Exim Bank : A Catalyst for India's International Trade

Active engagement in global trade has become one of the key factors in the growth of firms and the prosperity of countries. This is true not only in the case of major trading nations, but also, and perhaps even more so, with respect to developing countries like India. Liberalisation of the foreign trade sector has been a cornerstone of the reforms of the Indian economy, with the result that the country's share in global trade has been rising in recent years, as also the contribution of the foreign trade sector to the overall Indian economy. The share of India in global merchandise exports has risen from 0.4 per cent in 1980 to over 1.0 per cent in 2006, as per latest data from WTO, while the merchandise foreign trade (exports plus imports) sector's contribution to the country's GDP has risen from around 13.0 per cent to 33.8 per cent during the same period. The buoyancy in India's services sector, with the country ranking amongst the top ten global exporters, would serve to further corroborate India's emerging place in the global comity of trading nations.

Export-Import Bank of India (Exim Bank), set up in 1982 as an apex financial institution to finance, facilitate and promote India's international trade, has constantly strived to contribute towards India's globalisation efforts. With strong business fundamentals, and in line with the increasingly competitive global trading environment, the Bank proactively seeks to enhance the competitive edge of Indian companies through a comprehensive range of financing programmes and advisory and support services which encompass all stages of the export business cycle. Towards facilitating inclusive globalisation, the Bank is also involved in creating export capability in small and medium enterprises, grassroots business enterprises and agro industries.

India's project exports, commencing with a modest beginning in the early 1980s, have evolved over the years to exhibit expertise in a wide range of activities thereby reflecting technological maturity, industrial capabilities, and growing sophistication of Indian exports, and the Bank's pioneering and pivotal role in this direction has served to catalyse such exports. With India increasingly emerging as a major global investor, the Bank's endeavours in this direction can be assessed from the fact that as many as 176 Indian ventures set up by over 147 companies in 54 countries, in both industrial and developing as well as emerging economies, have been supported, with the Bank taking direct equity participation in select cases to enhance such ventures.

In the realm of trade financing, which is the primary area of activity of most Export Credit Agencies around the world, the Bank's operative Lines of Credit (LOCs) of over 70 with credit commitment of US$ 2.3 billion covering more than 80 countries serve as effective market entry mechanisms especially for small and medium enterprises, and the Bank is seeking to expand geographical reach and volumes in this initiative.

With India amongst leading global services exporters, the Bank has played a pivotal and pioneering role in catalysing India's software exports since the mid 1980s, while the Bank's support to Indian engineering and consultancy services has added to the momentum in the significant growth in India's overall services exports witnessed in recent years.

The growing domain expertise as also increasing technical sophistication of Exim Bank would, perhaps, be best reflected by the fact that the Bank, in its journey spanning a quarter century, has been partnering and sharing its experience with other developing and emerging economies in their efforts to set up similar institutions, fostering an era of South-South cooperation.

Challenges abound in the globalised trading environment; with increased focus on regional trade, and South-South cooperation emerging as important drivers of growth, the significant role of the Bank in facilitating enhanced regional trade through the setting up of the Asian Exim Banks Forum, as also the creation of the Global Network of Exim Banks and Development Finance Institutions (G-NEXID) in 2006 in Geneva under the auspices of UNCTAD to boost South-South cooperation in trade and investment, would, *inter alia*, serve to highlight the continuous evolution of the Bank's endeavours in meeting global challenges.

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Board of Directors

(As on May 31, 2007)

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

Dr. Ashok K. Lahiri
Chief Economic Adviser
Department of Economic Affairs
Ministry of Finance

Dr. Ajay Dua
Secretary
Department of Industrial
Policy & Promotion
Ministry of Commerce & Industry

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

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

Shri Rakesh Singh
Joint Secretary (IF)
Banking Division
Ministry of Finance

Smt. Shyamala Gopinath
Deputy Governor
Reserve Bank of India

Shri V. P. Shetty
Chairman & Managing Director
Industrial Development Bank of
India Ltd.

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

Shri O. P. Bhatt
Chairman
State Bank of India

Shri S. C. Gupta
Chairman & Managing Director
Punjab National Bank

Dr. Vinayshil Gautam
Professor
Department of Management Studies
Indian Institute of Technology
New Delhi
(upto March 31, 2007)

Shri S. P. Oswal
Chairman
Vardhman Group
Ludhiana

Shri A. Vellayan
Chairman
EID Parry (India) Ltd.
Chennai

Smt. Kiran Mazumdar Shaw
Chairman & Managing Director
Biocon Ltd.
Bangalore

The Past Decade

(Rs. in mn)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Cumulative (1997-2007)	Growth (CAGR)
LOANS												
Approvals	18406	18380	28318	21743	42407	78283	92657	158535	204887	267622	931238	35%
Disbursements	13704	12707	17296	18964	34529	53203	69575	114352	150389	220760	705479	36%
Loan Assets [1]	38248	42641	50833	56443	68260	87736	107751	129104	175931	228862		22%
GUARANTEES												
Approvals	4024	2633	4404	2118	5450	9328	10792	15887	43264	49978	147878	32%
Issuance	1912	2474	3017	1741	4164	7275	5743	16602	21959	16972	81859	27%
Guarantee Portfolio	12094	10553	11147	10740	11273	16133	15769	23727	34023	35360		13%
RESOURCES												
Paid-up Capital	5000	5000	5500	5500	6500	6500	6500	8500	9500	10000		
Reserves	7058	8352	9584	10664	12026	13171	14933	16625	17703	18741		
Notes, Bonds & Debentures	8267	12850	20944	22915	33158	64902	76701	98972	126727	154230		
Deposits [2]	371	104	2617	2797	3416	9121	20922	82	454	702		
Other Borrowings	21808	21285	20354	20255	16619	16467	21583	21064	32909	61684		
Total Resources	51201	56665	70264	73981	82734	123189	155192	156922	201401	262439		
PERFORMANCE												
Profit Before Tax (PBT)	2017	2400	2273	2047	2212	2686	3042	3144	3769	3909	27498	
Profit After Tax	2017	1650	1651	1541	1712	2066	2292	2579	2707	2994	21209	
Balance of Net Profits transferred/transferable to Central Government	410	330	350	380	420	450	470	654	868	956	5288	
Staff (Numbers) [3]	136	147	150	154	163	167	190	193	200	212		
RATIOS												
Capital to Risk Assets Ratio (%)	30.5	26.6	24.4	23.8	33.1	26.9	23.5	21.6	18.4	16.4		
PBT to Capital (%)	40.3	48.0	43.3	37.2	36.9	41.3	46.8	41.9	41.9	40.1		
PBT to Net Worth (%)	17.9	18.9	16.0	13.1	12.8	14.1	14.2	13.5	14.4	14.0		
PBT to Assets (%)	4.0	4.4	3.6	2.8	2.8	2.6	2.2	2.0	2.1	1.7		
PBT per Employee (Rs. mn)	15.4	17.0	15.3	13.5	14.0	16.3	17.0	16.4	19.2	19.0		

[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

Reflecting strong fundamentals and conducive policy directions, the Indian economy has continued to register robust performance, with real GDP growth for 2006-07 estimated at 9.4 per cent. On the external front, India's share in global merchandise exports has surpassed 1.0 per cent during 2006, as per latest WTO data, while India also ranks amongst the top ten global exporters of services. 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 business 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 and 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, 16 LOCs were extended aggregating US$ 542 mn to support exports of projects, goods and services from India. The Bank now has in place 73 LOCs covering 83 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US$ 2.3 billion, and the Bank is proactively seeking to expand geographical reach and volumes under the LOC programme.

With the pivotal role of the Bank in supporting India's project exports, renewed focus in this direction has seen 21 Indian exporters, with Exim Bank's support, securing 57 contracts amounting to Rs. 140 billion covering 20 countries. Indian consultants, suppliers and contractors have demonstrated increasing capability to execute a range of projects.

With Indian companies' increasing endeavours to expand their reach overseas, the Bank's focus in this direction is evident from the fact that 29 proposals were supported during the year for part financing their overseas investments in diverse sectors covering different markets. The Bank has, over the years, supported 176 ventures set up by over 147 companies in 54 countries, both in industrial countries and developing & emerging economies. Towards facilitating inclusive globalisation, and in line with the Government of India's focus on village and rural sectors, the Bank has introduced 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. During the year, the Bank, in association with the International Finance Corporation (IFC), a member institution of the

World Bank Group, organised an 'India Day' at IFC's display-cum-sales centre called 'Pangea' at Washington D.C. at which products made by a number of NGOs/ SHGs in India were displayed. The Bank is also in discussion with the Khadi and Village Industries Commission (KVIC), to set up a joint Export Marketing Organisation that will contribute to capacity building of grassroots business enterprises and promote exports of products from rural enterprises. Exim Bank's Commencement Day Annual Lecture 2007, delivered by Dr. David Hulme, Professor of Development Studies and Founder Director of Chronic Poverty Research Centre, University of Manchester, United Kingdom, focused on 'Inclusive Globalisation: Tackling Chronic Poverty'.

To enhance support provided to the SME sector, a vibrant and important sector of the Indian economy, Exim Bank, under its cooperation arrangement with the International Trade Centre (ITC) for implementing ITC's unique Enterprise Management Development Services program, seeks to support small enterprises through capacity building and assistance in formulating viable proposals. The Bank has also partnered the Commonwealth Secretariat in the Commonwealth-India Small Business Competitiveness Development Programme to undertake capacity development initiatives that promote economic development (through increased employment, investment, trade and economic activity) in Commonwealth member states. Exim Bank is in discussion with Asian Development Bank for a long term line of credit of US$ 250 mn without sovereign guarantee for supporting and strengthening export oriented SME sector in India. Exim Bank has concluded an agreement with Japan Bank for International Cooperation (JBIC) for a US$ 100 mn equivalent Japanese Yen loan to support exporting companies in India with Japanese interest.

Research studies brought out by the Bank during the year include Strengthening R & D Capabilities in India; Sector study of Indian Chemical Industry; Opportunities abroad for Indian Construction Industry; as also, Analysis of Japanese and US Foreign Direct Investments in Indian Manufacturing Sector. Towards diversification of export markets, the Bank's Occasional Papers have identified opportunities for enhancing India's commercial presence as also bilateral trade and investment relations with countries in the Maghreb region and the CIS region. The Bank also brought out a publication titled 'Looking through the Kaleidoscope: India and Globalisation' which is a compendium of Exim Bank's Commencement Day Annual Lecture Series for the period 1986 to 2006, in commemoration of the Bank's Silver Jubilee.

As part of the Bank's Silver Jubilee Year celebrations, a series of seminars on topics of relevance were organised at select centres in India which included 'Potential for Export of Agricultural Products from Bihar' at Patna; 'Globalisation through Overseas Investment' at Kolkata; 'Potential for Export of Agricultural Products from the North-Eastern Region' at Guwahati; 'Trade and Investment Opportunities between India and GCC Countries' at Dubai; 'Indian Industry: Journey Towards Borderless World' at Chennai; and the concluding seminar on 'Globalisation: Opportunities and Challenges for Indian Companies' at Mumbai.

Exim Bank's new Representative Office in Dubai, located in the prestigious Dubai International Financial Centre, is expected to play a key, catalytic role in further enhancing trade and investment between India and the Middle East Region, while also helping Indian companies increase their business in the Central Asian and North African regions.

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 such as Afghanistan Investment

Support Agency, Afghanistan; Banca Popolare di Vicenza, Italy; Belvnesheconombank, Belarus; KfW, Germany; Kuwait India Business Council, Kuwait; Jordan Investment Board, Jordan; Export-Import Bank of Romania; Warwick Manufacturing Group of Warwick University, United Kingdom; Grassroots Business Initiative Group at International Finance Corporation, USA and CII-New Ventures India; International Trade Centre, Geneva; as also, with NGOs and developmental organisations and research centres like Confederation of NGOs of Rural India, New Delhi; Coir Board, Kochi; and SEWA Trade Facilitation Centre, Ahmedabad.

The Asian Exim Banks Forum, conceived and initiated by Exim Bank of India in 1996, held its 12th Annual Meeting in Tokyo in November 2006 wherein discussions were initiated on a proposal for creation of a 'Pan-Asian EXIM Bond' that would utilise the regional capital markets to raise capital by bundling Asian Bonds.

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 set up 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. The second Annual Meeting, held in Geneva in March 2007, witnessed the technical launch of G-NEXID's website (www.gnexid.org), whose objective is to create competitive online presence, facilitate information and experience sharing, brand building, training and conduct of business among the member institutions. G-NEXID has been granted 'observer' status by UNCTAD.

BUSINESS RESULTS

With robust economic growth and buoyancy in India's external sector, the Bank's business performance has exhibited distinct growth. Loan approvals aggregated Rs. 267.6 billion, an increase of 31 per cent over the previous year, while disbursements at Rs. 220.8 billion registered a sharp rise of 47 per cent. Loan assets of the Bank have risen to Rs. 232.7 billion, a rise of 29 per cent over the previous year.

Profit after tax amounted to Rs. 2.99 billion as compared to Rs. 2.71 billion in the previous year. Capital to Risk Assets Ratio stood at 16.38 per cent, while net NPAs to net loan assets was 0.50 per cent as on March 31, 2007. During the year, Government of India subscribed Rs. 500 mn towards capital of the Bank and the Bank's paid-up capital increased to Rs. 10 billion, which is equal to the current authorised capital of the Bank as on March 31, 2007.

During the year, foreign currency resources raised by the Bank included US$ 269 mn equivalent by way of second issue of Samurai bonds / floating rate notes. In addition, foreign currency resources of US$ 688 mn equivalent were raised through bilateral / club loans. As on March 31, 2007, the Bank had a pool of foreign currency resources equivalent to US$ 2.57 billion. Standard & Poor's and Fitch Ratings upgraded the Bank's credit rating from BB+ to BBB-, while the Japan Credit Rating Agency (JCRA) enhanced the outlook on the Bank's BBB credit rating to 'positive' from 'stable'. 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 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, PEPC, Indo-EU Chambers of Commerce, other Export Promotion Councils, Chambers of Commerce and Economic Research Institutes have been a valuable source of learning and support. The Bank has 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. Shri G. K. Pillai, Commerce Secretary, Government of India, Ministry of Commerce and Industry, Department of Commerce; Shri Rinzing Wangdi, Secretary (ER), Government of India, Ministry of External Affairs; Shri N. Ravi, Secretary (East), Government of India, Ministry of External Affairs; Shri Rakesh Singh, Joint Secretary (IF), Government of India, Ministry of Finance, Department of Economic Affairs, Banking Division; Shri O. P. Bhatt, Chairman, State Bank of India; and Shri A. V. Muralidharan, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd. were appointed as Directors on the Board. Shri S. N. Menon, Commerce Secretary, Government of India, Ministry of Commerce and Industry, Department of Commerce; Shri Rinzing Wangdi, Secretary (ER), Government of India, Ministry of External Affairs; Shri Amitabh Verma, Joint Secretary, Government of India, Ministry of Finance, Department of Economic Affairs, Banking Division; Dr. Christy L. Fernandez, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd.; and Shri A. K. Purwar, Chairman, State Bank of India, 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, 2007

Economic Environment

GLOBAL ECONOMY

The global economy exhibited a strong performance in 2006, particularly gaining from the economic dynamism in the first half of the year. Despite a slowdown in the US economy later in the year, sustained economic activity in the emerging markets and developing countries contributed to an improved global GDP growth of 5.4 per cent in 2006, as compared to 4.9 per cent during 2005, as per the IMF's World Economic Outlook, April 2007. While real GDP growth in advanced economies touched 3.1 per cent in 2006 as against 2.5 per cent during 2005, the emerging markets and developing countries registered a robust 7.9 per cent real GDP growth in 2006, sustaining over 7 per cent growth for the third consecutive year. Global inflation, which peaked to over 4 per cent during the first half of the year, however eased thereafter, primarily on account of declining oil prices and tightening of monetary polices across the globe. Consumer price inflation averaged 2.3 per cent in 2006 for the advanced economies, same as the previous year but remained high at 5.3 per cent for the emerging markets and developing countries, notwithstanding the marginal decline over 2005.

Economic activity in the US, particularly post first quarter, was contained due to a depressed housing sector and softening of corporate investment in plant and equipment. However, the effect was offset to a large extent by sustained private consumption spending, facilitated by easing oil prices, continued employment growth and a halt on monetary tightening by the Federal Reserve since August 2006. Overall, the US economy registered an improved real GDP growth of 3.3 per cent in 2006, as against 3.2 per cent in 2005. Though the federal government deficit, as a percentage of GDP, declined to 1.9 per cent in 2006, a current account deficit to the tune of 6.5 per cent of GDP and the downturn in the housing market remain as major concerns related to the US economy. Economic growth moderated in Canada to 2.7 per cent in 2006, as compared to 2.9 per cent in 2005, primarily because of subdued domestic demand. Though the government is advocating fiscal prudence, a weaker-than-expected US economy could have its repercussions on Canada's economic growth.

Bank's Commencement Day Annual Lecture 2007 on 'Inclusive Globalisation: Tackling Chronic Poverty' was delivered by Dr. David Hulme, Professor of Development Studies and Founder Director of Chronic Poverty Research Centre, University of Manchester, UK. Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India, presided over the function.

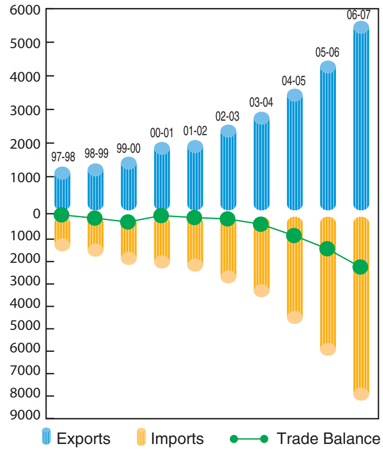
The Euro area gained from increasing business confidence and improving labour markets to register a real GDP growth of 2.6 per cent in 2006, its best performance since 2000 and almost double of 1.4 per cent recorded in the previous year. Growth was observed across the region ranging between a modest 1.3 per cent in case of Portugal to a high of 6.0 per cent in Ireland, with eight of the thirteen countries registering a real GDP growth of over 3 per cent. Among the major economies, while a sharp turnaround in Germany's economic activity was facilitated by robust export growth, strong investments and buoyancy in consumption due to the Soccer World Cup, a pickup in employment growth and increase in private consumption expenditures enhanced economic growth in France and Italy. The resurgence in economic growth in the Euro area could be sustained with increased reforms directed towards enhancing labour utilisation. Outside the Euro area in Western Europe, the United Kingdom recovered with a real GDP growth of 2.7 per cent in 2006, as against 1.9 per cent in the previous year, on account of robust exports, investments and accelerated consumption demand. However, as inflation increased to a five year high, the Bank of England resorted to increases in the interest rate during the year.

In 2006, Japan sustained the momentum of its economic expansion with support from strong private investments and exports and resumption in credit lending. Japan's real GDP growth improved to 2.2 per cent in the year as compared to 1.9 per cent in 2005. Particularly, robust growth in exports and income from foreign assets resulted in a current account surplus close to 4 percent of GDP in 2006. In July 2006, though the Bank of Japan exited its zero interest rate policy, Japan needs to adopt a gradual transition to a more neutral monetary stance and address the concern of aging population with a view to carry forward the present economic dynamism.

Economic growth in developing Asia in 2006 continued to be led by China and India. This is evident as, while real GDP growth of developing Asia further strengthened to 9.4 per cent in 2006, over and above the 9.2 per cent growth in the previous year, the region's economic growth excluding China and India stood at 5.9 per cent in 2006, reflecting a marginal slowdown compared to 6.2 per cent in 2005. However, real GDP growth was particularly high in South Asia at 8.7 per cent in 2006 largely due to a robust real GDP growth in India. Growth in the Indian economy emerged on the strength of its domestic demand, buoyant exports and high levels of investment, underlined by significant performances by the manufacturing and services sectors. China continued its strong economic performance in 2006 registering a 10.7 per cent real GDP growth, as against 10.4 per cent recorded

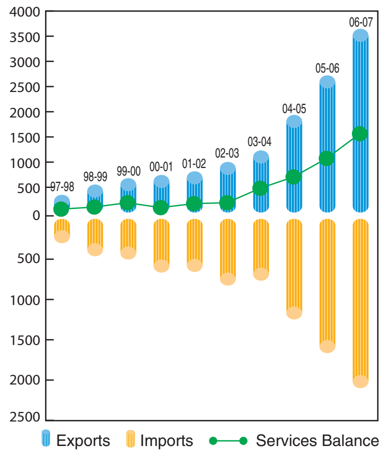
Trends in India's Merchandise Trade

(Rs. in billion)



Trends in India's Services Trade

(Rs. in billion)



Cellofarm Ltd., located in Rio de Janeiro, Brazil, acquired by the Indian company Strides Arcolab Ltd., was sanctioned a Foreign Currency Loan under the Overseas Investment Finance programme of the Bank, to part finance its operations.

in 2005, and was driven by robust increases in investments and exports. However, as credit offtake continued to remain strong, signs of overheating and inflationary pressures were distinct in both India and China, which were addressed by increases in interest rates, reserve requirement ratios and strengthening of liquidity management in both the economies. In the newly industrialised Asian economies (NIEs), viz. Republic of Korea, Hong Kong, Singapore and Taiwan Province of China, growth was boosted on account of strong external demand, primarily in the electronics sector. This is reflected by a robust 27.5 per cent rise in Singapore's current account surplus in the year, significantly contributing towards its real GDP growth of 7.9 per cent. The vibrancy of the external sector, reflected in strong current account surplus, was also the key driver behind economic growth in the ASEAN countries, where though growth varied, it remained over 5 per cent for all except for Brunei Daressalam. As the export momentum in the NIEs and the ASEAN countries is sustained, economic growth in the region could be influenced by specific externalities such as the avian flu and policy directives like the imposition of controls on capital inflows in Thailand.

Africa's economic performance in recent years has been significantly influenced by the oil exporting countries in Africa, a trend that continued in 2006. Real GDP growth of Africa stood at 5.5 per cent in 2006, over 5 per cent for the third consecutive year. Capacity increases in oil exporting countries such as Angola, Equatorial Guinea and Nigeria would continue to be growth inducing for Africa. In recent years, increased oil production and gains from terms-of-trade on account of favourable oil prices have in many cases boosted domestic consumption expenditures resulting in growth in the non-oil sector. For example, Nigeria's non-oil GDP has experienced an average of 8 per cent growth in the past three years. Growth in oil-importing countries in Africa was sustained in 2006 due to strong rises in commodities' prices. For example, while Zambia and South Africa benefited from higher metal prices, countries such as Ethiopia, Rwanda and Uganda gained from strong coffee prices. However, the cotton exporting countries in Western Africa have been an exception to this trend. Overall in 2006, Sub-Saharan Africa grew by 5.7 per cent, marginally less than 6.0 per cent recorded in 2005. The Maghreb countries in North Africa, however, improved their growth performance in 2006 to 4.5 per cent from the previous year's 4.0 per cent, largely on account of a turnaround in Morocco, which registered a real GDP growth of 7.3 per cent in 2006, as compared to a modest 1.7 per cent growth in 2005. While external factors such as global prices of commodities and external demand would continue to influence economic growth in Africa, the same could be undermined due to armed conflicts and persisting political instability in the region.

The oil-exporting countries in the Middle East benefited from higher oil revenues as well as sustained momentum in the non-oil sector to register a real GDP growth of 5.7 per cent in 2006, marginally up from 5.4 per cent growth recorded in 2005. Strength in the current account was matched by fiscal balances in the region, with the latter contributing to inflationary pressures in Iran. Growth also accelerated to 5.9 per cent in the year in the non-oil exporting countries of the

Exim Bank has close institutional relationship with African Development Bank (AfDB). Seminars on opportunities for Indian companies to participate in African Development Bank funded projects were organised in New Delhi and Pune, with expert faculty from AfDB.

Mashreq region on account of favourable external demand and a revival in foreign investment. Egypt, in particular, registered a robust real GDP growth of 6.8 per cent in 2006, improving over the 4.5 per cent growth in the previous year on account of increased non-oil exports.

In Latin America, real GDP growth improved to 5.5 per cent in 2006, as against 4.6 per cent in the previous year. This could be attributed to a combination of growth in the domestic demand supported by accommodative macroeconomic policies, as well as in external demand due to favourable commodity prices. The latter facilitated growth in the current account surplus to 1.7 per cent of the region's GDP in 2006. Growth was most pronounced in Venezuela and Argentina, partly because of their low bases, at 10.3 per cent and 8.5 per cent respectively in 2006. While economic growth in Brazil went up to 3.7 per cent in 2006 supported by an easing monetary policy environment, countries like Colombia and Peru gained from higher metal prices to register real GDP growth of 6.8 per cent and 8.0 per cent, respectively, in 2006. Chile's slowdown could be attributed to a depressed domestic demand partly on account of monetary tightening to curb inflation. Mexico registered an improved economic performance in 2006 over the previous year with real GDP growth put at 4.8 per cent, gaining from higher investment, much of which was aimed at reviving the hydrocarbons sector.

In the Commonwealth of Independent States (CIS), economic dynamism in 2006 was driven primarily by strong commodity prices together with buoyant domestic demand aided by substantial private capital inflows. Real GDP growth of the CIS countries averaged 7.7 per cent in the year, over and above 6.6 per cent recorded in 2005. While growth was sustained at over nine percent in Turkmenistan and Belarus, real GDP of Kazakhstan went up by a robust 10.6 per cent in the year driven by private consumption, fuelled by oil revenues. In Russia, there was a modest improvement in economic growth to the tune of 6.7 per cent in 2006, which may be attributed to double-digit growth in private consumption and fixed investment. However, inflation remained considerably high at 9.7 per cent despite a marginal respite due to lower administered price increases. Elsewhere, in Ukraine, economic growth turned around sharply from 2.7 per cent in 2005 to 7.1 per cent in 2006, on account of rising international steel prices and robust domestic demand. Azerbaijan recorded world's highest economic growth, second year in the running, with a real GDP growth of 31.0 per cent in 2006. While growth was primarily derived out of the expanding oil sector, economic boom in the country was well supported by a double-digit growth in the non-oil sector.

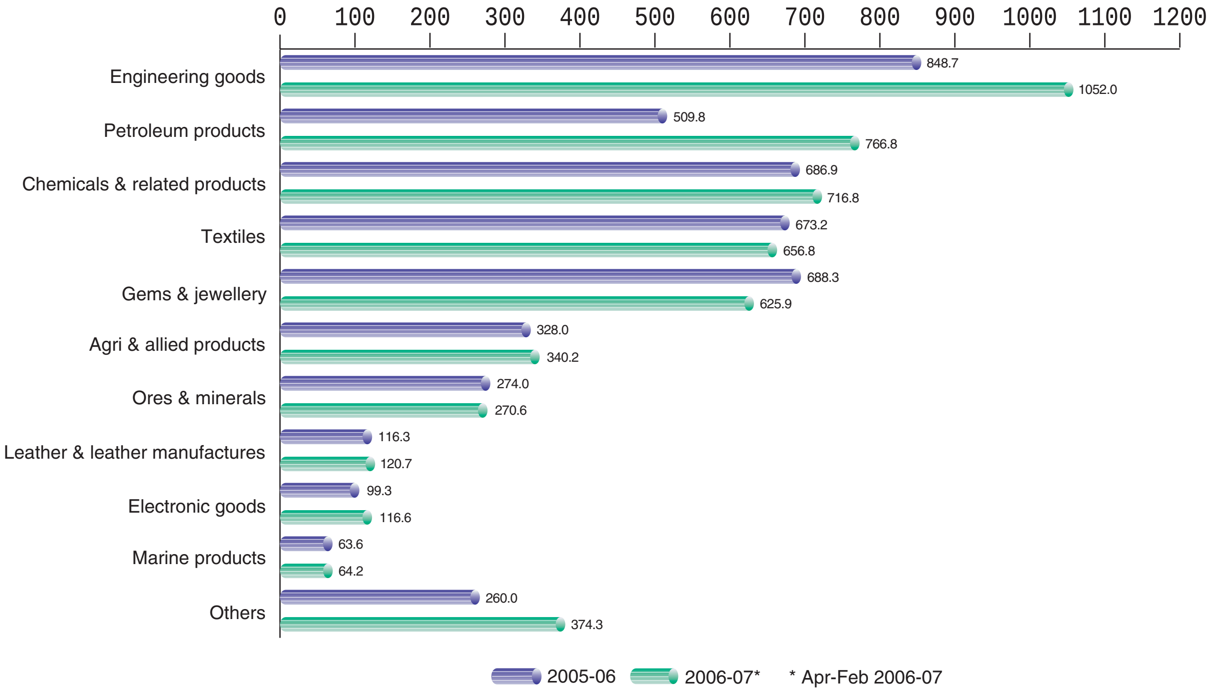
In emerging Europe, economic activity in 2006 was boosted by the economic buoyancy in Western Europe coupled with dynamism in domestic demand, driven by foreign investment and domestic consumption. As a result, real GDP growth in emerging Europe improved to 6.0 per cent in 2006 as compared to 5.5 per cent in the previous year. The sustained economic health of the region could also be attributed to the gradual integration process with the European Union, the latest being the accession of Bulgaria and Romania in January 2007. In the region, growth was particularly distinct in the Baltic states of Latvia and Estonia, which registered robust growth rates of 11.9 per cent and 11.4 per cent, respectively, in 2006. While the Central European countries averaged real GDP growth of 5.7 per cent in the year, the same for Southern and South-eastern Europe is put at 6.7 per cent. However, current account deficit widened further in emerging Europe while inflation growth was contained in most of the countries. An exception to this has been Turkey, where consumer price inflation averaged 9.6 per cent in 2006, which prompted monetary tightening resulting in a subdued economic performance at 5.5 per cent in 2006 as against 7.4 per cent in 2005.

World Trade

With an upward movement in global output and significant rise in world trade prices of non-fuel primary commodities, global exports of goods went up to US$ 11,920 billion in 2006 implying a 16.0 per cent increase over previous year's total

Composition of India's Merchandise Exports

(Rs. in billion)



of US$ 10,275 billion, when it had grown by 14 per cent. Non-fuel primary commodities registered a robust 28.4 per cent rise in US dollar terms in the year, as against a 10.3 per cent rise in 2005. Oil prices, which eased since August 2006, averaged 20.5 per cent growth, implying a dip from the previous year when it had increased by 41.3 per cent. World trade price of manufactures, however, keeping the trend of the previous two years, remained depressed with a modest 4.4 per cent growth in 2006. World exports of services amounted to US$ 2,797 billion in 2006, implying an increase of 11.3 per cent over previous year's total of US$ 2,512 billion.

In terms of volume of trade, global exports of goods and services registered 9.2 per cent growth in 2006, improving over 7.4 per cent in the previous year, however implying that world export growth in recent years has been primarily price driven. While export volumes increased by 8.4 per cent in case of advanced economies in 2006, as against 5.6 per cent in 2005, the same for emerging markets and developing countries decelerated marginally to 10.6 per cent in the year from that of 11.2 per cent in the previous year.

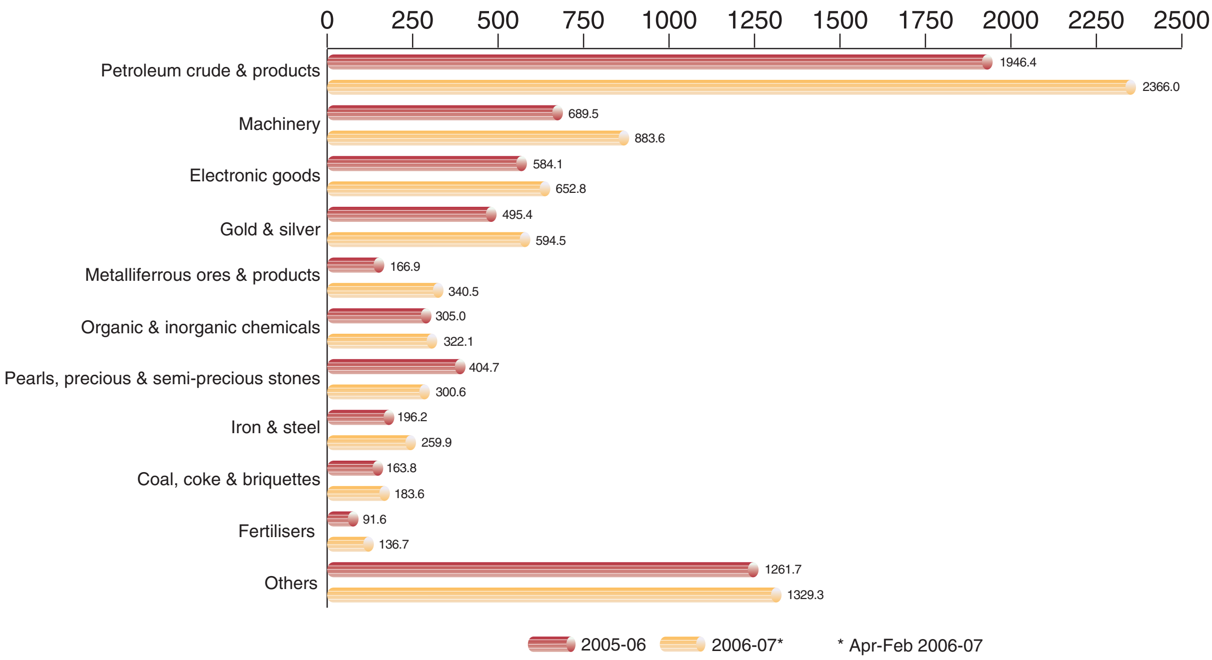
Private Capital Flows, Current Account Balances and External Debt of Emerging Economies

Following the impressive performance of 2005, net private capital flows to the emerging economies remained strong in 2006, reaching US$ 552.9 billion by the year-end, almost 7 per cent higher than US$ 518.1 billion recorded in the previous year. Net direct investment at US$ 167.3 billion fell short of the previous year's total of US$ 201.7 billion, and so did net portfolio investment from US$ 55.7 billion to US$ 50.8 billion. These were offset by continued strong net lending from commercial banks, which increased to US$ 198.4 billion in 2006 as against US$ 141.0 billion in 2005. The slowdown in net private capital flows to Latin America in 2006 was more than offset by a distinct rise in flows to emerging Europe, Asia-Pacific and Africa & the Middle East.

Emerging Europe accounted for 41.3 per cent of the net private capital flows to the emerging economies with total inflows increasing to US$ 228.2 billion

Composition of India's Merchandise Imports

(Rs. in billion)



in 2006. With buoyant economic activity in the region, net direct investments rose to US$ 49.6 billion in the year, higher compared to US$ 45.2 billion in 2005. In Africa & Middle East, though direct investments contracted in 2006, strong growth in net portfolio investment coupled with net non bank lending resulted in an overall rise of net private capital flows to US$ 29.8 billion in 2006. As the Asia-Pacific region experienced the strongest economic growth of 8.5 per cent among all emerging economies in 2006, net private capital flows to the region increased to US$ 254.5 billion in 2006 from US$ 218.1 billion in the previous year. Though net equity investment in Asia-Pacific declined in 2006 to US$ 122.4 billion as compared to US$ 132.7 billion in 2005, it still accounted for 56 per cent of the total net equity investment to emerging economies in 2006. There was also a 73 per cent growth in net lending by commercial banks in Asia-Pacific in 2006. However, a sharp decline in net private capital flows was observed in Latin America where it contracted to US$ 40.4 billion in 2006 from US$ 70.9 billion in the previous year.

Continuing with the momentum achieved in recent years, current account surplus of the emerging economies further improved to US$ 378.5 billion in 2006, implying a 22.4 per cent growth over the previous year's surplus of US$ 272.4 billion. The impetus came primarily from the Asia-Pacific region and to a modest extent from Latin America. In the Asia-Pacific region, current account surplus reached US$ 290.3 billion, following a robust increase of 60.4 per cent over US$ 181.0 billion recorded in 2005. This was matched by a US$ 352 billion rise in reserve accumulation in the region led by US$ 240 billion accumulation in China's reserves alone. In Latin America too, on account of a current account surplus of US$ 50.9 billion, reserves went up by US$ 50.2 billion. In emerging Europe and Africa & Middle East, current account surplus however remained depressed at US$ 22.3 billion and US$ 15.0 billion, respectively.

Healthy current account surplus, buoyed by strong exports resulted in a steady decline in the external debt of emerging markets and developing economies, as a proportion of their exports of goods and services, from 75.8 per cent in 2005 to 67.4 per cent in 2006. While this improvement was across all the regions, it was most pronounced in case of Africa where it declined from 94.5 per cent to 68.7 per cent during the period. The ratio has steadily declined in case of Latin America & Caribbean from a high of 225.7 per cent in 1999 to 94.6 per cent in 2006, largely on account of significant growth in exports of goods and services. Overall, the debt-service payments ratio of the emerging markets and developing countries improved to 13.8 per cent in 2006 compared to 14.9 per cent in 2005.

INDIAN ECONOMY

The Indian economy sustained its strong performance in 2006-07*, with an estimated growth rate of 9.4 per cent, improving over the robust 9 per cent growth achieved in the previous year. The moderation in agricultural growth in 2006-07 was more than offset by robust performances by the industry and services sectors, thus reinforcing global confidence in these sectors.

Agriculture

The agriculture & allied sector registered a modest 2.7 per cent growth in 2006-07, implying a slowdown from the previous year's 6 per cent. While production of Kharif foodgrains contracted during the year, production of Rabi foodgrains registered a rise. Foodgrain production is estimated at 209.2 million tonnes (MT) during 2006-07, remaining flat compared to the previous year's total of 208.6 MT. In commercial crops, particularly in sugarcane production, there was however, a distinct growth of 16.9 per cent in the year.

Industry

Continuing the healthy performance of the previous two years, the industrial production recorded a robust 11.3 per cent growth in 2006-07. Growth was particularly propelled by the manufacturing sector, which grew by a strong 12.3 per cent in the year, over and above the 9.1 per cent growth rate achieved in 2005-06. The resurgence in the manufacturing sector was well-supported by a 7.2 per cent growth in electricity sector and a 5.1 per cent growth in mining sector, showing improvement over previous year's performance in both the cases.

Of the 17 industrial sub-groups in the manufacturing sector, during 2006-07, ten sub-sectors registered double-digit growth rates. These ten sectors were beverages, tobacco & related products (11.3 per cent), cotton textiles (14.8 per cent), textile products (including wearing apparel) (11.2 per cent), wood & wood products, furniture & fixtures (29.1 per cent), rubber, plastic, petroleum & coal products (12.7 per cent), non-metallic mineral products (12.8 per cent), basic metal & alloy industries (22.8 per cent), metal products and parts, except machinery & equipment (11.4 per cent), machinery & equipment other than transport equipment (14.0 per cent), and transport equipment & parts (14.9 per cent). The only sub-sector with a negative growth performance in 2006-07 was jute and other vegetable fibre textiles (except cotton).

According to the use-based classification, the capital goods sector registered strong growth of 17.7 per cent during 2006-07, as compared to 15.8 per cent during the previous year. The intermediate goods sector also registered a strong growth of 11.7 per cent during

Bank organised a seminar on 'Potential for Export of Agricultural Products from Bihar', in Patna, as part of its initiatives to promote agri exports. Shri Amitabh Verma, Joint Secretary, Ministry of Finance, delivered the opening remarks.

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

2006-07, up from 2.5 per cent during the previous year. The basic goods sector grew by 10.2 per cent during 2006-07, while consumer non-durables sector grew by 10.3 per cent, followed by consumer durables sector (9.0 percent).

Services

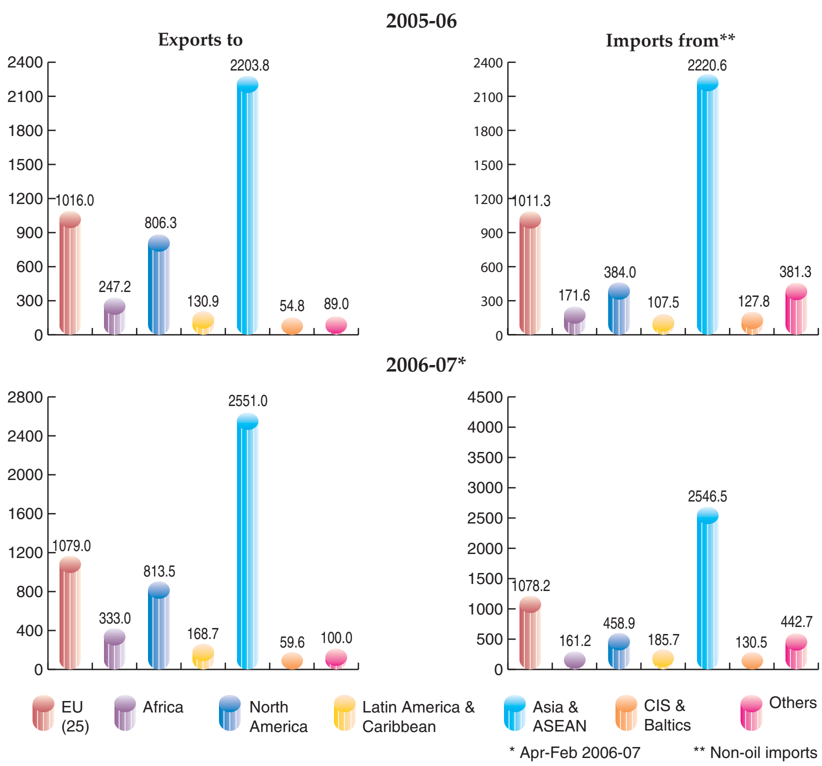
The most dynamic sector of the Indian economy, the services sector, continued its good performance during 2006-07 registering a robust 11.2 per cent growth rate, improving over the previous year's 9.8 per cent. The trade, hotels, transport & communication sub-sector registered a continued strong growth of 13 per cent, while the financial, real estate & business services grew at a robust 10.6 per cent during 2006-07.

Infrastructure

The six infrastructure and core industries, viz. crude petroleum, petroleum refinery products, coal, electricity, cement and finished steel, registered an average growth of 8.6 per cent during 2006-07, as compared to 6.2 per cent growth during previous year. Growth was particularly strong at 12.6 per cent in case of petroleum refinery products. Crude oil output, which had dipped by 5.3 per cent during 2005-06, showed a recovery with 5.6 per cent growth during 2006-07. Electricity generation also increased by 7.3 per cent during 2006-07 compared to 5.1 per cent during 2005-06. However, growth moderated marginally in case of steel (10.9 per cent), cement (9.1 per cent) and coal production (5.9 per cent) during the year.

Direction of India's Merchandise Trade

(Rs. in billion)



Inflation

Inflation, measured by variations in the wholesale price index (WPI) on a year-on-year basis, increased from 4.1 percent at end-March 2006 to an intra-year peak of 6.7 per cent in end-January 2007, and remained firm in the range of 6.1-6.6 per cent in the succeeding weeks before moderating to 5.7 per cent on March 31, 2007.

Capital Markets

Portfolio investment in India in 2006-07 stood at US$ 7 billion, implying a decline from US$ 12.5 billion during 2005-06. This may be attributed to the considerable decline in investment by Foreign Institutional Investors from US$ 9.9 billion during 2005-06 to US$ 3.2 billion during 2006-07.

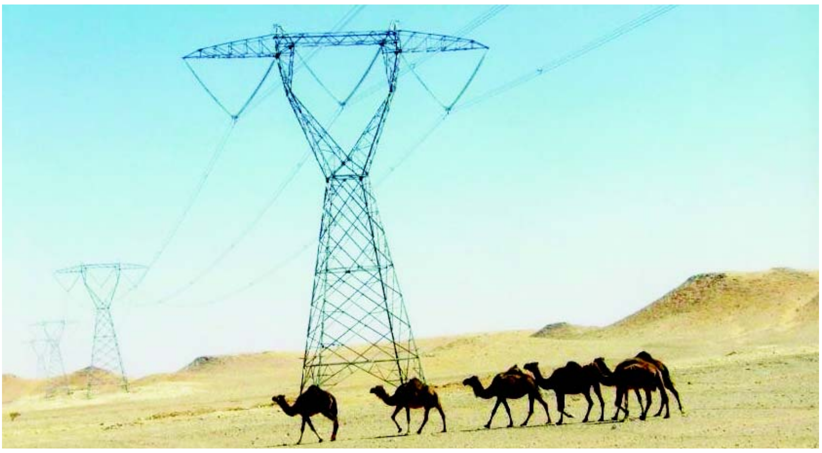
Foreign Trade and Balance of Payments

India's foreign trade continued with its strong momentum in 2006-07, with exports amounting to US$ 124.6 billion and imports reaching US$ 181.4 billion, during 2006-07, registering 20.9 per cent and 26.4 per cent growth respectively over the previous year. Overall, trade deficit rose to US$ 56.74 billion during 2006-07, as compared to US$ 40.34 billion during 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 buoyant Indian manufacturing sector. With regard to broad commodity composition of

India's foreign trade in 2006-07 (April-February), exports were particularly robust in case of petroleum products, at 63.1 per cent, engineering goods at 41.0 per cent, electronic goods at 32.2 per cent, and agriculture & allied exports at 20.8 per cent. While petroleum, oil & lubricant (POL) imports grew by 34.5 per cent during 2006-07 (April-February), within non-POL items, significant growth was observed in the case of metaliferrous ores & metal scrap (125.7 per cent), machinery (41.6 per cent), gold and silver (32.4 per cent) and electronic goods (25.3 per cent).

During 2006-07, India's net inflow of invisibles amounted to US$ 40.48 billion (April-December) as compared to US$ 42.66 billion during the previous year. India's services exports stood at US$ 56.7 billion during 2006-07 (April-December), as compared to US$ 61.4 billion during the previous year. Services exports remained strong on account of the steady growth in software exports (US$ 21.76 billion) coupled with substantial growth in export of business services (US$ 16.49 billion). The robust performance of invisibles trade to some extent offset the deficit in trade balance, thereby containing current account deficit to US$ 11.8 billion during 2006-07 (April-December), as compared to US$ 9.19 billion during the previous year.

Reflecting the growing confidence of the international investors in the Indian economy, foreign direct investment inflows grew sharply to US$ 17.75 billion during 2006-07, with around 90 per cent of it attributable to equity investments. Similarly, corroborating the ongoing globalisation endeavours of the Indian industry, during 2006-07 (April-October), 870 approvals were granted to Indian companies for overseas investments worth US$ 6.03 billion as compared to 822 approvals worth US$ 1.2 billion during the corresponding period last year.



Turnkey contract for supply and erection of 400 kV Overhead Transmission Line in Libya, being executed by KEC International Ltd., a company engaged in design, fabrication and installation of power transmission towers in India and abroad. Exim Bank extended loan and guarantee support for the project.

India's foreign exchange reserves also went up sharply by US$ 47.56 billion in 2006-07 and stood at US$ 199.18 billion as at end-March 2007. Foreign currency assets accounted for over 96 per cent of India's foreign exchange reserves. India's external debt, which stood at US$ 126.4 billion at end-March 2006 increased to US$ 142.66 billion as at end-December 2006. The rise in external debt stock was mainly due to increases in External Commercial Borrowings (ECBs), and NRI deposits. Short-term debt rose marginally to 7.0 per cent of total external debt as at end - December 2006 from 6.9 per cent as at end-March 2006.

Outlook for Select Sectors

Textiles and Garments

The textile and garment industry occupies a unique place in the Indian manufacturing sector, contributing significantly to total industrial output and exports. At present, the textile and garment industry contributes 14 per cent of total industrial production and 13 per cent of the country's total export earnings. The textile and garment industry is the second largest employer in the economy after agriculture, employing more than 35 million people directly. After the elimination of quota restrictions from 2005 onwards, the exports from this sector are increasing significantly. During the year 2006-07 (April–Feburary), textile exports from India were US$ 14.47 billion. This shows a growth rate of 4.56 per cent over the corresponding period during the previous year. The EU and the USA continue to be the leading export destinations for Indian textiles and readymade garments.

The government has taken a number of initiatives to make this sector globally competitive. These include rationalisation of the duty structure, allowing 100 per cent FDI under the automatic route, de-reservation of readymade garments, hosiery and knitwear sector, launching of Technology Upgradation Fund Scheme. In the Union Budget 2007-08, the allocations under Scheme for Integrated Textiles Parks (SITP) and Technology Upgradation Fund (TUF) schemes have been increased substantially. Besides, the Government has also announced the inclusion of additional 100-150 clusters under the Cluster Development Programme for the textile sector.

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.

The global pharmaceutical sales in 2006 were estimated to have crossed US$ 650 billion, recording growth of 7 per cent over the previous year. It is further estimated that in the year 2007, the pharmaceutical industry is expected to witness a growth of 5-6 per cent to reach a sales level of US$ 685 billion. It is estimated that the geographic balance of the pharmaceutical market is expected to shift away from the USA to emerging markets that are expected to contribute 30 per cent of estimated growth for the year 2007.

Given the increase in the resources required for various operations in the pharmaceutical value chain, global pharmaceutical majors are increasingly focusing on their core competencies and outsourcing part of their other activities. With the new patent regime in place, Indian companies are significantly increasing their R&D expenditure as also their capital expenditure, mainly oriented towards 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.

Auto-components

India has a vibrant and competitive auto-component industry and has emerged as a global supplier of critical auto-components. Highly qualified workforce and world-class standards in terms of quality and competitive cost have attracted the global auto majors to source components from India. The Indian auto-component manufacturers are also in the process of shifting their focus from the replacement market

Accelerated Freeze Drying Company Ltd. Ezhupunna, Kerala, is engaged in processing and exporting of freeze dried shrimps, marine food, pepper, herbs and other products with state of the art processing facilities. Bank provided pre and post export credit to the company.

to the original equipment manufacturers' (OEM) market, and thereby climb up the value chain.

The Indian auto-component sector produces a comprehensive range of products. The total value of production has increased from around US$ 4 billion during 2000-01 to US$ 10 billion during 2005-06, thus witnessing a compounded annual growth rate of 20 per cent. Export of auto-components amounted to US$ 1.8 billion during 2005-06. Developed country markets like the USA and the EU together account for over 50 per cent of the total export earnings. Automotive Mission Plan estimates that India's export of auto-components could exceed US$ 20 billion by 2015. The growing domestic market, fuelled by increased consumer base and easy financing available to purchase vehicles, is expected to cater to the growth of the automobile industry. Projected export growth and increase in demand for vehicles in the domestic market are expected to help stimulate the growth of the Indian auto-component sector.

Food Processing

The food-processing industry is critical for economic development of India as it establishes a vital linkage between the two main components of the Indian economy, viz., industry and agriculture. The size of the Indian food processing industry is estimated at around Rs 3 trillion, largely dominated by the unorganised sector. The industry accounts for 14 per cent of the total manufacturing output and employs 1.6 mn workers.

India holds significant level of world production of various agriculture products and provides indigenous availability of raw materials for food processing. India is the largest producer of milk, second largest producer of fruits and vegetables, third largest producer of food grains and fish. Major components of the Indian food processing industry are dairy products, processing of grains and cereals, fruits and vegetables, meat and poultry, fisheries, and manufacturing of packaged / convenience foods and beverages.

According to the Agriculture Outlook (2006-15), jointly prepared by the Organisation for Economic Cooperation and Development (OECD) and the United Nations Food and Agriculture Organisation (UN-FAO), the location of the world agriculture market is shifting towards developing countries. Increasing population, higher income and integration of transport and product distribution systems in developing countries is likely to pose greater export opportunities for processed foods exports from developing countries like India.

Chemicals

The Indian chemical industry accounts for about 13 per cent share in the manufacturing output and about 7 per cent of export revenue. The industry contributes around 20 per cent of national revenue by way of various taxes and levies. It is estimated that the size of the Indian chemical industry is around US$ 30 billion. Volume of production by the chemicals industry positions India as the third largest producer in Asia (next to China and Japan) and twelfth largest in the world. The industry, comprising both small scale and large units (including MNCs),

Seminar on 'Globalisation through Overseas Investment' was held in Kolkata jointly with IISWBM. Dr. Ashok Lahiri, Chief Economic Adviser, Government of India, delivered the keynote address.

produces several thousands of products and by-products, ranging from plastics and petrochemicals to cosmetics and toiletries. A significant share (around one-third) of production by chemical industry is consumed by the industry itself.

According to World Trade Organisation's data, world export of chemicals amounted to US$ 832 billion in 2005. The share of chemicals in global merchandise trade and global trade of manufactures stood at 8 per cent and 11 per cent, respectively, in 2005. The growth as well as volume of chemicals trade is expected to grow further. India's per capita consumption of chemicals is also poised for growth in the near future due to wider application of chemicals in a range of sectors.

Engineering Goods

India has a well-diversified engineering goods sector that produces products such as automobiles and auto components, capital goods / machinery and equipment, light engineering goods. The Index of Industrial Production (IIP) computed by the Central Statistical Organisation, Government of India shows positive growth for sectors such as light engineering goods, metal products, machinery and transport equipments. Increasing manufacturing activity in Indian economy, coupled with growing thrust on development of infrastructure are prime reasons for the impressive growth rate of this sector.

The performance of Indian engineering industry in the external markets is also positive. India's export of engineering goods has increased from US$ 16.86 billion during the period April – February 2005-06 to US$ 23.17 billion during April – February 2006-07 thus showing a growth rate of over 37 per cent.

Electronics

Indian electronics industry has grown at a CAGR of over 12 per cent in the last five years. Exports by the electronics industry are also showing increasing trend, from a level of US$ 1.8 billion during 2004-05 to US$ 2.2 billion during 2005-06. During April-February 2006-07, exports of electronics from India increased by 32 per cent, over the previous year, to reach US$ 2.52 billion. The total production of the electronics industry has increased from Rs. 566 billion in 2005-06 to Rs. 660 billion in 2006-07. The biggest segment of the electronics industry is consumer electronics, which contributes about 30 per cent of the total production. This sector has registered a growth of about 11 per cent in 2006-07. The faster growing segments among consumer electronics are colour TV, DVD players and home theatre systems. High–end products like Plasma Display Panels and Liquid Crystal Display TVs have also registered significant growth in the Indian market during 2006-07. Computer industry accounts for 19 per cent of the electronic goods industry. The booming IT sector, increasing computerisation of telecom, banking and financial services and e-governance initiatives by the government have encouraged the growth of this segment significantly. The industry could leverage upon the formidable brand equity achieved by the Indian software industry in the global markets.

Petroleum Products

India is establishing its prowess in petroleum refinery sector, and is becoming a leading exporter of petroleum products. Since 2000-01, exports of petroleum products have been increasing not only by volume but also in ranking in India's top export products. During the period April - February 2006-07, India's export of petroleum products amounted to US$ 16.89 billion, a growth of 59 per cent over the same period during the previous year.

According to the 'Vision 2020' document, the oil demand is expected to reach 245 million tonnes by 2020, largely driven by the growth in transportation industry. To meet the growing demand for petroleum products, the refining capacity in India has been gradually increasing - by setting up of new refineries in the country as well as expanding the capacity of the existing refineries. With 19 refineries, the domestic refining capacity in December 2006 was at 148.97 million tonnes per annum. Indian producers have also intensified their exploration efforts and going for acquisition of oil reserves abroad for development and production. In addition, Indian companies are setting up marketing network abroad, in order to achieve greater economies of scale and enhance their competitiveness.

Policy Environment

To provide further momentum to India's exports, which have crossed the 1 per cent share of global exports in 2006, the annual Supplement 2007 to the Foreign Trade Policy 2004-09 aims to provide, among others, further boost to agro exports, diversification of export markets, as also facilitate India's services exports. Besides providing encouragement to agro exports and employment generation in the agricultural sector, an initiative for infrastructure development for agro sector is being launched. The scope of Focus Market Scheme is being expanded to include 16 new countries including 10 CIS countries. Exports and employment in the Handloom and Handicrafts sector have also been provided further impetus through duty free access to tools, machinery and equipment. With a view to facilitate India's services exports, service tax exemption / remission on services rendered in India and utilised by exporters has been provided, while services rendered abroad and charged on exporters from India have been exempted from service tax.

In view of the growing concern on inflation, the Reserve Bank of India (RBI) undertook a number of policy measures during 2006-07 directed towards curbing credit growth to volatile sectors. The provisioning requirements for standard advances for a number of categories such as personal loans, capital market exposures and commercial real estate loans were increased from 0.4 per cent to 1 per cent. The reverse repo rate was raised twice by 25 basis points during the year to 6 per cent and the repo rate was increased in phases from 6.5 per cent to 7.75 per cent. The Cash Reserve Ratio (CRR) was also increased gradually by 100 basis points to 6 per cent during the year. RBI also indicated a further increase of 50 basis points in the CRR during April 2007.

With regards to prudential measures, RBI has advised commercial banks (excluding Regional Rural Banks) to adopt a standardised approach for credit risk and basic indicator approach for operational risk. In the new approach, banks are required to use risk weights, which are dependent on credit ratings. Foreign banks operating in India and Indian banks having presence outside India are to comply with Basel II with effect from March 31, 2008, while the deadline for scheduled commercial banks has been kept at March 31, 2009. Further, the prudential limit on credit and non-credit facilities extended by banks to Indian Joint Ventures (JVs) / Wholly Owned Subsidiaries (WOS) abroad was enhanced from 10 per cent to 20 per cent of unimpaired capital funds (Tier I and Tier II capital) of the bank.

In the external sector, consequent to the recommendations of the Committee on Fuller Capital Account Convertibility, RBI initiated a series of measures during the year including setting up of an internal task force for procedural rationalisation and simplification, enhancing the overseas remittance limit by resident individuals by US$ 25,000 to US$ 50,000 per annum and further to US$ 1,00,000 in April 2007, permitting all categories of foreign exchange earners to retain 100 per cent of the forex earnings in their Exchange Earners' Foreign Currency (EEFC) accounts, liberalising procedures for project and service exports, enhancing overseas borrowings by banks, increasing the access to external commercial borrowings, permitting FIIs to invest in government securities by an incremental amount of 5 per cent of total net issuance in the previous year, enhancing the ceiling of overseas investment by mutual funds by US$ 1 billion to US$ 3 billion, and liberalising the regulations related to forward contracts.

With respect to customs duties, the Union Budget 2007-08, further reduced the peak rate for non-agricultural products from 12.5 per cent to 10 per cent. Also, the same for most chemicals and plastic items were cut from 12.5 per cent to 7.5 per cent and for seconds and defectives of steel from 20 per cent to 10 per cent. Coking coal and dredgers are to be fully exempted from custom duties and import duty of medical equipment has been reduced to 7.5 per cent. Import duty has also been reduced for a number of intermediary textile items, agricultural equipment, edible oils and machinery for pharmaceutical & biotechnology sectors. However, a duty of 3 per cent was levied on all private import of aircrafts and additional duty of Rs. 300 per metric tonne was imposed on export of iron ores and concentrates.

India: Fast Forward

(Major Policy Changes during 2006-07)

- Reverse repo rate raised twice by 25 basis points during the year to 6 per cent and repo rate increased in phases from 6.5 per cent to 7.75 per cent. Cash Reserve Ratio (CRR) also increased by 100 basis points, in phases, to 6 per cent during the year.
- Foreign banks operating in India and Indian banks having presence outside India to comply with Basel II with effect from March 31, 2008, while the deadline for scheduled commercial banks kept at March 31, 2009.

Credit Policy

- Peak rate of customs duty on non-agricultural products reduced from 12.5 per cent to 10 per cent.
- Customs duty on a number of raw materials and intermediates, including chemicals and plastic items, seconds and defectives of steel, intermediary textile items, agricultural equipment, edible oils and machinery for pharmaceutical & biotechnology sectors reduced.
- Annual Supplement 2007 for the Foreign Trade Policy 2004-09 aims to provide, among others, further boost to agro exports, diversification of export markets, as also facilitate India's services exports.

Trade Policy

- FIIs permitted to invest in government securities by an incremental amount of 5 per cent of total net issuance in the previous year.

Investment Policy

- Ceiling of overseas investment by mutual funds raised by US$ 1 billion to US$ 3 billion.
- Procedures for project and service exports liberalised; overseas borrowings by banks enhanced; access to external commercial borrowings increased.
- Overseas remittance limit by resident individuals increased by US$ 25,000 to US$ 50,000 per annum, and further to US$ 1,00,000 in April 2007.

Overseas Investment Policy

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, 2007.

REVIEW OF OPERATIONS

During 2006-07 (April-March), the Bank approved loans aggregating Rs. 267.62 billion under various lending programmes as against Rs. 204.89 billion during the year 2005-06 (April-March), registering a growth of 31 per cent. Disbursements during the year were Rs. 220.76 billion as against Rs. 150.39 billion during 2005-06, representing 47 per cent growth. Gross loan assets as on March 31, 2007 were Rs. 232.74 billion, registering an increase of 29 per cent over the previous year. During the year, the Bank sanctioned guarantees aggregating Rs. 49.98 billion as against Rs. 43.26 billion in 2005-06. Guarantees issued during the period amounted to Rs. 16.97 billion as against Rs. 21.96 billion in 2005-06. Guarantees in the books of the Bank as on March 31, 2007 were Rs. 35.36 billion as against Rs. 34.02 billion as on March 31, 2006. Rupee loans and advances accounted for 56 per cent of the total loan assets as on March 31, 2007 while the balance 44 per cent were in foreign currency. Short-term loans accounted for 25 per cent of the total loans and advances as on March 31, 2007.

The Bank registered profit before tax of Rs. 3.91 billion on account of General Fund during 2006-07 as against a profit of Rs. 3.77 billion for the year 2005-06. After providing for income tax of Rs. 0.92 billion, profit after tax amounted to Rs. 2.99 billion during 2006-07 as against Rs. 2.71 billion during 2005-06. Out of this profit, an amount of Rs. 1.44 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. 956 mn was transferred to Government of India (GOI) as provided in the Exim Bank Act.

Profit before tax of the Export Development Fund during 2006-07 was Rs. 23.61 mn as against Rs. 19.21 mn during 2005-06. After providing for tax of Rs. 7.95 mn, the post tax profit amounted to Rs. 15.66 mn as against Rs. 12.74 mn during 2005-06. The profit of Rs. 15.66 mn is carried forward to next year.

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.

A meeting of the Board of Directors of the Bank in progress at Bank's headquarters in Mumbai.

I. PROJECTS, PRODUCTS AND SERVICES EXPORTS

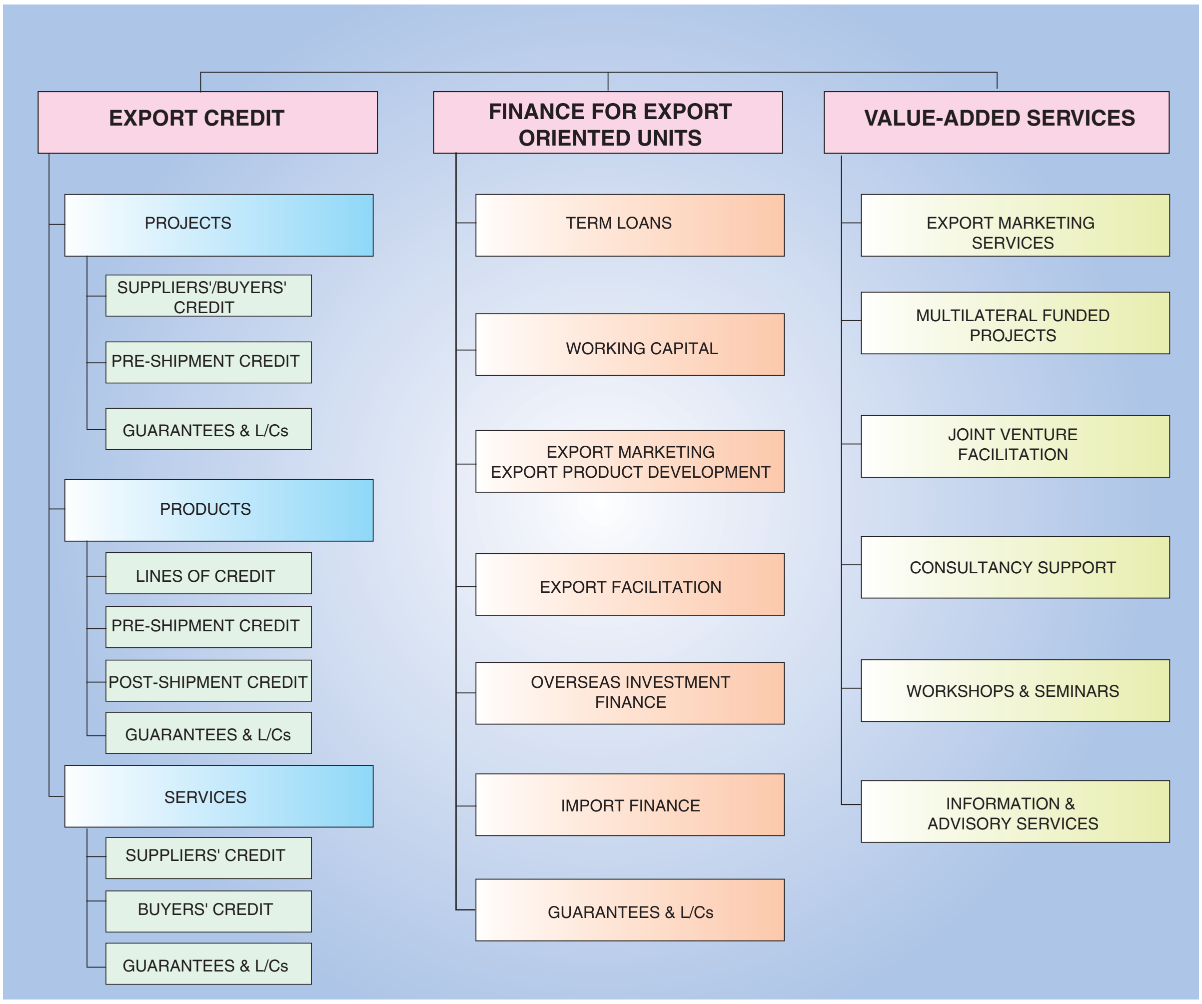
Export Contracts

During the year, 820 contracts amounting to Rs. 184.9 billion covering 93 countries, were secured by 172 Indian exporters with Exim Bank's support, as against 568 contracts worth Rs. 135.3 billion covering 64 countries, secured by 174 Indian exporters during the previous year. Exim Bank / Working Group[1] accords clearance to such export contracts. Of these, 57 contracts valued at Rs. 140.2 billion were project export contracts, comprising civil construction, turnkey and consultancy contracts. The balance were trade finance oriented supply contracts.

The contracts secured during the year with Exim Bank's support consisted of 35 turnkey contracts valued at Rs. 93.8 billion, 12 construction contracts valued at Rs. 43.6 billion, 647 supply contracts valued at Rs. 30.4 billion, 10 technical consultancy and services contracts valued at Rs. 2.7 billion. A number of contracts valued at Rs. 14.4 billion, were secured under Lines of Credit extended by Exim Bank.

Some major turnkey contracts secured during the year included mechanical, erection and plumbing

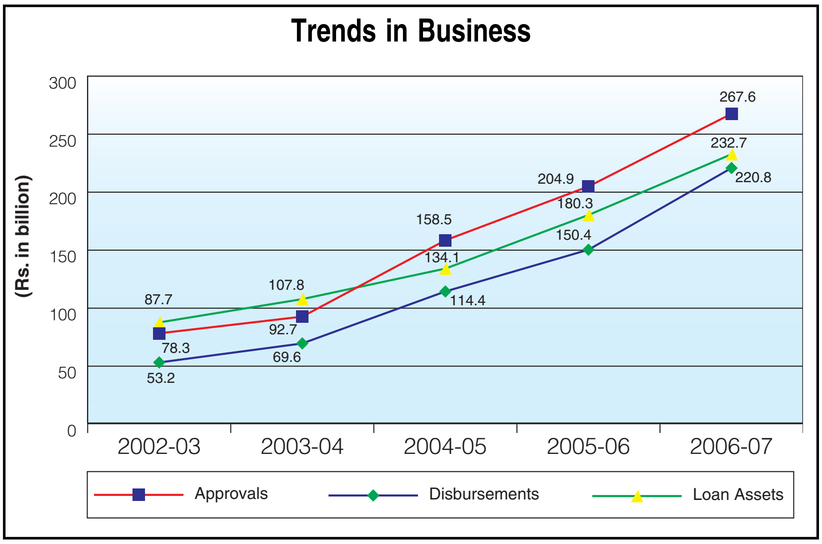
Bank's Major Programmes



[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.

works for City Centre project, Bahrain; 2x120 MW gas turbine power plant project in Bangladesh; 33 kV distribution lines in Ethiopia; 500 kV overhead power transmission line in Kazakhstan; New Aviation Fuel Depot in Kuwait; 33 kV single circuit power transmission line in Nigeria; high voltage sub-stations along with modification and cabling work for existing sub-stations and two well head platform decks with associated piping and equipment in Qatar; methanol and carbon monoxide plants in Saudi Arabia; and a transmission line contract in the USA.

Construction contracts secured included multiple gas transmission pipeline projects in Libya; dualisation and realignment of road in Oman; Luxury Residential Tower and pipeline relocation projects in Qatar; and buildings for Dubai Lagoon Project in UAE.



Supply contracts secured during the year included exports of tyres, pharmaceuticals, textiles to countries like Singapore, Switzerland, Turkey and USA. Indian companies also secured contracts for export of chemicals, gems & jewellery to countries that include Hong Kong, Japan and Mauritius as well as export of industrial products and steel sheets to South American and South East Asian Countries.

Some of the major technical consultancy and services contracts included follow up and quality control activities in Algeria, charter hire of metre gauge diesel locomotives to Malaysia and structural and mechanical erection work for a copper smelter plant in Zambia, engineering services for a new LPG Dehydration Unit for a refinery in Abu Dhabi.

Bank organised a seminar on 'Globalisation : Opportunities and Challenges for Indian Companies' at Mumbai. Shri Ajay Dua, Secretary (DIPP), Ministry of Commerce and Industry, delivered the keynote address. Bank's clients shared their experience of globalisation with the participants.

Export Credits and Guarantees

During the year, Bank approved loans aggregating Rs. 110.19 billion by way of suppliers' credit, buyers' credit, and finance for project exports as against Rs. 86.25 billion during the previous year, which exhibits 28 per cent rise in approvals during the year. Disbursements amounting to Rs. 93.89 billion were made during the year, as compared to Rs. 87.85 billion during the previous year, an increase of 7 per cent.

Guarantees sanctioned and issued during the year amounted to Rs. 49.98 billion and Rs. 16.97 billion respectively, as against Rs. 43.26 billion and Rs. 21.96 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.

Buyers' Credit

Buyers' 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 Buyers' Credit Programme, Exim Bank makes payment of eligible value to Indian exporters, without recourse to them. Buyers' 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, the Bank extended Buyers' Credit facility to 12 overseas companies aggregating Rs. 6 billion. Disbursements under Buyers' Credit Programme aggregated Rs. 4.13 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 Buyers' Credit Programme included transport vehicles & auto spare parts, fruits & vegetables, plain & studded jewellery, steel & steel products, incense sticks, cement clinker, petrochemical products, pharmaceuticals, readymade garments etc. 193 contracts were supported under the Buyers' Credit Programme and 37 exporters from small and medium enterprises were the beneficiaries under the Buyers' Credit Programme to receive non-recourse payment.

Lines of Credit

The Bank lays special emphasis on extension of Lines of Credit as an effective market entry mechanism, especially for 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 projects, 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. Being in an increasingly competitive environment, Exim Bank is proactively seeking to expand geographical reach and volumes under the LOC Programme. Besides its own LOCs 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, LOCs to countries in the developing world.

During the year, the Bank extended 16 LOCs, aggregating US$ 542 mn, to support export of projects, goods and services from India. LOCs extended by Exim Bank

A new production unit being set up in Sharjah by Elan Incorporated, FZE, wholly owned subsidiary of Time Technoplast Ltd., with financial support of Exim Bank for manufacture of liquid packaging (HDPE Drums) and other plastic molded products.

during the year include LOCs to ECOWAS Bank for Investment and Development (EBID), West Africa; Hungarian Export-Import Bank, Hungary; PTA Bank, Africa; Bank Markazi Jomhouri Islami, Iran; Myanma Foreign Trade Bank, Myanmar; Bancó de Comercio Exterior de Colombia, Colombia; Governments of Ethiopia, Angola, Seychelles, Mozambique, Honduras, Guyana, Guinea-Bissau, Jamaica, Senegal and Sudan. These LOCs will finance and catalyse exports by way of energy transmission and distribution project, electrification projects, export of mango juice and tomato paste processing unit, tractors and water pumps for development of the agricultural sector, supply of food processing equipment for Women Poverty Alleviation programme, supply of technical and laboratory equipment, scientific equipments, solar electrification project, commercial vehicles, cement plant, sugar plant, upgradation of railway system, setting up traffic signalling system and renovation of refinery. As of March 31, 2007, 73 LOCs covering 83 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US$ 2.3 billion were available for utilisation, while a number of prospective LOCs were at various stages of negotiation.

II. BUILDING EXPORT COMPETITIVENESS

The Bank operates a range of financing programmes aimed at enhancing export competitiveness of Indian companies. During 2006-07, Bank approved loans aggregating Rs. 132.61 billion under various programmes for enhancing export competitiveness. Disbursements amounted to Rs. 107.96 billion under these programmes.

Line of Credit agreement for US$ 20 mn to Government of Mozambique was signed at New Delhi by the Mozambique High Commissioner, Mr. Carlos Agostinho do Rosario.

Loans to Export Oriented Units

During the year, the Bank approved term loans of Rs. 19.08 billion to 69 export oriented units. Disbursements amounted to Rs. 12.69 billion. Under Production Equipment Finance Programme, loans aggregating Rs. 5.06 billion to 20 exporting companies were approved for financing acquisition of production equipment. Disbursements amounted to Rs. 3.80 billion. Long term working capital loans aggregating Rs. 18.16 billion to 29 companies, were approved. Disbursements amounted to Rs. 17.01 billion.

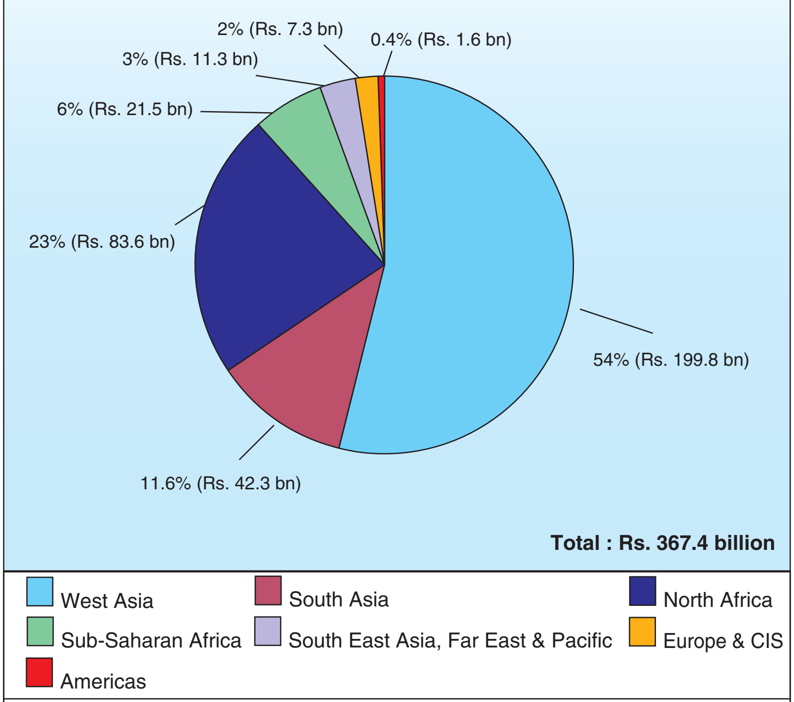
Technology Upgradation Fund Scheme (TUFS)

Exim Bank is one of the nodal agencies appointed by GOI, Ministry of Textiles, to establish and approve eligibility of projects under TUFS, and release subsidy directly to the approved projects. As on March 31, 2007, the Bank has accorded approval for 138 projects with aggregate cost of Rs. 83.13 billion. Loans approved and disbursed aggregated Rs. 25.36 billion and Rs. 16.11 billion, respectively. The Bank's assistance under TUFS to the textile industry has been spread over various segments in textile manufacturing and processing, covering several states in India.

Overseas Investment Finance Programme

The Bank has a comprehensive range of programmes in terms of equity finance, loans, guarantees and advisory services to support Indian outward investment. During the year, 29 proposals for funded and non-funded assistance aggregating Rs. 19.4 billion were approved for part financing overseas investments, by Indian corporates in 15 countries including Spain, UK, Indonesia, Malaysia, Norway, Brazil, Egypt, Israel, Iran, UAE, etc. Exim Bank has provided finance to 176 ventures set up by 147 companies in 54 countries so far. Aggregate assistance extended so far for overseas investment amounts to Rs. 49.6 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 Spanish company engaged in manufacture of branded generic formulations; acquisition of a large home textiles company in the UK; acquisition of South East Asia's largest Design & Build/EPC Company in Singapore; acquisition of a company in Indonesia which owns mining rights in Indonesian coal mines; acquisition of an agrochemical company in the Netherlands; acquisition of an oil drilling company in Norway; acquisition of a company in Malaysia which is the owner and operator of the largest integrated pulp and paper mill in Malaysia along with concessions for large tracts of forest land; setting up a wholly owned subsidiary in Sharjah, UAE for manufacture of liquid packaging (HDPE Drums).

Project Export Contracts under execution as on March 31, 2007, supported by Exim Bank



Note: As on March 31, 2007, 176 project export contracts valued at Rs. 367.4 billion were under execution in 35 countries by 45 Indian Companies with Exim Bank's support. These cover construction, turnkey and consultancy contracts.

Over 2000 Kirloskar heavy duty irrigation pumps have been exported to Senegal under Exim Bank's Line of Credit of US$ 11 mn to Government of Senegal.

Finance for Imports

Bulk Import Finance

Under Bulk Import Finance Programme, approvals and disbursements amounted to Rs. 19.88 billion and Rs. 18.84 billion, respectively.

Import Finance Programme

Under Import Finance Programme, term loans aggregating Rs. 14.27 billion were approved. Disbursements amounted to Rs. 5.21 billion.

Credit Monitoring Group

A dedicated Loan Recovery Group takes proactive steps for recovery as per the Board approved Loan Monitoring and Recovery Policy. A system of ABC classification of loan accounts is in place, based on Early Warning Signals and monthly review of Stressed Assets 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 sale to Asset Reconstruction Companies. The Committee submits its recommendation for consideration by the Board.

III. JOINT VENTURES

Global Trade Finance Limited (GTF) a joint venture, promoted by Exim Bank, which has as its other shareholders, FIM Bank, Malta; International Finance Corporation (IFC) Washington and Bank of Maharashtra, achieved a turnover of Rs. 62.14 billion and a net profit of Rs. 288.7 mn in 2006-07. GTF is the only 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. The focus of GTF's activities is on market driven export-financing solutions for small and medium-sized Indian firms.

The Bank's other joint venture, Global Procurement Consultants Ltd. (GPCL), recorded yet another year of profitable operations. The company recorded a consultancy income of Rs. 25.2 mn in 2006-07 with a pre-tax profit of Rs. 7.97 mn. GPCL is a joint venture between Exim Bank and 13 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.

Exim Bank financed the acquisition of Sabah Forest Industries Sdn Bhd Malaysia, the largest integrated pulp and paper mill with forest concessions of over 288,000 hectares of forest land, by the Indian company, Ballarpur Industries Ltd., New Delhi.

IV. NEW INITIATIVES

Joint Venture with Khadi and Village Industries Commission

The Bank is in discussion with the Khadi and Village Industries Commission (KVIC), to set up a joint Export Marketing Organisation that will contribute to capacity building of grassroots business enterprises and promote exports of products from rural enterprises thereby resulting in inclusive growth. The Bank would help KVIC in identifying products with export potential, countries keen on importing such products and interested buyers abroad. The project will have an initial investment of Rs. 50 mn, of which Rs. 20 mn each will be contributed by Exim Bank and KVIC with the balance Rs. 10 mn to be subscribed by a number of NGOs/ SHGs engaged in production of rural agro/ handicraft products. While Exim Bank's Board has approved the investment, KVIC is in the process of obtaining approval of Government of India for their investment.

Rural Grassroots Business Initiatives

The Bank has introduced an innovative facility to support globalisation of rural Industries through its Grassroots Business Initiative. The Programme builds upon the Bank's other support programmes and seeks to address the needs of relatively disadvantaged sections of society while creating expanded opportunities for traditional craftspersons and artisans, and rural entrepreneurs of the country. Towards this end, Bank has consciously sought to establish, nurture and foster a variety of institutional linkages. One such example is a cooperation arrangement with the Confederation of NGOs of Rural India (CNRI), a non-profit organisation with membership of 5000 NGOs spread across all provinces of India. Under this arrangement, Exim Bank assists CNRI members with capacity building, training and access to national and global markets.

The International Finance Corporation (IFC), a member institution of the World Bank Group, has set up a display-cum-sales centre called 'Pangea' at Washington D.C. where agro and rural products from various developing countries are displayed. The Bank, in association with IFC, organised an 'India Day' at Pangea at which products made by a number of NGOs / SHGs in India were displayed.

The 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 extending Lines of Credit to overseas buying houses and department stores for importing a variety of products from India. Exim Bank has thus been able to leverage such lines of credit to promote exports of agro and rural products, and has arranged for procurement of orders from Singapore, South Africa, Hungary, USA for such products.

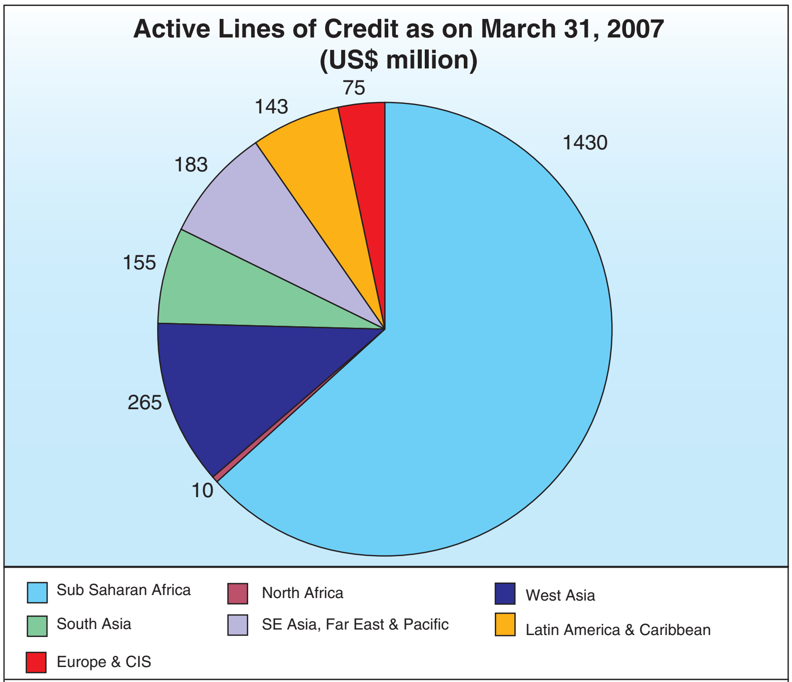
Focus on SMEs

Special Line of Credit from ADB : The Bank is negotiating a long term Line of Credit of US$ 250 mn from the Asian Development Bank, without Central Government guarantee, for extending loans to SMEs. The Bank will have an option to draw the funds in different currencies, as per the needs of its customers.

Innovative Programme for SMEs: The Bank has entered into a cooperation arrangement with the International Trade Centre (ITC), Geneva for implementing a unique Enterprise Management Development Services program, which is an IT based facilitator to enable small enterprises to prepare business plans with the 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 is partnering ITC in implementing this programme as a pilot 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

Ayushakti Ayurveda Pvt. Ltd., a leading Mumbai based manufacturer and exporter of traditional Indian medicines with modern production methods, is supported by Exim Bank with term loans and pre and post export credit.

would be transferred to other developing countries, and thus assist in capacity creation and institution building in the global arena.



Note: 73 LOCs covering 83 countries, with credit commitments aggregating US$ 2261 mn are available for utilisation as on March 31, 2007.

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 initiatives that promote 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.

Untied Loan of US$ 100 Mn Equivalent from the Japan Bank for International Cooperation

During the year, Exim Bank entered into an agreement for an Untied Loan facility with the Japan Bank for International Cooperation (JBIC). The facility provides competitively priced resources equivalent to US$ 100 mn to the Bank, on long term basis, for onlending to eligible Indian borrowers. The proceeds will be onlent to corporates which have business relationships with Japanese companies, Indo-Japanese joint ventures and subsidiaries both in India as well as overseas and other eligible users.

Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

Exim Bank of India with the support of a number of other Exim Banks and Development Finance Institutions (DFIs) from various developing countries in Asia, Africa, Latin America and CIS has set up a Global Network of Exim Banks and DFIs called G-NEXID under the auspices of UNCTAD in Geneva to boost South-South Co-operation in trade and investment. The second Annual Meeting, held on March 22, 2007, witnessed the technical launch of G-NEXID's

Under Bank's Grassroots Business Initiative, handcrafted products procured from a number of Self Help Groups across India, were displayed at the IFC (World Bank) supported 'Pangea' display-cum-sales centre at Washington D. C. An 'India Day' function alongwith an interactive seminar on the subject 'Opening Up Markets and Creating Wealth for the Poor', were organised.

official website (www.gnexid.org), whose objective is to create competitive online presence, facilitate information and experience sharing, brand building, training and conduct of business among the member institutions. G-NEXID has been granted 'observer' status by UNCTAD.

US$ 1 billion Medium Term Note (MTN) Facility

During 2006-07, a Medium Term Notes (MTN) programme for US$ 1 billion has been established by the Bank to facilitate raising of resources in the international debt capital market on a regular basis. The programme will offer flexibility to the Bank in terms of quantum, structure and timing of raising foreign currency resources.

Focus on Gulf Co-operation Council Countries and Central Asia

During the year, the Bank opened a representative office in the prestigious Dubai International Financial Centre, Dubai. The Dubai office of Exim Bank is expected to play a key, catalytic role in further enhancing trade and investment flows between India and the Middle East Region. By virtue of its strategic location, the office will also help Indian companies increase their business in the Central Asian and North African regions.

V. FINANCIAL PERFORMANCE

Resources

During the year, the Bank received share capital of Rs. 500 mn. from the Government of India. As at March 31, 2007, the Bank's total resources including paid-up capital of Rs. 10 billion and reserves of Rs. 18.74 billion, aggregated Rs. 245.36 billion. Exim Bank's resource base includes bonds, certificates of deposit, commercial paper, term loans and foreign currency deposits/ borrowings. The Bank's domestic debt instruments continued to enjoy the highest rating viz. 'AAA' rating from the rating agencies, CRISIL and ICRA. As on March 31, 2007, outstanding Rupee borrowings including bonds and commercial papers amounted to Rs. 145.34 billion. During 2006-07, the Bank raised total resources of varying maturities aggregating Rs. 106.21 billion comprising rupee resources of Rs. 64.61 billion and foreign currency resources of US$ 957 mn equivalent. Foreign currency resources raised during the year included US$ 269 mn equivalent by way of second issue of Samurai bonds / FRNs. In addition, foreign currency resources of US$ 688 mn equivalent were raised through bilateral / club loans. As on March 31, 2007, the Bank had a pool of foreign currency resources equivalent to US$ 2.57 billion. Market borrowings as on March 31, 2007 constituted 85 per cent of the total resources of the Bank.

Global Network of Exim Banks and Development Finance Institutions (G-NEXID) has been established in Geneva under the auspices of UNCTAD to foster South-South trade and investment. The second annual meeting of G-NEXID was held in March 2007, at Geneva, and the network has been given 'observer' status by UNCTAD.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at Rs. 3.91 billion and Rs. 2.99 billion respectively during the year 2006-07, as compared to the previous year's PBT and PAT of Rs. 3.77 billion and Rs. 2.71 billion, respectively. Business income comprising interest, discount, exchange commission, brokerage and fees during 2006-07 was Rs. 14.51 billion as compared to Rs. 10.48 billion in 2005-06. Investment income, interest on bank deposits etc. during 2006-07 was Rs. 5.12 billion as compared to Rs. 4.10 billion in 2005-06. Interest expenditure in 2006-07 at Rs. 15.15 billion was higher by Rs. 4.87 billion. Non-interest expenses worked out to 3.61 per cent of total expenses during 2006-07 as against 4.83 per cent during 2005-06. The average cost of borrowings (interest expenditure as a per cent of average borrowings) changed from 6.25 per cent for FY 2005-06 to 7.06 per cent for FY 2006-07, mainly due to increase in interest rates in domestic money/ debt market and increase in USD LIBOR.

Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 16.38 per cent as on March 31, 2007, (as compared to 18.42 per cent as on March 31, 2006), as against the minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as on March 31, 2007 was 7.34:1, as compared to 5.68:1 as at March 31, 2006.

Exposure Norms

Reserve Bank of India (RBI) has prescribed credit exposure limits for all-India term lending institutions, at 15 per cent of capital funds, (effective from March 31, 2002), for exposure to individual borrowers and at 40 per cent of capital funds for group borrowers. An additional exposure upto 5 per cent (i.e. a total exposure upto 20 per cent of capital funds for Single Borrowers and 45 per cent of capital funds for Borrower Groups) can be taken in exceptional circumstances, with the prior approval of the Board. The exposure ceilings for individual borrowers and borrower groups can be exceeded by an additional five percentage points (i.e. 5 per cent of total capital funds) and ten percentage points (i.e. 10 per cent of total capital funds) respectively (over and above the maximum limits of 20 per cent and 45 per cent respectively), provided the additional credit exposure is on account of infrastructure projects in India. The Bank's credit exposures to single and group borrowers as at March 31, 2007 were within the limits stipulated by RBI.

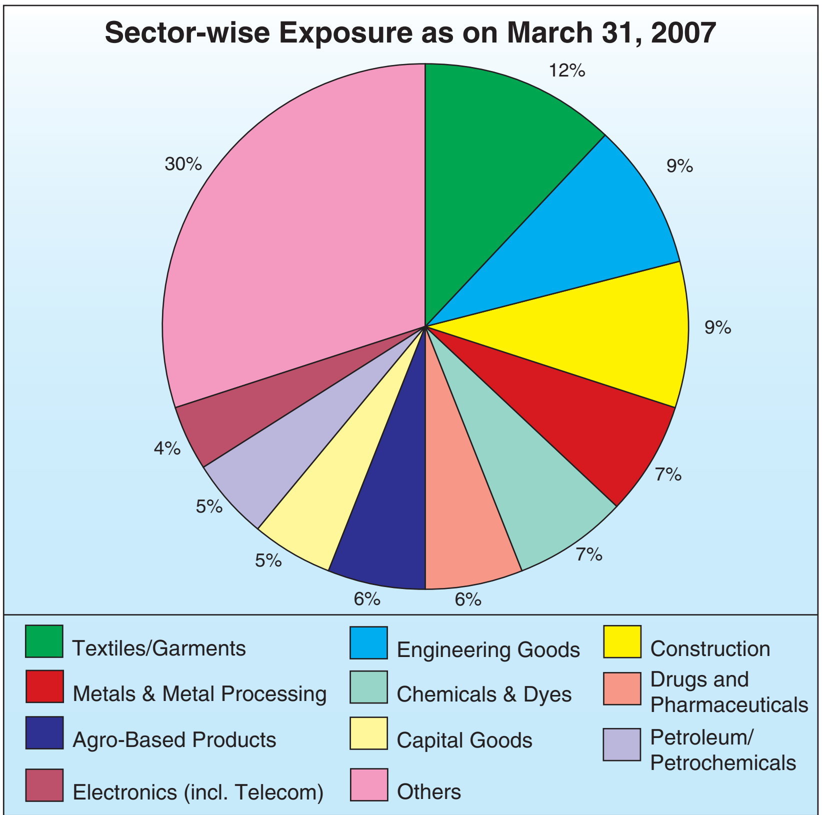
RBI has advised Financial Institutions to adopt internal limits on exposures to specific industry sectors so that the exposures are evenly spread over various sectors. The industry exposure limit adopted by the Bank for each sector is 15 per cent of the Bank's total credit exposure to all industry sectors, except in the case of textiles for which the limit is 20 per cent. The Bank's exposure to a single industry sector as at March 31, 2007 was not more than 12.5 per cent of its total credit exposure.

Treasury

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

A trade promotion seminar on 'Trade and Investment Opportunities between India and GCC Countries' was organised in Dubai to mark the launch of the Bank's Representative Office in Dubai, located at the Dubai International Financial Centre.

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 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 a member of Foreign Exchange Dealers Association of India (FEDAI) and Fixed Income Money Market and Derivatives Association of India (FIMMDA). The Bank is in the process of migrating to SWIFTNet Phase 2 as per the timeframe stipulated by SWIFT.



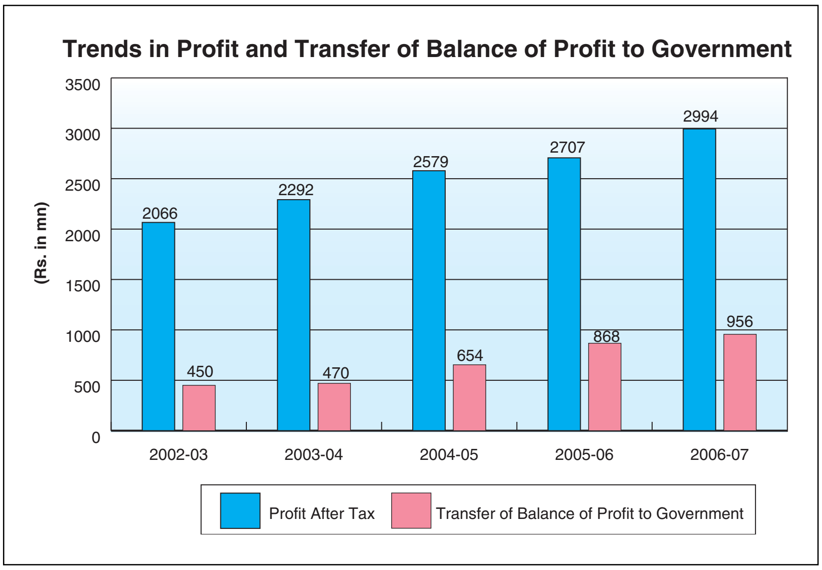
Note:"Others" include financial services, auto & auto ancillaries, computer software, infrastructure, plastics & packaging, paper, shipping, consumer goods, jute, ceramics and gems & jewellery

Asset-Liability Management (ALM)

ALM encompasses management of liquidity/market risks on a dynamic basis and balance-sheet planning from the risk-return perspective. The Asset-Liability Management Committee (ALCO) of the Bank, comprising cross-functional representation of senior executives, oversees the ALM function with support from the Bank's mid-office. The Bank has in place comprehensive ALM / Liquidity policies approved by the Board which lay down the macro aspects of ALM viz. the objectives, process, organisation, information system, functions of ALCO/ Fund Management Committee (FMC) and reporting, audit & review mechanisms. The Bank's currency-wise structural liquidity and interest-rate sensitivity positions are regularly reviewed vis-à-vis prudential limits prescribed by the RBI / Board. For structural liquidity, time bucket-wise and cumulative negative gap limits have been stipulated along with stress testing norms, while interest-rate sensitivity analysis is carried out both from the "earnings perspective" (sensitivity of net-interest income to market rate movement) and from the "economic value perspective" (sensitivity of networth to movement in market rates by means of duration gap analysis). Value-at-risk is computed for the Bank's held-for-trading and available-for-sale portfolio of GOI securities. The Bank also contracts derivatives as part of its ALM exercise for hedging the interest-rate exposure on specific underlying assets/ liabilities or in the overall ALM position. The FMC decides on the investments / disinvestments and raising of borrowings / resources as per the Fund Management / Resources Plan approved by the Board at the beginning of each financial year. The functioning of ALCO / FMC is overseen by the Audit Committee and Management Committee of the Board of Directors on periodic basis.

Risk Management

The Bank has constituted 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. All loan proposals are routed through the Risk Management Group which evaluates the risk profile of the proposals and provides input to the approving authority. During the year, the Bank as part of its focus on further improving asset quality and credit appraisal, undertook the development and implementation of a new, advanced Credit Risk Model (CRM) that would replace the Credit Grading Model currently in use. The new CRM will benefit the Bank through an improved credit appraisal process as well as superior portfolio management capability. The Bank has also set in place a Business Continuity and Disaster Recovery Plan which is periodically reviewed.



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. 5.03 billion worked out to 2.16 per cent of the total loans and advances. The Bank's NPAs (net of provisions) at Rs. 1.15 billion worked out to 0.50 percent of its loans and advances (net of provisions) as at March 31, 2007, as compared to 0.59 percent as at March 31, 2006.

Asset Classification

'Sub-standard assets' are those where interest and / or principal remains overdue for more than 90 days. Sub-standard assets that have remained as NPAs for a period exceeding 12 months are classified as 'doubtful assets.' 'Loss assets' are those considered uncollectable. Out of Gross NPAs at 2.16 per cent, sub-standard assets worked out to 0.78 per cent, doubtful assets worked out to 1.20 per cent, while loss assets worked out to 0.18 per cent. Out of net NPAs at 0.50 per cent of net loans and advances as at March 31, 2007, sub-standard assets worked out to 0.47 per cent, doubtful assets worked out to 0.03 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. A three tier system of review of audit observations involving an Audit Screening Committee, Committee of Executives and the Audit Committee is in place. 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.

Exim Bank is the only Indian issuer successfully issuing bonds in the Samurai market. The second Samurai Bond offering was launched in October 2006, in Tokyo, and was the largest Samurai offering from India in the past 15 years.

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 lists of importers / exporters across different industries, and technical information on "INMETRO Certificate" with respect to guidelines for export of commodities to Brazil were provided to exporters.

Multilateral Funded Projects Overseas (MFPO)

The Bank provides a package of information and support services to Indian companies to help improve their prospects for securing business in projects funded by the World Bank, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development. During the year, the Bank disseminated information on numerous overseas business opportunities to Indian companies.

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.

The Bank is also providing services, by way of preparation of project feasibility study, to support an Indian company's proposed joint venture in Brazil.

Export Marketing Services

During the year, the Bank provided assistance to several Indian companies, to enable them to 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 opportunities abroad for Indian companies. Similar opportunities in India are also being pursued.

During 2006-07, the Bank facilitated orders for Indian companies for export of sandstone and slate tiles to Hungary, incense sticks to Singapore, South Africa and USA, confectionery, Lucknow Chikan kurtas, black grapes, seedless grapes and Bhagva pomegranates to Singapore. The Bank is actively pursuing enquiries that will facilitate export of agro and rural products to these markets in a sustained manner.

The Bank is also pursuing many acquisition opportunities for Indian companies, for instance, acquisition of a synthetic rubber manufacturing unit in Brazil, assignment for testing of diagnostic kits for gastro intestinal cancer for a company in USA, acquisition of a call center facility in North America and facilitation for a Mexican auto component company looking for an entry platform through an acquisition in India.

The Bank uses its network of overseas offices and trade promotion organisations abroad with whom the Bank has entered into Memoranda of Co-operation, to identify opportunities for trade and investment for Indian companies.

Signing of Line of Credit for US$ 250 mn with ECOWAS Bank for Investment & Development (EBID) at the conclave on India-Africa Project Partnership in Accra, Ghana. Mr. Christian Adovelande, President of EBID, signed the LOC agreement in the presence of the visiting Indian Minister of State for External Affairs, Shri Anand Sharma.

Seminars and Workshops

The Bank organised a number of focussed seminars and workshops to highlight its initiatives in several areas, to keep its constituents abreast of developments and to create a facilitating environment for promoting trade and investment. Amongst the key programmes organised was the 'India – Africa Project Partnership Conclave' at New Delhi. Conferences were also organised in association with the Commonwealth Secretariat on Small Business Competitiveness Development at Chennai, New Delhi and Kochi.

Eximius Centre for Learning

During the year, the Bank's Eximius Centre for Learning conducted 42 programmes on a wide range of topics to keep Indian companies abreast of developments in the global market. These included ten country/region specific Business Opportunities seminars. A series of seminars on the British Midlands Region was organised at Ahmedabad, Kolkata, Coimbatore, Hyderabad and New Delhi. Similar seminars were organised on the Kingdom of Bahrain at Chennai and Pune, and on Australia and the Australian state of Victoria at Bangalore. Two seminars on Business Opportunities in African Development Bank Funded Projects were conducted at New Delhi and Pune.

As part of the Bank's Silver Jubilee Year celebrations, the Centre conducted seminars on 'Potential for Export of Agricultural Products from Bihar' at Patna; 'Globalisation through Overseas Investment' at Kolkata; 'Potential for Export of Agricultural Products from the North-Eastern Region' at Guwahati; 'Trade and Investment Opportunities between India and GCC Countries' at Dubai; 'Indian Industry: Journey Towards Borderless World' at Chennai, and the concluding seminar on 'Globalisation: Opportunities and Challenges for Indian Companies' at Mumbai.

The Centre organised three workshops in collaboration with the Centre for Promotion of Imports from Developing Countries (CBI), the Netherlands. Interactive sessions were also held with international delegates under training programmes of National Institute of Small Industry Extension and Training (NISIET), Hyderabad, and Suffolk University, Boston.

For enhancing export skill of SMEs, the Centre organised seminars on Export Procedure & Documentation at Bhubaneshwar, Bangalore, Bhopal, Kohima, Mysore, Hyderabad, Shimoga, Tumkur, Kochi and Visakhapatnam. Workshops on Export Enterprise Development were conducted at Gwalior and Siliguri. Seminars focusing on requirements for export of agricultural products were organised at Kochi and Raipur.

The Centre organised a series of workshops/seminars on Export Marketing of Rural Grassroots Industry Products at Chennai, New Delhi, Srinagar, Athangudi and Alleppey. Two seminars on promoting Healthcare Tourism in India were also conducted at Chennai and Ahmedabad.

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.

During the year, the Bank entered into Memoranda of Co-operation (MOC) with Afghanistan Investment Support Agency, Afghanistan; Banca Popolare di Vicenza, Italy; Belvnesheconombank, Belarus; KfW, Germany; Kuwait India Business Council, Kuwait; Jordan Investment Board, Jordan; and Export-Import Bank of Romania. The MOCs seek to leverage complementary strengths, and would promote two-way trade and investment between firms in India and their counterparts in the respective countries.

The Bank signed an MOC with Warwick Manufacturing Group of Warwick University, United Kingdom, which seeks to exchange information on innovation in technology development and transfer, and facilitate partnerships between small and medium enterprises in the Midlands, UK and India.

An MOC to improve cooperation and to provide support to grassroots enterprises and SMEs was signed by the Bank with the International Finance Corporation (IFC), and CII – New Ventures India.

The Bank also signed an MOC with Bank of India that seeks to promote co-operation and business relationship between the two organisations in several areas. These include providing co-financing support for goods and services to be exported from India as part of a project in a third country.

The Bank also entered into MOCs with NGOs and developmental organisations and research centres like Confederation of NGOs of Rural India, New Delhi; Coir Board, Kochi; and SEWA Trade Facilitation Centre, Ahmedabad.

An MOC was signed with the International Trade Centre, Geneva, which seeks to promote mutual cooperation and joint activities in India and other developing countries, development of joint publications, tools and training programmes and exchange of staff.

Asian Exim Banks Forum

The 12th Annual Meeting of the Asian Exim Banks Forum was held in Tokyo in November 2006. The Forum had been conceived and initiated by Exim Bank of India in 1996. The theme for the 2006 Meeting was 'Partnership in an Era of Globalisation and Regional Integration'. The meeting had representatives at the highest level from the nine member institutions, from Australia, China, India, Indonesia, Japan, Korea, Malaysia, the Philippines and Thailand, with Asian Development Bank, Manila, as a permanent invitee. The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Vietnam Development Bank and National Bank of Cambodia participated as observers.

At the Annual Meeting, Information and Working Sessions covered a wide range of topics including the global and regional economic outlook, the status and role of development finance institutions in Asia, the growth of intra-regional investment and trade, and the need to strengthen financial systems in the region. The Forum also initiated discussions on a proposal for the creation of a 'Pan-Asian EXIM Bond' that would utilise the regional capital markets to raise capital by bundling Asian bonds.

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. The 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; Specialised packages for Trade Finance, Treasury, Document Management and Workflow. The systems in these areas cover strategic planning, internal servicing, customer interface and online tracking.

Bank has launched a new revamped corporate website (www.eximbankindia.in) developed in-house and enriched to cater to the myriad needs of various stake-holders. Among other things, the website disseminates information in organised 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 for Indian exporters as also for others interested in international trade.

Bank has developed and launched a website (www.gnexid.org) for Global Network of Exim Banks and Development Finance Institutions (G-NEXID).

The Bank's agro-portal (www.eximbankagro.in), continues to provide product-wise information and advisory services on export markets, price trends, weather information, relevant information on WTO, biotechnology, certifications, patents, policies, case studies, benchmarking and quality related information.

IX. RESEARCH AND ANALYSIS

Five Occasional Papers were published by the Bank during the year, namely, Japanese and US Foreign Direct Investments in Indian Manufacturing: An Analysis; Maghreb Region: A Study of India's Trade and Investment Potential; Strengthening R & D Capabilities in India; CIS Region: A Study of India's Trade & Investment Potential; and Indian Chemical Industry: A Sector Study. During the year, Bank also published a Working Paper titled "Indian Construction Industry: Opportunities Abroad".

Dr. David Hulme, Professor of Development Studies and Founder Director of Chronic Poverty Research Centre, University of Manchester, United Kingdom, delivered the Bank's Twenty Second Commencement Day Annual Lecture for the year 2007. Dr. Hulme spoke on 'Inclusive Globalisation: Tackling Chronic Poverty'. Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India, presided over the function.

The Bank also brought out a publication titled 'Looking through the Kaleidoscope: India and Globalisation' which is a compendium of Exim Bank's Commencement Day Annual Lecture Series for the period 1986 to 2006, in commemoration of Exim Bank's Silver Jubilee.

X. HUMAN RESOURCES MANAGEMENT

As on March 31, 2007, the Bank had a total staff of 212 in its services including 158 professional staff, comprising engineers, economists, bankers, chartered accountants, business school graduates, legal and language experts, library and documentation experts and human

The 12th Annual Meeting of the Asian Exim Banks Forum was held in Tokyo in November 2006. The theme for the 2006 Meeting was 'Partnership in an Era of Globalisation and Regional Integration'. The forum mooted the concept of a 'Pan Asian Exim Bond' that would utilise the regional capital markets to raise resources by bundling Asian bonds. The Forum had been conceived and initiated by Exim Bank of India in 1996.

resources and computer specialists. The professional team is supported by Administrative Officers. The Bank aims at continuous upgradation of skills of its officers. During 2006-07, 136 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, prevention of money laundering and know your customers, Finance Act 2006, political risk insurance, infrastructure project financing, financing SMEs.

XI. PROGRESS IN IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

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

(i) Bank Nagar Rajbhasha Karyanvayan Samiti, Mumbai, constituted under the auspices of Dept. 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 2005-06.

(ii) State Level Banker's Committee (O.L.), Pune, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, and Government of India has awarded the Second Prize to Bank's Head Office for commendable performance in implementing Hindi among all Financial Institutions for the year 2005-06.

(iii) The Bank's Bangalore office received Certificate of Merit from Bank Nagar Rajbhasha Karyanvayan Samiti, Bangalore for best performance in implementing Hindi during the year 2005-06.

(iv) The Bank's magazine ' Eximius' was awarded Fourth Prize among all Banks / Financial Institutions by Reserve Bank of India under the bilingual House Journal category for the year 2005-06.

A Medium Term Notes (MTN) programme for US$ 1 billion has been established by the Bank to facilitate raising of resources in the international debt capital market on a regular basis. The programme will offer flexibility to the Bank in terms of quantum, structure and timing of raising foreign currency resources.

During 2006-07, 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, Occasional Papers and Working Papers were also published in Hindi.

In order to impart training in Hindi noting and drafting to officers of the Bank, thirty two 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 year 2006 four officers were given prizes for maximum use of Hindi for official work.

In pursuance of Government's directives, a Hindi Fortnight commencing from September 14, 2006 was celebrated. On this occasion a special issue of Eximius namely, 'Vishwa Hindi Visheshank' was published. Two special workshops were conducted and an exhibition was also organised.

As required under Annual Programme for year 2006-07 the Bank's new website was also made available in Hindi.

Hindi versions of all the issues of 'Eximius Export Advantage', a quarterly publication of the Bank, were published under the title 'Eximius: Niryaat Laabh'. All the issues of 'Agri Export Advantage', a bi-monthly publication of the Bank, were also published in Hindi under the title 'Krishi Niryaat Laabh'. Bank's in-house magazine 'Eximius' has a Hindi section.

In pursuance of Government policy regarding progressive use of Hindi, new books particularly on Foreign Trade, Commerce, Finance, Banking, Information Technology and other subjects were added to Bank's Library.

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

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

The Bank, with total staff strength of 212 in its service, as on March 31, 2007, has 30 Scheduled Caste, 20 Scheduled Tribe and 17 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.

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) conferred the award for 'Outstanding CEO of the Year' on the Chairman & Managing Director, Exim Bank of India, at the Annual Meeting of ADFIAP held in Hanoi in Vietnam. The Executive Director of Exim Bank received the award on behalf of the CMD.

Range of Products and Services

Balance Sheet as at March 31, 2007 and Profit & Loss Account for 2006-07

Indian oil drilling company, Aban Offshore Limited, Chennai, acquired majority stake in SINVEST ASA, Norway, which has eight offshore deep drilling rigs. The acquisition done through a SPV registered at Singapore, was part financed by Exim Bank.

Balance Sheet
as at 31st March, 2007

Liabilities

		Schedules	This Year (As at 31.03.2007) Rs.	Previous Year (As at 31.03.2006) Rs.
1.	Capital	I	9,999,918,881	9,499,918,881
2.	Reserves	II	18,741,048,409	17,703,125,302
3.	Profit & Loss Account	III	956,200,000	867,500,000
4.	Notes, Bonds & Debentures		154,229,694,926	126,727,279,450
5.	Bills Payable		—	—
6.	Deposits	IV	702,469,188	454,043,000
7.	Borrowings	V	61,684,076,166	32,908,645,250
8.	Current Liabilities & Provisions for contingencies		13,417,407,169	10,869,399,593
9.	Other Liabilities		2,708,600,473	2,370,712,989
	Total		**262,439,415,212**	**201,400,624,465**

Contingent Liabilities

		This Year	Previous Year
(i)	Acceptances,Guarantees, endorsements & other obligations	35,360,347,300	34,023,061,100
(ii)	On outstanding forward exchange contracts, interest rate swaps	27,093,153,000	28,736,790,900
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	47,376,000	45,469,500
(v)	Claims on the Bank not acknowledged as debts	3,109,420,000	3,117,735,700
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	750,000,000	4,650,000,000
(ix)	Other monies for which the Bank is contingently liable	11,234,851,800	3,724,403,800
		77,595,148,100	**74,297,461,000**

General Fund

Assets

		Schedules	This Year (As at 31.03.2007) Rs.	Previous Year (As at 31.03.2006) Rs.
1.	Cash & Bank Balances	VI	5,878,360,481	4,758,104,497
2.	Investments	VII	12,896,098,758	9,223,695,626
3.	Loans & Advances	VIII	218,562,438,098	166,160,940,860
4.	Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	10,300,000,000	9,770,000,000
5.	Fixed Assets	X	812,177,907	575,699,058
6.	Other Assets	XI	13,990,339,968	10,912,184,424
	Total		**262,439,415,212**	**201,400,624,465**

'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

Dr. Ashok Lahiri

Dr. Ajay Dua

Smt. Shyamala Gopinath

S.C. Gupta

Dr. Vinayshil Gautam

Directors

As per our attached report of even date
For Mukund M. Chitale & Co.
Chartered Accountants

Mumbai
Dated : April 28, 2007

(A. V. Kamat)
Partner (M. No. 39585)

Profit & Loss Account

for the year ended 31st March, 2007

Expenditure

		Schedules	This Year Rs.	Previous Year Rs.
1.	Interest		15,119,783,911	10,252,521,760
2.	Credit Insurance, fees and charges		31,604,328	31,980,063
3.	Staff Salaries, Allowances etc. and Terminal Benefits		124,272,697	114,273,109
4.	Directors' and Committee Members' Fees and Expenses		112,500	108,792
5.	Audit Fees		455,000	455,000
6.	Rent, Taxes, Electricity and Insurance Premia		52,488,549	44,910,872
7.	Communication expenses		19,221,684	18,683,755
8.	Legal Expenses		2,207,427	6,853,506
9.	Other Expenses	XII	290,462,417	233,834,917
10.	Depreciation		66,503,231	66,853,865
11.	Provision for loan losses/contingencies depreciation on investments		11,389,477	35,972,703
12.	Profit carried down		3,908,841,277	3,768,802,298
	Total		**19,627,342,498**	**14,575,250,640**
	Floating Provision for NPAs		1,000,000,000	—
	Provision for Income Tax		914,718,170	1,061,365,093
	Balance of profit transferred to Balance Sheet		2,994,123,107	2,707,437,205
			4,908,841,277	**3,768,802,298**

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, 2007, 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, 2007.

For Mukund M. Chitale & Co.
Chartered Accountants
(A.V. Kamat)
Partner
M. No. 39585

Place : Mumbai
Dated : April 28, 2007

General Fund

Income

		Schedules	This Year Rs.	Previous Year Rs.
1.	Interest and Discount	XIII	18,428,955,096	13,576,114,896
2.	Exchange, Commission, Brokerage and Fees		613,637,997	671,571,425
3.	Other Income	XIV	584,749,405	327,564,319
4.	Loss carried to Balance Sheet		—	—
	Total		**19,627,342,498**	**14,575,250,640**
	Profit brought down		3,908,841,277	3,768,802,298
	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		—	—
			4,908,841,277	**3,768,802,298**

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Dr. Ashok Lahiri **Dr. Ajay Dua** **Smt. Shyamala Gopinath**

S.C. Gupta **Dr. Vinayshil Gautam**

Directors

As per our attached report of even date
For Mukund M. Chitale & Co.
Chartered Accountants

Mumbai
Dated : April 28, 2007

(A. V. Kamat)
Partner (M. No. 39585)

Schedules to the Balance Sheet

as at 31st March, 2007

		This Year (As at 31.03.2007)	Previous Year (As at 31.03.2006)
		Rs.	Rs.
Schedule I :	**Capital :**		
	1. Authorised	10,000,000,000	10,000,000,000
	2. Issued and Paid-up : (Wholly subscribed by the Central Government)	9,999,918,881	9,499,918,881
Schedule II :	**Reserves :**		
	1. Reserve Fund	14,146,553,600	12,708,630,493
	2. General Reserve	—	—
	3. Other Reserves :		
	Investment Fluctuation Reserve	714,175,745	614,175,745
	Sinking Fund (Lines of Credit)	920,319,064	820,319,064
	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	2,960,000,000	3,560,000,000
		18,741,048,409	**17,703,125,302**
Schedule III :	**Profit & Loss Account :**		
	1. Balance as per annexed accounts	2,994,123,107	2,707,437,205
	2. Less: Appropriations:		
	— Transferred to Reserve Fund	1,437,923,107	428,137,205
	— Transferred to Investment Fluctuation Reserve	100,000,000	50,000,000
	— 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	500,000,000
	— Provision for tax on distributed profit by way of dividend	—	121,700,000
	— Deferred tax liabilities	—	640,100,000
	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act,1981)	**956,200,000**	**867,500,000**
Schedule IV :	**Deposits :**		
	(a) In India	702,469,188	454,043,000
	(b) Outside India	—	—
		702,469,188	**454,043,000**

General Fund

		This Year (As at 31.03.2007)	Previous Year (As at 31.03.2006)
		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	53,333,337	66,666,670
	3. From Other Sources :		
	(a) In India	23,931,709,229	13,424,712,640
	(b) Outside India	37,699,033,600	19,417,265,940
		61,684,076,166	**32,908,645,250**
Schedule VI :	**Cash & Bank Balances :**		
	1. Cash in Hand	89,218	179,965
	2. Balance with Reserve Bank of India	1,968,401	1,064,379
	3. Balances with other Banks:		
	(a) In India		
	i) in current accounts	176,398,177	30,902,102
	ii) in other deposit accounts	3,265,000,000	414,433,000
	(b) Outside India	2,434,904,685	4,311,525,051
	4. Money at call and short notice	—	—
		5,878,360,481	**4,758,104,497**
Schedule VII:	**Investments :**		
	(net of diminution in value, if any)		
	1. Securities of Central and State Governments	5,628,274,950	3,286,456,688
	2. Equity Shares & Stocks	1,546,174,588	1,020,647,600
	3. Preference Shares and Stocks	278,856,751	421,522,351
	4. Notes,Debentures and Bonds	2,254,325,719	1,725,159,761
	5. Others	3,188,466,750	2,769,909,226
		12,896,098,758	**9,223,695,626**

	This Year (As at 31.03.2007)	Previous Year (As at 31.03.2006)
	Rs.	Rs.
Schedule VIII : Loans & Advances:		
1. Foreign Governments	18,966,865,012	7,925,914,166
2. Banks:		
(a) In India	49,300,031,655	38,686,241,465
(b) Outside India	4,927,049,660	699,316,071
3. Financial Institutions:		
(a) In India	—	—
(b) Outside India	2,535,005,912	1,367,387,386
4. Others	142,833,485,859	117,482,081,772
	218,562,438,098	**166,160,940,860**
Schedule IX : Bills of Exchange and Promissory Notes Discounted/Rediscounted:		
(a) In India	10,300,000,000	9,770,000,000
(b) Outside India	—	—
	10,300,000,000	**9,770,000,000**
Schedule X : Fixed Assets :		
(At cost less depreciation)		
1. Premises	767,442,174	545,382,054
2. Others	44,735,733	30,317,004
	812,177,907	**575,699,058**
Schedule XI : Other Assets :		
1. Accrued interest on		
a) investments / bank balances	3,505,419,556	2,429,454,992
b) loans and advances	1,858,031,748	1,174,669,741
2. Prepaid insurance premium - paid to Export Credit Guarantee Corpn. of India Ltd.	311,600	492,469
3. Deposits with sundry parties	22,859,116	21,774,210
4. Advance Income Tax paid	6,234,643,656	5,448,460,755
5. Others	2,369,074,292	1,837,332,257
	13,990,339,968	**10,912,184,424**

	This Year (As at 31.03.2007)	Previous Year (As at 31.03.2006)
	Rs.	**Rs.**
Schedule XII : Other Expenses :		
1. Export Promotion Expenses	7,400,191	6,518,529
2. Expenses on and related to Data Processing	3,625,739	2,797,944
3. Repairs and Maintenance	37,861,011	34,023,797
4. Printing and Stationery	11,832,812	8,100,997
5. Others	229,742,664	182,393,650
	290,462,417	**233,834,917**
Schedule XIII : Interest and Discount :		
1. Interest and Discount on loans and advances/bills discounted/rediscounted	14,004,088,949	9,800,863,413
2. Income on Investments/bank balances	4,424,866,147	3,775,251,483
	18,428,955,096	**13,576,114,896**
Schedule XIV : Other Income :		
1. Net Profit on sale/revaluation of investments	442,990,756	211,284,667
2. Net Profit on sale of land, buildings and other assets	773,960	1,970,193
3. Others	140,984,689	114,309,459
	584,749,405	**327,564,319**

Note : Deposits under 'Liabilities' [ref.schedule IV (a)] of USD 597.89 mn (previous year USD 599.87 mn) and reciprocal deposits/ investments under 'Assets' [ref.schedules VI 3(a)(ii) and VII 4] aggregating to Rs. 2,649.01 crores (previous year Rs.2,668.55 crores) have been netted off.

Balance Sheet

as at 31st March, 2007

Liabilities

		This Year (As at 31.03.2007)	Previous Year (As at 31.03.2006)
		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	65,864,318	55,057,318
5.	Profit and Loss Account	199,409,179	183,744,465
	Total	**393,581,284**	**367,109,570**

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 31.03.2007)	Previous Year (As at 31.03.2006)
			Rs.	Rs.
1.	Bank Balances			
	a)	in current accounts	74,221	12,498
	b)	in other deposit accounts	317,998,902	303,124,579
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	14,485,843	10,715,175
	(b)	Advance Income Tax paid	52,517,000	44,752,000
	(c)	Others	—	—
		Total	**393,581,284**	**367,109,570**

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Dr. Ashok Lahiri

Dr. Ajay Dua

Smt. Shyamala Gopinath

S.C. Gupta

Dr. Vinayshil Gautam

Directors

As per our attached report of even date
For Mukund M. Chitale & Co.
Chartered Accountants

Mumbai
Dated : April 28, 2007

(A. V. Kamat)
Partner (M. No. 39585)

Profit & Loss Account

for the year ended 31st March, 2007

Expenditure	**This Year**	**Previous Year**
	Rs.	**Rs.**
1. Interest	—	—
2. Other Expenses	—	—
3. Profit carried down	23,611,714	19,210,647
Total	**23,611,714**	**19,210,647**
Provision for Income Tax	7,947,000	6,466,000
Balance of profit transferred to Balance Sheet	15,664,714	12,744,647
	23,611,714	**19,210,647**

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, 2007, 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, 2007.

For Mukund M. Chitale & Co.
Chartered Accountants
(A.V. Kamat)
Partner
M. No. 39585

Place : Mumbai
Dated : April 28, 2007

Export Development Fund

Income

	This Year	Previous Year
	Rs.	Rs.
1. Interest and Discount		
(a) loans and advances	—	—
(b) investments / bank balances	23,339,714	19,210,647
2. Exchange, Commission, Brokerage and Fees	—	—
3. Other Income	272,000	—
4. Loss carried to Balance Sheet	—	—
Total	**23,611,714**	**19,210,647**
Profit brought down	23,611,714	19,210,647
Excess Income/Interest tax provision of earlier years written back	—	—
	23,611,714	**19,210,647**

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Dr. Ashok Lahiri

Dr. Ajay Dua

Smt. Shyamala Gopinath

S.C. Gupta

Dr. Vinayshil Gautam

Directors

As per our attached report of even date
For Mukund M. Chitale & Co.
Chartered Accountants

Mumbai
Dated : April 28, 2007

(A. V. Kamat)
Partner (M. No. 39585)

Cash Flow Statement

for the year ended 31st March, 2007

Particulars	**This Year**	**Amount (Rs. in Mn.)** **Previous Year**
Cash flow from Operating Activities		
Net Profit before tax and extra-ordinary items	3,908.8	3,768.9
Adjustments for		
— (Profit)/Loss on sale of fixed assets (Net)	(0.8)	(2.0)
— (Profit)/Loss on sale of Investments (Net)	(443.0)	(211.3)
— Depreciation	66.5	66.9
— Discount/Expenses on bond issues written off	132.0	118.1
— Transfer from Investment Fluctuation Reserve	—	—
— Provisions/Write Off of Loans/Investments & other provisions	11.4	36.0
— Others - to specify	—	—
	3,674.9	3,776.6
Adjustments for		
— Other Assets	(2,287.5)	(1,065.4)
— Current liabilities	2,081.6	611.4
Cash generated from operations	**3,469.0**	**3,322.6**
Payment of income tax/interest tax	(786.2)	(1,440.7)
Net cash flow from operating activities	**2,682.8**	**1,881.9**
Cash flow from Investing activities		
— Net purchase of fixed assets	(302.2)	(52.8)
— Net change in investments	(3,229.4)	697.4
Net cash used in / raised from Investing activities	**(3,531.6)**	**644.6**

General Fund

	Amount (Rs. in Mn.) This Year	Previous Year
Cash Flow from Financing activities		
— Equity capital infusion	500.0	1,000.0
— Loans borrowed (net of repayments made)	56,389.8	39,972.2
— Loans lent, bills discounted & rediscounted (net of repayments received)	(53,931.5)	(46,827.0)
— Dividend on equity shares & tax on dividend (Balance of Net profits transferred to Central Government)	(989.2)	(739.9)
Net cash used in / raised from Financing activities	**1,969.1**	**(6,594.7)**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**1,120.3**	**(4,068.2)**
OPENING CASH & CASH EQUIVALENTS	4,758.1	8,826.3
CLOSING CASH & CASH EQUIVALENTS	5,878.4	4,758.1

For and on behalf of the Board

S.R. Rao
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

N. Shankar
Executive Director

Dr. Ashok Lahiri

Dr. Ajay Dua

Smt. Shyamala Gopinath

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Dr. Vinayshil Gautam

Directors

As per our attached report of even date
For Mukund M. Chitale & Co.
Chartered Accountants

Mumbai
Dated : April 28, 2007

(A. V. Kamat)
Partner (M. No. 39585)

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 DBOD. No. FID. FIC.2 / 01.02.00 / 2006-07 dated July 1, 2006 and thereafter.

(ii) Revenue Recognition

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

(iii) Asset Classification and Provisioning

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

Loan Assets are classified in 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 off, 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. 29.88 billion (previous year Rs. 30.66 billion) held on agency account including a sum of Rs. 27.00 billion (previous year Rs.27.71 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. The Bank is pursuing the matter for refund of the taxes paid for Assessment Year (A.Y.) 1999-2000 and the matter is in appeal at Income Tax Appellate Tribunal (ITAT). The Bank has also made full payments against the demand raised by Income-tax Authorities for A.Ys. 2000-01 to 2004-05 and the interest-tax demand for A.Ys. 1999-00 and 2000-01, which are also in appeal 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. 9.15 billion (previous year Rs. 12.18 billion), yet to be cancelled in books.

   (b) Claims not acknowledged as debts

   The amount of Rs. 3.11 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

   The outstanding forward exchange contracts as at March 31, 2007 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 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.

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 loss on such translation is Rs. 0.01 billion (previous year profit of Rs. 0.16 billion).

ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA

4. Capital

(a)

Particulars	As on March 31, 2007	As on March 31, 2006
(i) Capital to Risk Assets Ratio (CRAR)	16.38%	18.42%
(ii) Core CRAR	15.16%	17.21%
(iii) Supplementary CRAR	1.22%	1.21%

(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 borrowings/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, 2007 as Tier-II capital: Rs. NIL (previous year: Rs. NIL)

(d) Risk weighted assets –

(Rs. billion)

Particulars	As on March 31, 2007	As on March 31, 2006
(i) 'On' balance sheet items	182.64	146.47
(ii) 'Off' balance sheet items	25.07	29.49

(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, 2007

(a) Percentage of net Non-performing Assets (NPAs) to net loans and advances : 0.50 (previous year 0.59)

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

(Rs. billion)

Particulars	As on March 31, 2007		As on March 31, 2006	
	Amount	Percentage	Amount	Percentage
Sub-standard Assets	1.08	0.47	1.05	0.59
Doubtful Assets	0.07	0.03	—	—
Loss Assets	—	—	—	—
Total	1.15	0.50	1.05	0.59

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

(Rs. billion)

Particulars	2006-07	2005-06
Standard Assets	0.21	0.38
NPAs	1.09	1.04
Investments (other than those in the nature of an advance)	0.24	0.24
Income Tax	0.91	1.06

(d) Movement in net NPAs:

(Rs. billion)

Particulars	2006-07	2005-06
Net NPAs at the beginning of the year	1.05	1.09
Add : New NPAs during the year	0.13	1.37
Less : Recoveries/upgradations during the year	0.03	1.41
Net NPAs at the end of the year	1.15	1.05

(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	2006-07	2005-06
Opening balance as at the beginning of the year	4.35	5.00
Add : Provisions made during the year	1.09	1.04
Less: Write off/ write back of excess provision	1.56	1.69
Closing balance at the end of the year	3.88	4.35

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

(i) No. of Accounts - 2

(ii) Aggregate value (net of provisions) of accounts sold to SC/RC - Rs. 0.43 billion

(iii) Aggregate consideration - Rs. 0.49 billion

(iv) Consideration realised in respect of accounts transferred in earlier years - Rs. 0.01 billion

(v) Aggregate gain over net book value – Rs. 0.06 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	2006-07	2005-06
Opening balance as at the beginning of the year	0.24	0.24
Additions during the year	0.14	—
Reductions during the year	—	—
Closing balance at the end of the year	0.38	0.24
Total provisions held	0.32	0.24

(h) Provisions for depreciation in investments

(Rs. billion)

Particulars	2006-07	2005-06
Opening balance as at the beginning of the year	0.67	0.43
Add :		
(i) Provisions made during the year	0.24	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	0.91	0.67

(i) Restructured Standard Assets as on March 31,2007: Rs. 0.41 billion (previous year Rs.0.16 billion).

(j) Restructured Sub-standard Assets as on March 31, 2007: Nil (previous year Rs.0.04 billion).

(k) Restructured Doubtful Assets as on March 31, 2007: Nil (previous year Rs.0.01 billion).

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

(Rs. billion)

Particulars	2006-07	2005-06
(a) Loan Assets		
Amount subjected to Restructuring under CDR	0.74	0.68
No. of Accounts	2	2
Amount of Sacrifice	0.04	0.01
(b) Standard Assets		
Amount subjected to Restructuring under CDR	—	0.68
No. of Accounts	—	2
Amount of Sacrifice	—	0.01
(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	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

Previous Year :

Particulars	Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE)@	Percentage to Total Assets
i) Largest single borrower	21.89	1.91	3.21
ii) Largest borrower group	44.62	3.90	6.55
iii) 10 largest single borrowers	137.20	11.98	20.13
iv) 10 largest borrower groups	181.31	15.84	26.60

* Capital Funds as on March 31, 2005

@ 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 was 1 borrower as on March 31, 2007 for whom exposure over 15% of capital funds was assumed with the approval of the Board/ Management Committee. Exposure to this borrower as on March 31, 2007 stood at 17% of the capital funds of the Bank.

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

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

Previous Year :

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Textile / Garments	10.75	11.91
ii) Metal & Metal Processing	9.76	10.81
iii) Engineering Goods	8.25	9.14
iv) Construction	8.08	8.95
v) Capital Goods	7.87	8.72

- 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	0.20	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.

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	0.28	—	—	0.08	0.08
4	Private corporates	2.59	0.06	—	2.59	2.35*
5	Subsidiaries / Joint ventures	0.33	—	—	0.33	0.33
6	Others	2.77	—	—	2.77	0.27
7	#Provision held towards depreciation	0.32	—	—	—	—
	Total	6.26	0.06	—	6.06	3.32

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

* Out of which Rs.1.68 billion represents investment in security receipts issued by ARCIL and Rs.0.52 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	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

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	73.93	65.15	35.40	11.75	29.83	216.06
Foreign currency assets	63.06	30.86	49.77	4.41	7.72	155.82
Total assets	136.99	96.01	85.17	16.16	37.55	371.88
Rupee liabilities	71.88	42.32	26.17	16.83	56.64	213.84
Foreign currency liabilities	51.48	28.31	57.74	1.48	15.05	154.06
Total liabilities	123.36	70.63	83.91	18.31	71.69	367.90

- 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, 2007
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	2.75	0.02	—

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, 2006
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	2.64	0.01	—

7. Disclosure on risk in derivatives in terms of RBI Guidelines dated July 01, 2006

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 Asset Liability Management Committee (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.

b) Quantitative Disclosure

(Rs. billion)

Sr. No.	Particulars	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	81.96	19.64
	b) For trading	—	—
2	Marked to Market Positions		
	a) Asset (+)	—	—
	b) Liability (-)	1.12	0.55
3	Credit Exposure	3.55	0.10
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	1.14	0.46
	b) on trading derivatives	—	—
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging (i) Maximum (ii) Minimum	 1.25 0.87	 0.57 0.45
	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, 2007 (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	19.6446	—
2.	Losses, which would be incurred if counter parties failed to fulfill their obligations under the agreements	0.0026	—
3.	Concentration of credit risk arising from Swaps	All transactions fall within approved credit exposure limits.	—
4.	The fair value of the swap book	(0.5455)	—

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

(a) Interest income as a percentage to average working funds: 8.09 (previous year 7.63).

(b) Non-interest income as a percentage to average working funds : 0.53 (previous year 0.56).

(c) Operating profit as a percentage to average working funds: 1.72 (previous year 2.14).

(d) Return on average assets: 1.31% (previous year 1.52%).

(e) Net Profit per (permanent) employee: Rs. 14.1 mn (previous year Rs.13.5 mn).

- 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 2006 Additions Disposals	 0.85 0.26 —	 0.34 0.04 0.01	 1.19 0.30 0.01
Cost as on 31st March 2007 (A)	1.11	0.37	1.48
Depreciation Accumulated as on 31st March 2006 Provided during the year Eliminated on Disposals	 0.30 0.04 —	 0.30 0.04 0.01	 0.60 0.08 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

Previous Year :

(Rs. billion)

Particulars	Premises	Others	Total
Gross Block Cost as on 31st March 2005 Additions Disposals	 0.81 0.04 —	 0.34 0.02 0.02	 1.15 0.06 0.02
Cost as on 31st March 2006 (A)	0.85	0.34	1.19
Depreciation Accumulated as on 31st March 2005 Provided during the year Eliminated on Disposals	 0.26 0.04 —	 0.30 0.03 0.02	 0.56 0.07 0.02
Accumulated as on 31st March 2006 (B)	0.30	0.31	0.61
Net Block (A-B)	0.55	0.03	0.58

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

      — Shri S. R. Rao, Chairman of GTF

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

(Rs. mn)

Particulars	Joint Ventures 2006-07	Joint Ventures 2005-06
Loans granted	1000.00	600.00
Interest received	5.88	4.32
Receipts towards services rendered	1.10	0.90
Term Deposit Accepted	5.29	5.00
Interest paid on Term Deposits	0.26	0.11

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

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

Maximum Loan outstanding during the year: Rs. 1000.00 mn (previous year Rs.250.00 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	1030.80
(ii)	Fringe benefit tax	5.00
		1035.80
(iii)	Less : Net reversal of deferred tax liability	121.08
		914.72

(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, 2007
Deferred Tax Liability	
1. Amortization of Bond issue expenses	50.07
2. Special Reserve Created under section 36 (1) (viii)	670.91
	720.98
Less : Deferred Tax Assets	
1. Provision Disallowed (Net)	340.40
2. Depreciation on Fixed Assets	31.18
	371.58
Net Deferred Tax Liabilities [included in 'Other Liabilities' in the 'Liabilities' side of the Balance Sheet]	349.40

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%	40%

Note – Investment in Convertible preference shares of GTF: Nil (Previous Year Rs. 144 mn).

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

(Rs. mn)

Liabilities	2006-07 *	2005-06	Assets	2006-07 *	2005-06
Capital & Reserves	576.54	383.38	Fixed Assets	56.81	51.95
Loans	6913.16	2823.36	Investments	0.46	0.07
Other Liabilities	99.64	111.98	Other Assets	7532.07	3266.70
Total	7589.34	3318.72	Total	7589.34	3318.72

Contingent Liabilities : Rs. 93.72 mn (Previous year Rs. 3.81 mn)

* The figures for GTF are provisional.

(Rs. mn)

Expenses	2006-07 *	2005-06	Income	2006-07 *	2005-06
Interest and Financing Expenses	334.75	133.87	Income from factoring activity	546.27	217.54
Other Expenses	81.69	49.68	Consultancy Income	6.55	8.08
Provisions	59.36	11.58	Interest income & Income from investment	24.48	17.83
			Other Income	17.28	7.32
Total	475.80	195.13	Total	594.58	250.77

* The figures for GTF are provisional.

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, 2007 requiring recognition in terms of the said standard.

16. Movement of Provisions for Employee benefits

(Rs. mn)

Particulars	Amount
Opening Balance	34.17
Add :- Provided during the Year	29.39
Less : Amount used / reversed during the year	20.14
Closing Balance	43.42

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

Dr. Ashok Lahiri

Dr. Ajay Dua

Smt. Shyamala Gopinath

S.C. Gupta

Dr. Vinayshil Gautam

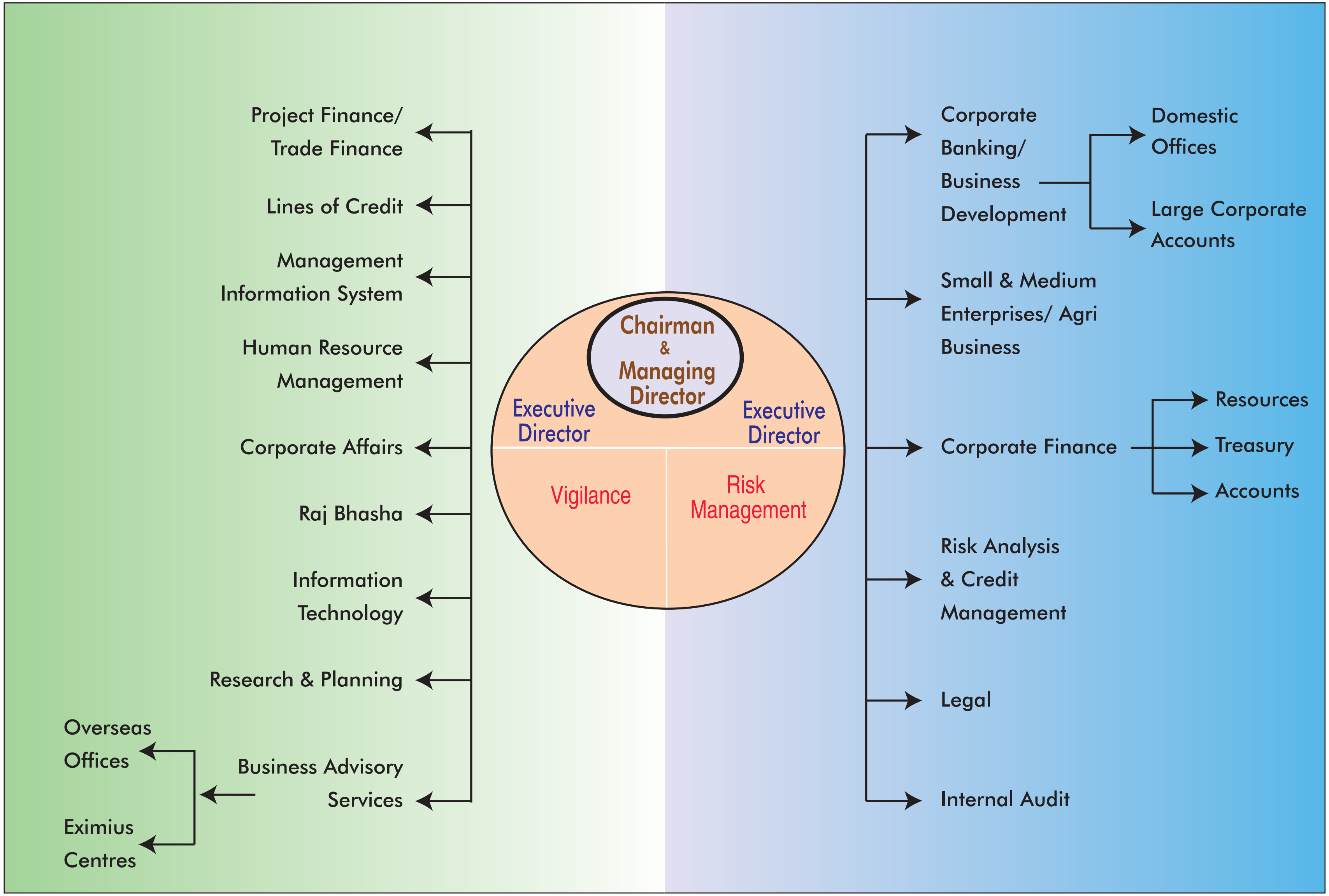
Directors

As per our attached report of even date
For Mukund M. Chitale & Co.
Chartered Accountants

Mumbai
Dated : April 28, 2007

(A. V. Kamat)
Partner (M. No. 39585)

Organisation Chart



Exim Bank's Key Resource: Its Human Capital

Management Team

Sitting from left:

S.R. Rao, Executive Director

T.C. Venkat Subramanian, Chairman & Managing Director

N. Shankar, Executive Director

Standing from left:

C.P. Ravindranath, General Manager

P.R. Dalal, Chief General Manager

D.G. Prasad, Chief General Manager

P. A. Makwana, Chief General Manager

R.W. Khanna, Chief General Manager

David Rasquinha, General Manager

John Mathew, General Manager

Regional Heads

Indian Offices


Ahmedabad
Rikesh Chand


Bangalore
M. Srinivasa Rao


Chennai
T. D. Sivakumar


Guwahati
Saumar Sonowal


Hyderabad
Y. Madhukar Reddy


Kolkata
Jogender Singh


Mumbai
Devanand Rajak


New Delhi
Sunil Trikha


Pune
Vinod Goel

Overseas Offices


Dubai
Nirmit Ved


Johannesburg
Sanjeev Kumar Pawar


London
J. Samuel Joseph


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.