Emerging Economies: Driving Global Growth and Trade

The global economy has recently witnessed moderation in growth and trade, marked with increased volatility in equity markets, commodity prices and exchange rates, and uncertainties in the financial markets. The global GDP is estimated to have slowed down to 4.9 per cent in 2007 from 5 per cent in 2006. While the slowdown in global growth was mostly attributable to weaker growth in high-income countries, strong performance of emerging market economies has, to a large extent, offset the possible global impact of slowdown in the U.S. domestic demand. In fact, the past trend has shown that growth of global economy has been largely driven by sustained high rate of real GDP growth of emerging market economies such as China and India. Although there were signs of slowing activity in some emerging and developing economies in the latter part of 2007, for the year as a whole growth remained a robust 7.9 per cent, even faster than the rapid pace achieved in 2006. Moreover, as in recent years, the strong growth has been maintained across all regions, including Africa. This sustained growth, in part, indicates that emerging market economies are increasingly becoming self-reliant and thereby reducing their dependency on developed economies as a means to achieve sustained economic growth. In spite of significant increase in their openness to the global world, emerging economies have considerably reduced their vulnerability to adverse financial developments. With significant decline in external debt, healthy improvements in foreign currency reserves and stronger domestic consumption, emerging economies have become far more resilient. This has been enabled by the shift towards greater domestic demand-led growth and reduction of their traditional reliance on exports to the developed countries. This has enabled them not only to withstand a moderation in demand from the developed world resulting from their domestic slowdown, but also to take the global economy on a higher growth trajectory.

The deceleration in the global economy is also reflected in a moderation in growth in world trade to 5.5 per cent as against 8.5 per cent in 2006. Developing economies, however, maintained their growth with their share in world merchandise trade reaching a new record level of 34 per cent in 2007. These economies are expected to record faster growth in imports than exports, resulting in their share increasing to one half of global import growth in 2008. Further, the share of trade between the emerging and developing economies themselves has increased, neutralising the risks owing to economic slowdown in advanced economies. India has been at the vanguard of this resilient performance of emerging economies. In fact, of the 30 largest exporters, India was the fourth fastest in terms of export growth, thereby improving its rank from 28th in 2006 to 26th in 2007 (1.04 per cent share in global merchandise exports). This optimism is reflected in the Annual Supplement to the Foreign Trade Policy which has set a target of achieving a 5 per cent share of world trade in both goods and services by the year 2020.

Set against this backdrop, there are immense opportunities for Exim Bank to play its part in realizing the target set by the Foreign Trade Policy. Providing a comprehensive range of products and services to Indian companies in their internationalisation efforts has been at the core of Exim Bank's endeavour. The pioneering and pivotal role that the Bank plays in financing, facilitating and promoting India's project exports, overseas investment by Indian corporates for acquisitions or greenfield ventures abroad, extending Lines of Credit to other developing countries to promote South-South cooperation, providing financial and business advisory support to externally-oriented Indian firms, among others, are manifestations of the Bank's endeavours in this direction.

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Board of Directors

Shri T.C. Venkat Subramanian
Chairman & Managing Director
Export-Import Bank of India

Dr. Arvind Virmani
Chief Economic Adviser
Ministry of Finance

Shri G. K. Pillai
Secretary
Department of Commerce
Ministry of Commerce & Industry

Shri Ajay Shankar
Secretary
Department of Industrial
Policy & Promotion
Ministry of Commerce & Industry

Shri N. Ravi
Secretary (East)
Ministry of External Affairs

Shri Rakesh Singh
Joint Secretary (IF)
Department of Financial Services
Ministry of Finance
(upto May 27, 2008)

Smt. Ravneet Kaur
Joint Secretary
Department of Financial Services
Ministry of Finance
(from June 11, 2008)

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. B. N. Rao
Chairman & Managing Director
Canara Bank

Dr. K. C. Chakrabarty
Chairman & Managing Director
Punjab National Bank

Shri S. P. Oswal
Chairman
Vardhman Group
Ludhiana
(upto April 27, 2008)

Shri A. Vellayan
Chairman
EID Parry (India) Ltd.
Chennai
(upto April 27, 2008)

Smt. Kiran Mazumdar-Shaw
Chairman & Managing Director
Biocon Ltd.
Bangalore
(upto April 27, 2008)

The Past Decade

(Rs. in mn)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Cumulative (1998-2008)	Growth (CAGR)
LOANS												
Approvals	18380	28318	21743	42407	78283	92657	158535	204887	267622	328045	1240877	38%
Disbursements	12707	17296	18964	34529	53203	69575	114352	150389	220760	271587	963362	41%
Loan Assets [1]	42641	50833	56443	68260	87736	107751	129104	175931	228862	287767		24%
GUARANTEES												
Approvals	2633	4404	2118	5450	9328	10792	15887	43264	49978	21994	165848	27%
Issuance	2474	3017	1741	4164	7275	5743	16602	21959	16972	20386	100333	26%
Guarantee Portfolio	10553	11147	10740	11273	16133	15769	23727	34023	35360	34556		14%
RESOURCES												
Paid-up Capital	5000	5500	5500	6500	6500	6500	8500	9500	10000	11000		
Reserves	8352	9584	10664	12026	13171	14933	16625	17703	18741	21064		
Notes, Bonds & Debentures	12850	20944	22915	33158	64902	76701	98972	126727	154230	179273		
Deposits [2]	104	2617	2797	3416	9121	20922	82	454	702	2839		
Other Borrowings	21285	20354	20255	16619	16467	21583	21064	32909	61684	111149		
Total Resources	56665	70264	73981	82734	123189	155192	156922	201401	262439	349397		
PERFORMANCE												
Profit Before Tax (PBT)	2400	2273	2047	2212	2686	3042	3144	3769	3909	5334	30816	
Profit After Tax	1650	1651	1541	1712	2066	2292	2579	2707	2994	3330	22522	
Balance of Net Profits transferred/transferable to Central Government	330	350	380	420	450	470	654	868	956	1008	5886	
Staff (Numbers) [3]	147	150	154	163	167	190	193	200	212	222		
RATIOS												
Capital to Risk Assets Ratio (%)	26.6	24.4	23.8	33.1	26.9	23.5	21.6	18.4	16.4	15.1		
PBT to Capital (%)	48.0	43.3	37.2	36.9	41.3	46.8	41.9	41.9	40.1	50.8		
PBT to Net Worth (%)	18.9	16.0	13.1	12.8	14.1	14.2	13.5	14.4	14.0	17.5		
PBT to Assets (%)	4.4	3.6	2.8	2.8	2.6	2.2	2.0	2.1	1.7	1.7		
PBT per Employee (Rs. mn)	17.0	15.3	13.5	14.0	16.3	17.0	16.4	19.2	19.0	24.6		

[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 effective 2004-05

[3] Denotes number of employees in the service of Exim Bank

Note: Data pertain to General Fund

Chairman's Statement

The Indian economy has continued to register robust performance, with real GDP growth for 2007-08 estimated at 9 per cent, the global economic slowdown notwithstanding. On the external front, while the share of India in global merchandise exports has surpassed 1 per cent, the country continued its impressive performance in the global exports of commercial services with a share of 2.7 per cent. This optimism has also been reflected in the Foreign Trade Policy which has set a target of achieving a 5 per cent share of world trade in both goods and services by the year 2020. Enhancement of international competitiveness and broadening and deepening of sectoral and geographical reach have underpinned India's buoyant external sector performance.

As the country's premier export finance institution, and in line with the Government of India's foreign trade policy coupled with the increasingly competitive global environment, Exim Bank proactively endeavours to enhance the competitive edge of Indian companies in their internationalisation efforts through a comprehensive range of financing programmes and advisory and support services at all stages of the export cycle. The Bank also facilitates two-way technology transfer by financing import of technology into India and investment abroad by Indian companies for setting up joint ventures/ subsidiaries/overseas acquisitions. The Bank is also involved in creating export capability in small and medium enterprises, grassroots business enterprises and agro industries.

BUSINESS INITIATIVES

To enhance market diversification, the Bank lays special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism especially for small and medium enterprises. During the year, 17 LOCs were extended aggregating US$ 704 mn to support export of projects, goods and services from India. The Bank now has in place 89 LOCs covering 89 countries in Africa, Asia, CIS, Europe and Latin America with credit commitments aggregating US$ 3.0 billion. The Bank is also proactively seeking to expand geographical reach and volumes under the LOC programme.

The Bank has played a pivotal role in supporting India's project exports and renewed focus in this direction has seen 147 Indian exporters securing 977 contracts amounting to Rs. 326.8 billion covering 92 countries. This clearly demonstrates the increasing competitiveness and capabilities of Indian consultants, suppliers and contractors to execute diverse range of projects.

With Indian companies increasingly venturing overseas to mark their global presence, the Bank has endeavoured to provide a further impetus to the global aspirations of Indian corporates. Bank's focus in this direction is evident in its support to 41 corporates who were sanctioned funded and non-funded assistance during the year for part financing their overseas investments in diverse sectors covering different markets. The Bank has, over the years, supported 223 ventures set up by over 180 companies in 61 countries, both in industrial countries and developing and emerging markets.

Exim Bank signed an agreement with International Finance Corporation (IFC), Washington, under the Global Trade Finance Program (GTFP). Under this arrangement, Exim Bank will be able to confirm Letters of Credit, guarantees and other trade instruments issued by approved banks in more than forty developing countries. Some of the countries have a higher risk profile due to absence of a proper credit enhancement mechanism for carrying out documentary credit trade. The role of Exim Bank as

Confirming Bank would enable Indian exporters to access such markets without payment risks.

As part of its endeavours in supporting social causes, Exim Bank is supporting the Rugby Team of the Kalinga Institute of Social Sciences (KISS), which won the Under-14 International School Rugby Championship held in London, UK, in September 2007. KISS provides education for more than 5000 tribal children of Orissa with focus on formal and livelihood education and scope for all-round development. Exim Bank's support would encompass training facilities with associated infrastructure, participation in select domestic/ international tournaments.

Towards facilitating inclusive globalisation, and in line with the Government of India's focus on village and rural sectors, the Bank has in place an innovative facility to support globalisation of rural industries through its Grassroots Business Initiative. The programme 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. Towards this end, the Bank has consciously sought to establish, nurture and foster a variety of institutional linkages with select Non-Governmental Organisations (NGOs) / Self Help Groups (SHGs), with a view to assisting their members with capacity building, training and access to national and global markets. The Bank has earmarked separate funds for setting up Rural Technology Export Development Fund to promote exports as also enhance the export-worthiness of rural grassroots innovative technologies from India. Thus, Exim Bank's efforts are not only aimed at facilitating the visibility of rural products in the international market but also to find alternative channels through partnership arrangements with institutions and corporates in India.

To enhance support provided to the SME sector, a vibrant and important sector of the Indian economy, the Bank has entered into a cooperation arrangement with International Trade Centre, Geneva for implementing a unique Enterprise Management Development Services (EMDS) program, which is an IT based solution provider to enable small enterprises to prepare business plans with international market in focus. This is a pioneering initiative for supporting SMEs and for providing term loans and export finance facilities to the identified units to help them in their globalisation efforts. The Bank thus supports small enterprises through capacity building and assistance in formulation of viable proposals. It is envisaged that the learning from this programme would be transferred to other developing countries, and thus assist in capacity creation and institution building in the global arena.

Research studies brought out by the Bank during the year include: Trade and Environment: A Theoretical and Empirical Analysis; Indian Pharmaceutical Industry: Surging Globally; Regional Trade Agreements: Gateway to Global Trade; Knowledge Process Outsourcing: Emerging Opportunities for India; Indian Mineral Sector and its Export Potential. The Bank also brought out a publication titled "Healthcare Tourism: Opportunities for India" which highlights opportunities and challenges and outlines strategies for India to emerge as a major healthcare tourist destination. Exim Bank's Commencement Day Annual Lecture 2008 was delivered by Mr. Kemal Derviș, Administrator of the United Nations Development Programme (UNDP) and focused on "Perspectives on the New Structure of the World Economy".

During the year, the Bank's Eximius Centre for Learning conducted 39 programmes on a wide range of topics to keep Indian companies abreast of developments in the global market. These included eleven country/region specific Business Opportunities seminars. A seminar series on the opportunities for investment in British Midlands Region was organised at Kochi, Pune and Jaipur. Similar seminars were organised at Coimbatore, Kochi and Thiruvananthapuram on the Kingdom of Bahrain, and at Pune, Ahmedabad, Ludhiana, Chennai and Hyderabad on the business and investment opportunities in the State of Victoria in Australia. Three seminars on Business Opportunities in Asian Development Bank Funded Projects were conducted at Mumbai, New Delhi and Kolkata.

During the year, the Bank opened a representative office in Dakar, Senegal, West Africa. The Dakar office of Exim Bank is expected to play a key, catalytic role in enhancing trade and investment between India and the West African Region in general and with the Francophone countries in particular. The Dakar office has been conferred special status “Accord de Siège” by Government of Senegal on par with multilateral institutions located in Senegal.

The Bank’s endeavours to create an enabling environment through synergies has been strengthened by Memoranda of Cooperation signed with a number of trade and investment promotion agencies, export credit agencies, banks and financial institutions such as African Export-Import Bank; CBI Netherlands; Corporacion Andina de Fomento, Venezuela; Export Finance and Insurance Corporation, Australia; Gulf Investment Corporation, Kuwait; The Ceylon Chamber of Commerce, Sri Lanka; as also in India with the Ministry of Panchayati Raj, which aims at enhancing its export promotion activities through the Rural Business Hub initiative; with Small Industries Development Bank of India (SIDBI) and REPCO Bank to further cooperation and to provide support to grassroot enterprises and SMEs.

The Asian Exim Banks Forum, conceived and initiated by Exim Bank of India in 1996, held its 13th Annual Meeting in Bali, Indonesia, in November 2007. The theme for the 2007 meeting was “Strengthening Partnership among Asian Exim Banks” and covered a wide range of topics including the global and regional economic outlook, broadening trade financing co-operation among Asian Exim Banks, clean energy trade & investment, development of Islamic financing in Asia.

Exim Bank, with the support of a number of other Exim Banks and Development Finance Institutions (DFIs) from various developing countries in Asia, Africa, CIS and Latin America, has facilitated a Global Network of Exim Banks and DFIs called G-NEXID in Geneva, under the auspices of UNCTAD, to boost South-South cooperation in trade and investment. G-NEXID has been granted ‘observer’ status by UNCTAD which underscores support for the Forum, while acceptance of the vision of the Forum by developing countries can be assessed from the fact that the membership of the Forum has reached 23 by March 2008.

BUSINESS RESULTS

The robust economic growth and buoyancy in India’s external sector has been reflected in the Bank’s business performance which has exhibited distinct growth. Loan approvals aggregated Rs. 328.1 billion, an increase of 23 per cent over the previous year, while disbursements at Rs. 271.6 billion also registered a rise of 23 per cent. Loan assets of the Bank have risen to Rs. 291.5 billion, a rise of 25 per cent over the previous year.

Profit after tax amounted to Rs. 3.33 billion as compared to Rs. 2.99 billion in the previous year. Capital to Risk Assets Ratio stood at 15.13 per cent, while net NPAs to net loan assets decreased to 0.29 per cent as on March 31, 2008. During the year, the authorised capital was increased by Central Government from Rs. 10 billion to Rs. 20 billion. The Bank also received share capital of Rs. 1 billion from the Government of India, increasing the paid-up capital to Rs. 11 billion.

Foreign currency resources of US$ 1,083 mn equivalent were raised through bilateral / club loans and US$ 197 mn by way of FRNs. As on March 31, 2008, the Bank had a pool of foreign currency resources equivalent to US$ 3.53 billion and outstanding Rupee borrowings including bonds and commercial paper of Rs. 188.9 billion. Standard & Poor's and Fitch Ratings upgraded the Bank's credit rating from BB+ to BBB-, while the Japan Credit Rating Agency enhanced the Bank's credit rating to BBB+. Taken together with the Baa3 rating from Moody's, the Bank at present holds investment grade rating on par with the Indian sovereign from four international credit rating agencies.

INSTITUTIONAL INTERACTIONS

The Bank has developed 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, Project Exports Promotion Council of India (PEPC), The Council of EU Chambers of Commerce in India, other Export Promotion Councils, Chambers of Commerce and Economic Research Institutes have been a valuable source of learning and support. 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. Arvind Virmani, Chief Economic Adviser, Government of India, Ministry of Finance; Shri Ajay Shankar, Secretary, Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion; Shri Yogesh Agarwal, Chairman & Managing Director, IDBI Bank Ltd.; Shri M.B.N. Rao, Chairman & Managing Director, Canara Bank; and Dr. K.C. Chakrabarty, Chairman & Managing Director, Punjab National Bank were appointed as Directors on the Board. Dr. Ashok Lahiri, Chief Economic Adviser, Government of India, Ministry of Finance; Dr. Ajay Dua, Secretary, Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion; Shri V.P. Shetty, Chairman & Managing Director, IDBI Bank Ltd.; Shri S.C. Gupta, Chairman & Managing Director, Punjab National Bank; and Dr. Vinayshil Gautam, Professor, Department of Management Studies, Indian Institute of Technology, New Delhi, relinquished their directorships consequent upon completion of their term or change in office. The Bank gratefully acknowledges their invaluable contributions as Directors.

The staff of the Bank, which is the key resource, displayed high level of commitment and dedication to the pursuit of business growth and new initiatives and merits a special mention for carrying the Bank's mission forward. The Bank's participative and professional work culture has consistently remained a source of strength for the Bank.

T.C. Venkatsubramanian

(T.C. Venkat Subramanian)
April 28, 2008

Economic Environment

GLOBAL ECONOMY

The global economy, due to continuing financial turbulence following the sub-prime mortgage crisis, exhibited modest growth during 2007. According to the International Monetary Fund (IMF)'s *World Economic Outlook, April 2008*, the growth in global GDP is estimated to have decelerated to 4.9 per cent in 2007, primarily on account of slowdown in the growth of advanced economies, as compared to 5 per cent growth registered during the previous year. In the advanced economies, real GDP growth is estimated to have decelerated to 2.7 per cent in 2007 from 3 per cent in 2006, while the same in developing economies and emerging markets is estimated to have increased to 7.9 per cent in 2007 as compared to 7.8 per cent in the previous year. However, the five year period 2003–07 as a whole has been the period of strongest growth since the early 1970s, marked with the rapid growth of world trade and financial openness, dominance of emerging market and developing countries in global growth, accompanied by decline in volatility in growth trends. The global economic growth is projected to slowdown to 3.7 per cent in the year 2008, down by 1.2 per cent from the estimated growth in 2007.

In the United States, as housing correction continued to apply considerable drag in the growth of the economy, real GDP growth moderated to 2.2 per cent in 2007 as compared to 3 per cent witnessed in 2006. Growth in net exports resulting from sustained depreciation of dollar has been one area of strength for the economy, somewhat providing cushion for current account. Weakening in the pace of economic activity was marked with contraction of residential investment and softening of consumption and business investment, resulting in a sharp slowdown in the fourth quarter, which registered an annualized growth rate of only 0.6 per cent. In Canada, strong domestic demand remained the main driver of growth, boosted by continuing gains in the terms of trade and strong credit and employment growth. In 2007, real GDP growth of Canada is estimated to have moderated to 2.7 per cent from 2.8 per cent in 2006. The Canadian economy is projected to grow by 1.3 per cent in 2008, due to the combined effect of weaker external demand and tight credit conditions.

Mr. Kemal Derviş, Administrator of United Nations Development Programme (UNDP) delivered the Bank's Commencement Day Annual Lecture - 2008, speaking on "Perspectives on the New Structure of the World Economy". Dr. Arvind Virmani, Chief Economic Adviser, Government of India, Ministry of Finance, presided over the function.

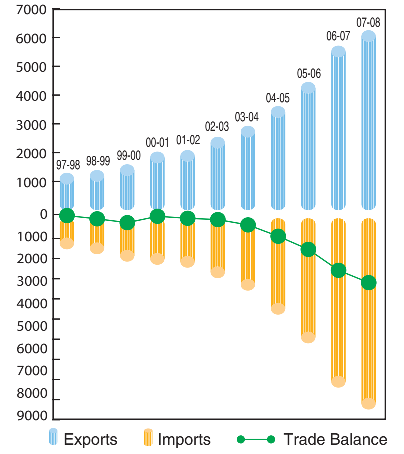
The real GDP growth of the Euro area is estimated to have moderated to 2.6 per cent in 2007 from 2.8 per cent in the previous year. Growth has been driven by a broad-based acceleration in investment spending, especially in Germany, in response to high regional and global demand for machinery and equipment, pickup in construction activities, and robust exports. Export growth is, however, expected to taper off by the second half of 2008 resulting from slowdown in global growth and appreciation of euro. Although the economic link between Europe and the US are not significant traditionally, trade channels are still considered important. Thus, following the sub-prime mortgage crisis, credit conditions are being tightened in Europe also. The growth in Euro area is projected to decelerate to 1.2 per cent in 2008. Outside the Euro area in Western Europe, growth in the United Kingdom increased from 2.9 per cent in 2006 to 3.1 per cent in 2007, led by robust domestic demand, mainly fuelled by steady employment growth and buoyant investment. However, the growth in the United Kingdom is expected to decelerate in 2008 to reach a level of 1.6 per cent.

In Japan**,** the economy continued to show resilience through the end of the year in spite of the global slowdown, recording a growth of 3.5 per cent in the fourth quarter of 2007, led by robust net exports and business investment. The global financial market volatility is clouding the growth outlook for Japan, although the exposure of Japanese financial system to the sub-prime crisis is limited. Export growth, is expected to remain well supported by the continued strength of domestic demand in emerging Asian economies, which now account for nearly one-half of Japanese exports. Reflecting this, real GDP growth is likely to have decelerated to 2.1 per cent in 2007 as compared with 2.4 per cent in 2006, and is expected to decelerate further to 1.4 per cent in 2008, reflecting moderation in business consumer as well as export confidence. However, there could be positive contribution to growth momentum due to likely increase in residential investment in the second half of 2008.

In the Asian region**,** growth in the emerging Asia (consisting of developing Asia, the newly industrialised Asian economies and Mongolia) increased to 9.1 per cent in 2007 from 8.9 per cent in 2006, led by strong growth performance in India and China. Real GDP growth of China improved to 11.4 per cent in 2007 from 11.1 per cent in 2006, driven by strong investment growth and net exports. The newly industrialized Asian economies also showed resilience in the face of weaker outlook in the US, as the growth in this region for 2007 remained unchanged at 5.6 per cent in 2007. Slower demand for Asian exports, and electronic goods in particular and the possibility of further global financial market turbulence are some downside concerns in this region. Foreign exchange inflows to the region have been strong, resulting in a regional current account surplus of 6.5 per cent of

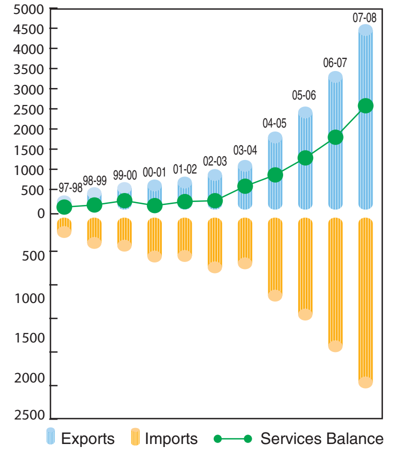
Trends in India's Merchandise Trade

(Rs. in billion)



Trends in India's Services Trade

(Rs. in billion)



Jain Irrigation Systems Ltd., Jalgaon, a leading manufacturer of drip and sprinkler irrigation systems in India, acquired controlling stake in Naandan Irrigation System, Israel.

GDP in 2007. Net capital flows to the region remain the major source of foreign exchange inflows which reached a record level in 2007, led by sharp increase in portfolio inflows into India, China and Hong Kong SAR. Growth prospects of the region will be determined by the degree of resilience of the financial systems in these economies and by the ongoing market dislocation and the associated slowdown in the advanced economies, as well as the impact of the slowing global demand on the region's exports. This slowdown may mostly affect the region's exports to advanced economies, especially to the US and Western Europe. Further, the strength of the domestic demand in most economies of the region, marked by strong consumption and investment growth, has also lessened the overall effect of slowing exports in the economic growth of the region. The growth in China is expected to moderate to 9.3 per cent in 2008. Fiscal consolidation is expected to have priority in countries such as India, Pakistan and Philippines.

In Africa, most of the countries have grown robustly in recent years, helped by increasing trade openness. Oil-exporting countries have experienced rapid growth as reserve levels have been pushed up by export revenues. Supported by favourable environment, some of the countries in Sub-Saharan Africa emerged as attractive destinations for private capital flows. Net private inflows have risen significantly reaching record levels in 2007, mainly driven by FDI inflows. South Africa, with its developed financial structure, receives bulk of these funds; other countries such as Ghana and Uganda have also been experiencing rising capital inflows. The African region is estimated to have grown by 6.2 per cent in 2007 as compared to the growth of 5.9 per cent in 2006. In the Sub-Saharan Africa (SSA), Angola recorded strongest growth, resulting from sharp rise in oil and diamond production. In Nigeria, the robust growth in the non-oil sector has contributed to the overall economic growth and also offset the impact of a decline in oil production in the Niger Delta. The pace of economic activity in South Africa, the region's largest economy, however, eased modestly due to tighter monetary policy, aimed at containing rising inflation pressures from food and fuel prices. Investment, on the other hand, continues to grow significantly in South Africa as the economy prepares for the 2010 FIFA World Cup. Overall, the Sub-Saharan Africa is estimated to have grown by 6.8 per cent in 2007 as compared with 6.4 per cent in 2006, and is projected to grow by 6.6 per cent in 2008. The rising role of manufacturing exports in the region has led to greater diversification of the economy, away from primary exports, reducing the role of gains from terms-of-trade in contributing to overall growth. Further, with more diversification of export destinations, and with a greater share of exports now going to other emerging and developing economies, Sub-Saharan Africa is expected to experience only a minor slowdown in growth in 2008 and 2009.

The 4th India – Africa Project Partnership Conclave 2008 organised by CII – Exim Bank under the auspices of Govt. of India was inaugurated by H.E. Dr. Ali Mohamed Shein, Vice President of Republic of Tanzania in the presence of Mr. Kamal Nath, Union Minister of Commerce and Industry.

In the Middle East Region, the long spell of strong growth continues to be supported by high oil prices and robust domestic demand. Regional growth has been maintained at over 5 per cent a year in the past four years. Real GDP growth of 5.8 per cent recorded in 2006 was maintained through 2007, aided by robust growth performance of Egypt and Saudi Arabia, which expanded by more than 7 per cent. Economic growth in the region is expected to increase further to 6.1 per cent both in 2008 and in 2009. While witnessing increase in domestic spending and imports in 2007, the region's economy was boosted by higher export revenue resulting from higher oil prices. Although investment in the oil sector stagnated in real terms because of increasing investment costs, real GDP growth in oil-exporting countries was sustained by expansion in the non-oil sectors, pushed by rising government spending out of oil revenues, foreign capital inflows and rapidly growing domestic private credit. As most of the Gulf Cooperation Countries pegged their currencies to US dollar, the weakening US dollar is expected to add inflationary pressures in these countries.

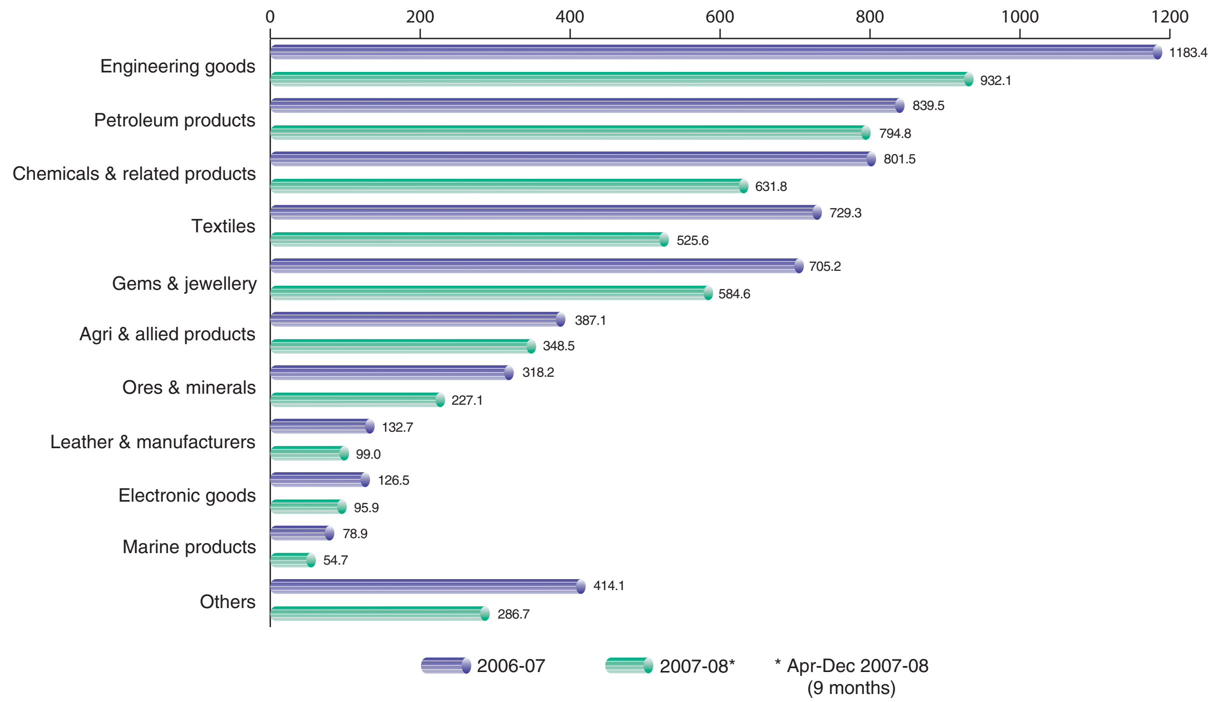
In Latin America, real GDP growth has improved to 5.6 per cent in 2007, in comparison to 5.5 per cent witnessed in 2006, mainly driven by domestic demand, recording the region's best four-year performance since 1970s. While financial turbulence in the US took some toll on growth of Mexico (3.3 per cent) and the Caribbean (5.7 per cent), growth remained high in Central America (6.5 per cent) and commodity-exporting countries in South America including Argentina (8.7 per cent), Colombia (7 per cent), Peru (9 per cent), Chile (5 per cent) and Venezuela (8.4 per cent). Supported by sustained decline in real interest rates and strong employment, real GDP growth in Brazil has accelerated markedly in 2007 to 5.4 per cent as compared with 3.8 per cent in 2006. Real GDP growth in the region is expected to moderate to 4.4 per cent in 2008 due to capacity constraints resulting from slowdown of activity in the US. One of the key macroeconomic challenges for Latin America is efficient handling of foreign exchange inflows.

The Commonwealth of Independent States (CIS) region has not been immune to the recent financial turmoil, but this has come against the backdrop of the longest economic expansion since the beginning of transition. Real GDP growth in the region remained strong in 2007, accelerating to 8.5 per cent as compared with 8.2 per cent in 2006. The robust expansion in the region has been underpinned by high commodity prices, expansionary macroeconomic policies, strong capital inflows and rapid credit growth. The growth momentum in this region is, however, expected to ease to 7 per cent in 2008 as the weaker global economy and slower credit growth slow the pace of the expansion. Consumption has remained the main driver of growth of the Russian economy, supported by rising real incomes and easy access to credit, accompanied by pick up in investment. In 2007, the Russian economy expanded by 8.1 per cent, and is expected to moderate to 6.8 per cent in 2008. Some of the low income CIS countries are expected to have grown impressively in 2007. Slowdown in the global economy is likely to pull down the commodity prices, a key driver of economic growth in the region, and may adversely affect the external financing condition. In such circumstances, demand for imports from smaller countries in the region, such as Armenia, Georgia, Moldova,

Dr. Monica Das, winner of Exim Bank International Economic Development Research Annual Award – 2006 receives the citation from Mr. Dhanendra Kumar, Executive Director for India, Bangladesh, Bhutan & Sri Lanka at the World Bank, at the Award function in Washington D.C.

Composition of India's Merchandise Exports

(Rs. in billion)



Kyrgyz Republic and Tajikistan, and flow of private remittances to these countries are likely to be affected.

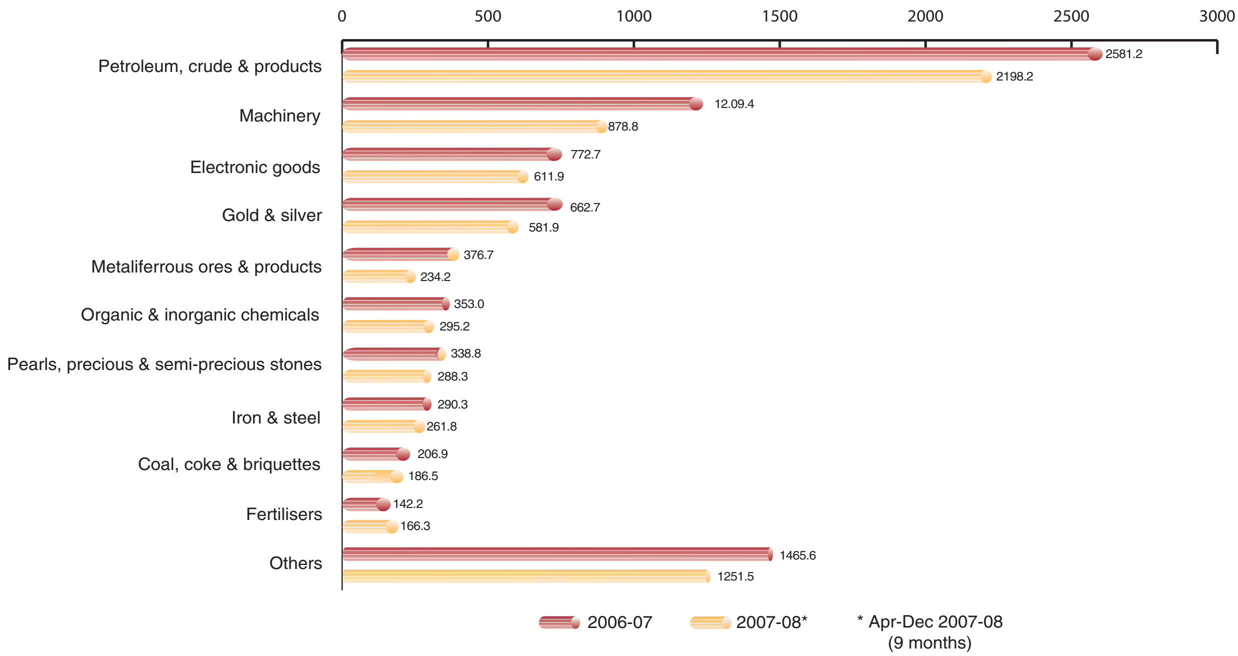
In Emerging Europe, real GDP growth moderated to 5.8 per cent in 2007 from 6.7 per cent in 2006. Significant deceleration in growth has been witnessed in Hungary, Turkey, Estonia and Latvia. Real GDP growth, however, remained strong in the Slovak Republic, Albania, Croatia, Macedonia, Serbia and Poland. Economic activity slowed down in the Baltic countries, except for Lithuania, which recorded a growth of 8.8 per cent in 2007, up from 7.7 per cent in 2006. Growth in Hungary continued to be weaker than the rest of the countries in the region, partly reflecting the short-term impact of fiscal consolidation. Growth in most of the countries of the region has been supported by higher domestic demand, which has substantially outpaced production in 2007. The region's growth is expected to soften to 4.4 per cent in 2008 due to slowing down of domestic demand and deceleration in export growth owing to weakening demand from west Europe.

World Trade

According to IMF's *World Economic Outlook*, world trade (other than oil) has grown five times in real terms since 1980, and its share in world GDP rose from 36 per cent to 55 per cent over this period. There has been acceleration in trade integration in the 1990s, as many developing countries in Asia have become increasingly liberalised and the former Eastern bloc countries adopted greater integration into the global trading system. Most of the emerging market and developing countries, have been catching up with, or surpassing, high-income countries in their trade openness.

The global exports of goods amounted to US$ 13.7 trillion in 2007 implying a growth of 15.1 per cent over the previous year's total of US$ 11.9 trillion. In volume terms, the growth in world export of goods in 2007 has been 6.4 per cent as compared to 9.1 per cent witnessed in 2006. Advanced economies have experienced export growth of 5.3 per cent of exports in 2007, as compared to 8.7 per cent growth experienced by emerging market countries. The world trade prices of non-fuel primary commodities registered a rise of 14.0 per cent in US dollar terms in 2007, as against 23.2 per cent rise in 2006. Oil prices, which witnessed a growth of

Composition of India's Merchandise Imports
(Rs. in billion)



20.5 per cent in 2006, decelerated to 10.7 per cent in 2007. World trade price of manufactures increased by 9.7 per cent in 2007, as against a modest growth of 3.8 per cent recorded in 2006. World export of services amounted to US$ 3.3 trillion in 2007, implying an increase of 17.9 per cent over the previous year.

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

Many emerging market and developing countries have experienced historically high levels of net foreign exchange inflows, through both current and capital accounts, over the past years. In recent years, the net foreign exchange flows were largely contributed by significant rise in private capital flows. Gross private capital flows have risen to levels twice as high as at the previous peak in 1996, the year just before the Asian crisis. The rise in net flows to emerging markets has been somewhat less steep, but nevertheless capital flows have been at record levels over 2005–06, picked up further in the first half of 2007, and is expected to be maintained at high levels in the aggregate, even at the back of recent financial market turbulence.

Net private capital flows to the emerging economies continued to remain strong in 2007, increasing by 37.7 per cent to US$ 782.4 billion from US$ 568.2 billion recorded in the previous year. While the net direct investment stood at US$ 255.6 billion in 2007, significantly higher compared to the previous year's total of US$ 167.4 billion, net portfolio investment moderated to US$ 43.5 billion from US$ 53.3 billion in 2006. The marginal slowdown in net private capital flows to the emerging Asia region in 2007 was more than offset by a surge in flows to emerging Europe and Latin America.

Emerging Europe accounted for 46 per cent of the net private capital flows to the emerging economies with total inflows amounting to US$ 365.2 billion in 2007. With buoyant economic activity in the region, net direct investments rose to US$ 66.9 billion in 2007, markedly higher compared to US$ 48.3 billion in 2006. In emerging Africa and Middle East, doubling of net direct investment, coupled with significant hike in both net non bank and net commercial banks lending, resulted in an overall rise of net private capital flows in 2007 by over US$ 11.0 billion to

US$ 38.1 billion in 2007. In emerging Asia region, in spite of recording highest growth in GDP among all emerging economies, net private capital flows to the region marginally declined to US$ 249.8 billion in 2007 from US$ 258.3 billion in the previous year. Nevertheless, net direct investment to this region expanded to US$ 117.7 billion in 2007, accounting for 47 per cent of the total net flows. The net private capital flows to Latin America increased significantly to US$ 129.4 billion in 2007 from US$ 46.8 billion in the previous year, aided by sizeable increase in net portfolio investment, net direct investment and net lending from non-banks.

Continuing with the momentum achieved in recent years, current account surplus of the emerging economies increased further to US$ 436.0 billion in 2007, implying a 16.4 per cent growth over the previous year's surplus of US$ 374.6 billion. The impetus came primarily from the emerging Asian region, which has recorded a robust increase in current account surplus to US$ 423.1 billion, registering a growth of 46.5 per cent over US$ 288.8 billion recorded in 2006. This was matched by a US$ 244.5 billion rise in reserve accumulation in the region. In emerging Latin America, and Africa and Middle East, current account surplus narrowed to US$ 28.3 billion and US$ 11 billion, respectively, in 2007, compared to US$ 52.7 billion and US$ 14.3 billion, respectively, in the previous year. The reserves in the emerging Latin America, and Africa and Middle East region went up by US$ 80.4 billion and US$ 4.3 billion, respectively, in 2007. In emerging Europe, however, current account balance, which was a surplus of US$ 18.7 billion in 2006, turned into a deficit of US$ 26.4 billion in 2007.

External debt of emerging markets and developing economies, as a proportion of their exports of goods and services, increased marginally from 70.3 per cent in 2006 to 70.7 per cent in 2007. The ratio was high in the case of emerging Europe and CIS region, which stood at 119.3 per cent and 110.3 per cent, respectively, as against 118.8 per cent and 94.5 per cent, respectively, in 2006. The ratio has also increased for Middle East region from 43.7 per cent in 2006 to 46.7 per cent in 2007. The ratio in emerging Asian region, on the other hand, declined from 47.9 per cent in 2006 to 44.1 per cent in 2007. In Sub-Saharan Africa and the Latin America and Caribbean region, the ratio has declined and stood at 66.2 per cent and 96.3 per cent, respectively, in 2007. Overall, the debt-service ratio of the emerging markets and developing countries declined to 11.7 per cent in 2007 from 14.9 per cent in 2006.

INDIAN ECONOMY

The Indian economy continued to show resilience with sustained growth momentum in 2007-08*, with an estimated 9 per cent, on the back of high growth rate averaging 9.5 per cent in the last two years. This has partly reflected certain degree of expected cyclical fluctuation, which was taken into account while setting the growth target of 9 per cent for the Eleventh Five Year Plan (2007-08 to 2011-12).

President's office and the seat of the Government under construction in Accra, Ghana, by the Indian project contractor M/s Shapoorji Pallonji & Co. under a US$ 60 mn Line of Credit from Exim Bank to Govt. of Ghana.

* Statistics in this section correspond to the Indian fiscal year, which runs from April to March of the next year.

Agriculture

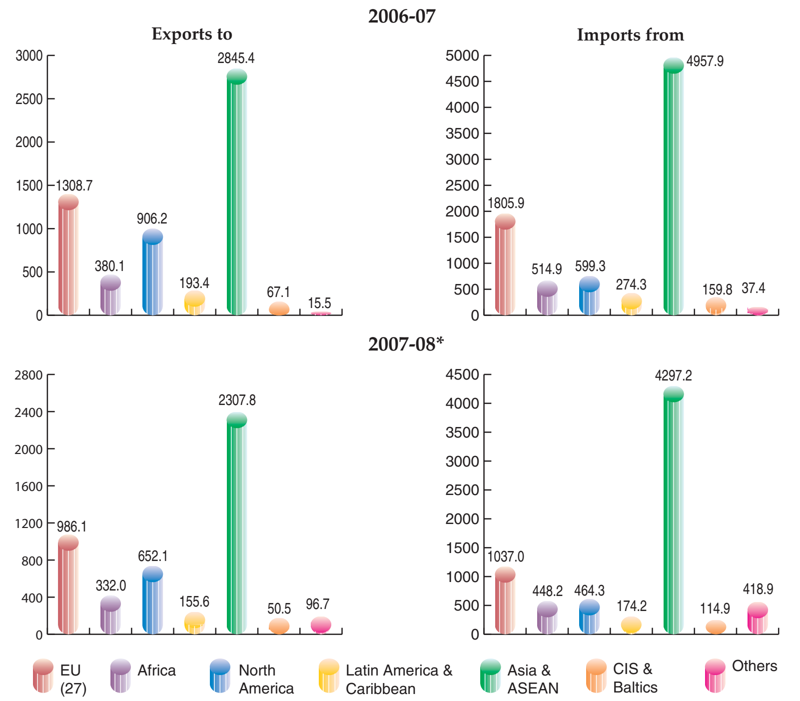
Agriculture and allied activities registered an improved 4.5 per cent growth in 2007-08, as compared to a growth of 3.8 per cent registered in the previous year. Estimated foodgrains production in 2007-08 stood at 219.3 mn tonnes (MT). In commercial crops, while there was an increase in the estimated production of cotton in 2007-08 compared to that of the previous year, sugarcane production is estimated to be lower compared to the previous year.

Industry

According to the Central Statistical Organisation (CSO), real GDP originating from the industrial sector, which has recorded a robust 11 per cent growth in 2006-07 moderated to 8.5 per cent in 2007-08, mainly on account of slowdown in manufacturing and mining sub-sectors. The growth of real GDP originating from manufacturing sector was subdued at 8.8 per cent during 2007-08 compared to a double digit growth of 12 per cent witnessed in the previous year, while the real GDP originating from 'mining and quarrying' recorded lower growth of 4.7 per cent in 2007-08 from 5.7 per cent growth registered in the previous year. Construction registered a growth of 9.8 per cent as against 12.0 per cent recorded in 2006-07. Growth of real GDP originating from 'electricity, gas and water supply', on the other hand, stood at 6.3 per cent in 2007-08, as compared with 6 per cent growth recorded in the previous year.

Direction of India's Merchandise Trade

(Rs. in billion)



* April-December 2007-08 (9 months)

The Index of Industrial Production (IIP) during 2007-08 has grown at 8.3 per cent, lower than 11.6 per cent growth recorded in 2006-07. The deceleration in IIP was mainly due to slowdown in growth of manufacturing sector. As per the use-based classification, the capital goods sector, has grown by 16.9 per cent in 2007-08, as compared to 18.2 per cent recorded in 2006-07. On the other hand, the growth of basic goods sector moderated to 7 per cent in 2007-08 as compared to 10.3 per cent growth witnessed in the previous year. Intermediate goods sector, also registered deceleration with growth at 8.8 per cent during 2007-08, as compared to a growth of 12 per cent registered in the previous year. The consumer durables segment showed a negative growth (-1 per cent) during the year, thereby leading to deceleration in the growth of the consumer goods segment (5.9 per cent), despite reasonable growth in the non-durables segment (8.3 per cent).

Of the 17 industrial sub-groups in the manufacturing sector, during 2007-08, seven sub-sectors registered double-digit growth rates. These seven sub-sectors were wood products (38.9 per cent), jute and other vegetable fibre textiles (33.1 per cent), other manufacturing industries (19.8 per cent), basic metal and alloy industries (12.1 per cent), beverages and tobacco (11.8 per cent), leather products (11.7 per cent) and basic chemicals and chemical products (10.6 per cent). The only sub-sector with a negative growth performance in 2007-08 was metal products (-5.7 per cent). The remaining nine sub-sectors grew within the range of 2.7 per cent to 9.5 per cent in 2007-08.

Services

The growth of services sector continued to be broad-based registering a double-digit growth of 10.8 per cent in 2007-08, as compared to 11.1 per cent registered in the previous year. Within services sector, growth of two sub-sectors *viz.,* 'trade, hotels, transport and communications' and 'community, social and personal services', increased to 12 per cent and 7.3 per cent, respectively, in 2007-08 compared to their previous year's growth rate of 11.8 per cent and 6.9 per cent, respectively.

Infrastructure

The six infrastructure and core industries, viz. crude petroleum, petroleum refinery products, coal, electricity, cement and finished steel, registered an average growth rate of 5.6 per cent during 2007-08, as compared to 9.2 per cent during the previous year. Among the sectors, crude oil output recorded highest deceleration in growth at 0.4 per cent during 2007-08 compared to growth of 5.6 per cent during 2006-07. Petroleum refinery production grew by 6.5 per cent during 2007-08 compared to 12.9 per cent during 2006-07. Coal production increased by 6 per cent during 2007-08 compared to a growth of 5.9 per cent during 2006-07. Electricity generation improved by 6.3 per cent during 2007-08 compared to 7.3 per cent during 2006-07. Cement Production grew by 8.1 per cent during 2007-08 compared to an increase of 9.1 per cent in the previous year. Finished steel production grew by 5.1 per cent during 2007-08 compared to an increase of 13.1 per cent in the previous year.

Locomotives and coaches supplied by RITES Ltd., New Delhi, to Empresa do Caminho de Ferro de Moçâmedes, Angola, under an Exim Bank Line of Credit of US$ 40 mn to Government of Angola, are in operation.

Inflation

The annual rate of inflation, based on Wholesale Price Index, calculated on point-to-point basis, stood at 7.4 per cent as on March 29, 2008 as compared to 5.9 per cent a year ago. The growth in inflation was contributed by rise in prices of primary articles, fuel group and some manufactured items.

Capital Markets

Net Portfolio investment in India in 2007-08 stood at US$ 29.4 billion, implying a sharp increase from US$ 7 billion in 2006-07. This may be attributed to the considerable increase in net investment by Foreign Institutional Investors (FIIs), from US$ 3.2 billion in 2006-07 to US$ 20.3 billion in 2007-08, accounting for more than 69 per cent of total net portfolio investment.

Foreign Trade and Balance of Payments

India's foreign trade continued with its momentum in 2007-08, with exports amounting to US$ 155.5 billion and imports reaching US$ 235.9 billion, during 2007-08, registering a growth of 23 per cent and 27 per cent, respectively, over the previous year. Overall, trade deficit rose to US$ 80.4 billion in 2007-08 from US$ 59.3 billion in the previous year. While the significant upward export trend in recent years attests to India's growing global competitiveness, expanding imports may be largely attributed to the Indian manufacturing sector. With regard to commodity composition of

India's exports in 2007-08 (April-December), growth was particularly robust in the case of agriculture and allied products at 42.4 per cent; petroleum products by 37 per cent; gems and jewellery by 25.3 per cent; ores and minerals by 21.5 per cent; and engineering goods by 20.8 per cent. Oil imports increased to US$ 77 billion in 2007-08 from US$ 56.9 billion in the previous year, registering a growth of 35.3 per cent. Non-oil imports during 2007-08 stood at US$ 158.9 billion, which was 23.4 per cent higher than the level of such imports valued at US$ 128.8 billion in the previous year.

India's net inflow of invisibles increased to US$ 50.5 billion in 2007-08 (April-December) as compared to the net inflow of US$ 36.3 billion recorded in the corresponding period in 2006-07. The increase in net inflow of invisibles during this period may be attributed to the services exports valued at US$ 61.3 billion and net transfers at US$ 27.9 billion. Services exports remained strong on account of the steady growth in software exports valued at US$ 27.5 billion, during April-December 2007-08, coupled with a growth in export of business services to US$ 12.1 billion. Gaining from services and transfers, together with narrowing of income deficit, current account deficit was contained at US$ 16.1 billion, during April-December 2007-08, despite widening trade deficit.

Reflecting the growing confidence of the international investors on the Indian economy, foreign direct investment inflows stood at US$ 29.9 billion in 2007-08, with 84 per cent attributable to equity investments. Similarly, corroborating the ongoing globalisation endeavours of the Indian industry, total actual overseas investments from India amounted to US$ 10.1 billion during 2007-08 (April-December), with 90 per cent accounted by equity investment.

India's foreign exchange reserves increased from US$ 199.2 billion as at end-March 2007, to US$ 309.7 billion as at end-March 2008. Foreign currency assets accounted for over 96 per cent of India's foreign exchange reserves. India's external debt, which stood at US$ 169.6 billion as at end-March 2007 increased to US$ 201.4 billion as at end-December 2007. The rise in external debt stock was due to increase in external commercial borrowings (ECBs), NRI deposits, trade credit and short-term debt. In particular, short-term debt rose to 17.5 per cent of total external debt as at end-December 2007, from 15.5 per cent as at end-March 2007.

Outlook for Select Sectors

Textiles and Garments

The Indian textiles and garments sector occupies an important place in the country and is contributing significantly to the total industrial output and exports. At present, the textile and garment sector contributes about 14 per cent of the total industrial production, 4 per cent of GDP and around 11 per cent to the country's export earnings. The sector is the second largest employer in the economy after agriculture, providing direct employment to over 35 mn people.

Following the elimination of quota restrictions, the sector started receiving renewed focus in international trade, especially in countries that hold fibre-base, and competitive manufacturing base.

Dr. Christy L. Fernandez, Secretary to the President of India, was the Chief Guest and keynote speaker at the seminar on 'Linking Rural India to Global Market – Value Addition Through Fair Trade Certification' organised by Exim Bank in Kochi.

Textiles and garments sector accounted for 4.5 per cent of world merchandise exports in 2006, and has witnessed a growth of over 10 per cent since the elimination of quota restrictions.

During the period April-December 2007-08, textile and garments exports from India were around US$ 13 billion – a growth rate of 8.6 per cent over the corresponding period in the previous year. The slowdown in the growth rate is attributed to the appreciation of Indian rupee vis-à-vis the currencies of India's competitor countries. The EU and the US continue to be the leading export destinations for Indian textiles and readymade garments.

The government has taken a number of initiatives to make the sector globally competitive. The sector is being encouraged with incentives to combat the adverse impact of appreciation of Indian rupee and the resultant low unit price realization that is affecting the profitability of the sector. While such measures are meant to overcome the unexpected currency fluctuations, the players in this sector are expected to draw-up long-term strategies to overcome such situations in the future. The proposals in the Union Budget 2008-09 have reinforced the need for technology upgradation and cluster approach to make this sector more vibrant.

Drugs and Pharmaceuticals

The Indian pharmaceutical industry manufactures almost the entire range of therapeutic products and is capable of producing raw materials for manufacturing a wide range of bulk drugs from the basic stage. The industry leverages upon its inherent strengths such as cost competitiveness, including research and development (R&D) cost, strong manufacturing base, well established network of laboratories with R&D infrastructure, strong marketing and distribution network and competence in chemistry and process development to emerge as a global player.

Rural women making hammocks for export market under a project supported by Exim Bank for an NGO, Trust for Village Self Governance at Kuthambakkam Village in Tamil Nadu, aimed at generation of employment for rural poor women.

Global pharmaceutical sales in 2007 is estimated to be US$ 695 billion, which is expected to grow by 5-6 per cent to reach a level of over US$ 735 billion in 2008. The growth trends in 2008 is expected to be driven by the declining costs of drug treatment in major therapy areas, in addition to paradigm shift in growth from the developed country markets to emerging markets such as China, Brazil, Mexico, South Korea, India, Turkey and Russia. These emerging markets are expected to grow by 12-13 per cent to reach a combined market size of US$ 85-90 billion, driven by greater access to generic and innovative new medicines.

Export of drugs, pharmaceuticals and fine chemicals from India, during the period April – December 2007, has been valued at US$ 5.1 billion, a growth of around 20 per cent over the corresponding period of the previous year. The Indian pharmaceutical sector has been witnessing significant growth with the contract research and clinical trials businesses taking wings, and the new patent regime opening avenues for players in the country. There has also been a significant increase in the R&D expenditure as also the capital expenditure, mainly oriented towards Food and Drug Administration of United States (US-FDA) approvals for plants. Indian companies have been at the forefront, both in terms of filing of Drug Master Files and Abbreviated New Drug Applications. The pharmaceutical companies in India have carved a place for themselves globally, and are consistently striving to innovate and make healthcare affordable across all sections of society.

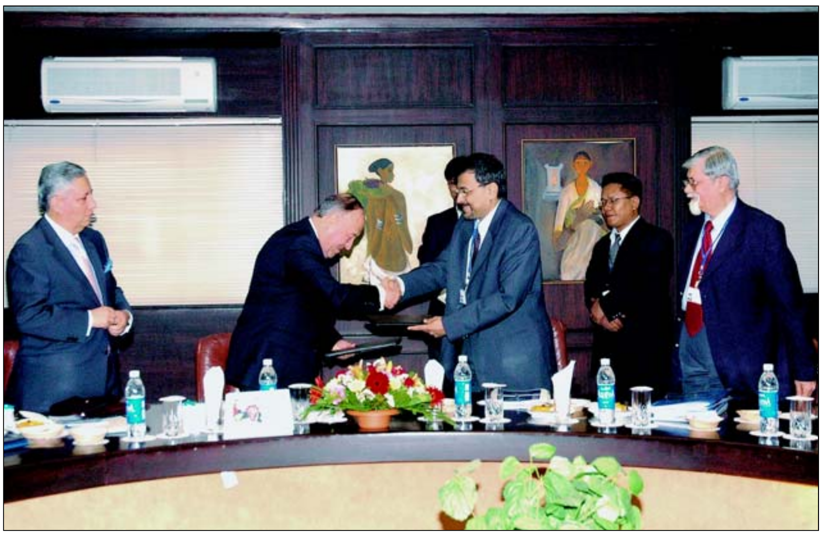
Auto-components

Indian auto-components industry has emerged as one of the fastest growing manufacturing sectors, and a globally competitive one. According to Auto Components Manufacturers Association (ACMA), the Indian auto components industry has generated sales of about US$ 18 billion in the year 2007-08, including US$ 3.6 billion value of auto-component exports. The industry has been experiencing a compound annual growth rate (CAGR) of around 27.0 per cent in sales over the period 2002-03 to 2007-08. It is estimated that India has potential to become one of the top five auto component economies of the world by 2025.

India's auto-component industry today has the capability to manufacture the entire range of auto-components, such as engine parts, transmission parts, suspension and braking parts, electrical parts, and body and chassis parts. Steered by India's sophisticated engineering skills, established production lines, a thriving domestic automobile industry and competitive costs, global auto majors are rapidly ramping up the value of components that are sourced from India. The share of exports in total production has risen from 10 per cent in 1997-98 to 17 per cent in 2007-08. More than a third of Indian auto component exports head for Europe, with North America featuring a close second.

Exports by the Indian auto component industry have been vibrant with a CAGR of 40 per cent during the period 2002-07. In absolute terms, exports have increased from US$ 760 mn in 2002-03 to US$ 3.6 billion in 2007-08. The composition of exports in terms of the proportion of original equipment manufacturer (OEM) and after-market sales has also undergone a change since the past decade. The ratio of OEM to after-market sales has changed from 35:65 in the 1990s to 75:25 in 2006.

The industry estimates put the export growth for the period 2006-2015 at a CAGR of over 24 per cent. While exports have been booming, there has been a sharp rise in imports of auto components as well, especially in the last three years. This is a healthy trend, indicative of rising domestic demand, room for capacity expansion and investment potential.



Mr. Enrique Garcia, Executive President and CEO, Corporacion Andina de Fomento, a regional development finance institution based in Venezuela, visited Bank's headquarters in Mumbai to explore scope for enhancing trade and investment opportunities between India and Andean Region countries in Latin America.

Food Processing

With rapidly rising per capita income levels and renewed corporate interest in the organized retail market, the Indian food processing industry is set for a leap. Important sub sectors that are likely to benefit from such a trend include grain processing, fruit and vegetable processing, fish processing, milk processing, meat and poultry processing, packaged / convenience foods, alcoholic beverages and soft drinks.

India is endowed with a large production base for a variety of raw materials, covering food crops, commercial crops and horticultural crops, due to its varied agro-climatic conditions. In fact, this has helped India to emerge as one of the largest producers of a host of agricultural crops. While India has an abundant supply of food, the food processing industry is still in its nascent stage - only two per cent of fruits and vegetables and 15 per cent of milk produced is being processed. Despite these low volumes, the processed food industry ranks fifth in size in the country, representing 6.3 per cent of GDP.

The food processing industry is a dominant segment establishing the vital link between industry and agriculture. The size of the Indian food processing industry is estimated at around Rs 3 trillion, largely dominated by the unorganized sector. The industry accounts for 14 per cent of the total manufacturing output and employs 1.6 mn workers.

According to the Agriculture Outlook (2007-2016), jointly prepared by the Organization for Economic Cooperation and Development (OECD) and the United Nations Food and Agriculture Organisation (UN-FAO), the strong growth in demand in many developing and emerging economies is expected to spur expansion in imports and provide the impetus to the development of domestic production capacity in the developing countries. As a result, OECD countries as a group are projected to lose production and export shares in many segments to non-OECD countries over this period.

Chemicals

Being one of the oldest industries in India, chemical industry has been one of the important constituents of the Indian economy. The size of Indian chemical industry is estimated at around US$ 35 billion, which is equivalent to about 3 per cent of India's GDP. Indian chemical industry is positioned as the 12th largest in the world and 3rd largest in Asia. As per IIP computed by the CSO, Government of India, the industry group 'Basic Chemicals & Chemical Products (except production of petroleum and coal)', witnessed a growth of around 10.4 per cent in 2007-08.

Indian chemical industry, comprising large and SME units is currently in the midst of a major restructuring and consolidation. Over the last decade, the Indian chemical industry has evolved from being a basic chemical producer to becoming an innovative industry, with more investments in R&D. The industry is registering significant growth in the knowledge sector comprising speciality chemicals and fine chemicals.

The performance and outlook of the chemical industry, particularly in the context of India's development process, depends upon and determines the trends in the overall economy, as also the linkages with the rest of the world in terms of international trade, investment flows and technology transfers. On the domestic front, with the reduction in tariffs, Indian chemical companies with strong systems and organized operations are likely to be benefited further. Companies with competitive advantages, like having competence in the areas of high value added chemicals, conforming to international quality standards, could utilise their capabilities to establish a dominant presence in both international and domestic markets.

Engineering goods

The Indian engineering goods sector is on a growth path fuelled by a well diversified sector that produces a range of products such as the automobiles, capital goods / machinery and equipments and light engineering goods. The IIP computed by the CSO, Government of India, shows a positive growth for sectors such as basic metals and alloy industries (12.2 per cent), machinery and equipments, other than transport equipments (9.3 per cent) in 2007-08. However, while the transport equipment sector has slowed down in growth, the metal products and parts sector has witnessed negative growth in 2007-08.

The performance of the Indian engineering industry over the years has been positive with the exports during the period April – December 2007 reaching US$ 23.1 billion, a growth of 20.8 per cent over the corresponding period of the previous year. Increasing manufacturing activities, with India being regarded as a manufacturing base for many products, along with the rising economic performance of the Indian economy has created an environment of optimism for investment in this sector.

Electronics

Post liberalization, India has attracted significant foreign direct investments in the electronics sector leading to an upsurge in production and exports. Over the past five years, production by Indian electronics industry grew at approximately 25 per cent per annum to reach a level of Rs. 808 billion in 2007-08. Exports by the electronic industry have also been growing with the value of exports reaching US$ 2.8 billion in 2006-07, a growth of 23 per cent over the previous year. During the period April – December 2007, India's electronic exports have grown 10 per cent to reach a level of US$ 2.4 billion. India is also a major importer of electronic components and finished equipments.

The consumer electronics segment is the largest segment showing a high growth in 2007. It includes a wide range of products such as DVD, VCD/MP3 players, televisions, and microwave ovens. The microwave oven segment was estimated to be growing at a rate of 25-30 per cent. In case of exports, the largest share was taken by electronic components with 53 per cent followed by industrial electronics 30 per cent, computer electronics 46 per cent and telecom equipments 30 per cent. The growth in the demand for telecom products has been high with India adding 6 mn mobile users every month, which is one of the main reasons for the growth of the electronic components segment. This growth is expected to continue over the next decade too. In addition, the year 2007 has been a milestone, with worldwide IT spending crossing the level of US$ 3 trillion, which is projected to reach US$ 3.3 trillion by end 2008.

Petroleum Products

Indian petroleum refinery sector is establishing its ability to excel in international markets with export of petroleum products growing at over 50.0 per cent in the last five years. The share of petroleum products exports in total exports grew from 4.8 per cent in 2001-02 to 14.7 per cent in 2006-07 and to 17.4 per cent during the period April – December 2007. As a result, the petroleum products as a group ranks as second largest item in India's export basket. During the period April – December 2007, export of petroleum products grew at 37 per cent to reach a level of US$ 19.7 billion.

According to World Energy Outlook, 2007, rapid economic expansion will continue to drive India's energy demand boosting the country's share of global energy consumption. It is estimated that primary energy demand in India would double by 2030 with an average growth of 3.6 per cent per annum. 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 'Vision 2020' document has also 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.

Policy Environment

To provide further momentum to India's exports, the Annual Supplement, 2008, to the Foreign Trade Policy for 2004-2009 has proposed several measures including reduction of import duty under the export promotion capital goods (EPCG) scheme; extension of income tax benefit to 100 per cent export oriented units (EOUs), available under Section 10B of Income Tax Act; extension of interest relief, for one more year, to the sectors affected adversely by the appreciation of the Rupee; promotion of sports goods and toys through provision of additional duty credit under the Focus Product Scheme (FPS) to compensate disadvantages suffered by them; and neutralizing the high incidence of freight cost of export of fresh fruits

Management students from PLEI University, Mexico, visited the Bank as part of their Study Tour in India. Exim Bank networks with Agencies / Institutions to promote business linkages and international trade.

and vegetables and floriculture, through provision of additional duty credit scrip of 2.5 per cent over and above available under the Vishesh Krishi and Gram Udyog Yojana (VKGUY). The scope of Focus Market Scheme is also being expanded to include 10 new countries. Following the achievements in trade and commerce in the last few years, a target of achieving a 5 per cent share, in world trade, in both goods and services, by the year 2020 has also been earmarked.

In order to contain the growing inflationary trends, the Reserve Bank of India undertook a number of policy measures. The Cash Reserve Ratio (CRR) has been increased, in phases, from 6.25 per cent in April 2007 to 7.75 per cent in April 2008, and further to 8.25 per cent in May 2008.

With regard to prudential measures, RBI has permitted Indian banks to extend credit and non-credit facilities to step-down subsidiaries, which are wholly owned by the overseas subsidiaries of the Indian corporates, within the existing prudential limits with some additional safeguards. As part of the gradual process of financial sector liberalisation in India, RBI has permitted banks and primary dealers to begin transacting in single-entity credit default swaps (CDS).

In the external sector, some of the recommendations of the Internal Task Force, constituted by the RBI, consequent to the recommendations of the Committee on Fuller Capital Account Convertibility, to identify anomalies in the present regulatory framework for current and capital account transactions and propose rectifications, have been accepted. Accordingly, authorised dealers are allowed to permit Indian companies to remit up to US$ 10 mn as against the earlier limit of US$ 1 mn for consultancy services for executing infrastructure projects. They are also authorized to allow remittances on account of requests from Business Process Outsourcing (BPO) companies towards payment of the cost of equipment to be installed at overseas sites in connection with setting up of International Call Centres, subject to specified terms and conditions. They may also, henceforth, open foreign currency accounts in India for ship manning/crew managing agencies that are rendering services to shipping companies incorporated outside India.

With a view to provide greater flexibility to Indian corporates for investment abroad, the total overseas investment limit for an Indian party in all its joint ventures and/or wholly owned subsidiaries abroad has been enhanced from 300 per cent to 400 per cent of net worth, under the Automatic Route in September 2007; and in excess of 400 per cent in the energy and natural resources sectors such as oil, gas, coal and mineral ores, with prior approval of the RBI, in June 2008. The aggregate overseas investment limit for mutual funds has also been enhanced from US$ 4 billion to US$ 5 billion in September 2007, and further to US$ 7 billion in April 2008.

With respect to customs duties, the Union Budget 2008-09 kept the peak rate for non-agricultural products unchanged at 10 per cent. Also, the duties for project imports and phosphoric acid were reduced from 7.5 per cent to 5 per cent. Customs duty on vitamin premixes and mineral mixtures were also reduced from 30 per cent to 20 per cent, while duty on certain specified life saving drugs and on the bulk drugs used for the manufacture of such drugs were reduced from 10 per cent to 5 per cent. Customs duties have been withdrawn for steel melting scrap and aluminium scrap. However, export duty on chrome was increased from Rs. 2,000 per metric tonne to Rs. 3,000 per metric tonne in order to conserve and make it available for value added manufacture in India.

India: Fast Forward

(Major Policy Changes during 2007-08)

Credit Policy

- Cash Reserve Ratio (CRR) increased, in phases, from 6.25 per cent in April 2007 to 7.75 per cent in April 2008, and further to 8.25 per cent in May 2008.
- Repo rate increased by 25 basis points from 7.75 per cent in March 2007 to 8.0 per cent in June 2008.

Trade Policy

- Custom duties on several items, including steel melting scrap and aluminum scrap, withdrawn.
- Customs duty on a number of items, including specified machinery, certain specified life saving drugs, vitamin premixes and mineral mixtures, rough coral, crude and unrefined sulphur, and phosphoric acid reduced.

Investment Policy

- Investment limit for Foreign Institutional Investors (FIIs) in Government Securities enhanced from US$ 2.6 billion to US$ 3.2 billion in January 2008, and further to US$ 5 billion in June 2008.
- Foreign investment allowed in Commodity Exchanges and Credit Information Companies with a composite ceiling of 49 per cent, respectively, subject to certain conditions, in April 2008.

Overseas Investment Policy

- Overseas investment limit for Indian companies enhanced from 300 per cent to 400 per cent of their net worth in September 2007, and in excess of 400 per cent of net worth in energy and natural resources sectors in June 2008.
- Aggregate ceiling for overseas investment by mutual funds hiked from US$ 4 billion to US$ 5 billion in September 2007, and further to US$ 7 billion in April 2008.
- Borrowers in infrastructure sector allowed to avail External Commercial Borrowings (ECBs) upto US$ 100 mn for Rupee expenditure for permissible end-uses of ECBs, while for other borrowers limit for ECBs for Rupee expenditure for permissible end-uses of ECBs enhanced from US$ 20 mn in August 2007 to US$ 50 mn in May 2008.

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, 2008.

REVIEW OF OPERATIONS

During 2007-08 (April - March), the Bank approved loans aggregating to Rs. 328.05 billion under various lending programmes as against Rs. 267.62 billion in the year 2006-07 (April-March), registering a growth of 23.0 per cent. Disbursements during the year were Rs. 271.59 billion as against Rs. 220.76 billion during 2006-07, representing 23 per cent growth. Gross loan assets as on March 31, 2008 were Rs. 291.52 billion, registering an increase of 25 per cent over the previous year. During the year, the Bank sanctioned guarantees aggregating Rs. 21.99 billion as against Rs. 49.98 billion in 2006-07. Guarantees issued during 2007-08 amounted to Rs. 20.39 billion as against Rs. 16.97 billion in 2006-07. Guarantees in the books of the Bank as on March 31, 2008 were Rs. 34.56 billion as against Rs. 35.36 billion as on March 31, 2007. Rupee loans and advances accounted for 56.0 per cent of the total loan assets as on March 31, 2008 while the balance 44 per cent were in foreign currency. Short-term loans accounted for 26 per cent of the total loans and advances as on March 31, 2008.

The Bank registered profit before tax of Rs. 5.33 billion on account of General Fund during 2007-08 as against a profit of Rs. 3.91 billion for the year 2006-07. After providing for income tax of Rs. 2 billion, profit after tax amounted to Rs. 3.33 billion during 2007-08 as against Rs. 2.99 billion during 2006-07. Out of this profit, an amount of Rs. 1.72 billion is transferred to Reserve Fund. In addition, the Bank has transferred Rs. 100 mn to Investment Fluctuation Reserve, Rs. 100 mn to Sinking Fund and Rs. 400 mn to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961. The balance of Rs. 1.01 billion will be transferred to GOI as provided in the Exim Bank Act.

Profit before tax of the Export Development Fund during 2007-08 was Rs. 28.92 mn as against Rs. 23.61 mn during 2006-07. After providing for tax of Rs. 9.83 mn, the post tax profit amounted to Rs. 19.09 mn as against Rs. 15.66 mn during 2006-07. The profit of Rs. 19.09 mn is carried forward to next year.

H.E. Abdoulaye Wade, President of Senegal, interacts with Exim Bank of India delegation in Dakar, Senegal, on the occasion of inauguration of Bank's West African Representative Office at Dakar, which has been conferred with special 'Accord de Siège' status on par with multilateral institutions located in Senegal.

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 Ventures
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

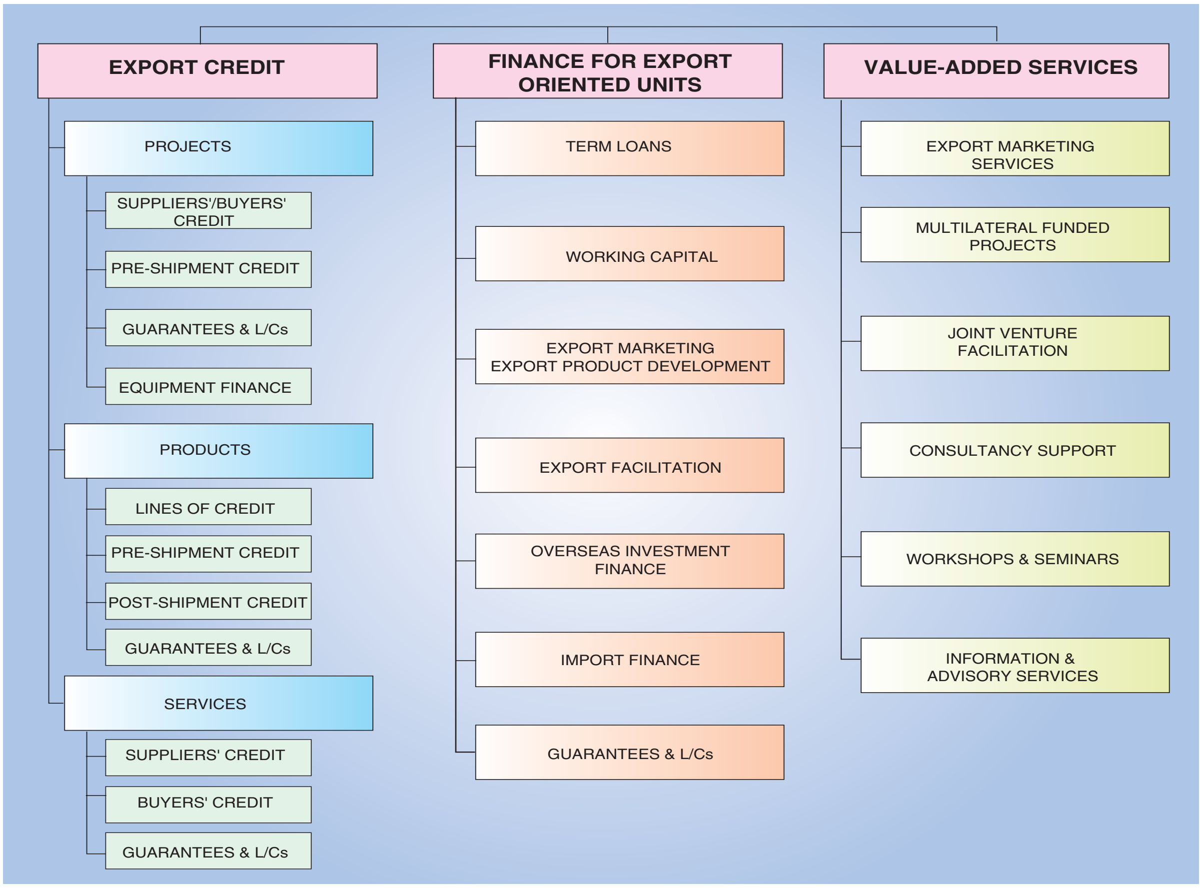
Exim Bank plays the role of a co-ordinator and facilitator for the promotion of project exports and serves as the focal point of the Working Group[1] on Project Exports. During 2007-08, 977 contracts amounting to Rs. 326.83 billion covering 92 countries, were secured by 147 Indian exporters.

The contracts secured during the year consisted of ninety eight turnkey contracts valued at Rs.155.43 billion, thirty two construction contracts valued at Rs. 105.31 billion, seven hundred and eighty four supply contracts valued at Rs. 51.86 billion and ten technical consultancy and services contracts valued at Rs.8.52 billion. A number of contracts valued at Rs. 5.71 billion were secured under Lines of Credit extended by Exim Bank.

Some major turnkey contracts secured during the year included design, engineering and supply of 66 kv substations for a power transmission system expansion phase project in Qatar, supply and installation of 2x157 MW gas turbine based power project extension in Libya, supply, installation, testing and commissioning of mechanical, electrical and plumbing works for a residential project in Qatar, supply & installation of 4x126 MW gas turbine power plant project in Iraq.

Construction contracts included design, construction, testing, commissioning and maintenance of an electrified double track in Malaysia, construction of 295 Residential Villas in UAE, construction of fuel supply systems

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.

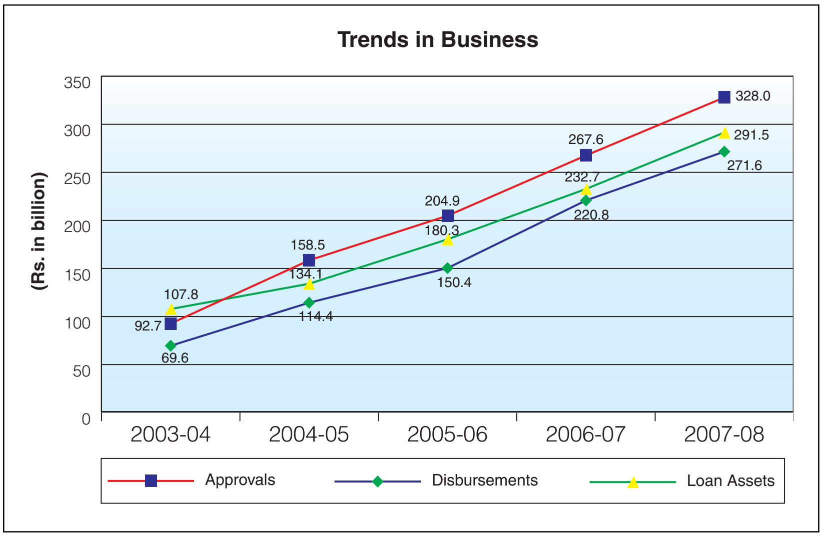
for the new Doha International Airport, construction / erection of electromechanical & civil structural steel works and commissioning assistance for a cement plant in Qatar.

Supply contracts secured during the year included exports of minerals, tyres, pharmaceuticals and textiles to countries like China, USA, UAE, Singapore and UK. Indian Companies also secured contracts for export of chemicals and metals, to countries including Turkey, Hong Kong, Switzerland and Brazil.

Technical consultancy and service contracts included a contract for charter of a rig to a company in Iran and other project management consultancy services.

Export Credits and Guarantees

During the year, the Bank approved loans aggregating Rs. 104.56 billion by way of suppliers' credit, buyers' credit, and finance for project exports as against Rs. 110.19 billion during the previous year. Disbursements amounting to Rs. 112.72 billion were made during the year, as compared to Rs. 93.89 billion during the previous year, an increase of 20 per cent.



Guarantees sanctioned and issued during the year amounted to Rs. 21.99 billion and Rs. 20.39 billion respectively, as against Rs. 49.98 billion and Rs. 16.97 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.

ABG Shipyard Ltd., Surat, is one of India's major private sector shipbuilders, supported by Exim Bank for its export business through long term export credit and guarantee facilities.

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 the year 2007-08, the Bank extended Buyer's Credit facility to 15 overseas companies aggregating Rs. 5.95 billion. Disbursements under Buyer's Credit Programme aggregated Rs. 5.28 billion for exports to countries that include

Brazil, Italy, Singapore, South Africa, Sri Lanka, Thailand, United Arab Emirates and United States of America. The products exported under the Buyer's Credit programme included transport vehicles & auto spare parts, fruits & vegetables, plain & studded jewellery, steel & steel products, incense sticks, cement clinker, petrochemical products, 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

The Bank has placed special emphasis on extension of Lines of Credit as an effective market entry mechanism with particular focus on small and medium enterprises. 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 seventeen LOCs, aggregating US$ 704.10 mn, to support export of projects, goods and services from India. LOCs extended by Exim Bank during the year include LOCs to African Export-Import Bank, Africa; Nigerian Exim Bank, Nigeria; PTA Bank, Africa; Myanma Foreign Trade Bank, Myanmar; Governments of Cambodia, Djibouti, Ethiopia, Gabon, Mali, Nepal, Senegal, Sri Lanka, Sudan, Suriname and Vietnam. These LOCs will finance and catalyze exports by way of energy transmission and distribution projects, power projects, cement plant project, IT training projects, road projects, supply of water pumps, water supply project, housing project, micro industrial projects, development of livestock production and services and development of sugar industry. Eighty-nine LOCs covering eighty-nine countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US$ 2.96 billion are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation.

A Line of Credit of US$ 35.20 mn for financing infrastructure projects in water supply and power sectors in Cambodia was signed in the presence of Dr. Manmohan Singh, Prime Minister of India, and Mr. Hun Sen, Prime Minister of Cambodia, in New Delhi.

II. BUILDING EXPORT COMPETITIVENESS

The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. During 2007-08, Exim Bank sanctioned loans aggregating Rs. 195.42 billion under the programmes for enhancing export competitiveness. Disbursements amounted to Rs. 142.63 billion under these programmes.

Loans to Export Oriented Units

During the year, the Bank approved term loans of Rs. 27.47 billion to 62 export oriented units. Disbursements amounted to Rs. 13.81 billion. Under Production Equipment Finance Programme, 20 exporting companies were sanctioned Rs. 8.19 billion for financing acquisition of production equipment. Disbursements amounted to Rs. 3.11 billion. 31 companies were sanctioned long term working capital loans aggregating Rs. 26.67 billion. Disbursements amounted to Rs. 25.19 billion.

Technology Upgradation Fund Scheme (TUFS)

Exim Bank is one of the nodal agencies appointed by GOI, Ministry of Textiles, to establish and approve the eligibility of the project under TUFS, and release subsidy directly to the approved projects. As on March 31, 2008, the Bank has accorded approval for 148 projects with aggregate cost of Rs. 94.55 billion. Loans approved and disbursed aggregated to Rs. 27.80 billion and Rs. 18.66 billion respectively. The Bank's assistance under TUFS to the textile industry has been spread across various segments in the 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, 41 corporates were sanctioned funded and non-funded assistance aggregating Rs. 50.29 billion for part financing their overseas investments in 20 countries. So far, Exim Bank has provided finance to 223 ventures set up by over 180 companies in 61 countries, including Austria, Canada, Germany, Ireland, Indonesia, Italy, Malaysia, Mauritius, Morocco, Netherlands, Romania, Singapore, Sri Lanka, Spain, UAE and USA. Aggregate assistance extended for overseas investment amounts to Rs. 99.91 billion covering various sectors including pharmaceuticals, home furnishings, ready made 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 the year include: acquisition of a German foundry engaged in manufacture of automotive components and OE supplier; acquisition of coal mining rights in Indonesia; acquisition of pharmaceutical companies in USA and UK; acquisition of a company in Canada which is engaged in the business of manufacturing aluminium and aluminium products; acquisition of a company in USA which produces anode grade and titanium oxide grade calcined petroleum coke with global market share of 17 per cent and 30 per cent respectively; acquisition of a company based in Cayman Islands with operations in UK which owns the latest sixth generation ultra deep water drilling rigs; setting up of a greenfield welded pipes manufacturing facility in USA; acquisition of a company in British Virgin Islands operating an international chain of hotels and resorts; acquisition of a company in Israel which is engaged in the business of manufacturing irrigation systems.

FINANCE FOR IMPORTS

Bulk Import Finance

Under Bulk Import Finance Programme, sanctions and disbursements amounted to Rs. 8.11 billion and Rs. 9.40 billion, respectively.

Import Finance Programme

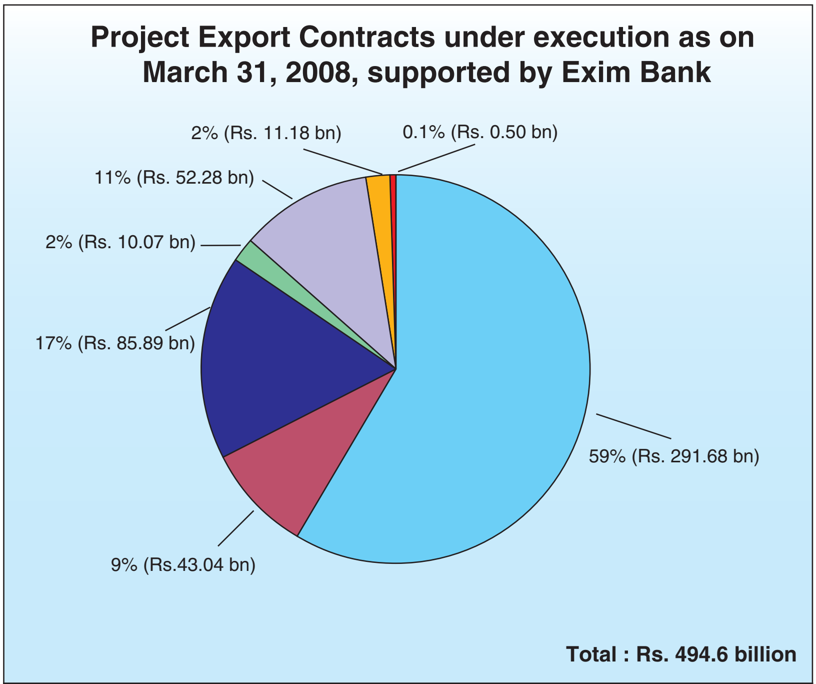
Under Import Finance Programme, companies were sanctioned term loans aggregating Rs. 8.15 billion. Disbursements amounted to Rs. 4.78 billion.

Credit Monitoring Group

A dedicated Loan Recovery Group takes pro-active steps as per the Board approved Loan Monitoring and Recovery Policy, to recover bad loans, manage non-performing loans and prevent slippage of standard assets into non-performing assets. A system of ABC classification of loan accounts is in place based on Early Warning Signals and Non-performing assets and stressed assets are reviewed on a monthly basis 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 transfers to Asset Reconstruction Companies. The Committee submits its recommendations for consideration by the Board.

III. JOINT VENTURES

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. 33.37 mn in 2007-08 with a pre-tax profit of Rs. 12.13 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.



Note: As on March 31, 2008, 202 project export contracts valued at Rs. 494.6 billion were under execution in 35 countries by 42 Indian Companies. These cover construction, turnkey and consultancy contracts.

Global Trade Finance Limited (GTF) was promoted by Exim Bank and International Finance Corporation (IFC), Washington, with other shareholders being FIM Bank, Malta and Bank of Maharashtra. GTF is a provider of international factoring, domestic factoring and forfaiting services under one roof in India. GTF has established itself as a market leader in international factoring, providing value added services to its clients. During the year, the Bank sold its entire equity stake in GTF to State Bank of India. GTF ceased to be a joint venture of the Bank, in FY 2007-08.

Mid-sized company manufacturing auto forgings in Birmingham, U.K., was acquired by El Forge Ltd., Chennai, with financial support from Exim Bank.

IV. NEW INITIATIVES

Focus on West African Region

During the year, the Bank opened a representative office in Dakar, Senegal. The Dakar office of Exim Bank is expected to play a key, catalytic role in enhancing the trade and investment between India and the West African Region. The Dakar office has been conferred with special status 'Accord de Siège' by

Government of Senegal on par with multilateral institutions located in Senegal.

Global Trade Finance Programme

In December 2007, Exim Bank signed an agreement with International Finance Corporation (IFC), Washington under the Global Trade Finance Program (GTFP). Under this arrangement, Exim Bank will be able to confirm Letters of Credit (L/Cs), guarantees and other trade instruments issued by approved banks in more than forty developing countries of Central Asia, Central and Eastern Europe, Latin America & the Caribbean, Middle East & North Africa as also other regions of Asia and Africa, which constitute an attractive market for Indian exporters. Some of the countries have a higher risk profile due to absence of a proper credit enhancement mechanism for carrying out documentary credit trade. The role of Exim Bank as 'Confirming Bank' would enable Indian exporters to access such markets without payment risks.

Rural Grassroots Business Initiatives

The Bank has in place an innovative facility to support globalisation of rural industries through its Grassroots Business Initiative. The Program builds upon the Bank's other support programs 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 a variety of institutional linkages. Towards this end, a Memorandum of Cooperation (MOC) was signed between the Bank and the Ministry of Panchayati Raj (MOPR) which aims at enhancing the export promoting activities of MOPR through the Rural Business Hub (RBH) initiative and is in line with Exim Bank's initiatives in supporting exports from rural India.

A turnkey project for fuel tanks for a petroleum company in Sharjah, UAE is under execution by Vijay Tanks and Vessels Ltd., Vadodara, with financial support from Exim Bank.

Exim Bank is also actively involved in extending export market access support to rural products through innovative export marketing services, effectively utilising its overseas offices and institutional linkages as also by the provision of Lines of Credit facility to overseas buying houses and departmental stores for importing a variety of products from India. Exim Bank has thus been able to leverage such lines of credit to promote export of agro and rural products, and has procured orders from Singapore, South Africa, Hungary, USA for such products.

The Bank promotes rural Indian technology to other developing countries in Asia, Africa and CIS, under the umbrella of South-South cooperation. To this effect, the Bank has earmarked funds for setting up the Rural Technology Export Development Fund to promote exports as also enhance the export-worthiness of rural grassroots innovative technologies from India. Thus, Exim Bank's efforts are not only aimed at facilitating the visibility of rural products in the international market but also to find alternative channels through partnership arrangements with institutions and corporates in India.

The Bank uses its network of overseas offices and trade promotion organizations and institutions overseas with whom the Bank has linkages, to identify opportunities for trade and investment for Indian companies. Wherever considered appropriate, the Bank organizes buyer-seller meets/seminars to facilitate business generation for Indian companies.

Corporate Social Responsibility

Exim Bank is supporting the Rugby Team of the Kalinga Institute of Social Sciences, which won the Under-14 International School Rugby Championship held in London, UK, in September 2007. The Kalinga Institute of Social Sciences (KISS) was established in April 1993 to provide a combination of formal education with vocational education for more than 5000 tribal children of Orissa. The mission of KISS 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. As part of its endeavours in supporting social causes, Exim Bank's support to the Rugby Team of KISS would encompass training facilities with associated infrastructure, participation in select domestic/ international tournaments, which would enhance the skills and exposure of the Rugby Team.

Innovative Programme for SMEs

The Bank has entered into a cooperation arrangement with International Trade Centre (ITC), Geneva, for implementing a unique Enterprise Management Development Services (EMDS) program, which is an IT based solution provider to enable small enterprises to prepare business plans with international market in focus. This is a pioneering initiative for supporting SMEs and for providing term loans and export finance facilities to the identified units to help them in their globalisation efforts. The Bank has partnered ITC in implementing this project. The Bank thus supports small enterprises through capacity building and assistance in formulation of viable proposals. It is envisaged that the learning from this programme would be transferred to other developing countries, and thus assist in capacity creation and institution building in the global arena.

The Bank has partnered the Commonwealth Secretariat in the Commonwealth – India Small Business Competitiveness Development Programme. 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.

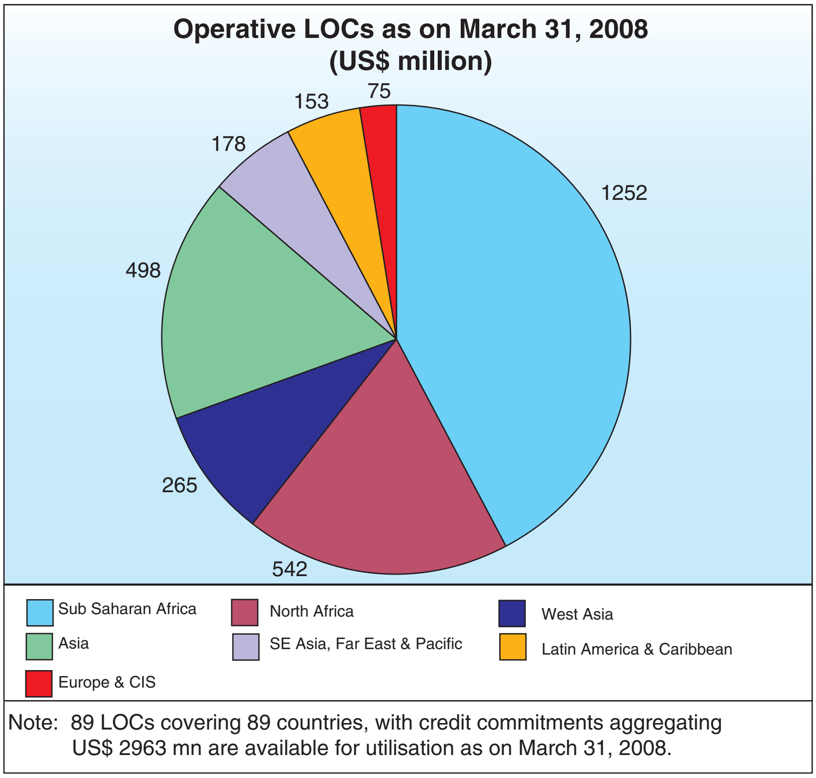
The junior rugby team from Kalinga Institute of Social Sciences (KISS), Bhubaneshwar, Orissa (which is the largest tribal school in India with more than 5000 tribal students) has been adopted by the Bank for intensive coaching and participation in local and international junior rugby tournaments.

US$ 1 billion Medium Term Note (MTN) Programme

During FY 2007-08, 5-year Floating Rate Notes aggregating JPY 24 billion (US$ 197 mn) were issued under the Bank's US$ 1 billion Medium Term Note (MTN) programme.

International Rating Upgrade

During FY 2007-08, Standard & Poor's and Fitch Ratings have upgraded the Bank's credit rating from BB+ to BBB-. The Japan Credit Rating Agency (JCRA) enhanced the Bank's credit rating from BBB to BBB+. Taken together with the Baa3 rating from Moody's, the Bank at present holds investment grade rating on par with the Indian sovereign from four international credit rating agencies.



V. FINANCIAL PERFORMANCE

Resources

During the year, the Bank received share capital of Rs. 1 billion from the Government of India. As at March 31, 2008, the Bank's total resources comprising paid-up capital of Rs. 11.00 billion and reserves of Rs. 21.06 billion, aggregated to Rs. 325.32 billion. Exim Bank's resource base includes bonds, certificates of deposit, commercial paper, term loans and foreign currency deposits/ borrowings/ long term swaps. The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' from the rating agencies, CRISIL and ICRA. During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 140.4 billion comprising rupee resources of Rs. 89.05 billion and foreign currency resources of US$ 1.28 billion equivalent. Foreign currency resources of US$ 1.08 billion equivalent were raised through bilateral / club loans and US$ 197 mn by way of FRNs. As on March 31, 2008, the Bank had a pool of foreign currency resources equivalent to US$ 3.53 billion and outstanding Rupee borrowings including bonds and commercial papers of Rs. 188.90 billion. Market borrowings as on March 31, 2008 constituted 88 per cent of the total resources of the Bank.

Ms. Aichatou Pouye, Director, International Trade Centre (ITC / UNCTAD), addressing participants at a workshop in Mumbai on building competencies for SME financing, jointly organised by Exim Bank and ITC.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at Rs. 5.33 billion and Rs. 3.33 billion respectively during the year 2007-08, as compared to the previous year's PBT and PAT of Rs. 3.91 billion and Rs. 2.99 billion, respectively. Business income comprising interest, discount, exchange, commission, brokerage and fees during 2007-08 was Rs. 19.53 billion as compared to Rs. 14.51 billion in 2006-07. Investment income, interest on bank deposits etc. during 2007-08 was Rs. 8.62 billion as compared to Rs. 5.12 billion in 2006-07. Interest expenditure in 2007-08 at Rs. 20.07 billion was higher by Rs. 4.92 billion mainly due to an increase in the borrowings. Non-interest expenses (excluding provisions for contingencies) worked out to 2.83 per cent of total expenses (excluding provisions for contingencies) during 2007-08 as against 3.54 per cent during 2006-07. The average cost of borrowings (interest expenditure as a per cent of average borrowings) increased marginally from 7.06 per cent p.a. during 2006-07 to 7.17 per cent p. a. during 2007-08.

Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 15.13 per cent as on March 31, 2008, as compared to 16.38 per cent as on March 31, 2007, as against the minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as on March 31, 2008 was 8.97:1, as compared to 7.34:1 as at March 31, 2007.

Exposure Norms

Reserve Bank of India (RBI) has prescribed credit exposure limits for all-India term lending institutions effective from March 31, 2002, at 15 per cent of the financial institutions' capital funds, 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 per centage points (i.e. 5 per cent of total capital funds) and ten per centage 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 and group borrowers as at March 31, 2008 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 aggregate credit exposure to all industry sectors, except in the case of textiles for which the limit is 20 per cent. The Bank's exposure to a single industry sector was not more than 12.60 per cent of its total exposure as at March 31, 2008.

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/

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

guarantees, structured loans etc. The Bank uses financial derivative transactions for raising cost effective funds and hedging its balance sheet exposures, with the objective of reducing market risks. The Bank is a member of the Indian Financial Network (INFINET) and has registration authority status from the 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. The Bank is in the process of migrating to SWIFTNet Phase 2, within the timeframe stipulated by SWIFT.

Asset-Liability Management (ALM)

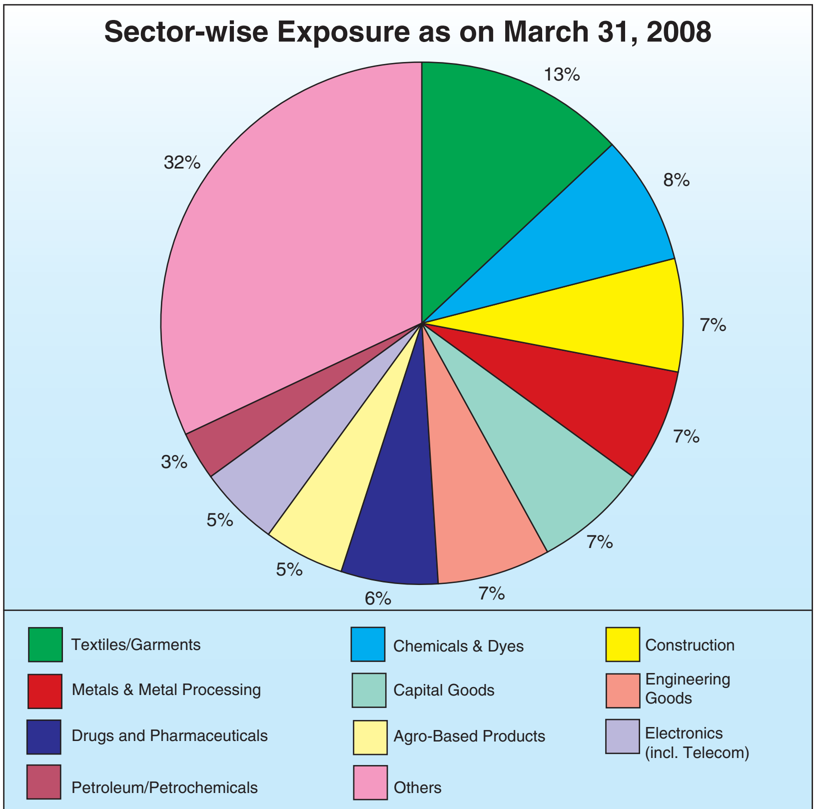
The Asset-Liability Management Committee (ALCO) of the Bank oversees the monitoring & management of market risk with support from the Bank's mid-office. Liquidity/interest rate risks are managed by ALCO as per the comprehensive ALM / Liquidity policies approved by the Board. The role of ALCO includes, 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) 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 Plan/ Resources Plan approved by the Board at the beginning of each financial year. The Audit Committee & Management Committee of the Board periodically review the functioning of ALCO / FMC.

Tractor Assembly Plant in Mali (W. Africa) financed under Exim Bank Line of Credit of US$ 30 mn to Government of Mali.

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. During the year, the Bank, in accordance with its focus on further improving asset quality and credit appraisal, implemented a new Credit Risk Model (CRM) that is a significant improvement over the earlier Credit Grading Model in terms of enabling an improved credit appraisal process (by incorporating qualitative as well as quantitative parameters) and better portfolio management capability. The Bank also undertakes a consolidated annual review of the Business Continuity & Disaster Recovery Plans (BCDRPs) of all its offices. Each of the plans is vetted for completeness with regard to critical Business Continuity Risk Events (BCREs) and safeguards in place, for mitigating the impact thereof.



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

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. 4.58 billion worked out to 1.57 per cent of the total loans and advances. The Bank's NPAs (net of provisions) at Rs. 0.83 billion worked out to 0.29 per cent of its loans and advances (net of provisions) as at March 31, 2008, as compared to 0.50 per cent as at March 31, 2007.

Exim Bank, an active issuer of foreign currency bonds / floating rate notes including Samurai bonds in international debt capital markets, interacts with market participants in Kyoto, Japan during the annual meeting of Asian Development Bank.

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 1.57 per cent, sub-standard assets worked out to

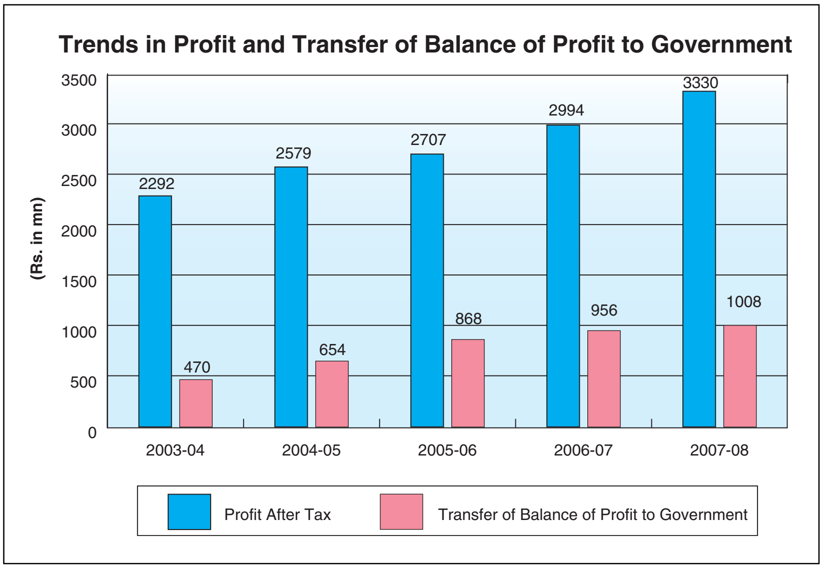
0.16 per cent, doubtful assets worked out to 1.22 per cent, while loss assets worked out to 0.19 per cent. Out of net NPAs at 0.29 per cent of net loans and advances as at March 31, 2008, sub-standard assets worked out to 0.14 per cent, doubtful assets worked out to 0.15 per cent while loss assets have been fully provided for.

Internal Audit

The Internal Audit function of the Bank is overseen by the Audit Committee (AC) of the Board of Directors. The AC meets at least six times in a year. Objective of the Bank's AC is to provide 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 audit reports and RBI inspection reports.

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. Information in the form of a list of importers / exporters across different industries and sectors was provided to Indian firms active in international trade. The Bank also prepared a detailed project report for a proposed joint venture in Brazil, during the year.

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 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 construction, energy, infrastructure, education, information technology and telecom.

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 in other developing countries. The Bank has been sharing its experience and expertise by undertaking consultancy assignments.

The Bank was commissioned by the Reserve Bank of Zimbabwe (RBZ) to help create a support structure in Zimbabwe for international trade and investment through setting up of an Export-Import Bank. The recommendations of the Bank have been accepted and RBZ has now approached the Bank for providing support towards the implementation and setting up of an Export-Import Bank in Zimbabwe. In the past, the Bank has provided consultancy services to RBZ to help set up an Export Credit Guarantee Company (ECGC) in Zimbabwe.

Export Marketing Services

During the year, the Bank provided assistance to several 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 is also in the process of identifying acquisition/joint venture/ distributorship opportunities abroad for Indian companies.

Participants at the 3rd Annual Meeting of the Global Network of Exim Banks and Development Finance Institutions (G-NEXID), established in Geneva under the auspices of UNCTAD, for fostering South-South trade and investment cooperation.

During 2007-08, the Bank facilitated orders for Indian companies for export of Alphonso mangoes to Singapore, seedless grapes and Bhagva variety of pomegranates to Dubai as also ready food items i.e. poppadums to South Africa. Orders have also been received from the world's second largest retailer which operates in Latin America, Europe and Asia for their stores located in Singapore, for import of Indian handicrafts i.e curtain tassels, home décor, embroidered party bags, leather photo frames, wooden and lac jewellery boxes manufactured by small and medium enterprises located in different parts of India.

The Bank is actively pursuing many acquisition and joint venture opportunities for Indian companies, for instance, acquisition of a veterinary business in Brazil, joint venture with a Senegalese company for manufacture of medical disposables, facilitation of a technology transfer tie-up with a US company for a large Indian company manufacturing protective armour, helmets and armoured vehicles, a distributorship for an Indian company in Malaysia.

The Bank is also pursuing setting up of a sugar plant on turnkey basis in Indonesia, helping an Indian Company interested in acquiring bauxite and iron-ore mines in Indonesia, outsourcing of legal work by a US law firm to a law firm in India, export of packaged food products to Dakar, Senegal, fine chemicals, valves and pumps, bulk drugs and oxygen plants on turnkey basis to South Africa and other countries in Africa, finished leather goods, medical disposables to Dubai, cavendish bananas, frozen poultry and meat products to UK.

The Bank uses its network of overseas offices and trade promotion organizations and institutions overseas with whom the Bank has linkages, to identify opportunities for trade and investment for Indian companies. Wherever considered appropriate, the Bank organizes buyer-seller meets/seminars to facilitate business generation for Indian companies.

Eximius Centre for Learning

During the year, the Bank's Eximius Centre for Learning conducted 39 programmes on a wide range of topics to keep Indian companies abreast of developments in the global market. These included eleven country/region specific Business Opportunities seminars. A seminar series on the British Midlands Region was organised at Kochi, Thiruvanthapuram, Pune and Jaipur. Similar seminars were organised at Coimbatore and Kochi on the Kingdom of Bahrain, and at Pune, Ahmedabad, Ludhiana, Chennai and Hyderabad on the State of Victoria in Australia. Three seminars on Business Opportunities in Asian Development Bank Funded Projects were conducted at Mumbai, New Delhi and Kolkata.

The Centre organised workshops at Kolkata and Mumbai in collaboration with Centre for Promotion of Imports from Developing Countries (CBI), the Netherlands. An Interactive session was also held with international delegates under training programme of National Institute of Small Industry Extension and Training (NISIET), Hyderabad.

For enhancing export skill of SMEs, the Centre organised seminars on Export Procedure & Documentation at Bangalore, Ahmedabad, New Delhi, Belgaum, Nashik, Guntur and Chennai. Workshop on Export Enterprise Development was conducted at Shillong. Seminar focusing on requirements for export of agricultural products/medicinal plants were organised at Bhubaneswar, Itanagar and Guwahati.

The Centre organised a workshop on Export Marketing of Rural Grassroots Industry Products at Shantiniketan.

Line of Credit agreement of US$ 30 mn from Exim Bank of India to Afreximbank was signed in New Delhi by Mr. Jean-Louis Ekra, President of Afreximbank during the 4th CII-Exim Bank Conclave on India-Africa Project Partnership 2008 in the presence of Dr. D. Subbarao, Finance Secretary, Government of India, and Prof. Semakula Kiwanuka, Minister of State for Finance, Planning and Economic Development, Govt. of Uganda.

VII. INSTITUTIONAL LINKAGES

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

Towards this end, the Bank entered into Memoranda of Co-operation (MOC) with African Export-Import Bank, Egypt; CBI Netherlands; Corporacion Andina de Fomento (CAF), Venezuela; and Export Finance & Insurance Corporation (EFIC), Australia. The MOCs seek to leverage complementary strengths, and endeavour to promote two-way trade and investment between firms in India and their counterparts in the respective countries.

The Bank also entered into MOCs with Gulf Investment Corporation (GIC), Kuwait and The Ceylon Chamber of Commerce, Sri Lanka. The MOCs seek to facilitate exchange of relevant information and joint identification of avenues to improve two-way trade and investment between India and GCC region (Bahrain, Kuwait, Sultanate of Oman, Qatar, Kingdom of Saudi Arabia and the United Arab Emirates), and Sri Lanka, respectively.

To provide further impetus to its rural grassroots business initiative, the Bank signed an MOC with the Ministry of Panchayati Raj (MOPR) for its Rural Business Hub (RBH) initiative. RBH is a unique concept of Public-Private-Panchayat Partnership and seeks to establish direct linkages between rural economy and industry. The Bank also forged partnerships with Small Industries Development Bank of India (SIDBI) and REPCO Bank to further cooperation and to provide support to grassroots enterprises and SMEs.

Asian Exim Banks Forum

The 13th Annual Meeting of the Asian Exim Banks Forum was held in Bali, Indonesia, in November 2007 hosted by PT. Bank Ekspor Indonesia (Persero). The Forum had been conceived and initiated by Exim Bank of India in 1996. The theme for the 2007 Meeting was “Strengthening Partnership among Asian Exim Banks”. 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, the multilateral financing institution, as a permanent invitee. Officials of the Vietnam Development Bank participated as observers.

At the Annual Meeting, Information and Working Sessions covered a wide range of topics including the global and regional economic outlook, broadening trade financing co-operation among Asian Exim Banks, clean energy trade & investment, development of Islamic financing in Asia. The outcome of discussions at the 13th Annual Meeting was compiled into the “Bali Consensus” and was signed by all the nine members. The Consensus is a significant document and gives member institutions a basis on which to carry the work forward.

Global Network of Exim Banks and Development Finance Institutions

The Global Network of Exim Banks and Development Finance Institutions (G-NEXID), was set up in Geneva in March 2006 through the Bank’s initiative, under the auspices of UNCTAD. With the active support of a number of other Exim Banks and Development Financial Institutions from various developing countries, the network has endeavoured to foster enhanced South-South trade and investment cooperation, characterised among others, by the launching of the G-NEXID’s website (www.gnexid.org) and annual meetings of the Forum. ‘Observer Status’ in UNCTAD underscores support for the Forum, while acceptance of the vision of the Forum by developing countries can be assessed from the fact that the membership of the Forum has reached 23 by March 2008.

ADFIAP Development Award

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Award recognises and honours ADFIAP member institutions, which have assisted projects that have created a development impact in their respective countries. Awards

Line of Credit of US$ 20 mn extended by Exim Bank to Government of Rwanda to finance construction of a hydro power project in Rwanda was signed in New Delhi by Mr. John Rwangombwa, Rwanda’s Secretary General and Secretary to the Treasury, Ministry of Finance, on behalf of the Government of Rwanda.

are given to member institutions, which have implemented or enhanced outstanding and innovative development projects during the year.

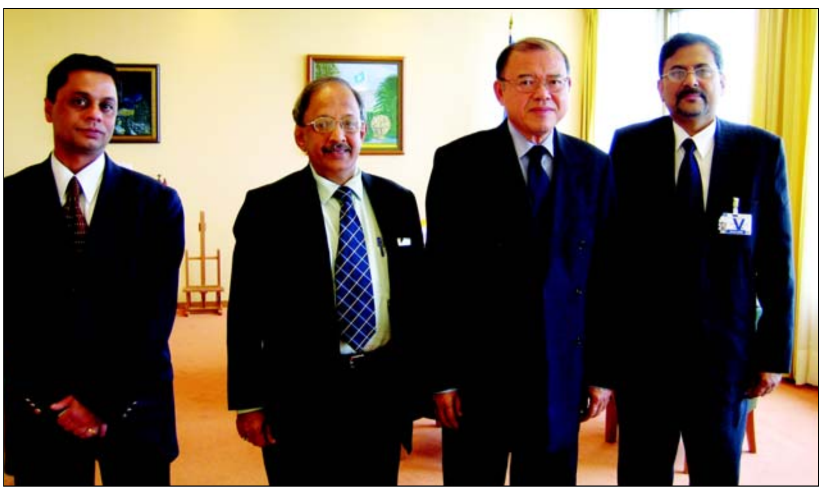
The Bank has been conferred the 2008 "SME Development Award". The Award is in recognition of the Bank's "Enterprises Management Development Services (EMDS)" programme, an IT based solution provider to enable small enterprises to prepare business plans with international market in focus. The Bank, through this innovative programme developed through close interaction with the International Trade Centre (ITC), Geneva, has created an enabling environment for SME development, and seeks to support small enterprises through capacity building and assistance in formulating viable proposals.

Award for Business 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, only 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 2006, Heavy Electrical Equipment Plant, Haridwar of Bharat Heavy Electricals Limited (BHEL), was adjudged the prize winner.

In 2007, though there was no winner for the Award, ten companies were commended by the jury for significant achievement in their journey towards business excellence. These were BHEL (Heavy Electricals Plant) Bhopal; BHEL (Heavy Power Equipment Plant), Hyderabad; BHEL (High Pressure Boiler Plant), Tiruchirappalli; Jay Bharat Maruti Limited, New Delhi; JSW Steel Limited, Vijayanagar Works; MICO (Diesel Systems Business), Bangalore; NTPC Ltd. (Simhadri Thermal Power Project); Rashtriya Ispat Nigam Ltd. (Visakhapatnam Steel Plant); Reliance Industries Limited (Hazira Manufacturing Division); and The Tinplate Company of India Limited, Jamshedpur. The jury also commended 25 companies for their strong commitment to TQM.



Secretary General of UNCTAD, Mr. Supachai Panitchpakdi, receives Exim Bank delegation during the 3rd Annual Meeting of G-NEXID held in Geneva, Switzerland. UNCTAD's granting of 'Observer Status' to G-NEXID underscores support to the Forum's endeavours to foster enhanced South-South trade and investment cooperation.

VIII. INFORMATION TECHNOLOGY

The 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 Planning and Budgeting; Country Analysis; Industry Analysis; Risk Measurement and Analysis; Bank-wide system; Document

Management and Workflow. The systems in these areas cover strategic planning, internal servicing, customer interface and online tracking.

The Bank is committed to creating export capability in Grassroots Business Enterprises as a means towards achieving poverty reduction through export linkage for the vast rural population of India. As a part of this initiative Bank has launched a website (www.eximbankwiki.in.) The website offers a platform to support rural India in gaining access to the global market.

Bank's corporate website (www.eximbankindia.in) disseminates information in an 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 Bank 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 2007 is Dr. Arjun Jayadev, Post Doctoral Fellow, Columbia University and Assistant Professor of Economics, University of Massachusetts, for his doctoral thesis titled "Financial Liberalisation and its Distributional Consequences: An Empirical Exploration". Dr. Jayadev received his doctoral degree from University of Massachusetts, Boston, USA in 2005.

Five Occasional Papers were published by the Bank during the year, namely, Trade and Environment: A Theoretical and Empirical Analysis; Indian Pharmaceutical Industry: Surging Globally; Regional Trade Agreements: Gateway to Global Trade; Knowledge Process

The 13th Annual Meeting of the Asian Exim Banks forum held in Bali, Indonesia, in November 2007 on "Strengthening Partnership Among Asian Exim Banks" deliberated on broadening trade financing cooperation among Asian Exim Banks, and clean energy development projects.

Outsourcing: Emerging Opportunities for India; and Indian Mineral Sector and its Export Potential. A publication titled "Healthcare Tourism: Opportunities for India", was brought out, which highlights opportunities and challenges, and delineates strategies for India to emerge as a major healthcare tourist destination.

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. Mr. Kemal Derviș, Administrator of the United Nations Development Programme (UNDP) delivered the Bank's Twenty-Third Commencement Day Annual Lecture for the year 2008. Mr. Derviș spoke on "Perspectives on the New Structure of the World Economy". Dr. Arvind Virmani, Chief Economic Adviser, Government of India, Ministry of Finance, presided over the function.

X. HUMAN RESOURCES MANAGEMENT

As on March 31, 2008, the Bank had a total staff of 222 in its services including 168 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 2007-08, 160 officers attended training programmes and seminars on a variety of subjects relevant to the Bank's operations. Programmes included credit risk modelling, international trade finance, foreign exchange, risk management, business continuity and disaster recovery for financial institutions, project appraisal & analysis, political risk insurance, infrastructure project financing, financing SMEs.

Rajya Sabha Committee on Government Assurances, led by Shri A. Vijayaraghavan, Hon'ble Member of Parliament, held discussions with Exim Bank of India.

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 during the year as follows:

(i) Bank Nagar Rajbhasha Karyanvayan Samiti, Mumbai, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, Government of India has awarded the First Prize to Exim Bank's Head office for commendable performance in implementing Hindi among all Financial Institutions for the year 2006-07.

(ii) State Level Bankers' Committee (O.L.), Pune, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, Government of India has awarded the First Prize to Bank's Head office for commendable performance in implementing Hindi among all Financial Institutions for the year 2006-07.

During 2007-08, 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.

Apart from literature on Bank's operations and procedures, all Research Briefs along with select Occasional Papers and Working papers were also translated into Hindi.

In order to impart training in Hindi notings and drafting, to officers of the Bank, sixteen Hindi workshops were organised during the year. 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 2007, several officers were awarded prizes for maximum use of Hindi for Official work.

In pursuance of Government's directives, a Hindi fortnight commencing from September 14, 2007 was celebrated in the Bank. On this occasion, various Hindi competitions were organised for the staff members; special issue of Eximius, namely 'Rajbhasha Visheshank' was published. Two special Hindi workshops were conducted and an exhibition was organised.

The Bank's website is available in Hindi. Bank's intranet also has a Hindi Section.

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's policy regarding progressive use of Hindi, new books, particularly on foreign trade, commerce, finance, banking, information technology and other subjects were added to the 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.

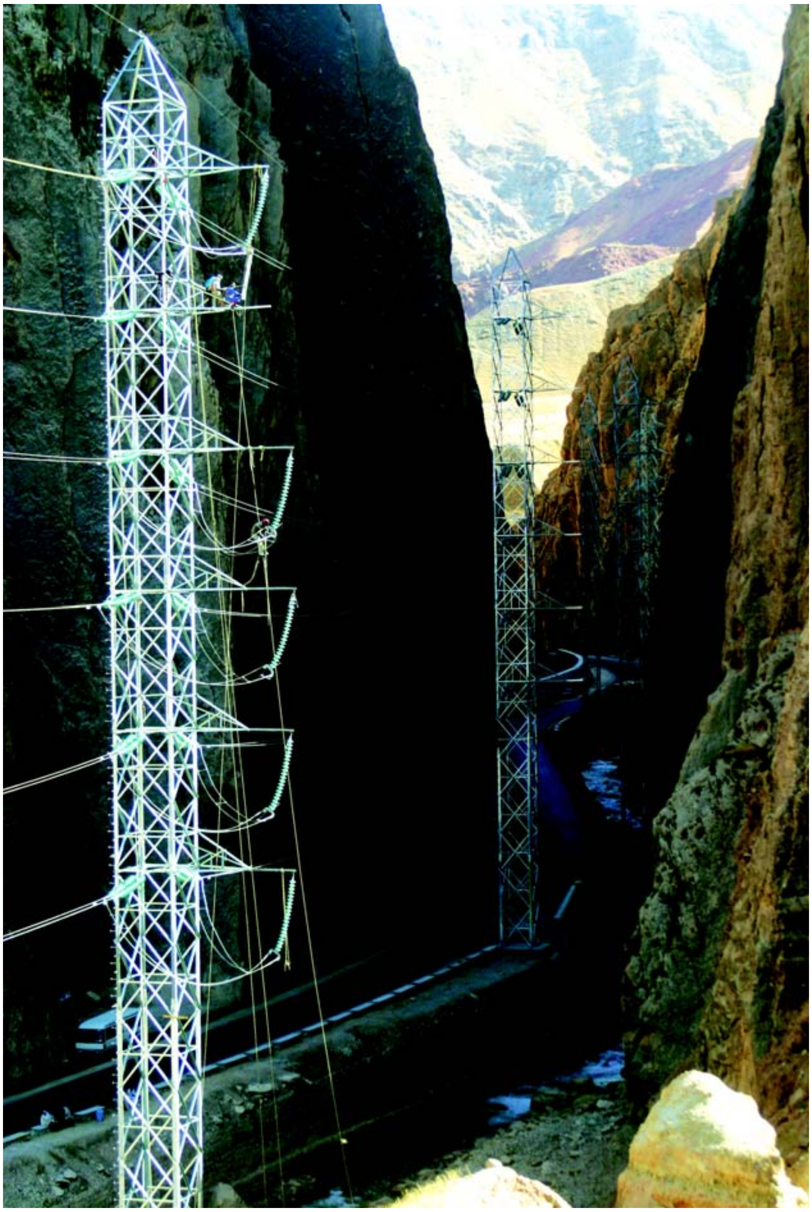
XII. REPRESENTATION OF SCHEDULED CASTES, SCHEDULED TRIBES AND OTHER BACKWARD CLASSES

The Bank, with total staff strength of 222 in its service, as on March 31, 2008, has 26 Scheduled Caste, 23 Scheduled Tribe and 15 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 and Bharathidasan Institute of Management, Tiruchirapalli.

Exim Bank has been conferred the 2008 "SME Development Award" by the Association of Development Financing Institutions in Asia and the Pacific, in recognition of the Bank's "Enterprises Management Development Services (EMDS)" programme, an IT based solution provider to enable small enterprises to prepare business plans with international market in focus.

Range of Products and Services

Balance Sheet as at March 31, 2008 and Profit & Loss Account for 2007-08



Turnkey contract for supply and erection of 220 KV Double Circuit Transmission Line in Afghanistan under execution by KEC International Ltd., Mumbai with financial support from Exim Bank.

Balance Sheet

as at 31st March, 2008

Liabilities

		Schedules	This Year (As at 31.03.2008) Rs.	Previous Year (As at 31.03.2007) Rs.
1.	Capital	I	10,999,918,881	9,999,918,881
2.	Reserves	II	21,063,809,742	18,741,048,409
3.	Profit & Loss Account	III	1,007,700,000	956,200,000
4.	Notes, Bonds & Debentures		179,272,533,879	154,229,694,926
5.	Bills Payable		—	—
6.	Deposits	IV	2,839,048,760	702,469,188
7.	Borrowings	V	111,149,390,142	61,684,076,166
8.	Current Liabilities & Provisions for contingencies		19,222,513,707	13,417,407,169
9.	Other Liabilities		3,842,488,815	2,708,600,473
	Total		**349,397,403,926**	**262,439,415,212**

Contingent Liabilities

		This Year	Previous Year
(i)	Acceptances,Guarantees, endorsements & other obligations	34,555,519,900	35,360,347,300
(ii)	On outstanding forward exchange contracts	9,221,318,900	14,740,168,300
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	60,334,500	47,376,000
(v)	Claims on the Bank not acknowledged as debts	3,178,720,000	3,109,420,000
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	750,000,000
(ix)	Other monies for which the Bank is contingently liable	13,248,142,600	11,234,851,800
	Total	**60,264,035,900**	**65,242,163,400**

General Fund

Assets

		Schedules	This Year (As at 31.03.2008) Rs.	Previous Year (As at 31.03.2007) Rs.
1.	Cash & Bank Balances	VI	13,256,818,173	5,878,360,481
2.	Investments	VII	18,586,003,347	12,896,098,758
3.	Loans & Advances	VIII	276,266,602,644	218,562,438,098
4.	Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	11,500,000,000	10,300,000,000
5.	Fixed Assets	X	753,367,923	812,177,907
6.	Other Assets	XI	29,034,611,839	13,990,339,968
	Total		**349,397,403,926**	**262,439,415,212**

'Notes to Accounts' attached.
Note :- Previous year figures have been regrouped, wherever necessary

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Smt. Shyamala Gopinath

Shri A. V. Muralidharan

Shri S. P. Oswal

Shri Arunachalam Vellayan

Smt. Kiran Mazumdar-Shaw

Directors

As per our attached report of even date
For NBS & Co.
Chartered Accountants

(Pradeep J. Shetty)
Partner (M. No. 46940)

Mumbai
Dated : April 26, 2008

Profit & Loss Account

for the year ended 31st March, 2008

Expenditure

		Schedules	This Year Rs.	Previous Year Rs.
1.	Interest		20,039,975,462	15,119,783,911
2.	Credit Insurance, fees and charges		30,029,073	31,604,328
3.	Staff Salaries, Allowances etc. and Terminal Benefits		100,557,181	124,272,697
4.	Directors' and Committee Members' Fees and Expenses		99,500	112,500
5.	Audit Fees		455,000	455,000
6.	Rent, Taxes, Electricity and Insurance Premia		59,937,920	52,488,549
7.	Communication expenses		14,576,578	19,221,684
8.	Legal Expenses		8,594,215	2,207,427
9.	Other Expenses	XII	319,829,419	290,462,417
10.	Depreciation		79,533,134	66,503,231
11.	Provision for loan losses/contingencies depreciation on investments		2,164,144,072	11,389,477
12.	Profit carried down		5,333,588,053	3,908,841,277
	Total		**28,151,319,607**	**19,627,342,498**
	Floating Provision for NPAs		—	1,000,000,000
	Provision for Income Tax		2,003,126,719	914,718,170
	Balance of profit transferred to Balance Sheet		3,330,461,334	2,994,123,107
			5,333,588,053	**4,908,841,277**

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, 2008, 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 thereunder;
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, contains 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, 2008.

For NBS & Co.
Chartered Accountants
(Pradeep J. Shetty)
Partner
M. No. 46940

Place : Mumbai
Dated : April 26, 2008

General Fund

Income

	Schedules	This Year Rs.	Previous Year Rs.
INCOME			
1. Interest and Discount	XIII	24,338,616,613	18,428,955,096
2. Exchange, Commission, Brokerage and Fees		945,588,625	613,637,997
3. Other Income	XIV	2,867,114,369	584,749,405
4. Loss carried to Balance Sheet		—	—
Total		**28,151,319,607**	**19,627,342,498**
Profit brought down		5,333,588,053	3,908,841,277
Transferred from Special Reserve under Section 36 (1)(viii) of the Income Tax Act, 1961		—	1,000,000,000
Excess Income/Interest tax provision of earlier years written back		—	—
		5,333,588,053	**4,908,841,277**

'Notes to Accounts' attached.

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Smt. Shyamala Gopinath

Shri A. V. Muralidharan

Shri S. P. Oswal

Shri Arunachalam Vellayan

Smt. Kiran Mazumdar-Shaw

Directors

As per our attached report of even date
For NBS & Co.
Chartered Accountants

(Pradeep J. Shetty)
Partner (M. No. 46940)

Mumbai
Dated : April 26, 2008

Schedules to the Balance Sheet

as at 31st March, 2008

		This Year (As at 31.03.2008)	Previous Year (As at 31.03.2007)
		Rs.	Rs.
Schedule I :	**Capital :**		
	1. Authorised	20,000,000,000	10,000,000,000
	2. Issued and Paid-up : (Wholly subscribed by the Central Government)	10,999,918,881	9,999,918,881
Schedule II :	**Reserves :**		
	1. Reserve Fund	15,869,314,933	14,146,553,600
	2. General Reserve	—	—
	3. Other Reserves :		
	Investment Fluctuation Reserve	814,175,745	714,175,745
	Sinking Fund (Lines of Credit)	1,020,319,064	920,319,064
	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	3,360,000,000	2,960,000,000
		21,063,809,742	**18,741,048,409**
Schedule III :	**Profit & Loss Account :**		
	1. Balance as per annexed accounts	3,330,461,334	2,994,123,107
	2. Less: Appropriations:		
	— Transferred to Reserve Fund	1,722,761,334	1,437,923,107
	— 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	400,000,000	400,000,000
	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act,1981)	**1,007,700,000**	**956,200,000**
Schedule IV :	**Deposits:**		
	(a) In India	2,839,048,760	702,469,188
	(b) Outside India	—	—
		2,839,048,760	**702,469,188**

	This Year (As at 31.03.2008)	Previous Year (As at 31.03.2007)
	Rs.	Rs.
Schedule V : Borrowings :		
1. From Reserve Bank of India :		
(a) Against Trustee Securities	—	—
(b) Against Bills of Exchange	—	—
(c) Out of the National Industrial Credit (Long Term Operations) Fund	—	—
2. From Government of India	40,000,004	53,333,337
3. From Other Sources :		
(a) In India	50,487,656,556	23,931,709,229
(b) Outside India	60,621,733,582	37,699,033,600
	111,149,390,142	**61,684,076,166**
Schedule VI : Cash & Bank Balances :		
1. Cash in Hand	134,013	89,218
2. Balance with Reserve Bank of India	357,098	1,968,401
3. Balances with other Banks:		
(a) In India		
i) in current accounts	340,709,578	176,398,177
ii) in other deposit accounts	7,320,000,000	3,265,000,000
(b) Outside India	5,595,617,484	2,434,904,685
4. Money at call and short notice	—	—
	13,256,818,173	**5,878,360,481**
Schedule VII : Investments :		
(net of diminution in value, if any)		
1. Securities of Central and State Governments	8,321,003,801	5,628,274,950
2. Equity Shares & Stocks	1,451,011,705	1,546,174,588
3. Preference Shares and Stocks	370,855,450	278,856,751
4. Notes,Debentures and Bonds	4,629,644,598	2,254,325,719
5. Others	3,813,487,793	3,188,466,750
	18,586,003,347	**12,896,098,758**

	This Year (As at 31.03.2008)	Previous Year (As at 31.03.2007)
	Rs.	**Rs.**

Schedule VIII : Loans & Advances:

1. Foreign Governments	31,077,433,515	18,966,865,012
2. Banks:		
(a) In India	62,715,064,494	49,300,031,655
(b) Outside India	3,108,182,612	4,927,049,660
3. Financial Institutions:		
(a) In India	—	—
(b) Outside India	3,749,680,359	2,535,005,912
4. Others	175,616,241,664	142,833,485,859
	276,266,602,644	**218,562,438,098**

Schedule IX : Bills of Exchange and Promissory Notes Discounted/Rediscounted:

(a) In India	11,500,000,000	10,300,000,000
(b) Outside India	—	—
	11,500,000,000	**10,300,000,000**

Schedule X : Fixed Assets : *(At cost less depreciation)*

1. Premises	712,662,702	767,442,174
2. Others	40,705,221	44,735,733
	753,367,923	**812,177,907**

Schedule XI : Other Assets :

1. Accrued interest on		
a) investments / bank balances	4,824,234,520	3,644,841,918
b) loans and advances	2,501,699,101	1,718,609,386
2. Prepaid insurance premium — paid to Export Credit Guarantee Corpn. of India Ltd.	130,730	311,600
3. Deposits with sundry parties	24,474,281	22,859,116
4. Advance Income Tax paid	8,406,730,129	6,234,643,656
5. Others	13,277,343,078	2,369,074,292
	29,034,611,839	**13,990,339,968**

	This Year (As at 31.03.2008)	Previous Year (As at 31.03.2007)
	Rs.	Rs.
Schedule XII : Other Expenses :		
1. Export Promotion Expenses	2,776,781	7,400,191
2. Expenses on and related to Data Processing	2,270,782	3,625,739
3. Repairs and Maintenance	41,086,959	37,861,011
4. Printing and Stationery	10,327,460	11,832,812
5. Others	263,367,437	229,742,664
	319,829,419	**290,462,417**
Schedule XIII : Interest and Discount :		
1. Interest and Discount on loans and advances/bills discounted/rediscounted	19,052,738,299	14,004,088,949
2. Income on Investments/bank balances	5,285,878,313	4,424,866,147
	24,338,616,613	**18,428,955,096**
Schedule XIV : Other Income :		
1. Net Profit on sale/revaluation of investments	2,845,118,435	442,990,756
2. Net Profit on sale of land, buildings and other assets	372,804	773,960
3. Others	21,623,130	140,984,689
	2,867,114,369	**584,749,405**

Note : 1. Deposits under 'Liabilities' [ref.schedule IV (a)] of US$ 595.77 mn (previous year US$ 597.89 mn) and reciprocal deposits/investments under 'Assets' [ref.schedules VI 3(a)(ii) and VII 4] aggregating to Rs. 2,394.03 crores (previous year Rs. 2,649.01 crores) have been netted off.

2. Net profit on sale / revaluation of investments includes Rs. 1.99 billion being gain on disinvestment of Bank's 40% stake in Global Trade Finance Limited.

Balance Sheet

as at 31st March, 2008

Liabilities

	This Year (As at 31.03.2008)	Previous Year (As at 31.03.2007)
	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	70,979,318	65,864,318
5. Profit and Loss Account	218,502,780	199,409,179
Total	**417,789,885**	**393,581,284**

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 1 : 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.

Note 2 : Section 37 of the Act,1981 (which provided, inter alia, that any income, profits or gains accruing to the Export Development Fund or any amount received to the credit of that Fund would not be charged to tax), was omitted by Finance (No.2) Act 1998 with effect from April 1,1999. Exim Bank was advised that since the said Section was in force till March 31,1999, the exemption would be available in respect of income accruing or arising to it upto the end of accounting year 1998-99. Exim Bank had made payment of tax of Rs.66.18 lakhs for AY 1999 2000 and is pursuing the matter for refund of tax paid and the matter is pending with ITAT, Mumbai.

Export Development Fund

Assets

	This Year (As at 31.03.2008)	Previous Year (As at 31.03.2007)
	Rs.	Rs.
1. Bank Balances		
a) in current accounts	242,506	74,221
b) in other deposit accounts	340,097,583	317,998,902
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	6,858,775	14,485,843
(b) Advance Income Tax paid	62,085,703	52,517,000
(c) Others	—	—
Total	**417,789,885**	**393,581,284**

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Smt. Shyamala Gopinath **Shri A. V. Muralidharan** **Shri S. P. Oswal**

Shri Arunachalam Vellayan **Smt. Kiran Mazumdar-Shaw**

Directors

As per our attached report of even date
For NBS & Co.
Chartered Accountants

Mumbai
Dated : April 26, 2008

(Pradeep J. Shetty)
Partner (M. No. 46940)

Profit & Loss Account

for the year ended 31st March, 2008

Expenditure

		This Year	Previous Year
		Rs.	Rs.
1.	Interest	—	—
2.	Other Expenses	—	—
3.	Profit carried down	28,925,601	23,611,714
	Total	**28,925,601**	**23,611,714**
	Provision for Income Tax	9,832,000	7,947,000
	Balance of profit transferred to Balance Sheet	19,093,601	15,664,714
		28,925,601	**23,611,714**

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, 2008, and 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 thereunder;
c. In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet, read with the notes thereon, is a full and fair Balance Sheet, contains 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, 2008.

For NBS & Co.
Chartered Accountants
(Pradeep J. Shetty)
Partner
M. No. 46940

Place : Mumbai
Dated : April 26, 2008

Export Development Fund

Income

	This Year	Previous Year
	Rs.	Rs.
1. Interest and Discount		
(a) loans and advances	—	—
(b) investments / bank balances	28,925,601	23,339,714
2. Exchange, Commission, Brokerage and Fees	—	—
3. Other Income	—	272,000
4. Loss carried to Balance Sheet	—	—
Total	**28,925,601**	**23,611,714**
Profit brought down	28,925,601	23,611,714
Excess Income/Interest tax provision of earlier years written back	—	—
	28,925,601	**23,611,714**

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Smt. Shyamala Gopinath

Shri A. V. Muralidharan

Shri S. P. Oswal

Shri Arunachalam Vellayan

Smt. Kiran Mazumdar-Shaw

Directors

As per our attached report of even date
For NBS & Co.
Chartered Accountants

Mumbai
Dated : April 26, 2008

(Pradeep J. Shetty)
Partner (M. No. 46940)

Cash Flow Statement

for the year ended 31st March, 2008

Particulars	This Year	Previous Year
	Amount (Rs. in Mn.)	
Cash flow from Operating Activities		
Net Profit before tax and extra-ordinary items	5,333.6	3,908.8
Adjustments for		
— (Profit)/Loss on sale of fixed assets (Net)	(0.4)	(0.8)
— (Profit)/Loss on sale of Investments (Net)	(2,845.1)	(443.0)
— Depreciation	79.6	66.5
— Discount/Expenses on bond issues written off	156.8	132.0
— Transfer from Investment Fluctuation Reserve	—	—
— Provisions/Write Off of Loans/Investments & other provisions	2,164.1	11.4
— Others - to specify	—	—
	4,888.6	3,674.9
Adjustments for		
— Other Assets	(13,029.0)	(2,287.5)
— Current liabilities	2,771.7	2,081.6
Cash generated from operations	**(5,368.7)**	**3,469.0**
Payment of income tax/interest tax	(2,172.1)	(786.2)
Net cash flow from operating activities	**(7,540.8)**	**2,682.8**
Cash flow from Investing activities		
— Net purchase of fixed assets	(20.4)	(302.2)
— Net change in investments	(2,844.8)	(3,229.4)
Net cash used in/raised from Investing activities	**(2,865.2)**	**(3,531.6)**

General Fund

	Amount (Rs. in Mn.) This Year	Previous Year
Cash Flow from Financing activities		
— Equity capital infusion	1,000.0	500.0
— Loans borrowed (net of repayments made)	76,644.7	56,389.8
— Loans lent, bills discounted & rediscounted (net of repayments received)	(58,904.1)	(53,931.5)
— Dividend on equity shares & tax on dividend (Balance of Net profits transferred to Central Government)	(956.2)	(989.2)
Net cash used in / raised from Financing activities	**17,784.4**	**1,969.1**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**7,378.4**	**1,120.3**
OPENING CASH & CASH EQUIVALENTS	5,878.4	4,758.1
CLOSING CASH & CASH EQUIVALENTS	13,256.8	5,878.4

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Smt. Shyamala Gopinath **Shri A. V. Muralidharan** **Shri S. P. Oswal**

Shri Arunachalam Vellayan **Smt. Kiran Mazumdar-Shaw**

Directors

As per our attached report of even date
For NBS & Co.
Chartered Accountants

Mumbai
Dated : April 26, 2008

(Pradeep J. Shetty)
Partner (M. No. 46940)

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 bonds 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

(a) Expired guarantees are included as Contingent Liabilities till cancellation of original documents.

(b) 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. 27.57 billion (previous year Rs. 29.88 billion) held on agency account including a sum of Rs. 24.92 billion (previous year Rs. 27.00 billion) assigned to Government of India (GOI) are not included in the above Balance Sheet.

2. Income-Tax

   Section 37 of Exim Bank Act, 1981 (which provided, inter alia, that any income, profits or gains derived or any amount received by Exim Bank would not be charged to tax), was omitted by Finance (No. 2) Act, 1998 with effect from April 1, 1999. Exim Bank was advised that since the said Section was in force till March 31, 1999, the exemption would be available in respect of income accruing or arising to it upto the end of accounting year 1998-99. However, Exim Bank had made a provision for taxation and has created a Special Reserve u/s 36(1)(viii) of the Income-tax Act, 1961. The Bank had also made a total payment of Rs.0.79 billion towards income-tax and Rs.0.06 billion towards interest-tax for that year without prejudice to its rights in the matter. In respect of interest tax, the Income Tax Appellate Tribunal (ITAT) has held that the interest income of the Bank for the year ended March 31, 1999 is not chargeable to interest tax, as the omission of Section 37 of Exim Bank Act, 1981 is with effect from April 1, 1999. Accordingly, the Bank is pursuing the matter for refund of the interest tax paid for the said year with the Income Tax Authorities. As regards income tax, the matter is in appeal with the ITAT. Further, the demand raised by Income-tax Authorities for A.Ys. 2000-01 to 2006-07 stands paid by the Bank after taking into consideration the refund due from the Income Tax Authorities for appeals, which are being contested with the Commissioner of Income Tax (Appeals) / in ITAT.

   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. 10.60 billion (previous year Rs. 9.15 billion), yet to be cancelled in books.

   (b) Claims not acknowledged as debts

   The amount of Rs. 3.18 billion (previous year Rs. 3.11 billion) 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, 2008 have been fully hedged. The Bank undertakes derivative 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) Exim Bank had entered into Currency-cum-Interest rate Swap arrangements with certain Indian housing financing institutions from whom the Bank accepted long term US dollar deposits in exchange for rupee funds placed by the Bank with them in the form of subscription to bonds issued by them. As the placements of rupee funds are not in the nature of investments, they have been netted off against the US$ funds received by the Bank. Interest paid by the Bank on the US dollar deposits is included in interest expenses and interest received by the Bank on the rupee funds placed is included in income on investments/bank balances in the Profit & Loss account.

(iii) The Bank is not permitted to be a 'market maker' for derivative transactions outlined in RBI guidelines dated April 20, 2007 and it does not have any exposure to its clients on account of such derivative transactions.

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 total profit on such translation is Rs. 0.08 billion (previous year, loss of Rs. 0.01 billion).

ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA

4. Capital

(a)

Particulars	As on March 31, 2008	As on March 31, 2007
(i) Capital to Risk Assets Ratio (CRAR)	15.13%	16.38%
(ii) Core CRAR	13.41%	15.16%
(iii) Supplementary CRAR	1.72%	1.22%

(b) 'Notes, Bonds and Debentures' include 8% 2022 Bonds subscribed by Government amounting to Rs. 5.59 billion (previous year Rs. 5.59 billion). 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, 2008 as Tier-II capital: Rs. NIL (previous year: Rs. NIL)

(d) Risk weighted assets –

(Rs. billion)

Particulars	As on March 31, 2008	As on March 31, 2007
(i) 'On' balance sheet items	228.08	182.64
(ii) 'Off' balance sheet items	29.95	25.07

(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, 2008

(a) Percentage of net Non-performing Assets (NPAs) to net loans and advances : 0.29 (previous year 0.50)

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

(Rs. billion)

Particulars	As on March 31, 2008		As on March 31, 2007	
	Amount	Percentage	Amount	Percentage
Sub-standard Assets	0.41	0.14	1.08	0.47
Doubtful Assets	0.42	0.15	0.07	0.03
Loss Assets	—	—	—	—
Total	0.83	0.29	1.15	0.50

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

(Rs. billion)

Particulars	2007-08	2006-07
Standard Assets	1.44	0.21
NPAs	1.13	1.09
Investments (other than those in the nature of advance)	0.54	0.24
Income Tax	2.00	0.91

(d) Movement in net NPAs :

(Rs. billion)

Particulars	2007-08	2006-07
Net NPAs at the beginning of the year	1.15	1.05
Add : New NPAs during the year	0.41	0.13
Less : Recoveries / upgradations during the year	0.73	0.03
Net NPAs at the end of the year	0.83	1.15

(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. billion)

Particulars	2007-08	2006-07
Opening balance as at the beginning of the year	3.88	4.35
Add : Provisions made during the year	1.13	1.09
Less: Write off / write back of excess provision	1.26	1.56
Closing balance at the end of the year	3.75	3.88

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

Particulars	
(i) No. of Accounts	2
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Rs. 0.52 billion
(iii) Aggregate consideration	Rs. 0.59 billion
(iv) Consideration realised in respect of accounts transferred in earlier years	Rs. 0.20 billion
(v) Aggregate gain over net book value	Rs. 0.01 billion

- 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.

(g) Non-performing Investments

(Rs. billion)

Particulars	2007-08	2006-07
Opening balance as at the beginning of the year	0.38	0.24
Additions during the year	0.09	0.14
Reductions during the year	0.18	—
Closing balance at the end of the year	0.29	0.38
Total provisions held	0.24	0.32

(h) Provisions for depreciation in investments

(Rs. billion)

Particulars	2007-08	2006-07
Opening balance as at the beginning of the year	0.91	0.67
Add :		
(i) Provisions made during the year	0.54	0.24
(ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	—	—
Less :		
(i) Write off during the year	—	—
(ii) Transfer, if any, to Investment Fluctuation Reserve Account	—	—
Closing balance as at the end of the year	1.45	0.91

(i) Restructured Standard Assets as on March 31,2008 : Nil (previous year Rs. 0.41 billion).

(j) Restructured Sub-standard Assets as on March 31, 2008 : Nil (previous year Nil).

(k) Restructured Doubtful Assets as on March 31, 2008 : Rs. 0.20 billion. (previous year Nil).

(l) Corporate Debt Restructuring (CDR) undertaken during the year:

(Rs. billion)

Particulars	2007-08	2006-07
(a) Loan Assets		
Amount subjected to Restructuring under CDR	0.58	0.74
No. of Accounts	2	2
Amount of Sacrifice	0.04	0.04
(b) Standard Assets		
Amount subjected to Restructuring under CDR	0.58	—
No. of Accounts	2	—
Amount of Sacrifice	0.04	—
(c) Sub-Standard Assets		
Amount subjected to Restructuring under CDR	—	0.41
No. of Accounts	—	1
Amount of Sacrifice	—	0.04
(d) Doubtful Assets		
Amount subjected to Restructuring under CDR	—	0.33
No. of Accounts	—	1
Amount of Sacrifice	—	—

(m) Credit Exposure:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE) @	Percentage to Total Assets
i) Largest single borrower	19.85	1.33	1.93
ii) Largest borrower group	48.67	3.26	4.74
iii) 10 largest single borrowers	147.02	9.83	14.32
iv) 10 largest borrower groups	222.50	14.88	21.67

* Capital Funds as on March 31, 2007

Previous Year:

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE) @	Percentage to Total Assets
i) Largest single borrower	17.35	1.36	2.14
ii) Largest borrower group	27.74	2.17	3.43
iii) 10 largest single borrowers	127.98	10.01	15.80
iv) 10 largest borrower groups	155.85	12.19	19.24

* Capital Funds as on March 31, 2006

@ TCE: Loans + Advances + Unutilised 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 were 3 borrowers during FY 2007-08 for whom exposure of over 15% of capital funds was assumed with the approval of the Board / Management Committee. Exposure to these borrowers as on March 31, 2008 stood at 19.85%, 19.68% and 19.35% of the capital funds of the Bank.

3) There was 1 Borrower Group during FY 2007-08 for whom exposure over 40 % of capital funds was assumed with the approval of the Board / Management Committee. Exposure to this Borrower Group as on March 31, 2008 stood at 48.67% of the capital funds of the Bank, which includes an exposure of 11.17% assumed for the purpose of funding infrastructure projects.

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

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Textile / Garments	12.60	12.87
ii) Chemicals & Dyes	7.85	8.01
iii) Construction	7.49	7.65
iv) Metal & Metal Processing	7.35	7.50
v) Capital Goods	7.34	7.49

Previous Year:

Sector		Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i)	Textile / Garments	12.49	13.15
ii)	Engineering Goods	8.96	9.44
iii)	Construction	8.70	9.17
iv)	Metal & Metal Processing	6.94	7.31
v)	Chemicals & Dyes	6.71	7.07

- 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.

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

(Rs. billion)

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	0.24	—	—	0.24	0.24
3	Banks	0.25	0.15	—	0.10	0.10
4	Private corporates	6.75	5.91	—	4.25	3.41*
5	Subsidiaries / Joint ventures	—	—	—	—	—
6	Others	3.81	—	—	0.06	0.06
7	# Provision held towards depreciation	0.84	—	—	—	—
	Total	11.10	6.06	—	4.70	3.86

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

* Out of which Rs. 2.47 billion represents investment in security receipts issued by ARCIL and Rs. 0.81 billion of investments are in shares/ debentures acquired as part of loan restructuring.

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

Previous Year:

(Rs. billion)

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	0.24	—	—	0.24	0.24
3	Banks	0.20	0.05	—	0.15	0.08
4	Private corporates	3.59	3.02	—	3.56	3.00*
5	Subsidiaries / Joint ventures	0.33	—	—	0.33	0.33
6	Others	3.19	—	—	0.15	0.15
7	# Provision held towards depreciation	0.33	—	—	—	—
	Total	7.60	3.07	—	4.48	3.85

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

* Out of which Rs. 2.15 billion represents investment in security receipts issued by ARCIL and Rs.0.73 billion of investments are in shares/ debentures acquired as part of loan restructuring.

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. billion)

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	142.06	85.59	57.29	35.72	40.88	361.54
Foreign currency assets	69.09	44.83	46.26	24.78	24.02	208.98
Total assets	211.15	130.42	103.55	60.50	64.90	570.52
Rupee liabilities	127.86	82.81	48.35	15.63	58.78	333.43
Foreign currency liabilities	68.30	44.61	46.05	24.35	23.69	207.00
Total liabilities	196.16	127.42	94.40	39.98	82.47	540.43

Previous Year:

(Rs. billion)

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	97.86	72.37	34.77	28.49	30.66	264.15
Foreign currency assets	56.51	48.19	46.72	9.15	10.86	171.43
Total assets	*154.37*	*120.56*	*81.49*	*37.64*	*41.52*	*435.58*
Rupee liabilities	90.15	51.37	34.32	28.15	55.54	259.53
Foreign currency liabilities	55.57	48.02	46.27	9.11	10.77	169.74
Total liabilities	*145.72*	*99.39*	*80.59*	*37.26*	*66.31*	*429.27*

- For the maturity pattern of assets and liabilities, the bucketing of various items of assets and liabilities in the specified time buckets has 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. billion)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2008
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	—	—	—

Previous Year:

(Rs. billion)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2007
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	2.75	0.02	—

7. Disclosure on risk in derivatives in terms of RBI Guidelines dated July 02, 2007

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, in the nature of swaps.
2. Derivative transactions carry (i) market risk i.e. the probable loss 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 counterparties 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 risk parameters to control and manage market risk (stop-loss limits, open position limits, duration, modified duration, etc.).
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. The income on derivative transactions is accounted for on Accrual basis.
5. Interest Rate Swaps (IRS) are not included in Outstanding Forward Exchange Contracts under Contingent Liabilities in terms of Derivatives Policy approved by the Bank's Board in July 2007.

b) Quantitative Disclosure (Rs. billion)

Sr. No.	Particulars	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	89.04	18.25
	b) For trading	—	—
2	Marked to Market Positions		
	a) Asset (+)	11.37	—
	b) Liability (-)	—	—
3	Credit Exposure	15.08	0.28
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	1.05	0.30
	b) on trading derivatives	—	—
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging		
	(i) Maximum	1.07	0.43
	(ii) Minimum	0.96	0.30
	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)	NIL
2.	Notional Principal amount of exchange traded interest rate derivatives outstanding as on 31st March, 2008 (instrument-wise)	NIL
3.	Notional Principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL
4.	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL

d) Disclosure on Forward Rate Agreements and Interest rate swaps

(Rs. billion.)

Sr. No.	Particulars	Hedging	Trading
1.	The Notional Principal of swap agreements	18.2456	—
2.	Losses, which would be incurred if counter parties failed to fulfill their obligations under the agreements	0.0059	—
3.	Concentration of credit risk arising from Swaps	All transactions fall within approved credit exposure limits.	—
4.	The fair value of the swap book	0.0008	—

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

	Particulars	2007-08	2006-07
(i)	Interest income as a percentage to average working funds	8.20	8.09
(ii)	Non-interest income as a percentage to average working funds	1.28	0.53
(iii)	Operating profit as a percentage to average working funds	2.53	1.72
(iv)	Return on average assets	1.12	1.31
(v)	Net Profit per (permanent) employee (in Rs. Mn.)	15.00	14.10

- 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. billion)

Particulars	Premises	Others	Total
Gross Block			
Cost as on 31st March 2007	1.11	0.37	1.48
Additions	—	0.02	0.02
Disposals	—	—	—
Cost as on 31st March 2008 (A)	1.11	0.39	1.50
Depreciation			
Accumulated as on 31st March 2007	0.34	0.33	0.67
Provided during the year	0.05	0.02	0.07
Eliminated on Disposals	—	—	—
Accumulated as on 31st March 2008 (B)	0.39	0.35	0.74
Net Block (A-B)	0.72	0.04	0.76

Previous Year :

(Rs. billion)

Particulars	Premises	Others	Total
Gross Block			
Cost as on 31st March 2006	0.85	0.34	1.19
Additions	0.26	0.04	0.30
Disposals	—	0.01	0.01
Cost as on 31st March 2007 (A)	1.11	0.37	1.48
Depreciation			
Accumulated as on 31st March 2006	0.30	0.30	0.60
Provided during the year	0.04	0.04	0.08
Eliminated on Disposals	—	0.01	0.01
Accumulated as on 31st March 2007 (B)	0.34	0.33	0.67
Net Block (A-B)	0.77	0.04	0.81

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 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 (GPCL)
  - Global Trade Finance Limited (GTF)

  (ii) Key Management Personnel :

  - Shri T. C. Venkat Subramanian, Chairman of GPCL

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

(Rs. mn)

Particulars	Joint Ventures 2007-08	Joint Ventures 2006-07
Loans granted	—	1000.00
Interest received	4.47	5.88
Receipts towards services rendered	—	1.10
Term Deposit Accepted	4.26	5.29
Interest paid on Term Deposits	0.18	0.26
Amounts written-off / written-back	—	—

Loans outstanding at year-end : Nil (previous year Rs. 1000.00 mn).

Investments outstanding at year end : Rs. 2.60 mn. (previous year Rs. 329.98 mn)

Maximum Loan outstanding during the year : Rs. 1,000.00 mn. (previous year Rs. 1,000.00 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	2138.60
(ii) Fringe benefit tax	4.60
	2143.20
(iii) Less : Net reversal of deferred tax liability	140.07
	2003.13

(b) Deferred Tax Liability :

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

(Rs. mn)

Particulars	Year ended March 31, 2008
Deferred Tax Liability	
1. Amortization of Bond issue expenses	128.04
2. Special Reserve created under section 36 (1) (viii)	1041.40
	1169.44
Less : Deferred Tax Assets	
1. Provision Disallowed (Net)	927.76
2. Depreciation on Fixed Assets	32.35
	960.11
Net Deferred Tax Liabilities [included in 'Other Liabilities' in the 'Liabilities' side of the Balance Sheet]	209.33

14. Financial Reporting of Interest in Joint Ventures

I.

	Jointly Controlled Entities	Country	Percentage of holding	
			Current Year	Previous Year
A	Global Procurement Consultants Limited	India	26%	26%
B	Global Trade Finance Limited (GTF)	India	—	40%

Note – During FY 2007-08, Exim Bank has sold its stake in GTF and accordingly, GTF ceases to be a Joint Venture from March 2008 onwards.

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

(Rs. mn)

Liabilities	2007-08 #	2006-07*	Assets	2007-08 #	2006-07*
Capital & Reserves	9.61	566.94	Fixed Assets	0.06	56.79
Loans	0.00	6901.84	Investments	4.42	0.46
Other Liabilities	3.79	89.62	Other Assets	8.92	7501.15
Total	13.40	7558.40	Total	13.40	7558.40

Contingent Liabilities : NIL (Previous year Rs. 93.72 mn)

The figures for the year 2007-08 pertain to GPCL and are provisional.

* The figures for the previous year 2006-07 include financials of GTF.

(Rs. mn)

Expenses	2007-08#	2006-07*	Income	2007-08#	2006-07*
Interest and Financing Expenses	—	336.50	Income from factoring activity	—	546.47
Other Expenses	5.86	82.97	Consultancy Income	8.68	6.55
Provisions	1.07	58.53	Interest income & Income from investment	0.31	24.48
			Other Income	—	17.28
			Deferred Tax Liability Written back	0.02	—
Total	6.93	478.00	Total	9.01	594.78

The figures for the year 2007-08 pertain to GPCL and are provisional.

* The figures for the previous year 2006-07 include financials of GTF.

15. Impairment of Assets

A substantial portion of the Bank's assets comprise 'financial assets' to which Accounting Standard 28 "Impairment of Assets" is not applicable. In the opinion of the Bank, there is no impairment of its assets (to which the standard applies) as at March 31, 2008, requiring recognition in terms of the said standard.

16. Movement of Provisions for Employee benefits

(Rs. mn)

Particulars	Amount
Opening Balance	43.42
Add :- Provided during the Year	2.80
Less :- Amount used / reversed during the year	24.65
Closing Balance	21.57

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

For and on behalf of the Board

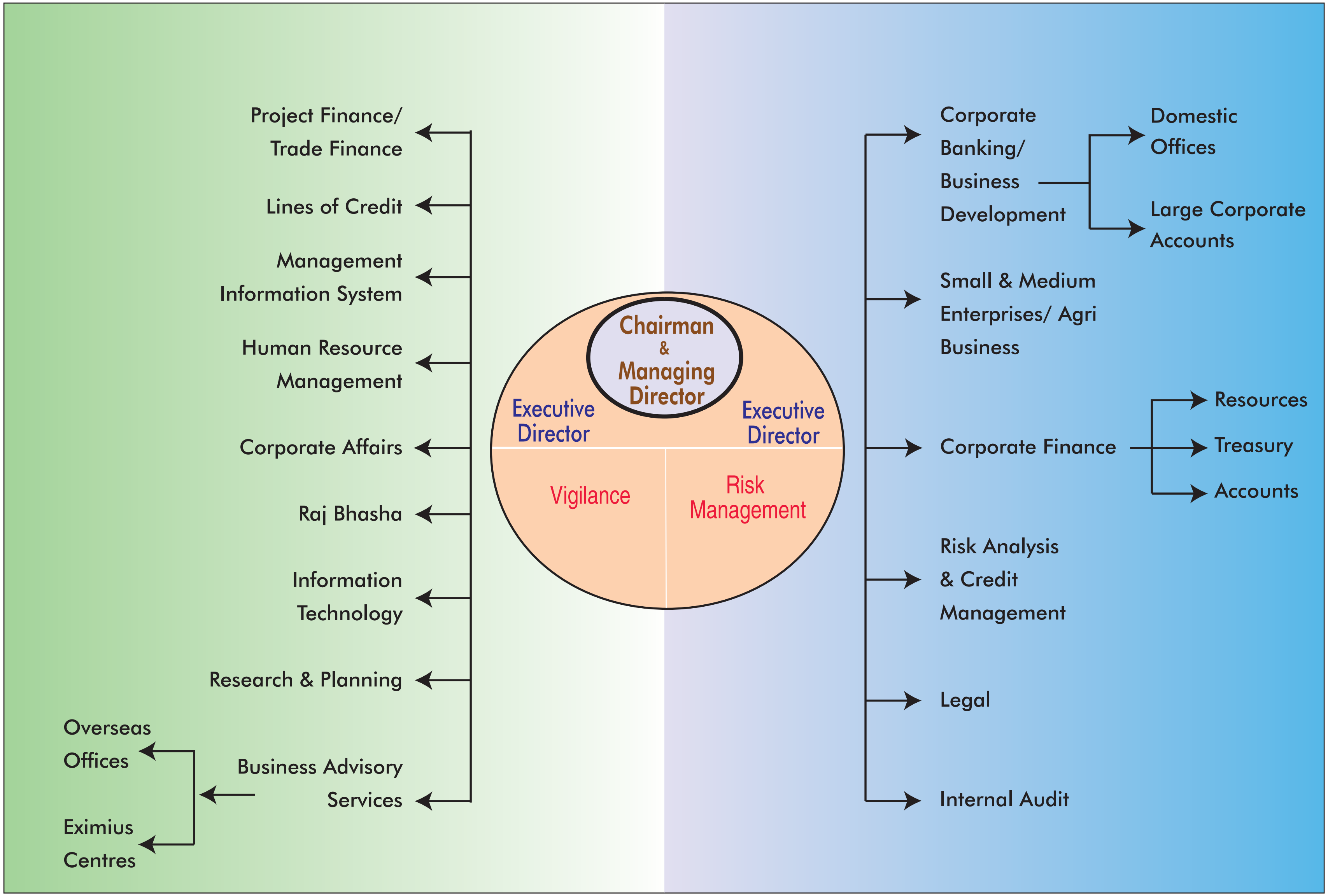
S.R. Rao Executive Director	**T.C. Venkat Subramanian** Chairman & Managing Director		
N. Shankar Executive Director	**Smt. Shyamala Gopinath**	**Shri A. V. Muralidharan**	**Shri S. P. Oswal**
	Shri Arunachalam Vellayan	**Smt. Kiran Mazumdar-Shaw**	
		Directors	

As per our attached report of even date
For NBS & Co.
Chartered Accountants

(Pradeep J. Shetty)
Partner (M. No. 46940)

Mumbai
Dated: April 26, 2008

Organisation Chart



Exim Bank's Key Resource: Its Human Capital

Management Team

Sitting from left:

John Mathew, Chief General Manager

D.G. Prasad, Chief General Manager

S.R. Rao, Executive Director

T.C. Venkat Subramanian, Chairman & Managing Director

N. Shankar, Executive Director

R.W. Khanna, Chief General Manager

P.R. Dalal, Chief General Manager

David Rasquinha, Chief General Manager

Standing from left:

Prahalathan Iyer, General Manager

Mukul Sarkar, General Manager

David Sinate, General Manager

Sunita Sindwani, General Manager

T. V. Rao, General Manager

Samuel Joseph, General Manager

Regional Heads

Indian Offices

Ahmedabad
Rikesh Chand

Bangalore
Ravidas Pyage

Chennai
T. D. Sivakumar

Guwahati
Saumar Sonowal

Hyderabad
M. Srinivasa Rao

Kolkata
Jogender Singh

Mumbai
Vikramaditya Ugra

New Delhi
Sunil Trikha

Pune
Vinod Goel

Overseas Offices

Dakar
O'Neil Rane

Dubai
Nirmit Ved

Johannesburg
Sanjeev Kumar Pawar

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

HEADQUARTERS

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