lines, power generation, transmission lines, rural electrification, potable water infrastructure, rice production, agricultural development, food processing and infrastructure for cyber city, education and vocational training centre. One hundred and thirty six LOCs, covering ninety-four countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US$ 4.5 billion are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation.

II. BUILDING EXPORT COMPETITIVENESS

The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. During 2009-10, Exim Bank sanctioned loans aggregating Rs. 183.34 billion under programmes for enhancing export competitiveness. Disbursements amounted to Rs. 151.30 billion under these programmes.

Loans to Export Oriented Units

During the year, the Bank approved term loans of Rs. 37.93 billion to 48 export oriented units. Disbursements amounted to Rs. 12.45 billion. Under Production Equipment Finance Programme, 16 exporting companies were sanctioned Rs. 4.96 billion for financing acquisition of production equipment. Disbursements amounted to Rs. 2.17 billion. 13 companies were sanctioned long-term working capital loans aggregating Rs. 3.33 billion. Disbursements amounted to Rs. 2.83 billion.

Exim Bank, under its Overseas Investment Finance Programme supported the equity investment of Jellice Pioneer Pvt. Ltd., Singapore, in its subsidiary Jellice Pioneer Europe B. V., Netherlands. Jellice Pioneer Pvt. Ltd. is a joint venture of Pioneer Asia Group, India and Jellice Company Ltd., Japan.

Technology Upgradation Fund Scheme (TUFS)

Exim Bank is one of the nodal agencies appointed by Government of India, Ministry of Textiles, to establish and approve the eligibility of the project under TUFS, and release subsidy directly to the eligible projects. As on March 31, 2010, the Bank has accorded approval for 161 projects with aggregate cost of Rs. 100.41 billion. Loans approved and disbursed aggregate to Rs. 31.52 billion and Rs. 25.04 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 in terms of equity finance, loans, guarantees and advisory services to support Indian outward investment. During the year, 18 corporates were sanctioned funded and non-funded assistance aggregating Rs. 10.54 billion for part financing their overseas investments in 6 countries. Exim Bank has provided finance to 259 ventures set up by over 209 companies in 64 countries so far including Austria, Canada, China, Indonesia, Ireland, Italy, Malaysia, Mauritius, Morocco, Netherlands, Oman, Romania, Singapore, South Africa, Spain, Sri Lanka, UAE and USA. Aggregate assistance extended for overseas investment amounts to Rs.133.83 billion. covering various sectors including pharmaceuticals, home furnishings, readymade garments, construction, paper & paper products, textiles & garments, chemicals & dyes, computer software & IT, engineering goods, natural resources (coal & forests), metal & metal processing and agriculture & agro-based products. Overseas investments supported by Exim Bank during 2009-10 include: acquisition of U.K. based manufacturer of auto components; acquisition of Germany based company engaged in production of dyes and chemicals; acquisition of pharmaceutical companies in USA and in Czech Republic; acquisition of a logistics company in U.K.; part financing a hotel project of an Indian Company in Tajikistan etc.

FINANCE FOR IMPORTS

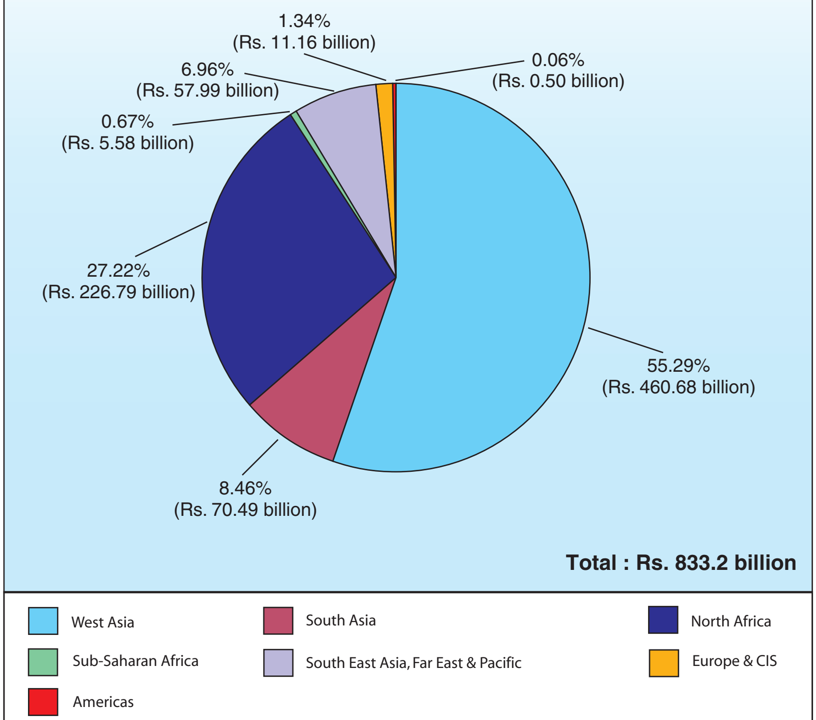
Bulk Import Finance

Under Bulk Import Finance Programme, sanctions and disbursements amounted to Rs. 38.50 billion and Rs. 53.99 billion, respectively.

Import Finance Programme

Under Import Finance Programme, companies were sanctioned term loans aggregating Rs. 6.90 billion. Disbursements amounted to Rs. 0.93 billion.

Project Export Contracts under execution as on March 31, 2010, supported by Exim Bank



Note: As on March 31, 2010, 234 project export contracts valued at Rs. 833.2 billion were under execution in 41 countries by 46 Indian Companies. These cover construction, turnkey and consultancy contracts.

Credit Monitoring Group

A dedicated Loan Recovery Group takes pro-active steps as per the Board approved Loan Monitoring and Recovery Policy for recovery and to prevent slippage of standard assets into non-performing assets. A system of ABC classification of loan accounts (including system for monitoring credit rating migration) is in place, based on Early Warning Signals and monthly review of non-performing assets is done by a separate Committee. An independent Screening Committee comprising a retired Justice and two eminent persons with rich experience in the fields of law and banking has been constituted for examining all One Time Settlement (OTS) proposals and assignments to Asset Reconstruction Companies. The Committee submits its recommendation for consideration by the Board.

III. JOINT VENTURE

The Bank's joint venture, Global Procurement Consultants Ltd. (GPCL), recorded yet another year of profitable operations. The company recorded a consultancy income of Rs. 36.59 mn in 2009-10 with a pre-tax profit of Rs. 11.71 mn. GPCL is a joint venture between Exim Bank and 12 other reputed private and public sector companies with expertise in diverse fields. GPCL provides procurement related advisory and auditing services, primarily for projects funded by multilateral agencies in various developing countries.

IV. NEW INITIATIVES

Opening of Representative Office in Chandigarh

The Bank, during the year, opened its Representative Office in Chandigarh which would serve as a reliable source of finance and consultancy support services for externally oriented companies in the North West region of the country, supporting them in their efforts to become internationally competitive. The Office was inaugurated by Shri Pranab Mukherjee, Hon'ble Union Finance Minister, in the esteemed presence of H.E. Shri Shivraj Patil, Governor Punjab and Administrator UT, Chandigarh, and Shri Pawan Kumar Bansal, Hon'ble Union Minister for Parliamentary Affairs and Water Resources. Exim Bank supports Indian companies in their trade and investment activities, and the opening of the office in Chandigarh would further facilitate the same in the region.

Co-Financing Agreement with African Development Bank

A Memorandum of Understanding (MOU) was signed with the African Development Bank (AfDB) which envisages joint financing of projects in regional member countries of AfDB. The MOU would leverage the resources of both the institutions and enable supporting of larger number of projects, and would mitigate cross-border and payment risks normally associated with project exports. The Bank has a close association with AfDB and the MOU would further strengthen existing relationship between the two institutions in undertaking promotional activities, including exchange of information and publications relating to businesses and investment opportunities, organizing workshops, seminars and symposia.

Corporate Social Responsibility

As part of its endeavours in supporting social causes, Exim Bank supported the under-14 Girls Rugby Team of the Kalinga Institute of Social Sciences (KISS), Bhubaneshwar. The mission of KISS, which provides a combination of formal education with vocational education for more than 7000 tribal children of Orissa, is to bring a paradigm shift from mere schooling to innovative learning for the poorest tribal children from different parts of Orissa, with focus on formal and livelihood education and scope for all-round development. Exim Bank's support to the Rugby Team of KISS encompasses training facilities with associated infrastructure, participation in select tournaments.

Inauguration of Bank's regional office at Chandigarh by Shri Pranab Mukherjee, Hon'ble Union Finance Minister, in the esteemed presence of H.E. Shri Shivraj Patil, Governor Punjab and Administrator UT, Chandigarh, and Shri Pawan Kumar Bansal, Hon'ble Union Minister for Parliamentary Affairs and Water Resources.

The Bank, during the year, also extended support to activities relating to: welfare activities towards assisting visually impaired, poor people; pre-primary education for under-privileged disabled, tribal and slum children; human resource development, healthcare, education, skill upgradation, upliftment of rural poor people in reserved category; and rural women welfare activities.

Programme for SMEs

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

The objective of the programme is to undertake capacity development initiative that promotes economic development (increased employment, investment, trade and economic activity) in Commonwealth member states by providing competitive strategies and policies on SME development to practitioners and policy makers, and to build and develop institutional capacity.

Eurodollar Issue

During the year, the Bank successfully launched its second Reg S bond offering in London during January 2010. The 5-year US$ 300 mn Eurodollar bond received over five times subscription. The success of the issue underlined the confidence in Exim Bank as the sole Indian export credit agency and a quasi-sovereign entity. This was followed in April 2010 by the successful launching of the third Reg S bond offering of a 5-year US$ 200 mn bond which attracted more than US$ 750 mn. The bond issue is one of the ways in which the Bank seeks to leverage its Government of India ownership and strong standalone financials to raise resources through a variety of instruments and a diversified investor base, thereby enabling it to extend financial assistance to Indian exporting companies at competitive rates.

Cooperation Pact with Development Banks of BRIC Countries

Bank, in the recently concluded BRIC (Brazil, Russia, India, China) Summit held in Brasilia, Brazil, entered into a Memorandum of Cooperation with three major development banks of Brazil, Russia and China, viz. Brazilian Development Bank (BNDES), Bank for Development and Foreign Economic Affairs of Russia (Vnesheconombank), and China Development Bank. The cooperation pact, signed in the presence of the Heads of States/Governments of the four BRIC countries, H.E. Dr. Manmohan Singh, Prime Minister of India, H.E. Mr. Lula da Silva, President of Brazil, H.E. Mr. Dmitry Medvedev, President of Russian Federation, and H.E. Mr. Hu Jintao, President of China, seeks to develop cross-border transactions and projects of common interest; strengthen and enhance trade and economic relations between BRIC countries and its enterprises; and finance the investment projects and to work towards economic development of BRIC countries.

Exim Bank and the African Development Bank Group signed a Memorandum of Understanding for co-financing projects in Africa region. The MOU document signed in New Delhi, by Dr. Donald Kaberuka, President, the African Development Bank Group, in the presence of senior officials of Exim Bank and Government of India.

Rural Grassroots Business Initiatives

The Bank has in place a facility to support globalisation of rural industries through its Grassroots Business Initiative. The programme builds upon the Bank's other support programmes and seeks to address the needs of relatively disadvantaged sections of society while creating expanded opportunities for traditional craftspersons and artisans, and rural entrepreneurs of the country. The Bank has consciously sought to establish, nurture and foster various institutional linkages and has entered into formal cooperation arrangements with select broad-based NGOs in order to directly reach out to the artisans by helping in capacity building, quality improvement, market access and training. Under the Memorandum of Cooperation (MOC) signed between the Bank and the Ministry of Panchayati Raj (MOPR), the Bank has been designated as the gateway agency for implementing rural business hubs in Wayanad, Kerala;

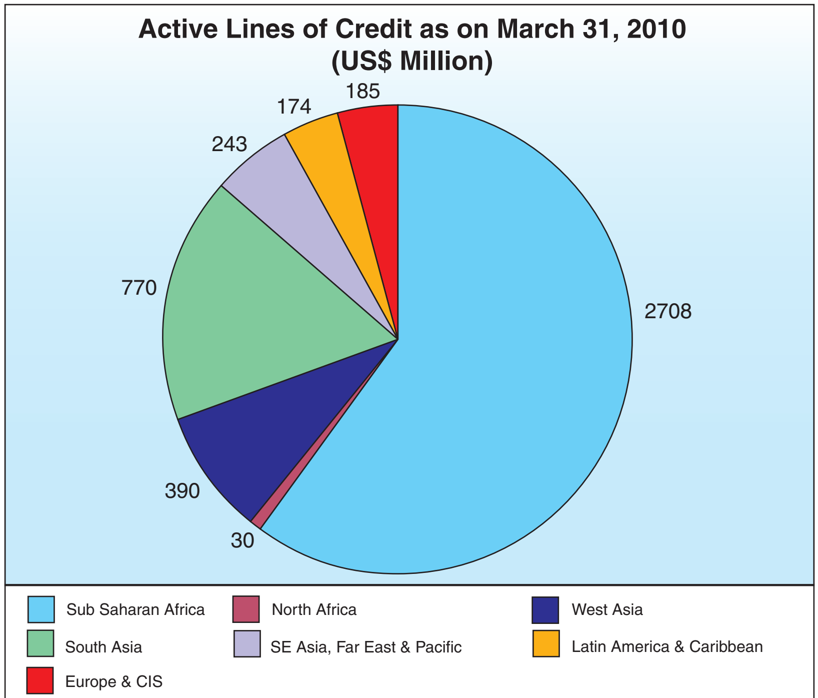
Nagapattinam, Tamil Nadu; and Bastar, Chhattisgarh.

Exim Bank is actively involved in extending export market access support to rural products through innovative export marketing services, effectively utilising its overseas offices and institutional linkages. The Bank has also earmarked funds for setting up a Rural Technology Export Development Fund to promote exports as also to enhance the export-worthiness of rural grassroots innovative technologies from India.

To provide knowledge and information on capacity building and rural upliftment, engaging women workforce, Fair Trade certification and leveraging cooperate brands, a seminar on "Globalisation of Grassroot Enterprises: Role of Corporates & Banks" was organised at Puducherry.

International Rating

As on March 31, 2010 the Bank was rated Baa3 (Stable) by Moody's, BBB- (Stable) by S&P, BBB- (Stable) by Fitch Ratings and BBB+ (Stable) by Japan Credit Rating Agency (JCRA). All the above ratings are of investment grade or above and are the same as the sovereign rating.



Note: 136 Lines of Credit covering 94 countries, with credit commitments aggregating US$ 4.5 billion are available for utilisation as on March 31, 2010.

V. FINANCIAL PERFORMANCE

Resources

During the year, the Bank received capital of Rs. 3 billion from the Government of India. As at March 31, 2010, the Bank's total resources including paid-up capital of Rs. 17 billion and reserves of Rs. 28.32 billion, aggregated to Rs. 450.40 billion. Exim Bank's resource base includes bonds, certificates of deposit, commercial paper, term deposits, term loans and foreign currency deposits/ borrowings/long term swaps. The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' rating from the rating agencies, CRISIL and ICRA. During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 202.66 billion comprising rupee resources of Rs. 130.37 billion and foreign currency resources of US$ 1.61 billion equivalent. Foreign currency resources of US$ 1157 mn equivalent were raised through bilateral/club loans and US$ 454 mn by way of Buy-Sell swaps. As on

Exim Bank, organise a seminar on "Globalisations of Grassroot Enterprises: Role of Corporates & Banks" at Puducherry.

March 31, 2010, the Bank had a pool of foreign currency resources equivalent to US$ 4.16 billion and outstanding Rupee borrowings including bonds/commercial papers/ certificate of deposits of Rs. 245.84 billion. The Bank's rupee term deposits increased from Rs. 9.50 billion as on March 31, 2009 to Rs. 12.96 billion as on March 31, 2010 with the number of depositors exceeding 17800. Market borrowings as on March 31, 2010 constituted 88.4 per cent of the total resources of the Bank.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at Rs. 7.72 billion and Rs. 5.13 billion respectively during the year 2009-10, as compared to the previous year's PBT and PAT of Rs. 6.10 billion and Rs. 4.77 billion, respectively. Business income comprising interest, discount, exchange commission, brokerage and fees during 2009-10 was Rs. 22.22 billion as compared to Rs. 26.56 billion in 2008-09. Investment income, interest on bank deposits etc. during 2009-10 was Rs. 7.66 billion as compared to Rs. 7.93 billion in 2008-09. Interest expenses in 2009-10 at Rs. 20.94 billion was lower by Rs. 3.44 billion mainly due to decline in interest rates. Non-interest expenses (excluding provisions for contingencies) worked out to 4.55 per cent of total expenses (excluding provisions for contingencies) during 2009-10 as against 2.29 per cent during 2008-09. The average cost of borrowings (interest expenditure as a per cent of average borrowings) reduced from 7.08 per cent p.a. during 2008-09 to 5.39 per cent p. a. during 2009-10, mainly due to the lower LIBOR reset on foreign currency borrowings.

Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 18.99 per cent as on March 31, 2010, as compared to 16.77 per cent as on March 31, 2009, as against a minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as on March 31, 2010 was 8.82:1, as compared to 9.47:1 as at March 31, 2009.

Exposure Norms

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

Exim Bank supported Bhartiya Samruddhi Investments and Consulting Services Ltd (BASICS), a leading Micro Finance Institution towards part financing pre shipment credit requirements for execution of export orders received from Shore Bank International, USA, for providing technical assistance service to Papua New Guinea Micro Finance Ltd., under contract with International Finance Corporation (IFC), Washington.

and group borrowers as at March 31, 2010 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 per cent of the Bank's credit exposure to all industry sectors. The Bank's exposure to a single industry sector was not more than 13.64 per cent of its total exposure as at March 31, 2010.

Treasury

The Bank's integrated treasury handles fund management functions including investment of surplus funds, money market and forex operations and securities trading. The Bank has segregated front/ middle/back office functions and has set up a state-of-the-art dealing-room. The range of products offered by the Bank's treasury to its borrowers include foreign exchange deals, collection/negotiation of export documents, issuance of inland/foreign letters of credit/ guarantees, structured loans etc. The Bank uses financial derivative transactions for raising cost effective funds and hedging its balance sheet exposures, with an objective of reducing market risks. The Bank is a member of the Indian Financial Network (INFINET) and has registration authority status from Institute for Development Research in Banking Technology (IDRBT), the certifying authority. The Bank holds a digital certificate to deal through the Negotiated Dealing System – Order Matching segment (NDS-OM) of RBI, which provides the electronic dealing platform for trading in GOI securities. The securities/foreign exchange transactions of the Bank are routed through the Guaranteed Settlement Facility provided by the Clearing Corporation of India Ltd. (CCIL). The Bank is an active member of Collateralised Borrowing & Lending Obligation (CBLO) segment of CCIL. During FY 2009-10, Bank became a member of CROMS (Clearcorp Order Matching System), the Repo Dealing System of CCIL. CROMS is a Straight Through Processing (STP) enabled anonymous Order Matching Platform launched by CCIL during the year for facilitating dealing in market repos in all kinds of Government Securities on T+0/ T+1 basis. CCIL acts as a central counterparty to all CROMS trades and settlements are guaranteed by CCIL. The Bank has already migrated to SWIFTNet Phase 2.

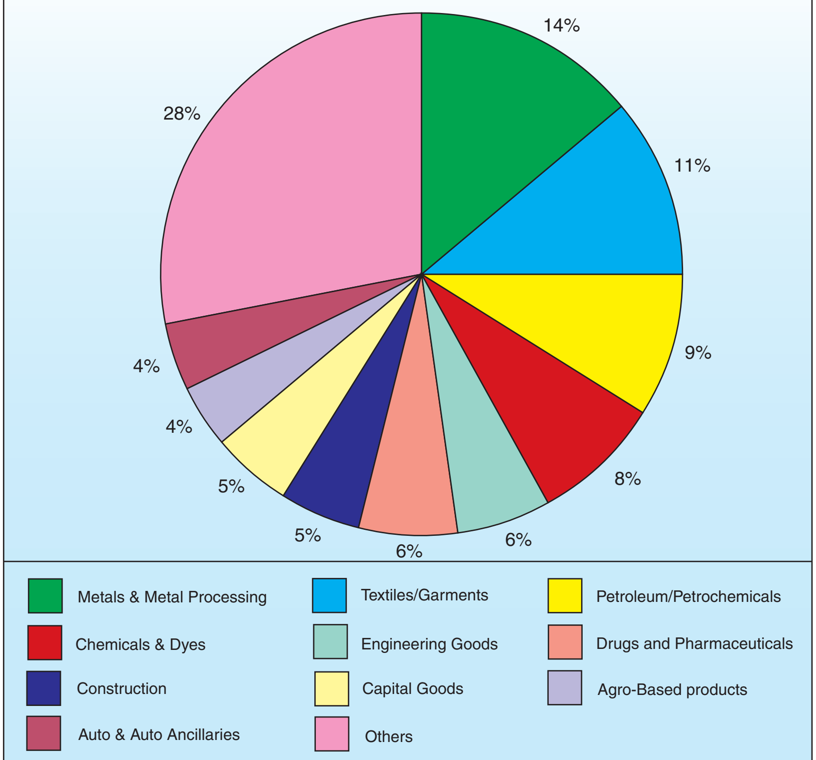
Exim Bank, in collaboration with European Bank for Reconstruction and Development (EBRD), organized a seminar on 'Investment Opportunities in Central and East Europe, and Central Asia', in Mumbai. Mr. Varel Freeman, First Vice President, EBRD, presented an overview of economic and political developments in Central and Eastern Europe, and the Central Asia region.

Asset-Liability Management (ALM)

The Asset-Liability Management Committee (ALCO) of the Bank oversees the monitoring & management of market risk with support from the Bank's mid-office. Liquidity/interest rate risks are managed by ALCO as per the comprehensive ALM / Liquidity policies approved by the Board. The role of ALCO includes, inter-alia, reviewing the Bank's currency-wise structural liquidity and interest-rate sensitivity positions vis-à-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 to interest rate movements, and (b) sensitivity of economic value using duration-gap analysis. Value-at-risk is computed for the Bank's held-for-trading and available-for-sale portfolio of GOI securities. The Funds Management

Committee (FMC) decides on the investments / disinvestments and raising of resources as per the Fund Management / Resources Plan approved by the Board at the beginning of each financial year and reviewed during the year. The Audit Committee & Management Committee of the Board periodically review the functioning of ALCO / FMC.

Sector-wise Exposure as on March 31, 2010



Note:"Others" include computer software, electronics, infrastructure, plastics & packaging, financial services, paper, shipping, consumer goods, jute, ceramics and gems & jewellery.

Risk Management

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

Exim Bank launched successfully its second Reg S bond offering in London. The issue represents Bank's foray in the Reg S markets after its successful Euroyen FRN issue in May 2007. Citigroup and Deutsche Bank acted as Joint Lead Managers and book runners for the offering.

qualitative as well as quantitative parameters/ measures) and superior portfolio management capability. The Bank also undertakes an annual review of the Business Continuity & Disaster Recovery Plans (BCDRPs) of all its offices. Each of the plan is vetted for completeness with regard to critical Business Continuity Risk Events (BCREs) and safeguards in place, for mitigating the impact thereof.

Asset Quality

As per RBI prudential norms for Financial Institutions a credit / loan facility in respect of which interest and / or principal has remained overdue for more than 90 days, is defined as a Non-Performing Asset (NPA). The Bank's gross NPAs at Rs. 4.13 billion worked out to 1.05 per cent of the total loans and advances. The Bank's net NPAs (net of provisions) at Rs. 0.78 billion worked out to 0.20 per cent of its loans and advances (net of provisions) as at March 31, 2010, as compared to 0.23 per cent as at March 31, 2009.

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 1.05 per cent, sub-standard assets worked out to 0.16 per cent, doubtful assets worked out to 0.76 per cent, while loss assets worked out to 0.13 per cent. Out of net NPAs at 0.20 per cent of net loans and advances as at March 31, 2010, sub-standard assets worked out to 0.13 per cent, doubtful assets worked out to 0.07 per cent while loss assets have been fully provided for.

Corporate Governance

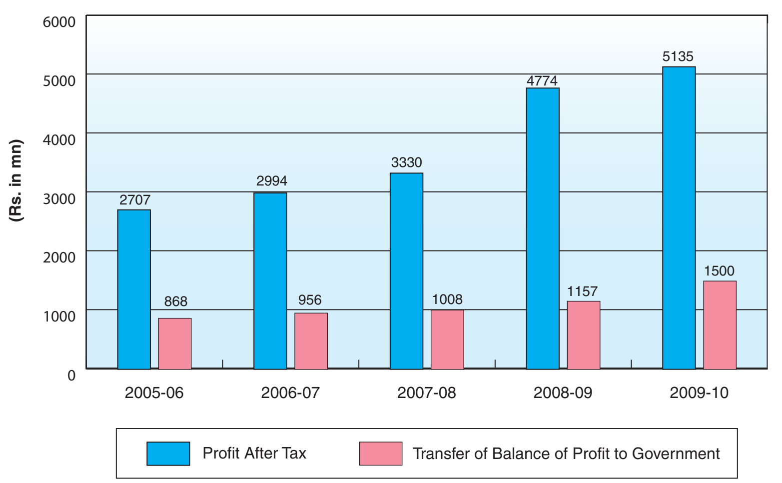
Exim Bank ensures transparency and integrity in communication and makes available full, accurate and clear information to all concerned.

The Bank is committed to and is continuously striving to ensure 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/Management Committee of the Board (MC) periodically for review. 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 report deviation if any to the Audit Committee. The Bank's Board held five meetings during the FY 2009-10 and the MC, six meetings.

Audit Committee

The Bank's Audit Committee (AC) of the Board provides direction to the total audit function of the Bank in order to enhance its effectiveness as a management tool and to follow-up on all issues raised in the statutory/external/internal/concurrent audit reports and RBI inspection reports. The AC meets at least six times in a year. The AC reviews the annual financial statements every year before submission of the same to the Board. AC also periodically reviews the functioning of the Bank's Fund Management Committee and Asset-Liability Management Committee. The Audit Committee met seven times during the FY 2009-10.

Trends in Profit and Transfer of Balance of Profit to Government



KYC, AML and PML measures of the Bank

The Bank has put in place a policy approved by the Board on ‘Know your Customer (KYC), Anti Money Laundering (AML) and Prevention of Money Laundering (PML)’ measures of the Bank. The Policy conforms to RBI guidelines in the matter. The KYC, AML & PML policy covers (a) Customer Acceptance Policy (b) Customer Identification Procedure (c) Monitoring of transactions (d) Risk Management (e) KYC for existing customers. All the customers of the Bank are subjected to minimum KYC standards, which establish the identity of the natural/ legal person and those of the ‘beneficial owners’. The Bank obtains data required for ensuring compliance by its counter party banks with regard to KYC norms through a suitable questionnaire. Exim Bank 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 for KYC, AML and PML measures of the Bank. The KYC & AML Policy is on the Bank’s website.

Fair Practices Code for Lenders

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

VI. INFORMATION AND ADVISORY SERVICES

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

Multilateral Funded Projects Overseas (MFPO)

The 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, African Development Bank, and European Bank for Reconstruction and Development. During the year, the Bank disseminated information on numerous overseas business opportunities to various Indian companies covering various sectors including transportation, construction, telecommunication, energy, infrastructure, education and information technology.

Exim Bank as a Consultant

The 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 to 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 hands-on experience to

Release of Exim Bank’s publication on “Mizoram: Export Potential and Prospects” at the hands of Shri Lalrinliana Sailo, Hon’ble Minister for Trade and Commerce, Government of Mizoram, at the Seminar on “Export Potential of Mizoram” held in Aizawl.

the employees of its institutional partners.

Export Marketing Services

During the year, the Bank provided assistance to Indian companies to enable them establish their products in overseas markets through its Export Marketing Services, starting from identification of prospective business partners to facilitating placement of final orders. The Bank also identifies acquisition/joint venture/distributorship/consultancy opportunities abroad for Indian companies.

The Bank facilitated orders for Indian companies for export of agricultural equipments, pumps and accessories to Senegal. The Bank had served as interface between Indian and Senegalese companies for pursuing prospective business proposals.

Eximius Centre for Learning

During the year, the Bank's Eximius Centre for Learning conducted 28 programmes on a wide range of topics to keep Indian companies abreast of developments in the global market. These included fifteen country/region specific Business Opportunities seminars. Seminars on the British Midlands Region was organised at Coimbatore and Rajkot. Similar seminars were organised at Mumbai, Hyderabad, New Delhi and Chennai on the Kingdom of Bahrain, and at Visakhapatnam and Coimbatore with Invest Victoria, Australia.

Four seminars on Business Opportunities in Asian Development Bank Funded Projects were conducted at Kolkata, New Delhi, Hyderabad and Mumbai. A Seminar on Business Opportunities in African Development Bank Funded Projects was conducted in New Delhi. Seminars focusing on investment opportunities in Central and East Europe and Central Asian region were organised at New Delhi and Mumbai.

An Interactive session was also held in Bangalore in April 2009 with international delegates under training programme of National Institute for Micro, Small & Medium Enterprises (NIMSME),Hyderabad. The Ninth Commonwealth-India Competitiveness Programme on Sustainable MSME Development was organised at Bangalore in June 2009.

For enhancing export skill of MSMEs, the Centre organised seminars on Export Procedure & Documentation at Patna and Jamshedpur. A series of programmes on Institutional Initiatives for MSMEs was conducted in Bangalore, Dehradun, Kanpur and Bhubaneswar. Workshop on SMEs and Globalisation was conducted at Coimbatore. In order to develop a Strategy for Service Exports, programmes were conducted at Bangalore and Mumbai. The Centre conducted a programme on Export Opportunities for Pharma and Herbal Industries at Thiruvananthapuram. Two Seminars on Global Entry Opportunities through E-marketing were conducted in Bangalore.

The Centre organised workshops on Globalisation of Grassroots Enterprises: Role of Corporates and Banks at Puducherry and on Export Credit at Mysore. Seminars based on region-specific Export Potential were conducted at Aizawl and Gangtok. A programme on Promoting Agro Exports from Tamil Nadu was organised in Chennai.

VII. INSTITUTIONAL LINKAGES

The Bank has fostered a network of alliances and institutional linkages with multilateral agencies, export credit agencies, banks and financial

Seminar on "Business Opportunities with Asian Development Bank (ADB)" jointly organised by Exim Bank, Federation of Indian Export Organisations, Consultancy Development Centre, and Builders Association of India, in collaboration with ADB, in Mumbai, to encourage more Indian companies to participate in ADB funded projects overseas.

institutions, trade promotion bodies, and investment promotion boards to help create an enabling environment for supporting trade and investment. Towards this end, the Bank entered into a Memorandum of Understanding (MOU) with the African Development Bank Group, for co-financing projects in Africa Region in November 2009. The MOU seeks to leverage the resources of both the institutions in order to enable support larger number of projects in the countries of Africa Region. The MOU further strengthens the existing relationship between the two institutions in undertaking promotional activities, including exchange of information and publications relating to business and investment opportunities, providing logistic support to officials visiting each other for field survey, organising workshops, seminars and symposia.

The Bank also entered into a Memorandum of Cooperation (MOC) with The Israel Export Insurance Company (ASHRA), for supporting trade and investment between the two countries in September 2009. The cooperation agreement with ASHRA would serve to incubate and scale-up MSMEs in technology oriented sectors, and facilitate promotion of their products which have the potential for exports.

To provide further impetus to promote and facilitate knowledge building, entrepreneurship and capacity creation, the Bank signed an MOC with Rajiv Gandhi Indian Institute of Management, Shillong (IIM-Shillong) in September 2009. IIM-Shillong is the seventh IIM established in July 2008 by Government of India, in consultation with the Chief Ministers of the States in the North East Region (NER), for the purpose of expansion of the facilities for high quality management education and research in the NER. Under the MOC, IIM-Shillong and Exim Bank will collaborate to set up a special library and research centre, viz. the Exim Bank Knowledge Centre.

The 15th annual Meeting of the Asian Exim Banks Forum hosted by Export-Import Bank of Thailand, at Phuket in October 2009, on "Asian Exim Banks' Cooperation in response to Global Financial Crisis". The Annual Meeting was attended by CEOs of nine Asian Exim Banks.

Asian Exim Banks Forum

The 15th Annual Meeting of the Asian Exim Banks Forum (AEBF) was held in Phuket, Thailand in October 2009. The forum had been conceived and initiated by Exim Bank of India in 1996. The theme for the 2009 meeting was "Asian Exim Banks' Cooperation in response to Global Financial Crisis". The meeting provided a platform for member institutions to share the measures undertaken by the respective institutions in response to global financial crisis. The meeting was chaired by Export-Import Bank of Thailand, and co-chaired by Export Finance and Insurance Corporation (EFIC), Australia and Export-Import Bank of Korea. The meeting had representatives at the highest level from the nine member institutions viz. Australia, China, India, Indonesia, Japan, Korea, Malaysia, the Philippines and Thailand, with Asian Development Bank (ADB), the multilateral financing institution, as a permanent invitee.

At the Annual Meeting, interactions and working sessions covered a wide range of topics including an insight into Asian Economic Outlook by ADB; discussion on Asian Exim Banks' strategies in response to the global financial crisis; and, discussion on the role of Asian Exim Banks in light of the call for Asia to be the major force for the recovery from the financial meltdown. The discussions at the 15th Annual Meeting were concluded with the signing of Memorandum of Understanding (MOU) on master agreement to serve as a framework for collaboration among and between members in financing and guaranteeing projects.

Global Network of Exim Banks and Development Financial 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, characterized among others, by the launching of the G-NEXID's website (www.gnexid.org) and annual meetings of the Forum. 'Observer Status' in UNCTAD underscores support for the Forum, while acceptance of the accrued benefit of the Forum by developing countries can be accessed from the fact that the members continued to extend their active participation.

As part of the continuous process of interaction among G-NEXID members, a seminar on 'Global Financial Crisis: Significance of South-South Trade Finance and Cooperation' was organised as a prelude to the Fourth Annual Meeting of the G-NEXID, wherein international experts on this subject shared their perception with the G-NEXID members. As part of its efforts to work closely with Multilateral Financial Institutions, G-NEXID signed a Memorandum of Cooperation (MOC) with the International Finance Corporation. The MOC, which was signed by the two organizations in the presence of Dr. Supachai Panitchpakdi, Secretary-General, UNCTAD, will serve the long-term interests of South-South economies.

Exim Bank, in association with the Confederation of Indian Industry, has instituted an annual award for Business Excellence for best total quality management by an Indian corporate. The Diesel Systems Unit of Bosch Limited, Bangalore, was honored with the Award for the year 2009, at the CII Annual Quality Summit at New Delhi.

In line with ongoing global efforts in creating awareness about environmental sustainability as well as promoting capital investments in environmentally friendly projects, G-NEXID collaborated with Afreximbank to organize a one-day workshop on 'Issues in Environmental and Social Risks Management and Carbon Financing', on November 24, 2009, in Lusaka, Zambia. The workshop highlighted the commercial and scientific reasons for investors, including financial institutions to promote alternative, renewable, environmentally sustainable sources of energy for the global economy.

Award for Excellence

The Bank, in association with CII, has instituted an Annual Award for Business Excellence for best Total Quality Management (TQM) practices adopted by an Indian company. The Award is based on the European Foundation for Quality Management (EFQM) model.

In the past, six companies, Tata Consultancy Services Limited (2006), Tata Motors Limited (Commercial Vehicle Business Unit) (2005), Infosys Technologies Limited (2002), Tata Steel Limited (2000), Maruti Udyog Limited (1998), and Hewlett Packard (India) Limited (1997) were conferred the award.

In 2009, Bosch Limited (Diesel Systems Business), Bangalore, was conferred Award Winner. Tinplate Company of India Ltd. (A Tata Enterprise) received Special

Commendation for 2009.

In 2009, eight large business organisations and four small and medium companies were commended by the jury for significant achievement, and strong commitment to excel, respectively, in their journey towards business excellence. The eight large companies were BHEL (High Pressure Boiler Plant) Tiruchirappalli; BHEL (Heavy Electricals Plant) Bhopal; BHEL (Power Sector) Eastern Region; BHEL, Military Communications SBU; Crompton Greaves Ltd.; Godrej & Boyce Mfg. Co. Ltd. (Locks Division); JSW Steel Ltd.; and Tractors and Farm Equipment Ltd. The four small and medium companies were INDeLOX Services Private Ltd.; NTTF Industries Private Ltd.; Thinksoft Global Services Ltd.; and Venture Infotek Global Private Ltd. The jury also commended 23 large companies and operating units for their strong commitment to TQM.

VIII. INFORMATION TECHNOLOGY

Bank continued its initiatives in business and technology alignment. Focus continued on systems in functional areas besides other areas such as knowledge management, communication across various constituents for better sharing of information, user empowerment and system intelligence capabilities. Bank is a member of INFINET (Indian Financial Network) and digitally participates in the market through industry-wide systems initiated by regulatory and industry institutions such as Reserve Bank of India, Clearing Corporation of India Limited, Credit Information Bureau (India) Ltd. and Society for Worldwide Interbank Financial Telecommunication.

Systems were supported and upgraded in various areas including those of Operational Business Intelligence; Bank-wide system; Document Management and Workflow; Networks and Infrastructure.

Bank's corporate website (www.eximbankindia.in) disseminates information in organized manner on the various research activities conducted in the Bank, business opportunities and leads in international trade. Besides, it features relevant information on the Bank's various lending programmes and information and advisory services.

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

IX. 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 Indian Rupees One Hundred Thousand and a citation. The winner for the year 2009 is Dr. Debasis Mondal, Post Doctoral Fellow, National University of Singapore for his doctoral thesis titled "Innovation, Imitation and North South Trade: Economic Theory and Policy". Dr. Mondal received his doctoral degree from Indian Statistical Institute, Kolkata in 2009.

Release of Bank's publication on "Sikkim: Export Potential and Prospects" at the hands of Dr. Pawan Chamling, Hon'ble Chief Minister, Government of Sikkim, at the inaugural function of the Seminar on "Export Potential of Sikkim" at Gangtok, in the presence of Shri P.D. Rai, Hon'ble Member of Parliament, Sikkim.

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

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. Dr. Supachai Panitchpakdi, Secretary-General, United Nations Conference on Trade and Development (UNCTAD) delivered the Bank's Twenty-Fifth Commencement Day Lecture for the year 2010. Dr. Panitchpakdi spoke on 'Reconstructing Economic Governance: An Agenda for Sustainable Growth and Development'. Dr. Subir Gokarn, Deputy Governor, Reserve Bank of India, presided over the function.

X. HUMAN RESOURCES MANAGEMENT

As on March 31, 2010, the Bank had a total staff of 232 in its services including 184 professional staff, comprising engineers, economists, bankers, chartered accountants, business school graduates, legal and language experts, library and documentation experts and human resources and computer specialists. The professional team is supported by Administrative Officers. The Bank aims at continuous upgradation of skills of its officers. During 2009-10, 112 officers attended training programmes and seminars on a variety of subjects relevant to the Bank's operations. Programmes included credit appraisal and management, working capital management, corporate mergers, treasury management, understanding financial statements, financial modelling, International Financial Reporting Standards, global trade finance and risk management.

XI. PROGRESS IN IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

Bank's efforts for accelerating the use of Hindi for official purposes received recognition from various authorities, as follows:

(i) State Level Bankers' Committee (O.L.), Pune, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, Government of India awarded First Prize to Bank's Head Office for commendable performance in implementing Hindi amongst all Financial Institutions for FY 2008-2009.

(ii) Bank Nagar Rajbhasha Karyanvayan Samiti, Bangalore, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, Government of India awarded First Prize to Exim Bank's Banglore office for commendable performance in implementing Hindi amongst all Financial Institutions for FY 2008-09.

Hon'ble Shri Namo Narain Meena, Minister of State for Finance, Government of India, releasing Exim Bank publication "Indian Gems and Jewellery: A Sector Study" at the inaugural function of the Tenth Commonwealth India Small Business Competitiveness Development Programme, held in Jaipur.

(iii) Rupambara, a Kolkata based literary organisation awarded Millennium Rajbhasha shield to Exim Bank for its publications brought out in Hindi.

During 2009-10, 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 and reports were issued in Hindi. All letters received in Hindi were replied to in Hindi.

In order to impart training in Hindi, Hindi workshops were organised as per targets. A scheme offering incentives aimed at encouraging officers to use Hindi in their day-to-day work is in place in the Bank. During the calendar year 2009, the scheme was revised to make it more attractive by increasing prize amount and number of prizes. Eight officers were given prizes for maximum use of Hindi for Official work.

In pursuance of Government's directives, a Hindi fortnight commencing from September 14, 2009 was celebrated in the Bank. On this occasion, various Hindi competitions were organised for staff members; special issue of Eximius, namely 'Rajbhasha Visheshank' was published. A special Hindi workshop was conducted and an exhibition of Hindi publications was organised.

As required under Annual Programme for FY 2009-10, use of Hindi was promoted by increased use of information technology tools. 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 by staff members was made available on Bank's intranet.

Tractor Assembly Plant in Gambia set up by Mahindra & Mahindra Ltd., Mumbai, financed under Exim Bank's Line of Credit.

Apart from literature on Bank's operations and procedures, all Research Briefs and select Occasional Papers and Working Papers were translated into Hindi. Hindi versions of all the issues of 'Eximius Export Advantage', a quarterly publication of the Bank, were published under the title 'Eximius: Niryaat Laabh'. All the issues of 'Agri Export Advantage', a bi-monthly publication of the Bank, were also published in Hindi under the title 'Krishi Niryaat Laabh'. Bank's in-house magazine 'Eximius' has a Hindi section. Bank's Commencement Day Lecture booklet has also been published in Hindi.

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

Checkpoints are in place to ensure compliance and smooth implementation of the Official Language policy and to achieve targets fixed in the Annual Programme. Official Language Implementation Committees at Bank's Head Office and other offices met at quarterly intervals to monitor the progress made in achieving targets fixed for use of Hindi in the Bank.

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

The Bank, with total staff strength of 232 in its service, as on March 31, 2010, has 26 Scheduled Caste, 19 Scheduled Tribe and 16 Other Backward Class staff members. The Bank provided training in computers and other areas 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. The Bank has also instituted scholarships to the reserved category students at the Kalinga Institute of Industrial Technology (KIIT) University, Orissa.

Exim Bank has been conferred the 2010 "Trade Development Award" by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), in recognition of the Bank's "Lines of Credit (LOC)" Programme, a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters, and serves as an effective market entry tool, and allows receipient countries to import developmental projects on convenient credit terms.

Balance Sheet as at March 31, 2010 and Profit & Loss Account for 2009-10

Turnkey contract for installation, servicing and maintenance of T2 and T3 tower under Central Market Redevelopment Project, Abu Dhabi, being executed by Voltas Limited, Mumbai, assisted under Exim Bank's programme for project exports.

Balance Sheet

as at 31st March, 2010

Liabilities

		Schedules	This year (As at 31.03.2010) Rs.	Previous year (As at 31.03.2009) Rs.
1.	Capital	I	16,999,918,881	13,999,918,881
2.	Reserves	II	28,315,629,973	24,680,933,487
3.	Profit & Loss Account	III	1,500,300,000	1,157,000,000
4.	Notes, Bonds & Debentures		242,893,652,328	215,786,254,779
5.	Bills Payable		—	—
6.	Deposits	IV	29,382,680,792	28,190,875,291
7.	Borrowings	V	132,810,931,842	128,045,705,242
8.	Current Liabilities & Provisions for contingencies		27,584,429,434	26,922,057,452
9.	Other Liabilities		1,958,575,967	3,234,326,152
	Total		**481,446,119,217**	**442,017,017,284**

Contingent Liabilities

		This year Rs.	Previous year Rs.
(i)	Acceptances,Guarantees, endorsements & other obligations	22,735,865,100	35,401,225,800
(ii)	On outstanding forward exchange contracts	2,620,098,700	3,041,619,300
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	61,665,000	68,907,000
(v)	Claims on the Bank not acknowledged as debts	3,199,220,000	3,178,720,000
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	8,713,530,600	9,635,976,100
	Total	**37,330,379,400**	**51,326,448,200**

General Fund

Assets

		Schedules	This year (As at 31.03.2010) Rs.	Previous year (As at 31.03.2009) Rs.
1.	Cash & Bank Balances	VI	30,753,682,353	46,156,869,070
2.	Investments	VII	23,610,173,614	21,609,739,830
3.	Loans & Advances	VIII	386,106,824,649	335,564,461,890
4.	Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	4,250,000,000	6,000,000,000
5.	Fixed Assets	X	907,639,967	884,493,357
6.	Other Assets	XI	35,817,798,634	31,801,507,137
	Total		**481,446,119,217**	**442,017,017,284**

'Notes to Accounts' attached.

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

P.R. Dalal
Executive Director

Smt. Shyamala Gopinath

Shri A.V. Muralidharan

Shri Yogesh Agarwal

Shri O.P.Bhatt
Directors

Shri Alok K.Misra

As per our attached report of even date
For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

(Atul Mehta)
Partner (M. No. 15935)

Mumbai
Dated : April 29, 2010

Profit & Loss Account

for the year ended 31st March, 2010

Expenditure

	Schedules	This Year Rs.	Previous Year Rs.
1. Interest		20,713,239,772	24,138,272,730
2. Credit Insurance, fees and charges		231,698,416	246,249,948
3. Staff Salaries, Allowances etc. and Terminal Benefits		176,241,091	123,024,338
4. Directors' and Committee Members' Fees and Expenses		50,000	30,500
5. Audit Fees		455,000	455,000
6. Rent, Taxes, Electricity and Insurance Premia		76,314,504	71,538,003
7. Communication expenses		20,677,137	17,318,007
8. Legal Expenses		19,428,376	11,923,707
9. Other Expenses	XII	627,018,009	255,040,896
10. Depreciation		77,643,086	91,270,227
11. Provision for loan losses/contingencies depreciation on investments		215,910,102	3,437,201,526
12. Profit carried down		7,724,024,639	6,101,349,347
Total		**29,882,700,132**	**34,493,674,229**
Provision for Income Tax [including Deferred tax debit of Rs. 188,128,153 (previous year - deferred tax credit of Rs. 704,981,398)]		2,589,028,153	2,077,225,602
Balance of profit transferred to Balance Sheet		5,134,996,486	4,774,123,745
		7,724,024,639	**6,851,349,347**

Report of the Auditors

To The President of India

1) We have audited the attached Balance Sheet of General Fund of Export-Import Bank of India ('the Bank') as at 31st March, 2010, and also the Profit and Loss Account of General Fund of the Bank for the year ended on that date and the Cash Flow Statement for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
b. In our opinion, the Balance Sheet and the Profit and Loss Account and the Cash Flow Statement are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed there under;
c. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, read with the notes thereon, is a full and fair Balance Sheet, containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view, in conformity with the accounting principles generally accepted in India, of the state of affairs of the General Fund of the Bank as at 31st March, 2010.

For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

(Atul Mehta)
Partner
M. No. 15935

Place : Mumbai
Dated : April 29, 2010

Income

	Schedules	This Year Rs.	Previous Year Rs.
INCOME			
1. Interest and Discount	XIII	28,560,765,789	31,265,210,395
2. Exchange, Commission, Brokerage and Fees		639,823,936	1,227,259,017
3. Other Income	XIV	682,110,407	2,001,204,817
4. Loss carried to Balance Sheet		—	—
Total		**29,882,700,132**	**34,493,674,229**
Profit brought down		7,724,024,639	6,101,349,347
Excess Income/Interest tax provision of earlier years written back		—	750,000,000
		7,724,024,639	**6,851,349,347**

'Notes to Accounts' attached.

Note:- Previous year figures have been regrouped, wherever necessary

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

P.R. Dalal
Executive Director

Smt. Shyamala Gopinath

Shri A.V. Muralidharan

Shri Yogesh Agarwal

Shri O.P.Bhatt
Directors

Shri Alok K.Misra

As per our attached report of even date
For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

Mumbai
Dated : April 29, 2010

(Atul Mehta)
Partner (M. No. 15935)

Schedules to the Balance Sheet

as at 31st March, 2010

		This Year (As at 31.03.2010)	Previous Year (As at 31.03.2009)
		Rs.	Rs.
Schedule I :	**Capital :**		
	1. Authorised	20,000,000,000	20,000,000,000
	2. Issued and Paid-up : (Wholly subscribed by the Central Government)	16,999,918,881	13,999,918,881
Schedule II :	**Reserves :**		
	1. Reserve Fund	21,611,135,164	18,736,438,678
	2. General Reserve	—	—
	3. Other Reserves :		
	Investment Fluctuation Reserve	1,014,175,745	914,175,745
	Sinking Fund (Lines of Credit)	1,220,319,064	1,120,319,064
	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	4,470,000,000	3,910,000,000
		28,315,629,973	**24,680,933,487**
Schedule III :	**Profit & Loss Account :**		
	1. Balance as per annexed accounts	5,134,996,486	4,774,123,745
	2. Less: Appropriations:		
	— Transferred to Reserve Fund	2,874,696,486	2,867,123,745
	— Transferred to Investment Fluctuation Reserve	100,000,000	100,000,000
	— Transferred to Sinking Fund	100,000,000	100,000,000
	— Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	560,000,000	550,000,000
	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act,1981)	**1,500,300,000**	**1,157,000,000**
Schedule IV :	**Deposits:**		
	(a) In India	29,382,680,792	28,190,875,291
	(b) Outside India	—	—
		29,382,680,792	**28,190,875,291**

		This Year (As at 31.03.2010)	Previous Year (As at 31.03.2009)
		Rs.	Rs.
Schedule V :	**Borrowings :**		
	1. From Reserve Bank of India :		
	(a) Against Trustee Securities	—	—
	(b) Against Bills of Exchange	—	30,000,000,000
	(c) Out of the National Industrial Credit (Long Term Operations) Fund	—	—
	2. From Government of India	13,333,338	26,666,671
	3. From Other Sources :		
	(a) In India	47,499,811,030	25,941,626,352
	(b) Outside India	85,297,787,474	72,077,412,219
		132,810,931,842	**128,045,705,242**
Schedule VI :	**Cash & Bank Balances :**		
	1. Cash in Hand	49,194	123,042
	2. Balance with Reserve Bank of India	1,542,301	1,998,550
	3. Balances with other Banks:		
	(a) In India		
	i) in current accounts	327,305,340	109,595,061
	ii) in other deposit accounts	22,075,800,000	30,885,600,000
	(b) Outside India	8,249,014,277	13,959,881,094
	4. Money at call and short notice / Lending under CBLO	99,971,241	1,199,671,323
		30,753,682,353	**46,156,869,070**
Schedule VII:	**Investments:** *(net of diminution in value, if any)*		
	1. Securities of Central and State Governments	11,371,159,688	7,868,412,950
	2. Equity Shares and Stocks	1,380,158,511	1,400,607,192
	3. Preference Shares and Stocks	155,065,260	288,130,660
	4. Notes,Debentures and Bonds	5,200,476,271	8,056,025,292
	5. Others	5,503,313,884	3,996,563,736
		23,610,173,614	**21,609,739,830**

	This Year (As at 31.03.2010)	Previous Year (As at 31.03.2009)
	Rs.	Rs.
Schedule VIII : Loans & Advances:		
1. Foreign Governments	67,367,385,415	57,626,726,205
2. Banks:		
(a) In India	123,598,700,000	85,002,000,000
(b) Outside India	2,408,124,950	3,269,146,597
3. Financial Institutions:		
(a) In India	—	—
(b) Outside India	6,554,791,264	6,224,230,796
4. Others	186,177,823,020	183,442,358,292
	386,106,824,649	**335,564,461,890**
Schedule IX : Bills of Exchange and Promissory Notes Discounted/Rediscounted:		
(a) In India	4,250,000,000	6,000,000,000
(b) Outside India	—	—
	4,250,000,000	**6,000,000,000**
Schedule X : Fixed Assets : ***(At cost less depreciation)***		
1. Premises	830,258,870	845,510,926
2. Others	77,381,097	38,982,431
	907,639,967	**884,493,357**
Schedule XI : Other Assets :		
1. Accrued interest on		
a) investments / bank balances	3,771,496,538	3,473,680,918
b) loans and advances	1,842,437,391	2,098,286,919
2. Prepaid Insurance premium- paid to Export Credit Guarantee Corpn. of India Ltd.	—	—
3. Deposits with sundry parties	26,080,397	25,450,070
4. Advance Income Tax paid	13,689,069,715	11,294,785,669
5. Others	16,488,714,593	14,909,303,561
	35,817,798,634	**31,801,507,137**

	This Year (As at 31.03.2010)	Previous Year (As at 31.03.2009)
	Rs.	Rs.
Schedule XII : Other Expenses :		
1. Export Promotion Expenses	1,545,719	8,338,732
2. Expenses on and related to Data Processing	14,668,780	5,942,680
3. Repairs and Maintenance	62,306,178	49,116,859
4. Printing and Stationery	13,600,093	11,832,282
5. Others	534,897,239	179,810,343
	627,018,009	**255,040,896**
Schedule XIII : Interest and Discount :		
1. Interest and Discount on loans and advances/bills discounted/rediscounted	21,737,637,895	25,227,131,105
2. Income on Investments/bank balances	6,823,127,894	6,038,079,290
	28,560,765,789	**31,265,210,395**
Schedule XIV : Other Income :		
1. Net Profit on sale/revaluation of investments	669,728,710	1,351,026,318
2. Net Profit on sale of land, buildings and other assets	810,669	912,683
3. Others	11,571,028	649,265,816
	682,110,407	**2,001,204,817**

Note : Deposits under ‘Liabilities’ [ref. Schedule IV (a)] include `on shore’ foreign currency deposits aggregating USD 365.82 mn. (Previous year USD 368.50 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 Rs.1,383.06 crs. (Previous year Rs. 1,475.04 crores) on account of swaps. Investments under `Assets’ [ref. Schedule VII 4.] include bonds aggregating Rs.295.14 crores (Previous year Rs. 307.02 crores) on account of swaps

Balance Sheet

as at 31st March, 2010

Liabilities	This Year (As at 31.03.2010)	Previous Year (As at 31.03.2009)
	Rs.	Rs.
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	94,382,318	84,469,318
5. Profit and Loss Account	270,567,120	251,318,293
Total	**493,257,225**	**464,095,398**

Contingent Liabilities

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

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

Export Development Fund

Assets

	This Year (As at 31.03.2010)	Previous Year (As at 31.03.2009)
	Rs.	Rs.
1. Bank Balances		
a) in current accounts	242,506	242,506
b) in other deposit accounts	393,554,555	362,940,513
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	4,779,143	7,101,215
(b) Advance Income Tax paid	86,175,703	73,648,703
(c) Others	—	11,657,143
Total	**493,257,225**	**464,095,398**

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

P.R. Dalal
Executive Director

Smt. Shyamala Gopinath **Shri Yogesh Agarwal** **Shri Alok K.Misra**

Shri A.V. Muralidharan **Shri O.P.Bhatt**
Directors

As per our attached report of even date
For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

Mumbai
Dated : April 29, 2010

(Atul Mehta)
Partner (M. No. 15935)

Profit & Loss Account

for the year ended 31st March, 2010

Expenditure

		This Year	Previous Year
		Rs.	Rs.
1.	Interest	—	—
2.	Other Expenses	—	—
3.	Profit carried down	29,161,827	39,687,513
	Total	**29,161,827**	**39,687,513**
	Provision for Income Tax	9,913,000	13,490,000
	Balance of profit transferred to Balance Sheet	19,248,827	32,815,513
		29,161,827	**46,305,513**

Report of the Auditors

To The President of India

1) We have audited the attached Balance Sheet of Export Development Fund of Export-Import Bank of India ('the Bank') as at 31st March, 2010, and also the Profit and Loss Account of Export Development Fund of the Bank for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
b. In our opinion, the Balance Sheet and the Profit and Loss Account are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed there under;
c. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, read with the notes thereon, is a full and fair Balance Sheet, containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view, in conformity with the accounting principles generally accepted in India, of the state of affairs of the Export Development Fund of the Bank as at 31st March, 2010.

For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

(Atul Mehta)
Partner
M. No. 15935

Place : Mumbai
Dated : April 29, 2010

Export Development Fund

Income

	This Year	Previous Year
	Rs.	Rs.
1. Interest and Discount		
(a) loans and advances	—	—
(b) investments / bank balances	29,161,827	34,648,370
2. Exchange, Commission, Brokerage and Fees	—	—
3. Other Income	—	5,039,143
4. Loss carried to Balance Sheet	—	—
Total	**29,161,827**	**39,687,513**
Profit brought down	29,161,827	39,687,513
Excess Income/Interest tax provision of earlier years written back	—	6,618,000
	29,161,827	**46,305,513**

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

P.R. Dalal
Executive Director

Smt. Shyamala Gopinath

Shri A.V. Muralidharan

Shri Yogesh Agarwal

Shri O.P.Bhatt
Directors

Shri Alok K.Misra

As per our attached report of even date
For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

(Atul Mehta)
Partner (M. No. 15935)

Mumbai
Dated : April 29, 2010

Cash Flow Statement

for the year ended 31st March, 2010

Particulars	This Year	Amount (Rs. in Mn.) Previous Year
Cash flow from Operating Activities		
Net Profit before tax and extra-ordinary items	7,724.0	6,101.3
Adjustments for—		
— (Profit)/Loss on sale of fixed assets (Net)	(0.8)	(0.9)
— (Profit)/Loss on sale of Investments (Net)	(669.7)	(1,351.0)
— Depreciation	77.6	91.3
— Discount/Expenses on bond issues written off	87.6	162.5
— Transfer from Investment Fluctuation Reserve	—	—
— Provisions/Write Off of Loans/Investments & other provisions	215.9	3,437.2
— Others - to specify	—	—
	7,434.7	8,440.4
Adjustments for		
— Other Assets	(1,897.8)	872.6
— Current liabilities	(3,230.2)	1,375.0
Cash generated from operations	**2,306.7**	**10,688.0**
Payment of income tax/interest tax	(2,394.3)	(2,888.0)
Net cash flow from operating activities	**(87.6)**	**7,800.0**
Cash flow from Investing activities		
— Net purchase of fixed assets	(100.0)	(221.5)
— Net change in investments	(1,330.7)	1,437.3
Net cash used in / raised from Investing activities	**(1,430.7)**	**1,215.8**

General Fund

	This Year	Amount (Rs. in Mn.) Previous Year
Cash Flow from Financing activities		
— Equity capital infusion	3,000.0	3,000.0
— Loans borrowed (net of repayments made)	33,064.4	54,859.6
— Loans lent, bills discounted & rediscounted (net of repayments received)	(48,792.4)	(53,797.9)
— Dividend on equity shares & tax on dividend (Balance of Net profits transferred to Central Government)	(1,157.0)	(1,007.7)
Net cash used in / raised from Financing activities	**(13,884.9)**	**3,054.0**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**(15,403.2)**	**12,069.8**
OPENING CASH & CASH EQUIVALENTS	46,156.9	34,087.1
CLOSING CASH & CASH EQUIVALENTS	30,753.7	46,156.9

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

P.R. Dalal
Executive Director

Smt. Shyamala Gopinath

Shri A.V. Muralidharan

Shri Yogesh Agarwal

Shri O.P.Bhatt
Directors

Shri Alok K.Misra

As per our attached report of even date
For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

Mumbai
Dated : April 29, 2010

(Atul Mehta)
Partner (M. No. 15935)

Notes to Accounts

I Significant Accounting Policies

(i) Financial Statements

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

(ii) Revenue Recognition

Income/Expenditure is recognized on accrual basis except in respect of interest on Non–performing Assets (NPA) and "Stressed Assets", penal interest and commitment charges, 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 and valuation of investments are done in accordance with the norms laid down by RBI to All-India Term Lending Institutions.

(v) Fixed Assets and Depreciation

(a) Fixed Assets are stated at historical cost less accumulated depreciation.

(b) Depreciation is provided for on straight-line method basis over twenty years on owned buildings and over four years on other assets.

(c) In respect of assets acquired during the year, depreciation is provided for the entire year in the year of purchase and in respect of assets sold during the year, no depreciation is provided in the year of sale.

(d) When a depreciable asset is disposed of, discarded, demolished or destroyed, the net surplus or deficiency is adjusted in Profit and Loss Account.

(vi) Accounting for Foreign Currency Transactions

(a) Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end.

(b) Income and expenditure items are translated at the average rates of exchange during the year.

(c) Outstanding foreign exchange contracts are revalued at rates of exchange notified by the FEDAI for specified maturities and the resulting profits/ losses are included in the Profit and Loss account.

(d) Contingent liabilities in respect of guarantees, acceptances, endorsements and other obligations are stated at the rates of exchange notified by FEDAI at year end.

(vii) Guarantees

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

(viii) Provision for Terminal Benefits of Employees

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

(ix) Accounting for taxes on Income

(a) Provision for current tax is made, based on the tax payable under the relevant statute.

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

II Notes to Accounts — General Fund

1. Agency Account

   As Exim Bank is acting only in the capacity of an agency to facilitate certain transactions in Iraq relating to Indian contractors, foreign currency receivables advised to the Bank equivalent to Rs. 30.86 bn. (previous year Rs. 34.86 bn) held on agency account including a sum of Rs.27.88 bn (previous year Rs. 31.50 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 Rs.6.70 bn (previous year Rs. 9.69 bn), yet to be cancelled in books.

   (b) Claims not acknowledged as debts

   The amount of Rs. 3.20 bn (previous year Rs. 3.18 bn) shown under Contingent Liabilities as "Claims on the Bank not acknowledged as debts", pertains to claims/counter-claims filed against the Bank mostly by Bank's defaulting borrowers in response to legal action initiated against them by the Bank. None of the claims / counter-claims is considered as maintainable in the opinion of Bank's solicitors. 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, 2010 have been fully hedged. The Bank undertakes derivatives transactions (Interest Rate Swaps, Forward Rate Agreements and Currency-cum-interest rate swaps), for the purpose of Asset-Liability management as per RBI guidelines issued vide circular Ref. No. MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999 and thereafter. The Bank also unwinds and re-enters such transactions based on requirements/market conditions. The outstanding derivative transactions are captured in the interest rate sensitivity position, which is monitored by the Asset Liability Management Committee (ALCO) and reviewed by the Board. The credit equivalent of derivatives is arrived at as per 'Current Exposure' method prescribed by RBI. The fair value and the price value of a basis point (PV01) of derivatives are disclosed separately in the 'Notes to Accounts' as stipulated by RBI. The premium or discount arising at inception of forward exchange contracts is amortized over the life of the contracts. Any profit or loss arising on cancellation of forward exchange contracts is recognized as income / expense for the year.

   (ii) The Bank is permitted to be a 'market maker' for offering long-dated Foreign Currency - Rupee Swaps to clients / non-clients. The Bank has sought RBI permission for 'market maker' status in respect of rupee derivatives, which is awaited.

   d) Profit / Loss on Exchange fluctuation

   Assets and liabilities denominated in foreign currency are translated at the exchange rate notified by the Foreign Exchange Dealers' Association of India (FEDAI) at year end. Income and expenditure items are translated at the average rates of exchange during the year. The notional loss on such translation of the retained earnings on FC operations during the current year is Rs.0.36 bn (previous year, (gain) Rs. 0.26 bn).

ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA

4. Capital

(a)

Particulars	As on March 31, 2010	As on March 31, 2009
(i) Capital to Risk Assets Ratio (CRAR)	18.99%	16.77%
(ii) Core CRAR	16.94%	14.79%
(iii) Supplementary CRAR	2.05%	1.98%

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

(c) The amount of subordinated debt raised and outstanding as on March 31, 2010 as Tier-II capital: Rs. NIL (previous year: Rs. NIL)

(d) Risk weighted assets –

(Rs. bn)

Particulars	As on March 31, 2010	As on March 31, 2009
(i) 'On' balance sheet items	253.35	246.55
(ii) 'Off' balance sheet items	26.64	31.43

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

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

5. Asset quality and credit concentration as on March 31, 2010

(a) Percentage of net Non-performing Assets (NPAs) to net loans and advances : 0.20 (previous year 0.23)

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

(Rs. bn)

Particulars	As on March 31, 2010		As on March 31, 2009	
	Amount	Percentage	Amount	Percentage
Sub-standard Assets	0.49	0.13	0.21	0.06
Doubtful Assets	0.29	0.07	0.58	0.17
Loss Assets	—	—	—	—
Total	0.78	0.20	0.79	0.23

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

(Rs. bn)

Particulars	2009-10	2008-09
Standard Assets	0.19	3.88
NPAs	0.62	0.76
Investments (other than those in the nature of advance)	0.20	(0.22)
Income Tax	2.59	2.08

(d) Movement in net NPAs :

(Rs. bn)

Particulars	2009-10	2008-09
Net NPAs at the beginning of the year	0.79	0.83
Add : New NPAs during the year	0.49	0.44
Less : Recoveries / upgradations during the year	0.50	0.48
Net NPAs at the end of the year	0.78	0.79

(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)

(Rs. bn)

Particulars	2009-10	2008-09
Opening balance as at the beginning of the year	3.49	3.75
Add : Provisions made during the year	0.62	0.76
Less: Write off / write back of excess provision	0.76	1.02
Closing balance at the end of the year	3.35	3.49

(f) Provisioning Coverage Ratio (PCR)

Particulars	2009-10	2008-09
Provision Coverage Ratio	85.01%	85.32%

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

Concentration of Deposits

(Rs. bn)

Particulars	2009-10	2008-09
Total Deposits of twenty largest depositors	4.90	4.47
Percentage of deposits of twenty largest depositors to Total deposits of the bank	37.80%	47.65%

Concentration of Advances:

(Rs. bn)

Particulars	2009-10	2008-09
Total advances to twenty largest borrowers	66.87	63.62
Percentage of advances to Twenty largest borrowers to Total Advances of the Bank	16.98	18.44

Advances computed as per definition of Credit Exposure including derivatives furnished in RBI Master circular on Exposure Norms DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2009.

Concentration of Exposures

(Rs. bn)

Particulars	2009-10	2008-09
Total Exposures to twenty largest borrowers / customers	97.21	87.35
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers/ customers	14.35	14.48

Exposure computed based on credit and investment exposure as prescribed in RBI Master Circular on Exposure norms: DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2009.

1) Credit exposure to banks and overseas institutions guaranteed by GOI / assumed at the behest of GOI, not considered for single/group borrowers exposure.
2) There was one borrower during FY 2009-10 for whom exposure over 15% of capital funds was assumed with the approval of the Board / Management Committee. Exposure to the borrower as on March 31, 2010 stood at 15.49% of the capital funds of the Bank.

Concentration of NPAs

(Rs. bn)

Particulars	2009-10	2008-09
Total Exposure to top four NPA accounts	1.48	1.81

I. Sector-wise NPAs:

(Rs. bn)

Sr No	Sector	Percentage of NPAs to Total Advances in that sector	
		2009-10	2008-09
1.	Agriculture and allied activites	—	—
2.	Industry (Micro & small, Medium and Large)	2.21*	2.34
3.	Services	—	—
4.	Personal Loans	—	—

* In addition the Bank has Rs. 0.12 bn of NPAs under the Export Lines of Credit (LOCs) amounting to 0.15% of total LOC portfolio.

II. Movement of NPAs:

(Rs. bn)

Particulars	2009-10	2008-09
Gross NPAs as on 1st April (opening Balance)	4.28	4.58
Additions :		
(i) (Fresh NPAs) during the year	0.62	0.65
(ii) Interest funding	0.03	0.03
(iii) Exchange Fluctuation	—	0.07
Sub-Total (A)	0.65	0.75
Less:-		
(i) Up gradations	—	—
(ii) Recoveries (excluding recoveries made from upgraded accounts)	0.75	0.04
(iii) Write-offs	—	0.42
(iv) Exchange fluctuation	0.05	0.59
Sub-total (B)	0.80	1.05
Gross NPAs as on 31st March (closing balance) (A-B)	4.13	4.28

Gross NPAs as per item 2 of Annex to DBOD circular DBOD.BP.BC.No.46/ 21.04.048 /2009-10 dated September 24, 2009

III. Overseas Assets, NPAs and Revenue

(Rs. bn)

Particulars	2009-10	2008-09
Total Assets	—	—
Total NPAs	—	—
Total Revenue	—	—

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 :

(Rs bn)

Sr.	Particulars	2009-10	2008-09
(i)	No. of Accounts	1	0
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	—	—
(iii)	Aggregate consideration	0.62	—
(iv)	Consideration realised in respect of accounts transferred in earlier years	0.11	0.15
(v)	Aggregate gain over net book value	0.62	—

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

(Rs. bn)

Particulars	2009-10	2008-09
Opening balance as at the beginning of the year	0.35	0.29
Additions during the year	0.05	0.06
Reductions during the year	0.00	0.00
Closing balance at the end of the year	0.40	0.35
Total provisions held	0.35	0.30

(j) Provisions for depreciation in investments

(Rs. bn)

Particulars	2009-10	2008-09
Opening balance as at the beginning of the year	1.23	1.45
Add :		
(i) Provisions made during the year / (written back)	0.25	(0.22)
(ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	—	—
Less :		
(i) Write off during the year	(0.18)	—
(ii) Transfer, if any, to Investment Fluctuation Reserve Account	—	—
Closing balance as at the end of the year	1.30	1.23

(k) Particulars of accounts restructured during FY 2009-10

(Rs. bn)

Category	Details	CDR Mechanism	SME Debt Mechanism	Others
Standard Advances restructured	No. of Borrowers	7	7	18
	Amount Outstanding	1.79	0.96	5.60
	Sacrifice (diminution in the fair value)	0.02	0.01	0.01
Sub-Standard Advances restructured	No. of Borrowers	—	—	—
	Amount Outstanding	—	—	—
	Sacrifice (diminution in the fair value)	—	—	—
Doubtful Advances restructured	No. of Borrowers	—	—	3
	Amount Outstanding	—	—	0.72
	Sacrifice (diminution in the fair value)	—	—	—
Total	No. of Borrowers	7	7	21
	Amount Outstanding	1.79	0.96	6.32
	Sacrifice (diminution in the fair value)	0.02	0.01	0.01

Note: Applications for restructuring of loans aggregating Rs 0.33 bn in respect of one borrower is under process as on March 31, 2010

Previous year (Particulars of accounts restructured during FY 2008-09)

(Rs. bn)

Category	Details	CDR	SME Debt	Others
		Mechanism	Mechanism	
Standard Advances restructured	No. of Borrowers	6	5	8
	Amount Outstanding	1.86	0.33	3.81
	Sacrifice (diminution in the fair value)	0.17	—	0.03
Sub-Standard Advances restructured	No. of Borrowers	—	—	—
	Amount Outstanding	—	—	—
	Sacrifice (diminution in the fair value)	—	—	—

Previous year (Particulars of accounts restructured during FY 2008-09)

(Rs. bn)

Category	Details	CDR Mechanism	SME Debt Mechanism	Others
Doubtful Advances restructured	No. of Borrowers	—	—	1
	Amount Outstanding	—	—	0.13
	Sacrifice (diminution in the fair value	—	—	—
Total	No. of Borrowers	6	5	9
	Amount Outstanding	1.86	0.33	3.94
	Sacrifice (diminution in the fair value)	0.17	—	0.03

(l) Credit Exposure:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE) @	Percentage to Total Assets
i) Largest single borrower	15.49	1.07	1.50
ii) Largest borrower group	30.16	2.08	2.92
iii) 10 largest single borrowers	123.77	8.52	11.99
iv) 10 largest borrower groups	149.64	10.30	14.49

* Capital Funds as on March 31, 2009

Previous Year:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE) @	Percentage to Total Assets
i) Largest single borrower	21.11**	1.37	1.86
ii) Largest borrower group	44.47	2.88	3.93
iii) 10 largest single borrowers	132.94	8.61	11.74
iv) 10 largest borrower groups	189.57	12.27	16.75

* Capital Funds as on March 31, 2008

** Owing to depreciation of INR vis-à-vis US$, though the exposure in terms of US$ has declined by US$ 1.65 mn during 2008-09.

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

1) Credit exposure to banks and overseas institutions guaranteed by GOI / assumed at the behest of GOI, not considered for single/group borrowers exposure.
2) There was one borrower during FY 2009-10 for whom exposure over 15% of capital funds was assumed with the approval of the Board / Management Committee. Exposure to the borrower as on March 31, 2010 stood at 15.49% of the capital funds of the Bank.

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

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Textile / Garments	10.71	8.99
ii) Metal & Metal Processing	13.64	11.45
iii) Petroleum / Petrochemicals	9.51	7.98
iv) Chemicals and Dyes	7.72	6.48
v) Engineering Goods	6.43	5.40

Previous Year:

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Textile / Garments	13.07	11.60
ii) Metal & Metal Processing	9.66	8.57
iii) Chemicals & Dyes	8.47	7.51
iv) Drugs and pharmaceuticals	7.46	6.62
v) Engineering Gods	6.82	6.05

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

(Rs. 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	0.05	—	—	0.05	0.05
2	FIs	3.19	2.95	—	0.24	3.19**
3	Banks	0.25	0.15	—	0.10	0.10
4	Private corporates	3.91	3.14	—	3.51	2.70*
5	Subsidiaries / Joint ventures	0.0026	—	—	0.0026	0.0026
6	Others	5.50	—	—	0.0025	0.0025
7	# Provision held towards depreciation	0.67	—	—	—	—
	Total	12.91	6.24	—	3.91	6.04

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

* Out of which Rs.1.96 bn represents investment in security receipts issued by ARCIL and Rs.0.66 bn of investments are in shares/ debentures acquired as part of loan restructuring.

** Out of which Rs.2.95 bn were by way of US$ / INR Swap undertaken with RBI approval.

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

Previous Year:

(Rs. 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	0.05	—	—	0.05	0.05
2	FIs	3.31	3.07	—	0.24	3.31**
3	Banks	0.25	0.15	—	0.10	0.10
4	Private Corporates	6.84	6.03	—	3.99	3.16*
5	Subsidiaries / Joint ventures	0.0026	—	—	0.0026	0.0026
6	Others	3.99	—	—	—	—
7	# Provision held towards depreciation	0.70	—	—	—	—
	Total	14.44	9.25	—	4.38	6.62

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

* Out of which Rs. 2.32 bn represents investment in security receipts issued by ARCIL and Rs. 0.76 bn of investments are in shares/ debentures acquired as part of loan restructuring.

** Out of which Rs. 3.07 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.

6. Liquidity

(a) Maturity pattern of rupee assets and liabilities; and

(b) Maturity pattern of foreign currency assets and liabilities.

(Rs. 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	189.04	116.46	52.90	42.48	34.02	434.90
Foreign currency assets	95.17	63.23	52.23	25.96	38.66	275.25
Total assets	284.21	179.69	105.13	68.44	72.68	710.15
Rupee liabilities	175.09	105.82	34.46	13.49	61.93	390.79
Foreign currency liabilities	94.39	62.99	51.96	25.85	37.80	272.99
Total Liabilities	269.48	168.81	86.42	39.34	99.73	663.78

Previous Year:

(Rs. 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	169.85	68.64	86.03	26.91	32.30	383.73
Foreign currency assets	99.02	61.27	61.83	18.37	53.51	294.00
Total assets	268.87	129.91	147.86	45.28	85.81	677.73
Rupee liabilities	166.03	58.32	63.83	10.01	61.17	359.36
Foreign currency liabilities	97.83	61.00	61.60	18.30	53.15	291.88
Total liabilities	263.86	119.32	125.43	28.31	114.32	651.24

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:

(Rs. bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2010
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	—	—	—

Previous Year:

(Rs. bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2009
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	13.26	2.03	—

7. Disclosure on risk in derivatives in terms of RBI Guidelines dated July 01, 2008

a) Qualitative Disclosure

1. The Bank uses financial derivative transactions predominantly for raising cost-effective funds and hedging its balance sheet exposures, with the objective of reducing market risks. The Bank currently deals only in over-the-counter (OTC) interest rate and currency derivatives, of the type permitted by RBI.

2. Derivative transactions carry (i) market risk i.e. the probable loss that the Bank may incur as a result of adverse movements in interest rates / exchange rates and (ii) credit risk i.e. the probable loss the Bank may incur if the counter-parties fail to meet their obligations. The Bank has in place a Derivative Policy approved by the Board, which aims at synchronizing the risk management objectives at the transaction level and in the overall ALM position. The policy defines the use of permitted derivative products consistent with business goals of the Bank, lays down the control and monitoring systems and deals with regulatory, documentation and accounting issues. The policy also prescribes suitable risk parameters to control and manage market risk on derivative trades undertaken in the treasury book. (stop-loss limits, open position limits, tenor limits, settlement and pre-settlement risk limits, PV01 limits).
3. The ALCO of the Bank oversees management of market risks with support from the Bank's Mid-Office, which measures, monitors and reports market risk associated with derivative transactions.
4. All derivative transactions outstanding in the Bank's books as on March 31, 2010 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

(Rs. bn)

Sr. No.	Particulars	2009-10		2008-09	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)				
	a) For hedging	93.95	25.41	110.86	18.47
	b) For trading	—	—	—	—
2	Marked to Market Positions				
	a) Asset (+)	15.69	0.10	11.01	0.23
	b) Liability (-)	—	—	—	—
3	Credit Exposure	19.22	0.23	16.90	0.27
4	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	0.74	0.95	1.00	0.16
	b) on trading derivatives	—	—	—	—
5	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging				
	(i) Maximum	1.01	0.99	1.02	0.29
	(ii) Minimum	0.74	0.11	0.84	0.16
	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, 2010 (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

(Rs. bn)

Sr. No.	Particulars	2009-10		2008-09	
		Hedging	Trading	Hedging	Trading
1.	The Notional Principal of swap agreements	25.4056	—	18.4744	—
2.	Losses, which would be incurred if counter parties failed to fulfill their obligations under the agreements	0.0761	—	0.0156	—
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	0.0957	—	0.2336	—

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.

8. Operating results

Sr. No.	Particulars	2009-10	2008-09
(i)	Interest income as a percentage to average working funds	8.37	7.75
(ii)	Non-interest income as a percentage to average working funds	0.80	0.80
(iii)	Operating profit as a percentage to average working funds	1.75	2.36
(iv)	Return on average assets	1.13	1.18
(v)	Net Profit per (permanent) employee (in Rs. Mn.)	22.13	20.58

- 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.

9. Details of Fixed Assets

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

(Rs. bn)

Particulars	Premises	Others	Total
Gross Block			
Cost as on 31st March 2009	1.30	0.41	1.71
Additions	0.02	0.08	0.10
Disposals	0.00	0.02	0.02
Cost as on 31st March 2010 (A)	1.32	0.47	1.79
Depreciation			
Accumulated as on 31st March 2009	0.45	0.37	0.82
Provided during the year	0.06	0.04	0.10
Eliminated on Disposals	0.02	0.01	0.03
Accumulated as on 31st March 2010 (B)	0.49	0.40	0.89
Net Block (A-B)	0.83	0.07	0.90

Previous Year :

(Rs. bn)

Particulars	Premises	Others	Total
Gross Block			
Cost as on 31st March 2008	1.11	0.39	1.50
Addition	0.19	0.03	0.22
Disposals	0.00	0.01	0.01
Cost as on 31st March 2009 (A)	1.30	0.41	1.71
Depreciation			
Accumulated as on 31st March 2008	0.39	0.35	0.74
Provided during the year	0.06	0.03	0.09
Eliminated on Disposals	0.00	0.01	0.01
Accumulated as on 31st March 2009 (B)	0.45	0.37	0.82
Net Block (A-B)	0.85	0.04	0.89

10. 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.

11. Segment Reporting

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

12. Related party disclosures

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

- Relationship

 (i) Joint Ventures :

  - Global Procurement Consultants Limited

 (ii) Key Management Personnel :

  - Shri T. C. Venkat Subramanian, (Chairman of GPCL) (upto 24th June 2009)

  - Shri.N. Shankar (Nominee Director of EXIM Bank) (from 25th June 2009)

- The Banks' related party balances and transactions are summarised as follows :

(Rs. mn)

Particulars	Joint Venture 2009-10	Joint Venture 2008-09
Loans granted	—	—
Guarantees issued	1.69	3.36
Interest received	—	—
Guarantee commission received	0.01	0.02
Receipts towards services rendered	—	—
Term Deposit Accepted	5.07	7.06
Interest on Term Deposits	0.30	0.45
Amounts written-off / written-back	—	—

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

Guarantees outstanding at year-end : Rs. 2.20 mn. (previous year Rs.4.24 mn).

Investments outstanding at year end: Rs. 2.60 mn. (previous year Rs. 2.60 mn)

Maximum Loan outstanding during the year : NIL (previous year Rs. NIL mn).

Maximum Guarantees outstanding during the year : Rs. 5.66 mn (previous year Rs. 4.24 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).

13. Accounting for Taxes on Income

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

	(Rs.mn.)
(i) Tax on Income	2400.95
(iii) Add : Net deferred tax Asset	188.12
	2589.07

(b) Deferred Tax Asset: :

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

Particulars	(Rs.mn.) Year ended March 31, 2010
Deferred Tax Assets	
1. Provision Disallowed (Net)	1823.70
2. Depreciation on Fixed Assets	27.35
	1851.05
Less : Deferred Tax Liability	
1. Amortization of Bond issue expenses	101.65
2. Special Reserve created under section 36 (1) (viii)	1441.88
	1543.53
Net Deferred Tax Assets [included in 'Other Assets' in the 'Assets' side of the Balance Sheet]	307.52

14. Financial Reporting of Interest in Joint Ventures

I.

Jointly Controlled Entity	Country	Percentage of holding	
		Current Year	Previous Year
Global Procurement Consultants Limited	India	26%	26%

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

(Rs. mn)

Liabilities	2009-10	2008-09	Assets	2009-10	2008-09
Capital & Reserves	11.75	10.46	Fixed Assets	0.31	0.28
Loans	0.00	0.00	Investments	6.10	4.87
Other Liabilities	0.85	4.91	Other Assets	6.19	10.22
Total	12.60	15.37	Total	12.60	15.37

Contingent Liabilities: NIL (Previous year NIL)

(Rs. mn)

Expenses	2009-10	2008-09	Income	2009-10	2008-09
Other Expenses	7.23	6.77	Consultancy Income	9.51	8.78
Provisions	0.99	1.22	Interest income & Income from investment	0.77	0.88
			Other Income	0.00	0.01
			Deferred Tax Liability Written back	0.00	0.00
Total	8.22	7.99	Total	10.28	9.67

15. Impairment of Assets

A substantial portion of the Bank's assets comprise of 'financial assets' to which Accounting Standard 28 "Impairment of Assets" is not applicable. In the opinion of the Bank, there is no impairment of its assets (to which the standard applies) as at March 31, 2010 requiring recognition in terms of the said standard.

16. 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

(Rs. mn)

Particulars	Pension Fund	Gratuity
Present Value of Funded Obligations	171.21	34.90
Fair Value of Plan Assets	161.88	37.65
Present Value of Unfunded Obligations	—	—
Unrecognized Past Service Cost	—	—
Amount not recognized as an Asset	—	—
Net Liability	9.33	(2.75)

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

(Rs. mn)

Particulars	Pension Fund	Gratuity
Current Service Cost	11.03	3.71
Interest on Defined Benefit Obligation	12.69	3.09
Expected Return on Plan Assets	(10.36)	(2.69)
Net Actuarial Losses / (Gains) recognized in year	(13.49)	(5.87)
Past Service Cost - Non – vested Benefit Fund	—	—
Past Service Cost – Vested Benefit – Recognized	—	—
Total, included in "Employee Benefit Expense"	(0.12)	(1.77)
Contributions by Employer	3.92	—

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.)	8.00%	8.00%
Salary Escalation Rate (p.a.)	8.00%	8.00%

In addition to the above, for the year 2009-2010 the Bank has made provision for increase in the present value of funded obligations in its balance sheet as per Actuarial valuation of Rs. 26.74 mn for Leave encashment and accordingly the aggregate amount of Defined Benefit Obligation of Leave Encashment works out to Rs.1.2 mn.

During the year, an amount of Rs.1.61 mn has been contributed towards Provident Fund for the benefit of the employees.

17. Previous year's figures have been regrouped, wherever necessary.

For and on behalf of the Board

N. Shankar
Executive Director

T.C.A. Ranganathan
Chairman & Managing Director

P.R. Dalal
Executive Director

Smt. Shyamala Gopinath **Shri Yogesh Agarwal** **Shri Alok K.Misra**

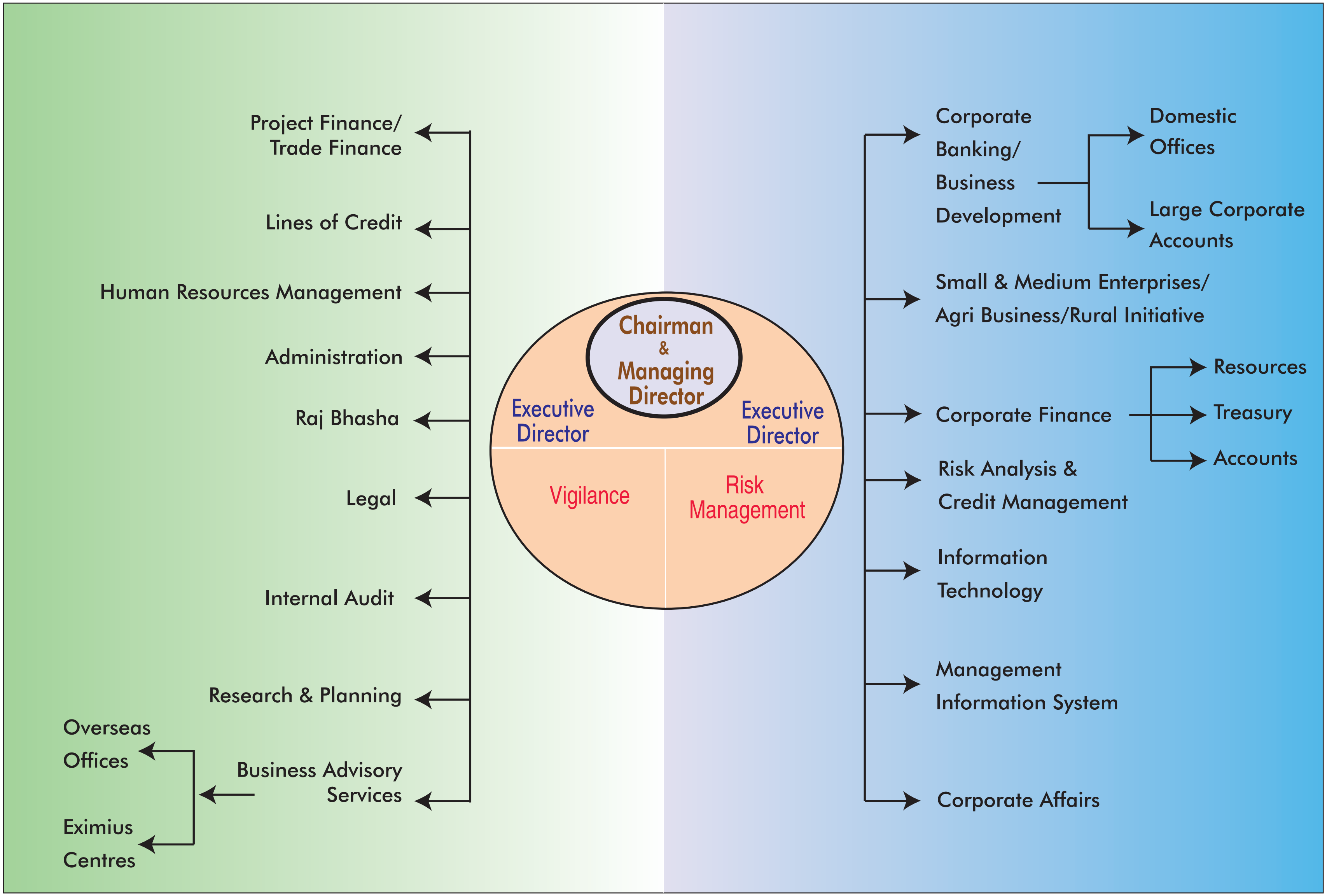
Shri A.V. Muralidharan **Shri O.P.Bhatt**
Directors

As per our attached report of even date
For Batliboi & Purohit
Chartered Accountants
Firm Reg. No. 101048W

Mumbai
Dated : April 29, 2010

(Atul Mehta)
Partner (M. No. 15935)

Organisation Chart



Exim Bank's Key Resource: Its Human Capital

Management Team

Sitting from left:
David Rasquinha, Chief General Manager
K. Muthukumaran, Chief General Manager
Sunil Trikha, Chief General Manager
N. Shankar, Executive Director
T. C. A. Ranganathan, Chairman & Managing Director
Prabhakar Dalal, Executive Director
R.W. Khanna, Chief General Manager
John Mathew, Chief General Manager
C. P. Ravindranath, Chief General Manager

Standing from left:
Nadeem Panjetan, General Manager
Samuel Joseph, General Manager
T. V. Rao, General Manager
David Sinate, General Manager
Daya Chandrahas, General Manager
Sunita Sindwani, General Manager
Sangeeta Sharma, General Manager
Mukul Sarkar, General Manager
S. Srinivas, General Manager
Prahalathan S. Iyer, General Manager

Regional Heads

Indian Offices

Ahmedabad
Vivek Agrawal

Bangalore
Ravidas Pyage

Chandigarh
Sanjeev Pawar

Chennai
T. D. Sivakumar

Guwahati
Shonly Litting

Hyderabad
M. Srinivasa Rao

Kolkata
Saumar Sonowal

Mumbai
Nirmit Ved

New Delhi
Sriram Subramaniam

Pune
Lokesh Kumar

Overseas Offices

Dakar
O'Neil Rane

Dubai
Rikesh Chand

Durban
Vinod Goel

London
Gaurav Bhandari

Singapore
Deepali Agrawal

Washington D. C.
Tarun Sharma

The Exim Bank aims to promote India's international trade. The Logo reflects this.The Logo has a two-way significance. The import arrow is thinner than the export arrow. It also reflects the aim of value addition to exports.

Objectives

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

: The Export-Import Bank of India Act, 1981.

EXPORT-IMPORT BANK OF INDIA

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